

Lancashire Local Pension Board – Annual Report 2017/18

This is my third report as the first Independent Chair of the Lancashire Local Pension Board (LLPB). Last year I commented that after two years' operation as a Board we had a much clearer view of our role, and how we could both fulfil our duties and add value. I noted three areas we expected to focus on in the interest of all our stakeholders, but particularly the employers and members whom we represent. The first was to encourage appropriate governance procedures and monitoring of the London Pensions Partnership (LPP), the company which the Fund has set up together with the London Pension Fund Authority to manage their assets, liabilities and administration. We need the assurance that it is at all times acting in the Fund's interest. Secondly, we asked the Pension Fund Committee (PFC) to provide us with comfort that the major changes LPP were proposing to the administration function would not involve any risk to the service. Finally, we would continue to look at how to improve engagement with employers and members.

In this report, I will start by reminding readers of the mechanics of the LLPB, then explain how we have fulfilled our legal duty of scrutiny, before going on to comment on each of the three areas above in more detail.

Membership of the Pension Board

The LPB has nine members, four Employer representatives who were chosen to be representative of the Fund's employers, four Scheme Member representatives originally elected in a public election and myself as the Independent Chair. During the year three members of the LLPB resigned and I would like to thank them all for their service during the first three years operation of the Board. The two employer representatives have been replaced by County Councillor Christian Wakeford and Tony Pounder, and I welcome them both to the Board.

The vacant scheme member representative position was advertised by email and on the Your Pension Service website in March 2018. When the LLPB was originally established, we held an election to fill the scheme member vacancies but this time we took the view that this was not a cost-effective way of filling a single vacancy, and that the categorisation of member representatives into active, deferred and pensioner classes was too restrictive. The Terms of Reference of the Board have therefore been amended to refer to scheme members who will represent all elements of the Fund membership, giving us more flexibility and making it easier to attract/recruit candidates. Since the year end, we have held interviews and a suitable candidate has been selected from a strong field and will be formally appointed in due course.

The LLPB meets four times a year and we also create Working Groups if we feel they are needed. In my capacity as Chair I am also on occasion invited to attend

PFC meetings, to present reports and advise the Committee on the work of the Board and I have attended three out of the of the four Committees held during the year.

Attendance of Board members at meetings of the Pension Board

Details of individual members' attendance at Board meetings together with changes to the membership of the Board are set out in Annex 'A' to this report.

Training

The Board has a small internal budget, which is used primarily to defray the cost of Members' attendance at training events or conferences. During the year £12,518.33 was spent on the costs of running the Board and training.

The LLPB is under a legal obligation to maintain its levels of knowledge and understanding through regular training. Members are actively encouraged to join internal training sessions held jointly with the members of the Pension Fund Committee. During the year, internal training workshops were held on the risk register, LPP administration operations, Investment Strategy and GDPR (the new data protection regulations). Members are also notified of and encouraged to attend external training conferences/event to extend their knowledge and meet other LPB members.

In addition we conduct a gap analysis of training needs once a year as part of our own annual appraisal, which becomes an agenda item at our next meeting. The table below shows the number of training events each Board member attended during the year.

Name	Internal event attended	External events attended
W Bourne	1	3
County Councillor C Wakeford	1	0
S Browne	2	1
S Thompson	2	0
C Gibson	0	1
K Haigh	7	2
R Harvey	7	2
Y Moulton	4	1
J Hall	0	0

Information about the Board, including minutes and public papers, are available on can be viewed on the [Your Pension Service website](#) the Pension Fund

Much of the work in the past year has been on internal changes and developments resulting from the creation of LPP and I give more details below. However, it has been important that we do not neglect our regular function of monitoring compliance with all the regulations and guidance from the Pensions Regulator, the DCLG (now the MHCLG) and other sources, as well as service level agreements with LPP. We agree a detailed Work Plan at the beginning of each year to ensure that we cover everything within our remit and at every meeting we review the assurance statements given to us. In some cases, such as the Key Performance Indicators or notification of any breach of regulations, we see the detail behind the headline statement. 2018's plan can be seen in the agenda for the [April 2018 Board](#).

One challenge for the LLPB results from the outsourcing of a large part of the Fund's functions to LPP, whose staff therefore create many of the assurance statements which we rely on when we review compliance, but may themselves also form part of the subject matter. In this context, we place particular importance on who else has reviewed the assurance statements and the independent auditor reports, both internal and external. If we are not content, we will ask to see the detail behind the statements.

Our second legal duty is to assist the Pension Fund Committee. As part of that, we regularly review and comment on formal documents which they are considering. I would like to highlight the Risk Register, a revised Responsible Investment policy, the measures put in place ahead of the introduction of two new European Directives (MIFID II and GDPR), compliance with The Pension Regulator's Code of Practice 14 and the annual communications report. In all these cases except for the last, our role was to review and make suggestions to the Board before they finally approved the reports. In the case of the Risk Register, we made substantial recommendations on how to improve its presentation and how the Board's activities could be a significant mitigating factor across a range of risks.

I mentioned last year that we would keep a careful eye on the procedures in place to monitor LPP's performance. The Fund's ability to fulfil its fiduciary duty and thereby pay pensions in full on time, depends on LPP providing an effective service to it. We highlighted last year that we had concerns that there was insufficient governance resource dedicated in this area, and recommended both an increase in the Fund's governance resource and also an independent review. A year later there have been three separate reviews from a legal, compliance and operational perspective, which give us greater confidence. We will continue to monitor this topic going forward, as good governance is a continual process and not a one-off project.

Throughout the year we monitored LPP's project to redesign the administration processes to deliver a better service to its clients, including LCPF. Our objective in the last year, within the limits of our remit, was to gain what assurance we could that the process of change did not involve any risk to the level of service provided to

members in the short term. The project is nearing completion and we will be evaluating the improvements in service levels over the next financial year.

We have also, jointly with the LPFA, commissioned an external review of LPP's effectiveness now that the company has been fully operational for two years. We wish to have third-party assurance that it is cost-effective for both Funds, in terms of its establishment but also looking forward. We will also spend time in the next year on reviewing communications to members and employers.

After three years of operation we believe the LLPB has established itself as a valuable part of the Fund's governance. We are using our collective knowledge and experience to try and ensure that members and employers' interests are not lost in the more complex structures which the creation of LPP has inevitably involved. Apart from the activities outlined above, I expect the focus over the next year to be more on our core functions, i.e. monitoring compliance with the regulations and assisting the PFC to run the Fund where we can.

I will end by once again thanking the officers at LCPF who support us in our duties. As part of our annual Board appraisal I speak individually to each member, and I can record unanimous agreement that we are ably and effectively supported by the team at LCPF. In my view it is important that we recognise that publicly in this report.

William Bourne

Independent Chair of the Lancashire Local Pension Board.

May 2018