

## Report on Lancashire Pension Board Appraisals 2019 FINAL

*This note summarises the main points which came out of the appraisal meetings I held with Local Pension Board (LPB) members and Officers, and makes recommendations to improve its effectiveness and efficiency.*

*William Bourne, Independent Chair of the Local Pension Board*

*11<sup>th</sup> February 2019*

### Appraisal meetings held

Name	Representative	Date
Abigail Leech	Officer	29th January
Christian Wakeford	Employers	29th January
Eddie Pope (informal)	Chair of PFC	30th January
Kathryn Haigh	Members	29th January
Keith Wallbank	Members	29th January
Mike Neville	Officer	29th January
Steve Thompson	Employers	30th January
Tony Pounder	Employers	29th January
Yvonne Moulton	Members	30th January

I was unable to meet with Carl Gibson (Employers) and Bob Harvey (Members), but both have seen a draft of this report and agreed with the main points made.

### General

Twelve months ago the focus of the review was primarily on how the Local Pension Board (“the LPB”) can effectively review LPP and other service provider’s activities, and separately how Board members can be expected to assimilate the considerable volume of papers on each agenda. The main recommendations I made were to ask individual LPB members to take responsibility for particular areas of scrutiny, to suggest training for the PFC on the LPB’s role, and to suggest training on breach reporting and record-keeping in particular.

The LPB is obliged to conduct an annual appraisal under its Terms of Reference, with the purpose of reviewing and improving its efficiency and effectiveness. As Chair, I also find it helpful to have one-on-one conversations with members and Officers outside formal LPB meetings. This year I have met with six out of eight LPB members, the PFC Chair and two Officers.

### Efficiency

There was universal agreement that the LPB works well as a body. The mix of members provides varied input and experience, while there is a good sense of collective responsibility. The three members appointed over the last fifteen months have all found their feet and contribute to our discussions actively. The detailed experience individual members can bring to bear in areas such as administration, risk registers and IT has been particularly helpful over the past year.

A number of members suggested that there is little chance at meetings to get to know their colleagues, particularly those appointed recently. I therefore recommend we aim to hold a lunch for LPB members in

2019 as a thank you for their time and contribution and to provide an opportunity to socialise in a less formal setting. We did the same in 2017, and this should be either an annual or a biennial event.

The experiment of allocating particular areas to individual members to lead LPB debates has not worked perfectly. There was support for the principle and I recommend that we continue to trial it for at least another twelve months. I have set out in the recommendations below suggested areas of responsibility for each member in 2019 for consideration. When meeting papers are published I will undertake to let members know which agenda items I expect them to lead on.

There has been a considerable reduction in the volume of reports for each meeting, in accordance with LCC policies, but many members still highlight this as a problem. Under the system we are trialing I expect them to read the reports backing up their area of responsibility in detail, but note that this does not remove the responsibility for members to make themselves familiar with the main issues in all areas.

I again record universal agreement from members that Officers provide effective support to the LPB. As Chair I also record my thanks to Democratic Services for efficient and responsive management of the LPB's affairs. I was also told that the LPB runs smoothly from the Officers' perspective. LPB members should use the papers provided to the PFC wherever possible to avoid duplication and extra work for Officers. These are always available in the Pensions Library and members are alerted to new PFC as well as LPB agendas.

## Effectiveness

The majority of feedback from my meetings was that the LPB, which has now been established for nearly four years, is genuinely adding value to the PFC according to its remit to 'assist', though one member was doubtful. It has been able to provide constructive comment in areas such as Responsible Investment and the Risk Register for the benefit of the PFC, and also - because its members are 'clients' of the Pension Fund - to provide early warning when problems arise, for example the administration transformation project, and recommend remedies.

The LPB's non-executive role also makes it well placed to provide feedback and make practical suggestions to Local Pensions Partnership Group "LPP", and we are proposing to set up an advisory forum to facilitate this on the administration service.

LPB members' number one concern today continues to be the lack of processes and structures to monitor LPP's activities apart from investments, which is covered by the Investment Panel. Members are clear that our role focuses on assisting the PFC manage the Fund's role as a client of LPP, and not LCC's position as a shareholder. That notwithstanding, there are areas of overlap such as the future evolution of the administration service. This is technically a shareholder issue, but is also a concern for us in our role representing members' interests.

LPB members have concerns that the data they need to fulfil their duty to assist the PFC ensure the effective running of the Fund has not always been available in a timely manner. While this is partly a function of the cycle of Committee and Board meetings, some members found it difficult to have confidence in our ability to fulfil our duties without it. We note that a Balanced Score Card approach will be used to evaluate LPP for the next three years, and we recommend that the interviewees for this include representation from the LPB.

In 2018, various members spoke about the LPB's role at various events (PFC training, Annual Forum, Stakeholder Day, Employers Forum). Notwithstanding, not everyone understands its role in the Fund's governance structure, and I recommend a continued emphasis on this through articles in newsletters and presence and presentations at events.

## **Training**

Members felt that training through Workshops was generally at the right level and effective, though some members commented that it was quite high level and focused more at the PFC than LPB's needs. The recording of these sessions is undoubtedly helpful, and members should let Officers know if they do use this facility, as it can be counted towards their Training, Knowledge, and Understanding requirements. To meet the LPB's needs, I suggest short 30 minute training sessions twice a year before the LPB meetings focused on topics relevant to the LPB.

We have also agreed in meeting that all members will complete one set of training modules from either CIPFA or TPR, whichever is more relevant. This should ensure that all members are up to at least the same minimum standards of knowledge.

The Pensions Library is seen as a useful resource, although the volume of material there can be daunting and better signposting would make it easier to access.

This year three members suggested that further training on the legal and regulatory structure within which the Fund sits would be helpful to them.

## **Topics for 2019**

It was generally agreed that the WorkPlan agreed at the 29/01/2019 meeting provides a good basis for 2019's work schedule. It should, as one member said, be 'back to basics' with an emphasis on doing the boring things well.

A number of members suggested that, once the administration service has stabilized after the problems with the Transformation project, it would be useful to review the KPIs to ensure that they are appropriate and provide the LPB with the relevant data which both it and the PFC need to monitor LPP's performance.

## Recommendations

1. Continue the trial of allocating particular areas of Board activities to selected Board members as per the table and asking them to take formal responsibility for leading discussions in meetings.

Area	Includes	Members
Compliance with regulations and statutory guidance	TPR, LGPS regulations,	KH, CG
Communications	Engagement, comms policy	CW, KW
Administration	KPIs, ABSs, admin breaches	YM, ST
IT	Fraud Control, data protection, cyber	Vacant, CW
Investment policy documents	ISS, actuarial report, Responsible Investment	RH, ST
Service providers governance	LPP, custodian, audit	RH, TP
Risk register		CG, Vacant

2. Officers be asked to notify LPB of opportunities either to give presentations or to write short articles in newsletters in order to publicise the LPB's role.
3. Training be provided on the following subjects in 2019, if not through workshops, then through 30 minute sessions ahead of the LPB meetings.
  - a. record-keeping and reporting breaches of law (recommended last year),
  - b. the legal and regulatory structure of the fund.
4. Consideration be given as to whether the Pensions Library could be better signposted to make it easier for Board members to identify the training and guidance relevant to their needs.
5. At least one LPB Employer and one Member representative be included among the interviewees when the Balanced Scorecard Report to evaluate LPP's activities is conducted
6. Officers be asked to include a review of the administration KPIs provided by LPP in the LPB 2019 Workplan.
7. Organise a social lunch ahead of a Board meeting in 2019 (or possibly a social event after one) and aim to do this on an annual or biennial basis going forward.