

Report on Lancashire Pension Board Annual Review 2021

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

*William Bourne, Independent Chair of the Lancashire Local Pension Board
25th January 2021*

One to one meetings held as part of the Annual Review

Name	Representative	Date
Carl Gibson	Employers	6 th January 2021
Kathryn Haigh	Members	6 th January 2021
Keith Wallbank	Members	6 th January 2021
Mike Neville	Officer	11 th January 2021
Steve Thompson	Employers	11 th January 2021
Tony Pounder	Employers	6 th January 2021
Yvonne Moulton	Members	11 th January 2021
Matthew Salter	Employers	22 nd January 2021
Deborah Parker	Members	6 th January 2021

General

Item 6(d) of the Terms of Reference of the Pension Board require the Chair to facilitate an Annual Review of the operation of the Board with the purpose of reviewing and improving its efficiency and effectiveness. As part of that review I find it helpful to have one-on-one conversations with Board members and Officers outside of the formal meetings and this year, because of Covid-19 related restrictions, these meetings were conducted using Zoom.

In general there was a strong view among those I spoke to that the Pension Fund (and behind it Local Pensions Partnership Administration and Local Pensions Partnership Investments) had responded well to the challenges posed this year. The Board has also continued to perform its key role of assisting the Pension Fund Committee in ensuring the Fund works efficiently and effectively.

Board efficiency

There was agreement that the Board works well as a body, and members are committed and enthusiastic. The mix of members provides varied input and experience, and the sense of collective responsibility is strong. One comment was that there has been a successful process of continuous improvement over the six years of its existence. As with last year, the detailed

experience that individual members can bring to bear in areas such as administration, communications, risk registers and IT has been invaluable in what has been a challenging year.

There was one change to the membership of the Board during the year when County Councillor Matthew Salter replaced County Councillor Peter Britcliffe as the Lancashire County Council representative on the Board. More recently Keith Wallbank has resigned as a scheme member representative on the Board.

Due to the Covid-19 outbreak we were unable to hold the Board meeting in April, 2020, though subsequent meetings did go ahead remotely via Zoom and it is likely that the first two or three meetings in 2021 will be too. While meeting remotely is less interactive than face to face, and most Board members said they found it more tiring, there have also been positives in that it has allowed us to have a wider range of presenters. When we return to face-to-face meetings, it would undoubtedly be helpful to continue to have that capability so that service providers and trainers can present to the Board virtually.

For the last three years we have allocated particular areas to individual members to lead on debates at Board meetings. Members have indicated that this is helpful both in stimulating engagement and mitigating the reading burden, and we will continue the practice in 2021. I have set down below the suggested areas of responsibility for each member and, as before, will do my best when the agenda for meetings is published to let members know which items I expect each to lead on.

All members were clear that Officers provide effective support to the Board both in the management and the implementation of Board initiatives. The papers are well presented and communication with the Local Pensions Partnership on the administration side has improved. Many noted the Fund's significant dependency on the role of Head of the Pension Fund, as became clear when Abigail Leech resigned last year. I was also told that the Board runs smoothly from the Officers' perspective with no concerns.

Board value for money and effectiveness

I categorized 2019 as 'business as normal' but 2020 has been different. The universal feedback from my one to one meetings was that the Board is successful in adding value to the Pension Fund Committee according to its remit to 'assist'. Several Board members noted the fact that most meetings were able to follow the Work Plan, despite some of the most challenging conditions imaginable. The absence of major problems is another sign that it works well. Board members' willingness to provide informed challenge to service providers is a good way of keeping them focused on the Fund's interests, and its non-political nature allows it both to debate issues and to provide comments and advice from a neutral perspective.

Training

Training has been delivered in a variety of ways: in-house workshops/presentations with members of the Pension Fund Committee (with recordings being made available to members unable to participate on the day), short training sessions ahead of Board meetings, and external training (both on-line and in person). Board Members noted that on-line training was more time-efficient and also allowed them to fit sessions into busy schedules.

With a number of new Board members due to be appointed over the next three years, it may be appropriate to review the new member induction process this year as part of the succession planning process. One idea is to appoint an existing Board member to act as a mentor for each new member.

Suggestions for training in 2021 included:

- More detail on governance responsibilities and structures around Local Pensions Partnership Administration and Local Pensions Partnership Investment.
- General refresh on the legal framework and requirements both for Board members and the Fund.
- Exit payments.
- The Board's role in assisting the Fund to mitigate ESG issues such as climate change.
- Longer term effects of COVID.

Topics for 2020

Last year we wanted to ensure the Fund 'did the basics well' and that remains the ambition. All were keen to emphasise that service levels from Local Pensions Partnership Administration have been very creditable in 2020 despite the challenges posed by Covid-19 and generally members felt that they had been 'ahead of the curve.' However, members did consider that some areas (such as communications and promotion of the Fund's value) had perhaps received less attention than they normally would in this difficult year.

Most Board members thought there are still some governance challenges about gaining the assurances which the Board needs to fulfil its role on a number of fronts:

- Does the Fund receive the services of Local Pension Partnership Administration and Local Pensions Partnership Investments at a competitive price?
- Is there a process of continuous improvement in place at Local Pension Partnership Administration and Local Pensions Partnership Investments?
- Are the control processes behind the assurances independently verified?

The third of these points should be addressed by the report being commissioned by the Board from PWC. There was also some concern among selected Board members that, while the recently published Local Pensions Partnership Governance Charter showing the responsibilities

of the various parties is helpful, there is further work to do to ensure exactly who is accountable for what.

Recommendations

Board efficiency

1. Continue to allocate particular areas of activity to the following Board members who will have lead responsibility during discussions (changes made since 2020 review are highlighted in yellow).

Area	Includes	Members
Compliance with regulations and statutory guidance	TPR, LGPS regulations	K Haigh, Chair
Communications	Engagement, Comms policy	D Parker, C Gibson
Administration	KPIs, ABSs, admin breaches	Y Moulton, S Thompson
IT	Systems, data protection, cyber	T Pounder, M Salter
Investment policy documents	Investment Strategy Statement, actuarial report, Responsible Investment	D Parker, S Thompson
Service providers governance	LPP, custodian, audit	T Pounder, Y Moulton
Risk register		C Gibson, Vacant

2. The Work Plan to include time in 2021 to review the following items:
 - The format in which the Fund Risk Register is presented.
 - Continuous improvement processes at the Fund and Local Pensions Partnership Administration/Local Pensions Partnership Investment
3. When Covid-19 restrictions are relaxed and face-to-face Board meetings start again, put in place facilities for presenters to attend and present remotely to meetings.

Training

1. In future all training workshops should be delivered on-line and recordings made available for Board members to access later via the secure online library.
2. Review induction training for newly appointed Board members and appoint an existing Board member to mentor all new Board appointments.

Effectiveness

1. Officers at the Local Pensions Partnership be asked to notify the Board of opportunities either to give presentations or to write short articles in newsletters in order to publicise the Board's role (carried over from last year).
2. Review the Key Person Dependency Risk in the context of the Head of Pension Fund.