

Lancashire Local Pension Board – Annual Report 2020/21

The Lancashire County Pension Fund's Local Pension Board (the Board) has been up and running for nearly six years. As a reminder to readers, our legal duty is to assist the Pension Fund Committee (the Committee) and we are not an executive body. Because Board members explicitly represent either employers or scheme members, we also have a representative role in the governance structure of the Fund.

After six years, the Board has established an effective way of using its members' expertise to add value to the Committee's work. We create an annual Work Plan to ensure that we cover all the activities we should and that our workflow is aligned with that of the Committee. The core of our work is to review the reports and compliance assurances which support the Fund's activities and comment on them to the Committee. If we believe something requires particular attention, we may make a formal recommendation which requires a response.

We are always aware that our role is to assist the Committee and a good relationship between the two bodies is absolutely essential. I meet with County Councillor Pope (Chair of the Committee) regularly and participated in as many Committee meetings during the year as I was able to. We also regularly welcome County Councillor Pope to meetings of the Board, and I can confidently assert that the two bodies work closely together.

This year has been extraordinary because of the various restrictions imposed as a result of the Covid-19 pandemic. At an operational level the Fund, and to a large extent the Local Pensions Partnership (LPP) staff who provide the bulk of services to the Fund, have worked from home. Our focus this year has therefore been on monitoring the maintenance of service levels to employers and members. I discuss this in more depth later on.

Membership of the Pension Board

The Board has nine members: four Employer representatives, four Scheme Member representatives and I act as the Independent Chair. Members serve a maximum eight-year term, except for the Chair whose period of office is four years. Apart from the Chair, none of the Board members are remunerated other than for expenses incurred in attending meetings or training.

During the year, there were two changes to the membership of the Board. County Councillor Matthew Salter replaced County Councillor Peter Britcliffe as one of Lancashire County Council (LCC) representatives and in January 2021 Keith Wallbank, a Scheme Member representative, resigned. Following advertisement and interviews, this vacancy is to be filled by Kevin Ellard, who will attend his first

meeting in July following formal approval of the appointment by full Council. I would like to thank Peter and Keith for their time on the Board.

The Board had to cancel its April 2020 meeting because County Council policies imposed under the pandemic restrictions did not at that time allow meetings either in person or by webinar. Instead reports for information that would have been discussed at the meeting, including our regular activities, matters considered by the Committee and an update on administration and investments during the pandemic, were circulated to all members by email.

The subsequent three meetings during the year were held by webinar, as was the first meeting in the current year, and we have in place a process for making decisions electronically where that is required. Like many other organisations, we have found that virtual meetings are not as satisfactory as face to face but it has been possible for us to fulfil our duties. They have, however, made it easier for Fund Officers or other presenters to attend our meetings to support the reports on the agenda. We hope to be able to return to in-person meetings in July 2021.

The Board has a budget to cover both its expenses and to allow it to commission reports if required. During the year the cost of running the Board came to £8,649.15.

Attendance of Board members at meetings.

Details of individual members' attendance at Board meetings (between 1st April 2020 and 31st March 2021), together with in year changes to the membership of the Board, are set out below.

Name	Representing	21st April 2020	14th July 2020	13th October 2020	19th January 2021
W Bourne	Independent Chair	C A N C E L L E D	✓	✓	✓
County Councillor M Salter	Employer rep – LCC		✓	✓	✓
T Pounder	Employer rep - LCC		✓	Apologies	Apologies
S Thompson	Employer – Unitary, City, Borough, Police & Fire		✓	✓	✓
C Gibson	Employer rep - Others		✓	✓	✓
K Haigh	Scheme Member rep		✓	✓	✓
Y Moulton	Scheme Member rep		✓	✓	Apologies
D Parker	Scheme Member rep		✓	✓	✓
K Wallbank	Scheme Member rep		✓	✓	✓

Changes to the membership of the Board

County Councillor M Salter replaced County Councillor P Britcliffe as an employer representative (Lancashire County Council) on the Board in June 2020. Subject to approval by full council Mr K Ellard will fill the vacancy for a scheme member representative on the Board following the resignation of Mr K Wallbank on the 20th January 2021

Training

The Board is under a legal obligation to ensure its members maintain their levels of knowledge and understanding through regular training. We conduct a gap analysis of training needs once a year as part of our own annual efficiency review, which becomes an agenda item at our next meeting. Internal training workshops during this year were conducted by webinar in conjunction with the Committee, with recordings being made available for those unable to attend. This appeared to increase participation levels considerably and in future the majority of Fund training is likely to be done in this way. Board members will still have opportunities to attend external training events during the year and are expected to complete the online training modules from The Pension Regulator's Public Service toolkit.

July 2020 - Asset safety and cyber security.

September 2020 - Feedback from the Investment Panel following review of the LCPF Funding Strategy Statement

November 2020 - The new responsible investment Dashboard report for Pension Fund Committee.

January 2021 - Update from Local Pensions Partnership Administration.

February 2021 - Local Pensions Partnership Budget.

March 2021 - Local Pensions Partnership Communications and the new LCPF website.

Note - The Board also received a presentation in advance of the meeting on the 13th October 2020 regarding internal audit assurance over the Lancashire County Pension Fund.

The table below shows the number of internal/external training events individual Board members attended during the period 1st May 2020 to 30th April 2021.

Name	Internal events	External Events
W Bourne	6	1
County Councillor M Salter	6	0
T Pounder	5	1
S Thompson	5	0
C Gibson	4	1
K Haigh	10	1
Y Moulton	6	2

K Wallbank	4	0
D Parker	7	2

Note – the number of external events held during 2020 was significantly reduced due to the Covid-19 pandemic though some events were held remotely.

Further information about the Board, including minutes and public papers, can be viewed on the Lancashire Pension Fund website at the following link - lancashirecountypensionfund.org.uk

Activities

The year was dominated by the challenges presented to all pension funds by the Covid-19 pandemic. The Local Pension Partnership (LPP) responded admirably to the national imposition of working from home. While there was some impact in the initial months as processes were re-organised, their administration team were quick to adapt to the new working environment. The Board received regular updates at meetings and between them in the early days.

The separation of LPP’s administration and investment functions into two independent units, Local Pensions Partnership Administration (LPPA) and Local Pensions Partnership Investments (LPPI), has led to some challenges. The Board is supportive of the decision to create two more focused entities but needs to assure itself that there will be cost and efficiency savings from returning some of the shared functions, such as IT and Human Resources, back to the Fund. For example, it now has to find resource from within the County Council to support its own website rather than relying on LPP resources.

Regardless of the consequences of the pandemic, the core of the Board’s work remains one of oversight. At every meeting, we look at any breaches of the regulations and consider the Key Performance Indicators agreed with LPP as indicators or performance levels. I mentioned last year that we were looking for a full review of these and during the year LPPA developed considerably more detailed Key Performance Indicators which have improved our ability to monitor and comment on the data. This should help us understand how effectively the Fund is delivering its services to members and thereby assist the PFC in the crucial role of monitoring LPPA’s performance properly.

Over the year, in our scrutinising role alongside the Committee, we reviewed the Fund’s Responsible Investment Policy, compliance with the Stewardship Code and The Pension Regulator’s Code of Practice, the Risk Framework, the Governance Statement, and the Admissions and Terminations policy. The wide range of expertise among Board members as well as their experience as users, either

employers or members of the Fund, means the Board is well placed to provide useful and relevant feedback to the Committee.

We have spent significant time on the Internal Audit function. Our concern here, which I have mentioned in previous reports, is that the assurance statements we receive from LPP (in future LLPA and LPPI) depend on their internal control processes and functions operating correctly. We are not able to see the detail of LPP's own internal audit reports and the scope of the County Councils internal audit of the Fund's operations does not cover LPPA, where the bulk of the work is done. In the absence of any independent verification the Board can only place partial reliance on LPP's assurance statements. We therefore proposed the commissioning of an external report to provide us with independent assurance on LPP's internal controls. At the time of writing an initial update on progress is expected to be presented to the Board in April 2021.

One of the Board's formal objectives is to assist the Committee in ensuring the Fund is managed efficiently and effectively. As part of this we review changes to the risk register at every meeting and have offered some suggestions on the format so that it is able to provide timely pointers where the Committee should focus its attention. This is still a work in progress, but I believe it will, in due course, form another part of the continuous improvement in the Fund's governance.

A lot of regulatory change is expected in the next year. The Pensions Regulator is reviewing the Code of Practice 14 which the Local Government Pension Scheme falls under and has launched a consultation on its proposal to combine it with nine other codes covering pension funds. The Ministry for Housing, Communities and Local Government is also expected to publish new guidance on maintaining investment strategy statements, including further requirements on pooling in 2021. The recommendations made in the Scheme Advisory Board's Good Governance project are likely to be implemented in separate new statutory guidance. Finally, new legislation is expected to increase the requirements to disclose pension funds' exposure to climate change risks.

The Board's role will be to act as a second pair of eyes to help the Committee ensure the Fund is compliant with these changes as they become legal or regulatory requirements.

Under the Board's Terms of Reference I am required to make a statement in respect of my annual review of the Board's effectiveness. I conducted this in January 2021, and the recommendations I made were relatively minor as reported to the Board in April 2021. I believe the Board operates effectively and efficiently and is able to fulfil its legal and regulatory requirements fully.

I would like once again to finish by thanking the officers at the County Council who support us in our duties, and in particular to thank Abbi Leech (Head of Fund) who left the Council towards the end of 2020 , Michelle King who took over as Interim Head of Fund and welcome Sean Greene who has recently been appointed to the role. As part of the annual review I speak individually to each Board member and I can record full agreement that in a year which was more challenging than most we have been ably and effectively supported by the whole team. I am again delighted to recognise that publicly in this report.

William Bourne, Independent Chair of the Lancashire Local Pension Board
April 2021