

Report on the Lancashire Pension Appraisal 2024

This report summarises the main points which came out of the one-to-one meetings I held with individual Lancashire Local Pension Board (“**LLPB**”) members, the Chair of the Pension Fund Committee and Lancashire County Council (“**LCC**”) officers and makes recommendations to improve its effectiveness and efficiency.

Fiona Miller, Independent Chair of the Local Pension Board
14th March 2024

Dates of one-to-one meetings.

Name	Role/Representing	Date
Kevin Ellard	Scheme Members	23 rd Jan 2024
Stephen Dunstan*	Employers (Other)	23 rd Jan 2024
Deborah Parker	Scheme Members	23 rd Jan 2024
Gayna Hart*	Scheme Members	23 rd Jan 2024
Sean Greene	Head of Pension Fund	23 rd Jan 2024
County Councillor E Pope	Chair - Pension Fund Committee	24 th Jan 2024
Mike Neville	Democratic Services Officer (LCC)	24 th Jan 2024
Simon Lawrence*	Employer (LCC)	24 th Jan 2024
Mark Davies*	Employers (Unitary, City & Borough Councils & Police/Fire).	24 th Jan 2024 via MS Teams
Anthony Egerton*	Scheme Members	TBA
County Councillor Ged Mirfin*	Employer (LCC)	-

* Newly appointed Board members

General

The LLPB is obliged to conduct an annual appraisal under its Terms of Reference (Section 6), with the purpose of reviewing and improving its efficiency and effectiveness. As a new Chair, with six new Board members, these conversations proved useful in helping to shape relationships and acknowledge preferred working styles, identify individual and group collective strengths and areas of specific interest or development needs again both individually, and as a collective group. Given the breadth and depth of information that these meetings gave I intend to have further one-on-one conversations with Board members, the Chair of the Pension Fund Committee and Officers outside the formal LLPB meetings. This year the meetings were a mixture of face to face and virtual meetings as best met the needs of the individuals.

Before his departure I also held a series of discussions with the outgoing Chair – William Bourne, who’s dedication and professionalism over the last eight years has in no small part contributed to the strength of Board that I now seek to lead. I would like to formally recognise this and thank William for his support in ensuring that the hand over was effective.

As I mentioned the Board is in the throes of change, as two Board members left, and four others came to the end of their second term of office. Under the succession plan, new Board members have been recruited and appointed and the Board is now back to full strength with all now in post and working effectively.

In general, there is continuing agreement amongst longer standing Board members that the LLPB functions effectively and has continued to perform its key role of assisting the Pension Fund Committee (“**PFC**”). Whilst the newer Board members demonstrated an understanding of the purpose of the Board and welcomed the chance to help shape its future role in supporting the Committee.

I have highlighted the following areas below where given the conversations and external observations in my view the Board has added demonstrable value in the past year in addition to its main role of oversight of compliance with regulations:

- Helping to ensure progress continues and issues are resolved in what has been a difficult implementation of the new pension administration software for Local Pensions Partnership Administration (i.e., project PACE) alongside the aspects of the financial software for Lancashire County Council (i.e., Oracle Fusion) where it relates to the services provided for the Pension Fund as well as LCC’s role as a participating employer within the Pensions Fund.
- A more effective risk register has been implemented where the major risks and their mitigations are clearly identified and discussed on a regular basis.
- Whilst there have been delays nationally, progress has been made on preparing for the national Pensions Dashboard.
- Additional work to support the requirements to meet the increasing external cyber risk.

Board Efficiency

Board Members agreed that the LLPB has a good mix of experience and works well as a body, but recognised that there will be a period of evolution as newer members bed in. The relationship with both Officers and the PFC at Lancashire County Council is good, and Board members are engaged and use their specific expertise to provide useful feedback and input in various areas. The relationship with the Fund’s outsourced administrator, LPPA, is also important, especially given the current issues being

experienced and Board members appreciate the regular appearance of the LPPA Managing Director at our meetings to present reports, update on progress and answer remaining questions.

My observations of the seamless integration and the active contributions made at the meetings I have attended would support that the succession planning was well executed and the mix of expertise on the Board remains well balanced. The Board members appointed over the past year add some useful skills (e.g., cyber fraud, employer understanding and communications) but we will lose some front-line administration experience which has been helpful in holding LPPA to account. I have extensive experience of both outsourcing and managing Pension Administration services which will help to mitigate this gap.

Whilst the recruitment progress looked at candidates' general knowledge and specific expertise, the panel also considered how they might add to the diversity of the Board, sadly other than gender balance other diversity factors remain an issue and one as Chair I will take into consideration in assessing any ways to help strengthen our understanding and considerations.

The Board meetings during this year were all scheduled for two and a half hours (as previously recommended) and held in person, though some members and presenters chose to attend virtually. Most meetings were held in The Exchange at County Hall, with others being held in the Committee rooms. My limited observations support that there is a good level of open and interactive debate with all Board members contributing to discussions regardless of tenure.

I saw the merits in the previous practice of allocating subject areas to individual Board members to take the lead at LLPB debates. This was confirmed in my one to one discussions with Board members who have indicated that it is helpful both in stimulating engagement and mitigating the reading burden, and I propose to continue the practice in 2024. This does not negate the requirement for all members to attend meetings having reviewed the full agenda, but rather provides for a dedicated individual to lead discussions and debate ensuing all areas of the agenda get sufficient focus.

The allocation of focus areas was based on individuals' personal knowledge, experience, and skills plus areas of interest ensuring there was a spread of using both incumbent experience and space to develop new areas of interest. This will be kept under review as the new Board takes shape and there will be opportunity to change responsibilities as members understanding of the operations of the Board mature.

The areas of agreed responsibilities are noted under the Recommendations at the end of this report.

There was considerable change to the LCC Pensions Team during the past couple of years, but LLPB members were clear that the new team is now becoming well embedded. Report quality and breadth of coverage is good. There is strong evidence of clear forward agenda planning with all material matters being covered in sufficient detail and in a timely manner. The LCC Democratic Services team has supported the decision-making process and organised meetings/training efficiently, and Board meetings have run smoothly. New Board members commented positively on the provision of training and the management of the new appointments to the Board. There were some minor matters raised regarding experience for people attending remotely and the team are reviewing how to ensure these are addressed for future events.

Board Value for Money and Effectiveness

The personnel changes to LLPB members have given a renewed focus to provide challenge to service providers keeping the latter 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.

The Workplan prepared by Officers and approved by both the Board and the PFC ensures that the Board's scrutiny and oversight covers all the areas under its remit. The regulatory update at each meeting ensures that the Board is made aware of any new regulatory and legal developments at an early stage and any possible implications needing to be considered.

There was an observation made in my discussions that whilst the content is often by its very nature technical the quality of the reports plus the open discussion has helped to ensure it is digestible even to new members. It would help if training were scheduled to align to material new subject areas. I will work with the Pensions Team to ensure this is the case.

I observe that the Board's direct experience as users of LPPA's services can provide helpful and early feedback on specific issues and problems. New Board members were very open to being used to help support messaging across other employers to support engagement and service improvement and I will work with both the internal teams and the administrators to see how best we can utilize this valuable resource.

Training

Internal training is largely delivered through workshops attended alongside members of the PFC. Board members noted that online training was time-efficient and recording it allowed them to watch training session playbacks if they were unable to attend the event itself. Some members commented that face-to-face works better for complex subjects. Training content was generally felt to be of a good quality although as

mentioned some technical difficulties for remote users meant that the learning experience had been severely compromised on one occasion.

Following the pandemic, online training has become the norm and minimum delivery standards are well established (length, content, delivery technical support) and Board members should expect these to be met if training is to be successfully received. That said there is also strong evidence to support the value of face-to-face where content warrants travel for more distant members. Those members who attended full day conferences and training programmes said that they had found them useful, both to be able to speak to other delegates from other Boards as well as for the content.

Following comments last year, the officers have an internal list of training topics to ensure none are missed over a cycle of years. Suggestions for training topics to be included in the 2024/5 Training Plan are made under the Recommendations section of this report. Given the volume of change for the LGPS we are also looking to view this in light of developing a change roadmap to ensure Board Members are kept up to date with upcoming matters.

Positive comment was also made on the developments to the online pension library and the ease to access materials at times that suit individuals, particularly those with full time jobs.

Board members believed that the induction training received was comprehensive and helpful. It may be helpful to remind new members that the Democratic Services team are available for advice if they are struggling to access or navigate resources, or members of the Pension Team or myself if they have questions about the content.

Topics for 2023

In 2023 we continued to spend time on the single most important topic which was the bedding in of the new pension administration system at LPPA and new financial system at LCC, including administering monthly data collection across these new systems. In addition, the Board considered governance issues such as the forthcoming General Code of Practice and proposed an enhanced service level metric for administration services.

The issue of adequate resourcing both at LCC and LPPA is considered a high risk, and this has been debated regularly over the past 12 months. Whilst still needing close scrutiny it has been pleasing to see positive movement on this towards the end of the year and the difference new recruits are having. Staff shortages risk having detrimental knock-on effects in areas other than those most immediately affected. At the time of writing recruitment has successfully been completed on the long-standing vacancy for a

Governance Lead within the Pensions Team. This will ensure enhanced capacity and capability of the Officers from 2024 onwards.

Whilst some improvements in communication and engagement were made delays and issues mired in the systems delivery has hampered planned activity. Progress is now being made on online member engagement, but employer communication is still lagging. The continued pressure on resources at LPPA seems to have led to less effective engagement with employers than used to be the case prior to LPPA taking over the administration role. As the systems issues are addressed this is slowly being remedied with a clear plan now in place to progress. The Board will continue to oversee progress in this area and a couple of Board members have offered their personal support to review and publicise activity both for members and employers.

That said there are areas where there is good news that should not get lost in the administration issues, e.g., funding level, investment performance, progress on McCloud.

There is an on-going issue being debated as to where the line should be drawn on LPPA's understandable desire to standardise communications across all their clients versus the Funds desire to personalise communications. If LPPA are unable to provide what the Fund need or the service level agreement with LCC does not include what the Fund needs, LCC may have to evaluate the costs and value to providing this from other resources.

Recommendations for Consideration

Board Efficiency

1. That the Chair continue to allocate particular areas of Board activities to selected Board members with lead responsibility during discussions.

Following discussions with all Board members the following is proposed, as members grow into their roles this will be kept under continual review to ensure we are utilising existing skills most effectively whilst offering members a chance to develop new areas of expertise as their interests develop. Following review, attention has been given this year to ensure all topics have oversight from both a scheme member representative and an employer representation, thus ensuring views from different standpoints are brought forward for discussion.

Area	Includes	Board Member
Compliance with regulations and statutory guidance	Pensions Regulator, Local Government Regulation, ICO, Audit Requirements	K Ellard A Egerton M Davies
Communications	Engagement, Communications Policy	D Parker M Davies
Administration	Key Performance Indicators, Annual Benefit Statements Admin Breaches.	A Egerton S Dunston
Information Security & ICT	Systems, Data Protection, Information Security, GDPR.	G Mirfin G Hart
Investment Policy Governance	Investment Strategy Statement. Actuarial Report. Responsible Investment.	D Parker S Lawrence
Service Provider Oversight and Governance	Local Pensions Partnership, Custodian, Actuary.	G Mirfin S Dunston K Ellard
LCPF Risk Register.	Risks/mitigations	G Hart S Lawrence

Training

2. Arrange training sessions on the following subjects:
 - Legal Update including Breaches reporting policy.
 - Audit and assurance framework
 - Investment vocabulary, jargon-busting, and attributes of main asset classes
 - Administration Update including Pensions Dashboard

Board Effectiveness

3. Ensure all new Board members receive sufficient training and support to progress the Board.
4. Identify and implement a process whereby the connections and networks of the Board members can be utilised to engage more successfully with employers and members.