

Lancashire County Council

Lancashire Local Pension Board

Virtual meeting held on Tuesday, 13th October, 2020 at 2.00 pm via Zoom.

Agenda

Part I (Open to Press and Public)

No.	Item	
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1.	Apologies	
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2.	Disclosure of Pecuniary and Non-Pecuniary Interests	
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3.	Minutes of the Last Meeting.	(Pages 1 - 8)
	To be confirmed, and signed by the Chair.	

4.	Internal audit assurance	(Pages 9 - 14)
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5.	Regulatory Update	(Pages 15 - 18)
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6.	Feedback from members of the Board on pension related training.	(Pages 19 - 20)
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7.	Succession planning for members of the Lancashire Local Pension Board.	(Pages 21 - 30)
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8.	Breaches Report	(Pages 31 - 34)
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9.	Part I reports presented to the most recent Pension Fund Committee	(Pages 35 - 36)
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10.	Urgent Business	
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An item of urgent business may only be considered under this heading where, by reason of special circumstances to be recorded in the minutes, the Chair of the meeting is of the opinion that the item should be considered at the meeting as a matter of urgency. Wherever possible, the Chief Executive should be given advance warning of any Member's intention to raise a matter under this heading.

11. Date of Next Meeting

The next scheduled meeting of the Board will be held at 2.00pm on the 19th January 2021 either remotely or in Exchange Room 6, The Exchange, County Hall, Preston.

12. Exclusion of Press and Public

The Board is asked to consider whether, under Section 100A(4) of the Local Government Act, 1972, it considers that the public should be excluded from the meeting during consideration of the following items of business on the grounds that there would be a likely disclosure of exempt information as defined in the appropriate paragraph of Part I of Schedule 12A to the Local Government Act, 1972, as indicated against the heading to the item.

Part II (Not Open to Press and Public)

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|---|-----------------|
| 13. Local Pensions Partnership - Governance Charter | (Pages 37 - 50) |
| 14. LCPF Risk Register | (Pages 51 - 68) |
| 15. Part II reports presented to the recent Pension Fund Committee | (Pages 69 - 72) |

L Sales
Director of Corporate Services

County Hall
Preston

Agenda Item 3

Lancashire Local Pension Board

Minutes of the Meeting held remotely via Zoom on Tuesday, 14th July, 2020 starting at 2.00 pm.

Present:

Chair

William Bourne

Board Members

Tony Pounder, Employer representative - LCC
County Councillor Matthew Salter, Employer representative (LCC)
Steve Thompson, Employer representative - Unitary, City, Boroughs, Police and Fire
Carl Gibson, Employer representative - Other Employers
Kathryn Haigh, Scheme Member representative
Yvonne Moulton, Scheme Member representative
Keith Wallbank, Scheme Member representative
Deborah Parker, Scheme Member representative.

Officers

Abbi Leech, Head of Fund, LCPF, Lancashire County Council.
Colin Smith, Technical Adviser Pensions, LCPF, Lancashire County Council.
Mukhtar Master, Governance & Risk Officer, LCPF, Lancashire County Council.
Mike Neville, Senior Democratic Services Officer, Lancashire County Council.
Rachel Blundell, Operations Director, Local Pension Partnership Administration.

1. Welcome and Apologies

The Chair welcomed everyone to the meeting and noted no apologies had been received.

2. Disclosure of Pecuniary and Non-Pecuniary Interests

No declarations of interest were made at this point in the meeting.

Mr Neville reported that he would be contact Board members after the meeting and ask them to review their entry in the current Register of Interests and update it if necessary.

3. Membership and Terms of Reference of the Board

The Chair reminded the Board that since the last meeting County Councillor M Salter had replaced County Councillor P Britcliffe as an Employer representative on the Board. The Board also noted that the revised Terms of Reference would be presented to the Pension Fund Committee on the 18th September 2020 for approval.

Resolved:

1. That the current constitution and membership of the Lancashire Local Pension Board, as set out below, is noted.

Mr W Bourne - Independent Chair

County Councillor M Salter - Employer representative (Lancashire County Council)

Mr T Pounder - Employer representative (Lancashire County Council)

Mr S Thompson - Employer representative (Unitary, City, Borough Councils and Police/Fire)

Mr C Gibson - Employer representative (Other Employers)

Ms K Haigh - Scheme member representative.

Ms Y Moulton - Scheme member representative.

Mr K Wallbank - Scheme member representative.

Ms D Parker - Scheme member representative.

2. That the current Terms of Reference of the Board, as referred to in the report presented and set out in the Minute Book, are noted.

4. Local Pension Partnership Administration Update

Rachel Blundell, Operations Director from the local Pensions Partnership Administration updated the Board on activity by the administration service since the last meeting

In response to the Covid-19 outbreak the Local Pensions Partnership had implemented its Business Continuity Plan which had involved all staff moving to homeworking, the redirection of post from the office and introduction of a remote working solution for the Contact centre with enhanced functionality and management reporting. After an initial lull in post, email and calls whilst people adjusted to the pandemic there had been a steady increase and volumes have generally returned to normal levels. Despite the challenges over recent months performance had consistently been above SLA targets and data quality remained good.

For the future more challenging Key Performance Indicators had been introduced and it was intended to review over the next 12 months the content and number of different letters used by the administration service. It was also noted that homeworking had proved popular with many staff and a project team had been established to explore how the administration service would continue to operate in the future.

Resolved:

1. That the Board congratulate all staff at Local Pensions Partnership Administration on the performance of the administration service both during the recent challenges resulting from Covid-19 and over the last 12 months.

2. That the Board be kept informed of the ongoing performance of the pensions administration service and in future be provided with more detailed information available from the enhanced functionality and management reporting system for the Contact centre.

5. Minutes of the Last Meeting.

The chair reminded the Board that the meeting scheduled for April 2020 had been cancelled due to the Covid-19 outbreak and some reports which did not require a formal decision to be taken had been circulated to Board members for information.

Resolved: That the Minutes of the meeting held on the 14th January, 2020, are confirmed as an accurate record and are signed by the Chair in due course.

6. Written resolution procedure and decisions taken since the last meeting of the Lancashire Local Pension Board.

It was reported that as the Pension Fund Committee in June 2020 had been cancelled due to Covid-19 the Annual Report of the Board would be included in the LCPF Annual Report when it is presented to the Committee on the 18th September 2020 for approval. The revised Terms of Reference for the Board would also be presented to the Committee for approval.

Resolved: That the following decisions of the Pension Board, taken using the written resolution procedure, are noted.

1. The approval of four recommendations from the Chair of the Board following his one to one meetings with Board members and others as part of the Annual Review.
2. The approval of the 2019/20 Annual Report of the Lancashire Local Pension Board and its recommendation to the Pension Fund Committee for approval and inclusion in the Lancashire County Pension Fund Annual Report.
3. The approval of the new Terms of Reference for the Lancashire Local Pension Board and their recommendation to the Pension Fund Committee for approval.

7. Regulatory Update

Mr Smith, Technical Adviser (Pensions) presented a report which updated the Board on various pension regulatory issues and highlighted the following:

- McCloud – the anticipated LGPS consultation on revisions required to the Fund scheme regulations had not yet been issued.
- Reform of the Retail Prices index methodology – the consultation period had been extended by four months up to 21st August 2020 and the Fund was working with the Scheme Actuary to determine what changes would be required to the Admission and Termination Policy for scheme employers.

- LGPS (Amendment Regulations 2020 – The Fund was working with the Scheme Actuary to identify any amendments to the Funding Strategy Statement and the Admissions and Termination Policy.

The Board also discussed the new guidance from the Pension Regulator on the avoidance of pension scams and Mr Smith confirmed that the Fund would continue to signpost members wishing to transfer out of the Fund to the relevant guidance.

Resolved: That the updates on regulatory matters, as set out in the report presented and discussed at the meeting, are noted.

8. Appeals Update

Mr Smith, Technical Adviser (Pensions) presented a report on appeals received under the Internal Dispute Procedure for the period 1st January 2020 to 30th June 2020.

In considering the report the Board recognised the relatively low number of appeals in relation to the size of the Fund membership and that the majority of complaints were resolved without recourse to the Procedure.

Resolved: That the report is noted and a reminder for employers to refer any appeal they receive direct from members to the Local Pensions Partnership for attention be included in the next employer bulletin.

9. LCPF Breaches Report

Mr M Master, Governance and Risk Officer from the Pension Fund Team, informed the meeting that during the period April to June 2020 there had been no breaches of contribution payments and two data breaches, neither of which had been deemed significant enough to warrant reporting to the Information Commissioner.

With regard to the pensions administration service it was reported that there had been six Code of Practice 14 breaches and one process breach, none of which were considered significant enough to require reporting to the Pensions Regular. In all cases corrective action had been taken as soon as the breaches had been identified in order to minimise or prevent a future recurrence.

Resolved: That the summary of the Lancashire County Pension Fund Breaches Log for the period 1st April to 30th June 2020, as set out in the report presented, is noted.

10. UK Stewardship Code Compliance

Mr M Master, Governance and Risk Officer from the Pensions Team presented a report on the arrangements for the Fund's compliance with the UK Stewardship Code, with particular reference to the revised UK Code which came into force in January 2020.

It was noted that in accordance with the decision of the Pension Fund Committee in March 2020 the regulatory/stewardship requirements are met through Local

Pensions Partnership Investments being a signatory. The Fund also maintained oversight though the receipt of information on various topics including, responsible investment, investment decision making and the exercise of ownership rights and responsibilities.

Resolved: That the contents of the report are noted

11. Feedback from members of the Board on pension related training.

It was reported that some planned training events had been disrupted by the Covid-19 pandemic with events being cancelled or rescheduled for later in the year.

The Chair and Mr Gibson reported that the LGPS Local Pension Board Members' Annual Event webinar in June had been informative, particularly with regard to different approaches taken by Funds in response to Covid-19. Other members of the Board reported that internal workshop on Asset Safety and Cyber Security held via Zoom on the 7th July had also been useful.

Resolved:

1. That the feedback given at the meeting in relation to the training received by members of the Board is noted.
2. That the 2019/20 Training Record for Board members, as set out in the report presented, is noted.

12. Part I reports circulated to members of the Pension Fund Committee

The Chair presented a report on information which had been circulated to members of the Pension Fund Committee following the cancellation of the meeting in April 2020.

The Board discussed the Annual Administration Report 2019/20 and the Internal Audit Assurance report. With regard to the latter it was agreed that the Board should invite the Head of Internal Audit to give a presentation on the role and remit of internal audit in relation to the Fund and the Local Pension Partnership.

Resolved:

1. That in advance of the next meeting a presentation be given to the Board on the role of internal audit in relation to the Lancashire County Pension Fund and the Local Pensions Partnership.
2. That the Head of Internal Audit present a report to the next meeting of the Board with regard the audit process and level of assurance regarding the Fund and Local Pensions Partnership.

13. Urgent Business

No items of business were raised under this item.

14. Date of Next Meeting

It was noted that the next scheduled meeting of the Board would be held at 2.00pm on the 13th October 2020 either remotely via Zoom or in Exchange Room 6 at County Hall, Preston.

15. Exclusion of Press and Public

Resolved: That the press and public be excluded from the meeting during consideration of the following items of business on the grounds that there would be a likely disclosure of exempt information as defined in the appropriate paragraphs of Part I of Schedule 12A to the Local Government Act 1972, as indicated on each item. It is considered that in all the circumstances the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

16. Part II reports circulated to members of the Pension Fund Committee

(Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972. It was considered that in all the circumstances of the case the public interest in maintaining the exemption outweighed the public interest in disclosing the information).

The Head of Fund presented a report on information which had been circulated to members of the Pension Fund Committee following the cancellation of the meeting in April 2020 with regard to the following:

- The Local Pensions Partnership update
- The Investment Panel report
- The Lancashire County Pension Fund Performance Overview
- The Risk Framework
- The Lancashire County Pension Fund Risk Register.

The Board noted that following a workshop in March 2020 the Local Pensions Partnership was in the process of finalising its Governance Charter which would summarise the governance arrangements for the Partnership structure and the asset management/operator arrangements for the pooling of investments.

Key Performance Indicators were also discussed and the Head of Fund confirmed that a report would be presented to the Board in January 2021 on revised KPIs.

With regard to investment performance the Board noted that the Fund had been in a healthy position pre Covid-19 which had minimised the impact on investments and the funding level. It was reported that the Investment Panel was in the process of reviewing the Investment Strategy for the Fund and would present recommendations to the Pension Fund Committee in September 2020

Resolved:

1. That the updates from the Head of the pension Fund regarding information circulated to members of the Pension Fund Committee following cancellation of the meeting in June 2020 is noted.
2. That a copy of the latest version of the Local Pensions Partnership Governance Charter be circulated to members of the Board for information and an update report on the Charter presented to the next meeting.
3. That a report on Key Performance Indicators for the Lancashire County Pension Fund be presented to the Board on the 19th January 2021.

L Sales
Director of Corporate Services

County Hall
Preston

Lancashire Local Pension Board

Meeting to be held on Tuesday, 13 October 2020

Electoral Division affected: None;

Internal Audit Assurance

(Appendix 'A' refers)

Contact for further information:

Abigail Leech, (01772) 530808, Head of Fund,
abigail.leech@lancashire.gov.uk

Executive Summary

The purpose of this report is to set out the Local Pension Board's role and responsibility in relation to internal audit reporting and assurances over the Lancashire County Pension Fund.

Recommendation

The Local Pension Board are asked to note the report for future reference.

Background and Advice

The Lancashire County Pension Fund is administered by Lancashire County Council, which has a duty to ensure that business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. These duties apply equally to the administration of the Fund which is delegated to the Council's Pension Fund Committee.

The full constitutional arrangements relating to Lancashire County Pension Fund are set out in the governance policy document which is publically available via the following link: <https://www.yourpensionservice.org.uk/media/1204/governance-policy-statement-updated-january-2018.pdf>

The governance policy also sets out the Terms of Reference of the Pension Board and its role in assisting the Pension Fund Committee in its role as administering authority. With regard to audit the Terms of Reference specifically mention the requirements that the Board should, "monitor internal and external audit reports" and "review the outcome of internal and external audit reports in relation to the Fund".

The county council's Audit, Risk and Governance Committee has a wider remit to **oversee** internal audit activity, and its Terms of Reference address its oversight of the work of the County Council's Internal Audit Service in some detail. This includes a requirement to, "Consider reports from the Head of Internal Audit on internal audit's

performance during the year, including the performance of external providers of internal audit services. These will include updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work...."

The Internal Audit Service's annual programme of work includes work relating to the Pension Fund and the Audit, Risk and Governance Committee considers both the annual plan and the outcomes of the work during the year.

The internal audit function for the Lancashire County Pension Fund is delivered by the county council's internal audit team, led by the Head of Internal Audit. As a provider of internal audit services to local authorities the team is required to comply with the Public Sector Internal Audit Standards (PSIAS) and accompanying Local Government Application Note which cover:

- Definition of Internal Auditing.
- Code of Ethics, and
- International Standards for the Professional Practice of Internal Auditing.

In accordance with PSIAS internal audit activity is defined in an internal audit charter that is consistent with the definition of internal audit, the code of ethics and the standards.

The Pension Fund's internal control framework comprises the systems, arrangements and procedures in place to ensure compliance with the scheme regulations and to protect the Fund from any adverse risks. It is management's responsibility to establish and maintain internal control systems and to ensure that resources are properly applied, risks appropriately managed and outcomes achieved.

The Internal Audit Service reviews the systems of internal control for the Pension Fund operated by the county council as part of the delivery of its agreed risk-based annual audit plan. In determining where to focus its resource, the Internal Audit team reviews the Fund's risk register which highlights the key risks critical to the scheme and its members and uses intelligence gathered from discussions with senior management and the external auditor (Grant Thornton) regarding the pension fund's risks, operations, systems and priorities for the year. In addition the Head of Fund is a member of the Council's Finance Management Team and, as such, has direct access to the Head of Internal Audit to raise any areas of concern or requests for support on an ongoing basis. The audit plan is developed in March each year but is flexible and can be adapted as new risks and issues emerge.

The Fund's administration and investment functions are provided by a group of companies external to the council (albeit 50% owned by the council) – Local Pensions Partnership Ltd and its subsidiaries, Local Pensions Partnership Administration Ltd and Local Pensions Partnership Investments Ltd. In 2016 this group appointed Deloitte to provide its internal audit function and 2020/21 is the fourth year of that contract. Deloitte provides the council with short summaries of each of its reports, including information about the level of assurance associated with

each, once they have been considered by Local Pensions Partnership Ltd.'s Audit Committee.

The Head of Internal Audit reviews these summaries and reports the assurance given by Deloitte to the council's Audit, Risk and Governance Committee and Pension Fund Committee. Deloitte disclaims any liability to the county council and Lancashire County Pension Fund for any reliance they may place on this work but have agreed that their conclusions may be reported to the council's committees. If it has concerns over the scope of Deloitte's work or its outcomes the Audit Risk and Governance Committee can request a follow up report as was the case in 2018/19.

The Audit, Risk and Governance Committee has prime responsibility for overseeing the work of the county council's Internal Audit Service.

As noted above the Local Pension Board is informed of the outcome of these reports and is able to report any concerns in relation to the findings to the Chair of the Pension Fund Committee who will then refer them back to the county council's Audit, Risk and Governance Committee.

Consultations

Head of Internal Audit

Implications:

This item has the following implications, as indicated:

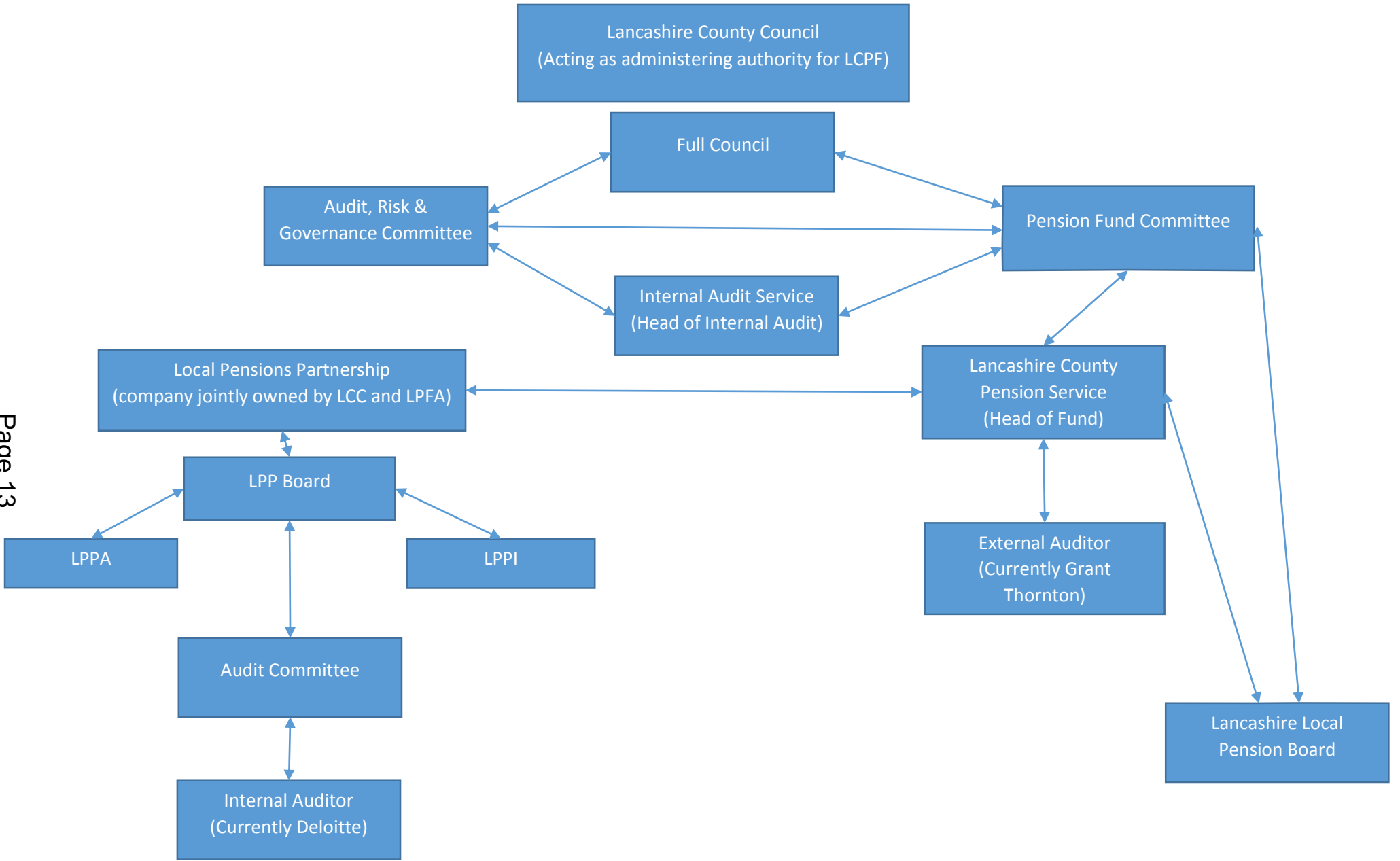
Risk management

None

Local Government (Access to Information) Act 1985 List of Background Papers

Paper	Date	Contact/Tel
Governance Policy Statement	Jan 2018	Mukhtar Master (01772 532018)

Reason for inclusion in Part II, if appropriate
N/A



Lancashire Local Pension Board

Meeting to be held on Tuesday, 13 October 2020

Electoral Division affected:
(All Divisions);

Regulatory Update

Contact for further information:

Colin Smith, 01772 534826, Technical Advisor, Lancashire County Pension Fund,
Colin.Smith@lancashire.gov.uk

Executive Summary

This report updates the Board on various pension related regulatory issues in order to assist individuals to exercise their functions as members of the Pension Board effectively.

Recommendation

The Board is asked to consider and note the contents of the report.

Background and Advice

1. McCloud Update

On the 16 July 2020 the Ministry of Housing Communities and the Local Government published a consultation on proposed remedies for the Local Government Pension Scheme (LGPS) to remove age discrimination brought about by the McCloud judgement.

In summary the consultation proposes that: -

- Qualifying members would be protected by the application of a revised underpin.
- The definition of a qualifying member will be members who were active in the LGPS on 31 March 2012 and accrued benefits in the 2014 scheme without a disqualifying break.
- Qualifying members who have already left the scheme will have the revised underpin applied retrospectively.
- Unlike the current underpin qualifying members do not have to have an entitlement to an immediate benefit when they leave the scheme.
- Members must meet the qualifying criteria in a single membership for underpin protection to apply – so where a member has had a break in service

or a period of concurrent employment, they must aggregate the benefits for the underpin to apply.

- Members who have previously chosen not to aggregate scheme employments will be given a further 12 months to reverse that decision where failure to aggregate would mean they would not meet the revised underpin qualification criteria in either or both unaggregated periods.
- The revised underpin will take account of early/late retirement adjustments.
- The revised underpin will apply to death in service and survivor benefits.
- The revised underpin will be a two-stage process with an initial check done at the 'underpin date' which is the earlier of leaving the scheme, reaching Normal Pension Age or death. A second check will be applied at the 'underpin crystallisation date' when the member takes their benefits which will take into account early/late retirement actuarial adjustments. At this point the revised underpin will, should it apply, increase the benefits payable to the member.
- Revised underpin protection will cease in respect of membership after 31 March 2022, however final salary protection will continue after that date in respect of membership before that date.
- Annual Benefit Statements should contain information on the potential impact of the revised underpin.

The Ministry of Housing, Communities and Local Government has stated that it doesn't envisage that many members will actually see an increase in benefits as a result of the new underpin. However as it is envisaged that around a third of active members will be in scope, the real issue from a Fund cost perspective is the scale of underpin calculations that will still need to be carried out for a large number of members, both on an ongoing basis and additionally as a retrospective exercise for leavers.

The consultation runs until 08 October 2020

2. Cost cap process

The Government Actuary's Department has restarted their actuarial valuation of the LGPS as at 31 March 2016 as part of the cost control process. Previously the cost cap floor had been breached and as such legislation dictated that scheme benefits were due to be improved. This process was however paused in order to take account of the additional costs brought about by the McCloud judgement.

3. Restricting exit payments in the public sector (95k Cap)

On 21 July 2020, HM Treasury published the Government response to the consultation on restricting exit payments in the public sector. This was followed by the publication of draft regulations for capping public sector exit payments on 22 July 2020. The draft regulations include a list of employers who will be covered by the cap.

The Regulations will affect LGPS members, covered by the employers in scope, in England and Wales who currently qualify for an unreduced pension because of redundancy or efficiency retirement. If the cap is breached, then the member may have to take a reduced pension. Options to introduce choice to allow members in this position to opt for a deferred pension instead will be introduced. It is also expected that a standard strain cost calculation will be included so that the cap will apply equally across all Funds.

On 7 September 2020 the Ministry of Housing Communities and the Local Government released a further consultation. The proposals intend to bring in the government's commitment to limit exit payments within the public sector to a maximum of £95K in any single case. For the LGPS this had already been understood to include the value of any "pension strain cost" on early retirement over age 55 together with any redundancy or severance payments made.

The proposals are that the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations will be updated as follows:

- redundancy payment calculations will be limited to a maximum of three weeks' pay for every year of service, with an overall maximum of 15 months/66 weeks' pay,
- the maximum salary to be used in the calculation of redundancy pay should be £80,000, with that limit to be reviewed on an annual basis (e.g. increased by CPI).
- if the employer is paying any amount of pension strain cost as a result of paying pension benefits early, the redundancy payment made to the member cannot include any element of discretionary redundancy pay (unless the discretionary redundancy pay is higher than the strain cost in which case the difference can be paid).
- as well as limiting the strain cost to 95k, the strain cost must also be reduced by any amount of statutory redundancy pay, and this appears to be the case even if the strain cost plus other exit payments are below the 95k cap. The pension must then be actuarially reduced until the strain cost reaches the permissible level, with options for the member to 'buy out' the reduction possibly by waiving the redundancy payment. Options are also in place to defer pension benefits and take a full redundancy payment.

4. Review of employer contributions and flexibility on exit payments

Recently the Local Government Pension Scheme (Amendment) (No.2) Regulations 2020 were laid on 27 August 2020 with an implementation date of 23 September 2020. This legislation will introduce "deferred debt" provisions, which would allow employers to continue to participate in the Fund as ongoing employers after their last active member leaves in order to manage an exit payment that may be due. The Fund will develop a policy in this area once the full impact of these provisions have been reviewed, and this will be incorporated into the admissions and termination policy (currently out for consultation with employers) at a future date.

Additionally the amendments also provide the ability to review employer contributions between valuations, in circumstances where there has been a significant change to an employer's liability or covenant. Additionally an employer may also request a review where it undertakes the cost to do so. Our understanding is that reviews should only be undertaken as a result of structural change to an employer and not simply as a result of a change in market conditions.

A further response is still expected in relation to other proposals in the original consultation around changes to the local fund valuation cycle, interim valuations and the status of further education, sixth form college and higher education corporations in England and Wales.

5. Widowers Pensions

On 21 July 2020 HM Treasury confirmed that following a successful case of Goodwin against the Teachers' Pension Scheme, it has been accepted that, historically, provisions for widower's pensions in the public sector pension schemes were discriminatory. For the LGPS this will most likely affect surviving widowers where the deceased spouse left before April 1998. It is expected that the funding impact will be low but the administration in identifying cases could be challenging.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

No significant risks have been identified

Local Government (Access to Information) Act 1985 List of Background Papers

Paper	Date	Contact
N/A		

Reason for inclusion in Part II, if appropriate

N/A

Lancashire Local Pension Board

Meeting to be held on Tuesday, 13 October 2020

Electoral Division affected: None;

Feedback from members of the Board on pension related training.

Contact for further information: Mike Neville, Tel: (01772) 533431, Senior Democratic Services Officer, mike.neville@lancashire.gov.uk

Executive Summary

This report relates to training which some members of the Board have participated in since the last meeting and gives individuals an opportunity to provide feedback on their experience.

Recommendation

Individual members of the Board are asked to provide feedback on their experience of the training referred to in the report.

Background and Advice

The revised training Policy agreed by the Pension Fund Committee in March 2019 sets out the approach to supporting the learning/development needs of individuals with responsibility for the strategic direction, governance and oversight of the Lancashire County Pension Fund through their membership of either the Lancashire Local Pension Board or the Pension Fund Committee.

Since the last meeting members of the Board have participated in the internal training event referred to below and individual members are invited to provide feedback on their experience at the meeting.

1st September 2020 - Zoom presentation on the Investment Panel's proposed amendments to the Strategic Asset Allocation for the Fund.

County Councillor M Salter, T Pounder, K Haigh, Y Moulton, D Parker and K Wallbank

13th October 2020 - Zoom presentation on the role of Internal Audit in relation to the Lancashire County Pension Fund and the Local Pensions Partnership.

Members of the Board will be able to dial into a virtual presentation at 1pm on the day of the meeting.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

Without the required knowledge and skills the members of the Board may be ill equipped to consider issues and make informed decisions regarding the direction and operation of the Lancashire County Pension Fund.

Financial

Any delegate fee, travel or accommodation costs associated with external training are met from the Pension Board budget, which is funded by the Lancashire County Pension Fund.

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact/Tel
Attendance sheet for training workshop and Presentation to Board members.	1 st September 2020 to 13 th October 2020	M Neville 01772 533431

Reason for inclusion in Part II, if appropriate
N/A

Lancashire Local Pension Board

Meeting to be held on Tuesday, 13 October 2020

Electoral Division affected: None;

Succession planning for Members of the Lancashire Local Pension Board

Contact for further information:

Mike Neville, Tel: (01772) 533431, Senior Democratic Services Officer,
mike.neville@lancashire.gov.uk

Executive Summary

This report relates to a proposed timetable for the future recruitment of a new independent Chair and Employer/Scheme Member representatives on the Pension Board.

Recommendation

The Board is asked to comment on the proposed timescale for the recruitment of a new Chair and Employer/Scheme Member representatives as set out in the report

Background and Advice

After the Annual Review of the Board in January 2020 the Chair produced a report on his findings which included a recommendation that consideration be given to succession planning for members of the Board and in particular whether the Fund should have an option to invite members retiring at the end of their 8 year term to continue for two more years.

The Chair's report was approved by all members of the Board under the written resolution procedure as reported to the meeting on the 14th July 2020.

This report refers to the current membership arrangements for the Board, as set out in the revised Terms of Reference approved by the Pension Fund Committee on 18th September 2020, and proposes a timetable for the recruitment and appointment of new members in the future.

Membership of the Board

The Pension Board was established in 2015 and consists of nine members, four Employer representatives, four Scheme Member representatives and an independent Chair.

- a) The two employer representatives appointed by Lancashire County Council are County Councillor M Salter and Mr T Pounder, Director of Adult Services who comply with the requirements of the relevant regulations in relation to avoidance of conflict with the County Council's role as Administering Authority.
- b) The employer representative drawn from the Unitary, City, and Borough Councils and the Police/Fire bodies which are employers within the Lancashire County Pension Fund (the Fund) is Mr S Thompson from Blackpool Borough Council.
- c) The employer representative drawn from all other employers within the Fund is Mr C Gibson from Edgehill College.
- d) The four scheme member representatives drawn from the membership of the Fund are Ms K Haigh, Ms Y Moulton, Mr K Wallbank and Ms D Parker.
- e) The independent Chair selected and appointed by the County Council as the Administering Authority for the Fund is Mr W Bourne.

Term of appointment

The Independent Chair was appointed by the Full Council for an initial 2 years which is due to expire on the 1st April 2021, though there is an option for the appointment to be extended for an additional 2 years to 1st April 2023. As the contract also relates to the position of independent Chair of the Pension Board for the London Pension Fund Authority (LPFA) the initial appointment was approved by that Authority and any extension would also need approval by the LPFA.

The other members of the Board were appointed for a maximum term of 8 years and, other than as a result of retirement at the expiry of this period, their term of office will come to an end:

- i) For employer representatives who are councillors if they
 - cease to hold office as a councillor,
 - are appointed to serve on the Pension Fund Committee,
 - are replaced in accordance with the change of membership procedure adopted by the County Council, or
 - are removed by a resolution of the Full Council.
- ii) For employer representatives who are not councillors when they cease to be employed by the employing body where they were employed on appointment;
- iii) For a scheme member or employer representative if they are appointed to a role with responsibility for the management or administration of the Fund.
- iv) For scheme member representatives if they cease to be a member of the Fund.

- v) Where there is a conflict of interest which cannot be managed in accordance with the Conflict of Interests Policy.
- vi) Where an individual fails to attend meetings, undertake training or otherwise comply with the requirements of being a member of the Pension Board.

In addition to ceasing to be eligible for the reasons as set out above, a Board member (including the independent Chair) may only be removed from office during a term of appointment by the consent of the Full Council

Further details regarding the individual term of appointment for Board members are set out in **Appendix 'A'** to this report.

In accordance with the decision of the Board consideration has been given to succession planning for Board members and a proposed programme for the recruitment and appointment of new members in the future is set out at **Appendix 'B'** to this report.

The Terms of Reference for the Board specify the recruitment process to be used for Board members as set out below.

With regard to the appointment of a new Independent Chair any appointee must not be a member of the Fund and the appointment will only be made following an openly advertised competition for the role. Interviews will be arranged and conducted as necessary by the Head of the Pension Fund who shall make a recommendation to the Pension Fund Committee for consideration who will then refer the matter to the Full Council for a decision as appropriate.

Employers within the Fund will be informed of any vacancy for an Employer representative to be drawn from:

- Unitary, City, and Borough Councils and the Police/Fire bodies which are employers within the Fund or
- Other employers within the Fund.

Any vacancy for a Scheme Member representative shall be brought to the attention of employer and member representative bodies to enable the vacancy to be advertised as widely as possible. This will include details of the vacancy being published on websites as appropriate.

Expressions of interest from Employers and Scheme Members regarding vacancies on the Board shall be submitted to the county council's Director of Corporate Services.

All nominations and expressions of interest received will be subject to an initial sifting process by the Head of the Pension Fund in consultation with the Chair of the Lancashire Local Pension Board. Nominations and expressions of interest will be considered against the role profile and having regard to equal opportunities legislation. In the event that more than one suitable candidate is identified, there will be a formal interview process involving the Chair and two other members of the Pension Board with any recommended appointment being made on merit.

Once a suitable representative has been identified they would need to be formally appointed to the Board by the Full Council.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

Succession planning will enable new Board members to be recruited and appointed in advance of existing members reaching the end of their term of appointment thereby ensuring a smooth transition in terms of membership and minimise the disruption to the operation of the Lancashire Local Pension Board.

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact/Tel
N/A		

Reason for inclusion in Part II, if appropriate

N/A

Appendix A

Name	Role on the Lancashire Local Pension Board	Date of appointment	Date term of appointment expires
Steve Thompson	Employer representative (Unitary, City, Borough Councils and Police/Fire).	20 th January 2015	20 th January 2023
Carl Gibson,	Employer representative (Other employers).	6 th May 2015	6 th May 2023
Kathryn Haigh	Scheme Member representative.	6 th May 2015	6 th May 2023
Yvonne Moulton	Scheme Member representative.	6 th May 2015	6 th May 2023
Tony Pounder	Employer representative (Lancashire County Council).	28 th February 2018	28 th February 2022 28 th February 2026
Keith Wallbank	Scheme Member representative.	8 th October 2018	8 th October 2022 <i>8th October 2026</i>
William Bourne	Independent Chair.	1 st April 2019	1 st April 2021 <i>1st April 2023</i>
Deborah Parker	Scheme Member representative.	2 nd July 2019	2 nd July 2023 <i>2nd July 2027</i>
County Councillor Matthew Salter	Employer representative (Lancashire County Council).	8 th June 2020	8 th June 2024 <i>8th June 2028</i>

Notes

1. The independent Chairs term of appointment is for 2 years with an option to extend for a further 2 years, subject to approval by full Council and the Board of the London Pension Fund Authority.
2. For all other Board members the term of appointment is for a maximum of 8 years on the basis of an initial four year term which can be extended for a further four years (see dates in italics in the table above) subject to the approval of the full Council.

Appendix B

Date	Activity
27 th November 2020	Report to Pension Fund Committee (the Committee) on the extension of W Bourne's term of appointment as independent Chair of the Board for a further 2 years from 1 st April 2021. London Pension Fund Authority to be consulted for extension of current joint contract.
17 th December 2020	If approved full Council consider the Committee recommendation that W Bourne's term of appointment as the independent Chair be extended for a further 2 years up to 1 st April 2023.
19 th January 2021	Lancashire Local Pension Board (the Board) informed if the extension of W Bourne's term of appointment as Chair is agreed by full Council.
12 th March 2021	Committee receive an update on the extension of W Bourne's term of appointment as Board Chair.
1 st April 2021	End of W Bourne's initial 2 year term of appointment as Board Chair unless full Council agree an extension up to 1 st April 2023.
6 th May 2021	Local Government elections
28 th February 2022	End of T Pounder's initial 4 year term of appointment as Employer rep (LCC) unless full Council previously agree an extension up to 28 th February 2026.
September 2022	Advertise positions for a new Board Chair - vacant from 1 st April 2023 and Employer Rep (Local Authorities, Police & Fire) - vacant from 20 th January 2023. Head of Fund and W Bourne to consider applications and draw up a short list of candidates for the two positions.
8 th October 2022	End of K Wallbank's initial 4 year term of appointment as Scheme Member rep unless full Council previously agree an extension to 8 th October 2026.
October 2022	Interviews for new Board Chair and Employer Rep (Local Authorities, Police & Fire). Successful candidates identified and offered positions, subject to approval by full Council.
11 th October 2022	Board receive an update on progress regarding the appointment of a new Chair and Employer Rep (Local Authorities, Police & Fire).

November 2022	Advertise positions of Employer Rep (Other) and 2 Scheme Member representatives - all vacant from 6 th May 2023. Head of Fund and W Bourne consider applications and draw up a short list of candidates
25 th November 2022	Committee consider report and recommend full Council to appoint a new Chair for the Board with effect from 1 st April 2023 – the date when W Bourne's term expires. Committee to also recommend a candidate for new Employer Rep (Local Authorities, Police & Fire).
15 th December 2022	Full Council appoints the new Chair for the Board on a 2 year contract with effect from 1 st April 2023 with an option to extend for a further 2 years up to 1 st April 2027. Full Council also appoint a new Employer Rep (Local Authorities, Police & Fire) who will serve an initial 4 year term with effect from 20 th January 2023 with a possible extension of 4 years up to January 2027 in line with LLPB Terms of Reference.
January 2023	Interviews for new Employer Rep (Other) and 2 new Scheme Member representatives. Successful candidates identified and offered positions, subject to approval by full Council
17 th January 2023	Last meeting of the Board with W Bourne as the Chair. New Chair and Employer Rep (Local Authorities, Police & Fire) to attend as observers. Board also receive update on the recruitment of a new Employer Rep (Other) and 2 new Scheme Member representatives.
20 th January 2023	End of S Thompson's 8 year term of appointment as Employer Rep (Local Authorities, Police & Fire).
23 rd February 2023	Full Council appoint a new Employer rep (Other) and 2 new Scheme Member reps with effect from the 1 st May 2023. All three to serve an initial 4 year term of appointment with a possible extension of 4 years up to 2031, subject to full Council approval.
March 2023	Committee informed of the appointment of the new Employer (Other) and 2 Scheme Member reps with effect from 1 st May, 2023, replacing existing Scheme Members from that date
1 st April 2023	End of W Bourne's extended term of appointment as independent Chair of the Board.
April 2023	First meeting of the Board with the new Chair and new Employer Rep (Local Authorities, Police & Fire) in post. New Employer Rep (Other) and 2 new Scheme Member reps attend as observers.

6 th May 2023	Date which would have been end of the 8 year term of appointment for C Gibson as Employer rep (Other) and for K Haigh and Y Moulton as Scheme Member reps. Full Council in February 2023 to have appointed replacements with effect from 1 st May 2023.
2 nd July 2023	The end of D Parker's initial 4 year term of appointment unless full Council previously agree an extension to 2 nd July 2027.
July 2023	First meeting of the Board with the new Employer Rep (Other) and 2 new Scheme Member representatives in post

Lancashire Local Pension Board

Meeting to be held on Tuesday, 13 October 2020

Electoral Division affected:
(All Divisions);

Lancashire County Pension Fund Breaches Report

Contact for further information: Mukhtar Master, 01772 532018, Governance & Risk Officer, Mukhtar.Master@lancashire.gov.uk

Executive Summary

This report provides the Board with a summary of the Lancashire County Pension Fund Breaches Log for the period 1st July 2020 to the 30th September 2020.

The report provides breach information for contributions, data and administration breaches. Information on data and administration breaches is provided by the Local Pensions Partnership Administration (LPPA).

Recommendation

The Board are asked to note the content of this report.

Background and Advice

The Lancashire County Pension Fund has policy and procedures in place to effectively record and, if necessary, report breaches to the Pension Regulator.

Practical guidance in relation to the legal requirements are set out in the Pension Regulator's Code of Practice 14.

Code of Practice 14 covers areas such as:

- Governing your scheme;
- Managing Risks;
- Administration;
- Resolving Issues.

The Administration section covers aspects such as:

- Scheme record keeping;
- Maintaining Contributions;
- Providing information to members.

The Lancashire County Pension Fund, in line with the breaches policy and supported by the Local Pension Partnership, have established a log to record all incidents which fall outside of the requirements of Code of Practice 14.

Contribution Breaches:

In the period July to September 2020 (September contributions have not been collected at the time of writing this report) there have been no breach in contribution payments.

There were no breaches in quarter 1 (Apr-Jun 2020) and the breach in Q4 has been resolved as the employer has returned a Direct Debit mandate and all backdated contributions have been collected.

There were a number of incidents recorded in the period which have resulted in corrective action being taken. A total of 53 employers failed to submit contribution figures for Q1 and 57 for Q2*. They have all been contacted in accordance with the Stage 2 escalation procedures, which ensure that all incidents are corrected swiftly. For Q1, the number of employers which failed to submit contributions represents 5.16% of the total submissions, in monetary values this equates to 0.82% of the total contributions received during the period and for Q2* this represents 8.15% and 1.18% respectively. The adverse performance for Q2 can be explained by a member of staff being out of the office and therefore a reduced capacity to chase employers for outstanding submissions.

	Q3 Oct-Dec 19	Q4 Jan-Mar 20	Q1 Apr-Jun 20	Q2* Jul-Sep 20
Incidents	49	61	53	57
Breach	1	1	0	0

* Incomplete – only includes 2 months data.

Data Breaches:

For the period 1st July 2020 to the 30th September 2020 there were two data breaches.

- July - as a result of an attachment being included in an email to one member which related to another member;
- September - as a result of an attachment being included in an email to one member which related to another member.

All data breaches are managed through the Information Governance Team of Lancashire County Council who deemed them not significant enough to warrant reporting to the Information Commissioner.

Summary Table:

	Q2 19/20	Q3 19/20	Q4 19/20	Q1 20/21	Q2 20/21
Data Breaches	0	6	3	2	2

Administration Breaches:

Local Pensions Partnership Administration have recently developed new systems and processes to assess, log, report and address all breaches related to the administration service which they provide. Code of Practice 14 (COP 14) breaches were previously reported as part of their annual report. The system now provides breach information broken down by COP14 breaches and by operational process breaches by the Local Pension Partnership Administration.

There was a just one COP14 breach in the period and no process breaches:

	COP 14 Breach	LPPA PROCESS BREACH	TOTAL
July	0	0	0
August	0	0	0
September	1	0	0
Total	1	0	1

The September COP14 breach relates to – a Transfer out being processed and paid without full due diligence checks being carried out. Checks were done retrospectively and the receiving scheme was deemed safe.

The breach was not material or worthy of reporting to the regulator. Corrective action was implemented as soon as the breach came to light to minimise or prevent future recurrence.

Consultations

The Local Pensions Partnership was consulted with regards to administration and data breaches.

Implications:

This item has the following implications, as indicated:

Risk management

The Lancashire Local Pension Board provide scrutiny and support to the Pension Fund Committee, in relation to their responsibility to ensure there is effective compliance with the Pension Regulators' Code of Practice 14 – Governance and administration of public service pension schemes.

**Local Government (Access to Information) Act 1985
List of Background Papers**

Paper	Date	Contact/Tel
Code of Practice 14 - Governance and administration of public service pension schemes	April 2015	Mukhtar Master 01772 532018

Reason for inclusion in Part II, if appropriate.
N/A

Lancashire Local Pension Board

Meeting to be held on Tuesday, 13 October 2020

Electoral Division affected: None;

Part I reports presented to the recent Pension Fund Committee.

Contact for further information: Mike Neville, Tel: (01772) 533431, Senior Democratic Services Officer, mike.neville@lancashire.gov.uk

Executive Summary

This report refers to 'Part I' reports that were presented to the recent Pension Fund Committee and members of the Board will be given an update on decisions taken in respect of the reports at the meeting.

Recommendation

The Board is asked to comment in relation to the Part I reports that were considered by the Pension Fund Committee on the 18th September 2020 and any decisions taken.

Background and Advice

At the meeting on the 18th September 2020 the Pension Fund Committee considered a number of reports in Part I of the agenda (available to the press and public) which included the following:

- Appointment of the Chair and Deputy Chair of the Committee.
- Constitution, Membership and Terms of Reference.
- Minutes of the Meeting held on 6th March 2020
- Lancashire County Pension Fund - 2019/20 budget monitoring report
- Annual Governance Statement 2019/20
- Lancashire County Pension Fund Annual Report 2019/20
- McCloud Update
- Admission and Termination policy
- Feedback from members of the Committee on pension related training.
- Responsible Investment Report
- Revised Terms of Reference for the Lancashire Local Pension Board.
- Date of Next Meeting - Friday 27th November 2020 at 10.30am

Members of the Board received notification when the agenda for the Committee was published and available to view on the [County Council website](#). A full copy of the agenda was also made available for Board members to view via the secure online Pensions Library.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

There are no significant risk management implications associated with this report

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact/Tel
N/A		

Reason for inclusion in Part II, if appropriate

N/A

Agenda Item 13

(NOT FOR PUBLICATION: By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

Document is Restricted

Appendix A

(NOT FOR PUBLICATION: By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

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Agenda Item 14

(NOT FOR PUBLICATION: By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

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Appendix A

(NOT FOR PUBLICATION: By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

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Agenda Item 15

(NOT FOR PUBLICATION: By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

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