

## Lancashire County Council

### Lancashire Local Pension Board

Virtual meeting held via Zoom on Tuesday, 20th April, 2021 starting at 2.00 pm

#### Agenda

**Part I** (Open to Press and Public)

**No. Item**

**Part I** (Open to Press and Public)

- 1. Welcome and Apologies**
- 2. Disclosure of Pecuniary and Non-Pecuniary Interests**
- 3. Minutes of the Last Meeting.** (Pages 1 - 8)  
To be confirmed, and signed by the Chair.
- 4. Local Pension Partnership Administration - Audit Assurance Report** (Pages 9 - 14)
- 5. Report on the Annual Review of the Lancashire Local Pension Board** (Pages 15 - 22)
- 6. 2020/21 Training Record and Feedback from members of the Board on pension related training.** (Pages 23 - 30)
- 7. Lancashire Local Pension Board Annual Report 2020/21** (Pages 31 - 38)
- 8. Regulatory Update** (Pages 39 - 46)
- 9. Risk Register Review** (Pages 47 - 50)
- 10. The Lancashire County Pension Fund Breaches Report Q4 2020/21** (Pages 51 - 56)
- 11. Part I reports presented to the most recent Pension Fund Committee** (Pages 57 - 58)

## **12. Urgent Business**

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.

## **13. Date of Next Meeting**

The next scheduled meeting of the Board will be held at 2.00pm on the 6<sup>th</sup> July 2021 either remotely or in Meeting Room at County Hall, Preston.

## **14. 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)**

- |  |                 |
|--|-----------------|
| <b>15. Lancashire County Pension Fund Risk Register</b>                        | (Pages 59 - 78) |
| <b>16. Communications Update</b>   | (Pages 79 - 86) |
| <b>17. Part II reports presented to the most recent Pension Fund Committee</b> | (Pages 87 - 88) |

L Sales  
Director of Corporate Services

County Hall  
Preston

# Agenda Item 3

## Lancashire Local Pension Board

**Minutes of the Virtual Meeting held via Zoom on Tuesday, 19th January, 2021  
starting at 2.00 pm**

### **Present:**

#### **Chair**

William Bourne

#### **Board Members**

Tony Pounder, Employer representative, Lancashire County Council.

County Councillor Matthew Salter, Employer representative, Lancashire County Council.

Steve Thompson, Employer representative - Unitary, City, Boroughs, Police and Fire.

Carl Gibson, Employer representative - Other Employers.

Kathryn Haigh, Scheme Member representative.

Keith Wallbank, Scheme Member representative.

Deborah Parker, Scheme Member representative.

#### **Officers**

Michelle King, Interim Head of Pension 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.

#### **Others**

County Councillor E Pope, Chair of the Pension Fund Committee (observer).

Mr D Broughton and Ms B Roger from BT Lancashire Services (dialling in for item 14).

### **1. Welcome and apologies**

The Chair welcomed everyone to the meeting and introduced Michelle King, the Interim Head of Fund, who was attending her first Pension Board. Individual Board members introduced themselves and the Chair noted that apologies had been received from Ms Y Moulton and that Mr T Pounder would need to leave the meeting at 3pm due to another commitment.

### **2. Disclosure of Pecuniary and Non-Pecuniary Interests**

No declarations of interest were made by Board Members at this point in the meeting with regard to items of business on the agenda.

### **3. Minutes of the Last Meeting.**

Mr Wallbank informed the Board that he would resign as a Scheme Member representative with effect from the 20<sup>th</sup> January 2021. The Chair and Board Members thanked Mr Wallbank for his contributions to the work of the Board over the last two years.

It was reported that an External Auditor had been engaged to undertake the additional audit work on the Local Pensions Partnership requested by the Board at the previous meeting. The Board discussed the extent of the planned audit and how the outcomes and the level of assurance would be reported to the Audit, Risk and Governance Committee and the Board. The Interim Head of Fund reported that Board members had an opportunity to submit their suggestions for areas which should be covered by the audit which could then be fed into the scoping process.

The Board was also updated on action taken since the last meeting with regard to the following items in the Minutes.

- Item 3 - the new Terms of Reference for the Board had been approved by full Council and were included on the agenda for this meeting for information.
- Item 6 - the amended strategic asset allocations had come into effect on the 1<sup>st</sup> January 2021.
- Item 13 - the Local Pensions Partnership Governance Charter had been approved by the Pension Fund Committee in November 2020.

**Resolved:**

1. That the Board note the resignation of Mr K Wallbank with effect from the 20<sup>th</sup> January, 2021, thank him for his contributions as a scheme member representative to the work of the Board and wish him well for the future.
2. That all Board Members be given an opportunity to comment on the scope of the planned audit of the Local Pensions Partnership.
3. That the updates given at the meeting are noted and the Minutes of the meeting held on the 13<sup>th</sup> October 2020 confirmed as an accurate record and signed by the Chair in due course.

**4. New Terms of Reference of the Lancashire Local Pension Board.**

A report was presented on the new Terms of Reference for the Pension Board which had been approved by full Council on the 15<sup>th</sup> October 2020.

**Resolved:** That the new Terms of Reference, as approved by full Council on the 15<sup>th</sup> October 2020 and set out at Appendix 'A' to the report presented, are noted and that a copy is placed in the Minute Book for future reference.

**5. Feedback from members of the Board members on pension related training.**

It was reported that the Training Record for Board Members had been updated to reflect that the Chair, T Pounder, County Councillor M Salter, C Gibson, Ms K Haigh and Ms D Parker had all participated in the 12<sup>th</sup> January 2021 workshop regarding the Local Pensions Partnership Administration.

Individual Board members gave feedback on the two workshops referred to in the report, both of which were considered to have been informative and helpful.

**Resolved:** That the update and feedback from individual Board Members on their experiences at the training events referred to in the report is noted.

## **6. Part I reports presented to the most recent Pension Fund Committee**

The Board discussed the various reports which had been considered by the Pension Fund Committee on the 27<sup>th</sup> November 2020 under Part I of the agenda.

It was noted that the External Audit findings report had been addressed by the discussion earlier in the meeting regarding the Minutes and that the comments of the Board had been taken into account when finalising the LPP Governance Charter which had been approved by Committee. It was also acknowledged that the report and Dashboard on responsible investment issues continued to evolve into an informative document which reflected the considerable level of activity in that area.

**Resolved:** That the reports considered by the Pension Fund Committee on the 27<sup>th</sup> November 2020 and subsequent decisions taken are noted.

## **7. Regulatory Update**

Mr Smith, Technical Adviser (Pensions) presented a report which updated Board members on various pension related regulatory issues.

He reported that the requirement in LGPS regulations for Fund members to take payment of an unreduced pension conflicted with the more recent exit cap regulations which prevented employers from paying the full strain cost. As a result the new regulations were the subject of legal challenge and applications for judicial review. Mr Smith informed the Board that in accordance with the advice of the Scheme Advisory Board the Fund had advised the Local Pensions Partnership that any cases received for employers in scope of the cap can be released where the exit costs are clearly under the cap and termination dates are not beyond 31<sup>st</sup> March 2021. It was noted that to date there had been no cases for the Fund where the exit cap had been breached.

The Board also noted that the employer risk function currently undertaken by the Local Pensions Partnership Administration would transfer back to the Fund with effect from the 1<sup>st</sup> April 2021 and recruitment was underway to support that function.

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

## **8. Lancashire County Pension Fund - Pension Administration Strategy Statement Review**

A report was presented on the Administration Strategy Statement for the Fund which had been reviewed to ensure that it remained appropriate and compliant with the Fund's policy intentions.

The Board was informed that no significant changes had arisen from the review and that the Local Pensions Partnership Administration (LPPA) was currently meeting all

key performance indicators. It was reported that the Statement was primarily a document on the relationship between employers, the administering authority and LPPA. However, the Board acknowledged that there was merit in also making the document available to the Fund membership so that individuals could find out more about their employer and the administrator if they wished to do so.

The financial penalties for employers who failed to provide information in accordance with the Statement was also discussed and it was noted that such penalties were considered a last resort and rarely used in relation to the Fund.

**Resolved:**

1. That the content of the Pension Administration Strategy Statement, as set out at Appendix 'A' to the report presented, is noted and that the new Fund branding be applied to the document before it is published.
2. That the Communication Strategy for the Fund be updated to include reference to the Administration Strategy Statement and direct the Fund membership to a copy should they wish to access it.

**9. 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 31<sup>st</sup> December 2020.

In considering the report the Board discussed the number of ill health cases received (the majority of which had been dismissed), the processes involved in considering appeals and the availability/accessibility of information to the membership of the Fund.

**Resolved:** That the report is noted and that future reports on appeals received under the Internal Dispute Procedure be presented to the Board on an annual basis.

The Chair informed the Board that he would take the report at item 14 on the agenda as the next item of business so that Mr Pounder could contribute to the discussion before he had to leave for another commitment.

**10. Update on Lancashire County Pension Fund Branding and Website Development**

Mr Broughton and Ms Roger from BT Lancashire Services (BTLS) dialled into the meeting at this point to update the Board on the development of the dedicated website for the Lancashire County Pension Fund which was due to go live on the 25<sup>th</sup> February 2021.

It was reported that whilst there had been some delays, most notably due to the reallocation of resources by BTLS in response to the Covid-19 outbreak, the website was nearing completion and required final sign off in relation to the agreed specification. Resources had been deployed to resolve an outstanding issue in

relation to how the website would display on certain devices and the project was on target to be completed by the February deadline.

The Chair thanked Mr Broughton and Ms Roger for their contributions to the discussion before they dialled out of the meeting.

**Resolved:**

1. That the Board recognise the concerns raised by BT Lancashire Services (BTLS) regarding the delay in signing off the website and accept those concerns. It is noted that the Fund has taken responsibility for ensuring the necessary sign off is provided on a prompt basis and BTLS has given an assurance that the system will be delivered as specified by the deadline of 25<sup>th</sup> February 2021.
2. That a report on the dedicated website for the Lancashire County Pension Fund be presented to the Pension Fund Committee on the 12<sup>th</sup> March 2021.

**11. The Governance Policy Statement**

A report was presented on the latest version of the Governance Policy Statement for the Lancashire County Pension Fund which set out how the County Council discharged its responsibilities in response to the regulatory requirements. It was noted that the Policy Statement had been produced using the new branding for the Fund and included hyperlinks to information published on the County Councils website.

**Resolved:** That the updated Governance Policy Statement for the Lancashire County Pension Fund, as set out at Appendix 'A' to the report presented, is noted.

**12. Lancashire County Pension Fund - Compliance with the requirements of the Pension Regulator**

Mr Master, the Governance & Risk Officer, presented a report on the latest version of the Compliance Statement for the Lancashire County Pension Fund which had been updated following a review by officers and colleagues at the Local Pensions Partnership. In considering the report the Board noted that no major governance issues had been identified, the quality of data held by the Fund was high and overall compliance against the Code of Practice 14 was good.

**Resolved:** That the revised Compliance Statement for the Lancashire County Pension Fund, as set out at Appendix 'A' to the report presented, is noted.

**13. Lancashire County Pension Fund - Breaches Report**

Mr Master, Governance & Risk Officer for the Fund, presented a report on the small number of breaches in relation to contributions, data and administration, none of which had been deemed significant enough to warrant reporting to either the Information Commissioner or Pensions Regular.

In response to comments from the Board the Interim Head of Fund suggested that further detail be provided regarding the process used by the Local Pensions Partnership Administration when rating breaches in order that the Board could understand the rationale behind the figures set out in future reports.

**Resolved:**

1. That the summary of the Lancashire County Pension Fund Breaches Log for the period 1<sup>st</sup> October 2020 to the 31<sup>st</sup> December 2020, as set out in the report presented, is noted.
2. That the Operations Director at the Local Pensions Partnership Administration be requested to produce a report for the next meeting on the process used to assess and rate administration breaches.

**14. 2021/22 Programme of meetings**

**Resolved:**

1. That the 2021/22 programme of meetings, as set out below, is approved with all meetings to start at 2.00pm and be held either remotely via Zoom or, subject to Covid-19 restrictions in operation at the time, at County Hall, Preston.

Tuesday 6<sup>th</sup> July 2021  
Tuesday 19<sup>th</sup> October 2021  
Tuesday 18<sup>th</sup> January 2022  
Tuesday 26<sup>th</sup> April 2022

2. That in future provision be made for a short refreshment break mid-way through Zoom meetings.

**15. Urgent Business**

The update report on the development of a dedicated website for the Lancashire County Pension Fund website and associated branding presented to the Board under this item was discussed earlier in the meeting.

No other items of urgent business were raised at this point in the meeting.

**16. Date of Next Meeting**

It was noted that the next scheduled meeting of the Board would be held at 2.00pm on the 20<sup>th</sup> April 2021 either remotely via Zoom or, subject to any Covid 19 restrictions that may be in operation at the time, in Exchange Room 8 at County Hall, Preston.



## **17. Exclusion of Press and Public**

**Resolved:** That the press and public be excluded from the meeting during consideration of the following item 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.

The Chair briefly paused the meeting at this point while the live web stream was tuned off.

## **18. Part II reports from the most recent Pension Fund Committee.**

(Exempt information as defined in Paragraphs 1, 2 and 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).

A report was presented on the six items considered by the Pension Fund Committee on the 27<sup>th</sup> November 2020 under Part II of the agenda.

The Board discussed the ongoing work in relation to the Local Pensions Partnership Balanced Scorecard and highlighted some action points for Officers to follow up. The Board also discussed potential amendments to the reporting in future versions of the Lancashire County Pension Fund Risk Register and noted that the latest version of the Register was due to be presented to the next meeting for comment.

### **Resolved:**

1. That the reports considered by the Pension Fund Committee on the 27<sup>th</sup> November 2020 under Part II of the agenda and decisions taken are noted.
2. That the Interim Head of Fund be requested to
  - a) Consider the comments of the Board in relation to the Local Pensions Partnership Balanced Scorecard and report back to Board members outside of the meeting.
  - b) Take into account the comments of the Board when preparing the report to the next meeting regarding the latest version of the Risk Register for the Lancashire County Pension Fund

L Sales  
Director of Corporate Services

County Hall  
Preston



## Lancashire Local Pension Board

Meeting to be held on Tuesday, 20 April 2021

Electoral Division affected: (All Divisions);
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### Local Pension Partnership Administration – Audit Assurance Report

(Appendix A refers)

Contact for further information:

Sean Greene, Head of Fund, Sean.Greene@lancashire.gov.uk

#### Executive Summary

This report provides an update on progress of the PricewaterhouseCoopers (PwC) audit of the pensions administration functions of Local Pension Partnership Administration (LPPA).

#### Recommendation

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

#### Background and Advice

Lancashire County Pension Fund is administered by Lancashire County Council. The Fund's administration and investment functions are provided by Local Pensions Partnership Ltd and its subsidiaries, Local Pensions Partnership Administration Ltd (LPPA) and Local Pensions Partnership Investments Ltd (LPPI).

The administration of the Fund is delegated to the Council's Pension Fund Committee. Under the Pension Regulator's Code of Practice 14, there are requirements for the scheme manager to establish and operate adequate internal controls which applies when services are outsourced to a third party. In addition, the Pension Board is required to 'monitor' and 'review' internal and external audit reports in relation to the Fund.

During the course of 2020, the Board discussed assurance regarding pension administration activity undertaken by LPPA and its internal audit function. It was agreed at the Board meeting in October 2020 that further audit work of the Local Pensions Partnership (LPP) would be commissioned from an external organisation.

This work is intended to supplement the work undertaken by Deloitte as the internal auditors of LPP and provide additional assurance to the Fund for the financial year 2020/21. PwC was commissioned by Lancashire County Council to undertake this assurance work.

The scope of this audit work was finalised in December 2020 and a copy of the terms of reference is enclosed at Appendix 'A' for information. The focus of this work is to review and assess the design and operating effectiveness of the processes and controls in place at LPPA for processing benefit calculations arising on retirement, death and transfers out of the scheme.

PwC commenced work on the 11<sup>th</sup> January 2021 and is due to issue a report by the end of April 2021. Once the report has been finalised a copy will be presented to the Pension Fund Committee on 18<sup>th</sup> June 2021 and at the subsequent Board on the 6<sup>th</sup> July 2021.

## **Consultations**

Head of Internal Audit and Officers at Local Pension Partnership Administration Ltd

## **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.

## **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	Sean Greene
Assurance reports on internal controls of service organisations made available to third parties TECHNICAL RELEASE 01/20 AAF	2020	Ruth Lowry (01772 534898)

# Background and audit objectives

This review is being undertaken at the request of Lancashire County Council's Head of Internal Audit to provide support in delivering a review over the pension administration service provision which is delivered by the Local Pensions Partnership Administration (LPPA).

## Background and audit objectives

Effective Scheme Administration is essential to providing a good quality member experience and to discharge the responsibilities of the scheme manager and pensions board in paying benefits to members. Key objectives that support this experience include the payment of complete and accurate benefits to each member, in accordance with the Trust Deed and Rules, and in line with service level agreement deadlines.

The pension administration service is outsourced and delivered by LPPA who administer pensions administration on behalf of Lancashire County Council and 11 other council, fire and police scheme members who fall under the umbrella of the Lancashire County Council pension scheme. Key activities carried out by LPPA under this remit are to perform the suite of member benefit calculations on behalf of the pension scheme.

The Pensions Regulator Code of Practice 14 sets out a key duty for scheme managers and pensions Boards; *where services are outsourced, scheme managers should be satisfied that internal controls associated with those services are adequate and effective*. Some oversight has been obtained over the services through previous high level reviews of key service elements, however the Pensions Board have recognised they do not have the level of oversight necessary to fully discharge their responsibilities, most notably in benefits calculations.

Therefore the objective of this review is to review and assess the design and operating effectiveness of the processes and controls in place at LPPA for processing benefit calculations arising on retirement, death and transfers out of the scheme.

The objectives and scoping for this internal audit review have been documented in more detail on pages 4 and 5.

# Audit scope and approach

## Scope

### Design effectiveness

Through a series of walkthroughs, we will review the design effectiveness of the manual and automated processes and controls in place in respect to benefit calculations.

Process	Sub-process	Objectives
Retirement	Normal retirement date Early Retirement Late Retirement Ill-Health	<ul style="list-style-type: none"> <li>• Only bona fide pensioners are included on the pensioner payroll system.</li> <li>• The integrity of data in the system utilised to complete benefit calculations is accurate and complete.</li> <li>• Payments are correctly calculated, signed off in accordance with the authority matrix, completed on a timely basis and paid to bona fide pensioners.</li> <li>• Benefits paid to pensioners agree to the supporting benefit calculations, and are paid to the bank on a timely basis</li> </ul>
Death	Beneficiary – Spouse Beneficiary – Civil Partner Beneficiary – Child	<ul style="list-style-type: none"> <li>• Only bona fide dependents are included on the pensioner payroll system.</li> <li>• The integrity of data in the system utilised to complete benefit calculations is accurate and complete.</li> <li>• Payments are correctly calculated, signed off in accordance with the authority matrix, completed on a timely basis and paid to bona fide dependents.</li> <li>• Benefits paid to beneficiaries agree to the supporting benefit calculations, and are paid to the bank on a timely basis.</li> <li>• Deceased pensioners/dependents are removed from the payroll system on a timely basis.</li> </ul>
Transfers Out	Transfers Out	<ul style="list-style-type: none"> <li>• Payments are made in line with member instructions.</li> <li>• The integrity of data in the system utilised to complete benefit calculations is accurate and complete.</li> <li>• Payments are correctly calculated, signed off in accordance with the authority matrix and completed on a timely basis.</li> <li>• Benefits paid agree to the supporting benefit calculations, and are paid on a timely basis.</li> <li>• Payments are made to a bona fide pension scheme.</li> </ul>

# Audit scope and approach

## Scope

### Operating effectiveness testing

We will test the operating effectiveness of the controls identified during our design effectiveness walkthroughs on a sample basis to ensure that the operating environment is operating as designed.

We will utilise the information gathered during our design effectiveness walkthroughs to develop a testing approach that will focus on areas of risk. The approach to sample selection will be discussed and agreed with the Head of Internal Audit prior to commencing testing.

Process	Sub-process	Sample size
Retirement	Normal retirement date Early Retirement Late Retirement Ill-Health	Sample of 25 normal retirement date Sample of 25 early retirements Sample of 25 late retirements Sample of 25 ill-health retirements
Death	Beneficiary – Spouse Beneficiary – Civil Partner Beneficiary – Child	Sample of 25 beneficiary - spouse Sample of 25 beneficiary – civil partner Sample of 25 beneficiary - child
Transfers Out	Transfers Out	Sample of 25 transfers out.
Total sample size	-	200

# Audit scope and approach

## Limitations of scope

Our assessment will include those matters that we consider relevant based on our understanding of the key risks to the organisation. Our review will be restricted to evaluating the design effectiveness of processes and controls in place in respect to benefit calculations as set on page 4. We will not be performing end to end walkthroughs of each sub-process within the full suite of administration services but will cover processes and controls relevant to the benefit calculations processes as noted above..

Operating effectiveness testing will be limited to the sample sizes and populations as set out on page 5. We will not re-perform any benefit calculations as part of our testing approach.

Any observations we may report are limited to those identified through the course of our work and are not intended to represent an exhaustive list of all potential issues or considerations. Our work is not designed to ensure compliance with all laws and regulations. Fraud, error, or non compliance with laws and regulations may occur and not be detected. Furthermore, the scope of our work does not constitute assurance over compliance with any laws and regulations.

## Audit approach

Our audit approach is as follows:

- Through walkthroughs (via video conference calls) with management and review of relevant documentation obtain an understanding of the processes and controls for the sub-processes as detailed on page 4.
- Identify the key risks relating to benefit calculations.
- Evaluate the design of the controls in place to address the key risks.
- Perform operating effectiveness testing on a sample basis as detailed on page 5.



## Lancashire Local Pension Board

Meeting to be held on Tuesday, 20 April 2021

Electoral Division affected: None;
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### **Chairs Report on the Annual Review of the Lancashire Local Pension Board.** (Appendix 'A' refers)

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

#### **Executive Summary**

This report presents a summary by the Chair of the Board on the main points which came out of his one to one meetings with individual members of the Board and others and makes recommendations for the future.

#### **Recommendation**

Members of the Board are asked to consider and approve the recommendations of the Chair of the Lancashire Local Pension Board, as set out in Appendix 'A'.

#### **Background and Advice**

Item 6 (d) of the Terms of Reference for the Lancashire Local Pension Board states that one of the roles of the Chair is to 'facilitate the Annual Review of the effectiveness of the operation of the Board over the previous year and draft a report on the findings for inclusion in the Annual Report of the Fund'.

In January 2021 arrangements were made for Mr W Bourne, the independent Chair of the Board, to have a series of one to one meetings with individual Board members, the Chair of the Pension Fund Committee and the Senior Democratic Services Officer to discuss the operation of the Board over the past year.

Following the meetings, the Chair has produced a report summarising his findings (which was shared with the members of the Board) a copy of which is set out at Appendix 'A'.

The summary report will be presented to the Board in April 2021 for information alongside a draft 2020/21 Annual Report from the Board which will be submitted to the Pension Fund Committee for approval and inclusion in the draft 2021 Annual Report for the Lancashire County Pension Fund which will subsequently be presented to full Council for approval.

## **Consultations**

All members of the Board have been consulted on the Chairs summary report. A copy has also been shared with the Interim Head of the Pension Fund.

## **Implications:**

This item has the following implications, as indicated:

## **Risk management**

It is a matter of good governance to regularly review the effectiveness of the operation of the Pension Board as reflected in the requirement for the Chair facilitate an Annual Review as set out at Item 6 (d) of the Terms of Reference for the Lancashire Local Pension Board.

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

Paper	Date	Contact/Tel
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N/A

Reason for inclusion in Part II, if appropriate

N/A

# Appendix A

## 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  
25<sup>th</sup> January 2021*

### One to one meetings held as part of the Annual Review

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





## Lancashire Local Pension Board

Meeting to be held on Tuesday, 20 April 2021

Electoral Division affected: None;
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### **2020/21 Training Record and feedback from Feedback from members of the Board in relation to training received since the last meeting.**

(Appendix A refers)

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

#### **Executive Summary**

A copy of the 2020/21 Training Record for the Board is presented for information together with details of training involving Board members which has taken place since the last meeting.

#### **Recommendation**

The Board is asked to note the contents of the 2020/21 Training Record set out at Appendix 'A' to this report together with any feedback from individual members given at the meeting in relation to training they have received since the last Board.

#### **Background and Advice**

The Training Policy of the Lancashire County Pension Fund sets out the approach to supporting the learning/development needs of individuals with responsibility for the strategic direction, governance and oversight of the Fund through their membership of the Pension Fund Committee or the Lancashire Local Pension Board.

During the last year members of the Board had opportunities to participate in various training sessions including internal workshops, external conference/seminars and presentations the majority of which were held remotely due to the continuing Covid-19 related restrictions.

The participation by individual Board members in training events each year is noted in the Training Record which informs the Lancashire County Pension Fund Annual report. A copy of the 2020/21 Training Record is attached as Appendix 'A' to this report.

Below is a list of pensions related external conferences/events or internal workshops which members of the Board have participated in since the last meeting and individual Board members are invited to provide feedback on their experiences.

<b>Date</b>	<b>Event</b>	<b>Participants</b>
28 <sup>th</sup> January 2021	UK Pension Fund Investment Forum: Will 2021 be Another Extraordinary Year? The Outlook Ahead: Economic and Strategic Asset Allocation Opportunities and Dangers	Ms D Parker
4 <sup>th</sup> February 2021	Responsible Investment for the LGPS Webinar	Ms D Parker
18 <sup>th</sup> February 2021	Workshop – Local Pension Partnership 2021/22 Budget	W Bourne, S Thompson, County Councillor M Salter, T Pounder, C Gibson and Ms D Parker
23 <sup>rd</sup> March 2021	Workshop – Local Pension Partnership Communications and demonstration of the LCPF website	W Bourne, T Pounder S Thompson, K Haigh, Y Moulton, D Parker

**Pensions Library** - Whilst they were unable to participate in training events on the day, the following Board members have confirmed that they subsequently watched recordings of workshops that are available in the online library. The 2021 training record has been updated accordingly.

- Ms Moulton - 12 January 2021 Workshop - update from Local Pensions Partnership Administration.
- Ms Haigh – 18<sup>th</sup> February 2021 Workshop - Local Pension Partnership 2021/22 Budget

### **Consultations**

N/A

### **Implications:**

This item has the following implications, as indicated:

### **Risk management**

Without the required knowledge/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 financed by the Lancashire County Pension Fund.

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

Paper	Date	Contact/Tel
Attendance record for internal workshops	18 <sup>th</sup> February and 23 <sup>rd</sup> March 2021	M Neville 01772 533431
Approvals by the Head of Fund under the Scheme of Delegation to Heads of Service for members to participate in external Conferences and Events	13 <sup>th</sup> January 2021 27 <sup>th</sup> January 2021	M Neville 01772 533431

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



Date	Event/Conference/Workshop/Online	Venue	Provider	Hours
<b>William Bourne (Independent Chair)</b>				
24 Jun 2020	LGPS Local Pension Board Members' Annual Event	Webinar	Barnett Waddingham and CIPFA	6.30
7 July 2020	Workshop on Asset safety and cyber security	via Webex	Northern Trust	1.30
13 Oct 2020	Presentation – Internal Audit assurance over LCPF	via Zoom	A Leech/R Lowry (LCC) & G Smith (LPP)	1.00
3 Nov 2020	Workshop on the Responsible Investment Dashboard	Via Zoom	F Deakin (LPP)	1.30
12 Jan 2021	Workshop – update from Local Pensions Partnership Administration	Via Zoom	Rachel Blundell, Operations Director LPPA	1.30
18 Feb 2021	Workshop – Local Pensions Partnership 2021/22 budget	Via Zoom	Adrian Taylor Chief Financial Officer, LPP	1.20
23 Mar 2021	Workshop – LPP Communications and a demonstration of the new LCPF website.	Via Zoom	Chris Dawson (LPP) M Master (LCC).	1.25
<b>County Councillor Matthew Salter (Employer Representative – Lancashire County Council)</b>				
7 July 2020	Workshop on Asset safety and cyber security	via Webex	Northern Trust	1.30
1 Sept 2020	Feedback from Investment Panel following review of the LCPF Funding Strategy Statement	via Zoom	E Lambert and A Devitt	1.30
13 Oct 2020	Presentation – Internal Audit assurance over LCPF	via Zoom	A Leech/R Lowry (LCC) & G Smith (LPP)	1.00
3 Nov 2020	Workshop on the Responsible Investment Dashboard	Via Zoom	F Deakin (LPP)	1.30
12 Jan 2021	Workshop – update from Local Pensions Partnership Administration	Via Zoom	Rachel Blundell, Operations Director LPPA	1.30
18 Feb 2021	Workshop – Local Pensions Partnership 2021/22 budget	Via Zoom	Adrian Taylor Chief Financial Officer, LPP	1.20
<b>Tony Pounder (Employer Representative – Lancashire County Council)</b>				
1 Sept 2020	Feedback from Investment Panel following review of the LCPF Funding Strategy Statement	via Zoom	E Lambert and A Devitt	1.30
13 Oct 2020	Presentation – Internal Audit assurance over LCPF	via Zoom	A Leech/R Lowry (LCC) & G Smith (LPP)	1.00
12 Jan 2021	Workshop – update from Local Pensions Partnership Administration	Via Zoom	Rachel Blundell, Operations Director LPPA.	1.30

18 Feb 2021	Workshop – Local Pensions Partnership 2021/22 budget	Via Zoom	Adrian Taylor Chief Financial Officer, LPP	1.20
23 Mar 2021	Workshop – LPP Communications and a demonstration of the new LCPF website.	Via Zoom	Chris Dawson (LPP) and M Master (LCC).	1.25
13 Oct 2020	Presentation – Internal Audit assurance over LCPF	via Zoom	A Leech/R Lowry (LCC) & G Smith (LPP)	1.00
3 Nov 2020	Workshop on the Responsible Investment Dashboard	Via Zoom	F Deakin (LPP)	1.30
12 Jan 2021	Workshop – update from Local Pensions Partnership Administration	Viewed from library	Rachel Blundell, Operations Director LPPA.	1.30
18 Feb 2021	Workshop – Local Pensions Partnership 2021/22 budget	Via Zoom	Adrian Taylor Chief Financial Officer, LPP	1.20
23 Mar 2021	Workshop – LPP Communications and a demonstration of the new LCPF website.	Via Zoom	Chris Dawson (LPP) and M Master (LCC).	1.25
<b>Carl Gibson (Employer Representative – Other Employers)</b>				
24 Jun 2020	LGPS Local Pension Board Members' Annual Event	Webinar	Barnett Waddingham and CIPFA	6.30
13 Oct 2020	Presentation – Internal Audit assurance over LCPF	via Zoom	A Leech/R Lowry (LCC) & G Smith (LPP)	1.00
12 Jan 2021	Workshop – update from Local Pensions Partnership Administration	Via Zoom	Rachel Blundell, Operations Director LPPA.	1.30
18 Feb 2021	Workshop – Local Pensions Partnership 2021/22 budget	Via Zoom	Adrian Taylor Chief Financial Officer, LPP	1.20
<b>Kathryn Haigh (Scheme Member Representative)</b>				
7 July 2020	Workshop on Asset safety and cyber security	via Webex	Northern Trust	1.30
1 Sept 2020	Feedback from Investment Panel following review of the LCPF Funding Strategy Statement	via Zoom	E Lambert and A Devitt	1.30
13 Oct 2020	Presentation – Internal Audit assurance over LCPF	via Zoom	A Leech/R Lowry (LCC) & G Smith (LPP)	1.00
3 Nov 2020	Workshop on the Responsible Investment Dashboard	Via Zoom	F Deakin (LPP)	1.30
12 Jan 2021	Workshop – update from Local Pensions Partnership Administration	Via Zoom	Rachel Blundell, Operations Director LPPA.	1.30
18 Feb 2021	Workshop – Local Pensions Partnership 2021/22 budget	Via Zoom	Adrian Taylor Chief Financial Officer, LPP	1.20

23 Mar 2021	Workshop – LPP Communications and a demonstration of the new LCPF website.	Via Zoom	Chris Dawson (LPP) and M Master (LCC).	1.25
<b>Yvonne Moulton (Scheme Member Representative)</b>				
7 July 2020	Workshop on Asset safety and cyber security	via Webex	Northern Trust	1.30
1 Sept 2020	Feedback from Investment Panel following review of the LCPF Funding Strategy Statement	via Zoom	E Lambert and A Devitt	1.30
13 Oct 2020	Presentation – Internal Audit assurance over LCPF	via Zoom	A Leech/R Lowry (LCC) & G Smith (LPP)	1.00
3 Nov 2020	Workshop on the Responsible Investment Dashboard	Via Zoom	F Deakin (LPP)	1.30
12 Jan 2021	Workshop – update from Local Pensions Partnership Administration	Via Zoom	Rachel Blundell, Operations Director Pensions Admin.	1.30
23 Mar 2021	Workshop – LPP Communications and demonstration of the new LCPF website.	Via Zoom	Chris Dawson (LPP) and M Master (LCC).	1.25
<b>Keith Wallbank (Scheme Member Representative) Resigned with effect from 20<sup>th</sup> January 2021</b>				
7 July 2020	Workshop on Asset safety and cyber security	via Webex	Northern Trust	1.30
1 Sept 2020	Feedback from Investment Panel following review of the LCPF Funding Strategy Statement	via Zoom	E Lambert and A Devitt	1.30
13 Oct 2020	Presentation – Internal Audit assurance over LCPF	via Zoom	A Leech/R Lowry (LCC) & G Smith (LPP)	1.00
<b>Deborah Parker (Scheme Member Representative)</b>				
7 July 2020	Workshop on Asset safety and cyber security	via Webex	Northern Trust	1.30
1 Sept 2020	Feedback from Investment Panel following review of the LCPF Funding Strategy Statement	via Zoom	E Lambert and A Devitt	1.30
13 Oct 2020	Presentation – Internal Audit assurance over LCPF	via Zoom	A Leech/R Lowry (LCC) & G Smith (LPP)	1.00
3 Nov 2020	Workshop on the Responsible Investment Dashboard	Via Zoom	F Deakin (LPP)	1.30
12 Jan 2021	Workshop – update from Local Pensions Partnership Administration	Via Zoom	Rachel Blundell, Operations Director Pensions Admin.	1.30
28 Jan 2021	PFIF Virtual Forum Seminar: Will 2021 be Another Extraordinary Year? The Outlook Ahead: Economic and Strategic Asset Allocation Opportunities and Dangers.	Online	UK Pension Fund Investment Forum	1.00
4 <sup>th</sup> Feb 2021	Responsible Investment for the LGPS	Webinar	CIPFA	1.00
18 Feb 2021	Workshop – Local Pensions Partnership 2021/22 budget	Via Zoom	Adrian Taylor Chief Financial Officer, LPP	1.20

23 Mar 2021	Workshop – LPP Communications and a demonstration of the new LCPF website.	Via Zoom	Chris Dawson (LPP) and M Master (LCC).	1.25
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<b>County Councillor Peter Britcliffe (Employer Representative – Lancashire County Council) replaced with effect from 8<sup>th</sup> June 2020 by County Councillor M Salter.</b>				
None				

**Note**

**Covid-19** - The Board on the 21<sup>st</sup> April 2020 was cancelled due to the UK outbreak. A copy of the Training Record (plus other reports which did not require a decision) were circulated to Board members on the 9<sup>th</sup> April 2020 and presented to the Board meeting on 14<sup>th</sup> July 2020. Subsequent workshops and presentations have been held remotely.



## Lancashire Local Pension Board

Meeting to be held on Tuesday, 20 April 2021

Electoral Division affected: None;
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## Local Pension Board - Annual Report

(Appendix 'A' refers)

Contact for further information: Mike Neville (01772) 534261, Senior Democratic Services Officer, [mike.neville@lancashire.gov.uk](mailto:mike.neville@lancashire.gov.uk)

### Executive Summary

The Terms of Reference for the Board includes the requirement for an annual report on Board activities to be produced for consideration by the Pension Fund Committee as Administering Authority for the Lancashire County Pension Fund.

### Recommendation

The Board is asked to consider and approve the draft Annual Report for 2020/21 as set out at Appendix 'A' and recommend it to the Pension Fund Committee on the 18<sup>th</sup> June 2021 for approval and inclusion in the Lancashire County Pension Fund Annual Report.

### Background and Advice

The Terms of Reference for the Lancashire Local Pension Board include the requirement that the Board "shall on an annual basis produce a report on both the nature and effect of its activities for consideration by the Administering Authority".

The Chair of the Pension Board has produced the draft Annual Report for 2020/21 as attached at Appendix 'A' which includes the following.

- A summary of the Boards activity during the year.
- Details of Board member attendance at meetings.
- Training and development events which Board members have participated in during the year.
- Details of the costs incurred in the operation of the Board.

Subject to the Board's approval, the Annual Report will be presented by the Chair to the Pension Fund Committee on the 18<sup>th</sup> June 2021 for consideration and, if approved, will then be incorporated into the Lancashire County Pension Fund's Annual Report.

### Consultations

N/A

**Implications:**

This item has the following implications, as indicated:

**Risk management**

There are no significant risks associated with the proposals set out in this report.

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

Paper	Date	Contact/Tel
Attendance Sheets for meetings of the Lancashire Local Pension Board	April 2020 to March 2021	Mike Neville (01772) 533431
The Training Record for members of the Lancashire Local Pension Board	May 2020 to April 2021	Mike Neville (01772) 533431

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

## **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 1<sup>st</sup> April 2020 and 31<sup>st</sup> March 2021), together with in year changes to the membership of the Board, are set out below.

<b>Name</b>	<b>Representing</b>	<b>21<sup>st</sup> April 2020</b>	<b>14<sup>th</sup> July 2020</b>	<b>13<sup>th</sup> October 2020</b>	<b>19<sup>th</sup> January 2021</b>
W Bourne	Independent Chair	<b>C A N C E L L E D</b>	✓	✓	✓
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 20<sup>th</sup> 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 13<sup>th</sup> 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 1<sup>st</sup> May 2020 to 30<sup>th</sup> April 2021.

<b>Name</b>	<b>Internal events</b>	<b>External Events</b>
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](http://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



## Lancashire Local Pension Board

Meeting to be held on Tuesday, 20 April 2021

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 sets out an update on various pension related regulatory issues to assist Board members to exercise their functions as a member of the Pension Board effectively.

#### Recommendation

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

### Background and Advice

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

The Restriction of Public Sector Exit Payments Regulations 2020 ('the exit cap regulations') were signed on 14 October 2020 and came into force on 4 November 2020.

As previously reported in regulatory updates to the Board this had effectively created conflicts between the exit cap regulations and the Local Government Pension Scheme (LGPS) regulations and as a result these provisions were due to be legally challenged and heard on 24 and 25 March 2021. As a result, the Ministry of Housing Communities and the Local Government had put on hold any changes to the LGPS regulations until the Judicial Reviews had been heard.

However, the Government have now determined to disapply the cap following the issue of the Exit Cap Directions 2021 on 12 February 2021. As such exits from 12 February 2021 are no longer subject to the cap. The position for exits that occurred before 12 February 2021 and after 4 November 2020, where benefits have been paid that were subject to the £95k cap, are covered under the Restriction of Public Sector Exit Payments (Revocation) Regulations 2021 which came into force on 19 March 2021. The regulations are not retrospective, but they do require employers to pay the difference between any exit payment they made since 4 November 2020 that was restricted because of the exit cap, plus interest.

For the Lancashire County Pension Fund, it has been confirmed that no actual retirements were processed which breached the £95k cap during this time period, and any estimates provided have been recalculated where necessary.

In terms of the next steps the Government has indicated that it still intends to reintroduce measures to limit public sector exit payments. The expectation is that the exit payment cap and LGPS amendments will be introduced at the same time following further consultation, to avoid a repeat of the legal uncertainty recently experienced by LGPS Funds.

## **2. Review of employer contributions and flexibility on exit payments and Employer Risk**

As reported in the last update to the Board the Local Government Pension Scheme (Amendment) (No.2) Regulations 2020 introduced “deferred debt” provisions, allowing 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, additionally other flexibilities were introduced to manage employer exits from the Pension Fund.

In relation to this the Fund has now developed a policy around the deferred debt provisions and also made associated changes to the Fund's Admissions and Termination Policy. These were presented to the Pension Fund Committee on 12 March 2021 where it was agreed that a short consultation would take place with Scheme Employers with a report on the outcome to be presented to the Committee in June.

Additionally, it should be noted that the Ministry of Housing Communities and the Local Government and the Scheme Advisory Board have recently produced guidance around preparing and maintaining policies on reviewing employer contributions, employer exit payments and deferred debt agreements. The guidance documents were prepared following input from a working group of practitioners and various parties including the Fund's actuary Mercers. The final guidance is therefore in line with the Fund's expectations and policy as set out in the consultation.

With effect from the 1 April 2021 the employer risk function moved back to the in-house Pension Fund team at the County Council. The functions that have moved include employer admissions and cessations, bulk transfers, college mergers and employer covenant checks and security. Julie Price joined the team on 1 March 2021 as a Senior Technical Officer to assist Colin Smith in dealing with this new work.

A review of scheme employer security is now underway which will assess the exposure of the Fund should employers terminate and be unable to pay the cessation debt that may be due. The first phase will look at employers who have admission agreements but without guarantors. Where appropriate, employers will be asked to provide security which might normally be in the form of a bond or property charge.

### **3. McCloud**

On 16 July 2020, the Ministry of Housing Communities and the Local Government published a consultation on amendments to the statutory underpin. The consultation outlined proposed changes to the LGPS in England and Wales to remove the unlawful age discrimination found by the Courts in relation to public service pension scheme 'transitional protection' arrangements.

As a background the proposed changes would mean that a revised underpin protection that will apply to all members, regardless of their age, who were active members of the LGPS on 31 March 2012, build up benefits in the 2014 Scheme and do not have a disqualifying break.

In order to calculate if an underpin addition applies, Funds will need hours and service break data for all qualifying members for the period from 1 April 2014 to the earliest of 31 March 2022. To assist this process a "McCloud implementation group" made up of representatives from the Local Government Association have recently produced a number of documents for administrators and employers to assist with data collection exercises.

The documents are available on the Administrator guides and documents page at [www.lgpsregs.org](http://www.lgpsregs.org)

The Fund remains in dialogue with the Local Pensions Partnership and are reassured on this point that the required data has continued to be collected from employers post 1 April 2014.

Further clarity on the timing for the final LGPS regulations is expected shortly. Statutory guidance is also expected to be provided alongside the regulations to cover issues such as Fund priorities in implementing the remedy.

### **4. Good Governance**

On 15 February 2021, the Scheme Advisory Board published the Good Governance: Phase 3 Report which was produced by the Hymans Robertson project team. This follows phase 2 of the Good Governance report where it was recommended that oversight be in the form of a biennial independent governance review for every fund which will provide an expert arms-length assessment of their governance arrangements, thereby improving accountability. There are also proposals to introduce the Local Government Association peer review programme to the LGPS to further facilitate sharing of best practise.

The latest Phase 3 report provides further detail on the following recommendations:

- **The LGPS senior officer**

This relates to a single named officer who is responsible for the delivery of LGPS activity for a fund. The report covers the core functions of the role, the personal competencies needed to fulfil the role successfully and how the role could be incorporated into different organisational structures.

- **Conflicts of interest**

All administering authorities should publish a conflicts of interest policy that is specific to the LGPS. That policy should cover how it identifies, monitors and manages any conflicts. The report includes more detail on what LGPS specific areas should be covered by the policy.

- **Representation**

Each administering authority must publish a policy on how scheme members and non-administering authority employers are represented on its committees. This should include the reasoning behind that policy.

- **Skills and training**

Introduces a requirement for key individuals, such as pension fund committee members and section 151 officers, to have the appropriate level of knowledge and understanding to carry out their duties efficiently. The administering authority must publish a training strategy that sets out its policy on delivery, assessment and recording of training plans.

- **Service delivery**

Regulation change to make it compulsory for an administering authority to publish an administration strategy.

- **Key performance indicators**

Focus on ensuring that each administering authority has defined service standards and has the governance in place to monitor those standards.

- **Business planning process**

The senior officer and pension fund committee must be satisfied with the resource and budget allocated to administer the LGPS each year. Required expenditure should be based on the business plan for the coming year, not the budget for the previous year with an inflationary increase.

At the Scheme Advisory Board meeting on 8 February 2021, it was agreed that the Board's Good Governance Action Plan would be submitted to the Local Government minister for consideration. The Action Plan sets out:

- changes that the Ministry for Housing, Communities and Local Government could take forward by amending regulations or producing statutory guidance
- work associated with the changes made by the Ministry for Housing, Communities and Local Government that could be done by the Scheme Advisory Board or other bodies

- actions that the Scheme Advisory Board can take to improve governance and administration immediately, regardless of which changes are progressed by the Ministry for Housing, Communities and Local Government.

## 5. 2021/22 employee contribution bands

The new employee contribution bands, effective from 1 April 2021 have been agreed and are set out below. They are calculated by increasing the 2020/21 employee contribution bands by the September 2020 CPI figure of 0.5 per cent and then rounding down the result to the nearest £100.

Band	Salary Range	Contribution Rate MAIN Section	Contribution Rate 50/50 Section
1	£0 to £14,600	5.5%	2.75%
2	£14,601 to £22,900	5.8%	2.9%
3	£22,901 to £37,200	6.5%	3.25%
4	£37,201 to £47,100	6.8%	3.4%
5	£47,101 to £65,900	8.5%	4.25%
6	£65,901 to £93,400	9.9%	4.95%
7	£93,401 to £110,000	10.5%	5.25%
8	£110,001 to £165,000	11.4%	5.7%
9	£165,001 or more	12.5%	6.25%

## 6. Consultation: Implementing the increase to the minimum pension age

In 2014, the Government consulted on increasing the normal minimum pension age from 55 to 57 from 6 April 2028 as part of the Freedom and choice in pensions consultation. On 11 February 2021, HM Treasury published "Increasing the normal minimum pension age: consultation on implementation". The current consultation re-confirms the Government's commitment to increasing the normal minimum pension age. The increase will not apply to members of the firefighters', police and armed forces pension schemes.

The consultation seeks views on:

- the implementation of the rise in normal minimum pension age

- protections for pension scheme members who have a right under scheme rules to take benefits before age 57 and who at the date of this consultation will be protected from the increase in normal minimum pension age.

## **7. Budget 2021**

The Chancellor delivered the Budget on 3 March 2021. The main area affecting the LGPS was the fact that the lifetime allowance will be frozen at £1,073,100 until the end of the 2025/26 tax year. As the allowance is not reducing, the Government has confirmed that there is no need for transitional protection regimes.

## **8. Update on cost control mechanisms**

On the 4 February the Government announced updates on the 2016 valuations and cost control mechanism and set out the following commitments:

- the cost control element of the 2016 valuations will now be completed including the cost of implementing the McCloud remedy
- there will be no reduction to member benefits as a result of completing the 2016 valuation if the cost ceiling is breached
- if the cost floor is breached, this will be honoured by implementing increases in benefit accrual and/or reductions in member contributions from 1 April 2019.

The Scheme Advisory Board has confirmed that discussions on their own cost management arrangement for the LGPS in England and Wales will remain paused until HM Treasury publishes a final version of the Directions to be used for the 2016 valuation.

## **9. Consultation response - Guaranteed Minimum Pension indexation**

HM Treasury had consulted on three options for ensuring that public service pension scheme members reaching their state pension age on or after 6 April 2016 continue to have their pension payments fully indexed and equalised. The three options were:

- Extending full indexation by public service pension schemes to cover members reaching state pension age before 6 April 2024. This would give time to give more thought to Guaranteed Minimum Pension (GMP) conversion as a long-term solution and implement it if it is the right solution.
- Extending full indexation by public service pension schemes to cover members reaching state pension age up to and beyond 5 April 2024, perhaps up to March 2030. This would allow even more time.
- Discounting GMP conversion as a long-term policy solution and making full GMP indexation the permanent solution for public service pension schemes.

HM Treasury has now published its consultation response and has chosen the third option, with the result that public service pension schemes will be directed to provide full indexation to people with a GMP who reach State Pension age after 5 April 2021.

**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, 20 April 2021

Electoral Division affected:  
(All Divisions);

### Risk Register Review

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

#### Executive Summary

The Lancashire County Pension Fund risk register is presented to Pension Fund Committee and the Local Pension Board on a six-monthly basis. The current risk register format and structure was one which was adopted after a commissioned piece of work carried out by PricewaterhouseCoopers (PWC) in 2017.

Further to recent feedback from the Local Pension Board, it has been decided to discuss and agree refinements/changes to the risk register to facilitate improved risk management reporting for the Fund.

#### Recommendation

The Board is asked to discuss and agree the potential improvements to the risk register reporting for the Fund as set out in the report.

### Background and Advice

The current format of the risk register was developed in 2017 by PWC. This format has worked adequately, however has proven to be more challenging as time has progressed. The challenges have been as follows:

- The sheer numbers of stakeholders who contribute to the report. This includes Pension Fund Officers, Independent Advisors, Local Pensions Partnership Administration (LPPA), Local Pensions Partnership Investments (LPPI) and others;
- The recent split of Local Pensions Partnership (LPP) to LPPA and LPPI has added an additional complexity to the current risk register, which has yet to be reflected appropriately and effectively;

- Microsoft Excel does not offer the required levels of change control necessary for managing a document which requires input from various parties. This impact:
  - Ease of maintenance of the register;
  - Maintaining auditable records of changes from third parties;
- Ensuring that a complex Fund risk register is communicated to the Pension Fund Committee and Local Pension Board in a way which is easy to understand, relevant and focused.

### Areas for Potential Improvement

Frequency	Quarterly or Six Monthly
Full Risk or Staggered Risk Register	Options: <ul style="list-style-type: none"> <li>• Full Register each quarter;</li> <li>• Full Register every six months with key risk reporting every quarter;</li> <li>• Focus on a different risk area each quarter (for example, Member Risk) together with consideration of specific risks (across all areas) that have materially changed in that quarter.</li> </ul>
Split the register	<ul style="list-style-type: none"> <li>• Fund risks;</li> <li>• LPPA risks;</li> <li>• LPPI risks.</li> </ul>
Change Control and Ease of Maintenance	<ul style="list-style-type: none"> <li>• Separate 'Controls' and 'Actions' from the main register and provide this separately using MS Word which is easier to manage and provides change control for audit purposes;</li> </ul>
Other Improvements	<ul style="list-style-type: none"> <li>• Heat maps for easy visual presentation of risks;</li> <li>• Risk symptom – insight/information monitored to alert us to a change in the risk impact/probability;</li> <li>• Risk status – open or closed status, once closed the risk could be removed from the register presented to the Local Pension Board.</li> </ul>

### Conclusion

This report serves as a reference for discussion regarding possible changes to the risk register which may support the Pension Fund Committee and the Local Pension Board to better understand and manage the risks to the Fund. The potential improvements are not exhaustive, and others may be tabled during the discussion at the meeting.

The timescales for the implementation of these changes can be agreed by the Board. However, it is anticipated that a revised format of the risk register (which incorporates the feedback received from discussion of this paper) could be provided to the Local Pension Board at the July 2021 meeting. Following any feedback from

the July meeting, the final format of the risk register could be brought to the October 2021 meeting.

### **Consultations**

The Head of Fund and the Chair of the Lancashire Local Pension Board.

### **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 risk management over the Pension Fund operations.

### **Local Government (Access to Information) Act 1985**

#### **List of Background Papers**

Paper	Date	Contact/Tel
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N/A

Reason for inclusion in Part II, if appropriate

N/A



## Lancashire Local Pension Board

Meeting to be held on Tuesday, 20 April 2021

Electoral Division affected:  
(All Divisions);

## Lancashire County Pension Fund Breaches Report

Appendix 'A' refers

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 1<sup>st</sup> January 2021 to the 31<sup>st</sup> March 2021.

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).

At the last Pension Board LPPA were asked to present a report detailing the 'process used to assess and rate administration breaches' to the next meeting. This report can be found at Appendix A.

### Recommendation

The Board is 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 January to March 2021 (March contributions have not been collected at the time of writing this report) there has been no breach in contribution payments. Additionally, there were no breaches in the previous quarter, Quarter 3 (Oct-Dec 2020).

There were, however, a number of incidents recorded in the period which have resulted in corrective action being taken. A total of 57 employers failed to submit contribution figures for Q3 and 22 for Q4\*. They have all been contacted in accordance with the Stage 2 escalation procedure, which ensures that all incidents are corrected swiftly. For Q3, the number of employers which failed to submit contributions represents 5.50% of the total submissions, in monetary value this equates to 0.93% of the total contributions received during the period and for Q4\* this represents 3.29% and 0.17% respectively.

	Q1 Apr-Jun 20	Q2 Jul-Sep 20	Q3 Oct-Dec 20	Q4* Jan-Mar 21
Incidents	53	70	57	22
Breach	0	0	0	0

\* Incomplete – only includes 2 months data.

### Data Breaches:

For the period 1<sup>st</sup> January 2021 to the 31<sup>st</sup> March 2021 there were a total of 8 data breaches:

January	<ul style="list-style-type: none"> <li>Two members were sent documentation pertaining to two other members.</li> </ul>
February	<ul style="list-style-type: none"> <li>One member's P60/pay advice was delivered to the wrong address due to the address not visible on the printed copy;</li> <li>One member received a letter relating to another member attached to their own correspondence;</li> <li>An email was sent to the incorrect email address.</li> </ul>
March	<ul style="list-style-type: none"> <li>Appropriate data protections checks were not carried out on a phone call;</li> <li>Letter attachments mixed up between two members.</li> </ul>

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:

	Q4 19/20	Q1 20/21	Q2 20/21	Q3 20/21	Q4 20/21
Data Breaches	3	2	2	5	8

### 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 were six COP14 breaches in the period and no process breaches:

	COP 14 Breach	LPPA PROCESS BREACH	TOTAL
January	0	2	2
February	0	0	0
March	1	0	1
<b>Total</b>	<b>1</b>	<b>2</b>	<b>3</b>

January	<ul style="list-style-type: none"><li>• Process Breach: An email was sent to the incorrect email address; however, it contained no personal data;</li><li>• Process Breach: A member requested a transfer of a FSAVC. A request was made to LCPF to process when LPPA should have known this is not allowed. Transfer was not processed.</li></ul>
February	<ul style="list-style-type: none"><li>• N/A.</li></ul>
March	<ul style="list-style-type: none"><li>• COP14: Identified by Compliance Monitoring Review that aggregation had not been completed correctly on 2 members accounts</li></ul>

None of the breaches were not material or worthy of reporting to the regulator. Corrective action was implemented as soon as the breaches came to light to minimise or prevent future recurrence.

### LPPA process used to assess and rate administration breaches

Please refer to Appendix A.

## Consultations

The Local Pensions Partnership were consulted with regards to the administration and data breaches. The County Council's Finance Team were consulted with regards to contributions. The Technical Pensions Lead was consulted regarding the Prudential AVC issue.

## 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



## Local Pensions Partnership Administration Ltd

LPPA Senior Leadership Team

### LPPA Breach Reporting

Authority & decision trail:	<b>Decision Trail:</b> LCPF Local Pension Board <b>Authority:</b> LPPA Senior Leadership Team
Lead Officers:	Janet Morville-Smith Head of Risk & Compliance, Pensions Administration <a href="mailto:janet.morville-smith@localpensionspartnership.org.uk">janet.morville-smith@localpensionspartnership.org.uk</a>
Report writers:	
LPP Information Classification: - Applies to The LPP Group	<b>Confidential</b>

#### Purpose

This paper seeks to provide an overview of the process used to assess and rate administration breaches.

#### Background

An action was raised at the last Board meeting requesting LPPA to provide a paper to explain the process adopted for administration breaches.

#### Summary

Since the formation of the LPPA Risk & Compliance team in 2020, the breach process has been enhanced to capture and report on all breaches, not just data breaches. This process has 3 categories of breach as detailed below:

Data Breach	Code of Practice 14 Breach	LPPA Process Breach
This type of breach impacts on personal data	This type of breach impacts on the administration of a pension scheme that is covered under the Pensions Regulator's CoP14	This type of breach impacts on LPPA's own Policies and Procedures
Examples: <ul style="list-style-type: none"> <li>➤ Disclosure of information to an unauthorised party</li> <li>➤ Inaccurate record keeping</li> <li>➤ Loss of or damage to data records</li> </ul>	Examples: <ul style="list-style-type: none"> <li>➤ Inaccurate record keeping (e.g. service history / transactions etc.)</li> <li>➤ Contribution Payments</li> <li>➤ Disclosure Requirements (e.g. ABS / Retirement Options etc.)</li> <li>➤ IDRP not processed in time</li> </ul>	Examples: <ul style="list-style-type: none"> <li>➤ Process not followed</li> <li>➤ Use of personal email / phone</li> <li>➤ Email sent to incorrect email address (where no personal data is included)</li> </ul>

*N.B. These examples are not exhaustive*

LPPA take all breaches extremely seriously. A breach leads to errors which need to be addressed. Upon notification of any breach the Risk & Compliance team log these on the Breach Register and investigate how the breach happened, ensure any corrective work has been completed, and engage with the individual who caused the breach and their direct line manager to put in place measures to prevent the breach reoccurring.

Where a Member has been directly affected, measures are taken to apologise and provide protection if deemed appropriate, for example CIFAS.



## Lancashire Local Pension Board

Meeting to be held on Tuesday, 20 April 2021

Electoral Division affected: None;
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### 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](mailto:mike.neville@lancashire.gov.uk)

#### Executive Summary

This report lists the Part I reports that were presented to the most recent meeting of the Pension Fund Committee. The Head of Pension Fund will update members of the Board on decisions taken in respect of these 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 12<sup>th</sup> March 2021 and any decisions taken.

#### Background and Advice

At the meeting on the 12<sup>th</sup> March 2021 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.

- Minutes of the meeting held on the 27<sup>th</sup> November 2020
- Lancashire County Pension Fund Investment Strategy Statement
- Budget monitoring for period ending 31 December 2020
- Lancashire County Pension Fund 2021/22 Budget
- Lancashire County Pension Fund Strategic Plan 2021-24
- Pension Administration Strategy Statement Review
- Lancashire County Pension Fund - Admission and Termination Policy / Inter-valuation contributions review policy
- New Lancashire County Pension Fund Website.
- Feedback from members of the Committee on pension related training.
- Lancashire County Pension Fund - Training Plan 2021
- Responsible Investment Report
- Approval of 2021/22 Workplan for the Lancashire Local Pension Board
- Urgent Business\*
- Date of Next Meeting -10.30am on the 18th June 2021.

\*Note - An additional report was raised at the meeting under this item. The report on the Local Pension Partnership Strategic Update was then considered under Part II of the agenda (as referred to later on the agenda for this meeting).

Members of the Board received notification when the agenda for the Committee was published and available to view on the [County Councils 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 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)

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)

Document is Restricted





(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



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Document is Restricted



(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



# Agenda Item 16

(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)

Document is Restricted



# Agenda Item 17

(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

