

## **Lancashire Local Pension Board**

**Minutes of the Meeting held on Tuesday, 19th October, 2021 at 2.00 pm in the Jordan Suite in The Exchange at County Hall, Preston.**

### **Present:**

#### **Chair**

William Bourne

#### **Board Members**

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

### **In attendance:**

County Councillor Alan Schofield - Laura Sales -	Chair of the Audit, Risk & Governance Committee. Director of Corporate Services & Monitoring Officer, Lancashire County Council
Sean Greene – Colin Smith -	Head of Pension Fund, Lancashire County Council. Technical Adviser Pensions, Pensions Team, Lancashire County Council
Mukhtar Master -	Governance & Risk Officer, Pensions Team, Lancashire County Council
Mike Neville -	Senior Democratic Services Officer, Lancashire County Council.
Jo Darbyshire -	Managing Director, Local Pensions Partnership Administration.

### **1. Welcome and Apologies**

The Chair welcomed everyone to the first physical meeting of the Board to be held since January 2020. It was reported that whilst no apologies had been received Mr C Gibson and Mr T Pounder had been delayed but would join the meeting in due course.

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

No declarations of interest regarding items on the agenda were made at this point in the meeting.

Mr Gibson joined the meeting at this point.

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

Mr Neville informed the Board that a report would be presented to Full Council in December 2021 seeking approval to the appointment of Mr Glyn Peach, Chief Digital Officer, as the Lancashire County Council Employer representative on the Board who would replace Mr Pounder with effect from 19<sup>th</sup> January 2022.

As this was the first physical meeting of the Board to be held since January 2020 the Chair had earlier signed the agreed Minutes of previous meetings up to the 20<sup>th</sup> April 2021.

**Resolved:** That the Minutes of the meeting held on the 6<sup>th</sup> July 2021 are confirmed as an accurate record and signed by the Chair.

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

A report on training involving Board members since the last meeting was presented which included reference to an internal workshop on responsible investment on the 6<sup>th</sup> October 2021 in which the Chair, County Councillor M Salter, Ms D Parker, Mr K Ellard and Mr T Pounder had all participated. Members of the Board reported that the workshop and another on the 1<sup>st</sup> September 2021 regarding the Fund Annual Report and accounts had been well presented and informative.

Mr Gibson reported that the CIPFA online training event for Pension Board members on the 28<sup>th</sup> September had also been useful.

In response to a suggestion that future training be done face to face Mr Neville reported that holding online pension related workshops had resulted in a significant increase in take up by members of both the Board and Pension Fund Committee and would continue. However, it was recognised that hybrid workshops, where participants could attend a physical event or dial in remotely if they wished, could also be explored.

#### **Resolved:**

1. That the feedback given at the meeting in relation to the training received by members of the Board is noted.
2. That the 2021/22 Training Record be updated to show that the Chair, County Councillor M Salter, Ms D Parker, Mr K Ellard and Mr T Pounder had all participated in the 6<sup>th</sup> October 2021 workshop on responsible investment.
3. That arrangements be made to trial a hybrid approach to a future training workshop.

## 5. Part I reports considered by the Pension Fund Committee

The Head of Fund presented a report on items considered by the Pension Fund Committee on the 17<sup>th</sup> September 2021 under Part I of the agenda.

The Board discussed the Lancashire County Pension Fund Debt Management Policy and agreed that it was a clear, concise document which would help with transparency around decision making and noted that engagement with Local Pensions Partnership Administration on this had taken place. The Board was also informed that the Lancashire County Council Debt Management Policy had been considered by the Audit Risk and Governance Committee.

**Resolved:** That the Part I reports considered by the Pension Fund Committee on the 18<sup>th</sup> June 2021 are noted.

Mr Pounder joined the meeting at this point

## 6. Regulatory Update

Mr C Smith, Technical Adviser Pensions from the Pensions Team, presented a report which updated the Board on a number of pensions related regulatory issues.

With regard to a recent consultation on draft regulations requiring occupational pension schemes to further engage with members aged 50 or above when they applied to access or transfer out benefits in order to access them, the Board noted that clarification would be sought as to whether the regulations would apply to the public sector.

Mr Smith informed the Board that the cost cap mechanism (which takes place after every valuation and allows for scheme benefit changes should that overall cost of the LGPS increase or decrease by 2%) had, following the 2016 valuation, initially been paused. The initial cost cap valuation in 2016 had shown a decrease in the overall cost of more than 2% and therefore would normally trigger benefit changes within the LGPS, however it was acknowledged that the costs associated with implementing changes as a result of the McCloud judgement had not been taken into account. A costing exercise by the Scheme Advisory Board had now indicated that taking account of those additional costs associated with McCloud judgement would now actually only reduce the overall LGPS cost by 0.1%. As such the Scheme Advisory Board had agreed not to recommend any scheme changes under the cost cap mechanism.

In terms of the McCloud judgement itself, draft regulations were expected to be published later this year with an expectation that scheme regulations would come into force on 1<sup>st</sup> April 2023. It was noted that an internal training workshop for Board members on the McCloud judgement would be held at 10.00am on the 6<sup>th</sup> December 2021.

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

## **7. Update on Lancashire Local Pension Board Workplan**

The Head of Fund presented a progress report in relation to activities undertaken to date by the Pension Board as detailed in the 2021/22 workplan. It was reported that once the revised Responsible Investment Policy for the Fund had been approved a future review would be added into the work plan and a draft Discretions policy would be brought to the Board for comment early in the New Year.

In considering the workplan the Board asked that the contents be reviewed to ensure that elements from the three-year Work Plan section were cross referenced with the Annual Plan section to ensure that items were not overlooked.

**Resolved:** That, subject to the three year Work Plan being cross referenced with the 2021/22 Annual Plan to ensure that items were not overlooked, the Board note the workplan set out at Appendix 'A' to the report and the updates provided at the meeting.

## **8. Lancashire County Pension Fund Breaches Report**

Mr Master, Governance and Risk Officer from the Pension Fund Team, reported that during the period July to September 2021 there had been one breach relating to contribution payments and three data breaches, none of which had been deemed significant enough to warrant reporting to the Information Commissioner. He also informed the Board that there had been one Code of Practice 14 breach during the period covered by the report though it had not been considered significant enough to require reporting to the Pensions Regulator and corrective action had been taken as soon as the breach had been identified in order to minimise or prevent a future recurrence.

**Resolved:** That the summary of the Lancashire County Pension Fund Breaches Log for the period, 1<sup>st</sup> July 2021 to 30<sup>th</sup> September 2021, as set out in the report presented, is noted.

## **9. The Pensions Regulator - Public Service Governance and Administration Survey 2020/21 - Research Report**

The Board considered a report which summarised the Pension Regulator's survey findings in relation to governance and administration practices among public service pension schemes. The Head of Fund informed the Board that the Lancashire County Pension Fund had performed well against the results of the six key processes and was in line with or exceeded governance and administration practice results (including Pension Board governance, risk management, record keeping and annual benefit statements).

**Resolved:** That the report is noted and that a link to the Pension Regulator's survey findings be made available to members of the Board and the Pension Fund Committee via the online pension library for future reference.

## **10. Communications Update**

Mr Master, Governance and Risk Officer from the Pension Fund Team, presented a report which updated the Board on activity regarding communications by both the Local Pensions Partnership Administration Limited's (LPPA) Engagement and Communications Team and also the Pension Fund Team.

It was reported that due to the size of the Fund Annual Report it was intended to produce a separate brief summary document which would highlight key areas of activity and performance that were relevant to scheme members. The Board noted that a copy of the summary document would be presented to the next meeting for information.

How the Fund could communicate directly with scheme members was discussed and it was suggested that consideration be given to reintroducing the annual Scheme Members Forum which had not been held due to Covid-19. Use of letters and online communications were also discussed and the Board recognised that any activity would need to compliment the work of the Local Pensions Partnership Administration and that use of the Fund branding was preferred.

**Resolved:** That the report is noted, and a copy of the draft summary document associated with the Lancashire County Pension Fund Annual Report and Accounts be presented to the next meeting of the Board for information.

#### **11. Urgent Business**

No items of urgent business were raised at the meeting.

#### **12. Date of Next Meeting**

It was noted that the next scheduled meeting of the Board would be held at 2.00pm on the 18<sup>th</sup> January 2022 in the Ribble Suite in The Exchange at County Hall, Preston.

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

**Resolved:** That the press and public be excluded from the meeting during consideration of the following items of business on the grounds that there would be a likely disclosure of exempt information as defined in the appropriate paragraph of Part 1 of Schedule 12A to the Local Government Act, 1972, as indicated against the heading of 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 informed the Board that he would take item 16 on the agenda as the next item of business so that the Managing Director of Local Pensions Partnership Administration, could present her report and leave the meeting.

#### **14. Local Pensions Partnership (Administration) Audit Assurance and Project Pension Administration Core Evolution (PACE)**

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

The Managing Director of Local Pensions Partnership Administration updated the Board on the phased implementation of the Pension Administration Core Evolution (PACE) project which would include the Fund in September 2022. The Board discussed elements of the project and noted that it was intended that Local Pensions Partnership Administration commission an independent audit in order to provide assurance on key elements as the project progressed.

The Board considered the specific responses from the Head of Risk & Compliance at Local Pensions Partnership Administration relating to the management action points on the verification of identity and bank details, checking process and system access reviews from the Internal Audit as reported to the previous meeting. The Managing Director also explained how in the future the Company would provide independent audit assurance to both the Board and Pension Fund Committee in the short and longer term. The Board was reassured that the Annual Audit Assurance Report produced internally by the Local Pensions Partnership Administration Risk & Compliance Team and the longer-term move towards Audit & Assurance Faculty (AAF) reporting would provide the desired level of assurance.

In the interim, the Managing Director of Local Pensions Partnership Administration confirmed that Deloitte will undertake a review of the Annual Audit Assurance Report produced internally by the Local Pensions Partnership Administration.

The Board also discussed communications/engagement with the membership of the Fund and the limitations (at least in the short term) of balancing the standardised approach of Local Pensions Partnership Administration with the need for more customised communications which were specific to the Fund and branded as such.

**Resolved:**

1. That the Board be informed of the findings of any independent audit of the Pension Administration Core Evolution project.
2. The Board recognise that whilst some recommendations from the Internal Audit have been addressed directly others will be covered by the implementation of project PACE. Consideration has also been given to additional mitigating measures though they had been determined by the Local Pensions Partnership Administration as too costly and will be addressed in the longer term by project PACE.
3. That the Terms of Reference for any external audit by Deloitte of the Local Pensions Partnership Administration Annual Audit Assurance Report be shared with Board members for information.

The Managing Director of Local Pensions Partnership Administration left the meeting at this point.

## **15. Responsible Investment Report**

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

The Board considered a report on the ongoing review of the Fund's Responsible Investment Policy by a Task and Finish Group appointed by the Pension Fund Committee. A copy of the current working draft of the policy was presented and Board members made some initial comments on the contents. The Head of Fund suggested that any detailed comments be forward to him outside of the meeting so that they could be taken into consideration by the Group before recommendations are presented to the Pension Fund Committee.

It was also suggested that consideration be given to a more frequent review of the Responsible Investment Policy as responsible investment is an evolving area with pensions.

### **Resolved:**

1. That the work to date by the Task and Finish Group to review the LCPF Responsible Investment Policy is noted.
2. That Board members forward any specific observations on the current draft of the Responsible Investment Policy to the Head of Fund before the 22<sup>nd</sup> October 2021 so that they can be taken into consideration by the Group before final recommendations are presented to the Pension Fund Committee in November 2021.

## **16. Annual Report on Cyber Security**

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

A report was presented which summarised the position in relation to cyber security of the Lancashire County Pension Fund.

The Board noted that based on the position statements provided by the County Council, Local Pensions Partnership and the Custodian the Fund was reassured that partners were proactively managing their cyber security risk and recognised that further work would be undertaken to ensure that specific information is provided on the measures partners have in place to ensure adequate risk management from a Fund perspective.

**Resolved:** That the report is noted, and arrangements be made for Board members to receive training on cyber security in 2022/23.

## **17. Lancashire County Pension Fund Risk Register**

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

A report was presented on risk management associated with the Fund which included the changes to reporting associated with the Risk Register as discussed at the previous Board regarding a template for updating all risks and a heat map of all Fund risks mapped against the risk matrix.

The Board welcomed the new style reporting which had been developed in conjunction with the Local Pensions Partnership, Lancashire County Council and the Fund's Independent Investment Advisers. Certain risks identified in the report and the associated ratings were discussed and it was also noted that some risks for the Fund had implications for the County Council and may need to be referenced in the Corporate Risk Register.

### **Resolved:**

1. That the contents of the Lancashire County Pension Fund Risk Register, as set out in the report presented, are noted and that Officers be congratulated on the work undertaken over the last 12 months to review risk reporting.
2. That future reporting to the Board includes an explanation of the rationale behind new or updated risk ratings.
3. That the Head of Fund explore how best to obtain more detailed consideration of the Lancashire County Pension Fund Risk Registers by specific members of the Board and report back to the next meeting.

## **18. Part II reports considered by the 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 four items considered by the Pension Fund Committee on the 17<sup>th</sup> September 2021 under Part II of the agenda. The Board discussed the decision to award one of the Independent Investment Advisers to the Fund a new 3-year contract and the Head of Fund reported that the Committee had agreed the extension as continuity in the role was considered essential for the Fund in order to ensure a continuing level of expertise and advice regarding pensions investments.

With regard to the Local Pensions Partnership Update the Board noted that earlier in the meeting the Managing Director of the Local Pensions Partnership Administration



had confirmed that the Company had performed well against key performance indicators. The prioritising of resources in response to demands associated with the pandemic and wording of correspondence regarding retirement had also been discussed.

**Resolved:**

1. That the reports considered by the Pension Fund Committee on the 17<sup>th</sup> September under Part II of the agenda and associated decisions are noted.
2. That the Board be provided with:
  - a) examples of current standard correspondence from Local Pensions Partnership Administration to scheme members regarding retirement, and
  - b) a breakdown of the percentage of payments made outside 30 days of the date of retirement.

County Hall  
Preston

L Sales  
Director of Corporate Services