

Lancashire County Council

Lancashire Local Pension Board

Minutes of the Meeting held on Tuesday, 18th October, 2022 at 2.00 pm in the Jordan Suite - The Exchange, County Hall, Preston, PR1 8XJ.

Present:

Chair

William Bourne

Board Members

Glyn Peach, Employer representative - LCC (w.e.f.19th January 2022)

County Councillor Matthew Salter, Employer representative - LCC

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

Carl Gibson, Employer representative - Other (remotely).

Yvonne Moulton, Scheme Member representative.

Deborah Parker (LLPB), Scheme Member representative.

Kevin Ellard, Scheme Member representative.

Officers

Sean Greene, Head of Pension Fund, Lancashire County Council (remotely).

Junaid Laly, Special Projects Pensions Lead, Lancashire County Council

Julie Price, Technical Pensions Lead, Lancashire County Council

Mike Neville, Senior Democratic Services Officer, Lancashire County Council.

Andrew Dalecki, Head of Internal Audit - Lancashire County Council

Jo Darbyshire, Managing Director, Local Pensions Partnership Administration.

In attendance:

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

County Councillor A Schofield, Chair of the Audit, Risk & Governance Committee (observer - remotely).

1. Welcome and Apologies

The Chair welcomed everyone to the meeting and noted that apologies had been received from Ms K Haigh, scheme member representative.

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.

3. Minutes of the Last Meeting.

Mr Thompson informed the Board that as his 8-year term of appointment was due to expire on 20th January 2022 he would resign from the Board with effect from 1st December to allow a replacement to be appointed by full Council before the next Board on 24th January 2023. On behalf of the Board the Chair thanked Mr Thompson for his support and contributions to the work of the Board over the last 8 years and noted that interviews for new employer and scheme member representatives were taking place on the 18th/19th October 2022.

The Head of Fund reported that steady progress was being made on the Communications Strategy, however, the informal meeting referred to under item 9 in the Minutes had been delayed and arrangements would be made for the Group to be consulted on the development of the Communications Strategy early in the new year.

Resolved:

1. That the Minutes of the meeting held on 5th July 2022 are confirmed as an accurate record and signed by the Chair.
2. That the Board note the resignation of Mr S Thompson (employer representative - Unitary, City, Boroughs, Police and Fire) with effect from 1st December 2022, thank him for his contributions to the work of the Board and wish him well for the future.

4. Lancashire County Pension Fund Breaches Report

Mr Laly, Special Projects Pensions Lead, from the Pension Fund Team, presented a report which summarised Lancashire County Pension Fund contribution, data, and administration breaches during the period 1st July to 30th September 2022.

When considering the report Board members discussed employer contribution breaches and noted that the reported increase in the number of such breaches was due to the full figures for Q1 being included in the report. It was suggested that changes to payroll providers could cause of some delays, leading to breaches. In response the Pensions Team would contact Local Pensions Partnership Administration to discuss whether there was any specific reason for the increase.

Resolved: That the summary of the Lancashire County Pension Fund Breaches Log for the period, 1st July 2021 to 30th September 2022, as set out in the report presented, is noted.

5. Regulatory Update

Ms Price, Technical Pensions Lead from the Pensions Team, updated the Board on various pension related regulatory issues as set out in the report.

The Board discussed the HM Treasury consultation on public sector exit payments (which applied to academies) and noted that the increased annual ceiling of £20m reflected the growth of Multi Academy Trusts and the associated risk should be discussed with the Fund Actuary (Mercer) and, if appropriate, incorporated within the



Fund risk register. It was also noted that Lancashire Pensions Partnership Investments Ltd would respond to the Department for Levelling Up, Housing and Communications consultation on governance and reporting of climate change risks before the deadline of 24th November 2022.

Resolved:

1. That the updates on regulatory matters, as set out in the report presented and discussed at the meeting, are noted.
2. That the Pension Fund Team discuss with the Fund Actuary whether the risk register be updated to include a risk associated with the potential for Multi Academy Trusts in Lancashire reaching the increased annual ceiling of £20m for the guarantee and that the closure of an Academy Trust would not lead to any outstanding LGPS liabilities reverting to the Fund.

6. Communications Update

Mr Laly, Special Projects Pensions Lead, from the Pension Fund Team updated the Board on activity regarding communications by both the Local Pensions Partnership Administration Limited's (LPPA) Engagement and Communications Team and the Pension Fund Team.

Regarding the Communications Strategy update Mr Laly reported that the informal meeting of Board members referred to at the last meeting had been delayed due to internal systems change work and staff changes. However, arrangements would be made for the Group to be consulted on the evolution of the Strategy before the end of the year.

The Board also discussed the level of participation in online sessions for scheme members on retirement and it was suggested that the current signposting to the sessions be explored and if, necessary, the sessions be further promoted.

Resolved:

1. That the report and additional updates given at the meeting are noted.
2. That the Board be kept informed of future developments regarding the updated Communications Strategy, including an update on phases of the project and timescales.

7. Feedback from Board members on pension related training.

Mr Neville, Senior Democratic Services Officer, presented a report on the three internal pension related workshops which had been held since the last meeting. Individual Board Members gave feedback on the workshops and agreed they had been informative, well presented, and useful. It was also noted that 20th July 2022 workshop and recent PLSA Conference had both provided further assurance about the work being done in relation to cyber security.



Resolved: That the feedback given at the meeting in relation to the training received by members of the Board is noted.

8. Lancashire Local Pension Board Workplan - 22/23

Mr Laly, Special Projects Pensions Lead, presented a report on activities undertaken to date by the Pension Board as detailed in the 2022/23 workplan and reported that the updated Breaches Policy required a further internal review and would now be presented to the next meeting on 24th January 2023.

Regarding the Annual Review of the effectiveness of the Board it was noted that arrangements were being made for the Chair to meet with individual Board members in a series of one-to-one sessions to be held either side of the next meeting. Board members discussed the annual COP 14 compliance report which was also due to come to the next meeting and agreed that Officers should instead focus attention on compliance with the new Single Code of Conduct.

Resolved:

1. That the workplan set out at Appendix 'A' to the report presented is approved.
2. That rather than producing the annual COP 14 compliance report for the Board in January 2023 Officers instead focus attention on compliance with the new Single Code of Practice that is due to come into force in mid-2023.

9. Part I reports presented to the most recent Pension Fund Committee

The Head of Fund presented a report on the items considered by the Pension Fund Committee on 16th September 2022 under Part I of the agenda and informed the meeting that the LCPF Annual Report and been approved, subject to any minor amendments, an updated audit opinion and small account updates to be agreed by the Head of Fund.

It was reported that the Audit, Risk and Governance Committee on 17th October 2022 had noted the overall findings of the external auditor in relation to the audit of the Fund annual accounts for the year ended 31 March 2022 and was due to receive a further report on 30th January 2023. As the LCPF Annual Report was due to be published on or before 1st December 2022 the Board asked the Head of Fund to clarify the impact in relation to compliance with CIPFA Regulations and publication of the Annual Report.

Board members also discussed the contents of the Responsible Investment report and agreed that the report was extensive and gave a positive message regarding the Fund's investments.

Resolved:

1. That the Part I reports considered by the Pension Fund Committee on 16th September 2022 and decisions taken are noted.



2. That the Head of Fund clarify the position regarding the potential impact of a delay in final approval of the LCPF Annual Accounts up to 31st March 2022 both in terms of compliance with CIPFA Regulations and publication of the Annual Report.

10. Urgent Business

No items of urgent business were raised at the meeting.

11. Date of Next Meeting

It was noted that the next scheduled meeting of the Board would be held at 2.00pm on 24th January 2023 in the Ribble Suite at The Exchange, County Hall, Preston.

12. 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 briefly paused the meeting at this point to allow Board members to have a break while the livestream of the meeting was turned off.

13. Local Pensions Partnership Update

(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 Ltd updated the Board on progress with the implementation of Project PACE which for Lancashire was due to go live on 28th October 2022.

She reported on lessons learned from the implementation of Phase 1 of the project in January – March 2022, highlighted the anticipated increased spike in workload following the go live and recognised that there would inevitably be some issues with a project of this size and complexity. However, she also reported that there had been good collaboration between the pension Fund and LPPA project teams when preparing for the go live date. Data migration was good and plans were in place to support employers/members and prioritise resources to key areas following the go live date.

Following further discussion regarding mitigation of the specific risk in the Fund risk register associated with implementation of the new pension administration system



several Board members expressed their support for the work done to date by all those involved and were reassured by the plans which were in place to manage disruption following the transition to the new system.

Resolved:

1. That the report presented and updates from the Managing Director of Local Pensions Partnership Administration Ltd regarding plans for the implementation of Project PACE are noted.
2. That the Board thank the Head of the Pension Fund, the Managing Director of Local Pensions Partnership Administration Ltd and their respective teams, and employers, for all their hard work in preparing for the Project PACE go live date of 28th October 2022.

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

14. 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).

The Chair presented a report on the management of various identified risks associated with the Fund as set out in the Risk Register and Board members made the following comments:

- It was suggested that implementation of the new pensions administration system at Local Pensions Partnership Administration Ltd would impact on several risks identified in the Register (covering member and operational risks) and that the rating of those risks should be reviewed. The Head of Fund reported that a newly appointed member of the Pensions Team would be taking the lead on managing the Fund Risk Register and the Board would be given an update at the next meeting.
- It was noted that the Head of Fund had asked that regular meetings with the LPPA Project Team would continue after implementation of the new pensions administration system to monitor, control and understand associated risks.
- The Russia/Ukraine conflict, China and Inflation were all acknowledged as having a significant impact on current and future investments and the Head of Fund reported that the Investment Panel monitored factors such as these and the Fund continued to work with the Actuary and Local Pensions Partnership Investments Ltd to minimise impact on the Fund.



- It was noted that, unlike many private sector pensions, the Fund was not directly affected by liability-driven investing, which focused investment policy and asset allocation decisions on matching current/future liabilities of a pension plan.
- It was suggested that risk O9 (Decision making) be reviewed at an appropriate point within the Local Pensions Partnership Governance Review project.

Resolved:

1. That the contents of the Lancashire County Pension Fund Risk Register, as set out in the report presented, and the comments of the Board are noted.
2. That the wording of Risk O9 be reviewed and if necessary amended to clarify whether reference to LPP refers to the Group as a whole or the subsidiary investment and administration elements of the business.
3. That consideration be given to including the recruitment and retention of staff by the Pension Fund and Local Pensions Partnership Administration as a potential risk to the implementation/operation of the new pension administration system.

15. Internal Audit Update

(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).

Mr Dalecki, the Head of Internal Audit, updated Board members on the internal audit services provided by Lancashire County Council to the Pension Fund and the Head of Fund updated on other audit and governance related activities in response to the discussion at the previous meeting.

Mr Dalecki reported that the Audit Risk and Governance Committee on 17th October 2022 had considered a review of audits from 2018/19 to the present which identified that only 2% of management actions had not yet been implemented. He confirmed that the reasons for the outstanding actions would be investigated, and the actions implemented before the new year.

Resolved: That the report and updates from the Head of Internal Audit and Head of Fund given at the meeting regarding internal audit activity are noted.

16. Part II reports from the most recent Pension Fund Committee

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



A report was presented on the eight items considered by the Pension Fund Committee on 16th September 2022 under Part II of the agenda.

The Head of Fund informed the Board that the Fund continued to be in a strong position at the Valuation date and that moving forward the key principles would be prudence, consideration of the global impact of inflation, future returns and maintaining stability of employer contributions. It was noted that the Head of Fund, Technical Pensions Team members and Fund Actuary representatives were meeting with individual employers to discuss the outcome of the Valuation and that a report on the outcome would be presented to the Pension Fund Committee in November 2022, together with the updated Funding Strategy Statement for approval.

The Board also noted that a Governance review of the Lancashire Local Pensions Partnership was underway and an update on the findings would be presented to members of the Pension Fund Committee in due course.

Resolved: That the reports considered by the Pension Fund Committee on the 16^h September 2022 under Part II of the agenda and associated decisions are noted.

L Sales
Director of Corporate Services

County Hall
Preston

