

Lancashire County Council

Lancashire Local Pension Board

Tuesday, 17th October, 2023 at 2.00 pm in Committee Room 'B' - The Diamond Jubilee Room, County Hall, Preston

Agenda

Part I (Open to Press and Public)

No. Item

- 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. LCPF Breaches Report** (Pages 9 - 14)
- 5. Regulatory Update** (Pages 15 - 22)
- 6. Communications Update** (Pages 23 - 32)
- 7. Pension related training for members of the Board** (Pages 33 - 34)
- 8. Lancashire Local Pension Board Workplan - 2023/24** (Pages 35 - 40)
- 9. Cyber Security Project - Update** (Pages 41 - 46)
- 10. Part I reports presented to the most recent Pension Fund Committee** (Pages 47 - 48)
- 11. 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.



12. Date of Next Meeting

The next scheduled meeting of the Board will be held at 2.00pm on 23rd January 2024 in Committee Room 'B' – The Diamond Jubilee Room, at County Hall, Preston.

13. 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)

- | | |
|--|-------------------|
| 14. General Code of Practice Update | (Pages 49 - 72) |
| 15. Pensions Administration Update | (Pages 73 - 92) |
| 16. LPPA Efficiency and Service Improvement Plan (ESIP) Update | (Pages 93 - 102) |
| 17. LCPF Risk Register | (Pages 103 - 144) |
| 18. Part II reports from the most recent Pension Fund Committee | (Pages 145 - 146) |

H MacAndrew
Director of Law and Governance

County Hall
Preston



Lancashire County Council

Lancashire Local Pension Board

**Minutes of the Meeting held on Tuesday, 11th July, 2023 at 2.00 pm in
Committee Room 'B' - The Diamond Jubilee Room, County Hall, Preston**

Present:

Chair

W Bourne

Board Members

County Councillor J Couperthwaite, Employer representative - Lancashire County Council
Mr S Lawrence, Employer representative - Lancashire County Council.
Mr S Dunstan, Employer representative - Other Employers.
Ms D Parker, Scheme Member representative.
Mr K Ellard, Scheme Member representative.
Ms G Hart, Scheme Member representative.
Mr A Egerton, Scheme Member representative.

In attendance.

Sean Greene, Head of Pension Fund, Lancashire County Council.
Junaid Laly, Special Projects Pensions Lead, Lancashire County Council.
Jennifer Harrison, Senior Technical Pensions Officer, Lancashire County Council.
Catherine Hunt, Senior Governance Officer, Lancashire County Council
Mike Neville, Senior Democratic Services Officer, Lancashire County Council.
County Councillor E Pope, Chair of the Pension Fund Committee (as an observer)
Jo Darbyshire, Managing Director, Local Pensions Partnership Administration and
Abbi Leech, Director of Finance, People and Culture, Local Pensions Partnership
Administration (for item 14 only).

As this was the first meeting for some Board members the Chair asked everyone present to introduce themselves.

1. Constitution, Membership and Terms of Reference

Mr Neville presented a report on the constitution, membership, and revised Terms of Reference of the Board and confirmed that on 26th June 2023 the Executive Director of Resources on behalf of the Urgency Committee of Full Council had approved the recommendations of the Pension Fund Committee to appoint:

- Anthony Egerton as a Scheme Member representative with effect from 1st July 2023, for an initial 2 years with an option to extend for a further 4 years, subject to approval by Full Council.
- Fiona Miller as the new independent Chair of the Board with effect from 1st November 2023 for an initial 2 years with an option for the appointment to be extended for an additional 2 years, subject to approval by Full Council.

The Head of Fund reported that the new Chair's employment with another local government pension fund pool did not create a conflict of interest with her role on the Board and mitigations would be put in place to ensure that any perceived conflict was adequately managed. He also confirmed that work was progressing on identifying a suitable candidate to fill the vacancy for an Employer representative for Unitary, City, Borough Councils, and Police/Fire.

The Board noted that County Councillor J Couperthwaite and Mr S Lawrence, the Director of Growth and Regeneration, had joined the Board as the new Employer representatives for Lancashire County Council.

Resolved:

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

Mr W Bourne - Independent Chair
 County Councillor J Couperthwaite - Employer representative (Lancashire County Council)
 Mr S Lawrence - Employer representative (Lancashire County Council)
 Vacancy - Employer representative (Unitary, City, Borough Councils and Police/Fire)
 Mr S Dunstan - Employer representative (Other Employers)
 Ms D Parker - Scheme member representative.
 Mr K Ellard - Scheme member representative.
 Ms G Hart - Scheme member representative.
 Mr A Egerton - Scheme member representative.

2. That the revised Terms of Reference of the Board, as referred to in the report presented, are noted and that a copy be placed in the Minute Book.

2. Apologies

No apologies for absence were presented at this point in the meeting.

3. 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 Neville thanked Board members for their responses to the recent consultation on declarations of interests and confirmed that the Register of Interests for the Pension Board would be updated in due course.

4. Minutes of the Last Meeting.

Mr Neville confirmed that since the last meeting Ms Maka had resigned from her position as Scheme Member representative on the Board and the resulting vacancy had subsequently been filled by Mr Egerton.

Resolved: That the Minutes of the meeting held on 4th April 2023 are confirmed as an accurate record and signed by the Chair.

5. LCPF Breaches Report

Ms Hunt, Senior Governance Officer from the Pension Fund Team, presented a report on the data breaches, contribution incidents/breaches and administration breaches which had occurred during the period 1st March 2023 to 31st May 2023. She reported that remedial action had been taken where appropriate and none of the breaches had been deemed significant enough to warrant reporting to the Information Commissioner or the Pensions Regulator.

Details of the number of complaints received between March to May 2023 in relation to the pension administration service were also presented.

Resolved: That the summary of the Lancashire County Pension Fund Breaches Log for the period 1st March 2023 to 31st May 2023, as set out in the report presented, is noted.

6. Regulatory Update

Ms Harrison, Senior Technical Pensions Officer from the Pension Fund Team, updated the Board on the various pension regulatory issues set out in the report including the McCloud judgement, Pensions Dashboard, and climate change risk reporting associated with the Taskforce on Climate-related Financial Disclosures which was expected to commence from 1st April 2024.

The Board also discussed the Mansion House speech made by the Chancellor on the previous day and noted that the Fund was well advanced in terms of the pooling of investments.

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

7. General Code of Practice Update

Junaid Laly, Special Projects Pensions Lead from the Pension Fund Team, presented a progress report on work being done to identify any gaps in mandatory and high priority areas relating to the implementation of the General Code once it is finalised. It was reported that an initial compliance statement (highlighting areas of



focus) would be presented to the Board in October 2023 for consideration and the Pension Regulator would give a presentation to Board members on the General Code at 1pm on 11th December 2023 in Exchange Room 8 at County Hall, Preston.

Resolved: That update report is noted.

8. Communications Update

The Board considered a report on communications activity by both the Local Pensions Partnership Administration Limited's (LPPA) Engagement & Communications Team and the Pension Fund Team during Q1 (April to June 2023).

Resolved: That the report is noted.

9. Feedback from Board members on pension related training.

The Chair presented a report on training activity which Board members had participated in since the last meeting and individual members of the Board gave feedback on their experiences.

It was reported that County Councillor J Couperthwaite and Mr S Dunstan had participated in the cyber security workshop held on 3rd July 2023 and Ms Parker had subsequently watched the recording in the online pension library for Board members. It was also requested that clarity on roles and responsibilities of different parties be provided as part of the forthcoming paper on cyber security to the Board.

Resolved:

1. That the report and feedback given at the meeting in relation to the participation of Board members in training since the last meeting is noted.
2. That the Training Record for 2023/24 be updated to reflect the attendance by County Councillor Couperthwaite and Mr Dunstan at the Cyber Security workshop on 3rd July 2023 and that Ms D Parker had subsequently watched the recording in the online library, as reported at the meeting.

10. Part I reports considered by the Pension Fund Committee

The Board considered a report on the items considered by the Pension Fund Committee on 16th June 2023 and noted that Frances Deakin, the Head Responsible Investment at Local Pensions Partnership Investments Ltd, was due to give a presentation on Responsible Investment and TCFD reporting to Committee/Board members at 1.00pm on 3rd October 2023.

Resolved: That the Part I reports considered by the Pension Fund Committee on 16th June 2023 are noted.



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 would be held at 2.00pm on 17th October 2023 in Committee Room 'B' - The Diamond Jubilee Room 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(s) 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 short break while the livestream of the meeting was turned off.

The Director of Finance, People and Culture, and the Managing Director of the Local Pensions Partnership Administration Ltd joined the meeting at this point.

14. Local Pensions Partnership Administration

(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 pension administration service and discussed various matters with the representatives from the Local Pensions Partnership Administration Ltd (LPPA) including:

- A comparison between performance figures and information received regarding the scheme member/employer experience.
- The various factors which could contribute to complaints and how to resolve them and use of the escalation process.
- Staff retention and future training/development.
- Key Performance Indicators and potential improvements to future systems, processes, and performance monitoring measures.
- Employer engagement.

On behalf of the Board the Chair thanked the Director of Finance, People and Culture, and the Managing Director from LPPA for their contributions to the discussion before they left the meeting.



Resolved:

1. That a report be presented to a future Board meeting on the Local Pensions Partnership Administration Ltd (LPPA) Efficiency and Service Improvement Program together with details of any staff training/development programme.
2. That at an appropriate point the Head of Engagement from LPPA be invited to attend a future Board meeting.
3. That, at the next meeting, the Board further discuss LPPA performance figures compared to information to be received regarding the actual scheme member/employer experience (between now and the next meeting).
4. That the Chair of the Board write to the Executive Director of Resources (as Section 151 Officer) regarding issues associated with the Oracle Fusion system.

15. Risk Register 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 Board considered a report on several key risks associated with the Fund, including the impact of geopolitical instability on investment markets, recruitment and retention of staff, and data quality.

Resolved:

1. That the updates on risks associated with the Fund, as set out in the report presented and given at the meeting, is noted.
2. That brief financial information on exposure to China and Russia would be presented to the next meeting.
3. That an update on the management actions resulting from the PwC Audit report on Local Pensions Partnership Administration Ltd would be provided at an appropriate point once the new UPM system has 'bedded in'.

16. Part II reports considered by the Pension Fund Committee

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



The Board received a report on the eight items considered by the Pension Fund Committee under Part II of the agenda on 16th June 2023.

Resolved: That the reports considered by the Pension Fund Committee on 16th June 2023 under Part II of the agenda and decisions taken are noted.

H MacAndrew
Director of Law and Governance

County Hall
Preston



Lancashire Local Pension Board
Meeting to be held on Tuesday, 17 October 2023

Electoral Division affected:
N/A;

LCPF Breaches & Complaints Report

Contact for further information:
Catherine Hunt, 01772 533757 , Senior Governance Officer,
catherine.hunt2@lancashire.gov.uk

Brief Summary

This report provides the Board with a summary of the Lancashire County Pension Fund (LCPF) Breaches Log for the period 1st June 2023 to 31st August 2023 and outlines the number of complaints that have been registered during the same period for the purposes of monitoring the quality of member experience.

Recommendation

The Board is asked to consider and comment on the content of this report.

Detail

The Lancashire County Pension Fund has policy and procedures in place to effectively record and, if necessary, report breaches of the law to the Pension Regulator or Information Commissioner as appropriate. In line with the breaches policy, a log of all breaches is maintained by the Fund. This includes data breaches and breaches which contravene the legal requirements set out in the Pension Regulator's Code of Practice 14 which covers areas such as:

- Governing your scheme
- Managing Risks.
- Resolving issue
- Administration issues including aspects such as:
 - Scheme record keeping.
 - Maintaining contributions.
 - Providing information to members.

To ensure that the most recent and complete data is reported to the Board, this report includes details of breaches and complaints for the period 1st June 2023 to 31st August 2023.

Data Breaches

For the period 1st June 2023 to 31st August 2023 there were a total of 8 data breaches reported as follows:

A	Letter sent to an incorrect address and opened by the resident who confirmed they would shred the documentation
B	Retirement forms sent to an old address despite new address being provided
C	Nomination form relating to a member was sent to another member containing name and full NI number
D	Transfer discussions have taken place with another pension provider without a letter of authority from the member
E	Letter sent to a member's old address despite the new address being provided
F	Incorrect address held by the administrator and employer so data was disclosed to a non-member. Contact made with member via the employer to obtain the new address.
G	Member data shared with another client in error
H	A member received an email containing information in respect of another member

All data breaches are managed through the Information Governance Team of Lancashire County Council who are happy with the remedial action taken and have deemed the breaches aren't significant enough to warrant reporting to the Information Commissioner.

The Fund also considers these data breaches are not materially significant and will not be reported to the Pension Regulator.

The Pension Regulator Code of Practice Breaches

This type of breach can occur for a variety of tasks normally associated with the administrative function of the scheme including, but not limited to, contribution breaches, scheme record keeping and provision of information to members.

Contribution Breaches:

A breach occurs when an incorrect amount is collected on four or more occasions, or any payment is late. An incident occurs when an incorrect amount is collected, or no remittance is provided on up to three occasions.

Out of 1046 collections, there were 68 incidents recorded in the period where employers failed to submit contribution figures, and which have resulted in corrective action being taken. The number of incidents where employers failed to submit contributions represents 0.10% of the total submissions, in monetary value this equates to 1.58% of the total contributions received during the period. Previous month's figures have been collected and usually results in only a small variance in what the Pension Fund should have collected. Relevant employers have all been

contacted in accordance with the Stage 2 escalation procedures, which ensure that all incidents are corrected swiftly.

In the period June 2023 to August 2023 there was 1 breach. This occurred due to a failed direct debit arising from up-to-date bank details following a change by the employer. New details have been obtained and contributions have been collected. A summary table showing incidents and breaches is below.

	Q3 * Oct-Nov 22	Dec 22– Feb 23	Mar 23 – May 23	Jun 23 – Aug 23
No. of incidents**	68	78	76	68
No. of breaches ***	0	10	1	1
% of employers not submitted (breach)	0.00%	1.09%	0.10%	0.10%
Monetary value of contributions not submitted (breach)	£0	£181,964.84	£20,172.11	£292.65
% of contributions not submitted (breach)	0%	0.40%	0.04%	0.01%

*Q3 incomplete- excludes December 2022 data

** Previous month's figures were collected and usually causes only a small variance in what the Pension Fund should have collected.

*** Number of cases where no contributions collected with breakdown of the % of employers failing to submit contributions, the % of the total contributions and the monetary value of those contributions shown in the rows below.

Administration Breaches

During the period 1st June to 31st August 2023 there were 5 breaches reported to the Fund which contravened Code of Practice guidelines.

A	Member received incorrect information as a tier 1 ill health retirement was processed as an early retirement with reductions in error.
B	Incorrect AVC fund value used in calculation resulting in provision of incorrect retirement options
C	Retirement options provided to a member without including their AVC fund value. This delayed final payment of retirement benefits.
D	Annual benefit statements were produced for 96.1% active members and 99.1% deferred members and statements for remaining members are in production. Further information on this is provided in the Risk Register paper.
E	Monthly data files for some employers have yet to be submitted from April 2023 to date impacting on communication activity. Further information on this is provided in the Risk Register paper.

Regarding breaches A & B, further information including the cause and remedial action that has been taken for each breach has been requested before a decision is

made on whether to report to the Pension Regulator. Based on preliminary information received it is unlikely that either breach will be materially significant.

Breach C has been investigated and found to be a one-off incident. The pension is now in payment and the breach has not been reported to the Pension Regulator.

Breach reporting

The pensions team is working with its administrator to improve the accuracy and timeliness of breach reporting, this includes enhancing awareness of breach reporting with administrators and improved timeliness and content of the notifications to the Fund.

Summary of breaches:

	Q3 22/23*	Dec 22 – Feb 23 **	Mar 23 – May 23	Jun 23- Aug 23
Data	3	7	5	8
CoP – Administration	0	2	1	4
CoP - Contributions	1	10	1	1

*excludes December 2022 data

** new reporting period to provide 3 full months data

Complaints

Complaints reflect the quality of service experienced by members and have been categorised by LPPA into general service issues, delays, payment, or regulatory issues. The following table provides further data regarding complaints.

Month	Nature of complaint			Total Complaints	Volume per 1,000 members (rolling 12-month basis)*
	Delays	General service	Payments		
June 2023	44	21	1	66	2.2
July 2023	36	23	0	59	2.5
August 2023	60	32	0	92	2.7

*this measure is adopted by CEM benchmarking to score complaints as part of their overall service metric with the target being less than 1.

As at 31st August 2023 the volume of complaints per 1,000 members is 2.7 (rolling 12- month basis) and is above the Customer Experience Management (CEM) benchmarking target of less than 1.



Consultations

Local Pensions Partnership Administration Limited were consulted regarding the administration and data breaches. Lancashire County Council's Finance Team were consulted with regards to contribution breaches.

Implications:

This item has the following implications, as indicated:

Risk management

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

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

Paper	Date	Contact/Tel
Code of Practice 14 – Governance and administration of public service pension schemes	April 2015	Catherine Hunt 01772 533757

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

Lancashire Local Pension Board

Meeting to be held on Tuesday, 17 October 2023

Electoral Division affected:
(All Divisions);

Regulatory Update

Contact for further information:

Julie Price, 01772 530848, Technical Pensions Lead, Lancashire County Pension Fund, Julie.Price5@lancashire.gov.uk

Brief 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.

Detail

1. McCloud

McCloud – LGPS amendment regulations now laid.

Background to the McCloud remedy and its implications was covered in more detail in the April and July regulatory updates to the Board.

On Friday 8th September the Government issued its [response](#) to the consultation "McCloud remedy in the LGPS – supplementary issues and scheme regulations".

The response covered proposals around aggregation, club transfers, flexible retirement, divorce, injury allowances, compensation, interest, and excess teacher service. In the main, the response confirms that the proposals in the consultation will be implemented.

The Local Government Pension Scheme (Amendment) (No. 3) Regulations 2023 were published on 8th September 2023 and come into force on 1 October 2023. For calculations from this date Local Pensions Partnership Administration Ltd (LPPA) will need to apply the statutory underpin to qualifying members' benefits. There has been a concern within the pensions industry about the lateness of the regulations and a verbal update will be provided at the meeting on related system developments.

LPPA have been seeking confirmation from employers that the service data they have submitted since 2014 is correct for their members, so that LPPA can use this data for the final salary underpin calculations. Some employers have yet to respond, and LPPA are working with the Pension Fund team to target those employers. Calculations for members affected will potentially be delayed if employers do not respond.

The Local Government Association (LGA) are working with the Communications Working Group to produce member resources relating to the McCloud remedy. The resources will include a dedicated area of the LGPS member website and a member factsheet as well as paragraphs to include in benefit notification letters to affected members.

McCloud – Annual Benefit Statements

On 30 August 2023, the Pensions Regulator published guidance on annual benefit statements for public service pension schemes, however this guidance is primarily aimed at schemes who are more impacted by McCloud and will need to send remediable service statements to members affected by the McCloud remedy (for example, police and fire schemes). LGPS administrators will not need to do this.

Benefit Statements from the LGPS from August 2025 will include information about underpin protection for all qualifying members. The Pensions Regulator also provided guidance that statements should be (i) clear and in plain language (ii) accessible via digital and hard copy and available in different formats and (iii) explain tricky concepts and signpost members to further guidance.

McCloud – Second set of Tax rectification regulations laid

On 17 August 2023, the Government laid The Public Service Pension Schemes (Rectification of Unlawful Discrimination) (Tax) (no. 2) Regulations 2023. The regulations came into force on 14 September 2023.

Relating to the LGPS, the regulations address issues not dealt with by the first set of tax rectification regulations around small pot payments, arrears of survivor pensions following death of the survivor, and the treatment of lifetime allowance excess lump sums.

The regulations also set out provisions regarding administration, such as a separate reporting framework instead of Self-Assessment.

HMRC have published remedy [guidance](#) for pension schemes.

McCloud – further developments

There are still some areas where additional regulations are needed (particularly for dealing with excess teacher service) and a further consultation on these will follow in due course.

2. Pensions Dashboards

There have been developments on the implementation timescale for dashboards. The Department for Work and Pensions (DWP) has laid The Pension Dashboard (Amendment) Regulations 2023 which remove the phased staging timeline from the regulations and set a single connection deadline of 31 October 2026 for all schemes. This is an ultimate deadline for connection and failure to comply could result in regulatory action by the Pensions Regulatory.

Whilst formally removed from Regulations, guidance however will still be issued by DWP and the Money and Pensions Service on a Staged Connection timeline for individual schemes (including the LGPS) and Schemes are still expected to continue their preparations accordingly.

There will still be a "Dashboard Available Point" which will be the date that dashboards will be available to the public. The Secretary of State will decide on this date, depending on the progress that providers make. For a successful launch of Dashboards, enough schemes need to be connected to give the public confidence in the data available. Six months' notice will be given to providers of the Dashboard Available Point.

The Pensions Regulator has published updated dashboards [guidance](#) to reflect the regulations and to set out what schemes need to do to demonstrate their governance and decision making processes. The Pension Fund team are starting scoping working in October around this project.

LPPA are continuing their preparations in line with the original deadlines.

On 2 May 2023, the Pensions Dashboards (Prohibition of Indemnification) Act 2023 received Royal Assent. The Act will prohibit trustees and managers of occupational and personal pension schemes from being reimbursed out of scheme assets for any penalties imposed on them under the dashboard regulations.

3. SAB Annual Report and valuation results

On 26 June 2023, the Scheme Advisory Board (SAB) published its [tenth Annual Report](#).

The report provides a single source of information about the status of the LGPS for its members, employers and other stakeholders. Continually improving key information about the Scheme as a whole is one of the top priorities of the Board. The report combines information supplied in 86 fund annual reports, as at 31st March 2022. Key highlights for 2022 are:

- total membership of the LGPS increased slightly, growing by 161,871 (2.6 per cent) to 6.39 million members in 2022 from 6.23 million in 2021.
- total assets of the LGPS increased to £369 billion (a change of 7.8 per cent), invested in
 - pooled investment vehicles – 67%
 - public equities – 12%
 - bonds – 3%

- direct property – 3%
- other asset classes – 15%
- local authority return on investment over 2021/22 was 8.1 per cent. This compares to UK CPI¹ year on year inflation of 8.8 per cent (Sept to Sept)
- the Scheme maintained a positive cash-flow position overall, including investment income.
- over 1.95 million pensioners were paid over the year.
- life expectancy rebounded to pre-covid levels with an increase of 0.8 years for males and 0.6 years for females (2021 figures versus 2022)
- total management charges increased by £385 million (22.5 per cent) from £1,711 million. This was primarily driven by a £381 million (25.6 per cent) rise in investment management charges, while administration and oversight and governance costs remained broadly stable.

In August 2023, SAB published a [summary](#) of the 2022 valuation results as reported for 85 funds in England and Wales. Key headlines are:

- Average funding levels have improved since 2019, with average funding levels of 107% across the LGPS. The funding level of LCPF as at March 2022 was 115%.
- Average total employer contribution rates are 21.1% of pay, 1.8% of pay lower than following the 2019 valuation. The average total contribution rate in the Lancashire County Pension Fund payable from 1 April 2023 is 16.9% (increasing by 0.1% each year over the next two years)
- Average primary contribution rates – that is contributions to fund future benefits - increased from 18.6% of pay to 19.8% of pay. The average primary contribution rate in the Lancashire County Pension Fund is 19.2%.
- The results suggest that surplus funding is not being fully utilised to reduce employer contribution rates, perhaps to allow for a ‘buffer’ to protect against adverse experience (e.g. recent high inflation), or to maintain stability of contributions. This is relevant to item 6 below and a buffer of 10% was retained by LCPF.

4. Gender pensions gap report and working group

In January 2023 the LGPS Gender Pensions Gap report identified a substantial difference between the average level of pension benefits built up by male and female scheme members. The difference is 34.7 percent for benefits in the CARE scheme and 46.4 percent for benefits in the final salary scheme. For benefits in payment the difference is even greater at 49 percent.

The Scheme Advisory Board (SAB) asked the Government Actuary's Department (GAD) to explore these gender gaps in more depth. GAD provided their findings in June 2023, concluding that there is a complex interaction between the types of work that women do, their career patterns (including part-time working and career breaks)

¹ Using CPIH index

and their ability to progress their careers after taking on childcare or other caring responsibilities.

The SAB is setting up a small working group to consider next steps. The group will be looking at key areas such as: -

- Are there any in-scheme changes that would help address the levels of inequality – for example around the ability to buy back service.
- Can employers be directed to best practice in managing the career paths of those who take time off for caring responsibilities.
- How to communicate with members to ensure they are informed about the potential pension implications of the career choices they make
- How to mainstream this kind of analysis to properly evaluate "what works" and how much is left to do.

5. SCAPE Discount Rate Change

Following the change to the Superannuation Contributions Adjusted for Past Experience (SCAPE) discount rate in March 2023, GAD have issued three batches of new factors which affect member's benefit calculations in the areas of transfers, divorces, early retirements, trivial commutation, and late retirement. Local Government Association (LGA) have produced a transitional table setting out all the changes. Some calculations needed to be put on hold whilst awaiting the new factors, but these have now been cleared. No casework is currently being held up due to the new factors.

LGA have updated the [LGPS member website](#) with the new early retirement factors which came into force from 3 July 2023.

Changes to the Public Sector Transfer Club memorandum and factors following changes to the SCAPE rate are still expected.

6. Surpluses working group

The SAB plans to set up a small working group to look at the issues presented by the improving funding position across the Scheme. The objective is to provide general advice for administering authorities and employers that are in surplus or are likely to become so. The kinds of issues this raises include:

1. What impact could / should being in surplus have on employer contributions?
2. When is it appropriate to set a negative secondary contribution rate?
3. What impact could / should being in surplus have on investment and funding strategies? While open defined benefit schemes may not need to de-risk, some employers in the scheme might prefer such a strategy, or some funds may be looking at a different strategy that enables them to realise more of their surplus.
4. How to best communicate being in a surplus position to employers and member representatives? Are communications needed for admitted bodies which could exit and have received their year end figures showing substantial surpluses, or

scheduled bodies which cannot exit but still have questions about the benefits of a surplus position?

7. The Pensions Ombudsman - Incorrect Information Member Factsheet

On 31 July 2023, the Pensions Ombudsman (TPO) published a member [factsheet](#) called 'Incorrect information'. It explains that if someone receives incorrect information, this doesn't automatically mean the scheme has to 'honour' this as their entitlement to benefits is in line with scheme rules. However, where a member makes financial decisions on the strength of incorrect information, then the scheme may have to make good any losses the member has incurred.

8. Guidance on Preparing the Annual Report

The SAB's Compliance and Reporting Committee has identified several areas in the CIPFA guidance for Local Government Pension Scheme Funds on how to prepare the annual report, that require updating and clarification. A priority is to streamline the guidance and reduce duplication with other reporting obligations, wherever possible.

There are proposed improvements around the reporting and categorisation of assets, with a standard proposed template to be provided by SAB. Administrative KPIs will also be reviewed, to enable funds to benchmark themselves effectively against others. SAB aims to have new guidance in place for the 2023/4 reporting period impacting on the Annual Report due for publication in December 2025.

9. Report on pension scam regulations

On 21 June 2023 DWP published a [review](#) of the Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021. As reported in the regulatory update to the Board in January 2022, these regulations introduced the first and the second conditions relating to transfers out from an occupational pension scheme, and introduced the concept of red and amber flags.

The review has found that although the original policy intent of preventing or minimising the risk of scams remains appropriate, and it is estimated that the regulations have stopped approximately 2000 transfers to possible scams, some aspects of the regulations have not worked so well and there have been a small number of complaints to the Pensions Ombudsman regarding blocked transfers. DWP will be conducting further work with the pensions industry and the Pensions Regulator to consider if changes to the original regulations are appropriate.

10. Investments

Economic Activity of Public Bodies (Overseas Matters) Bill

The Economic Activity of Public Bodies (Overseas Matters) Bill, also known as the Boycotts, Divestments and Sanctions Bill had its second reading in the House of Commons on 3 July 2023. The Bill seeks to ban LGPS administering authorities from making investment decisions influenced by political and moral disapproval of foreign

state conduct, except where this is required by formal Government legal sanctions, embargoes and restrictions.

Mansion House Speech/Investment pooling

On 10 July 2023, the Chancellor delivered a speech at Mansion House. The Chancellor announced a number of measures aimed at increasing returns for savers and encouraging growth.

The announcements included a consultation on accelerating the pooling of LGPS assets in England and Wales, and this consultation was launched by the Department of Levelling Up, Housing and Communities on 11 July 2023.

100% of the Fund's assets are under management with Local Pensions Partnership Investments Limited and over 95% of the Fund's assets in pooled vehicles. This has resulted in investment management fee savings for Lancashire County Pension Fund of £20.8m in 2022/23 and a total £61.1m worth of savings since pooling began in 2016. These savings have continually been re-invested into the Fund to give greater returns.

A consultation response was considered by the Pension Fund Committee at its meeting on 15th September 2023 and submitted ahead of the closure date on 2nd October 2023. A copy of the response is being made available for Board members in the online pension library.

Key themes within the consultation included:

- 1) **Increased pace of pooling** –a short-term requirement for pension funds to transition all listed assets to pools by 2025. The Fund is already 100% transitioned.
- 2) **Levelling up** – an ambition for pension funds to invest up to 5% of their assets under management in projects which support the levelling up agenda. The Fund already has significant investment in local property and UK infrastructure which we expect to exceed government targets; and
- 3) **Private equity** - an ambition for pension funds to allocate 10% of their assets to this asset class. The Fund currently invests over 8% of assets under management in private equity.

There was also a suggestion of a long-term direction of travel to increase pools assets under management to in excess of £50bn.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

Without the required knowledge and skills, those charged with governance and decision making may be ill-equipped to make informed decisions regarding the direction and operation of the Pension Fund.

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

Lancashire Local Pension Board

Meeting to be held on Tuesday, 17 October 2023

Electoral Division affected:
N/A;

Communications Update

Appendix 'A' refers

Contact for further information:

Junaid Laly, 01772 537676, Special Projects Pension Lead,
Junaid.Laly2@lancashire.gov.uk

Brief Summary

This report provides the Board with a communications update from the Local Pensions Partnership Administration Limited (LPPA) Engagement and Communications Team and the Pension Fund Team.

Recommendation

The Board is asked to consider and comment on this report.

Detail

LPPA provides communication and engagement services to all scheme members and employers of the Lancashire County Pension Fund (LCPF). The update from LPPA set out at Appendix 'A' provides information on the Engagement Activities for Quarter 2 (July to September 2023) and the executive summary by Chris Dawson, Head of Engagement at LPPA, sets out some key highlights for the previous quarter.

In Q2 the main, focus for LPPA was the production of Annual Benefit Statements for Active and Deferred members ahead of the statutory deadline of 31st August. Within the quarter PensionPoint has been developed to allow members to obtain more information via the self-service member portal. These include:

- Generation of retirement estimates
- Access to important documents
- Visibility of service history, transfer history and CARE information.

As well as developing PensionPoint there have been updates to the employer portal after receipt of feedback and requests from LCPF scheme employers. Specific detail of the developments can be found under the executive summary at Appendix 'A'.

Pension Fund Team Update

- Investment Strategy Statement

The Investment Strategy Statement was approved by Pension Fund Committee in June 2023 and the updated strategy has now been published on the LCPF website.

The Investment Strategy Statement has details of the Funds objectives and beliefs, investment governance, asset allocation framework, risk management, performance measurement and environmental, social and governance policy.

- Recruitment

The Fund has recently advertised two positions to support the Fund to undertake their governance duties. These roles are for the Senior Governance Officer and Governance Lead. The roles have been advertised on the County Council's website along with the Pension Fund's site and with external websites with a focus on Pensions.

- Annual Report and Summary

Following the approval of the Annual Report at the September Pension Fund Committee the Fund officers have started working with external design consultants to convert the Annual Report into a professional document similar to that which has produced in previous years.

- Directors Briefing

The Fund is planning for a Directors Brief anticipated to take place in December 2023 and will send out communications to invite all its employers to attend in October.

The Directors Brief will provide a Fund Update by the Head of the Fund, Funding position by the actuary, Update on Investments by LPPI and Administration Update from LPPA.

- McCloud

To enable LPPA to progress with the McCloud remedy calculations, LPPA require support from the Fund team to engage with employers who are yet to respond to them regarding data quality to influence the employers to review their membership data. This will support LPPA to assess all members impacted by McCloud and enable them to focus on the records that require any actions to take place.

Consultations

Head of Engagement, Marketing and Communications - LPPA

Implications:

This item has the following implications, as indicated:

Risk management

The Fund has a statutory responsibility to communicate effectively with members and employers.

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

Paper	Date	Contact/Tel
N/A	N/A	N/A

Reason for inclusion in Part II, if appropriate

N/A





Local Pensions Partnership
Administration



WORKING
TOGETHER



FORWARD
THINKING



COMMITTED TO
EXCELLENCE



DOING THE
RIGHT THING

LPPA Engagement, Marketing & Communications Team Report 15 September 23

Section 1

Engagement and Communication Activities 2023/24 Q2

Section 2

Planned 2023/24 Activity Q3

This report provides an overview of activities undertaken by the LPPA Engagement, Marketing & Communications Team in the period Q2 2023/24, and activities the team will be undertaking in the next 3 months.

Executive Summary

In Q2, in addition to fulfilling statutory obligations such as Annual Benefit Statement processing and communications, there has also been a focus on improving the level of personalised information that is available to members in their online PensionPoint account. LCPF members, as well as generating retirement estimates and accessing important pension documents, are now able to view their employment service history, previous pension transfers, and their CARE history in PensionPoint.

Similarly, there has been several enhancements made to the UPM employer portal, based on feedback and requests LPPA has received from LCPF scheme employers. These include:

- An improved, more straightforward leaver form process
- Automated portal notifications:
 1. Alerting employers when they have successfully submitted their monthly return file
 2. When the file has been processed by LPPA, and the employer can upload their next file
 3. When the employer has outstanding data queries that need to be resolved in the portal
- Crucially, LCPF employers can now run their own member retirement estimates (including redundancy quotes and tier 3 ill health estimates, including pension strain costs) in the employer portal, rather than raise requests with LPPA.

For Q3, the focus will be on the age discrimination remedy (McCloud) and notifying eligible (impacted) LCPF members with further details on what this means (information is already available on the LPPA website).

All engagement and communication objectives were successfully delivered during the period, and plans are on track for Q3 (further detail is provided in this report).

Chris Dawson (Head of Engagement, Marketing & Communications, LPPA), 15 September 2023

1 Engagement and Communication Activities 2023/24 Q2

1.1 Engagement Activity – Employer and Member Training

Date	Activity	Employer Name
05/07/2023	UPM Navigation Training	LCPF Employers
10/07/2023	Pre-retirement (True Bearing)	Blackburn College
10/07/2023	Pre-retirement (True Bearing)	Lancashire County Council
11/07/2023	LGPS Scheme Essentials	LCPF Employers
17/07/2023	UPM Employer Portal	LCPF Employers
18/07/2023	Making sense of your Pension	LCPF Members
20/07/2023	Making sense of Retirement	LCPF Members
27/07/2023	LGPS Employer Responsibilities	LCPF Employers
03/08/2023	LGPS Scheme Leavers	LCPF Employers
08/08/2023	Submitting Monthly Returns	LCPF Employers
15/08/2023	Making sense of Retirement	LCPF Members
17/08/2023	Making sense of your Pension	LCPF Members
22/08/2023	LGPS Scheme Essentials	LCPF Employers
05/09/2023	Absence and ill health	LCPF Employers
07/09/2023	Submitting monthly returns	LCPF Employers
12/09/2023	UPM employer portal	LCPF Employers

Summary of data table above:

Pre - Retirement LG (True Bearing): LPPA deliver pre-retirement sessions (same content as the Retirement Essentials workshops) and True Bearing are the organisers.

1.2 Engagement Activity – Employer visits and support

In addition to the employer and member training sessions delivered, there have been virtual employer visits and support sessions held. These have had a focus on navigating the UPM employer portal and uploading the monthly return via the portal.

Date	Session	Employer Name
26/06/2023	Employer Visit (support)	Compass Group
27/06/2023	Employer Visit (support)	Compass Group
29/06/2023	Employer Visit (support)	Compass Group
10/07/2023	Employer Visit (support)	Blackburn College

13/07/2023	Employer Visit (support)	Blackburn with Darwen Borough Council
18/07/2023	Employer Visit (support)	Maharishi
24/07/2023	Employer Visit (support)	Burnley College
25/07/2023	Employer Visit (support)	St. Thomas the Martyr
02/08/2023	Employer Visit (support)	Greenwich Leisure Limited
03/08/2023	Employer Visit (support)	Andron
03/08/2023	Employer Visit (support)	Greenwich
10/08/2023	Employer Visit (support)	Burnley College
14/08/2023	Employer Visit (support)	Blackburn With Darwen Borough Council
15/08/2023	Employer Visit (support)	Maxim
16/08/2023	Employer Visit (support)	Burnley College
16/08/2023	Employer Visit (support)	PPA Facilities
16/08/2023	Employer Visit (support)	Blackpool Council
01/09/2023	Employer Visit (support)	Blackpool College
07/09/2023	Employer Visit (support)	Nelson and Colne College Group

1.3 Engagement Team Update

The focus for the Engagement Team has been to support the transition to the UPM Employer Portal, monthly return uploads for employers and PensionPoint navigation for members. This has been delivered through group training sessions and support visits, with help in highlighting employer responsibilities in the pension administration process.

All member and employer training sessions continue to be bookable via the LPPA website on designated training pages.

1.4 PensionPoint update (6 September)

- The following figures represent the number of LCPF members who have registered on the portal:
 - Active members 20,081
 - Deferred members – 12,386
 - Retired members and beneficiaries – 18,503
 - **Total 50,970**
- This represents around 27% of the total LCPF membership base, which is ahead of the 20% 12-month target (set at UPM launch).
- New functionality has been added to the PensionPoint website, which allows members to view their **service history, transfer history and CARE history** – along with an explanatory page of how the new sections works.

1.5 Communications Update (Employer and Member)

- A [Pension Pulse](#) (employer newsletter) was issued to LCPF employers in July 2023.
- **Monthly Data Returns (LCPF employer communications)**

Email communications have continued to be issued to LCPF employers to support them in the submission of their monthly data return files ([reminders](#), pre and post deadline, have also been sent to employers). Automatic email reminders have also continued for 'data file successfully submitted' and 'data file processed by LPPA (please submit your next file)' notifications.

- **Employer emails to LCPF employers in Q2**

- GAD factor update [email](#) (July)
- Changes to our postal address [email](#) (July)
- LGA resources and training [email](#) (August)

- **Active/deferred member newsletter**

The digital member newsletter was sent by [email](#) to all LCPF members in July/August (where email addresses were held). The newsletter is also held on the [News Hub page](#) of the LPPA website (along with the 2023 retired newsletter and archive newsletters).

- **McCloud (age discrimination remedy) communications**

In preparation for McCloud remedy, a [dedicated web page](#) has been created for all LG members. This is currently a holding page for all members, which will be updated with all the latest updates.

- **ABS communications**

Annual benefit statements have been added to PensionPoint for LCPF members (ahead of the 31 August statutory deadline).

This process was communicated in the active/deferred member newsletter email that went out to all members where we hold an email address. A [new ABS page](#) has also been created on the LPPA website, with signposting from the home page.

Any LCPF members who have opted out of digital communications, were sent a paper version of their ABS.

1.6 LPPA website development

Several new web pages have been developed and updated on the LPPA website to help improve the experience for LCPF members.

Key member updates include:

- New [Home page](#)
- New [member landing page](#)
- New [Pension increases page](#)
- New [Age discrimination remedy \(McCloud\) page](#)
- Lifetime allowance page [updated](#) and [FAQs](#) added
- Annual allowance page [updated](#) and [FAQs](#) added
- Retirement [checklist page updated](#)

Key employer updates include:

- Contribution rates [page updated](#)
- Retirement [page updated](#)
- Different ways of getting in touch [page](#), which includes details of the **Employer Escalation process** which has been communicated to all employers (what to do / who to contact if an urgent update is required for an outstanding request)

(The 'clickable' links in the bullet point enable you to view to the page on the LPPA website)

1.7 Member Sessions

All member sessions are bookable via the LPPA Member Training page.

Making Sense of your Pension (online sessions)

These two-hour online sessions are aimed at members to help improve their knowledge of their LGPS pension, whether they have recently joined the scheme, or have been in the scheme a while.

Making Sense of Retirement (online sessions)

These two-hour online sessions are aimed at Members who are reaching retirement age (age 55 and over) to help improve their knowledge of the retirement.

Date	Subject
20/06/2023	Making Sense of Your Pension
22/06/2023	Making Sense of Retirement
18/07/2023	Making Sense of Your Pension
20/07/2023	Making Sense of Retirement
17/08/2023	Making Sense of Your Pension
15/08/2023	Making Sense of Retirement
19/09/2023	Making Sense of Retirement
17/08/2023	Making Sense of Your Retirement

2 Planned Activity Q3 2023/2024

- Communications activity will continue to encourage LCPF members to register for **PensionPoint** (promoting the benefits of online access to their pension).
- **Employer training sessions** will continue throughout Q3 with sessions on:
 1. UPM employer portal
 2. Monthly Returns
 3. Employer responsibilities
 4. Scheme essentials
 5. Absence and ill health
- Updates will be communicated to any LCPF members affected by the age discrimination remedy (McCloud)
- **LPPA website developments** – as well as making ongoing improvements to the functionality, user experience and search functions of the website, we are reviewing several specific sections for members and employers – including the retirement and ill health sections.

Lancashire Local Pension Board
Meeting to be held on Tuesday, 17 October 2023

Electoral Division affected:
None;

Pension related training for members of the Board.

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

Brief Summary

An update on pension related training involving members of the Board since the last meeting.

Recommendation

The Board is asked to note the report and any feedback from individual members in relation to training they have received.

Detail

The Training Plan 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.

Since the last meeting members of the Pension Board have attended or participated in the following pension related conference/events.

4th September 2023 Internal Workshop on the Lancashire County Pension Fund (LCPF) Annual Report and Accounts.

Participants - County Councillor J Couperthwaite, Mr S Dunstan, Ms D Parker, and Mr A Egerton.

25th September 2023 Briefing on LCPF and Local pensions Partnership for new members of the Lancashire Local Pension Board.

Participants - Mr A Egerton, Mr M Davies, and Mr W Bourne, Chair of the Pension Board.

3rd October 2023 Internal Workshop on Responsible Investment and Task Force on Climate-Related Financial Disclosures.

Participants - County Councillor J Couperthwaite, Mr S Dunstan, Ms D Parker, Ms G Hart, and Mr A Egerton.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

Without the required knowledge and skills, those charged with governance and decision making may be ill-equipped to make informed decisions regarding the direction and operation of the Pension Fund.

The Training Policy seeks to apply best practice and to ensure compliance with guidance from CIPFA and the Pensions Regulator. Failing to implement an adequate Training Policy and Framework and to regularly review the effectiveness of training arrangements would place the County Council (as Administering Authority) at risk of non-compliance with the Pensions Regulator's Code of Practice No. 14 (Governance and administration of public service pension schemes) and the legislative requirements that this code interprets.

Financial

Decisions made by the Pension Fund Committee have direct financial implications for the Fund. The Fund's Training Policy forms part of its governance and risk management arrangements which seek to ensure that the members of the Pension Fund Committee and the Lancashire Local Pension Board are well-informed, confident, and knowledgeable participants who work effectively and consistently in the best interests of the Fund and its stakeholders.

The cost of attendance, together with associated travel and subsistence costs, were met by the Lancashire County Pension Fund.

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact/Tel
Attendance sheet for internal pension related workshop/briefing.	4 th September 2023 25 th September 2023 3 rd October 2023	Mike Neville (01772) 533431
Reason for inclusion in Part II, if appropriate.		
N/A		

Lancashire Local Pension Board

Meeting to be held on Tuesday, 17 October 2023

Electoral Division affected:
N/A;

Lancashire Local Pension Board Workplan 2023/24 progress report

(Appendix 'A' refers)

Contact for further information:

Junaid Laly, Special Projects Pensions Lead, 01772 532767,

Junaid.Laly2@lancashire.gov.uk

Brief Summary

An update on the progress of activities undertaken by the Lancashire Local Pension Board so far in 2023/24.

Recommendation

Members of the Pension Board are asked to comment on the workplan at Appendix 'A' and the updates provided in this report.

Detail

Under its Terms of Reference, the Local Pension Board is required to produce a workplan each year. The workplan sets out agenda items and the order in which they will be considered by the Board during the year. This supports the Board in ensuring that all the activities are covered, and the workflow is aligned with activity of the Pension Fund Committee.

As it is now part way through the year, this report provides an update on progress to date on the workplan.

A breakdown of actions taken by the Board is outlined below.

Governance

Risk Register

It is intended that the Risk Register will continue to be presented at each meeting of the Board with the full register presented biannually (April and October each year) and specific key risks for discussion each quarter. The Risk Register is a live

document and is regularly reviewed in collaboration with the Fund Officers, Independent Investment Advisers, Local Pensions Partnership Administration (LPPA) and Local Pensions Partnership Investments (LPPI). This allows the Board to be kept up to date on key risks and monitor transitional risks.

During the year so far, specific risks have been considered in detail including Pension Systems Implementation, Russia/Ukraine, Investment Strategy, Benefit Payments, and Data Quality. The Risk Register is presented elsewhere on the agenda for this meeting.

Code of Practice Compliance

This year a decision was taken with the Board that the annual Code of Practice Compliance Statement would be deferred due to the expected transition to the General Code of Practice. There have been significant delays to the implementation to the General Code of Practice and it is now expected to be laid before parliament in autumn 2023. Due to this the Fund officers have undertaken detailed preliminary work to assess the Fund's compliance against the draft General Code and this is presented as a report elsewhere on the agenda.

Annual Review of the Effectiveness of the LLPB

The annual review of the Lancashire Local Pension Board was undertaken by the Chair in January 2023 through conversations with individual Board members, the Chair of the Pension Fund Committee and Officers. The Chair presented a report on the findings of the review together with his recommendations to the Board in April 2023. Arrangements for future reviews will be discussed with the new Chair and circulated to Board members in due course.

Communications Update

An update on the communications activity of Local Pensions Partnership Administration Ltd (LPPA) and the Fund is presented at each meeting of the Local Pension Board.

Development of a communications strategy is included in the Funds strategic plan. However, due to resource challenges on the Fund team this work has not yet started. Further updates on this will be provided once progress commences.

Annual Report on the update of the Pensions Regulator Survey

The results of the Pension Regulator's Public Service Governance and Administration survey have not yet been published. Fund Officers have been advised that the results will be made available in the next 2 months and a report will be provided to the Board once the results are made public.

Cyber Security Update

As part of the General Code of Practice the Fund Officers identified Cyber Security as a priority module for the Fund to progress activity to become compliant. An update report on progress is provided elsewhere on the agenda.

Breaches Update

In January 2023 the Breaches Policy was reviewed by the Local Pension Board and subsequently approved by the Pension Fund Committee at its March meeting. Following this approval, the content of breaches reporting to the Board was updated and now provides more detail.

A report is provided to the Board each quarter and includes data on contribution breaches, data breaches, administration (code of practice) breaches and complaints.

Administration Performance

An update on administration performance is provided to the Board each quarter as part of the Pension Fund Committee updates and there is also an Annual Report on Administration Performance.

There is regular attendance from the Managing Director at LPPA and the Director of Finance, People and Culture. This has allowed the Board to provide feedback and ask questions on administration performance.

The Board has been involved in reviewing the Pension Systems Implementation Risk which relates to LPPA implementing a new administration system (Universal Pensions Management) and LCC implementing a new Payroll and Finance system (Oracle Fusion).

Lancashire County Pension Fund Policies

The Fund's Governance Compliance Statement has been reviewed and is shared with the Local Pension Board as part of the Pension Fund Annual Report which is included in the Part I reports for Pension Fund Committee.

The Fund provides an annual training plan which relates to members of the Pension Fund Committee and the Local Pension Board. The Fund Team will be reviewing the training strategy over the next few months and will share it with the Board for comment in due course.

The LCPF discretions will be reviewed over the coming months and will be presented to the Board early in the new year for comment. These are policies that apply across the entire Fund membership regardless of individual employers covering issues such as bulk transfers.

The review of the activity surrounding the update of Employer discretions will be undertaken over the coming months. These are matters - such as flexible retirement approach- that an individual employer will develop its own policy on. This review will require collaboration between the Fund officers and LPPA. The activity will clarify the roles and responsibilities between the Fund officers and LPPA to support employers in their responsibility in reviewing, making, and publishing their discretions. There have been challenges to progress this for the Fund, LPPA and employers due to the resource being allocated to support the transition to UPM and Fusion.

The review of the Pensions Administration Strategy will be moved to the next financial year as LPPA are analysing the capabilities of the UPM system to explore reporting on employer performance. This will feed into the review of the Pension Administration Strategy.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

The Pension Board is required under legislation to secure compliance and ensure the effective, efficient governance and administration of the Fund. The workplan ensures that its activities within this remit are undertaken at appropriate points in time during the year.

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 Pensions Board - Work programme 2023/24

24-Jan-23	04-Apr-23	11-Jul-23	17-Oct-23	23-Jan-24
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Standing Items					
Welcome and Apologies, Declaration of Interests, Urgent business, Exclusion of press/public, Date of the next meeting of the LLPB.	Y	Y	Y	Y	Y
Minutes of the previous meeting of the LLPB	Y	Y	Y	Y	Y
Feedback from Board members on conferences/events and other training received	Y	Y	Y	Y	Y
Part I/II Reports considered by the recent Pension Fund Committee	Y	Y	Y	Y	Y
Regulatory changes update report	Y	Y	Y	Y	Y

Governance					
Quarterly risk register report	Y	Y	Y	Y	Y
Report update on progress of the current LLPB work plan				Y	
LLPB Members Training Record		Y			
Annual compliance report with the Pension Regulator's General Code of Practice			Y		Y
Update of Constitution, Membership and Terms of Reference of the LLPB			Y		Y
Annual Review of the effectiveness of the LLPB - conclusions of the Chair and draft LLPB Annual Report for the previous year.		Y			
Note Approval of the annual LLPB work plan for the following year by PFC		Y			
Communications update report	Y	Y	Y	Y	Y
Annual report on the results of the pension regulator's survey				Y	
Cyber Security Update	Y		Y		Y
SAB Good Governance Project					Y
Updated Risk Management Framework					

Administration Performance					
Summary report of appeals under the internal dispute resolution procedures	Y				Y
Report on LPPA administration performance, data quality and data scores	Y	Y	Y	Y	Y

Pensions Administration					
Contributions monitoring, complaints and breaches	Y	Y	Y	Y	Y

Lancashire Pension Fund Policies					
Actuarial Valuation					
Policy - Funding Strategy Statement	Y				
Policy - Pension Administration Strategy Statement				Y	
Policy - Admissions & Termination Statement	Y				
Policy - Communications Strategy					Y
Policy - Employer Discretions					Y
Policy - Governance Compliance Statement			Y		
Policy - LCPF Cyber Strategy					
Policy - LCPF Discretions					Y
Policy - Risk Management Framework					
Policy - Responsible Investments					
Policy - Training Strategy					Y
Policy - Breaches	Y				

Lancashire Local Pension Board – 2023/24 Annual Work Plan

The pension work plan sets out the order of matters the Pension Board will review in the financial year. The work plan has been arranged into two sections an annual work plan reflecting reports presented on a quarterly basis as well as a three year work plan to reflect the frequency of policies which are refreshed every three years. The order of presentation of the agenda is as reflected below.

Lancashire Pension Fund Policies	2023/24	2024/25	2025/26	2026/2027	2027/2028
Actuarial Valuation			Y		
Policy - Funding Strategy Statement			Y		
Policy - Pension Administration Strategy	Y				
Policy - Admissions & Termination Policy		Y			
Policy - Communications Strategy	Y		Y		
Policy - Employer Discretions	Y				
Policy - Governance Compliance Statement	Y	Y	Y	Y	Y
Policy - LCPF Cyber Security Strategy		Y			
Policy - LCPF Discretions	Y				
Policy - Risk Management Framework			Y		
Policy - Responsible Investment		Y			
Policy - Training Strategy	Y				
Policy - Breaches Policy			Y		

Lancashire Local Pension Board

Meeting to be held on Tuesday, 17 October 2023

Electoral Division affected:
N/A;

Cyber Security Project - Update

Contact for further information:

Junaid Laly, Special Projects Pension Lead, 01772 532767,
Junaid.Laly2@lancashire.gov.uk

Brief Summary

The Pension Regulator published a draft of the new General Code of Practice in March 2021 which covers occupational, personal, and public service pension schemes. It provides draft guidance in relation to exercise of the functions under relevant pensions legislation and sets out draft standards, conducts and practice expected from those who exercise each function.

The Fund officer have reviewed the modules under the draft code and determined that the Cyber Controls module (ADM016) is a priority area within the new General Code. This report provides an update on the activity taken to date.

Recommendation

The Board is asked to consider and comment on the activity outlined in this report.

Detail

The Pensions Regulator published a draft of the General Code of Practice (GCoP) in March 2021, and it is intended that it will replace 10 of the existing codes of practice. The officers of the Fund undertook a gap analysis of the draft General Code of Practice to understand and identify areas which require attention once the final version of the General Code is published.

The findings of the gap analysis were presented to the Local Pension Board in July 2022. The gap analysis split the modules from the draft code into the following categories:

- New requirements with potential gaps
- Existing requirements which incorporate new guidance within the module
- Existing or New requirements with no gaps identified.

Following this analysis, the Officers have given the General Code modules a priority order and determined Cyber Controls module (ADM016) to be an area which should be prioritised as a new mandatory requirement with potential gaps.

Activity to date

July/August 2022

Aon, who are experts in the pensions sector offered all LGPS funds an opportunity to have their cyber controls assessed at a high level and provide a report in relation to cyber resilience. The questionnaire assessed the Fund against the following areas:

- Strategy, Governance and Documentation
- Pension Committee, Pension Board and Officers
- Fund Governance, technology, and procedures
- Administration (including pensioners' payroll)
- Other third-party providers
- Member Data
- Assets and Cashflows
- Dealing with pension fund members
- Incident response
- Financial input

After submitting responses to Aon, they provided a basic assessment report which showed the Fund score and a comparison against other LGPS Funds.

The results of the assessment indicated a need for further information on the third-party providers cyber controls.

December 2022

Following Aon's assessment, the Fund developed a Cyber Assurance questionnaire and sent it to Lancashire County Council Digital Services, Local Pensions Partnership Administration Limited, Local Pensions Partnership Investments Limited, Mercer and Northern Trust to assess their internal cyber controls.

The aim of this questionnaire was to gather information relating to provider assurance as the Pension Regulator's guidance states that we 'should assure ourselves that all third-party suppliers have put sufficient controls in place with regards to cyber security'.

Feb - April 2023

The responses to the Cyber Assurance questionnaire submitted by providers in December allowed the Fund to re-submit the scorecard to Aon which assessed the same 10 areas.

The results of this second submission showed scores with the Fund scoring above average in several areas where previously the score was below average (due to lack of information).

An annual report on Cyber Security was provided to the Board at its meeting on 24th January 2023 which provided useful background/context to this paper.

May 2023 - September 2023

Although there is a good level of officer knowledge surrounding the requirements specified in the Cyber Controls module of the General Code of Practice, due to the technical nature of Cyber Security the fund officers do not have the necessary level of knowledge to assess third party cyber controls. Therefore, it is deemed good practice to acquire specialist support to assist the Fund Officers in progressing with this project. This will also provide a level of external independent input to the assessment of third-party providers.

During this period Fund Officers developed an action plan using the second Aon assessment and identified actions to evolve towards complying with this module.

Following the development of the action plan, the Fund engaged with three industry specialists who are also experienced in the LGPS arena to identify what support is available in fulfilling these objectives and how their offering fits with the requirements of the Fund.

In addition, there was a workshop on cyber security for Board and Pension Fund Committee members in July 2023, a copy of which is in the online pensions library for Board members.

Next Steps

The following areas have been determined as actions to work towards being compliant with the Cyber Controls module of the General Code of Practice.

The Fund officers will be undertaking the activity with support from external consultants.

Activity	How	Output
Assessment of Providers		
<ul style="list-style-type: none"> Gain understanding of service providers controls Data Mapping 	<ul style="list-style-type: none"> Cyber assessment questionnaire¹ Identification of points for mapping and mapped process 	<ul style="list-style-type: none"> Assurance of third-party providers cyber controls – Cyber report Clear mapped data flows for all stakeholders²

¹ This questionnaire asks providers to explain its approach to cyber security across five key cyber security functions. This will provide a risk score and highlights areas where responses indicate gaps in cyber resilience.

² This work would be prioritised to ensure key providers data flows are assessed first i.e., 1. LPPA as they hold membership data, 2. LCC as they hold fund financial and member information on Oracle/EPIC

<ul style="list-style-type: none"> Action plan for providers compliance towards GCoP 	<ul style="list-style-type: none"> Create action plan for any areas of concern 	<ul style="list-style-type: none"> Improved cyber security compliance – Linked to Risk Register below
Risk Register		
<ul style="list-style-type: none"> Fully assessed Risk with mitigations Clear controls and actions Assess the risk rating 	<ul style="list-style-type: none"> Review of Cyber Risk alongside report Following assessment of providers controls and actions will be able to be documented. Review and allocate appropriate risk rating considering Risk Management Framework 	<ul style="list-style-type: none"> Robust Cyber Security risk on the Risk register with regular monitoring
Cyber Policy		
<ul style="list-style-type: none"> Development of Cyber Policy Assessment of Cyber Policy Consideration of impact on other Fund policies e.g Breaches Implementation and Engagement 	<ul style="list-style-type: none"> Write Fund specific Cyber Security Policy Specialist review draft cyber policy Review other fund policies to incorporate New Cyber Policy Engagement with key stakeholders to approve and implement policy 	<ul style="list-style-type: none"> New Cyber Security Policy for the Fund Updated fund policies if required. Knowledge and understanding enhanced - all stakeholders understand their role and responsibilities, associated risks. <ul style="list-style-type: none"> Fund policy published

Timescales for Delivery

Although the activity above has been determined to allow the Fund to work towards the Cyber Controls module, a definitive timescale for delivery will be dependent on the appointment of the cyber specialist. It is intended that the appointment of the specialist will be done in Q3 2023/24.

Feedback from industry specialists estimate the project should take approximately 12-18 months to complete. Though this varies according to the number of providers which need to be assessed.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

The treat of cyber-attacks is a growing, evolving and very real threat for organisations. The Lancashire County Pension Fund require regular updates from all stakeholders to ensure that the risk is being managed appropriately.

This supports compliance with the draft general code of practice requirements.

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact/Tel
N/A	N/A	N/A

Reason for inclusion in Part II, if appropriate

N/A

Lancashire Local Pension Board

Meeting to be held on Tuesday, 17 October 2023

Electoral Division affected:
None;

Part I reports presented to the most recent Pension Fund Committee

Contact for further information:

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

Brief Summary

This report lists the Part I reports that were presented to the most recent meeting of the Pension Fund Committee. The Head of Fund will update members of the Board on decisions taken in respect of the reports at the meeting.

Recommendation

The Board is asked to comment in relation to the Part I reports that were considered by the Pension Fund Committee on 15th September 2023 and any decisions taken.

Detail

At the meeting on 15th September 2023 the Pension Fund Committee considered several reports in Part I of the agenda (available to the press and public) which included those listed below.

- Minutes of the last meeting.
- Budget Monitoring 2023/24 – Q1
- **External Audit 2022/23**
- Lancashire County Pension Fund Breaches and Complaints 2022-23
- **Lancashire County Pension Fund Annual Report 2022/23**
- Pension related training for Committee members
- Responsible Investment Report
- Investment Panel - Updated Terms of Reference
- Urgent Business
- Date of Next Meeting - 2.00pm on 16th November 2023 in Savoy Suite 2, The Exchange, County Hall, Preston.

Members of the Board received notification when the agenda for the Committee was published and available to view via the secure online Pensions Library.

At the meeting the Head of Fund will update the Board specifically on decisions taken by Committee regarding the items in bold above, though Board members are free to ask for updates in relation to all the listed reports.

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 14

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

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Appendix A

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

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Agenda Item 15

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Appendix A

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Agenda Item 16

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Agenda Item 17

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Agenda Item 18

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