

## **Lancashire Local Pension Board**

**Minutes of the Meeting held on Tuesday, 16th October, 2018 at 2.00 pm in Room CHG 03 at County Hall, Preston.**

### **Present:**

#### **Chair**

William Bourne

#### **Board Members**

County Councillor Christian Wakeford, Employer representative (Lancashire County Council)  
Tony Pounder, Employer representative (Lancashire County Council)  
Steve Thompson, Employer representative (Unitary, City, Boroughs, Police and Fire)  
Carl Gibson, Employer representative (Other Employers)  
Kathryn Haigh, Scheme Member representative  
Bob Harvey, Scheme Member representative  
Yvonne Moulton, Scheme Member representative  
Keith Wallbank, Scheme Member representative

#### **Officers**

Abbi Leech, Head of Fund, LCPF, Lancashire County Council.  
Colin Smith, Technical Adviser Pensions, LCPF, Lancashire County Council.  
Mukhtar Master, Governance & Risk Officer, LCPF, Lancashire County Council.  
Mike Neville, Senior Democratic Services Officer, Lancashire County Council.  
Julie Wigg, Engagement Manager, Local Pension Partnership.

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

The Chair welcomed Mr Pounder and Mr Wallbank (the recently appointed Scheme Member representative) to the meeting and all members of the Board and officers present introduced themselves.

No apologies were presented.

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

No declarations of interest were made under this heading.

### **3. Minutes of the Meeting held on the 3rd July 2018**

Reference was made to the discussion at the previous meeting regarding the pension administration service provided by the Local Pension Partnership and the concerns expressed by members of the Board. The Head of Fund confirmed that the Board would be given an update on the pension administration service under item 14 on the agenda.

The Chair informed the meeting that he intended to take item 14 on the agenda before item 13 and, with the agreement of the Board, give the Engagement Manager

from the Local Pension Partnership an opportunity to take part in discussions about the pension administration service before giving her presentation.

**Resolved:**

1. That the Minutes of the meeting held on the 3rd July 2018 are confirmed as an accurate record and signed by the Chair.
2. That item 14 on the agenda be taken before item 13 and the Engagement Manager from the Local Pension Partnership invited to take part in discussions regarding the Pension Administration Service.

**4. CIPFA Guide for Local Pensions Board (May 2018)**

The Chair presented a report on the latest Guidance from CIPFA which offered an insight into a range of issues that would have an impact on Local Pension Boards.

Members of the Board agreed that in many respects the Lancashire Board had a good working relationship with the administering authority and cited good communications, access to 'exempt information' and the regular attendance of the Chair at meetings of the Pension Fund Committee as indicators that the Board was considered a valued 'critical friend'.

The Chair urged members of the Board to attend future training sessions organised by CIPFA as it was often helpful to meet members of other Boards and see how they operated.

**Resolved:** That the contents of the CIPFA Guide for Local Pension Boards (published in May 2018) are noted and a copy of the Guidance made available to members of the board via the secure pensions Library for future reference.

**5. Lancashire County Pension Fund - Regulatory Update**

Mr Smith, Technical Adviser Pensions, updated the Board on various pension regulatory matters, including the following.

A ballot of eligible policyholders on the removal of policy guarantees as well as the transfer arrangements for Equitable Life and all its policies to Reliance Life would be available early next year.

The Scheme Advisory Board had established a small working group to evaluate options for change in relation to Tier 3 employers such as colleges, universities and housing associations. Stakeholders would be given an opportunity to comment on any recommendations later this year before any formal approach was made to government for changes to the scheme regulations and guidance.

Historically the Local Government Pension Scheme national scheme valuations had been aligned with their triennial local fund valuation cycle whereas all other major public service schemes had quadrennial scheme valuations. It was reported that HM Treasury intended to bring the LGPS onto the same quadrennial cycle as the other

public service scheme valuations in order to minimise complications, and assist with comparisons between schemes. Members of the Board expressed concern regarding the increased workload that would result from having the scheduled local valuation in March 2019 followed by a national (cost cap) valuation in 2020. It was also noted that even if local and national valuations were aligned to every 4 years they would still be out of sync with valuations for teachers.

In response to a query regarding the LCPF scheme return the Head of Fund confirmed that the Actuary had been asked to review data quality and that a report on the findings would be presented to the Pension Fund Committee in November 2018.

**Resolved:**

1. That the updates set out in the report presented and given at the meeting are noted.
2. That the Chair of the Pension Fund Committee be informed of the concerns of the Board regarding the increased workload that would result from having the scheduled LGPS local valuation in March 2019 followed by a national (cost cap) valuation in 2020.
3. That the findings of the Actuary review of LCPF data quality (to be reported to the Pension Fund Committee in November 2018) be presented to the next meeting of the Board for discussion.

**6. The Pensions Regulator Governance and Administration Survey results**

Mr Smith, Technical Adviser Pensions, presented a report which summarised the findings of the Pension Regulator's survey on governance and administration.

It was reported that 45% of active members in the Local Government Pension Scheme received their annual benefit by the statutory deadline and Mr Smith confirmed that for the Lancashire the revised figure was 99%.

The Board was informed that the Pension Regulator had announced plans to pursue "proactive engagement" with LGPS funds in the future and would be writing to scheme managers on various governance and administration matters. It was also reported that the Pension Regulator had engaged with a small number of scheme managers to undertake deeper regulatory engagement regarding specific areas of risk. The Head of Fund reported that the LCPF was not included in the regulatory engagement and previous attempts to engage with the Pension Regulator on governance and administration in Lancashire had been unsuccessful.

**Resolved:** That the report and updates given at the meeting are noted.

**7. Lancashire County Pension Fund - Risk Assurance Map**

It was reported that the risk assurance map for the LCPF had been developed following an independent assessment of risk assurance in 2016 when the Fund was undergoing a period of change, particularly with regard to the formation of pooling arrangements.

The Board was informed that maintenance of the map was complex and time-consuming and was no longer considered necessary for the Fund as the key risks and controls could easily be identified from the Risk Register and the Risk and Governance Officer regularly met with the Chief Risk Officer at LPP to discuss monitor and review current risks. Board members were also assured that the 24 observations which had been assessed as part of the formulation of the map were addressed by the existing Risk Register.

**Resolved:** That the update, maintenance or presentation of the Risk Assurance Map for the Lancashire County Pension Fund be discontinued with immediate effect.

## **8. Part I reports presented to the previous Pension Fund Committees**

The Head of Fund updated the Board on discussions at the Pension Fund Committee held on the 5<sup>th</sup> July and the 14<sup>th</sup> September 2018 and decisions taken.

It was reported that the Responsible Investment Working Group had recently met and a revised final version of the Responsible Investment Policy would be recommended to the Pension Fund Committee on the 30<sup>th</sup> November 2018 for approval. It was also noted that the Chair of the Committee and the Head of Fund had both recently been appointed as Directors on the Executive Board of the Local Authority Pension Fund Forum.

### **Resolved:**

1. That the updates regarding reports considered by the Pension Fund Committee held on the 5<sup>th</sup> July and the 14<sup>th</sup> September 2018 and decisions taken are noted.
2. That a copy of the proposed revised Responsible Investment Policy be circulated to all members of the Board outside of the meeting so that any comments can be reported to the Pension Fund Committee on the 30<sup>th</sup> November 2018.

## **9. Feedback from members of the Board on pension related training, conferences and events attended since the last meeting.**

Mr Pounder reported that as a newly appointed Board member he had found the Introduction to the LGPS on the 26<sup>th</sup> September 2018 useful in providing a background to pensions.

It was noted that the internal Workshop on 'Analysing the Macro Backdrop for Investing' in September had been well attended and the Independent Adviser had successfully presented complex ideas in an easily understood way.

With regard to the CIPFA Local Government Pension Service Autumn Seminar for Pension Board members on the 12<sup>th</sup> October, 2018, Ms Moulton reported that there had been a number of informative discussions and it had been useful to meet with members of other Boards and share ideas. Ms Moulton highlighted the following items as actions points which she had taken away from the conference.

- The 2014 scheme rules require that for members leaving after 31<sup>st</sup> March 2014, who are entitled to a refund of contributions, then these must be paid before the expiry of 5 years. As a result more breaches were anticipated if Funds were unable to provide refunds within this timescale.
- There were concerns regarding situations where an employer terminates from the fund and an exit credit payment is due to that employer. Primarily in relation to the 3 month deadline required for funds to make payment. However, the regulations do allow discretion for the fund and exiting employers to extend this period.
- That the Board should receive regular updates regarding the Guaranteed Minimum Pension reconciliation and 6 monthly updates in relation to transfers out to Defined Contribution schemes.
- Funds should have a data improvement plan in place to access/monitor how data is being improved with the Board receiving reports on the outcomes of scheme return/data scores. The plan should link into valuation and data preparation, contribution payments etc and not just focus on member data.

**Resolved:**

1. That the feedback from Board members as set out above is noted.
2. That a report on the Guaranteed Minimum Pension reconciliation be presented to the next meeting and a report on transfers out to Defined Contribution schemes to a future meeting.
3. That a report regarding the LCPF data improvement plan, covering the outcomes of scheme return/data scores and information on valuation and data preparation, contribution payments and member data be presented to a future meeting.

**10. Urgent Business**

No items of business were raised under this heading.

**11. Date of Next Meeting and future programme of meetings**

It was noted that the next scheduled meeting of the Board would be held at 2.00pm on the 29<sup>th</sup> January 2019 in Room CHG: 05 at County Hall, Preston.

Mr Neville informed the meeting that a programme of Board meetings for 2019/20 was being prepared and would be shared with members of the Board once the programme for meetings of the Pension Fund Committee had been approved by the full county council on the 18<sup>th</sup> October 2018.

## **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 paragraphs 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

In accordance with the decision of the Board earlier in the meeting the Engagement Manager from the Local Pension Partnership joined the meeting at this point.

## **13. Part II reports from the last Pension Fund Committee.**

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

The Head of Fund updated the Board on discussions and decisions taken at the last Pension Fund Committee in relation to items in Part II of the agenda.

The Board discussed with the Engagement Manager from the Local Pensions Partnership (LPP) the issues which had arisen following the introduction of a new operating model for the pension administration service, including action taken to address the backlog of cases and in relation to improving the service both in the short term and for the future.

**Resolved:** That the updates regarding reports considered under Part II of the agenda at the Pension Fund Committee on the 14<sup>th</sup> September 2018 and the decisions taken are noted.

## **14. Presentation - Update on Pension Administration Communications**

(Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of 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 Engagement Manager from the Local Pensions Partnership updated the Board on the activity of the Engagement Team with regard to member/employer engagement, the 2018 Practitioners Conference and Annual Benefit Statement Pension Surgeries. The Board noted that during employer visits the Team was encouraging employees to sign up to My Pensions Online and was providing sessions to show employees how to use the system to access information about their pensions.

With regard to the pension administration service Board members voiced their serious concern that six months after the implementation of the administration

transformation plan the level of service was still not back to where it was beforehand. They noted that staff are being asked to work substantial levels of overtime to achieve even this, and are strongly of the view that this is not a sustainable model of operation in the long term.

The Board also noted that the last formal report made available to them at this meeting was two months old, and that nobody from LPP's line management was able to attend to give them a detailed update. In the absence of up to date information members find it difficult to fulfil their legal remit of assisting the Scheme Manager to ensure effective and efficient administration.

**Resolved:**

1. That the Head of Fund confirm that the Minutes of the Board meeting held on the 3<sup>rd</sup> July 2018 had been forwarded to the Local Pension Partnership's Board and inform the Board whether any response had been received.
2. That the Minutes of this meeting be forwarded to the Local Pension Partnership's Board to make them aware of the level of the Board's concerns at the deterioration in the pension administration service.
3. That the Manager in charge of the pension administration service at the Local Pension Partnership be requested to present an update to the Board on the 29<sup>th</sup> January 2019.
4. That the Pension Fund Committee be requested to obtain detailed assurances from the Local Pension Partnership that sufficient resources, management, and governance are to be put in place to ensure that agreed administration service levels are maintained on a long term sustainable basis.
5. That members of the Board be provided with regular updates on the pension administration service on a prompt and timely basis.

The Engagement Manager from the Local Pension Partnership left the meeting.

**15. Lancashire County Pension Fund - Breaches Log**

(Exempt information as defined in Paragraphs 2 and 3 of Part 1 of Schedule 12 A of the Local Government Act 1972. It was considered that in all the circumstances of the case the public interests in maintaining the exemption outweighed the public interest in disclosing the information).

The Board considered a report which summarised the LCPF breaches log for the period 1<sup>st</sup> July to 30<sup>th</sup> September 2018 and noted that whilst there had been some breaches in relation to contribution payments none of them had been deemed as being material breaches in accordance with the Code of Practice 14 guidance. It was also noted that there had been no data breaches during the period covered by the report.

**Resolved:** That the report is noted.

## **16. Lancashire County Pension Fund - Risk Register**

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

A report was presented on the current Risk Register for the Lancashire County Pension Fund which had been reviewed and updated since it was last presented to the Pension Fund Committee in June 2018

The Board discussed the savings which had been expected to result from the establishment of the Local Pensions Partnership and noted that while some savings had been achieved there were concerns that the reduction in costs of the pension administration service would not be as anticipated. It was noted that the pension administration service was the subject of an independent review, the findings of which would be reported to the Pension Fund Committee in November 2018.

Specific risks identified in the Register were also agreed and the Board agreed that the wording in relation to controls in place to mitigate risks associated with the transformation of the administration business should be amended as some of the referred actions had now taken place. It was also suggested that some form of succession planning be introduced to minimise the impact on the future operation of the Fund if the Head of Fund were to become unavailable for any reason.

### **Resolved:**

1. That the updated Risk Register and LCPF Risk Summary document, as set out in the Appendices to the report presented, are noted.
2. That the Board be informed of the outcome of the independent review of the pension administration service to be reported to the pension Fund Committee on the 30<sup>th</sup> November 2018.
3. That the Risk and Governance Officer be requested to update the Risk Register to reflect the following:
  - i) the controls in place to mitigate risks associated with the administration transformation.
  - ii) the introduction of succession planning to minimise the impact on the future operation of the Fund if the Head of Fund were to become unavailable for any reason

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