

Lancashire Local Pension Board – Annual Report 2018/19

The Lancashire County Pension Fund's Local Pension Board (LPB) has now been up and running for nearly four years. As a reminder to readers, our legal duty is to assist the Pension Fund Committee (PFC). Because LPB members explicitly represent either employers or members, we also have a representative role in the Fund's governance structure.

When they were set up in 2015, LPBs were new bodies and it has taken time to establish how we should fulfil our duties without duplicating the PFC's role. There is a wide variation in the effectiveness of LPBs across the country and the national Scheme Advisory Board will be conducting a survey into the operation of LPBs in 2019. Your LPB is seen as one of the leading models and I shall be contributing a response in order to spread what I regard as good practice.

We create an annual Work Plan to ensure that we are methodical in our activities. The core of our work is to review the reports and compliance assurances which support the Fund's activities and comment on them to the PFC. If we believe something requires particular attention, we may make a formal recommendation to them which requires a response. However, we are always aware that our role is to assist the PFC and a good relationship between the two bodies is absolutely essential.

In this report, I will start by reminding readers of the mechanics of the LPB; cover the training we undertake; and finally comment on our activities in the past twelve months, noting where we expect to focus our efforts in the next year.

Membership of the Pension Board

The LPB has nine members, four Employer representatives, four Scheme Member representatives and I act as the Independent Chair. Members serve an eight year term, except for the Chair who serves four. Apart from the Chair, none are remunerated other than for expenses incurred in attending meetings or training.

During the year we welcomed Keith Wallbank, who was appointed to fill a vacancy for a Scheme Member representative which had arisen in June 2018 and I have been reappointed by the County Council to serve as Chair for up to a further four years.

The LPB meets four times a year and we additionally create informal groups if we feel they are needed. Members attend training events both in Preston and elsewhere. In my capacity as Chair I am also invited to attend meetings of the

Pension Fund Committee to present reports and advise on the work of the Board. I have attended three out of the four Committees held over the past year.

Attendance of Board members at meetings of the Pension Board

Details of individual members' attendance at Board meetings (between 1st May 2018 and 30th April 2019), together with changes to the membership of the Board, are set out below.

Name	Representing	3 rd July 2018	16 th October 2018	29 th January 2019	30 th April 2019
W Bourne	Chair	✓	✓	✓	✓
T Pounder	Employer rep - LCC	apologies	✓	✓	✓
County Councillor C Wakeford	Employer rep - LCC	✓	✓	✓	✓
S Thompson	Employer – Unitary, City, Borough, Police & Fire	✓	✓	✓	✓
C Gibson	Employer rep - Others	apologies	✓	apologies	✓
K Haigh	Scheme Member rep	✓	✓	✓	✓
R Harvey	Scheme Member rep	✓	✓	apologies	✓
Y Moulton	Scheme Member rep	apologies	✓	✓	✓
K Wallbank	Scheme Member rep	N/A	✓	✓	✓
<p>Change to the membership of the Board K Wallbank appointed in October 2018 to fill a scheme member representative vacancy which arose in June 2018</p>					

Training

The Board has a small internal budget, which is used primarily for Members' attendance at training events or conferences. During the year £10,474.66 was spent running the Board and training.

The LPB is under a legal obligation to maintain its levels of knowledge and understanding through regular training. We conduct a gap analysis of training needs once a year as part of our own annual appraisal, which becomes an agenda item at our next meeting and have all committed to completing the online training modules from The Pension Regulator's Public Service toolkit

Members are actively encouraged to join internal training sessions held jointly with the members of the Pension Fund Committee. During the year, internal training workshops were held on a number of topics including cyber resilience, infrastructure, property, the triennial fund valuation and responsible investment. Members are also

notified of and encouraged to attend external training conferences/event to extend their knowledge and meet LPB members from other funds.

The table below shows the number of training events which individual Board members attended during the period 1st May 2018 to 30th April 2019, and those who have completed online modules from The Pension Regulators Public Service Toolkit.

Name	Internal events	External events	Online Modules
W Bourne	0	2	7
County Councillor C Wakeford	0	0	0
T Pounder	2	1	0
S Thompson	1	1	0
C Gibson	0	1	0
K Haigh	6	1	3
R Harvey	4	0	0
Y Moulton	3	2	7
K Wallbank	4	0	0
D Owen	1	0	0

Further information about the Board, including minutes and public papers, can be viewed on the [Your Pension Service website](#).

Activities during the year

A year ago I expected the focus to be largely on the LPB's core scrutinising role. In particular I said we would monitor improvements expected from the Administration Transformation Plan, as well as the governance processes over LPP (Local Pensions Partnership, the entity created with the London Pension Fund Authority to perform the Fund's investment and administration activities). The Fund's ability to fulfil its fiduciary duty and thereby pay pensions in full and on time depends critically on LPP providing an effective service to it.

In practice, we have spent more time than we had envisaged on the changes to the administration service. The LPB was fully supportive of the concept behind the plan but did, in 2017, recommend a risk assessment ahead of its implementation date. With hindsight, had this been done and acted on it might have prevented many of the problems the service encountered in the first half of this year.

We have consequently been actively involved in engaging LPP, both through recommendations to the PFC and on occasion directly, to ensure that client service quality is given priority. We have also been carefully monitoring the recovery of service levels since the implementation of the Administration Plan. At our January 2019 meeting, we set up an informal Advisory Group together with LPP and Officers

to assist by providing feedback from the employers' and members' perspectives. We are aware that there is more work to be done to improve the client experience but at the same time remain firmly behind LPP's ambition to use the combination of the two administration services as an opportunity to change things for the better.

I noted last year an external review of LPP's effectiveness, which had been commissioned after two years' operation to provide third-party assurance that it is indeed cost-effective for both funds. The report by PwC was duly delivered but was perhaps too early in LPP's life to provide a definitive answer to the question. The LPB will remain vigilant on this front because LPP's role is so important to the smooth running of the Fund.

With the next valuation due as of 31st March 2019, communication and engagement will remain at the forefront of our work in the next year. Valuations almost always involve changes to employer contributions and effective communication to manage expectations is essential.

I comment next on some of our more routine scrutinising work. At every meeting, we look at any breaches of the regulations and at the Key Performance Indicators in detail. One of our objectives for next year is to review the KPIs to ensure they properly reflect the experience of Fund members. This will help us in our aim of assisting the PFC in monitoring LPP's performance effectively.

During the year we also reviewed and commented on a wide range of documents. These included statutory documents such as the Administration, Investment and Governance Strategy statements, as well as policies such as that on Responsible Investment and climate change. We also looked for assurance that the Fund is compliant with The Pension Regulator's Code 14 and CIPFA's guidance, as well as internal and external audit requirements. Looking forward to the next year, we expect to be able to spend more of our time on this basic scrutiny. The regulations governing the LGPS are complex and varied, and the LPB's second pair of eyes provides the PFC with a valuable check to ensure that the Fund is fully compliant.

Your Fund is, in my view, currently in a good position. The funding level at 31st March 2019 is likely to be not too far off 100% and fund governance, which is the LPB's major concern, is seen as a market leader in many respects within the LGPS. This can be expected to result in a good outcome for stakeholders i.e. that all pensions are paid in full and on time while employers' contributions are kept no higher than they need be. The LPB is looking forward to being part of the process of continuing to seek improvements, particularly as regards administration service quality.

I would like once again to thank the officers at LCPF who support us in our duties. As part of our annual Board appraisal I speak individually to each member, and I can

again record unanimous agreement that we are ably and effectively supported by the team at LCPF. In my view it is important that we recognise that publicly in this report.

William Bourne

Independent Chair of the Lancashire Local Pension Board

April 2019