

Report on the 2019 Annual Review of the Lancashire Local Pension Board

This note summarises the main points which came out of the one to one meetings I held with Local Pension Board members and Officers, and makes recommendations to improve its effectiveness and efficiency.

*William Bourne
Independent Chair of the Local Pension Board*

Time table of one to one meetings held

Name	Representative	Date
Kathryn Haigh	Members	14 th January 2020
Deborah Parker	Members	14 th January 2020
Abigail Leech	Officer	14 th January 2020
Steve Thompson	Employers	14 th January 2020
Tony Pounder	Employers	14 th January 2020
Carl Gibson	Employers	15 th January 2020
Yvonne Moulton	Members	15 th January 2020
Mike Neville	Officer	15 th January 2020
Peter Britcliffe	Employer	By phone
Eddie Pope	Chair of PFC	By phone
Keith Wallbank	Members	By phone

General

The Pension Board is obliged to conduct an annual review under its Terms of Reference, with the purpose of reviewing and improving its efficiency and effectiveness. As Chair, I also find it helpful to have one-on-one conversations with members and Officers outside formal meetings and this year I have met with six out of eight Board members and two Officers. I have also conducted telephone conversations with other members and the Chair of the Pension Fund Committee.

Over the last two years' reviews the main concern of Board members has been how best to monitor and hold to account the Fund's service providers, and in particular activity by the Local Pensions Partnership. It is pleasing to note that the major administration service issues now appear to be resolved, though most Board members felt that there is still room for improvement. The Board will continue to provide feedback in this area.

Board efficiency

Amongst Board members there continued to be general agreement that the Board works well as a body and the great majority of Board members remain committed and enthusiastic. The mixed

membership of the Board provides varied input and experience, and there is a good sense of collective responsibility. The new member representatives appointed over the past 15 months have both made valuable contributions to the Board's discussions. The detailed experience individual members can bring to bear in areas such as administration, communications, risk registers and IT has been particularly helpful over the past year.

One meeting in the past year was inquorate, as a result of an Employer representative being unable to attend at the last moment. The Board has since debated whether the current quorum of 2 employer and 2 scheme member representatives plus the independent Chair is reasonable, and concluded that it was important that decisions were taken by more than 50% of the Board. In the event of an inquorate meeting, we agreed to continue to discuss issues and receive briefings. However, any decision, approval or recommendation would be held over to the next meeting.

We held a small social event ahead of the Board in October 2019 (funded from the Board's budget) to thank members for the time and effort they have put into the Board. This was considered to be a success in terms of helping the membership of the Board to gel and I recommend it be held annually in October.

The experiment of allocating particular areas to individual members to lead the debate at meetings was continued in 2019. There was support for the principle from Board members and we will carry on in 2020. I have made some changes to the suggested areas of responsibility for each member for consideration and when the agenda for meetings are published I will do my best to let members know which items I expect them to take the lead on.

A number of Board members brought up the subject of succession planning as four members and the independent Chair are all due to complete their eight-year terms in 2023. There was also some concern that the eight-year limit to member terms might result in the loss of some institutional memory at the Fund and it may be worth providing the Fund with some options to mitigate this. I make recommendations below.

All members were clear that Officers provide effective support to the Board both in the management and the implementation of Board initiatives. I was also told that the Board operates smoothly from the Officers' perspective, though I have been requested if possible to summarise discussions and actions at the end of major agenda items to clarify any decisions taken for the minutes.

Board value for money and effectiveness

The universal feedback from my one to one meetings was that the Board, which has now been established for nearly five years, is genuinely adding value to the Pension Fund Committee according to its remit to 'assist'. Several Board members noted that its existence and willingness to provide expert challenge to service providers is a good way of keeping them

focused on the Fund's interests, and its non-political nature allows it to provide comments and advice from a neutral perspective.

Over the past two years the Board has played an active part (e.g. by establishing a small Advisory Group) in assisting the recovery of administration service to previous levels, but 2019 can perhaps be best categorised as 'business as normal'. The Board has assisted the Committee in its duties of scrutiny and assuring efficiency by providing specific expertise and user feedback. It has also actively commented on statutory and other documents such as the Communications and Responsible Investment policies.

Training

Training has been delivered in a variety of ways: in-house training together with members of the Committee (with recordings of some training workshops being available for members to view later), short briefing sessions ahead of the meeting, and external training (both on-line and in person). All Board members commented that the variety of training had allowed them to maintain their training, knowledge and understanding requirements, though different members tended to use different methods. The new scheme member representative on the Board praised the induction process, both in terms of training and the support provided.

Topics for 2020

The majority view is that the Board has now reached a settled state, and its focus should be on 'business as usual' in 2020. However, there were some areas we expect to put additional focus on:

- There was substantial support for a programme to communicate the value of the Fund to members and employers. We see this as in everyone's interest.
- We noted last year that it would be useful to review the Key Performance Indicators in the Local Pensions Partnership Service Level Agreement to ensure they are appropriate and relevant. We understand this is work in progress for 2020, but the Board would like to be involved and have the opportunity to comment.
- It is not clear how far Board members have a duty to represent their constituencies. While it is not contained in the Board's formal remit, it is implicit in their titles. However, there may be limits to what is possible given that the role of Board Members are unpaid, there are no obvious communication channels etc.
- There is a continuing need to assist the Committee in holding the Local Pensions Partnership, as the Fund's major service provider, to account. We will continue to monitor and provide feedback on administration service levels; going forward we will place more

emphasis on improving governance and ultimately benefiting from the increased efficiencies which were behind the original decision to set up the Partnership.

Recommendations

1. Continue to allocate particular areas of Board activities to selected Board members as per the table and asking them to take formal responsibility for leading discussions in meetings.

Area	Includes	Members
Compliance with regulations and statutory guidance	The pensions Regulator, Local Government Pensions Regulations	K Haigh & W Bourne
Communications	Engagement, Communications policy	D Parker & K Wallbank
Administration	Key Performance Indicators, ABSs, admin breaches	Y Moulton & S Thompson
IT	Fraud Control, data protection, cyber security	T Pounder & C Gibson
Investment policy documents	ISS, actuarial report, responsible Investment	D Parker & S Thompson
Service providers governance	Local Pension Partnership, custodian, audit	T Pounder & Y Moulton
Risk register		C Gibson & Vacancy

2. Officers at the Local Pensions Partnership to be asked to notify the Board of opportunities either to give presentations or to write short articles in newsletters in order to publicise the role of the Pension Board.
3. The Board hold a social lunch ahead of each October meeting on an annual basis.
4. Consideration be given to succession planning and, in particular, whether the Fund should have the option to invite members retiring at the end of their eight-year term to continue for two more years.