

Lancashire Local Pension Board – Annual Report 2019/20

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

After five years, the Board has established an effective way of adding value. We create an annual Work Plan to ensure that we are working in tandem with the Committee and are doing so methodically. 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 Committee. 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 Committee and a good relationship between the two bodies is absolutely essential. I meet with the County Councillor Pope (Chair of the Pension Fund Committee) regularly and attended as many Committee meetings during the year as I was able to. Board members were pleased to welcome County Councillor Pope to our meeting in January 2020 in return and I can confidently assert that the two bodies work closely together.

I will start by reminding readers of the mechanics of the Board and then cover the training we undertake to fulfil the knowledge requirements. I will aim to give a flavour of what we actually did during the year and finally comment on where we expect to focus our efforts in the next year.

Membership of the Pension Board

The Board 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.

There have been some changes to the composition of the Board. At the beginning of the year Bob Harvey indicated his intention not to continue as a Scheme Member representative and on behalf of the Board I would like publicly to thank him for his contribution to the work of the Board over the past four years. Following a public procurement process, I am delighted to welcome Deborah Parker on to the Board as the new Scheme Member representative. During the year County Councillor Christian Wakeford, one of the two Lancashire County Council employer representatives, was successful in being elected as a Member of Parliament and chose to resign. I would also like to thank him for his services over the last two

years and am pleased to welcome County Councillor Peter Britcliffe as his replacement.

The Board is scheduled to meet four times a year at County Hall for about two hours. In order to cover our wide remit we allocate areas of responsibility to each Board member, who are expected to lead the discussion of those topics. The Board also established a small Advisory Group which met with the Director of Administration from the Local Pensions Partnership to offer advice and feedback on pension service administration issues.

In July 2019 the Board meeting was not quorate as a member was unable to attend at the last minute due to unforeseen circumstances. The Board members present continued to discuss items on the agenda with a Note of the meeting being presented to the subsequent Board meeting where recommendations were approved. The April 2020 meeting was cancelled in consequence of the Government's response to COVID-19. Some papers will be circulated among members for information and a process has been put in place where formal approval is needed.

The Board has a budget to cover both its expenses and to allow it to commission reports if required. During the year the cost of running the Board came to £11,500.

Attendance of Board members at meetings.

Details of individual members' attendance at Board meetings (between 1st May 2019 and 30th April 2020), together with in year changes to the membership of the Board, are set out below.

Name	Representing	9 th July 2019	15 th October 2019	14 th January 2020	21 st April. 2020
W Bourne	Independent Chair	✓	✓	✓	Cancelled
County Councillor C Wakeford	Employer rep - LCC	Absent	N/A	N/A	Cancelled
County Councillor P Britcliffe	Employer rep - LCC	N/A	✓	Apologies	Cancelled
T Pounder	Employer rep - LCC	Apologies	✓	✓	Cancelled
S Thompson	Employer – Unitary, City, Borough, Police & Fire	Apologies	✓	✓	Cancelled
C Gibson	Employer rep - Others	✓	✓	✓	Cancelled
K Haigh	Scheme Member rep	✓	✓	✓	Cancelled
Y Moulton	Scheme Member rep	✓	✓	✓	Cancelled
D Parker	Scheme Member rep	✓	✓	✓	Cancelled
K Wallbank	Scheme Member rep	✓	✓	Apologies	Cancelled

Changes to the membership of the Board

Ms D Parker was appointed in July 2019 to fill the vacancy following the resignation of Mr R Harvey in March 2019. In July 2019 County Councillor P Britcliffe replaced County Councillor C Wakeford as an employer representative (LCC) on the Board.

Training

The Board is under a legal obligation to ensure its members maintain their 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 review, which becomes an agenda item at our next meeting. Board members have opportunities to attend training events during the year and continue to complete 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 the following:

May 2019 – Employer risk

September 2019 - Risk Framework

November 2019 - Climate Change and Stewardship

January 2020 - The Pension Regulator

Members are also notified of and encouraged to attend external training conferences to extend their knowledge and meet LPB members from other Funds.

The table below shows the number of internal/external training events individual Board members attended during the period 1st May 2019 to 30th April 2020, together with online modules from The Pension Regulators Public Service Toolkit completed during the year.

Name	Internal events	External Events	Online Modules
W Bourne	1	5	0
County Councillor P Britcliffe	1	0	0
T Pounder	2	3	0
S Thompson	2	0	7
C Gibson*	2	1	0
K Haigh	7	1	2
Y Moulton	6	3	0
K Wallbank	5	0	0
D Parker*	4	0	7

*These Board members were due to attend separate external pension related Conferences in March 2020 though both events were cancelled in response to the Covid-19 pandemic. Where possible expenditure is being recouped and the situation monitored in case events are rescheduled for later in the year.

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

Activities

In the previous year I noted that we spent a lot of our time on administration service levels, and this continued to be a focus for the LPB particularly in the first half of the year. I believe that the service provided to members has now recovered to somewhere near previous levels, although I recognise there is still further work to do.

The core of our work is oversight. At every meeting, we look at any breaches of the regulations and consider the Key Performance Indicators (KPIs) agreed with LPP as indicators or performance levels. I said last year that we were looking for a full review of these to ensure they properly reflect the experience of Fund members. This is still work in progress, but I can assure members that it is a priority for the LPB. They should help us understand how effectively the Fund is delivering its services to members and thereby assist the PFC in the crucial role of monitoring LPP's performance properly.

In our scrutinising role, during the year among other things we reviewed the Funding Strategy Statement which follows the March 2019 actuarial valuation, compliance with The Pensions Regulator's Code on Public Pensions (COP14), data quality improvements and the Fund's governance structure, both internally and in respect of LPP. We provided input on the responses to a number of issues facing the Fund as a result of government issues or legal judgements. In all cases in fulfilling our role our objective has been to protect the interests of employers and members and to ensure the Fund remains viable and solvent.

We also reviewed and commented on a number of documents including the Communications and Engagement and Responsible Investment policies. The wide range of expertise among Board members as well as their experience as users, either employers or members of the Fund, means the Board is well placed to provide useful and relevant feedback to the Committee in all these areas.

One of our formal objectives is to assist the Pension Fund Committee in ensuring the Fund is managed efficiently and effectively. As part of this we offer input and spend much time on the Risk Register and also made suggestions about the scope of internal and external audits. This is all part of keeping a careful eye on the operation of Fund's governance structure and processes.

I write this during the crisis precipitated by COVID-19 (coronavirus). At the moment in-person meetings have been cancelled by Lancashire County Council and there is no guarantee that the Board will be able to meet in the way we have until now. As a result we will explore ways for Board members to continue to contribute to the work of the Pension Fund Committee and the Fund until such times as the current pandemic has passed.

We expect our focus in the next 12 months to be very much on our core functions. In particular The Pensions Regulator will be bringing in a new Code of Practice and there is a clear intention to improve the KPIs as mentioned above. Following the recent sharp falls in markets, communication and engagement with members and employers is going to be a high priority. We view it as particularly important in these difficult times to remind all parties how valuable the LGPS Scheme is to those enrolled in it. Finally, we will continue our work of monitoring The Local Pensions Partnership, whose services on both the investment and administration sides are so vital to the Fund.

The Board's role does not cover investments but it would be remiss of me, in the light of the recent sharp fall in markets, not to make some comment. I said last year that your Fund was in a good position with funding levels at 31st March 2019 likely to be close to 100%. While the Fund (through the Local Pensions Partnership) had already taken substantial steps to mitigate market risk, the funding level at March 2020 will inevitably be lower as a result of the current COVID-19 pandemic. However, I would remind members that paying pensions is a long-term business, and markets do by their nature rise and sometimes fall sharply. While I do not wish to be complacent about the seriousness of recent events, the Fund remains in a robust position to endure current market uncertainties.

I would like once again to finish by thanking the officers at LCPF who support us in our duties. As part of our Annual Review I speak individually to each Board member, and I can again record full agreement that we are ably and effectively supported by the Lancashire County Pension Fund team. I am delighted to recognise that publicly in this report.

William Bourne

Independent Chair of the Lancashire Local Pension Board

April 2020