

Report on Lancashire Pension Board Appraisal 2022

This report summarises the main points which came out of the appraisal meetings I held with Local Pension Board (LPB) members and Officers and makes recommendations to improve its effectiveness and efficiency.

William Bourne, Independent Chair of the Local Pension Board

20th January 2022

Meetings held

Name	Representative	Date
Carl Gibson	Employers	18 th January 2022
Kathryn Haigh	Members	19 th January 2022
Sean Greene	Officer	19 th January 2022
Mike Neville	Officer	19 th January 2022
Steve Thompson	Employers	18 th January 2022
Tony Pounder (retiring)	Employers	18 th January 2022
Yvonne Moulton	Members	18 th January 2022
Matthew Salter	Employers	19 th January 2022
Deborah Parker	Members	18 th January 2022
Kevin Ellard	Members	19 th January 2022

General

The LPB is obliged to conduct an annual appraisal under its Terms of Reference (Section 6), 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 LPB meetings. This year I held meetings with all Board members, some in person and others virtually. One was held by phone.

In general, members are confident that the LPB has continued to perform its key role of assisting the Pension Fund Committee in ensuring the Fund works efficiently and effectively. One member described it as 'a year of ticking over' but in my view there has been demonstrable value added from board initiatives:

- A better controls' framework at LPPA, providing greater reliance on the assurances we are given
- Improvements to the process of communicating to members by letter
- A more active risk register.

Board efficiency

There was agreement that the LPB has a good mix of experience and works well as a body. One member commented that it had been successful in creating a closer relationship with both Officers at LCC and also with service providers at LPPA, and members are committed and enthusiastic. The detailed experience individual members can bring to bear has clearly added value.

There were no resignations during the year, but Tony Pounder reaches the end of his four-year term as an LCC employer representative in January 2022 and will be replaced on the Board by Glyn Peach. During the next 18 months four longstanding members and the Chair will reach the end of their terms. A succession plan is in place, but there will be a considerable burden placed on the remaining members in the short term.

The meetings in April and July were held virtually, October's in person, and January's in a hybrid format. The general view was that in person works best, even though it may at times be acceptable for service providers and external presenters to attend virtually. The new arrangements within the Exchange suite work well, allowing for social distancing if required, though there has been the odd problem with the IT arrangements (e.g. January 22 meeting).

One member made the pertinent comment that if Board meetings are to be held in person, we should schedule them for two and a half hours, as used to happen pre-COVID, rather than the shorter two-hour virtual meetings, to allow a fuller conversation. A short comfort break in the middle should be incorporated if possible.

We continue to allocate subject areas to individual members to lead LPB debates. Members have indicated that is helpful both in stimulating engagement and mitigating the reading burden, and we will continue the practice in 2022. I have set down below the suggested areas of responsibility for each member and, as before, will do my best when meeting papers are published to let each member know the agenda items I expect them to lead on. I emphasize that all members are still expected to read papers and contribute to the discussions as they think fit.

Members were clear that Officers across LCC provide effective support to the LPB, both in the management of the Board and the implementation of initiatives. A lot of work has been done on the Risk Register and on the LPPA reporting format, which are now substantially more informative.

Board value for money and effectiveness

2020 was unusual, but 2021 saw a welcome return to something like normal activities. Even though the Board was unable to meet in person every time, we were able to cover all the activities which our remit requires. LPB members' ability to provide informed challenge to service providers keeps the latter focused on the Fund's interests, and its non-political nature allows it both to debate issues and to provide comments and advice from a neutral perspective. I have noted above some areas where over the past 12 months Board initiatives have led to a demonstrable improvement in the Fund's governance or effectiveness.

I have no recommendations to make in this area but observe that there remains some tension between the need for collaboration between LPPA and the LCPF PFC/LPB and the fact that they are different entities with sometimes different agendas and accountability. As one Board member commented, it has been helpful that the LPPA CEO has made time to present to the LPB herself (virtually or in person), as that has provided significant reassurance.

Training

Training has largely been delivered online and in-house together with the PFC. Members noted that on-line training was more time-efficient and recording it allowed them to fit sessions into busy schedules. They also commented positively on the quality of presentations. A number of members felt that on-line training lost its effectiveness after about two hours, and it is recommended that topics needing longer be broken into more than one session.

With four new members to be appointed over the next 18 months, induction training should have a high priority. It is particularly important for new Board members, who do not have relevant pensions or financial experience, to ensure they have sufficient knowledge in order to be fully engaged. I make recommendations in this area.

Suggestions for training for 2022 included:

- General refresh on the legal framework and requirements both for LPB members and the Fund (from last year)
- The new PACE administration system
- New service level contracts with LPPA and LPPI
- Valuation (scheduled for February)
- Longer term effects of COVID.

Topics for 2022

Last year we focused on the control frameworks and governance over LPPA and the risk register, mounting initiatives on each. LPPA are focusing on the transfer to the new administration system over the next 18 months and monitoring progress here will be a significant activity in 2022. Lack of bandwidth at LPPA will limit the Fund's ability to do much on the administration side, but Board members wanted to maintain momentum on both these fronts.

Almost all Board members mentioned engagement and communications as a topic to concentrate on in 2022. They would like to see a more pro-active approach in communicating with members when the latter are at important stages in their pension journey, and with employers in what is a valuation year. It may also be helpful to remind members of the purpose of the LPB in a year when we will need to recruit four new Board members.

For the first time in seven years, there was more mention of investments from Board members. Recent performance was mentioned, also value for money and the risk of the time spent on Responsible Investment crowding out other important investment functions.

Recommendations

Board efficiency

1. Continue to allocate particular areas of Board activity to selected Board members with lead responsibility during discussions (changes since 2021 are highlighted in yellow).

Area	Includes	Members
Compliance with regulations and statutory guidance	TPR, LGPS regulations	KH, KE
Communications	Engagement, comms policy	DP, CG
Administration	KPIs, ABSs, admin breaches	YM, ST
IT	systems data protection, cyber	GP, MS
Investment policy documents	ISS, actuarial report, responsible Investment	DP, ST
Service providers governance	LPP, custodian, audit	GP, YM
Risk register		CG, KE

2. The Board revert to face-to-face meetings as the default format, albeit with facilities for presenters to present on-line. Meetings should be scheduled to last 2.5 hours.

Training

3. Review induction training (carried over from last year). Identify suitable external training for new members.