

Lancashire Local Pension Board – Annual Report 2021/22

The Lancashire County Pension Fund's Local Pension Board ("the Board") has been up and running for seven years. As a reminder to readers, our legal duty is to assist the Pension Fund Committee ("the Committee") and we are not an executive body. Because Board members explicitly represent either employers or scheme members, we also have a representative role in the governance structure of the Fund.

After seven years, the Board has established an effective way of using its members' expertise to add value to the Committee's work. We create an annual Work Plan to ensure that we cover all the activities we should and that our workflow is aligned with that of the Committee. 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.

Where specific expertise is helpful, members of the Board may work with Officers or the Committee on projects or areas. Two Board members, Yvonne Moulton and Steve Thompson, have for several years sat on a Working Party to provide feedback on administration matters, and Carl Gibson spent time this year on reviewing the Risk Register which I comment on below.

We are always aware that our role is to assist the Committee and a good relationship between the two bodies is essential. I meet County Councillor Pope (Chair of the Committee) regularly and attend as many Committee meetings as I can. We also welcome County Councillor Pope and other Committee members to our meetings.

At an operational level, the Officers involved in managing the Fund, and to a large extent the Local Pensions Partnership Investments Limited and Local Pensions Partnership Administration Limited (LPPI and LPPA respectively) staff who provide the bulk of services to the Fund, have continued to work from home during this year. With the help of IT improvements, service levels have generally remained high throughout this period, and towards the end of it there has been a partial return to the office.

Membership of the Pension Board

The Board has nine members: four Employer representatives, four Scheme Member representatives, and an Independent Chair. With the exception of the Chair, Board Members serve a maximum of eight years, and are not remunerated, other than for expenses incurred in attending meetings or training.

During the year, there was one change to the membership of the Board when Tony Pounder, the Director of Adult Services at Lancashire County Council retired in January 2022. Glyn Peach, Director of Digital Services was appointed as the replacement employer representative from the County Council. I would like to thank Tony for his time on the Board and to welcome Glyn.

There will be significantly more change next year when four members and I come to the end of our second and final four-year terms.

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 £9,105.

Attendance of Board members at meetings

The Board has met remotely and in person (with provision for members to attend virtually if necessary), during the year. Looking forward, we expect meetings to be in person, although we will use the benefits of technology to allow presenters to do so virtually if required.

Each year the Board agrees a programme of four meetings, the first being in July followed by meetings in October, January, and April so that each Board meeting follows a meeting of the pension Fund Committee. Details of individual members' attendance at Board meetings together with in-year changes to the membership of the Board, are set out below.

Name	Representing	6 th July 2021	19 th Oct 2021	18 th Jan 2022	26 th Apr 2022*
W Bourne	Independent Chair	✓	✓	✓	
County Councillor M Salter	Employer rep LCC	✓	✓	✓	
T Pounder	Employer rep LCC	✓	✓	✓	N/A
G Peach	Employer rep LCC	N/A	N/A	Observer	
S Thompson	Employer rep Unitary, City, Borough, Police & Fire	✓	✓	✓	
C Gibson	Employer rep Others	✓	✓	✓	
K Haigh	Scheme Member rep	✓	✓	✓	
Y Moulton	Scheme Member rep	✓	✓	✓	
D Parker	Scheme Member rep	✓	✓	✓	
K Ellard	Scheme Member rep	✓	✓	✓	

*the table will be updated with attendance from this meeting before being presented to the Pension Fund Committee in June 2022.

Changes to the membership of the Board

Glyn Peach, Director of Digital Services at Lancashire County Council, replaced Tony Pounder, Director of Adult Services as an employer representative 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 an analysis of training needs once a year as part of our Annual Review, which becomes an agenda item at our next meeting. Internal training workshops during this year were conducted by webinar in conjunction with the Committee, with recordings being

made available for those unable to attend. This appeared to increase participation levels considerably and will continue for most future training. Board members will still have opportunities to attend external training events during the year and are expected to complete the online training modules from The Pension Regulator's Public Service toolkit.

During the year internal training sessions were held on the following subjects:

June 2021- Audit, risk and governance – LCC Statement of Accounts
 Sept 2021 - LCPF Annual Report and accounts
 Oct 2021 - Update on responsible investment
 Dec 2021 - McCloud
 Dec 2021 - Update on the LCPF Investment Service Based Review
 Feb 2022 - LCPF Valuation
 Feb 2022 - Local Pensions Partnership Budget 2021/22
 Mar 2022 - Employer Risk and Engagement.

The table below shows the number of internal/external training events individual Board members attended during the period 1st April 2021 to 31st March 2022.

Name	Internal events	External events	Total
W Bourne	7	1	8
County Councillor M Salter	5	0	5
T Pounder (up to January 2022)	1	1	2
G Peach (from January 2022)	2	1	3
S Thompson	3	0	3
C Gibson	4	1	5
K Haigh	4	0	4
Y Moulton	5	0	5
D Parker	9	1	10
K Ellard	5	1	6
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Note – during 2021/22 external events continued to be impacted by the restrictions introduced in response to the COVID-19 pandemic.

Further information about the Board, including agenda and minutes of meetings can be viewed on the Lancashire County Pension Fund website at <https://lancashirecountypensionfund.org.uk/>

Activities

The Board's focus is much more on administration and governance than it is on investments. During the year we spent considerable time on two topics in particular.

The first was verifying the control framework which lies behind the assurance statements we receive from LPPA. Here we were behind the commissioning of a report from PwC, received in early 2021, which led to tightening up a number of

areas. LPPA will implement their remaining recommendations after the switch to a new pensions administration system in 2022.

Preparation for this latter project was the second major topic. We have discussed it at every meeting and following our input LPPA commissioned an independent audit ahead of the project going live to identify and mitigate potential risks. A project of this size will almost inevitably hit some bumps along the way, but the scrutiny provided by the Board has helped to maximise the chance that it is successful. The Lancashire County Pension Fund is expected to move to the new pension administration system in Autumn, 2022.

Regardless of events elsewhere, the core of the Board's work remains one of oversight. At every meeting, we look at any breaches of the regulations and consider the Key Performance Indicators agreed with LPPA as indicators or performance levels. We also reviewed various policy documents, including this year the Cyber Security annual report and Death Grants policy, and the results of appeals. The wide range of expertise among Board members as well as the fact that they are all users of the Fund, either employers or members of the Fund, means we are well placed to provide useful and relevant feedback to the Committee.

During the year we spent significant time on the Fund's Risk Register, where the Board has worked with officers to make the document more 'live' and to develop a heat map. We have also encouraged a greater awareness of who is responsible for monitoring each risk, what the key metrics should be, and the need for regular updating of the underlying environment for each risk. We hope the result will help both the Committee and Board to monitor risks as they evolve, and to focus their limited time usefully.

In the next year the key task will be ensuring that the implementation of the new pension administration system happens without major problems. This is inevitably taking up a lot of LPPA's time and resources, and we therefore expect to be alert to signs of any potential lapses from normal service elsewhere. One area we expect to spend some time on is communications and engagement, which will be important given the new administration system.

I commented last year that we were expecting significant regulatory change over the following 12 months. In practice, Parliament's busy legislation schedule has delayed much of what we expected. That means we are still waiting for the following: The Pensions Regulator to combine the public sector Code of Practice 14 with nine other codes covering pension funds; the newly named Department of Levelling Up, Housing and Communities to publish new guidance on maintaining investment strategy statements, including further requirements on pooling, climate change risk disclosure, and possibly levelling up; and new statutory guidance to implement the recommendations made in the Scheme Advisory Board's Good Governance project back in 2019.

The Board's role in all of these will be to act as a second pair of eyes to help the Pension Fund Committee ensure the Fund is compliant with these changes as they become legal or regulatory requirements.

Under the Board's Terms of Reference, I am required to make a statement in respect of my annual review of the Board's effectiveness. I conducted the review in January 2022, and the recommendations I made were again relatively minor as reported to the Board in April 2022. I believe the Board operates effectively and efficiently and fulfils its legal and regulatory requirements.

I would like to finish by thanking the officers at the County Council who support us in our duties. As part of the annual review, I speak individually to Board members, and I can record full agreement that in another challenging year we have been ably and effectively supported by the whole team. It gives me pleasure to recognise that publicly in this report.

William Bourne, Independent Chair of the Lancashire Local Pension Board
April 2022