

## **Lancashire County Pension Fund**

### **Governance Compliance Statement**

Under regulation 55 of the LGPS Regulations 2013, all Local Government Pension Schemes (LGPS) in England and Wales are required to publish a Governance Compliance Statement.

The Governance Compliance Statement must set out whether the local authority delegates its functions, or part of its functions to a committee, a sub-committee, or an officer of the authority.

Lancashire County Pension Fund (the Fund) although not a separate legal entity, has its own specific governance arrangement and controls which sit within the overall governance framework of Lancashire County Council.

As the Administering Authority the County Council is responsible for making decisions relating to the operation of the Fund, including the following:

- To ensure that the Fund operates in accordance with the Local Government Pension Scheme regulations,
- To monitor and review all aspects of the Fund's performance, which includes administration and investment,
- The collection of employee and employer contributions, investment income and other amounts to the Fund as stipulated in the regulations,
- To ensure that cash is available to meet the Fund's liabilities,
- To ensure that assets are invested in accordance with the Fund's Investment Strategy Statement,
- The development, maintenance and implementation of various policies and strategies as required such as the Administration Strategy, Discretions Policies, Breaches Policy, Investment Strategy Statement, and Funding Strategy Statement which together ensure effective governance of the Fund.

#### **Governance Structure**

The Pension Fund Committee fulfils the role of 'Scheme Manager'<sup>1</sup>, as set out in regulations, for the Fund which includes the administration of benefits and the strategic management of Fund investments and liabilities. It is responsible for establishing, and monitoring progress on, the strategic objectives of the Fund through a rolling three-year Strategic Plan.

The County Council has established two bodies to assist and support the Pension Fund Committee oversee the Fund:

- The Investment Panel; and
- The Lancashire Local Pension Board.

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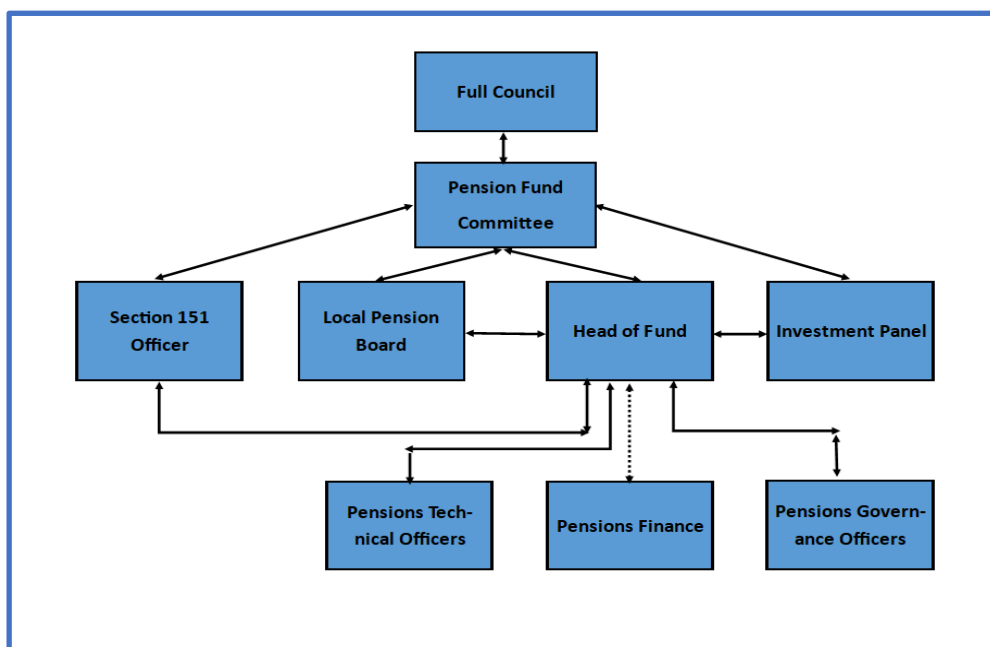
<sup>1</sup> A person or body responsible for managing or administering a pension scheme established under section 1 of the 2013 Act. In the case of the LGPS, each Fund has a Scheme Manager which is the Administering Authority.

The Investment Panel provides expert professional independent advice to the Pension Fund Committee in relation to investment strategy and supports the Head of Fund with the specialist advice as required by the Pension Fund Committee.

The role of the Local Pension Board is to assist the County Council as the Administering Authority which includes:

- to secure compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS,
- to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator; and
- in such other matters as the LGPS regulations may specify.

### Fund Structure

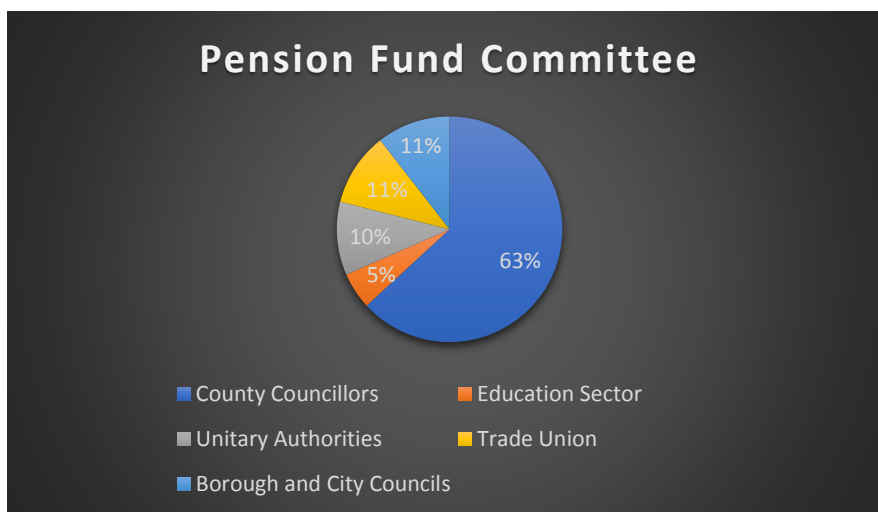


**Note:** The Local Pension Board assist the County Council the Administering Authority in its role as Scheme Manager (as delegated to the Pension Fund Committee).

### The Pension Fund Committee

The Pension Fund Committee is a non-executive committee of the County Council with a constitution of 19, made up of 12 County Councillors and 7 voting Co-opted members as set out below:

- One representative of the further and higher education sector in Lancashire;
- One representative of Blackburn with Darwen Council;
- One representative of Blackpool Council;
- Two Trade Union representatives; and
- Two representatives of the Lancashire Borough and City Councils



The Pension Fund Committee meets on a quarterly basis.

The Governance Structure above provides an overview of the role of the Pension Fund Committee however full Terms of Reference can be accessed by the link below (page 12):

[Part 2 - Article 7 Other Committees of the Council - Dec 2021.pdf \(lancashire.gov.uk\)](#)

### **The Investment Panel**

The Investment Panel consists of the Head of the Fund and the Independent Investment Advisers.

The Investment Panel meet on a quarterly basis or otherwise as necessary to review the Fund's long term investment strategy and provide advice on investment strategies proposed by Local Pensions Partnership Investment Limited (LPPI).

The full Terms of Reference for the Investment Panel can be accessed by the link below (page 24)

[Part 2 - Article 7 Other Committees of the Council - Dec 2021.pdf \(lancashire.gov.uk\)](#)

### **Lancashire Local Pension Board**

As required by the Public Service Pensions Act 2013, the County Council as administering authority established the Local Pension Board to assist in the good governance of the scheme by ensuring the Fund's compliance with legislation and statutory guidance.

The Terms of Reference for the Local Pension Board are available via the link below (page 25).

[Part 2 - Article 7 Other Committees of the Council - Dec 2021.pdf \(lancashire.gov.uk\)](#)

The Local Pension Board is non-executive body which consists of 9 members and is constituted as follows:

- An independent member selected by the Pension Fund Committee who is not a member of the Lancashire County Pension Fund and who will be the Chair of the Board.
- 4 employer representatives on the following basis:
  - 2 nominated from Lancashire County Council.
  - 1 nominated from unitary, city or borough councils or Police and Fire bodies.
  - 1 nominated following consultation with other employers within the Fund.
- 4 scheme member representatives drawn from the membership of the Fund

The Local Pension Board meet on a quarterly basis and review items specified in the Boards Workplan.

### **Knowledge and Skills**

The Fund is required under section 248a of the Pension Act 2004, as amended by the Public Service Pensions Act 2013 coupled with the Pension Regulators Code of Practice, to ensure that members of the Pension Fund Committee and Local Pension Board have sufficient level of knowledge and understanding to undertake the roles and functions of the positions they have been appointed to.

The Fund have developed a combined training plan for Board and Committee which is developed in line with the CIPFA Knowledge and Skills Framework for LGPS Committee Members and LGPS Officers (2021) and CIPFA Local Pensions Board (2015). The training courses incorporated in the training plan are identified following the Fund officers undertaking a learning needs analysis.

### **Officers**

The Pension Fund Committee delegates specific functions to the Head of Fund, the Director of Corporate Services and section 151 Officer.

The Head of Fund is designated as the officer responsible for the management of the Fund, which includes leading and delivering strategy, accountability to the Pension Fund Committee and Local Pension Board and financial and investment management of the Fund.

The Head of Fund may authorise the Senior Officers of the Fund to exercise on their behalf the functions delegated to them.

The Officers of the Fund adhere to the County Council's employee Code of Conduct which sets out behavioural standards that must be upheld by all staff. The details of the employee's code of conduct can be found below:

<https://council.lancashire.gov.uk/documents/s149251/Appendix%20F.pdf>

The Fund Officers are subject to an annual appraisal process which identifies training requirements and any knowledge gaps relevant to their role. Staff who are

members of professional bodies also have obligations to undertake continuing professional development relevant to their role.

## **Accountability and Publication of Information**

Details of Pension Fund Committee and Local Pension Board meetings, including agenda and minutes are publicly available via the County Council's Website.

Meetings of the Pension Fund Committee and the Local Pension Board are accessible to the press and public except where they are excluded from the meeting when items being discussed are exempt from the press and public under part 1 of schedule 12A of the Local Government Act 1972.

The Pension Board workplan is submitted to the Pension Fund Committee in March each year for approval and a report of the work undertaken by the Board is presented annually to the Committee in June. There is also a section in the Lancashire County Pension Fund Annual Report which is dedicated to the activities undertaken by the Local Pension Board.

A copy of the Fund's Annual Report can be viewed on the Fund website at [www.lancashirecountypensionfund.org.uk](http://www.lancashirecountypensionfund.org.uk).

## **Investment and Administration Services**

Since 2016 pensions administration and investment functions have been delivered on behalf of the Fund by the Local Pension Partnership Limited (LPPL) a company owned by Lancashire County Council and the London Pensions Fund Authority (LPFA). Pension administration services are provided by the administration arm of the Local Pensions Partnership, which is called Local Pensions Partnership Administration Limited (LPPA), with investment services being undertaken by the investment arm, Local Pensions Partnership Investments Limited (LPPI). The Pension Fund Committee monitors the performance of both these functions and receives reports at each quarterly meeting to ensure good control and oversight over the services provided by the LPPA and LPPI.

For all arrangements where there is a relationship between the Fund and another organisation, the Fund seeks to spell out clearly the expectations and requirements on each party, whether in the form of a contract or "service level agreement" where a contract is not appropriate.

## **Risk Management**

The management of risk is central to the activities of the Fund which it has established its own risk management arrangements that include the following:

- Risks are monitored and assessed on a quarterly basis.
- Risk reporting and the Risk Register are regularly presented to the Pension Fund Committee and the Local Pension Board.

- Additional oversight is provided by the County Council's Audit, Risk & Governance Committee; and
- the Fund has a 'Risk Management Framework' policy document which is reviewed periodically and sets out all the risk management arrangements for managing all risks for the Fund.

The risk register is broken down into the following key risk areas:

- Investment and Funding Risk – all financial risks associated with the Fund, including risks associated with managing scheme assets and pension liabilities.
- Member risk – all risks which may impact on the high levels of service the Fund members receive.
- Operational risk – risks which could negatively impact the smooth and effective running of all aspects of Fund operations and governance.
- Transition risk – temporary risks arising from changes in the management of investments or service delivery.
- Emerging risk - evolving, new risk that is difficult to characterise or assess at a point in time, as the cause and / or how the risk will impact the organisation is unclear.

### **Conflicts of Interest and Code of Conduct**

A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's ability to undertake the functions of the role they have been appointed to. A conflict could arise where an individual has been appointed to a Governing Body (such as the Pension Fund Committee or Local Pension Board) who at the same time has a separate personal interest or responsibility (financial or otherwise) in a matter being discussed. The Fund has established a Conflicts of Interest policy that sets out its approach to identifying, monitoring, and managing conflicts of interest for members of the Local Pension Board.

In addition to the policy there is also Lancashire County Council Members and Co-Opted Members' Code of Conduct which all members of the Pension Fund Committee and Local Pension Board are required to adhere to.

Full details of the members and co-opted members code of conduct can be viewed by accessing the link below:

<https://council.lancashire.gov.uk/documents/s179038/Appendix%20E.pdf>

Under the Code of Conduct, members of the Committee and Pension Board must have regard to the 'Nolan' principles when active in a capacity as a member or co-opted member.

The operation of the Fund is subject to the County Council's Code of Corporate Governance. The County Councils Annual Governance Statement is prepared in accordance with the Framework prepared by CIPFA/Solace "Delivering Good

Governance in Local Government" (2016 Edition). The framework builds on the seven principles listed below.

- Selflessness,
- Integrity,
- Objectivity,
- Accountability,
- Openness,
- Honesty; and
- Leadership.

In addition, there is a Code of Conduct for Officers which follows the same principles.

Members of the Pensions Fund Committee and Local Pension Board are required to complete declarations of interest and the Fund maintains a Register of Interests. The Declaration of Interests is also a standing agenda item at all meetings of both the Pension Fund Committee and the Local Pension Board. In addition, elected members are expected to follow the policies agreed by the Local Authority, including the relevant Councillor Code of Conduct.

### Internal Audit Assurance

Assurance over the Pension Fund is available to the Council from its own Internal Audit Service. The table below details the work undertaken by the County Councils Internal Audit Service and the assurance it provides for 2021/22.

Audit work	Assurance
<b>Assurance provided by the county council's Internal Audit Service over the work of the Lancashire County Pension Fund Service</b>	
Admission of employers to the fund	Substantial
Recovery of pension overpayments	Moderate
Accounting through the council's general ledger	Substantial
Employers' contributions- follow up	N/A
<b>Assurance relating to LPPA's administration of benefits</b>	
Compliance Effectiveness	Audit is ongoing, draft report stage.
Finance system implementation	Effective with Scope for Improvement
<b>Assurance relating to Local Pensions Partnership Investments (LPI)</b>	
Type 1 Service auditor's assurance - KPMG	Unqualified opinion.

## LANCASHIRE COUNTY PENSION FUND GOVERNANCE COMPLIANCE STATEMENT

The table below shows how the Fund complies with the standards set out by the Secretary of State for Levelling Up, Housing and Communities as required under Regulation 55 of the LGPS regulations. The statement sets out where the Fund is fully compliant with the guidance and provides an explanation where it is not fully compliant.

<p><b>A. Structure</b></p>	<p>(a) the Management of the administration of benefits and strategic management of Fund assets clearly rests with the main committee established by the appointing Council</p> <p>(b) that representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee (1)</p> <p>(c) that where a secondary committee or panel has been established, the structure ensures effective communication across both levels.</p> <p>(d) that where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.</p>	<p>√</p> <p>Partial (see Note 1)</p> <p>√</p> <p>√</p>
<p><b>B. Representation</b></p>	<p>That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. (1)</p> <p>These include:</p> <p>(i) employing authorities (including non-scheme employers, e.g. admitted bodies)</p> <p>(ii) scheme members (including deferred and pensioner scheme members)</p> <p>(iii) independent professional observers (2)</p> <p>(iv) expert advisers (on an ad hoc basis)</p>	<p>Partial (see Notes 1 and 2)</p>
<p><b>C. Selection and Role of Lay Members</b></p>	<p>That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee. (It is the role of the administering</p>	<p>√</p>



	authority to make places available for lay members and for the groups to nominate the representatives. The lay members are not there to represent their own local, political, or private interest but owe a duty of care to their beneficiaries and are required to act in their best interests at all times).	
<b>D. Voting</b>	The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	√
<b>E. Training/Facility time/Expenses</b>	(a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	√
	(b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	√
<b>F. Meetings - Frequency</b>	(a) that an administering authority's main committee or committees meet at least quarterly.	√
	(b) that an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sit.	√
	(c) that administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	√
<b>G. Access</b>	That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	√

<b>H. Scope</b>	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	√
<b>I. Publicity</b>	That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed can express an interest in wanting to be part of those arrangements.	√

### Notes - Reasons for partial compliance

- 1) Unitary councils, City/Borough Councils and further and higher education employers, are represented. Other admitted bodies only represent 14% of contributors to the Fund and are therefore not represented. However, all employers receive a full Annual Report and are alerted to important events. Although employee representatives, i.e., trade unions, do not formally represent deferred and pensioner scheme members, it is accepted that representation is available to deferred and pensioners members via this route where necessary and/or appropriate. In addition, the interests of all scheme members and employers are specifically represented in the composition of the Local Pension Board.
- 2) Guidance envisaged that an independent professional observer could be invited to participate in governance arrangements to enhance the experience, continuity, knowledge, impartiality and performance of committees or panels which would improve the public perception that high standards of governance are a reality and not just an aspiration. This role is currently performed by the Fund's independent advisers and officers, and it is not apparent what added value such an appointment would bring.