

Report on the Lancashire Pension Board Appraisal 2023

This report summarises the main points which came out of the one-to-one meetings I held with individual Local Pension Board (“**LPB**”) members, the Chair of the Pension Fund Committee and Lancashire County Council (“**LCC**”) officers and makes recommendations to improve its effectiveness and efficiency.

William Bourne, Independent Chair of the Local Pension Board

31st January 2023

Dates of appraisal meetings

Name	Representative	Date
Steve Thompson (resigned)	Employers	21 st November 2022
Yvonne Moulton	Members	24 th January 2023
County Councillor Matthew Salter	Employer (LCC)	24 th January 2023
Sean Greene	Head of Fund	25 th January 2023
Kevin Ellard	Members	25 th January 2023
Kathryn Haigh	Members	25 th January 2023
County Councillor Eddie Pope	Pension Fund Committee Chair	25 th January 2023
Glyn Peach	Employer (LCC)	25 th January 2023
Mike Neville	LCC Officer	25 th January 2023
Deborah Parker	Members	25 th January 2023
Carl Gibson	Employers - Other	N/A

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 Board members, the Chair of the Pension Fund Committee and Officers outside the formal LPB meetings. This year most of the one-to-one sessions were held in person, but two were held virtually.

The Board is in the throes of change, as four of the eight members come to an end of their second term. Under the succession plan, new members have been recruited and appointed and are starting to take up their roles, meaning that for three Board members the one-to-one discussions were in effect exit interviews.

In general, there is continuing agreement amongst Board members that the LPB functions effectively and has continued to perform its key role of assisting the Pension Fund Committee

("PFC"). I have highlighted the following areas below where in my view it has added demonstrable value in the past year in addition to its main role of oversight of compliance with regulations:

- Monitoring and providing feedback over the implementation of the new pension administration software for Local Pensions Partnership Administration (i.e., project PACE) and financial software for Lancashire County Council (i.e. Oracle Fusion).
- A more effective risk register where the major risks and their mitigation are properly discussed
- Preparation for the national Pensions Dashboard
- Protection against cyber risk

Board Efficiency

Board Members agreed that the LPB has a good mix of experience and works well as a body, but recognised that there will be a period of evolution as original members retire and new members bed in. The relationship with both Officers and the PFC at Lancashire County Council is good, and Board members are engaged and use their specific expertise to provide useful feedback and input in various areas. The relationship with the Fund's outsourced administrator, LPPA, is also important, and Board members appreciate the regular appearance of the LPPA Managing Director at our meetings to present reports and answer questions.

The mix of expertise on the Board is going to change with the appointment of new members. The Board members appointed over the past year add some useful skills (e.g., cyber fraud and communications) but we will lose some front-line administration experience which has been helpful in holding LPPA to account. This should be taken into consideration when my successor is appointed in 2023.

Steve Thompson was due to reach the end of his second term during this year and resigned in December 2022 to assist with staggering the onboarding of new Board members. Yvonne Moul, Kathryn Haigh, and Carl Gibson will all reach the end of their terms of appointment over the first few months of 2023. They have each added wisdom and expertise to the Board, and I would like to thank them all for their time and efforts over the past eight years.

To replace the outgoing Board members, a recruitment process was held in the autumn of 2022. The Fund member representative vacancies were advertised on the Fund website and the employer representative vacancies circulated amongst the Fund's employers. There were six applications for the two employer representative vacancies and 22 for the two Fund member vacancies. After a sift by officers, an interview panel consisting of myself, a Board member, and a senior Officer interviewed all the employer candidates and four of the Fund scheme member ones. As well as looking at candidates' general knowledge and specific expertise, the panel also considered how they might add to the diversity of the Board.

Following this process, appointments were made as shown below. Two of the appointments are for a shorter initial period to introduce an element of staggering to the membership in future. Where possible new Board members will have an opportunity to attend a Board meeting as an observer before formally taking up their role. An induction event for new Board members and a lunch for all Board members are also arranged in April 2023 so that all Board members have a chance to get to know each other. In addition, as new Board members are on boarded a Q&A session will be held ahead of LPB meetings to help address any questions new members may have about the board papers. Generally, Board members felt that the recruitment process has worked smoothly, but there is recognition that the new appointments will result in some evolution.

Name	Employer/Scheme Member	Start date	Period
Tony Wilkinson	Employers – Local authorities Police & Fire	January 2023	4 + 4 years
Gayna Hart	Scheme Members	April 2023	4 + 4 years
Stephen Dunstan	Employers – Other	July 2023	2 + 4 years
Shima Maka	Scheme Members	July 2023	2 + 4 years

My own role will also come up for public procurement during this year, as I will reach the end of my second term of appointment in October 2023 and the succession plan sets out arrangements to recruit and appoint a new Chair before the end of the year.

The Board meetings during this year were all scheduled for two and a half hours (as recommended last year) and held in person, though some members and presenters chose to attend virtually. Most meetings were held in the Exchange area of County Hall, but some were held in the Committee rooms. It was noted that the seating and arrangements in the rooms can either be beneficial or detrimental to good discussions.

We continue to allocate subject areas to individual Board members to take the lead at LPB debates. Board members have indicated that it is helpful both in stimulating engagement and mitigating the reading burden, and we will continue the practice in 2023. When the agenda is published, I let each member know which items I expect them to lead on and I emphasise that all Board members should still read the reports and contribute to the discussions as they see fit.

With the new members (and Chair) coming on board, there will inevitably be some change to the responsibilities here. However, I propose to wait before doing this until later in the year when all new Board members are in place. It may also be helpful for the newer Board members if the Chair provides a short summary of the context before discussions begin on any substantive agenda item. The current responsibilities are noted under the recommendations.

There has been considerable change to the LCC Pensions Team over the past 18 months, but LPB members were clear again this year that the new team has successfully picked up the baton and they have been impressed by the quality of reports made to them. The LCC Democratic Services team has once again organised meetings and training efficiently, and the general

arrangements of the Board have run smoothly. In this context I would highlight the provision of training and the management of the new appointments to the Board.

Board Value for Money and Effectiveness

After the disruptions caused by COVID-related lockdowns 2022 has finally seen a return to something resembling normal activities. 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 some of the areas where this has been the case above.

The Workplan prepared by Officers and approved by both the Board and the PFC ensures that the Board's scrutiny and oversight covers all the areas under its remit. The regulatory update at each meeting ensures that the Board is made aware of any new regulatory and legal developments at an early stage and any possible implications needing to be considered.

One Board member commented that there is an understandable tendency for Board members to concentrate on the content of the papers in front of them, and they may fail to consider other perspectives which should be considered. I view this as something which cannot be the subject of training, but as Chair I may be able to provide the occasional reminder.

I observe that the Board's direct experience as users of LPPA's services can provide helpful and early feedback on specific issues and problems. While Lancashire is only one of LPPA's clients, Board members felt some frustration that better use is not made of this.

Training

Internal training is largely delivered through workshops attended alongside members of the PFC. Members noted that online training was time-efficient and recording it allowed them to watch training session playbacks if they were unable to attend the event itself. Some members commented that face-to-face works better for complex subjects. One training presentation by an external provider fell below expected standards, but otherwise all training was considered of good quality and useful.

Online training should be limited to a maximum of two hours at any one session, as recommended last year, but the point was also made that face-to-face training needs to have sufficient content to make it worthwhile for more distant members travel to County Hall. Those members who attended full day conferences and training programmes said that they had found them useful, both to be able to speak to other delegates as well as for the content.

One Board member suggested compiling a list of training topics to ensure none are missed over a cycle of years. This would also help members gain assurance that they have been fully

trained. Suggestions for training topics to be included in the 2023/24 Training Plan are made under the Recommendations section of this report.

Board members believed that the induction training received was comprehensive and helpful. It may be helpful to remind new members that the Democratic Services team are available for advice if they are struggling to access or navigate training resources, or members of the pension team or myself if they have questions about the content.

Topics for 2023

In 2022 we continued to spend time on the control frameworks and governance over LPPA and the risk register for the Lancashire County Pension Fund, but the single most important topic was the transfer to the new pension administration system combined with the move to monthly data collection. For Lancashire the transition took place on schedule in October 2022 and so we are now in the post-implementation phase, with the immediate need being to ensure a successful transition to monthly data collection. The Board expects to spend time on this and LPPA's service and reporting more generally over the next 12 months.

The issue of adequate resourcing both at LCC and LPPA is considered a high risk on the risk register, and we have debated this regularly over the past 12 months. The underlying background is a national shortage of experienced pension and pension administration staff, but we would like to see some assurance from both the LPPA and LCC that there is a plan in place to address this. Staff shortages risk having detrimental knock-on effects in areas other than those most immediately affected.

Communication and engagement was a topic where we made less progress than we had hoped in 2022. The messaging around PACE was reasonably clear but was left late. The need to re-register names on My Pension Portal is a useful opportunity to check out the Fund members' contact details. There were varying experiences how easy Board members found the process of re-registering. The pressure on resources seems to have led to less engagement with employers than used to be the case prior to LPPA taking over the administration role.

Beyond this there is a range of issues (e.g., McCloud, inflation) as well as good news items such as the total funding level of the Fund where there is scope through communication to provide greater assurance to the Fund's members and employers. There was some concern over the appropriateness of the tone of some LPPA communications. However, the Board's suggestions to LPPA have been constrained by their understandable desire to standardise communications across all their clients and staff shortages. If LPPA are unable to provide what we needed or the service level agreement with LCC does not include what the Fund needs, LCC may have to look how best to provide it from their own resources.

Recommendations for Consideration

Board Efficiency

1. Continue to allocate particular areas of Board activities to selected Board members with lead responsibility during discussions. No changes have been made in the short-term, apart from removing Steve Thompson and Kathryn Haigh, but some will be needed later in the year.

Area	Includes	Members
Compliance with regulations and statutory guidance	The Pensions Regulator, Local Government Pensions regulations	KE
Communications	Engagement, Communications policy	DP, CG
Administration	KPIs, ABSs, admin breaches	YM
IT	Systems data protection, cyber	GP, MS
Investment policy documents	Investment Strategy Statement, actuarial report, Responsible Investment	DP
Service providers governance	Local Pensions Partnership Limited, custodian, audit	GP, YM
Risk register		CG, KE

2. The Chair should make a practice, at least over the next few meetings, of introducing substantive items with a short comment on their context for the benefit of newer members.

Training

3. Arrange training sessions on the following subjects:
 - Breaches reporting policy
 - Audit and assurance framework
 - Investment vocabulary, jargon-busting, and attributes of main asset classes
 - Pensions Dashboard
4. Create a list of training topics to be covered over a cycle of three or four years to ensure that detailed training plans for each year are comprehensive.

Board Effectiveness

5. Identify and implement a process whereby employers can provide early feedback to LPPA on problems, especially with PACE post-implementation and the move to a monthly data collection.