

## **Lancashire Local Pension Board – Annual Report 2023**

This is my final report as Independent Chair of the Local Pension Board (“the Board”). I was appointed when the Board was first established eight years ago and will stand down in October 2023.

While the legal remit of the Board to assist the Pension Fund Committee (“the Committee”) with oversight and the effective running of the Fund has not changed, the Board’s role has evolved over this period. The Fund has also outsourced responsibility for investment implementation and for administration to Local Pensions Partnership Investments (LPPI) and Local Pensions Partnership Administration (LPPA) respectively.

Against this changing background the Board has had to establish our role and find ways to add value within the Fund’s governance structure. We have also sought ways to represent scheme members and employers effectively. The lockdowns over COVID have brought additional changes to the way which both the Fund and our service providers operate, which the Board has had to adjust to.

After eight years we have created a template to achieve our objectives. At the core is an annual Work Plan, approved by the Committee, to ensure that we cover all the activities we should and that our workflow is aligned with theirs. Our regular duties at every meeting include reviewing and commenting on the reports and compliance assurances which support the Fund’s activities. We always look at the service performance indicators and any breaches which may have occurred as well as the risk register for the Fund. We may additionally focus on specific governance or administration projects or areas, including at times working with Officers or members of the Committee.

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

### **Membership of the Pension Board**

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

During this year, there has been significant turnover in the membership of the Board. Four members, Steve Thompson, Kathryn Haigh, Yvonne Moulton and Carl Gibson,

come to the end of their second term during the first half of 2023. They have all been Board members since its establishment and have performed stalwart service on behalf of the Fund. I would like to thank them for it.

We recruited four new Board members in the autumn of 2022, who are joining the Board over the course of the first six months of 2023. We received a total of 29 applications for the four posts, which shows a healthy level of interest among employers and scheme members in the Board's activities. We interviewed ten candidates and appointed two employer representative and two scheme member representatives to replace existing Board members on a phased basis as they approached the end of the terms of appointment. Unfortunately, recently one of the new employer representatives (Tony Wilkinson) has been obliged to resign from the Board due to a change of circumstances and we are currently recruiting to fill the vacancy. I am therefore delighted to welcome Gayna Hart, Shima Maka, and Stephen Dunstan to the Board and am sorry to see the departure of Tony Wilkinson.

My second term came to an end in March 2023, but this has been extended till October 2023 to provide continuity until the new Board members are all on board. An exercise to recruit a new Independent Chair from that date has already started.

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 £11186.33.

### **Attendance of Board Members at Meetings**

The Board has a cycle of 4 meetings and meets in person though some presenters and Board members attended meetings virtually if appropriate. Details of individual members' attendance at Board meetings together with in-year changes to the membership of the Board, are set out below.

<b>Name</b>	<b>Representing</b>	<b>5<sup>th</sup> July 2022</b>	<b>18<sup>th</sup> October 2022</b>	<b>24<sup>th</sup> January 2023</b>	<b>4<sup>th</sup> April 2023</b>
W Bourne	Independent Chair	Present	Present	Present	Present
County Councillor M Salter	Employer rep – LCC	Present	Present	Present	Present
G Peach	Employer rep - LCC	Present	Present	Present	Resigned
S Thompson	Employer rep – Unitary, City, Borough, Police & Fire	Present	Present	Resigned	Resigned
T Wilkinson	Employer rep – Unitary, City, Borough, Police & Fire	N/A	N/A	Present	Resigned
C Gibson	Employer rep - Others	Present	Present	Present	Present
Ms K Haigh	Scheme Member rep	Present	Apologies	Present	Resigned
Ms Y Moulton	Scheme Member rep	Apologies	Present	Present	Present

Ms D Parker	Scheme Member rep	Present	Present	Present	Present
K Ellard	Scheme member rep	Present	Present	Present	Present
Ms G Hart	Scheme Member rep	N/A	N/A	Observer	Present
S Dunstan	New Employer rep – Other	N/A	N/A	N/A	Observer
Ms S Maka	New Scheme Member rep	N/A	N/A	N/A	Observer

## Changes to the Membership of the Board

Anthony Wilkinson, Lancashire Constabulary replaced, Steve Thomson, Blackpool Council as the employer representative for – Unitary, City, Borough, Police & Fire on the Board with effect from 1<sup>st</sup> January 2023. As referred to earlier in the report Anthony Wilkinson has subsequently resigned from the Board with effect from 6<sup>th</sup> March.

Gayna Hart replaced Kathryn Haigh as a scheme member representative with effect from 1<sup>st</sup> April 2023.

Stephen Dunstan is due to replace Carl Gibson as employer representative – Other with effect from 1<sup>st</sup> May 2023 and Shima Maka replaces Yvonne Moulton as a Scheme Member representative with effect from the same date. Both are invited to attend the Board meeting in April 2023 as observers.

## 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 own annual efficiency review, which becomes an agenda item at our next meeting. Internal training workshops during this year were conducted on a hybrid basis in conjunction with the Committee, with recordings being made available for those unable to attend. Board members also 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. A comprehensive induction programme was arranged for the new Board members.

During the year the year training was available to Board members on the following subjects:

Date	Training event
24 <sup>th</sup> Mar 2023	Internal Workshop – Legal update
27 <sup>th</sup> Feb 2023	Internal workshop – LPP Budget
23 Feb 2023	Policy Insights webinar 'Better Communications with LGPS Members'

19/20 Jan 2023	LGPS Governance Conference 2023
16 Jan 2023	Internal workshop - Communications Strategy and LPP Comms Update
20 Dec 2022	Fundamentals Training (day 3)
5 Dec 2022	Internal Workshop – Technical Update from Local Pensions Partnership Administration Ltd
10 Nov 2022	Fundamentals Training (day 2)
1 Nov 2022	Internal Workshop – Valuation 2022 update
1 Nov 2022	Presentation 1 on LPP Governance Review
27 Oct 2022	Fundamentals Training (day 1)
12/13 Oct 2022	PLSA Conference
4 Oct 2022	Internal Workshop - TCFD and Stewardship Code
2 Sept 2022	Internal Workshop – LCPF Annual Report and Accounts
20 July 2022	Internal Workshop – Cyber Security
13/15 July 2022	PLSA Annual Conference
29 June 2022	Internal workshop – LCPF Project PACE and administration Update
9 May 2022	Internal workshop – Legal Update
28 Apr 2022	Overview of the Local Government Pension Scheme

The table below shows the number of internal and external training events individual Board members attended during the period 1<sup>st</sup> April 2022 to 31<sup>st</sup> March 2023.

Name	Internal events	External Events	Total
W Bourne	1	1	2
County Councillor M Salter	4	3	7
G Peach	3	1	4
S Thompson	0	0	0
C Gibson	2	0	2
K Haigh	8	0	8
Y Moulton	4	1	5
K Ellard	7	3	10
D Parker	10	1	11
A Wilkinson	0	0	0

Further information about the Board, including agenda/minutes, can be viewed on the [Lancashire County Council Website](#).

## Activities

The year's activities have been dominated by changes in software systems. As I previewed last year, Local Pensions Partnership Administration Ltd (LPPA) undertook a major project to consolidate their clients' pension administration software systems into a single system. As a result, the Fund moved to a different

software system in October 2022 at almost the same time as Lancashire County Council changed to a new payroll and financial system.

These were both major and related projects requiring risk management ahead of the switch over and monitoring at the time of it. Members were successfully moved to the new system and the Fund's payroll reconciled at the end of October 2022. At the same time the employer and member portals both went live. As expected with a project of this size and pace, there have been challenges, especially as there is a national shortage of experienced administration staff. The Board discussed these risks at every meeting with representatives from LPPA and pro-actively gave accurate and constructive feedback on issues faced by employers and scheme members as the new systems were implemented.

As part of the project, the regular Key Performance Indicators were temporarily relaxed at various times to allow LPPA staff to concentrate on implementation of the administration project. Over the past year, LPPA in some cases failed to achieve these, and the Board has discussed with them what needs to be put in place to ensure that service returns to normal standards in 2023.

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. This year we also reviewed statutory statements such as the Actuarial Valuation, the Funding Strategy Statement and the Communications and Breach Reporting policies. Board members are all users of the Fund, (either as employers or scheme members of the Fund), and in many cases have specific expertise which is the basis for providing useful and relevant feedback to the Committee.

I commented last year that we are still expecting significant regulatory change over the next 12 months, and that remains the case. We are still waiting for:

- The Pensions Regulator to combine the public sector Code of Practice 14 with nine other codes covering pension funds (expected in 2023);
- DLUHC (the Department of Levelling UP, Housing, and Communities) to publish new investment regulations and guidance, including further requirements on pooling and possibly levelling up (consultation expected in 2023);
- New statutory guidance to implement the recommendations made in the Scheme Advisory Board's 2019 Good Governance project.

Where we can prepare for this, as for example with the Single Code of Practice, we have done so, but it is not always possible until the legislation is published.

DLUHC is keen to accelerate the pooling process to achieve economies of scale. LPPI, the pool which the Fund belongs to, is in a good position in that it has successfully onboarded almost all its partner funds' assets and is well aligned with the other requirements the Government has set. However, at £23bn it remains smaller than the Government's targeted size of around £50bn.

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

Looking ahead to next year the Board's activities are likely to be dominated by the continuing implementation of the new pension administration software. It is important both that service standards return to their previous levels and that the new software generates either cost savings or other benefits to employers and scheme members. LPPA's increasing standardisation across their clients is both inevitable and desirable from a cost perspective, but there will be occasions when communication needs to be more specific to the members and employers within the Lancashire County Pension and we will work with the Fund's officers and LPPA to find ways of achieving this.

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 this in January 2023 and made recommendations which were discussed at our Board meeting in April 2023. I believe the Board operates effectively and efficiently and fulfils its legal and regulatory requirements.

The Board is supported by the Pensions Fund and the Democratic Services teams at Lancashire County Council. The Board's ability to function and the Fund's success in dealing with the considerable challenges it has faced during the last eight years relies on their efforts. On behalf of the Boards members as well as myself personally, I would like to finish by thanking them. I know they will provide the same level of support to my successor, which will make his or her role easier.

**William Bourne**, Independent Chair of the Lancashire Local Pension Board  
April 2023