

Lancashire Local Pension Board – Annual Report 2023/24

I was appointed to the Local Pension Board (“the Board”) in November 2023 and as such this is my first report as Independent Chair of the Board (“the Board”). Since inception of Boards in the LGPS nine years ago the legal remit to assist the Pension Fund Committee (“the Committee”) with oversight and the effective running of the Fund has not changed. Over that period Lancashire has been at the forefront of developing the activities and governance arrangements for its Board and thus I was delighted to be appointed to join a well-established, efficient Board with a committed membership, strong governance, and a good working relationship with the Committee.

The Fund operates on an outsourced model with a focus on strategy, governance, funding and oversight with the responsibility for investment implementation and for administration to Local Pensions Partnership Investments Limited (LPPI) and Local Pensions Partnership Administration Limited (LPPA) respectively.

The Board now has an established role and continually strives to find ways to add value within the Fund’s governance structure, including continually looking to enhance the representation of scheme members and employers voice in the governance of the Fund.

We have an established way of setting, and monitoring against, our objectives which is tried and tested and working effectively. 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 review 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 discuss matters of importance with County Councillor Pope (Chair of the Committee) 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 Board

This year has seen significant membership change, including myself as a new Chair, two Board members left and four others came to the end of their second term of office. Under the succession plan, new Board members have been recruited and appointed

and the Board is now back to full strength with all Board members in post and working effectively. Whilst accepting that significant turnover takes time to bed in, the succession planning was well executed and the mix of expertise on the Board remains well balanced. However, whilst the recruitment progress looked at candidates' general knowledge and specific expertise, the recruitment panel also considered how they might add to the diversity of the Board, sadly other than gender balance other diversity factors remain an issue and one as Chair I will take into consideration in assessing any ways to help strengthen our understanding and considerations going forwards.

Attendance of Board Members at Meetings

The Board has a cycle of 4 meetings each year and details of attendance are provided within the Governance section of this report. *[Note – this report will appear within the Lancashire County Pension Fund Annual Report and this cross reference is to the Governance section of the Fund's Annual Report]*

Training

The Board is under a legal obligation to ensure its members maintain their levels of knowledge and understanding through regular training. Details of training are provided within the Governance section of this report. *[Note – this report will appear within the Lancashire County Pension Fund Annual Report and this cross reference is to the Governance section of the Fund's Annual Report]*

Board Resources

The Board is well supported by Fund officers from LCC and 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 £11410.94 which was mainly in relation to the independent chairs fees and expenses relating to training of board members and attendance at meetings.

Activities

In 2024 the Board spent significant time on the completion of the implementation and training for staff and employers for the new pension administration system at LPPA and new financial system at LCC, including administering monthly data collection across these new systems. In addition, the Board (i) considered governance issues such as the forthcoming General Code of Practice (ii) proposed an enhanced service level metric for administration services, (iii) considered the timely and accurate production of member annual benefit statements.

The issue of adequate resourcing both at LCC and LPPA has been considered a high risk, and this has been debated regularly over the past 12 months. I was therefore pleased to see positive movement on this towards the end of the year and to see the difference new recruits are having both in terms of capability and morale in the respective teams.

Recognising the effect that the systems implementation issues have had on communication and engagement issues, again whilst there is still work to do in this area, recent evidence indicates progress is now being made on online member engagement, and employer communication.

Significant attention has been given to developing Performance Indicators that focus activities on delivering an improved experience for both our members and employers. Whilst we have seen improvement there is still some way to go to embed the reporting and monitoring of these indications so we can evidence consistently good performance from LPPA, employers and other parties.

That said there are areas where there is good news that should not get lost in the administration issues, e.g. the funding level, investment performance and progress implementing McCloud.

The core of the Board's work remains one of oversight. At each meeting, we look at any breaches of the regulations and consider the Key Performance Indicators. This year we also reviewed the requirements for the General Code of Practice and the Fund's activity around the cyber security requirements within the new General Code. 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.

In his report last year, the previous Chair commented that significant regulatory change was expected over this year, and sadly the lack of policy guidance and regulation continues to hamper progress across the LGPS. The Board has done significant oversight work in readiness for the receipt of the Pensions Regulators General Code of Practice and its receipt which codified and streamlined previous guidance was welcomed.

However, whilst we took a step forward with the issuance of the consultation from DLUHC (the Department of Levelling UP, Housing, and Communities) on new investment regulations and guidance, including further requirements on pooling and possibly levelling up, which we took time to actively consider and respond to, no changes to the regulations or guidance has been forthcoming on the back of this consultation. Additionally, new statutory guidance to implement the recommendations made in the Scheme Advisory Board's 2019 Good Governance project remain outstanding.

Looking ahead to next year the Board's activities are likely to continue to focus on the embedding of the new pension administration software, work towards the anticipated regulatory changes identified above and any matters following the election.

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 2024 (through a series of one-to-one meetings with Board members and others) and made recommendations which were discussed at our Board meeting in April 2024. I believe the Board operates effectively and efficiently and fulfils its legal and regulatory requirements.

The Board is supported by Officers from the Pension 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 relies on their efforts. On behalf of the Boards members, as well as myself personally, I would like to finish by thanking them.

Fiona Miller, Independent Chair of the Lancashire Local Pension Board
April 2024