

LOCAL PENSION BOARD (LPB)

Minutes of the Meeting

Date: Wednesday 15 February 2023
Time: 10.00-12.30
Location: Room G.04, 169 Union Street, London, SE10LL

Present:	William Bourne Mike Allen Sean Brosnan James Cherry Omolayo Sokoya Amy Sweeting Surendra Wanza	LPB Chair (“ Chair ”) Member representative Employer representative Member representative Member representative Employer representative Member representative
In attendance:	Janet Adeyemi Mark Anderson Peter Ballard Robert Branagh John Crowhurst Chris Dawson Anastasia Klimenko Alistair Peck Siobhán O’Shea	LPFA Interim Governance Manager LPFA Compliance and Regulation Manager LPFA Funding and Risk Director (until item 3(part) LPFA Chief Executive Officer (“ CEO ”) LPP Administration Ltd (“ LPPA ”) Operations and Commercial Director (item 3.1 to 3.15 only) LPPA Head of Engagement and Communications (item 3.1 to 3.15 only) LPFA Chief of Staff LPFA Head of Communications and Engagement LPFA Governance Manager

LPB Priorities 2023/24

The LPB convened an informal session facilitated by the Chair, which was attended by LPB Members, the LPFA CEO, the LPFA Governance Manager and the Interim LPFA Governance Manager only.

[The formal meeting commenced at 10:30]

1. LPB170 – INTRODUCTORY MATTERS

Submission

To present an update on several matters arising in relation to minutes and action points from the previous meeting held on 29 November 2022.

Discussion

1.1 The Chair welcomed all attendees to the meeting.

1.2 Apologies

Apologies for absence had been received from Stephen Boon (LPB Employer representative) and Jasbir Sandhu (LPB Employer representative).

Declarations of interest

1.3 No new interests were declared in advanced of, or at, the meeting. The LPB noted the standing declaration by the LPFA CEO regarding any administration matters under discussion relating to his role as the LPFA shareholder appointed statutory director representative on the Local Pension Partnership Administration Board (LPPA), and the Local Pensions Partnership (“**LPP**”) Board.

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Minutes, and actions points

- 1.4 The minutes from the last LPB meeting held on 29 November 2022 were approved and it was agreed that the Chair's electronic signature could be used to sign the document.

The LPB:

1. **Approved** the minutes of the meeting held on 29 November 2022 as a true and accurate record of that meeting, and the use of the Chair's electronic signature to confirm the minutes; and
2. **Noted** the matters arising - action list including all the items which had been completed or closed.

2 LPB171 – CEO REPORT

Submission

To present an update on Fund activities from the CEO since the last meeting held on 29 November 2022.

Discussion

- 2.1 The LPFA CEO introduced the report. With reference to the update on LPFA recruitment and staffing changes, acknowledging that, like many Funds, there were a number of staffing challenges at this time. These included the Funding and Risk Director who was moving to another pension fund and a restructure of the Finance Team to ensure that it had the necessary skills and capabilities to meet LPFA's current and future needs. It was highlighted that despite these changes, business as usual activity had continued and the auditors had issued an unqualified opinion on the 2021/22 annual accounts. In response to questions raised, it was confirmed that LPFA was willing to support staff wishing to obtain professional qualifications, subject to the Learning and Development Policy, which included proportionate clawback provisions.
- 2.2 The LPB was updated that whilst positive informal feedback had been received, LPFA had not yet obtained the Mayor of London's formal feedback on its 2023-26 Strategy Policy Statement and 2023-26 Medium Term Financial Plan.
- 2.3 The LPFA CEO advised that since the last meeting, there had been a considerable amount of dialogue with Lancashire County Council ("**LCC**") colleagues on a number of matters, including the LPP Governance Review led by LCC with input from LPFA. One of the key conclusions of the review had been that both shareholders should retain LPPA and Local Pension Partnership Investments Limited ("**LPPI**"), but that the LPP governance structure should be amended. As such, a new LPP shareholder board was being introduced, which included two representatives from both LCC and LPFA. The LPB requested that it be provided with a diagram setting out the changes to LPP's governance structure. **ACTION: A Durkan**
- 2.4 The LPFA Funding and Risk Director outlined that the LPPI Business Review had now been completed, with the overall conclusion being that LPPI was operating effectively. However, in order to ensure capacity for future growth of LPPI, a number of recommendations had been made for tactical improvements, including in relation to use of technology and system standardisation. The LPFA CEO added that in the longer term, consideration would be given to a similar business review to be carried out for LPPA.
- 2.5 The LPFA CEO was pleased to report that following a successful recruitment exercise, Andy Cunningham had been appointed to replace William Bourne as Independent LPB Chair. As William's final term of office concluded on 31 March 2023, Andy had been appointed to this role from 1 April 2023. Andy Cunningham was an experienced pensions professional with considerable Local Government Pension Scheme ("**LGPS**") experience and his first meeting would be in June. The LPB was also informed whilst Sean Brosnan (Employer representative) and Omolayo Sokoya (Member representative) were both due to reach the end of their respective final terms of office in early June, they had kindly agreed to a short extension of office until 31 July 2023.
- 2.6 Finally, it was noted that work continued to make good progress on the 2022 Triennial Valuation, the results of which had been issued to Fund employers.

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The LPB **NOTED** the updates contained in the CEO report related to the LPFA organisation and the LPFA Board.

3 LPB172 –LPPA QUARTERLY CLIENT PERFORMANCE AND MEMBER ENGAGEMENT REPORT

Submission

To present an update on Fund activities from LPPA since the last meeting held on 29 November 2022.

[The LPPA Head of Engagement and Communications and the LPPA Operations and Commercial Director joined the meeting]

Discussion

- 3.1 The LPPA Operations and Commercial Director then provided an overview of pension administration performance for Q3 2022-23, explaining that overall case performance for the quarter against the agreed service level agreement (“**SLA**”) had been 87.4 percent. It was explained that phase two of Project Pension Administration Core Evolution (“**PACE**”) had now been completed and, as expected, the implementation of this largescale project had impacted client SLAs. One of the key issues during phase two had been LPPA’s ongoing significant issues with regard to the recruitment and retention of staff. In the past few months, the organisation’s vacancy rate had been approximately 32 percent, against a usual rate of around eight percent. The LPB heard that considerable work was being undertaken to address staffing issues, including through the recruitment of two Learning and Development (“**L&D**”) Managers and the planned launch of an inhouse L&D Academy. However, it was anticipated that embedding PACE would continue to adversely affect client SLAs in Q4 2022/23 and Q1 2023/24.
- 3.2 In response to questions from the LPB on current staffing issues, it was confirmed that the vacancy rate was across the whole of LPPA rather than limited to specific functions. Whilst the LPPA Operations and Commercial Director expected case performance to return to the usual 95 percent SLA by end of September 2023, the LPB queried the likelihood of meeting this target given current staffing issues, particularly given the plans to introduce monthly returns through the Universal Pensions Management (“**UPM**”) for all clients from May 2023. In turn, the Operations and Commercial Director advised that additional headcount had been added to the Data Team so that a sub-set of its staff could devote their time specifically to the forthcoming monthly return rollout. Additionally, lessons had been learnt from the experience of those clients who were already processing monthly returns through UPM, and assurances were provided on the degree of interaction between LPPA operational teams and the Data Team, as well as with Civica, in preparation for monthly return implementation.
- 3.3 The LPB also noted the importance of active employer engagement both in advance of, and during, the monthly returns rollout. The Chair commented that the experience from LCC had been that it was important to engage with employers on this matter as early as possible. It was further explained that a Communications and Engagement Plan had been developed and would be shared with LPFA. In response to a question raised, it was confirmed that there would be no changes to the current monthly return template.
- 3.4 The LPPA Operations and Commercial Director advised that reducing the case backlog that had been generated by PACE implementation was currently a key area of focus, as was managing calls to the Pension Helpdesk. On the latter, it was positive to note that whilst there had been a significant volume of calls from members having difficulties accessing PensionPoint during phase one of PACE, these issues had been rectified meaning that the same issue had not reoccurred for phase two.
- 3.5 It was explained that with the help of a third party, LPPA had recently reviewed its target operating model, with the results of this exercise due to be released in the near future. The LPPA Operations and Commercial Director advised that whilst important to fully utilise the full functionality of UPM over time, it was important not to try to do too much in year one as anything new would need to be carefully managed.

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- 3.6 One LPB member asked whether the potential option of degree apprenticeships had been explored as part of the forthcoming L&D Academy launch, to which it was explained that initial discussions had taken place with universities in the region.
- 3.7 In response to a question from the Chair, it was confirmed that LPPA was conducting a benchmarking exercise to assess its pay and benefits offer against market rates. It was also explained that the current attrition rate was across staff of various grades, with one issue being that post-pandemic, a number of staff based in the south of England and working remotely were leaving for roles where they could be office based closer to home.

[The LPPA Funding and Risk Director left the meeting]

- 3.8 The LPPA Head of Communications and Engagement then provided an overview of communication and engagement activity during Q3 2022/23, highlighting that the forthcoming monthly return implementation had been a key area of focus for the quarter. Communications on this matter had been issued to all LPFA employers in November 2022, including links to important online support resources. 11 training sessions for LPFA employers had also been delivered during the reporting period. Further to a query from one member, it was explained that approximately one third of active LPFA employers had signed up for monthly returns training, with a further five training sessions scheduled for the coming weeks, following which the details of any employers that were not yet engaging in the process would be escalated to LPFA.
- 3.9 The LPB also heard that LPPA continued to deliver 'Making Sense of your Pension' and 'Making Sense of your Retirement'; to members. A dedicated retirement planning session had also been delivered to 15 members of the London Fire Service during the quarter.
- 3.10 The LPFA was advised that LPFA employers had been given substantial advance notice of a number of planned maintenance days that had been required in Q3 2022/24.
- 3.11 The LPB welcomed the recent launch of a new Help Hub on the LPPA website to consolidate all member support information into one area of the site, which would be easier for member to access the information they required. A separate Employer Hub was also in the process of being developed.
- 3.12 The LPPA representatives agreed to share a high level LPPA organisational chart following the meeting.
ACTION: C Dawson/ J Crowhurst.
- 3.13 Given that employers provided a key route to member training, one LPB member asked how member engagement training was built into LPPA's employer engagement activities. In turn, the LPPA Operations and Commercial Director acknowledged that one potential area for development was for LPPA to increase the resources it provided to employers, for example resources that could be provided to staff on the LGPS for inductions. The LPFA CEO added that further work also needed to be undertaken to better delineate LPPA and LPFA's respective responsibilities for employer engagement.
- 3.14 In response to a question from the Chair, the LPPA Head of Engagement and Communication clarified that two of the four Engagement Advisor posts in the Engagement Team were currently vacant and being recruited to with plans to recruit a fifth advisor later in the year.
- 3.15 In conclusion, the LPPA representatives were thanked for attending the meeting.

[The LPPA Operations and Commercial Director and LPPA Head of Engagement and Communications left the meeting]

- 3.16 Once the LPPA representatives had left the room, the LPB continued a brief discussion on the matters covered during their presentation, during which concerns were raised about the organisation's current recruitment and retention issues and the ongoing impact this was having on pension administration performance. In light of these issues, the LPB expressed reservations on whether it was likely that client SLAs would return to 95 percent by end of September 2023. Further to a question raised, the LPFA CEO confirmed that the recruitment and retention issues being experienced across the whole pension administration industry were significant. Overall, LPB noted its concerns about the ongoing LPPA staffing

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issues and agreed that it would be important to continue to discuss this matter with LPPA representatives over the next few meetings.

The LPB:

1. **Noted** the LPFA Quarterly Client Report and update for Q3 (2022/23) including the key performance indicator (“KPI”) performance detailed within the report; and
2. **Noted** the Engagement and Communications activities over the reporting period.

4 LPB173 – LPFA CORPORATE COMMUNICATIONS UPDATE

Submission

To provide an update on corporate communications activity since the last meeting.

Discussion

- 4.1 The LPFA Head of Communications and Engagement provided an overview of LPFA engagement activity since the last meeting, with key highlights being the forthcoming launch of a net zero section on the website, and the development of a retirement living standards page.
- 4.2 The LPB heard that the 2023 LPFA Employer Forum would take place on 2 November 2023, and the agenda was currently being developed. It was also noted that notwithstanding some challenges in identifying a suitable alternative venue for the 2023 Fund Member Forum, the intention was to evolve this event to increase participation levels amongst active members.
- 4.3 It was also advised that in early February 2023, a pilot project had commenced whereby 4,000 deferred members had been sent hard copy communications encouraging them to register on PensionPoint, with a second tranche of letters due to be sent out in due course. The LPFA CEO added that although there were significant costs attached to hard copy communications, this was a positive example of where to do so was the right choice, a viewpoint that was supported by the LPB.
- 4.4 The LPFA Head of Communications and Engagement updated that the Member Survey had recently been distributed to all LPFA members for whom LPFA had an email address. Responding to a query raised, it was confirmed that whilst there was no formal requirement for LPFA to consider members’ views when taking Fund decisions, in reality these were considered through a range of mechanisms, including member survey feedback. Thus for example, in response to feedback from the previous survey that members wished to see more information on investments, an investment transparency dashboard had been introduced on the LPFA website. It was also noted that LPB played an important role in feeding the member and employer experience into LPFA governance and decision-making through its role in reviewing relevant LPFA policies before they were approved by the LPFA Board.
- 4.5 One member of the LPB commented positively on the video on the website on LPFA’s progress on tackling climate change, to which it was confirmed that the plan was to, subject to resources, to do more of this type of communication.
- 4.6 The LPFA Head of Communications and Engagement then provided a brief overview of the planned LPFA Communications Team Strategy for 2023/24. One area to highlight was planned work with the leading impact advisory firm, the Good Economy, to map the Fund’s assets. Plans to increase the coverage of the investment transparency dashboard and member focused communications on responsible investment were also highlighted.

The LPB noted LPFA’s communications activity over the period.

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5 LPB174 – LPFA RISK MANAGEMENT

Submission

To provide an annual update on LPFA risk management.

Discussion

- 5.1 The LPFA Compliance and Risk Manager introduced this item, explaining that overarching responsibility for organisational risk management had recently been transferred into the Compliance function. Further to a question raised, it was explained that LPPA's current resourcing challenges had an inevitable impact on LPFA's own risk environment, a fact that had been reflected in the risk register.
- 5.2 Noting that on the risk register one risk, LPFA Resourcing (O6), was currently deemed to be outside tolerance, one member queried whether it should be moved to a 'red' rating. However, the LPFA Compliance and Regulation Manager clarified that risk rating and risk tolerance were two separate issues, and so a rating in one area did not necessarily impact on the other.
- 5.3 The Chair queried why the risk relating to Member Services (P1) had not been increased given LPPA's current staffing recruitment and retention issues, to which it was explained that LPPA had plans in place to address this matter, which would be monitored by LPFA Compliance and if necessary both the risk score would be increased.

The LPB **noted** the risk dashboard and the risk register.

6 LPB175– COMPLIANCE OVERSIGHT AND REGULATION REPORT

Submission

To provide LPB with an update on regulatory and compliance matters related to the Fund.

Discussion

- 6.1 The LPFA Compliance and Regulation Manager introduced the report, explaining that he was now leading on LPFA's relationship with LPPA from an operational perspective, and was challenging LPPA to account for the reduction in service level SLAs for high priority cases, such as deaths and retirements, which had been substantively below the agreed reduced 90 percent SLA implemented during PACE. Similarly, LPFA was engaging with LPPA with a view to calling for improvements to its Common Data and Conditional Data accuracy scores.
- 6.2 The LPB was advised that following the potential breach of the Annual Benefit Statement ("**ABS**") production to members reported to the last meeting, an investigation had been carried out by LPFA. In summary, the findings were that whilst there had been a breach, under the Pension Regulator's ("**tPR**") own criteria and guidance, it did not constitute a material breach. Consequently, the matter had been reported to the tPR as a 'green breach'. Discussions were also ongoing with LPPA to avoid similar issues arising in the future.
- 6.3 In response to a question from one member, the LPFA Compliance and Regulation Manager advised that LPPA had been asked to provide root cause analysis on a separate breach whereby one member's data had been released to another member and the results of this were pending.
- 6.4 The LPFA Compliance and Regulation Manager provided assurances on the steps taken to ensure that LPFA had robust cyber security controls, including a central reporting system and forthcoming staff training. It was further noted that whilst LPFA staff did not routinely deal with member data, LPPA staff did and this organisation had recently attained Cyber Plus accreditation. When asked whether cyber security would feature in the 2023/24 internal audit programme, it was clarified that an audit of this topic had been carried out during 2022/23, with all of the management actions arising from this audit having been subsequently addressed.

The LPB:

1. **Noted** the compliance with TPR Code of Practice 14;

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2. **Noted** the compliance oversight of LPP Group;
3. **Noted** the LPFA compliance update;
4. **Noted** the draft LPFA Policy and Procedures for the Reporting of Breaches of the Law;
5. **Noted** the ABS Breach Report;
6. **Noted** the Bi-Annual Statement on Monitoring LPFA Investment Costs including Custodian and Transaction Costs;
7. **Noted** the Biannual Assurance Statement on Cyber Security;
8. **Noted** the Assurance Statement on Cyber Security provided by LPPI;
9. **Noted** the Whistleblowing Assurance Statement; and
10. **Noted** the Regulatory and Horizon Scanning updates.

7. LPB176- GOVERNANCE, PUBLIC POLICY STATEMENTS AND LPB FORWARD PLANNER

Submission

To present the LPFA Corporate and Strategic (“**C&S**”) Board session minutes from 8 December 2022 (draft) and the forward planner.

Discussion

- 7.1 The LPB noted the LPFA Corporate and Strategic Board session minutes from the meeting held on 8 December 2022 and the LPB forward planner.

The LPB:

1. **Noted** the LPFA Board C&S minutes from 8 December 2022; and
2. **Noted** the LPB Forward Planner.

8. ANY OTHER BUSINESS

- 8.1 On behalf of LPFA and the LPB, the LPFA CEO thanked William Bourne for his excellent chairing of the LPB over the past seven and a half years. In recognition of his dedication and service in the role of Independent LPB Chair, he was also presented with a small gift. In turn, William Bourne noted that he had enjoyed working with LPFA officers and LPB members alike during his time as chair.
- 8.2 The Chair and LPFA CEO thanked the outgoing Governance Manager for her service and support and wished her all the best in her new role.
- 8.3 The date of the next meeting was scheduled on 21 June 2023 at the LPFA Union Street Office.
- 8.4 There being no further business, the Chair closed the meeting at 12.27.

Andy Cunningham, LPB Chair

Date: