

Lancashire County Council

Pension Fund Committee

**Minutes of the Meeting held on Friday, 5th June, 2015 at 10.45 am in
Cabinet Room 'C' - The Duke of Lancaster Room, County Hall, Preston**

Present:

County Councillors

M Barron	M Otter
L Beavers	C Pritchard
D Borrow	A Schofield
C Crompton	K Sedgewick
G Dowding	D Westley
J Fillis	D Whipp
T Martin	B Yates

Co-opted members

Paul Crewe, (Trade Union Representative)
Councillor Paul Leadbetter, (Lancashire Leaders'
Group representative)
Councillor Edward Pope, (Lancashire Leaders' Group
representative)
Councillor Mark Smith, (Blackpool Council
representative)
James Tattersall, (Trade Union Representative)
Councillor Ron Whittle, (Blackburn with Darwen
Borough Council representative)

Independent Advisors

Aoifinn Devitt
Eric Lambert
Noel Mills

1. Appointment of Chair for the Meeting

In the absence of both the Chair and Deputy Chair, the Clerk invited nominations for a member of the Committee to act as Chair for this meeting only. County Councillor David Borrow was nominated by County Councillor Crompton and seconded by County Councillor Lorraine Beavers.

Resolved: - That County Councillor David Borrow be appointed Chair for this meeting only.

County Councillor Borrow then assumed the Chair.

Announcements

The Chair announced that this would be the final meeting for Noel Mills, Independent Advisor to the Lancashire County Pension Fund. The Committee thanked Noel for his contribution and wished him well for the future. The Committee welcomed Aoifinn Devitt in her new role as Independent Advisor.

The Chair congratulated Mike Jensen, Chief Investment Officer, on recently being awarded the "Institutional Investor – UK Public Pension Manager of the Year 2015".

The Committee was reminded that, in advance of the special meeting of the Committee on 2 July, two workshops would take place on 18 and 23 June and all Members were encouraged to attend one of these sessions.

2. Apologies

Apologies for absence were received from Alastair Milloy, HE/FE sector representative.

3. Constitution: Chair and Deputy Chair; Membership; Terms of Reference

The Committee considered a report setting out details of the Chair, Deputy Chair, membership and Terms of Reference of the Committee for 2015/16, presented at Appendix A.

Resolved: - That:

- (i) The appointment of County Councillors K Ellard and M Parkinson as Chair and Deputy Chair respectively of the Pension Fund Committee for the 2015/16 municipal year be noted;
- (ii) The membership of the Pension Fund Committee be noted;
- (iii) the Terms of Reference of the Pension Fund Committee be noted

4. Disclosure of Pecuniary and Non-Pecuniary Interests

None.

5. Minutes of the Meeting held on 27 March 2015

The Minutes of the meeting held on 27 March 2015 were presented.

It was noted that County Councillor Barrie Yates had submitted his apologies but that these had not been recorded in the minutes. It was also noted that Mr Paul Crewe, Trade Union representative, was incorrectly included as a County

Councillor. It was proposed that the minutes were amended to address these points.

Resolved: - That the minutes of the meeting held on 27 March 2015, amended as set out above, be confirmed and signed by the Chair.

6. Exclusion of Press and Public

Resolved: - That the press and members of the public be excluded from the meeting during consideration of the following items of business on the grounds that there would be a likely disclosure of exempt information as defined in the appropriate paragraph of Part 1 of schedule 12A to the Local Government Act, 1972, indicated against the heading to the item. It was considered that in all the circumstances the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

7. Investment Panel Report

(Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act, 1972. It was considered that in all the circumstances of the case the public interest in maintaining the exemption outweighed the public interest in disclosing the information)

Aoifinn Devitt, a new independent advisor to the Pension Fund, was welcomed to the meeting.

The Committee received a report from the Investment Panel setting out the work of the Panel from its meeting held on 26 March 2015, and giving market context for the second quarter.

The Committee's attention was specifically drawn to the following key areas considered by the Panel:

- The Investment and Market Context in which the Fund is operating
- Annual Property Manager Review
- Infrastructure Strategy Paper
- Further Credit Allocations
- Liability Management
- Investment Panel Work-plan

Resolved: - That the report, now presented, be noted.

8. Investment Performance Report

(Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act, 1972. It was considered that in all the circumstances of the case the public interest in maintaining the exemption outweighed the public interest in disclosing the information)

The Committee considered a report on the performance of the Fund as at 31 March 2015, focussing on the key areas of:

- the funding position;
- cash flow
- fund investment performance;
- manager performance
- investment allocations; and
- risk management of the Fund including liability, credit, liquidity, investment and operational risks.

Resolved: - That the report, now presented, be noted.

9. Creation of an Asset and Liability Management Partnership with the London Pension Fund Authority

(Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act, 1972. It was considered that in all the circumstances of the case the public interest in maintaining the exemption outweighed the public interest in disclosing the information)

The Committee considered a further report on the positive progress of discussions with the London Pensions Fund Authority (LPFA) on the creation of an Asset and Liability Management Partnership in furtherance of the Committee's support for increased collaboration between LGPS Funds.

A high level business case for the LCPF/LPFA Asset and Liability Management was presented at annex 3 to the report. The Committee was asked to note the benefits set out in the business case.

Committee members were encouraged to attend the workshops run by the Director of the Pension Fund in advance of the special meeting of the Committee on 2 July which would give further consideration to the proposals.

Resolved: - That:

- (i) The content of the report, now presented, and progress made in discussions with the LPFA be noted;
- (ii) The minutes of the Joint Member Working Group be noted;
- (iii) The Sovereignty Agreement be approved;
- (iv) The business case be noted.

Part I

Resolved: - That the Committee returns to the remaining Part I agenda items.

10. Lancashire County Pension Fund - Report on Administering Authority Discretions

The Committee received a report on Administering Authority discretions, outlining proposals in relation to five key policy areas:

- Abatement of pensions
- Transfer in of pension rights
- Commutation of pensions
- Admissions and Terminations
- Bulk Transfers

There was some discussion around setting the threshold for abatement at £30k. It was suggested that the Committee would benefit from further information around commutation, a proposed Equality Impact Assessment and the increments that would result if the threshold was set lower than £30k, before going out to consultation.

Resolved: - That consideration of the recommendations set out at Appendices 'A', 'B', 'C', 'D' and 'E' of the report, now presented, be deferred to the next ordinary meeting of the Committee to be held on 4 September 2015, to allow for further information to be included on the impact of different pension threshold levels, an Equality Impact Assessment and commutation of pensions.

11. Infrastructure Investment Strategy Report

The Committee received a report outlining the proposed Infrastructure Investment Strategy for the fund.

The Fund had successfully deployed 6% of the Fund in infrastructure assets. The Fund had sought a diversified portfolio of income producing infrastructure assets accepting some economic risk. This has produced net returns over the first four years of investment of around 16% per year.

The report proposed that the target of the infrastructure allocation should be a split weighted towards direct investment as follows:

Direct investment: Two thirds
Fund- based investments: One third

The report proposed that the Fund should actively build a portfolio of direct investments in regulated and economic infrastructure where the investment case indicates that the asset will achieve at least the benchmark return of 8% per year even using a pessimistic set of assumptions.

There was a discussion around how the Committee could effectively be kept up to date on the work of the Investment Panel. It was agreed that the Director of the Pension Fund would discuss options with the Chair in due course, having regard to the issues of corporate confidentiality.

Resolved: - That the Infrastructure Investment Strategy, now presented, be approved

12. Lancashire County Pension Fund - Annual Governance Statement 2014/15

The Committee received the LCPF Annual Governance Statement 2014/15. The statement outlined the Fund's responsibilities, the Governance Framework, measurement of quality of services, definition of roles and responsibilities, a review of the effectiveness of the decision making framework, fulfilling the core functions of an Audit Committee and compliance with laws and regulations, a review of effectiveness, and actions planned for 2015/16.

Resolved: - That the statement, now presented, be approved, and signed by the Chair and Director of the Pension Fund.

13. Your Pension Service - Annual Administration Report

The Committee received the Annual Administration Report for Your Pension Service, describing the performance of Your Pension Service against the standards set out in the SLA during 2014/15, including performance, customer service, legislative change, appeals, e-development and charges.

Resolved: - That the report, now presented, be noted.

14. Responsible Investment

The Committee considered an update on the Fund's 'Responsible Investment (RI)' related activities.

The report provided the latest quarterly update for the Committee on the work undertaken on the Fund's behalf by Pensions and Investment Research Consultants Ltd (PIRC) in accordance with current voting guidelines and the engagement activity undertaken by LAPFF. It was noted that during the period 01 January 2015 to 31 March 2015 the Fund had voted on 441 occasions and had opposed or abstained in 27% of votes.

The report also included an updated action plan from the Member Working Group on RI. The Committee were informed that additional resource had been allocated to this area, and a project to map work in this area was ongoing, with a view to bringing a proposal to the Committee regarding how the work was managed and aspirations for the RI work. This would be brought to the meeting scheduled for 04 September 2015.

The Committee was informed that LAPFF had proposed a mentoring scheme to support investment officers and managers working in the Pension industry. It was suggested that the Chair should be consulted and a further report brought to the meeting scheduled for 02 July 2015 for the Committee's consideration.

Resolved: - That:

- (i) The report, now presented, be noted;
- (ii) A further report on the mentoring scheme be received at the meeting scheduled for 2 July 2015.

15. Internal Audit Service Annual Report 2014/15 and Plan 2015/16

The Committee considered the internal audit annual report for the Lancashire County Pension Fund.

Based on the internal audit work undertaken during the year, the internal audit service was able to provide substantial assurance around the internal controls in place for the Pension Fund. Further details around the areas of administration, the accounting system and investment management were presented.

The Committee also received details of the internal audit plan of work for 2015/16.

Resolved: - That:

- (i) The internal audit annual report for 2014/15, now presented, be noted;
- (ii) The internal audit plan for 2015/16, now presented, be approved.

16. Urgent Business

None.

17. Date of Next Meeting

It was noted that the next meeting of the Committee would be held on Thursday 2 July 2015 at 10.00am at County Hall, Preston.

I Young
Director of Governance, Finance
and Public Services

County Hall
Preston