

Lancashire County Council

Pension Fund Committee

Minutes of the Meeting held on Friday, 27th November, 2015 at 10.45 am in Cabinet Room 'C' - The Duke of Lancaster Room, County Hall, Preston

Present:

County Councillor Kevin Ellard (Chair)

County Councillors

M Barron	M Otter
L Beavers	A Schofield
D Borrow	K Sedgewick
G Dowding	D Westley
J Gibson	D Whipp
R Newman-Thompson	B Yates

Co-opted members

Paul Crewe, (Trade Union Representative)
Councillor Edward Pope, (Lancashire Leaders' Group Representative)
Councillor Ron Whittle, (Blackburn with Darwen Borough Council Representative)

External Advisors

Aoifinn Devitt
Eric Lambert

County Councillors J Gibson and R Newman-Thompson replaced County Councillors J Oakes and M Parkinson at this meeting.

It was reported that the County Council had appointed Abbi Leech as the interim Head of the Lancashire County Pension Fund. This followed the recent appointment of the Fund's current Director, George Graham, as Chief Finance Officer designate to the new Lancashire and London Pension Fund Partnership.

1. Apologies

Apologies were received from Councillor P Rankin and Councillor M Smith.

2. Disclosure of Pecuniary and Non-Pecuniary Interests

George Graham, Mike Jensen, Diane Lister, Richard Tomlinson, Frances Deakin and Andy Fox declared an interest in agenda item 7 (Lancashire and London Pensions Partnership - Report on Progress of Documentation) in view of their likely TUPE transfer to the new partnership. County Councillor D Borrow also declared a non-pecuniary interest as the County Council Shareholder representative on the Partnership's Board.

3. Minutes of the Meeting held on 10 November 2015

Resolved: - That the minutes of the meeting held on 10 November 2015 be confirmed as a true and accurate record and be signed by the Chair.

4. 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.

5. Fund 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 30 September 2015. The information was again presented in the new format to ensure that it was more focussed and easy to understand. The new format also included commentary from individual portfolio managers to highlight particular issues, areas of concern and key risks.

Particular reference was made to the following areas:

- The economic backdrop;
- The total fund return at 30 September 2015;
- 12 months performance to 30 September 2015 in respect of equities, property, credit, infrastructure, private equity;
- Funding ratio since 31 March 2013;
- Fund allocations;
- Contributions net of benefits.

The Committee welcomed the new report format and members felt that it would also be useful to receive a summary of income generated by the Fund. Officers agreed to include this information in future reports.

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

6. 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).

The Committee received a report from the Investment Panel setting out the work of the Panel since the last meeting of the Committee. 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 including the impact of China's economy;
- Performance Report;
- LLPP Panel Due Diligence role;
- QC opinion regarding use of derivative;
- Annual Equity Manager Reviews;
- Credit Strategy Annual Reviews;
- Transactions in progress;
- Infrastructure Due Diligence and request for investment approval;
- Transactions outside of Panel Meeting.

Members particularly discussed the effects of the US and Chinese economies on worldwide markets. The presentation of information showing the level of worldwide exports to China as a % of GDP was welcomed and officers were asked to circulate comparative information in respect of worldwide exports from China.

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

7. Lancashire and London Pensions Partnership - Report on Progress of Documentation

(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 setting out an update on the satisfactory progress made on the various documentation required for the development of a Lancashire and London Pensions Partnership.

Mark Packham, PricewaterhouseCoopers (PwC), attended and presented an update to the Pension Fund Committee on the financial business model produced by the Director of the Fund to assess the viability of the LLPP and the likely savings to the Lancashire County Pension Fund and the London Pensions Fund Authority (LPFA).

It was noted that discussions with the LPFA were on-going, and that further work would need to be undertaken by County officers and by PwC. The Committee also noted that consideration was being given to the appropriate mechanism for approving, for the purposes of the County Council's governance processes, the remuneration to be paid to Directors of the Partnership Board.

Members were informed that further updates would be presented in due course.

Resolved: - That recommendations (i) – (iv) as set out in the report, now presented, be approved.

8. Progress on Delivering the Lancashire County Pension Fund Strategic Plan

The Committee considered a report setting out progress on delivering the Lancashire County Pension Fund Strategic Plan. The plan was structured around the following four dimensions that impact on the running of a successful pension fund:

- Governance
- Asset and Liability Management
- Administration, and
- Communication

Appendix 'A' provided an update on progress made against the various objectives set out in the plan over the first six months of the year. The progress was pleasing particularly in view of the considerable amount of time spent by officers on the development of the Lancashire and London Pensions Partnership which had not been envisaged when the plan was first approved.

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

Part I

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

9. Lancashire County Pension Fund Interim Administration Report

The Committee considered an interim administration performance report for the period 1 April to 30 September 2015. The report set out performance against standards and targets as defined in a Service Level Agreement with Your

Pension Service and indicated that service delivery had been maintained throughout a significant period of change.

Members welcomed the report and the continued excellent performance of Your Pension Service.

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

10. Responsible Investment

The Committee considered a report which provided the Pension Fund Committee with its regular update on Responsible Investment (RI) related matters which included:

- the fund's annual review of its Statement of Compliance with the UK Stewardship Code;
- the outcome of meetings with equity managers to discuss the Fund's aspiration in developing its RI approach going forward;
- the fund's investment in fossil fuels;
- voting and engagement activities on behalf of the fund;
- shareholder litigation;
- active investing; and
- an update on the action plan produced by the RI member working group.

It was agreed that the action plan should form part of the main stream work being undertaken in developing the new Lancashire and London Pensions Partnership including its detailed operating model.

It was reported that the Government proposed to introduce new restrictions around RI and members noted that a further report would be presented to the Committee at its meeting on 29 January 2016.

Resolved: That:

- (i) The report, now presented, be noted;
- (ii) The Stewardship Code Compliance Statement for 2015 set out at Appendix 'A', now presented, be approved.

11. Feedback from Committee Members on External Pension Fund Training Events and Conferences

The Committee considered a report on external Pension Fund training events and conferences attended by Members since the last meeting of the Committee.

Committee Members reported on their recent attendance as follows:

- CIPFA Pensions Network October Seminars, 1 October 2015, Manchester
Attended by County Councillor Mike Otter

- NAPFA Annual Conference/Exhibition, 14 - 16 October 2015, Manchester
Attended by County Councillors David Borrow and Kevin Ellard and Councillor Eddie Pope
- LGA Pooled Investment Event, 16 October 2015, London
County Councillor Miles Parkinson attended this event but was unable to attend the meeting to provide feedback.
- Local Government Annual Pension Investment Forum, 20 - 22 October 2015, London
Attended by County Councillors Lorraine Beavers, Gina Dowding, Kevin Ellard and Janice Hanson
- NAPF Local Authority Forum, 3 November 2015, London
Attended by County Councillor Kevin Ellard

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

12. Urgent Business

There was no urgent business to be considered.

13. Date of Next Meeting

The Committee noted that the next meeting of the Committee would be a special meeting and would be held on Friday 29 January 2016 at 10.00am in Cabinet Room 'C' - The Duke of Lancaster Room, County Hall, Preston.

I Young
Director of Governance, Finance
and Public Services

County Hall
Preston