

Lancashire County Council

Pension Fund Committee

**Minutes of the Meeting held on Thursday, 15th September, 2016 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	C Pritchard
L Beavers	A Schofield
G Dowding	K Sedgewick
J Oakes	D Watts
G Gooch	D Westley
M Otter	D Whipp
M Parkinson	

Co-opted members

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

Independent Advisors

Elizabeth Carey
Eric Lambert

Announcements

County Councillor David Watts replaced County Councillor David Borrow at this meeting.

The Chair welcomed County Councillor Graham Gooch as a new member of the Committee replacing County Councillor Barrie Yates. A welcome was also extended to William Bourne, Chair of the Lancashire Local Pension Board.

The Chair announced the following awards:

- The Pension Fund had been named as the State Street Top Performing Fund in the Local Government Pension Scheme;

- The Investment Team had been awarded 'Best Use of Private Debt' by the Alternative Investment Institute;
- The Your Pension Service had been re-accredited with the Government's Customer Service Excellence Award.

The Committee extended its congratulations to all those involved.

The Chair informed the Committee that, due to the timescales involved in the valuation process, it would be necessary to bring forward the Committee meeting scheduled for Friday 31 March 2017. It was proposed that the meeting be brought forward to Friday 17 March 2017 at 2pm.

1. Apologies

Apologies for absence were received from Councillor Mark Smith, Blackpool Council, and Alastair Milloy, HE/FE Sector.

2. Disclosure of Pecuniary and Non-Pecuniary Interests

None declared.

3. Minutes of the Meeting held on 10 June 2016

Resolved: - That the minutes of the meeting held on 10 June 2016 be confirmed as a true and accurate record and be signed by the Chair.

4. Lancashire Local Pension Board - Annual Report 2015/16

The Chair of the Lancashire Local Pension Board, William Bourne, attended and presented the first annual report of the Board which covered 2015/16.

Local Pension Boards had been established as a result of the Public Service Pensions Act 2013. The remit of each Board was to ensure Funds complied with legislation and policies, to ensure effective and efficient governance and administration of the scheme and, where possible, to 'add value'.

It was reported that the Board was required to produce a report on the nature and effect of its activities for consideration by the Administering Authority. The report included details of the following:

- Attendance of members at Board meetings;
- Training and development activities provided for members of the Board and attendance at such activities;
- Any recommendations made by the Board to the Scheme Manager and the Scheme Manager's response to those recommendations;
- Costs incurred in the operation of the Board.

It was noted that, in effect, the Board performed a scrutiny role and was able to provide a different perspective given that its membership included both employer and employee representatives.

Resolved: - That:

- (i) The report, now presented, be noted;
- (ii) That the Chair of the Board be thanked for his attendance and the Board be thanked for the work undertaken during 2015/16.

5. Exclusion of Press and Public

Resolved: - That the press and 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.

6. 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 presentation and report on the performance of the Fund as at 30 June 2016. A commentary from individual portfolio managers to highlight particular issues, areas of concern and key risks was included.

Particular reference was made to the following areas:

- The economic backdrop;
- The total fund return at 30 June 2016;
- 12 months performance to 30 June 2016 in respect of equities, real estate, credit, infrastructure and private equity;
- Funding ratio since 30 June 2016;
- Fund allocations;
- Contributions net of benefits and investment income.

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

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).

The Committee considered 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:

- The context for the Panel's work including the impact of Brexit; fixed income and currencies; the economic backdrop in China; and recent developments in oil prices;
- The continuing strong performance of the Fund;
- The future format of Investment Panel meetings.

Resolved: - That:

- (i) The report, now presented, be noted;
- (ii) The independent advisors, the investment team and all involved in the strong performance of the Fund, be thanked.

8. Local Pensions Partnership Update

(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 first quarter of activities of the Local Pensions Partnership.

Reference was made to the following areas of activity:

- Quarter 1 highlights;
- Investment and liability management;
- Pensions administration;
- Action Plans;
- Staffing.

Resolved: - That:

- (i) The report, now presented, be noted;
- (ii) George Graham, Managing Director (Administration) and Chief Finance Officer, Local Pensions Partnership, be thanked for his attendance.

9. Update on Work being undertaken on Governance and Risk

The Committee considered a report setting out details of details of the work being undertaken by PwC, on behalf of the Fund, to ensure that there is effective risk management and governance arrangements in place following the creation of the Local Pensions Partnership.

It was reported that workshops with stakeholders were due to start in late September and it was intended to report back to the Committee at the next meeting on 2 December.

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

10. Annual Report and Statement of Accounts of Lancashire County Pension Fund for the year ended 31 March 2016.

The Committee considered the Annual Report and Statement of Accounts of the Lancashire County Pension Fund for the year ended 31 March 2016.

The Chair drew the Committee's attention to the forthcoming valuation of the Fund which would be a key focus for the Committee over the coming months.

The report would be considered by both the County Council's Audit and Governance Committee and the Full Council.

Resolved: - That:

- (i) The Lancashire County Pension Fund Annual Report for the year ended 31 March 2016, as set out at Appendix 'A' to the report, now presented, be approved;
- (ii) That all those involved in the success of the Fund during the year be thanked.

11. Statement of Investment Principles

The Committee considered a report on an updated Statement of Investment Principles.

It was reported that the changes brought about by the creation of the Local Pensions Partnership were treated, under regulations, as a material change which necessitated an update to the document.

The main changes which had been made were as follows:

- Changes to the Governance Policy Statement approved by the Committee on 10 June 2016;
- Changes to the investment management of the Fund;
- The strategic asset allocations as approved by the Investment Panel.

It was noted that, once the new Pensions Regulations had been enacted, the Statement of Investment Principles would be replaced by an Investment Strategy Statement which the Committee would be asked to consider and approve in 2017.

A query was raised as to why the approach to investing in the Statement of Investment Principles did not include active investing which was included under the Responsible Investment approach. It was noted that this was an omission and would be updated for the new Investment Strategy Statement.

Resolved: - That the updated Statement of Investment Principles, as set out at Appendix 'A' to the report, now presented, be approved.

12. Responsible Investment

The Committee considered a report setting out the quarterly update on Responsible Investment matters.

Appendix 'A' to the report set out details on how the Fund's commitment to long term responsible asset ownership is being fulfilled in practice.

It was reported that a revised Statement of Compliance with the Stewardship Code would be drafted in line with an initiative by the Financial Report Council. Due to the timescales, it was proposed to authorise the Chair of the Committee, in consultation with the Head of Fund, to approve the revised Statement of Compliance which would then be brought to the Committee meeting on 2 December.

It was suggested that Responsible Investment should be the subject of a monthly workshop, preferably prior to the end of year.

Resolved: - That:

- (i) The report, now presented, be noted;
- (ii) The Chair be authorised, in consultation with the Head of Fund, to approve a revised Statement of Compliance with the Stewardship Code;
- (iii) That Responsible Investment be the subject of a monthly workshop, preferably prior to the end of the year.

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

The Committee considered a report setting out details of attendance by Committee Members at recent conferences, events and external training sessions.

County Councillor Lorraine Beavers and County Councillor Mike Otter reported on their attendance at the LGA's 13th Annual LGPS Trustees Conference which had taken place in Manchester on 23 and 24 June. The conference had been extremely useful and it would be helpful for all Committee Members to attend in the future. Areas covered included:

- Transparency in costs;
- Hidden costs and the FCA enquiry into asset management costs;
- A consensus that Lancashire was much further advanced than other funds in terms of its partnership with the London Pensions Fund Authority.

It was suggested that it might be appropriate to invite speakers from the conference to attend a future meeting of the Committee or a monthly workshop.

County Councillor Kevin Ellard and Abbi Leech reported on their attendance at the LGC's Investment Summit which had taken place in Newport on 8 and 9 September.

Areas covered included:

- Managing assets and liabilities in new pools;
- Governance;
- A presentation from the Chair of the Scheme Advisory Board;
- As above, a consensus that Lancashire was much further advanced than other funds in terms of its partnership with the London Pensions Fund Authority.

Councillor Eddie Pope reported on his attendance at a workshop on the work undertaken by the Government Actuary Department in respect of Section 13 of the Public Service Pensions Act 2013, which had taken place in Durham on 2 September.

It was noted that, in a dry run of the valuation process, Lancashire had come out well at 93% funded.

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

14. Report of Decisions taken under the Urgent Business Procedure

The Committee considered a report setting out details of items of urgent business dealt with since the last meeting of the Committee. These were:

- Local Government Pension Scheme - Criteria for Polling of Assets - Final Submission to Government (14 July 2016);
- Provision for Independent Property Valuation Services for the Lancashire County Pension Fund (12 August 2016).

Both decisions had been taken by the Director of Governance, Finance and Public Services following consultation with the Chair and Deputy Chair of the Committee.

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

15. Urgent Business

There was no urgent business to be considered.

16. Date of Next Meeting

The Committee noted that the next meeting of the Committee would be held on Friday 2 December 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