

## **Lancashire Local Pension Board**

**Minutes of the Meeting held on Tuesday, 5th July, 2016 at 2.00 pm in Room A05 - A Floor, County Hall, Preston**

### **Present:**

#### **Chair**

William Bourne

#### **Committee Members**

Steve Browne, Lancashire County Council  
Carl Gibson, Other Employers  
Kathryn Haigh, Active Members  
Bob Harvey, Pensioner Members  
County Councillor Tony Martin, Lancashire County Council  
Yvonne Moulton, Active Members  
Steve Thompson, Unitary, City, Boroughs, Police and Fire

#### **Officers**

Abigail Leech, Head of Fund

#### **1. Apologies**

Apologies were received from John Hall.

#### **2. Disclosure of Pecuniary and Non-Pecuniary Interests**

County Councillor Tony Martin declared a non-pecuniary interest as a member of Burnley Borough Council.

#### **3. Minutes of the Meeting held on 11 April 2016**

**Resolved:** - That the minutes of the meeting held on 11 April 2016 be approved as a true and accurate record and be signed by the Chair.

#### **4. Training and Development**

##### **4(a) Feedback from Board Members on Recent Training Events and Conferences**

The Board considered a report setting out details of training events and conference attended by Board Members since the last meeting of the Board.

Board Members had attended the following:

- An Introduction to the Virtual Reading Room - 29 April 2016

- PLSA Local Authority Conference 2016 - 16/17/18 May 2016
- Review of the Investment Characteristics of Traditional Assets and their Relevance and Appropriateness for Pension Fund Investing - 25 May 2016
- Local Pension Boards - One Year On Seminar - 29 June 2016
- Review of the Investment Characteristics of Alternative Assets and their Relevance and Appropriateness for Pension Fund Investing - 30 June 2016

The following points were raised/noted:

- The PLSA conference in May had been better attended than ever before and it had been useful to share with other Pension Board Chairs and Members how Boards had found the first year of operation. It had been obvious that there was a wide range of experiences across Boards. Marcus Jones, the Local Government Minister, spoke about various aspects of the Local Government Pension Scheme (LGPS);
- The presentations made at the Pension Boards Seminar in June had been circulated to Board Members. The Pension Regulator had emphasised that it's role was to 'educate, enable, enforce' and that Boards should focus on administration and compliance and not be too distracted by the current Government proposals around pooling of funds. The Lancashire Local Pension Board appeared to be far more representative than a number of other Boards which did not have the same range of members and, in one case, appeared to operate a Joint Committee structure whereby members sat on both the Pension Board and the Pension Fund Committee;
- The workshop on the review of investment characteristics in May had been useful in highlighting how different the Lancashire fund was to other funds within the LGPS;

The Board noted that it was disappointing that Part II reports and other confidential/sensitive information was no longer being uploaded to the Virtual Reading Room and that existing information had been removed. Abbi Leech, Head of Fund, reported that this was a temporary measure due to concerns raised by Internal Audit and Information Governance about the security of the information given the use of shared login details. Work was being undertaken to address this as soon as possible and, in the meantime, other information would still be uploaded as usual and any confidential information would be made available on request via e-mail.

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

#### **4(b) Annual Review of Member Training Records**

The Clerk reported that he would be contacting each Board Member individually to ensure that training records were complete and up to date. These would then be reviewed by the Board at the next meeting in October.

**Resolved:** - That the action to be taken, now reported, be noted.

#### **4(c) Progress on the Development of a Board Induction Pack**

Abbi Leech, Head of Fund, reported that the development of an induction pack for Board Members was a work in progress and would build on the induction that current Board Members received following the establishment of the Board in 2015. It was suggested that an existing Board Member should act as a mentor to any new Board Member and it had also been suggested that all Board Members should be trained on the legal aspects and legislation relevant to the work of the Board.

**Resolved:** - That the update, now presented, be noted.

#### **5. Local Pension Board - Annual Report 2015/16**

The Chair presented a draft annual report for 2015/16 for consideration by the Board. The Terms of Reference of the Board required that the Board "shall on an annual basis produce a report on both the nature and effect of its activities for consideration by the Administering Authority".

The Chair suggested a number of minor amendments to the draft report which the Board supported.

It was noted that the report would be presented to the next meeting of the Pension Fund Committee on 15 September when the Chair would attend to present the report.

The following points were raised/noted:

- It was felt that the Board played an important role in adding value and contributing to the overall effective governance of the Fund but that it was important that it was not seen to be duplicating or overlapping with the remit of the Pension Fund Committee;
- Issues considered by the Board were shared in various forums by Board Members such as the Lancashire Network of Chief Finance Officers and a similar forum for higher education establishments;
- It was suggested that the Board might consider its pattern of meetings so that it met in advance of the Committee and could consider and make any appropriate recommendations on reports being considered by the Committee.
- The Chair suggested that the role of the Board was to:
  - o Monitor the Pension Fund Committee in terms of compliance with regulations;
  - o Assist the Head of Fund with the effective and efficient running of the scheme;
  - o Consider risk mitigation.
- It was suggested that the Board review its Terms of Reference at the next meeting in October.

**Resolved:** - That:

- (i) The Local Pension Board Annual Report 2015/16, as set out in the report, now presented, be approved subject to the amendments suggested by the Chair;
- (ii) The Board considers and reviews its Terms of Reference at the next meeting in October.

## **6. One Year On - Board Appraisal**

The Board considered and discussed the effectiveness of its work having completed its first year of operation. It was noted that the Pension Fund's Annual Governance Statement for 2015/16 included a planned review of the effectiveness of the Local Pension Board going forward into 2016/17. Abbi Leech, Head of Fund, reported that CIPFA had undertaken some evidence gathering in terms of Boards and the outcome of this would be used to help inform the review. Each Board Member would also be contacted by the Head of Fund in due course as part of that review process.

**Resolved:** - That the update, now presented, be noted.

## **7. Recent Reports Considered by the Pension Fund Committee**

The Board considered a report setting out details of Part I reports recently considered by the Pension Fund Committee at its meeting on 10 June 2016.

Particular reference was made to the following:

- The Your Pension Service Annual Administration Report 2015/16 report set out the performance of the service against the key performance indicators. The Board felt it would be helpful to see some contextual information around each target and that, following the establishment of LPPL, it might now be an appropriate time to review the targets. It was suggested that additional feedback from employers/employees would be helpful, e.g. a short survey at the end of each telephone call made to the service. A survey of employers would assist with employer engagement;
- It was felt that individuals should receive information on the performance of the Fund, e.g. as part of their annual benefit statements and that those starting employment should be made more aware of the benefits of joining the scheme, e.g. the value of employer contributions. The administration charge per member made by Your Pension Service to the Fund was £21.08 for 2015/16 which was below the benchmark of £22.00. It was reported that this was a nationally set benchmark but the Head of Fund would check if this was an average figure;
- The Board agreed that it should receive assurance that each of the Fund's key documents was fit for purpose and up to date and that it should be recommended that the Pension Fund Committee submits an annual report to the Board to that effect;
- The Head of Fund reported on the progress of the valuation of the Fund and the proposed changes in methodology from gilts to CPI plus 2.5. The Board

considered that the deficit recovery period needed to be balanced with affordability and noted the concerns of employers about affordability;

- In terms of responsible investment, there was a balance to be struck whilst recognising that this area was increasing in importance, evidenced, for example, by the new investment regulations which were currently the subject of consultation. The Board's role would be to monitor the strategy set by the Pension Fund Committee rather than have a direct involvement.

**Resolved:** - That:

- (i) The report, now presented, be noted;
- (ii) The Head of Fund raise the issues, set out above, with the Head of Your Pension Service.

## **8. 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, 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.

## **9. Urgent Business**

Kathryn Haigh raised the issue of the payment of death in service lump sums where no nomination had been made by the deceased. A particular instance had been brought to her attention where it had taken almost six months for a payment to be made to the next of kin.

The Head of Fund agreed to raise the issue with Your Pension Service in LPPL with a view to considering how best to raise the profile of the importance of completing death benefit nominations.

**Resolved:** - That the action proposed, as set out above, be noted and supported.

## **10. Date of Next Meeting**

It was noted that the next meeting of the Board would take place on Tuesday 18 October 2016 at 2pm in Room A05, County Hall, Preston.

Further to the discussion earlier in the meeting at item 5, the Clerk was requested to look at the feasibility of aligning meetings of the Board with those of the Pension Fund Committee.

## **11. Local Pensions Partnership**

(Not for Publication - Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act, 1972. It is considered that in all the

circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information).

#### **11(a) Update**

(Not for Publication - Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act, 1972. It is considered that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information).

Abbi Leech, Head of Fund, gave a verbal update on progress following the establishment of the Local Pensions Partnership (LPP). Reference was made to the progress report considered by the Pension Fund Committee on 10 June. It was highlighted that authorisation from the Financial Conduct Authority (FCA) had been received on 11 April and that approval to the Authorised Contractual Scheme (ACS) was outstanding but expected by 1 September.

It was reported that transition arrangements were in place and would, once implemented, take place over a 12 month period. The submission to Government on pooling arrangements was due on 15 September and the LPPL proposals met three of the four criteria required.

**Resolved:** - That the update, now presented, be noted.

#### **11(b) Costs Baseline and Measurement of Future Costs**

(Not for Publication - Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act, 1972. It is considered that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information).

Bob Harvey raised a query on why investment management costs had increased in 2014/15. It was reported that this had been as a result of Chartered Institute of Public Finance and Accountancy (CIPFA) guidance, with which the Fund was now fully compliant, and which broke costs down into three categories. The costs, which were the result of active management, needed to be considered in the longer term context of improved performance and higher returns for the Fund.

Transition costs would be included over the next year but it would be difficult to make comparisons to other LGPS Funds as Lancashire's investment strategy was very different to that of other funds.

It was agreed that a report on costs should be brought to the next meeting of the Board in October.

**Resolved:** - That:

- (i) The update, now presented, be noted;
- (ii) That a report be considered at the next meeting of the Board in October.

## **12. Recent Reports Considered by the Pension Fund Committee**

(Not for Publication - Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act, 1972. It is considered that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information).

The Board considered a report setting out details of Part II reports recently considered by the Pension Fund Committee at its meeting on 10 June 2016.

Particular reference was made to the following:

- Fund Performance Report

It was noted that the Fund had exceeded £6bn in value and was the top performing fund in the LGPS in the current year. The funding ratio had remained static and negative cash flow had been covered by rental income.

- Investment Panel Report

The report set out a number of decisions which had been taken by the Panel prior to the establishment of the LPPL and also set out the current economic and financial context within which the Fund was operating.

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

I Young  
Director of Governance,  
Finance and Public Services

County Hall  
Preston