

Lancashire County Council

Lancashire Local Pension Board

Tuesday, 18th October, 2016 at 2.00 pm in Room A05 - A Floor, County Hall, Preston

Agenda

Part I (Open to Press and Public)

No. Item

- 1. Apologies**
- 2. Disclosure of Pecuniary and Non-Pecuniary Interests**
- 3. Minutes of the Meeting held on 5 July 2016 and Matters Arising** (Pages 1 - 6)
To be confirmed, and signed by the Chair.
- 4. Review of the Terms of Reference of the Local Pension Board and Proposed Future Activities** (Pages 7 - 18)
- 5. Fund Costs and Measurement of Savings** (Pages 19 - 22)
- 6. Investment Strategy Statement - Department for Communities and Local Government Guidance** (Pages 23 - 36)
- 7. Board Review Process and Appraisal**
(Oral report)
- 8. Training and Development**
 - (a) Feedback from Board Members on Recent Training Events and Conferences** (Pages 37 - 38)
 - (b) Annual Review of Member Training Records** (Pages 39 - 48)
- 9. Recent Reports Considered by the Pension Fund Committee** (Pages 49 - 52)

10. Exclusion of Press and Public

The Board is asked to consider whether, under Section 100A(4) of the Local Government Act, 1972, it considers that the public should 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 I of Schedule 12A to the Local Government Act, 1972, as indicated against the heading to the item.

11. Urgent Business

An item of urgent business may only be considered under this heading where, by reason of special circumstances to be recorded in the minutes, the Chair of the meeting is of the opinion that the item should be considered at the meeting as a matter of urgency. Wherever possible, the Chief Executive should be given advance warning of any Member's intention to raise a matter under this heading.

12. Date of Next Meeting

The next meeting of the Board will be held at 2pm on Tuesday 17 January 2017 in Room A06, County Hall, Preston.

Part II (Not Open to Press and Public)

13. Local Pensions Partnership Update

(Oral report)

14. Recent Reports Considered by the Pension Fund Committee (Pages 53 - 90)

I Young
Director of Governance,
Finance and Public Services

County Hall
Preston

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. 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. 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. 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 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 meetings 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 national 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 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).

I Young
Director of Governance,
Finance and Public Services

County Hall
Preston

Lancashire Local Pension Board

Meeting to be held on 18 October 2016

Electoral Division affected: None

Review of the Terms of Reference of the Local Pension Board and Proposed Future Activity

(Appendix 'A' refers)

Contact for further information: Mike Neville, (01772) 533431, Legal and Democratic Services mike.neville@lancashire.gov.uk

Executive Summary

This report sets out the Board's current Terms of Reference for consideration, together with proposed future activity.

Recommendation

The Board is asked to:

- (i) Consider the current Terms of Reference set out at Appendix 'A', the suggestions for amendments as set out in the report, and make recommendations as appropriate to Lancashire County Council;
- (ii) Consider the proposed future activity for the Board as set out in the report.

Background and Advice

Terms of Reference

The Board's current Terms of Reference were approved by the Scheme Manager, i.e. Lancashire County Council, and were noted by the Board at the first meeting on 8 July 2015. Since then, the governance of the Scheme has changed, because of the establishment of the Local Pensions Partnership (LPP) and its investment arm, LPP(I). The Board may also wish to consider other changes. This report proposes amendments to the current Terms of Reference which would require consideration by the Pension Fund Committee and, ultimately, approval by the Full Council.

The substantial issue is to ensure that, following the governance changes, the Local Pension Board remit is real, and does not duplicate/overlap with that of the Pension Fund Committee, particularly now that LPP is up and running. The Government's remit, which applies to all Local Pension Boards, is set out in 1 a) of the Board's Terms of Reference.

A more detailed remit detailing the second half of the Government's remit, the requirement to assist the Scheme Manager with other matters, is given in section 9 of the Terms of Reference. The role involves but is not limited to oversight and comment on:

Performance Standards

Customer Service standards

Data quality and record keeping

Relative and absolute costs of running the fund

Learning from appeals and complaints

The application of specific policies within the fund,

The steps required to address any deficit within the fund

With the establishment of a new governance regime and the creation of LPP and LPP(I), there is a greater requirement for an independent review of the arrangements between the various executive parties, and this report therefore recommends that Section 9 of the Terms of Reference be expanded to include:

Fitness for purpose of key policy documents

Arrangement between the Fund and LPP and its subsidiaries

Governance arrangements of the Fund

It should be noted that the Board's remit does not extend to the activities of LPP and LPP(I), but is limited to i) scrutiny ii) oversight and comment on the Pension Fund Committee. However, there may be occasions when the Board has concerns about LPP or LPP(I)'s activities, and it is important that there is an open channel through which the Board can raise any concerns it may have over LPP's activities. This report recommends that the Chair of the Board be authorised to raise any such concerns which the Board may have with the Pension Fund's Shareholder Director on LPP's Board.

Finally, this report proposes two additional amendments to the Terms of Reference, as follows:

Terms of Office

Members currently have a single fixed four year term with no scope to serve a second term. There is a steep learning curve for members of the Board, and continuity is desirable in order to make good use of that learning. This report therefore recommends that the current Terms of Reference be amended to allow Members to serve a second term in accordance with the Public Service Pensions Act 2013.

Attendance

Under the current Terms of Reference, members are required to attend 3 out of the 4 Board meetings in any one year. It is appropriate that members should attend most meetings, but much of the Board's work takes place outside meetings, and there is existing provision which allows the Board, with the Scheme Manager, to review the tenure of a Board member whose attendance is consistently unsatisfactory. This

report therefore recommends that the wording 'is required to attend at least 3 meetings' is amended to read 'is expected to attend all meetings'.

Proposed Activities in 2017

The Board has previously agreed that it would on occasion focus on particular aspects of the Fund's operation. The Board is asked to consider its areas of activity for 2017.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

There are no significant risks associated with the proposals set out in this report.

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact/Tel
Report to the Lancashire Local Pension Board – 'Appointment of Chair, Membership and Terms of Reference'	8 July 2015	Mike Neville/(01772) 533431

Reason for inclusion in Part II, if appropriate

N/A

Appendix 'A'

TERMS OF REFERENCE AND DELEGATED AUTHORITIES OF LOCAL PENSION BOARD

1. Role of the Local Pension Board

The role of the Lancashire Pension Board as defined by sections 5 (1) and (2) of the Public Service Pensions Act 2013, is to –

- a) To assist Lancashire County Council as Administering Authority in its role as Scheme Manager; –
 - i. to secure compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS
 - ii. to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator
 - iii. in such other matters as the LGPS regulations may specify
- b) To secure the effective and efficient governance and administration of the LGPS for the Lancashire County Pension Fund
- c) To provide the Scheme Manager with such information as it requires to ensure that any member of the Pension Board or person to be appointed to the Pension Board does not have a conflict of interest.

The Pension Board will also help ensure that the Lancashire County Pension Fund is managed and administered effectively and efficiently and complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

The Pension Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively, but not less than four times in any year.

2. Membership and Appointment Process

The Pension Board shall consist of 9 members and be constituted as follows:

- a) 4 employer representatives, of whom:
 - i. 2 shall be nominated by Lancashire County Council, where these are councillors or officers they shall meet the requirements of the relevant regulations in relation to avoidance of conflict with the County Council's role as Administering Authority;
 - ii. 1 shall be nominated by the Unitary, City, and Borough Councils and the Police and Fire bodies which are employers within the Lancashire County Pension Fund; and

- iii. 1 shall be nominated by all other employers within the Fund.
- b) 4 scheme member representatives of whom:
 - i. 2 shall represent and be drawn from active members of the Lancashire County Pension Fund;
 - ii. 1 shall represent and be drawn from pensioner members of the Lancashire County Pension Fund; and
 - iii. 1 shall represent and be drawn from deferred members of the Lancashire County Pension Fund.
- c) 1 independent member selected by the Scheme Manager, who shall not be a member of the Lancashire County Pension Fund and who shall be appointed as Chair of the Board. Such appointment will only be made following an openly advertised competition for the role.

Members in all categories will only be appointed to the Board by the Scheme Manager if they meet the skill and knowledge requirements set out in the relevant regulations and guidance, and as set out in section 7, below.

Members of the Board in categories a) iii., and b) i., ii., and iii., shall only be appointed after all employers or members of the Fund in those categories have been invited to put forward nominations. Where there is more than one nomination in any category then any nominee who meets the relevant knowledge and skills requirement will be included on a ballot of all members or employers in the relevant category. The winner in such a ballot will be the candidate with the greatest number of votes under the "first past the post" method.

Members of the Board will serve for a term of four years. Other than as a result of retirement at the expiry of this period the term of office will come to an end:

- a) For employer representatives who are councillors if they cease to hold office as a councillor;
- b) For employer representatives who are not councillors when they cease to be employed by the employing body where they were employed on appointment;
- c) For scheme member representatives if they cease to be a member of the relevant member group.

Each Board member should endeavour to attend all Board meetings during the year and is required to attend at least 3 meetings each year. Given the nature of the Board as a supervisory body and the need for appropriate knowledge and skills and the clear avoidance of conflicts of interest substitute members are not permitted.

In the event of consistent non-attendance by any Board member, then the tenure of that membership should be reviewed by the other Board members in liaison with the Scheme Manager.

Other than by ceasing to be eligible as set out above, a Board member may only be removed from office during a term of appointment by the unanimous agreement of all of the other members. The removal of the independent member requires the consent of the Scheme Manager.

3) Quorum

The Board shall not be quorate unless the Chair and at least 2 employer representatives and 2 scheme member representatives are present.

4) Conflicts of Interest

The policy for identifying conflicts of interest is set out in a separate policy document.

5) Board Review Process

The Board will undertake each year a formal review process to assess how well it and its members are performing with a view to seeking continuous improvement in the Board's performance.

6) Advisers to the Board

The Board may be supported in its role and responsibilities through the appointment of advisers, in addition to the Scheme Manager's officers and the Fund's various advisers and shall, subject to any applicable regulation and legislation from time to time in force, consult with such advisers to the Board and on such terms as it shall see fit to help better perform its duties.

The Board shall ensure that the performances of the advisers so appointed are reviewed on a regular basis.

7) Knowledge and Skills

A member of the Pension Board must be conversant with:

- a) The legislation and associated guidance of the Local Government Pension Scheme (LGPS).
- b) Any document recording policy about the administration of the LGPS which is for the time being adopted by the Lancashire County Pension Fund.

A member of the Pension Board must have knowledge and understanding of:

- a) The law relating to pensions, and

- b) Any other matters which are prescribed in regulations.

It is for individual Pension Board members to be satisfied that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Pension Board.

In line with this requirement Pension Board members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date. Pension Board members are therefore required to maintain a written record of relevant training and development.

Pension Board members will undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses.

Pension Board members will comply with the Scheme Manager's training policy.

8) Board Meetings – Notice Minutes and Reporting

The Scheme Manager shall give notice to all Pension Board members of every meeting of the Pension Board, and shall ensure that all papers are published on the Lancashire County Pension Fund Website at least 5 working days prior to each meeting. These may at the discretion of the Scheme Manager be edited to exclude items on the grounds that they would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998.

The Scheme Manager shall ensure that a formal record of Pension Board proceedings is maintained. Subsequent to each meeting the Chair will be asked to approve the minutes for publication as a draft and circulation to all members of the Board.

The Pension 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 contents of this annual report will be subject to consideration and agreement at a meeting of the Board, but should include, inter alia:

- a) Details of the attendance of members of the Board at meetings;
- b) Details of the training and development activities provided for members of the board and attendance at such activities;
- c) Details of any recommendations made by the Board to the Scheme Manager and the Scheme Manager's response to those recommendations;

- d) Details of the costs incurred in the operation of the Board

The Board in considering items of business at its ordinary meetings shall in relation to each item consider whether it wishes to make a recommendation to the Scheme Manager, to which the Scheme Manager shall respond at the subsequent meeting.

9) Remit of the Board

The Pension Board must assist the Scheme Manager with such other matters as the scheme regulations may specify. It is for scheme regulations and the Scheme Manager to determine precisely what the Pension Board's role entails. This role involves but is not limited to oversight and comment on:

- Performance standards;
- Customer service standards;
- Data quality and record keeping;
- Relative and absolute costs of running the fund;
- Learning from appeals and complaints;
- The application of specific policies within the fund, and
- The steps required to address any deficit within the fund.

10) Standards of Conduct

The role of Pension Board members requires the highest standards of conduct and therefore the "seven principles of public life" will be applied to all Pension Board members and embodied in their code of conduct.

These principles are:

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership

11) Decision making

Each member of the Pension Board will have an individual voting right but it is expected the Pension Board will as far as possible reach a consensus. The Chair of the Pension Board will not have a final deciding vote.

12) Publication of Pension Board information

Scheme members and other interested parties will want to know that the Lancashire County Pension Fund is being efficiently and effectively managed. They will also want to be confident that the Pension Board is properly constituted, trained and competent in order to comply with scheme

regulations, the governance and administration of the scheme and requirements of the Pension Regulator.

Up to date information will be posted on the Lancashire County Pension Fund website showing

- The names, contact details and other relevant information about the Pension Board members;
- How the scheme members are represented on the Pension Board
- The responsibilities of the Pension Board as a whole;
- The full terms of reference and policies of the Pension Board and how they operate;
- Details of the Pension Board appointment process;
- Any specific roles and responsibilities of individual Pension Board members.

The Scheme Manager will also consider requests for additional information to be published or made available to individual scheme members to encourage scheme member engagement and promote a culture of openness and transparency.

13) Accountability

The Pension Board will be collectively and individually accountable to the Scheme Manager.

14) Expense Reimbursement and Remuneration

All members of the Board shall, on the production of relevant receipts be reimbursed for travel and subsistence expenses they have actually and necessarily incurred in the conduct of their duties as a member of the Board, including attendance at relevant training and development activities.

Members of the Board shall be reimbursed a mileage allowance for use of their own car at the rate proscribed by HM Revenues and Customs from time to time as adopted by Lancashire County Council.

Where members of the Board are in employment their employer will be able to reclaim from the Lancashire County Pension Fund a sum equivalent to salary, employers' national insurance contributions and employers' pension contributions, in respect of time spent by the individual in fulfilling their duties as a member of the Board, including attendance at relevant training and development activities.

The Chair of the Boards shall receive a fixed annual allowance set initially (2015) at £10,000 pa (in addition to travel and subsistence expenses) to be inflated in April each year by the Retail Price Index for the previous September.

15) Reporting Breaches

Any breach brought to the attention of the Pension Board, whether potential or actual, shall be dealt with in accordance with the procedure set out in a separate policy document.

16) Definitions

The undernoted terms shall have the following meaning when used in this document:

<i>"Pension Board" or "Board"</i>	Means the local Pension Board for the Lancashire County Council as administering authority for the Lancashire County Pension Fund as required under the Public Service Pensions Act 2013
<i>"Scheme Manager"</i>	Means the Pension Fund Committee as administering authority of the Lancashire County Pension Fund.
<i>"Chair"</i>	The individual responsible for chairing meetings of the Board and guiding its debates.
<i>"LGPS"</i>	The Local Government Pension Scheme as constituted by the Local Government Pension Scheme Regulations 2013, the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 and the The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009
<i>"Scheme"</i>	Means the Local Government Pension Scheme as defined under "LGPS"

Lancashire Local Pension Board

Meeting to be held on 18 October 2016

Electoral Division affected: None

Fund Costs and Measurement of Savings

(Appendices 'A' and 'B' refer)

Contact for further information: Abigail Leech, (01772) 530808, Head of Fund

Abigail.leech@lancashire.gov.uk

Executive Summary

The Local Pension Board's remit includes oversight and comment on the relative and absolute costs of running the fund (Terms of Reference, paragraph 9). This report sets out a process by which the Board can monitor these in the context of LGPS 'pooling' and the creation of the Local Pensions Partnership (LPP) using consistent and publicly available numbers.

Recommendation

The Board is asked to note this report and the process to monitor costs going forward, at least until such time as a process considered satisfactory by the Board has been agreed by the Pension Fund Committee.

Background and Advice

The creation of LPP was done on the basis that it would generate ongoing savings for the fund through the economies of scale and internal management of assets. The Local Pension Board's remit includes oversight of the costs of running the fund and will therefore be monitoring the costs of the partnership against the budgeted savings.

The report at Appendix 'A' sets out a proposed process for the Board to monitor the costs.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

There are no significant risks associated with the proposals set out in this report.

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact/Tel
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N/A		
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Reason for inclusion in Part II, if appropriate

N/A

Measuring LCPF Costs

The Local Pension Board's remit includes oversight and comment on the relative and absolute costs of running the fund (Terms of Reference paragraph 9). This report sets out a process by which the Board can monitor these in the context of LGPS 'pooling' and the creation of the Local Pensions Partnership (LPP) using consistent and publicly available numbers.

LCPF Pension Fund Committee also has a strong interest in evaluating these same issues, and the intention is to use a single set of figures. The process outlined in this report should be considered as indicative only until such time as a satisfactory process has been agreed. The dominant cost in the total cost of running a pension fund is the **investment management cost**, essentially the fees paid to the external asset managers the fund employs to implement its investment strategy. In addition there is the cost of actually **administering** the benefits side of the pension fund and a small central overhead covering **Oversight and Governance**. These are shown below for the end of the fiscal years (FY) to March 2015 and March 2016.

The trend in the figures will be more important than the absolute figures. To be of most value the figures should be prepared on a consistent basis, audited, and easily available. The proposal is therefore to use the figures given in the table below, which are taken from the annual report and accounts.

LGPS 'pooling' in general and the LPP specifically are about saving investment managements costs **without sacrificing returns**. 'Investment management costs' represent the dominant share of the total costs of running a pension fund, as is illustrated with the figures below. It will be challenging to measure 'without sacrificing returns', as the return a fund achieves is driven primarily by investment strategy which remains the preserve of the LCPF Pension Fund Committee. In contrast it is relatively straightforward to measure the 'saving investment management costs', now the preserve of LPP(I). Note the really important return is the asset return less fees, the co-called 'net of fees' investment return as this grows the fund and ultimately provides the money to meet the fund's liabilities.

To aid interpretation and comparison the investment management cost is shown (*in italic parenthesis*) as basis points* of the assets under management and the administration cost is shown (*also in italic parenthesis*) as a £ cost per person.

	FY 14/15 (£Mn)	FY 15/16 (£Mn)
Total Management	35.4	45.3
Investment Management	29.4 (53)	32.5 (55)
Administration	3.5 (£21.50 pp)	4.1 (£21.08 pp)
Oversight & Governance	2.5	8.7

*A basis point is 1% of 1% (ie .0001).

The aim will be to report on the development of these costs on an annual basis after the accounts are finalised, and provide a short commentary on trends.

The Board is asked to note this report and the process to monitor costs going forward, at least until such time as a process considered satisfactory by the Board has been agreed by the Pension Fund Committee.

Lancashire Local Pension Board

Meeting to be held on 18 October 2016

Electoral Division affected: None

Investment Strategy Statement - Department for Communities and Local Government Guidance

(Appendices 'A' and 'B' refer)

Contact for further information: William Bourne, 07876 350650, Chair of the Local Pension Board william@linchpin.uk.com

Executive Summary

This report sets out a commentary by the Chair of the Board on the recently published Department for Communities and Local Government guidance on Investment Strategy Statements.

Recommendation

The Board is asked to consider and note the Chair's commentary as set out at Appendix 'B'.

Background and Advice

The Department for Communities and Local Government (DCLG) has recently published guidance on what the new Investment Strategy Statement (ISS) should contain, reflecting the revised Investment Regulations which were consulted on last autumn and which are expected to become law shortly. The guidance is set out at Appendix 'A' and also covers the powers of the Secretary of State to direct an LGPS Fund's affairs if the guidance is not followed.

The Chair of the Board has drafted a commentary on the guidance which is set out at Appendix 'B' for the Board's consideration.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

There are no significant risks associated with the proposals set out in this report.

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact/Tel
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N/A		
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Reason for inclusion in Part II, if appropriate

N/A



Department for
Communities and
Local Government

Local Government Pension Scheme

Guidance on Preparing and Maintaining an Investment
Strategy Statement



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Foreword

This guidance has been prepared to assist administering authorities in the local government pension scheme in England and Wales with the formulation, publication and maintenance of their Investment Strategy Statement.

New investment regulations to be introduced later this year will include a requirement for administering authorities to publish new Investment Strategy Statements by 1st April 2017 in accordance with the guidance set out below.

Administering authorities will be required to act in accordance with the provisions in this guidance when Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 comes into force.

Part 1

Introduction and background

This guidance has been prepared to assist administering authorities in the formulation, publication and maintenance of their Investment Strategy Statement required by Regulation 7 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. Unless otherwise stated, references to regulations are to the 2016 Regulations.

An administering authority's duty to prepare, maintain and review their Funding Strategy Statement under Regulation 58 of the Local Government Pension Scheme Regulations 2013 ("the 2013 Regulations") is unaffected.

Statutory background

Regulation 7(1) requires an administering authority to formulate an investment strategy which must be in accordance with guidance issued by the Secretary of State.

The Investment Strategy Statement required by Regulation 7 must include:-

- a) A requirement to invest money in a wide variety of investments;
- b) The authority's assessment of the suitability of particular investments and types of investments;
- c) The authority's approach to risk, including the ways in which risks are to be measured and managed;
- d) The authority's approach to pooling investments, including the use of collective investment vehicles and shared services;
- e) The authority's policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and

- f) The authority's policy on the exercise of rights (including voting rights) attaching to investments.

The Investment Strategy Statement must also set out the maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investment. This, in effect, replaces Schedule 1 to the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 ("the 2009 Regulations").

Under Regulation 7(6) and (7), the statements must be published by 1st April 2017 and then kept under review and revised from time to time and at least every three years. Under transitional arrangements, key elements of the 2009 Regulations relating to investment policies will continue in force until such time that the Investment Strategy Statement under Regulation 7 is published.

Directions by the Secretary of State

Regulation 8 enables the Secretary of State to issue a Direction if he is satisfied that an administering authority is failing to act in accordance with this guidance.

One of the main aims of the new investment regulations is to transfer investment decisions and their consideration more fully to administering authorities within a new prudential framework. Administering authorities will therefore be responsible for setting their policy on asset allocation, risk and diversity, amongst other things. In relaxing the regulatory framework for scheme investments, administering authorities will be expected to make their investment decisions within a prudential framework with less central prescription. It is important therefore that the regulations include a safeguard to ensure that this less prescriptive approach is used appropriately and in the best long term interests of scheme beneficiaries and taxpayers.

Where there is evidence to suggest that an authority is acting unreasonably, it may be appropriate for the Secretary of State to consider intervention, but only where this is justified and where the relevant parties have been consulted. Regulation 8 includes a number of safeguards, including full consultation with the relevant authority, to ensure that the proposed power is used appropriately, proportionately and only where justified by the evidence.

The Secretary of State's power of intervention does not interfere with the duty of elected members under general public law principles to make investment decisions in the best long-term interest of scheme beneficiaries and taxpayers.

The power of Direction can be used in all or any of the following ways:-

- a) To require an administering authority to make changes to its investment strategy in a given timescale;
- b) To require an administering authority to invest assets as specified in the Direction;
- c) To transfer the investment functions of an administering authority to the Secretary of State or a person nominated by the Secretary of State; and

- d) To require an administering authority to comply with any instructions from either the Secretary of State or the appointed person in circumstances when the investment function has been transferred.

Before issuing any Direction, the Secretary of State must consult the administering authority concerned and before reaching a decision, must have regard to all relevant evidence including reports under section 13(4) of the Public Service Pensions Act 2013; reports from the scheme advisory board or from the relevant local pension board and any representations made in response to the consultation with the relevant administering authority. The Secretary of State also has the power to commission any other evidence or additional information that is considered necessary.

General

Part 2 below sets out the guidance for authorities under each of the component parts of Regulation 7. The specific requirements under each heading are shown at the end of each sub section in a text box and in bold type. It is important to note, however, that these lists are not exclusive and that administering authorities are also required to comply with general public law principles and act within a prudential framework.

Part 2

Regulation 7(2) (a) - Investment of money in a wide variety of investments

A properly diversified portfolio of assets should include a range of asset classes to help reduce overall portfolio risk. If a single investment class is not performing well, performance should be balanced by other investments which are doing better at that time. A diversified portfolio also helps to reduce volatility.

For example, the range of asset classes could include UK and overseas equities of different sectors; bonds with varying maturity; alternative investment assets such as private equity, infrastructure and cash instruments.

However, this guidance does not purport to prescribe the specific asset classes over which fund monies must be diversified. This remains a decision for individual administering authorities to make. Administering authorities are expected to be able to demonstrate that those responsible for making investment decisions have taken and acted on proper advice and that diversification decisions have been taken in the best long term interest of scheme beneficiaries.

An administering authority must also be able to demonstrate that they review their diversification policy from time to time to ensure that their overall target return is not put at risk.

Summary of requirements

In formulating and maintaining their policy on diversification, administering authorities:-

- **Must take proper advice**

- **Must set out clearly the balance between different types of investments**
- **Must identify the risks associated with their overall investment strategy**
- **Must periodically review their policy to mitigate against any such risks**

Regulation 7(2)(b) - The suitability of particular investments and types of investments

The concept of suitability is a critical test for whether or not a particular investment should be made. Although individual investment classes will have varying degrees of suitability in the context of an authority's funding and investment strategies, the overall aim of the fund must be to consider suitability against the need to meet pension obligations as they fall due.

Assessing the suitability of different investment classes involves a number of factors including, for example, performance benchmarks, appetite for risk, policy on non-financial factors and perhaps most importantly, funding strategy.

What constitutes suitability is clearly a matter for individual administering authorities to consider and decide in the light of their own funding and investment strategies, but there is a clear expectation that the assessment should be broadly consistent across all administering authorities. Administering authorities must therefore take and act on proper advice in assessing the suitability of their investment portfolio and give full details of that assessment in their Investment Strategy Statement.

Summary of requirements

In formulating their policy on the suitability of particular investments and types of investments, administering authorities:-

- **Must take proper advice**
- **Should ensure that their policy on asset allocation is compatible with achieving their locally determined solvency target**
- **Must periodically review the suitability of their investment portfolio to ensure that returns, risk and volatility are all appropriately managed and are consistent with their overall investment strategy**

Regulation 7(2)(c) - The approach to risk, including the ways in which risks are to be measured and managed

The appetite of individual administering authorities for taking risk when making investment decisions can only be a matter for local consideration and determination, subject to the aim and purpose of a pension fund to maximise the returns from investment returns within reasonable risk parameters.

Some of the key risks that an administering authority needs to be aware include financial, demographic or regulatory risks. A detailed summary of the identification of all risks and counter-measures to mitigate against them is beyond the scope of this guidance, but administering authorities will continue to have regard to the requirement under Regulation

58 of the 2013 Regulations to have regard to the “Guidance on Preparing and Maintaining a Funding Strategy Statement” published by CIPFA, which includes a section on risk and the ways in which it can be measured and managed.

Summary of requirements

In formulating their policy on their approach to risk, administering authorities:-

- **Must take proper advice**
- **Should clearly state their appetite for risk**
- **Should be aware of the risks that may impact on their overall funding and investment strategies**
- **Should take measures to counter those risks**
- **Should periodically review the assumptions on which their investment strategy is based**
- **Should formulate contingency plans to limit the impact of risks that might materialise**

Regulation 7(2)(d) - The approach to pooling investments, including the use of collective investment vehicles and shared services

All authorities must commit to a suitable pool to achieve benefits of scale. Administering authorities must confirm their chosen investment pool meets the investment reform and criteria published in November 2015, or to the extent that it does not, that Government is content for it to continue.

Any change which results in failure to meet the criteria must be reported by the administering authority, and/or pool, to the Secretary of State and the Scheme Advisory Board.

Administering authorities should set out their approach to pooling and the proportion of assets that will be invested through the pool. This must include the structure and governance arrangements and the mechanisms by which the authority can hold the pool to account.

Where services are shared or jointly procured, the administering authority must set out the rationale underpinning this and the cost benefit of this, as opposed to pooling.

Administering authorities must provide a summary of assets to be held outside of the pool, and how this demonstrates value for money. The progress of asset transfers to the pool must be reported annually against implementation plans and submitted to the Scheme Advisory Board. Where it is possible that an asset could be pooled in the future, authorities must set a date for review and criteria that need to be met before the asset will be pooled.

Summary of requirements

In formulating and maintaining their approach to pooling investment, including the use of collective investment vehicles and shared services, an administering authority must:-

- **Confirm the pooling arrangements meet the criteria set out in the November 2015 investment reform and criteria guidance at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/479925/criteria_and_guidance_for_investment_reform.pdf, or have been otherwise agreed by the Government**
- **Notify the Scheme Advisory Board and the Secretary of State of any changes which result in failure to meet the criteria**
- **Set out the proportion of assets that will be invested through pooling**
- **Set out the structure and governance arrangements of the pool and the mechanisms by which the authority can hold the pool to account**
- **Set out the services that will be shared or jointly procured**
- **Provide a summary of assets that the authority has determined are not suitable for investing through the pool along with its rationale for doing so, and how this demonstrates value for money;**
- **Regularly review any assets, and no less than every 3 years, that the authority has previously determined should be held outside of the pool, ensuring this continues to demonstrate value for money**
- **Submit an annual report on the progress of asset transfers to the Scheme Advisory Board**

Regulation 7(2)(e) - How social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments

When making investment decisions, administering authorities must take proper advice and act prudently. In the context of the local government pension scheme, a prudent approach to investment can be described as a duty to discharge statutory responsibilities with care, skill, prudence and diligence. This approach is the standard that those responsible for making investment decisions must operate.

Although administering authorities are not subject to trust law, those responsible for making investment decisions must comply with general legal principles governing the administration of scheme investments. They must also act in accordance with ordinary public law principles, in particular, the ordinary public law of reasonableness. They risk challenge if a decision they make is so unreasonable that no person acting reasonably could have made it.

The law is generally clear that schemes should consider any factors that are financially material to the performance of their investments, including social, environmental and

corporate governance factors, and over the long term, dependent on the time horizon over which their liabilities arise.

However, the Government has made clear that using pension policies to pursue boycotts, divestment and sanctions against foreign nations and UK defence industries are inappropriate, other than where formal legal sanctions, embargoes and restrictions have been put in place by the Government.

Although schemes should make the pursuit of a financial return their predominant concern, they may also take purely non-financial considerations into account provided that doing so would not involve significant risk of financial detriment to the scheme and where they have good reason to think that scheme members would support their decision.

Investments that deliver social impact as well as a financial return are often described as “social investments”. In some cases, the social impact is simply in addition to the financial return; for these investments the positive social impact will always be compatible with the prudent approach. In other cases, some part of the financial return may be forgone in order to generate the social impact. These investments will also be compatible with the prudent approach providing administering authorities have good reason to think scheme members share the concern for social impact, and there is no risk of significant financial detriment to the fund.

Summary of requirements

In formulating and maintaining their policy on social, environmental and corporate governance factors, an administering authority:-

- **Must take proper advice**
- **Should explain the extent to which the views of their local pension board and other interested parties who they consider may have an interest will be taken into account when making an investment decision based on non-financial factors**
- **Must explain the extent to which non-financial factors will be taken into account in the selection, retention and realisation of investments**
- **Should not pursue policies that are contrary to UK foreign policy or UK defence policy**
- **Should explain their approach to social investments**

Regulation 7(2)(f) - The exercise of rights (including voting rights) attaching to investments

The long-term investment interests of administering authorities are enhanced by the highest standards of corporate governance and corporate responsibility amongst the companies in which they invest. Poor governance can negatively impact shareholder value.

Stewardship aims to promote the long term success of companies in such a way that the ultimate providers of capital also prosper. Stewardship activities include monitoring and engaging with companies on matters such as strategy, performance, risk, capital structure

and corporate governance, including culture and remuneration. Engagement by administering authorities is purposeful and can identify problems through continuing dialogue with companies on these matters as well as on issues that are the immediate subject of votes at general meetings.

Engagement enables administering authorities as long term shareholders to exert a positive influence on companies to promote strong governance, manage risk, increase accountability and drive improvements in the management of environmental, social and corporate governance issues.

Administering authorities are encouraged to consider the best way to engage with companies to promote their long-term success, either directly, in partnership with other investors or through their investment managers, and explain their policy on stewardship with reference to the Stewardship Code. Administering authorities should become Signatories to the Code and state how they implement the seven principles and guidance of the Code, which apply on a “comply or explain” basis.

Concern has been expressed in the past about the scope of Regulation 12(2)(g) of the 2009 Regulations which, in effect, allowed each administering authority to decide whether or not to adopt a policy on the exercise of the rights attaching to investments, including voting rights. To increase awareness and promote engagement, Regulation 7(2)(f) now requires every administering authority to formulate a policy that reflects their stewardship responsibilities.

Summary of requirements

In formulating their policy on the exercise of rights, administering authorities:-

- **Must give reasons in their Investment Strategy Statement for not adopting a policy of exercising rights, including voting rights, attaching to investments**
- **Should, where appropriate, explain their policy on stewardship with reference to the Stewardship Code**
- **Should strongly encourage their fund managers, if any, to vote their company shares in line with their policy under Regulation 7(2)(f)**
- **May wish to appoint an independent proxy voting agent to exercise their proxy voting and monitor the voting activity of the managers, if any, and for reports on voting activity to be submitted annually to the administering authority**
- **Should publish a report of voting activity as part of their pension fund annual report under Regulation 57 of the 2013 Regulations**

Commentary on issued DCLG guidance on Investment Strategy Statement

DCLG guidance on what the new Investment Strategy Statement (“ISS”) should contain has recently been published, reflecting the revised Investment Regulations which were consulted on last autumn and are expected to become law shortly. It also covers the powers of the Secretary of State to direct an LGPS Fund’s affairs if DCLG guidance, including this document, is not followed.

The guidance is broadly in line with that published at the time of the consultation. **Many of the current prescriptive investment regulations are to be abandoned in favour of a prudential approach**, which has to be welcomed. It also makes it slightly clearer what investment functions the administering authorities will remain responsible for after pooling: “policy on asset allocation, risk and diversity¹, amongst other things” is the precise wording.

The ISS will need to be a comprehensive document, covering not only investment, appetite for risk, stewardship, and ESG approach, but also compliance with the pooling criteria. I have noted the following points which may be worthy of attention:

- **The Government has softened its approach to the pooling criteria**, saying that an authority must demonstrate that it meets them, or that ‘to the extent that it does not, the Government is content for it to continue.’ That appears to allow a loophole on size, for example.
- **The need to take advice is stated throughout this guidance**. This can presumably be met by using either an investment consultant or an independent advisor, or by advice from the pool itself.
- The ISS will need to explain the extent to which the views of the local pension board and other interested parties are taken into account when taking investment decisions on non-financial factors. It is not clear whether ‘other interested parties’ includes, for example, lobby groups or petitioners.
- Policy contrary to foreign policy or UK defence policy is not allowed. From the wording of the guidance, this includes a ban on any divestment from UK defence industry, for example.

With a prudential framework, it is understandable that there is need for a safeguard in case an administering authority is failing. The guidance has included new measures to make this power usable only in an appropriate and proportionate manner. **This includes a new requirement on the Secretary of State to take into account any report by the relevant Local Pension Board** as well as the actuary.

The bottom line remains, however, that the Secretary of State still has the powers to direct a fund if the administering authority is found not to have followed appropriate regulations or guidance, and a future government may interpret this more harshly than the current one².

William Bourne

23rd September 2016

¹ I suspect they mean diversification, not diversity here

² As an example, if the current economic sanctions against Russia, currently covering primary and secondary investment in selected Russian defence companies, were to be extended to cover all quoted companies, would that mandate the fund and its managers to sell Russian investments immediately, regardless of the financial impact? And would disobedience allow the Secretary of State to direct the fund?

Lancashire Local Pension Board

Meeting to be held on 18th October 2016

Electoral Division affected: None

Feedback from Board Members on Recent Training Events and Conferences

Contact for further information: Mike Neville (01772) 534261, Legal and Democratic Services mike.neville@lancashire.gov.uk

Executive Summary

This report provides members of the Board with an opportunity to provide feedback on training events and conferences attended since the last meeting of the Board.

Recommendation

The Board is asked to note the report and the feedback presented.

Background and Advice

The Pension Fund Committee at its meeting on 29 January 2016 approved a refreshed training plan for members of the Committee. As with the previous plan, the purpose of the refreshed plan was to ensure best practice within the Fund, and to comply with the Public Service Pensions Act 2013.

Members and officers are also required to undertake training to satisfy the obligations placed upon them by the:

- Myners Principles (as detailed in the Statement of Investment Principles);
- Pensions Regulations and the Pensions Regulator;
- Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Public Sector Pensions Finance Knowledge and Skills; and the
- Local Government Pension Scheme (LGPS) Governance Compliance Statement.

It is appropriate that the same principles be extended to the operation of the Board and that Board Members therefore provide verbal feedback at the subsequent Board meeting to cover:

- Their view on the value of the event and the merit, if any, of attendance
- A summary of the key learning points gained from attending the event; and
- Recommendations of any subject matters at the event in relation to which training would be beneficial to Board Members.

The following workshops and events have been attended by Board Members since the last meeting of the Board:

Alternative Assets – 30th June 2016. Workshop attended by S Browne, K Haigh, R Harvey, County Councillor T Martin and S Thompson.

Q&A session on investment reform for local pension board member and employer representatives on 10th August 2016. Attended by Bob Harvey

Section 13 Regional Workshop at Local Government House, London on 31st August 2016. Attended by R Harvey

Role of the Depository for LPPI – 21st September 2016. Workshop attended by K Haigh, R Harvey, J Hall and Y Moulton,

Feedback on the above will be provided at the meeting.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

Without the required knowledge and skills, Board Members may be ill-equipped to make informed considerations regarding the direction and operation of the Pension Fund.

Financial

The cost of attendance, together with travel and subsistence costs is met by the Pension Board.

Local Government (Access to Information) Act 1985 List of Background Papers

Paper	Date	Contact/Tel
Attendance at Conferences approved under the Scheme of Delegation to Heads of Service	2016	Abigail Leech, (01772) 530808

Reason for inclusion in Part II, if appropriate
N/A

Lancashire Local Pension Board Meeting to be held on 18 October 2016

Electoral Division affected: None

Annual Review of Member Training Records (Appendix 'A' refers)

Contact for further information: Mike Neville, (01772) 533431, Legal and Democratic Services mike.neville@lancashire.gov.uk

Executive Summary

This report sets out details of the training undertaken by Board Members during 2015/16.

Recommendation

The Board is asked to review the records set out at Appendix 'A' and comment as appropriate.

Background and Advice

There is a legislative requirement on Members of Local Pension Boards to develop a level of knowledge and understanding of pension matters sufficient to enable them to provide effective, constructive and informed support to the Administering Authority.

The responsibility is a personal one and involves Board Members undertaking training and study to gain (and maintain) a command over relevant information and develop an appropriate depth of knowledge.

The legislative requirements on Board Members fall from section 5 of the Public Service Pensions Act 2013 which added a new section 248a into the Pension Act 2004 as follows:

Pension Act 2004

s248A: Requirement for knowledge and understanding: pension boards of public service pension schemes

(1) This section applies to every individual who is a member of the pension board of a public service pension scheme.

(2) An individual to whom this section applies must be conversant with—

(a) the rules of the scheme, and

(b) any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme.

(3) An individual to whom this section applies must have knowledge and understanding of—

(a) the law relating to pensions, and

(b) such other matters as may be prescribed.

(4) The degree of knowledge and understanding required by subsection (3) is that appropriate for the purposes of enabling the individual properly to exercise the functions of a member of the pension board.”

Whilst stressing that it is the responsibility of individual Pension Board members to ensure they have the appropriate degree of knowledge and understanding the Pensions Regulator (tPR) Code of Practice No.14 – Governance (issued in January 2015) encourages scheme managers:

- to establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding to support their pension board members
- To designate a person to take responsibility for ensuring that a framework is developed and implemented

Lancashire County Pension Fund is responsible for supporting members to develop their Knowledge and Understanding. Fulfilling this responsibility involves working with the Board to:

- identify individual and communal learning needs
- establish the preferred / most effective methods of study and training
- agree subject matter priorities (which reflect the Board's Plan of Work)
- implement a non-bureaucratic approach for establishing and recording learning objectives and documenting progress towards achieving them which enables the Board to monitor its own compliance with the requirement for Knowledge and Understanding

During 2015/16, Board Members have had the opportunity to attend a wide range of workshops, conferences and events to support the development of their knowledge and understanding. Details of these are set out at Appendix 'A'.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

There are no significant risks associated with the proposals set out in this report.

**Local Government (Access to Information) Act 1985
List of Background Papers**

Paper	Date	Contact/Tel
Report to the Lancashire Local Pension Board – 'Knowledge and Understanding Requirements for Members of Local Pension Boards'	8 July 2015	Mike Neville/(01772) 533431

Reason for inclusion in Part II, if appropriate

N/A

Appendix 'A'

Lancashire Local Pension Board - Training Records for 2015/16

Name: William Bourne (Independent Chair)

Event/Conference/Title of Course or Module	Venue	Date Attended/Completed
Local Pension Board Induction Briefing	County Hall, Preston	15 June 2015
Pensions Partnership Briefing	County Hall, Preston	20 October 2015
PLSA Local Authority Conference 2016	Cotswold Water Park	16 - 18 May 2016
TPR Public Service Toolkit - Managing Risk and Internal Controls	Online Module/Assessment	November 2015
TPR Public Service Toolkit - Conflicts of Interest	Online Module/Assessment	November 2015
TPR Public Service Toolkit - Maintaining Accurate Member Data	Online Module/Assessment	November 2015
TPR Public Service Toolkit - Providing Information to Members and Others	Online Module/Assessment	November 2015
TPR Public Service Toolkit - Reporting Breaches of the Law	Online Module/Assessment	November 2015
TPR Public Service Toolkit - Maintaining Member Contributions	Online Module/Assessment	November 2015
TPR Public Service Toolkit - Resolving Internal Disputes	Online Module/Assessment	November 2015
Standard Life FI Breakfast	Glaziers Hall	26 January 2016
CIPFA LGPS Conference	HSBC, Canary Wharf	27 January 2016
Franklin Templeton	City Noble Office	10 March 2016
SPS Conference	Meridien Hotel	17 March 2016
Arcus	Linchpin Office	31 March 2016
LAPF Investments	Methodists Hall, Westminster	13 April 2016
IIA	Goring Hotel	19 April 2016
Henderson Seminar	Claridges Hotel	20 April 2016
Aviva Seminar	Glaziers Hall	21 April 2016
RLAM Conference	London	28 April 2016
Hymans/Nottinghamshire CC	County Hall, Nottingham	5 May 2016
Baillie Gifford Investment Seminar	Royal Society	11 May 2016
LGPIF Infrastructure Conference	Crowne Plaza Hotel, London	26 May 2016

Name: Steve Browne (Employer Representative)

Event/Conference/Title of Course or Module	Venue	Date Attended/Completed
Local Pension Board Induction Briefing	County Hall, Preston	15 June 2015
Pensions Partnership Briefing	County Hall, Preston	17 September 2015
TPR Public Service Toolkit - Conflicts of Interest	Online Module/Assessment	2015
TPR Public Service Toolkit - Managing Risk and Internal Controls	Online Module/Assessment	2015
Valuation and Risk 2 Workshop	County Hall, Preston	28 January 2016
Reading the Investment Performance Report Workshop	County Hall, Preston	23 February 2016
Traditional Assets Workshop	County Hall, Preston	25 May 2016

Name: Carl Gibson (Employer Representative)

Event/Conference/Title of Course or Module	Venue	Date Attended/Completed
Pensions Partnership Briefing	County Hall, Preston	17 September 2015
LCPF Annual Members Meeting	Guild Hall, Preston	11 November 2015

Name: Kathryn Haigh (Scheme Member Representative – Active Members)

Event/Conference/Title of Course or Module	Venue	Date Attended/Completed
Local Pension Board Induction Briefing	County Hall, Preston	15 June 2015
Back to Basics Workshop	Winckley House, Preston	24 September 2015
LGPS Practitioners Conference 2015	Woodlands, Chorley	12 October 2015
Pensions Partnership Briefing	County Hall, Preston	20 October 2015
Meeting the Financial Challenge of Local Government Pensions*	LG House, London	10 November 2015
Lancashire County Pension Fund Annual Members Meeting	Guild Hall, Preston	11 November 2015
Valuation and Risk 1 Workshop	County Hall, Preston	19 November 2015
Valuation and Risk 2 Workshop	County Hall, Preston	28 January 2016
TPR Public Service Toolkit - Conflicts of Interest	Online Module/Assessment	TBC
TPR Public Service Toolkit - Managing Risk and Internal Controls	Online Module/Assessment	TBC

* This conference was subsequently cancelled

Name: John Hall (Scheme Member Representative – Deferred Members)

Event/Conference/Title of Course or Module	Venue	Date Attended/Completed
Local Pension Board Induction Briefing	County Hall, Preston	15 June 2015
Introduction to the LGPS Conference	Northern Trust Offices, London	25 September 2015
TPR Public Service Toolkit - Managing Risk and Internal Controls	Online Module/Assessment	1 October 2015
TPR Public Service Toolkit - Conflicts of Interest	Online Module/Assessment	1 October 2015
Pension Reform Workshop	County Hall, Preston	29 October 2015
Valuation and Risk 1 Workshop	County Hall, Preston	19 November 2015
Valuation and Risk 2 Workshop	County Hall, Preston	28 January 2016
Reading the Investment Performance Report Workshop	County Hall, Preston	23 February 2016
The Virtual Reading Room Workshop	County Hall, Preston	29 April 2016

Name: Bob Harvey (Scheme Member Representative – Retired Members)

Event/Conference/Title of Course or Module	Venue	Date Attended/Completed
Local Pension Board Induction Briefing	County Hall, Preston	15 June 2015
Asset and Liability Partnership 2 Workshop	County Hall, Preston	18 June 2015
Pensions Partnership Briefing	County Hall, Preston	17 September 2015
Back to Basics Workshop	Winckley House, Preston	24 September 2015
NAPF Annual Conference and Exhibition	Manchester Central	14 - 16 October 2015
Pensions Partnership Briefing	County Hall, Preston	20 October 2015
Pension Reform Workshop	County Hall, Preston	29 October 2015
Pensions - "Engaged Investor" Magazine Conference	Manchester	10 November 2015
Lancashire County Pension Fund Annual Members Meeting	Guild Hall, Preston	11 November 2015
LGPS Costs - Unison Event	London	12 November 2015
Valuation and Risk 1 Workshop	County Hall, Preston	19 November 2015
LGPS Pension Boards - Unison Event	Manchester	1 December 2015
Valuation and Risk 2 Workshop	County Hall, Preston	28 January 2016

Reading the Investment Performance Report Workshop	County Hall, Preston	23 February 2016
The Virtual Reading Room Workshop	County Hall, Preston	29 April 2016
Traditional Assets Workshop	County Hall, Preston	25 May 2016

Name: County Councillor Tony Martin (Employer Representative)

Event/Conference/Title of Course or Module	Venue	Date Attended/Completed
Local Pension Board Induction Briefing	County Hall, Preston	15 June 2015
TPR Public Service Toolkit - Managing Risk and Internal Controls	Online Module/Assessment	10 September 2015
TPR Public Service Toolkit - Conflicts of Interest	Online Module/Assessment	10 September 2015
TPR Public Service Toolkit - Maintaining Accurate Member Data	Online Module/Assessment	10 September 2015
TPR Public Service Toolkit - Providing Information to Members and Others	Online Module/Assessment	10 September 2015
TPR Public Service Toolkit - Reporting Breaches of the Law	Online Module/Assessment	10 September 2015
TPR Public Service Toolkit - Maintaining Member Contributions	Online Module/Assessment	10 September 2015
TPR Public Service Toolkit - Resolving Internal Disputes	Online Module/Assessment	10 September 2015
Pensions Partnership Briefing	County Hall, Preston	17 September 2015
Pensions Reform Workshop	County Hall, Preston	29 October 2015
Valuation and Risk 1 Workshop	County Hall, Preston	19 November 2015
Valuation and Risk 2 Workshop	County Hall, Preston	28 January 2016

Name: Yvonne Moulton (Scheme Member Representative – Active Members)

Event/Conference/Title of Course or Module	Venue	Date Attended/Completed
North West Employers LGPS Update	Lancaster	30 April 2015
Your Pension Service - Final Pay Training	County Hall, Preston	7 May 2015
TPR Public Service Toolkit - Conflicts of Interest	Online Module/Assessment	1 June 2015
TPR Public Service Toolkit - Maintaining Accurate Member Data	Online Module/Assessment	1 June 2015
TPR Public Service Toolkit - Providing Information to Members and Others	Online Module/Assessment	1 June 2015

TPR Public Service Toolkit - Managing Risk and Internal Controls	Online Module/Assessment	1 June 2015
TPR Public Service Toolkit - Maintaining Member Contributions	Online Module/Assessment	1 June 2015
Local Pension Board Induction Briefing	County Hall, Preston	15 June 2015
Back to Basics Workshop	Winckley House, Preston	15 September 2015
Pensions Partnership Briefing	County Hall, Preston	17 September 2015
Your Pension Service Annual Practitioners Conference	Woodlands, Chorley	12 October 2015
LCPF Annual Members Meeting	Guild Hall, Preston	11 November 2015
Valuation and Risk 1 Workshop	County Hall, Preston	19 November 2015
Valuation and Risk 1 Workshop	County Hall, Preston	28 January 2016
Traditional Assets Workshop	County Hall, Preston	25 May 2016

Name: Steve Thompson (Employer Representative)

Event/Conference/Title of Course or Module	Venue	Date Attended/Completed
Local Pension Board Induction Briefing	County Hall, Preston	15 June 2015
LGPS Practitioners Conference 2015	Woodlands, Chorley	12 October 2015
Valuation and Risk 1 Workshop	County Hall, Preston	19 November 2015
Valuation and Risk 2 Workshop	County Hall, Preston	28 January 2016
Virtual Reading Room Workshop	County Hall, Preston	29 April 2016

Lancashire Local Pension Board
Meeting to be held on 18th October 2016

Electoral Division affected: None

Recent Reports Considered by the Pension Fund Committee
(Appendix 'A' refers)

Contact for further information: Mike Neville (01772) 533431, Legal and Democratic Services, mike.neville@lancashire.gov.uk

Executive Summary

This report sets out details of recent Part I reports considered by the Pension Fund Committee.

Recommendation

The Board is asked to note the Part I reports considered by the Pension Fund Committee at its meeting on the 15th September, 2016, as set out in Appendix 'A', and comment as appropriate.

Background and Advice

At the meeting on the 15th September 2016 the Pension Fund Committee considered a number of Part I reports as listed in Appendix 'A'.

Board Members previously received notification of the Committee agenda when it was published which is available to view on the County Councils website at: <http://council.lancashire.gov.uk/ieListDocuments.aspx?CId=183&MId=5466&Ver=4>

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

There are no significant risk management implications.

List of Background Papers

Paper	Date	Contact/Tel
Pension Fund Committee Agenda	15 th September 2016	Mike Neville, Democratic Services, (01772) 534261
Reason for inclusion in Part II, if appropriate		
N/A		

Lancashire Local Pension Fund Board
18th October 2016

Pension Fund Committee - Thursday, 15th September, 2016 at 10.45 am in Cabinet Room 'C' - The Duke of Lancaster Room, County Hall, Preston

Agenda

Part I (Open to Press and Public)

No. Item

4. Lancashire Local Pension Board - Annual Report 2015/16
9. Update on Work being undertaken on Governance and Risk
10. Annual Report and Statement of Accounts of Lancashire County Pension Fund for the year ended 31 March 2016.
11. Statement of Investment Principles
12. Responsible Investment
13. Feedback from Committee Members on External Pension Fund Training Events and Conferences
14. Report of Decisions taken under the Urgent Business Procedure

Agenda Item 14

(NOT FOR PUBLICATION: By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

Document is Restricted

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