

Lancashire County Council

Lancashire Local Pension Board

**Tuesday, 17th January, 2017 at 2.00 pm in Room A06 - A Floor, County Hall,
Preston**

Agenda

Part I (Open to Press and Public)

No. Item

Part I (Open to Press and Public)

- 1. Apologies**
- 2. Disclosure of Pecuniary and Non-Pecuniary Interests**
- 3. Minutes of the Meeting held on the 18th October 2016.** (Pages 1 - 6)
To be confirmed, and signed by the Chair.
- 4. Report on the Lancashire Local Pension Board appraisal.** (Pages 7 - 12)
- 5. Report of the Working Group on the Terms Reference of the Lancashire Local Pension Board.** (Pages 13 - 22)
- 6. Review of the Investment Strategy Statement** (Pages 23 - 34)
- 7. Work plan for 2017/18** (Pages 35 - 38)
- 8. Training Update and feedback from members on recent training events/conferences.** (Pages 39 - 40)
- 9. Part I reports considered by the Pension Fund Committee in December** (Pages 41 - 42)

10. 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.

11. Date of Next Meeting

The next meeting of the Board will be held at 2pm on the 11th April 2017 in Cabinet Room 'B' - The Diamond Jubilee Room at County Hall, Preston.

12. 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.

Part II (Not Open to Press and Public)

- | | |
|--|-------------------|
| 13. Data security issue - Pension Administration Service. | (Pages 43 - 60) |
| 14. Governance Structure | (Pages 61 - 98) |
| 15. Local Pension Partnership Administration Business Transformation Plan | (Pages 99 - 112) |
| 16. Part II reports considered by the Pension Fund Committee in December | (Pages 113 - 114) |

I Young
Director of Governance,
Finance and Public Services

County Hall
Preston

Lancashire Local Pension Board

Minutes of the Meeting held on Tuesday, 18th October, 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
John Hall, Deferred Members
Bob Harvey, Pensioner Members
Yvonne Moulton, Active Members

Officers

Abbi Leech, Head of Fund, Lancashire County Council.
Mike Neville, Senior Democratic Services Officer, Lancashire County Council.

1. Welcome and Apologies

The Chair welcomed everyone to the meeting and noted that apologies had been received from County Councillor T Martin and Mr S Thompson.

As this was the first meeting attended by Mr Neville (who had replaced Dave Gorman as the Clerk) introductions were made around the table.

2. Disclosure of Pecuniary and Non-Pecuniary Interests

There were no declarations of interest made.

3. Minutes of the Meeting held on 5 July 2016 and Matters Arising

The Chair referred to the discussion at the previous meeting regarding access to Part II reports and it was noted that the reports from the Pension Fund Committee referred to in the report at item 14 had been circulated separately to the Board by email.

It was also noted that work was continuing on a new and more secure Virtual Reading Room which would be made available to Board members in due course.

In response to a query regarding the development of an induction pack Abbi Leech, Head of Fund, confirmed that progress had been delayed due to limited resources and consideration was being given to using an external resource to assist with production of a pack.

Resolved: That the Minutes of the meeting held on the 5th July 2016 are confirmed as an accurate record and signed by the Chair.

4. Review of the Terms of Reference of the Local Pension Board and Proposed Future Activities

The Chair presented a report on proposed amendments to the existing Terms of Reference in the light of changes to the governance arrangements following the establishment of the Local Pensions Partnership.

With regard to the suggestion that the Chair be authorised to raise concerns about LPP's activities directly with the Pension Fund's Shareholder Director on the LPP Board Abbi leech, head of Fund reported that concerns should initially be raised with the Chair of the Pension Fund Committee. Both Chairs could then discuss the matter which if necessary could be referred to the Pension Fund Committee as a whole for discussion and ultimately to Full Council.

Some members of the Board suggested that the proposed changes to the terms of Reference were not sufficiently broad to allow it to perform its statutory role as set by government.

In view of the discussion the Board agreed to establish a small Working Group to look in detail at the Terms of Reference and clarify the role and remit of the Board for the future. It was also noted that PWC were in the process of examining governance arrangements associated with the LPP and would be willing to hear the views of the Board.

Resolved:

1. That a Working Group comprising of the Chair, S Browne and R Harvey be established to examine in detail the future role and remit of the Pension Board and draft a revised Terms of Reference for consideration.
2. That arrangements be made for the Chair and selected members of the Board to meet with representatives of PWC to discuss the role/remit of the Board as part of the wider consideration of governance arrangements associated with LPP.
3. 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.
4. That with regard to attendance the wording of the current Terms of Reference be amended by replacing 'is required to attend at least 3 meetings' with 'is expected to attend all meetings'.

5. Fund Costs and Measurement of Savings

The Chair presented a report which outlined a proposed process for the monitoring of the absolute costs of running the Fund in the context of LGPS 'pooling' and the creation of the Local Pensions Partnership using consistent and publicly available numbers.

It was reported that currently LPP's costs were monitored against the agreed annual budget together with the costs of the Fund on a quarterly basis in accordance with CIPFA guidance. In considering the report the Board agreed that there was a need for more detailed monitoring with investment management costs being broken down into separate fees. It was suggested that a detailed business plan was required against which costs could be monitored on a quarterly basis.

In response to the suggestion that a more detailed breakdown to be presented to the next meeting Abbi Leech, Head of Fund, reported that there may be difficulty in producing the necessary information due to the limited resources available.

Resolved:

1. That the Chair write to the Chief Executive of the County Council and recommend her to make additional resources available to the Head of Fund in relation to governance of the Fund and specifically the scrutiny of LPP.
2. That the Chair write to the Chair of the Pension Fund Committee seeking an assurance that the Committee will establish a robust system to monitor the Fund against the agreed budget.

6. Investment Strategy Statement - Department for Communities and Local Government Guidance

Abbi Leech, Head of Fund, presented a report on the recently published Department for Communities and Local Government guidance on Investment Strategy Statements, together with a commentary from the Chair of the Board.

The Board noted that the guidance would not impact on the current Investment Strategy but did have implications in relation to taking forward future pooling arrangements which would be discussed initially with the Chair of the Pension Fund Committee.

Resolved: That the report is noted.

7. Board Review Process and Appraisal

Abbi Leech, Head of Fund, informed the meeting that the intention was for individual board members to meet with the Chair for a series of one to one appraisals on the operation/effectiveness of the Board.

Resolved: That Mr Neville be requested to make the necessary arrangements for the Chair to meet with individual Board members in December 2016 for a series of one to one appraisals on the operation/effectiveness of the Board.

8. Training and Development

a. Feedback from Board Members on Recent Training Events and Conferences

A report was presented on the following training events and conferences which had been attended by individual Board members since the last meeting.

- Alternative Assets – 30th June 2016.
- Q&A session on investment reform for local pension board member and employer representatives on 10th August 2016.
- Section 13 Regional Workshop at Local Government House, London on 31st August 2016.
- Role of the Depository for LPPI – 21st September 2016.

It was agreed that the workshop on the role of the Depository had been well attended by members of both the Board and Pension Fund Committee and had been informative. It was also noted that conferences and events held by CIPFA were generally well worth attending.

The Board also discussed a briefing which had been given in relation to the academies and concerns regarding staff who transferred into a newly formed academy were treated as new employees and did not having their previous service taken into account in relation to the length of service.

Resolved: That the report is noted.

b. Annual Review of Member Training Records

A report was presented regarding the various workshops, conferences and events attended by members of the Board during 2015/16. Members of the Board agreed that the events which had been attended represented a broad range of topics around pension matters. It was also noted that some members had received additional training on areas such as teachers' pensions which had not been recorded.

With regard to potential topics for future training it was suggested that a detailed briefing on the operations and mechanics of the LPP be provided together with the process flow between different elements within the pension system.

Resolved:

1. That the range of workshops, conferences and events attended by members of the Board during 2015/16, as set out in the report presented, is noted.
2. That consideration be given to the operations and mechanics of the LPP and process flow between different elements within the pension system being topics for future training.

9. Recent Reports Considered by the Pension Fund Committee

A report was presented regarding Part I items which had been considered by the Pension Fund Committee on the 15th September 2016.

With regard to future meetings Mr Neville reported that a link to the published agenda would continue to be circulated by email and asked if members of the Board could clarify their preference/requirements regarding electronic or hard copy agenda.

Resolved:

1. That the report is noted.
2. That individual members of the Board inform Mr Neville of their preference/requirements regarding electronic or hard copy agenda for future meetings.

10. 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.

11. Urgent Business

No items of business were raised under this heading.

12. Date of Next Meeting

It was suggested that County Councillor Martin and Mr Browne may not be able to attend the next scheduled meeting of the Board at 2pm on the 17th January 2017 in Room A06 at County Hall, Preston as it clashed with a scheduled meeting of the County Councils Executive Scrutiny Committee.

Resolved: That Mr Neville check whether the Board on the 17th January, 2017, clashes with a meeting of the County Councils Executive Scrutiny Committee and the availability of County Councillor Martin and Mr S Browne and, if appropriate, move the Board to another date.

13. Local Pensions Partnership 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, informed the meeting that the transformation of the administrative function associated with the LPP continued and would involve the creation of a number of new jobs in the North West.

It was noted that a report relating to a proposed LPP Pay Framework, Principles and Processes was to be considered by the County Council's Employment Committee.

Feedback from Government was still awaited in relation to the pooling arrangements for Lancashire.

Resolved: That the updates given at the meeting are noted.

14. 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 was presented with three Part II reports which had been considered by the Pension Fund Committee on the 15th September 2016.

1. Fund Performance Report - the Board considered the report and presentation on the performance of the Fund as at 30th June 2016, which highlighted particular issues, areas of concern and key risks.
2. Investment Panel Report - the Board noted the impact of the European Referendum, fixed income and currencies on the Fund which continued to perform well.
3. Local Pensions Partnership Update - The Board considered the report on activity by LPP in the first quarter in relation to investment and liability management, administration, action plans for the business and staffing.

Resolved: That the reports are noted.

I Young
Director of Governance, Finance and
Public Services

County Hall
Preston

Lancashire Local Pension Board
Meeting to be held on 17th January 2017

Electoral Division affected: None

Report on the Lancashire Local Pension Board Appraisals
(Appendix 'A' refers)

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

Executive Summary

This report presents a summary of the main points which came out of the appraisal meetings which the Chair of the Pension Board held with individual members of the Board and makes recommendations for the future.

Recommendation

The Board is asked to consider the recommendations from the Chair, as set out in Appendix 'A'.

Background and Advice

At the meeting on the 18th October, 2016, the Board agreed that arrangements be made for the Chair to meet with individual Board members for a series of one to one appraisals on the operation/effectiveness of the Board.

Appraisals were subsequently held in early December with seven out of the eight members of the Board and a report from the Chair on the outcome of those discussions, including a number of recommendations, is attached as Appendix 'A'.

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

Report on Lancashire Pension Board Appraisals

This note summarises the main points which came out of the appraisal meetings I held with Local Pension Board (LPB) members and makes recommendations for the future. Note that I was only able to speak to seven of the eight Members.

William Bourne, Chair of the Local Pension Board

28th December 2016

Appraisal meetings held

Name	Representative	Day
Steve Thompson	Employers	2 nd December
Carl Gibson	Employers	2 nd December
Steve Browne	Employers	2 nd December
Yvonne Moulton	Members	13 th December
Bob Harvey	Members	13 th December
John Hall	Members	22 nd December*
Kathryn Haigh	Members	13 th December
Tony Martin	Employers	Not held

*= by phone

General

All Board members believe that after eighteen months the Board is beginning to find its feet, and to add value, even in the context of a generally well run Fund. There is a diverse range of views around the table, and everyone has something to contribute. The meetings are competently organised, reports are available and comprehensive, and Officers are helpful and transparent with the Board. Several members commented that in five working days it was a struggle to read the voluminous agenda packs and that, given the volume of issues, the Board should make more use of Working Parties to look at them in detail and report back at the main meetings.

The purpose of the Board is becoming clearer to members, but most felt that its role is not yet sufficiently delineated, and that it needs to get to grips with the bigger issues, most notably how LPP's activities are to be effectively scrutinised by the Pension Fund. It is to be hoped that PWC's project on governance and the Board's review of its own Terms of Reference will close this gap. There is a general view that, if the Board is to play its role fully, it will need to go beyond simply accepting the information it is presented with.

Most members commented that the material the Board receives is not always what is appropriate to fulfil its role of scrutiny. It is often not necessary to see the operational details, but the Board does require to see the evidence which is being relied on when Officers or others give us an assurance that something is compliant. Otherwise it is hard to know what's wrong and how to challenge it. A common comment was that third party or alternatively an internal audit assurance will carry considerably more weight than LPP's executives for those functions such as administration which LPP carries out for the Fund.

There was a clear concern among all members that a process whereby the Fund oversees and monitors LPP and its subsidiaries' activities has not yet been put in place. This is a role for the Pension Fund Committee in the main, but in some areas, such as remuneration, where rights are

reserved to the Administering Authority, to Lancashire County Council. Members felt strongly that as the body representing Employers and Members the Board needs to see the evidence that both the Pension Fund Committee and the Administering Authority are indeed monitoring LPP appropriately in the interest of the stakeholders. So far that has not been the case.

Most members felt the Board was sometimes faced with a decision made, with little it could do in practical terms. Going forward it is therefore suggested that in these circumstances the Board should make a formal recommendation to the relevant body, usually the Pension Fund Committee but for some items might be the Full Council, which they will be expected to respond to. The Chair is obliged under the Terms of Reference to note in his Annual Report on the Pension Board's activities both recommendations made and responses received.

One member asked whether it would make sense to merge the LPP and LPFA Pension Boards. My view is that while they have roles to assist different Scheme Managers, this would be inadvisable, though it would make sense to co-ordinate scrutiny of LPP's activities.

Training

There was a general view that generally the training was for the most part delivered well and was appreciated. There was a request from some members that it could be more tailored, both in terms of timing (ie training on issues about to come before the Board) and in terms of material (Local Pension Board's needs are different from the Pension Fund Committee's). For example, it would be helpful to highlight which of the material provided on the Pensions Library is most relevant to Board members, and where to go for further reading.

One member suggested training on the Board's legal responsibilities.

Topics for 2017

A common theme was to provide suggestions how the Fund can provide better support to members and employers. While it was noted that the Fund put considerably more effort in this area than many other funds, Board members felt that there were still significant improvements to be made, especially in the area of helping to engage members through their employers. For example, would it make sense to run a second conference for small employers, whose engagement is often a lot less than large ones?

A second suggestion was to look at the internal audit of YPS, and this may well gel with LPP's plans to restructure the combined administration function.

Recommendations

Training

1. An attempt be made to customise future training to the LPB's particular needs, and in particular presenters be asked to be thoughtful about the hard copy material used.

Local Pension Board operation

2. Review Terms of Reference and also the list of reports which we see for their relevance.

3. Make more use of Working Parties
4. Create Work Schedule for the next four meetings out to January 2018
5. LPB should formulate its concerns as comments when considering a report or a policy document before approval by the PFC, or alternatively as recommendations, which will require a response from the LPFA under CIPFA guidelines, when considering a report or policy document after approval.

2017 Agenda

6. The LPB would like to see a comprehensive governance structure covering LPP put in place as a matter of priority, including the processes which the Pension Fund Committee and Lancashire County Council are using to monitor and oversee LPP's activities.
7. Time should be set aside within the 2017 Work Plan to look at:
 - a. How the Fund can provide better support for employers and members
 - b. The planned restructuring of the Administration function, and how LPB Members can use their perspectives to feed into that.

Lancashire Local Pension Board
Meeting to be held on 17th January 2017

Electoral Division affected: None

Report of the Working Group on the Terms of Reference of the Lancashire Local Pension Board.
(Appendix 'A' refers)

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

Executive Summary

This report presents a draft revised Terms of Reference for the Lancashire Local Pensions Board as agreed by the Working Group established by the Board on the 18th October, 2016

Recommendation

The Board is asked to consider the revised Terms of Reference and if appropriate recommend them to the Pension Fund Committee.

Background and Advice

At the meeting on the 18th October 2016 the Lancashire Local Pension Board agreed to establish a small Working Group, comprising W Bourne, S Browne and R Harvey to examine in detail the future role and remit of the Board and draft a revised Terms of Reference for consideration.

The Working Group met on the 13th December 2016 and was presented with a copy of the current Terms of Reference which included the amendments agreed by the Board on the 18th October, 2016, together with some proposed revised wording for consideration.

The Group examined each section of the current Terms of Reference individually, comparing it with the proposed revised wording and taking account of the LGPS Guidance on the creation and operation of Local Pension Boards in England and Wales.

The need for regular monitoring in order to reassure the Board, on behalf of the Committee, that the Local Pension Partnership represented value for money was also discussed together with those items which the Committee had identified as reserved matters. It was suggested that Lancashire should adopt a similar approach

to other Funds and establish a Stakeholder Group which would act independently of the Committee/Board with regard to general oversight of the Partnership.

It was also suggested that in the future the Pension Board should take ownership and oversight of the Risk Register for the Pension Fund Committee.

The Working Group agreed that the seven bullet points at item 9 in the existing Terms of Reference, which set out the remit of the Board, should be deleted and replaced by items a) to k) as set out in the LGPS Guidance on the creation and operation of Local Pension Boards in England and Wales.

Having considered the existing Terms of Reference and the proposed revised wording the Working Group agreed a draft revised Terms of Reference for the Board, a copy of which is attached as Appendix 'A'.

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
Terms of Reference of the Lancashire Local Pension Board	2016	Mike Neville, Democratic Services, (01772) 534261

Reason for inclusion in Part II, if appropriate

N/A

Proposed new Terms of Reference for the Lancashire Local Pensions Board.

1. Role and remit of the Board.

- 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; and
 - iii. in such other matters as the LGPS regulations may specify
- b) To ensure 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.
- d) To review and scrutinise governance processes and procedures to 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.
- e) To meet sufficiently regularly to discharge its duties and responsibilities effectively, but not less than four times in any year.
- f) To review the key policy documents to ensure they are fit for purpose.
- g) 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:
 - i Assist with the development of improved customer services
 - ii monitor performance of administration, governance and investments against key performance targets and indicators.
 - iii Review the effectiveness of processes for the appointment of advisors and suppliers to the Administering Authority

- iv Monitor investment costs including custodian and transaction costs.
 - v Monitor internal and external audit reports.
 - vi Review the Risk Register as it relates to the scheme manager function of the Authority.
 - vii Assist with the development of improved management, administration and governance structures and policies.
 - viii Review the outcome of actuarial reporting and valuations.
 - ix Assist in the development and monitoring of process improvements on request of Committee.
 - x Assist in the development of asset voting and engagement processes and compliance with the UK Stewardship Code.
 - xi Any other area within the core function (ie. Ensuring effective and efficient governance of the Scheme) the Board deems appropriate.
- h) To review the outcome of internal and external audit reports in relation to the Fund.
 - i) To make such recommendations to the Pension Fund Committee and/or Full Council as it considers appropriate in relation to any matter that the Board considers may improve the performance of the Fund
 - j) To submit in March each year a proposed annual work plan to the Pension Fund Committee for the forthcoming financial year
 - k) To carry out any activities relating to the efficient governance and administration of the Fund which the Pension Fund Committee or Full Council may request the Board to undertake

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 maximum of 8 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 expected to attend all meetings. 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 of the Board regarding identifying conflicts of interest is as set out in Appendix 'E' of the County Councils Constitution.

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 performance of the advisers so appointed is 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 produce an **Annual 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. 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

10. 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.

11. 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.

12. Accountability

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

13. 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 Board 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.

14. 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.

15. 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 Tuesday, 17 January 2017

Electoral Division affected: (All Divisions);
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Review of the Investment Strategy Statement

(Appendix 'A' refers)

Contact for further information: Abigail Leech, (01772) 530808, Head of Fund,
Lancashire County Pension Fund abigail.leech@lancashire.gov.uk

Executive Summary

This report sets out details of an item which the Director of Governance, Finance and Public Services has approved under the procedure for dealing with matters of Urgent Business. This decision was taken on the 31st October 2016.

Details of the decision were reported to the Pension Fund Committee on the 13th December 2016.

Recommendation

The Board are asked to note the report.

Background and Advice

Lancashire County Council is the administering authority of the Lancashire County Pension Fund and is required to publish an Investment Strategy Statement (ISS) in accordance with DCLG guidance on Preparing and Maintaining an Investment Strategy Statement (Sept 2016).

New investment regulations came into force on the 1st November 2016 and in order for the old regulation and investment limits to be revoked an ISS was required to be approved and published by that date. Use of the Urgent Business Procedure was considered necessary as the next scheduled meeting of the Pension Fund Committee would not be until the 2nd December 2016.

Following consultation with the Chair and Deputy Chair of the Committee, the Director of Governance, Finance and Public Services approved the ISS as reported to the Pension Fund Committee on the 13th December 2016. A copy of the approved ISS is attached as Appendix 'A'.

Consultations

The independent advisers to the Pension Fund Committee were consulted on the final version of the ISS and indicated that they were happy to recommend it for approval. In addition a copy of the ISS was circulated to all members of the Lancashire Local Pension Board and the Pension Fund Committee for information.

The Chair and Deputy Chair of the Pension Fund Committee were consulted and supported the proposed action.

Implications:

This item has the following implications, as indicated:

Risk management

The new regulations require each Administering Authority to publish an Investment Strategy Statement (ISS) to replace the current Statement of Investment Principles. Until such time as the ISS is published the old regulations will remain in force for the Administering Authority. Once published the ISS provides “access” to the new regulations.

In order to prevent any delay or risk when progressing the transition of assets into pooling vehicles it is desirable that LCPF and LPFA access the new regulations at the earliest opportunity

Financial Implications

The Investment Strategy Statement (ISS) is important to enable Local Pension Partnership Investments (LPP I) to commence pooling and achieve savings that were agreed in the approved business plan.

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact/Tel
The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016	1 st Nov 2016	Abigail Leech (01772) 530808

Reason for inclusion in Part II, if appropriate

Investment Strategy Statement as presented to the Pension Fund Committee on 2nd December 2016

Introduction

Lancashire County Council (“LCC”) is the administering authority of the Lancashire County Pension Fund (the “Fund”). This Investment Strategy Statement (“the Statement”) has been prepared in accordance with DCLG guidance on Preparing and Maintaining an Investment Strategy Statement (Sept 2016) and after taking appropriate advice.

As set out in the Regulations, the Committee will review this Statement from time to time, but at least every three years, and revise it as necessary. Also, in the event of a significant change in relation to any matter contained in this Statement, changes will be reflected within six months of the change occurring.

The Regulations require all Administering Authorities to take “proper advice” when formulating an investment strategy. In preparing this document and the overall investment strategy the Committee has taken advice from the LCPF Investment Panel (a panel of independent advisors appointed by LCC for the purpose of providing advice on pension related matters) and the Local Pension Partnership Investment Limited which is a FCA regulated investment manager with specific expertise and regulatory permissions to provide advice on investments.

Investment Objectives

The Fund’s primary investment objective is to ensure that over the long term the Fund will have sufficient assets to meet all pension liabilities as they fall due.

In order to meet this overriding objective the Committee maintains an investment policy so as to:

- Maximise the returns from investments whilst keeping risk within acceptable levels and ensuring liquidity requirements are at all times met;
- Contribute towards achieving and maintaining a future funding level of 100%;

The Fund will use its influence as a large institutional investor to encourage responsible long-term behaviour.

Asset Allocation Framework

To pay benefits over time the Fund needs to generate a rate of return that is at least equal to the actuarial discount rate. The starting point for considering asset allocation is a simple portfolio of bonds and equities. However, this basic portfolio does not maximise diversification and therefore risk adjusted return.

In order to prudently diversify sources of risk and return, the Fund allocates capital across a wide variety of different asset classes. To be added to the portfolio, asset classes are first judged for suitability; they have to be well understood by the

committee, consistent with the Fund’s risk and return objectives; and they have to make a significant contribution to the portfolio by improving overall return and risk characteristics. In addition, the new asset classes have to be less than perfectly correlated with equities and bonds, so that the portfolio benefits from increased diversification. The fund has identified a total of eight asset classes that combined form the policy portfolio.

The eight asset classes shown below have different exposures to economic factors (GDP growth and inflation) and combine different geographies and currencies. In assessing suitability the Board has considered the respective return drivers, exposure to economic growth and sensitivity to inflation – each an important consideration, relative to the sensitivities of the Fund’s liabilities and managing risk.

Asset Class	Long-Term Return Drivers	Economic Growth *	Inflation *	Geography	Currency
Global Equity	- Economic growth - Dividend income - Earnings growth - Change in company valuation	+	+/- **	Diversified	Diversified
Private Equity	- Economic growth - Company growth - Earnings growth - Change in company valuation - Availability of finance - Illiquidity premium	+	+/- **	Diversified	Diversified
Fixed Income	- Yield (minus credit losses) - Valuation increases as bonds approach maturity - Change in yield	-	-		
Alternative Credit	- Yield (minus credit losses) - Valuation increases as bonds approach maturity - Change in yield - Illiquidity premium	+	-	Diversified	Diversified
Property	- Rental yield (minus expenses) - Rental growth - Capital growth	+	+/- **	Predominantly UK	Predominantly GBP
Infrastructure	- Dividend income - Earnings growth - Change in asset valuation	+	+	Predominantly UK	Predominantly GBP
Total Return	- Diversified	Low correlation	Low correlation	Diversified	Diversified
Cash	- Yield	+	+	Predominantly UK	Predominantly GBP

* Sensitivities shown are to positive shocks, i.e., if growth and inflation surprise on the upside.

** Property, public and private equities expected to provide partial inflation protection.

These are the eight building blocks used to create the policy portfolio. The Committee, advised by the PFC Investment Panel, have determined benchmark weights to each asset class which it believe to be best suited to meeting the long term objectives of the Fund. It has also identified tolerance ranges within which

shorter term variations would be tolerated and/or actively pursued due to a combination of relative returns and investment opportunity.

The benchmark weight and tolerances are shown in the table below. The weights are to be maintained within the ranges, as long as the scheme can find attractive opportunities that meet its return, risk, and cash flow requirements. In the absence of opportunities investments will not be “forced” and under/over allocations may be made to any asset class whilst also remaining within the tolerance ranges.

The Committee and/or the LCPF Investment Panel will review exposures which arise outside these tolerances and advise appropriate action.

Asset Class	Policy Portfolio	
	Benchmark Weight	Range
Global Equities	42.5%	40%-50%
Fixed Income	2.5%	0%-5%
Private Equity	7.5%	0%-10%
Infrastructure	12.5%	10%-15%
Alternative Credit	20.0%	10%-25%
Property	15.0%	10%-20%
Total Return	0.0%	0%-5%
Cash	0.0%	0%-5%
Total	100%	

The policy portfolio has a number of illiquid assets that could prove difficult to sell in a period of market turmoil. Due to the fact that most of these assets generate income that can be used to pay benefits throughout the business cycle, (e.g. income from infrastructure and rent payments from properties), the scheme has determined that the illiquidity premiums that are generated from holding these assets are enough compensation for the level of risk.

Each asset class has its own specific investment objective (benchmark and investment performance target) and within each asset class there are further diversification controls. The mandates are managed by Local Pensions Partnership Investments Ltd (LPP I), to whom the Fund has delegated investment management and implementation duties in line with the principle of asset pooling within LGPS.

Global Equities

The objective is to outperform the MSCI All Country World, net dividends reinvested, in GBP Index over the full market cycle which is considered to be at least seven years (the “Benchmark”). All equity investments are made via LPP I, by investing in underlying funds which may be managed by LPP I (“Internal Mandates”), or by external third parties (“External Mandates”).

Private Equity

The objective is to outperform the MSCI World, net dividends reinvested, in GBP Index and provide investors with access to attractive private equity opportunities. All

new investments will include, but not be limited to the following sectors: Buyout, Venture Capital, Growth Equity, Special Situations/Distressed and Upstream Energy.

Fixed Income

The objective is to outperform the Barclays Global Aggregate Bond Index GBP Hedged. The LPP I Pool will pursue this aim by investing in underlying funds which may be managed by LPP I (“Internal Mandates”), or by external third parties (“External Mandates”) which are consistent with the Fixed Income Pool’s investment objectives and restrictions.

Total Return

The LPP I total return pool seeks to gain cost effective exposure to diversifying sources of return distinct from global equity beta and bond duration. The LPP I pool will pursue this aim primarily by allocating capital to investment strategies managed by external third parties (“External Mandates”).

Infrastructure

The objective is to gain cost effective, diversified exposure to global infrastructure assets located predominantly in OECD nations. These investments seek to generate a satisfactory risk adjusted return; improve diversification; provide predictable cash flows; and indirectly hedge against inflation.

Alternative Credit

The objective is to gain cost effective exposure to diverse sources of return linked to global credit markets and credit instruments. The LPP I investment pool will pursue this aim primarily by allocating capital to investment vehicles, mandates or pooled funds managed by external third parties (“External Mandates”).

Property

The objective is to gain cost effective, diversified exposure to UK and international property assets that meet its investment objectives: to generate a return in excess of the benchmark; earn predictable cash flows; and provide a partial hedge against inflation. The largest exposure of the portfolio will be to traditional sectors of the UK commercial real estate market. A smaller allocation will be made to value-added and opportunistic investments.

Cash/ Liquidity

The objective is to achieve cost effective management of cash balances by allocating capital to securities or funds in appropriate markets and in relevant currencies or hedged back to relevant currencies. The benchmark for the Liquidity pool is 1 month GBP LIBOR.

Investment Governance

The Committee is responsible for setting the higher level objectives and risk tolerances of the scheme. The Committee, in conjunction with the scheme’s actuary, sets the required rate of return needed to achieve its objectives and the risks it is willing to take. Once these parameters are established, the Committee will determine the strategic asset allocation or policy portfolio that it believes has the highest probability of succeeding. The implementation of the asset allocation is delegated to an expert investment manager – Local Pension Partnership Investment Ltd (LPP I).

LCC is a founding shareholder of LPP I and maintains ongoing corporate governance controls but plays no direct role in Investment Management activities. The Committee, advised by the LCPF Investment Panel, will monitor the performance of LPPI and the portfolio.

Investment Implementation

The implementation of all investments is delegated to Local Pensions Partnership Investment Ltd, an FCA authorised company. The partnership was set up by the LPFA and Lancashire County Council for the purpose of achieving economies of scale, greater internal resource and superior investment opportunities. The partnership brings the benefit of scale and expert resources beyond that which would be available to the Fund alone. This facilitates lower costs and a broader opportunity set which together facilitate improved net returns. Pooled vehicles are used wherever appropriate. Where assets are not physically pooled the management is typically pooled.

The partnership has created eight investment pools to allow access to the asset classes listed in the Asset Allocation Framework section. The investment pools are a combination of internally managed and externally managed strategies that offer an effective and efficient way of achieving asset class exposures.

The Fund also expects to benefit from scale via pooling arrangements with other funds in order to better access direct investments in areas such as infrastructure.

Some of the pools are expected to use derivatives as part of their strategies. Derivatives can reduce implementation costs, or change economic exposures. They may be used for both active and passive management strategies. The broad use of derivatives is explicitly approved by the Committee for both investment purposes and efficient portfolio management. Both exchange traded and over the counter derivatives may be used.

Whilst this Statement is permissive with regards to the use of derivatives in general, the practical implementation of these freedoms is limited by specific agreements in place between the Fund and LPP I. The LCPF Investment Panel advise the Committee on these agreements. Derivatives shall only be used where their use is agreed within these specific agreements.

Pooling of Assets

The Board has delegated the management of its investments to LPP I who are responsible for managing 100% of the assets of the Fund. The large majority of the Fund's assets will be transitioned into investment pooling vehicles, also managed by LPP I. A small minority of assets will remain on the balance sheet of the Fund as "legacy assets". Assets will be held as legacy assets if; the costs of transitioning outweigh any potential gains, the assets have reached "harvesting period", or transitioning would have a negative impact on the scheme's investment strategy. Proceeds from assets in "harvesting period" will be reinvested through LPP asset pools.

Asset Class	LCPF Assets			Legal Structure
	Transitioned*	Legacy*	Total*	
Public Equity	44.1%	0.0%	44.1%	Authorised Collective Scheme
Private Equity	1.4%	4.4%	5.7%	Limited Partnership
Infrastructure	3.7%	2.6%	6.4%	Limited Partnership **
Property	10.5%	0.5%	11.0%	Authorised Collective Scheme **
Total Return	0.0%	0.0%	0.0%	Authorised Collective Scheme **
Alternative Credit	22.0%	4.1%	26.1%	Limited Partnership **
Fixed Income	3.0%	0.0%	3.0%	Authorised Collective Scheme **
Cash	3.7%	0.0%	3.7%	Authorised Collective Scheme
Total	88.4%	11.6%	100.0%	

Information correct as at 30th June 2016.

* estimated figures ** subject to change

November 2015 investment reform and criteria guidance on pooling

The Fund has selected Local Pensions Partnership Limited (LPP) and its subsidiary LPP I to facilitate investment pooling. LPP has communicated its structure to DCLG via its response to the July 2016 consultation. This structure and associated business plan is consistent with the criteria contained within the November guidance.

Risk Management

The overriding objective of the Fund in respect of its investments is to maximise return within an acceptable and understood level of risk. The structure of the investment management arrangements has been implemented in order to produce a balanced spread of risk for the portfolio.

Diversification is a very important risk management tool. As described in the section on Asset Allocation, the scheme will seek to maintain a diversified exposure to several different asset classes, geographies, and currencies. The Committee expect this to provide (at least) two levels of protection: first, in periods of market turmoil, some assets will preserve capital better than others, allowing the portfolio to better withstand a shock. Second, in periods of rising markets, some assets will do better than others, and since the Board do not know with certainty which ones will do best, it is better to diversify.

The asset class pools described in the implementation section are also subject to a number of constraints to allow for intra-asset class diversification, including sector, country, manager, and maximum exposure to a single asset.

Operational risk is minimised by having custody of the Fund's financial assets provided by a regulated, external, third party, professional custodian. Equivalent arrangements are in place where investments are made into pooled vehicles, such as those managed by LPP I.

Performance measurement

Fund performance is measured at a number of different levels. The objective of the Fund is to outperform the actuarial discount rate. The policy portfolio is selected by

the Committee, with advice from the LCPF Investment Panel, and LPP I, the delegated investment manager, and is expected to generate returns above the discount rate.

The performance of the pooling arrangements is monitored via regular reporting and through periodic meetings. Performance for LPP I is measured against the policy portfolio. LPP I seeks to outperform the policy portfolio on a risk adjusted basis, via active sub-asset class selection, selecting the best stocks/managers for each of the pools and by implementing investments in a low cost manner. Performance for the investment pools is measured against widely used and transparent benchmarks.

Where performance falls short of expectations the Committee and LCPF Investment Panel will identify the cause of this underperformance and will respond appropriately either to alter its policy portfolio (where asset allocation is the underlying cause) or to require changes to the management of the pooling vehicles (where management skill within LPP I is the underlying cause). This latter intervention is enabled through Committee's ongoing governance rights within LPP I via its shareholding in Local Pension Partnership Limited, LPP I's parent company.

Environmental Social and Corporate Governance (ESG) Policy, and approach to social investments

The Fund is committed to being a long term responsible investor. The Fund complies with and follows the principles of both the UK Stewardship Code and to the UN-backed Principles of Responsible Investment.

Responsible Investment is an investment approach which recognises the significance of the long-term health and stability of the market as a whole and encompasses

- the integration of material ESG factors within investment analysis and decision-making
- the active use of ownership rights in order to protect and enhance shareholder value over the long term – primarily through voting and engagement.

The objective of responsible investment is to decrease investor risk and improve risk-adjusted returns. Responsible investment principles are at the foundation of the Fund's approach to stewardship and underpin the Fund's fulfilment of its fiduciary duty to scheme beneficiaries.

ESG integration and the active use of ownership influence are integral to the investment management services provided by LPP I, which are delivered in accordance with an LPP I Responsible Investment Policy. It is an LPP I RI belief that ESG factors are relevant at every stage in the investment cycle - within investment strategy, investment selection and within the stewardship of assets in ownership. As part of a prudent approach which applies care, skill and diligence LPP I procedures ensure that ESG issues are routinely considered as part investment analysis, are incorporated into the due diligence leading to investment selection and continue to be monitored and reviewed as part of the active ownership of assets under management.

The approach to incorporating ESG factors is to establish the type and materiality of relevant issues on a case by case basis, whilst taking account of global norms, rather than to apply artificial exclusions through negative screening. ESG factors are considered over the time horizon within which specific investments are likely to be held, in order to clarify the context that risks and returns operate within and assist the evaluation of investment risks and opportunities.

The Fund shall invest on the basis on financial risk and return having considered a full range of factors contributing to financial risk including both those detailed above and relevant social factors to the extent these indirectly or directly impact on financial risk and return.

Exercising the Rights of Ownership

The Fund recognises that encouraging the highest standards of corporate governance and promoting corporate responsibility by investee companies protects the financial interests of pension fund members over the long term. The Fund's commitment to actively exercising the ownership rights attached to its investments, reflects the Fund's conviction that responsible asset owners should maintain oversight of the way in which, the enterprises they invest in are managed and how their activities impact upon customers, clients, employees, stakeholders, and wider society.

The routes for exercising ownership influence vary across asset types and a range of activities are undertaken on the Fund's behalf by LPP I, including direct representation on company boards, presence on investor & advisory committees and participation in partnerships and collaborations with other investors. In the case of listed equities the most direct form of ownership influence comes through shareholder voting and engagement.

Voting

Through the investments managed by LPP I, the Fund has ownership interests in listed companies across the globe. To ensure effective and consistent use of the voting rights attached to these assets LPP I, works with an external provider of governance and proxy voting services.

Voting is undertaken centrally rather than being delegated to individual managers and is in line with an agreed voting policy, which promotes risk mitigation and long-term shareholder value creation by supporting responsible global corporate governance practices. The policy is reviewed and updated on an annual basis to reflect emerging issues and trends.

A quarterly report on voting activity is available from the LPP website which is signposted via a link from the LCPF website.

Engagement

The Fund's approach to engagement recognises the importance of working in partnership to magnify the voice and maximise the influence of investors as owners. The Fund appreciates that to gain the attention of companies in addressing governance concerns, it needs to join with other investors sharing similar concerns. It does this primarily through:

- Membership of representative bodies including the Local Authority Pension Fund Forum (LAPFF) and the Pensions and Lifetime Savings Association (PLSA).
- Giving support to shareholder resolutions where these reflect concerns which are shared and represent the Fund interests;
- Joining wider lobbying activities when appropriate opportunities arise.

The Fund complies with the UK Stewardship Code and a statement of compliance which explains the arrangements which support its commitment to each of the seven principles is displayed on the Fund's website.

Lancashire Local Pension Board

Meeting to be held on Tuesday, 17 January 2017

Electoral Division affected:
(All Divisions);

Work Plan 2017/18

(Appendix A refers)

Contact for further information: Abigail Leech, (01772) 530808, Head of Fund,
Lancashire County Pension Fund abigail.leech@lancashire.gov.uk

Executive Summary

This report sets out a proposed Work Plan for the Lancashire Local Pension Board for 2017/18.

Recommendation

The Board are asked to agree the proposed 2017/18 Work Plan as set out at Appendix 'A'.

Background and Advice

The proposed Work Plan set out at Appendix 'A' details both the timing and frequency of work to be undertaken and has been designed to ensure all the responsibilities set out in the Board's Terms of Reference can be met.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

The Pension Board is required under regulations to secure compliance and ensure the effective, efficient governance and administration of the Fund.

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

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

Lancashire Local Pension Board – Work Programme January 2017/18

Report	Meeting Date				
	17 th Jan 2017	11 th Apr 2017	4 th Jul 2017	17 th Oct 2017	Tbc Jan 2018
Introductory Matters					
Standard items – Welcome/Apologies, Disclosure of interests, Minutes of Previous Meeting, Urgent business, date of next business, exclusion of press and public	Y	Y	Y	Y	Y
Chairs report on the appraisal of the Pension Board	Y				Y
Work Plan	Y	Y	Y	Y	Y
Feedback from Board members on attendance at training events and conferences	Y	Y	Y	Y	Y
Annual Review of Member Training Records				Y	
Reports considered by the recent Pension Fund Committee	Y	Y	Y	Y	Y
Governance Structure	Y				Y
LPP Administration Transformation Plan	Y			Y	
Review of induction pack for new board members		Y			
Key Policy Documents					
Terms of reference for Board (Annual Review)	Y	Y			Y
Termination Policy (Annual Review)			Y		
Governance Policy Statement (Annual Review)			Y		
Pensions Administration Strategy Statement (Annual Review)			Y		
Funding Strategy Statement (Triennial Review)		Y			
Investment Strategy Statement – dependent on investment panel work-plan (Triennial Review)				Y	
Administration Performance Report (Annual Review)			Y		
UK Stewardship Code Compliance (Annual Review)		Y			
Actuarial Report (Triennial Review)		Y			
Communications Policy Statement (Triennial Review)		Y			
		Y			
Governance					
Lancashire Local Pension Board – Annual report			Y		
Review of audited Lancashire County Pension Fund Annual Report, including Statement of Accounts (already published by this stage)				Y	
Review and agree narrative for inclusion in Pension Fund Annual Report and Statement of Accounts			Y		
Progress of pooling arrangements			Y		
Annual review of Fraud Control Framework				Y	
Review of compliance with Code of Practice 14				Y	

Review of compliance with Lancashire Annual Governance Policy Statement			Y		
Review of scheme risk register (bi-annual)		Y		Y	
High level scrutiny of LPP (annual review)			Y		
Report to Pension Fund Committee			Y		
Monitor employer and administrating authority discretions (Triennial Review)				Y	
Performance					
Monitoring of KPIs for administration, complaints, governance and investments	Y	Y	Y	Y	Y
Pension Fund Administration Service Quality of Service Report			Y		
Data quality			Y		
Financial Monitoring					
Annual monitoring of investment costs including custodian and transaction costs				Y	
Pension Fund Budget		Y			
Breaches reported to committee since last meeting	Y	Y	Y	Y	Y
Contributions monitoring				Y	
Communications and updates to employers and members					
Scrutiny of all annual documents and processes including communications to employers and members, formal reports and internal/external reports					
Assistance with communication to employers and members as arising out of regulations and current issues.	Y	Y	Y	Y	Y
Compliance of employers with their statutory duty under the Scheme.				Y	

Advanced Work Plan	2018/19	2019/20	2020/21	2021/22	Beyond
Actuarial Valuation		Y			2022/23
Funding Strategy Statement		Y			2022/23
Investment Strategy Statement		Y			2022/23
Communication Policy Statement		Y			2022/23
Pension Administration Strategy Statement			Y		2023/24
Employer and administering authority discretions			Y		2023/24

Lancashire Local Pension Board
Meeting to be held on 17th January 2017

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.

Recommendation

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

Background and Advice

The Pension Fund Committee at its meeting on 29th 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 members of the Board 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:

26th October 2016 - Local Pension Board and Officer Seminar at Liverpool attended by R Harvey.

28th October 2016 - Workshop on Investment Strategy at County Hall, Preston attended by S Browne, K Haigh and R Harvey.

22nd November 2016 - Annual Northern Pensions Investment Conference at Manchester attended by R Harvey

25th November 2016 - Workshop on Responsible Investment at County Hall, Preston – attended by K Haigh, J Hall, R Harvey and Y Moul.

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 members of the Board 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 17th January 2017

Electoral Division affected: None

Part I Reports Considered by the Pension Fund Committee

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 Part I reports recently 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 2nd December 2016 as set out in the report and comment as appropriate.

Background and Advice

At the meeting on the 2nd December 2016 the Pension Fund Committee considered a number of Part I reports as set out below

5. 2016 Actuarial Valuation of Lancashire County Pension Fund
6. LCPF Budget Monitoring to 30th September 2016
7. Responsible Investment.
8. Feedback from Committee members on external pension related training, events and conferences.
9. Transaction of Urgent Business - Investment Strategy Statement

Members of the Board previously received notification when the Committee agenda was published and available to view on the County Councils website at <http://council.lancashire.gov.uk/ieListDocuments.aspx?CId=183&Mid=6455&Ver=4>

A copy of the agenda was also available for members of the Pension Board to view in the Pensions Library.

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 and Minutes	2 nd December 2016	Mike Neville, Democratic Services, (01772) 534261

Reason for inclusion in Part II, if appropriate

N/A

Agenda Item 13

(NOT FOR PUBLICATION: By virtue of paragraph(s) 1, 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

(NOT FOR PUBLICATION: By virtue of paragraph(s) 1, 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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(NOT FOR PUBLICATION: By virtue of paragraph(s) 1, 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

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

(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)

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Agenda Item 15

(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)

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(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)

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Agenda Item 16

(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)

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