

## **Lancashire County Council**

### **Pension Fund Committee**

**Minutes of the Meeting held on Friday, 17th March, 2017 at 2.00 pm in Cabinet Room 'C' - The Duke of Lancaster Room, County Hall, Preston.**

#### **Present:**

County Councillor Kevin Ellard (Chair)

#### **County Councillors**

M Barron	M Otter
G Dowding	A Schofield
J Oakes	K Sedgewick

#### **Co-opted members**

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

#### **Independent Advisers**

A Devitt  
E Lambert

### **1. Welcome and Apologies**

The Chair welcomed everyone to the meeting and noted that Greg Smith, (Director of Strategic Programmes and Group Company Secretary) and Chris Rule (Managing Director and Chief Investment Officer) from LPP were attending to present the reports at items 15 and 16.

He also welcomed Marianne Dixon, Manager, and Ian Pinches, Assistant Manager, from Grant Thornton UK LLP who would present the report at item 7.

Apologies for absence were received from County Councillor D Borrow and presented on behalf of County Councillor M Parkinson and County Councillor D Westley.

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

No declarations of interest were made in relation to items appearing on the agenda.

### **3. Minutes of the Meeting held on 2nd December 2016**

The Chair informed the meeting that following consultations with Colleges and Universities it had been agreed that Mr Eddie Pope from UCLAN would be the sole nominee put forward to replace Mr Milloy as the FE/HE representative on the Committee and that upon his retirement from the position it would be filled by a nominee from the FE colleges and the position would then alternate between the sectors in a similar way.

The Committee noted that Mr Pope would ensure that relevant colleagues from each of the Lancashire FE/HE institutions would be able to input through him and receive feedback from him following meetings.

#### **Resolved:**

1. That the appointment of Mr E Pope from UCLAN as the co-opted member representing FE/HE institutions on the basis set out above is noted.
2. That the Minutes of the meeting held on the 2<sup>nd</sup> December 2016 as presented are confirmed as an accurate record and signed by the Chair.

The Chair informed the meeting that he would take all the Part II items as the next items of business in order that the representatives from the Local Pension Partnership could present their reports and then leave the meeting.

### **12. Exclusion of Press and Public**

**Resolved:** That the press and public be excluded from the meeting during consideration of the following items of business on the grounds that there would be a likely disclosure of exempt information as defined in the appropriate paragraph of Part 1 of Schedule 12A to the Local Government Act, 1972, as indicated against the heading of the items. It was considered that in all the circumstances the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

### **13. Investment Panel Report**

(Exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It was considered that in all the circumstances of the case the public interest in maintaining the exemption outweighed the public interest in disclosing the information).

The Committee received a report on matters considered by the Investment Panel since the last meeting which included updates on the continuing implications of Brexit, the US presidency and rising inflation on global markets.

**Resolved:** That the report is noted.

#### **14. Fund Performance Report**

(Exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It was considered that in all the circumstances of the case the public interest in maintaining the exemption outweighed the public interest in disclosing the information).

The Committee considered a report on the performance of the Fund up to the end of December 2016 which included the following:

- An update on the economic backdrop;
- The total Fund return as at 31<sup>st</sup> December 2016;
- An update on the performance of equities, credit, real estate, infrastructure and private equity:
- Asset allocation;
- The funding ratio up to December 2016;
- Details of contributions net of benefits and investment income.

An additional summary and overview of performance was circulated to members of the Committee at the meeting. In considering the report the Committee noted that regulatory changes in January 2018 would classify local authorities as 'retail investors' which were not considered suitable to invest in infrastructure. Mr Smith reported that discussions were underway regarding the criteria, with a view to determining whether authorities which could demonstrate they have sufficient expertise, would be able to "opt up" and continue to invest in infrastructure.

It was also noted that the Fund was performing well with strong growth potential across all asset allocations.

#### **Resolved:**

1. That the report and updates on performance presented at the meeting are noted.
2. That the Committee be kept informed of developments regarding the regulatory changes which are due to come into operation in January 2018 and their implications for the Fund.

#### **15. Local Pensions Partnership (LPP) Quarter 3 update**

(Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It was considered that in all the circumstances of the case the public interest in maintaining the exemption outweighed the public interest in disclosing the information).

The Director of Strategic Programmes and Group Company Secretary from LPP updated the Committee on the performance of the Fund up to 31<sup>st</sup> December, 2016, including plans to expand the current pooling arrangements. The Committee also discussed arrangements for publicising the work of the LPP in the media.

The Managing Director and Chief Investment Officer from LPP updated the meeting in relation to the transition of assets which was anticipated to be completed by February 2018. With regard to social investment it was noted that LPP would monitor upcoming decisions and ensure that any voting was in accordance with LPPs responsible investment policy.

**Resolved:**

1. That the report and updates presented at the meeting are noted.
2. That arrangements be made for members of the Committee to be regularly updated on publicity associated with the LPP.

**16. Data security issue - Pension Administration Service**

(Exempt information as defined in Paragraphs 1 and 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It was considered that in all the circumstances of the case the public interest in maintaining the exemption outweighed the public interest in disclosing the information).

A report was presented on a data protection breach which had been brought to the attention of the Head of Fund since the last meeting. The breach had been referred to the County Council's Information Governance Team who had reported the incident to the Information Commissioner and carried out a full investigation. The Committee noted that the County Councils Senior Information Risk Owner had reviewed the breach and concluded that it was not necessary to report it to the Pensions Regulator.

**Resolved:** That the report is noted.

**17. Transaction of Urgent Business - Extension of contract for Independent Advisor to Pension Fund**

(Exempt information as defined in Paragraphs 1 and 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It was considered that in all the circumstances of the case the public interest in maintaining the exemption outweighed the public interest in disclosing the information).

A report was presented in relation to a decision taken by the Director of Governance, Finance and Public Services under the urgent business procedure to approve the extension of the contract of an independent adviser to the

Committee, for an additional two years to 28<sup>th</sup> February 2019 on the existing terms of appointment.

**Resolved:** That the report is noted.

Having considered all of the reports in Part II the Committee returned to those items in Part I of the agenda which were open to the press and public.

#### **4. Proposed revised Terms of Reference for the Lancashire Local Pension Board**

Mr Bourne, Chair of the Lancashire Local Pensions Board, presented a report regarding proposed revised Terms of Reference for the Board.

It was noted that the main changes to the Terms of Reference related to clarifying the review and scrutiny role of the Board and the inclusion of eleven bullet points taken from the LGC Guidance on the operation of Pension Boards.

**Resolved:** That the revised Terms of Reference for the Lancashire Local Pensions Board are approved.

#### **5. LCPF Budget 2017/18**

The Head of the Fund, presented a report regarding the budget for the Lancashire County Pension Fund for the year ending 31<sup>st</sup> March 2018 and informed the meeting that the budget would be compared with updated figures from the 2017 Actuarial Valuation once they were available.

In considering the report the Committee discussed the various measures which were in place to ensure transparency including internal/external audit, the risk register and Investment Panel. It was also noted that the Pension Board had recommended that in the future an independent external review of the LPP be undertaken to provide further reassurance over financial procedures and controls.

**Resolved:** That the budget for the Lancashire County Pension Fund for the year ended 31<sup>st</sup> March 2018, as set out in Appendix 'A' to the report presented is noted and approved.

#### **6. Funding Strategy Statement**

A report was presented in relation to the revised Funding Strategy Statement (FSS) which incorporated the requirements set out in the Fund's Investment Strategy Statement.

In considering the report the Committee recognised the tensions which existed between contribution levels from employers and the Committee as the holder of the Fund for beneficiaries. It was reported that the key elements of the revised FSS had been communicated to employers and discussions were ongoing with individual employers in relation to the options available to them in relation to debt recovery.

**Resolved:** That the revised Funding Strategy Statement, as set out in Appendix 'A' to the report presented, is approved.

## **7. 2016-17 Audit Plan**

The Committee considered the External Auditors Annual Audit Plan for 2016/17 which set out in broad terms the programme of work which the audit would focus on. It was noted that the total fee for the audit would be the same as that charged for the preceding two years.

**Resolved:** That the Audit Plan for 2016/17 and associated fee, as set out in the Appendix to the report presented, is noted.

## **8. Feedback from members of the Committee on external pension related training, events and conferences.**

The Chair updated the Committee in relation to Conferences he had attended since the last meeting.

The Local Authority Pensions Fund Forum Conference had been a useful and informative forum with interesting discussions on infrastructure and pooling. The Chair informed the meeting that discussions had indicated that the LPP was 'ahead of the game' in relation to infrastructure investment and that progress on pooling across the country was progressing slowly with a variety of approaches being adopted by individual Funds.

With regard to the LGC Investment Seminar the Chair reported that the event had been informative with useful presentations and discussions on a range of topics including:

- The possibility of incorporating Academies into the LGPS in the future.
- The marked improvement in funding levels over the last 3 years as identified by Actuarial Valuations.
- Sustainability in relation to socially responsible investments.

**Resolved:** That the report and feedback given at the meeting are noted.

## **9. Programme of Meetings 2017/18**

It was reported that on the 15th December, 2016, the full County Council had agreed a programme of meetings for 2017/18 which included four meetings of the Pension Fund Committee to be held at 10.30am in Cabinet Room 'C' - The Duke of Lancaster Room, County Hall, Preston, on the following dates:

9th June 2017  
15th September 2017  
1st December 2017  
23rd March 2018

The Committee also noted that arrangements had been made for an additional meeting to be held on the 27<sup>th</sup> July 2017 to consider the Pension Fund accounts before they are submitted to the Audit and Governance Committee.

### **Resolved:**

1. That the programme of meetings for 2017/18, as agreed by full County Council on the 15th December, 2016 and set out in the report presented are noted.
2. That an additional meeting of the Committee to consider the Pension Fund Statement of Accounts be held at 10.30am on the 27th July 2017 in Cabinet Room 'D' – The Henry Bollingbroke Room, County Hall, Preston.

## **10. Urgent Business**

No items of urgent business were raised under this heading.

## **11. Date of Next Meeting.**

It was noted that the next scheduled meeting of the Committee would be held at 10.30am (preceded by a briefing from 10am) on the 9<sup>th</sup> June 2017 in Cabinet room 'C' – The Duke of Lancaster Room.

As the next meeting would take place after the local elections in May the Chair thanked those colleagues who may not be standing for re-election for their contribution to the work of the Committee and wished those who were standing all the best.

I Young  
Director of Governance, Finance and  
Public Services

County Hall  
Preston