

Lancashire County Council

Pension Fund Committee

Minutes of the Meeting held on Friday, 2nd December, 2016 at 10.30 am in Cabinet Room 'C' - The Duke of Lancaster Room, County Hall, Preston

Present:

County Councillor Kevin Ellard (Chair)

County Councillors

M Barron	M Otter
C Crompton	M Parkinson
D Borrow	A Schofield
G Dowding	D Westley
G Gooch	D Whipp
J Oakes	

Co-opted members

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

External Advisors

A Devitt
E Lambert

1. Welcome and Apologies

The Chair welcomed everyone to the meeting, particularly Aoifinn Devitt, who had returned to the Committee after a temporary absence during which time Elizabeth Carey had acted as an Independent Adviser to the Committee in her place.

It was noted that County Councillor Crompton had replaced County Councillor Beavers on the Committee for this meeting only.

Apologies were received from Councillor Rankin and presented on behalf of County Councillor Pritchard and County Councillor Sedgewick.

The Chair also reported that Mr Milloy would no longer be acting as the co-opted member of the Committee representing FE/HE institutions and that a replacement was currently being sought.

Resolved: That the Committee place on record their thanks to Elizabeth Carey for all her work and support as an Independent Adviser for the last six months.

2. Disclosure of Pecuniary and Non-Pecuniary Interests

County Councillor Whipp and County Councillor Parkinson declared non pecuniary interests in relation to item 5 on the agenda as they are elected representatives of District Councils which contributed to the Lancashire County Pension Fund.

Resolved: That the declarations are noted.

3. Minutes of the Meeting held on the 15th September 2016

Resolved: That the Minutes of the meeting held on the 15th September, 2016, as presented, are confirmed as an accurate record and signed by the Chair.

4. Matters Arising - Temporary delisting of the Lancashire County Pension Fund as a signatory to the UK Stewardship Code

A report was presented regarding the decision of the Committee at the previous meeting to authorise the Chair, in consultation with the Head of Fund, to approve a revised statement of compliance with the UK Stewardship Code.

It was reported that following the meeting feedback from the FRC in response to dialogue with them by LPPI's Responsible Investment Officer, had resulted in a change of circumstances which led to the Chair approving the Fund being temporarily delisted as a signatory to the Stewardship Code until it had developed and published its first Investment Strategy Statement (ISS).

It was noted that a separate report in relation to the approval of the ISS appeared elsewhere on the agenda.

Resolved: That the decision by the Chair to approve the Lancashire County Council Pension Fund being temporarily delisted as a signatory to the UK Stewardship Code for a period of 6 months pending the Fund's development of an Investment Strategy Statement is noted.

5. 2016 Actuarial Valuation of Lancashire County Pension Fund

Mr J Livesey from the Funds Actuary presented a report in relation to the detailed valuation of the Fund based on the assets and liabilities at 31 March, 2016. Additional information in relation to the valuation was circulated at the meeting.

In considering the Valuation the Committee explored the way in which the Fund would achieve both the bridging of the deficit within the Fund and a sustainable contribution plan for employers. Clarification was sought in relation to some of the

information circulated at the meeting and it was agreed that, subject to any minor amendments which may be required as a result, the proposals set out in the Appendix to the report be approved in order that they could be discussed further with stakeholders and if approved form the core of the Funding Strategy Statement which the Fund was required to produce after each Valuation.

A copy of the amended Appendix is set out in the Minute Book.

Decision taken:

1. That the results of the actuarial valuation are noted.
2. That, subject to any minor amendments which may be required to clarify the additional information presented at the meeting, the measures in relation to the setting of contribution rates set out in Appendix 'A' to the report presented are approved for consultation with stakeholders as part of the preparation of the Funding Strategy Statement.

6. LCPF Budget Monitoring to 30th September 2016

A report was presented which summarised the variances from budget for the period 1st April to 30th September 2016.

Resolved: That the report is noted.

7. Responsible Investment

Francis Deakin, Responsible investment Officer from the Local Pensions Partnership Investments Ltd (LPPI) presented the quarterly report on Responsible Investment.

In considering the report the Committee discussed a number of issues including:

- The effectiveness of proxy voting on behalf of the Fund at shareholder meetings as a means to progress responsible investment, especially when resolutions are lost. It was recognised that in some cases collaboration between investors presented a strong voice on issues such as responsible investment and suggested that even where resolutions were lost there could still be a cumulative impact on the future direction of the Company concerned.
- It was noted that the Investment Strategy Statement would progress both stewardship of the Fund and responsible investment and that in many areas LPPI was already involved in activity required by the ISS.
- It was suggested that the responsible investment policy did not adequately reflect the principles as set out in the UN sponsored Principles of Responsible Investment.

- With regard to the pooling of investments it was suggested that consideration should be given to ensuring that the objectives of LPP in relation to responsible investment were aligned with other stakeholders in order to maximise the benefits of those investments.

Resolved:

1. That the report is noted.
2. That consideration be given to establishing a Working Group to explore further how the Committee could support responsible investment in the future.

8. Feedback from Committee members on external pension related training, events and conferences

The Committee considered a report setting out details of attendance at external pension related training events and conferences since the last meeting and received feedback from individual members of the Committee.

The Chair reported on the highlights from a number of conferences he had attended including a presentation given at the Local Government Pension Investment Forum in relation to increased investment in infrastructure and a focus group at the PLSA Annual Conference which had provided an interesting insight into the views of young people in relation to pensions. Mr Pope added that the event had covered a wide range of aspects of the pension industry and had been very informative with an excellent speaker.

County Councillor Gooch reported that the Introduction to the LGPS had been an excellent event which had been useful in understanding the actuarial valuation process.

County Councillor Schofield provided detailed feedback in relation to the Annual Northern Pensions Investment Conference which he had recently attended and had found to be an interesting and varied mix of sessions on investment with attendees from both the private/public sectors and enabled opportunities to network with others.

Mr Crewe commented that he found the internal training workshops for members of the Committee useful in building up his knowledge of the subject which was helpful when attending external events/conferences.

Resolved: That the report and feedback presented at the meeting is noted.

9. Transaction of Urgent Business - Investment Strategy Statement

The Committee received a report on a decision which the Director of Governance, Finance and Public Services had taken under the procedure for

dealing with matters of Urgent Business in relation to the publication of an Investment Strategy Statement (ISS).

It was noted that since the last meeting new investment regulations had come into force on the 1st November 2016 and as a result it had been necessary to approve and publish an ISS by that date. Approval had been sought under the Urgent Business Procedure as the next scheduled meeting of the Committee was not until the 2nd December 2016.

Resolved: That the report is noted.

10. Urgent Business

No items of 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 2pm on the 17th March 2017 in Cabinet Room 'C' - The Duke of Lancaster Room at County Hall, Preston.

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. Local Pensions Partnership - Quarter 2 update

Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act, 1972. The report contains information relating to the financial or business affairs of any particular person (including the authority holding that information). It is considered that in all circumstances of the case the public interest in maintain this exemption outweighs the public interest in disclosing the information.

The Committee considered an update report on the second quarter of activities of the Local Pension Partnership (LPP) which highlighted a number of areas, including:

- The continuing integration of staff across three sites.
- The pooling of Asset Management.
- The performance of the Fund investments and administration.

- The reputation of both the Fund and LPP being 'ahead of the game' and the potential inclusion of additional stakeholders in the future.
- That LPP was operating within budget.

Resolved:

1. That the details, as set out in the report presented, are noted.
2. That Greg Smith, Director of Strategic Programmes & Group Company Secretary from the Local Pensions Partnership be thanked for his attendance.

14. Investment Panel report

Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act, 1972. The report contains information relating to the financial or business affairs of any particular person (including the authority holding that information). It is considered that in all circumstances of the case the public interest in maintain this exemption outweighs the public interest in disclosing the information.

The Committee considered a report from the Investment Panel in relation to the work of the Panel since the last meeting of the Committee. When considering the report the Committee's attention was drawn to a number of key areas including:

- The outcome of the US Presidential election and its implications for global markets.
- The continuing impact of the result of the EU Referendum.
- The volatility of the commodities market, particularly in relation to oil.
- Currency movements.

Resolved: That the report and the updates presented at the meeting are noted.

15. Fund Performance report

Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act, 1972. The report contains information relating to the financial or business affairs of any particular person (including the authority holding that information). It is considered that in all circumstances of the case the public interest in maintain this exemption outweighs the public interest in disclosing the information.

The Committee considered a report which summarised the performance of the Fund up to the end of September 2016 and also received a presentation from the Co-Chief Investment Officer of the Local Pension Partnership.

It was noted that the Fund had historically performed well and that the performance of LPPI from the 1st April would need to be regularly monitored to ensure that continued.

Resolved: That the report is noted.

16. Update on work undertaken on governance and risk

Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act, 1972. The report contains information relating to the financial or business affairs of any particular person (including the authority holding that information). It is considered that in all circumstances of the case the public interest in maintain this exemption outweighs the public interest in disclosing the information.

The Committee received a report from the Head of Fund regarding a review of the risk register in order to ensure it was updated in relation to the revised governance relationships with the Local Pension Partnership.

In considering the draft risk register the Committee agreed that more work was needed on the detail and it was noted that further consideration would be given to the matter at a workshop to be held early in the New Year in order that a revised register can be presented to the next meeting in March 2017.

Resolved: That the report presented and draft risk register set out at Appendix 'A' are noted.

I Young
Director of Governance, Finance
and Public Services

County Hall
Preston