

## **Lancashire County Council**

### **Pension Fund Committee**

**Minutes of the Meeting held on Friday, 15th September, 2017 at 10.30 am in Committee Room 'C' - The Duke of Lancaster Room, County Hall, Preston**

#### **Present:**

County Councillor E Pope (Chair)

#### **County Councillors**

J Burrows	T Martin
S Clarke	J Mein
G Dowding	J Rear*
C Edwards	A Riggott
K Ellard	A Schofield
J Fillis	

\* replaced County Councillor A Snowden for this meeting only.

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

Paul Crewe, (Trade Union Representative)  
Councillor Mark Smith, (Blackpool Council Representative)  
Councillor Ron Whittle, (Blackburn with Darwen Borough Council Representative)  
Councillor Ian Moran, (District Leaders Group)  
Councillor David Borrow, (District Leaders Group)  
Jennifer Eastham, FE/HE Institutions

#### **Independent Advisers**

E Lambert and A Devitt

#### **1. Apologies**

No apologies for absence were presented.

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

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

#### **3. Minutes of the Meeting held on 30th June 2017**

The Head of Fund informed the meeting that the report on the draft revised Strategic Plan for the Lancashire County Pension Fund was not included on the agenda and would be presented to the Committee in December 2017

**Resolved:**

1. That a report on the draft revised Strategic Plan for the Lancashire County Pension Fund be presented to the Committee in December 2017.
2. That, subject to the update specified at 1 above, the Minutes of the meeting held on the 30<sup>th</sup> June 2017 are confirmed as an accurate record and signed by the Chair.

**4. Lancashire County Pension Fund - Admission and Termination Policy**

Mr J Livesey, Principal Actuary from Mercers, reported that the main area of the Policy which had been reviewed related to the actuarial assumptions used to assess the value of the liabilities at the point an employer exited the Fund as it was considered that the current methodology did not provide enough protection for the remaining employers from the downside risks.

It was reported that a number of different options for setting a discount rate had been considered and it was proposed to adopt an approach based on the yields available on corporate bonds at the date of exit which was a recognised approach used by a number of other LGPS Funds, based on publically available information, and was similar to the approach used to calculate pension liabilities in employers accounts.

A minor amendment was also proposed for the existing charging structure for new admission agreements and academies joining the Fund which would involve additional interest charges where initial pension contributions were paid to the Fund late.

It was noted that, if approved, the revised Policy would be subject to a 3 month consultation period with employers which would also provide an opportunity for them to prepare to exit the Fund if they wished as a result of the changes in policy.

**Resolved:**

1. That the changes to the admission and termination policy, as set out in Appendix 'A' to the report presented, are approved for consultation with the employers in the Lancashire County Pension Fund.
  2. That a further report on the outcome of the consultation specified at 1 above is presented to the Committee on the 23rd March, 2018.
- 5. External Audit – Lancashire County Pension Fund Audit Findings Report 2016/17**

Karen Murray, Director from Grant Thornton, presented her report and informed the Committee that the Audit Findings Report attached at Appendix 'A' set out the findings of the external audit of the Pension Fund Accounts for 2016/17.

It was reported that the findings had been presented to the Council's Audit and Governance Committee in July and any outstanding items highlighted in red at that time had subsequently been finalised with the external auditor issuing an unqualified audit opinion on the Fund accounts following the meeting on 10<sup>th</sup> August 2017.

Ms Murray and the Chair thanked the Head of Fund and her Team for their assistance with the external audit.

**Resolved:** That the contents of the Audit Findings report for the Lancashire County Pension Fund Accounts for 2016/17, as set out in the Appendix to the report presented, is noted.

## **6. Lancashire Local Pension Board 2016/17 Annual Report**

Mr W Bourne, Chair of the Lancashire Local Pension Board, presented the Annual Report on activity by the Board in 2016/17 which included details of Board members attendance at meetings and training events, activity during the year and the costs associated with the operation of the Board.

He also highlighted specific recommendations which the Board had made in relation to tracing missing members and the need for additional resources for the Head of Fund and the subsequent action which had been taken.

### **Resolved:**

1. That the Annual Report of the Lancashire Local Pension Board for 2016/17, as set out in the Appendix to the report presented, is noted.
2. That the Chair and members of the Board be thanked for their contributions to the work of the Board and supporting the operation of the Fund.

## **7. 2016/17 Pension Fund Annual Report**

The Head of Fund presented a report on the Lancashire County Pension Fund Annual Report for the year ended 31 March 2017.

In considering the report the Committee noted the number of calls received by the dedicated helpdesk during the year and that additional resources had been allocated to address the dip in performance. It was reported that the Head of the Administration Service was due to attend the Lancashire Local Pension Board in October to discuss performance against agreed KPIs.

The Chair welcomed the report and recognised that the LCPF had grown in terms of membership and value over the last year.

**Resolved:** That the Lancashire County Pension Fund Annual Report for the year ended 31 March 2017, as set out in Appendix 'A' to the report presented, is approved for submission to the Full Council.

## **8. Responsible Investment**

The Committee received an update report on a range of responsible investment matters. The Head of Fund informed the meeting that the Responsible Investment Manager from the Local Pensions Partnership had been invited to attend the Working Group on the 20<sup>th</sup> September 2017 which had been arranged in accordance with the decision taken at the last Committee.

### **Resolved:**

1. That the update on responsible investment activity, as set out in the Appendix to the report presented, is noted.
2. That the Working Group on the 20<sup>th</sup> September 2017 be authorised to review the Fund's current approach to responsible investment and establish its ongoing reporting requirements in that area.
3. That the recommendations of the Working Group specified at 2 above be reported to the Committee on the 1<sup>st</sup> December 2017

## **9. LCPF - 2017/18 Q1 Budget Monitoring Report**

A report was presented on the income and expenditure of the Lancashire County Pension Fund for the period 1<sup>st</sup> April to 30<sup>th</sup> June 2017 with comparison to the budget for the same period.

**Resolved:** That the analysis of variances between actual results and the budgeted income and expenditure for the period 1<sup>st</sup> April to 30<sup>th</sup> June 2017, as set out in the report presented, are noted.

## **10. LPP Annual Report and Financial statements 2016/17**

The Head of Fund presented a report on the Annual Report and accounts for the Local Pensions Partnership (LPP) for the period ended 31<sup>st</sup> March 2017 which had been approved by LPP's Board on the 24th July 2017.

When considering the report the Committee noted the salaries of Executive and Non-Executive Directors and recognised that this was consistent with the market place and the Remuneration Policy previously agreed by the County Council Employment Committee.

**Resolved:** That the contents of the Local Pension Partnership Annual Report for 2016/17, as set out in the Appendix to the report presented, is noted.

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

A report was presented on the attendance by members of the Committee at internal/external pension related training events since the last meeting.

County Councillor J Fillis reported that he had found the 14th Annual LGPS Trustees' Conference in June useful and informative and he referred members of the Committee to his written report on the Conference which was available to view in the Pensions Library.

Councillor D Borrow stated that he had found the format of the LAPF Strategic Investment Forum in July, with shorter sessions on subjects such as pooling and ethical investment, to be effective. He also highlighted an interesting presentation which had been given on the ability of individuals to challenge the 'group think' of organisations on matters such as finance.

County Councillors Ellard and Mein both reported that they had found the sessions at the LGC Investment Summit 'Navigating the new landscape' in September to be interesting and informative, particularly with regard to future pooling requirements. It was noted that information from the Summit would be made available to members of the Committee via the Pensions Library.

With regard to the internal workshops on the Annual Report and Accounts (June) and the LCPF Risk Register (July) the Chair reported that both sessions had been informative and well attended and he urged members of the Committee to attend future workshops.

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

## **12. Supply of Lancashire Pension Fund Custodian Service**

The Head of Fund presented a report on the timelines and award criteria for the procurement of a new custodian services contract for the LGPS as the current contract was due to expire on 31<sup>st</sup> July 2018. In considering the report the Committee noted that the selection criteria would include both quality of service and price and that the County Councils procurement framework would include consideration of any associated social value.

**Resolved:** That the County Council's Procurement Service undertake the following procurement processes:

1. Appoint an independent specialist firm via a 3 quote process, to assist the Fund in developing a specification for the custodian services and assist in the evaluation of potential tender responses as a result of the procurement exercise outlined below;
2. Undertake an independent open OJEU compliant procurement exercise to appoint an independent provider of custodian services for 3 years

(commencing on 1st April 2018) with an option to extend for any given period up to a maximum of a further 3 years.

### **13. Urgent Business**

No items of business were raised under this heading.

### **14. Date of Next Meeting**

It was noted that the next scheduled meeting of the Committee would be held at 10.30am (preceded by a 30 minute briefing) on the 1<sup>st</sup> December 2017 in Committee Room 'C' - The Duke of Lancaster Room at County Hall, Preston.

### **15. 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 each items. It was considered that in all the circumstances the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

### **16. Local Pensions Partnership - Quarter 1 update**

(Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to 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 and the Managing Director and Chief Investment Officer from the Local Pensions Partnership (LPP) presented a report on the investment and administration functions operating within LPP.

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

### **17. Investment Panel Report**

(Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to 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:

- The Investment and Market context in which the LCPF operated.
- The performance of the LCPF.

- The Policy Portfolio and current asset allocation.

It was also reported that the Panel was in the process of reviewing the current Investment Strategy against cash available to meet the payment of future pensions. The Strategy would be discussed further with members of the Committee at a workshop in November and a further report presented to the Committee in December 2017.

**Resolved:**

1. That the report of the Investment Panel is noted.
2. That the recommendations of the Panel in relation to the future Investment Strategy of the LCPF are reported to the Committee on the 1<sup>st</sup> December 2017

**18. LCPF Performance Overview June 2017**

(Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to 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 was informed that the LCPF continued to outperform both internal and external actuarial benchmarks and noted that the recommendations of the Investment Panel with regard to the future Investment Strategy would be presented to the next meeting for consideration.

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

L Sales  
Director of Corporate Services

County Hall  
Preston