

Lancashire County Council

Pension Fund Committee

Minutes of the Meeting held on Friday, 30th June, 2017 at 10.00 am in Cabinet Room 'D' - The Henry Bolingbroke Room, County Hall, Preston

Present:

County Councillor Eddie Pope (Chair)

County Councillors

J Burrows	J Mein
S Clarke	G Oliver
G Dowding	A Riggott
C Edwards	A Snowden
K Ellard	A Schofield
T Martin	

Co-opted members

Paul Crewe, (Trade Union Representative)
Councillor Ron Whittle, (Blackburn with Darwen
Borough Council Representative)
Councillor David Borrow, District Leaders Group

Independent Advisors

A Devitt
E Lambert

*County Councillor G Oliver replaced County Councillor J Fillis for this meeting only.

1. Apologies

Apologies for absence were received from Ms J Eastham (FE/HE Representative) and Councillor M Smith (Blackpool Council).

2. Constitution, Membership and Terms of Reference of the Committee

The Committee noted that on the 25th May 2017 the full County Council had approved the membership of the Committee as 19, on the basis of 12 County Councillors (comprising 7 Conservatives, 4 Labour and 1 from the Independent Group) and 7 voting co-opted members.

It was reported that Councillor D Borrow and Councillor I Moran had been appointed as representatives of the District Leaders Group on the 22nd May 2017 and Ms J Eastham, Vice Principal – Finance and Corporate Services at

Blackburn College had been appointed as the new representative for FE/HE institutions.

Resolved:

1. That the current Membership of the Committee, as set out below, is noted.

J Burrows	T Martin
S Clarke	J Mein
G Dowding	E Pope (Chair)
C Edwards	A Riggott
K Ellard	A Schofield (Deputy Chair)
J Fillis	A Snowden

Voting Co-opted members

Mr P Crewe - Trade Unions
Mr J Tattersall - Trade Unions
Councillor M Smith - Blackpool Council
Councillor R Whittle - Blackburn with Darwen Council
Councillor D Borrow – District Leaders
Councillor I Moran – District Leaders
Ms J Eastham – FE/HE Institutions

2. That the current Terms of Reference of the Committee, as set out in the report presented, is noted.

3. **Disclosure of Pecuniary and Non-Pecuniary Interests**

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

4. **Minutes of the Meeting held on 17th March 2017**

Resolved: That the Minutes of the meeting held on the 17th March 2017 are confirmed as an accurate record and signed by the Chair.

5. **Internal Audit Annual Report 2016/17 and Audit Plan 2017/18**

In presenting the report Ruth Lowry, the Head of Service for Internal Audit, informed the Committee that substantial assurance could be given regarding the internal control environment, governance and risk management arrangements for the Lancashire Pension Fund for 2016/17 with a generally sound system of internal control, adequately designed to meet the objectives of the Fund and controls that were generally applied consistently.

Resolved: That the Internal Audit Service Annual Report for 2016/17 and the outline annual work plan for 2017/18, as set out in the report presented, are approved.

6. Annual Administration Report 2016/17

The Head of Fund presented a report on the administration of the Fund and informed the meeting that overall performance of 97% had been achieved against standards and targets during 2016/17. In considering the report the Committee noted that information regarding the financial performance of the Administration Service would be regularly monitored, as mentioned in the Risk Register, and would be the subject of quarterly reports for future meetings.

Resolved: That the contents of the Lancashire County Pension Fund Annual Administration Report 2017, as set out in the report presented, is noted.

7. Lancashire County Pension Fund - Annual Governance Statement 2016/17

The Head of Fund informed the meeting that the Annual Governance Statement (AGS) for the Lancashire County Pension Fund had been produced as the overall statement prepared by the County Council could not cover the activities of the Fund in sufficient detail to provide the necessary assurance. It was noted that the AGS related to a review of the governance arrangements for 2016/2017 and, if approved, would be incorporated into the statement of accounts.

Resolved: That the Annual Governance Statement for the Lancashire County Pension Fund, as set out in the report presented, is approved and be submitted to the Chair and the Head of the Fund for signature and subsequent inclusion in the statement of accounts.

8. Lancashire County Pension Fund 2016/17 Statement of Accounts and out-turn report

A report was presented regarding the review of the final out-turn position for the Lancashire County Pension Fund, including a set of draft unaudited statutory accounts for review and comment.

When considering the report the Committee discussed the proportion of investment management expenses for the Fund and recognised that those expenses were based upon a percentage of the value of the assets under management. As a result the significant growth in the value of the Fund during 2016/17 was expected to lead to an increase in management fees, though it was not considered to be unreasonable given current market conditions. With regard to transparency it was noted that the Local Pensions Partnership had already signed up to and complied with the Scheme Advisory Board Transparency Code regarding reporting.

In response to a query regarding the figure for Debtors set out at 'Current Assets' in the accounts the Head of Fund undertook to provide members of the Committee with a breakdown of the figure outside of the meeting.

Resolved:

1. That the final outturn position and review of the 2016/17 Accounts of the Fund, as set out in the report presented, are noted and referred to the Audit & Governance Committee for approval at its meeting in July 2017.
2. That the Head of Fund be requested to provide members of the Committee with a breakdown of the figure for Debtors set out at 'Current Assets' in the accounts.

9. Progress on Delivering the Lancashire County Pension Fund Strategic Plan

The Head of Fund presented an update on the delivery of the specific objectives set out in the Lancashire County Pension Fund (LCPF) Strategic Plan.

It was reported that the creation of the Local Pension Partnership (LPP) and LPP Investments Limited had resulted in changes that had required some of the plans to be reviewed as certain objectives would be managed directly by LPP rather than the County Council. The Committee noted that as the LPP developed and the transition of assets continued a new Strategy for the LCPF would be drafted and presented to the Committee in September 2017.

Resolved:

1. That the progress made on the delivery of the Lancashire County Pension Fund Strategic Plan, as set out in the report presented, is noted.
2. That a draft revised Strategic Plan for the Lancashire County Pension Fund be presented to the meeting on the 15th September 2017.

10. Lancashire County Pension Fund Risk Register

The Head of Fund informed the meeting that the Risk Register presented to the Committee in December 2016 had been updated and finalised by risk owners and a copy of the final version was set out at Appendix 'A' to the report.

In considering the report the Committee noted that updates would be reported on a six monthly basis and it was requested that future reports highlight those areas where the assessment of risks had changed. It was recognised that the Pension Board had a role in monitoring the Risk Register and it was also suggested that members of the Committee have an opportunity to examine the Risk Register in detail at a future training workshop.

Resolved:

1. That the updated Risk Register, as set out in Appendix 'A' to the report presented, is noted.

2. That the Committee receive updates on a six monthly basis and that future reports highlight those areas in the Risk Register where the assessment of risk has changed.
3. That arrangements be made for members of the Committee to examine the Risk Register in detail at a future training workshop.

11. Responsible Investment

The Head of Fund updated the Committee on stewardship activities associated with the Lancashire County Pension Fund (LCPF) and reported that signatories to the UK Stewardship Code were tiered according to the quality of reporting in their statement. LCPF had been assigned Tier 1 status (the highest rating) as it had provided a good quality and transparent description of the approach to stewardship and explanations of an alternative approach where necessary.

It was also noted that the Committee had agreed in December 2016 to establish a Working Group to explore how to further support responsible investment. Following the local government election in May it was proposed to establish a Working Group comprising four members (on the basis of one representative from each political group on the Committee together with a single voting coopted member) with Terms of Reference to be determined by the Chair.

Resolved:

1. That the report is noted.
2. That a Working Group, comprising the following members of the Committee and with Terms of Reference to be determined by the Chair be established to explore how to further support responsible investment.

County Councillor S Clarke - Conservative
County Councillor K Ellard - Labour
County Councillor G Dowding - Green
Councillor R Whittle – coopted member representing Trade Unions.

3. That Francis Deakin, Responsible Investment Manager for Local Pensions Partnership Investment Ltd be invited to attend the Working Group specified at 2 above.

12. Feedback from members of the Committee on pensions related training, conferences and events

Individual members of the Committee gave feedback in relation to the following Conferences which they had attended since the last meeting.

County Councillor A Schofield reported that the SPS Local Authority Investments Pooling Issues Conference in London on 23rd March had been well organised Conference including sessions on responsible investment, real estate/residential development and pooling.

County Councillor K Ellard reported that the Workshop on the Local Pension Partnership at County Hall, Preston on the 27th March had been informative and well attended and he suggested that similar workshops in the future keep members of the Committee informed of developments.

County Councillor Pope informed the meeting that the Pensions Age Spring Conference "Aiming High" in London on 27th April had been informative and well worth attending with a variety of presentations on investments.

Mr P Crewe reported that the PLSA Local Authority Conference at the De Vere Cotswold Water Park, Gloucestershire in May 2017 had involved a range of speakers on investment and good governance from various backgrounds. Mr Crewe gave feedback on various key points which had been addressed at the Conference.

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

13. Transaction of Urgent Business - revised Statement of Compliance with the UK Stewardship Code

A report was presented regarding a decision taken by the Director of Governance, Finance and Public Services under the urgent business procedure to approve a revised Statement of Compliance with the UK Stewardship Code for the Lancashire County Pension Fund. A copy of the approved Statement is set out in the Minute Book.

Resolved: That the report is noted.

14. Urgent Business

No items of urgent business were raised under this heading.

15. Date of Next Meeting

It was reported that at the previous meeting the Committee had agreed to hold an additional meeting in July to consider the Statement of Accounts for the LCPF. However, that meeting was no longer considered necessary as the 2016/17 Statement of Accounts and out turn report had been presented to the Committee earlier in the meeting.

In view of the above the Chair proposed that the meeting arranged for 10.30am on the 27th July in Cabinet Room 'D' – The Henry Bolingbroke Room at County Hall, Preston be cancelled and the venue used for a workshop to give members of the Committee an opportunity to examine the Risk Register in detail as discussed earlier in the meeting.

Resolved:

1. That the Committee scheduled to be held at 10.30am on the 27th July 2017 in Cabinet Room 'D' – The Henry Bolingbroke Room at County Hall, Preston be cancelled.
2. That the date, time and venue specified at 1 above be used for a workshop to enable members of the Committee to examine the Risk Register in detail, as discussed earlier in the meeting.
3. That in view of the cancellation specified at 1 above the next scheduled meeting of the Committee be held at 10.30am (preceded by a 30 minute briefing) on the 15th September 2017 in Cabinet Room 'C' - The Duke of Lancaster Room at County Hall, Preston.

16. 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.

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 various matters which had been considered by the Investment Panel since its last meeting, including the disenchantment of the electorate in the US and across Europe, the current expansion of markets, activity by central banks, future interest rates and the impact of inflation on consumer spending in the UK retail sector.

Resolved: That the report of the Investment Panel is noted

18. LCPF Performance Overview March 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).

A report was presented which summarised the performance of the LCPF up to March 2017. It was noted that since the March 2016 actuarial valuation the Fund had outperformed both internal and actuarial benchmarks. Prior to the meeting the Committee had received a presentation by Mr Lambert, Independent Advisor, regarding performance of the Fund.

It was noted that an update in relation to the LCPF Investment Strategy would be presented in September with the finalised Strategy being submitted to the Committee in November for approval.

Resolved: That the contents of report and the earlier presentation on the performance of the Fund are noted.

19. Local Pension Partnership business plan and 3 year budget.

(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 Head of Fund presented the report on the 2016/17 financial position of the Local Pension Partnership (LPP) and the 3 year budget until 2019/20 together with an updated strategic business plan for LPP.

It was suggested that the Director of Finance from LPP be invited to attend a future workshop on the budget.

Resolved:

1. That the updated strategic business plan and 3 year budget for the Local Pensions Partnership, as set out in the report presented, is approved.
2. That the Director of Finance from LPP be invited to attend a future workshop on the budget.

20. Local Pensions Partnership quarter 4 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 and verbal updates given at the meeting are noted.

21. Supply of Pension Fund Actuarial Services

(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 Head of Fund informed the meeting that as the current contract for actuarial services was due to expire on the 30th September 2017 it was proposed to procure services on the basis of the timelines and award criteria set out in the report.

Resolved: That the County Council's Procurement Service undertake a procurement exercise via the National LGPS Framework to appoint an independent provider, to undertake actuarial services for the next 6 years, on the basis set out in the report presented.

I Young
Director of Governance, Finance
and Public Services

County Hall
Preston