

Lancashire Local Pension Board

**Minutes of the Meeting held on Tuesday, 16th January, 2018 at 2.00 pm in
CHG:03 - A Floor, County Hall, Preston**

Present:

Chair

William Bourne

Committee Members

County Councillor Christian Wakeford, Employer rep - LCC
Steve Thompson, Employer rep - Unitary, City, Boroughs, Police and Fire
Carl Gibson, Employer rep - Other Employers
Kathryn Haigh, Scheme rep - Active Members
Yvonne Moulton, Scheme rep - Active Members
Bob Harvey, Scheme rep - Pensioner Members

Officers

Diane Lister, Head of Your Pension Service, Local Pension Partnership.
Abbi Leech, Head of Fund, Lancashire County Council.
Colin Smith, Technical Advisor, LCPF, Lancashire County Council
Mukhtar Master, Governance & Risk Officer, LCPF, Lancashire County Council.
Mike Neville, Senior Democratic Services Officer, Lancashire County Council.

Also present - County Councillor K Ellard and County Councillor R Whittle (both members of the Responsible Investment Working Group) for items 1 to 4 only.

1. Welcome and Apologies

The Chair welcomed everyone to the meeting and introduced County Councillor K Ellard and Councillor R Whittle from the Responsible Investment Working Group who were attending the meeting to present the report at item 4 on the agenda.

It was noted that no apologies had been received.

2. Disclosure of Pecuniary and Non-Pecuniary Interests

There were no declarations of interest in relation to matters on the agenda.

3. Minutes of the Meeting held on the 17th October 2017

The draft Minutes of the meeting held on the 17th October 2019 were presented for approval. In response to a query Mr Neville confirmed that he would check to ensure that information on HMRC annual allowances had been circulated to the members of the Board.

No further comments were made in relation to the statement at the previous meeting regarding the County Council having no obligation to purchase IT equipment for use by Board members.

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

4. Draft LCPF Responsible Investment Policy and Climate Change Policy

County Councillor K Ellard and Councillor R Whittle gave a presentation on the work done by the Responsible Investment Working Group which had been established in June 2017 by the Pension Fund Committee to explore how to further support responsible investment.

In considering the draft Responsible Investment and Climate Change Policies set out at Appendices 'A' and 'B' the Board noted that the Working Group had consulted with representatives from the LPFA, the Investment Panel and the Responsible Investment Manager from LPPI. Board members welcomed the draft policies and recognised the pragmatic view which the Working Group had adopted when developing them. With regard to divestment the Board agreed that it was better to remain engaged with companies in order to effect change, though it was recognised that in a small number of cases it may be considered necessary to disinvest and the draft policy would provide for that.

The Board also discussed the responsible investment issues which were identified as being of interest and noted that organisations such as LAPFE and Share Action provided information which would assist in identifying companies with a proven record of supporting the living wage. It was also acknowledged that care would need to be taken to ensure that the interest in supporting Lancashire based companies did not contradict other interests identified in the policy.

Resolved:

1. That the views of the Board as set out above in relation to the draft 'Responsible Investment Policy' for the LCPF and 'Climate Change Policy' are noted and referred to the Working Group on the 1st February 2018 for further consideration before final recommendations are made to the Pension Fund Committee on the 23rd March 2018 for approval.
2. That an update on the Responsible Investment and Climate Change Policies is presented to the next meeting of the Board.

5. Fraud Control - Lancashire County Pension Fund

The Head of Your Pension Service presented a report on the following fraud control arrangements which were in place in relation to the Lancashire County Pension Fund.

- Tell us Once
- Overseas Life Certificates

- Pensions Scams Information

When considering the report the Board recognised the measures which were in place to minimise the possibility of fraud (including external audit) and was informed that in the last 16 years there had only been 1 identified case of fraudulent activity in relation to the LCPF

Resolved: That the report is noted.

6. Compliance with The Pension Regulator Requirements - Update

The Head of Your Pension Service presented a report regarding The Pensions Regulator's Code of Practice No. 14 (COP14) and informed the meeting that the updated draft Compliance Statement reflected the fact that LCPF remained generally compliant with the regulator's requirements for public service pension schemes and also recognised that action taken to improve data quality had been successful.

In response to a query regarding the development of a record to monitor the payment of contributions the Head of Fund confirmed that an update would be presented to the next meeting.

Resolved:

1. That the draft updated Compliance Statement in relation to COP14, as set out in Appendix 'A' to the report presented, is noted.
2. That an update on the development of a record to monitor the payment of contributions be presented to the next meeting.

7. Discretionary Policies Update

It was reported that the published discretions which the administering authority can exercise under the Local Government Pension Scheme (LGPS) Regulations had been reviewed in order to ensure that they were still appropriate in terms of the decision making process, especially following the formation of the Local Pension Partnership.

The Board was informed that following the review it was proposed to make changes to the Admissions and Termination policy, the Pensions Administration Strategy Statement and the actuarial calculation of early retirement costs (Pension Strain). Details of the proposed changes were set out in the report presented.

In considering the report the Board the intention was to present a report on the revised Pension Administration Strategy Statement (PASS) to the Pension Fund Committee in March 2018. In view of the timescales it was suggested that once it was finalised the draft PASS should be circulated to the members of the Board for comment so that any views could be included in the report to the Committee.

It was also suggested that employers within the Fund should be given advance notice of the proposal to increase pension strain costs by 5% in relation to early

retirement as this would need to be taken into account when planning future budgets.

Resolved:

1. That the Admissions and Termination Policy, as set out at Appendix 'A' to the report presented, and the proposal to revise the actuarial calculation for pension strain from 1 April 2018 as detailed in the report are noted.
2. That the proposed amendments to the Pensions Administration Strategy Statement, as set out in the report, are noted and that once finalised a copy of the draft Statement be circulated to members of the Board for comment so that any views can be reported to the Pension Fund Committee on 23rd March 2018 when the Statement is presented for approval.
3. That the contents of the current discretionary policy statement, as set out at Appendix 'B' to the report presented, and the intended actions to review the powers of delegation within those statements are noted.

8. Membership of the Lancashire Local Pension Board

A report was presented on the processes for identifying and appointing replacement Employer and Deferred Member representatives to fill the existing two vacancies on the Board.

Initially the Board considered whether the vacancies should be filled. Whilst acknowledging that the membership was larger than other Boards it was felt that the current balance of 4 representatives each for employers/members, together with an independent Chair represented a valuable breadth of knowledge and experience and minimised the possibility of meetings being inquorate.

It was reported that the Employer Member vacancy would be filled by a nomination from the County Council which was anticipated to be made early in the New Year with a view to the appointment being presented to the full County Council in February 2018 for approval.

With regard to the Deferred Member vacancy the Board noted it was for individual Administering Authorities to establish an appropriate appointment process and consideration was given to different methods. It was noted that the ballot process used to recruit some Board members had been expensive and had resulted in a low response from eligible members.

After considering the various options the Board agreed that a two stage nomination and selection process would be a more cost effective way of filling the vacancy. It was also agreed that in future the 4 scheme member representatives should act as representatives for all scheme members rather than the particular groups within the membership from which they were drawn.

Resolved:

1. That the membership of the Board continue to operate on the basis of an independent Chair and 4 Employer Member representatives (as set out in the Terms of Reference) and 4 Scheme Member representatives.
2. That with regard to the 4 Scheme Member representatives referred to in 1 above the full County Council be recommended to agree to amend the Terms of Reference of the Board so that the Scheme Member representatives are appointed to represent all active, pensioner and deferred members.
3. That the process for the appointment of an Employer Member representative from Lancashire County Council, as set out in the report presented, is noted.
4. That the vacancy for a Scheme Member representative be filled following a two stage nomination and selection process, as set out in the report presented.

9. Lancashire Local Pension Board Work Plan 2018/19

The Board considered a report on the proposed Work Plan for 2018/19 and agreed a number of minor amendments.

With regard to dates for meetings of the Board in 2019/20 Mr Neville confirmed that discussions were underway and that members of the Board would be consulted in due course on a proposed programme of meetings.

Resolved: That, subject to the following amendments, the proposed Work Plan for 2019/20, as set out at Appendix 'A' to the report presented, is approved.

1. The Chairs report on the appraisal of the Board and Terms of Reference to be presented to the Board in January each year.
2. The annual report on the review of training records for members of the Board to be presented in July.
3. The review of the induction pack for new members to be deleted from the Work Plan.
4. An update report on regulatory changes to be presented on a quarterly basis if applicable.
5. The Risk Assurance map and LPP internal report to be presented to meetings in January and July.
6. That the next Actuarial Report be presented to the Board in 2020/21.

10. Lancashire County Pension Fund - Regulatory Update

A report was presented to update the Board on the following regulations.

- Exit payment reform (exit payment recovery, exit cap and further reform to exit payments)
- The eligibility of Assistant Coroners for membership of the LGPS.
- The 3.0% increase in 2018 Pensions expected to be confirmed by Government early this year.
- The Scheme Advisory Board tier 3 employer project.

Resolved: That the report is noted.

11. Feedback from members of the Board on Training events and Conferences attended since the last meeting.

Individual members of the Board gave feedback on external training conferences or internal workshops which they had attended since the last meeting. Members agreed that all the events which had been attended had been useful.

The Head of Fund informed the meeting that that the workshop on the 31st January 2018 at County Hall, Preston, would be on pensions law and regulations.

Resolved: That the report and feedback from Board members is noted.

12. Part I reports from Pension Fund Committee

The Head of Fund updated the Board on discussions and decisions taken at the last Pension Fund Committee in relation to items in Part I of the agenda.

Resolved: That the reports considered under Part I of the agenda at the Pension Fund Committee on the 17th October 2017 and decisions taken are noted.

13. Urgent Business

No items of urgent business were raised at the meeting.

14. Date of Next Meeting

It was noted that the next scheduled meeting would be held at 2.00pm on the 24th April 2018 in Room CHG 04 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 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.

16. LCPF Risk Assurance Map 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).

A report was presented on the outcome of a review of the detailed assurance requirements in relation to the 25 priority ratings set out in the Risk Assurance Map. The Board noted that following the review it was considered that the risk associated with 12 of the ratings had been reduced and remained the same for the other 13 ratings.

The Board discussed the ongoing pension administration transformation process and agreed that a detailed review on the administration/cost savings and budgets associated with pooling be presented to the meeting in July 2018.

Resolved:

1. That the updates set out in Appendix 'A' to the report presented, regarding the findings of the review of detailed assurance requirements for the 25 priority ratings in the Risk Assurance Map, are noted.
2. That a revised version of the Risk Assurance Map, which reflects the updates referred to in 1 above is presented to a future meeting.
3. That a detailed review of the administration/cost savings and budgets associated with the Lancashire Pension Partnership be presented to the meeting in July 2018.

17. Part II reports from the last Pension Fund Committee

(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 updated the Board on discussions and decisions taken at the last Pension Fund Committee in relation to the following items in Part II of the agenda.

- The Investment Panel report
- The Investment Strategy Review
- The Local Pensions Partnership Quarter 2 update
- The Lancashire County Pension Fund Performance Overview September 2017
- The appointment of an Independent Investment Adviser to the Pension Fund.

Resolved: That the reports considered under Part II of the agenda at the Pension Fund Committee on the 17th October 2017 and decisions taken are noted.

18. Breaches reported to Pension Fund Committee since the last meeting

The Head of Fund informed the meeting that there had been no material breaches regarding information held by the LCPF since the last meeting.

Resolved: That the current position regarding breaches of information relating to the LCPF is noted and that the Board be kept informed of any future breaches.

L Sales
Director of Corporate Services

County Hall
Preston