

Lancashire County Council

Pension Fund Committee

**Minutes of the Meeting held on Friday, 8th June, 2018 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	K Ellard
S Clarke	T Martin
B Dawson (1)	A Riggott
G Dowding	A Schofield
J Eaton BEM (2)	K Snape

B Yates (3)

- (1) Replaced County Councillor Mein for this meeting.
- (2) Replaced County Councillor Edwards for this meeting.
- (3) Replaced County Councillor Snowden for this meeting.

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, (Borough, District and City Councils Representative)
Councillor David Borrow, (Borough, District and City Councils Representative)

1. Apologies

Apologies for absence were received from Ms J Eastham, the co-opted member representing FE/HE institutions.

The Chair informed the meeting that item 10 on the agenda would be taken later in the meeting as the Head of Internal Audit, who would present the report, had been delayed. It was also noted that item 14 would be moved into Part 2 to allow the Committee to receive an update on the appointment.

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

It was reported that on the 24th May 2018 the full county council had approved the constitution 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 and had appointed County Councillor E Pope as the Chair of the Committee and County Councillor A Schofield as the Deputy Chair.

Resolved:

1. That the current membership of the Committee, as set out below, is noted
County Councillors

J Burrows	J Mein
S Clarke	E Pope (Chair)
G Dowding	A Riggott
C Edwards	A Schofield (Deputy Chair)
K Ellard	K Snape
T Martin	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, Borough and City Councils
Councillor I Moran – District Borough and City Councils
Ms J Eastham – FE/HE Institutions

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

3. Disclosure of Pecuniary and Non-Pecuniary Interests

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

4. Minutes of the Meeting held on the 23rd March 2018

The Head of Fund informed the meeting that as the consultation with employers on the Pension Administration Strategy Statement had been delayed a report on the outcome would now be presented to the next meeting.

The Chair reported that he had asked Mr Neville to recirculate the training needs analysis form and urged those members of the Committee who had not already completed it to respond in order to inform the development of the Training Plan.

In response to a query regarding the reference to reducing pay differentials in Section 4a of the Responsible Investment Policy approved at the last meeting it was suggested that the matter be referred to the Responsible Investment Working Group for consideration.

Resolved:

1. That the Minutes of the meeting held on the 23rd March 2018 are confirmed as an accurate record and signed by the Chair.
2. That a report on the outcome of the consultation with employers regarding the Pension Administration Strategy Statement be presented to the meeting on the 5th July 2018.
3. That the Responsible Investment Working Group consider whether the reference to reducing pay differentials in Section 4a of the Responsible Investment Policy should be included within the 'Improving Employment Practices' priority area.

5. Lancashire Local Pension Board - Annual Report 2017/18

Mr Bourne, Chair of the Lancashire Local Pension Board, presented the 2017/18 Annual Report of the Board and highlighted key activity by the Board during the year. It was noted that once approved the report would be incorporated into the LCPF Annual Report which would be presented to the Committee on the 5th July 2018.

Resolved: That the 2017/18 Annual Report of the Lancashire Local Pension Board, as presented, is approved.

6. Annual Governance Statement 2017/18

The Head of Fund presented a report on the Annual Governance Statement for 2017/18 and highlighted the actions planned for 2018/19 as set out in Statement.

Resolved: That the contents of the Annual Governance Statement for 2017/18, as set out in Appendix 'A' to the report presented, is noted.

7. Annual Administration Report 2017/18

A report was presented on the Annual Administration Report for 2017/18 which set out the performance of the pension administration services to LCPF against standards and targets set over the year to 31st March 2018.

In considering the report the Committee noted the slippage with regard to the performance target for VR estimates and that on average it took 42 days from the date of retirement to the first pension payment. The significant increase in the number of members using the My Pension Online facility was also noted.

Resolved: That the Annual Administration Report for 2017/18, as set out at Appendix 'A' to the report presented, is noted.

8. 2017/18 Full year budget monitoring report

A report was presented on the income and expenditure of the Lancashire County Pension Fund for the year from 1st April 2017 to 31st March 2018 together with a comparison to the budget for the same period.

In response to queries regarding apparent increases in management fees the Head of Fund reported that as more investment managers had signed up to the CIPFA transparency code the availability of information regarding non invoiced fees had increased. It was reported that whilst the current budget monitoring position indicated an increase in expenses the figures were under review and the remaining variance was considered to be due to the result of greater transparency of fee reporting in the current year.

The Chair reported that further information regarding the LCPF accounts would be presented at the pension workshop on the 28th June 2018 ahead of the final accounts being presented to the Committee on the 5th July 2018.

Resolved:

1. That the analysis of variances between actual and budgeted financial results for the year ended 31st March 2018, as set out in the report presented, is noted.
2. That a detailed report on the findings of the review of investment management fees be included in a report to the Committee on the 5th July 2018.

9. Lancashire County Pension Fund Budget 2018/19

The Head of Fund presented a report on the LCPF one year budget for the year ending 31st March 2019 and informed the Committee that whilst it was difficult to estimate with any degree of accuracy the income due to the Fund and costs associated with the investment activities of the Fund, historic trends and current run-rates had been taken into consideration where appropriate when preparing the budget.

Resolved: That the LCPF budget for the year ended 31st March 2019, as set out at Appendix 'A' to the report presented is noted and approved.

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

A report was presented on internal and external pension related training Conferences and events which had taken place since the last meeting.

The Chair stated that the SPS ESG and Sustainable Investment in Pension Fund Conference had been excellent and members of the Committee reported that the Workshop on Infrastructure and Credit had been well presented and informative.

Resolved: That the report and feedback regarding the training events or conferences attended since the last meeting is noted.

12. Review of Committee Member Training Record for 2017/18

A report was presented on the Training Record for 2017/18 which listed the internal workshops and external conferences/seminars which individual members of the Committee had attended during the year in order to develop their knowledge and understanding of pension related matters.

Mr Neville, Senior Democratic Services Officer, informed the meeting that the current Training Record would also include pre meeting briefings and asked members of the Committee to let him know if they had undertaken any pension related e-learning so that could also be included.

Resolved: That the Training Record for 2017/18, as set out at Appendix 'A' to the report presented, is noted.

13. Responsible Investment

The Committee considered a proposal that LPP become an asset owner signatory to the Principles of Responsible Investment in place of the LCPF, which would delist as a signatory. It was noted that the proposal would commit LPP to reporting publicly, via the annual PRI reporting process, on how the 6 principles were being implemented within their stewardship activities as part of the practical fulfilment of LCPF's fiduciary and ownership responsibilities.

It was also proposed that in order to avoid abortive work a review of the current Stewardship Code be postponed until after a revised Code was issued in the spring of 2019.

The Committee considered the effectiveness of proxy voting on behalf of the Fund at shareholder meetings, especially when resolutions were lost, and it was noted that in some cases collaboration between investors presented a strong voice on issues such as responsible investment and even where resolutions were lost there could still be a cumulative impact on the future direction of the Company concerned.

A recent report in the media regarding public sector pension fund investments in Scottish private finance schemes linked to offshore tax havens was also discussed and it was suggested that the matter be referred to the Responsible Investment Working Group.

Resolved:

1. That LPP become an asset owner signatory to the Principles of Responsible Investment in place of the LCPF which would delist as a signatory.
2. That the Fund's current stewardship statement be reviewed after the new UK Stewardship Code has been issued in the spring of 2019.
3. That the Responsible Investment Working Group consider the recent report in the media regarding public sector pension fund investments in Scottish private finance schemes linked to offshore tax havens and report back on whether this was an issue in relation to the LCPF.

10. Internal audit assurance

As the Head of Internal Audit was unavailable the Head of Fund presented the report which summarised the internal audit work done during 2017/18 and planned for 2018/19, including the audit of LPP.

In response to a query the Director of Strategic Programmes and Group Company Secretary reported that the assurance level of 'effective with scope for improvement' given in relation to some audits of LPP was a reflection of the early stage of the business in 2017/18. County Councillor Schofield, the Chair of the Audit, Risk and Governance Committee informed the meeting that he would discuss the internal audit findings with the Chair of the LPP Audit Committee.

Resolved: That the report is noted.

15. Urgent Business

No items of urgent business were raised under this heading.

16. Proposed changes to meeting dates in December 2018 and March 2019

A report was presented on requests from the Chair and the Head of Fund for the meetings scheduled for the 7th December 2018 and the 22nd March 2019 to be rearranged due to a clash of commitments.

Resolved:

1. That the meetings scheduled to be held on the 7th December 2018 and the 22nd March 2019 are cancelled and rearranged for the 30th November 2018 and 29th March 2019 respectively.

2. Both meetings referred to in 1 above to start at 10.30am (preceded by a 30 minute briefing) and be held in Committee Room 'C' – The Duke of Lancaster Room at County Hall, Preston.

17. Date of Next Meeting

Councillor Moran reported that he would be unable to attend the next meeting as the date clashed with the LGA Conference.

Resolved: That the apologies from Councillor Moran be presented to the next meeting of the Committee which will be held at 10.00am on the 5th July 2017 in Committee Room 'C' – The Duke of Lancaster Room at County Hall, Preston.

18. 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 paragraphs of Part 1 of Schedule 12A to the Local Government Act, 1972, as indicated against the heading of each item. It is considered that in all the circumstances the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

19. Local Pensions Partnership Q4 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 Director of Strategic Programmes and Group Company Secretary from the Local Pensions Partnership (LPP) updated the Committee on activity during the fourth quarter.

It was reported that a new ICT system which had been introduced as part of the pension administration transformation was being reviewed in the light of some operational difficulties. An update regarding the LPP pension administration target operating model was noted and further detail was requested in relation to locally based LPP operations. The Committee also reviewed the Q4 statistics for the contact centre (requested at the previous meeting) and it was suggested that similar detailed information be included in future reports.

Resolved:

1. That a detailed report be presented to the next meeting with regard to the implementation of the new ICT system as part of the pension administration transformation and any associated operational difficulties.
2. That further information be presented to the next meeting with regard to locally based pension administration operations.
3. That future quarterly reports include detailed information regarding call handling by the contact centre

20. Lancashire County Pension Fund Performance Overview March 2018

(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).

Mr Lambert, an Independent Adviser to the Committee, presented a detailed report on the performance of the Lancashire County Pension Fund, highlighting key areas such as the level of contributions and the performance of individual investment portfolios.

Resolved: That the summary of performance up to the 31st March 2018, as set out at Appendix 'A' to the report presented, is noted.

21. 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).

Ms Devitt, an Independent Adviser to the Committee, presented a detailed report on various macro-economic factors and how they influenced the investment market, together with a breakdown of individual asset class performance since the last meeting. The Committee was also advised of decisions taken by the Investment Panel in March 2018.

Resolved: That the report of the Investment Panel is noted.

22. The Local Pensions Partnership Strategic Plan and Budget

(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 strategic and business growth plan for 2018-2023 together with the three year budget for the Local Pension Partnership.

Resolved:

1. That the strategic and business growth plan for 2018-2023 and the three year budget for the Local Pension Partnership (LPP) as set out at Appendices 'A' and 'B' respectively are approved.
2. That future budget reports from LPP be submitted to the Committee in March each year

23. Lancashire County Pension Fund - Risk Register

(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 LCPF risk register which had been reviewed by county council officers and colleagues from the Local Pension Partnership and discussed at the Lancashire Local Pension Board in April 2018. Some minor amendments to the register were suggested and it was recognised that the summary of new risks, current high risks and any movements of risks since the last meeting was useful.

Resolved: That the risk summary document and updated risk register, as set out at Appendices 'A' and 'B' to the report presented, is noted.

24. Review of the Local Pensions Partnership

(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 proposed external review of the effectiveness of the Local Pension Partnership after two years of operation and noted that a report on the outcome and conclusions of the review would be presented at the meeting in September 2018.

Resolved: That the proposed scope of the external review of the Local Pension Partnership, as set out in the report presented, is noted.

14. Scheme Member representative on the Lancashire Local Pension Board.

(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 decision taken under the urgent business procedure to appoint a new scheme member representative to the Lancashire Local Pension Board.

The Committee was informed of additional information which had come to light since the appointment had been made and agreed that in the circumstances the appointee should not continue as a member of the Board. It was noted that action would be taken to appoint a replacement scheme member representative as quickly as possible to fill the resulting vacancy on the Board.

Resolved: That the appointment of the scheme member representative referred to in the report presented be rescinded.

L Sales
Director of Corporate Services

County Hall,
Preston.