

Lancashire County Council

Pension Fund Committee

Minutes of the Meeting held on Friday, 14th September, 2018 at 10.30 am in County Hall, Preston

Present:

County Councillor Eddie Pope (Chair)

County Councillors

S Clarke	T Martin
C Crompton	J Mein
G Dowding	P Rigby
C Edwards	A Riggott
K Ellard	A Schofield
T Martin	P Steen

P Steen (3)

- (1) replaced County Councillor Miss K Snape
- (2) replaced County Councillor J Burrows
- (3) replaced County Councillor A Snowden

Co-opted members

Paul Crewe, (Trade Union Representative)
Councillor Ron Whittle, (Blackburn with Darwen Borough Council Representative)
Councillor Ian Moran, (Borough and City Councils Representative)
Jennifer Eastham, (Further Education/Higher Education Institutions)

Also in attendance

Mrs A Leech, Head of the Fund, Lancashire County Council
Ms A Devitt – Independent Adviser
Mr R McGahon, Senior Manager, Grant Thornton
Mr C Rule, Chief Investment Officer and Managing Director Investments, Local Pensions Partnership.
Mr G Smith, Director of Strategic Programmes and Group Company Secretary. Local Pensions Partnership.
Mr W Bourne, Chair of the Lancashire Local Pension Board (observer)

1. Apologies

Apologies for absence were received from Councillor M Smith, Councillor D Borrow and Mr E Lambert – Independent Adviser.

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 the 5th July 2018

Resolved: That the Minutes of the meeting held on the 5th July 2018 are confirmed as an accurate record and signed by the Chair.

4. Lancashire County Pension Fund - External Audit Findings Report

Mr R McGahon, Senior Manager from Grant Thornton, presented a report on the findings of the external audit of the Pension Fund Accounts for 2017/18 and informed the meeting that the outstanding items highlighted in the Report had been finalised and the final unqualified audit opinion issued.

It was noted that the Report had been considered and approved by the Audit, Risk and Governance Committee on the 30th July 2018.

Resolved: That the findings of the external audit of the Lancashire County Pension Fund Accounts for 2017/18, as set out in the report presented, are noted.

5. Lancashire County Pension Fund - Update on 2017/18 Annual Report

The Head of Fund presented a report regarding amendments which had been made to the draft Lancashire County Pension Fund Annual Report since its approval by the Committee on the 5th July 2018.

It was reported that the amendments related to current and long term liabilities and that explanatory text was added to the final version of the Annual Report in respect of membership figures. The queries around transition costs and membership figures raised by the Committee in July were also addressed. The Committee noted that the amendments referred to in the report had been made following consultation with the Fund's external auditor.

Resolved:

1. That the amendments to the Lancashire County Pension Fund 2017/18 Annual Report, as specified in the report presented, are noted.
2. That the responses to queries regarding the contents of the Lancashire County Pension Fund 2017/18 Annual Report, as raised at the meeting on the 5th July 2018 are noted.

6. Lancashire County Pension Fund - Budget monitoring for period 1 April to 30 June 2018

The Head of Fund presented a report which set out the financial results for the Lancashire County Pension Fund for the period 1st April to 30th June 2018 and compared those results with the agreed budget for the same period.

Resolved: That the variances between the actual and budgeted results for the period 1st April to 30th June 2018 and the forecast financial results for the year ending 31st March 2019, as set out in the report presented, are noted.

7. Responsible Investment

The Head of Fund informed the meeting that the Local Pension Partnership was now a signatory to the Principles of Responsible Investment in place of the Fund and the London Pension Fund Authority. It was also noted that the Head of Fund and the Chair had recently been elected to the Executive of the Local Authority Pension Fund Forum.

The Committee also discussed publicising the Fund's current investments in renewable energy and Mr Rule, the Chief Investment Officer and Managing Director Investments from the Local Pensions Partnership confirmed that he would provide details of specific activity to the Responsible Investment Working Group for consideration.

During consideration of the report reference was made to the Transition Pathway Initiative which provided investors with information which they could use to assess the relative position of investee companies based on how they planned for and managed the risks associated with the transition to a lower carbon economy.

Resolved:

1. That the updates set out in the report are noted.
2. That the future use of the Transition Pathway Initiative by Local Pensions Partnership Investments in relation to the Fund is referred to the Responsible Investment Working Group for consideration with any recommendations to be reported to the Committee in November 2018.
3. That the Responsible Investment Working Group consider how the Fund can best promote investments in renewable energy with any recommendations to be reported to the Committee in November 2018.

8. Local Pensions Partnership Annual Report 2017/18

The Head of Fund presented a report on the Local Pensions Partnership Annual Report for 2017/18 which had been approved by the LPP Board on the 31st July 2018.

In considering the report the Committee acknowledged that the Local Pensions Partnership Group had made a loss of £2.110m in the year compared to a profit

in 2017 of 3.443m and noted that the situation was expected to be rectified over the 5 year budget period.

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

9. 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 various internal/external pension related training events which had taken place since the last meeting. Both the Chair and County Councillor Schofield provided feedback regarding their experiences at the LGC Investment Seminar on the 6-7th September 2018.

The Chair also informed the meeting that Ms Devitt, the Independent Adviser to the Committee, would attend the pension workshop at 10.00am on the 26th September 2018 on the macro backdrop for investments and the subsequent workshop at 2.00pm on the 6th November 2018 would be attended by Mr J Livesey, the Actuary.

Resolved:

1. That the report and feedback given at the meeting is noted.
2. That the arrangements for the pension workshops on the 26th September 2018 and the 6th November 2018 are noted.

10. Urgent Business

No items of urgent 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 10.30am (preceded by a 30 minute private briefing) on the 30th November 2018 in Committee 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 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.

13. Pension Administration Update

(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 G Smith, Director of Strategic Programmes and Group Company Secretary from the Local Pensions Partnership updated the Committee on the performance of the Pension Administration Service for the period 1st April to 30th June 2018.

It was reported that following the introduction of a new operating model for the pension administration service on the 1st April 2018 there had been a backlog of cases which was anticipated to be cleared by the end of October 2018. Mr Smith discussed the lessons which had been learned from the experience and outlined the actions taken to address the service level failures. Mr Smith also confirmed that during August 2018 the issue of Annual Benefit statements to Active/Deferred members and the issue of a newsletter to Active members had been completed in accordance with the Service Level Agreement.

Whilst noting the remedial action which had been taken several members of the Committee expressed their disappointment at the low level of performance of the pension administration service and the subsequent impact on individuals. It was suggested that the Committee receive regular updates outside of the meeting in order to provide reassurance of the effectiveness of the service stabilisation measures and other activity outlined in the report.

Resolved:

1. That the concerns of the Committee regarding the level of performance of the pension administration service, as referred to in the report presented, be noted.
2. That members of the Committee be provided with regular updates ahead of the next scheduled meeting on 30th November 2018 in order to provide reassurance of the effectiveness of the service stabilisation measures and other activity outlined in the report in relation to the pension administration service.

14. Local Pensions Partnership Q1 2018/19 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 presented a report on the investment and administration activity of the Partnership since the last meeting.

It was reported that the addition of a new client from the 1st June 2018 would increase the total assets under management by Local Pensions Partnership which had now established 6 out of the 8 pooling vehicles. The Committee noted that the Minister for Housing Communities and Local Government continued to support for the progress made in relation to pooling and the Chair suggested that the Chairman of the Local Pension Partnership be invited to attend a future meeting to discuss progress.

Resolved:

1. That the updates on investment and administration activity of the Local Pensions Partnership since the last meeting, as set out in the report, are noted.
2. That the Chairman of the Local Pensions Partnership Board be invited to attend a future meeting to discuss progress to date on pooling and future activity of the Partnership.

15. LCPF Performance Overview June 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).

Ms Devitt, Independent Adviser to the Committee, presented a detailed report on the performance of the Lancashire County Pension Fund and highlighted key areas to the Committee including the following:

- An update on the economic and market backdrop
- The total Fund return as at 30th June 2018
- Updates on the performance of the equity, credit, real estate, infrastructure and private equity
- Asset allocations
- The funding ratio at 30th June 2018 and
- Details of contributions net of benefits and investment income.

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

16. 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).

The Head of Fund presented a report on matters considered by the Investment Panel since the last meeting which included an update on the investment and Market context in which the Lancashire County Pension Fund operated. It was reported that the Panel had discussed the rate of return on a proposed development and had recommended a particular base case investment rate return be applied to the project.

Resolved:

1. That the report of the investment panel is noted.
2. That a base case investment rate of return of 4.7% per annum (based on an assumed CPI rate of 2% per annum) be applied to the proposed development referred to in the report presented.

L Sales
Director of Corporate Services

County Hall
Preston