

Lancashire County Council

Pension Fund Committee

Minutes of the Meeting held on Friday, 20th September, 2019 at 10.30am in Committee Room 'C' - The Duke of Lancaster Room, County Hall, Preston.

Present:

County Councillor A Schofield (Chair)

County Councillors

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|---------------|---------------|
| S Clarke | B Dawson (1) |
| Ms L Collinge | A Riggott |
| G Dowding | M Salter (2) |
| K Ellard | J Purcell (3) |
| T Martin | P Steen (4) |

- (1) Replaced County Councillor J Mein for this meeting.
- (2) Replaced County Councillor J Burrows for this meeting.
- (3) Replaced County Councillor A Snowden for this meeting.
- (4) Replaced County Councillor E Pope for this meeting.

Co-opted members

Paul Crewe, (Trade Union Representative)
Councillor Mark Smith, (Blackpool Council Representative)
Councillor David Borrow, (Borough and City Councils Representative)
Jennifer Eastham, (Further Education/Higher Education Institutions)

Also in attendance

Mrs A Leech, Head of Fund, Lancashire County Council.
Ms A Devitt, Independent Adviser.
Mr E Lambert, Independent Adviser.
Ms A Pieri, Senior Manager Engagement Manager, Grant Thornton.
Mr C Rule, Interim Chief Executive, Chief Investment Officer and Managing Director (Investments) Local Pensions Partnership.
Mr T Richardson, Chief Risk Officer, Local Pensions Partnership.
Ms J Darbyshire, Director of Administration, 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

The Chair welcomed everyone to the meeting. Apologies for absence were received from Councillor R Whittle.

2. Disclosure of Pecuniary and Non-Pecuniary Interests

No declarations of interest were made under this item.

3. Minutes of the Meeting held on the 21st June 2019

Resolved: That the Minutes of the meeting held on the 21st June 2019 are confirmed as an accurate record and signed by the Chair.

4. Lancashire County Pension Fund - External Audit Findings Report

Angela Pieri, Senior Manager from Grant Thornton presented her report on the findings of the external audit of the Lancashire County Pension Fund Accounts for 2018/19. She reported that the accounts had been considered by the Audit, Risk and Governance Committee on the 29th July 2019 which had noted the presentational adjustments to the financial statements and other issues raised by the auditor, none of which had an impact on the net asset statement or the Fund account.

In considering the report the Committee noted that the outstanding items highlighted in the audit findings report had now been finalised and a final unqualified audit opinion issued.

Resolved: That the findings of the external audit of the Lancashire County Pension Fund Accounts for 2018/19, as set out in the report presented together with the final unqualified audit opinion issued, are noted.

5. Lancashire County Pension Fund Annual Report

The Head of Fund presented a report on the final version of the Lancashire County Pension Fund Annual Report for the year ended 31st March 2019 and highlighted a number of additional amendments which had been made since the draft report was presented at the previous meeting.

In considering the report members of the Committee highlighted some additional minor amendments and it was suggested that key messages from the Annual Report should be relayed to scheme members via a newsletter. It was also reported that the external auditor had concluded that the information in the annual report was consistent with the audited financial statements included within the statement of accounts.

Resolved:

1. That the updates to the Annual Report for the year ended 31st March 2019, as set out in the report presented, are noted.
2. That the following additional changes be made to the Annual Report.
 - a) amend the text in the foreword to clarify the relationship between the County Council, Preston City Council and the Fund in relation to the Park Hotel development.
 - b) amend the wording on page 6 to clarify those co-opted members of the Committee who are elected representatives.

3. That, subject to any further minor amendments, the Annual Report for the year ended 31st March is approved for publication on or before the 1st December 2019.

The Chair informed that meeting that in response to an earlier request from County Councillor Dowding he would take item 8 as the next item of business as she would need to leave the meeting early due to another commitment.

8. Responsible Investment Report

The Head of Fund presented a report which updated the Committee on activity which supported the Fund in fulfilling its commitment to long term responsible asset ownership in line with the Investment Strategy Statement and the Responsible Investment Strategy.

With regard to the two items raised at the previous meeting the Committee was informed that it was not possible to calculate how much companies spent on lobbying against climate change mitigation as the detailed costs on individual topics/themes were not reported. However, as the Local Authority Pension Fund Forum was already exploring this subject it was suggested that a representative be asked to address the Committee to provide some reassurance that action was being taken on behalf of Local Government Pension Schemes in this area.

Mr C Rule, Interim Chief Executive, Chief Investment Officer and Managing Director (Investments) confirmed that the Local Pensions Partnership managed investments in accordance with its own RI policy and that of the Fund. He referred to existing investments in green energy/social housing and low exposures in relation to fossil fuels and reminded the Committee that current investments complied with the targets set out in those policies.

The joint Responsible Investment Working Group proposed by the London Pensions Fund Authority was also discussed and it was reported that whilst the Committee had an agreed Responsible Investment policy in place the Authority had not yet agreed its own policy and so were not in a position to move forward with a joint Working Group.

Resolved:

1. That a representative of the Local Authority Pension Fund Forum be invited to attend a briefing for members of the Committee at 10.00am on the 29th November 2019 ahead of the next scheduled meeting.
2. That Mr R Branagh, the Managing Director of the London Pensions Fund Authority, be invited to attend the next meeting of the Committee to discuss the joint Working Group on Responsible Investment.
3. That the update on responsible investment activity, as set out in the Appendix to the report presented, is noted.

6. Lancashire County Pension Fund Q1 Budget Monitoring 2019/20

The Committee considered a report on the financial performance of the Fund during the 3 months to 30th June 2019 together with a comparison of the results with the approved budget for the same period.

Resolved: That the financial performance of the Fund up to the 30th June 2018, as set out in the report presented, is noted.

7. Local Pensions Partnership 2018/19 Annual Report and Accounts

The Local Pensions Partnership Annual Report and Accounts for the year ended 31st March 2019, as approved by the Partnership Board on the 31st July 2019, was presented to the Committee.

Resolved: That the content of the Local Pensions Partnership Annual Report and Accounts for the year ended 31st March 2019, as set out at Appendix 'A' to the report presented, is noted.

9. Feedback from members of the Committee on pension related training.

The Chair presented a report on the workshop on the risk framework of the Fund which had been held on the 11th September 2019 and attended by County Councillors K Ellard, T Martin, J Mein and A Schofield together with co-opted members Mr P Crewe, Councillor R Whittle and Councillor D Borrow.

It was reported that the workshop had included a lot of detail on the subject which had been crystallised by the pre Committee briefing given by Mr Lambert, one of the Independent Advisers.

Resolved: That the attendance by members of the Committee at the workshop on the 11th September 2019 is noted and that such attendance be recorded in the Training Record for the Committee.

10. Urgent Business

No items of business were raised under this heading

11. Date of Next Meeting

It was noted that the next scheduled meeting would be held at 10.30am (preceded by a 30 minute briefing session) on the 29th November 2019 in Committee Room 'C' – The Duke of Lancaster Room at County Hall, Preston.

12. Internal audit assurance over the Local Pensions Partnership

The Head of Fund presented a report which updated the Committee on the findings of the review of all seven of the internal audits of the Local Pensions

Partnership for 2018/19 as requested at the previous meeting. It was noted that substantial assurance had been given by the County Councils internal audit service with regard to the Authority's oversight of the Fund and the Partnership.

Mr T Richardson, Chief Risk Officer from the Partnership informed the Committee that four of the seven audits had resulted in an assessment of 'ineffective' and the Partnership's Senior Management Team was taking action across the group to address the matters arising from the audits and would submit regular reports to the Board.

Resolved:

1. That the assurance from the Local Pensions Partnership's internal auditor, as set out in the report presented, and the action taken to date by the Senior Management Board in response to the issues raised are noted.
2. That the County Councils Head of internal Audit liaise with the Chief Risk Officer from the Local Pensions Partnerships to produce a report for the next meeting to update the Committee on progress made in relation implementation of the Senior Management Board Action Plans.

13. 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 item. It is considered that in all the circumstances the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

14. Local Pensions Partnership Update to 30 June 2019

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 performance of the Local Pensions Partnership up to 30th June 2019 which included reference to the development of a new strategy in response to shareholders key strategic priorities, details of savings achieved through asset pooling and an update on the Balanced Scorecard exercise to review performance.

Ms J Darbyshire, the Director of Administration, gave an update on activity associated with the pension administration service and confirmed that the previous backlog had now been reduced to only include aggregation cases which would be the processed as soon as possible.

Resolved: That the updates on activity of the Local Pensions Partnership, as set out in the report presented and given at the meeting, are noted.

15. 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, Independent Adviser to the Committee, presented her detailed report on macro-economic factors and how they influenced the investment market in which the Lancashire County Pension Fund operated together with the Minutes from the Investment Panel held in June 2019.

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

16. Lancashire County Pension Fund Performance Overview - June 2019

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, Independent Adviser to the Committee, presented a report on the performance of the Fund up to 30th June 2019 highlighting the performance of the Fund's investments which continued to outperform both the internal and actuarial benchmarks.

The Committee discussed a proposed capital restructure of the Local Pensions Partnership intended to align it with other pooled Local Government Pension Funds and noted that a detailed report on the proposal, including the views of the Investment Panel, would be presented to the next meeting for consideration.

Resolved: That the performance of the Fund, as set out in the report presented, is noted.

L Sales
Director of Corporate Services

County Hall
Preston