

Pension Fund Committee

Terms of Reference

Composition and role:

1. The Pension Fund Committee ("the Committee") comprises twelve County Councillors and seven voting co-optees representing the following organisations:
 - a. One co-optee representing the Further and Higher Education sector in Lancashire;
 - b. One co-optee from Blackburn with Darwen Council;
 - c. One co-optee from Blackpool Council;
 - d. Two co-optees representing Trade Unions; and
 - e. Two co-optees representing the Lancashire Borough and City Councils.
2. The role of the Committee is to:
 - a. Fulfil the role of Scheme Manager, as set out in regulations, of the Lancashire County Pension Fund ("the Fund" or "LCPF");
 - b. Establish policies in relation to investment management, which shall include meeting with the Investment Panel to consider future Investment policy for the Fund;
 - c. Monitor and review investment activity and the performance of the Fund; and
 - d. present an annual report to the Full Council on the state of the Fund and on the investment activities during the preceding year.
3. The Committee shall meet at least quarterly, or otherwise as necessary, with the Investment Panel in attendance.
4. Meetings of the Committee shall be open to the public, but the public may be excluded where information of an exempt or confidential nature is being discussed – see Access to Information Procedure Rules set out at Appendix 'H' to the County Council's Constitution.

General:

5. To exercise Lancashire County Council's responsibility for the management of the Fund, including the administration of benefits and strategic management of Fund assets and liabilities.
6. To determine which pension related functions and responsibilities should be exercised under a Scheme of Delegation to the Head of the LCPF, the Director of Financial Resources (S.151 Officer) and the Director of Governance, Finance and Public Services.

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7. To review governance arrangements and the efficient and effective use of external advisors to ensure good decision-making.
8. To appoint a minimum of two suitable persons to an Investment Panel through a sub committee convened for that purpose.
9. To establish sub-committees and panels as necessary to undertake any part of the Committee's functions.
10. To receive an annual report from the Lancashire Local Pensions Board on the nature and effect of its activities.

Policies (other than Investment, Administration and Funding – see below):

11. To approve the following key policy documents:
 - a. A rolling 3 Year Strategic Plan for the Fund;
 - b. The Statement of Investment Principles
 - c. Governance Policy Statement;
 - d. Governance Compliance Statement;
 - e. Pension Fund Annual Report;
 - f. Communication Policy statement;
 - g. Internal Dispute Resolution Procedure;
 - h. Death Grant Procedure;
 - i. Bulk Transfer Payment Policy;
 - j. Commutation policy (small pensions);
 - k. Transfer policy;
 - l. Abatement policy; and
 - m. Any other discretionary policies as required under LGPS regulations

Investment:

12. To determine the strategic asset allocation policy, giving due recognition to the options made available by the Local Pensions Partnership Ltd (LPPL).
13. To monitor the performance of the Fund's investments and ensure that best practice is being adopted and value for money is being delivered
14. To submit an annual report to the Full Council on the performance and state of the Fund and on the investment activities during the year.
15. To approve and review on a regular basis an overall Investment Strategy and subsidiary Strategies for such asset classes as the Investment Panel consider appropriate.
16. To have overall responsibility for investment policy.

Administration:

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17. To approve the Annual Administration Report.
18. To approve the Pensions Administration Strategy Statement.
19. To monitor the performance of the pensions administration function.
20. To authorise the payment of any statutory pensions, gratuities, grants, etc. under the provisions of the Superannuation and Pensions Acts and Regulations and any Local Acts.
21. To approve applications for early payment of preserved pension benefits on compassionate grounds.
22. To approve payments under the County of Lancashire Act 1984.
23. To determine the actual injury allowance payable on each individual qualifying case of injury or disease, both retrospective and for the future.
24. To review annually the actual amounts of injury allowances payable under the Local Government Superannuation Regulations, as amended, to employees who have sustained injuries or contracted diseases, as a result of anything they were required to do in carrying out their work and to make any changes appropriate to reflect changes in the relevant financial circumstances of the payee.

Funding:

25. To approve the Funding Strategy Statement which shall include the Fund's policy in respect of:
 - a. the Funding Target;
 - b. the collection of employee contributions;
 - c. the collection of employer contributions;
 - d. the collection of additional employer contributions; and
 - e. Admissions and Terminations.
26. To approve Scheme Funding Advice
27. To review ongoing funding updates for potential cash contribution implications

Procurement:

28. To approve the procurement process, tender award criteria and evaluation methodology in advance of any tender being invited for the appointment of external support, including:
 - a. an external corporate governance adviser;
 - b. an external Fund custodian;
 - c. external performance measurement advisers;

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- d. the Fund Actuary; and
- e. the Fund's AVC Provider.

Training:

- 29. To approve the annual Training Plan for members of the Pension Fund Committee and actively participate in training opportunities.

Local Pensions Partnership Ltd (LPPL):

LPPL was formed in partnership between the County Council and the London Pension Funds Authority (LPFA) to carry out certain pension functions such as investment activity and administration on behalf of the two partner authorities. The relationship between the County Council and LPFA is governed by a number of agreements one of which (the Shareholders Agreement dated []) reserves certain key matters for the determination of the County Council and LPFA rather than LPPL (the "Reserved Matters"). References to delegated powers relating to LPPL address the Reserved Matters. Unless stipulated, any reference to the "Agreement" is a reference to the Shareholders Agreement dated [].

Incorporation or winding up of subsidiaries:

- 30. To approve, with the exception to the formation of vehicles which are necessary for any transactional, operational or tax efficiency reasons in the sole opinion of the Board, any incorporation of any new subsidiary of LPPL or any of its Group Companies or any liquidation or winding up of LLP or any of its Group Companies. Any acquisition of any shares in any company, whether through subscription or transfer, such that the company concerned becomes a Subsidiary of LPPL or any Group Company.

Merger/acquisition of any business undertaking:

- 31. To approve the amalgamation or merger with any company, association, partnership or legal entity or the acquisition of any business undertaking of any other person.

Financial and Business:

- 32. To approve any Strategic Plan for LPPL or make any material changes to any Strategic Plan after its approval.
- 33. To approve any extension of the activities of LPPL outside the scope of the Business or close down any business operation.
- 34. To receive the annual accounts of LPPL.
- 35. To approve the establishment, provision or amendment of any pension scheme.

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36. To give or take any loans, borrowing or credit (other than normal trade credit in the ordinary course of business) in excess of £1,000,000 or cause the aggregate indebtedness of LPPL to exceed £[5m].

Shares, shareholder loans and constitutional:

37. To pay or declare any dividend (other than as expressly provided for in the Shareholder agreement) or other distribution to the Shareholders or redeem or buy any Shares or otherwise reorganise the share capital of LPPL.
38. To admit any person whether by subscription or transfer as a member of LPPL save as provided for in the Shareholder Agreement.
39. To approve any name change of LPPL

Control, management, directors and employees:

40. To approve the remuneration policy of LPPL Non-Executive Directors.
41. To approve the appointment or removal of any statutory director of LPPL otherwise than in accordance with the Shareholder Agreement and the Articles of LPPL.
42. To enter into or vary any agreement for the provision of consultancy, management or other services by any person which will, or is likely to result in, LPPL being managed otherwise than by its directors or controlled otherwise than by its shareholders.
43. To approve the move of the central management and control of LPPL or LPPL's tax residence outside of the UK.

Contract with related parties

44. To enter into or vary any contracts or arrangements with any of the Shareholders or Directors or any person with whom any Shareholder or Director is connected (whether as director, consultant, shareholder or otherwise) save as anticipated in the various agreements between the County Council, LPFA and LPPL entered into on the [].
45. To approve the commencement or the taking of steps to commence any insolvency proceedings under any law relating to insolvency anywhere in the world unless LPPL is at the relevant time unable to pay its debts as they fall due or the value of its assets is less than its liabilities, including its contingent and prospective liabilities and the directors reasonably consider (taking into account their fiduciary duties) that it ought to be wound up or it ought to enter into administration.
46. To enter into any partnership, joint venture or profit sharing arrangement with any person or create any share option scheme.

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47. To enter into or make any material variation to any agreement not in the ordinary course of the Business and/or which is not on an arm's length basis.
48. To approve the sale, lease (as lessor), licence (as licensor), transfer or otherwise dispose of any of its material assets.
49. To enter into any contract which cannot be terminated within 48 months and under which the liability for such termination could exceed £1 million.

Pension Fund Committee – Scheme of Delegation Arrangements

1. Matters reserved to Full Council

Local Pensions Partnership Ltd (LPPL):

Changes to the Articles or any Share rights impacting on any pre-approval matter(s)

1. Approval to alter any of the provisions of the LPPL Articles (including the articles of the LPPL subsidiary companies) or alter any of the rights attaching to the Shares (including where any such alterations directly or indirectly impacts on a Reserved Matter) unless such amendment is of a purely administrative nature.

Dilution on Shareholding/Issue of Shares and Share Options

2. Approval to reduce or cancel any share capital of LPPL, purchase its own shares, hold any shares in treasury, allot or agree to allot, whether actually or contingently, any of the share capital of LPPL or any security of LPPL convertible into share capital, grant any options or other rights to subscribe for or to convert any security into shares of LPPL or alter the classification of any part of the share capital of LPPL save as the power to do so without prior Shareholder approval is specifically provided for in the Agreement .

Creation of any Holdco of LPPL

3. To approve the formation of any holding company of LPPL.

Change of Company status

4. To approve a change of status of LPPL from a limited company to a public limited company or from a company limited by shares to any other form of legal entity.

2. Matters reserved to the Employment Committee

Local Pensions Partnership Ltd (LPPL):

Approval of LPPL's Remuneration Policy

1. To approve the remuneration policy of the LPPL directors and staff, other than for LPPL Non-Executive Directors

Changes to Directors' Remuneration Policy

2. To approve the payment of any fees, remuneration or other sums to or in respect of the services of any director or vary any such fees or remuneration other than in accordance with an agreed remuneration policy approved by both LCC and LPFA. For the avoidance of doubt this will not apply to the payment

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or reimbursement of reasonable expenses properly incurred by any statutory director in the course of carrying out his duties in relation to LPPL nor to any payment under any indemnity by LPPL to which the statutory director is entitled under the Articles or under any relevant law.

Proposed redundancies of any Group employees

3. To approve any proposed programme of redundancies within LPPL or rationalisation of a group of employees

Proposed re-location of any LPPL employees

4. To approve any proposed programme of relocation of a group of employees outside Lancashire who were previously employees of LCC.

Chief Executive

5. To approve the appointment or removal of the Chief Executive of LPPL or any subsidiary company.

3. Matters reserved to Officers

The following functions have been delegated to the Head of the Lancashire County Pension Fund (LCPF), the Director of Governance, Finance and Public Services, and the Director of Financial Resources (as the Council's S.151 officer) as indicated below:

The Head of the LCPF, the Director of Governance, Finance and Public Services, and the Director of Financial Resources may allocate or re-allocate responsibility for exercising powers (delegated to them by Full Council or the Pension Fund Committee) to other officers on their behalf in the interests of effective corporate management as he/she thinks fit.

Records of all such authorisations must be retained and a copy sent to Democratic Services for retention. The 'other' officer(s) to whom a power has been re-allocated cannot further delegate that power to another officer.

Any decisions taken under the Scheme of Delegation must be recorded on the electronic decision recording system.

- **Matters reserved to the Director of Governance, Finance and Public Services**

Agreements

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1. To enter into or vary any agreement to do any of the things reserved to the Pension Fund Committee and to officers under the Scheme of Delegation arrangements

Local Pensions Partnership Ltd (LPPL):

Guarantees and Indemnities

2. To give any guarantee, suretyship or indemnity outside the ordinary course of business to secure the liabilities of any person or assume the obligations of any person.

Disputes and proceedings

3. To commence, settle or defend any claim, proceedings or other litigation brought by or against LPPL, except in relation to debt collection [not exceeding £[2m].] in the ordinary course of the Business.

• Matters reserved to the Council's S.151 Officer

As the officer designated under s.151 of the Local Government Act 1972 to be responsible for the proper administration of the financial affairs of the County Council, for this purpose including the Lancashire County Pension Fund.

Accounts and Records

1. To maintain all necessary accounts and records in relation to the Pension Fund save as otherwise discharged in accordance with arrangements determined by the Pension Fund Committee

Local Pensions Partnership Ltd (LPPL):

Shares, shareholder loans and constitutional:

2. Save as provided for in the Shareholders Agreement, to approve an increase in the amount of any Shareholder Loans or the variation of the terms of any Shareholder Loans.
3. To approve the repurchase, repayment, redemption or cancellation of any Shareholder Loan other than in accordance with the terms of any Loan Agreement, Loan Notes or the terms of the Shareholders Agreement.
4. To enter into any agreement with a Shareholder for the provision of additional funds or financial support from that Shareholder which differ from the terms on which the other Shareholder is providing equivalent finance or support.

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- **Matters reserved to the Head of the Lancashire County Pension Fund**

As the officer responsible for the management of the Lancashire County Pension Fund:

1. To set the appropriate funding target for the Fund.
2. To place any monies not allocated to investments on short term deposit in accordance with arrangements approved by the Pension Fund Committee.
3. In consultation with the Investment Panel, to monitor and review the performance of investments made by LPPL and to report to each meeting of the Pension Fund Committee on the exercise of this delegation.
4. To arrange and authorise the provision of appropriate and necessary training for members of the Pension Fund Committee including the attendance at conferences and other similar pension fund related events by members of the Pension Fund Committee.
5. To accept for admission into the Lancashire County Pension Fund employees of authorities and bodies as prescribed in Regulations including transferee and community admissions which are considered as 'exceptional circumstances', subject to an approved Admission Agreement, and subject to any necessary indemnities as appropriate.
6. To prepare and submit the following to Pension Fund Committee:
 - a. A rolling 3 Year Strategic Plan for the Fund;
 - b. Statement of Investment Principles (to include policy on the management of cash balances) ,
 - c. Governance Policy Statement
 - d. Governance Compliance Statement.
 - e. Pension Fund Annual Report, including the Annual Administration Report.
 - f. The Funding Strategy Statement to include the Fund's policy in respect of:
 - g. the Funding Target;
 - h. the collection of employee contributions;
 - i. the collection of employer contributions;
 - j. the collection of additional employer contributions; and
 - k. Admissions and Terminations.
 - l. Pensions Administration strategy statement;
 - m. Communication Policy statement;
 - n. Internal Dispute Resolution Procedure;
 - o. Death Grant Procedure;
 - p. Bulk Transfer Payment Policy;

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- q. Commutation policy (small pensions);
 - r. Transfer policy; and
 - s. Abatement policy
7. To carry out the administrative functions of the administering authority relating to the Local Government Pension Scheme.
 8. To approve the payment of death grants in accordance with the agreed Death Grant Procedures.
 9. To appoint any required external support (subject to the role of the Pension Fund Committee and the Investment Panel), their terms of office and remit.
 10. To deal with stage 2 appeals under the Internal Dispute Resolution Procedure.
 11. To authorise the payment of any statutory pensions, gratuities, grants, etc. under the provisions of the Superannuation and Pensions Acts and Regulations and any Local Acts.
 12. To approve applications for early payment of preserved pension benefits on compassionate grounds.
 13. To approve payments under the County of Lancashire Act 1984
 14. To determine the actual injury allowance payable on each individual qualifying case of injury or disease, both retrospective and for the future.
 15. To review annually the actual amounts of injury allowances payable under the Local Government Superannuation Regulations, as amended, to employees who have sustained injuries or contracted diseases, as a result of anything they were required to do in carrying out their work and to make any changes appropriate to reflect changes in the relevant financial circumstances of the payee.
 16. To provide support to the Local Pension Board to enable it to fulfil its role and responsibilities as defined by sections 5 (1) and (2) of the Public Service Pensions Act 2013.

Local Pensions Partnership Ltd (LPPL):

To approve the following:

17. The appointment or removal of the auditors of LPPL.
18. The alteration of LPPL's accounting reference date.
19. Any significant change to any of LPPL's accounting or reporting practices.
20. The creation of any Encumbrance over the whole or part of the undertaking or assets of LPPL.

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21. Any item or series of items of capital expenditure including finance leases but excluding operating leases of more than £5,000,000.
22. The entering into or variation of any operating lease either as lessor or lessee, of any plant, property or equipment of a duration exceeding 10 years or involving aggregate premium and annual rental payments in excess of £5m.
23. The factor or discount any book debts of LPPL.
24. The making of any agreement or reach any settlement with any revenue authorities or any other taxing authority, or make any claim, disclaimer, election or consent of a material nature for tax purposes in relation to LPPL, its business, assets or undertaking.
25. Any change to the bankers of LPPL.
26. Any change to the registered office of LPPL.