

## **Lancashire Local Pension Board**

**Minutes of the Meeting held on Tuesday, 17th October, 2017 at 2.00 pm in Exchange Room 7 - The Exchange - County Hall, Preston**

### **Present:**

#### **Chair**

William Bourne

#### **Committee Members**

County Councillor Christian Wakeford, Employer rep - LCC

Steve Browne, 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

John Hall, Scheme rep - Deferred Members

Bob Harvey, Scheme rep - Pensioner Members

#### **Officers**

James Ahlberg, Information Governance Manager, Local Pensions Partnership.

Diane Lister, Head of Your Pension Service, Local Pension Partnership.

Abbi Leech, Head of Fund, Lancashire County Council.

Helen Gallacher, Pensions Manager Corporate Finance, Lancashire County Council.

Paul Dobson, Treasury and Pensions Manager, Lancashire County Council

Mike Neville, Senior Democratic Services Officer, Lancashire County Council.

### **1. Apologies**

No apologies were presented.

### **2. Disclosure of Pecuniary and Non-Pecuniary Interests**

Mr Hall reported that he would not be continuing as a member of the Board as he was now in receipt of a pension and was therefore ineligible to represent Deferred Members under the Terms of Reference. The Chair thanked Mr Hall for his contribution to the work of the Board and wished him well for the future.

As Mr Hall had previously accessed a full set of papers for the meeting the Board agreed that he should be permitted to attend the remainder of the meeting.

### **Resolved:**

1. That Mr Hall be permitted to attend the remainder of the meeting.
2. That arrangements be made to appoint a new Board member to represent Deferred Members to replace Mr J Hall.

### **3. Minutes of the Meeting held on the 4th July 2017**

The Chair reported that the Pension Fund Committee in September had accepted the Annual Report of the Board without comment and had thanked the members of the Board for their work in supporting the operation of the Fund.

With regard to the request for the purchase of IT equipment from the Pension Board budget Mr Neville reported that the County Council was under no obligation to purchase IT equipment for use by Board members and that such a purchase could set a precedent for other bodies which had co-opted members. In response Mr Browne insisted that IT equipment should be purchased from the Pension Board budget and asked that the matter be discussed further outside of the meeting.

#### **Resolved:**

1. That the Minutes of the meeting held on the 17<sup>th</sup> October 2017 are confirmed as an accurate record and signed by the Chair.
2. That the purchase of IT equipment from the Pension Board budget for use by Board members be explored further outside of the meeting.

### **4. Presentation on General Data Protection Regulation and cyber security**

Mr Ahlberg, Information Governance Manager at the Local Pension Partnership, informed the Board that the General Data Protection Regulations (GDPR) were being introduced in order to reflect modern IT systems and would be more stringent than the Data Protection Act 1988

In considering the presentation the Board recognised the importance of ensuring that employers were both aware of the implications of GDPR and provided with guidance on complying with the new regulations before they came into operation in May 2018.

#### **Resolved:**

1. That Mr Ahlberg be thanked for an informative presentation.
2. That arrangements be made for a presentation on the General Data Protection Regulations (GDPR) to be given to the Practitioners Conference in November 2017 to inform employers within the LCPF of the implications and requirements of the new Regulations before they come into operation on the 25<sup>th</sup> May 2018.
3. That the Head of Fund review existing policies/processes in relation to data held by the LCPF to ensure that the Fund is compliant with the GDPR when it comes into operation.

### **5. Lancashire County Pension Fund Interim administration report**

Diane Lister, the Head of Your Pension Service (YPS) presented a report on the performance of the pension administration service during the period 1st April to 31<sup>st</sup> August 2017 against agreed standards and targets.

It was reported that YPS was currently handling around 800 calculations associated with providing information to enable individuals to complete their tax returns. In response to a query Ms Lister confirmed that details of the deadlines and responsibilities in respect of HMRCs annual allowances could be circulated to members of the Board outside of the meeting.

The Board discussed the number of Pending Leavers (who were members that the YPS was aware had left employment but for whom a full notification from the employer was awaited) identified in the report and recognised that this was an issue across local government pension schemes. Ms Lister confirmed that the YPS was working with partners to develop a process to minimise any delay in processing the information in order to reduce the number of Pending Leavers.

The number of complaints was also discussed and it was suggested that in future information on the number/spread of complaints would be useful. It was noted that a new telephone system which would handle complaints was due to be introduced and would require the establishment of a new Service Level Agreement.

During a discussion on My Pension Online a member of the Board asked for details of the number of members (listed by employer) who were registered online and suggested that employers be encouraged to make use of the online facility.

In summary the Board recognised that the interim administration report from Your Pension Service was positive, especially when compared with The Pension Regulator's report on Public Sector Pension Schemes elsewhere on the agenda.

The Chair thanked Ms Lister and her colleagues for the interim report and for the good work done to date.

**Resolved:**

1. That details of the deadlines and responsibilities in respect of HMRCs annual allowances be circulated to all members of the Board outside of the meeting.
2. That the Practitioners Conference in November 2017 be used to encourage employers within the LCPF to engage with Your Pension Service in order to reduce the number of Pending Leavers.
3. That members of the Board contact the Head of Your Pension Service if they wish to join members of the administration team at a drop in session or annual visit to an employer.
4. That the Head of Your Pension Service be invited to attend the next meeting of the Board where the following items will be reviewed:
  - a) compliance with COP14.

- b) fraud control within the LCPF
- c) the current Discretions Policy for the LCPF

## **6. The Pension Regulator report on Public Service Pension Schemes governance and administration.**

The Head of Fund informed the Board that the main focus of the autumn 2016 survey by The Pension Regulator (TPR) had been the governance and administration of public sector pension schemes.

It was reported that the survey had concluded that the Regulator's existing assessment still applied and that the top risks were around scheme governance, record keeping, internal controls and member communications. The Board noted that TPR had highlighted that in the future it was more likely that use would be made of enforcement powers where Scheme Managers had not taken sufficient action to address issues or meet their duties.

The Board recognised that the LCPF was in a good position to address any concerns identified in TPR report, as evidenced by the interim Administration Report at the previous item on the agenda.

**Resolved:** That the report of The Pension Regulator on Public Service Pension Schemes, as set out in the Appendix to the report presented is noted.

## **7. LCPF Risk Register Update**

The Head of Fund informed the Board that in view of the mitigating controls that were in place the risk ratings for O2 (Reliance on key persons and expertise) O3 (Risk Management) and T5 (External Drivers) had all been reduced. It was noted that I5 (Cash-Flow Management) continued to have a medium rating though the Investment Panel, with the support of LPP, had reviewed the Investment Strategy with a view to recommending specific measures to mitigate this risk.

The Board also acknowledged that the risk rating for O7 (Data Protection and Cyber Security) had been increased on the basis that despite increased resources for Information Governance being made available at LPP it was considered that the transitional IT arrangements and the relatively short deadline for the implementation of the GDPR warranted the increase. It was suggested that consideration be given to purchasing specific insurance for cyber security or whether allocating those resources to additional internal controls would be more effective.

The significance of T3 (Investment Transition) was discussed and it was recognised that the situation would require careful monitoring to ensure that the expected reduction in fees/management costs were achieved and that this should be better articulated in the Risk Register narrative. It was noted that the transition was an ongoing process and during the last 18 months there had been an internal audit which identified some issues that had subsequently been addressed.

**Resolved:**

1. That the report is noted.
2. That in future the covering report regarding the Risk Register include an expanded narrative to explain key areas of progress.
3. That an update report on the Risk Register is presented to the Board in April 2018 with particular emphasis on progress regarding those issues currently identified as being high risks.
4. That the report specified at 3 above also include an update on the risk assurance map developed by PWC to be reported to the Board in January 2018.

**8. Part I reports considered by the Pension Fund Committee in September 2017**

The Head of Fund updated the Board on decisions made by the Pension Fund Committee at the meeting on the 15<sup>th</sup> September 2017 in relation to reports in Part I of the agenda and highlighted the following.

**a) *Lancashire County Pension Fund - Admission and Termination Policy***

The Committee had agreed that an approach based on the yields available on corporate bonds at the date of exit would be adopted to set a discount rate as this was a recognised approach used by a number of other LGPS Funds, based on publically available information, and was similar to the approach used to calculate pension liabilities in employers accounts.

A minor amendment was also agreed regarding the existing charging structure for new admission agreements and academies joining the Fund which would involve additional interest charges where initial pension contributions were paid to the Fund late.

It was noted that the revised Policy was subject to a 3 month consultation period with employers and that a further report would be presented to the Committee in March 2018.

**b) *External Audit – Lancashire County Pension Fund Audit Findings Report 2016/17***

It was reported that the Committee had noted the contents of the Audit Findings report for the LCPF Accounts for 2016/17. The Chair drew attention to the auditor's comments that they would provide an unmodified audit report in relation to both the audit opinion and audit opinion on the annual report.

**c) *Responsible Investment***

The Responsible Investment Working Group established by the Committee had met in September and was due to meet with representatives from LAPF in November to discuss areas where the two authorities can align their policies in order to strengthen the Local Pension Partnership and assist with future pooling.

*d) LCPF - 2017/18 Q1 Budget Monitoring Report*

The Committee had noted the analysis of variances between actual results and the budgeted income and expenditure for the period 1<sup>st</sup> April to 30<sup>th</sup> June 2017, as set out in the report. The board recognised that the value of the Fund had increased as had the associated investment management expenses.

*e) Supply of LCPF Custodian Service*

The Committee had agreed to appoint an independent specialist firm to assist the Fund in developing a specification for the custodian services and assist in the evaluation of potential tender responses from the independent open OJEU compliant procurement exercise to appoint a provider of custodian services for 3 years, with effect from the 1st April 2018.

**Resolved:**

1. That all the reports considered by the Pension Fund Committee on the 15<sup>th</sup> September, 2017 and subsequent decisions are noted.
2. That any recommendations from the Responsible Investment Working Group are presented to the Board for consideration before being submitted to the Pension Fund Committee.
3. That a report be presented to the next meeting of the Board to enable it to review the following key areas in relation to the LCPF budget.
  - Cost savings
  - Productivity gain
  - Risk reduction
  - Service improvement
  - Performance

**9. Feedback from Board Members on Recent Training Events and Conferences**

K Haigh reported that the Workshops on the 23rd June 2017 (Annual report and Accts) and 27th July 2017 (LCPF Risk Register) had been of a high standard and whilst attendance had been variable there had been good discussions at both.

R Harvey reported that whilst the venue for the LGPS Pension Board Seminar in London on the 19th September 2017 had been difficult to find the presentations had been informative and useful.

Y Moulton informed the meeting that the Workshop on the 20th September 2017 (LPP Strategic Budget & Accts) had been good, though she felt some of the information presented could have been clearer.

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

#### **10. Urgent Business**

Mr Neville reminded the Board that arrangements had been made for the Chair to meet individual members for appraisals on the 29th and 30th November 2017 in Meeting Room CH1:04 in County Hall, Preston.

**Resolved:** That the arrangements for individual members of the Board to have appraisals with the Chair on the 29th and 30th November 2017 are noted.

#### **11. Date of Next Meeting**

It was noted that the next scheduled meeting would be held at 2pm on the 16th January 2018 in Meeting Room CHG:03 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 item 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.

#### **13. Part II reports considered by the Pension Fund Committee in September 2017**

(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 presented a report on the Part II items which had been considered by the Pension Fund Committee on the 15th September 2017 and updated the Board on decisions taken. The Board considered each item in turn, making comments as appropriate.

a) *Lancashire Local Pension Partnership – Quarter 12 Update.*

The Head of Fund outlined the presentation given by representatives from the Local Pensions Partnership (LPP) on the investment and administration functions operating within LPP.

*b) Investment Panel Report*

It was reported that the Investment Panel had reviewed the current Investment Strategy and agreed some minor amendments around asset allocations. It was noted that the Strategy would be discussed further at the workshop in November when Board members would be able to comment, with final recommendations being presented to the Committee in December 2017.

*c) LCPF Performance Overview June 2017*

The LCPF continued to outperform both internal and external actuarial benchmarks. The Chair noted that recent years had been exceptional in terms of investment performance and suggested it was unlikely that such a level of performance was sustainable.

In response to a query the Head of Fund confirmed that the County Council had recently appointed Mr Jensen as the Director of Investments and he would be working with the Council's Treasury Management Team. It was also noted that Mr Jensen would provide a strategic advisory role to the Local Pensions Partnership in an independent advisory capacity.

**Resolved:**

1. That the report and the comments of the Board are noted.
2. That the County Councils appointment of Mr M Jensen as Director of Investments is noted.

I Young  
Director of Governance,  
Finance and Public Services

County Hall  
Preston