

Lancashire County Council

Pension Fund Committee

Minutes of the Meeting held on Friday, 21st June, 2019 at 10.30 am in Committee Room 'C' - The Duke of Lancaster Room, County Hall, Preston.

Present:

County Councillor Eddie Pope (Chair)

County Councillors

| | |
|---------------|-------------|
| J Burrows | T Martin |
| S Clarke | J Mein |
| Ms L Collinge | A Riggott |
| G Dowding | A Snowden |
| K Ellard | A Schofield |

Co-opted members

Paul Crewe, (Trade Union Representative)
Councillor Ron Whittle, (Blackburn with Darwen Borough 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 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).
Ms R Lowry, Head of Internal Audit, Lancashire County Council

1. Constitution, Membership and Terms of Reference

The Chair reported that the only change to the membership of the Committee was the appointment of County Councillor L Collinge (who had replaced County Councillor Miss Snape) and he congratulated County Councillor G Dowding on her recent election to the European Parliament.

Resolved:

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

County Councillors (12)

| | |
|------------|----------------------------|
| J Burrows | T Martin |
| S Clarke | J Mein |
| L Collinge | E Pope (Chair) |
| G Dowding | A Riggott |
| C Edwards | A Schofield (Deputy Chair) |
| K Ellard | A Snowden |

Voting co-opted members (7).

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 – Further Education and Higher Education Institutions.

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

2. Apologies

The Chair welcomed Jo Darbyshire, the recently appointed Director of Administration at the Local Pensions Partnership, to the meeting and noted apologies for absence had been received from County Councillor C Edwards and Councillor M Smith.

3. Disclosure of Pecuniary and Non-Pecuniary Interests

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

4. Minutes of the Meeting held on the 29th March 2019

Resolved: That the Minutes of the meeting held on the 29th March, 2019, are confirmed as an accurate record and signed by the Chair.

5. Lancashire Local Pension Board - Annual Report 2018/19

Mr Bourne, the Chair of the Lancashire Local Pension Board, presented a report on the 2018/19 Annual Report which highlighted key activity undertaken by the Board during the year.

He informed the meeting that interviews would be held later in the day in relation to the current vacancy for a Scheme Member representative on the Board and referred to a previous recommendation by the Board for there to be an independent survey of employers satisfaction with the administration of the Fund as included in the Internal Audit Plan for 2019/20

Resolved: That the 2018/19 Annual Report of the Lancashire Local Pension Board, as set out at Appendix 'A' to the report presented is approved for inclusion in the Lancashire County Pension Fund Annual Report for 2018/19.

6. Lancashire County Pension Fund 2018/19 financial and budget monitoring.

The Head of Fund presented a report on the income and expenditure of the Lancashire County Pension Fund for the year ended 31st March, 2019, together with explanations for any significant variances between the budget and final position.

Resolved: That the analysis of variances between actual and budgeted financial results for the year ended 31st March 2019, as set out in the report presented, are noted.

The Chair informed the meeting that he would take item 12 as the next item of business in order that the Committee could consider the current level of assurance from the Head of Internal Audit in relation to the Local Pensions Partnership before item 7 on the Annual Governance Statement for the Fund was considered.

12. Internal Audit Assurance

The Head of Internal Audit presented a report which summarised the work undertaken during 2018/19 and confirmed that follow up action from the previous year had been completed and substantial assurance was given in relation to oversight of the Lancashire County Pension Fund.

In considering the report the Committee noted the work to date by the internal auditor appointed by the Local Pensions Partnership and that some planned audits had not been completed. The Chair reported that the outstanding audits had been discussed with the Partnership and confirmed that he had received written confirmation that all seven audits had been completed. In view of the update it was proposed that the Head of Internal Audit review the findings of all the audits and present a further report to the Committee in September 2019 in order to give the Council an assurance on the administration and Investment operations of the Partnership.

Resolved: That the Head of Internal Audit review the findings of all seven audits of the Local Pensions Partnership referred to in the report and present a further report to the Committee in September 2019 in order to give the Council an assurance on the administration and Investment operations of the Partnership.

7. Annual Governance Statement 2018/19

The Head of Fund presented a report on the draft Annual Governance Statement for 2018/19 which reviewed the governance arrangements for 2018/2019 and highlighted actions planned for the coming year. In view of the discussion under the previous item in relation to the audit of the Local Pensions Partnership the

Chair proposed that the draft Statement be approved and incorporated into the statement of accounts for the Fund.

Resolved:

1. That the Annual Governance Statement for the Lancashire County Pension Fund, as set out at Appendix 'A' to the report presented, is approved.
2. That the Head of Fund be authorised, in consultation with the Chair of the Committee, to make any necessary amendments to the Statement before its inclusion in the final statement of accounts.

8. Lancashire County Pension Fund draft Annual Report for the year ended 31st March 2019

The Head of Fund presented a report on the draft Annual Report for the Lancashire County Pension Fund for the year ending 31st March 2019 which included the accounts of the Fund for the same period.

The Committee recognised that whilst there was still some sections in the draft Annual Report where text needed to be agreed the accounts had been finalised and, if agreed, would be presented to the Audit, Risk and Governance Committee on the 29th July 2019 for approval.

The Chair suggested that if members of the Committee had any comments on the draft Annual Report they should forward their comments to the Head of Fund before the 19th July 2019.

Resolved:

1. That the accounts of the Fund, as set out in the draft Annual Report presented, are noted and recommended for approval to the Audit, Risk & Governance Committee on the 29th July 2019.
2. That members of the Committee forward any comments they may have on the draft Annual Report to the head of Fund for consideration before the 19th July 2019.
3. That a further report on the final version of the Lancashire County Pension Fund 2018/19 Annual Report be presented to the Committee on the 20th September 2019 for approval.
4. That the Head of Fund liaise with colleagues at the Local Pensions Partnership to ensure that information on the Annual Report is publicised via the internet and newsletters to members of the Fund.

9. Annual Administration Report 2018/19

A report was presented on the Annual Administration Report which had been produced in accordance with the arrangements for the provision of pension

administration services to the Lancashire County Pension Fund and described performance against standards and targets over the year to the 31st March 2019.

The Committee discussed employer engagement, call waiting times for the dedicated contact centre and uptake of the My Pension Online facility and Jo Darbyshire, the Director of Administration at the Local Pensions Partnership gave an update on the administration service.

Resolved: That the report is noted and that future reports include more detail in relation to engagement activity with employers, a breakdown of the call category 'general enquiries' and activity to encourage members of the Fund to make greater use of the My Pension Online facility.

10. Consultation on changes to the Local Valuation Cycle and the Management of Employer Risk

The Committee considered a report on a Ministry of Housing, Communities and Local Government consultation on proposed changes to the Local Government Pension Scheme regulations in relation to moving from the current three year valuation cycle to a four year cycle with effect from 2024 together with issues concerning the management of employer risk.

Resolved: That the contents of the consultation, as set out in the report presented, are noted and members of the Committee are asked to forward any comments they may have on the proposed changes to the Head of Fund before the 12th July, 2019 so that they can be incorporated into a response which can be submitted before the 31st July, 2019 deadline.

11. 2019 Valuation process and timetable

The Head of Fund presented a report on the current triennial valuation timetable to achieve the setting of new employer contribution rates to take effect from the 1st April, 2020. It was noted that following the consultations the actuary's would provide an update to the Committee in November 2019 with a final report in March 2020, together with the updated Funding Strategy Statement and the new Investment Strategy Statement.

Resolved: That the timetable for the 2019 actuarial valuation, as set out in the report presented, is noted.

13. Responsible Investment

The Head of Fund presented a report on how the Fund was supported to fulfil its commitment to long term responsible asset ownership in line with the Investment Strategy Statement and the Responsible Investment Policy.

In considering the report the Committee discussed disinvestment, lobbying and shareholder voting and it was suggested that future reports should provide more detail as to the outcome of voting by Local Pensions Partnership Investments. It was also noted that the establishment of a joint Working Group on Responsible

Investment with the London Pensions Fund Authority had been delayed while the Authority reviewed its responsible investment policy.

Resolved:

1. That the update on responsible investment activity, as set out in the Appendix to the report presented, is noted.
2. That with regard to Global Equities the Head of Responsible Investment at the Local Pensions Partnership be requested to investigate levels of expenditure by companies on lobbying Government and report back to a future meeting.
3. That an update regarding the establishment of a joint Working Group on Responsible Investment with the London Pensions Fund Authority be presented to the next meeting.

14. Lancashire County Pension Fund Risk Management Framework

The Committee considered a report on the updated Risk Management Framework which set out all the key processes and responsibilities for effective risk management in order to ensure compliance against all relevant Scheme guidance, regulation and legislation.

Resolved: That the updated Risk management Framework for the Lancashire County Pension Fund, as set out at Appendix 'A' to the report presented, is approved.

15. 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. Individual members of the Committee gave feedback on their experience at the various events referred to in the report which were all considered informative and useful.

Resolved: That the report and feedback given at the meeting in relation to the training received by individual members of the Committee is noted.

16. Review of Committee Member Training Record for 2018/19

The Chair presented a report on the pension related training which members of the Committee had undertaken during 2018/19.

Resolved: That the 2018/19 Training Record, as set out at Appendix 'A' to the report presented, is noted.

17. Lancashire County Pension Fund Branding

The Committee considered a report on the proposed new branding and logo for the Lancashire County Pension Fund. In response to a query the Head of Fund undertook to check with the branding agency to provide assurance that the proposed typeface and colour scheme complied with current guidance on clear print and accessibility.

Resolved: That, subject to confirmation of compliance with current guidance on clear print and accessibility, the proposed new branding and logo for the Lancashire County Pension Fund, as set out in the Appendix to the report presented, is approved.

18. Urgent Business

No items of business were raised under this heading.

19. Date of Next Meeting

It was noted that the next scheduled meeting would be held at 10.30am (preceded by a 30 minute briefing for members of the Committee) on the 20th September 2019 in Committee Room 'C' - The Duke of Lancaster Room, at County Hall, Preston.

20. 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.

21. Local Pensions Partnership Update to 31 March 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 investment and administration functions operated by the Local Pensions Partnership Fund up to the 31st December, 2018, which included updates on the following:

- The development of a future strategy based on key priorities identified by shareholders
- The performance and stabilisation of the pension administration service.
- Performance of the Contact Centre
- Engagement with members and employers.
- The financial position of the Local Pension Partnership at 31st March 2019.

Resolved:

1. That the updates on activity by the Local Pensions Partnership, as set out in the appendices to the report presented are noted.
2. That the update report to the next meeting also include details on activity to improve accessibility to information for Fund members, real estate investments and a breakdown of the type of calls handled by the Contact Centre and whether calls can be reduced through greater use of the My Pension Online facility.

22. 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 report on various macro-economic factors and how they influenced the investment market in which the Lancashire County Pension Fund operated. She also referred to a discussion earlier in the meeting on social value and highlighted that impact assessments of investments ensured positive impacts in relation to environmental, social and governance criteria.

The Head of Fund also updated the Committee on discussions which had taken place at the Investment Panel in relation to cash flow and the future reporting of risk management.

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

23. Lancashire County Pension Fund Performance Overview - March 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 Lancashire County Pension Fund and highlighted key areas such as the total portfolio return over different periods and the current funding level. The Committee noted that the Fund continued to perform well and exceed internal/external benchmarks whilst maintaining low risk.

Resolved:

1. That the summary of the Fund's performance up to the 31st March 2019, as set out in Appendix 'A' to the report presented is noted.

2. That a report be presented to the next Committee on the detailed analysis by the Investment Panel of the cash flow within the Lancashire County Pension Fund.

24. 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 Head of Fund presented a report on the risk register which had been updated following a review by county council officers in consultation with the Local Pensions Partnership and Lancashire Local Pension Board.

Resolved:

1. That the current risk summary document and risk register for the Lancashire County Pension Fund, as set out in the Appendices to the report presented are noted.
2. That future reports to the Committee include
 - a) a narrative for the movement of individual risk ratings in the risk summary document (Appendix 'A').
 - b) an amended register (Appendix 'B') to present information on individual risks in a clearer, more easily readable format.
3. That an update on the management structure of the Local Pensions Partnership be presented to the next meeting.

L Sales
Director of Corporate Services

County Hall
Preston