

Meeting of the Full Council - 15 October 2020

Report of the Pension Fund Committee held on 18 September 2020.

Chair: County Councillor Eddie Pope (Chair)

Part I (Open to the Press and Public)

Constitution, Membership and Terms of Reference

Decision taken:

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

County Councillors (12)

T Ashton	T Martin
J Burrows	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 - representing Trade Unions
Mr J Tattersall - representing Trade Unions
Councillor M Smith - representing Blackpool Council
Councillor R Whittle - representing Blackburn with Darwen Council
Councillor D Borrow - representing Borough and City Councils
Councillor P Foster - representing Borough and City Councils
Ms J Eastham - representing Further Education and Higher Education Institutions.

2. That the current Terms of Reference of the Committee (a copy of which is set out in the Minute Book) are noted.

Lancashire County Pension Fund - 2019/20 budget monitoring report

The Committee considered a report on the financial performance of the Fund for the year ended 31st March 2020, together with a comparison to budget and prior year results. It was noted that investment management expenses had increased in line with the value of the Fund and the expected savings from pooling were being achieved and the Head of Fund confirmed that the variance between income/outgoings was within acceptable tolerances.

Decision taken: That the financial performance of the Fund to the year ended 31st March 2020 and the analysis of variances between actual and budgeted financial results, as set out in the report resented, are noted.

Annual Governance Statement 2019/20

The Committee considered a report on the draft 2019/20 Annual Governance Statement for the Fund which, if approved, would be incorporated into the statement of accounts within the Lancashire County Pension Fund Annual Report for 2019/20. The Head of Fund highlighted reference in the Statement to the specific risk register regarding measures to mitigate the impact of Covid-19 and also the various actions planned for 2020/21.

Decision taken:

1. That the draft 2019/20 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 the Pension Fund, in consultation with the Chair of the Pension Fund Committee, is authorised to make any necessary additional changes to the Annual Governance Statement before it is included in the final statement of accounts for the Fund.

Lancashire County Pension Fund Annual Report 2019/20

The Committee considered a report on the draft Lancashire County Pension Fund Annual Report for the year ended 31st March 2020 and highlighted the following:

- There should be greater emphasis on Lancashire County Pension Fund being the top performing Fund in the Local Government Pension Scheme.
- That the employer contribution rates referred to in the Annual Report are applicable in the current financial year and some employers therefore look like they have low rates due to prepayments. This should be clarified in the report.
- It should be indicated at the start of Section I of the Annual Report that the statement is from the Chair of the Lancashire Local Pension Board.

Decision taken:

1. That the accounts of the Fund (as set out in Section 'H' of Appendix 'A' to the report presented) are approved, subject to any audit adjustment agreed by the Head of Fund, and are recommended for approval to the Audit, Risk and Governance Committee on the 19th October 2020.
2. That the 2019/20 Annual Report of the Lancashire Local Pension Board, as presented at Section 'I' of Appendix 'A' to the report presented, is approved.
3. That, subject to any agreed audit adjustments or other minor amendments, the Lancashire County Pension Fund 2019/20 Annual Report, as set out at Appendix 'A' to the report presented, is approved for publication on or before the 1st December 2020.

McCloud Update

The Committee considered a report regarding issues associated with the McCloud judgement and acknowledged that implementation of the resulting changes would involve a significant administrative burden for the Fund. The Head of Fund confirmed that the Fund would work with the Actuary and the Local Pensions Partnership to implement the changes and communicate them to members and employers, though it was recognised that the cost of implementation exceeded the benefits to individual Fund members.

Decision taken: That members of the Committee send any comments regarding implementation of the McCloud judgement to the Head of Fund before the 1st October 2020 so that they can be considered before a response is sent to the Ministry of Housing, Communities and Local Government ahead of the 8th October deadline.

Admission and Termination Policy

The Committee considered a report on the latest version of the Policy which had been updated to incorporate further changes to legislation regarding exit credits, allowances for the on-going effects of the McCloud judgement and to bring the policy in line with the Funding Strategy Statement which had been amended in March 2020.

Decision taken:

1. That the changes to the Admission and Termination Policy, as set out in Appendix 'A' to the report presented, are approved and are the subject of a short consultation with the employers in the Fund.
2. That a further report on the outcome of the consultation and a final draft of the Admissions and Termination Policy be presented to the Committee on the 27th November 2020.

Feedback from members of the Committee on pension related training.

The Committee considered a report on pension related conferences/events which members of the Committee had participated in since the last meeting and received feedback from individual members.

Decision taken: That the report and the updates from members of the Committee in connection with their participation at pension related Conferences/events is noted.

Responsible Investment Report

Members of the Committee commented on the contents of the Dashboard set out at Appendix 'A' and it was suggested that the comments be fed back to the Head of Responsible Investment at LPP investments (LPPI) for consideration ahead of the workshop for members on the 3rd November 2020.

It was reported that the Local Pensions Partnership worked with Robeco on collective engagements as referred to in the report, though the company had no involvement with or influence on the investments of the Fund. As a client of Robeco LPPI was asked for input on themes to be progressed over the coming year as part of Robeco's annual review and the Fund was also involved in shareholder engagement through its membership of the Local Authorities Pension Fund Forum.

Divestment (particularly in relation to fossil fuels) was discussed and it was noted that the Investment Panel had considered divestment as part of the recent Strategic Review and did not recommend it at this time. However, it was suggested that the Committee should have an opportunity to consider alternative viewpoints in relation to divestment, financial advice, resolution engagement and Environmental and Social Governance to inform future decision making.

Decision taken:

1. That the feedback of Committee members on the contents of the Dashboard set out at Appendix 'A' to the report presented be referred to the Head of Responsible Investment at LPPI for consideration and discussed further at the workshop to be held at 2.00pm on the 3rd November 2020.
2. That the Head of Fund identify suitable speakers to give presentations to the Committee on alternative viewpoints regarding divestment and Environmental and Social Governance issues, on a date to be arranged.

Revised Terms of Reference for the Lancashire Local Pension Board.

The Committee considered a report on the revised Terms of Reference for the Lancashire Local Pension Board which have been developed following a review by the Board.

Decision taken: That the revised Terms of Reference, as set out at Appendix 'A' to the report presented, are approved and referred to full Council on the 15th October 2020 for consideration and approval.

Part II (Not open to the press and public)

Local Pensions Partnership 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.

The Committee considered a report on activity by the Local Pensions Partnership Group which included reference to the impact of Covid-19 on operations, two shareholder reserved matters referred to elsewhere on the agenda, and the financial position of the Group as at 31st March 2020.

Decision taken: That the updates on the activity and financial position of the Local Pensions Partnership, as set out in the report presented, are noted.

Shareholder reserved matters

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 two contractual arrangements relating to Local Pensions Partnership Administration Limited which required a decision by Lancashire County Council and the London Pension Fund Authority as shareholders.

Decision taken:

1. That approval in principle is given to Local Pensions Partnership Administration Limited entering into a contract for a new pension's administration system and the lease agreement for offices at East Cliff, Preston as set out in the report presented.
2. That the Director of Corporate Services is authorised to agree the final shareholder approval to enter into the agreements referred to at 1 above.

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 Committee considered a report on the performance of global markets and economies and the factors which influenced the investment market in which the Fund operated such as Brexit, the US elections and the ongoing Covid-19

pandemic. The Minutes from the Panel in August, which had focussed on the formulation of recommendations associated with the investment strategy review as reported in the next item on the agenda, were also presented.

Decision taken: That the report is noted.

Investment Strategy Review

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 recommendations of the Investment Panel on the 24th August 2020 following its strategic review of investments.

Decision taken:

1. That the recommended changes to the Pension Fund Strategic Asset Allocations and tolerance ranges as set out in Appendix 'A' to the report presented are approved and implemented with effect from the 1st January 2021.
2. That the current allocation to the Lancashire Local Property Portfolio, which is based on a percentage of the total value of the Fund, be replaced with a more realistic, achievable allocation of £100m, with an additional £50m tolerance range in the event that suitable investment opportunities arise.

Lancashire County Pension Fund Performance Overview

Exempt information 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 Fund up to June 2020 and highlighted key areas of interest such as the total portfolio return over different periods, the strategic/current asset allocation, net income progression and the current funding level.

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

Transaction of urgent business - Relocation of Lancashire Local Pensions Investment office in London.

The Committee considered a report on a decision taken by the Director of Corporate Services under the urgent business procedure to approve Local Pensions Partnership Investments Board entering into a lease to allow the office to relocate to new premises in London.

Decision taken: That the decision taken by the Director of Corporate Services (as Monitoring Officer) on the 17th July, 2020, under the urgent business procedure, as set out in the Appendix to the report presented, is noted.

Head of the Pension Fund

The Committee was informed that this was the last meeting for the Head of the Pension Fund who was due to leave the County Council for a new job. On behalf of the Committee the Chair thanked the Head of Fund for her work over the last four years and her invaluable contribution to the success of the Fund.