

Meeting of the Full Council - 27 May 2021

Report of the Pension Fund Committee meeting held on 12 March 2021

Part I (Open to the press and public).

Welcome and Apologies

Sean Greene, the newly appointed Head of the Pension Fund (who was attending the meeting as an observer) was introduced to the Committee. It was also reported that the Fund had won in the LGPS Fund of the Year (assets over £2.5 billion) category at the LAPF Investment Awards in December 2020.

Lancashire County Pension Fund Investment Strategy Statement

The Committee considered a report on the Investment Strategy Statement which had been updated in relation to the strategic asset allocations, performance benchmarks of the Fund and the transition of Fund investments into asset pools.

Decision taken: That the updated Investment Strategy Statement, as set out at Appendix 'A' to the report presented, is approved.

Budget monitoring for the period ending 31st December 2020

The Committee considered a report on the income and expenditure of the Fund for the 9 months up to 31st December 2020 together with an updated forecast for the year ending 31st March 2021., which indicated a full year net income of £204.7m, before realised and unrealised profits and losses on investments, against a budget of £219.1m.

Decision taken: That, having reviewed the report presented, the financial results for the 9 months up to 31st December 2020 and the budget and forecast variances are noted.

Lancashire County Pension Fund 2021/22 Budget

The Committee considered a report on a one-year budget for the Lancashire County Pension Fund for the year ending 31st March 2022 and was informed that whilst the budget showed a reduction in funds available for investment of £37.1m the deficit was primarily due to employer contributions paid in advance as income in 2020/21, which was in line with generally accepted accounting practice and as agreed with the Fund's external auditor.

Decision taken: That the one-year budget for the Lancashire County Pension Fund for year ending 31st March 2022, as set out in Appendix 'A' to the report presented is approved.

Lancashire County Pension Fund Strategic Plan 2021-24

The Committee considered a report on the draft 3-year Strategic Plan, which defined the key objectives for the Fund in relation to Governance, Asset and Liability Management, Administration, and Communications, and had been developed in consultation with the Independent Investment Advisers to the Fund and the Actuary.

Decision taken: That the Lancashire County Pension Fund Strategic Plan for 2020/21 – 2023/24 together with the 12-month update, as set out in the Appendices to the report presented, are approved.

Pension Administration Strategy Statement Review

The Committee considered a report on the Pension Administration Strategy Statement which had been reviewed by the Local Pension Board on the 19th January 2021. It was reported that the review had not identified any significant changes were required and confirmed that Local Pensions Partnership Administration had met all key performance indicators. The Committee noted that the Communication Strategy for the Fund would be updated to direct the Fund membership to the Strategy Statement, as recommended by the Board.

Decision taken: That the Pension Administration Strategy Statement, as set out at Appendix 'A', to the report presented is approved.

Lancashire County Pension Fund - Admission and Termination Policy/ Inter-Valuation Contributions Review Policy

The Committee considered a report on the updated admission and termination policy (incorporating further changes to reflect the employer flexibilities now available to the Fund) together with a new draft Inter-Valuation Contribution Review Policy, both of which had been reviewed in consultation with the Fund Actuary.

Decision taken:

1. That the updated Admission and Termination Policy and the new Inter-Valuation Contribution Review Policy, as set out respectively in Appendices 'A' and 'B' to the report presented, are approved to enable a short consultation with employers in the Fund up to 30th April 2021.
2. That a further report on the outcome of the consultation specified at 1 above, together with final drafts of both policies, are presented to the next meeting on the 18th June 2021 for approval.

New Lancashire County Pension Fund Website

The Committee was informed that the new Lancashire County Pension Fund website had been completed and had gone live on the 10th March 2021. It was

noted that a demonstration of the functionality of the new website would be given at a workshop for members of the Committee on the 23rd March 2021.

Decision taken: That the report is noted.

Feedback from members of the Committee on pension related training

The Committee considered a report on the virtual pension related training events which had taken place since the last meeting and individual members of the Committee gave feedback on their experiences, including the suggestion that members may benefit from further training with regard to the impact of the McCloud judgement.

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

Lancashire County Pension Fund - Training Plan 2021/22

The Committee considered the draft 2021/22 Training Plan which set out the various opportunities available during the year for training members of the Committee and Local Pension Board.

Decision taken: That, subject to the inclusion of training opportunities on the McCloud judgement, Responsible Investment and the outcomes of the Service Based Review of Local Pension Partnership Investments the Training Plan for 2021/22, as set out at Appendix 'A' to the report presented is approved.

Responsible Investment Report

The Committee considered a detailed report on responsible investment activity during Q4 of 2020 (October to December) which included reference to the Robeco Engagement themes for 2021 and appointment of LPPI's Head of Responsible investment to the LGPS Scheme Advisory Board Responsible Investment Advisory Group

Decision taken:

1. That the update on responsible investment activity, as set out in the Appendix to the report presented, is noted and the Terms of Reference for the inquiry into 'Responsible Investment for a Just Transition' referred to at the meeting be circulated to members of the Committee for information.
2. That future reporting on responsible investment include a brief synopsis of the Fund's progress in reducing carbon and movement towards a net zero position.

Approval of 2021/22 Workplan for the Lancashire Local Pension Board

The Committee considered a report on the proposed 2021/22 Work Plan for the Pension Board which had been developed in consultation with the Chair of the Board and the Interim Head of Fund. The Chair of the Board informed the Committee that he would bring a report to the next meeting on the outcome of the annual review of the effectiveness of the Board which had highlighted the following areas of focus in 2021

- The continuous improvement of the Fund and Local Pension Partnership.
- The Lancashire County Pension Fund Risk Register.
- Communications with the membership of the Fund.

Decision taken: That the 2021/22 Work Plan for the Lancashire Local Pension Board, as set out at Appendix 'A' to the report presented, is noted.

Urgent Business - Local Pension Partnership Strategic Update

The Committee was informed that an additional report on the Local Pension Partnership Strategic Update would be presented under Part II of the agenda. The report had not been included in the agenda when it was published due to technical difficulties and the Chair had agreed that the report be presented at the meeting as a matter of urgency so that the Committee could review the report and hear from representatives of the Local Pensions Partnership.

Decision taken: That the report on the Local Pension Partnership Strategic Update, as circulated to members of the Committee in advance of the meeting, be presented to the Committee as a matter of urgency under Part II of the agenda.

Part II (Note open to the press and public)

The Committee was informed that since the last meeting it had been announced that Mr M O'Higgins, Chairman of the Local Pension Partnership Board was to step down from that position in June 2021. The Chair thanked Mr O'Higgins for his contribution to the success of the Partnership since its inception in 2015 and wished him well for the future.

The additional report presented at the meeting as a matter of urgent business as then taken as the next item.

Local Pension Partnership Strategic 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, which included updates on shareholder matters and changes at Board level, the financial position of the Partnership Group up to the 31st December 2020 and on pension administration and investment management services.

The Committee was informed that the administration service was performing well and on track to achieve the proposed cost savings and that member satisfaction scores for retirements, the Helpdesk and emails were all in excess of targets. It was also noted that the proposed phased implementation of a new pension administration system would build on previous experience and be the main focus of project activity for Local Pension Partnership Administration.

Decision taken:

1. That the updates set out in the report presented and given at the meeting are noted.
2. That a report on the Year End Review of Progress against Year 1 of the 5 Year Strategic Plan agreed with shareholders in relation to the Local Pension Partnership Group be presented to the Committee in due course.

Local Pensions Partnership Annual Budget 2021/22, and 4 Year Planning Period

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 detailed report on the proposed 2021/22 budget for the Partnership Group, focussing on the current year forecast, actual budget and the budget for 2021/22 and subsequent 4 years. The operation of the Local Pensions Partnership following the move to a "skinny group" position, with the majority of staff and corporate services being directly employed/dedicated to active subsidiary businesses, was also discussed.

Decision taken: That the Local Pensions Partnership budget for 2021/22, as set out in Appendices 'A' and 'B' to the report presented, is approved.

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 over the last quarter, focussing on areas such as the total portfolio return over different

periods, the performance of individual asset allocations, net income progression and the current funding level.

Decision taken: That the performance of the Fund for the quarter to the end of December 2020, as set out in the report presented, is noted.

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, economies and factors which influenced the investment market in which the Fund operated, with particular regard to the Covid-19 pandemic and the global move towards green finance and transition to a net zero economy.

Decision taken: That the report is noted.

All Local Pension Partnership representatives left the meeting at this point.

Investment Consultancy and Fiduciary Management Investigation Order 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 detailed response sent by the Interim Head of the Pension Fund to the Competition Markets Authority confirming compliance with the requirements of the Investment Consultancy and Fiduciary Management Investigation Order 2019 with regard to the setting of strategic objectives for investment consultants.

Decision taken: That the response from the Head of Fund to the Competition Markets Authority confirming the Lancashire County Pension Fund compliance with the requirements of Part 7 of the Investment Consultancy and Fiduciary Management Investigation Order 2019 is noted.

Extension to Contract for Custodian

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 was informed that the initial 3-year contract for the Custodian for the Lancashire County Pension Fund was due to expire in April 2021 and, in view of the performance over the last 3 years and following discussions with all parties, the Interim Head of the Pension Fund recommended the Committee to approve use of the provision in the existing contract to extend the term for the maximum period of 3 years up to the 15th April 2024. It was noted that during the extended term of the contract there would be a full procurement exercise with regard to awarding a new contract for the provision of custodian services with effect from the expiry of the extended term.

Decision taken: That the extension of the term of the existing contract with the Custodian is approved for the maximum period of 3 years up to the 15th April 2024.

Both Independent Investment Advisers left the meeting at this point.

Extension of Contract for Independent Advisor to the Fund

Exempt information as defined in paragraphs 1, 2 and 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 proposed 12-month extension of the current contract of one of the Independent Investment Advisers to the Fund.

Decision taken: That approval is given to the extension of the contract of the Independent Investment Adviser to the Lancashire Pension Fund Committee, for one additional year up to the 30th June 2022, as provided for in clause 3.1 of the existing contract set out at Appendix 'A' to the report presented, subject to the necessary waiver by Cabinet of the County Council's Procurement Rules being granted.

Chairs closing remarks

The Committee was informed that this was the last meeting for Michelle King, the Interim Head of the Pension Fund and on behalf of the Committee the Chair thanked Michelle for her support over the last 5 months. The Chair also acknowledged that due to the local government elections in May the County Council representatives on the Committee may change before the next meeting and wished all Councillors well for the future.