

Lancashire County Council

Pension Fund Committee

Minutes of the Meeting held on Thursday, 27th March, 2014 at 10.00 am in Cabinet Room 'C' - The Duke of Lancaster Room, County Hall, Preston

Present:

County Councillor Terry Burns (Chair)

County Councillors

L Beavers	K Sedgewick
M Brindle	R Shewan
G Dowding	D Stansfield
K Iddon	V Taylor
J Oakes	D Westley
M Parkinson	B Yates

Co-opted members

Bob Harvey, (Trade Union representative)
Councillor Mark Smith, (Blackpool Council representative)
Ron Whittle, (Trade Union representative)

County Councillors R Shewan and B Yates replaced County Councillors J Gibson and A Schofield at this meeting.

Eric Lambert and Noel Mills, Independent Advisers to the Pension Fund were also present.

Announcements

The Committee stood in silent tribute to Councillor Dorothy Walsh who passed away in February 2014. It was noted that Councillor Walsh had represented Blackburn with Darwen Borough Council on the Lancashire Pension Fund Committee since September 2011.

1. Apologies

Apologies for absence were received from County Councillors D Borrow, Councillor I Grant and Councillor P Leadbetter.

2. Disclosure of Pecuniary and Non-Pecuniary Interests

County Councillor D Westley declared a pecuniary interest in agenda item 9 (Transaction of Urgent Business) as a former employee of the organisation

referred to in the report. He was also in receipt of a pension from the organisation.

3. Minutes of the Meeting held on 29 November 2013

The Minutes of the Meeting held on 29 November 2013 were presented.

Resolved: That the Minutes of the meeting held on 29 November 2013 be confirmed and signed by the chair.

4. Urgent Business

None.

5. Date of Next Meeting

It was noted that the next meeting of the Committee would be held on Friday 6 June 2014 at 10.00 a.m. at County Hall, Preston.

6. Exclusion of Press and Public

Resolved: That the press and members of the 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 paragraph of Part 1 of schedule 12A to the Local Government Act, 1972, indicated against the heading to 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.

7. Quarterly Investment Performance Report

(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 Committee considered a report on the performance of the Fund as at 31 December 2013, focussing on the key areas of:

- the funding position;
- cash flow;
- fund investment performance;
- management performance;
- investment allocations; and
- risk management of the Fund including credit, liquidity, investment and operational risks.

Resolved: That the report be noted.

8. Investment Panel Report

(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 Committee received a report from the Investment Panel setting out the work of the Panel at its meeting held on 29 November 2013. The Committee's attention was specifically drawn to the following key areas:

- The Investment Context in which the Fund was operating;
- Fund Performance, Risk and Allocations;
- Investment Decisions and
- Further Allocations

Resolved: That the report be noted.

9. Transaction of Urgent Business

(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)

County Councillor D Westley withdrew from the meeting during consideration of this item.

The Committee received details of an item that had been dealt with under the procedure for dealing with matters of Urgent Business.

Resolved: That the report be noted.

The Committee then returned to the remaining Part I agenda items.

10. Report of the Pension Fund Administration Sub-Committee

The Committee considered a report on the meeting of the Administration Sub-Committee held on 12 March 2014.

The minutes of the meeting were presented and the Committee's attention was drawn to the following matters:

1. Public Sector Pension Reform – Changes to the Local Government Pension Scheme as from 1 April 2014

The changes represented the biggest change to Public Sector pension provision in recent memory and had necessitated significant amendments to the Fund's administration systems and processes. A comprehensive communication campaign to inform employers and scheme members had been underway since 2013.

The Sub-Committee approved revisions to the Pensions Administration Strategy Statement, and the revised Communication Policy Statement.

The Government had just announced that no new Councillors would be eligible to join the LGPS from 1 April 2014. Councillors who were members of the Scheme on 31 March 2014 would be able to continue as members of the Scheme but only until the end of the term of office they were in on 1 April 2014.

2. The Payment of Death Grants

The Sub-Committee approved revised procedures in respect of the payment of death grants. The changes were intended to simplify the procedure, to allow the family of the deceased to exercise some autonomy and to give them the option to appoint an independent trustee.

3. Changes to the County Council's partnership with BT - Your Pension Service

The Sub-Committee had welcomed the decision by the County Council to return Your Pension Service to the County Council following changes to the Council's partnership with BT.

Resolved: That the minutes of the Pension Fund Administration Sub-Committee meeting held on 12 March 2014 be noted.

11. Notice of Motion Relating to Socially Responsible Investment Agreed by the County Council

The Committee considered a report on proposals to commission advice in relation to various issues relating to the broader social and environmental impacts of the Pension Fund's investment activities.

Members were informed that the proposal was in response to the Notice of Motion carried by Full Council on 12 December 2013. The Notice of Motion asked officers to undertake work aimed at examining potential routes to increase the level of environmental and social responsibility of invested companies and to examine the barriers to a policy of active disinvestment in areas which would appear to be in conflict with the County Council's broader policy agenda.

Officers had considered the options available to the Fund and it was proposed to utilise a generalist consultant from the Fund's consultancy framework to undertake the piece of work. Several concerns were expressed about the wide reaching piece of work that would need to be undertaken and the significant cost

that would have to be met by the Fund. Following a lengthy discussion it was suggested that the Committee establish a small task and finish group to review the scope of the project and to undertake the work. The task and finish group would aim to report back in autumn 2014 by which time other work in the same space being undertaken by the LGPS Shadow Advisory Board was likely to have produced some conclusions which could be looked at alongside the specific work being undertaken by the Fund.

Resolved:

- i. That a small task and finish group be established to review, and amend as necessary, the scope of the Notice of Motion as agreed by the Full Council on 12 December 2013 in relation to environmentally and socially responsible investment by the Fund.
- ii. That following i. above, the task and finish group be requested to present a report to the Committee in Autumn 2014 setting out any issues or recommendations in relation to the social and environmental impacts of the Fund's investment strategy and activities.

12. Funding Strategy Statement and Statement of Investment Principles

The Committee considered a report on the Fund's revised Funding Strategy Statement. This followed the results of the 2013 formal actuarial valuation of the Fund as noted by the Committee at its meeting of 29 November 2013.

It was noted that the revised Funding Strategy Statement incorporated the requirements set out in the Fund's Statement of Investment Principles, which itself had been updated to reflect the changes to specific investment strategies relating to particular asset classes, previously approved by the Committee.

Resolved:

- i. That the revised Funding Strategy Statement, as set out at Appendix 'A', be approved.
- ii. That the revised Statement of Investment Principles, as set out at Appendix 'B', be approved.

13. Lancashire County Pension Fund Risk Register

The Committee considered a report on the establishment of a Lancashire County Pension Fund Risk Register.

It was noted that the County Council as administering authority of Lancashire County Pension Fund had responsibility for ensuring that there was effective risk management in place in relation to the operations of the Fund. This requirement was reflected in both the investment regulations and guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Accordingly, a risk register had been produced to systematically identify, assess, and evaluate the risks faced by the Pension Fund, and to consider the current and future mitigating controls that might be required to manage these risks effectively.

Risk owners would be required to manage the risks for which they were responsible and the risk register would be updated periodically as a result. Updates would be reported to the Pension Fund Committee on a regular basis, and at least annually.

Members agreed that future reporting of the Risk Register should prioritise the identified risks with the highest risks being brought to the attention of the Committee. Any new risks and significant changes would also be brought to the Committee's attention.

It was reported that a risk and liability strategy would also be presented to a future meeting.

Resolved: That the Lancashire County Pension Fund Risk Register, as presented at Appendix 'A', be approved.

14. Shareholder Voting, Engagement, and Fiduciary Duty

The Committee considered a comprehensive report on the Fund's shareholder voting arrangements and activity, and engagement activity for the period 1 October to 31 December 2013.

The Committee was informed that Pensions and Investment Research Consultants Ltd (PIRC) act as the Fund's proxy and cast the Fund's votes on its investments at company shareholder meetings. PIRC were instructed to vote in accordance with their guidelines unless the Fund instructed otherwise.

It was noted that the Fund had voted on 274 occasions during this period and had opposed or abstained in 34% of votes.

It was also noted that details of holdings of the Pension Fund in relation to meetings held in this period had been included in the report to provide More contextual information regarding the geographical and sector spread of the shareholder interests. The Committee welcomed this information and asked officers to consider the inclusion of voting results in future reports.

Resolved: That the report be noted.

15. External Audit Lancashire County Pension Fund Audit Plan 2013/14

The Committee considered the External Audit Plan and fees for the audit of the Lancashire County Pension Fund for 2013/14.

It was noted that the Audit Plan would also be presented to the Council's Audit and Governance Committee on 31 March 2014.

Resolved: That External Audit plan and fees for the audit of the Lancashire County Pension Fund for 2013/14 be noted.

**16. External Audit
Lancashire County Pension Fund Governance Benchmarking
Report**

The Committee considered a national report produced by Grant Thornton UK LLP on the governance arrangements in place for Local Government Pension Schemes.

It was noted that an individual benchmarking report had also been produced to show how the Lancashire County Pension Fund compared with others across key indicators of good governance.

Resolved: That the report be noted.

I M Fisher
County Secretary and Solicitor

County Hall
Preston