

Lancashire County Council

Pension Fund Committee

Minutes of the Meeting held on Friday, 28th November, 2014 at 10.45 am in Cabinet Room 'C' - County Hall, Preston

Present:

County Councillor Terry Burns (Chair)

County Councillors

D Borrow	M Otter
M Brindle	N Penney
G Dowding	A Schofield
J Gibson	K Sedgewick
J Oakes	D Westley
R Newman-Thompson	

Co-opted members

Bob Harvey, (Trade Union representative)
Councillor Paul Leadbetter, (Lancashire Leaders' Group representative)
Councillor Edward Pope, (Lancashire Leaders' Group representative)
Councillor Ron Whittle, (Blackburn with Darwen Borough Council representative)

County Councillors R Newman-Thompson and N Penney replaced County Councillors L Beavers and M Parkinson respectively at this meeting.

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

Announcement:

It was reported that the Lancashire County Pension Fund had been recognised at the recent Investment & Pension Europe Awards 2014 held in Vienna. The Committee welcomed the news that the Fund had been highly commended in the 'In house Investment Team ' category, as well as being shortlisted in the 'Best Public Pension Fund' category.

1. Apologies

Apologies were received from County Councillor B Yates and Councillor M Smith.

2. Disclosure of Pecuniary and Non-Pecuniary Interests

None.

3. Minutes of the Meeting held on 5 September 2014

The Minutes of the meeting held on 5 September 2014 were presented.

Resolved: That the Minutes of the meeting held on 5 September 2014 be confirmed and signed by the chair.

4. 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.

5. 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 30 June 2014, 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 liability, credit, liquidity, investment and operational risks.

Resolved: That the report be noted.

6. 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 4 September 2014. The Committee's attention was specifically drawn to the following key areas:

- The Investment Context in which the Fund was operating;
- Update on the Property tender process; and
- Liability Risk Management including detailed worked examples and scenario testing.

Resolved: That the report be noted.

7. Property Management Procurement

(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 appointment of the Fund's National and Local Property Investment manager which had been approved under the Urgent Business Procedure.

Resolved: That the report be noted.

8. Collaboration with other Funds

(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 further report on the potential scope for collaborative working with the London Pension Fund Authority (LPFA).

The Committee at its meeting on 5 September 2014 authorised officers to hold discussions with the LPFA and report back to this meeting. It was reported that discussions had progressed well and a shared view of a concept that could achieve the degree of collaboration both funds would seek but maintaining autonomy around specific key areas and decision making processes was emerging.

It was now proposed to undertake further detailed work to produce proposals for the creation of an Asset and Liability Management Partnership which would in effect create a single pool of commonly invested assets sitting between the two funds.

It was confirmed that the LPFA had considered and approved a similar report.

Resolved:

1. That the progress of discussions with the London Pension Fund Authority on potential collaborative working arrangements be welcomed.
2. That specific proposals for the creation of an Asset and Liability Management Partnership be developed for consideration at a future 'special' meeting of the Committee.

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

9. Transaction of Urgent Business - Response to Government Consultations

Details of the Committee's responses to the following Government consultations were presented:

- Consultation on the Local Government Pension Scheme (Amendment) (Governance) Regulations 2014
Better Governance and Improved Accountability in the Local Government Pension Scheme
- Local Government Pension Scheme
Draft Guidance on the creation and operation of Local Pension Boards in England and Wales

It was noted that the responses had been approved under the County Council's Urgent Business Procedure as the Government's closing dates were prior to the next scheduled meeting of the Committee.

Resolved: That the report be noted.

10. Establishment of the Lancashire Pension Board

The Committee considered a report on the proposed establishment of the Lancashire Pension Board as required by the Local Government Pension Scheme (Amendment) Regulations 2014.

The report set out:

- the functions and position of the Pension Board in the Fund's Governance structure;
- the proposed composition of the Board and the appointment process including the appointment of an independent chair;
- proposals for the remuneration of Board members;
- the Board's terms of reference;
- the implications of the creation of the Board for the Fund's existing governance arrangements including the proposed disestablishment of the Pension Fund Administration Sub-Committee and consequential

- amendments to the Pension Fund Committee's terms of reference (Appendix 'B'); and
- the outcome of consultations on the proposals including the views of officers thereon.

It was noted that the first meeting of the new Board had to be held before July 2015 with the membership of the Board in place by April 2015. Subject to the views of the Committee, it was proposed to request the Full Council to approve the arrangements, as set out in the report, on 18 December 2014. This would enable the recruitment timetable to commence in January 2015.

Resolved:

1. That the proposals for the establishment of the Lancashire Pension Board, as set out in the report, be endorsed and recommended to the Full Council for adoption.
2. That the Full Council be requested to approve the disestablishment of the Pension Fund Administration Sub Committee, and the proposed revised terms of reference for the Pension Fund Committee, as set out at Appendix 'B'.

11. Impact of County Council Transformation Programme on the arrangements for managing the Lancashire County Pension Fund

The Committee considered a report on the impact of the County Council's transformation programme on the arrangements for managing the Lancashire County Pension Fund.

It was noted that the opportunity had been taken as part of the transformation programme to strengthen the arrangements for delivering the Council's responsibilities as administering authority for one of the largest pension funds within the Local Government Pension Scheme.

A separate organisational unit for the Fund had been established to come into effect on 1 April 2015. The new unit would remove the potential for any conflicts of interest between the Fund and the County Council as its 'sponsor'. The unit would report direct to the Chief Executive and all aspects of the work of the Pension Fund would be brought together under a single manager (Director) whose time would be fully dedicated to the Fund in a way that had not been possible until now. The Committee welcomed the announcement that George Graham had been appointed as the new Director of the Lancashire County Pension Fund.

Resolved: That the report be noted.

12. Report of the Appointments Sub-Committee

The Committee considered a report on the appointment of an Independent Adviser to succeed Mr Mills.

The Appointments Sub-Committee had conducted interviews on 24 October 2014 and had unanimously agreed to appoint Ms Aoifinn Devitt for an initial term of two years as from 1 March 2015.

Resolved: That the appointment of Ms Aoifinn Devitt as an Independent Adviser to the Fund for an initial term of two years as from 1 March 2015 be noted.

13. Shareholder Voting and Engagement Report

The Committee considered a comprehensive report on the Fund's shareholder voting arrangements and activity, and engagement activity for the period 1 July to 30 September 2014. The report also set out details of potential class actions in relation to companies in which the Lancashire County Pension Fund currently owned shares or had previously owned shares.

It was noted that the Fund had voted on 318 occasions during this period and had opposed or abstained in 39% of votes.

Resolved: That the report be noted.

14. UK Stewardship Code compliance

The Committee considered a report on the annual review of the Fund's statement of compliance with the UK Stewardship Code.

The proposed Stewardship Code Compliance Statement for the Fund for 2014 was presented at Appendix 'B'. It was noted that the adoption of the statement and identified actions would ensure the Fund's compliance with the Code.

Resolved: That the Stewardship Code Compliance Statement for 2014, as set out at Appendix 'B', be approved.

15. Report of the Socially Responsible Investment Working Group

The Committee considered the report of the Socially Responsible Investment working group which had been set up to consider any issues and make recommendations to the Committee on the social and environmental impacts of the Fund's investment strategy and activity.

The working group had met on three occasions and a wide range of issues relating to Socially Responsible Investment/Environmental, Social, and Governance (ESG) areas were discussed. These focussed on requirements arising from the Committee's fiduciary duty to beneficiaries and recent studies in this area, as well as examining the activities currently undertaken by the Fund in this area, and proposals for further activity.

The working group had drawn up an action plan to progress the recommended actions in relation to the fiduciary duty, existing investment activities, governance and policy matters, and analysis and monitoring of carbon footprints and risks/ESG issues across the Fund's portfolio. Details of the proposed action plan were presented at Appendix 'B'.

Resolved:

1. That the report of the Socially Responsible Investment working group be welcomed.
2. That the working group's action plan and recommendations, as set out at Appendix 'B', be agreed and adopted by the Fund.

16. Interim Administration Report

The Committee considered the interim administration performance report which had been produced following the introduction and implementation of the new Local Government Pension Scheme 2014 on 1 April 2014.

The report set out performance against standards and targets as defined in a Service Level Agreement with Your Pension Service. The report indicated that service delivery had been maintained throughout the period of change.

Resolved: That the interim administration report, as set out at Appendix 'A', be noted.

17. Feedback on External Pension Fund Training Events Attended by Members

The Committee received feedback from those members who had attended external pension fund training events, as follows:

- 18 September 2014 - CIPFA Pensions Network "Introduction to the Local Government Pension Scheme". The event was attended by County Councillors Lorraine Beavers and Keith Sedgewick; and
- 1 October 2014 – 33 Consulting Elected Member Educational Event. The event was attended by County Councillors David Borrow and Barrie Yates.

The members confirmed that both events were informative and provided a broad and detailed insight into the local government pension scheme, as well as the many issues facing local authority pension funds. The events were recommended to other members of the Committee.

Resolved: That the feedback provided by members of the committee in relation to recently attended external pension fund training events be noted.

18. External Audit Findings Report - Lancashire Pension Fund - 2013/14

The Committee considered the Audit Findings Report which set out the findings of the external auditor following their audit of the Pension Fund Accounts for 2013/14.

It was noted that the report had been presented to the Council's Audit Committee on 29 September 2014 and that the external auditor had provided an unqualified audit opinion on the pension fund accounts following that meeting.

Resolved: That the external Audit report following the audit of the County Pension Fund Accounts for 2013/14 be noted.

19. Urgent Business

None.

20. Date of Next Meeting

It was noted that the next meeting of the Committee would be held at 10.00 a.m. on Friday 27 March 2015.

I Young
County Secretary and Solicitor

County Hall
Preston