

Pension Fund Committee

Meeting to be held on 30 September 2015

Electoral Division affected: None

Lancashire County Pension Fund Compliance Monitoring

Contact for further information:

Andrew Fox, (01772) 535916, Head of Service, Policy and Compliance

andrew.fox@lancashire.gov.uk

Executive Summary

Lancashire County Council, as administering authority of the Lancashire County Pension Fund, has responsibility for ensuring that there are effective systems in place in relation to the operations of the Fund. In order to ensure that there is confidence in those systems a Compliance Team exists within the Pension Fund.

The establishment of the team is a relatively new development and since its inception the team has focussed on ensuring the compliant nature of the implementation of the new investment strategy.

Prior to April 2015 the team had been working on the development of a new monitoring programme which would undertake compliance checks on various areas of the fund.

The monitoring programme was implemented from April 2015, and the outcome of the testing undertaken up to 31 July 2015 is now presented to the Committee.

Recommendation

The Committee is asked to note the outcome of the monitoring undertaken to date.

Background

Since its inception the Compliance Team have been working towards the establishment of a compliance monitoring programme.

The monitoring programme is derived from the Fund's risk register in reviewing the risks to which the Fund is exposed and then establishing a test which could be undertaken in order to assess that the necessary controls are in place and working effectively.

Monitoring is undertaken on a monthly basis, however, not all tests are reviewed each month. The tests have been separately categorised as to be undertaken either

monthly, quarterly or annually, and the decision as to which category is appropriate for each test is dependent on the level of activity throughout the year.

The Monitoring Programme

On a monthly basis the monitoring programme is very much focussed on the day to day risks concerning the performance of the Fund, and examples of the checks undertaken include whether the cashflow has been monitored; whether the Fund performance has been reviewed and reported to Investment Panel; that the amount invested in each asset class is as per investment regulations; and the level of liabilities.

Quarterly monitoring focuses actions which are more likely to occur on a monthly basis. Checks undertaken include: a high level review of the exposure the Fund has to different countries and currencies; confirmation that information has been received from external advisers such as Pensions and Investment Research Consultants Ltd (PIRC) and Local Authority Pension Fund Forum (LAPFF); that minutes of meetings are approved appropriately; that contributions from members are collected accurately; and that member records are correct.

Tests undertaken on an annual basis relate typically to tasks undertaken annually. Checks include: confirmation that the investment strategy has been reviewed and is consistent with the current economic climate; check that the employer contribution rates are as those calculated by the actuary; evidence that a training plan is in place and current; review of the adviser benches used by the Fund to ensure that it is current and has been used appropriately; and that the annual accounts have been approved and published appropriately.

2015/16 Monitoring

The monitoring programme commenced in April 2015. Monthly monitoring has been undertaken in the months April to July and the first piece of quarterly monitoring was undertaken in June. To date none of the annual tests have been undertaken, however, it is expected that these will be undertaken in the second half of the year.

The monitoring undertaken to date has not revealed any breaches or concerns over the controls in place, and the majority of the tests have been completed satisfactorily. In a few areas the monitoring programme is still evolving and further work needs to be undertaken to ensure that all areas of the test can be completed, this particularly refers to the checks on currency exposure, class actions and administration records, however from the work undertaken to date in these areas there are not expected to be any issues.

Conclusions

The compliance monitoring programme has been successfully implemented and will continue to operate on a monthly basis.

To date the monitoring has not identified any areas where there has been a breach or failure in controls, and there are no areas of concern.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

The Pension Fund Committee is the body charged with exercising the County Council's responsibilities as administering authority of the Pension Fund, and accordingly takes the responsibility for ensuring that there is effective risk management over those operations.

The Pension Fund has a risk register which is reviewed and updated on a regular basis.

Local Government (Access to Information) Act 1985 List of Background Papers

Paper	Date	Contact/Tel
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N/A

Reason for inclusion in Part II, if appropriate

N/A