

Lancashire County Council

Pension Fund Committee

Minutes of the Meeting held on Friday, 10th June, 2016 at 10.00 am in Cabinet Room 'C' - The Duke of Lancaster Room, County Hall, Preston

Present:

County Councillor Kevin Ellard (Chair)

County Councillors

M Barron	C Pritchard
D Borrow	A Schofield
B Dawson	K Sedgewick
G Dowding	D Westley
M Otter	D Whipp
M Parkinson	

Co-opted members

Paul Crewe, (Trade Union Representative)
Alastair Milloy, (HE/FE sector Representative)
Councillor Peter Rankin, (Lancashire Leaders' Group Representative)
Councillor Edward Pope, (Lancashire Leaders' Group Representative)
Councillor Mark Smith, (Blackpool Council Representative)
Councillor Ron Whittle, (Blackburn with Darwen Borough Council Representative)

Independent Advisors

Aoifinn Devitt
Eric Lambert

County Councillor Bernard Dawson replaced County Councillor Jackie Oakes at this meeting.

The Chair welcomed William Bourne, Chair of the Lancashire Local Pension Board, to the meeting and thanked him for his earlier presentation to the Committee on the work of the Local Pension Board.

1. Apologies

Apologies for absence were received from County Councillor John Fillis who had been due to substitute for County Councillor Lorraine Beavers.

2. Constitution: Chair, Deputy Chair, Membership and Terms of Reference of the Pension Fund Committee

The Committee considered a report setting out the Constitution of the Committee for 2016/17 and, in particular, the appointment of Chair, Deputy Chair, the membership and the revised Terms of Reference in light of the establishment of the Local Pensions Partnership (LPP).

The Chair welcomed County Councillor Clare Pritchard who had replaced County Councillor Janice Hanson as a member of the Committee. It was also reported that County Councillor Barrie Yates was no longer a member of the Committee and notification from the Conservative Group of a replacement was awaited.

Resolved: - That:

- (i) The appointment of County Councillor Kevin Ellard and County Councillor Miles Parkinson as Chair and Deputy Chair, respectively, of the Pension Fund Committee for the 2016/17 municipal year;
- (ii) The membership of the Pension Fund Committee as set out in the report, now presented, and as now reported, be noted;
- (iii) The revised Terms of Reference of the Pension Fund Committee as set out at Appendix 'A', to the report, now presented, be noted.

3. Disclosure of Pecuniary and Non-Pecuniary Interests

None declared.

4. Minutes of the Meetings held on 29 January 2016 and 22 March 2016

Resolved: - That the minutes of the meetings held on 29 January 2016 and 22 March 2016 be confirmed as a true and accurate record and be signed by the Chair.

5. External Audit - Lancashire County Pension Fund Audit Plan 2015/16

Karen Murray, Director, Grant Thornton, attended and presented a report setting out details of the Lancashire County Pension Fund's Audit Plan for 2015/16.

The Annual Audit Plan, set out at Appendix 'A', included the nature and scope of work that the external auditor undertook to discharge its statutory responsibilities. The plan included, in broad terms, the programme of work required to give a financial opinion on whether the financial statements:

- Gave a true and fair view of the financial position of the Pension Fund as at 31 March 2016 and of its expenditure and income for the year ended;
- Had been prepared in accordance with proper accounting practice.

It was reported that the total fee for the audit work undertaken was £35,906.

The Audit Plan had been considered by the Audit and Governance Committee on 9 May 2016.

Resolved: - That:

- (i) The External Audit Plan for the Lancashire County Pension Fund 2015/16, and the associated fees, be noted;
- (ii) Karen Murray be thanked for her attendance.

6. Exclusion of Press and Public

Resolved: - That the press and 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 appropriate 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. Local Pensions Partnership Limited - Progress 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 setting out progress on the Local Pensions Partnership, which had gone live on 8 April 2016. The report made specific reference to the following:

- Financial Conduct Authority (FCA) approval;
- Asset transition;
- Wider pooling;
- Treasury management

It was noted that, with regards to wider pooling, the deadline for submission of a detailed submission to the Department for Communities and Local Government (DCLG) was 15 July and that discussions with other potential partners continued.

Resolved: - That:

- (i) The report, now presented, be noted;
- (ii) The submission to the DCLG due by 15 July 2016 be circulated to members of the Committee at the earliest opportunity;
- (iii) A briefing session on the implications of the pooling process be held in due course.

8. Fund 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 presentation and report on the performance of the Fund as at 31 March 2016. A commentary from individual portfolio managers to highlight particular issues, areas of concern and key risks was included.

Particular reference was made to the following areas:

- The economic backdrop;
- The total fund return at 31 March 2016;
- 12 months performance to 31 March 2016 in respect of equities, real estate, credit, infrastructure, private equity;
- Funding ratio since 31 March 2013;
- Fund allocations;
- Contributions net of benefits and investment income.

Resolved: - That the report, now presented, be noted.

9. 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 since the last meeting of the Committee. Whilst the Panel had not met, it had conducted business via e-mail or telephone conference. The Committee's attention was specifically drawn to the following key areas considered by the Panel:

- The Investment and Market Context in which the Fund was operating;
- Performance Report;
- Transactions approved or those it was agreed not to proceed with;
- New ways of operating following the establishment of the Local Pensions Partnership.

Reference was made to central bank activity, the collapse of a number of high profile merger deals in April, and uncertainty over the outcome of the European Union referendum.

Resolved: - That the report, now presented, be noted.

10. Appointment of Interim Independent Advisor

(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).

Aoifinn Devitt and Elizabeth Carey left the meeting for consideration of this item.

The Committee considered a report setting out proposals for the appointment of an interim independent advisor.

Resolved: - That:

- (i) The proposed interim appointment of Elizabeth Carey for a period of up to six months on the same terms as the current independent advisors to the Fund be approved;
- (ii) Aoifinn Devitt be congratulated on her temporary appointment as Chief Investment Officer of the Chicago Policemen's Annuity and Benefit Fund.

11. Lancashire County Pension Fund Revised Governance Policy Statement

The Committee considered a report setting out details of a revised Governance Policy Statement for the Lancashire County Pension Fund. It was a requirement that such Policy Statements set out the responsibilities and delegated authorities of those parties involved in the running of the Fund and that it was kept updated on a regular basis.

Following the establishment of the Local Pensions Partnership, a number of consequential changes had been made to the terms of reference and delegated responsibilities of the Committee, the Investment Panel and officers, and these had been reflected in an updated Policy Statement.

Resolved: - That the updated Lancashire County Pension Fund Governance Policy Statement, as set out at Appendix 'A' to the report, now presented, be approved.

12. Lancashire County Pension Fund - Annual Governance Statement 2015/16

The Committee considered a report setting out details of the Annual Governance Statement 2015/16 for the Lancashire County Pension Fund.

The Statement was a review of the governance arrangements for 2015/16 and would be incorporated into the Fund's statement of accounts.

Resolved: - That the Annual Governance Statement 2015/16 for the Lancashire County Pension Fund be approved for signature by the Chair and the Interim Head of Fund.

13. Tracing Missing Members Procedure

The Committee considered a report setting out proposals for amendments to the Lancashire County Pension's Fund existing Tracing Missing Members Procedure.

It was reported that the Fund's data was assessed to be more than 96% compliant against a target of 95% but that a significant number of deferred members, i.e. 5,205, contact details were known to be inaccurate.

In light of this, and following a recommendation from the Lancashire Local Pension Board that a tracing exercise be undertaken every three years in line with the valuation process, it was proposed to make amendments to the current Tracing Missing Persons Procedure.

Resolved: - That:

- (i) A missing member tracing exercise be undertaken every three years in line with the actuarial valuation process, as set out in the report, now presented;
- (ii) Such an exercise be carried out by the most cost effective means possible;
- (iii) The Fund's Communications Policy Statement be amended to reflect this additional communications exercise;
- (iv) The Interim Head of Fund be authorised to amend the Communications Policy Statement as set out in (iii) above.

14. Your Pension Service - Annual Administration Report 2015/16

The Committee considered a report setting out details of the Your Pension Service Annual Administration Report for 2015/16.

The annual report was produced in accordance with a Service Level Agreement (SLA) for the provision of pension administration services to the Lancashire County Pension Fund and described performance against the standards set out in the SLA.

It was reported that, in future years, the report would need to be split between the Fund and the Local Pensions Partnership.

Reference was made to the following:

- An increase in membership of the Fund of almost 9,000;
- An increase in the number of deferred pensioners as individuals left local government as a result of spending reductions;
- Improvements were being sought to the average length of time, currently 54 days, for administering the payment of retirement benefits and, in particular, the time taken to receive information from employers and members;
- 38 new employers had joined the Fund;

- The impact of Government policy in relation to academies had the potential to increase the number of employers in the Fund from 250 to over 1,100 which would have significant implications for the administration of the Fund;
- The impact of small employers, e.g. outsourced employers in schools providing cleaning services;
- Work being undertaken to encourage take up of online services;

It was noted that the Local Pension Board had considered many of these issues during its first year of operation and had made suggestions around engaging with employers, encouraging take up of online services and engaging with 'hard to reach' fund members.

Resolved: - That the Your Pension Service - Annual Administration Report 2015/16 as set out at Appendix 'A' to the report, now presented, be noted.

15. Local Pensions Partnership Limited - Non Executive Director Pay Policy

The Committee considered a report setting out a Non-Executive Director Pay Policy for the Local Pensions Partnership.

It was proposed that Non-Executive Directors would receive remuneration of £30,000 per annum but that, in relation to the Shareholder Representative Non-Executive Directors, they would only receive the excess of the £30,000 over and above the allowance that they already received from their sovereign body. In the case of the County Council's Non-Executive Director, the Deputy Leader of the County Council, it was therefore the case that no additional remuneration would be payable.

Resolved: - That the Pay Policy for the Local Pensions Partnership, together with the proposed principle in relation to payments to the Shareholder Non-Executive Directors, as set out in the report, now presented, be approved.

16. Internal Audit Service Annual Report 2015/16 and Plan 2016/17

The Committee considered a report setting out details of the Internal Audit Service's Annual Report 2015/16 and Plan 2016/17 for the Lancashire County Pension Fund.

The report, which complemented the Annual Governance Statement, included details of work undertaken and the work planned for 2016/17. It was pleasing that the Lancashire County Pension Fund had been given an overall opinion of substantial assurance.

Resolved: - That:

- (i) The Internal Audit Service annual report for 2015/16 as set out in the report, now presented, be noted;
- (ii) The outline annual workplan for 2016/17 be approved;

- (iii) That the Head of Service, Internal Audit, and colleagues be thanked for the work undertaken.

17. Framework for the 2016 Valuation - Employer Responses to Consultation

The Committee considered a report setting out details of the employer responses to the consultation on the framework for the 2016 Valuation.

Whilst only a small number of employers had responded to the formal consultation, employers were also engaged at a number of events such as the Director's Brief.

Whilst there was support for the proposed change to the valuation methodology and maintaining the current contribution plan, many employers would like to see a reduction in contribution rates and an extension to the deficit recovery period.

The report set out a broad timetable for the valuation process which included further meetings and sessions with employers.

Resolved: - That:

- (i) The results of consultation with employers on the valuation framework, as set out in the report, now presented, be noted;
- (ii) The process proposed for managing the valuation process and engaging with employers throughout the process, as set out in the report, now presented, be noted;
- (iii) Existing, and any future, Multi-Academy Trusts with more than one school within the Fund, be offered a common contribution rate;
- (iv) The Fund's current policy in relation to not allowing reductions in contribution rates for employers who continue to have a deficit within the Fund, be continued.

18. Responsible Investment

The Committee considered a report setting out the quarterly update on Responsible Investment matters.

The issue of disinvestment in, for example, the tobacco industry, was discussed and it was noted that this could be considered as part of the review of the Investment Strategy and Principles of Investment which would take place towards the end of the year.

Resolved: - That the report, now presented, be noted.

19. Feedback on Attendance at Training and Conferences

The Committee considered a report setting out details of attendance by Committee Members at recent conferences, events and external training sessions.

The Chair gave a brief summary of issues which had been topical at recent conferences he had attended. These were as follows:

- Government reforms such as pooling and the potential for Government intervention;
- Valuation;
- Impact of academies and the suggestion for a single pension scheme for academies;
- Environmental, Social and Corporate Governance (ESG);
- Considerable interest had been expressed in the Local Pensions Partnership.

Resolved: - That the report and feedback, now presented, be noted.

20. Urgent Business

There was no urgent business to be considered.

21. Date of Next Meeting

The Committee noted that the next meeting of the Committee would be held on Thursday 15 September 2016 at 10.00am in Cabinet Room 'C' - The Duke of Lancaster Room, County Hall, Preston.

I Young
Director of Governance, Finance
and Public Services

County Hall
Preston