

## **Meeting of the Full Council - 24 May 2018**

### **Report of the Pension Fund Committee held on 23 March 2018**

**Chair: County Councillor Eddie Pope**

#### **Part I (Open to the Press and public)**

##### **1. LCPF Pension Administration Strategy Statement**

A report was presented on the revised draft Pension Administration Strategy Statement (PASS).

When considering the report the Committee noted that the Fund aimed to comply with a number of requirements in advance of the statutory deadlines set out in the PASS. The level of resources required to comply with the contents of the PASS was discussed and in response to a query it was suggested that details of the CIPFA benchmarking statistics be circulated to members of the Committee outside of the meeting for information. Reference was also made to the charges for late or underpayment of employer contributions and the Head of Fund undertook to clarify whether or not such payments would be per occasion.

#### **Decision Taken**

1. That the draft Pension Administration Strategy Statement (PASS) set out in Appendix 'A' to the report presented is approved for consultation with Fund employers.
2. That the frequency of charges for the late or underpayment of employer contributions set out in the draft PASS be clarified before the document is finalised and approved.
3. That a report on the outcome of the consultation referred to at 1 above be presented to the Committee on the 8<sup>th</sup> June 2018.
4. That further information regarding CIPFA benchmarking statistics be circulated to all members of the Committee outside of the meeting for information.

##### **2. Lancashire County Pension Fund - Admissions and Termination Policy**

A report was presented on the outcome of the consultation regarding the revised Admissions and Termination Policy for the Fund.

The Head of Fund informed the meeting that two responses had been received during the consultation period which ended on the 20<sup>th</sup> December, 2017. Details of the responses were presented and it was noted that neither response was considered to require any changes being made to the draft policy.

**Decision Taken:** That the revised Admissions and Termination Policy, as set out at Appendix 'A' to the report presented, is approved and implemented on the 1st April 2018.

### **3. LCPF December 2017 budget monitoring report**

A report was presented on the income and expenditure of the Fund for the period 1<sup>st</sup> April to 31<sup>st</sup> December, 2017, together with a comparison to the budget for the same period and a full year forecast with comparison for the full year budget to the 31<sup>st</sup> March 2018.

In response to a query regarding the figures in the report for the net surplus before realised and unrealised profits on investments the Head of Fund clarified that investment income had proved to be higher than had been predicted when the budget assumptions were made and any dividend income would be reinvested.

#### **Decision Taken:**

1. That the analysis of variances between actual results and the budgeted income and expenditure for the period 1<sup>st</sup> April to 31<sup>st</sup> December 2017, as set out in the report presented, is noted.
2. That the forecast full year financial performance against budget, as set out in the report presented, is noted.

### **4. LCPF External Audit Plan 2017/18**

A report was presented regarding the External Auditors Annual Audit Plan for the 2017/18 financial year, which set out in broad terms the programme of work which the auditor would focus on.

During consideration of the report it was noted that the total fee for the audit was expected to be £35,906. In response to a query the Head of Fund stated that whilst this was similar to the fee for previous years she would check the proposed fee and report back. The Committee also discussed materiality and it was suggested that a breakdown be provided in the final audit report regarding any trivial matter (less than £3.604 million) where the difference was over £1 million.

#### **Decision Taken:**

1. That the Audit Plan for 2017/18 as set out in the Appendix to the report presented, is noted.
2. That clarification be sought with regard to the fee to be charged for the external audit specified at 1 above and details circulated to members of the Committee outside of the meeting for information.

3. That the report produced as a result of the external audit specified at 1 above include a breakdown regarding any trivial matter (less than £3.604 million) where the difference was over £1 million.

## **5. Revised 2018/19 Workplan for Lancashire Local Pension Board**

Mr Bourne, the Chair of the Lancashire Local Pension Board, presented a report on the proposed 2018/19 work plan for the Board which had been designed to ensure that the responsibilities set out in the Terms of Reference could be met.

It was noted that the Board intended to review the Local Pension Partnership (LPP) Administration Transformation Plan in April 2018 and it was suggested that an update on the structure of LPP should be presented as part of the LPP update report to the next meeting of the Committee.

### **Decision Taken:**

1. That the 2018/19 work plan for the Lancashire Local Pension Board, as set out in Appendix 'A' to the report presented, is noted.
2. That an update report regarding the Local Pension Partnership structure be presented to the next meeting of the Committee as part of the LPP update report.

## **6. Investment Strategy Statement**

The Committee considered the revised ISS, as set out at Appendix 'A' to the report and noted that it would include reference to the Responsible Investment Policy (referred to elsewhere on the agenda) if it was approved. With regard to the section on Infrastructure it was agreed that the text be amended to clarify that investments would be made 'predominantly in the UK or otherwise in OECD nations'.

### **Decision Taken:**

1. That the Infrastructure section of the Investment Strategy Statement set out at Appendix 'A' to the report presented, be amended to read '...predominantly in the UK or otherwise in OECD nations.'
2. That, subject to the amendment specified at 1 above, the Investment Strategy Statement is approved.

## **7. Report of the Responsible Investment Working Group**

County Councillor Ellard (the Chair of the Responsible Investment Working Group) presented a report which included recommendations on how the Fund could further support responsible investment, including draft Responsible Investment and Climate Change Policies for consideration.

The Committee agreed some minor amendments to the proposed Responsible Investment Policy which are highlighted in the revised version attached as an Annex to this report. With regard to the proposed Climate Change Policy it was suggested that reference be made in the first paragraph to stranded assets and that further work was required on the draft, including reviewing it against the LAPFF Climate Change Investment Policy, before it was presented for approval.

**Decision Taken:**

1. That the amended Responsible Investment Policy, set out as an Annex to these Minutes, is approved.
2. That the first paragraph of the draft Climate Change Policy, set out at Appendix 'B' to the report presented, be amended to include 'via stranded assets' after the words 'shareholder value'.
3. That the amended Climate Change policy referred to at 2 above be referred to the Responsible Investment Working Group for further discussion with Officers at the Local Pensions Partnership with a view to a comprehensive policy being presented to the Committee in December 2018.
4. That the response of the Working Group to the request from Councillor M Smith for a reduction in the investments in fossil fuels and tobacco/alcohol referred to it by the Committee on the 1st December 2017 is noted.
5. That future reporting by the Local Pension Partnership should include a 'Dashboard' as set out at Appendix 'C' to the report presented, and focus initially on Global Equities and Infrastructure to be followed by Real Estate, Social Housing and Property in the future.

**8. Responsible Investment**

A report was presented to update the Committee on a range of responsible investment matters. In response to a query regarding a shareholder resolution on an environmental issue which the Local Pensions Partnership (LPP) had not supported the Chief Investment Officer and Managing Director - Investments undertook to provide further information on the reasoning behind the decision referred to in the report and inform members of the Committee outside of the meeting.

**Decision Taken:**

1. That the update on responsible investment set out in Appendix 'A' to the report presented, is noted.
2. That LPP provide members of the Committee with further information outside of the meeting regarding the reasoning behind the shareholder

decision not to support a resolution on a specific environmental theme as referred to in Appendix 'A'.

**9. Feedback from members of the Committee on pension related training since the last meeting.**

A report was presented on internal and external pension related training conferences/events which had taken place since the last meeting.

The Committee received positive feedback from various members of the Committee regarding specific conferences/internal training events they had attended.

**Decision Taken:** That the report and feedback from individual members regarding the training events or conferences attended since the last meeting is noted.

**10. LCPF Training Policy**

A report was presented regarding the amended LCPF Training Policy, a copy of which was set out at Appendix 'A' to the report. It was reported that a Training Plan for 2018 which set out various planned training events (including internal workshops/pre-Committee briefings and external conferences) had also been developed and a copy was presented as Appendix 'B' to the report.

**Decision Taken:**

1. That the Lancashire County Pension Fund Training Policy, as set out at Appendix 'A' to the report presented is approved.
2. That the Committee agree to meet the requirements of the Training Policy which forms part of the Fund's wider risk management arrangements.
3. That all members of the Committee complete a training needs analysis to inform the development of the Training Plan for 2018 and beyond.

**11. Date of Next Meeting and additional meeting in July 2018**

It was noted that the next scheduled meeting would be held on the 8<sup>th</sup> June 2018 at 10.30am (preceded by the usual 30 minute briefing) in Committee Room 'C' - The Duke of Lancaster Room at County Hall, Preston.

It was also reported that after consulting members of the Committee arrangements had been made for an additional meeting to be held at 10.00am on the 5<sup>th</sup> July, 2018, in Committee Room 'C' - The Duke of Lancaster Room at County Hall, Preston to consider the LCPF accounts.

**Decision Taken:** That an additional meeting be held at 10.00am on the 5<sup>th</sup> July, 2018, in Committee Room 'C' - The Duke of Lancaster Room at County Hall,

Preston to consider the LCPF accounts before they are submitted to the Audit, Risk and Governance Committee on the 30<sup>th</sup> July 2018 for approval.

## **Part II (Not open to the Press and Public)**

### **12. Local Pensions Partnership Q3 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 Director of Strategic Programmes and Group Company Secretary from the Local Pension Partnership (LPP) updated the Committee on the performance of the Fund for the third quarter of the year.

It was reported that over the period the dedicated pension helpdesk had answered 96% of calls against a target of 90% and in response to a request for further information the Director undertook to provide more detailed breakdown of activity by the helpdesk to the next meeting. The Committee also noted that additional training on cyber security, GDPR and employer risk was scheduled for an internal workshop in November 2018.

#### **Decision Taken:**

1. That the report and updates presented at the meeting are noted.
2. That a detailed breakdown of activity by the dedicated pension helpdesk over the next quarter be presented to the Committee on the 8<sup>th</sup> June 2018.

### **13. 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).

A detailed report was presented on the macro economic factors in the current market and their likely impact on investments together with a breakdown of individual asset class performance since the last meeting. The Committee was also advised of decisions taken by the Investment Panel at the meeting in November 2017.

**Decision Taken:** That the report of the Investment Panel is noted.

### **14. Lancashire County Pension Fund Performance Overview December 2017**

(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).

A report was presented on the performance of the Lancashire County Pension Fund and key areas such as the level of contributions and the performance of individual investment portfolios were highlighted.

**Resolved:** That the summary of performance up to the 31<sup>st</sup> December 2017, as set out in Appendix 'A' to the report presented, is noted.

County Councillor E Pope  
Chairman