

Lancashire County Council

Pension Fund Committee

**Minutes of the Virtual Meeting held via Zoom on Friday, 12th March, 2021
starting at 10.30am**

Present:

County Councillor E Pope (Chair)

County Councillors

T Ashton	K Ellard
J Burrows	T Martin
L Collinge	J Mein
G Dowding	A Riggott
C Edwards	A Snowden

A Schofield

Co-opted members

Mr P Crewe, Trade Unions

Councillor M Smith, Blackpool Council

Councillor R Whittle, Blackburn with Darwen Borough Council

Councillor D Borrow, Borough and City Councils

In Attendance:

Ms M King, Interim Head of Pension Fund, Lancashire County Council

Ms A Devitt, Independent Investment Adviser.

Mr E Lambert, Independent Investment Adviser.

Mr W Bourne, Chair of the Lancashire Local Pension Board.

Mr C Rule, Chief Executive Officer, Local Pensions Partnership (from 11am).

Mr A Taylor, Chief Financial Officer, Local Pensions Partnership.

Mr G Smith, Director of Strategy, Local Pensions Partnership.

Ms J Darbyshire, Director of Administration, Local Pensions Partnership Administration.

Mr S Green, Head of Pension Fund, Lancashire County Council (observer)

1. Welcome and Apologies

The Chair welcomed everyone to the meeting and introduced Sean Green, the newly appointed Head of the Pension Fund. Apologies were received from Co-opted members Ms J Eastham and presented on behalf of Councillor P Foster.

The Chair also reported that the Fund had won in the LGPS Fund of the Year (assets over £2.5 billion) category at the LAPF Investment Awards in December 2020 and thanked everyone involved.

2. Disclosure of Pecuniary and Non-Pecuniary Interests

No disclosures of pecuniary or non-pecuniary interest were made by members of the Committee at this point in the meeting.

3. Minutes of the Meeting held on 27th November 2020

Resolved: That the Minutes of the meeting on the 27th November 2020 are confirmed as an accurate recorded and signed by the Chair in due course.

4. Lancashire County Pension Fund Investment Strategy Statement.

The Committee considered a report on the Investment Strategy Statement which had been updated in relation to the strategic asset allocation, performance benchmarks of the Fund and the transition of Fund investments into asset pools.

Resolved: That the updated Investment Strategy Statement, as set out at Appendix 'A' to the report presented, is approved.

5. Budget monitoring for period ending 31 December 2020

A report was presented on the income and expenditure of the Fund for the 9 months up to 31st December 2020 together with an updated forecast for the year ending 31st March 2021, which indicated a full year net income of £204.7m, before realised and unrealised profits and losses on investments, against a budget of £219.1m.

It was noted that investment income for the year was below budget, primarily due to the economic impact of the C-19 pandemic and the Interim Head of Fund reassured the Committee that the Fund remained sufficiently healthy to be able to weather short term fluctuations such as this and continue to pay members pensions as they fall due.

Resolved: That, having reviewed the report presented, the financial results for the 9 months up to 31st December 2020 and the budget and forecast variances are noted.

6. Lancashire County Pension Fund 2021/22 Budget

The Committee considered a report on a one-year budget for the Lancashire County Pension Fund for the year ending 31st March 2022 which had been set to assist with monitoring and assessing the overall position and performance of the Fund.

The Interim Head of Fund reported that whilst the budget showed a reduction in funds available for investment of £37.1m the deficit was primarily due to employer contributions paid in advance as income in 2020/21, which was in line with generally accepted accounting practice and as agreed with the Fund's external auditor.

Resolved: That the one-year budget for the Lancashire County Pension Fund for year ending 31st March 2022, as set out in Appendix 'A' to the report presented is approved.

7. Lancashire County Pension Fund Strategic Plan 2021-24

A report was presented on the draft 3-year Strategic Plan, which defined the key objectives for the Fund in relation to Governance, Asset and Liability Management, Administration, and Communications, and had been developed in consultation with the Independent Investment Advisers to the Fund and the Actuary.

The Interim Head of Fund confirmed that a concise version of the Plan would be available to members via the new Fund website. She added that the Fund would work with the Pension Board to develop an action plan to implement the communications element of the Plan, including recruiting a specific resource for her Team.

It was also noted that that the Local Pensions Partnership would be subject to a service-based review following its first 5 years of operation.

Resolved: That the Lancashire County Pension Fund Strategic Plan for 2020/21 – 2023/24 together with the 12-month update, as set out in the Appendices to the report presented, are approved.

8. Pension Administration Strategy Statement Review

The Committee considered a report on the Pension Administration Strategy Statement which had been reviewed by the Local Pension Board on the 19th January 2021. It was reported that the review had not identified any significant changes were required and confirmed that Local Pensions Partnership Administration had met all key performance indicators. The Committee noted that the Communication Strategy for the Fund would also be updated to direct the Fund membership to the Strategy Statement, as recommended by the Board.

Resolved: That the Pension Administration Strategy Statement, as set out at Appendix 'A', to the report presented is approved.

9. Lancashire County Pension Fund - Admission and Termination Policy/ Inter-valuation contributions review policy

The Committee considered a report on the updated admission and termination policy (incorporating further changes to reflect the employer flexibilities now available to the Fund) together with a new draft inter-valuation contribution review policy, both of which had been reviewed in consultation with the Fund Actuary.

It was noted that responsibility for the employer risk function would transfer back to the Fund's inhouse team from Local Pension Partnership Administration with

effect from 1st April 2021 after which the inhouse team would begin to work with the policies in consultation with the Actuary.

Resolved:

1. That the updated Admission and Termination Policy and the new Inter-valuation Contribution Review Policy, as set out respectively in Appendices 'A' and 'B' to the report presented, are approved to enable a short consultation with employers in the Fund up to 30th April 2021.
2. That a further report on the outcome of the consultation specified at 1 above, together with final drafts of both policies, are presented to the next meeting on the 18th June 2021 for approval.

10. New Lancashire County Pension Fund Website.

The Committee was informed that the new Lancashire County Pension Fund website had been completed and would go live on the 10th March 2021 and would be demonstrated to members of the Committee at 2pm on the 23rd March 2021.

Resolved: That the report is noted.

11. Feedback from members of the Committee on pension related training.

Individual members of the Committee gave feedback on their experiences at a number of virtual pension related events which had taken place since the last meeting.

Members of the Committee reported that they had generally found the events referred to in the report useful and informative, though it was suggested that the format of a webinar had not been as user friendly as the internal training workshops. It was also suggested that members of the Committee may benefit from further training with regard to the impact of the McCloud judgement, possibly at a future workshop.

Resolved: That the report and feedback given at the meeting in relation to the training received by individual members of the Committee is noted.

12. Lancashire County Pension Fund - Training Plan 2021/22

The Committee considered the draft 2021/22 Training Plan which set out the various opportunities available during the year for training members of the Committee and Local Pension Board.

With regard to the discussion under the previous item it was noted that arrangements would be made for some training on McCloud and suggested that

training on responsible investment also be included in the programme. A presentation on the findings of the Service Based Review of Local Pension Partnership Investments was also proposed.

Resolved: That, subject to the inclusion of training opportunities on the McCloud judgement, Responsible Investment and the outcomes of the Service Based Review of Local Pension Partnership Investments the Training Plan for 2021/22, as set out at Appendix 'A' to the report presented is approved.

13. Responsible Investment Report

The Committee considered a detailed report on responsible investment activity during Q4 of 2020 (October to December) which included reference to the Robeco Engagement themes for 2021 and appointment of LPPI's Head of Responsible investment to the LGPS Scheme Advisory Board Responsible Investment Advisory Group

The Chair referred to the All-Party Parliamentary Group for Local Authority Pension Funds inquiry into 'Responsible Investment for a Just Transition' which had issued a call for evidence by a deadline of 30th April 2021.

Resolved:

1. That the update on responsible investment activity, as set out in the Appendix to the report presented, is noted and the Terms of Reference for the inquiry into 'Responsible Investment for a Just Transition' referred to at the meeting circulated to members of the Committee for information.
2. That future reporting on responsible investment include a brief synopsis of the Fund's progress in reducing carbon and movement towards a net zero position.

14. Approval of 2021/22 Workplan for the Lancashire Local Pension Board

A report was presented on the proposed 2021/22 Work Plan for the Pension Board which had been developed in consultation with the Chair of the Board and the Interim Head of Fund.

The Chair of the Board informed the Committee that he would bring a report to the next meeting on the outcome of the annual review of the effectiveness of the Board which had highlighted the following areas of focus in 2021

- The continuous improvement of the Fund and Local Pension Partnership.
- The Lancashire County Pension Fund Risk Register.
- Communications with the membership of the Fund.

Resolved: That the 2021/22 Work Plan for the Lancashire Local Pension Board, as set out at Appendix 'A' to the report presented, is noted.

15. Urgent Business - Local Pension Partnership Strategic Update

The Chair informed that meeting that an additional report on the Local Pension Partnership Strategic Update would be presented to the Committee under Part II of the agenda. The report had not been included in the agenda when it was published due to technical difficulties and the Chair had agreed that the report be presented at the meeting as a matter of urgency so that the Committee could review the report and hear from representatives of the Local Pensions Partnership.

A copy of the report had previously been circulated to all members of the Committee by email.

Resolved: That the report on the Local Pension Partnership Strategic Update, as circulated to members of the Committee in advance of the meeting, be presented to the Committee as a matter of urgency under Part II of the agenda.

16. Date of Next Meeting

It was noted that the next scheduled meeting of the Committee would be held at 10.30am on the 18th June 2021 either remotely via Zoom or at County Hall, Preston.

17. 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 paragraphs of Part 1 of Schedule 12A to the Local Government Act, 1972, as indicated against the heading of each item. It is considered that in all the circumstances the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

The Chair adjourned the meeting for 5 minutes at this point to allow members of the Committee to have a short break before discussing the Part II items on the agenda.

When the meeting restarted the Chair reminded the Committee that since the last meeting it had been announced that Mr M O'Higgins, Chairman of the Local Pension Partnership Board was to step down from that position in June 2021. The Chair thanked Mr O'Higgins for his contribution to the success of the Partnership since its inception in 2015 and wished him well for the future.

The Chair then announced that he would take the additional report (item 24) which had been presented at the meeting as an matter of urgent business as the next item.

24. Local Pension Partnership Strategic Update

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 activity by the Local Pensions Partnership, which included updates on shareholder matters and changes at Board level, the financial position of the Partnership Group up to the 31st December 2020 and on pension administration and investment management services.

The Committee was informed that the administration service was performing well and on track to achieve the proposed cost savings and that member satisfaction scores for retirements, the Helpdesk and emails were all in excess of targets. It was also noted that the proposed phased implementation of a new pension administration system would build on previous experience and be the main focus of project activity for Local Pension Partnership Administration.

Resolved:

1. That the updates set out in the report presented and given at the meeting are noted.
2. That a report on the Year End Review of Progress against Year 1 of the 5 Year Strategic Plan agreed with shareholders in relation to the Local Pension Partnership Group be presented to the Committee in due course.

18. Local Pensions Partnership Annual Budget 2021/22, and 4 Year Planning Period

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.

Mr Taylor, Chief Financial Officer from the Local Pensions Partnership, presented a detailed report on the proposed 2021/22 budget for the Partnership Group.

In considering the report the Committee discussed the current year forecast, actual budget and the budget for 2021/22 and subsequent 4 years. The operation of the Local Pensions Partnership following the move to a "skinny group" position, with the majority of staff and corporate services being directly employed/dedicated to active subsidiary businesses, was also discussed.

Resolved: That the Local Pensions Partnership budget for 2021/22, as set out in Appendices 'A' and 'B' to the report presented, is approved.

19. Lancashire County Pension Fund Performance Overview

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.

Mr Lambert, Independent Investment Adviser to the Fund, updated the Committee on the performance of the Fund over the last quarter, commenting on areas such as the total portfolio return over different periods, the performance of individual asset allocations, net income progression and the current funding level.

Resolved: That the performance of the Fund for the quarter to the end of December 2020, as set out in the report presented, is noted.

20. 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.

Ms Devitt, Independent Investment Adviser to the Fund, presented a report on the performance of global markets/economies and factors which influenced the investment market in which the Fund operated, particularly with regard to the Covid-19 pandemic and the global move towards green finance and transition to a net zero economy. The Committee was also presented with the Minutes from the most recent Panel in November 2020 where discussion had focussed on the performance of the Fund.

Resolved: That the report is noted.

All Local Pension Partnership representatives left the meeting at this point.

21. Investment Consultancy and Fiduciary Management Investigation Order 2019.

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 detailed response sent by the Interim Head of the Pension Fund to the Competition Markets Authority confirming compliance with the requirements of the Investment Consultancy and Fiduciary Management Investigation Order 2019 with regard to the setting of strategic objectives for investment consultants.

Resolved: That the response from the Head of Fund to the Competition Markets Authority confirming the Lancashire County Pension Fund compliance with the requirements of Part 7 of the Investment Consultancy and Fiduciary Management Investigation Order 2019 is noted.

22. Extension to Contract for Custodian

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.

It was reported that the initial 3-year contract for the Custodian for the Lancashire County Pension Fund was due to expire in April 2021 and, in view of the performance over the last 3 years and following discussions with all parties, the Interim Head of the Pension Fund recommended the Committee to approve use of the provision in the existing contract to extend the term for the maximum period of 3 years up to the 15th April 2024.

It was noted that during the extended term of the contract there would be a full procurement exercise with regard to awarding a new contract for the provision of custodian services with effect from the expiry of the extended term.

Resolved: That the extension of the term of the existing contract with the Custodian is approved for the maximum period of 3 years up to the 15th April 2024.

Both Independent Investment Advisers left the meeting at this point.

23. Extension of Contract for Independent Advisor to the Fund

Exempt information as defined in paragraphs 1, 2 and 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 Committee considered a report on the proposed 12-month extension of the current contract of one of the Independent Investment Advisers to the Fund.

Resolved: That approval is given to the extension of the contract of the Independent Investment Adviser to the Lancashire Pension Fund Committee, for one additional year up to the 30th June 2022, as provided for in clause 3.1 of the existing contract set out at Appendix 'A' to the report presented, subject to the necessary waiver by Cabinet of the County Council's Procurement Rules being granted.

Chairs closing remarks.

Before formally closing the meeting, the Chair took the opportunity to thank Michelle King for all her support over the last 5 months as the Interim Head of the Pension Fund.

He also acknowledged that with the local government elections in May the County Council representatives on the Committee may change before the next meeting on the 18th June 2021 and wished all Councillors well for the future.

L Sales
Director of Corporate Services

County Hall
Preston