

Lancashire County Council

Pension Fund Committee

Minutes of the Meeting held on Friday, 18th June, 2021 at 10.30 am in the Council Chamber, County Hall, Preston.

Present:

County Councillor E Pope (Chair)

County Councillors

M Brown	M Pattison
J Burrows	A Schofield
M Clifford	S Serridge*
G Dowding	S Smith
M Goulthorp	D Westley
M Pattison	R Woollam

R Woollam

* replaced County Councillor F De Molfetta for this meeting only.

Co-opted members

Councillor M Smith, Blackpool Council
Councillor D Borrow, Borough and City Councils
Ms J Eastham, Further Education/Higher Education Institutions
P Crewe, Trade Unions

In attendance

Mr S Greene, Head of Pension Fund, Lancashire County Council.
Ms L Sales, Director of Corporate Services, Lancashire County Council.
Ms A Devitt, Independent Investment Adviser.
Mr M Neville, Senior Democratic Services Officer, Lancashire County Council.

Dialling into the meeting.

Mr E Lambert, Independent Investment Adviser.
Mr A Ayre, Audit Manager, Grant Thornton.
Mr W Bourne, Chair of the Lancashire Local Pension Board.
Ms R Lowry, Head of Internal Audit, Lancashire County Council.
Mr C Rule, Chief Executive, Local Pensions Partnership.
Mr G Smith, Director of Strategy, Local Pensions Partnership.
Ms J Darbyshire, Director of Administration, Local Pensions Partnership.
Mr M O'Higgins, Chairman of the Local Pensions Partnership Board (observer).

1. Appointment of Chair and Deputy Chair of the Committee

The Chair welcomed new members of the Committee to the meeting and all those present briefly introduced themselves.

The Committee noted the appointment of County Councillor E Pope as Chair of the Committee and County Councillor A Schofield as Deputy Chair by full Council on the 27th May 2021.

2. Constitution, Membership and Terms of Reference

The Chair reported that since the agenda had been circulated confirmation had been received that County Councillor David Westley and County Councillor Margaret Pattison would fill the respective Conservative/Labour vacancies on the Committee.

Resolved:

1. That the current membership of the Committee, as set out below, is noted.

County Councillors (12)

M Brown	M Pattison
J Burrows	E Pope (Chair)
M Clifford	A Schofield (Deputy Chair)
F De Molfetta	S Smith
G Dowding	D Westley
M Goulthorp	R Woollam

Voting co-opted members (7).

Councillor R Whittle – Blackburn with Darwen Council
Councillor M Smith – Blackpool Council
Councillor D Borrow – Borough and City Councils
Councillor M Hindley – Borough and City Councils
Ms J Eastham – Further Education and Higher Education Institutions.
Mr P Crewe – Trade Unions
Vacancy – Trade Unions

2. That a copy of the current Terms of Reference of the Committee is set out in the Minute Book.

3. Apologies

Apologies for absence were received from Co-opted members Councillor M Hindley and Councillor R Whittle.

4. Disclosure of Pecuniary and Non-Pecuniary Interests

No disclosures of Pecuniary/Non-Pecuniary interest were made at this point in the meeting.

5. Minutes of the Meeting held on 12th March 2021

The Chair noted that the synopsis of the Fund's progress in reducing carbon and, movement towards a net zero position, as requested at the last meeting, was included within the Responsible Investment report.

Resolved: That the Minutes of the meeting held on the 12th March 2021 are confirmed as an accurate record and signed by the Chair.

6. External Audit 2020/21

Mr Ayre, Audit Manager from Grant Thornton, presented a report on the plan for the 2020/21 external audit of the Lancashire County Pension Fund, which would give an opinion on whether the financial statements represented an accurate view of the financial position/performance of the Fund as at 31st March 2021, and that the accounts had been prepared in accordance with proper accounting practice.

During consideration of the report Mr Ayre provided clarification on the background to various audit fees referred to in the Appendix particularly associated with working remotely during the pandemic. Mr Ayre also reported that the Ministry of Housing, Communities and Local Government was consulting on additional public sector funding to meet the anticipated rise in audits.

Resolved: That the 2020/21 external audit plan for the Lancashire County Pension Fund, as set out at Appendix 'A' to the report presented, is noted.

Having completed his report Mr Ayre dialled out of the meeting at this point.

7. Lancashire County Pension Fund - 2020/21 budget monitoring report

The Head of Fund presented a report on the financial performance of the Fund for the year ended 31st March 2021, with a comparison to budget and previous year results. He highlighted the adverse variance against budget for the financial year and responded to queries from Committee members regarding the key variances as set out in the report, particularly around prepayments of employer contributions and increased fees.

Resolved:

1. That the financial performance of the Lancashire County Pension Fund for the year ended 31st March 2021, as set out in the report presented, is noted.
2. That in light of the comments of the Committee the Head of Fund review the 2021/22 budget and, if appropriate, bring an updated report to the next meeting of the Committee.

8. Lancashire County Pension Fund and Lancashire County Council Annual Governance Statement

The Head of Fund presented a report on the draft Annual Governance Statement for 2020/21 which had been produced following a review of the governance arrangements for the Fund.

During consideration of the report it was suggested that the Committee would benefit from being able to see how the Fund was performing compared to its peers and whether expectations were being met or exceeded. In response the Head of Fund referred to discussions within the industry around governance and reporting and would look to provide such information in relation to 2021/22.

Resolved:

1. That the 2020/21 Annual Governance Statement for the Lancashire County Pension Fund, as set out at Appendix 'A' to the report presented, is approved.
2. That the Statement referred to at 1 above be incorporated into the single Annual Governance Statement to be presented to the Audit, Risk and Governance Committee on the 26th July 2021.

9. Lancashire Local Pension Board 2020/21 Annual Report

A report was presented on the 2020/21 Annual Report of the Local Pension Board which had been approved by written resolution on the 20th May 2021 and was recommended to the Committee for approval and inclusion in the Lancashire County Pension Fund Annual Report.

Mr W Bourne, the Chair of the Pension Board, informed the Committee that following recent discussions with the Local Pensions Partnership it had been agreed to amend the wording of a paragraph under 'Activities' in the Annual Report. The amended wording was read out to the Committee and the Chair stated he would confirm the wording of the amendment before it was included in the Annual Report.

Resolved:

1. That the second paragraph under the heading 'Activities' in the Annual Report presented at Appendix 'A' be replaced with the following wording 'The separation of LPP's administration and investment functions into two units, Local Pensions Partnership Administration (LPPA) and Local Pensions Partnership Investments (LPPI), has led to some changes. The Board is supportive of the decision to create two more focused entities under the Local Pensions Partnership (LPP) and believes it will benefit the Fund through more efficient service provision on both sides. However, we will remain alert to the need to assure ourselves that the Fund receives value for money from the new arrangements.'
2. That, subject to the amendment specified at 1 above, the 2020/21 Annual Report of the Lancashire Local Pension Board, as set out at

Appendix 'A' of the report presented, is approved for inclusion in the Lancashire County Pension Fund Annual Report.

10. Lancashire County Pension Fund - Inter-valuation contribution review policy/Admission and Termination Policy

The Head of Fund reported that following the consultation with employers in the Fund referred to at the previous meeting the inter-valuation contribution review policy and the Admission and Termination policy had both been finalised and were presented for approval.

Resolved: That the inter-valuation contribution review policy and the Admission and Termination policy, as set out respectively at Appendices 'A' and 'B' to the report presented, are approved.

11. Investment Strategy Statement

The Chair informed the Committee that in April 2021 the Investment Panel had met to consider how to invest the proceeds from the sale of Heylo Housing and had agreed that the proceeds be allocated equally into the Global Equities, Credit and Infrastructure asset classes. The Panel also agreed to inform the Committee of the sale and recommend that the target allocation within the Strategic Asset Allocation be updated as set out in the report.

The Committee also discussed direct investment in Lancashire, the level of Fund investment in Global Equities and the impact of Covid-19 on investments as the country emerged from the pandemic.

Resolved:

1. That the changes to the Strategic Asset Allocations, as recommended by the Investment Panel on the 29th April 2021 and set out in the report presented, together with the updated Investment Strategy Statement (Appendix 'A') are approved.
2. That the Committee be given a briefing on the post pandemic impact on the Fund investment portfolio before the end of 2021.

12. 2020/21 Training Record and feedback from members of the Committee on pension related training.

A report was presented on training which members of the Committee had participated in since the last meeting together with a copy of the 2020/21 Training Record. Co-opted member Mr P Crewe reported that the virtual PLSA Local Authority Conference in May 2021 had covered range of topics and he recommended members of the Committee participate in any future PLSA events. The Chair reported that his participation in the Conference had been limited due to IT issues.

Mr Neville informed the Committee that details of training on the 23rd June 2021 for the Audit, Risk and Governance Committee on the Statement of Accounts would be circulated after the meeting.

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

13. Responsible Investment Report

The Chair presented a detailed report on responsible investment activity during Q1 (January to March 2021) which included a statement on the Fund's position and longer-term ambition in relation to portfolio decarbonisation (as requested at the last meeting) and a response regarding a campaign for LGPS pension funds to embargo investment in companies active in occupied Palestine. In considering the report the Committee discussed shareholder engagement, divestment and the proposed legislation to prevent public bodies from imposing their own approach/views on international relations and preventing boycott, divestment or sanctions campaigns against foreign countries.

With regard to the review of the Responsible Investment Policy the Chair proposed that a Task and Finish Group comprising 4 members of the Committee be established and asked those present to indicate if they were interested in taking part. Nominations were received from the following:

County Councillor D Westley
County Councillor A Schofield
County Councillor M Brown
County Councillor G Dowding
Co-opted member - Ms J Eastham
Co-opted member - Councillor M Smith

Resolved:

1. That a Task and Finish Group comprising four members of the Committee (to be drawn from the nominations made at the meeting) be established to review the current Responsible Investment Policy for the Lancashire County Pension Fund and recommend any amendments to the Committee in November 2021 for consideration.
2. That the update on responsible investment activity during Q1, as set out in the report presented, is noted.

14. Urgent Business

No items of business were raised under this heading.

At this point the Chair introduced Mr M O'Higgins, the Chairman of the Local Pension Partnership Board, who was to step down from that position at the end of June 2021. The Chair, Deputy Chair and Councillor Borrow thanked Mr

O'Higgins for his contribution to the success of the Partnership since its inception and wished him well for the future.

15. Date of Next Meeting

It was noted that the next scheduled meeting would be held at 10.30am on the 17th September 2021 at County Hall, Preston.

16. 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, 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.

17. Annual Administration Report 2020/21

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 J Darbyshire, Director of Administration at the Local Pensions Partnership presented a detailed report on the performance of the pension administration service against standards and targets during 2020/21.

It was reported that overall performance in excess of 98% had been achieved against measured service standards which maintained the performance level for the previous year and exceeded the overall target level of meeting 95% of key performance indicators. When considering the report the Committee discussed elapsed times and the helpdesk performance figures relating to call handling.

Resolved: That the performance of the pension administration service against standards and targets during 2020/21, as set out in the report, is noted.

18. Internal Audit Assurance

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 R Lowry, Head of Internal Audit at Lancashire County Council presented her report on internal audit assurance work relating to the Fund during 2020/21 and the work planned for 2021/22. In considering the report the Committee noted the

findings of the internal audits, the associated levels of assurance given and proposed actions around future service improvements.

Resolved: That the summary of internal audit assurance work relating to the Lancashire County Pension Fund during 2020/21 and planned for 2021/22, as set out in the report presented is noted.

19. Local Pensions Partnership 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.

Mr G Smith, Director of Strategy at the Local Pensions Partnership, presented a report on activity by the Local Pensions Partnership Group which included an update on strategic objectives performance for Year 1 of the 5 year strategy, financial performance across the LPP Group to 31st March 2021 and updates on administration/investments performance to 31st March 2021.

Resolved:

1. That the updates on the activity and financial position of the Local Pensions Partnership, as set out in the report presented, are noted.
2. That an update on the East Cliff development in Preston be presented to the next meeting.

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 Committee, presented her report on various macro-economic factors and how they influenced the investment market in which the Lancashire County Pension Fund operated. It was noted that the investment portfolio of the Fund was considered to be resilient and well placed to keep pace with inflation.

Resolved: That the report from the Investment Panel is noted.

21. 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 Committee, presented a report on the performance of the Lancashire County Pension Fund, highlighting key areas such as the total portfolio return over different periods, asset allocations and the current funding level. He also reported that the Investment Panel was in the process of carrying out a Service Based Review of Local Pensions Partnership Investments and would report back to the Committee towards the end of the 2021.

Resolved: That the summary of the Fund's performance up to the 31st March 2020, as set out in Appendix 'A' to the report presented is noted.

22. Lancashire County Pension Fund Risk Register

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 Chair presented a report on the Fund Risk Register and specific Covid-19 related Risk Register which had both been updated following a review by County Council Officers in consultation with the Local Pensions Partnership and Lancashire Local Pension Board.

The Head of Fund reported that the format of the Risk Register was currently being reviewed in conjunction with the Local Pension Board and an update report would be presented to a future meeting.

Resolved: That the current risk summary document and risk registers for the Lancashire County Pension Fund, as set out in the Appendices to the report presented, are noted.

L Sales
Director of Corporate Services

County Hall
Preston