

Lancashire County Council

Pension Fund Committee

Minutes of the Meeting held on Friday, 17th June, 2022 at 10.30 am in Committee Room 'A' - The Tudor Room at County Hall, Preston.

Present:

County Councillor E Pope (Chair)

County Councillors

M Brown	H Hartley
J Burrows	S Holgate
M Clifford	A Schofield
F De Molfetta	R Swarbrick*
A Gardiner	D Westley

* replaced County Councillor R Woollam for this meeting only.

Co-opted members

Councillor E Whittingham, Blackburn with Darwen Borough Council.
Ms J Eastham, Further Education/Higher Education Institutions.
Mr P Crewe, Trade Unions.
Ms S Roylance, Trade Unions.

In attendance:

Mr S Greene, Head of Pension Fund, Lancashire County Council.
Mr R Cathey, Principal Lawyer, Lancashire County Council.
Mr E Lambert, Independent Investment Adviser
Ms A Devitt, Independent Investment Adviser.
Ms M George, Independent Investment Adviser
Mr S Bassnett, Senior Manager, Grant Thornton.
Mr A Dalecki, Head of Service - Internal Audit, Lancashire County Council.
Mr M Neville, Senior Democratic Services Officer, Lancashire County Council.
Mr C Rule, Chief Executive, Local Pensions Partnership.
Mr G Smith, Director of Strategy, Local Pensions Partnership.
Ms J Darbyshire, Managing Director, Local Pensions Partnership Administration.
Mr J Peach, Senior Analyst Client Management, Local Pensions Partnership
Investment

Mr E Lambert - Independent Investment Adviser.

The Chair informed the Committee that this would be the last meeting which Mr Lambert would attend before he retired from his position as one of the Investment Advisers to the Fund. On behalf of the Committee the Chair thanked Mr Lambert for his expertise and support over the last 13 years and invited those present at the meeting to join Mr Lambert for an informal lunch after the meeting.

1. Constitution, Membership and Terms of Reference of the Committee.

The Chair presented a report on the Constitution and membership of the Committee (as agreed by Full Council on 26th May 2022) which stated that some nominating bodies had confirmed their appointments for Co-opted members while confirmation was yet to be received for others.

It was also reported that following a review of the Terms of Reference of the Committee several amendments were proposed, as set out at Appendix 'A' to the report. In response to a query the Head of Fund confirmed that a further minor amendment would be made to the wording under item 6 of the matters reserved to him.

Resolved:

1. That the Constitution and Membership of the Pension Fund Committee, as set out below, is noted.

County Councillors

J Burrows (Conservative)	S Holgate (Labour)
M Brown (Labour)	E Pope (Conservative) – Chair
M Clifford (Labour)	A Schofield (Conservative) – Deputy Chair
F De Molfetta (Labour)	M Tomlinson (Labour)
A Gardiner (Conservative)	D Westley (Conservative)
H Hartley (Conservative)	R Woollam (Conservative)

Co-opted members (confirmed)

Councillor E Whittingham - Blackburn with Darwen Borough Council
Ms J Eastham - Further Education and Higher Education Institutions.
Mr P Crewe - Trade Unions.
Ms S Roylance - Trade Unions (replaced Mr J Tattersall).

Co-opted members (to be confirmed)

Councillor M Smith - Blackpool Borough Council.
Councillor D Borrow - Borough & City Councils.
Vacancy – Borough & City Councils (to replace Councillor M Hindley).

2. That, subject to a further minor amendment specified at the meeting, the revised Terms of Reference set out at Appendix 'A' to the report presented are approved and recommended to full Council for approval and inclusion in the Constitution of the County Council.

2. Apologies

Apologies for absence were received from County Councillor M Tomlinson and Co-opted members Councillor D Borrow and Councillor M Smith.

3. Disclosure of Pecuniary and Non-Pecuniary Interests

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

4. Minutes of the meeting held on 11th March 2022.

It was noted that the detailed pay proposals for the Local Pensions Partnership were approved by the Employment Committee on 14th March 2022.

Resolved: That the Minutes of the meeting held on 11th March 2022 are confirmed as an accurate record and signed by the Chair.

5. External Audit 2021/22

Mr Bassnett, Senior Manager from Grant Thornton, presented a report on the 2021/22 external audit plan for 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 on 31st March 2022, and that the accounts had been prepared in accordance with proper accounting practice.

When considering the report, the Committee discussed the issue of materiality and were informed that the fees to be charged by Grant Thornton for the audit, which were subject to approval by Public Sector Audit Appointments, were expected to be £37k.

Resolved:

1. That the 2021/22 external audit plan for the Lancashire County Pension Fund, as set out at Appendix 'A' to the report presented, is noted.
2. That the Chair and Head of Fund discuss materiality outside of the meeting and that a further report be brought back to the next meeting on the issue.

6. 2021/22 Budget Monitoring Report

The Head of Fund presented a report on the financial performance of the Fund for the year ended 31st March 2022 which showed a higher deficit compared to the budget. He responded to queries from members of the Committee on the key variances set out in the report, particularly around investment fees, and confirmed that savings had been achieved since the creation of the Local Pensions Partnership.

Resolved: That the financial performance of the Lancashire County Pension Fund for the year ended 31st March 2022, as set out in the report presented, is noted.

7. Internal Audit Report 2022

Mr Dalecki, Head of Service - Internal Audit, presented a report summarising the internal audit assurance work which had been completed during 2021/22 and was planned for 2022/23.

The moderate assurance regarding overpayments was discussed and the Head of Fund undertook to provide further detail on the matter to the members of the Committee. Both the Head of Fund and Deputy Chair of the Committee clarified that most of the actions arising from a previous audit report on Local Pensions Partnership Administration Ltd (LPPA) had been implemented, though it was accepted that some actions were dependent on the implementation of Project PACE by LPPA which for Lancashire was scheduled to take place in October 2022.

Resolved: That the audit report is noted and that further detail on the Fund's approach to the handling of overpayments be provided to members of the Committee outside of the meeting.

8. Lancashire County Pension Fund - Governance Compliance Statement

The Head of Fund presented a report on the draft Governance Compliance Statement which would replace the separate Annual Governance Statement and Governance Policy Statement.

In response to a query regarding the ongoing conflict in Ukraine the Head of Fund confirmed that the Investment Panel monitored the performance of investments and the macro-economic factors which influenced the market in which the Fund operated. Mr Lambert assured the Committee that the Fund's long term investment strategy was robust and able to weather short-term instability.

Resolved: That the Governance Compliance Statement for the Lancashire County Pension Fund, as set out at Appendix 'A' to the report presented, is approved.

9. Lancashire Local Pension Board - Annual Report 2021/22

The Head of Fund presented a report on the 2021/22 Annual Report which had been agreed by the Pension Board on 26th April 2022 and recommended to the Committee for approval.

Resolved: That the 2021/22 Annual Report of the Pension Board, as set out at Appendix 'A' to the report presented, is approved for inclusion in the draft Lancashire County Pension Fund Annual Report to be presented to Committee on 16th September 2022.

10. Lancashire County Pension Fund Risk Management Framework

The Committee considered a report on the Risk Management Framework which set out the key processes and responsibilities for effective risk management and compliance against relevant scheme guidance, regulation, and legislation.

The Head of Fund reported that the Framework set out in the Appendix had been updated to reflect developments on the risk management arrangements as referenced in the report and had been considered and approved by the Pension Board on 26th April 2022.

Resolved: That the updated Lancashire County Pension Fund Risk Management Framework, as set out at Appendix 'A' to the report presented, is approved.

11. Responsible Investment Report

The Committee considered a detailed report on responsible investment matters during Q1 of 2022 (January to March).

The Head of Fund reported that Local Pensions Partnership Investments Ltd had met the required standard to be compliant with the UK Stewardship Code (2020) and that the dashboard at Appendix 'B' to the report had been updated to include additional metrics as agreed by Committee in March 2022. He also clarified the current position regarding The Public Service Pensions and Judicial Offices Act 2022 which gave the Local Government Secretary new powers to direct Local Government Pension Funds not to take decisions which conflicted with government foreign or defence policy.

Resolved: That the update on responsible investment matters during Q1, as set out in the report and Appendices is noted.

12. 2021/22 Training Record and feedback from members of the Committee on pension related training.

The Committee received a report on the 2021/22 Training Record which reflected the participation of individual members of the Committee in external/internal training events over the last 12 months and would inform reporting on training included in the Lancashire County Pension Fund Annual Report.

The Chair reminded the new members of the Committee that there would be several opportunities throughout the year for training on pension related matters.

Resolved: That the participation of individual members of the Committee at the training events referred to in the report, together with the contents of the Training Record for 2021/22, as set out in the Appendix, are noted.

13. Urgent Business

No items of urgent business were raised under this heading.

14. Date of Next Meeting

It was noted that the next scheduled meeting would be held at 10.30am on 16th September 2022 in Committee Room 'A' – The Tudor Room at County Hall, Preston.

15. 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 paragraph 3 of Part 1 of Schedule 12A to the Local Government Act, 1972. It is considered that in all the circumstances the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

16. Annual Administration Report 2021/22 and PACE Project 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.

Ms J Darbyshire, Managing Director at Local Pensions Partnership Administration Ltd, presented a detailed report on the performance of the pension administration service against standards and targets during 2021/22.

She informed the Committee that in response to the pandemic additional staff had been allocated to the helpdesk and calls associated with bereavement had been prioritised. It was also reported that more detailed information would be available regarding service levels once the new pension administration system was introduced as part of Project PACE and Ms Darbyshire confirmed the go live date for Lancashire would be 28th October 2022.

The Chair reminded members of the Committee that there would be a briefing on Project PACE and pensions administration on 29th June 2022 at County Hall.

Resolved: That the performance of the pension administration service against standards and targets during 2021/22, as set out in the report, is noted.

17. 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, reported that the Local Pensions Partnership (LPP) continued to deliver in line with the agreed 5-year Strategic Plan and updated the Committee on performance against objectives. It was noted that after

an initial 6-years operation LPP was undergoing a governance review with an initial report on the outcome to be presented to the next meeting.

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 a report on the initial findings of the governance review of the Local Pensions Partnership be presented to the Committee on 16th September 2022.

18. Investment Context 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, presented her report on the various macro-economic factors which influenced the investment market in which the Fund operated, specifically highlighting, interest rates, Covid-19, inflation, and the war in Ukraine. She also reassured the Committee that in the current macro-economic climate the investments of the Fund remained robust and stable.

Resolved: That the update on the macro-economic factors which influence the investment market in which the Lancashire County Pension Fund operates is noted.

19. Investment Performance 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.

Mr Lambert, Independent Investment Adviser, presented an overview of the performance of the Lancashire County Pension Fund for Q1 and highlighted key points such as the total portfolio return over different periods, strategic/current asset allocations and contributions net of benefits, expenses, and investment income. It was also noted that 31st March 2022 liabilities had been increased to allow for the high inflation experienced over the last 6 months.

Resolved: That the summary of the Fund's performance up to 31st March 2022, as set out in Appendix 'A' to the report presented is noted.

Mr Bassnett and the representatives from the Local Pensions Partnership left the meeting at this point.

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.

The Head of Fund presented a report on the various matters discussed at the Investment Panel on 10th March 2022 and updated the Committee on the latest position regarding the East Cliff development near the railway station in Preston.

Resolved: That the Minutes of the Investment Panel held on 10th March 2022 and the update given at the meeting regarding the East Cliff development in Preston are noted.

21. 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 which had been updated to include risks associated with inflation, pension scams, member communications and the ongoing Russia/Ukraine war. In response to a query the Head of Fund confirmed that whilst the Fund had limited exposure to the investments which would be directly impacted by the war the broader geo-political situation would continue to be monitored and mitigating factors implemented if appropriate.

Resolved: That the current risk summary document and risk register 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