

# **Lancashire County Council**

## **Pension Fund Committee**

**Friday, 17th June, 2022 at 10.30 am in Committee Room 'A' - The Tudor Room,  
County Hall, Preston**

### **Agenda**

#### **Part I (Open to Press and Public)**

<b>No.</b>	<b>Item</b>	
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|------------|---|------------------------|
| <b>1.</b>  | <b>Constitution, Membership and Terms of Reference of the Committee.</b>  | <b>(Pages 1 - 14)</b>  |
| <b>2.</b>  | <b>Apologies</b>  |                        |
| <b>3.</b>  | <b>Disclosure of Pecuniary and Non-Pecuniary Interests</b><br><br>Members of the Committee are asked to consider whether they need to disclose any pecuniary and non-pecuniary interest in matters appearing on the agenda. If a member requires advice on declarations of interest he/she is advised to contact Josh Mynott, Democratic Services (telephone 01772 534580) in advance of the meeting. |                        |
| <b>4.</b>  | <b>Minutes of the meeting held on 11th March 2022.</b><br><br>To be confirmed by the Committee as an accurate record of their meeting and signed by the Chair.  | <b>(Pages 15 - 22)</b> |
| <b>5.</b>  | <b>External Audit 2021/22</b>   | <b>(Pages 23 - 46)</b> |
| <b>6.</b>  | <b>2021/22 Budget Monitoring Report</b>   | <b>(Pages 47 - 52)</b> |
| <b>7.</b>  | <b>Internal Audit Report 2022</b>   | <b>(Pages 53 - 60)</b> |
| <b>8.</b>  | <b>Lancashire County Pension Fund - Governance Compliance Statement</b>   | <b>(Pages 61 - 74)</b> |
| <b>9.</b>  | <b>Lancashire Local Pension Board - Annual Report 2021/22</b>   | <b>(Pages 75 - 82)</b> |
| <b>10.</b> | <b>Lancashire County Pension Fund Risk Management Framework</b>   | <b>(Pages 83 - 96)</b> |

- 11. Responsible Investment Report** (Pages 97 - 126)
- 12. 2021/22 Training Record and feedback from members of the Committee on pension related training.** (Pages 127 - 136)
- 13. Urgent Business**  
An item of urgent business may only be considered under this heading where, by reason of special circumstances to be recorded in the Minutes, the Chair of the meeting is of the opinion that the item should be considered at the meeting as a matter of urgency. Wherever possible, the Chief Executive should be given advance warning of any Committee Member's intention to raise a matter under this heading.
- 14. Date of Next Meeting**  
The next meeting will be held on 16<sup>th</sup> September 2022 in Committee Room 'A' - The Tudor Room, County Hall, Preston, starting at 10.30am.
- 15. Exclusion of Press and Public**  
The Committee is asked to consider whether, under Section 100A(4) of the Local Government Act, 1972, it considers that the press and public should 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 to the item.

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

- 16. Annual Administration Report 2021/22 and PACE Project Update** (Pages 137 - 192)
- 17. Local Pensions Partnership Update** (Pages 193 - 202)
- 18. Investment Context Report** (Pages 203 - 216)
- 19. Investment Performance Report** (Pages 217 - 242)
- Local Pension Partnership representatives to leave the meeting at this point.
- 20. Investment Panel Report** (Pages 243 - 250)

**21. Lancashire County Pension Fund - Risk Register**

(Pages 251 - 276)

County Hall  
Preston

L Sales  
Director of Corporate Services



## **Pension Fund Committee**

Meeting to be held on Friday, 17 June 2022

Electoral Division affected: None;
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### **Constitution, Membership and Terms of Reference of the Committee.**

Contact for further information:

Mike Neville, Tel: (01772) 533431, Senior Democratic Services Officer,  
mike.neville@lancashire.gov.uk

#### **Brief Summary**

This report sets out the Constitution and Membership of the Committee together with the current Terms of Reference.

#### **Recommendations**

1. That the Constitution, Membership, and current Terms of Reference of the Pension Fund Committee, as set out in the report, be noted.
2. That the Committee consider and approve the revised Terms of Reference as set out at Appendix 'A' to this report and recommend them to full Council for approval and inclusion in the County Council's Constitution.

#### **Details**

#### **Constitution and Membership**

At the meeting on 26<sup>th</sup> May 2022 full Council approved the constitution and Chair/Deputy Chairs of various Committees together with other external appointments 2022/23. The constitution of the Pension Fund Committee was approved as 19 members, based on 12 County Councillors (7 Conservative and 5 Labour) and 7 voting Co-opted members.

Following full Council, the respective political groups have appointed the County Councillors listed below to serve on the Committee.

Conservative - 7	Joan Burrows, Andrew Gardiner, Howard Hartley, Eddie Pope (Chair), Alan Schofield (Deputy Chair) David Westley, Ron Woollam.
Labour - 5	Matthew Brown, Mark Clifford, Frank De Molfetta, Stephen Holgate, Matthew Tomlinson

Nominating bodies have been consulted regarding the Co-opted Members on the Committee and the following appointments have been confirmed.

Ms J Eastham - Further Education and Higher Education Institutions

Mr P Crewe - Trade Unions.

Ms S Roylance - Trade Unions (replaced J Tattersall)

At the time of writing confirmation is still awaited regarding the co-opted member appointments set out below:

Blackburn with Darwen Council (to replace Councillor R Whittle)

Councillor M Smith - Blackpool Council

Councillor D Borrow - Borough and City Councils

Borough and City Councils (to replace Councillor M Hindley).

### **Terms of Reference**

A copy of the Committee's current [Terms of Reference](#) is available to view on the County Council website at Article 7 (Other Committees of the County Council) of the Constitution and is also set out in the Minute Book.

The Terms of Reference have recently been reviewed and a number of minor amendments proposed, as set out in the draft version attached as Appendix 'A' to this report. If approved by Committee the revised Terms of Reference will be recommended to full Council for approval and inclusion in the Constitution of the County Council.

### **Consultations**

Respective political groups at Lancashire County Council, and the various nominating bodies specified in the report regarding Co-opted member appointments.

### **Implications:**

This item has the following implications, as indicated:

### **Risk management**

No significant risks have been identified.

### **Local Government (Access to Information) Act 1985**

#### **List of Background Papers**

Paper	Date	Contact/Tel
N/A		

Reason for inclusion in Part II, if appropriate
N/A

## Pension Fund Committee

### Terms of Reference

#### Composition and role:

1. The Pension Fund Committee ("the Committee") comprises twelve County Councillors and seven voting co-optees representing the following organisations:
  - a. One co-optee representing the Further and Higher Education sector in Lancashire.
  - b. One co-optee from Blackburn with Darwen Council.
  - c. One co-optee from Blackpool Council.
  - d. Two co-optees representing Trade Unions; and
  - e. Two co-optees representing the Lancashire Borough and City Councils.
2. The role of the Committee is to:
  - a. Fulfil the role of Scheme Manager, as set out in regulations, of the Lancashire County Pension Fund ("the Fund" or "LCPF").
  - b. Establish policies in relation to investment management, which shall include meeting with the Investment Panel to consider future Investment policy for the Fund.
  - c. Monitor and review investment activity and the performance of the Fund. and
  - d. present an annual report to the Full Council on the state of the Fund and on the investment activities during the preceding year.
3. The Committee shall meet at least quarterly, or otherwise as necessary, with **members of the** Investment Panel in attendance.
4. Meetings of the Committee shall be open to the public, but the public may be excluded where information of an exempt or confidential nature is being discussed – see Access to Information Procedure Rules set out at **Appendix 'H'** to the County Council's Constitution.

#### General:

5. To exercise Lancashire County Council's responsibility for the management of the Fund, including the administration of benefits and strategic management of Fund assets and liabilities.
6. To determine which pension related functions and responsibilities should be exercised under a Scheme of Delegation to the Head of the LCPF, the Council's s.151 Officer and the Director of Corporate Services.

7. To review governance arrangements and the efficient and effective use of external advisors to ensure good decision-making.
8. To appoint a minimum of two suitable persons to an Investment Panel through a sub committee convened for that purpose.
9. To establish sub-committees and panels as necessary to undertake any part of the Committee's functions.
10. To receive an annual report from the Lancashire Local Pensions Board on the nature and effect of its activities.

**Policies** (other than Investment, Administration and Funding – see below):

11. To approve the following key policy documents:
  - a. A rolling 3 Year Strategic Plan for the Fund.
  - b. ~~The Statement of Investment Principles~~ Investment Strategy Statement
  - c. Governance Policy Statement
  - d. Governance Compliance Statement.
  - e. Pension Fund Annual Report.
  - f. Communication Policy Statement
  - g. Internal Dispute Resolution Procedure.
  - h. Death Grant Policy Procedure
  - i. Bulk Transfer Payment Policy.
  - j. Commutation policy (small pensions).
  - k. Transfer policy.
  - l. Abatement policy and
  - m. Any other discretionary policies as required under LGPS regulations

**Investment:**

12. To determine the strategic asset allocation policy, giving due recognition to the options made available by the Local Pensions Partnership Investments Ltd (LPPI).
13. To monitor the performance of the Fund's investments and ensure that best practice is being adopted and value for money is being delivered
14. To submit an annual report to the Full Council on the performance and state of the Fund and on the investment activities during the year.
15. To approve and review on a regular basis an overall Investment Strategy and subsidiary Strategies for such asset classes as the Investment Panel consider appropriate.
16. To have overall responsibility for investment policy.

### **Administration:**

17. To approve the Annual Administration Report.
18. To approve the Pensions Administration Strategy Statement.
19. To monitor the performance of the pensions administration function.
20. To authorise the payment of any statutory pensions, gratuities, grants, etc. under the provisions of the Superannuation and Pensions Acts and Regulations and any Local Acts.
21. To approve applications for early payment of preserved pension benefits on compassionate grounds.
22. To approve payments under the County of Lancashire Act 1984.
23. To determine the actual injury allowance payable on each individual qualifying case of injury or disease, both retrospective and for the future.
24. To review annually the actual amounts of injury allowances payable under the Local Government Superannuation Regulations, as amended, to employees who have sustained injuries or contracted diseases, **resulting from as a result of** anything they were required to do in carrying out their work. and to make any changes appropriate to reflect changes in the relevant financial circumstances of the payee.

### **Funding:**

25. To approve the Funding Strategy Statement which shall include the Fund's policy in respect of:
  - a. the Funding Target.
  - b. the collection of employee contributions.
  - c. the collection of employer contributions.
  - d. the collection of additional employer contributions
  - e. Admissions and Terminations; **and**
  - f. **Employer risk.**
26. To approve Scheme Funding Advice
27. To review ongoing funding updates for potential cash contribution implications

### **Procurement:**

28. To approve the procurement process, tender award criteria and evaluation methodology in advance of any tender being invited for the appointment of external support, including:
  - a. an external corporate governance adviser.
  - b. an external Fund custodian.

- c. external performance measurement advisers.
- d. the Fund Actuary and
- e. the Fund's AVC Provider.

### **Training:**

- 29. To approve the annual Training Plan for members of the Pension Fund Committee and actively participate in training opportunities.

### **Local Pensions Partnership Ltd (LPPL):**

LPPL was formed in partnership between the County Council and the London Pension Funds Authority (LPFA) to carry out certain pension functions such as investment activity and administration on behalf of the two partner authorities. The relationship between the County Council and LPFA is governed by various agreements, one of which (the Shareholders Agreement dated 8th April 2016) reserves certain key matters for the determination of the County Council and LPFA rather than LPPL (the "Reserved Matters"). References to delegated powers relating to LPPL address the Reserved Matters. Unless stipulated, any reference to the "Agreement" is a reference to the Shareholders Agreement dated 8th April 2016.

Pension administration services are provided by the administration arm of LPP, which is called Local Pensions Partnership Administration Limited, with investment services being undertaken by the investment arm, Local Pensions Partnership Investments Limited

### **Incorporation or winding up of subsidiaries:**

- 30. To approve, with the exception to the formation of vehicles which are necessary for any transactional, operational or tax efficiency reasons in the sole opinion of the Board, any incorporation of any new subsidiary of LPPL or any of its Group Companies or any liquidation or winding up of LLP or any of its Group Companies. Any acquisition of any shares in any company, whether through subscription or transfer, such that the company concerned becomes a Subsidiary of LPPL or any Group Company.

### **Merger/acquisition of any business undertaking:**

- 31. To approve the amalgamation or merger with any company, association, partnership or legal entity or the acquisition of any business undertaking of any other person.

### **Financial and Business:**

- 32. To approve any Strategic Plan for LPPL or make any material changes to any Strategic Plan after its approval.
- 33. To approve any extension of the activities of LPPL outside the scope of the Business, or to close down any business operation.

34. To receive the annual accounts of LPPL.
35. To approve the establishment, provision, or amendment of any pension scheme for LPPL.
36. To give or take any loans, borrowing or credit (other than normal trade credit in the ordinary course of business) exceeding in excess of £1,000,000 or cause the aggregate indebtedness of LPPL to exceed £[5m].

#### **Shares, shareholder loans and constitutional:**

37. To pay or declare any dividend (other than as expressly provided for in the Shareholder agreement) or other distribution to the Shareholders or redeem or buy any Shares or otherwise reorganise the share capital of LPPL.
38. To admit any person whether by subscription or transfer as a member of LPPL save as provided for in the Shareholder Agreement.
39. To approve any name change to the name of LPPL

#### **Control, management, Directors, and employees:**

40. To approve the remuneration policy of LPPL Non-Executive Directors.
41. To approve the appointment or removal of any statutory director of LPPL otherwise than in accordance with the Shareholder Agreement and the Articles of LPPL.
42. To enter into or vary any agreement for the provision of consultancy, management or other services by any person which will, or is likely to result in, LPPL being managed otherwise than by its directors or controlled otherwise than by its shareholders.
43. To approve the move of the central management and control of LPPL or LPPL's tax residence outside of the UK.

#### **Contract with related parties**

44. To enter into or vary, any contracts or arrangements with any of the Shareholders or Directors or any person with whom any Shareholder or Director is connected (whether as director, consultant, shareholder or otherwise) save as anticipated in the various agreements between the County Council, LPFA and LPPL entered into on 8<sup>th</sup> April 2016.
45. To approve the commencement or the taking of steps to commence any insolvency proceedings under any law relating to insolvency anywhere in the world unless LPPL is at the relevant time unable to pay its debts as they fall due or the value of its assets is less than its liabilities, including its contingent and prospective liabilities and the directors reasonably consider (taking into account their fiduciary duties) that it ought to be wound up or it ought to enter

into administration.

46. To enter into any partnership, joint venture or profit sharing arrangement with any person or create any share option scheme.
47. To enter into or make any material variation to any agreement not in the ordinary course of the Business and/or which is not on an arm's length basis.
48. To approve the sale, lease (as lessor), licence (as licensor), transfer or otherwise dispose of any of its material assets.
49. To enter into any contract which cannot be terminated within 48 months and under which the liability for such termination could exceed £1 million.

## **Pension Fund Committee – Scheme of Delegation Arrangements.**

### **1. Matters reserved to Full Council**

#### **Local Pensions Partnership Ltd (LPPL):**

##### **Changes to the Articles or any Share rights impacting on any pre-approval matter(s)**

Approval to alter any of the provisions of the LPPL Articles (including the articles of the LPPL subsidiary companies) or alter any of the rights attaching to the Shares (including where any such alterations directly or indirectly impacts on a Reserved Matter) unless such amendment is of a purely administrative nature.

##### **Dilution on Shareholding/Issue of Shares and Share Options**

Approval to reduce or cancel any share capital of LPPL, purchase its own shares, hold any shares in treasury, allot or agree to allot, whether actually or contingently, any of the share capital of LPPL or any security of LPPL convertible into share capital, grant any options or other rights to subscribe for or to convert any security into shares of LPPL or alter the classification of any part of the share capital of LPPL save as the power to do so without prior Shareholder approval is specifically provided for in the Agreement .

##### **Creation of any Holdco of LPPL**

To approve the formation of any holding company of LPPL.

##### **Change of Company status**

To approve a change of status of LPPL from a limited company to a public limited company or from a company limited by shares to any other form of legal entity.

## **2. Matters reserved to the Employment Committee**

### **Local Pensions Partnership Ltd (LPPL):**

#### **Approval of LPPL's Remuneration Policy**

To approve the remuneration policy of the LPPL directors and staff, other than for LPPL Non-Executive Directors

#### **Changes to Directors' Remuneration Policy**

To approve the payment of any fees, remuneration or other sums to or in respect of the services of any director or vary any such fees or remuneration other than in accordance with an agreed remuneration policy approved by both LCC and LPFA. For the avoidance of doubt this will not apply to the payment or reimbursement of reasonable expenses properly incurred by any statutory director in the course of carrying out his duties in relation to LPPL nor to any payment under any indemnity by LPPL to which the statutory director is entitled under the Articles or under any relevant law.

#### **Proposed redundancies of any Group employees**

To approve any proposed programme of redundancies within LPPL or rationalisation of a group of employees

#### **Proposed re-location of any LPPL employees**

To approve any proposed programme of relocation of a group of employees outside Lancashire who were previously employees of LCC.

#### **Chief Executive**

To approve the appointment or removal of the Chief Executive of LPPL or any subsidiary company.

## **3. Matters reserved to Officers**

The following functions have been delegated to the Head of the Lancashire County Pension Fund (LCPF), the Director of Corporate Services, and the Council's s.151 Officer as indicated below:

The Head of the LCPF, the Director of Corporate Services, and Council's s.151 Officer may allocate or re-allocate responsibility for exercising powers (delegated to them by Full Council or the Pension Fund Committee) to other officers on their behalf in the interests of effective corporate management as he/she thinks fit.

Records of all such authorisations must be retained and a copy sent to Democratic Services for retention. The 'other' officer(s) to whom a power has been re-allocated cannot further delegate that power to another officer.

Any decisions taken under the Scheme of Delegation must be recorded on the electronic decision recording system.

## **Matters reserved to the Director of Corporate Services**

### **Agreements**

To enter into or vary any agreement to do any of the things reserved to the Pension Fund Committee and to officers under the Scheme of Delegation arrangements

### **Local Pensions Partnership Ltd (LPPL):**

### **Guarantees and Indemnities**

To give any guarantee, suretyship or indemnity outside the ordinary course of business to secure the liabilities of any person or assume the obligations of any person.

### **Disputes and proceedings**

To commence, settle or defend any claim, proceedings or other litigation brought by or against LPPL, except in relation to debt collection [not exceeding £[2m],] in the ordinary course of the Business.

## **Matters reserved to the Council's S.151 Officer**

As the officer designated under s.151 of the Local Government Act 1972 to be responsible for the proper administration of the financial affairs of the County Council, for this purpose including the Lancashire County Pension Fund.

### **Accounts and Records**

To maintain all necessary accounts and records in relation to the Pension Fund save as otherwise discharged in accordance with arrangements determined by the Pension Fund Committee

### **Local Pensions Partnership Ltd (LPPL):**

### **Shares, shareholder loans and constitutional:**

1. Save as provided for in the Shareholders Agreement, to approve an increase in the amount of any Shareholder Loans or the variation of the terms of any Shareholder Loans.
2. To approve the repurchase, repayment, redemption or cancellation of any Shareholder Loan other than in accordance with the terms of any Loan Agreement, Loan Notes or the terms of the Shareholders Agreement.

3. To enter into any agreement with a Shareholder for the provision of additional funds or financial support from that Shareholder which differ from the terms on which the other Shareholder is providing equivalent finance or support.

## **Matters reserved to the Head of the Lancashire County Pension Fund**

As the officer responsible for the management of the Lancashire County Pension Fund:

1. To set the appropriate funding target for the Fund.
2. To place any monies not allocated to investments on short term deposit in accordance with arrangements approved by the Pension Fund Committee.
3. In consultation with the Investment Panel, to monitor and review the performance of investments made by LPPL and to report to each meeting of the Pension Fund Committee on the exercise of this delegation.
4. To arrange and authorise the provision of appropriate and necessary training for members of the Pension Fund Committee including the attendance at conferences and other similar pension fund related events by members of the Pension Fund Committee.
5. To accept for admission into the Lancashire County Pension Fund employees of authorities and bodies as prescribed in Regulations including transferee and community admissions which are considered as 'exceptional circumstances', subject to an approved Admission Agreement, and subject to any necessary indemnities as appropriate.
6. To prepare and submit the following to Pension Fund Committee:
  - a) A rolling 3 Year Strategic Plan for the Fund.
  - b) ~~Statement of Investment Principles (to include policy on the management of cash balances)~~ **Investment Strategy Statement** (to include policy on the management of cash balances).
  - c) ~~Governance Policy Statement.~~
  - dc) Governance Compliance Statement.
  - ed) Pension Fund Annual Report, ~~including the Annual Administration Report.~~
  - fe) **The Funding Strategy Statement** to include the Fund's policy in respect of:
    - g) the Funding Target.
    - h) the collection of employee contributions.
    - i) the collection of employer contributions.
    - j) the collection of additional employer contributions;
    - k) Admissions and Terminations; **and**
      - **Employer risk.**

- lf) Pensions Administration Strategy Statement.
- mg) Communication Policy **statement**
- nh) Internal Dispute Resolution Procedure.
- ei) Death Grant Policy. **procedure**
- pj) Bulk Transfer Payment Policy.
- qk) Commutation Policy (small pensions).
- rl) Transfer Policy, **and**
- sm) Abatement Policy, **and**
- n) Any other discretionary policies as required under LGPS regulations.**

7. To carry out the administrative functions of the administering authority relating to the Local Government Pension Scheme.
8. To approve the payment of death grants in accordance with the agreed Death Grant Policy.
9. To appoint any required external support (subject to the role of the Pension Fund Committee and the Investment Panel), their terms of office and remit.
10. To deal with stage 2 appeals under the Internal Dispute Resolution Procedure.
11. To authorise the payment of any statutory pensions, gratuities, grants, etc. under the provisions of the Superannuation and Pensions Acts and Regulations and any Local Acts.
12. To approve applications for early payment of preserved pension benefits on compassionate grounds.
13. To approve payments under the County of Lancashire Act 1984
14. To determine the actual injury allowance payable on each individual qualifying case of injury or disease, both retrospective and for the future.
15. To review annually the actual amounts of injury allowances payable under the Local Government Superannuation Regulations, as amended, to employees who have sustained injuries or contracted diseases, as a result of anything they were required to do in carrying out their work and to make any changes appropriate to reflect changes in the relevant financial circumstances of the payee.
16. To provide support to the Local Pension Board to enable it to fulfil its role and responsibilities as defined by sections 5 (1) and (2) of the Public Service Pensions Act 2013.

### **Local Pensions Partnership Ltd (LPPL):**

To approve the following:

17. The appointment or removal of the auditors of LPPL.

18. The alteration of LPPL's accounting reference date.
19. Any significant change to any of LPPL's accounting or reporting practices.
20. The creation of any Encumbrance over the whole or part of the undertaking or assets of LPPL.
21. Any item or series of items of capital expenditure including finance leases but excluding operating leases of more than £5,000,000.
22. The entering into or variation of any operating lease either as lessor or lessee, of any plant, property or equipment of a duration exceeding 10 years or involving aggregate premium and annual rental payments in excess of £5m.
23. The factor or discount any book debts of LPPL.
24. The making of any agreement or reach any settlement with any revenue authorities or any other taxing authority, or make any claim, disclaimer, election or consent of a material nature for tax purposes in relation to LPPL, its business, assets or undertaking.
25. Any change to the bankers of LPPL.
26. Any change to the registered office of LPPL.



## **Lancashire County Council**

### **Pension Fund Committee**

**Minutes of the Meeting held on Friday, 11th March, 2022 at 10.30am in Committee Room 'C' - The Duke of Lancaster Room at County Hall, Preston.**

#### **Present:**

County Councillor E Pope (Chair)

#### **County Councillors**

M Brown	S Rigby*
M Clifford	A Schofield
F De Molfetta	S Smith
M Pattison	D Westley
R Woollam	

\* Indicates that the County Councillor replaced County Councillor J Burrows for this meeting.

#### **Co-opted members**

Councillor Ron Whittle, Blackburn with Darwen Borough Council  
Councillor David Borrow, Borough and City Councils  
Jennifer Eastham, Further Education/Higher Education Institutions  
Paul 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  
Mr M Neville, Senior Democratic Services Officer, Lancashire County Council  
Ms A Devitt, Independent Investment Adviser.  
Mr E Lambert, Independent Investment Adviser.  
Ms M George, Independent Investment Adviser.  
Mr W Bourne, Chair of the Lancashire Local Pension Board.  
Mr C Rule, Chief Executive Officer, Local Pensions Partnership  
Mr G Smith, Director of Strategy, Local Pensions Partnership.  
Ms J Darbyshire, Director of Administration, Local Pensions Partnership  
Administration.

#### **1. Welcome and Apologies**

The Chair welcomed everyone to the meeting and introduced Ms George who had recently been appointed as the new Independent Investment Adviser to the Fund.

It was reported that apologies had been received from County Councillor G Dowding and Co-opted member Councillor M Smith.

## **2. Disclosure of Pecuniary and Non-Pecuniary Interests**

There were no declarations of interest at this point in the meeting.

## **3. Minutes of the Meeting held on 26th November 2021**

**Resolved:** That the Minutes of the meeting held on 26<sup>th</sup> November 2021 are confirmed as an accurate record and that a copy be signed by the Chair and placed in the Minute Book.

## **4. Report of the Appointments Sub Committee**

A report was presented on the decision of the Appointments Sub Committee on 28<sup>th</sup> February 2022 to appoint a new Independent Investment Adviser.

**Resolved:** That the decision of the Appointments Sub Committee on 28<sup>th</sup> February 2022 to appoint Marian George as the new Independent Investment Adviser to the Fund, with effect from 1<sup>st</sup> March 2022, for an initial period of 2 years, with an option to extend the appointment by 12 months, is noted.

## **5. 2021/22 Budget Monitoring Report**

The Committee considered a report on the income and expenditure of the Fund for the 9 months up to 31<sup>st</sup> December 2021, together with a forecast for the year ending 31<sup>st</sup> March 2022.

In response to a query regarding the investment management fees on pooled investments Mr Lambert confirmed that such fees represented a significant proportion of the running costs of the Fund. However, it was noted that the Fund continued to remain in the top quartile of Funds in terms of performance.

**Resolved:** That the financial results for the 9 months up to 31<sup>st</sup> December 2021 and the budget and forecast variances, as set out in the report presented, are noted.

## **6. Lancashire County Pension Fund 2022/23 Budget**

The Head of Fund presented a report on the one-year budget for the year ending 31<sup>st</sup> March 2023 and informed the Committee that factors such as the effect of pay increases on employer contributions, investment outlook for 2022/23, the McCloud judgement, and Actuarial fees associated with additional advice/support when preparing for the 2022 valuation, had been considered when preparing the budget.

**Resolved:** That the Lancashire County Pension Fund budget for the year ended 31<sup>st</sup> March 2023, as set out at Appendix 'A' to the report presented, is approved.

## **7. Lancashire County Pension Fund Strategic Plan 2022/25**

The Head of Fund presented a report on the 3-year Strategic Plan up to 2024/25, which defined the key initiatives for the Fund in relation to Governance, Funding

and Investment, Administration, and Communication, and had been developed in consultation with the Independent Investment Advisers to the Fund, Lancashire Local Pension Board, and the Actuary. It was also noted that Plan would be available to scheme members via the Fund website.

It was reported that the Fund would be part of the second phase of the Lancashire Pensions Partnership Administration (LPPA) Project PACE in Autumn 2022 and would be preceded by specific communications to employers/scheme members. The indicative timescales set out in the Plan for other initiatives were discussed and the Head of Fund confirmed that for many of the initiatives work would be done in phases in advance of the dates stated in the Plan. He added that the LPPA customer satisfaction surveys would be a useful source of insight for Administration initiatives and the Committee would be updated on these initiatives at an appropriate point in 2022/23.

**Resolved:** That the Lancashire County Pension Fund Strategic Plan for 2022/25, as set out at Appendix 'A' to the report presented, is approved and the 12-months update, set out at Appendix 'B' noted.

#### **8. Lancashire County Pension Fund - Death Grant Policy**

The Head of Fund presented a report on the revised Death Grant Policy for the Fund which had been developed in consultation with the Lancashire Local Pension Board and Local Pensions Partnership Administration.

**Resolved:** That the revised Death Grant Policy for the Lancashire County Pension Fund, as set out at Appendix 'A' to the report presented, is approved.

#### **9. Feedback from members of the Committee on pension related training.**

A report was presented on pension related conferences/events held since the last meeting and members of the Committee reported that they had found the LGPS Overview webinar useful and informative. The Chair reported that the first annual LPPI Investment Conference had been a success and encouraged members of the Committee to attend the event in 2023. It was noted that County Councillor Schofield had not attended the Conference.

**Resolved:** That the feedback from members of the Committee in relation to their experience at conferences/events held since the last meeting is noted and the Training Record be updated to reflect attendance/participation at those events.

#### **10. Lancashire County Pension Fund - Training Plan 2022/23**

The Committee considered the draft 2022/23 Training Plan which set out various opportunities available during the year for training members of the Committee and the Lancashire Local Pension Board.

The Head of Fund reported that a bespoke online training tool was currently being evaluated by Officers, and members of the Committee/Board would be asked to express their interest in attending a demonstration providing feedback in

due course. Mr Bourne reported that the membership of the Pension Board was due to change in 2023 as some Board members reached the end of their 8-year term and a succession plan was in place to ensure that replacements were recruited and appointed to fill vacancies as they arose.

Mr Neville informed the Committee that the proposed workshop on 25<sup>th</sup> November would clash with the Committee on that date and should be on 1<sup>st</sup> November and the workshop on 1<sup>st</sup> February 2023 would be moved to a date later that month to accommodate the budget approval process at the Local Pensions Partnership.

**Resolved:**

1. That the Training Plan for the Pension Fund Committee/Lancashire Local Pension Board, as set out at Appendix 'A' to the report be amended as follows.
  - a) The workshop on the LCPF Valuation to be held at 10am on 25<sup>th</sup> November 2022 be changed to 1pm on 1<sup>st</sup> November 2022.
  - b) The workshop on the LPP Budget scheduled for 1<sup>st</sup> February 2023 be moved to 10am on 24<sup>th</sup> February 2023 to accommodate the budget approval process at the Local Pensions Partnership.
2. That, subject to the amendments specified at 1 above, the Training Plan for 2022/23 is approved.

**11. 2022/23 Work Plan for the Lancashire Local Pension Board**

Mr Bourne, Chair of the Lancashire Local Pension Board, presented a report on the 2022/23 Work Plan and informed the Committee that the Board would be focussing attention on the evolving Fund Risk Register, implementation of Project PACE by LPPA, and the need to balance standardised communications from LPPA with more customised communications from the Fund.

**Resolved:** That the 2022/23 Work Plan for the Lancashire Local Pension Board, as set out in Appendix 'A' to the report presented, is noted.

**12. Responsible Investment Report**

The Head of Fund presented a detailed update report from Local Pensions Partnership Investments Limited on responsible investment matters during the fourth quarter of 2021 (October to December) and highlighted the key points referred to in the report.

County Councillor Schofield, Chair of the Responsible Investment Task and Finish Group, informed the Committee that the Dashboard at Appendix 'B' to the report incorporated some of the initial recommendations from the Group as specified in the next item of business on the agenda.

**Resolved:** That the update on responsible investment activity during Q4, as set out in the report presented, is noted.

### **13. Responsible Investment Dashboard Report**

The Head of Fund reported that following the Committee on 26<sup>th</sup> November 2021 the Responsible Investment Task & Finish Group had met and agreed recommendations regarding future reporting via the RI Dashboard, as set out in the report.

**Resolved:** That the recommendations of the Responsible Investment Task & Finish Group regarding amendments to the RI Dashboard, as set out in the report presented, are approved, and implemented in accordance with the stated timescale.

### **14. Urgent Business**

No items of business were raised under this heading.

### **15. Date of Next Meeting**

It was noted that the next scheduled meeting would be held at 10.30am on 17<sup>th</sup> June 2022 in Committee Room 'C' - The Duke of Lancaster Room at County Hall, Preston, preceded by a 30-minute briefing for members of the Committee.

### **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 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 at this point for a 10-minute comfort break.

### **17. Local Pensions Partnership Annual Budget 2022/23 and Strategic Plan**

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 Local Pensions Partnership Limited Group budget for 2022/23 together with a copy of the LPPI Business Plan. When considering the report, the Committee discussed the income contingency set out in the budget, equality/diversity within the Group workforce, and noted that detailed pay proposals would be presented to the Employment Committee on 14<sup>th</sup> March 2022 for approval.

**Resolved:**

1. That, subject to the decision of the Employment Committee on 14<sup>th</sup> March 2022 regarding detailed pay proposals, the Local Pensions Partnership budget for 2022/23, as set out in Appendix 'A' to the report presented, is approved.
2. That the LPPI Business Plan, as set out in Appendix 'B' to the report presented, is noted.
3. That the extension of the lease at LPPI Offices in London, for a further period of two years up to 30<sup>th</sup> September 2024, as set out in the report presented, is approved.

**18. 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.

The Committee considered a report from the Local Pensions Partnership Limited which included updates on the LPP Strategy (including the financial position of the Group up to 31<sup>st</sup> December 2021), the performance of the pension administration service for the 3 months up to 31<sup>st</sup> December 2021 and service provision associated by the Fund's main Advanced Voluntary Contributions provider. An update was also given at the meeting in relation to the development of the East Cliff site in Preston.

**Resolved:** That the updates set out in the report and given at the meeting are noted.

The Chair informed the meeting that he would take item 20 on the agenda as the next item of business.

**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 the various factors that influenced the investment market in which the Fund operated, including increased oil/gas prices and the conflict in Ukraine. The Minutes from the Investment Panel in November 2021 were also presented for information.

**Resolved:** That the report and updates given at the meeting are noted.

## **19. Investment Performance Report**

Exempt information 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, presented a report on the performance of investments up to 31<sup>st</sup> December 2021 and outlined the key objectives of the Fund regarding achieving a 100% solvency level over a reasonable time and maintaining sufficient assets to be able to pay all benefits arising as they fall due.

The Committee noted the performance of the total portfolio over different periods of time and for individual asset allocations.

**Resolved:** That the performance of the Fund for the quarter to the end of December 2021, as set out in the report presented, is noted.

The three representatives from the Local Pensions Partnership left the meeting at this point.

## **21. Investment Service Based Review**

The Chair presented a report on the outcomes of the Investment Service Based Review of the investment services provided by Local Pensions Partnership Investments Limited (LPPI) to the Lancashire County Pension Fund. It was noted that a detailed copy of the report had been made available to members of the Committee via the secure online library.

**Resolved:** That having considered the outcomes of the Investment Service Based Review Sub-Group report the Committee:

1. approve the schedule of investment beliefs as set out at Appendix 'A' to the report presented.
2. note the conclusion in Section A (Investment Management Fees and Transparency and Investment Return) of the report presented and continue to monitor fee savings and investment return on an ongoing basis.
3. note that the current seven sub-pools offered by LPPI are appropriate for the Fund, as detailed in Section B part 3 of the report presented.
4. note that the risk reports currently received by the Committee (Risk Register and Risk Framework) are appropriate for the Fund investment objectives, as detailed in Section C part 2 of the report presented, and
5. note the valuable service of investment advice that LPPI offer, as detailed in Section C part 3 of the report presented.

## **22. Chairs closing remarks**

The Chair informed the Committee that this would be the last meeting attended by Councillor R Whittle as he was not standing for re-election in May 2022 and was also the last meeting for Mr C Smith, Technical Adviser (Pensions) who was due to retire.

Members of the Committee thanked both Councillor Whittle for his contributions to the work of the Committee as a co-opted member since 2013 and Mr Smith for his expertise in supporting the Committee and wished them both well for the future.

L Sales  
Director of Corporate Services

County Hall  
Preston

## **Pension Fund Committee**

Meeting to be held on Friday, 17 June 2022

Electoral Division affected: N/A;
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## **External Audit 2021/22**

(Appendix 'A' refers)

Contact for further information:

Sean Greene, Head of Fund, Lancashire County Pension Fund

sean.greene@lancashire.gov.uk

### **Executive Summary**

The external audit plan for 2021/22 sets out in broad terms the programme of work required to give an opinion on whether the financial statements give a true and fair view of the financial position and performance of the Lancashire County Pension Fund as at 31 March 2022, and that the accounts have been prepared in accordance with proper accounting practice.

### **Recommendation**

The Committee is asked to note the external audit plan set out at Appendix 'A' for the audit of the Lancashire County Pension Fund for 2021/22.

### **Background and Advice**

The external audit carried out by Grant Thornton aims to provide an opinion on whether the statement of accounts of the Lancashire County Pension Fund give a true and fair view of its financial position and performance and provide an opinion on the council's value for money arrangements.

The Audit, Risk and Governance Committee has a key role to ensure control and risk management arrangements are effective and therefore an external audit plan was presented to, and noted by, that Committee on 25 April 2022.

The audit plan sets out various areas, including the approach to the audit, the concept of materiality, key risks and dates.

A copy of the plan is attached as Appendix 'A' for information and a representative from Grant Thornton will be available at the meeting to clarify any points.

To comply with International Auditing Standards – Revised IAS 540 - there is a requirement for auditors to request written representations regarding the reasonableness of methods, significant assumptions, and the data used in financial statement figures. The audit is also required to establish an understanding of the

management processes in place to prevent and detect fraud related to financial statements and to ensure compliance with law and regulation. They are required to make enquiries as to management's knowledge of any actual, suspected, or alleged fraud and to document management's view on some key areas affecting the financial statements.

To meet these requirements, a series of questions have been issued covering these areas including the key accounting estimates. A response to the questions posed by Grant Thornton may be made available on request.

## **Consultations**

Grant Thornton

## **Implications:**

This item has the following implications, as indicated:

## **Risk management**

No significant risks have been identified.

## **Local Government (Access to Information) Act 1985 List of Background Papers**

Paper	Date	Contact/Tel
N/A		

Reason for inclusion in Part II, if appropriate

N/A

# Lancashire County Pension Fund External Audit Plan

**Year ending 31 March 2022**

8 April 2022



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## Your key Grant Thornton team members are:

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Key matters

## Factors

### Pension Fund developments

We have continued to hold regular meetings with the finance team at the Fund. During these meetings we discuss a range of key issues regarding the Fund's general developments, current and projected financial performance, developments within the LPP arrangements and regulatory oversight.

At the time of producing this Plan, Lancashire County Pension Fund's latest available fund asset valuation shows a continuing increase on the overall valuation of assets. At 31 March 2021, the Fund reported net assets of £9.605bn. By 31 January 2022, the valuation of the Fund's assets had increased to £10.532bn.

Since this date, there has been uncertainty caused in markets as a result of the Russia/Ukraine conflict.

Whilst Lancashire County Pension Fund's direct exposure to investments in Russia is immaterial, the volatility caused by the conflict in markets may cause the year-end valuation of investments to be less than originally forecast.

### Changes in IT systems

We are aware that there will be changes to the Pension Funds financial systems during 2022/23. The Pension Fund is expected to upgrade its General Ledger system to Oracle Fusion in June 2022. It is also understood that the Pension Administration system used by LPP is being changed during 2022. Whilst this is not expected to have any impact on the audit of the 2021/22 annual accounts, we have begun engaging with our internal IT specialist auditors to ensure that appropriate work is performed to provide us with the necessary assurance over the completeness and accuracy of any data migrated to new systems and the controls adopted for future audit purposes.

## Our response

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set further in our Audit Plan, sets out the proposed fee for this year's audit, recognising that there are further cost pressures in 2021/22.
- We will continue to provide you with sector updates via our Audit, Risk & Governance Committee updates.
- There is a rebuttable presumed risk that revenue may be misstated due to improper recognition of revenue. We have rebutted this risk for all types of revenue. We have also considered the risk of material misstatement due to fraud related to expenditure and concluded that this is not a significant risk for the Pension Fund.
- There is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. We have therefore identified a significant risk in regard to management override of controls for the audit of the Pension Fund – see page 5 for more information.

# Introduction and headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Lancashire County Pension Fund ('the Pension Fund') for those charged with governance.

## Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Lancashire County Pension Fund. We draw your attention to both of these documents.

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Pension Fund's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit, Risk & Governance Committee).

The audit of the financial statements does not relieve management or the Audit, Risk & Governance Committee of your responsibilities. It is the responsibility of the Pension Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Pension Fund is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Pension Fund's business and is risk based.

## Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management Override of Controls
- Valuation of Level 3 Investments

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

## Materiality

We have determined planning materiality to be £105.317m (PY £92m) for the Pension Fund, which equates to 1% of your net assets as at 31/1/2022. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £5.265m (PY £4.6m).

## Audit logistics

Our interim visit will take place in March/April and our final visit will take place in July to September. Our key deliverables are this Audit Plan and our Audit Findings Report. Our audit approach is detailed in Appendix A.

Our fee for the audit for 2021-22 is still to be confirmed as the PSAA approval process for 20-21 audit fees has only just been finalised. The fee for 2021-22 will be subject to the Pension Fund delivering a good set of financial statements and working papers. The audit fee for the previous year was £39,300.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..

# Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
ISA 240 Fraud in Revenue and Expenditure Recognition	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>We have also rebutted the presumption of fraud in expenditure recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including Lancashire County Council mean that all forms of fraud are seen as unacceptable</li> </ul> <p>Therefore we do not consider this to be a significant risk for Lancashire County Pension Fund.</p>
Management over-ride of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Fund faces external scrutiny of its spending and stewardship of funds and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate the design effectiveness of management controls over journals</li> <li>• analyse the journals listing and determine the criteria for selecting high risk unusual journals</li> <li>• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration</li> <li>• gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence</li> <li>• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>

# Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Level 3 Investments	<p>The Fund revalues its investments on a quarterly basis to ensure that the carrying value is not materially different from the fair value at the financial statements date.</p> <p>By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (£3,584 million) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>Management utilise the services of investment managers as valuation experts to estimate the fair value as at 31 March 2022.</p> <p>We therefore identified valuation of Level 3 investments as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate management's processes for valuing Level 3 investments</li> <li>• review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met</li> <li>• independently request year-end confirmations from investment managers</li> <li>• for a sample of investments, test the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconcile those values to the values at 31 March 2022 with reference to known movements in the intervening period and</li> <li>• in the absence of available audited accounts, we will evaluate the competence, capabilities and objectivity of the valuation expert</li> <li>• test revaluations made during the year to see if they had been input correctly into the Pension Fund's financial records</li> <li>• where available review investment manager service auditor report on design effectiveness of internal controls.</li> </ul>

# Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

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## Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit, Risk & Governance Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?



# Accounting estimates and related disclosures

## Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2022.

Based on our knowledge of the Pension Fund we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of directly held property
- Valuation of level 2 and level 3 investments

## The Pension Fund's Information systems

In respect of the Pension Fund's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Pension Fund uses management experts in deriving some of its more complex estimates, e.g. asset and investment. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Pension Fund (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.



### Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- What the assumptions and uncertainties are;
- How sensitive the assets and liabilities are to those assumptions, and why;
- The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- An explanation of any changes made to past assumptions if the uncertainty is unresolved.

### Planning enquiries

As part of our planning risk assessment procedures we have issued management with a set of questions to be completed and presented to the Audit, Risk & Governance Committee for ratification. We anticipate management will present their responses to the questions to the July Committee.

### Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540\\_Revised-December-2018\\_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

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# Other matters

## Other work

The Pension Fund is administered by Lancashire County Council (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements.

Therefore, as well as our general responsibilities under the Code of Practice a number of other audit responsibilities also follow in respect of the Pension Fund, such as:

- We read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.

## Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

# Materiality

## The concept of materiality

Materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

## Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the net assets of the Pension Fund. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £105.317m (PY £92.0m), which equates to 1% of your net assets as at 31 January 2022.

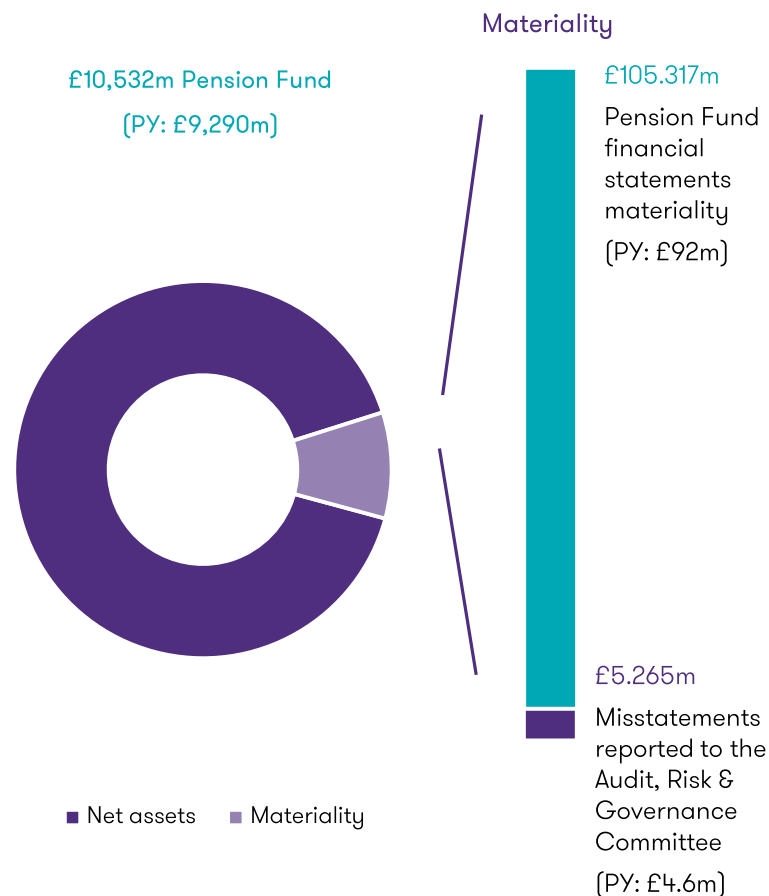
We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

## Matters we will report to the Audit, Risk & Governance Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit, Risk & Governance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £5.265m (PY £4.6m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit, Risk & Governance Committee to assist it in fulfilling its governance responsibilities.

## Net assets at 31/1/2022



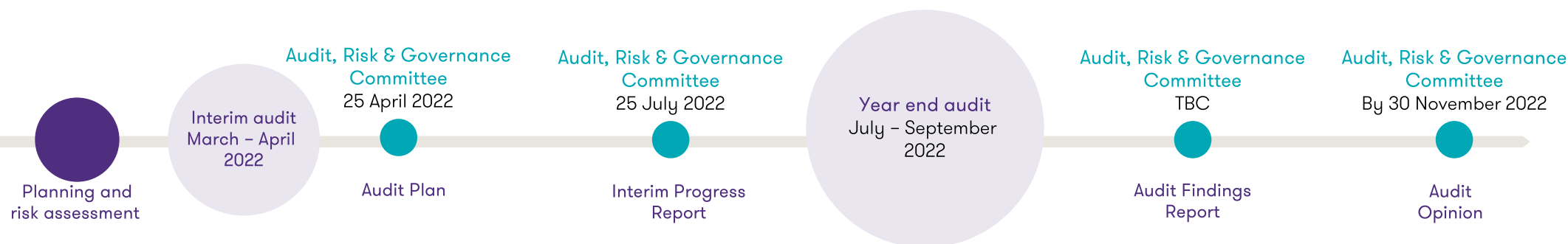
# IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the information systems relevant to financial reporting to identify and assess the risks of material misstatement. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure. Based on the level of assurance required for each IT system the assessment may focus on evaluating key risk areas ('streamlined assessment') or be more in depth ('detailed assessment').

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
Oracle E-Business Suite	Financial reporting	<ul style="list-style-type: none"><li>Roll-forward procedures linked to prior year detailed ITGC assessment (design and operating effectiveness)</li></ul>
Altair (Hosted by LPP)	Contributions & Benefits payable	<ul style="list-style-type: none"><li>Streamlined ITGC design assessment</li></ul>

# Audit logistics and team



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**Sarah Ironmonger, Key Audit Partner and Engagement Lead**

Sarah leads our relationship with you and takes overall responsibility for the delivery of a high quality audit, ensuring the highest professional standards are maintained and a commitment to add value to the Pension Fund.



**Stuart Basnett, Engagement Manager**

Stuart plans, manages and leads the delivery of the audit, is your key point of contact for your finance team and is your first point of contact for discussing any issues.



**Chris Blakemore, Engagement Incharge**

Chris assists in planning, managing and delivering the audit fieldwork, ensuring that the audit is delivered effectively and efficiently. He supervises and co-ordinates the day to day running of the audit.

## Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

## Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

# Audit fees

In 2018, PSAA awarded a contract of audit for Lancashire County Pension Fund to begin with effect from 2018/19. The fee agreed in the contract was £26,310. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2021/22 audit.

Additionally, across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as detailed on page 7, in relation to the updated ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. Our fee for the audit for 2021/22 is still to be confirmed as the PSAA approval process for 20-21 audit fees has only just been finalised. The fee for 2021/22 will be subject to the Pension Fund delivering a good set of financial statements and working papers.

## Assumptions

In setting the above fees, we have assumed that the Pension Fund will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

## Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

	Actual Fee 2019/20	Actual Fee 2020/21	Proposed fee 2021/22
Lancashire County Pension Fund Audit	£36,000	£39,300	£TBC
IAS 19 Assurance Procedures	£9,000	£9,500	£TBC
<b>Total audit fees (excluding VAT)</b>	<b>£45,000</b>	<b>£48,800</b>	<b>£TBC</b>

# Independence and non-audit services

## Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

## Other services

The following other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Pension Fund's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
IAS19 Assurance letters for Admitted Bodies	TBC (£875 per assurance letter)	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is significantly less than the overall audit fee and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Non-audit related			
None			

# Independence and non-audit services

## Other fees charged by Grant Thornton UK LLP in relation to Local Pensions Partnership

For transparency, we are disclosing to you that the commercial arm of our firm undertakes the audit of the Local Pensions Partnership, of which Lancashire County Council is one of the two founding members, each holding 50% share of the equity.

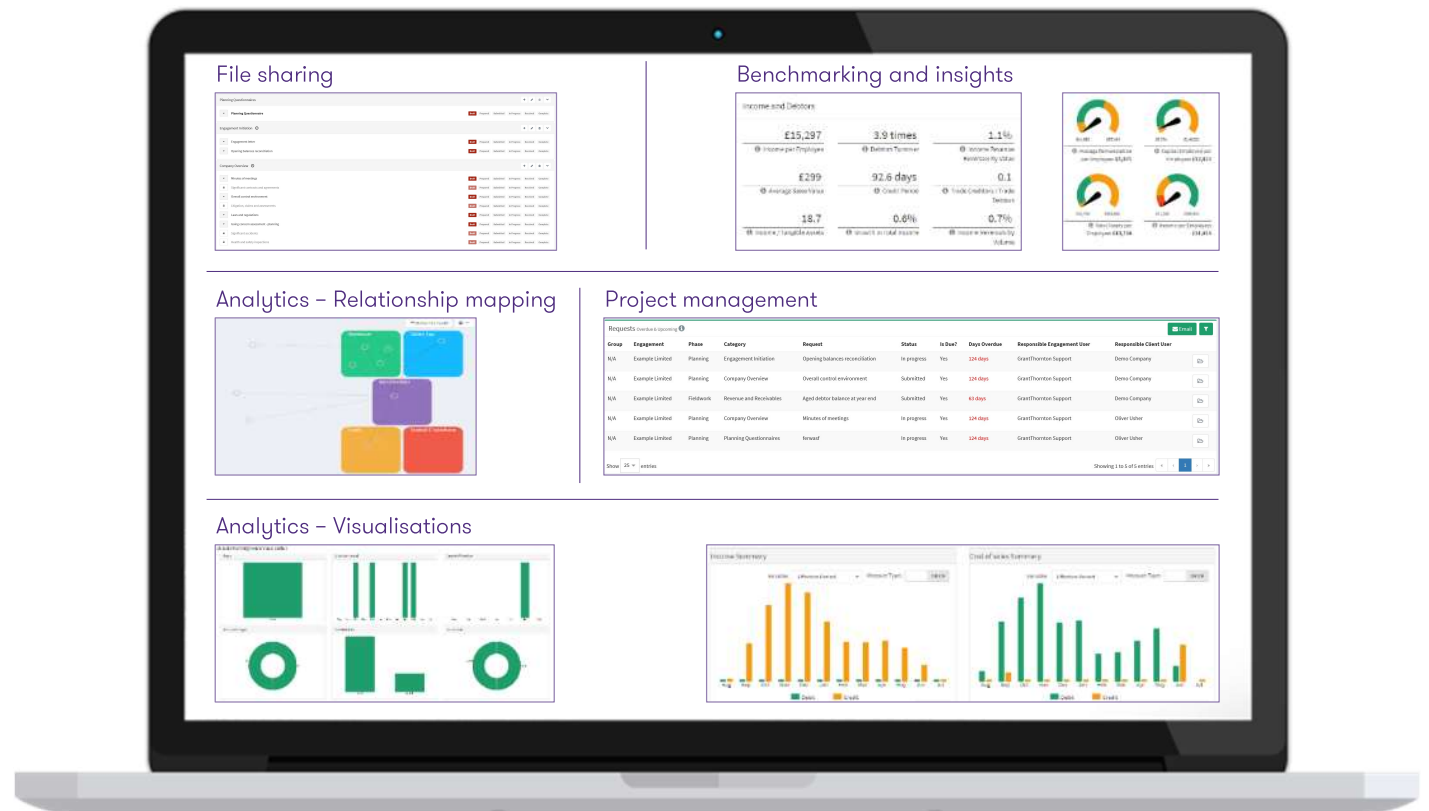
Details of the work performed, and the fees charged, are shown below for transparency purposes. These fees are paid for directly by LPP with no financial impact for Lancashire County Pension Fund or the Council. The below disclosure is purely to make members aware of all fees being paid to Grant Thornton UK LLP by bodies related to Pension Fund. We are satisfied that this work has no impact on our independence for the audit of Lancashire County Pension Fund for the reasons stated below.

Service	Fees £	Threats	Safeguards	
Audit related				
Local Pensions Partnership	TBC	Self-review	This is not considered a significant threat as the audit of Lancashire County Pension Fund and Lancashire County Council is undertaken by a separate audit team from the Public Sector arm of the firm, as opposed to the audit team that delivers the LPP audits. There are different Engagement Leaders in place for the audits, and where we seek to place reliance on the LPP audit, this is treated as an auditor's expert for the purposes of our work. The LPP audit is undertaken in accordance with relevant auditing standards.	
Authorised Contractual Scheme and Investment Funds Structured Audit	(PY £116k)	Self Interest		
Non-audit related				
None				

# Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:

Function	Benefits for you
Data extraction	Providing us with your financial information is made easier
File sharing	An easy-to-use, ISO 27001 certified, purpose-built file sharing tool
Project management	Effective management and oversight of requests and responsibilities
Data analytics	Enhanced assurance from access to complete data populations



Grant Thornton's Analytics solution is supported by Inflo Software technology

# Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:



## Data extraction

- Real-time access to data
- Easy step-by-step guides to support you upload your data



## File sharing

- Task-based ISO 27001 certified file sharing space, ensuring requests for each task are easy to follow
- Ability to communicate in the tool, ensuring all team members have visibility on discussions about your audit, reducing duplication of work



## Project management

- Facilitates oversight of requests
- Access to a live request list at all times



## Data analytics

- Relationship mapping, allowing understanding of whole cycles to be obtained quickly
- Visualisation of transactions, allowing easy identification of trends and anomalies

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## How will analytics add value to your audit?

Analytics will add value to your audit in a number of ways. We see the key benefits of extensive use of data analytics within the audit process to be the following:

### Improved fraud procedures using powerful anomaly detection

Being able to analyse every accounting transaction across your business enhances our fraud procedures. We can immediately identify high risk transactions, focusing our work on these to provide greater assurance to you, and other stakeholders.

Examples of anomaly detection include analysis of user activity, which may highlight inappropriate access permissions, and reviewing seldom used accounts, which could identify efficiencies through reducing unnecessary codes and therefore unnecessary internal maintenance.

Another product of this is identification of issues that are not specific to individual postings, such as training requirements being identified for members of staff with high error rates, or who are relying on use of suspense accounts.

### More time for you to perform the day job

Providing all this additional value does not require additional input from you or your team. In fact, less of your time is required to prepare information for the audit and to provide supporting information to us.

Complete extracts from your general ledger will be obtained from the data provided to us and requests will therefore be reduced.

We provide transparent project management, allowing us to seamlessly collaborate with each other to complete the audit on time and around other commitments.

We will both have access to a dashboard which provides a real-time overview of audit progress, down to individual information items we need from each other. Tasks can easily be allocated across your team to ensure roles and responsibilities are well defined.

Using filters, you and your team will quickly be able to identify actions required, meaning any delays can be flagged earlier in the process. Accessible through any browser, the audit status is always available on any device providing you with the information to work flexibly around your other commitments.

# Appendix 1: Progress against prior year audit recommendations

We identified the following issues in our 2020/21 audit of the Pension Fund’s financial statements, which resulted in one recommendation being reported in our 2020/21 Audit Findings Report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
x	<p>As reported in prior Audit Findings Reports, manual journals within the financial ledger are input by approved personnel, but they are not subject to authorisation controls at the time of input.</p> <p>The risk is that the lack of authorisation controls at the time of input creates a higher level of risk of error or manipulation.</p> <p><b>Recommendation</b> Review the authorisation procedures in place over journal input.</p>	<p><b>Management Response</b></p> <p>The same personnel-based controls remain in place as in previous years, as does the lack of incentive for finance personnel to manipulate journals.</p> <p>Whilst we accept there are no preventative controls in place, there are informal detective controls in place, such as monthly reconciliations to the custodians report and quarterly reviews, that would identify errors caused by journals.</p> <p>Any journals for unusual accounting are discussed amongst the finance team and the approach agreed prior to them being posted. A review of users with access to the pension fund general ledger (and therefore ability to post journals) is carried out at least annually.</p>

# Appendix 2: Significant improvements from the Financial Reporting Council's (FRC) quality inspection

On 29 October, the FRC published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year. A link to the report is here: [FRC AQR Major Local Audits October 2021](#)

Grant Thornton are one of seven firms which currently delivers local audit work. Of our 330 local government and NHS audits, 87 are currently defined as 'major audits' which fall within the scope of the AQR. This year, the FRC looked at nine of our audits.

## Our file review results

The FRC reviewed nine of our audits this year. It graded six files (67%) as 'Good' and requiring no more than limited improvements. No files were graded as requiring significant improvement, representing an impressive year-on-year improvement. The FRC described the improvement in our audit quality as an 'encouraging response by the firm to the quality findings reported in the prior year.' Our Value for Money work continues to be delivered to a high standard, with all of the files reviewed requiring no more than limited improvement. We welcome the FRC findings and conclusions which demonstrate the impressive improvement we have made in audit quality over the past year.

The FRC also identified a number of good practices including effective challenge of management's valuer, use of an auditor's expert to assist with the audit of a highly specialised property valuation, and the extent and timing of involvement by the audit partner on the VFM conclusion.

Our results over the past three years are shown in the table below:

Grade	Number 2018/19	Number 2019/20	Number 2020/21
Good with limited improvements (Grade 1 or 2)	1	1	6
Improvements required (Grade 3)	2	5	3
Significant improvements required (Grade 4)	1	0	0
Total	4	6	9

## Our continued commitment to Audit quality and continuous improvement

Our work over the past year has been undertaken during the backdrop of COVID, when the public sector has faced the huge challenge of providing essential services and helping safeguard the public during the pandemic. Our NHS bodies in particular have been at the forefront of the public health crisis. As auditors we have had to show compassion to NHS staff deeply affected by the crisis, whilst staying focused on the principles of good governance and financial management, things which are more important than ever. We are very proud of the way we have worked effectively with audited bodies, demonstrating empathy in our work whilst still upholding the highest audit quality.

# Significant improvements from the Financial Reporting Council's (FRC) quality inspection (cont.)

Over the coming year we will make further investments in audit quality including strengthening our quality and technical support functions, and increasing the level of training, support and guidance for our audit teams. We will address the specific improvement recommendations raised by the FRC, including:

- Enhanced training for local auditors on key assumptions within property valuations, and how to demonstrate an increased level of challenge
- Formalising our arrangements for the consideration of complex technical issues by Partner Panels.

As part of our enhanced Value for Money programme, we will focus on identifying the scope for better use of public money, as well as highlighting weaknesses in governance or financial stewardship where we see them.

## Conclusion

Local audit plays a critical role in the way public sector audits an society interact, and it depends on the trust and confidence of all those who rely on it. As a firm we're proud to be doing our part to promote good governance, effective stewardship and appropriate use of public funds.



## **Pension Fund Committee**

Meeting to be held on Friday, 17 June 2022

Electoral Division affected: N/A;
--------------------------------------

## **2021/22 Budget Monitoring Report**

(Appendix 'A' refers)

Contact for further information:

Sean Greene, Head of Fund, Sean.Greene@lancashire.gov.uk

### **Executive Summary**

Details of the financial performance of the Fund for the year ended 31 March 2022, with a comparison to budget and prior year results, are set out at Appendix 'A'. The data included in the Appendix forms the basis of the year end statutory financial statements which are subject to audit.

### **Recommendation**

The Committee is asked to review the financial results for the year ending 31 March 2022 and note the variances, as set out in the report.

### **Background and Advice**

The budget for the financial year ending 31 March 2022 was approved by the Pension Fund Committee on Friday 12th March 2021. The budget was based on the information available at that time and the budgeted net expenditure to the Fund, before accounting for changes in the market value of investments during the year, was £37.1m. As discussed at previous Committee meetings, during the course of 2021/22 it has become evident that actual net expenditure at the year-end would be greater than budgeted. The unaudited actuals now presented shows the net expenditure at £111.5m.

Appendix 'A' provides a more detailed breakdown of the budgeted, Q3 forecasted and actual income and expenditure. Key variances are outlined below.

### **Contribution's income**

#### **Actual £161.5m (Budget £174.7m, revised forecast at Q4 £157.1m)**

The monthly employer and employee contributions increased £4.4m more than forecast. This was largely due to an additional £3.6m of employer contributions being received as some employers who previously prepaid contributions took up the option

of making a top up payment to reflect differences in actual pensionable pay to that estimated when the prepayments were calculated. These were unknown when making the prior forecast. Some further income was received as the impact of the 2021 pay award was slightly higher than forecasted.

As reported on 17 September the budget included an additional amount of Future service rate contributions of £20m for expected new employers. This appeared to have been an overestimate and was excluded from the subsequent forecasts during the year.

### **Transfers In**

**Actual £15.9m (Budget £9.9m, forecast at Q4 £13.5m)**

Income from transfers is dependent on the number and timing of new members joining the Fund and is not an item that can be predicted with great accuracy.

### **Investment income**

**Actual £203.3m (Budget £179.5, forecast at Q4 £218.5m)**

Investment income consists mainly of income from the pooled investment funds (95% of the budget). Also included are direct property rental income, interest, foreign exchange differences and tax refunds.

The investment income received was £23.8m higher than expected when setting the budget. This increase was largely due to an unexpected £18.5m dividend being received by the fund prior to the sale of an asset and a large distribution relating to the infrastructure fund being received. These were reflected in the Q3 forecast.

However, the year-end position shows that the investment Income received is above the budget for the year but has fallen from the Q3 forecast. Distributions received in Q4 from Infrastructure, Global Equities and Pooled Property income were below that anticipated in setting the Q3 forecast.

### **Total benefits payable**

**Actual £306.3m (Budget £294.6m, forecast at Q4 £305.3m)**

The actual for the year is broadly in line with budget and forecast. The overall adverse variance is due to both Pensions and lump sum benefits being in excess of budget.

### **Transfers out**

**Actual £13.4m (Budget £16.2m, forecast at Q4 £14.3m)**

The cost of transfers out of the Fund is dependent on the number and timing of members transferring their benefits to other funds. The actual is broadly in line with expectations.

## **Investment management expenses**

**Actual £166.0m (Budget £84.2m, forecast at Q4 £158.5m)**

Investment management expenses encompass fees related to the ongoing management, custody and performance of investments.

### **Management fees**

Management fees (related to ongoing management) are expected to directly relate to the value of the assets. At the point that the budget is set, management fees are estimated based on asset values at that point projected forwards. Actual experience during the year to date has shown that asset values have increased at a much greater rate than projected. During the 12 months to 31 March 2022, the value of the Fund's assets has increased from £9.6 billion to £10.6 billion, and this increase in asset value has resulted in an increase in management fees.

### **Performance fees**

Performance related fees are highly difficult to estimate as they are dependent on returns generated over a particular period, there are specific thresholds to be met before being payable and provisions whereby prior performance fees can be returned to investors. As such, it is the Fund's policy not to forecast performance-related fees. Rather, the budget/estimate for the current year is based on the previous year's actual performance fees subject to some relevant adjustments. Differences between budgeted / estimated fees and actual fees are likely to be exacerbated by periods of market volatility under this approach.

### **Overall position**

The 12-month actuals to 31st March 2022 show the investment management fees are higher than initially anticipated in the budget. However, there was an increase in the final cost compared to the forecast principally due to further performance fees and given the asset valuation the variation it is not totally unexpected.

## **Fund administration and oversight and governance fees**

**Actual £5.5m (Budget £5.5m, forecast at Q4 £5.7m)**

These cover payment to Local Pensions Partnership Administration Limited for the core administration services and costs such as staff, legal and actuarial fees incurred in running the fund. The actual is in line with the budget and is slightly lower than the Q3 forecast as the use of the bad debt provision was lower than anticipated.

### **Consultations**

Local Pensions Partnership Investments Limited has been consulted for investment management fee and investment income analysis.

**Implications:**

This item has the following implications, as indicated:

**Risk management**

The full year financial performance is included in the Fund's annual report and statement of accounts for the year ended 31 March 2022. Regular budget monitoring is a key control for the Fund and assists in the financial management of the Fund, providing an indication of significant variances from expectations and informing future budgets.

**Local Government (Access to Information) Act 1985  
List of Background Papers**

Paper	Date	Contact/Tel
N/A		

Reason for inclusion in Part II, if appropriate
N/A

**Lancashire County Pension Fund**  
**Fund Account - Year ending 31 March 2022**

	PRIOR YEAR ACTUAL Year ended 31 March 2021 £'000	BUDGET Year ending 31 March 2022 £'000	ACTUAL Year ending 31 March 2022 £'000	FORECAST at Q3 Year ending 31 March 2022 £'000	FORECAST VARIANCE Year ending 31 March 2022 £'000	BUDGET VARIANCE Year ending 31 March 2022 £'000	BUDGET VARIANCE Year ending 31 March 2022 % of budget
INCOME							
Contributions Receivable							
From Employers							
Future service rate contributions	(327,386)	(99,190)	(86,912)	(82,092)	4,820	12,278	(12.4%)
Deficit recovery contributions	(17,961)	(4,646)	(5,005)	(5,058)	(53)	(359)	7.7%
Pension strain / augmented pensions	(6,432)	(6,800)	(1,879)	(3,344)	(1,465)	4,921	(72.4%)
From Employees	(77,374)	(64,105)	(67,656)	(66,577)	1,079	(3,551)	5.5%
Total contributions receivable	(429,153)	(174,741)	(161,452)	(157,071)	4,381	13,289	(7.6%)
Transfers in	(10,761)	(9,900)	(15,860)	(13,521)	2,340	(5,960)	60.2%
Total Investment Income	(146,700)	(179,488)	(203,275)	(218,528)	(15,253)	(23,787)	13.3%
TOTAL INCOME	(586,615)	(364,129)	(380,587)	(389,120)	(8,533)	(16,458)	4.5%
EXPENDITURE							
Benefits Payable							
Pensions	246,869	249,251	252,862	251,963	(899)	3,611	1.4%
Lump Sum Benefits	44,928	45,300	53,442	53,367	(75)	8,142	18.0%
Total benefits payable	291,796	294,551	306,305	305,330	(975)	11,753	4.0%
Transfers out	16,549	16,200	13,422	14,262	839	(2,778)	(17.1%)
Refund of Contributions	768	730	858	862	4	129	17.6%
Contributions Equivalent Premium	(13)	50	(9)	6	14	(59)	(117.1%)
Fund administrative expenses							
Administrative and processing expenses:							
Total administrative expenses (includes LPP expenses)	3,952	4,206	4,128	4,256	128	(78)	(1.9%)
Total administrative expenses	3,952	4,206	4,128	4,256	128	(78)	(1.8%)
Investment management expenses							
Investment management fees:							
LPP directly invoiced investment management fees	995	1,178	790	922	132	(388)	(33.0%)
DIRECTLY INVOICED non LPP investment management fees - direct holdings	573	163	179	163	(16)	16	9.5%
Investment management fees on pooled investments	109,754	80,043	161,425	152,768	(8,657)	81,381	101.7%
Transition costs	0	0	0	0	0	0	#DIV/0!
Custody fees	(14)	60	40	54	15	(20)	(33.6%)
Commission, agents charges and withholding tax	1,092	1,425	571	3,155	2,584	(855)	(60.0%)
LCC recharge for treasury management costs	29	58	58	58	0	0	0.0%
Property expenses	1,764	1,276	2,918	1,360	(1,558)	1,642	128.6%
Total investment management expenses	114,193	84,204	165,980	158,481	(7,499)	81,775	97.1%
Oversight and Governance expenses							
Performance measurement fees (including Panel)	112	85	120	85	(35)	35	40.6%
Lancashire Local Pensions Board	0	12	7	12	5	(5)	(39.3%)
IAS19 advisory fees	11	0	0	0	0	0	#DIV/0!
Other advisory fees (including abortive fees)	124	160	70	160	90	(90)	(56.4%)
Actuarial fees	113	166	197	166	(31)	31	18.6%
Audit fees	109	41	27	31	4	(14)	(33.0%)
Legal & professional fees	(89)	14	77	100	24	62	429.9%
LCC staff recharges	689	763	872	878	6	108	14.2%
Bank charges	3	2	5	4	(1)	3	209.4%
Total oversight and governance expenses	1,072	1,244	1,375	1,436	62	131	10.5%
TOTAL EXPENDITURE	428,317	401,185	492,059	484,633	(7,427)	90,874	22.7%
MONEY AVAILABLE FOR INVESTMENT BEFORE REALISED AND UNREALISED PROFITS AND LOSSES ON INVESTMENTS							
	(158,298)	37,056	111,473	95,513	(15,960)	74,416	200.8%



## **Pension Fund Committee**

Meeting to be held on Friday, 17 June 2022

Electoral Division affected: (All Divisions);
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## **Internal Audit Report 2022**

(Appendix 'A' refers)

Contact for further information:

Andrew Dalecki, Tel: 01772 533469, Head of Service - Internal Audit,  
andrew.dalecki@lancashire.gov.uk

### **Brief Summary**

This report gives a summary of the internal audit assurance work relating to the Lancashire County Pension Fund during 2021/22 and planned for 2022/23.

### **Recommendation**

The Committee is asked to note the report

### **Detail**

The County Council's Audit, Risk and Governance Committee has prime responsibility for overseeing the work of the Internal Audit Service, but the Pension Fund Committee should also be aware of the assurance available over the operation of the Fund. The report set out at Appendix 'A' provides a summary of the audit work completed during 2021/22 and what is planned for 2022/23.

### **Consultations**

The Head of Pension Fund together with the Local Pensions Partnership Limited have been consulted about the contents of this report.

### **Implications:**

This item has the following implications, as indicated:

### **Risk management**

This report supports the Pension Fund Committee in undertaking its responsibility for the management of the Fund, including administration of benefits.

**Local Government (Access to Information) Act 1985**  
**List of Background Papers**

Paper	Date	Contact/Tel
N/A	N/A	N/A
Reason for inclusion in Part II, if appropriate		
N/A		

## Internal audit assurance for the Pension Fund Committee

### 1 Introduction

- 1.1 Lancashire County Council, as the administering authority of the Lancashire County Pension Fund (LCPF), has prepared a governance compliance statement that sets out the role of the council's Pension Fund Committee, Investment Panel and Pension Board. The Pension Board's terms of reference include the requirements that it should, "review the outcome of internal and external audit reports in relation to the Fund".
- 1.2 The terms of reference for the council's Audit, Risk and Governance Committee give it a wider remit to oversee internal audit activity, and its terms of reference address its oversight of the work of the Internal Audit Service in some detail. This includes a requirement to,  

"Consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work"
- 1.3 The Internal Audit Service's annual programme of work includes work relating to the Pension Fund and the Audit, Risk and Governance Committee considers both the annual plan and the outcomes of the work done during the year.
- 1.4 This report is therefore presented to the Pension Fund Committee for its information regarding the outcomes of the internal audit work done during 2021/22 and the work included in the annual audit plan for 2022/23 relating to the LCPF.

### 2 Sources of assurance

- 2.1 Assurance is available to the Council from its own Internal Audit Service, work undertaken independently by KPMG and internal assurance reviews completed by Local Pension Partnership Ltd (LPP). Pension administration services are provided by the administration arm of LPP, Local Pensions Partnership Administration Limited (LPPA) with investment services being undertaken by the investment arm, Local Pensions Partnership Investment Limited (LPPI). This is set out in sections 3, 4 and 5 below.
- 2.2 LPPA also regularly provides the Council with compliance statements which certify during the year that:
  - the Fund has been administered in all material respects and all benefits have been paid in accordance with the Regulations and with all statutory provisions affecting it from time to time;
  - to the best of LPPA's knowledge and belief, all contributions and other payments due to the Fund have been paid in accordance with the agreed rates and adjustments certificates for the Fund;
  - LPPA is not aware of any circumstances relating to its administration of the Fund which could prejudice the registered status of the Fund; and

- records have been maintained throughout the period in accordance with the terms of LPPA's agreement with the council.

2.3 All the statements above have been made with no qualifications.

### 3 Internal audit work 2021/22

3.1 Details of the work undertaken by the Internal Audit Service and the assurance it provides for 2021/22 are set out below, and explanations of the assurance provided are set out in the annex to this report.

Audit work	Assurance
<b>Assurance provided by the county council's Internal Audit Service over the work of the Lancashire County Pension Fund Service</b>	
Admission of employers to the fund	Substantial
Recovery of pension overpayments	Moderate
Accounting through the council's general ledger	Substantial
Employers' contributions- follow up.	
<b>Assurance relating to LPPA's administration of benefits</b>	
Compliance Effectiveness - Deloitte	Effective with Scope for Improvement
Finance system implementation	Effective with Scope for Improvement
<b>Assurance relating to Local Pensions Partnership Investments (LPPI)</b>	
Type 1 Service auditor's assurance - KPMG	Unqualified opinion.

#### Admission of Employers to the Fund

- 3.2 The management of admissions to the Local Government Pension Scheme (LGPS) is effective in mitigating the known risks to the LCPF.
- 3.3 There is a detailed admissions and terminations policy which was agreed by the Pension Fund Committee and reflects statutory guidance. Admissions to the scheme and academy conversions are recorded in a comprehensive case tracker and managed in line with the policy. Although, the admission process is often not on a timely basis, this is mainly due to a combination of the complexity of the process and technical queries being resolved. Risk assessments are carried out on all admissions to assess the financial strength of the prospective employer and help to determine whether a bond is required. Admission agreements are reviewed by legal services and signed by all parties prior to approval of admission to the scheme by the Head of Fund. Going forward, LCPF are intending to review admitted bodies financial strength on a periodic basis, which will further mitigate risks to the LCPF.

#### Recovery of pension overpayments

- 3.4 Overpayments are generally identified promptly, and the cause of the overpayment is investigated. Since the completion of the LCPF audit there has been an improvement in the coordination and communication between LCPF and the LPPA. This includes the agreement of a debt strategy.
- 3.5 There is potential to make improvements to the recovery process. The management of overpayment cases is not always completed on a timely basis. Sometimes information is incorrectly input on the pensions administration system 'Altair'. Although, this had already been identified by the service as an issue therefore

actions to address this have commenced. It is also expected that a new case management system 'Universal Pensions Management' should also deliver improvements. There is currently a significant balance on the overpayments balance sheet control account. A contributory factor to this is information being incorrectly input and the lack of monthly reconciliations, which could help identify these errors.

### **Accounting for the Pension Fund through the council's general ledger**

- 3.6 Procedures and processes operate effectively to administer the general ledger. Control accounts for the council and LCPF are accurately maintained, and larger value accounts are reconciled.
- 3.7 At the time of auditing, council and LCPF closure timetables for the 2021/22 accounts had been drafted and submitted to managers for approval before being finalised.

### **Employers' contributions- follow up**

- 3.8 Significant progress has been made since the completion of this audit to implement the actions agreed. There is now ongoing communication between LPPA and the LCPF to resolve employer issues, which is through formal meetings as well as the sharing of data. LPPA have introduced and embedded documented procedures for the monthly data collection and reconciliation process. The error log is being effectively managed, however, there is still some historic errors that have yet to be resolved. The introduction of the Universal Pensions Management system should further enhance the control environment as it will reduce the current manual intervention and reconciliation required.

## **4 Assurance relating to LPPA's administration of benefits**

### **Finance System Implementation**

- 4.1 LPPA implemented a new finance system (MS Dynamics Business Central) in August 2021. The Finance team at LPPA has demonstrated a good understanding of the new finance system and made progress to cover the backlog of invoices and payments as a result of the migration black out period from end of July to the end of August 2021. Potential improvements have been identified which once implemented will strengthen the purchase and payment processes. Since the completion of this Audit LPPA have provided management assurance that all agreed actions resulting from the audit have now been completed. The scope of this audit was focused on LPPA's internal finance processes. Any operational payments made on behalf of the fund were out of scope of this review.

### **Compliance Effectiveness**

- 4.2 LPPA has established an in-house Risk and Compliance team that undertakes controls testing throughout the year. The work of that team has been assessed at the end of 2021/22 by Deloitte. The review found that the compliance function at LPPA has processes in place for the creation of the compliance monitoring plan, horizon scanning, risk assurance mapping and the provision of technical advice to the business. Whilst the compliance & risk function has had resourcing constraints over recent months, it is noted that the decision to halt the 2021/22 monitoring plan in October 2021 received formal approval by the Audit, Risk & Compliance Committee ("ARCC"). The Head of Risk and Compliance demonstrated a good understanding of the processes and controls within the compliance function throughout the audit and acknowledges that as the function is in its infancy, it still has some work to do to increase in maturity.

## 5 Assurance relating to LPPI

- 5.1 An independent service auditor's assurance report on control activities has been produced. This is the first such independent assurance assessment LPPI has undergone and the purpose of doing so is to provide assurance to LPPI clients. This assurance is to replace the clients' need to place reliance on LPPI's internal audit reporting. LPPI's internal audit reports are only intended for LPPI's own internal use, their Internal Audit findings are reported to their own Audit and Risk Committee.

## 6 Internal audit plans for 2022/23

- 6.1 The following work relating to the Lancashire County Pension Fund has been included on the audit plan for the county council in 2022/23 which was approved by the council's Audit, Risk and Governance Committee on 25 April 2022.

Operational area of activity	Audit work
Pensions processing	Review and test the adequacy of controls in operation to mitigate the key risks relating to the processing of pension payments.
Pensions treasury management	Review compliance with the treasury management requirements relating to the pension fund.
Accounting for the Pension Fund through the council's general ledger	Compliance testing of key controls in operation to mitigate the key risks regarding the general ledger.
Obtaining and understanding the assurance provided by LPPs own resources.	Assessment of the assurance over the operation of the Pension Fund by the Local Pensions Partnership Ltd (LPP).
Recovery of overpayments; Follow up Audit	Review the progress made to implement the agreed management actions.
Admitting employers to the Fund; Follow up Audit	Review the progress made to implement the agreed management actions.

## Audit assurance levels and classification of residual risks

The assurance levels and classification of risks within Lancashire County Council's Internal Audit Service are as follows.

### Audit assurance levels

Note that our assurance may address the adequacy of the control framework's design, the effectiveness of the controls in operation, or both. The wording below addresses all of these options and we will refer in our reports to the assurance applicable to the scope of the work we have undertaken.

**Substantial assurance:** the framework of control is adequately designed and/ or effectively operated overall.

**Moderate assurance:** the framework of control is adequately designed and/ or effectively operated overall, but some action is required to enhance aspects of it and/ or ensure that it is effectively operated throughout the service, system or process.

**Limited assurance:** there are some significant weaknesses in the design and/ or operation of the framework of control that put the achievement of the service, system or process' objectives at risk.

**No assurance:** there are some fundamental weaknesses in the design and/ or operation of the framework of control that could result in failure to achieve the service, system or process' objectives.

### Classification of residual risks requiring management action

**Extreme residual risk:** critical and urgent in that failure to address the risk could lead to one or more of the following: catastrophic loss of the county council's services, loss of life, significant environmental damage or significant financial loss, with related national press coverage and substantial damage to the council's reputation. *Remedial action must be taken immediately.*

**High residual risk:** critical in that failure to address the issue or progress the work would lead to one or more of the following: failure to achieve organisational objectives, significant disruption to the council's business or to users of its services, significant financial loss, inefficient use of resources, failure to comply with law or regulations, or damage to the council's reputation. *Remedial action must be taken urgently.*

**Medium residual risk:** failure to address the issue or progress the work could impact on operational objectives and should be of concern to senior management. *Prompt specific action should be taken.*

**Low residual risk:** matters that individually have no major impact on achieving the service's objectives, but where combined with others could give cause for concern. *Specific remedial action is desirable.*

The overall risk ratings applied by Deloitte to its reports, and the descriptions of risk mitigation and control effectiveness are as follows:

Overall report rating	Description of risk mitigation and control effectiveness
Ineffective	Risk mitigation or control absent or ineffective – high risk of failure in prevention, detection, and risk mitigation and/ or control activities for audited functions, processes and activities. Multiple high priority findings/ issues or significant number of either high or medium priority findings/ issues.
Effective with scope for improvement	Risk mitigation activities and controls may be compromised or fail – moderate risk of failure in risk mitigation and control with some need and justification to improve risk mitigation and control activities for audited functions, processes and activities. Some high priority issues or a significant number of medium and low priority findings/ issues.
Effective	Compliant (adequate in the circumstances) – low risk of failure in risk mitigation and control and some scope or justification to improve risk mitigation and control activities for audited functions, processes and activities. No high priority findings/ issues. Some moderate and low priority findings/ issues.

Risk rating	Description of risk mitigation and control effectiveness
High	The issue presents a risk that involves a direct exposure to significant assets or a significant potential financial loss. Lack of appropriate controls could have a considerable impact on operations, compliance with laws and regulations, or financial results.
Medium	The issue presents a risk, which involves an indirect exposure to significant assets and could have a moderate impact on operations, compliance with laws and regulations, or financial results.
Low	The issue and associated risks have limited impact on operations, compliance with laws and regulations, or financial results.

## **Pension Fund Committee**

Meeting to be held on Friday, 17 June 2022

Electoral Division affected: (All Divisions);
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## **Lancashire County Pension Fund - Governance Compliance Statement** (Appendix 'A' refers)

Contact for further information: Mukhtar Master, Governance & Risk Officer,  
Lancashire County Pension Fund (01772) 5 32018  
mukhtar.master@lancashire.gov.uk

### **Executive Summary**

Under regulation 55 of the LGPS Regulations 2013, all Funds within the Local Government Pension Scheme (LGPS) in England and Wales are required to publish a Governance Compliance Statement.

The Fund has previously produced an Annual Governance Statement, together with a separate Governance Policy Statement. Both of these documents have been superseded by the requirement to produce a single Governance Compliance Statement.

### **Recommendation**

The Committee is asked to approve the draft Governance Compliance Statement for the Lancashire County Pension Fund as set out at Appendix 'A' to this report.

### **Background and Advice**

The Fund has previously produced the following distinct documents related to governance within the Pension Fund Annual Report:

1. Annual Governance Statement;
2. Governance Policy Statement.

As well as appearing the Pension Fund Annual Report, the Annual Governance Statement has been provided to support the LCC Annual Governance Statement each year which is included in the LCC Statement of Accounts.

Additionally, both of documents (1) and (2) were included within the Pension Fund's Annual Report together with a Governance Compliance Statement. An internal review of governance content within the Pension Fund Annual Report identified the need for updated, clearer, streamlined content.

The single new draft Governance Compliance Statement negates the need to produce the two separate documents outlined above, whilst ensuring that all the relevant content is covered in one single document within the Pension Fund Annual Report. This approach reduces complexity and reflects current regulatory requirements and best practice.

However, the Fund has also provided separate content for inclusion within the LCC's Annual Governance Statement this year which is included in the LCC Statement of Accounts. The content provided was an abridged version of the draft Governance Compliance Statement being presented to the Committee today.

## **Fund Governance Requirements**

Under regulation 55 of the LGPS Regulations 2013, all Funds within the Local Government Pension Schemes (LGPS) in England and Wales are required to publish a Governance Compliance Statement. The regulation prescribes the content of the Governance Compliance Statement which must also be included in the annual report. The Statement should outline the overall governance structures and arrangements in place including:

- the respective roles and responsibilities of the pensions or investments committee, local pensions board and any related sub-committees or advisory panels;
- membership of each panel, board, committee or sub-committee with details of each member's voting rights, record of attendance at meetings and details of training received;
- how the CIPFA Knowledge and Skills Framework, and other training requirements, (e.g. for MIFID II and The Pensions Regulator) have been applied;
- how oversight and governance of the regional asset pool takes place<sup>1</sup>;
- other key elements of the governance structure (e.g. key officers, cash flow/risk management arrangements and systems of internal controls);
- policies and processes for managing conflicts of interest (e.g. Codes of Conduct, Register of Interests).

Additionally the Governance Compliance Statement illustrates how governance works in everyday terms e.g. by including:

- a commentary on the work undertaken by the Pensions Committee (or equivalent) and the Local Pension Board;
- how the fund meets the requirements of "Nolan Principals" and the CIPFA/SOLACE "Good Governance Framework".

The draft Governance Compliance Statement for the Fund is set out at Appendix 'A'. Once finalised the Governance Compliance Statement will be included in the Annual Report (to be presented to the Committee at its September 2022 meeting).

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<sup>1</sup> This is not covered within the Governance Compliance Statement itself but will be included within a relevant section of the Pension Fund Annual Report.

## **Consultations**

LCC Finance, Worth Technical Accounting Solutions Ltd. and the Head of Internal Audit.

## **Implications:**

This item has the following implications, as indicated:

## **Risk management**

A sound Governance Compliance Statement which reflects the reality of the operation of the Fund represents a key assurance for members that the control framework is operating appropriately to manage risk.

## **Local Government (Access to Information) Act 1985 List of Background Papers**

Paper	Date	Contact/Tel
None		

Reason for inclusion in Part II, if appropriate

N/A



## **Lancashire County Pension Fund Governance Compliance Statement**

Under regulation 55 of the LGPS Regulations 2013, all Local Government Pension Schemes (LGPS) in England and Wales are required to publish a Governance Compliance Statement.

The Governance Compliance Statement must set out whether the local authority delegates its functions, or part of its functions to a committee, a sub-committee, or an officer of the authority.

Lancashire County Pension Fund (the Fund) although not a separate legal entity, has its own specific governance arrangement and controls which sit within the overall governance framework of Lancashire County Council.

As the Administering Authority the County Council is responsible for making decisions relating to the operation of the Fund, including the following:

- To ensure that the Fund operates in accordance with the Local Government Pension Scheme regulations,
- To monitor and review all aspects of the Fund's performance, which includes administration and investment,
- The collection of employee and employer contributions, investment income and other amounts to the Fund as stipulated in the regulations,
- To ensure that cash is available to meet the Fund's liabilities,
- To ensure that assets are invested in accordance with the Fund's Investment Strategy Statement,
- The development, maintenance and implementation of various policies and strategies as required such as the Administration Strategy, Discretions Policies, Breaches Policy, Investment Strategy Statement, and Funding Strategy Statement which together ensure effective governance of the Fund.

### **Governance Structure**

The Pension Fund Committee fulfils the role of 'Scheme Manager'<sup>1</sup>, as set out in regulations, for the Fund which includes the administration of benefits and the strategic management of Fund investments and liabilities. It is responsible for establishing, and monitoring progress on, the strategic objectives of the Fund through a rolling three-year Strategic Plan.

The County Council has established two bodies to assist and support the Pension Fund Committee oversee the Fund:

- The Investment Panel; and
- The Lancashire Local Pension Board.

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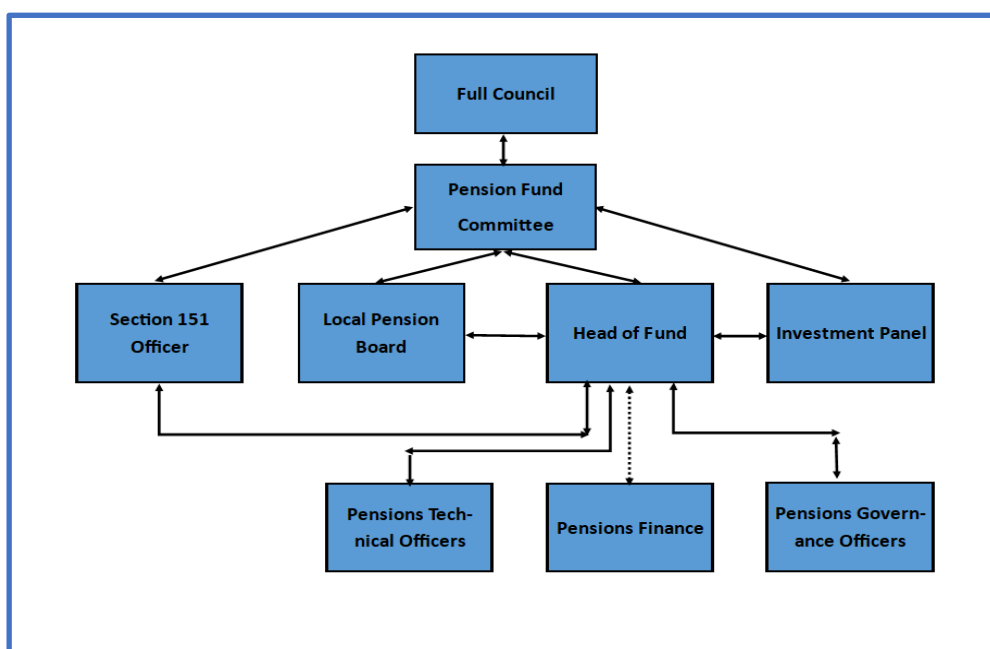
<sup>1</sup> A person or body responsible for managing or administering a pension scheme established under section 1 of the 2013 Act. In the case of the LGPS, each Fund has a Scheme Manager which is the Administering Authority.

The Investment Panel provides expert professional independent advice to the Pension Fund Committee in relation to investment strategy and supports the Head of Fund with the specialist advice as required by the Pension Fund Committee.

The role of the Local Pension Board is to assist the County Council as the Administering Authority which includes:

- to secure compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS,
- to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator; and
- in such other matters as the LGPS regulations may specify.

### Fund Structure

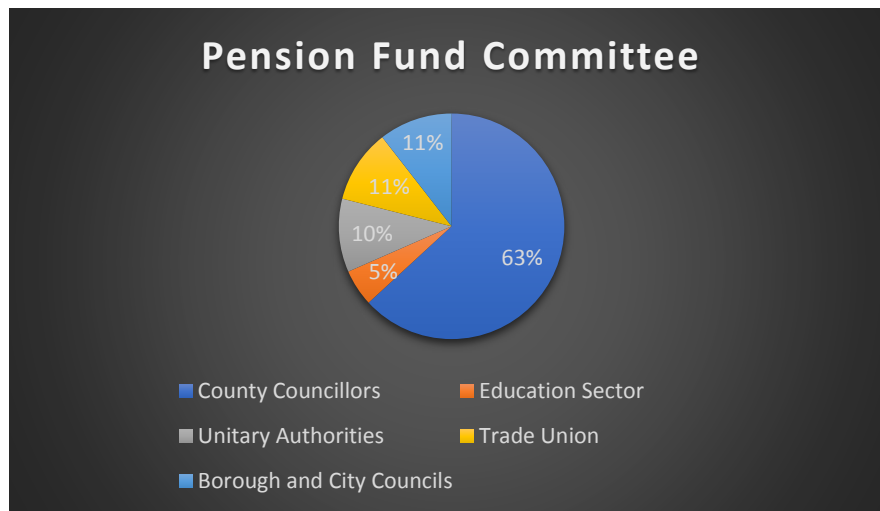


**Note:** The Local Pension Board assist the County Council the Administering Authority in its role as Scheme Manager (as delegated to the Pension Fund Committee).

### The Pension Fund Committee

The Pension Fund Committee is a non-executive committee of the County Council with a constitution of 19, made up of 12 County Councillors and 7 voting Co-opted members as set out below:

- One representative of the further and higher education sector in Lancashire;
- One representative of Blackburn with Darwen Council;
- One representative of Blackpool Council;
- Two Trade Union representatives; and
- Two representatives of the Lancashire Borough and City Councils



The Pension Fund Committee meets on a quarterly basis.

The Governance Structure above provides an overview of the role of the Pension Fund Committee however full Terms of Reference can be accessed by the link below (page 12):

[Part 2 - Article 7 Other Committees of the Council - Dec 2021.pdf \(lancashire.gov.uk\)](#)

### **The Investment Panel**

The Investment Panel consists of the Head of the Fund and the Independent Investment Advisers.

The Investment Panel meet on a quarterly basis or otherwise as necessary to review the Fund's long term investment strategy and provide advice on investment strategies proposed by Local Pensions Partnership Investment Limited (LPPI).

The full Terms of Reference for the Investment Panel can be accessed by the link below (page 24)

[Part 2 - Article 7 Other Committees of the Council - Dec 2021.pdf \(lancashire.gov.uk\)](#)

### **Lancashire Local Pension Board**

As required by the Public Service Pensions Act 2013, the County Council as administering authority established the Local Pension Board to assist in the good governance of the scheme by ensuring the Fund's compliance with legislation and statutory guidance.

The Terms of Reference for the Local Pension Board are available via the link below (page 25).

[Part 2 - Article 7 Other Committees of the Council - Dec 2021.pdf \(lancashire.gov.uk\)](#)

The Local Pension Board is non-executive body which consists of 9 members and is constituted as follows:

- An independent member selected by the Pension Fund Committee who is not a member of the Lancashire County Pension Fund and who will be the Chair of the Board.
- 4 employer representatives on the following basis:
  - 2 nominated from Lancashire County Council.
  - 1 nominated from unitary, city or borough councils or Police and Fire bodies.
  - 1 nominated following consultation with other employers within the Fund.
- 4 scheme member representatives drawn from the membership of the Fund

The Local Pension Board meet on a quarterly basis and review items specified in the Boards Workplan.

### **Knowledge and Skills**

The Fund is required under section 248a of the Pension Act 2004, as amended by the Public Service Pensions Act 2013 coupled with the Pension Regulators Code of Practice, to ensure that members of the Pension Fund Committee and Local Pension Board have sufficient level of knowledge and understanding to undertake the roles and functions of the positions they have been appointed to.

The Fund have developed a combined training plan for Board and Committee which is developed in line with the CIPFA Knowledge and Skills Framework for LGPS Committee Members and LGPS Officers (2021) and CIPFA Local Pensions Board (2015). The training courses incorporated in the training plan are identified following the Fund officers undertaking a learning needs analysis.

### **Officers**

The Pension Fund Committee delegates specific functions to the Head of Fund, the Director of Corporate Services and section 151 Officer.

The Head of Fund is designated as the officer responsible for the management of the Fund, which includes leading and delivering strategy, accountability to the Pension Fund Committee and Local Pension Board and financial and investment management of the Fund.

The Head of Fund may authorise the Senior Officers of the Fund to exercise on their behalf the functions delegated to them.

The Officers of the Fund adhere to the County Council's employee Code of Conduct which sets out behavioural standards that must be upheld by all staff. The details of the employee's code of conduct can be found below:

<https://council.lancashire.gov.uk/documents/s149251/Appendix%20F.pdf>

The Fund Officers are subject to an annual appraisal process which identifies training requirements and any knowledge gaps relevant to their role. Staff who are

members of professional bodies also have obligations to undertake continuing professional development relevant to their role.

## **Accountability and Publication of Information**

Details of Pension Fund Committee and Local Pension Board meetings, including agenda and minutes are publicly available via the County Council's Website.

Meetings of the Pension Fund Committee and the Local Pension Board are accessible to the press and public except where they are excluded from the meeting when items being discussed are exempt from the press and public under part 1 of schedule 12A of the Local Government Act 1972.

The Pension Board workplan is submitted to the Pension Fund Committee in March each year for approval and a report of the work undertaken by the Board is presented annually to the Committee in June. There is also a section in the Lancashire County Pension Fund Annual Report which is dedicated to the activities undertaken by the Local Pension Board.

A copy of the Fund's Annual Report can be viewed on the Fund website at [www.lancashirecountypensionfund.org.uk](http://www.lancashirecountypensionfund.org.uk).

## **Investment and Administration Services**

Since 2016 pensions administration and investment functions have been delivered on behalf of the Fund by the Local Pension Partnership Limited (LPPL) a company owned by Lancashire County Council and the London Pensions Fund Authority (LPFA). Pension administration services are provided by the administration arm of the Local Pensions Partnership, which is called Local Pensions Partnership Administration Limited (LPPA), with investment services being undertaken by the investment arm, Local Pensions Partnership Investments Limited (LPPI). The Pension Fund Committee monitors the performance of both these functions and receives reports at each quarterly meeting to ensure good control and oversight over the services provided by the LPPA and LPPI.

For all arrangements where there is a relationship between the Fund and another organisation, the Fund seeks to spell out clearly the expectations and requirements on each party, whether in the form of a contract or “service level agreement” where a contract is not appropriate.

## **Risk Management**

The management of risk is central to the activities of the Fund which it has established its own risk management arrangements that include the following:

- Risks are monitored and assessed on a quarterly basis.
- Risk reporting and the Risk Register are regularly presented to the Pension Fund Committee and the Local Pension Board.

- Additional oversight is provided by the County Council's Audit, Risk & Governance Committee; and
- the Fund has a 'Risk Management Framework' policy document which is reviewed periodically and sets out all the risk management arrangements for managing all risks for the Fund.

The risk register is broken down into the following key risk areas:

- Investment and Funding Risk – all financial risks associated with the Fund, including risks associated with managing scheme assets and pension liabilities.
- Member risk – all risks which may impact on the high levels of service the Fund members receive.
- Operational risk – risks which could negatively impact the smooth and effective running of all aspects of Fund operations and governance.
- Transition risk – temporary risks arising from changes in the management of investments or service delivery.
- Emerging risk - evolving, new risk that is difficult to characterise or assess at a point in time, as the cause and / or how the risk will impact the organisation is unclear.

### **Conflicts of Interest and Code of Conduct**

A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's ability to undertake the functions of the role they have been appointed to. A conflict could arise where an individual has been appointed to a Governing Body (such as the Pension Fund Committee or Local Pension Board) who at the same time has a separate personal interest or responsibility (financial or otherwise) in a matter being discussed. The Fund has established a Conflicts of Interest policy that sets out its approach to identifying, monitoring, and managing conflicts of interest for members of the Local Pension Board.

In addition to the policy there is also Lancashire County Council Members and Co-Opted Members' Code of Conduct which all members of the Pension Fund Committee and Local Pension Board are required to adhere to.

Full details of the members and co-opted members code of conduct can be viewed by accessing the link below:

<https://council.lancashire.gov.uk/documents/s179038/Appendix%20E.pdf>

Under the Code of Conduct, members of the Committee and Pension Board must have regard to the 'Nolan' principles when active in a capacity as a member or co-opted member.

The operation of the Fund is subject to the County Council's Code of Corporate Governance. The County Councils Annual Governance Statement is prepared in accordance with the Framework prepared by CIPFA/Solace "Delivering Good

Governance in Local Government" (2016 Edition). The framework builds on the seven principles listed below.

- Selflessness,
- Integrity,
- Objectivity,
- Accountability,
- Openness,
- Honesty; and
- Leadership.

In addition, there is a Code of Conduct for Officers which follows the same principles.

Members of the Pensions Fund Committee and Local Pension Board are required to complete declarations of interest and the Fund maintains a Register of Interests. The Declaration of Interests is also a standing agenda item at all meetings of both the Pension Fund Committee and the Local Pension Board. In addition, elected members are expected to follow the policies agreed by the Local Authority, including the relevant Councillor Code of Conduct.

### Internal Audit Assurance

Assurance over the Pension Fund is available to the Council from its own Internal Audit Service. The table below details the work undertaken by the County Councils Internal Audit Service and the assurance it provides for 2021/22.

Audit work	Assurance
<b>Assurance provided by the county council's Internal Audit Service over the work of the Lancashire County Pension Fund Service</b>	
Admission of employers to the fund	Substantial
Recovery of pension overpayments	Moderate
Accounting through the council's general ledger	Substantial
Employers' contributions- follow up	N/A
<b>Assurance relating to LPPA's administration of benefits</b>	
Compliance Effectiveness	Audit is ongoing, draft report stage.
Finance system implementation	Effective with Scope for Improvement
<b>Assurance relating to Local Pensions Partnership Investments (LPPI)</b>	
Type 1 Service auditor's assurance - KPMG	Unqualified opinion.

## LANCASHIRE COUNTY PENSION FUND GOVERNANCE COMPLIANCE STATEMENT

The table below shows how the Fund complies with the standards set out by the Secretary of State for Levelling Up, Housing and Communities as required under Regulation 55 of the LGPS regulations. The statement sets out where the Fund is fully compliant with the guidance and provides an explanation where it is not fully compliant.

<b>A. Structure</b>	<p>(a) the Management of the administration of benefits and strategic management of Fund assets clearly rests with the main committee established by the appointing Council</p> <p>(b) that representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee (1)</p> <p>(c) that where a secondary committee or panel has been established, the structure ensures effective communication across both levels.</p> <p>(d) that where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.</p>	<p>√</p> <p>Partial (see Note 1)</p> <p>√</p> <p>√</p>
<b>B. Representation</b>	<p>That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. (1)</p> <p>These include:</p> <p>(i) employing authorities (including non-scheme employers, e.g. admitted bodies)</p> <p>(ii) scheme members (including deferred and pensioner scheme members)</p> <p>(iii) independent professional observers (2)</p> <p>(iv) expert advisers (on an ad hoc basis)</p>	<p>Partial (see Notes 1 and 2)</p>
<b>C. Selection and Role of Lay Members</b>	<p>That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee. (It is the role of the administering</p>	<p>√</p>

	authority to make places available for lay members and for the groups to nominate the representatives. The lay members are not there to represent their own local, political, or private interest but owe a duty of care to their beneficiaries and are required to act in their best interests at all times).	
<b>D. Voting</b>	The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	√
<b>E. Training/Facility time/Expenses</b>	(a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	√
	(b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	√
<b>F. Meetings - Frequency</b>	(a) that an administering authority's main committee or committees meet at least quarterly.	√
	(b) that an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sit.	√
	(c) that administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	√
<b>G. Access</b>	That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	√

<b>H. Scope</b>	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	√
<b>I. Publicity</b>	That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed can express an interest in wanting to be part of those arrangements.	√

### Notes - Reasons for partial compliance

- 1) Unitary councils, City/Borough Councils and further and higher education employers, are represented. Other admitted bodies only represent 14% of contributors to the Fund and are therefore not represented. However, all employers receive a full Annual Report and are alerted to important events. Although employee representatives, i.e., trade unions, do not formally represent deferred and pensioner scheme members, it is accepted that representation is available to deferred and pensioners members via this route where necessary and/or appropriate. In addition, the interests of all scheme members and employers are specifically represented in the composition of the Local Pension Board.
- 2) Guidance envisaged that an independent professional observer could be invited to participate in governance arrangements to enhance the experience, continuity, knowledge, impartiality and performance of committees or panels which would improve the public perception that high standards of governance are a reality and not just an aspiration. This role is currently performed by the Fund's independent advisers and officers, and it is not apparent what added value such an appointment would bring.

## Pension Fund Committee

Meeting to be held on Friday, 17 June 2022

Electoral Division affected: None;
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### Lancashire Local Pension Board - Annual Report 2021/22

(Appendix 'A' refers)

Contact for further information: Mike Neville (01772) 533431, Senior Democratic Services Officer [mike.neville@lancashire.gov.uk](mailto:mike.neville@lancashire.gov.uk)

#### Brief Summary

Approval of the 2021/22 Annual Report of the Lancashire Local Pension Board for inclusion in the Lancashire County Pension Fund Annual Report.

#### Recommendation

The Committee is asked to consider and approve the 2021/22 Annual Report of the Lancashire Local Pension Board, as set out at Appendix 'A', so that it can be incorporated into the draft Lancashire County Pension Fund Annual Report which will be presented to the Committee on 16<sup>th</sup> September 2022 for approval.

#### Detail

The Terms of Reference for the Lancashire Local Pension Board include a requirement for the Board to produce an annual report for consideration by the Administering Authority which includes the following

- a) Details of the attendance of individual Board members at meetings.
- b) Details of the training and development activities provided for Board members and their attendance at such activities.
- c) Details of any recommendations made by the Board to the Pension Fund Committee as the Scheme Manager.
- d) The operational cost of the Board.
- e) A statement by the Chair on the findings of the Annual Review of the effectiveness of the Board.

The 2021/22 Annual Report attached at **Appendix 'A'** was approved by the Local Pension Board on 26<sup>th</sup> April 2022 and recommended to the Committee.

The Committee is asked to consider and approve the Annual Report so that it can be incorporated into the draft Lancashire County Pension Fund Annual Report which will be presented to the Committee in September 2022 for approval.

### **Consultations**

N/A

### **Implications:**

This item has the following implications, as indicated:

### **Risk management**

CIPFA guidance on preparing the Annual Report (2019) advises that Funds should include a copy or summary of any annual report produced by the Local Pension Board.

### **Local Government (Access to Information) Act 1985**

#### **List of Background Papers**

Paper	Date	Contact/Tel
Attendance Sheets from Lancashire Local Pension Board	July 2021 to April 2022	Mike Neville (01772) 533431
The 2021/22 Training Record for individual members of the Lancashire Local Pension Board	Apr 2021 to March 2022	Mike Neville (01772) 533431
CIPFA Preparing the Annual Report: Guidance for Local Government Pension Scheme Funds	2019 Edition	Mukhtar Master (01772) 532018

Reason for inclusion in Part II, if appropriate

N/A

## **Lancashire Local Pension Board – Annual Report 2021/22**

The Lancashire County Pension Fund's Local Pension Board ("the Board") has been up and running for seven years. As a reminder to readers, our legal duty is to assist the Pension Fund Committee ("the Committee") and we are not an executive body. Because Board members explicitly represent either employers or scheme members, we also have a representative role in the governance structure of the Fund.

After seven years, the Board has established an effective way of using its members' expertise to add value to the Committee's work. We create an annual Work Plan to ensure that we cover all the activities we should and that our workflow is aligned with that of the Committee. The core of our work is to review the reports and compliance assurances which support the Fund's activities and comment on them to the Committee.

Where specific expertise is helpful, members of the Board may work with Officers or the Committee on projects or areas. Two Board members, Yvonne Moulton and Steve Thompson, have for several years sat on a Working Party to provide feedback on administration matters, and Carl Gibson spent time this year on reviewing the Risk Register which I comment on below.

We are always aware that our role is to assist the Committee and a good relationship between the two bodies is essential. I meet County Councillor Pope (Chair of the Committee) regularly and attend as many Committee meetings as I can. We also welcome County Councillor Pope and other Committee members to our meetings.

At an operational level, the Officers involved in managing the Fund, and to a large extent the Local Pensions Partnership Investments Limited and Local Pensions Partnership Administration Limited (LPPI and LPPA respectively) staff who provide the bulk of services to the Fund, have continued to work from home during this year. With the help of IT improvements, service levels have generally remained high throughout this period, and towards the end of it there has been a partial return to the office.

### **Membership of the Pension Board**

The Board has nine members: four Employer representatives, four Scheme Member representatives, and an Independent Chair. Except for the Chair, Board Members serve a maximum of eight years, and are not remunerated, other than for expenses incurred in attending meetings or training.

During the year, there was one change to the membership of the Board when Tony Pounder, the Director of Adult Services at Lancashire County Council retired in January 2022. Glyn Peach, Director of Digital Services was appointed as the replacement employer representative from the County Council. I would like to thank Tony for his time on the Board and to welcome Glyn.

There will be significantly more change next year when four members and I come to the end of our second and final four-year terms.

The Board has a budget to cover both its expenses and to allow it to commission reports if required. During the year the cost of running the Board came to £9,105.

### **Attendance of Board members at meetings**

The Board has met remotely and in person (with provision for members to attend virtually if necessary), during the year. Looking forward, we expect meetings to be in person, although we will use the benefits of technology to allow presenters to do so virtually if required.

Each year the Board agrees a programme of four meetings, the first being in July followed by meetings in October, January, and April so that each Board meeting follows a meeting of the pension Fund Committee. Details of individual members' attendance at Board meetings together with in-year changes to the membership of the Board, are set out below.

<b>Name</b>	<b>Representing</b>	<b>6<sup>th</sup> July 2021</b>	<b>19<sup>th</sup> Oct 2021</b>	<b>18<sup>th</sup> Jan 2022</b>	<b>26<sup>th</sup> Apr 2022</b>
W Bourne	Independent Chair	✓	✓	✓	✓
County Councillor M Salter	Employer rep LCC	✓	✓	✓	✓
T Pounder	Employer rep LCC	✓	✓	✓	N/A
G Peach	Employer rep LCC	N/A	N/A	observer	absent
S Thompson	Employer rep Unitary, City, Borough, Police & Fire	✓	✓	✓	✓
C Gibson	Employer rep Others	✓	✓	✓	✓
K Haigh	Scheme Member rep	✓	✓	✓	✓
Y Moulton	Scheme Member rep	✓	✓	✓	✓
D Parker	Scheme Member rep	✓	✓	✓	apologies
K Ellard	Scheme Member rep	✓	✓	✓	✓

### **Changes to the membership of the Board**

Glyn Peach, Director of Digital Services at Lancashire County Council, replaced Tony Pounder, Director of Adult Services as an employer representative on the Board.

### **Training**

The Board is under a legal obligation to ensure its members maintain their levels of knowledge and understanding through regular training. We conduct an analysis of training needs once a year as part of our Annual Review, which becomes an agenda item at our next meeting. Internal training workshops during this year were conducted by webinar in conjunction with the Committee, with recordings being made available for those unable to attend. This appeared to increase participation levels considerably and will continue for most future training. Board members will still have opportunities to attend external training events during the year and are

expected to complete the online training modules from The Pension Regulator's Public Service toolkit.

During the year internal training sessions were held on the following subjects:

June 2021- Audit, risk, and governance – LCC Statement of Accounts

Sept 2021 - LCPF Annual Report and accounts

Oct 2021 - Update on responsible investment

Dec 2021 - McCloud

Dec 2021 - Update on the LCPF Investment Service Based Review

Feb 2022 - LCPF Valuation

Feb 2022 - Local Pensions Partnership Budget 2021/22

Mar 2022 - Employer Risk and Engagement.

The table below shows the number of internal/external training events individual Board members attended during the period 1<sup>st</sup> April 2021 to 31<sup>st</sup> March 2022.

<b>Name</b>	<b>Internal events</b>	<b>External events</b>	<b>Total</b>
W Bourne	7	1	8
County Councillor M Salter	5	0	5
T Pounder (up to January 2022)	1	1	2
G Peach (from January 2022)	2	1	3
S Thompson	3	0	3
C Gibson	4	1	5
K Haigh	4	0	4
Y Moulton	5	0	5
D Parker	9	1	10
K Ellard	5	1	6
			<b>51</b>

Note – during 2021/22 external events continued to be impacted by the restrictions introduced in response to the COVID-19 pandemic.

Further information about the Board, including agenda and minutes of meetings can be viewed on the Lancashire County Pension Fund website at <https://lancashirecountypensionfund.org.uk/>

## **Activities**

The Board's focus is much more on administration and governance than it is on investments. During the year we spent considerable time on two topics in particular.

The first was verifying the control framework which lies behind the assurance statements we receive from LPPA. Here we were behind the commissioning of a report from PwC, received in early 2021, which led to tightening up a number of areas. LPPA will implement their remaining recommendations after the switch to a new pensions administration system in 2022.

Preparation for this latter project was the second major topic. We have discussed it at every meeting and following our input LPPA commissioned an independent audit ahead of the project going live to identify and mitigate potential risks. A project of this size will almost inevitably hit some bumps along the way, but the scrutiny provided by the Board has helped to maximise the chance that it is successful. The Lancashire County Pension Fund is expected to move to the new pension administration system in Autumn, 2022.

Regardless of events elsewhere, the core of the Board's work remains one of oversight. At every meeting, we look at any breaches of the regulations and consider the Key Performance Indicators agreed with LPPA as indicators or performance levels. We also reviewed various policy documents, including this year the Cyber Security annual report and Death Grants policy, and the results of appeals. The wide range of expertise among Board members as well as the fact that they are all users of the Fund, either employers or members of the Fund, means we are well placed to provide useful and relevant feedback to the Committee.

During the year we spent significant time on the Fund's Risk Register, where the Board has worked with officers to make the document more 'live' and to develop a heat map. We have also encouraged a greater awareness of who is responsible for monitoring each risk, what the key metrics should be, and the need for regular updating of the underlying environment for each risk. We hope the result will help both the Committee and Board to monitor risks as they evolve, and to focus their limited time usefully.

In the next year the key task will be ensuring that the implementation of the new pension administration system happens without major problems. This is inevitably taking up a lot of LPPA's time and resources, and we therefore expect to be alert to signs of any potential lapses from normal service elsewhere. One area we expect to spend some time on is communications and engagement, which will be important given the new administration system.

I commented last year that we were expecting significant regulatory change over the following 12 months. In practice, Parliament's busy legislation schedule has delayed much of what we expected. That means we are still waiting for the following: The Pensions Regulator to combine the public sector Code of Practice 14 with nine other codes covering pension funds; the newly named Department of Levelling Up, Housing and Communities to publish new guidance on maintaining investment strategy statements, including further requirements on pooling, climate change risk disclosure, and possibly levelling up; and new statutory guidance to implement the recommendations made in the Scheme Advisory Board's Good Governance project back in 2019.

The Board's role in all of these will be to act as a second pair of eyes to help the Pension Fund Committee ensure the Fund is compliant with these changes as they become legal or regulatory requirements.

Under the Board's Terms of Reference, I am required to make a statement in respect of my annual review of the Board's effectiveness. I conducted the review in January 2022, and the recommendations I made were again relatively minor as reported to

the Board in April 2022. I believe the Board operates effectively and efficiently and fulfils its legal and regulatory requirements.

I would like to finish by thanking the officers at the County Council who support us in our duties. As part of the annual review, I speak individually to Board members, and I can record full agreement that in another challenging year we have been ably and effectively supported by the whole team. It gives me pleasure to recognise that publicly in this report.

**William Bourne**, Independent Chair of the Lancashire Local Pension Board  
April 2022



## **Pension Fund Committee**

Meeting to be held on Friday, 17 June 2022

Electoral Division affected: (All Divisions);
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## **Lancashire County Pension Fund Risk Management Framework** (Appendix 'A' refers)

Contact for further information:

Mukhtar Master, (01772) 5 32018 [mukhtar.master@lancashire.gov.uk](mailto:mukhtar.master@lancashire.gov.uk)

Governance & Risk Officer, Lancashire County Pension Fund

### **Executive Summary**

The Risk Management Framework is designed to embed risk management into the culture of the Lancashire County Pension Fund ensuring that the Fund is administered and managed in accordance with the scheme rules and with the requirements of the law. It was first presented to the Pension Fund Committee in June 2019. The document has been reviewed and updated to reflect recent developments on the risk management arrangements for the Fund.

The framework sets out all the key processes and responsibilities for effective risk management and thereby ensuring compliance against all relevant scheme guidance, regulation, and legislation.

### **Recommendation**

The Committee is asked to note the updated Lancashire County Pension Fund Risk Management Framework as set out at Appendix 'A'.

### **Background and Advice**

Effective risk management stands at the heart of sound corporate governance across all organisations and functions and the Local Government Pension Scheme is no exception.

The Risk Management Framework forms part of the internal controls for the purpose of ensuring that the Fund is administered and managed in accordance with the scheme rules and with the requirements of the law.

The Risk Management Framework primarily aims to:

- Integrate risk management into the culture and day-to-day activities of the Fund;

- Raise awareness of the need for risk management by all those connected with the management of the Fund;
- Establish and maintain a robust framework and procedures for identification, analysis, assessment and management of risk;
- Ensure consistent application of risk management across the Fund; and
- Comply with guidance, regulation, and legislation:
  - CIPFA – Managing Risk in the LGPS (2018);
  - Pensions Act 2004;
  - The Public Service Pensions Act 2013 and LGPS Regulations 2013;
  - The Pensions Regulator's Code of Practice 14. (Due to be replaced by the Single Code of Practice).

A copy of the updated LCPF Risk Management Framework is set out at Appendix A. This document is a revised version of the current Risk Framework with updated content is indicated in red text and highlighted in yellow.

A summary of the key updates is:

- The addition of a new section 'Risk Appetite/tolerance' which briefly sets out the amount and type of risk that the Fund is willing to accept or tolerate.
- Reference to the Investment Risk Framework, a document that is reviewed by the Investment Panel and monitors risks against four key investment and funding areas.
- Reference to the recent risk management developments made by the Fund, which include risk templates and a heat map.

At the last meeting of the Local Pension Board, the Board was presented with the updated Risk Management Framework. The Board acknowledged that the updated document was comprehensive, with clearly stated roles and responsibilities. The Board noted the updated version of the Framework, which is being presented to the Committee.

## **Consultations**

Local Pension Board

### **Implications:**

This item has the following implications, as indicated:

### **Risk management**

The Lancashire Local Pension Board provide scrutiny and support to the Pension Fund Committee, in relation to their responsibility to ensure there is effective risk management over the Pension Fund operations.

**Local Government (Access to Information) Act 1985**  
**List of Background Papers**

Paper	Date	Contact/Tel
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N/A		
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Reason for inclusion in Part II, if appropriate		
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N/A		
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**Key – Highlighted red text is the amendments to the document.**

## **Lancashire County Pension Fund**

### **Risk Management Framework**

Review Date: April 2022

## Introduction

This is the Risk Management Framework of Lancashire County Pension Fund, administered by Lancashire County Council, the administering authority. The Fund must establish and operate internal controls which must be adequate for the purpose of securing that the scheme is administered and managed in accordance with the scheme rules and with the requirements of the law. The Risk Management Framework forms part of the internal controls.

Lancashire County Pension Fund's administration and investment provision is carried out by the subsidiaries of Local Pension Partnership Limited (LPP), Local Pension Partnership Administration Limited (LPPA) and Local Pension Partnership Investment Limited (LPPI) respectively.

## Purpose of the Framework

This framework sets out how the Fund intends to manage risk, with the aim of:

- Integrating risk management into the culture and day-to-day activities of the Fund;
- Raise awareness of the need for risk management by all those connected with the management of the fund;
- Establish and maintain a robust framework and procedures for identification, analysis, assessment and management of risk;
- Ensure consistent application of risk management across the Fund;
- Comply with guidance, regulation and legislation:
  - CIPFA – Managing Risk in the LGPS (2018);
  - Pensions Act 2004;
  - The Public Service Pensions Act 2013 and LGPS Regulations 2013;
  - The Pensions Regulator's Code of Practice 14. (Due to be replaced by the Single Code of Practice).
  - LGPS (Management and Investment of Fund) Regulations 2016

## Risk Management

Risk can be identified as 'the chance of something happening which may have an impact on the achievement of an organisation's objectives.' The objectives of the Fund are summarised in appendix 1.

Risk Management is the process of identification and assessment of risks (the 'inherent risks') and responding to them.

The response to a risk may involve one or more of the following:

- Tolerating risk;
- Mitigating the risk in an appropriate way to constrain the risk to an acceptable level;
- Transferring the risk;
- Terminating the activity giving rise to the risk.

The purpose of risk management is to ensure that LCPF is aware of and understands the risks involved in carrying out its activities and takes positive action to reduce and/or mitigate them where appropriate and possible.

## Principles of the Risk Management Framework

- The informed acceptance of risk is an essential element of good business strategy;
- Risk management is an effective means to enhance and protect the Pension Fund over time;
- Common definition and understanding of risks is necessary in order to better manage those risks and make more consistent and informed business decisions;
- All risks are to be identified, assessed, measured, monitored and reported on in accordance with the Administering Authority's risk management strategy;
- All business activities are to adhere to risk management practices which reflect effective and appropriate internal controls;
- Supports the achievement of Fund objectives - understanding potential risk outcomes can allow the Fund to reduce uncertainty which may affect the achievement of key objectives;
- Effective risk management provides the framework to identify and respond to risks and ultimately inform Fund decision-making.

## Types of Risk

The risks for the Fund are grouped into **five** specific categories:

1. Investments & Funding Risks – investment strategy, returns on investment, custody of Fund assets, actuarial valuation and funding, cash flow and admitted bodies arrangements;
2. Operational Risks – committee and Fund governance, risk management, compliance, business and IT continuity, information security, fraud risk and so on;
3. Member Risks - benefit payments, member communications, data quality and contribution;
4. Transitional Risks – investment transition, administration transition, external drivers, and new client on-boarding;
5. **Emerging Risk – an evolving, new risk that is difficult to characterise or assess at this point in time, as the cause and / or how the risk will impact the organisation is unclear.**

**Transitional risks are risks which are deemed to be temporary due to its inherent nature.**

## Risk Management Process

The risk management process is a continuous cycle as detailed below:



1. **Risk Identification** – this is the process of recognising risks and opportunities that may impact on the Funds objectives. The process is both proactive and reactive. It involves horizon scanning for new or emerging risks and hazards; and learning from review of how past and current risks have manifested.
2. **Risk Analysis** - Having identified potential risks, the next stage of the process is to analyse and profile each of them.

For this the LCPF use a standard methodology and template

- Each risk is scored from 1 to 4 for Probability and 1 to 4 for Impact.

The risk matrix table below demonstrates the criteria used for rating and assessing LCPF risks:

			LIKELIHOOD OF RISK OCCURRING			
			1	2	3	4
			1 in 20 years/ 5% Unlikely Could occur once in 20 years	1 in 5 years/ 20% Possible Could occur once in 5 years	1 in 2 years / 50% Likely Could occur in next 24 months	1 in 1 years / 95-10% Happening Happening already or highly likely
	Financial Impact	Qualitative Impact				
4	>£150m	<ul style="list-style-type: none"> <li>Critical impact on operational performance (&gt;10% of membership affected recovery time &gt; 1 year);</li> <li>Critical breach in laws and regulations that could result in material fines or consequences;</li> <li>Critical impact on the reputation of the Fund which could threaten its future viability, adverse national media coverage;</li> <li>Affect such that it undermines the ability to achieve key Fund goals and objectives (survival).</li> </ul>	4	8	12	16
3	£75m-£150m	<ul style="list-style-type: none"> <li>Significant impact on operational performance (5 – 9% of membership affected/ recovery time 8-12 months);</li> <li>Significant breach in laws and regulations resulting in significant fines and consequences;</li> <li>Significant impact on the reputation or Fund (some national media coverage);</li> <li>Potential to have high impact on Fund goal and objectives.</li> </ul>	3	6	9	12
2	£5m-£75m	<ul style="list-style-type: none"> <li>Moderate impact on operational performance (1 – 4% of membership affected/ recovery time 3 – 7 months);</li> <li>Moderate breach in laws and regulations resulting in fines and consequences;</li> <li>Moderate impact on the reputation or brand of the organisation (some media coverage);</li> <li>Potential to have moderate impact on Fund goal and objectives.</li> </ul>	2	4	6	8
1	<£5m	<ul style="list-style-type: none"> <li>Minor impact on operational performance (&lt;1% of membership affected/ recovery time &lt;3 months);</li> <li>Minor breach in laws and regulations with limited consequences;</li> <li>Minor impact on the reputation of the organisation;</li> <li>Comparatively less impact on Fund goal and objectives.</li> </ul>	1	2	3	4

Each risk is subsequently recorded on a 'Risk Register'. For each risk the following is recorded:

- Risk Reference;
- Risk Title;
- Risk Description;
- Risk Drivers;
- Risk Owner;
- Inherent Risk Score/Rating;
- Controls;
- Residual Risk Score/Rating;
- Risk Actions.

3. **Risk Control** – describes actions taken to reduce the likelihood and adverse consequences of a risk event occurring. Control and mitigation mechanisms will vary depending on the type of risk and the activity involved. Key mechanisms include:

- Governance and decision making structures;
- System procedures and controls;
- Resource allocation and management;
- Separation of duties;
- Actuarial/Audit/Regulatory Reviews.

4. **Risk Monitoring** – regular reviews of the risk register is a central component of effective risk management:

- Reviewed by the **Pension Fund** Committee every six months **and every quarter by the Local Pension Board;**
- Reviewed by LCPF Officers, **Independent Investment Advisers, LPPA and LPPI** Risk Teams every quarter;

The review would consider whether:

- The nature of the risk has changed;
- The control environment has changed;
- The probability of the risk occurring has changed;
- The impact of the risk occurring has changed;
- Any new or emerging risks need to be considered.

5. **Reporting** – documentation is required to ensure adequate monitoring as described above.

- Each quarter risks are assessed, reviewed and rated using a standard risk template (this is used to record updates from various stakeholders for each risk);
- A full risk register is produced using the content of each risk template;
- A heat map is produced which gives a visual representation of where each risk 'sits' on the risk matrix. An example of this is provided in appendix 2.

### **Risk Appetite/tolerance**

Risk appetite is the amount and type of risk that the Fund is willing to accept, tolerate or avoid in order to achieve its strategic objectives.

Some risk is inevitable and unavoidable for the Pension Fund, particularly relating to LGPS investments.

Risk tolerance is the amount of risk that the Pension Fund is willing to and can feasibly cope with.

LCPF will not accept risks which are assessed as having a high likelihood of causing substantial impact on its financial position or services and/or lead to widespread member or employer complaints. Any such risk identified will need to have a risk reduction plan implemented to return the risk to a tolerable level within an acceptable timescale.

These concepts are considered when the Officers update the ongoing risk register.

## Investment Risk Framework

In addition to the Risk Register, monitoring of investment and funding risk takes places within the Investment Panel. A Risk Framework Report is prepared for the Investment Panel quarterly and references the LCPF Investment and Funding Risk Appetite Statement.

The Investment and Funding Risk Appetite Statement covers warning levels and limits for a range of measures in four key areas:

- Funding Level;
- Contributions;
- Liquidity/Cashflow Capacity; and
- Asset Allocation.

The report is prepared quarterly by LPPI and monitors risk tolerance in these areas using a traffic light assessment (red, amber, green) status. These two major risk reports currently received by the Pension Fund Committee (Risk Register and Risk Framework), albeit with differing frequency and different origination are appropriate and linked by consideration of the Fund investment objectives.

## Roles & Responsibilities

### Head of Fund/**Governance Team**:

- Maintenance of the risk register;
- Monitoring and reporting progress against identified action to manage/reduce risk;
- Risk scoring to facilitate analysis of risks across the Fund and 'Direction of Travel' for known risks;
- Identification of new /emerging risks via the use of internal knowledge of the Fund as well as external sources;
- Engagement with the Pension Fund Committee and Local Pension Board to update/report on the status of existing of existing and new/emerging risks.

### Pension Fund Committee:

- Risk management falls within the Pension Fund Committee's overall responsibility for management of the Fund;
- Receive updates / reporting for review every six months. Reporting detailed in Risk Management Process – point 5;
- Review and monitor the effectiveness of controls in place for each risk, ensuring these remain appropriate;
- Use the risk reporting to inform decisions in respect of actions required to manage/mitigate risk.

### **Local Pension Board:**

- **Review of the Lancashire County Pension Fund Risk Register as it relates to the Scheme Manager function of the Authority;**
- Review the Pension Fund Committee's formal periodic assessment of Fund risks, providing support and challenge to the assessment;
- Evaluate and challenge the way in which the Head of Fund/**Governance Team** and the Pension Fund Committee carry out their risk management roles;
- Review the Pension Fund Committee's periodic assessment of risk reporting and the appropriateness of decisions made in respect of risk management and mitigation;
- Review and challenge the Pension Fund Committee's controls in place, ensuring the Committee implements risk mitigation plans where appropriate.

### **LCC Internal Audit and Information Governance Team**

- Provide expert guidance on risk management as required;
- Carry out periodic audits of the Fund's risk management process.

### **Local Pensions Partnership Limited**

- Provide regular and accurate updates on risks they are managing;
- Ensure that appropriate organisational risk management procedures are in place for the services that they provide;
- Carry out both internal and external audits of all organisational risk management processes at least annually;
- LPP have a separate organisational Risk Management Framework and Risk Register.

## Appendix 1: Fund objectives

Within each group below, strategic objectives have been identified. These are summarised below and full details of objectives are provided in other Fund documentation.

**Governance** - to ensure that the Pension Fund is effectively managed, and its services are delivered by highly motivated people who have the appropriate knowledge and expertise, and with access to appropriate systems;

**Funding and Investment** - Funding is the process of ensuring that the Fund has sufficient assets to provide benefits as they fall due –encompassing (amongst other things) setting contributions at an appropriate level, monitoring the progression of liabilities and managing changes in their value, and managing employer risk;

**Administration** - to deliver a high quality, cost-effective, user-friendly and informative service to all members, potential members and employers at the point where it is needed and demonstrate compliance with all relevant regulatory requirements;

**Communication** - to provide good pension information, promoting pensions in the workplace and to actively promote the Fund to prospective members and their employers.

## Appendix 2: Heat Map

			LIKELIHOOD OF RISK OCCURRING			
			1	2	3	4
			1 in 20 years / 5%	1 in 5 years / 20%	1 in 2 years / 50%	1 in 1 years / 95-100%
			Unlikely	Possible	Likely	Happening
F I N A N C I A L  I M P A C T	4	>£150m	4 I2 I4 O10	8	12	16
	3	>£75m	3 I1 I5	6 I3 O1 O6 O7 O9 M5 O3	9	12
	2	>£5m	2 M2 M3 M4	4 M1 O2 (2) O4 I6 I7	6 O2	8
	1	<£5m	1 O8 T2	2 O5	3	4 E1
Key			Risk		Risk	
Investment			I1	Investment Strategy	O1	LCPF Committees and Fund Governance
Member			I2	Construct, Implement and Perform	O2	Reliance on key persons and expertise (LCPF)
Operational			I3	Custody of Fund assets	O2 (2)	Reliance on key persons and expertise (LPP)
Transitional			I4	Actuarial Valuation and Monitoring of Funding	O3	Risk Management
Emerging			I5	Cash-Flow Management	O4	Compliance
			I6	Management of Scheme Employer Risk	O5	Cost Management
			I7	Inflation – investment only	O6	Business and IT Continuity
			M1	Benefit Payments	O7	Information Security
			M2	Member Comms	O8	Fraud Risk
			M3	Data Quality	O9	Decision Making
			M4	Contributions	O10	External Drivers
			M5	Service Level Agreement with LPP	E1	Pension Scam
			T2	Risks highlighted as part of the PWC Audit Report 2021		

## **Pension Fund Committee**

Meeting to be held on Friday, 17 June 2022

Electoral Division affected: (All Divisions);
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## **Responsible Investment Report**

(Appendices 'A' and 'B' refer)

Contact for further information: Mukhtar Master, Governance & Risk Officer,  
Lancashire County Pension Fund (01772) 5 32018  
mukhtar.master@lancashire.gov.uk

### **Executive Summary**

Responsible Investment encompasses a range of stewardship activities associated with Lancashire County Pension Fund (the Fund) fulfilling its duty to act in the best long-term interests of fund beneficiaries.

Set out at Appendix 'A' is a report from the Local Pensions Partnership Investments Limited which provides the Committee with an update on responsible investment matters during the first quarter of 2022 (January to March).

### **Recommendation**

The Committee is asked to note the report.

### **Background**

The report at Appendix 'A' has been prepared by the Head of Responsible Investment at Local Pensions Partnership Investments Limited (LPPI) and provides information on how the Fund is being supported to fulfil its commitment to long term responsible asset ownership in line with the approach set out within its Investment Strategy Statement and the Responsible Investment Policy approved by the Committee at its meeting in November 2021.

Attached as Appendix 'B' is the dashboard style report together with the qualitative overview of LPPI stewardship activities for the first quarter of 2022 (January - March).

Other matters of note for the Committee:

### **Key Points from LPPI Responsible Investment Report Q 2022**

- LPPI have confirmed that their Responsible Investment and Stewardship Report 2020-21 successfully met the standard required to be considered compliant with the UK Stewardship Code (2020);

- Compared with Q4 2021, the following Climate Change metrics are as follows:
  - Brown exposure has increased from 2.21% to 2.79%. The main contributor to the increased is from the Infrastructure asset class;
  - There has been a slight increase in green activities from 2.84% to 2.89.
- LPPI has produced three new metrics for the dashboard (slide 1 of Appendix 'B') – this was agreed as part of the review of the RI Policy Dashboard Report. The new metrics provide insights into governance issues for the Global Equity Fund (GEF) using data from the Institutional Shareholders Services DataDesk. The metrics are:
  - Women on the board;
  - Board independence;
  - Say-on-Pay.

### **UK Stewardship Code (2020)**

As agreed at the Pension Fund Committee on 6<sup>th</sup> March 2020, the Fund will not seek to become an individual signatory to the UK Stewardship Code (2020) and will instead recognise that the regulatory and stewardship requirements are met through LPPI being a signatory.

### **Local Authority Pension Fund Forum (LAPFF)**

LAPFF business meetings continue to be held online. The last meeting held on the 13<sup>th</sup> April 2022 covered topics such as:

- LAPFF Human Rights Strategy – a revised strategy was considered in the context of increased investor interest and interest group campaigns on human rights issues;
- LAPFF and the UK Accounting Standards Endorsement Board – LAPFF is continuing its engagement with government on accounting and auditing frameworks; and
- Industrial Livestock Companies – a report was noted which recommended continuing collaborative engagements on this issue on a case by case basis.

Papers from the meeting can be made available on request.

### **Public Campaign Queries**

The Fund have not received any queries in the last quarter.

### **Boycott, Divestment, Sanctions (BDS) Update**

The Public Service Pensions and Judicial Offices Act 2022 (which received Royal Assent on 10 March 2022) gives the Local Government Secretary new powers to direct Local Government Pension Funds not to make decisions that conflict with government foreign and defence policy. This was developed in response to a potential need to prevent pension policies being used to pursue boycotts, divestment, and sanctions other those which aligned with Government foreign and defence policy

However, this power to issue guidance will not be utilised without a period of consultation to allow consideration and comment on the detail of any proposed guidance and its impact.

## **Consultations**

Frances Deakin, the Head of Responsible Investment at the Local Pensions Partnership Investments Limited, was consulted regarding this report.

## **Implications:**

This item has the following implications, as indicated:

## **Risk management**

It is an important component of good governance that the Fund is an engaged and responsible investor committed to actions which are in the best long-term interests of fund members and beneficiaries.

The monitoring of investee companies and the promotion of good corporate governance practices can help to reduce the risk of unexpected losses arising as a result of poor oversight and lack of independence.

Responsible investment practices underpin the fulfilment of the Fund's fiduciary responsibilities to Fund beneficiaries and are implemented in practice through the advisory and investment management services provided by Local Pensions Partnership Investments Limited.

Quarterly Reports provide information to the Pension Fund Committee on the stewardship of the Fund's assets by Local Pensions Partnership Investments Limited and enable the Committee to monitor the activities undertaken.

## **Local Government (Access to Information) Act 1985 List of Background Papers**

Paper	Date	Contact/Tel
Robeco Active Ownership Report Q1-2022	01/01/22 to 31/03/22	Mukhtar Master (01772) 532018

Reason for inclusion in Part II, if appropriate  
N/A



## Lancashire County Pension Fund (LCPF) Responsible Investment Report – Q1 2022

**This report has been prepared by LPPI for Lancashire County Pension Fund (LCPF) as a professional client.**

### 1. Introduction

This report on Responsible Investment (RI) is a companion to the LPPI RI Dashboard (Appendix B) and the Quarterly Active Ownership Report (available from the online Pensions Library).

It covers stewardship in the period 1st January - 31st March 2022 plus insights on current and emerging issues for client pension funds.

<sup>R</sup> This symbol indicates a term explained in the reference section at the end of this report.

Key takeaways for the period:

- In Q1 2022 LPPI voted on 98% company proposals, supporting 88% of these.
- Investments in Brown sectors (extraction, transportation, storage, supply, and generation of energy from fossil fuels) are 2.79% of the portfolio.
- Investments in Green sectors (renewable energy generation, clean technology, and decarbonising activities) are 2.89% of the portfolio.
- LPPI confirmed its participation in the CDP<sup>R</sup> non-disclosure campaign for 2022, which includes involvement in the letter campaign to drive further corporate transparency around climate change, deforestation, and water security.
- LPPI received confirmation that its Responsible Investment and Stewardship Report 2020-21 successfully met the standard required to be considered compliant with the UK Stewardship Code (2020).
- LPPI has appointed a new project manager to provide practical support for the activities flowing from net zero planning and also planning for the implementation of mandatory TCFD<sup>R</sup> reporting.

### 2. RI Dashboard – Portfolio Characteristics

This section of the report shares key takeaways from the RI Dashboard at Appendix B.

As an enhancement, LPPI has developed and added three new metrics to the Listed Equities section and included a further summary of the Robeco report, which can be found in section 4 for this quarter. The new Governance Insights aims to enhance the understanding of the Global Equity Fund (GEF) and is in response to feedback from clients that readers would benefit from additional metrics. We welcome comments on this new section and on the new sections piloted in the Q4 2021 Dashboard and Report, including feedback on ways reporting can be further enhanced.

Asset class metrics (*Dashboard pages 1 & 2*) offer insights on the composition of the portfolio and its general characteristics. See the summary for Q1 2022 outlined below.

[Listed equities \(Dashboard p1\)](#)

### **Sector Breakdown**

Categorised by GICS<sup>R</sup> the largest sectoral exposures for the GEF are Information Tech. (26%), Consumer Staples (16%), and Financials (13%).

Comparing the GEF with its benchmark (MSCI ACWI)<sup>R</sup> gives insight into how sector exposures for the fund differ from a global market index. The length of each horizontal bar indicates by how much exposures differ in total (+ or –) compared with the benchmark, which is the outcome of active managers making stock selection decisions rather than passively buying an index.

### **Top 10 Positions**

The top 10 companies (10 largest positions) make up 24% of the total LPPI GEF.

In Q1 2022 Microsoft remains the largest holding in the GEF, as Nestlé, Visa and Accenture also remain in the top four. Pepsi moved up 2 positions, whilst Colgate and Starbucks moved down 1 and 2 positions respectively. Costco, Apple, and Adobe were replaced by Diageo, Alphabet and SPDR Gold Shares.

### **Portfolio ESG Score**

The GEF's Portfolio ESG score has not changed from 5.4 between Q4 and Q1. In the same period the equivalent score for the benchmark did also not change from 5.2.

### **Transition Pathway Initiative (TPI)**

Monitoring against TPI<sup>R</sup> Management Quality ratings confirms the GEF continues its relatively low exposure to highly carbon intensive activities with minimal changes in ratings since Q4. By value, the coverage of the GEF represented within the globally high emitting companies under TPI assessment has decreased from 12% to 11%, between Q4 and Q1.

The number of GEF companies in scope of TPI scoring has increased by 1 since Q4 2021, changing from 22 to 23.

Of the 23 companies in TPI scope:

- 96% (by value) are rated TPI 3 and above – demonstrably integrating climate change into their operational planning (TPI3) and into their strategic planning (TPI 4). This is down from 97% in Q4 2021, which is a general reflection of the total market value decreasing for these companies TPI3 and higher.
- 4 companies are scored below TPI 3 and are under monitoring.

## **Governance Insights** (New element for this quarter)

LPPI has produced three new metrics to provide insights on governance issues for the GEF using data from ISS DataDesk (Institutional Shareholder Services) our provider of shareholder voting services.

**Women on the board:** A measure of gender diversity confirming the average proportion of female board members for companies in the GEF (where data is available).

In Q1 2022, an average of 28% of board members were female in the GEF. There was a coverage of 84% data availability, which was a result of several companies not being in scope of the ISS database.

**Board independence:** The average proportion of board members identified by ISS as independent. Please note independence expectations vary across markets with LPPI generally favouring greater independence as a route to an appropriate breadth of ideas, skills and experiences being drawn upon.

In Q1 2022, on average 68% of board members were independent in the GEF. There was a coverage of 83% data availability, which was a result of several companies not being in scope of the ISS database.

**Say-on-pay:** The average level of investor support for the most recent say-on-pay vote at a company meeting. Please note not all markets require say-on-pay votes. A vote of greater than 20% against (support < 80%) is generally considered significant.

In Q1 2022, an average of 88% were in support for say on pay, which indicates a high proportion of investors were supportive of the pay policies of investee companies. There was a coverage of 48% data availability, which was a result of a vast majority of companies not providing their outcomes for say on pay and several companies also not being in scope of the ISS database.

## Other asset classes (Dashboard p2)

### **Private Equity**

Sector and geographical exposures remained similar to those reported Q4 2021. The portfolio continued to have a strong United States presence (48%) and the largest sector exposure continued to be Information Technology (31%).

### **Infrastructure**

The geographical exposures to UK based infrastructure slightly increased, moving from 43% exposure in Q4 to 47% in Q1. The largest sectoral exposure remained in Traditional Energy, Renewable Energy, Waste, which makes up 37% of the portfolio.

The Real-World Outcomes section of the dashboard features examples of socially positive investments and this quarter the focus is on Infrastructure. Pages 6-9 share information on a

selection of investments within the LPFA Fund portfolio which are developing solutions in large, small and mid-cap companies.

### *Real Estate*

The geographical exposures continued to be largely deployed in the UK, remaining unchanged from Q4 2021 at 74%. The largest sectoral exposure continued to be Industrial assets, increasing from 38% in Q4 2021 to 40% of the portfolio in Q1.

### *Green & Brown Exposures*

Calculation of the Fund's exposure to Green and Brown activities focusses specifically on equity assets (Listed Equity, Private Equity, and Infrastructure) plus corporate bonds within Fixed Income. Figures give an indication, rather than a precise measure, as an assistance to reviewing the overall position.

Green activities are those directly contributing to real world decarbonisation, principally through renewable energy generation, but include other activities supporting lower emissions including district heating, and waste management. Brown activities are those directly involved with extracting, transporting, storing, and otherwise supplying fossil fuels, or using them to generate energy.

The dashboard presents information on the trend in Green and Brown exposures (commencing in Q4 2019). Quarterly changes in Green and Brown exposure reflect multiple factors at play including funds reaching maturity, assets being revalued, and investments being made and sold. The total value of the Lancashire County Pension Fund (LCPF) portfolio (as the denominator) also affects Brown and Green % shares quarterly.

Compared with Q4 2021, Brown exposure has increased from 2.21% to 2.79%. The biggest contributor to the increased exposure is from the Infrastructure asset class. This quarter, figures reflect a full re-evaluation based on the current categorisation process. This incorporated new assets added to the portfolio and added some further companies within existing funds that have not previously been identified as Brown. This exercise increased Infrastructure's Brown exposure from 1.85% in Q4 to 2.33% of the portfolio in Q1. Another contributing factor has been a large mark-to-market increase reflecting the sector's strong performance of the Brown positions held in the Global Equities Fund, as well as a new position being added into fund.

Compared with Q4 2021, Green activities have slightly increased from 2.84% to 2.89% of the portfolio. The change again reflects the re-evaluation of Infrastructure assets, where new positions have been incorporated and several existing companies have now been identified as Green. This has increased Infrastructure's Green exposure from 2.73% in Q4 to 2.77% of the portfolio in Q1.

Investments in renewable energy generation from wind, solar, hydro, and waste make up 77% of total Green exposure, and 96% of Green exposure is via Infrastructure assets.

### 3. Core Stewardship

This section of the report gives an overview of stewardship activities in the last quarter. Client pension funds delegate day to day implementation of the Partnership's Responsible Investment approach to Local Pensions Partnership Investments Ltd (LPPI). Ongoing stewardship activities by LPPI include portfolio and manager monitoring and the exercise of ownership responsibilities via shareholder voting, and engagement.

#### Shareholder Voting - LPPI Global Equity Fund (GEF) (Dashboard page 3)

Shareholder voting is overseen centrally by LPPI rather than by individual asset managers. LPPI receives analysis and recommendations from an external provider of proxy voting and governance research. We follow Sustainability Voting Guidelines focussed on material ESG considerations and liaise with providers and asset managers as needed to reach final voting decisions.

Full details of all shareholder voting by LPPI are publicly available from the LPP website within quarterly [shareholder voting reports](#).

The period 1st January - 31st March 2022 encompassed 56 meetings and 491 resolutions voted. LPPI voted at 98% meetings where GEF shares entitled participation. The shortfall reflects the application of Do Not Vote to a Russian position that was not fully liquidated before trading restrictions were introduced.

#### **Company Proposals**

LPPI supported 88% of company proposals in the period.

Voting against management concentrated on:

- the election of directors (addressing individual director issues, overall board independence, and over-boarding), 29% of votes against company proposals.
- non-salary compensation (addressing inadequate disclosure of underlying performance criteria, use of discretion, and the quantum of proposed rewards), 46% of votes against company proposals.
- the support of shareholder resolutions, covering topics including climate change, human rights, diversity, and political lobbying (14%).

#### **Case Study – Directors Related**

LPPI voted against 5 resolutions across 2 companies due to a lack of Board independence. Result (only one disclosed): 13.5% Against.

LPPI voted against 6 directors across 3 companies due to the lack of diversity on the Board. Result (only one disclosed): 15.0% Against.

At Svenska Handelsbanken AB (Sweden: Diversified Banks), LPPI voted against the Board Chair due to overboarding. Result not disclosed.

#### **Case study – Non-Salary Compensation**

LPPI voted against 27 out of 63 (42.9%) compensation votes across 30 companies.

At Apple (USA: Technology Hardware, Storage & Peripherals), LPPI voted against the say-on-pay. This was driven by the lack of transparency over the terms of the equity grant, the fact it was 50% time-based, and the choice of metrics on the performance element. Result: 35.6% Against.

At Hologic (USA: Health Care Equipment), LPPI voted against the say-on-pay. This was driven by insufficient responsiveness following the low support for last year's remuneration report. Result: 29.5% Against.

At SimCorp A/S (Denmark: Application Software), LPPI voted against the say-on-pay. This was due to the downwards discretion applied to in-flight LTIPs. Result: not disclosed.

### **Shareholder Proposals**

LPPI supported 8 out of 14 (57%) shareholder resolutions over the quarter. At Costco Wholesale Corporation (USA: Hypermarkets & Super Centres), LPPI supported the shareholder resolution requesting Costco adopt short, medium, and long-term science-based greenhouse gas emissions targets across their value chain to achieve net zero by 2050. The vote passed with 69.9% support.

At Apple (USA: Technology Hardware, Storage & Peripherals), LPPI supported a resolution urging the company to produce a third-party audit considering the impact of the company's policies and practices on its stakeholders. The vote passed with 53.6% support. LPPI supported a second resolution at Apple that passed with majority support (50%). It requested the company report on risks associated with the use of concealment clauses (e.g. non-disclosure agreements) in the context of potential barriers to accountability with regards to harassment. LPPI also supported three further shareholder resolutions at Apple that did not pass covering forced labour, human rights, and gender pay gaps. Support ranged from 31.7% to 33.7%.

At Starbucks (USA: Restaurants), LPPI supported a shareholder resolution seeking a report assessing the effectiveness and outcomes of company efforts around the prevention of discrimination and harassment in the workplace. The vote did not pass but received support of 32.1%.

### **Shareholder Engagement**

Company and manager engagements are underway on an ongoing basis, directly through board seats and Limited Partner Advisory Committees (LPAC) for private market assets, and more conventionally through shareholder engagement with listed companies.

LPPI's engagement partner Robeco has completed a full quarter of engagement activity. The RI Dashboard (page 4) presents engagement headlines for the quarter which confirm the Robeco Active Ownership Team undertook 37 activities in total, and the predominant focus (by topic) was Environmental Management.

Page 5 of the Dashboard summarises the status of each live engagement theme (as it stood at the end of Q1 2022).

The Active Ownership Report at Appendix 2 provides detailed narrative on thematic engagements underway with listed companies (representing shares held by the Global Equities Fund, or corporate bonds held by the LPPI Fixed Income Fund).

### *Case study – Manager Engagement*

As part of regular portfolio monitoring, LPPI completed the third annual responsible investment review discussions with our external equities managers in Q1. This is an in-depth assessment that is complementary to regular quarterly, thematic, and ad hoc discussions. This year, our delegate managers completed our updated responsible investment due diligence questionnaire giving us an updated point-in-time baseline for their practices. Highlights from conversations included finding out developments in their thinking and processes around net zero, reiterating our net zero ambition and explaining the implications, and sharing our greater expectations around human rights.

## **4. Robeco Summary (New element for this quarter)**

### *Global Controversy*

Robeco have refined the Global Controversies engagement theme which considers companies that have breached international norms such as the UN Global Compact (UNGC). The changes focus on internal governance, data, and engagement principles.

To enhance governance, a Controversial Behaviour Committee (CBC) has been established. It meets on a quarterly basis and has oversight and decision-making responsibilities related to the controversial behaviour of corporates and the response of the Robeco Active Ownership team. Feeding the CBC discussions is data from Sustainalytics' Global Standards Screening (GSS) research which monitors for breaches of international norms including the UNGC. Finally, Robeco have improved the engagement process undertaken when the CBC agrees on the need to open an enhanced engagement case. This includes the application of a five-point engagement plan and a stricter escalation strategy at the annual progress reviews in the event of unsatisfactory progress.

As a result of these changes, Robeco expects to see more companies entering the Global Controversies theme and hopes target companies will take more proactive approaches in mitigating and addressing their impact to stakeholders.

### *Lifecycle Management of Mining*

While holding the key for the future of clean technologies, mineral extraction can come at high costs for biodiversity and local communities. Robeco have identified four key engagement objectives for the integration of sustainability across a mine's lifecycle.

- Water risks: a focus on policies and transparency, including engagement with the CDP<sup>R</sup> to encourage mining companies to disclose to their annual water survey.
- Tailings safety: a focus on safety monitoring and transparency in addition to mitigating action where high risk dams have been identified.
- Asset retirement: assessing how companies integrate closure activities into the mine business plan prior to operations beginning. Includes the short, medium, and end-of-

life planning processes throughout the mine's life, covering environmental, social and economic considerations.

- Financial assurances: assurances provided for mine closure must cover the operator's cost of reclamation and closure as well as redress any impacts that a mining operation causes to wildlife, soil and water quality.

The engagement results to date have been mixed, finding that mining companies often follow different asset retirement standards depending on their age and location. More importantly, disclosures do not provide investors with sufficient information to assess the extent to which companies have appropriate financial assurances to finance the costs of mine closures and land rehabilitation.

### *Improving the Brazilian Proxy Process*

According to Robeco, Brazil has long been a thorn in the side of everyone involved in the proxy voting chain. The country has a complicated proxy voting system that is especially unsuitable for international investors. Robeco joined forces with Brazil's Stewardship Association and sent a letter to engage with Brazil's stock exchange and regulator to seek improvements. The engagement is already beginning to yield results against key objectives. Especially encouraging was the commitment from Brazilian Securities and Exchange Commissions (CVM) to create a working group to focus on the issues related to the exercise of voting rights by national and foreign shareholders at AGMs to enable the necessary regulatory improvements for the effective protection of minority shareholders. Furthermore, the letter urges issuers to adhere to the timely disclosure of documents in both English and Portuguese.

## **5. Collaborations and Partnerships**

LPPI participates in a range of investor groups and partnerships which provide opportunities for shared learning and a platform for collective action. The following are headlines for Q1 2022.

### *Co-signing CDP Letters*

CDP (formerly the Carbon Disclosure Project) runs a non-disclosure campaign on an annual basis. The objective of the campaign is to drive further corporate transparency around climate change, deforestation, and water security. This is an opportunity for investors to actively engage companies and encourage participation from those that have received the CDP disclosure request but have not provided a response. During Q1, LPPI identified relevant focus companies in the Global Equities Fund across all three environmental pillars and confirmed our participation for 2022 which includes involvement in the letter campaign.

### *WWF Plastics*

LPPI supported the WWF-led Business Case for a UN Treaty on Plastic Pollution. It called on governments to ensure high ambition in the then forthcoming UN Environment Assembly international negotiations, laying the groundwork to drive the transition to a circular economy for plastics globally and at scale. This aligned with engagement LPPI undertakes directly and through Robeco Active Ownership on packaging waste at our portfolio holdings. The talks

were widely considered a success, with the UN setting the ambition of completing a draft global legally binding agreement by the end of 2024 to address the full lifecycle of plastics. Additionally, the role of business in supporting the legally binding treaty was highlighted by a number of representatives during the negotiations.

### ***Robeco Active Ownership – Acceleration to Paris Engagement Theme Launch***

As part of Robeco Active Ownership's new climate engagement theme, Robeco identified 200 companies with the largest carbon footprints in the Robeco investment universe. LPPI was invited to co-sign private letters to target companies (where Robeco was able to obtain contact details) outlining engagement expectations to mark the start of the engagement theme. 29 companies, who were identified as laggards, received personalised letters and will be the focus of more intensive engagement from Robeco. 113 companies, whose current actions are more developed, received generic letters and are not expected to receive further correspondence. The remaining companies did not receive letters due to the lack of contact details. While LPPI holds only six of the 200 target companies, Robeco were keen for investors' voices to be heard across the investable universe and hence was a signatory to all letters.

## **6. Other News and Insights**

### ***Climate Lobbying, Investment Standard for Lobbying***

In March 2022, leading international investor groups unveiled the new Global Standard on Responsible Climate Lobbying which provides a framework to ensure companies' lobbying and political engagement activities are in line with the goal of restricting global temperature rise to 1.5°C above pre-industrial levels. The Standard calls on companies to make formal commitments to responsible climate lobbying, to disclose the funding and other support they provide to all trade associations involved in climate change-related lobbying and to take action if lobbying activity undertaken by them, or their trade associations, runs counter to the goals of the Paris Agreement<sup>R</sup>. Investors supporting the Standard commit to championing responsible lobbying activity by engaging with those companies whose lobbying practices do not align with the Standard.

### ***Global Standard on Tailings Dams***

Following further engagement with the 256 companies that were contacted regarding their support for and implementation of the Global Tailings Management Standard, the Church of England Pensions Board have launched an online company database on Tailings Standard Implementation.

The team also continues to work closely with partners UN Environment Programme in the creation of the Independent Global Tailings Management Institute and with the support of the International Advisory Panel. They are pleased to note that the International Council on Metals and Mining (ICMM) has re-engaged with the Advisory Panel and are meeting regularly with them to ensure an Institute can be created as soon as possible and with the confidence of all stakeholders.

## *Stewardship Code*

In March 2022, LPPI received the Financial Reporting Council's assessment that our Responsible Investment and Stewardship and [Report 2020-21](#) successfully met the standard required to be considered compliant with the UK Stewardship Code (2020). LPPI has duly been [listed](#) as a signatory to the 2020 Code which sets a significantly higher standard for stewardship disclosure than the prior Code it replaced.

All Signatories to the 2020 Code are required to produce annual reporting on stewardship activities which meets all the disclosure requirements in full every year. Failing to continuously meet the standard can result in being delisted as a signatory.

## *Net Zero Update*

LPPI's commitment to net zero by 2050 remains a priority focus. A first climate action plan is due to be published in October setting out initial targets and actions. LPPI has appointed a project manager to provide practical support for the activities flowing from net zero planning and also planning for the implementation of mandatory TCFD<sup>R</sup> reporting. The project manager will give practical support to efforts already underway to select a data provider, undertake portfolio analysis and make decisions on the approach to target setting, monitoring and engagement.

## *Boycott, Divestment, Sanctions (BDS) Update*

The Public Service Pensions and Judicial Offices Act 2022 passed into law at the beginning of March and included power for the Secretary of State to make guidance to authorities that administer public sector pension schemes (including the LGPS) that they may not make investment decisions that conflict with the UK's foreign and defence policy.

The power to make guidance now exists, but will not be utilised without a period of consultation to allow consideration and comment on the detail of any proposed guidance and its impact.

## **For Reference**

### **GICS - Global Industry Classification System**

The most widely used approach to categorising activities into industry sectors. The main standard in use for public markets with growing use for other asset classes. For more information on GICS and the activities that fall into each sector, please see:

[https://www.spglobal.com/marketintelligence/en/documents/112727-gics-mapbook\\_2018\\_v3\\_letter\\_digitalspreads.pdf](https://www.spglobal.com/marketintelligence/en/documents/112727-gics-mapbook_2018_v3_letter_digitalspreads.pdf)

### **Paris Agreement**

The Agreement is a legally binding international treaty to tackle climate change and its negative impacts. The Agreement includes commitments from all countries to reduce their emissions and work together to adapt to the impacts of climate change. It entered into force on 4 November 2016.

The Agreement sets long-term goals to guide all nations to:

- substantially reduce global greenhouse gas emissions to limit the global temperature increase in this century to 2 degrees Celsius while pursuing efforts to limit the increase even further to 1.5 degrees,
- review countries' commitments every five years,
- provide financing to developing countries to mitigate climate change, strengthen resilience and enhance abilities to adapt to climate impacts.

<https://www.un.org/en/climatechange/paris-agreement>

## CDP

CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.

## MSCI ACWI - MSCI All Country World Index

A stock index designed to track broad global equity-market performance. The LPPI Global Equity Fund's benchmark.

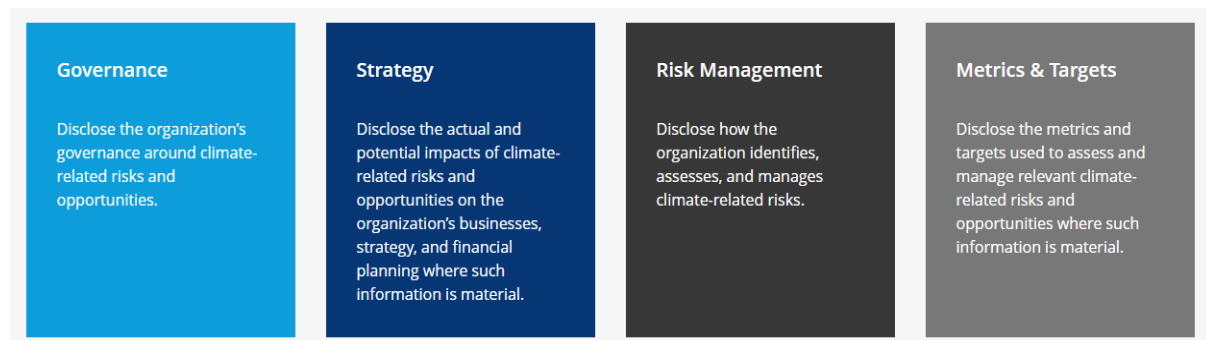
## MSCI - Morgan Stanley Capital International

A global index provider.

## TCFD - Taskforce on Climate Related Financial Disclosure

The Financial Stability Board created the Task Force on Climate-related Financial Disclosure (TCFD) to improve and increase reporting of climate-related financial information by companies and investors.

Recommendations include annual disclosure under 4 pillars:



## TPI - Transition Pathway Initiative <https://www.transitionpathwayinitiative.org/>

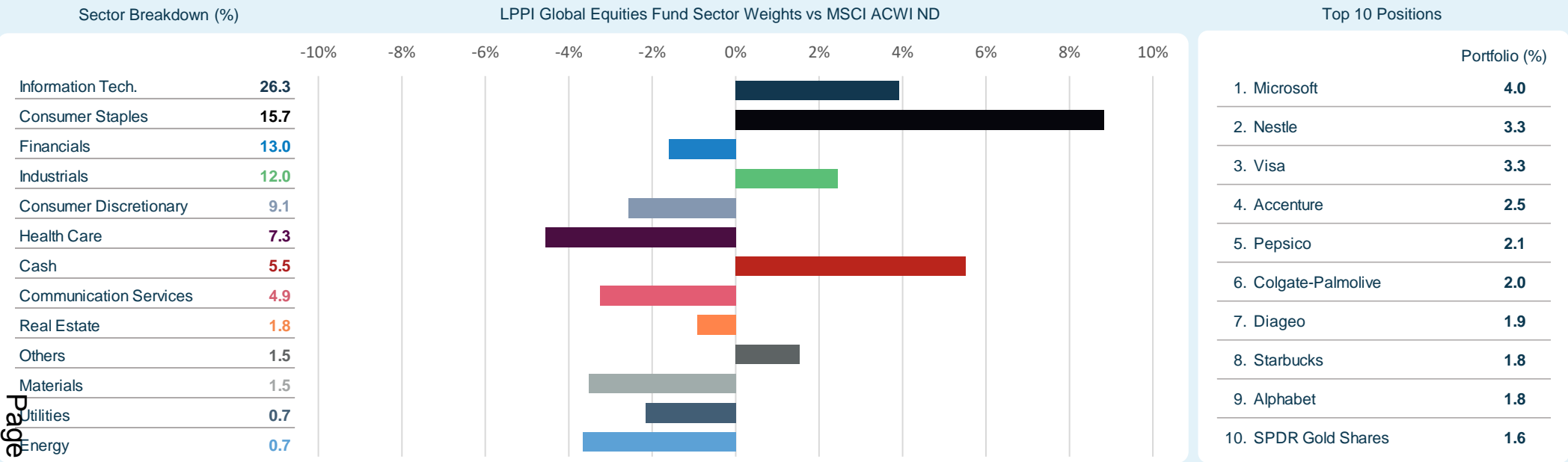
The TPI assesses the highest emitting companies globally on their preparedness for a transition to a low carbon economy. 368 companies are rated TPI 0-4\* for Management Quality based on 19 separate datapoints. TPI Management Quality scores provide an objective external measure of corporate transition readiness.



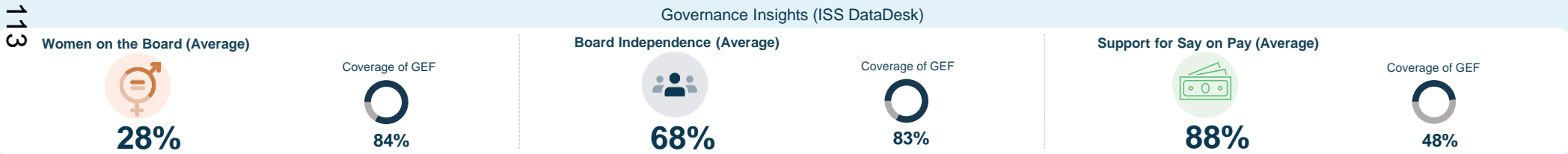
# Responsible Investment Dashboard Q1 2022

## 1. Portfolio Insights

### Listed Equities (LPPI Global Equities Fund)



Page 113



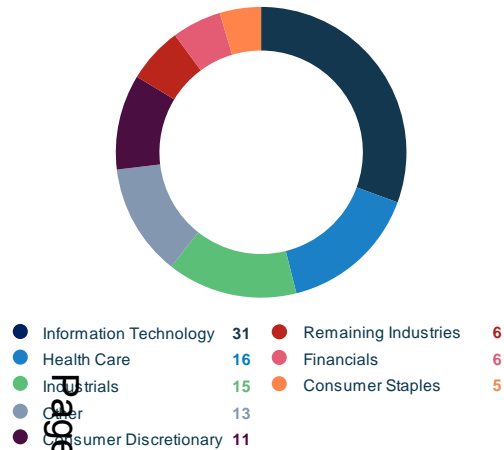
# Responsible Investment Dashboard Q1 2022

## 1. Portfolio Insights

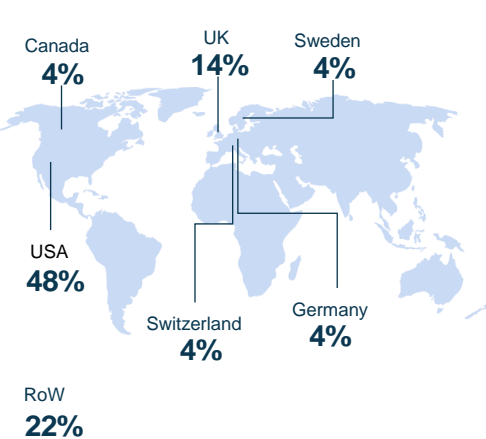
### Other asset classes

#### Private Equity

##### Industry Breakdown (%)

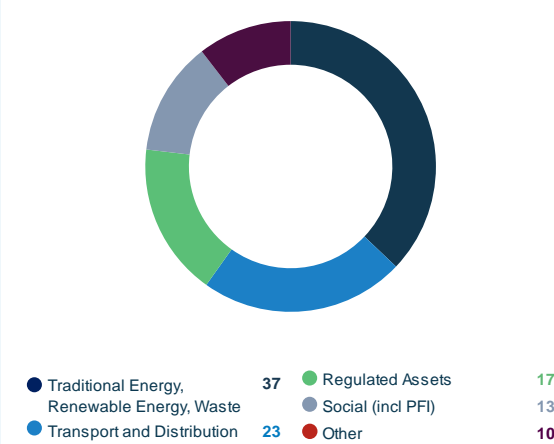


##### Region Breakdown (%)

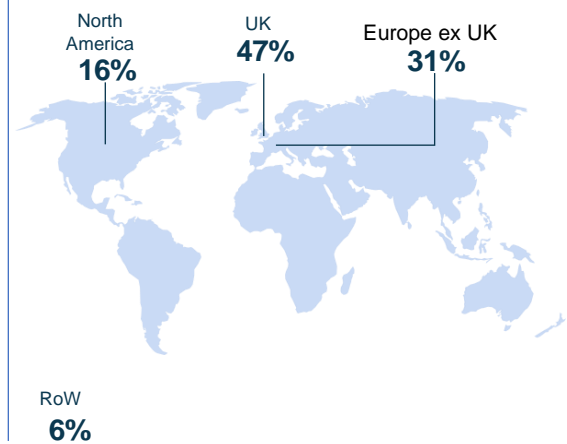


#### Infrastructure (LPPI Global Infrastructure Fund)

##### Industry Breakdown (%)

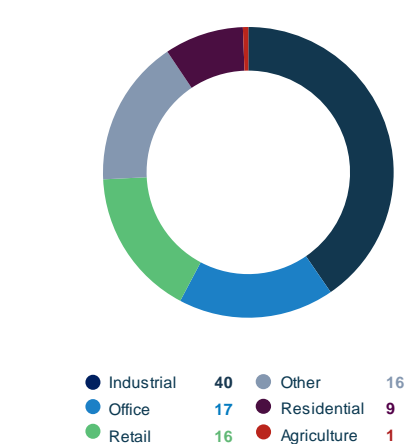


##### Region Breakdown (%)

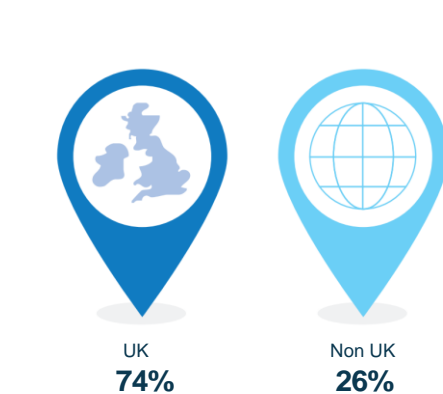


#### Real Estate (LPPI Real Estate Fund)

##### Sector Breakdown (%)



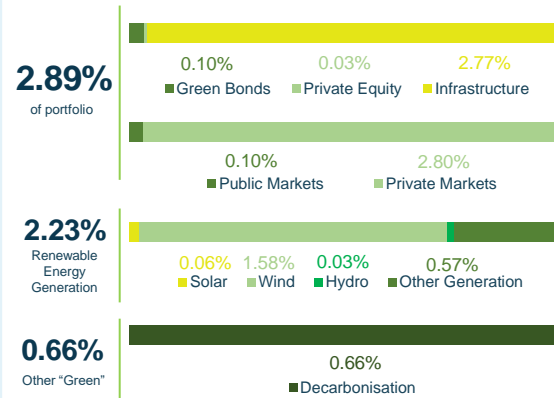
##### Geographical Exposure (NAV %)



#### Green & Brown Exposure

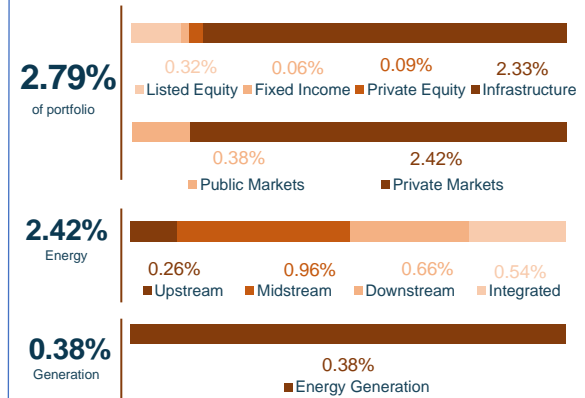
##### Green

Investments in businesses directly contributing to the global transition to a lower carbon economy, expressed as a % of the total value of the pension Fund.

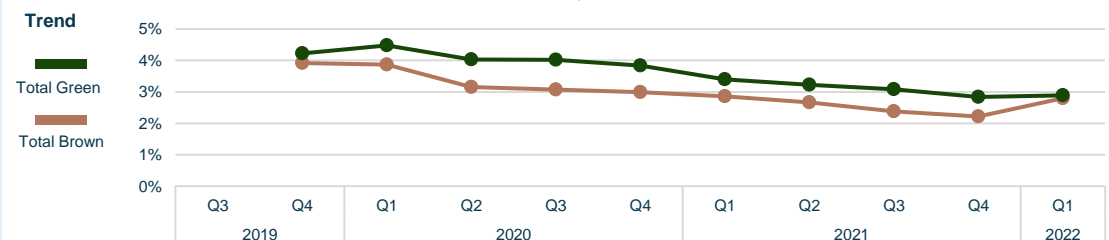


##### Brown

Investments in traditional energy (based on fossil fuels) expressed as a % of the total value of the Pension Fund.

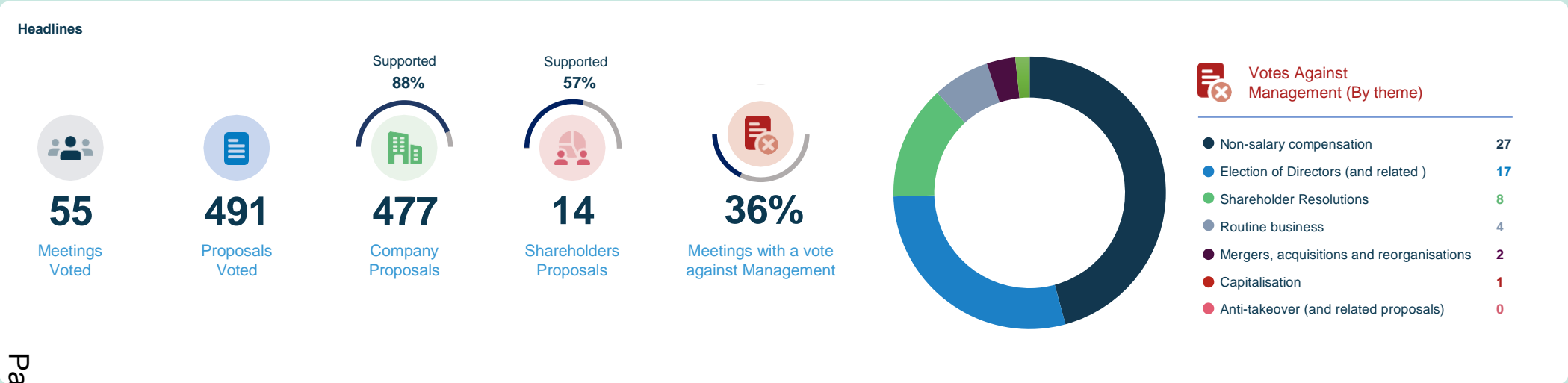


##### Trend

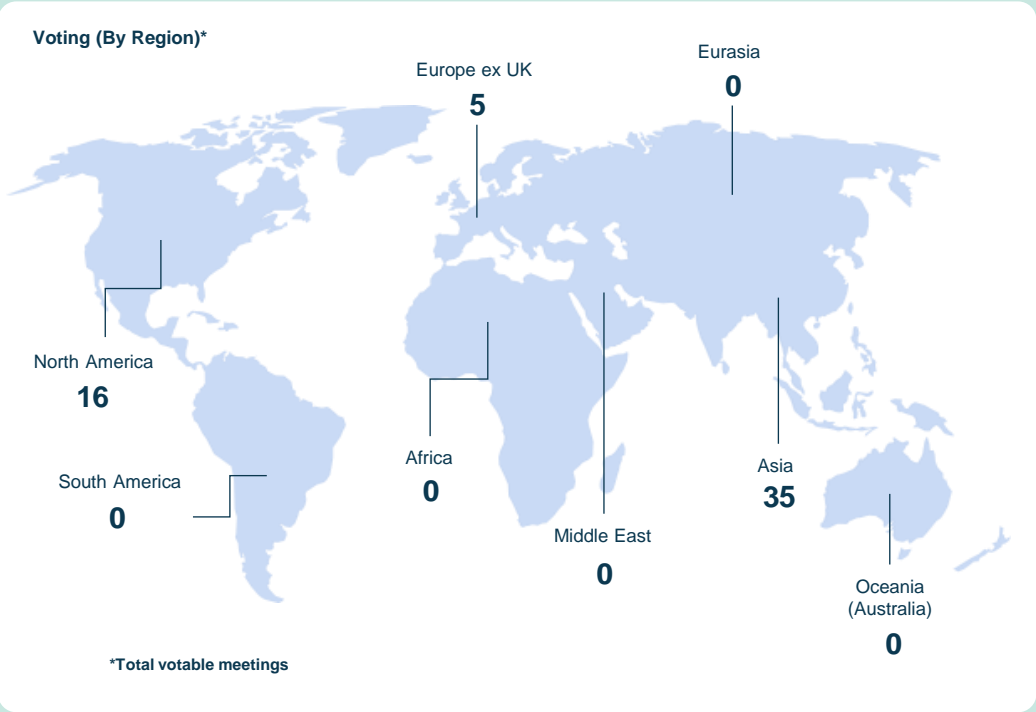
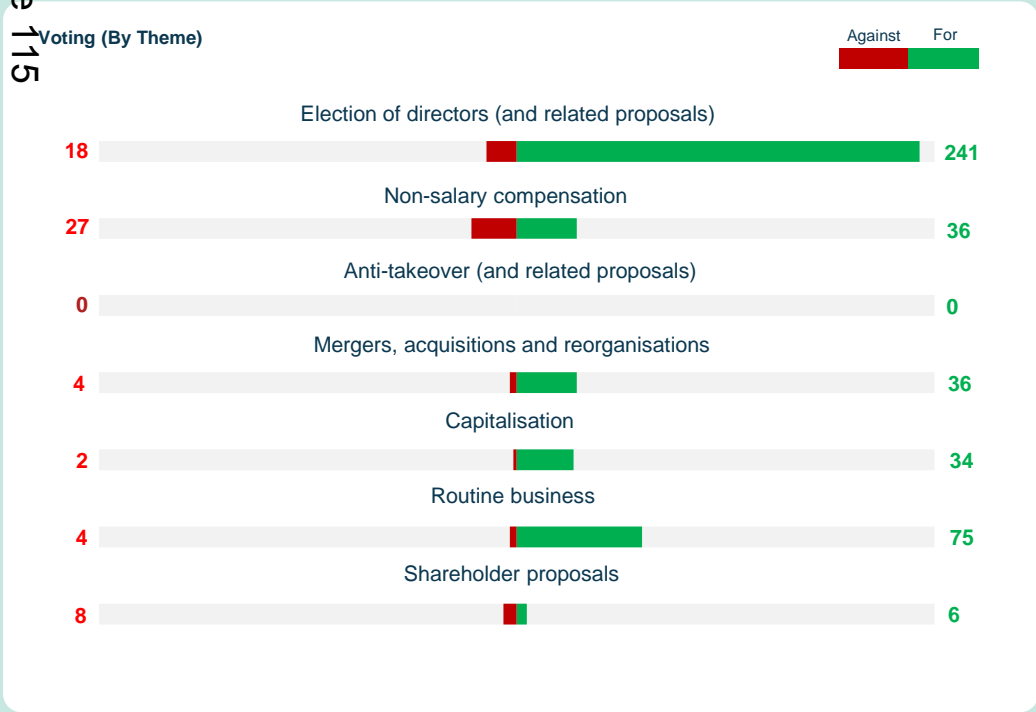


Shareholder Voting

Shareholder Voting Statistics (LPPI Global Equity Fund)



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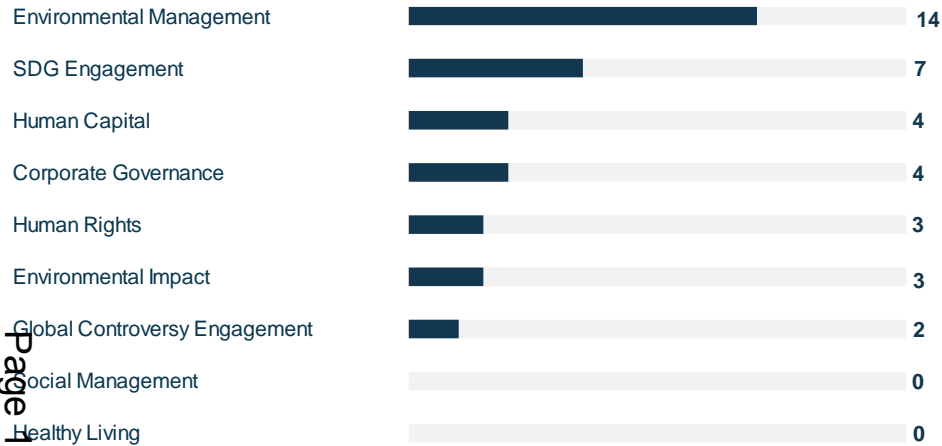


# Responsible Investment Dashboard Q1 2022

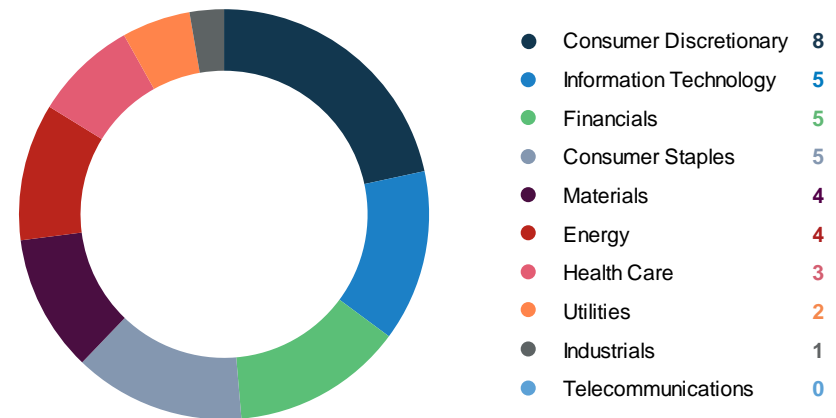
## 2. Stewardship Headlines

### Engagement (Public Markets)

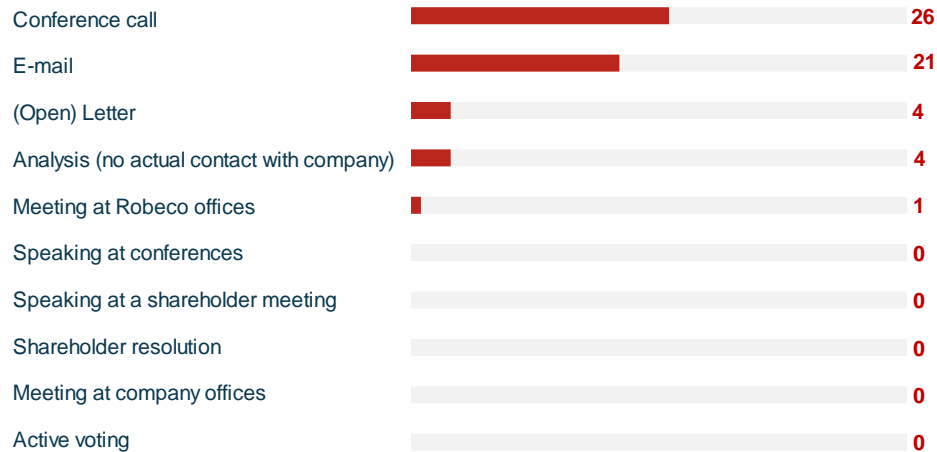
#### Activity (By Topic)



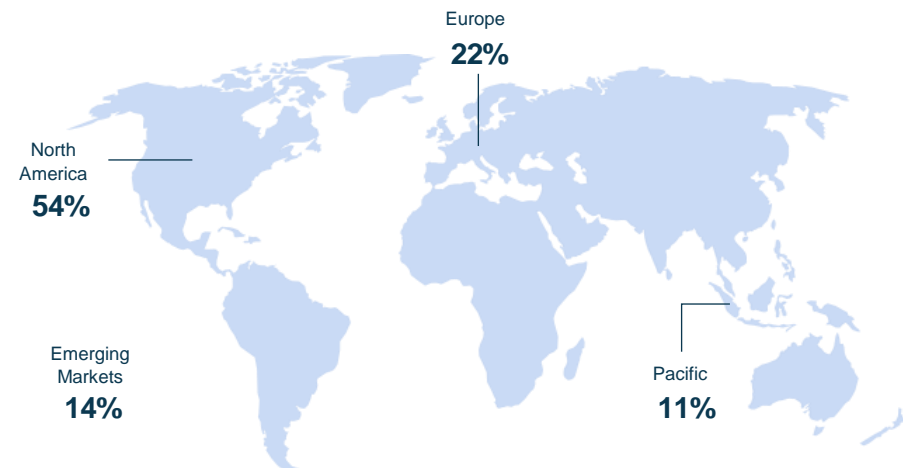
#### Activity (By Sector)



#### Activity (By Method)



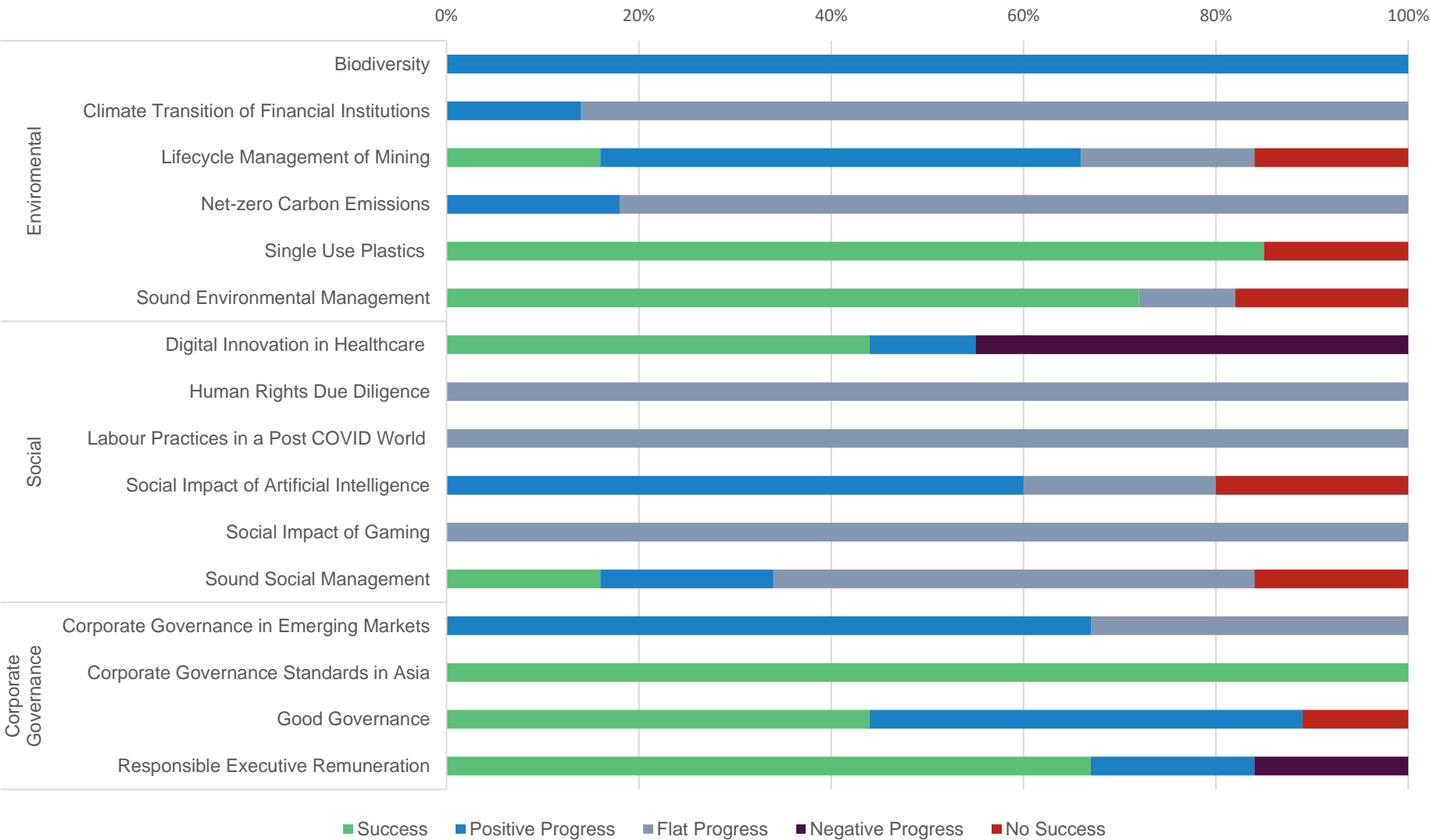
#### Activity (By Region) (%)



Source: Robeco Active Ownership Report Q1 2022

Engagement (Public Markets)

Engagement Results (by Theme)



Source: Robeco Active Ownership Report Q1 2022



El Paso Electric (EPE) is a vertically integrated electric utility serving 450,000 residential, commercial, industrial, public authority and wholesale customers in Texas and New Mexico. EPE has 2GW of owned generation capacity and 1,100 employees.

EPE’s mission is to transform the energy landscape while improving customer satisfaction by expanding technologies, programs and offerings to ensure affordable energy to customers.



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80%  
carbon free\* energy by 2035

In Q3 2021, EPE adopted several **carbon free\* energy goals**, including a commitment to **80% carbon free\* energy by 2035** and **100% decarbonisation of the generation portfolio by 2045**.

\*Carbon free - Includes a combination of renewables, storage and power generation using hydrogen.



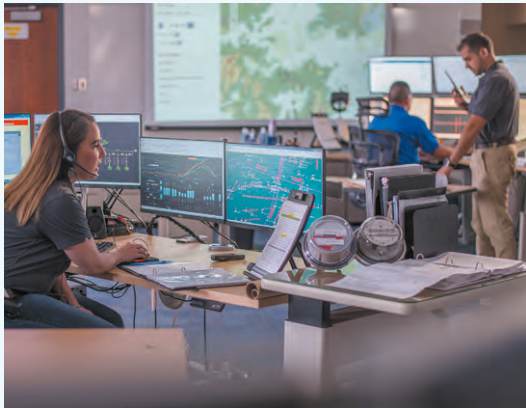
Provided diversity training to members of management

Diversity training was provided to **100 members of management** which included **diversity concepts, historical perspective and systemic racism**. Local experts from the University of Texas and the El Paso Diversity Resiliency Centre facilitated and moderated the training.



Launch of a Customer Advisory Partnership (CAP)

Launched a **Customer Advisory Partnership (CAP)** to drive collaboration between **EPE and the local community**. The CAP comprises 16 members from local businesses and community organisations. The partnership allows EPE to **gather input from the community** on new technology and infrastructure to enhance customer experience and modernise EPE.



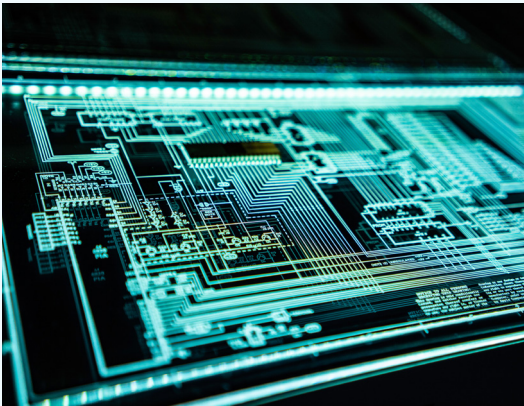


Cologix is a leading, connectivity-centric, scalable data centre ecosystem in North America.

The business includes 39 data centres across 11 strategic North American markets. Its network and cloud connectivity provides critical IT infrastructure to over 1,600 customers across varying industries.

Given data centres’ intensive use of power, Cologix has undertaken the following sustainability initiatives:

- Use of hydropower in Quebec and British Columbia for data centres in Montreal and Vancouver
- Installation of efficient chillers with free cooling where possible (currently in 11 data centres)
- Optimization of water usage and installation of the most efficient uninterruptible power sources in the industry.

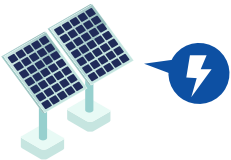


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### Committed to setting Science-Based Targets (SBTs)

In Q4 2021, Cologix outlined plans for 2022 to commit to setting Science-Based Targets (SBTs) and become a member of RE100 and the Clean Energy Buyers



**45%**  
renewable power  
Cologix currently utilises 45% renewable power across its footprint.



**51**  
energy efficiency projects  
51 energy efficiency improvement projects completed in 2020.



### Key green certifications

Cologix is actively working to align the company’s basis of design for new facilities with **key green certifications** including **Leadership in Energy and Environmental Design (LEED)** in the USA and **BREEM** in Canada.



**\$15m**  
of investment  
Since 2016, Cologix has invested \$15m of capital expenditure in environmental projects .



Cubico Sustainable Investments is one of the world’s leading independent renewable power providers with assets held across Europe, Australia and the Americas. GLIL has held renewable energy assets in the Cubico portfolio since January 2020.

Cubico have many ongoing projects of support through community benefit schemes across the UK portfolio. Some of the ongoing local community support in Middlewick and Kelmarsh for 2021 is outlined below.



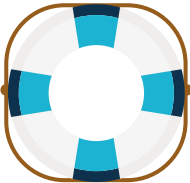
Projects of Support

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Maldon & Essex Lifesaving Swimming Club

Maldon & Essex Lifesaving Swimming Club - To continue to **provide funding for life support and basic first aid training** roadshows for local schools and the Maldon district community.



Thames Barge Sailing Trust

Support for Thames Barge Sailing Trust - To **replace the galley stove in the Pudge sailing barge** in readiness for its post refurbishment service and charter.



Naseby Book Exchange

Support in the Creation of **Naseby Book Exchange for Naseby** and surrounding villages.



Kelmarsh Choir

Funding for Kelmarsh Choir for **new equipment** (PA system, speakers, printer for posters and flyers)



GLIL purchased a stake in Anglian Water Group Limited (AWG) jointly with Dalmore in 2017. Anglian Water Services Limited (AWS) provides water and wastewater services to more than 6 million customers in the East of England. AWG is the largest water and sewerage company in England and Wales by geographic area, and the fourth largest water company as measured by Regulated Capital Value (RCV).

Anglian Water believe water is vital to health and wellbeing, to the economic prosperity of the East of England, and to maintaining a thriving natural environment. Anglian Water recognises the climate emergency and as a result contributes to balancing the needs of society, business and the environment to enable a sustainable future particularly at a time the world faced the challenge of a global pandemic.

Community Investment



28,563  
people reached or supported in 2020/21

Anglian Water measures community investment using the London Benchmarking Group (LBG)1 framework which captures community investment that is both charitable and voluntary. In 2020/21, an estimated 28,563 people were directly reached or supported by Anglian Water community investment activity



Support for students

In light of the global pandemic Anglian Water provided support for students with online education, temporary accommodation for homeless people and sent Christmas cards to those isolating alone through the industry charity Water Aid.



Temporary accommodation given to homeless people

The Community Education programme reached and supported approximately 19,140 people during 2020/21. Six cabins were installed in Wisbech, giving temporary accommodation to 14 homeless people during the covid-19 pandemic



### Portfolio Insights (Pages 1 - 2)

#### Sector Breakdown (%)

- Identifies the Global Equity Fund's ("GEF") sector breakdown and their proportions.

#### GEF Sector Weights

- Comparison of sector weights against their benchmark.
- The larger the bar the bigger the difference between GEF and benchmark weightings.
- Where a positive number is shown, this indicates the GEF is overweight to a sector.
- Where a negative number is shown, this indicates the GEF is underweight to a sector.

#### Top 10 Positions

- The top 10 GEF companies as a % of the asset class portfolio.

#### Governance Insights

- **Women on the board:** A measure of gender diversity based on the average proportion of female board members for companies in the GEF.
- **Board independence:** The average proportion of board members identified by ISS as independent. Please note independence expectations vary across markets with LPPI generally favouring greater independence.
- **Say-on-pay:** The average investor support for the most recent say-on-pay vote at a company meeting. Please note not all markets require say-on-pay votes. A vote of greater than 20% against (support < 80%) is generally considered significant.

#### Portfolio ESG Score

- This is a relative indicator and not a measure of portfolio ESG risk exposure.
- Individual companies are assigned an ESG score (between 0-10). The final numbers shown in the bar chart are the weighted averages of these scores for the stocks held in the GEF vs its benchmark through time.
- This table is a comparison with the benchmark and reviews changes over time.
- LPPI utilise an established methodology (developed by MSCI) for determining the ESG score of stocks within the GEF. Further details can be found here: <https://www.msci.com/documents/1296102/21901542/MSCI+ESG+Ratings+Methodology+-+Exec+Summary+Nov+2020.pdf>
- The higher the score shown, the better the ESG credentials of the GEF / benchmark.

### Portfolio Insights (Pages 1 - 2)

#### Transition Pathway Initiative (TPI) Headlines

- TPI assess how well the largest global companies in high carbon emitting sectors are adapting their business models for a low carbon economy.
- The % of GEF covered by TPI shows the portfolio exposure to high emitting companies.
- The number/proportion of companies with top scores (TPI 3 and 4) is a measure of the quality of transition management by the high emitting companies held within the GEF.
- Detailed TPI methodology can be found through the following link: <https://www.transitionpathwayinitiative.org/methodology>

#### Private Market Asset Classes

- These metrics indicate the industry sector and regional breakdown as a % of the asset class for Private Equity, Infrastructure and Real Estate investments.

#### Green & Brown

- These metrics indicate the Pension Fund's total portfolio exposure (%) to green and brown assets. Current coverage extends to: Listed Equity, Fixed Income, Green Bonds, Private Equity, and Infrastructure.
- These are further broken down into their sectors/activities related to green and brown.
- Please be aware that due to rounding within the different breakdowns the totals may not sum correctly.

#### Green

These are investments in renewable energy and sectors/activities assisting in renewable energy generation, low carbon tech and wider decarbonising activities.

#### Brown

Investments in energy and power generation based on fossil fuel activities, including: extracting (upstream), transporting (midstream), refining (midstream), supplying (downstream), or some energy companies that legitimately span all aspects (integrated). Fossil fuels used to generate energy is part of electricity generation.

### Stewardship Headlines (Pages 3 - 5)

#### Shareholding Voting

- Key shareholder voting metrics for LPPI's GEF.
- The Headline section provides insight into the scope of voting activity, including how votes against management is concentrated.
- LPPI is responsible for voting on each decision taken, working in partnership with Institutional Shareholder Services to best inform views prior to taking action.
- The map of votes per region is included because different jurisdictions have different voting seasons. This provides context to the reporting of voting statistics quarter to quarter as votes take place in batches depending on the companies domicile at different points throughout the year.

#### Engagement (Public Markets)

Engagement is an active, long-term dialogue between investors and companies on environmental, social and governance factors, which can be executed through a variety of channels.

This section outlines the engagement activities undertaken in the public markets by topic, sector, method, and region (indicating the number of companies engaged / geographical distribution).

- "Activity by method" summarises engagements by category / method and can include multiple inputs from the same company.
- The updated Robeco Active Ownership report summarises our engagement activities for the quarter and breaks them down into sub-sectors, where they are rated on success/progress (shown as a %).
- Page 9 of the Robeco stewardship policy outlines further details of their process: <https://www.robeco.com/docm/docu-robeco-stewardship-policy.pdf>

### Real World Outcomes (Pages 6 - 8)

- This section provides real world ESG case studies, relevant to the Pension Fund's holdings, which rotate between asset classes each quarter.
- The focus of the real world outcomes rotates between asset classes for each quarter in the following pattern:
  - Q1 – Infrastructure
  - Q2 – Real Estate
  - Q3 – Private Equity
  - Q4 – GEF
- The case studies are an in-depth review of positive ESG practices for current investments within the portfolio over the past year.

The named client pension fund has been assessed as an elective Professional Client for the purposes of the FCA regulations. All information, including valuation information, contained herein is proprietary and/or confidential to Local Pensions Partnership Ltd (LPP) and its subsidiary, Local Pensions Partnership Investments Ltd only (LPPi) (together the "LPP Group"). LPPi is authorised and regulated by the Financial Conduct Authority. This document and its content are provided solely for the internal use of the intended recipient(s) and subject to the terms and conditions of this disclaimer. Unless otherwise required by English law, you shall not disseminate, distribute or copy this document or any of the information provided in it in whole or part, without the express written consent of the authorised representative of the LPP Group. The purpose of this document is to provide fund and performance analysis for the named client pension fund only. It does not provide advice and should not be relied upon for any purpose including (but not limited to) investment decisions. Market and exchange rate movements can cause the value of an investment to fall as well as rise. Past performance is not an indicator of future performance. Without limitation to the aforesaid, this document and its contents are provided 'as is' without any representation or warranty (express or implied), and no member of the LPP Group nor any of their respective directors, officers and employees shall be held liable, as to the appropriateness, accuracy or completeness of the information provided herein.



## **Pension Fund Committee**

Meeting to be held on Friday, 17 June 2022

Electoral Division affected: None;
---------------------------------------

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

Contact for further information: Mike Neville, Tel: (01772) 533431, Senior Democratic Services Officer, [mike.neville@lancashire.gov.uk](mailto:mike.neville@lancashire.gov.uk)

#### **Brief Summary**

A copy of the 2021/22 Training Record is presented for information together with details of training involving Committee members since the last meeting.

#### **Recommendation**

The Committee is asked to note the contents of the 2021/22 Training Record, as set out at Appendix 'A' to this report, together with any feedback from individual members given at the meeting in relation to training they have received since the last Committee.

#### **Detail**

The Training Plan sets out the approach to supporting the learning/development needs of individuals with responsibility for the strategic direction, governance, and oversight of the Lancashire County Pension Fund through their membership of the Pension Fund Committee or the Lancashire Local Pension Board.

Over the last 12 months members of the Committee have had the opportunity to participate in various training sessions including internal workshops, external conference/seminars, presentations and pre committee briefings, many of which were held remotely due to the Covid-19 related restrictions.

The participation by individual Committee members in training events is noted in the Training Record which informs the Lancashire County Pension Fund Annual Report. A copy of the 2021/22 Training Record is attached as **Appendix 'A'** to this report.

Since the last meeting members of the Committee have participated in the following pension related conference/events and individual members of the Committee are invited to provide feedback on their experiences at the meeting.

### **29<sup>th</sup> March 2022 Internal Workshop – Employer Risk and Engagement**

County Councillors F DeMolfetta, G Dowding, E Pope, A Schofield and Co-opted members D Borrow and Mr P Crewe. Ms J Eastham also watched the recording of the workshop in the online pension library.

### **9<sup>th</sup> May 2022 Internal Workshop – Legal Update.**

County Councillors E Pope and M Clifford. Co-opted Members P Crewe and Ms S Roylance.

### **Consultations**

N/A

### **Implications:**

This item has the following implications, as indicated:

### **Risk management**

Without the required knowledge and skills, those charged with governance and decision making may be ill-equipped to make informed decisions regarding the direction and operation of the Pension Fund.

The Training Plan seeks to apply best practice and to ensure compliance with guidance from CIPFA and the Pensions Regulator. Failing to implement adequate training and to regularly review the effectiveness of training arrangements would place the County Council (as Administering Authority) at risk of non-compliance with the Pensions Regulator's Code of Practice No. 14 (Governance and administration of public service pension schemes) and the legislative requirements that this code interprets.

### **Financial**

Decisions made by the Pension Fund Committee have direct financial implications for the Fund. The Fund's Training Plan forms part of its governance and risk management arrangements which seek to ensure that the members of the Committee and the Lancashire Local Pension Board are well-informed, confident, and knowledgeable participants who work effectively and consistently in the best interests of the Fund and its stakeholders.

The cost of attendance at external training events, together with associated travel and subsistence costs, were met by the Lancashire County Pension Fund.

**Local Government (Access to Information) Act 1985**  
**List of Background Papers**

Paper	Dates	Contact/Tel
Attendance sheet for internal pension related workshops.	29 <sup>th</sup> March and 9 <sup>th</sup> May 2022	Mike Neville (01772) 533431
Reason for inclusion in Part II, if appropriate N/A		



## Pension Fund Committee - Training Record for 2021/22

### County Councillors on the Committee

Date(s)	Title of Workshop, Presentation, Conference, Seminar.	Venue	Provider	Hours
<b>County Councillor M Brown</b>				
1 Sept 2021	Internal Workshop on LCPF Annual Report and accounts	Zoom	P Worth, Worth Technical Accounting Solutions Ltd	0.50
<b>County Councillor J Burrows</b>				
1 Sept 2021	Internal Workshop on LCPF Annual Report and accounts	Zoom	P Worth, Worth Technical Accounting Solutions Ltd	0.50
<b>County Councillor M Clifford</b>				
9 June 2021	Presentation to newly appointed members of the Pension Fund Committee.	Online	S Greene, Head of Fund and G Smith (LPP)	1.30
23 June 2021	Training session for Audit Risk and Governance Committee & others on Statement of Accounts	Online	P Worth – Worth Technical Accounting Solutions Ltd	2.00
1 Sept 2021	Internal Workshop on LCPF Annual Report and accounts	Zoom	P Worth, Worth Technical Accounting Solutions Ltd	0.50
6 Oct 2021	Internal Workshop – Update on Responsible Investment.	Zoom	F Deakin, Head of Responsible Investment, LPP	1.30
26 Nov 2021	Pre-Committee briefing impact of C-19 on Fund	County Hall	C Rule, Chief Executive, LPP	0.30
6 Dec 2021	Internal Workshop – McCloud	MS Teams	N Lewin LPPA	1.00
6 Dec 2021	Internal Workshop – Update on the Investment Service Based Review	MS Teams	E Lambert/A Devitt Investment Advisers	1.00
26 Jan 2022	LGPS Overview webinar	Online	Barnett Waddingham	4.30
18 Feb 2022	Internal Workshop – Local Pensions Partnership Budget 2021/22	County Hall & MS Teams	Adrian Taylor, Chief Finance Officer, LPP	1.30
11 March 2022	Pre-Committee briefing on the outcome of the Investment Service Based Review	County Hall	E Lambert and A Devitt Investment Advisers	0.30
<b>County Councillor F De Molfetta</b>				
9 June 2021	Presentation to newly appointed members of the Pension Fund Committee.	Online	S Greene, Head of Fund and G Smith (LPP)	1.30
1 Sept 2021	Internal Workshop on LCPF Annual Report and accounts	Zoom	P Worth, Worth Technical Accounting Solutions Ltd	0.50

28 Oct 2021	Overview of the Local Government Pension Scheme Webinar	Online	Barnett Waddingham	2.45
26 Nov 2021	Pre-Committee briefing impact of C-19 on Fund	County Hall	C Rule, Chief Executive, LPP	0.30
6 Dec 2021	Internal Workshop – McCloud	MS Teams	N Lewin LPPA	1.00
6 Dec 2021	Internal Workshop – Update on the Investment Service Based Review	MS Teams	E Lambert/A Devitt Investment Advisers	1.00
10 Feb 2022	Internal Workshop – LCPF Valuation	County Hall	M Wilson, Mercers	1.30
11 March 2022	Pre-Committee briefing on the outcome of the Investment Service Based Review	County Hall	E Lambert and A Devitt Investment Advisers	0.30
29 March 2022	Internal Workshop – Employer Risk and Engagement	County Hall & MS Teams	M Wilson/L Johnson, Mercers	1.20
<b>County Councillor G Dowding</b>				
26 Nov 2021	Pre-Committee briefing impact of C-19 on Fund	County Hall	C Rule, Chief Executive, LPP	0.30
10 Feb 2022	Internal Workshop – LCPF Valuation	MS Teams	M Wilson, Mercers	1.30
29 March 2022	Internal Workshop – Employer Risk and Engagement	County Hall & MS Teams	M Wilson/L Johnson, Mercers	1.20
<b>County Councillor M Goulthorp</b>				
None				
<b>County Councillor M Pattison</b>				
26 Nov 2021	Pre-Committee briefing impact of C-19 on Fund	County Hall	C Rule, Chief Executive, LPP	0.30
6 Dec 2021	Internal Workshop – McCloud	MS Teams	N Lewin LPPA	1.00
6 Dec 2021	Internal Workshop – Update on the Investment Service Based Review	MS Teams	E Lambert/A Devitt Investment Advisers	1.00
10 Feb 2022	Internal Workshop – LCPF Valuation	MS Teams	M Wilson, Mercers	1.30
11 March 2022	Pre-Committee briefing on the outcome of the Investment Service Based Review	County Hall	E Lambert and A Devitt Investment Advisers	0.30
<b>County Councillor E Pope (Chair)</b>				
18/19 May 2021	PLSA Local Authority Conference 2021	Online	PLSA	17.30 Total
9 June 2021	Presentation to newly appointed members of the Pension Fund Committee.	Online	S Greene, Head of Fund and G Smith (LPP)	1.30
23 June 2021	Training session for Audit Risk and Governance Committee & others on Statement of Accounts	Online	P Worth – Worth Technical Accounting Solutions	2.00
1 Sept 2021	Internal Workshop on LCPF Annual Report and accounts	Zoom	P Worth, Worth Technical Accounting Solutions Ltd	0.50

6 Oct 2021	Internal Workshop – Update on Responsible Investment.	Zoom	F Deakin, Head of Responsible Investment, LPP	1.30
12/14 Oct 2021	PLSA Annual Conference	Online	PLSA	17.30
28 Oct 2021	Overview of the Local Government Pension Scheme Webinar.	Online	Barnett Waddingham	2.45
26 Nov 2021	Pre-Committee briefing impact of C-19 on Fund	County Hall	C Rule, Chief Executive, LPP	0.30
6 Dec 2021	Internal Workshop – McCloud	MS Teams	N Lewin LPPA	1.00
6 Dec 2021	Internal Workshop – Update on the Investment Service Based Review	MS Teams	E Lambert/A Devitt Investment Advisers	1.00
10 Feb 2022	Internal Workshop – LCPF Valuation	County Hall	M Wilson, Mercers	1.30
18 Feb 2022	Internal Workshop – Local Pensions Partnership Budget 2021/22	County Hall & MS Teams	Adrian Taylor, Chief Finance Officer, LPP	1.30
1 Mar 2022	LPPI Investment Conference	London	Local Pensions Partnership	9.00
11 March 2022	Pre-Committee briefing on the outcome of the Investment Service Based Review	County Hall	E Lambert and A Devitt Investment Advisers	0.30
29 March 2022	Internal Workshop – Employer Risk and Engagement	County Hall & MS Teams	M Wilson/L Johnson, Mercers	1.20
<b>County Councillor A Schofield (Deputy Chair)</b>				
9 June 2021	Presentation to newly appointed members of the Pension Fund Committee.	Online	S Greene, Head of Fund and G Smith (LPP)	1.30
23 June 2021	Training session for Audit Risk and Governance Committee & others on Statement of Accounts	Online	P Worth – Worth Technical Accounting Solutions	2.00
6 Oct 2021	Internal Workshop – Update on Responsible Investment.	Zoom	F Deakin, Head of Responsible Investment, LPP	1.30
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10 Feb 2022	Internal Workshop – LCPF Valuation	MS Teams	M Wilson, Mercers	1.30
18 Feb 2022	Internal Workshop – Local Pensions Partnership Budget 2021/22	County Hall & MS Teams	Adrian Taylor, Chief Finance Officer, LPP	1.30
29 March 2022	Internal Workshop – Employer Risk and Engagement	County Hall & MS Teams	M Wilson/L Johnson, Mercers	1.20
<b>County Councillor S Smith</b>				
9 June 2021	Presentation to newly appointed members of the Pension Fund Committee.	Online	S Greene, Head of Fund and G Smith (LPP)	1.30

1 Sept 2021	Internal Workshop on LCPF Annual Report and accounts	Zoom	P Worth, Worth Technical Accounting Solutions Ltd	0.50
26 Nov 2021	Pre-Committee briefing impact of C-19 on Fund	County Hall	C Rule, Chief Executive, LPP	0.30
11 March 2022	Pre-Committee briefing on the outcome of the Investment Service Based Review	County Hall	E Lambert and A Devitt Investment Advisers	0.30
<b>County Councillor D Westley</b>				
6 Oct 2021	Internal Workshop – Update on Responsible Investment.	Zoom	F Deakin, Head of Responsible Investment, LPP	1.30
26 Nov 2021	Pre-Committee briefing impact of C-19 on Fund	County Hall	C Rule, Chief Executive, LPP	0.30
11 March 2022	Pre-Committee briefing on the outcome of the Investment Service Based Review	County Hall	E Lambert and A Devitt Investment Advisers	0.30
<b>County Councillor R Woollam</b>				
9 June 2021	Presentation to newly appointed members of the Pension Fund Committee.	Online	S Greene, Head of Fund and G Smith (LPP)	1.30
1 Sept 2021	Internal Workshop on LCPF Annual Report and accounts	Zoom	P Worth, Worth Technical Accounting Solutions Ltd	0.50
26 Nov 2021	Pre-Committee briefing impact of C-19 on Fund	County Hall	C Rule, Chief Executive, LPP	0.30
10 Feb 2022	Internal Workshop – LCPF Valuation	County Hall	M Wilson, Mercers	1.30
11 March 2022	Pre-Committee briefing on the outcome of the Investment Service Based Review	County Hall	E Lambert and A Devitt Investment Advisers	0.30

**Note - County Councillors T Ashton, C Edwards and A Riggott and T Martin were replaced on the Committee following May 2021 local government election. County Councillors K Ellard and A Snowden did not stand for re-election and appointments were made to fill the vacancies in May 2021.**

#### **Co-opted Members on the Committee**

<b>Date(s)</b>	<b>Title of Workshop, Presentation, Conference, Seminar.</b>	<b>Venue</b>	<b>Provider</b>	<b>Time</b>
<b>Councillor Ron Whittle (Blackburn with Darwen Council)</b>				
6 Oct 2021	Internal Workshop – Update on Responsible Investment.	Zoom	F Deakin, Head of Responsible Investment, LPP	1.30
26 Nov 2021	Pre-Committee briefing impact of C-19 on Fund	County Hall	C Rule, Chief Executive, LPP	00.30
6 Dec 2021	Internal Workshop – McCloud	MS Teams	N Lewin LPPA	1.00
6 Dec 2021	Internal Workshop – Update on the Investment Service Based Review	MS Teams	E Lambert/A Devitt Investment Advisers	1.00
10 Feb 2022	Internal Workshop – LCPF Valuation	MS Teams	M Wilson, Mercers	1.30

11 March 2022	Pre-Committee briefing on the outcome of the Investment Service Based Review	County Hall	E Lambert and A Devitt Investment Advisers	0.30
<b>Councillor Mark Smith (Blackpool Council)</b>				
26 Nov 2021	Pre-Committee briefing impact of C-19 on Fund	County Hall	C Rule, Chief Executive, LPP	00.30
<b>Councillor D Borrow (Borough &amp; City Councils representative)</b>				
9 June 2021	Presentation to newly appointed members of the Pension Fund Committee.	Online	S Greene, Head of Fund and G Smith (LPP)	1.30
1 Sept 2021	Internal Workshop on LCPF Annual Report and accounts	Zoom	P Worth, Worth Technical Accounting Solutions Ltd	0.50
6 Oct 2021	Internal Workshop – Update on Responsible Investment.	Zoom	F Deakin, Head of Responsible Investment, LPP	1.30
18 Feb 2022	Internal Workshop – Local Pensions Partnership Budget 2021/22	County Hall & MS Teams	Adrian Taylor, Chief Finance Officer, LPP	1.30
9 June 2021	Presentation to newly appointed members of the Pension Fund Committee.	Online	S Greene, Head of Fund and G Smith (LPP)	1.30
11 March 2022	Pre-Committee briefing on the outcome of the Investment Service Based Review	County Hall	E Lambert and A Devitt Investment Advisers	0.30
29 March 2022	Internal Workshop – Employer Risk and Engagement	County Hall & MS Teams	M Wilson/L Johnson, Mercers	1.20
<b>Councillor Michael Hindley (Borough &amp; City Councils representative)</b>				
26 Nov 2021	Pre-Committee briefing impact of C-19 on Fund	County Hall	C Rule, Chief Executive, LPP	00.30
<b>Ms Jennifer Eastham (Further Education &amp; Higher Education representative)</b>				
1 Sept 2021	Internal Workshop on LCPF Annual Report and accounts	Zoom	P Worth, Worth Technical Accounting Solutions Ltd	0.50
6 Oct 2021	Internal Workshop – Update on Responsible Investment.	Zoom	F Deakin, Head of Responsible Investment, LPP	1.30
26 Nov 2021	Pre-Committee briefing impact of C-19 on Fund	County Hall	C Rule, Chief Executive, LPP	00.30
6 Dec 2021	Internal Workshop – McCloud	MS Teams	N Lewin LPPA	1.00
6 Dec 2021	Internal Workshop – Update on the Investment Service Based Review	MS Teams	E Lambert/A Devitt Investment Advisers	1.00
10 Feb 2022	Internal Workshop – LCPF Valuation	MS Teams	M Wilson, Mercers	1.30
11 March 2022	Pre-Committee briefing on the outcome of the Investment Service Based Review	County Hall	E Lambert and A Devitt Investment Advisers	0.30
<b>Mr P Crewe (Trade Union Representative)</b>				
18/19 May 2021	PLSA Local Authority Conference 2021	Online	PLSA	17.30
				Total

9 June 2021	Presentation to newly appointed members of the Pension Fund Committee.	Online	S Greene, Head of Fund and G Smith (LPP)	1.30
1 Sept 2021	Internal Workshop on LCPF Annual Report and accounts	Zoom	P Worth, Worth Technical Accounting Solutions Ltd	0.50
6 Oct 2021	Internal Workshop – Update on Responsible Investment.	Zoom	F Deakin, Head of Responsible Investment, LPP	1.30
12/14 Oct 2021	PLSA Annual Conference	Online	PLSA	25.00 Total
26 Nov 2021	Pre-Committee briefing impact of C-19 on Fund	County Hall	C Rule, Chief Executive, LPP	00.30
6 Dec 2021	Internal Workshop – McCloud	MS Teams	N Lewin LPPA	1.00
6 Dec 2021	Internal Workshop – Update on the Investment Service Based Review	MS Teams	E Lambert/A Devitt Investment Advisers	1.00
26 Jan 2022	LGPS Overview webinar	Online	Barnett Waddingham	4.30
10 Feb 2022	Internal Workshop – LCPF Valuation	MS Teams	M Wilson, Mercers	1.30
18 Feb 2022	Internal Workshop – Local Pensions Partnership Budget 2021/22	County Hall & MS Teams	Adrian Taylor, Chief Finance Officer, LPP	1.30
1 Mar 2022	LPPI Investment Conference	London	Local Pensions Partnership	9.00
11 March 2022	Pre-Committee briefing on the outcome of the Investment Service Based Review	County Hall	E Lambert and A Devitt Investment Advisers	0.30
29 March 2022	Internal Workshop – Employer Risk and Engagement	County Hall & MS Teams	M Wilson/L Johnson, Mercers	1.20
<b>Mr James Tattersall (Trade Union Representative) Resigned April 2021</b>				
None				
<b>Councillor P Foster (Borough &amp; City Councils representative) Replaced June 2021</b>				
None				

#### County Councillors (Replacements for regular members of the Committee).

Date & who replaced	Title of Workshop, Presentation, Conference, Seminar.	Venue	Provider	Hours
<b>County Councillor S Clarke</b>				
26 Nov 2021 M Goulthorp	Pre-Committee briefing impact of C-19 on Fund	County Hall	C Rule, Chief Executive, LPP	00.30
<b>County Councillor S Rigby</b>				
11 March 2022 J Burrows	Pre-Committee briefing on the outcome of the Investment Service Based Review	County Hall	E Lambert and A Devitt Investment Advisers	0.30

# Agenda Item 16

(NOT FOR PUBLICATION: By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

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# Agenda Item 17

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# Agenda Item 18

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# Agenda Item 19

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# Agenda Item 20

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# Agenda Item 21

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