

Lancashire County Council

Pension Fund Committee

**Minutes of the Meeting held on Friday, 25th November, 2022 at 10.30 am in
Committee Room 'A' - The Tudor Room, County Hall, Preston**

Present:

County Councillor Eddie Pope (Chair)

County Councillors

M Brown	A Schofield
M Clifford	M Tomlinson
F De Molfetta	D Westley
A Gardiner	R Woollam
J Mein	

Co-opted members

Councillor David Borrow, City and Borough
Councils
Jennifer Eastham, Further
Education/Higher Education Institutions
Paul Crewe, Trade Unions (unison)
Sue Roylance, Trade Unions (Unison)

In attendance:

Mr S Greene, Head of Pension Fund, Lancashire County Council.
Ms A Devitt, Independent Investment Adviser.
Ms M George Independent Investment Adviser.
Mr S Basnett, Engagement manager, Grant Thornton.
Mr M Wilson FIA, Senior Associate, Mercers.
Ms L Sales, Director of Corporate Services, Lancashire County Council.
Mr M Neville, Senior Democratic Services Officer, Lancashire County Council.
Mr W Bourne, Chair of the Lancashire Local Pension Board.
Mr C Rule, Chief Executive, Local Pensions Partnership.
Mr G Smith, Director of Strategy, Local Pensions Partnership.
Ms J Darbyshire, Director of Administration, Local Pensions Partnership.

1. Welcome and Apologies

The Chair welcomed everyone to the meeting. Apologies were received from County Councillor M Dad.



2. Disclosure of Pecuniary and Non-Pecuniary Interests

No declarations of interest were made at this point in the meeting.

3. Minutes of the last Meeting.

The Chair reported that the Lancashire County Pension Fund Annual Report 2021/22 was being finalised and would be published on 1st December 2022. The briefing on the Local Pension Partnership Governance review requested at the previous meeting had been held on 1st November 2022.

Resolved: That the Minutes of the meeting held on 16th September 2022 are confirmed as an accurate record and signed by the Chair.

4. Lancashire County Pension Fund - External Audit Findings Report 2021/22

Mr Basnett, Engagement Manager from Grant Thornton UK LLP, reported that due to a national issue regarding infrastructure assets owned by local authorities the Auditors final opinion on the County Council and Pension Fund accounts would be presented to the Audit, Risk and Governance Committee on 30th January 2023. As the Annual Report for the Fund was due to be published by the statutory deadline of 1st December 2022 it was noted that the Annual Report of the Fund would be updated in the new year to reflect the final opinion.

Resolved:

1. That the findings of the external audit of the Lancashire County Pension Fund accounts for the year ended 31st March 2022, as set out in Appendix A to the report presented are noted.
2. That the Committee be informed of the final opinion of the external auditor once it has been reported to the Audit Risk and Governance Committee on 30th January 2023 and that the Pension Fund Annual Report 2021/22 be updated accordingly.

5. Local Pensions Partnership Annual Report and Accounts

The Committee considered a report on the Local Pensions Partnership Annual Report which included a strategic report and the financial statements of the Company.

Resolved: That the Annual Report and Accounts for the Local Pensions Partnership Limited for the year ended 31st March 2022, as set out at Appendix 'A' to the report presented, is noted.

6. Budget Monitoring Q2 - 2022/23



The Head of Fund presented a report on the income and expenditure of the Fund for the 6 months up to 30th September 2022 together with a forecast for the year ending 31st March 2023. The Chair informed the meeting that he had requested that future monitoring reports include a column showing the budget position for the relevant period end.

Resolved: That the financial results of the Fund for the 6 months up to 30th September 2022 together with the budget and forecast variances set out in the report presented are noted.

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

A report was presented on pension related training which had taken place since the previous meeting and members of the Committee gave positive feedback on their experiences at the PLSA Conference and internal workshops/presentations. The Chair reported that the next scheduled internal workshop for Committee members (a technical update from the Local Pensions Partnership Administration Ltd) would be held at 10.00am on 5th December 2022

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

8. Responsible Investment Report

The Head of the Fund presented a report on responsible investment activity during the third quarter of 2022 and informed the Committee that LPPIs net zero targets had been accepted by the Institutional Investors Group on Climate Change, and an update on the UN Principles for RI results for 2021 would be included in the report to the next meeting. It was also reported that LPPI had provided a technical response to the Government consultation on climate risk disclosures in the Local Government Pension Scheme.

Resolved:

1. That the update on responsible investment activity by Local Pension Partnerships Investments Ltd (LPPI) during Q3, as set out in the report presented, is noted.
2. That a copy of the LPPI technical response to the Government consultation on climate risk disclosures in the Local Government Pension Scheme in alignment with the Taskforce on Climate-related Financial Disclosures be made available to Committee members outside of the meeting.

9. Urgent Business

No items of urgent business were raised at the meeting under this heading



10. Programme of meetings 2023/24

The 2023/24 programme of Committee meetings agreed by full council in October 2022 was presented and the Head of Fund proposed that the meeting on 24th November 2023 be put back to 1st December 2023 to stagger the meetings of the Committee.

Resolved:

1. That the 2023/24 programme of meetings for the Committee, as approved by full Council on 14th October 2021, is noted.
2. That the meeting scheduled for 24th November 2023 is cancelled and rearranged for 1st December 2023 giving a 2023/24 programme of meetings as follows, with all meetings to be held at County Hall, Preston, commencing at 10.30am.

16th June 2023

15th September 2023

1st December 2023

8th March 2024

11. Date of Next Meeting

The next scheduled meeting of the Committee will be held at 10.30am on 10th March 2023 in Committee Room 'C' - The Duke of Lancaster Room at County Hall, Preston. The meeting will be preceded by a 30-minute technical update for Committee members by representatives from the Local Pensions Partnership Administration Limited in the same room.

12. 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.

13. Draft Funding Strategy Statement

Exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It was considered that in all the circumstances of the case the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

The Head of Fund and Mr Wilson FIA, Senior Associate from Mercers, presented a report on the revised Funding Strategy Statement (FSS) which included a draft



updated Admission and Termination Policy and a proposed timescale for consultation with employers and the Local Pension Board before the final FSS was presented to Committee for approval.

Resolved:

1. That the contents of the draft updated Funding Strategy Statement (FSS) and associated Admission and Termination Policy, as set out respectively at Appendices 'A' and 'B' to the report presented, are noted, and approved for consultation.
2. That a further report on the outcome of the consultation and highlighting key themes, together with a final version of the FSS, be presented to the next meeting of the Committee for approval.

14. 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.

Representatives from the Local Pensions Partnership (LPP) presented a strategic update on activity by the Group which included a summary of the performance of the pension administration service. In considering the report the Committee noted that whilst there had been some minor issues following implementation, phase 2 of Project PACE had gone well and would be reflected in future performance reports.

Resolved: That the updates on investment and pension administration activity and performance, together with the financial position of the Local Pensions Partnership Group, as set out in the report presented, and given at the meeting, are noted.

15. Investment Context Report

Exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It was considered that in all the circumstances of the case the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

Ms Devitt, Independent Investment Adviser to the Fund, presented a detailed report on the various macro-economic factors which influence the investment market in which the Fund operated including the recent UK government mini budget, inflation, increased energy costs and geopolitics, including China.

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

16. Investment Performance Report



Exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It was considered that in all the circumstances of the case the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

Ms George, Independent Investment Adviser to the Fund, presented a detailed report on the performance of the Fund up to the end of September 2022 and highlighted specific areas of interest such as the performance of the Fund portfolio over different periods of time, individual asset allocations, cashflow and the current funding level. The Committee also discussed local investment and received an update on the East Cliff development in Preston.

Resolved:

1. That the performance of the Lancashire County Pension Fund up to the end of September 2022, as set out in the report presented, is noted.
2. That arrangements be made for the Chair, Head of Fund and County Councillor M Brown to meet to further discuss local investment by the Fund.

Representatives from the Local Pensions Partnership and others left the meeting at this point.

17. Investment Panel Report

Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It was considered that in all the circumstances of the case the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

The Head of Fund presented a report on the various matters that were discussed at the Investment Panel on 15th September 2022, as set out in the Minutes of that meeting. He reported that at the meeting on 24th November 2023 the Panel had reviewed cashflow and planned the review of the Investment Strategy Statement. An update on the work would be provided at the next meeting of the Committee with a revised Strategy to be presented in June 2023.

Resolved: That the Minutes of the Investment Panel held on 15th September 2022 are noted.

18. Local Pension Partnership (LPP) Governance Review

Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It was considered that in all the circumstances of the case the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

The Chair presented an update report on the LPP governance review and the briefing held on 1st November 2022 where members of the Committee had discussed the background/context and scope of the review. Councillor Borrow reported that the



briefing had been useful, and the Chair confirmed that a further briefing would be arranged for early in the new year.

Resolved: That the report be noted, and arrangements made for a further briefing on shareholder matters to be held for Committee members in February 2023.

19. Lancashire County Pension Fund - Risk Register

Exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It was considered that in all the circumstances of the case the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

The Head of Fund presented a report on the full risk register for the Lancashire County Pension Fund and highlighted specific risks associated with the implementation of the new pensions administration system, the ongoing Russia/Ukraine conflict, and Inflation. In view of discussions earlier in the meeting it was reported that the Register would be updated to include the geopolitical risks associated with China and the potential impact on investment markets.

Resolved: That the current Lancashire County Pension Fund Risk Register, as set out in the Appendices to the report presented, is noted.

20. Lancashire Local Pension Board Recruitment

Exempt information as defined in Paragraphs 1 and 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It was considered that in all the circumstances of the case the public interest in maintaining the exemption outweighed the public interest in disclosing the information

The Committee considered a report on the process for recruiting replacement Employer and Scheme Member representatives to fill four vacancies on the Lancashire Local Pension Board which included staggering the term of new appointments to reduce the risk of several Board members reaching the end of their term at or around the same time in the future.

Resolved: That the appointment of 2 new Employer representatives and 2 new Scheme Member representatives to the Lancashire Local Pension Board on the basis set out in the report and to be recommended to full Council for approval is noted.

H MacAndrew
Director of Law and Governance

County Hall
Preston

