



Lancashire County Council

Pension Fund Committee

Minutes of the Meeting held on Friday, 10th March, 2023 at 10.30 am in Committee Room 'C' - The Duke of Lancaster Room, County Hall, Preston

Present:

County Councillor Eddie Pope (Chair)

County Councillors

M Brown	C Edwards
J Burrows	J Mein
M Clifford	A Schofield
J Couperthwaite	D Westley
F De Molfetta	R Woollam

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 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.
Ms F Stark, Chair of the Local Pensions Partnership Board
Mr C Rule, Chief Executive, Local Pensions Partnership.
Ms J Darbyshire, Director of Administration, Local Pensions Partnership.

1. Welcome and Apologies

The Chair welcomed everyone to the meeting and introduced Ms Stark, the Chair of the Local Pensions Partnership Board.

Apologies for absence were presented on behalf of County Councillor M Tomlinson, Co-opted member Councillor M Dad and Mr W Bourne, the Chair of the Lancashire Local Pension Board. Apologies were also received from Co-opted member Councillor M Smith.

2. Disclosure of Pecuniary and Non-Pecuniary Interests

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

3. Minutes of the Meeting held on 25th November 2022

Councillor Borrow raised an issue in relation to communication on the Local Pension Partnership Governance Review project. In response the Chair referred to briefings which had been given to Committee members on the review and suggested that the matter be discussed further under Part II of the agenda as part of the LPP Update.

The Head of Fund confirmed that the valuation of the County Council's Infrastructure had been completed and the External Auditor was finalising their opinion. He also reported that, in accordance with the action from the previous Committee meeting, arrangements had been made for a meeting with Councillor Brown regarding local investment to be held at the end of March.

Resolved: That the Minutes of the meeting held on 25th November 2022 are confirmed as an accurate record and that a copy be signed by the Chair and placed in the Minute Book

4. Budget Monitoring Q3 - 2022/23

A report was presented on the income and expenditure of the Fund for the 9 months up to 31st December 2022, together with a forecast for the year ending 31st March 2023.

Resolved: That the financial results for the 9 months up to 31st December 2022 together with the budget and forecast variances, as set out in the report presented, are noted.

5. Lancashire County Pension Fund 2023/24 Budget

The Head of Fund presented a report on a one-year budget for the Fund for the year ending 31st March 2024 and highlighted contributions received and the budgeted increase in benefits payable. He also reported that the Investment Panel was reviewing the projected cashflow as part of the Investment Strategy Statement review and would report any recommendations to the Committee in June 2023.

The Committee discussed prepayments, inflation and salaries, and the Head of Fund confirmed that on 9th March 2023 the Employment Committee had approved the 2023/24 pay proposals for the Local Pensions Partnership Limited.

Resolved: That the Lancashire County Pension Fund budget for the year ended 31st March 2024, as set out at Appendix 'A' to the report presented, is approved.

6. Lancashire County Pension Fund Strategic Plan 2023/24

The Head of Fund presented a report on the draft Strategic Plan for 2023/24 (together with a progress report on activity for 2022/23) and informed the Committee that the Pensions Team would be focussing attention on activity around, cyber security, McCloud, the General Code of Practice, and the Investment Strategy Statement.

Regarding local investment the Chair confirmed that the Fund had exceeded by 2% the government requirement nationally for 5% of investments to be 'local' (as defined in the recent government paper on local investment) and would continue to explore opportunities for local investment through the Lancashire County portfolio.

Resolved: That the Lancashire County Pension Fund Strategic Plan for 2023/24 as set out at Appendix 'A' to the report presented, is approved and the update on activity, set out at Appendix 'B', is noted.

7. Breaches Policy Review

The Head of Fund reported that the Fund Breaches Policy had been reviewed, in consultation with the Lancashire Local Pension Board and the County Councils Information Governance Team, to simplify and improve presentation and clarify the roles and responsibilities of key stakeholders when reporting breaches to the Fund.

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

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

The Chair presented a report on pension related training involving members of the Committee since the last meeting and reported that the Local Pensions Partnership Investment Conference on the 1st/2nd March 2023 (which he, County Councillor R Woollam and Co-opted member Mr P Crewe attended) had been excellent.

Resolved: That the report and update on the participation by Committee members at conferences/events held since the last meeting is noted and the Training Record updated accordingly.

9. Training Plan 2023/24

The Committee considered a report on the draft 2023/24 Training Plan which set out various training opportunities available during the year for members of both the Committee and the Lancashire Local Pension Board. It was noted that the Plan incorporated elements identified in a training needs analysis of Committee/Board members and The Head of Fund confirmed that that the questionnaire used for future needs analysis would be reviewed and simplified.

Resolved: That the 2023/24 Training Plan, as set out at Appendix 'A' to the report presented, is approved.

10. Lancashire Local Pension Board Workplan 2023/24

The Chair presented a report on the 2023/24 Work Plan for the Pension Board which had been developed in consultation with Fund Officers and included regular activity which fell under the remit of the Board together with specific activity related to the 2023/24 Lancashire County Pension Fund Strategic Plan.

Resolved: That the 2023/24 Work Plan for the Lancashire Local Pension Board, as set out in Appendix 'A' to the report presented, is noted.

11. Responsible Investment Report

The Head of Fund presented a detailed update report from Local Pensions Partnership Investments Limited on various responsible investment matters during the fourth quarter of 2022 (October to December). When considering the report, the Committee discussed the following:

- The delayed guidance from government in relation to the Taskforce on Climate Related Financial Disclosures which was now expected in the summer of 2023.
- A recent discussion with the Head of Responsible Investment at LPPI which had clarified how the Fund and more specifically the Local Pensions Partnership Investments Ltd RI policies related to controversial weapons, in response to a query raised at the Pension Board in January 2023.
- A review of the existing Fund Responsible Investment Policy, initially as part of the RI reporting work referenced in the strategic plan, ahead of a full review in November 2024.

The Committee also discussed engagement with companies regarding taxation through Robeco and LAPFF and noted that tackling tax transparency was one of the themes identified by Robeco as a priority for 2023.

Resolved: That the update on responsible investment activity during Q4 of 2022, as set out in the report presented, is noted.

12. Urgent Business

No items of business were raised under this heading.

13. Date of Next Meeting

It was noted that the next meeting would be held at 10.30am on Friday 16th June 2023 in Committee Room 'A' - The Tudor Room at County Hall, Preston.

14. 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

15. 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 Committee considered a report on the Funding Strategy Statement (which included the Admission and Termination Policy, Employer Risk Policy, and the Inter-valuation Contribution Review Policy) which had been reviewed and updated following the 2022 actuarial valuation and statutory consultation. It was noted that the Investment Strategy Statement was also being updated and would be presented to the Committee in June 2023.

Resolved:

1. That the revised Funding Strategy Statement and associated policies, as set out in Appendices 'A', 'B', and 'C' to the report presented, are approved.
2. That the overview of changes made to the policy documents referred to at 1 above and set out at Appendix 'D' to the report presented are noted; and
3. That the report detailing Funding Strategy Statement consultation and broader engagement with the employers participating in the Lancashire County Pension Fund, set out at Appendix 'E' to the report presented is noted.

16. Local Pensions Partnership Annual Budget 2023/24

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 Stark, the Chair of the Local Pensions Partnership Board, gave a brief presentation on her background and experience. Mr Rule, the Chief Executive, then presented the Local Pensions Partnership Limited Group budget for 2023/24 together with the business plans for Local Pensions Partnerships Investments Ltd and Local Pensions Partnership Administration Ltd and answered questions from Committee members.

Resolved:

1. That the Local Pensions Partnership Limited Group budget for 2023/24, as set out in Appendix 'A' to the report presented, is approved; and
2. That the business plans of Local Pensions Partnership Investments Limited and Local Pensions Partnership Administration Limited as set out at Appendices 'B' and 'C' to the report presented are noted.

The Chair informed the meeting that he would take item 17 as the last item of business and then give the Committee an opportunity to discuss the point raised under the Minutes regarding the LPP Governance review.

17. Local Pensions Partnership Administration Update

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

Ms J Darbyshire, the Managing Director at Local Pensions Partnership Administration Ltd, presented a detailed report on the performance of the pension administration service between October and December 2022.

When considering the report, the Committee discussed the following:

- Performance post implementation of the Universal Pensions Management system (UPM).
- The high level of calls to the Helpdesk and subsequent performance/call waiting times.
- Customer satisfaction scores.
- The impact of sickness levels on performance.

It was noted that as anticipated there had been an initial dip in performance following implementation of the new UPM system, though improvements were expected to be reflected in figures for the next Quarter. Ms J Darbyshire confirmed that LPPA and the Pensions Team continued to work together post implementation and in relation to preparatory work associated with McCloud and the government Dashboard

Resolved: That the performance of the pension administration service during the period October – December 2022, as set out in the report presented, is noted.

18. Investment Context Report

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

An updated version of the Investment Context report was circulated to members of the Committee. Ms Devitt, Independent Investment Adviser to the Fund, then took the Committee through the updated report on the performance of global markets, economies and the different various factors which influenced the investment markets in which the Fund operated and answered questions from Committee members.

Resolved: That the report is noted.

19. Investment Performance Report

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

Ms George, Independent Investment Adviser to the Fund, presented a report on the performance of the Fund up to 31st December 2022, highlighting the performance of specific asset classes, that the total Fund performance over 3 and 5 years exceeded both the Policy Portfolio and Actuarial benchmarks, and that inflation had impacted on the funding level. A document showing separate graphs regarding the evolution of liabilities/assets and the funding level was circulated at the meeting for information. Ms George also reported that the Investment Panel was in the process of reviewing the Strategic Asset Allocation, as part of the Investment Strategy Statement review, and would bring any recommendations to the Committee in June 2023.

Resolved: That the performance of the Fund for the quarter to the end of December 2022, as set out in the report presented and the additional papers circulated at the meeting, is noted.

Mr Wilson FIA from Mercers and the representatives from the Local Pensions Partnership left the meeting at this point.

20. Investment Panel Report

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

The Head of Fund presented a report on the various matters discussed at the Investment Panel on 24th November 2022, as set out in the Minutes of that meeting.

Resolved: That the Minutes of the Investment Panel held on 24th November 2022 are noted.

21. Lancashire County Pension Fund Actuarial Services - Procurement Exercise

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 on the proposed timeline and criteria for the procurement of actuarial services for the Fund as the current contract was due to expire on 13th October 2023.

Resolved: That approval is given for the County Council's Procurement Service to undertake a procurement exercise (via the National LGPS Framework) to appoint an independent provider to undertake actuarial services for the Lancashire County Pension Fund for the next 6 years, on the basis set out in the report presented.

22. 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.

An update report from the Local Pensions Partnership Limited (LPP) was presented which covered the following points:

- Shareholder and LPPL governance developments.
- Financial Performance across the LPP Group up to 31st December 2022.
- An update on the pensions administration service and Project PACE.
- An update on investment Management.

Further to the comments made earlier in the meeting members of the Committee discussed the capital restructure of LPP (as reported to Committee on 7th February 2020), and outcomes of the governance review (as reported to Committee on 16th September 2022 and 25th November 2022) and at two internal briefings.

The Chair and Director of Corporate Services answered questions on the capital restructure of LPP, the role of shareholders, the role of the County Council, and the composition of the new LPP Board. The Chair acknowledged that whilst the appointment of a new Non-Executive Director had been reported at the briefing for Committee members on 24th February 2023 it had not been included in a report to the Committee.

Resolved:

1. That the update report from the Local Pensions Partnership Limited is noted
2. That the comments of Committee members regarding the ongoing Local Pensions Partnership Governance review are noted, and that the Committee be kept informed of developments.

H MacAndrew
Director of Law and Governance

County Hall
Preston