

Lancashire County Council

Pension Fund Committee

**Minutes of the Meeting held on Friday, 16th June, 2023 at 10.30 am in
Committee Room 'C' - The Duke of Lancaster Room, County Hall, Preston**

Present:

County Councillor E Pope (Chair)

County Councillors

M Brown	J Mein
M Clifford	G Mirfin
F De Molfetta	P Rigby
C Edwards	M Salter
J Fillis	S Schofield
R Woollam	

*Replaced County Councillor J Burrows for this meeting only.

Co-opted members

Councillor M Smith, Blackpool Council
Mr P Crewe, Trade Unions

In attendance:

Mr S Greene, Head of Pension Fund, Lancashire County Council.
Mr R Cathey, Principal Lawyer, Lancashire County Council.
Ms A Devitt, Independent Investment Adviser.
Ms M George, Independent Investment Adviser
Mr A Dalecki, Head of Service - Internal Audit, Lancashire County Council.
Mr W Bourne, Chair of the Lancashire Local Pension Board.
Mr M Neville, Senior Democratic Services Officer, Lancashire County Council.
Mr C Rule, Chief Executive, Local Pensions Partnership.
Ms J Darbyshire, Managing Director, Local Pensions Partnership Administration.
Mr J Peach, Head of Client Management, Local Pensions Partnership Investment.

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

The Chair welcomed everyone to the meeting and reported that arrangements were being made for an induction event for the newly appointed members of the Committee. He presented the report on the constitution and membership of the Committee which included reference to some nominating bodies not yet having confirmed their appointments for Co-opted members.

Resolved:

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

County Councillors (12)

Conservative	Labour
J Burrows	M Brown
C Edwards	M Clifford
G Mirfin	J Fillis
E Pope (Chair)	J Mein
M Salter	F De Molfetta
A Schofield (Deputy Chair)	
R Woollam	

Co-opted members (7)

- a) Nominations confirmed.

Ms J Eastham - Further Education and Higher Education Institutions.

Mr P Crewe - Trade Unions.

Ms S Roylance - Trade Unions.

Councillor M Smith - Blackpool Borough Council.

- b) Nominations to be confirmed.

Councillor E Whittingham - Blackburn with Darwen Borough Council

Councillor D Borrow - Borough & City Councils.

Councillor M Dad - Borough & City Councils.

2. That the Terms of Reference set out at Appendix 'A' to the report presented are noted and a copy placed in the Minute Book.

2. Apologies

Apologies for absence were received from Co-opted members Ms S Roylance, Ms J Eastham and Councillor D Borrow.

3. Disclosure of Pecuniary and Non-Pecuniary Interests

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

4. Minutes of the last meeting.

Resolved: That the Minutes of the meeting held on 10th March 2023 are confirmed as an accurate record and signed by the Chair.

5. Budget Monitoring for the period ending 31st March 2023.



The Head of Fund presented a report on the financial performance of the Fund for the year ended 31st March 2023 and answered questions from members of the Committee on the key variances set out in the report.

Resolved: That the financial performance of the Lancashire County Pension Fund for the year ended 31st March 2023, as set out in the report presented, is noted.

6. Internal Audit Report 2023

Mr Dalecki, the Head of Service for Internal Audit, presented a report which summarised the internal audit assurance work which had been completed during 2022/23 together with planned activity for 2023/24.

Resolved: That the audit report is noted.

7. Local Pension Board Annual Report - 2022/23

Mr Bourne, the Chair of the Lancashire Local Pension Board presented a report on the 2022/23 Annual Report which had been agreed by the Board on 4th April 2023 and recommended to the Committee for approval.

The Chair acknowledged that Mr Bourne would reach the end of this term of appointment in October 2023 and on behalf of the Committee thanked him for all his contributions to the work of the Pension Board over the years.

Resolved: That the 2022/23 Annual Report of the Pension Board, as set out at Appendix 'A' to the report presented, is approved for inclusion in the draft Lancashire County Pension Fund Annual Report to be presented to Committee on 15th September 2023.

8. Investment Strategy Statement

The Head of Fund presented a detailed report on the outcome of a review of the Strategic Asset Allocation together with an updated version of the Investment Strategy Statement and the Risk Appetite Statement which had been developed in consultation with the Investment Panel and Local Pensions Partnership Investments Ltd.

In considering the report members of the Committee discussed the impact of the pandemic, inflation, and interest rates on investments and the Head of Fund confirmed that the Investment Panel had discussed the tolerance range for the Diversifying Strategy asset class in detail and determined that there was sufficient diversification within the portfolio to withstand any short term volatility and a range of 0% to 3% was appropriate as reflected in table 1 within the Investment Strategy Statement in Appendix 'D'.

Resolved: That the Committee approve:



1. The recommendations of the Investment Panel, as set out in Appendix 'B' to the report presented.
2. The updated Investment Strategy Statement, as set out at Appendix 'D' to the report presented; and
3. The updated Risk Appetite Statement, as set out at Appendix 'E' to the report.

9. LCPF Treasury Management Policy

The Head of Fund presented a report on the outcomes of a review of the Treasury Management Policy undertaken by the Investment Panel which had resulted in several substantial amendments, as set out in the report, and some minor changes to simplify/improve presentation. It was noted that this policy applied specifically to the Lancashire County Pension Fund and not Lancashire County Council.

Resolved: That the updated Treasury Management policy for the Lancashire County Pension Fund, as set out at Appendix 'B' to the report presented, is approved.

10. 2022/23 Training Record and feedback from members of the Committee on pension related training.

The Committee considered a report on the 2022/23 Training Record which reflected the participation of individual members of the Committee in external/internal training events over the last 12 months and would inform reporting on training to be included in the Lancashire County Pension Fund Annual Report.

Resolved: That the participation of individual members of the Committee at the training events referred to in the report, together with the contents of the Training Record for 2022/23, as set out in Appendix 'A' to the report presented, are noted.

11. Responsible Investment Report

The Committee considered a detailed report on responsible investment matters covering Q1 of 2023 (January to March) and discussed the level of influence which investors such as the Fund could exercise through collective engagement and the Chair reported that the Local Authority Pension Fund Forum coordinate engagement and shareholder voting amongst local government Pension Funds.

In response to a query regarding 'greenwashing' it was reported that LPP had a Responsible Investment Team that investigate, challenge, and verify environmental claims made by companies to promote a sense of environmental impact. County Councillor Edwards requested that when presenting real world examples in future reporting, information could be provided on funding and investment returns on these investee companies.

Resolved: That the update on responsible investment matters during Q1, 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 scheduled meeting would be held at 10.30am on 15th September 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 paragraph 3 of Part 1 of Schedule 12A to the Local Government Act, 1972. It is considered that in all the circumstances the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

15. Annual Administration 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 J Darbyshire, Managing Director at Local Pensions Partnership Administration Ltd, presented a detailed report on the performance of the pension administration service against standard/targets during 2022/23. She also referred to the updated administration report, circulated as part of a supplementary agenda, which showed an improved performance over April/May 2023. In considering the report the Committee discussed complaints, data quality, and the mitigations introduced in response to the findings of an internal audit on operational quality referred to in an earlier report on the agenda.

Resolved: That the performance of the pension administration service against standards and targets during 2022/23, as set out in the report and Appendices 'A' to 'C' is noted.

16. 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 an update report on activity by the Local Pensions Partnership (LPP) and its subsidiaries up to 31st March 2023 and representatives from LPP answered questions.



Resolved: That the updates on the activity and financial position of the Local Pensions Partnership and its subsidiaries, as set out in the report presented, are noted.

17. 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 her report on the various macro-economic factors, such as inflation and interest rates, which influence investment markets. Regarding recent economic volatility in the UK Ms Devitt reassured the Committee that the investment portfolio of the Fund was resilient and the Investment Panel would continue to monitor its performance.

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

18. 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 an overview of the performance of the Lancashire County Pension Fund during Q1 and highlighted key points, including the total portfolio return over different periods, amendments to asset allocations, net income progression and the total funding level. She also confirmed that on 15th June 2023 the Investment Panel had discussed discount rate assumptions for ongoing reporting purposes and decided to revisit the matter in 6 months.

Resolved: That the summary of the Fund's performance up to 31st March 2023, as set out in Appendix 'A' to the report presented, is noted.

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

19. 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 9th March and 3rd April 2023.



Resolved: That the Minutes of the Investment Panel held on 10th March 2022 and 3rd April 2023 are noted.

20. Lancashire County Pension Fund - Risk Register

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

The Chair presented an update report on the Risk Register together with specific templates regarding risks associated with data quality and the implementation of new pension systems. He also reminded members of the Committee that a workshop on cyber security would be held on 3rd July 2023 and the Head of Fund confirmed that his team was also working on a cyber security related project.

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

21. Local Pensions Partnership 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 key developments in the ongoing Local Pensions Partnership Governance Review which would be the subject of a presentation for members of the Committee at 10.00am on 20th July 2023.

Resolved: That the update on the Local Pensions Partnership Governance Review, as set out in the report presented, is noted

22. Appointment of Local Pension Board Chair and Scheme Member representative

Exempt information as defined in paragraphs 1, 2 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 outcome of a recruitment process for a new independent Chair of the Pension Board to fill the vacancy when the current Chair's term of appointment ended in October 2023 and was informed that following interviews a candidate with suitable knowledge/experience had been identified and recommended for appointment. The Committee discussed the proposed appointment and the Head of Fund confirmed that mitigations would be in place to ensure that any perceived conflict of interest was adequately managed.



The Committee also noted the proposed appointment of a new Scheme Member representative on the Pension Board to fill a vacancy following the resignation of an existing Board member.

Resolved: That full Council be recommended to approve:

1. The appointment of Antony Egerton as a Scheme Member representative on the Lancashire Local Pension Board with effect from 1st July 2023, for an initial 2 years with an option to extend for a further 4 years, subject to approval by full Council.
2. The appointment of Fiona Miller as the new independent Chair of the Lancashire Local Pension Board with effect from 1st November 2023 for an initial 2 years with an option for the appointment to be extended for an additional 2 years, subject to approval by full Council.
3. The draft contract of appointment for the new independent Chair, as set out at Appendix 'A' to the report presented.
4. The amended Terms of Reference for the Lancashire Local Pension Board, as set out at Appendix 'B' to the report presented.

H MacAndrew
Director of Law and Governance

County Hall
Preston

