

Lancashire Local Pension Board

Minutes of the Meeting held on Monday, 18th January, 2016 at 2.00 pm in Cabinet Room 'B' - The Diamond Jubilee Room, County Hall, Preston

Present:

Chair

William Bourne

Committee Members

Carl Gibson, Other Employers
Kathryn Haigh, Active Members
Bob Harvey, Pensioner Members
County Councillor Tony Martin, Lancashire County Council
Yvonne Moulton, Active Members

Officers

Abbi Leech, Lancashire County Pension Fund
Diane Lister, Lancashire County Pension Fund

The Chair welcomed Abbi Leech to the meeting following her appointment as Interim Head of Fund. Abbi would now be taking on the role undertaken by George Graham who would be taking up a new appointment within the Lancashire and London Pensions Partnership from 1 April 2016.

1. Apologies

Apologies for absence were received from Steve Browne (Employer Representative), John Hall (Deferred Members Representative), and Steve Thompson (Employer Representative).

2. Disclosure of Pecuniary and Non-Pecuniary Interests

County Councillor Tony Martin declared a non-pecuniary interest as a member of Burnley Borough Council.

3. Minutes of the Meeting held on 19 October 2015

The Clerk reported that, in respect of item 4 (Update on Board Policies), a Reporting of Breaches Policy had been drafted and was currently subject to internal review. The intention was to present a final draft to the Board for consideration at the next meeting on 11 April 2016.

The Clerk further reported that, in respect of item 5 (Training and Development - Local Pension Boards), the refreshed Training Policy for the Pension Fund would be considered by the Pension Fund Committee on 29 January 2016. It would then be presented to the Board at the next meeting on 11 April 2016.

Resolved: - That the minutes of the meeting held on 19 October 2015 be approved as a true and accurate record and signed by the Chair.

4. Training and Development - Feedback from Board Members on External Training Events and Conferences

The Board considered a report setting out details of external training events and conferences which Board Members had attended since the last meeting and giving Board Members the opportunity to feedback on the value and merit, if any, of attendance.

Since the last meeting, a number of Board Members had attended the Lancashire County Pension Fund Annual Members Meeting which had been held on 11 November. It was noted that Carl Gibson had also attended the meeting, in addition to those Board Members referred to in the report.

Yvonne Moulton had given a presentation to the meeting on the work of the Local Pension Board which had been well received by those present. Board Members found the presentations useful and it was pleasing to see the numbers of members present. It was suggested that future meetings could focus on the Fund's annual report.

Reference was made to the refreshed Training Policy for the Pension Fund which would be considered by the Pension Fund Committee on 29 January 2016. It was agreed that it would be useful for Board Members to receive a copy as soon as it had been approved.

Resolved: - That:

- (i) The report and updates, now presented, be noted;
- (ii) Yvonne Moulton be thanked for the presentation made to the Annual Members Meeting on the work of the Local Pension Board;
- (iii) The refreshed Training Policy for the Pension Fund be circulated to Board Members following approval by the Pension Fund Committee on 29 January.

5. Lancashire and London Pensions Partnership Update and Response to Government Proposals to Pool LGPS Assets into 'Wealth Funds'

The Board considered a report setting out an update on the Lancashire and London Pensions Partnership (LLPP) and the proposed response to the Government's proposals to pool Local Government Pension Scheme (LGPS) assets into Wealth Funds.

Abbi Leech, Interim Head of Fund, reported on the work streams which made up the Government's reform agenda in respect of the LGPS. These were:

- Replacement of the existing Investment Regulations;
- Publication of criteria for evaluating pooling proposals;
- A requirement to provide pooling proposals.

It was reported that, in respect of the consultation on the replacement of the Investment Regulations, a proposed detailed response would be considered by the Pension Fund Committee at its meeting on 29 January 2016. Whilst the proposed changes to existing

regulations were to be welcomed, it was felt that the reserve powers were too broad and would benefit from some additional clarity.

In respect of the requirement to provide pooling proposals, whereby initial submissions were due by 19 February 2016, reference would be made to the current partnership discussions with the London Pensions Fund Authority (LPFA) to create the LLPP from 1 April 2016.

It was reported that the preparations for the LLPP were on schedule and that PricewaterhouseCoopers (PwC) continued to act as advisors to the Fund on the proposals and that this work included consideration of the risks. The Board considered that the main risk was that the Government would not approve the creation of the LLPP given that pools should achieve a scale of around £25bn and the LLPP would achieve in the region of £10bn. It might be the case that the Government would direct other funds to join the LLPP or for the LLPP to become part of another pooled arrangement.

The Chair reported that there were currently eight pools being proposed with at least five meeting the £25bn criteria. A number of funds were involved in discussions in respect of more than one pool. It was felt that there should be a contingency plan should the Government not approve the LLPP proposals, although it seemed that outcome would be unlikely.

It was noted that the operating model for the LLPP was deemed to be appropriate by PwC. The Lancashire County Pension Fund (LCPF) and LPFA had a similar direction of travel and philosophy, i.e. active management, although the LPFA Fund had a higher funding level than that of the LCPF. Not all of each Fund's assets would necessarily be in a pool which meant that investment strategies could be peculiar to each Fund.

It was recognised that this was the start of a process for future integration and should pooled funds evidence good performance in the next few years, it was likely to be a catalyst for change.

Resolved: - That:

- (i) The report, now presented, be noted;
- (ii) The proposed responses to the Government proposals, as set out in the report, now presented, be supported;
- (iii) The Board gives its explicit support to the approach being taken by the Lancashire County Pension Fund and the London Pensions Fund Authority in creating the Lancashire and London Pensions Partnership.

6. Preparation for the 2016 Actuarial Valuation

The Board considered a report setting out information on the wide range of preparations which were being undertaken to ensure the smooth delivery of the 2016 actuarial valuation process.

Diane Lister, Head of Your Pension Service, reported that the actuarial valuation was one of the biggest events in the Pension Fund calendar with a substantial amount of work taking place to tighter timescales than for previous valuations. Discussions around the

methodology had taken place with the Actuary and Appendix 'A' to the report set out details of the proposed process and timetable for the valuation process.

It was reported that the key elements of the initial framework, which employers had been asked to respond on by 15 January 2016, were:

- A proposal to move away from a 'gilts +' valuation approach to one of 'CPI +' which will give a more stable view of liabilities;
- Reducing the deficit recovery period to 16 years;
- Maintaining the 2013 contributions plan in terms of total cash to be received as contributions.

Board Members raised a number of queries around the accelerated deficit recovery period and whether it would lead to increased contributions. It was confirmed that this would not be the case as the proposal took account of the three years already gone.

It was reported that the Actuary had undertaken testing with a small number of employers. The valuation would be on a standard basis and would expect to be funded at around 90% using the 'CPI+' approach. The 90% was based on the GAD model and the proposed new funding methodology gave a similar funding level to that of the 2013 valuation.

A response had been received from the Lancashire Chief Finance Officers Group and individual responses were expected from local authorities and other employers.

Reference was made to the impact those employers who did not submit information on time could have on the valuation process. It was noted that work was being undertaken with the small number of employers who fell into this category but that, as a last resort, employers which persistently failed to provide information would be reported to The Pensions Regulator (TPR).

Resolved: - That the preparations being made for the 2016 Actuarial Valuation of the Fund, as set out in the report, now presented, be noted.

7. Compliance with The Pension Regulator Requirements - Update

The Board considered a report setting out a compliance statement for the Lancashire County Pension Fund. The compliance statement had been developed as a result of Code of Practice No. 14: Governance and administration of public service pension schemes; which was issued by TPR and came into effect on 1 April 2015.

It was noted that the compliance statement was a tool whereby the Pension Fund Committee and the Local Pension Board could be satisfied that the Fund was compliant with TPR's requirements for public pension schemes.

Diane Lister, Head of Your Pension Service, reported that a self-assessment had been undertaken against the various sections and sub-sections and there was a strong degree of confidence that the Fund largely complied with all areas. It was reported that there was an ongoing issue around data collection which affected the payment of pensions and missing member details. Work was ongoing to deal with this.

Going forward, it was reported that a more detailed analysis and assessment against each section and sub-section would be undertaken to ensure any minor outstanding issues were identified and addressed.

It was noted that, as far as employers in particular were concerned, education and communication were key and that, where possible, the Board could assist with this, particularly where individual Board Members had links to employers which might not be meeting the requirements for providing information. It was noted that such employers often had small numbers of employees.

It was reported that consideration had been given to imposing fines and that would remain an option if absolutely necessary. It was felt important that there was a clear audit trail to evidence that everything possible had been done to work with employers which failed to comply, particularly where a fine were to be imposed or the employer reported to TPR.

It was agreed that the Board should consider the Fund's Member Tracing Policy at the next meeting.

On page 66 of the agenda pack, it was noted that the date was incorrect in the final section and that the Board would be asked to consider a draft Reporting of Breaches Policy at the 11 April meeting and not on 18 January as stated.

Resolved: - That:

- (i) The report, now presented, and compliance statement set out at Appendix 'A', be noted and welcomed;
- (ii) That the Head of Your Pension Service and her team be thanked for drafting the detailed compliance statement and it be noted that the Fund is compliant with the majority of areas;
- (iii) The Board considers a report at its next meeting on 11 April 2016 on a draft Reporting of Breaches Policy, together with the Fund's existing Member Tracing Policy.

8. Review of Communication between Lancashire County Pension Fund, its Employers and Scheme Members

The Board considered a report setting out details of how the Lancashire County Pension Fund communicated with employers and scheme members.

Diane Lister, Head of Your Pension Service, highlighted that the Fund was keen to use all forms of communication in order to ensure that employers and members received information as quickly and efficiently as possible and were able to contact, and submit information to, the Your Pension Service in the same manner.

The most obvious way to achieve this was via online communication and it was noted that some 25% of Fund Members were registered with the online service.

It was recognised that more could always be done to develop communication and that it was always difficult to ensure that people read the information that was sent to them.

It was suggested that the no increase in pensions for 2016/17 due to a zero inflation rate be included in any literature in the immediate future.

Resolved: - That:

- (i) The report, now presented, be noted;
- (ii) The Head of Your Pension Service be thanked for the comprehensive report.

9. Recent Reports Considered by the Pension Fund Committee

The Board considered a report setting out details of Part I reports recently considered by the Pension Fund Committee at its meeting on 27 November 2015.

Resolved: - That the report, now presented, be noted.

10. Urgent Business

There was no urgent business to be considered.

11. Date of Next Meeting

It was noted that the next meeting of the Board would take place on Monday 11 April 2016 at 2pm in Cabinet Room 'B' - The Diamond Jubilee Room, County Hall, Preston.

12. Exclusion of Press and Public

Resolved: - That the press and members of the public be excluded from the meeting during consideration of the following item 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, indicated against the heading to the item. It was considered that in all the circumstances the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

13. Recent Reports Considered by the Pension Fund Committee

(Not for Publication – 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 of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information).

The Board considered a report setting out details of Part II reports recently considered by the Pension Fund Committee at its meetings on 10 November 2015 and 27 November 2015.

Resolved: - That the report, now presented, be noted.

I Young
Director of Governance,
Finance and Public Services

County Hall
Preston