

Lancashire County Council

Pension Fund Committee

Friday, 1st February, 2019 at 10.00 am in County Hall, Preston

Agenda

Part I (Open to Press and Public)

No. Item

1. Welcome and Apologies

2. Disclosure of Pecuniary and Non-Pecuniary Interests

Members are asked to consider any Pecuniary and Non-Pecuniary Interests they may have to disclose to the meeting in relation to matters under consideration on the Agenda.

3. Minutes of the Meeting held on the 30th November 2019 (Pages 1 - 8)

To be confirmed, and signed by the Chair.

4. 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 Member's intention to raise a matter under this heading.

5. Date of Next Meeting

The next meeting of the Committee will be held at 10.30am (preceded by a 30 minute private briefing) on the 29th March 2019 in Cabinet Room 'C' – The Duke of Lancaster Room at County Hall, Preston.

6. 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)

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|-----------|--|-----------------|
| 7. | Local Pensions Partnership 2019/20 Strategic Plan and Budget | (Pages 9 - 32) |
| 8. | Independent Investment Adviser to the Pension Fund - New Contract | (Pages 33 - 36) |
| 9. | Reappointment of the Chair of the Lancashire Local Pension Board | (Pages 37 - 62) |

L Sales
Director of Corporate Services

County Hall
Preston

Agenda Item 3

Lancashire County Council

Pension Fund Committee

Minutes of the Meeting held on Friday, 30th November, 2018 at 10.00 am in Cabinet Room 'C' - The Duke of Lancaster Room, County Hall, Preston

Present:

County Councillor Eddie Pope (Chair)

County Councillors

J Burrows	K Ellard
S Clarke	T Martin
B Dawson	A Riggott
G Dowding	K Snape
C Edwards	A Snowden
K Ellard	A Schofield

A Schofield

*Replaced County Councillor J Mein for this meeting only.

Co-opted members

Mr Paul Crewe, (Trade Union Representative)
Councillor Mark Smith, (Blackpool Council Representative)
Councillor Ron Whittle, (Blackburn with Darwen Borough Council Representative)
Councillor David Borrow, (Borough and City Councils Representative)
Jennifer Eastham, (Further Education/Higher Education Institutions)

Also in attendance

Mrs A Leech, Head of the Fund, Lancashire County Council.
Ms A Devitt, Independent Adviser.
Mr E Lambert, Independent Adviser.
Mr C Rule, Chief Investment Officer and Managing Director Investments, Local Pensions Partnership.
Mr G Smith, Director of Strategic Programmes and Group Company Secretary. Local Pensions Partnership.
Ms F Deakin, Responsible Investment Manager, Local Pensions Partnership.
Mr W Bourne, Chair of the Lancashire Local Pension Board (observer).
Mr R Branagh, Managing Director, London Pension Fund Authority (observer).

1. Apologies

No apologies for absence were reported.

2. Disclosure of Pecuniary and Non-Pecuniary Interests

No declarations of interest were made in relation to items on the agenda.

3. Minutes of the Meeting held on the 14th September 2018

Resolved: That the Minutes of the meeting held on the 14th September 2018 are confirmed as an accurate record and signed by the Chair.

4. Progress on Delivering the Lancashire County Pension Fund Strategic Plan

A report was presented on the progress of delivery of the specific objectives set out in the Lancashire County Pension Fund's 3 year Strategic Plan.

When considering the report the Committee noted that in the future some elements of the Plan would be linked to the Risk Register and it was suggested that the Lancashire Local Pension Board be asked to consider the contents of the Strategic Plan in order to provide additional assurance.

Resolved:

1. That the progress made against the various objectives set out in the Lancashire County Pension Fund's 3 year Strategic Plan for the 6 months of the year, as set out in Appendix 'A' to the report presented, are noted.
2. That the Strategic Plan referred to in 1 above be referred to the Lancashire Local Pension Board for consideration with any comments to be reported to the meeting on 29th March 2019.

5. Lancashire County Pension Fund - Q2 Budget Monitoring

The Head of Fund presented a report on the financial results for the Lancashire County Pension Fund for the period 1st April to 30th September 2018 which compared those results with the agreed budget for the same period.

When considering the report the Committee noted that, having consulted with the Auditor, an adjustment had been made to the statutory accounts to recognise all advance contributions in the year of receipt. It was acknowledged that the adjustment would result in a material favourable variance against the budget for 2017/18 and an adverse variance of approximately £90m for the full year up to 31st March 2019. In addition restating the budget for the amendment would result in a budget of approximately £163m for contribution income with a forecast favourable variance of £3.0m.

Resolved: That the variances between the actual and budgeted results for the period 1st April to 30th September 2018 and the forecast financial results for the year ending 31st March 2019, as set out in Appendix 'A' to the report presented, are noted.

6. Responsible Investment

A report was presented on how the Fund was being supported in order to fulfil its commitment to long term responsible asset ownership in line with the approach set out in the agreed Investment Strategy Statement.

The Committee acknowledged that a Senior Analyst had been appointed to work alongside the Responsible Investment Manager at the Local Pension Partnership and the new Annex to the Responsible Investment Policy for the Local Pension Partnership Investment Ltd regarding Climate Change. It was also noted that the recommendations from the Responsible Investment Working Group were presented in a separate report on the agenda.

The Chair reported that both he and the Head of Fund were members of the Local Authority Pension Fund Forum (LAPFF) Board and were engaged in discussions with some companies who in which LAPFF members had investments. The Committee discussed the list in the Appendix to the report of companies which LAPFF were engaged with and the Responsible Investment Manager confirmed that future reports to the Committee would specify those companies in which the Fund had investments.

Resolved:

1. That the new Annex on Climate Change to the Responsible Investment Policy for the Local Pension Partnership Investment Ltd, as set out in the report presented, is noted.
2. That the Responsible Investment Manager at the Local Pensions Partnership be requested to identify in future reports any companies that LAPFF was engaged with in which the Fund had investments.

7. Report of the Responsible Investment Working Group

County Councillor Ellard, Chair of the Responsible Investment Working Group presented a report on the recommendations of the Group regarding a revised Responsible Investment Policy, proposed actions for the future development/implementation of that Policy and responses to four issues referred to the Working Group by the Committee. He also informed the Committee of a proposal from the London Pension Fund Authority to establish a joint Working Group with the Lancashire County Pension Fund on responsible investment.

Resolved:

1. That the draft Climate Change Policy presented to the meeting on the 23rd March 2018 be abandoned and the revised Responsible Investment Policy, as set out at Appendix 'A' to the report presented, be approved.
2. That having considered the responses of the Working Group regarding the five action points to develop the Responsible Investment Policy, a new Action Plan (as set out at Appendix 'B' to the report presented) for the

future development/implementation of the revised Responsible Investment Policy referred to at 1 above is approved.

3. That the responses of the Working Group regarding the four issues referred to it by the Pension Fund Committee on the 8th June 2018 and 14th September, 2018, as set out in the report presented, are noted.
 4. That the Chair discuss the proposal to establish a joint Working Group on responsible investment on the basis set out in the report with the Chair of the London Pension Fund Authority and report back to the Committee at the meeting on the 29th March 2019.
- 8. Feedback from members of the Committee on pension related training, conferences and events.**

A report was presented on the attendance of members of the Committee at various internal/external pension related training events which had taken place since the last meeting. Individual members of the Committee gave feedback on specific conferences/events and the Chair reported that he had been unable to attend the event on the 15th November 2018.

In response to a query the Chair undertook to explore through the Local Authority Pension Fund Forum (LAPFF) the possibility of encouraging organisations to hold future pension related conferences in Preston.

Resolved:

1. That the feedback given at the meeting from members of the Committee with regard to conferences/training events they had attended since the last meeting is noted.
2. That the Chair explore with LAPFF the possibility of encouraging companies to hold future pension related conferences in Preston.

9. Urgent Business

No items of Urgent Business were raised under this item.

10. Programme of meetings 2019/20

Resolved: That the decision of the full Council on the 18th October 2018 to approve the following 2019/20 programme of meetings for the Pension Fund Committee is noted.

Friday 21st June 2019
Friday 20th September 2019
Friday 29th November 2019
Friday 6th March 2020

All meetings to start at 10.30am (preceded by a 30 minute briefing session) and be held in Committee Room 'C' - The Duke of Lancaster Room, at County Hall, Preston.

11. Date of Next Meetings (February 2019 and March 2019)

The Chair informed the Committee that the Chair and the Chief Executive of the Local Pensions Partnership had been invited to attend the additional meeting which would be held at 10.00am on the 1st February 2019 in Committee Room 'C' – The Duke of Lancaster Room at County Hall, Preston, to consider the Local Pension Partnership budget for 2019/2020.

It was also noted that the next scheduled meeting would be held at 10.30am (preceded by a 30 minute briefing) on the 29th March 2019, in Committee Room 'C' – The Duke of Lancaster Room at County Hall, Preston.

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. 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).

Mr G Smith, Director of Strategic Programmes and Group Company Secretary from the Local Pensions Partnership presented a report which included an update on the performance of the administration service.

When considering the report the Committee recognised that action had been taken to address the backlog of cases referred to at the previous meeting. However, there was considerable concern that the backlog had still not been cleared and clarification on that point was requested. The Committee also noted the recommendations of the Administration Working Group (which the Local Pension Partnership had established to oversee the stabilisation of the administration service) and the strategic plan for the implementation of a revised operating model in the future.

Resolved: That the progress to date with regard to the pension administration service be noted and the Committee kept informed of further developments, particularly with regard to the clearance of the backlog of cases, communication

with members of the Fund and the recommendations of the Administration Working Group.

14. LCPF Performance Overview - September 2018

(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 Adviser to the Committee, presented a detailed report on the performance of the Lancashire County Pension Fund and highlighted a number of key areas, including the following:

- The economic and market background
- The total Fund return as at 30th September 2018
- Updates in relation to the performance of the equity, credit, real estate infrastructure and private equity portfolios.
- Asset allocations
- The funding ratio at 30th June 2018 and
- Details of contributions net of benefits and investment income.

In considering the report the Committee noted the current level of asset allocation in relation to Real Estate and it was suggested that increasing future investment in that area should be explored.

Resolved:

1. That the report and the updates on performance of the Fund presented at the meeting are noted.
2. That the Investment Panel be requested to discuss with the Local Pensions Partnership the proposed work plan to reach the target asset allocation in Real Estate.

15. 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 Adviser to the Committee, presented a detailed report on matters considered by the Investment Panel since the last meeting and updated the Committee on the investment and marketing context in which the Fund operated.

Resolved: That the report is noted.

16. Future development of a Responsible Investment Dashboard

(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 an analysis of detailed information in relation to the Listed Equities Portfolio which had been referred to the Committee by the Responsible Investment Working Group for consideration regarding future reporting.

Resolved: That the level of analysis of the Listed Equities Portfolio, set out at Appendix 'A' to the report presented, is welcomed and similar reports regarding the Infrastructure, Private Equity and Credit portfolios should be presented to future meetings in order to broaden the coverage of information available to the Committee and inform the development of a Dashboard on responsible investment.

17. 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).

A report was presented on the current version of the Risk Register associated with the Fund which had been reviewed by county council officers in consultation with colleagues from the Local Pensions Partnership and reviewed by Lancashire Local Pension Board at their meeting on the 16th October 2018.

Resolved: That the contents of the updated Risk Register, together with the Lancashire County Pension Fund Risk Summary document, as set out respectively at Appendices 'A' and 'B' to the report presented are noted.

L Sales
Director of Corporate Services

County Hall
Preston

Agenda Item 7

(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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Appendix A

(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 8

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Agenda Item 9

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Appendix A

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