

## **Lancashire County Council**

### **Pension Fund Committee**

**Minutes of the Meeting held on Friday, 29th March, 2019 at 10.30am in Cabinet Room 'C' - The Duke of Lancaster Room, County Hall, Preston.**

#### **Present:**

County Councillor E Pope (Chair)

#### **County Councillors**

J Eaton (1)	A Riggott
C Edwards	M Salter (3)
K Ellard	K Snape
P Rigby (2)	A Schofield

- (1) replaced County Councillor A Snowden for this meeting only.
- (2) replaced County Councillor S Clarke for this meeting only.
- (3) replaced County Councillor J Burrows for this meeting only.

#### **Co-opted members**

P Crewe, (Trade Union Representative)  
Councillor R Whittle, (Blackburn with Darwen Borough Council Representative)  
Councillor D Borrow, (Borough and City Councils Representative)  
Ms J Eastham, (Further Education/Higher Education Institutions)

#### **Also in attendance**

Mrs A Leech, Head of Fund, Lancashire County Council.  
Ms A Devitt, Independent Adviser.  
Mr E Lambert, Independent Adviser.  
Ms A Pieri, Senior Manager Engagement Manager, Grant Thornton.  
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.  
Mr W Bourne, Chair of the Lancashire Local Pension Board (observer).  
Mr R Branagh, Managing Director, London Pension Fund Authority (observer).

#### **1. Apologies**

Apologies for absence were received from County Councillor J Mein and County Councillor G Dowding.

#### **2. Disclosure of Pecuniary and Non-Pecuniary Interests**

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

### **3. Minutes of the Meeting held on the 1st February 2019**

The Chair referred to the third part of the decision on the Local Pensions Partnership 2019/20 Strategic Plan and Budget and reminded members of the Committee that a response from the Partnership had recently been circulated for information.

#### **Resolved:**

1. That the Minutes of the meeting held on the 1<sup>st</sup> February, 2019, be signed by the Chair.
2. That any questions or comments from members of the Committee regarding the response from the Local Pensions Partnership in relation to the third part of the decision on the 2019/20 Strategic Plan and Budget be sent to the Head of Fund who will discuss the points raised with Mr G Smith, the Director of Strategic Programmes and Group Company Secretary.

### **4. Lancashire County Pension Fund - External Audit Plan 2018/19**

Ms A Pieri, Senior Manager Engagement Manager from Grant Thornton, presented a report on the nature and scope of work to be covered by the 2018/19 Audit Plan and informed the Committee that meetings had already taken place with County Council Officers so that the auditors could familiarise themselves with the Fund.

It was noted that the planned audit fee was less than that for the previous year and Ms Pieri confirmed that the fee was in line with the scale of fees published by Public Sector Audit Appointments Ltd and did not represent a significant change in the scope of the audit.

**Resolved:** That the Audit Plan for 2018/19, as set out in the Appendix to the report presented, is noted.

### **5. Lancashire County Pension Fund - Q3 2018/19 Budget Monitoring**

The Committee considered a report on the financial results for the Fund during the period 1<sup>st</sup> April 2018 to 31<sup>st</sup> December 2018 and a comparison of those results with the budget for the same period, together with an updated forecast for the year to 31<sup>st</sup> March 2019.

#### **Resolved:**

1. That the analysis of the variances between actual and budgeted results and the budgeted income/expenditure for the period 1<sup>st</sup> April 2018 to 31<sup>st</sup> December 2018, as set out in the report presented, is noted.
2. That the forecast financial results for the year ending 31<sup>st</sup> March 2019, as set out in the report presented, is noted.

## **6. Lancashire County Pension Fund 2019/20 Budget**

A report was presented on the one year budget for the Lancashire County Pension Fund for the year ending 31<sup>st</sup> March, 2020, which forecast that the net income available for investment (before accounting for changes in the market value of investments during the year) would be £13.3m.

In considering the report the Committee noted that following a review the level of recharges to the County Council had been increased in recognition of the increased use of Legal Services. The forecast reduction in contribution income from employers as a result of the accounting treatment of amounts paid in advance was also discussed and the reduction in property expenses set out in the budget was welcomed.

**Resolved:** That the Lancashire County Pension Fund budget for the year ending 31<sup>st</sup> March 2020, as set out in Appendix 'A' to the report presented, is approved.

## **7. Responsible Investment Report**

A report was presented on how the Fund was supported to fulfil its commitment to long term responsible asset ownership in line with the approach set out in the Investment Strategy Statement and the Responsible Investment Policy approved by the Committee in March 2018.

The Committee discussed how impact assessments could be used to assess the economic, social, and environmental effects of the investment policy. It was also noted that the Global Equities Fund had significantly lower emissions than the benchmark as a result of investment decisions by active portfolio managers who incorporated material environmental, social and governance considerations (including climate change) into their evaluation of risk adjusted returns.

**Resolved:** That the update on responsible investment activity, as set out in the Appendix to the report presented, is noted.

## **8. Lancashire County Pension Fund Discretions Policy Statement**

The Head of Fund informed the meeting that the Local Government Pension Scheme Regulations required the Administering Authority to prepare and keep under review its statements of policy concerning the discretionary areas of the Local Government Pension Scheme regulations.

It was reported that following a review a number of amendments were proposed to the current Discretions Policy Statement (as set out in Appendix 'A' to the report) in order to reflect current practices and regulatory updates.

**Resolved:** That the updated version of the Discretions Policy Statement for the Lancashire County Pension Fund, as set out at Appendix 'A' to the report presented, is approved.

## **9. Lancashire County Pension Fund Training Plan 2019**

The Head of Fund presented a report on the 2019 Training Plan which set out the various options available during the year to meet the training needs of members of the Committee, including workshops, briefings, conferences and online training modules.

It was reported that the next scheduled workshop would be held at 2.30pm on the 2nd April 2019.

**Resolved:** That the 2019 Training Plan for the Pension Fund Committee, as set out in Appendix 'A' to the report presented, is approved.

#### **10. Data Quality Report (Mercers)**

The Head of Fund informed the Committee that the Scheme Actuary had been commissioned to undertake a review of the quality of the membership data for the Fund.

The Committee considered a summary of the findings of the review and noted that at a whole fund level the liability impact had been estimated as slightly reduced from the previous year, reflecting the positive impact of the Fund's data work over the year. With regard to common data the Committee discussed the figures relating to missing postcodes/age queries and noted that the Local Pensions Partnership was to undertake a project to address to slight increase in 2018.

It was also noted that the full report had been shared with the Local Pensions Partnership with a view to addressing the areas of main concern in conjunction with the normal scheduled processes due as part of the 2019 valuation.

**Resolved:** That the findings of the Scheme Actuary in relation to the quality of the membership data of the Fund, as set out in the report presented, is noted.

#### **11. 2019/20 Workplan of the Lancashire Local Pension Board**

Mr Bourne, the Chair of the Lancashire Local Pension Board, presented a report on the 2019/20 Workplan for the Board and informed the Committee that the intention was to focus on communication/engagement activity ahead of the valuation.

**Resolved:** That the 2019/20 Workplan for the Lancashire Local Pension Board, as set out in the Appendix to the report presented, is noted and approved.

#### **12. Feedback from members of the Committee on pension related training, conferences and events.**

A report was presented on the attendance by members of the Committee at various internal/external pension related training events which had taken place since the last meeting.

Feedback from the Chair and members of the Committee on individual events was presented with the LAPFF Annual Conference, the Strategic Investment Forum and the Local Authority Pension Fund Investment Conference all recommended for future attendance.

**Resolved:** That the report and feedback given at the meeting is noted.

**13. Transaction of Urgent Business - appointment of a Scheme Member representative on the Lancashire Local Pension Board.**

A report was presented on a decision taken by the Chief Executive on the 8<sup>th</sup> October 2019 under the procedure for dealing with matters of urgent business.

**Resolved:** That the decision of the Chief Executive to approve the appointment of Mr K Wallbank to fill a vacancy for a Scheme Member representative on the Lancashire Local Pension Board is noted.

**14. Urgent Business**

No items of business were raised under this heading.

**15. 2019/20 Programme of meetings**

**Resolved:** That the following programme of meetings for 2019/20, as agreed by the full Council on the 18<sup>th</sup> October, 2018, is noted with all meetings to commence at 10.30am (preceded by a 30 minute briefing) and be held in Committee Room 'C' – The Duke of Lancaster Room at County Hall, Preston.

21<sup>st</sup> June 2019

20<sup>th</sup> September 2019

29<sup>th</sup> November 2019

6<sup>th</sup> March 2020

**16. Date of Next Meeting**

It was noted that next scheduled meeting of the Committee would be held at 10.30am (preceded by a 30 minute briefing) on the 21<sup>st</sup> June 2019 in Committee Room 'C' - The Duke of Lancaster Room at County Hall, Preston.

**17. 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 paragraph 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.

**18. Local Pensions Partnership Update**

Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to 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 performance of the investment and administration functions operated by the Local Pensions Partnership Fund up to the 31<sup>st</sup> December, 2018, which included updates on the following:

- The performance and stabilisation of the pension administration service.
- Activity associated with the service improvement plan.
- Engagement with members and employers.
- Local Government Pension Service statutory guidance.
- The financial position of the Local Pension Partnership at 31<sup>st</sup> December 2018.

**Resolved:** That the updates on activity by the Local Pensions Partnership, as set out in the Appendix to the report presented, is noted.

The Chair informed the Committee that the report of the Investment Panel would be taken as the next item of business.

## **20. Investment Panel Report**

Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to 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 various macro-economic factors and how they influenced the investment market in which the Lancashire County Pension Fund operated, together with an update on matters considered by the Panel since the last meeting.

**Resolved:** That the report of the Investment Panel is noted.

## **19. Lancashire County Pension Fund Performance Overview - December 2018**

Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to 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, highlighting key areas such as the predicted reduction in the level of future contributions and the performance of individual investment portfolios. The Committee noted that the

long term the performance of the Fund had exceeded both internal and actuarial benchmarks.

**Resolved:** That the summary of the Fund's performance up to the 31<sup>st</sup> December 2018, as set out at Appendix 'A' to the report presented, is noted.

## **21. Lancashire County Pension Fund Employer Risk Report**

Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to 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 employer risk assessment, based on the approach agreed in January 2016, which indicated that the Fund had a low risk exposure and highlighted methods to mitigate potential future risks. The Committee noted that the Head of Fund would work with the Local Pensions Partnership and the Scheme Actuary to implement the recommendations set out in the report during the valuation process.

**Resolved:** That the report be noted.

## **22. PwC Report on the outcomes of the LPP Partnership**

Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to 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 findings of an external review of the Local Pensions Partnership which had concluded that performance had been satisfactory and that where there had been exceptions the Fund had been made aware in advance or had subsequently been provided with a reasonable, substantiated explanation.

**Resolved:**

1. That the findings of the independent review and response from the Local Pensions Partnership, as set out in the Appendix to the report presented, are noted.
2. That the intention for the Local Pensions Partnership and shareholders to undertake a balanced score card exercise over the next 3 years is noted and that the Committee be kept informed of future developments.

L Sales  
Director of Corporate Services

County Hall  
Preston

