

Lancashire County Council

Pension Fund Committee

Minutes of the Meeting held on Friday, 7th February, 2020 at 10.30 am in Cabinet Room 'C' - The Duke of Lancaster Room, County Hall, Preston.

Present:

County Councillor E Pope (Chair)

County Councillors

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|-------------|-------------|
| J Burrows | K Ellard |
| L Collinge | T Martin |
| B Dawson(1) | A Riggott |
| C Edwards | A Schofield |

P Steen (2)

(1) Replaced County Councillor J Mein for this meeting only

(2) Replaced County Councillor A Snowden for this meeting only

Co-opted members

Mr P Crewe, (Trade Union representative)

Councillor Ron Whittle, (Blackburn with Darwen Borough Council representative)

Councillor David Borrow, (Borough and City Councils representative)

Ms J Eastham, (Further Education/Higher Education Institutions representative)

Also in attendance

Mrs A Leech, Head of Pension Fund, Lancashire County Council

Ms A Devitt, Independent Adviser.

Mr E Lambert, Independent Adviser.

Mr J Livesey, Actuary, Mercers

Mr R Cathey, Senior Lawyer, Legal, Governance and Registrars, Lancashire County Council.

Mr C Rule, Interim Chief Executive, Chief Investment Officer and Managing Director (Investments) Local Pensions Partnership.

Mr G Smith, Director of Strategic Programmes and Group Company Secretary. Local Pensions Partnership.

1. Apologies

Apologies were received from County Councillor G Dowding and Councillor M Smith.

2. Disclosure of Pecuniary and Non-Pecuniary Interests

No declarations of interest in relation to matters on the agenda were declared at this point in the meeting.

3. Minutes of the Last Meeting.

Resolved: That the Minutes of the meeting held on the 20th September 2019 are confirmed as an accurate record and signed by the Chair.

The Chair informed the Committee that he would take item 12 as the next item of business as the update report was directly related to a decision referred to in the Minutes of the last meeting.

12. Update from the Local Pension Partnership on progress in implementing actions arising from internal audit work

An update report was presented on the implementation of Action Plans arising from an internal audit of the Local Pensions Partnership as discussed at the last meeting. The update was an item of urgent business as the report had not been finalised in time to be circulated with the main agenda and related to a decision taken at the last meeting which should not await the Committee on the 6th March 2020.

When considering the report the Committee noted the actions taken to address the issues highlighted by the audits and asked for further details regarding the findings of an external compliance consultancy which had reviewed the regulatory compliance of the Partnership.

Resolved:

1. That the update on action by the Local Pensions Partnership Senior Management Team in response to four audits where processes had been identified as ineffective, as reported to the Committee in September 2019, are noted.
2. That representatives from the Local Pensions Partnership be requested to provide further details on the findings of an external compliance consultancy review of regulatory compliance of the Partnership in response to one of the audits referred to at 1 above.

4. Lancashire County Pension Fund Q2 2019.20 Budget Monitoring

The Committee considered a report on the financial results of the Fund for the six months ending 30th September 2019 compared to the budget for the same period together with an updated forecast for the full year to 31st March 2020. It was reported that the current underspend on pension benefits was most likely a consequence of budget assumptions rather than payment delay and an update would be presented to the Committee in March 2020. The Head of Fund also reported that work had been done in relation to the accuracy and transparency of investment management fees and further details would be presented to the next meeting.

The Chair reminded members of the Committee that a presentation would be given at the workshop later in the day with regard to the Local Pensions Partnership 2020/21 budget.

Resolved: That the report is noted and updates regarding any underspend on pension benefits and the accuracy/transparency of investment management fees be presented to the next meeting.

5. Revised Lancashire County Pension Fund Communications Policy

A report was presented on the updated Communications Policy for the Lancashire County Pension Fund which had been reviewed by the Lancashire Local Pension Board on the 15th October 2019.

In considering the report the Committee noted the comments from the Board and recognised that whilst the preference was for information to be accessed online there may be some members of the scheme who may have difficulty in accessing such information. In response the Head of Fund reported that the policy did include provision for scheme members to receive hard copy information if requested and the Chair stated that he would also raise the matter with the Director of Administration at the Local Pensions Partnership.

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

6. Draft Funding Strategy Statement

A report was presented on the draft Funding Strategy Statement for the Lancashire County Pension Fund which was being developed in consultation with the Actuary following discussions with employers within the Fund, employer groups and the Lancashire Local Pension Board. The Chair referred to the pre meeting briefing on the Actuarial Valuation and informed the meeting that after many years' service by Mr J Livesey from Mercers had announced his intention to retire.

Resolved:

1. That members of the Committee place on record their thanks to Mr Livesey for his valuable contribution to the work of the Committee over the years and wish him well for his retirement.
2. That the contents of the draft Funding Strategy Statement, as set out at Appendix 'A' to the report presented, are noted and that a final version of the Statement be presented to the Committee in March 2020 for approval.

7. Progress on delivering the Lancashire County Pension Fund Strategic Plan

The Head of Fund presented an update report on the progress of delivery of specific objectives set out in the Lancashire County Pension Fund 3 year Strategic Plan.

In considering the report the Committee noted that the dashboard style reporting on responsible investment issues had not yet been introduced in relation to all

asset classes. In response the Head of Fund reported that the Responsible Investment Manager from the Local Pensions Partnership would be able to provide an update when she attended the next meeting. It was also noted that the dedicated website for the Fund would provide an opportunity for greater promotion of responsible investment activity by the Fund.

Resolved:

1. That the progress made to date on the delivery of the Lancashire County Pension Fund Strategic Plan, as set out in the report presented, is noted.
2. That future updates on delivery include an additional column so that the Committee can identify where specific items have been finalised.

8. Responsible Investment Report

The Committee was informed that the Managing Director of the London Pension Fund Authority was due to attend the meeting in March 2020 in response to the request from the previous meeting. The Responsible Investment Manager from the Local Pensions Partnership was also due to attend the next meeting and present a report on a review of the respective Responsible Investment policies of the Fund and Fund Authority.

With regard to the Minutes from the previous meeting it was noted that a representative from LAPFF had attended a training workshop for members of the Committee/Pension Board on the 5th November 2019 as referred to in the report at item 9 on the agenda.

Resolved: That the report is noted.

9. Feedback from members of the Committee on pension related training, conferences and events.

Individual members of the Committee gave feedback on their experience at various internal/external pension related training events which had taken place since the last meeting, the majority of which were considered worthwhile.

County Councillor Collinge reported that she had found the Introduction to the Local Government Pension Scheme event informative and recommended that any future appointees to the Committee attend such events. County Councillor Ellard reported that the event on ESG and Topical Investment Issues for Local Authority Pension Investors had been useful and suggested that one of the speakers be invited to address an event in Lancashire.

It was noted that copies of some documents from the events would be made available to members of the Committee for information via the secure online Library.

Resolved: That the report and feedback given at the meeting in relation to the training received by individual members of the Committee is noted.

10. Transaction of Urgent Business - Setting Strategic Objectives for the Independent Advisers to the Lancashire County Pension Fund

A report was presented on a decision taken by the Monitoring Officer on the 6th December 2019, under the procedure for dealing with matters of urgent business with regard to the setting of Strategic Objectives for the Independent Advisers to the Fund.

Resolved: That the decision taken by the Monitoring Officer under the urgent business procedure to approve the following strategic objectives for the Independent Advisers to the Lancashire County Pension Fund, as required by The Investment Consultancy and Fiduciary Management Market Investigation Order, 2019, is noted.

1. In conjunction with input from Local Pensions Partnership Investments and any other relevant sources, recommend a Strategic Asset Allocation with tactical ranges to the Pension Fund Committee.
2. Monitor the construction and performance of the Fund, all its sub-funds and its Asset Manager (Local Pensions Partnership Investments) and recommend any consequent changes to the Pension Fund Committee.
3. Where relevant and appropriate recommend suitable strategies to mitigate Fund risks to the Pension Fund Committee. These could include currency and liability hedging.

11. Urgent Business

No items of urgent business were raised at the meeting under this heading.

A report by the Head of Internal Audit in response to the resolution at the meeting on the 20th September 2019 for an update on progress by the Senior Management Team of the Local Pension Partnership on the implementation of Action Plans was presented as an item of urgent business and discussed earlier in the meeting after the Minutes (item 3).

13. Programme of meetings 2020/21

Resolved: That, in accordance with the decision of the full Council on the 17th October 2019, the 2020/21 programme of meetings for the Committee is as follows with all meetings to start at 10.30am (preceded by a 30 minute private briefing session for members) and be held in Committee Room 'C' – The Duke of Lancaster Room at County Hall, Preston.

19th June 2020
18th September 2020
27th November 2020
12th March 2021

14. Date of Next Meeting

It was noted that the next scheduled meeting of the Committee would be held at 10.30am (preceded by a 30 minute briefing session) on the 6th March 2020 in Committee Room 'C' – The Duke of Lancaster Room at County Hall, Preston.

15. 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.

16. Local Pensions Partnership proposed capital restructuring

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 reported that the proposed capital restructure of the Local Pensions Partnership Group would put the organisation on a similar footing to other pools, increase the financial resilience of the Partnership and preserve the existing ownership arrangements. The Committee noted that the Investment Panel had been consulted and supported the proposed investment on the basis that it was both suitable and appropriate in the light of the Fund's investment strategy.

Resolved:

1. That the £12.5m investment from the Lancashire County Pension Fund into the Local Pension Partnership Group, as set out in the report presented, is approved.
2. That the Full Council is recommended to approve the proposed restructure of the Local Pensions Partnership as set out in the report presented.

17. 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 a report on the activities of the Local Pensions Partnership which included strategic highlights and updates on the performance of the pension administration service and the financial position of the Partnership.

Mr Rule, Interim Chief Executive, Chief Investment Officer and Managing Director (Investments) reported that the recent internal audit report in relation to regulatory compliance with new Senior Management and Certification Regime requirements had been returned and found procedures at Local Pensions Partnership Investments to be effective with some areas for improvement, most of which had already been closed.

With regard to the earlier discussion about potential difficulties for some members of the Fund to access information which was predominantly available online the Committee noted that pensioners were the most significant group within the membership who had registered to use My Pensions Online. In response to a query the Head of Fund confirmed that existing performance targets for the administration service would be reviewed over the next 12 months to ensure that they remained appropriate/relevant.

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

18. 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 which reviewed the performance of the investment market over the last decade and highlighted various factors which influenced the investment market in which the Fund operated. The Committee also received the Minutes from the Investment Panel meetings in September and November 2019.

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

19. Lancashire County Pension Fund Performance Overview September 2019

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, updated the Committee on the overall performance of the Fund up to the 30th September 2019 and reported that updated figures would be presented to the next meeting. He also confirmed that the Fund continued to perform well and outperform both internal and external benchmarks and the Investment Panel would review the current investment strategy and report its findings to the Committee in due course.

Mr Lambert also reported that Mr Noel Mills, who had been an Independent Adviser to the Committee up to 2015, had recently retired.

Resolved:

1. That the Committee place on record its appreciation to Mr N Mills for his valuable contribution as an Independent Adviser to the Committee between 2009 and 2015 and wish him well for his retirement.
2. That the performance of the Fund up to the 30th September 2019, as set out in the report presented, is 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 Head of Fund presented a report on the latest version of the Risk Register which had been updated following a review by County Council officers in consultation with the Local Pensions Partnership and the Lancashire Local Pension Board.

Resolved: That the Lancashire County Pension Fund Risk Summary and updated Risk Register, as set out in the Appendices to the report presented, are noted

L Sales
Director of Corporate Services

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Preston