

Lancashire County Council

Pension Fund Committee

Minutes of the Meeting held on Friday, 6th March, 2020 at 10.30 am in Committee Room 'C' - The Duke of Lancaster Room, County Hall, Preston.

Present:

County Councillor Eddie Pope (Chair)

County Councillors

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

Co-opted members

Mr Paul Crewe, (Trade Union 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 Pension Fund, Lancashire County Council
Ms A Devitt, Independent Adviser.
Mr E Lambert, Independent Adviser.
Ms A Pieri, Senior Manager, Grant Thornton UK LLP.
Mr R Branagh, Managing Director, London Pension Fund Authority.
Mr W Bourne, Chairman, Lancashire Local Pension Board.
Mr M O'Higgins, Chairman of the Local Pension Partnership Board.
Mr C Rule, Chief Executive Officer, Local Pensions Partnership.
Mr A Taylor, Chief Finance Officer, Local Pensions Partnership
Ms F Deakin, Head of Responsible Investment, Local Pensions Partnership.

1. Welcome and Apologies

The Chair welcomed everyone to the meeting and informed the Committee that Mr C Rule had recently been appointed as Chief Executive and Mr R J Tomlinson as the Chief Investment Officer at the Local Pensions Partnership.

Apologies for absence were received from Councillor M Smith.

Resolved: That the Committee place on record their congratulation to Mr C Rule and Mr RJ Tomlinson on their appointment as Chief Executive and Chief Investment Officer respectively at the Local Pensions Partnership.

2. Disclosure of Pecuniary and Non-Pecuniary Interests

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

3. Minutes of the previous meeting.

The Chair informed the meeting that the capital restructure of the Local Pensions Partnership considered at the last meeting had been approved by the Full Council on the 27th February 2020.

Resolved: That the Minutes of the meeting held on the 7th February 2020 are confirmed as an accurate record and signed by the Chair.

4. Lancashire County Pension Fund - External Audit Plan 2019/20

Ms Pieri, the Senior Manager from Grant Thornton UK LLP presented a report on the proposed nature and scope of work to be covered by the 2019/20 Audit Plan. When considering the report the Committee noted the specific areas to be covered by the audit and discussed in detail the proposed auditor's fee and the associated additional fee in relation to the provision of IAS19 assurance to scheme employer auditors.

Resolved: That the scope of the Audit Plan for 2019/20, as set out in the report, is noted and the Head of the Fund have further discussions with the Senior Manager from Grant Thornton in relation to the total fees associated with the 2019/20 audit and report back to the next meeting.

5. Lancashire County Pension - Q3 budget monitoring

The Committee considered a report on the financial performance of the Fund for the 9 months up to the 31st December, 2019, together with a comparison to the budget for the same period and an updated forecast for the year ending 31st March 2020.

Resolved:

1. That the analysis of the variances between actual and budgeted results and the budgeted income/expenditure for the period up to 31st December 2019, as set out in the report presented, is noted.
2. That the forecast financial results for the year ending 31st March 2020, as set out in the report presented, is noted.

6. Lancashire County Pension Fund - Budget for year ending 31 March 2021

A report was presented on the one year budget for the Lancashire County Pension Fund for the year ending 31st March 2021 which forecast that the net

income available for investment (before accounting for changes in the market value of investments during the year) would be £219m.

The Committee discussed the performance of investments, the potential impact on markets of the Covid-19 virus and the increase in the market value of the Fund's assets and associated investment management fees.

Resolved: That the Lancashire County Pension Fund budget for the year ending 31st March 2021, as set out in Appendix 'A' to the report presented, is noted.

7. Funding Strategy Statement

A report was presented on the revised Funding Strategy Statement for the Lancashire County Pension Fund which incorporated the requirements set out in the Investment Strategy Statement and took account of comments received during the recent consultation period.

In considering the report the Committee noted a typographical error under 'Actuarial Assumptions' where the text should read that the real return over CPI inflation for determining the past service liabilities is 1.4% per annum and for determining the future service ("Primary") contribution rates is 2.15% per annum.

Resolved: That, subject to the amendment of the text under 'Actuarial Assumptions' to show that the real return over CPI inflation for determining future service contribution rates is 2.15%, the revised Funding Strategy Statement, as set out in the Appendix to the report presented, is approved.

8. Feedback from members of the Committee on pension related training

A report was presented on the attendance by members of the Committee at a workshop on the Local Pension Partnership budget on 7th February 2020.

County Councillor Dowding referred to her attendance at the LAPF Strategic Investment Forum on the 6th February 2020 (reported to the previous meeting) and the Chair asked that she share any reference material from the event with other members via the online Library

Resolved: That the report is noted.

9. Responsible Investment Report

The Committee considered a report on how the Fund was being 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.

Earlier Mr R Branagh, Managing Director from the London Pension Fund Authority, had reported that as the Authority was in the process of reviewing its

responsible investment/climate change policies and filling a vacancy of its Board it was unlikely to be in a position to take part in any joint Working Group on responsible investment for at least 6 months.

Resolved:

1. That the updates on responsible investment activity associated with supporting the Fund to fulfil its duty to act in the best long term interests of Fund beneficiaries are noted.
2. That the Fund does not become a signatory to the new UK Stewardship Code (2020) and instead recognise that the regulatory and stewardship requirements are met through the Local Pensions Partnership Investments being a signatory.

10. Approval of 2020/21 Work Plan for the Lancashire Local Pension Board.

Mr Bourne, Chair of the Lancashire Local pension Board presented a report on the proposed 2020/21 work plan for the Board and highlighted that key areas of interest would be communications and to hold the Local Pensions Partnership to account.

Resolved: That the 2020/21 work plan for the Lancashire Local Pension Board, as set out in Appendix 'A' to the report presented, is approved.

11. Urgent Business

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

12. Date of Next Meeting

It was noted that the next scheduled meeting would be held on the 19th June 2020 at 10.30am (preceded by a 30 minute private briefing) in Committee Room 'C' - The Duke of Lancaster Room at County Hall, Preston.

13. 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 was considered that in all the circumstances the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

14. Local Pensions Partnership Strategic Plan 2020-25 and Annual Budget

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 Local Pension Partnership Strategic Plan and 2020/21 Budget, which had been developed in consultation with stakeholders and noted that the Strategic Plan included the following goals for the Partnership.

- To achieve a self sustaining financial position
- That returns meet client objectives
- Provide a high quality cost effective pension administration service
- Reflect local and international excellence
- Be an exciting, forward thinking and collaborative place to work.

With regard to responsible investment it was noted that the Investment Panel was in the process of reviewing existing asset allocations and had requested an audit of Environmental, Social and Governance elements across the whole portfolio and would report back to the next meeting.

The Committee also discussed details in the budget, including the pension administration service and staff costs. It was noted that detailed pay proposals would be considered by the Employment Committee on the 9th March 2020.

Resolved:

1. That the 2020/25 Strategic Plan for the Local Pensions Partnership, as set out in Appendix 'B' to the report presented, is approved.
2. That the 2020/21 budget for the Local Pensions Partnership, as set out in Appendix 'D' to the report presented, is approved.

15. 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 performance of the Local Pensions Partnership up to 31st December 2019 which included reference to the pension administration service and contact centre together with a financial summary for the Group up to 30th September 2019.

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

16. 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 report on the performance of global markets/economies and factors which influenced the investment market in which the Lancashire County Pension Fund operated.

With regard to the current Covid-19 outbreak it was noted that whilst some private businesses had been impacted the Fund continued to outperform benchmarks and maintained a robust position.

Resolved: That the report is noted.

17. Lancashire County Pension Fund Performance Overview

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 report on the performance of the Fund up to December 2019 and highlighted a number of key areas including the total portfolio return over different periods, the performance of individual asset classes and the current funding level. The Committee noted that performance of the Fund's investments continued to outperform both the internal and actuarial benchmarks.

Resolved: That the performance of the Fund, as set out in the report presented, is noted.

L Sales
Director of Corporate Services

County Hall
Preston