

Lancashire County Council

Pension Fund Committee

Minutes of the Virtual Meeting held on Friday, 18th September, 2020 at 10.30am via Zoom.

Present:

County Councillor Eddie Pope (Chair)

County Councillors

T Ashton	C Edwards
J Burrows	K Ellard
L Collinge	J Mein
B Dawson (1)	E Nash (2)
G Dowding	A Riggott
A Schofield	

- (1) Replaced County Councillor T Martin for this meeting only
- (2) Replaced County Councillor A Snowden for this meeting only

Co-opted members

Councillor R Whittle, Blackburn with Darwen Borough Council
Councillor D Borrow, Borough and City Councils
Councillor P Foster, Borough and City Councils
Ms J Eastham, Further Education/Higher Education Institutions
Mr P Crewe, Trade Unions

Also in Attendance

Mrs A Leech, Head of Pension Fund, Lancashire County Council
Ms A Devitt, Independent Adviser.
Mr E Lambert, Independent Adviser.
Mr C Rule, Chief Executive Officer, Local Pensions Partnership.
Mr G Smith, Director of Strategy, Local Pensions Partnership
Mr W Bourne, Chairman, Lancashire Local Pension Board.

1. Appointment of the Chair and Deputy Chair of the Committee

Resolved: That the appointment by full Council on the 16th July 2020 of County Councillor E Pope as Chair and County Councillor A Schofield as Deputy Chair of the Committee is noted.

2. Constitution, Membership and Terms of Reference.

The Chair presented the report and welcomed County Councillor T Ashton and Councillor P Foster (who had replaced County Councillor S Clark and Councillor I Moran respectively) to their first meeting as members of the Committee.

Resolved:

1. That the current membership of the Committee, as set out below, is noted.

County Councillors (12)

T Ashton	T Martin
J Burrows	J Mein
L Collinge	E Pope (Chair)
G Dowding	A Riggott
C Edwards	A Schofield (Deputy Chair)
K Ellard	A Snowden

Voting co-opted members (7)

Mr P Crewe - representing Trade Unions
Mr J Tattersall - representing Trade Unions
Councillor M Smith - representing Blackpool Council
Councillor R Whittle - representing Blackburn with Darwen Council
Councillor D Borrow - representing Borough and City Councils
Councillor P Foster - representing Borough and City Councils
Ms J Eastham - representing Further Education and Higher Education Institutions.

2. That the current Terms of Reference of the Committee (a copy of which is set out in the Minute Book) are noted.

3. Apologies

Apologies for absence were received from Councillor M Smith.

4. 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.

5. Minutes of the Meeting held on 6th March 2020

The Head of Fund reported that following further discussions the Senior Manager at Grant Thornton had clarified the total fees associated with the 2019/20 audit which were not dissimilar to those reported at the last meeting.

It was also reported that on the 9th March 2020 the Employment Committee had considered and approved a report on pay proposals for the Local Pensions Partnership.

Resolved: That the updates given at the meeting are noted and the Minutes of the meeting held on the 6th March, 2020, are confirmed as an accurate record and signed by the Chair in due course.

6. Lancashire County Pension Fund - 2019/20 budget monitoring report

The Head of Fund presented a report on the financial performance of the Fund for the year ended 31st March 2020, together with a comparison to budget and prior year results.

She confirmed that investment management expenses had increased in line with the value of the Fund and that the expected savings from pooling were being achieved. In response to a query the Head of Fund explained the variance between income/outgoings and confirmed that it was within acceptable tolerances.

Resolved: That the financial performance of the Fund to the year ended 31st March 2020 and the analysis of variances between actual and budgeted financial results, as set out in the report resented, are noted.

7. Annual Governance Statement 2019/20

The Committee considered a report on the draft 2019/20 Annual Governance Statement for the Fund which, if approved, would be incorporated into the statement of accounts within the Lancashire County Pension Fund Annual Report for 2019/20. The Head of Fund highlighted reference in the Statement to the specific risk register regarding measures to mitigate the impact of Covid-19 and also the various actions planned for 2020/21.

Resolved:

1. That the draft 2019/20 Annual Governance Statement for the Lancashire County Pension Fund, as set out at Appendix 'A' to the report presented, is approved.
2. That the Head of the Pension Fund, in consultation with the Chair of the Pension Fund Committee, is authorised to make any necessary additional changes to the Annual Governance Statement before it is included in the final statement of accounts for the Fund.

8. Lancashire County Pension Fund Annual Report 2019/20

The Chair presented a report on the draft Lancashire County Pension Fund Annual Report for the year ended 31st March 2020 and thanked officers for producing a comprehensive document.

In considering the draft members of the Committee highlighted the following:

- There should be greater emphasis on Lancashire County Pension Fund being the top performing Fund in the Local Government Pension Scheme.
- The need for clarification that the employer contribution rates referred to in the Annual Report are applicable in the current financial year and some employers therefore look like they have low rates due to prepayments.
- It should be indicated at the start of Section I of the Annual Report that the statement is from the Chair of the Lancashire Local Pension Board.

It was also noted that the Head of Responsible Investment at LPPI would be requested to provide further detail regarding the shareholder action referred to in Section F – Investment Policy and Performance.

Resolved:

1. That the accounts of the Fund (as set out in Section 'H' of Appendix 'A' to the report presented) are approved, subject to any audit adjustment agreed by the Head of Fund, and are recommended for approval to the Audit, Risk and Governance Committee on the 19th October 2020.
2. That the 2019/20 Annual Report of the Lancashire Local Pension Board, as presented at Section 'I' of Appendix 'A' to the report presented, is approved.
3. That, subject to any agreed audit adjustments or other minor amendments, the Lancashire County Pension Fund 2019/20 Annual Report, as set out at Appendix 'A' to the report presented, is approved for publication on or before the 1st December 2020.

9. McCloud Update

An update report was presented in relation to ongoing issues associated with the McCloud judgement and the consultation on draft Regulations by the Ministry of Housing, Communities and Local Government which was due to end on the 8th October 2020.

In considering the report the Committee acknowledged that implementation of changes resulting from the judgement would involve a significant administrative burden for the Fund. In response the Head of Fund confirmed that the Fund would work with the Actuary and the Local Pensions Partnership to implement the changes and communicate them to members and employers, though it was recognised that the cost of implementation exceeded the benefits to individual Fund members.

Resolved: That members of the Committee send any comments regarding implementation of the McCloud judgement to the Head of Fund before the 1st October 2020 so that they can be considered before a response is sent to the Ministry of Housing, Communities and Local Government ahead of the 8th October deadline.

10. Admission and Termination Policy

The Chair presented a report on the latest version of the Policy which had been updated to incorporate further changes to legislation regarding exit credits, allowances for the on-going effects of the McCloud judgement and to bring the policy in line with the Funding Strategy Statement which had been amended in March 2020.

Resolved:

1. That the changes to the Admission and Termination Policy, as set out in Appendix 'A' to the report presented, are approved and are the subject of a short consultation with the employers in the Fund.
2. That a further report on the outcome of the consultation and a final draft of the Admissions and Termination Policy be presented to the Committee on the 27th November 2020.

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

A report was presented on pension related conferences/events which members of the Committee had participated in since the last meeting

Ms J Eastham reported that the 9th August 2020 CIPFA McCloud Implementation Workshop Webinar had covered the key issues arising from the judgement as discussed earlier in the meeting.

County Councillor Collinge reported that she had taken part in an informative discussion on divestment in relation to fossil fuels at the 8th September 2020 Pension Trustee Circle Virtual ESG Roundtable. County Councillor Ellard confirmed that he had also taken part in the event and had asked the organisers to provide a copy of the presentation which could be made available to all members of the Committee for reference via the online library.

Resolved: That the report and the updates from members of the Committee in connection with their participation at pension related Conferences/events is noted.

12. Responsible Investment Report

The Committee considered an update report on responsible investment matters relating to Q2 of 2020.

Members of the Committee commented on the contents of the Dashboard set out at Appendix 'A' and it was suggested that the comments be fed back to the Head of Responsible Investment at LPP investments (LPPI) for consideration ahead of the workshop for members on the 3rd November 2020.

The Chief Executive of LPP informed the meeting that LPPI worked with Robeco on collective engagements as referred to in the report, though the company had no involvement with or influence on the investments of the Fund. He added that, as a client of Robeco, LPPI was asked for input on themes to be progressed over the coming year as part of Robeco's annual review. It was noted that the Fund was also involved in shareholder engagement through its membership of the Local Authorities Pension Fund Forum.

Divestment (particularly in relation to fossil fuels) was discussed and it was noted that the Investment Panel had considered divestment as part of the recent Strategic Review and did not recommend it at this time. However, it was

suggested that the Committee should have an opportunity to consider alternative viewpoints in relation to divestment, financial advice, resolution engagement and Environmental and Social Governance to inform future decision making.

Resolved:

1. That the feedback of Committee members on the contents of the Dashboard set out at Appendix 'A' to the report presented be referred to the Head of Responsible Investment at LPPI for consideration and discussed further at the workshop to be held at 2.00pm on the 3rd November 2020.
2. That the Head of Fund identify suitable speakers to give presentations to the Committee on alternative viewpoints regarding divestment and Environmental and Social Governance on a date to be arranged.

13. Revised Terms of Reference for the Lancashire Local Pension Board.

The Committee considered a report on the revised Terms of Reference for the Lancashire Local Pension Board which have been developed following a review by the Board.

Resolved: That the revised Terms of Reference, as set out at Appendix 'A' to the report presented, are approved and referred to full Council on the 15th October 2020 for consideration and approval.

14. Urgent Business

No items of urgent business were raised under this heading.

15. Date of Next Meeting

It was noted that the next scheduled meeting of the Committee would be held at 10.30am on the 27th November, 2020, either remotely or at County Hall, Preston.

16. 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.

The Chair paused the meeting at this point until it was confirmed that the live webcast of Part I of the meeting had ended.

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 activity by the Local Pensions Partnership Group which included reference to the impact of Covid-19 on operations, two shareholder reserved matters referred to elsewhere on the agenda, and the financial position of the Group as at 31st March 2020.

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

The Chair informed the Committee that he would take item 22 on the agenda as the next item of business as it related to the decision on the shareholder reserved matters referred to in the previous item.

22. Shareholder reserved matters

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 two contractual arrangements relating to Local Pensions Partnership Administration Limited which required a decision by Lancashire County Council and the London Pension Fund Authority as shareholders.

Resolved:

1. That approval in principle is given to Local Pensions Partnership Administration Limited entering into a contract for a new pension's administration system and the lease agreement for offices at East Cliff, Preston as set out in the report presented.
2. That the Director of Corporate Services is authorised to agree the final shareholder approval to enter into the agreements referred to at 1 above.

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 report on the performance of global markets/economies and factors which influenced the

investment market in which the Fund operated such as Brexit, the US elections and the ongoing Covid-19 pandemic.

The Committee was also presented with the Minutes from the Panel in August which had focussed on the formulation of recommendations associated with the investment strategy review as reported in the next item on the agenda.

Resolved: That the report is noted.

19. Investment Strategy Review

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 Chair presented a report on the recommendations of the Investment Panel on the 24th August 2020 following its strategic review of investments. He also proposed an amendment to the second part of the resolution set out in the report which would add the following text to the end of the recommendation 'with an additional £50m tolerance range in the event that suitable investment opportunities arise'. The amendment was moved and seconded and put to the vote where it was approved.

Resolved:

1. That the recommended changes to the Pension Fund Strategic Asset Allocations and tolerance ranges as set out in Appendix 'A' to the report presented are approved and implemented with effect from the 1st January 2021.
2. That the current allocation to the Lancashire Local Property Portfolio, which is based on a percentage of the total value of the Fund, be replaced with a more realistic, achievable allocation of £100m, with an additional £50m tolerance range in the event that suitable investment opportunities arise.

20. Lancashire County Pension Fund Performance Overview

Exempt information 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 June 2020 and highlighted key areas of interest such as the total portfolio return over different periods, the strategic/current asset allocation, net income progression and the current funding level.

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

21. Transaction of urgent business - Relocation of Lancashire Local Pensions Investment office in London.

The Chair presented a report on a decision taken by the Director of Corporate Services under the urgent business procedure to approve Local Pensions Partnership Investments Board entering into a lease to allow the office to relocate to new premises in London.

Resolved: That the decision taken by the Director of Corporate Services (as Monitoring Officer) on the 17th July, 2020, under the urgent business procedure, as set out in the Appendix to the report presented, is noted.

Head of the Pension Fund

Before closing the meeting the Chair informed the Committee that this would be the last meeting for the Head of the Pension Fund who was due to leave the County Council for a new job. On behalf of the Committee the Chair thanked the Head of Fund for her work over the last four years and her invaluable contribution to the success of the Fund.

L Sales
Director of Corporate Services

County Hall
Preston