

Meeting of the full Council - 17 December 2020

Report of the Pension Fund Committee Meeting held on 27 November 2020

Chair: County Councillor Eddie Pope

Part I (Open to the Press and Public)

Interim Head of Pension Fund

The Committee was introduced to Michelle King, the recently appointed Interim Head of the Pension Fund.

Lancashire County Pension Fund - External Audit Findings Report

The Committee considered a report on the findings of the external audit of the Lancashire County Pension Fund Accounts for the year ended 31st March 2020 and noted that the accounts had been considered by the Audit, Risk and Governance Committee on the 19th October and all items identified as outstanding as at the date of issue of the audit findings report had subsequently been completed. In addition once the post balance sheet events had been updated and the management representation letter received the accounts would be signed off.

The Committee noted that the auditors had provided an unqualified audit opinion, including an 'Emphasis of Matter' paragraph highlighting asset valuation material uncertainties on the pension fund accounts and a 'consistency' opinion on the Annual Report of the Fund.

Decision taken: That the findings of the external audit of the Lancashire County Pension Fund Accounts for the year ended 31st March, 2020, together with the adjustments to the financial statements and the updates given by the auditor at the meeting, are noted.

Lancashire County Pension Fund 2020/21 Q2 Budget Monitoring

The Committee considered a report on the financial performance of the Fund during the 6 months to 30th September 2020 together with a comparison of the results with the approved budget for the same period and an updated forecast for the year ending 31st March 2021.

It was noted that the impact of the Covid-19 pandemic was reflected in the position at 6 months and that the Investment Panel expected the Fund to have almost fully recovered by 12 months. In addition the full year forecast was for net funds of £216.9m against a budget of £219.1m, a reduction of £2.2m.

Decision taken: That the financial results of the Fund for the 6 months to the 30th September 2020, together with the budget and forecast variances set out in the report presented and the updates given at the meeting, are noted.

Admissions and Termination Policy

The Committee considered a report on the Admissions and Termination Policy for the Fund, which had been updated following a consultation with employers to include recent changes to legislation on 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.

Decision taken: That the updated Admissions and Termination Policy for the Fund, as set out at Appendix 'A' to the report presented, is approved.

Local Pensions Partnership: Governance Charter

The Committee considered a report on the Local Pensions Partnership Governance Charter which had been developed in consultation with the Pension Fund Committee and the Pension Board.

Decision taken: That the Governance Charter for the Local Pensions Partnership, as set out at Appendix 'A' to the report presented, is noted.

Local Pensions Partnership 2019/20 Annual Report and Accounts

The Committee considered a report on the Local Pensions Partnership Annual Report and Accounts for the year ended 31st March 2020 which had been approved by the Partnership Board and published on the Company website.

Decision taken: That the content of the 2019/20 Annual Report and Accounts for the Local Pensions Partnership, as set out at Appendix 'A' to the report presented, is noted.

Feedback from members of the Committee on pension related training

The Committee considered a report on virtual pension related events that members of the Committee had participated in and received feedback from individual members. The members of the Committee who had participated in the 19th November 2020 presentation on divestment were also confirmed at the meeting.

Decision taken: That the report and the updates from members of the Committee in connection with their participation at virtual pension related conferences/events is noted.

Responsible Investment Report

The Committee considered a detailed report on responsible investment activity during Q3 of 2020

The Fund's current brown/green exposures were discussed and it was noted that that 95% (by value) of holdings were rated highly when measured against the Transition Pathway Initiative, demonstrating integration of climate change into operational planning and/or strategic planning. It was reported that Local Pensions Partnership Investments (LPPI) had taken action to liquidate shares in British American Tobacco and that energy/tobacco accounted for less than 1% of the portfolio. LPPI was also working with investor groups and partnerships to increase engagement (and in some cases take the lead) in areas such as diversity and workforce management.

The Committee was also informed that following the 19th November 2020 presentation on divestment arrangements would be made for an officer meeting to further discuss the 7 principles of sustainable and how they may relate to the investments of the Fund.

Decision taken:

1. That the updates on responsible investment activity, as set out in the Appendix to the report presented, and given at the meeting are noted.
2. That the Committee congratulate Frances Deakin, the Head of Responsible Investment, on winning Investment Manager of the Year at the Professional Pensions - Women in Pensions Awards 2020.
3. That a report be presented to the next meeting of the Committee on the outcome of the officer meeting to be held in December 2020 to discuss the 7 principles of sustainable development and how they may relate to the investments of the Fund.

Programme of meetings 2021/22

Decision taken:

1. That the 2021/22 programme of meetings of the Pension Fund Committee, as set out below and approved by full Council on the 15th October 2020, is noted.
18th June 2021
17th September 2021
26th November 2021
11th March 2022
2. All the above meetings to start at 10.30am and be held remotely via Zoom or, subject to the relaxation of current Covid-19 restrictions, in Committee Room 'C' – The Duke of Lancaster Room at County Hall, Preston.

Exclusion of Press and Public

Decision taken: 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.

Part II (Not open to the press and public)

Local Pensions Partnership - Balanced Scorecard Summary and Action Plan

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 outcomes of a balanced scorecard exercise which had involved interviews with a range of stakeholders as part of a review of the effectiveness of the service provided by the Local Pensions Partnership.

It was reported that the exercise had compared the Partnership against a number of established peer Pension Funds and providers and as a result the Partnership had achieved a relatively low rating. However, an improvement action plan based on the findings of the review had been developed and implemented and it was expected that a similar exercise in the future would result in an improved rating.

Decision taken: That the summary of the outcome of the balanced scorecard exercise regarding the Local Pensions Partnership and the associated improvement action plan are noted.

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 which included reference to savings information requested by the Ministry of Housing, Communities and Local Government, an update on shareholder matters and a statement on the financial position of the Local Pensions Partnership group up to 30th September 2020. A quarterly update on the performance of the pension administration service was also presented.

Decision taken: That the updates on investment and administration activity, together with the financial position of the Local Pensions Partnership, as set out in the report presented and given at the meeting, are noted.

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.

The Committee considered a report on the performance of global markets, economies and other factors which influenced the investment market in which the Fund operated, including the recent US election, the ongoing Covid-19 pandemic and development of associated vaccines and the approaching end of the Brexit transition period with the EU.

Decision taken: That the update on the performance of global markets and economies, as set out in the report presented, is noted.

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.

The committee considered a report on the performance of the Fund up to September 2020 including key areas of interest such as the total portfolio return over different periods, the performance of individual assets and the current funding level.

Decision taken: That the performance of the Fund up to September 2020, as set out in the report presented, is noted.

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 Committee considered a report on the updated Risk Register for the Fund together with the specific register regarding risks associated with the Covid-19 pandemic.

The Committee was informed of a change to the rating of the risk regarding the ongoing recruitment of a new Head of Fund and noted the addition of a new risk associated with the transition of the Employer Risk Service to the Fund. With regard to references in the Register to an expected report on the updated Investment Strategy Statement it was reported that the finalisation of certain benchmarks had delayed the report which would now be presented to the Committee in March 2021.

Decision taken:

1. That the Lancashire County Pension Fund Risk Register and summary, as set out in the Appendices to the report presented, are noted.
2. That a report on the updated Investment Strategy Statement, referred to in the Risk Register, be presented to the next meeting of the Committee.

Extension of the appointment of the Chair of the Lancashire Local Pension Board.

Exempt information as defined in paragraphs 1, 2 and 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 regarding the extension of the current contract between the County Council and the London Pension Fund Authority (LPFA) in relation to the independent Chair of the Lancashire Local Pension Board.

Decision taken:

1. That the extension of the current joint contract of Mr W Bourne as the independent Chair of the Lancashire Local Pension Board for a further 2 years, on the basis set out in Appendix 'A' to the report presented, is approved.
2. That full Council be recommended to approve the extension of the appointment referred to at 1 above for a further two years with effect from 1st April 2021.
3. That the LPFA Board be informed of the decision specified above and asked to pursue a similar approval through its own decision making process.