

## **Lancashire County Council**

### **Pension Fund Committee**

**Minutes of the Virtual Meeting held via Zoom on Friday, 27th November, 2020 starting at 10.30 am**

#### **Present:**

County Councillor E Pope (Chair)

#### **County Councillors**

T Ashton	K Ellard
J Burrows	T Martin
L Collinge	J Mein
G Dowding	A Riggott
C Edwards	A Snowden

A Schofield

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

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

#### **Also in attendance**

Ms King, Interim Head of Pension Fund, Lancashire County Council.  
Ms A Devitt, Independent Adviser.  
Mr E Lambert, Independent Adviser.  
Mr A Ayre, Audit Manager, Grant Thornton.  
Mr C Rule, Chief Executive, Local Pensions Partnership.  
Ms J Darbyshire, Director of Administration, Local Pensions Partnership  
Mr G Smith, Director of Strategy, Local Pensions Partnership.  
Mr W Bourne, Chair of the Lancashire Local Pension Board (observer).

#### **1. Welcome and Apologies**

The Chair welcomed everyone to the meeting and introduced Michelle King, the recently appointed Interim Head of the Pension Fund. It was noted that apologies had been received from Councillor Foster (co-opted member).

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

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

### **3. Minutes of the Meeting held on the 18th September 2020**

The Chair informed the meeting that the Lancashire County Pension Fund was one of the finalists for LGPS Fund of the Year in the LAPFF Investment Awards 2020 in early December 2020.

**Resolved:** That the Minutes of the meeting held on the 18<sup>th</sup> September 2020 are confirmed as an accurate record and signed by the Chair in due course.

### **4. Lancashire County Pension Fund - External Audit Findings Report**

Mr Ayre, Audit Manager from Grant Thornton, presented his report on the findings of the external audit of the Lancashire County Pension Fund Accounts for the year ended 31st March 2020. He reported that the accounts had been considered by the Audit, Risk and Governance Committee on the 19<sup>th</sup> October and all items identified as outstanding as at the date of issue of the audit findings report had subsequently been completed. It was noted that 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.

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

Mr Ayre dialled out of the meeting at this point.

### **5. Lancashire County Pension Fund 2020/21 Q2 Budget Monitoring**

The Head of Fund presented 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 31<sup>st</sup> March 2021.

It was reported 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. It was also noted that the full year forecast was for net funds of £216.9m against a budget of £219.1m, a reduction of £2.2m.

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

## **6. Admissions and Termination Policy**

A report was presented 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.

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

## **7. Local Pensions Partnership: Governance Charter**

A report was presented on the Governance Charter for the Local Pensions Partnership which had been developed in consultation with the Pension Fund Committee and the Pension Board.

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

## **8. Local Pensions Partnership 2019/20 Annual Report and Accounts**

A report was presented on the Local Pensions Partnership Annual Report and Accounts for the year ended 31<sup>st</sup> March 2020 which had been approved by the Partnership Board and published on the Company website.

**Resolved:** 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.

## **9. Feedback from members of the Committee on pension related training.**

Individual members of the Committee gave feedback on their experiences at a number of virtual pension related events which had taken place since the last meeting. It was reported that the events had been well organised and were generally considered to have been informative.

County Councillors E Pope, A Schofield, L Collinge, T Martin, J Mein and G Dowding together with co-opted members P Crewe, Councillor Whittle, Councillor Smith, Councillor Borrow and Ms Eastham all participated in the presentations on divestment on the 19<sup>th</sup> November 2020.

**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. Responsible Investment Report**

The Chair presented a detailed report on responsible investment activity during Q3 of 2020 and highlighted the action taken by Local Pensions Partnership Investments to liquidate shares in British American Tobacco.

Mr Rule, Chief Executive of the Local Pensions Partnership informed the meeting that Frances Deakin, the Head of Responsible Investment, was joint winner of the Investment Manager of the Year at the Professional Pensions - Women in Pensions Awards 2020. He also updated the Committee on the Fund's current brown/green exposures and highlighted that 95% (by value) of holdings were rated highly when measured against the Transition Pathway Initiative, demonstrating integration of climate change into their operation planning and/or strategic planning. Energy/tobacco accounted for less than 1% of the portfolio and LPPI was working with investor groups and partnerships to increase engagement (and in some cases take the lead) in areas such as diversity and workforce management.

It was also reported that after the 19<sup>th</sup> November 2020 presentation on divestment the Interim Head of Fund had arranged a meeting including one of the speakers, an Independent Adviser to the Fund, LPPI's Chief Investment Officer and the Head of Responsible Investment amongst others, to discuss the 7 principles of sustainable development and how they may relate to the investments of the Fund.

**Resolved:**

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 in December 2020 to discuss the 7 principles of sustainable development and how they may be applied to the investments of the Fund.

**11. Urgent Business**

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

**12. Programme of meetings 2021/22**

It was reported that in October 2020 the full Council had approved a 2021/22 programme of meetings which included dates for the Pension Fund Committee.

**Resolved:**

1. That the 2021/22 programme of meetings of the Pension Fund Committee, as set out below and approved by full Council on the 15<sup>th</sup> 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.

### **13. Date of Next Meeting**

It was noted that the next scheduled meeting of the Committee would be held at 10.30am on the 12<sup>th</sup> March, 2021, either remotely via Zoom or at County Hall, Preston.

### **14. 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.

### **15. 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.

Mr Smith, The Director of Strategy at the Local Pensions Partnership, presented 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.

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 had been developed based on the findings of the review and implemented and it was expected that any future exercise would result in an improved rating.

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

### **16. 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 the financial position of the Local Pensions Partnership group up to 30<sup>th</sup> September 2020.

The Director of Pensions Administration also presented a detailed quarterly update on the performance of the pension administration service.

**Resolved:** 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.

### **17. 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 Fund, presented a report on the performance of global markets/economies and factors which influenced the investment market in which the Fund operated such as 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.

**Resolved:** That the update on the performance of global markets/economies, as set out in the report presented, is noted

### **18. 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 Fund, presented a report on the performance of the Fund up to September 2020 and highlighted key areas of interest such as the total portfolio return over different periods, the performance of individual assets and the current funding level.

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

### **19. 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.

Ms King, the Interim Head of Fund, presented a report on the updated Risk Register for the Fund and specific register regarding risks associated with the Covid-19 pandemic.

She highlighted a change to the rating of the risk regarding the ongoing recruitment of a new Head of Fund and reported 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 Ms King informed the meeting that the finalisation of certain benchmarks had delayed the report which would now be presented to the Committee in March 2021.

**Resolved:**

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.

Local Pension Partnership representatives, Mr Bourne and others dialled out of the meeting at this point.

**20. 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.

**Resolved:**

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.

L Sales  
Director of Corporate Services

County Hall  
Preston