

Lancashire County Council

Pension Fund Committee

**Minutes of the Meeting held on Friday, 16th September, 2022 at 10.30 am in
Committee Room 'A' - The Tudor Room, County Hall, Preston**

Present:

County Councillor E Pope (Chair)

County Councillors

M Brown	A Schofield
M Clifford	M Tomlinson
F De Molfetta	D Westley
S Holgate	R Woollam

Co-opted members

Councillor D Borrow, City and Borough Councils
Councillor M Dad, City and Borough Councils
Ms J Eastham, Further Education/Higher Education Institutions
Mr P Crewe, Trade Unions

In attendance:

Mr S Greene, Head of Pension Fund, Lancashire County Council.
Mr M Wilson FIA, Senior Associate, Mercers.
Ms A Devitt, Independent Investment Adviser.
Ms M George Independent Investment Adviser.
Ms L Sales, Director of Corporate Services, Lancashire County Council.
Mr M Neville, Senior Democratic Services Officer, Lancashire County Council.
Mr C Rule, Chief Executive, Local Pensions Partnership.
Mr G Smith, Director of Strategy, Local Pensions Partnership.
Ms J Darbyshire, Director of Administration, Local Pensions Partnership.
Mr W Bourne, Chair of the Lancashire Local Pension Board.

1. Welcome and Apologies

The Chair welcomed everyone to the meeting and invited those present to join him in a Minute silence in memory of Her Majesty Queen Elizabeth the Second.

Apologies for absence were received from County Councillors A Gardiner and H Hartley together with Co-opted members Councillor E Whittingham and Ms S Roylance. It was also noted that Councillor D Borrow would be attending the meeting but had been slightly delayed.



2. Disclosure of Pecuniary and Non-Pecuniary Interests

No disclosures of Pecuniary/Non-Pecuniary interest in relation to items on the agenda were made at this point in the meeting.

3. Minutes of the last meeting and approved Terms of Reference.

Mr Neville, Senior Democratic Services Officer, reported that since the last meeting confirmation had been received that Co-opted members Councillor M Smith, Councillor D Borrow and Councillor M Dad had all been formally appointed to the Committee. He also reported that the updated Terms of Reference of the Committee had been approved by full Council on 14th July 2022 and a copy placed in the Minute Book for future reference.

Resolved: That the Minutes of the meeting held on 17th June 2022 are confirmed as an accurate record and signed by the Chair.

4. Lancashire County Pension Fund - Regulatory Update

The Head of Fund presented a report which updated the Committee on two key regulatory developments relating to pensions – the Pensions Dashboard and implementation of the McCloud judgement.

The Committee noted that further information regarding the Dashboard would be presented to members of the Committee/Pension Board as part of a technical update by the Local Pensions Partnership at a workshop to be held at 10.00am on Monday 5th December 2022 in The Exchange at County Hall, Preston.

Resolved: That the updates on the Pensions Dashboard and implementation of the McCloud judgement, as set out in the report presented, and discussed at the meeting, are noted.

5. Budget Monitoring Q1 - 2022/23

The Committee considered a report on the income and expenditure of the Fund for the 3-month period up to 30th June 2022 which included a forecast for the financial year ending 31st March 2023. In response to a query on investment management fees the Head of Fund reported that such fees were directly linked to the value of the Fund's assets which during the year to date had decreased, resulting in lower-than-expected management fees. However, it was noted that this was not unusual for Q1 and the forecast for fees for the year end was not altered.

Resolved: That the financial performance of the Fund for the 3 months up to 30th June 2022, together with the budget and forecast variances, as set out in the report presented, are noted.

6. Audit Update



The Head of Fund presented a report to update the Committee on the issues of materiality and the Fund's approach to the handling of overpayments, in response to points raised at the last meeting. Regarding overpayments it was noted that the Fund would continue to work with Local Pensions Partnership Administration Ltd on communications aimed at minimising future overpayments following the death of scheme members. It was also reported that in future a monitoring report on the write offs of overpayments would be presented annually to the Committee for information.

Resolved: That the report is noted, and that in future the Committee receive a monitoring report annually regarding the management of write offs of historic overpayments.

7. Lancashire County Pension Fund Annual Report 2021/22

The Committee considered a report on the draft Lancashire County Pension Fund Annual Report for the year ended 31st March 2022 which included the statement of accounts (within the Lancashire County Council Statement of Accounts) as approved by the Audit, Risk and Governance Committee.

The Head of Fund reported that text in the Foreword to the Annual Report would be amended to read 'Since we began pooling in 2016, £40.3m worth of savings have been achieved within the Fund' to clarify the level of savings achieved. It was also suggested that some text in the Responsible Investment section relating to the depletion of natural resources be reviewed and amended. It was further reported that a summary document (highlighting key areas of activity and performance) would be produced for circulation to scheme members and employers once the Annual Report was published, possibly complimented by an animation on the Fund website explaining the key messages from the Annual Report and performance of the Fund.

On behalf of the Committee the Chair thanked the Head of Fund and his team for their work on producing the draft Annual Report.

Resolved: That, subject to any minor amendments, an updated audit opinion and small account updates to be agreed by the Head of Fund, the Annual Report set out at Appendix 'A' to the report presented, is approved for publication on or before 1st December 2022.

8. Responsible Investment Report

The Committee considered a detailed update report from Local Pensions Partnership Investments Limited on responsible investment activity during Q2 of 2022 (April to June).

In response to a query Mr Rule, Chief Executive of the Local Pensions Partnership, confirmed that the Company was committed to achieving net zero emissions by 2050 and was already working towards an interim target for 2030

The Chair informed the meeting that the report author, Mr Master from the Pensions Team, would be leaving the County Council shortly and thanked him for his work in supporting the Fund.



Resolved: That the report is noted.

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

A report was presented on four internal training workshops which had taken place since the last meeting and County Councillor De Molfetta reported that he had found recent workshops informative and helpful. The Chair reminded the Committee that the Local Pensions Partnership Investment Conference would be held on the 1st /2nd March 2023 in London and asked that further details be circulated to Committee members outside of the meeting.

Resolved: That the report and feedback given at the meeting is noted and that further information regarding the Local Pensions Partnership Investment Conference on the 1st /2nd March 2023 be circulated to Committee members outside of the meeting.

10. Urgent Business

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

11. Date of Next Meeting

The next scheduled meeting will be held on 26th November 2022 in Committee Room 'A' – the Tudor Room at County Hall, Preston starting at 10.30am, preceded by a briefing at 10.00am on the work of the Local Pension Board.

12. 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 is considered that in all the circumstances the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

13. 2022 Actuarial Valuation

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 and Mr M Wilson FIA, Senior Associate from Mercers updated the Committee on progress to date in relation to the actuarial valuation, including a timetable for presenting updated documents/policies to the Committee for approval

An updated version of the Employer Risk Policy was presented at the meeting for consideration, and it was reported that the Funding Strategy Statement would be presented to the next meeting.



Resolved: That the report is noted and the Employer Risk Policy, as set out at Appendix 'A' to the report presented, is approved.

14. Project PACE

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 J Darbyshire, Director of Administration from the Local Pensions Partnership Administration Ltd updated the Committee on progress regarding the implementation of a new pensions administration system (Project PACE). She reported that whilst there had been some issues, Phase 1 of the Project had gone well, and those Funds included in Phase 2 (including Lancashire) would benefit from the experience gained.

An update was also provided on other pension system changes due to take place in the forthcoming months that would interact with the new pensions admin system, and it was noted that whilst LPPA staff and the Pension Fund Team had collaborated on the project, substantial work still needed to take place ahead of the 28th October 2022 'go live' date for Lancashire.

Resolved: That the updates regarding the implementation of Project PACE and other pension system changes are noted.

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.

Mr G Smith, Director of Strategy from the Local Pensions Partnership presented a report on activity by the Group which included updates on governance, strategy, and finance. The Committee discussed performance by the pension administration service and recognised the initial impact resulting from implementation of Phase 1 of Project PACE.

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

16. Investment Context 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 Investment Adviser, presented her report on the macro-economic factors which influenced the investment market in which the Fund operated. When considering the report members of the Committee discussed factors such as inflation, increasing energy costs and the potential impact of a recession.

Resolved: That the update on the macro-economic factors which influence the investment market in which the Lancashire County Pension Fund operates is noted.

17. Investment Performance 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 George, Independent Investment Adviser to the Fund, presented a report on the performance of the Fund in Q2 (April to June) which included details of the performance of individual asset allocations against benchmarks, cashflows, and the current funding level. Regarding the total portfolio return over different periods Ms George reported that whilst the Fund had been impacted in the short term by current volatility in the market the expected return over 12 months and 3 to 5 years remained strong and above benchmarks.

Resolved: That the summary of the Fund's performance in Q2 of 2022, as set out in Appendix 'A' to the report presented is 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.

The Head of Fund presented a report on the various matters which were discussed at the Investment Panel on 16th June 2022, as set out in the Minutes of that meeting.

Resolved: That the Minutes of the Investment Panel held on 16th June 2022 are noted.

Representatives from the Local Pensions Partnership left the meeting at this point.

19. LPP Governance 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 Head of Fund presented a report on the key findings of an independent review of the governance of Local Pensions Partnership, highlighting various options available to shareholders and an initial implementation timeline/project plan. It was noted that a further report on the matter would be brought to the next meeting.

Resolved: That the report be noted, and arrangements made for a briefing to be held with Committee members before the next meeting on 25th November 2022 to enable the options outlined in the report to be discussed in more detail.

L Sales
Director of Corporate Services

County Hall
Preston

