

Meeting of the Full Council - 16 December 2021

Report of the Pension Fund Committee meeting held on 26 November 2021

Chair: County Councillor Eddie Pope

Part I (Open to the press and public)

Minutes of the Meeting held on 17th September 2021

The Chair referred to the discussion at the previous meeting regarding the Fund Annual Report 2020/21 and informed the Committee that the executive summary document, highlighting key areas of activity and performance, was due to be circulated during the following week.

Decision taken: That the Minutes of the meeting held on the 17th September 2021 are confirmed as an accurate record and signed by the Chair

External Audit Findings Report

The Committee considered a report on the findings of the audit of the Lancashire County Pension Fund accounts for the year ended 31st March 2021 and was informed that the report had been updated since it was presented to the Audit, Risk and Governance Committee on the 18th October 2021 to reflect the completion of some of the outstanding items.

The Committee recognised the work done by the County Council's Finance Team in response to the audit and noted that the external auditor considered the financial statements:

- a) gave a true and fair view of the financial transactions of the Pension Fund during the year ended 31st March 2021 and the position at that date of the Fund's assets and liabilities.
- b) had been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 and
- c) had been prepared in accordance with the requirements of the Local Authority Accountability Act 2014.

It was also noted that the final audited accounts for the County Council would be presented to a meeting of the Audit, Risk and Governance Committee in December 2021 for consideration and approval.

Decision taken: That the findings of the external audit of the Lancashire County Pension Fund accounts for the year ended 31st March 2021, together with the adjustments to the financial statements and the other issues raised by the auditor as set out in the report presented, are noted.

2021/22 Budget Monitoring Report

The Committee considered a report on the income and expenditure of the Fund for the 6 months up to the 30th September 2021 and noted the budget and forecast variances set out in the report.

Decision taken: That the financial results of the Fund for the 6 months up to the 30th September 2021 together with the budget and forecast variances, as set out in the report presented, are noted.

Feedback from members of the Committee on pension related training.

The Committee considered a report on pension related training that members had participated in since the previous meeting and several members of the Committee commented on their experiences at the events listed in the report. It was also noted that a Training Needs Analysis of Committee members would be circulated in due course to identify any gaps in skills/knowledge and inform future training provision.

Decision taken: That the report and feedback from individual Committee members regarding training they have received is noted.

Local Pensions Partnership Annual Report and Accounts

The Committee considered a report on the Annual Report and Accounts for the Local Pensions Partnership for the year ended 31st March 2021, as approved by the Partnership Board, and filed with Companies House.

Decision taken: That the 2020/21 Annual Report and Accounts for the Local Pensions Partnership Limited, as set out at Appendix 'A' to the report presented, is noted.

Responsible Investment Report

The Committee considered a report from Local Pension Partnerships Investments Ltd (LPPI) on responsible investment activity during the third quarter of 2021 and noted that LPPI was a new signatory to the Institutional Investor Group on Climate Change as announced at COP26. Updates were also given in relation to the Transition Pathway Initiative and the PRI Reporting, as referred to in the report.

In response to a query regarding reference to the CDP Non-Disclosure Campaign in the report the Head of Fund confirmed that further details would be circulated to Committee members outside of the meeting.

Decision taken

1. That the update on responsible investment activity by Local Pension Partnerships Investments Ltd during Q3, as set out in the report presented, is noted.
2. That further information regarding the CDP Non-Disclosure Campaign be circulated to Committee members outside of the meeting.

Review of Responsible Investment Policy

The Committee received an update from the Chair of the RI Task and Finish Group on the work done to date including a copy of the revised Responsible Investment Policy (developed in consultation with Officers, LPPI and the Local Pension Board) for approval.

The Committee was also informed that the Group had agreed to consider some minor amendments to the Dashboard report on responsible investment and would consider more substantive changes at a meeting to be arranged in the new year, with recommendations being presented to the Committee on the 11th March 2022 for consideration.

Decision taken:

1. That the revised Responsible Investment Policy, as set out at Appendix 'A' to the report presented is approved.
2. That the RI Task and Finish Group present any recommendations regarding substantive changes to the Dashboard report to the Committee on the 11th March 2022 for consideration and approval.

Programme of Meetings for 2022/23

Decision taken: That, in accordance with the decision of the full Council on the 14th October 2021, the 2022/23 programme of meetings for the Committee is noted as follows, with all meetings to be held at County Hall, Preston, commencing at 10.30am.

17th June 2022
16th September 2022
25th November 2022
10th March 2023

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 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.

Part II (Not open to the press and public)

2022 Valuation process and timetable

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 proposed timetable for the 2022 actuarial valuation of the Fund's assets and liabilities which would be based on data as at the 31st March 2022. It was reported that the broad objectives of the valuation were to assess the financial health of the Fund, determine future employer contribution rates (with effect from 1st April 2023) and maintain a sufficient level of contributions to ensure that the Fund, as far as possible, maintained a 100% or greater funded position, whilst recognising pressures on scheme employers' budgets.

The Head of Fund also confirmed that arrangements would be made for a pensions workshop on the actuarial valuation in 2022 to be held early in the New Year.

Decision taken: That the timetable for the 2022 valuation of the Fund, as set out in the report presented, is 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 strategic update report which included the financial position of the Group up to the 30th September 2021 together with summaries of the performance of the investment and pension administration functions.

Decision taken: That the updates on investment and administration activity and performance, together with the financial position of the Local Pensions Partnership Group, 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 factors which influenced the investment market in which the Fund operated including the Covid-19 pandemic, Brexit and the recent COP26 in Glasgow.

Decision taken: That the updates on the performance of global markets and economies, as set out in the report presented and given at the meeting, are noted.

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.

The Committee considered a report on the performance of the Fund up to the end of September 2021, which highlighted key areas of interest such as the performance of the Fund over different periods of time, individual asset allocations and the current funding level.

Regarding the reported drop in net income the Committee was informed that the Fund received significant prepayments from employers in year 1 compared to years 2 and 3 which created a deficit. However, the Committee was assured that the Fund continued to have a healthy funding level and maintained sufficient levels of liquidity to deal with any payment of benefits.

Decision taken: That the performance of the Fund up to the end of September 2021, 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 proposed changes to reporting in relation to the risk register, including the provision of a heat map to provide a visual representation of risks associated with the Fund mapped against the risk Matrix, and templates for specific risks that had been recently reviewed or newly created. It was also reported that a specific risk regarding ESG factors was being developed and would be incorporated into a future version of the Register, and that pension related risks would be cross referenced with the County Councils Risk Register.

Decision taken: That the proposed changes to the format of reporting on the Lancashire County Pension Fund Risk Register, as set out in the Appendices to the report presented, are approved.

Appointment of Independent Investment Adviser to the Pension Fund

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 on a proposal to invite expressions of interest for the position of Independent Investment Adviser to the Fund through an advertisement in suitable investment press and networks, using the existing role statement as a basis of appointment, with a proposed closing date of the 31st January 2022.

Decision taken: That the process for the appointment of an Independent Investment Adviser, as set out in the report presented, including the establishment of an Appointments Sub-Committee authorised to conduct the subsequent interviews and appoint an Adviser, is approved, subject to a waiver of the county council's procurement rules as set out at paragraph 14.2 of Appendix R to the county council's constitution.