

Lancashire County Council

Pension Fund Committee

Minutes of the Meeting held on Friday, 26th November, 2021 at 10.30 am in Committee Room 'A' - The Tudor Room, County Hall, Preston.

Present:

County Councillor E Pope (Chair)

County Councillors

M Brown	G Dowding
J Burrows	M Pattison
S Clarke*	A Schofield
M Clifford	S Smith
F De Molfetta	D Westley
R Woollam	

* Replaced County Councillor M Goulthorp as a member of the Committee for this meeting only.

Co-opted members

Councillor R Whittle, Blackburn with Darwen Borough Council
Councillor M Smith, Blackpool Council
Councillor M Hindley, Borough and City 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.
Ms L Sales, Director of Corporate Services, Lancashire County Council.
Ms A Devitt, LCPF Independent Investment Adviser.
Mr E Lambert, LCPF Independent Investment Adviser
Mr W Bourne, Chair of the Lancashire Local Pension Board.
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.

Dialling into the meeting via MS Teams:

Mr A Ayre, Audit Manager, Grant Thornton UK LLP

1. Apologies

Apologies for absence were received from Councillor D Borrow.

2. Disclosure of Pecuniary and Non-Pecuniary Interests

No disclosures of Pecuniary/Non-Pecuniary interest were made at this point in the meeting.

3. 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.

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

4. External Audit Findings Report

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

In considering the report 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.

Resolved: 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.

Mr Ayre dialled out of the meeting at this point.

5. 2021/22 Budget Monitoring Report

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

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

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

A report was presented on pension related training which had taken place since the previous meeting and members of the Committee commented on their experiences at the different events.

The workshop on responsible investment had been informative and it was recognised that the subject had been given more prominence at the PLSA Annual Conference which had also been good though the opportunity for networking had been reduced as the event was online. The overview of the Local Government Pension Scheme webinar had also been well received and was recommended by the Chair to those members of the Committee who had been unable to attend the event in October. Details of similar events would be circulated to the Committee members in the future.

It was also noted that Committee members would be asked to complete a Training Needs Analysis in due course to identify any gaps in skills/knowledge and inform future training provision.

Resolved: The Committee is asked to note the report and feedback from individual Committee members given at the meeting in relation to training they have received.

7. 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.

Resolved: 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.

8. 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 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.

Resolved: That the update on responsible investment activity by Local Pension Partnerships Investments Ltd during Q3, as set out in the report presented, is noted

9. Review of Responsible Investment Policy

County Councillor Schofield, the Chair of the Responsible Investment Task & Finish Group, updated the Committee on the work of the Group to date and presented a revised Responsible Investment Policy (developed in consultation with Officers, LPPI and the Local Pension Board) for approval.

The Head of Fund also informed the Committee that the Group had agreed to 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.

Resolved:

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 11th March 2022 for consideration and approval.

10. Urgent Business

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

11. Programme of Meetings for 2022/23

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

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

12. Date of the Next Meeting

The next scheduled meeting of the Committee will be held at 10.30am on 11th March 2022 in Committee Room 'A' The Tudor Room at County Hall, Preston.

13. 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.

14. 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 Head of Fund presented 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.

Resolved: That the timetable for the 2022 valuation of the Fund, as set out in the report presented, is 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.

Representatives from the Local Pensions Partnership presented a strategic update which included the financial position of the Group up to 30th September 2021, together with summaries of the performance of the investment and pension administration functions.

Resolved: 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.

17. Investment Panel Report

In response to a request from Mr Lambert, Independent Investment Adviser to the Fund, the Chair agreed to take the Investment Panel report as the next item of business.

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 including the Covid-19 pandemic, Brexit and the recent COP26 in Glasgow.

Resolved: 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.

16. 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.

Mr Lambert, Independent Investment Adviser to the Fund, presented a report on the performance of the Fund up to the end of September 2021, highlighting 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 Mr Lambert explained 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.

Resolved: That the performance of the Fund up to the end of September 2021, as set out in the report presented, is noted.

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

18. 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.

A report was presented by the Head of Fund 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.

Resolved: 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.

Both Independent Investment Advisers left the meeting at this point.

19. 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.

A report was presented 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 31st January 2022.

In considering the report the Committee agreed to establish an Appointments Sub-Committee in accordance with the Terms of Reference of the Committee to conduct the interviews and make the necessary appointment.

Resolved: 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.

L Sales
Director of Corporate Services

County Hall
Preston