

Public Document Pack



County Offices
Newland
Lincoln
LN1 1YL

2 December 2015

Pensions Committee

A meeting of the Pensions Committee will be held on **Thursday, 10 December 2015** in **Committee Room One, County Offices, Newland, Lincoln LN1 1YL** at **10.00 am** for the transaction of business set out on the attached Agenda.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Tony McArdle', written over a horizontal line.

Tony McArdle
Chief Executive

Membership of the Pensions Committee **(8 Members of the Council and 3 Co-Opted Members)**

Councillors M G Allan (Chairman), R J Phillips (Vice-Chairman), N I Jackson, B W Keimach, C E D Mair, R A H McAuley, Mrs S Rawlins and A H Turner MBE JP

Co-Opted Members

Mr A N Antcliff, Employee Representative
Mr J Grant, Non-District Council Employers Representative
District Councillor J Summers, District Councils Representative

**PENSIONS COMMITTEE AGENDA
THURSDAY, 10 DECEMBER 2015**

Item	Title	Pages
1	Apologies for Absence	
2	Declarations of Members' Interests	
3	Minutes of the previous meeting of the Pensions Committee held on 8 October 2015	5 - 10
4	CONSIDERATION OF EXEMPT INFORMATION	
	<p>In accordance with Section 100 (A)(4) of the Local Government Act 1972, agenda items 5, 6 and 7 have not been circulated to the press and public on the grounds that they are considered to contain exempt information as defined in paragraph 3 of Schedule 12A of the Local Government Act 1972, as amended. The press and public may be excluded from the meeting for the consideration of this item of business</p>	
5	Manager Presentation - Schroder Investment Management - Global Equities	11 - 62
6	Manager Presentation - Columbia Threadneedle - Global Equities	63 - 94
7	Manager Presentation - Neptune Investment Management - Global Equities	95 - 144

Democratic Services Officer Contact Details

Name: **Catherine Wilman**
Direct Dial **01522 553788**
E Mail Address catherine.wilman@lincolnshire.gov.uk

Please Note: for more information about any of the following please contact the Democratic Services Officer responsible for servicing this meeting

- Business of the meeting
- Any special arrangements
- Copies of reports

Contact details set out above.

All papers for council meetings are available on:
www.lincolnshire.gov.uk/committeerecords



PENSIONS COMMITTEE 8 OCTOBER 2015

PRESENT: COUNCILLOR M G ALLAN (CHAIRMAN)

Councillors R J Phillips (Vice-Chairman), N I Jackson, B W Keimach, C E D Mair, R A H McAuley, Mrs S Rawlins and A H Turner MBE JP

Co-Opted Members: Mr A N Antcliff (Employee Representative), Mr J Grant (Non-District Council Employers Representative) and District Councillor J Summers (District Councils Representative)

Officers in attendance:-

Yunus Gajra (Pensions Administrator, West Yorkshire Pension Fund), Peter Jones (Independent Advisor), Jo Ray (Pensions and Treasury Manager), Nick Rouse (Investment Manager) and Catherine Wilman (Democratic Services Officer)

17 APOLOGIES FOR ABSENCE/REPLACEMENT MEMBERS

No apologies were received.

18 DECLARATIONS OF MEMBERS' INTERESTS

Councillor M G Allan requested that a note be made in the minutes that he was currently a contributing member of the Pension Fund as a North Kesteven District Councillor and as a County Councillor.

Mr A Antcliff requested that a note be made in the minutes that he was currently a contributing member of the Pension Fund as an employee of Lincolnshire County Council.

Councillor R J Phillips declared a personal interest in all items on the agenda as a member of the Upper Witham Internal Drainage Board and as a contributing member of the Pension Fund.

19 MINUTES OF THE PREVIOUS MEETING OF THE PENSIONS COMMITTEE HELD ON 16 JULY 2015

RESOLVED

That the minutes of the Committee held on 16 July 2015 be approved as a correct record and signed by the Chairman.

2
PENSIONS COMMITTEE
8 OCTOBER 2015

20 INDEPENDENT ADVISOR'S REPORT

The Committee considered a report by the Independent Advisor which provided a market commentary on the current state of global investment markets.

There had not been much change in the markets since the sharp fall in August 2015. Global economic growth was forecast to fall to around 3% this year. However, the USA and UK markets were steadily growing.

It was at managers' discretion whether they invested in Europe and they would be taking into account the forthcoming referendum on whether the UK remained with the EU in their investment decisions.

RESOLVED

That the report be noted.

21 PENSION ADMINISTRATION REPORT

The Committee considered the quarterly report by the pension administrator, West Yorkshire Pension Fund (WYPF), which detailed the performance figures from the previous two months. During this time, performance had improved as the backlog of work following the transfer to WYPF had been reduced. Refining performance reporting would be the next step in improving the service.

It was reported that the partnership between the Lincolnshire Pension Fund and West Yorkshire Pension Fund had been shortlisted for the Best Collaboration award at the Local Government Chronicle (LGC) Awards.

By the 31 August 2015, West Yorkshire Pension Fund had sent out 90% of pension statements for WYPF members in comparison to 37% for Lincolnshire Pension Fund members. This low percentage was a reflection of the late annual returns from Employers, with the County Council being the largest employer who had not submitted their year-end data. The transition of the Council's payroll to Serco from 1 April 2015 had been the main reason for this and the issues were being addressed.

WYPF was receiving criticism scheme members as a result of the lack of data from Serco and also from data quality issues identified from the previous pensions administrator, Mouchel. However, staff at WYPF had been assisting Serco as much as possible to enable them to provide the required information and staff at Serco were also working hard to rectify issues.

It was hoped that these issues, as well as general teething problems from the transfer, would be resolved and settled by the first anniversary of the partnership.

RESOLVED

That the report be noted.

22 CONSIDERATION OF EXEMPT INFORMATION

RESOLVED

That in accordance with section 100(A) (4) of the Local Government Act 1972, the public and press be excluded from the meeting for the following item of business on the grounds that if they were present there could be a disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended.

23 MANAGER REPORT - INVESCO ASSET MANAGEMENT - GLOBAL EX
UK ENHANCED INDEX EQUITY PORTFOLIO

The Committee considered a report which introduced a presentation from Invesco Asset Managers, who managed the Global ex UK Enhanced Index Equity Portfolio. Representatives from Invesco were present to report on how investments had performed.

Invesco had continued to manage the Portfolio to meet the outperformance target, whilst keeping within their risk constraints.

RESOLVED

That the report be noted.

24 PENSION FUND UPDATE REPORT

Consideration was given to a report which updated the Committee on Fund matters over the quarter ending 30 June 2015.

Councillor N I Jackson provided an update on matters recently considered by the Local Authority Pension Fund Forum (LAPFF).

The Committee discussed the possibility of hosting an annual scheme members' meeting, which had also been discussed at the July meeting of the Committee. Estimated costs for holding a 1.5 hour session with refreshments and lunch was approximately £1,600 and £500 without lunch. During discussion of such an event, the following points were noted:

- Any event would be advertised within the membership newsletter, so as to keep down postage costs;
- There had been good feedback received following a similar members' meeting organised by the West Yorkshire Pension Fund;
- Such events were difficult to organise;
- Seeking feedback after the event would be imperative;
- It was seen as a goodwill gesture for stakeholders.

The Committee agreed to go ahead with a members' event, and to hold it at some point during 2016.

There was a new entry on the Risk Register which was Risk 25 – Employer Breaches. The Pensions and Treasury Manager explained that the breach had been reported to The Pensions Regulator, who would not enforce a penalty unless the situation escalated. At the present time, TPR were simply satisfied they had been informed.

The Committee considered the briefing note from Hymans Robertson concerning the proposed LGPS pooling. Paul Potter from Hymans was present to discuss the proposed pooling which would have a big impact on the LGPS if it went ahead. All funds operating within the LGPS had been asked, collectively, to put forward their views on the proposal.

Hymans Robertson had offered to support a group of local authorities who would collaborate in preparing a joined up report which would narrow down the range of potential pooling options to a small number and assess these against government criteria. The group of participating funds represented a broad church in terms of a preferred approach, local interests and expertise and currently consisted of 21 funds who had signed up.

A steering group, of which the Pensions and Treasury Manager was a member, was looking at different asset classes and a number of different work streams.

The result of the Hymans collaboration of authorities would be submitted to Government before Christmas and would contain information on costings and governance as well as other issues.

During discussion of the proposal, the following points were noted:

- In early 2016, the Government would release detailed options to funds, followed by the new legislation. However, there would be no exemptions: all Funds would have to comply;
- If investment decisions were taken away from local authorities by the new legislation, there would still be a considerable amount of work left for local authorities and committees to undertake;
- Administrative and asset allocation decisions would still be made by the Committee;
- There would be no risk to from the new arrangements;
- The Committee would be updated regularly on progress.

The Committee discussed the LGPS Local Pension Board and it was reported that there was no conflict of interest for the Pensions and Treasury Manager to be involved with both Committee and Board. Most Funds across the country were in a similar situation.

The TPR Code of Practice rag rating report, which the Board had considered, would be brought to Committee, as would the Conflict of Interests Policy and the Reporting Breaches Policy for the Committee to adopt.

RESOLVED

1. That the Committee support the proposal to provide a meeting for scheme members;
2. That the report be noted.

25 INVESTMENT MANAGEMENT REPORT

Consideration was given to a report which covered the management of the Lincolnshire Pension Fund assets over the period from 1 April to 30 June 2015.

The Investment Manager took Members through the report and the following points were noted:

- Equity and bond markets were negative over the quarter;
- All managers, other than Schrodgers, F&C and Morgan Stanley outperformed or met their benchmark returns;
- Morgan Stanley had opened a sister fund called Global Quality. However, Hymans Robertson had recommended staying with Global Brands, as it had a higher conviction strategy;
- Officers were due to meet F&C and Morgan Stanley shortly, to discuss performance.

RESOLVED

That the report be noted.

26 PENSION FUND EXTERNAL AUDIT ISA 260 REPORT

Consideration was given to a report which brought the ISA 260 report to those charged with governance of the Pension Fund, namely the Committee. The ISA 260 report had been submitted by the external auditors for the Council, KPMG.

The External Auditor had not identified any material adjustments in their audit of the Fund's statements.

The report had been taken to the Audit Committee at its meeting on 21 September 2015 and had gained approval.

RESOLVED

That the ISA 260 Report be noted.

27 PERFORMANCE MEASUREMENT ANNUAL REPORT

The Committee considered a report which set out the Pension Fund's longer term investment performance for the period ending 31 March 2015.

6
PENSIONS COMMITTEE
8 OCTOBER 2015

The Fund's long term aim was to outperform the strategic benchmark by 1% per annum and, in this report, the Committee was asked to consider the recommendation to revise the Fund performance target from 1% to 0.75%, given the change in investment strategy.

RESOLVED

1. That the outperformance objective of the Fund be amended from 1% to 0.75% above the strategic benchmark;
2. That the report be noted.

28 CONSIDERATION OF EXEMPT INFORMATION

RESOLVED

That in accordance with section 100(A) (4) of the Local Government Act 1972, the public and press be excluded from the meeting for the following item of business on the grounds that if they were present there could be a disclosure of exempt information as defined in paragraph 5 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended.

29 REPORT ON OVERPAYMENTS

The Committee considered a report which provided details on the pension overpayments that were found as part of the transition to West Yorkshire Pension Fund and an update on the current position.

It was noted that as WYPF's system integrated the payroll and administration of pensions, overpayments were less likely to occur.

RESOLVED

That the report be noted.

The meeting closed at 1.10pm

Agenda Item 5

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

Agenda Item 6

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

Agenda Item 7

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank