

**PENSIONS COMMITTEE
7 JANUARY 2016**

PRESENT: COUNCILLOR M G ALLAN (CHAIRMAN)

Councillors R J Phillips (Vice-Chairman), N I Jackson, B W Keimach, R A H McAuley and A H Turner MBE JP

Co-Opted Members: Mr A N Antcliff (Employee Representative)

Also in attendance: Roger Buttery (LGPS Pensions Board), Peter Jones (Independent Advisor)

Officers in attendance:- Caroline Blackburn (Technical and Development Manager, West Yorkshire Pension Fund), David Forbes (County Finance Officer), Jo Ray (Pension Fund Manager), Nick Rouse (Investment Manager), Catherine Wilman (Democratic Services Officer)

37 APOLOGIES FOR ABSENCE

Apologies were received from Councillor Mrs Rawlins and Mr J Grant (Small Scheduled Body Representative).

38 DECLARATIONS OF MEMBERS' INTERESTS

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 as a member of the Upper Witham Internal Drainage Board and as a contributing member of the Pension Fund.

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

39 MINUTES OF THE PREVIOUS MEETING HELD ON 10 DECEMBER 2015

RESOLVED

That the minutes from the meeting held on 10 December 2015 be approved and signed by the Chairman as a correct record.

40 INDEPENDENT ADVISOR'S REPORT

Consideration was given to a report which provided a market commentary by the Committee's Independent Advisor on the current state of global investment markets and the following points were noted:

- Saudi Arabia had announced an austerity plan in the New Year which included the introduction of VAT;
- Economic growth rates could be rising to 4% into 2017;
- The Chinese market was jittery, however central bankers would continue to support it;
- Market expectations were that the Dollar would strengthen in the coming months.

RESOLVED

That the report be noted.

41 PENSION ADMINISTRATION REPORT

The Committee considered the quarterly report from the pensions administrator, West Yorkshire Pension Fund (WYPF), which updated Members on current administration issues.

Caroline Blackburn, Technical and Development Manager at WYPF took the Committee through the report and the following points were noted:

- Performance figures against key areas of work for the period 1 July 2015 to 30 November 2015 were considered. Performance had been measured against both the local indicators and the national CIPFA benchmarks. Six out of 16 areas had not met the 85% minimum target, which had been caused by a ripple effect from taking over the admin of Lincolnshire pension administration from Mouchel;
- Of the six, 'Pension Estimates' had the lowest score by far, at 27% and Members questioned why this was. It was explained that as councils had been making more redundancies of late, there had been more requests for pension estimates than usual. This was coupled with the Fund's largest employer (LCC) not being forthcoming with information. Officers ensured Members that LCC's payroll provider Serco, had improved considerably in recent months and that the figure would improve;
- The issues with Serco were part of a wider problem. The Council's Executive was aware of it as well as the Value for Money and Audit Committees and the Recovery Board;
- 96% of annual benefits statements had been sent out. The remaining 4% were delayed due to late or missing information from employers;
- The cost per member may increase slightly as the backlog was cleared from the late supply of information from LCC. Efficiencies had already started to come through also.

In conclusion, it was noted that issues and initial problems were improving as the partnership progressed.

RESOLVED

That the presentation and report be noted.

42 PENSION FUND UPDATE REPORT

Consideration was given to a report which updated the Committee on Fund matters over the quarter ending 30 September 2015 and any current issues.

The Pension Fund Manager and Councillor N I Jackson had attended the Annual Local Authority Pension Fund Forum Conference (LAPFF) and the Committee was updated on the issues discussed.

There were several risks that needed to be added to the risk register during this busy period. The Pension Fund Manager would circulate an update on the risk register with the monthly letter. Any risk of a corporate nature would be picked up in the wider risk reporting.

RESOLVED

That the report be noted.

43 INVESTMENT MANAGEMENT REPORT

The Committee considered a report which covered the management of the Lincolnshire Pension Fund assets over the period from 1 July to 30 September 2015.

The funding level at the latest formal valuation was 71.5%. As at 30 September 2015, the funding level had decreased to 66.4%.

There had been one change to the Hymans Robertson manager ratings during the quarter with Schroders being moved from 'On Watch' to 'Retain'.

Neptune had presented to the Committee in December 2015 and had explained their poor performance during the quarter. The representatives from Neptune had pointed out that they had no style bias and had an unconstrained approach to stock selection. The Committee accepted that this approach might make them more volatile in performance. However, Hymans Robertson were reviewing the performance of Neptune and the Investment Manager would keep the Committee updated.

The Committee discussed F&C and whether they had the right selection of managers. This selection had not changed since the Committee had appointed them. F&C were currently on a 'retain' rating from Hymans, who would be reviewing them in the near future.

4
PENSIONS COMMITTEE
7 JANUARY 2016

In response to a question, it was confirmed that the performance of the Fund had no impact on individual pensioners.

RESOLVED

That the report be noted.

44 PENSION FUND POLICIES - CODE OF CONDUCT AND CONFLICT OF INTEREST POLICY AND REPORTING BREACHES PROCEDURE

Consideration was given to a report which presented two policies for the Committee to adopt. The two policies had originally been written for the LGPS Pension Board, who had adopted them at their first meeting and it was suggested that the Pensions Committee adopt them also.

Officers reported that the Code of Conduct Policy was similar to the Councillor Code of Conduct and Members of the Committee would be asked to sign a Code of Conduct Policy.

Negligence was included in the Reporting Breaches Policy however any known negligence ought to be reported to Officers as a matter of course.

Discussion took place about paragraph 1.3 in the Conflict of Interest Policy and whether Councillors were acting in the 'public interest' or in the interests of the Fund. Officers confirmed that in the context of the policy, 'public interest' was correct.

One Member, however, felt they would find it difficult to sign with this particular wording included and the recommendation to adopt the Lincolnshire Pension Fund Code of Conduct and Conflict of Interest Policy was put to a vote.

RESOLVED:

1. That the Pension Fund Code of Conduct and Conflict of Interest Policy be adopted;
2. That the Pension Fund Reporting Breaches Procedure be adopted.

45 TPR'S CODE OF PRACTICE

Consideration was given to a report which presented a checklist for The Pensions Regulator's Code of Practice and highlighted how the Lincolnshire Pension Fund met the requirements.

The Summary Dashboard in the checklist showed 3 areas where the RAG rating was red which were:

G8 – Maintaining Contributions – Is there a satisfactory process in place to assess the materiality of any payment failures and ensure that those which are material are reported to the Regulator within a reasonable period;

I8 – IDRPs – Does the administering authority regularly assess the effectiveness of its arrangements; and

I9 – IDRPs – Does the administering authority regularly assess the effectiveness where employers carry out a stage one process.

Officers discussed what was being done to improve these areas and ensured Members that The Pensions Regulator was not expecting the Fund to have perfect performance, but hoped that any issues would be rectified promptly.

The checklist would become a standard quarterly item on the agenda.

RESOLVED

That the report and checklist be noted.

46 LGPS ASSET POOLING

Consideration was given to a report which updated the Committee on the Government's requirements on pooling LGPS assets following the publication of the Pooling Criteria and Investment Regulations consultation on 25 November 2015. In addition, the report provided details of the preferred pooling route for the Lincolnshire Pension Fund.

The pooling of LGPS assets had never been done before and therefore, this was a totally new concept.

During consideration of the item, the following points were noted:

- One of the criteria was to increase the capability and capacity to invest in infrastructure. The current allocation across the LGPS was 1-2%. The Committee felt that if there were good investment opportunities, funds would invest more;
- Once pooled, overseeing investment managers would no longer be a specific role for the Committee, but dealt with by the pool as a collective. This would include appointing and removing managers;
- There may be an option to keep some assets outside of the pool; for example direct property;
- Each pool would have a shareholder board made up of one representative from each Fund. That representative would be selected by the Fund's Committee;
- Officers would still be required to do the day to day management of the Pension Fund;
- It was essential that the Fund joined a pool that suited their principles and beliefs – a "like-minded" pool, before a pool was chosen for them;

6

PENSIONS COMMITTEE

7 JANUARY 2016

- Funds had begun to come together with neighbours or comparative funds to make pools. The Pension Funds Manager provided details of the current pooling options and which of the forming pools would be a suitable match for Lincolnshire;
- All members of the pool would have an equal voice within it;
- Internal investment management reduces investment costs. Any internal management would be done within the pool, rather than within an individual fund.

The Pensions Manager took the Committee through the potential pools (detailed in the report), which were already forming, that Lincolnshire could join. It was felt that the 'Border to Coast Pensions' pool was most suitable for our Fund. Existing pool members East Riding and South Yorkshire had successful internal management teams.

The Committee were in agreement that this was the best pool for the Fund to be in.

RESOLVED

1. That the report be noted;
2. That the principles for pooling, outlined in paragraph 1.7 of the report, be agreed;
3. That delegated authority be given to the Executive Director of Finance and Public Protection, in consultation with the Chair and Vice Chair of the Pensions Committee, to respond to the Government's consultation and pooling requirements;
4. That the Lincolnshire Pension Fund work with the Border to Coast Pensions pool be agreed.

The meeting closed at 12.30 pm