

**PENSIONS COMMITTEE
14 JULY 2016**

PRESENT: COUNCILLOR M G ALLAN (CHAIRMAN)

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

In attendance: Peter Jones (Independent Advisor)

Officers in attendance:- Jo Ray (Pension Fund Manager) and Nick Rouse (Investment Manager), Catherine Wilman (Democratic Services Officer).

64 APOLOGIES FOR ABSENCE

Apologies were received from Councillor P Wood and Added Members Mr J Grant and Mr A Antcliff.

65 DECLARATION OF MEMBERS' INTERESTS

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.

66 MINUTES OF MEETINGS OF THE PENSIONS COMMITTEE HELD AS FOLLOWS:-

67 (A) 7 APRIL 2016

RESOLVED

That the minutes of the meeting held on 7 April 2016 be approved and signed by the Chairman as a correct record.

68 (B) 26 MAY 2016

RESOLVED

That the minutes of the meeting held on 26 May 2016 be approved and signed by the Chairman as a correct record.

69 INDEPENDENT ADVISORS REPORT

2

PENSIONS COMMITTEE

14 JULY 2016

Consideration was given to a report by Peter Jones, Independent Advisor to the Committee, which provided a market commentary on the current state of global investment markets.

The following points were noted:

- As a result of the UK's decision to leave the EU, the pound was down 10% against the US Dollar and the Euro;
- The Advisor forecast that UK growth would rise by 1-1.5% by the end of the current year;
- The UK's credit rating had been reduced from AAA to AA by the leading credit scoring agencies.

RESOLVED

That the report be noted.

70 PENSION ADMINISTRATION REPORT

The Committee considered a report by the Fund's pension administrator, West Yorkshire Pension Fund which updated the Committee on current administration issues.

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

- Pension estimates were now being despatched much quicker than previously and in accordance with the relevant KPI;
- The problems with Serco supplying monthly data for LCC employees was now much improved, and was being monitored on an ongoing basis;
- Non-teaching employees of academies in the Fund were automatically enrolled into the LGPS as they were scheduled bodies.

RESOLVED

That the report be noted.

71 PENSION FUND UPDATE REPORT

The Committee considered a report which provided an update on Fund matters over the quarter ending 31 March 2016 and any current issues.

Councillor N I Jackson updated the Committee on the work of the Local Authority Pension Fund Forum (LAPFF) and it was noted that pooled funds would be invited to send one officer and one member to LAPFF meetings in the future.

The Board to Coast Pensions Partnership's (BCPP) final submission to the DCLG for the asset pooling proposals had been held up as a good example to other pools. The proposals would be submitted on 15 July.

RESOLVED

That the report be noted.

72 INVESTMENT MANAGEMENT REPORT

Consideration was given to a report which provided information on the management of the Lincolnshire Pension Fund assets over the period from 1 January to 31 March 2016.

The Committee considered whether they wished to continue with the Neptune mandate which had produced a negative return of 7.7% and underperformed the benchmark by 10.4% over the quarter. It was confirmed that the Fund had around £80m invested with Neptune.

The Committee discussed the options available to them and ultimately decided to terminate the contract with Neptune and reinvest 50% each with Invesco and Morgan Stanley Global Brands. Neptune would manage the mandate on a care and maintenance basis until the transition was completed.

The Pension Fund Manager would take this outcome forward, consulting with the proposed managers and use the discretion of the Chairman and Vice Chairman, should further decisions be required.

RESOLVED

1. That the report be noted;
2. That the Neptune mandate be terminated and the invested assets split equally between Invesco and Morgan Stanley Global Brands.

73 UK EQUITY PORTFOLIO ANNUAL REPORT

The Committee considered a report which covered the performance of the UK Equity index-tracking portfolio for the year ended 31 March 2016, which was managed internally.

RESOLVED

That the report be noted.

74 ANNUAL REPORT ON THE FUND'S PROPERTY INVESTMENT

Consideration was given to a report which outlined the performance of the Fund's property and related investments for the year ended 31 March 2016.

4

PENSIONS COMMITTEE

14 JULY 2016

It was reported that overall the Fund's property investments had generated a good absolute return of over 9% in the year. The return on property investments was capital growth and income which was reinvested.

RESOLVED

That the report be noted.

75 PENSION FUND DRAFT ANNUAL REPORT AND ACCOUNTS

Consideration was given to a report which presented the draft Annual Report and Accounts for the Pension Fund.

It was noted that the report's recommendation should read *That the Committee consider and approve the draft Pension Fund Annual Report and Accounts.*

The accounts were due to be signed off by the external auditors in September 2016. Once approved, the document would be uploaded onto the Pensions website and sent to Fund members as a summary in their Autumn newsletter.

The Pension Board's annual report was included in the document, now that the Board had been operating for a year.

RESOLVED

That the Pension Fund Annual Report and Accounts be approved.

76 PENSION FUND POLICIES REVIEW

Consideration was given to a report which brought to the Committee the main policies of the Pension Fund for review.

The Statement of Investment Principles document was subject to the new LGPS (Management and Investment of Funds) Regulations 2016 which would come into force later in the year. The replacement document introduced in the Regulations would be brought back to Committee at a future meeting.

There was no change to the Communications Policy, which was managed within the shared service by West Yorkshire Pension Fund.

The Financial Reporting Council (FRC) had recently introduced a tiered rating of Stewardship Code statements, and the current statement of the Fund had initially been assessed as a Tier 2. Officers would work with the FRC to improve this rating where possible, and bring the revised Stewardship Code to the October meeting.

RESOLVED

That the policies be agreed and the report be noted.

77 PENSION FUND RISK REGISTER

The Committee considered a report that presented the Pension Fund Risk Register for annual review.

Members were updated on the changes to the risk register over the year and it was noted that:

- Risk 24 – *Government consultation on asset pooling – approval to proceed with BCPP proposition* remained 'blue' due to certain risks still remaining;
- Risk 27 – *Ongoing monthly data issues with LCC* could not yet be changed to 'green', as some risks still remained;
- Risk 28 – *UK Leaving the EU* was a new 'red' entry to the register as the risks of leaving the EU were, as yet, unidentified.

RESOLVED

That the risk register be agreed.

The meeting closed at 12.45 pm