

**PENSIONS COMMITTEE
 5 JANUARY 2017**

PRESENT: COUNCILLOR M G ALLAN (CHAIRMAN)

Councillors N I Jackson, B W Keimach, Mrs S Rawlins, A H Turner MBE JP and P Wood

Co-Opted Members: Mr A N Antcliff (Employee Representative) and Jeff Summers (District Councils Representative)

Officers in attendance:-

David Forbes (County Finance Officer), Jo Ray (Pension Fund Manager) and Nick Rouse (Investment Manager)

96 APOLOGIES FOR ABSENCE

Apologies were received from Councillors C E D Mair and R J Phillips and from Mr J Grant (Small Scheduled Body Representative)

97 DECLARATIONS OF MEMBERS' INTERESTS

Councillor M G Allan requested that a note be made in the minutes that he was currently in receipt of a North Kesteven District Council pension.

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 P Wood declared that he was a contributing member of the Pension Fund and was also in receipt of a Lincolnshire County Council pension.

98 MINUTES OF THE MEETING HELD ON 8 DECEMBER 2016

RESOLVED

That the minutes of the meeting held on 8 December 2016 be approved and signed by the Chairman as a correct record.

99 INDEPENDENT ADVISOR'S REPORT

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

The following points were noted:

- Most markets had been up by 15% following the US election;
- As for 2017, with elections in France and Italy, Donald Trump's first year as President of the US and Brexit in the UK, there was a lot to potentially affect the markets.

RESOLVED

That the report be noted.

100 PENSIONS ADMINISTRATION REPORT

The Committee considered a report from the West Yorkshire Pension Fund, the Fund's administrator which provided an update on current administration issues.

On considering the KPIs, it was reported that certain targets would be reviewed and altered according to importance and priority to ensure that, if not met, they would not suggest poor performance. Certain work-types on the system did not require action until something triggered them. Changes in the legislation from GAD (Government Actuary's Department) had affected many of the KPI results due to stockpiling work in some areas.

Following a question it was confirmed that LPF had been reported to the Pensions Ombudsman twice in the current year. The Ombudsman could consider appeals and allegations of maladministration, once the two stages of the IDRP (Internal Dispute Resolution Procedure) had been exhausted.

RESOLVED

That the report be noted.

101 PENSION FUND UPDATE REPORT

Consideration was given to a report which updated the Committee on Fund matters over the quarter ending 30 September 2016 and any other current issues.

It was highlighted that the Pension Fund value in Quarter 1 had increased. There had been a realignment of the asset allocation, following the termination of manager BMO.

In relation to the Risk Register, the only red risk was the UK leaving the EU. This was added to the register in June 2016 following the referendum as it was unknown, at this stage, how Brexit would affect markets.

The Pension Fund Manager reminded the Committee members that they were required to complete The Pension Regulator's Toolkit and, once complete, pass the certificates to her.

It was reported that Lincolnshire Pension Fund had held its first Annual Scheme Members Meeting in November 2016. Roger Buttery (Independent Chairman of the Board), Jo Ray (Pension Fund Manager) and Cllr Mark Allan (Chairman of the Pensions Committee) all presented. Those who had attended fed back that they had found the event interesting and useful, however attendance from members had been low. It had been decided to repeat the event in 2017, with a disclaimer that the event could be cancelled if the expected number of attendees was low. The event would be promoted in the scheme members' newsletter.

RESOLVED

That the report be noted.

102 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 2016.

It was highlighted that there was no individual summary for Blackrock's Corporate Bond Fund performance in the report, as this mandate had only been given within the quarter, following the termination of BMO.

The Investment Manager took the Committee through the report and the following was confirmed as a result of questions from Members:

- As at 30 September, the funding level had decreased from 76.9% to 75.5%. The Fund aimed for a 100% funding level. The model used by Hymans to calculate the funding level was cautious and when using the Scheme Advisory Board common assumption, the Fund came out at 93% funded;
- There was a range of funding levels across the Fund, with some employers being over 100% funded;
- The rolled forward funding level was reported quarterly, as part of this report.

RESOLVED

That the report be noted.

103 2016 VALUATION UPDATE REPORT

The Committee considered a report which provided an update on the March 2016 Valuation process and results.

As part of the Local Government Pension Scheme (LGPS), the Lincolnshire Pension Fund was required to undertake a valuation of the Fund's assets and liabilities every three years – the Triennial Valuation. The purpose of the valuation was to understand the Fund's overall funding level.

Following much deliberation, the Fund had decided to retain Hyman's Gilts+ method of working out the valuation. There was an expectation that this would change for the March 2019 valuation.

In the report was a table demonstrating the change in valuation between March 2013 and March 2016 from 71.5% funded in 2013 to 76.9% funded in 2016.

RESOLVED

That the report be noted.

104 ASSET POOLING UPDATE

Consideration was given to a report which updated the Committee on the latest activity with the asset pooling requirements.

The Pension Fund Manager gave a presentation on the implementation and governance for the Fund's pool – Border to Coast Pensions Partnership (BCPP).

During discussion and the presentation, the following points were noted:

- The BCPP proposal had received approval from Government in December 2016;
- The present investment regulations and guidance made asset pooling statutory for all local government funds;
- BCPP had decided to build an operator, rather than rent. Renting an operator would be more expensive over a long period of time. Building its own operator would provide the Partnership with an opportunity to tailor-make its own. Appointing managers would be the operator's decision, so it was felt this should be kept within the Partnership. The operator board would not consist of any elected members from any fund;
- At its meeting on 24 February 2017, the Full Council would be considering, with a view to approve, the shareholding in the Partnership of £1. It was not clear at this point whether it would be the Council (as the administering authority) or the Fund who would own the share;

- All partner funds within the BCPP were expected to have full council approval by the end of March 2017;
- In April 2018, the assets would begin to be moved across but would take a number of years to complete this;
- Auditors would be appointed by BCPP;
- There were three project workstreams within BCPP: People, Operating Model and Governance & Monitoring. The latter would be responsible for remuneration and recruitment;
- The Operating Model stream was the stream under which the Pension Fund Manager was working and the Chairman of the Committee was overseeing in a Member Sub-Group;
- The Fund had approved a budget spend of £350,000 per Fund to cover implementation costs;
- In terms of savings, the best case would be that the Fund would make savings in two years' time. Worst case would be five years. Following a question, it was confirmed that savings would be reinvested into the Fund;
- In response to a question, it was confirmed that the forthcoming County Council elections were not expected to delay the timetable. This was why every fund had committed to acquire approval by full councils in March 2017, two months before the election was due to take place. Seven of the twelve partner funds had elections in this council year;
- The Joint Committee of the Partnership was a Section 102 committee. The shareholder function was expected to be represented by an officer of the Council rather than an elected member;
- In answer to a question, it was confirmed that entering into the Partnership posed no risk to the members of the Fund and equally, members would have no say in how the Partnership would be run;
- All employers within the Fund would receive a briefing on the changes expected and all Lincolnshire County Councillors would be receiving a briefing note prior to the Full Council on 24 February 2017.

Members of the Committee complimented the Pension Fund Manager on her explanation and clarity on what was a complicated subject.

RESOLVED

That the report be noted.

105 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 items 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.

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PENSIONS COMMITTEE
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106 REVIEW OF INVESTMENT STRATEGY

The Committee considered a report which provided a review of the current investment strategy of the Fund, by the investment consultant Paul Potter.

Following discussion of the report, the recommendations, as amended by the Committee, were approved.

RESOLVED

1. That the report be noted;
2. That the recommendations within the report be approved subject to the amendments as agreed.

107 HYMANS ROBERTSON REVIEW OF MIFID II

Consideration was given to a report which provided a review of the current discussions surrounding MiFID II and the potential impact on the Pension Fund by the Investment Consultant Paul Potter.

RESOLVED

That the report be noted.

The meeting closed at 1.20 pm