

**PENSIONS COMMITTEE  
5 OCTOBER 2017**

**PRESENT: COUNCILLOR E W STRENGIEL (CHAIRMAN)**

Councillors: P E Coupland (Vice-Chairman), R D Butroid, B Adams, Mrs M J Overton MBE, A J Spencer and Dr M E Thompson

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

In attendance: Roger Buttery (Independent Chair, LGPS Local Pension Board), Peter Jones, (Independent Advisor), David Vickers (LGPS Local Pension Board)

Officers in attendance: David Forbes (County Finance Officer), Yunus Gajra (Pensions Administrator, WYPF), Jo Ray (Pension Fund Manager) and Catherine Wilman (Democratic Services Officer)

**24 APOLOGIES FOR ABSENCE**

Apologies were received from Councillors Mrs S Rawlins and Co-opted Member Mr J Grant.

**25 DECLARATIONS OF MEMBERS' INTERESTS**

Mr A N Antcliff declared an interest as an employee of Lincolnshire County Council and a contributing member of the Pension Fund.

**26 MINUTES OF PREVIOUS MEETINGS OF THE PENSIONS COMMITTEE HELD ON 21 SEPTEMBER 2017**

**RESOLVED**

That the minutes be approved and signed by the Chairman as a correct record.

**27 INDEPENDENT INVESTMENT ADVISOR'S REPORT**

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

There was discussion about the forthcoming possibility of an interest rate rise, which had already begun in the US, where the economy was already increasing by 3-4% per annum.

**RESOLVED**

That the update be noted.

**28      PENSIONS ADMINISTRATION REPORT**

Consideration was given to a report by Yunus Gajra, Pensions Administrator from West Yorkshire Pension Fund which provided a quarterly update on current administration issues.

It was reported that the targets for most of the KPIs for the period 1 June to 31 August 2017 had been met, with notable exceptions as follows:

- *Deferred benefits set up on leaving* – this had not been met due to the target having a lower priority. Deferred benefits did not require immediate payment;
- *Death on deferred benefits* – this had not been met due to a particular member having multiple records which took a while to unpick;
- *Monthly posting* – not meeting this target was mainly due to data from some employers not being of very good quality.

The Committee was made aware of a backlog of information, from Lincolnshire County Council, relating to leavers from the Fund. The employer's payroll provider had been asked to produce an improvement plan to alleviate the issue, and the Committee and the Pensions Board would be kept updated. If the situation continued to decline, Lincolnshire Pension Fund (LPF) may have no choice but to report the issue to The Pensions Regulator.

A Committee member asked what impact this issue was having on members and Officers clarified that without the leavers information, West Yorkshire Pension Fund did not know what benefits the leavers in question were entitled to.

It was reported that as at 31 August 2017, 98% of LPF members' Annual Benefit Statements had been printed and despatched. This was an improvement on last year's production, and showed the good work that WYPF had done.

The shared service pension admin cost per member had been £13.85 in 2016/17 and had been generously forecast at £15.05 for 2017/18. Following a question, it was explained £13.85 was a considerable reduction from the £19 per member that LPF was paying before the shared service agreement.

**RESOLVED**

That the report be noted.

**29      PENSIONS ADMINISTRATION STRATEGY**

The Committee considered a report which presented the WYPF/LPF Pensions Administration Strategy.

The Strategy outlined the processes and procedures that allowed WYPF and employers to work together in a cost effective way, in order to administer the LGPS whilst maintaining an excellent level of service to members. It recognised that working cooperatively and collaboratively would be the key to achieving these aims.

The Strategy also set out the policy and guidelines for employers to use and refer to.

Following a question, it was clarified that the LPF organised the annual employers' meeting, rather than WYPF and was usually held at Lincolnshire County Council offices.

RESOLVED

That the report be noted.

### 30      PENSION FUND UPDATE REPORT

Consideration was given to a report which provided an update to the Committee on Fund matters over the quarter ending 30 June 2017 and any current issues.

The Pension Fund Manager highlighted to Members that they needed to complete the TPR Toolkit and send their certificates through to her to enable the Fund to report that all members had fulfilled the requirement.

#### **TPR Checklist Dashboard**

The TPR Checklist Dashboard was considered and the main points raised were that 98% of Annual Benefit Statements had been issued by the deadline. This area had now been changed to green from amber.

Also, 99.6% of deferred benefit statements had been produced, which met the TPR's requirements.

There was a question regarding H5 – *Maintaining Contributions* – *has an annual benefit statement been provided to all members with Additional Voluntary Contributions (AVCs) within the required timescales*. This service was provided directly by Prudential, with no Pension Fund involvement. It was explained that Prudential held the majority of LGPS contracts for AVCs. It was agreed that a representative from Prudential come to a future meeting to brief the Committee on their role within the Fund.

#### **Risk Register**

The Committee received its quarterly update on the Risk Register. Two new risks had been added to the register:

*Risk 27 – Failure to meet requirements as a responsible investor across all ESG risks.* This was a low risk and as such was green.

*Risk 28 – Failure to be opted up to professional investor status following the implementation of MIFID II.* This had entered the register as a red risk as the consequences would be the potential fire sale of assets and inability to implement the investment strategy.

Risk 22 – *LCC Team Workloads and Resources*. This existing risk had been raised to red due to a reduction in staff in the Pension Fund Manager's team. It was reported that interviews would be taking place shortly to fill one of the vacancies.

**Asset Pooling Update**

The Pension Fund Manager announced that the newly appointed CEO of the Border to Coast Pension Partnership (BCPP) was Rachel Elwell who would join the Partnership from Royal London Asset Management

As there were three LGPS funds who had not yet fully aligned themselves with a pool, the Department for Communities and Local Government had sent a generic letter to all funds (shown at Appendix F to the report) requesting a progress update on their pooling arrangements. The BCPP pooling arrangements were going well with a view to being fully operable by 6 June 2018. Lincolnshire County Council had no concerns with the pooling arrangements, and all was going well.

**Committee Training**

Certain members of the Committee had recently attended a training session in York and spoke highly of it.

The Committee was reminded that the three-day LGA Fundamentals course was very useful for those new to local government pensions. The three days were held separately over three months, but did not all have to be taken in one year. The Council's pension team could arrange a place on this for Members.

**Custodian Extension Request**

The Fund had entered into a seven year contract with JPMorgan in 2011, which was due to expire on 31 March 2018. Officers requested the Committee to consider an additional three-year extension to this contract, taking the expiry date to 31 March 2021.

The assets that the Fund trusted to the custodian would reduce dramatically as the transfer to BCPP took place; this made searching for a new custodian a rather difficult task. Currently JPMorgan held just under £800m for the Fund's segregated assets.

The Committee discussed the recommendations and were widely in agreement to extend the contract for a further three years at the current cost. The Fund also used the Custodian for preference measuring and accounting.

Options for the future custodian contract would be considered further down the line, once the Fund's requirements post asset pooling were fully understood.

Following a question, Officers confirmed that JPMorgan sent quarterly KPI reports and met annually with officers to ensure they performed well. This would continue regardless of the amount of assets they took care of.

RESOLVED

1. That the request to extend the Custodian's contact to 31 March 2021, to allow for the transition of assets to BCPP, be approved;
2. That a representative of Prudential be invited to a future meeting to explain their involvement in the Fund;
3. That the report be noted.

31     INVESTMENT MANAGEMENT REPORT

The Committee considered a report which provided an update on the management of the Lincolnshire Pension Fund assets over the period from 1 April to 30 June 2017.

The Pension Fund Manager reported that it had been a very good quarter and the Fund's Investment Consultant, Hymans Robertson had no concerns with any of the Fund's managers.

From the report, the Pension Fund Manager highlighted that £15m was to be committed to Infracapital Greenfield Partners I (IGP I) in order to increase the Fund's strategic allocation to infrastructure. IGP I would target the Fund's capital at creating a diversified portfolio of European greenfield economic infrastructure investments. The portfolio was likely to have a 25 year life period in order to capitalise on long term income streams. Going forward, IGP I would be reporting on its progress to the Committee.

Clarification was sought from members on the meaning of the word 'greenfield'. Officers explained that this was an investment term and different from the definition of greenfield in planning law. In terms of investment, it was a type of venture where finances were employed to create a new physical facility for a business in a location where no existing facilities were present.

RESOLVED

That the report be noted.

32     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 2017.

It was noted that the Fund's asset allocation would stay with the Committee and Manager selection would be made within BCPP once the pool was operating.

The Pension Fund Manager highlighted the change in supplier of the Local Authority Universe in April 2016 from the WM Company to PIRC. Officers did not feel that the LA Universe was a particularly useful tool as funds had different asset allocation from each other, which made comparisons unhelpful.

RESOLVED

That the report be noted.

33      BORDER TO COAST PENSIONS PARTNERSHIP (BCPP) RESPONSIBLE INVESTMENT POLICY AND CORPORATE GOVERNANCE VOTING GUIDELINES

Consideration was given to a report which presented the proposed Border to Coast Pension Partnership (BCPP) Responsible Investment Policy and Corporate Governance Voting Guidelines for approval.

During discussion regarding the Responsible Investment Policy, Members were reminded that Fund managers would follow ESG (Environmental, Social and Governance) guidelines when selecting stock, however this did not necessarily include ethical choices. Ethics would be considered where there was the scope to do so, but not if the ethical choice was detrimental to the long term financial performance of the Fund.

In relation to that, Officers were asked if companies that produced arms were considered ethical and it was explained that many of those companies also produced other goods, for example Rolls Royce.

The BCPP Voting Guidelines were discussed and Officers reported that they were very similar to the current voting template already used by the Fund that the Committee had approved.

Issues were raised regarding members' ability to vote against multi-national companies. Officers confirmed that there was the ability to vote away from the BCPP template if required, however this was expected to be the exception rather than the norm.

As the Chairman was a member of BCPP's Joint Committee, he welcomed any concerns or questions members of the Committee may have and would be happy to report back to the Joint Committee if necessary.

RESOLVED

1. That the proposed BCPP Responsible Investment Policy and Corporate Governance Voting Guidelines be approved;
2. That the creation and alignment to BCPP's policies of a Lincolnshire RI Policy and Voting Guidelines be agreed;
3. That the report be noted.

34      PENSION FUND EXTERNAL AUDIT COMPLETION REPORT

The Committee considered a report which presented the Audit Completion Report, submitted by the external auditors for the Council, KPMG.

The Audit Completion Report had already been received by the Council's Audit Committee at its meeting on 25 September 2017 and had since been signed off on 29 September 2017 for the final Audit Opinion.

The document had been published and was available to view on the Fund's shared website with WYPF.

Officers reported that KPMG would be replaced by Mazars in 2019 for providing an external auditing service to the Council.

**RESOLVED**

That the report be noted.

The meeting closed at 12.10 pm