

**PENSIONS COMMITTEE  
18 JULY 2019**

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

Councillors P E Coupland (Vice-Chairman), B Adams, R D Butroid, P M Key, Clio Perraton-Williams and Dr M E Thompson

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

Councillors: attended the meeting as observers

Officers in attendance:-

Andrew Crookham (Executive Director Resources), Claire Machej (Accounting, Investment and Governance Manager) and Jo Ray (Head of Pensions)

8 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Mrs S Rawlins and Mr J Grant (Small scheduled bodied representative).

9 DECLARATIONS OF MEMBERS' INTERESTS

Mr A Antcliff declared an interest as a contributing member of the Fund.

10 MINUTES OF THE PREVIOUS MEETING HELD ON 13 JUNE 2019

RESOLVED:

That the minutes of the meeting held on 13 June 2019 be approved as a correct record and signed by Chairman.

11 INDEPENDENT ADVISORS REPORT

Consideration was given to a report by the Committee's Independent Advisor, which provided a market commentary on the current state of global investment markets, including an update on the current state of Equity and Bond Markets; Economic Growth and Central Banks and Equity Markets.

Members were advised that the Fund had grown by around £200m since the start of the year and the Pension Fund was in a healthy position.

RESOLVED:

That the report be noted.

12      REPORT BY THE INDEPENDENT CHAIR OF THE LINCOLNSHIRE  
LOCAL PENSION BOARD

Consideration was given to a report by the Independent Chairman of the LGPS Local Pensions Board, which provided an update on the recent work of the Board and set out the outcomes from the Pensions Board meeting held on the 21 March 2019.

Concerns were raised that there were still some members of the Pensions Committee who had not completed the Pensions Regulator's training toolkit. It was recommended that the committee adopt a requirement that any member joining the Pensions Committee or Board should complete the Pensions Regulators Training Toolkit within six months of taking office.

**RESOLVED:**

- A) That the report be noted;
- B) That the recommendation that the committee adopt a requirement that any member joining the Pensions Committee or LGPS Pensions Board complete the Pensions Regulator's training toolkit within six months of taking office be considered as part of the report on the Annual Training Plan and Policy the Training Policy paper later in the agenda.

13      PENSION FUND UPDATE REPORT

Consideration was given to a report by the Head of Pensions, which provided an update on Fund matters over the quarter ending 31 March 2019.

Members were informed that the value of the Fund had increased by 6.9% as of 31 March 2019. Members were referred to Appendix A for a breakdown of the Fund's Distribution.

It was noted that the Fund would make its first investment into the Border to Coast Pensions Partnership in the coming months, into the Global Equity Alpha Fund.

It was expected that the Good Governance Review being undertaken for the Scheme Advisory Board would propose a mandatory minimum level of training and knowledge for the Pensions Committee, similar to that required for Pension Board members.

It was explained that the Actuarial contract expired in December 2019. To reduce any potential impact to the Fund and employers, the Head of Pensions recommended that the committee to approve a ten month extension to the contract to 31 October 2020. This would allow for completion of the 2019 fund valuation and 2019/20 employer accounting reports.

In response to a question, it was clarified that all eight of the Border to Coast sub-funds would transition over to the Global Equity Alpha sub-fund at the same time. A

transitions manager had been appointed to manage this process. A report on the cost of the transition would be brought to the committee in due course.

The Head of Pensions invited Members to provide feedback on any conference or training events that they had recently attended.

The Chairman had attended the PLSA Conference, which had seen an update from the Pensions Regulator and had looked at the good governance review and the effects of an ageing society.

The Chairman had also attended the LAPF Strategic Investment Conference, in which the main theme had been Environmental, Social and Corporate Governance, and had included Asset class updates.

Members were asked to notify the Head of Pensions or the Accounting, Investment and Governance Manager if they wished to attend the Border to Coast conference or any other future training events.

Members were invited to ask questions, in which the following points were noted:

- The Head of Pensions agreed to look into whether the two columns in the table at Appendix D for Columbia Threadneedle had been transposed and would inform the committee once this had been investigated.
- It was explained that the transition to the Global Equity Alpha Fund would take a number of days from the initial transition date. Existing managers would be asked to move to a care and maintenance basis a short time in advance of the transition, to ensure that their portfolios were managed effectively ahead of the transition.
- It was confirmed that extending the Actuarial Contract for ten months was the most cost effective way of carrying out the business.

RESOVLED:

- 1) That the report be noted;
- 2) That the extension to the contract for Actuarial Services to 31 October 2020 be approved.

#### 14 PENSIONS ADMINISTRATION REPORT

Consideration was given to a report by the Business Development Manager (West Yorkshire Pension Fund), which provided an update on the current administration issues for the Fund.

Members were informed that as of 17<sup>th</sup> June 2019, there had been 86.7% of Annual Benefit Statements issues to members, and it was expected that the Fund should meet 100% compliance by the end of August deadline.

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The Business Development Manager provided an update on the McCloud Judgement. Members were informed that the government had confirmed that as transitional protection brought in when the schemes moved to a CARE basis was across all public service pension's schemes. Following the judgement on age discrimination, the difference in treatment would need to be remedied across all public sector schemes, and that agreement of any remedy may take a number of months. It was explained that the Government Actuary Department had provided information to Local Authority Pension Funds on the potential impact of this judgement on the liabilities of the scheme.

Members were invited to ask questions, in which the following points were noted:

- It was explained that the LGPS transitional protection arrangements were less than some of the other public sector schemes.
- It was clarified that under the care scheme, members' pensions were calculated based on a percentage of what you earn each year.
- The Chairman congratulated the WYPF for winning the Best Administration Awards at the Pensions Age Awards and the European Pensions Awards.

**RESOLVED:**

That the report be noted.

**15      EMPLOYER MONTHLY SUBMISSIONS UPDATE**

Consideration was given to a report by the Accounting, Investment and Governance Manager, which provided the committee with up-to-date information on Employer Monthly Submissions Update for the fourth quarter of the financial year 2018/19.

Members were advised that a summary of all late contributions or data submissions since April 2018 had been included within the report. It was explained that there were a number of reasons why employers submitted late contributions or data in the quarter. These included staff changes; the merger of a number of schools into larger academy trusts and the change of payroll providers at a number of employers.

Members were asked to consider whether they wished to take any further action on those employers who had submitted late data or contributions.

Members were invited to ask questions, in which the following points were noted:

- It was clarified that there was a dedicated member of staff within the pension's team that was responsible for monitoring contributions.
- WYPF offered guidance and training to employers on submissions, and were always willing to out and discuss contributions with employers.
- Officers felt that educating employers was more beneficial than increasing fines for late submissions.
- It was clarified that there were only a small number of employers that repeatedly paid their contributions late or did not submit the data on time.

- It was explained that officers recommend to all employers that their payroll staff undertake the relevant training to assist with making accurate and timely contributions, but the Fund did not have the authority to set a mandatory requirement for this training.

**RESOLVED:**

1. That the report be noted;
2. That no further action be taken against employers submitting late data or contributions.

**16      INVESTMENT MANAGEMENT REPORT**

Consideration was given to a report by the Accounting, Investment and Governance Manager, which provided an update on the Lincolnshire Pension Fund's assets over the period from 1 January 2019 to 31 March 2019.

The committee received an update on the Fund's Funding Level; Performance and Asset Allocation; Hymens Robertson Manager Ratings and an Individual Manager Update.

In response to a question, it was clarified that the report covers short to long term monitoring of managers performance, and that any short term falls in performance needed to be considered alongside the longer term performance of a manager. The committee were reminded that if any concerns arise about a manager between Pension Committee meetings, details would be provided in the monthly letter that was sent to all members of the committee and board.

**RESOLVED:**

That the report be noted.

**17      ANNUAL REPORT ON THE FUND'S PROPERTY AND INFRASTRUCTURE INVESTMENTS**

Consideration was given to a report by the Accounting, Investment and Governance Manager, which outlined the performance of the Fund's property and infrastructure investments for the year ended 31 March 2019.

Members were informed that the Pension Fund's investment in property and infrastructure generated a return of 4.25%, which was behind the benchmark return of 5.31%. It was noted that within this there was a significant variation in performance between different elements of the portfolio.

Members were invited to ask questions, in which the following points were raised:

- It was clarified that the investments in the Innisfree Infrastructure Funds were mainly Private Finance Initiative (PFI) schemes, which were primarily held in the UK (but also had schemes in Canada, Sweden and the Netherlands). They are traditional PFI schemes such as schools, hospitals and infrastructure schemes, such as rail links.
- It was explained that as the Fund were not currently looking to change any of their property or infrastructure holdings, as these assets will be transferring to Border to Coast. It would be too costly to make a change at this point and then have a further transition to Border to Coast in the near future.

**RESOLVED:**

That the report be noted.

**18     LINCOLNSHIRE PENSION FUND RISK REGISTER**

Consideration was given to a report by the Head of Pensions, which provided the Pension Fund Risk Register to the committee for annual review.

It was recommended that Risk P1 of the risk register be changed from a status of poor (red risk), to be assessed as fair (blue risk), following the appointment of the new Executive Director – Resources and the completion of a skills gap analysis and agreement of a training programme.

The committee were also referred to Appendix A of the report, which set out the Fund's Draft Risk Policy. Members were invited to consider and approve the Risk Policy.

Members were invited to ask questions, in which the following points were noted:

- Officers explained that the McCloud Judgement had been assessed by the actuary who had concluded that it was not a material risk at a fund level. It was therefore not felt necessary to include it on the risk register at this time.
- The Board were in agreement that risk P1 should be amended from poor to fair, now that the Executive Director – Resources had been appointed and a skills gap analysis had been undertaken.

**RESOLVED:**

1. That the Risk Management Policy be approved;
2. That the Risk Register be approved, subject to the amendment of Risk P1 from a red to a blue risk.

**19     INTERNAL AUDIT REPORT**

Consideration was given to a report by the Head of Pensions, which presented the latest Internal Audit Report undertaken on the Pension Fund.

Members were informed that the Fund had been given high assurance at its most recent internal audit, and that only one recommendation had been made. This was in relation to training which required the pension team to:

- Monitor and Update the training log on a regular basis;
- Ensure that all members undertake all the training required in the Pension training plan and policy and other training needed following changes to policy or statutory requirements; and
- Consider whether a mandatory minimum level of training should be required for all members of the Pensions Committee.

It was noted that the Good Governance Project was likely to put forward a proposal to the Scheme Advisory Board that the training requirement for Pension Committees should be at least equal to that of Pensions Boards.

Members were invited to consider the whether a mandatory minimum level of training should be required for all members of the committee, and if so, agree the timescales in which this should be undertaken.

In response to a question, it was explained that the Fund also had an annual external audit on its' report and accounts.

RESOLVED:

1. That the report be noted;
2. That a mandatory training plan be agreed for all Board and Committee members.

## 20 ANNUAL PENSIONS COMMITTEE TRAINING PLAN AND POLICY

Consideration was given to a report by the Head of Pensions, which set out the training policy and annual training plan for the Pensions Committee Members for the year to June 2020.

Members were informed that a training policy had been developed to respond to the various requirements made in regulations and guidance to ensure that both committee members and officers are suitably knowledgeable to perform their duties within the Pension Fund.

Members were asked to agree the training topics organised for the training taking place on the 3<sup>rd</sup> September, and suggest topics for the February training session to add to the plan.

The Accounting, Investment and Governance Manager agreed to re-circulate the invitation to the CIPFA Introduction to the LGPS training in September to Members.

RESOLVED:

1. That the training policy be approved;
2. That the decision on the February training session be deferred until the outcome of Brexit is known;
3. That the annual training plan be approved, subject to amendments to make certain training mandatory.

## 21 PENSION FUND DRAFT ANNUAL REPORT AND ACCOUNTS

Consideration was given to a report by the Accounting, Investment and Governance Manager, which presented the Fund's draft Annual Report and Accounts for the committee's approval.

The Committee was advised that the Audit Committee would receive the External Auditors draft Audit Completion Report for the Lincolnshire Pension Fund on Monday 22 July. Based on the audit work undertaken to date officers had been advised that there was one unadjusted identified mis-statement for 2018/19, which was just above the 'trivial' threshold for reporting to the Audit Committee. The unadjusted mis-statement identified has a net £710k impact on the Investment Asset Balance in the financial statements. The variance is due to timing differences between the valuation reports available to officers when the draft financial statements are prepared and the latest valuation reports available during the audit.

The Committee was assured that the differences, which were attributable to the timing of the availability of information, were not unusual and the difference was not to be amended by Management. Management would review its accounting practice in relation to the valuation approach for private equity, property and infrastructure in 2019/20 to accommodate this type of movement.

The Accounting, Investment and Governance Manager agreed to circulate the glossary of terms included within the report to all members of the committee.

### RESOLVED:

That the draft Annual Report and Accounts be approved.

## 22 2019 VALUATION ASSUMPTIONS

Consideration was given to a report by the Head of Pensions, which detailed the final assumptions that the Fund's Actuary, Hymans Robertson, were proposing to use for the 2019 Triennial Valuation.

Members were advised that the Triennial Valuation process was a statutory requirement to provide a funding level for the Pension Fund and contribution rates for the employers to pay over the following three years.

The committee were asked to approve the proposed valuation assumptions, as set out in the report.



Members were invited to ask questions, in which the following points were raised:

- The Head of Pensions agreed to circulate the presentations from the December committee meeting to all those who were not in attendance.
- It was confirmed that the committee had assets of £2.4billion and the current contributions totalled approximately £100m per annum.
- Discussion was had on how prudent the assumptions should be.
- Members agreed that it would be beneficial to use a future training session to understand the different approaches used to value liabilities ahead of the actuarial services tender in autumn 2020.

RESOLVED:

1. That the report be noted;
2. That the 2019 Valuation Assumptions be approved.

The meeting closed at 12.37 pm