

**PENSIONS COMMITTEE
9 JANUARY 2020**

PRESENT: COUNCILLOR E W STRENGIEL (CHAIRMAN)

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

Co-Opted Members: Mr A N Antcliff (Employee Representative) and R Waller (District Council Representative)

Councillors: Roger Buttery and David Vickers attended the meeting as observers

Officers in attendance:-

Andrew Crookham (Executive Director Resources), Stuart Duncombe (Team Manager - Business Relations (West Yorkshire Pension Fund)), Peter Jones, Claire Machej (Accounting, Investment and Governance Manager), Jo Ray (Head of Pensions) and Rachel Wilson (Democratic Services Officer)

42 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors P M Key and Mrs S Rawlins.

An apology for absence was also received from Steve Larter, Small Scheduled Bodies Representative.

43 DECLARATIONS OF MEMBERS' INTERESTS

Mr A Antcliff declared that he was a contributing member of the Fund.

44 MINUTES OF THE PREVIOUS MEETING HELD ON 12 DECEMBER 2019

RESOLVED:

That the minutes of the meeting held on 12 December 2019 be approved as a correct record and signed by Chairman.

45 INDEPENDENT ADVISOR'S 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.

The Committee was advised that this update had been written before Christmas, and therefore an update on the position would be beneficial. Members were advised that in December 2018 the markets had experienced a sharp fall, and there had been

concerns that this may happen again in 2019, however there had been a quiet end to the year. Economic news that had emerged had been more positive than expected, and messages were coming through that the service sector was growing steadily. However, the manufacturing sector was in decline, this was more of an issue in Germany where it made up 25% of the total economy, but for the UK and other countries where it contributed 10% to the economy this would have a smaller impact. Economic growth of around 1% was expected for the coming year.

In terms of the valuation of the Fund's assets, it was noted that at the end of 2018 it was slightly depressed at £2.2bn, but the November 2019 figures showed a valuation of £2.52bn which was an increase of £320m. However, as some of this increase had been due to the fall in interest rates it was not all good news, but the general outlook was good.

RESOLVED

That the report be noted.

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

Consideration was given to a report by Roger Buttery, Independent Chair of the Lincolnshire Local Pension Board, which updated the Committee on the work of the Pensions Board; for the Committee to receive assurances gained from the Board's work; and for the Committee to consider recommendations from the Board.

Members were guided through the report and the following points were highlighted:

- In terms of Employer Monthly Submissions and Contribution Monitoring the year to the end of September had seen 30 late payments and 85 late submissions of monthly returns.
- The report had shown a reduction in data scores since October 2019, with scheme specific now 73.5%. There was a data improvement plan in place which was positive. It was hoped that the Pension Board would have a deep dive on this at their meeting later the same day.
- In relation to Pension Benefits in Suspense, it was noted that £56k was now held on behalf of 45 people.
- It was highlighted that it was extremely positive that the number of Annual Benefit Statements issued to members by the statutory deadline was 99.6%.

The Committee was provided with the opportunity to ask questions in relation to the information contained within the report and some of the points raised during discussion included the following:

- In terms of the late payments, it was queried whether the fines were high enough. Members were advised that the issues were mainly with smaller employers, such as academies, parish and town councils, where there was one person responsible for submitting the monthly returns. There were rarely issues with the larger organisations such as districts or the Police.

- Academies often used payroll providers, and if there were late submissions, the employers would be notified and this could then be passed onto the payroll provider. It was highlighted that the fines did have an impact, as whilst they were not necessarily significant in terms of amount, there could be reputational issues.
- It was suggested that the figure would never be 100% of payments made on time, as there were too many intricacies involved in the process. Some of the payments and submissions may not actually be late but contained errors in the information submitted, for example the payment made and data submitted did not match. It was also noted that Lincolnshire monitored the timeliness and accuracy of information very closely, as it could impact member benefits. Officers did not have as much concern if it was new names coming through with late submissions rather than the same people time and time again.
- In terms of the suspense accounts, it was queried whether there was access to HMRC records. It was noted that a lot of organisations would use specific companies for tracing people. It had also been observed that not all members were willing to complete the necessary paperwork to claim their benefits.
- It was queried whether members of the pension fund were notified if their employer made a late payment, and the Committee was advised that they weren't because this did not have an impact on individual members pension benefits.

RESOLVED

That the report be noted.

47 PENSION FUND UPDATE REPORT

Consideration was given to a report by the Head of Pensions which updated the Committee on Fund matters over the quarter ending 30 September 2019 as well as any current matters.

Members were guided through the report which covered the following:- a funding level update; responsible investments; TPR checklist dashboard; Risk register update; asset pooling update; good governance review; and conference and training attendance.

It was reported that the Chairman, Councillor E Strenghel, had attended the Border to Coast Conference on the 10 and 11 October 2019, along with a number of other members. A wide range of interesting topics had been covered along with some of the challenges. The Employee Representative reiterated that it had been a very good agenda for the conference, the round table on global equity was highlighted as being very interesting. Members were reminded that there were still 10 places available for the Conference taking place in October 2020. Councillors Strenghel and Adams confirmed their intention to attend.

It was also reported that the Head of Pensions had recently attended the LAPFF Annual Conference, which had considered issues for the Pension Fund as a

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shareholder. Topics included a very interesting presentation from Tesco on how they were controlling food waste and packaging during production.

RESOLVED

That the report be noted.

48 PENSIONS ADMINISTRATION REPORT

Consideration was given to the quarterly report by the Fund's pension administrator, West Yorkshire Pension Fund. Stuart Duncombe, Team Manager was in attendance from WYPF to update the Committee on current administration issues.

Members were guided through the report and the following was highlighted:

- Performance and Benchmarking – everything was either above or at target level. The template for the Annual Benefit Statement had been changed so it included a lot of additional information. There had been a reduction in the number of pension estimates requested as this information was now included in the Annual Statement.
- In terms of the age profile of the scheme, it was now a fairly mature scheme.
- It was clarified that 2 online customer responses were received over the quarter July to September 2019.
- In terms of member and employer contact, only one negative comment was received, and a full response had been given to the person and they were now in receipt of their benefits.
- In terms of the Trivial Commutation, it was noted that the uptake had been lower than expected, but the WYPF would continue to follow up where people had not responded.
- In terms of administration costs, there had been a small increase in the admin cost per member, however, this was mainly due to improvements in the IT infrastructure and a staff restructure which had taken place.

Members were provided with the opportunity to ask questions to the officers present in relation to the information contained within the report and some of the points raised included the following:

- It was queried whether it would be helpful if some information was circulated to the Committee regarding what systems were in place for tracing members, and it was agreed that this would be useful.
- In relation to the uptake of the offer to commute trivial pension, it was confirmed that those members affected would be written to. It was also highlighted that work on this had commenced in March 2019.
- It was confirmed that the lump sum would be a final figure, in relation to trivial commutation. It was highlighted that this related to people with pensions of less than £250 per year, and were for small amounts. A copy of a sample letter would be sent out for members' information.

RESOLVED

That the update be noted.

49 EMPLOYER MONTHLY SUBMISSIONS UPDATE

The Committee received a report which provided up to date information on Employer Monthly Submissions for the second quarter of the financial year 2019/20 (July to September).

It was highlighted that members had expressed concerns at the meeting in October 2019 regarding the continuing number of employers submitting late or incorrect data and contributions. The report set out the actions which had been taken in response to these concerns. It was thought that Lincolnshire's processes appeared to be at least as robust as other funds. It was also noted that the processes were more in depth than those at WYPF.

It was confirmed that a letter had been written to all employers.

RESOLVED

That the report be noted.

50 INVESTMENT MANAGEMENT REPORT

Consideration was given to a report which covered the management of the Lincolnshire Pensions Fund Assets over the period from 1 July 2019 to 30 September 2019. The report covered the Fund Summary – Asset Allocation and Performance; Hymans Robertson Manager Ratings; and Individual Manager Updates.

Members were guided through the report and no questions were raised in relation to the contents.

RESOLVED

That the report be noted.

51 BORDER TO COAST RESPONSIBLE INVESTMENT POLICY AND
CORPORATE GOVERNANCE VOTING GUIDELINES REVIEW

Consideration was given to a report which highlighted to the Committee the changes from the Border to Coast Pensions Partnership annual review of their Responsible Investment Policy and Corporate Governance and Voting Guidelines. The report also asked the Committee to approve the alignment of the new version to the current Lincolnshire policy and guidelines.

It was reported that this was the third year this had been brought to the Committee. The key changes were shown on pages 103 and 104 of the agenda pack. It was highlighted that one area not included in the revised policy was Border to Coast's

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approach to exclusions. They currently did not have an exclusion policy or any red-lines for investing and further work would be needed to assess investment implications and impacts if they were to adopt any red-lines and/or exclusions and how this could affect Partner Funds' assets held outside the pool.

It was queried whether, as a member of the Border to Coast Officer Group, officers were aware of what other pools were doing in terms of red-lines/exclusions. The Committee was advised that they were all in very different places. There were individual funds which had exclusions, but the Head of Pensions was not aware of any pools that had exclusions at this time. It was noted that there was an allowance within the Policy, for individual funds to choose to vote their holding in a sub fund differently by exception. However, this would be administratively challenging, and had not happened yet.

RESOLVED

1. That the proposed Border to Coast Responsible Investment Policy and Corporate Governance and Voting Guidelines be agreed;
2. That the Lincolnshire Responsible Investment Policy and Voting Guidelines be aligned with Border to Coast's; and
3. That the report be noted.

52 CONSIDERATION OF EXEMPT INFORMATION**RESOLVED**

That, in accordance with Section 100A of the Local Government Act 1972, the press and public 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 Section 12A of the Local Government Act 1972, as amended.

53 MANAGER PRESENTATION - INVESCO - GLOBAL EX. UK EQUITY PORTFOLIO

Members received a presentation from representatives of Invesco Asset Management who managed the Global ex. UK Equity Portfolio.

A number of questions and points from the Committee were responded to.

RESOLVED

That the presentation be noted.

54 INVESTMENT STRATEGY UPDATE

Consideration was given to a report by the Head of Pensions which updated the Committee on the Fund's investment strategy.

A number of points and questions were responded to by officers.

RESOLVED

That the recommendations as set out in the exempt report be approved.

The meeting closed at 12.42 pm