



PENSIONS COMMITTEE 16 JULY 2015

PRESENT: COUNCILLOR M G ALLAN (CHAIRMAN)

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

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

Officers in attendance:- Yunus Gajra (Pensions Administrator, West Yorkshire Pension Fund), Jo Ray (Pensions and Treasury Manager), Nick Rouse (Investment Manager), Catherine Wilman (Democratic Services Officer).

Also in attendance:- Peter Jones (Independent Advisor).

5 APOLOGIES FOR ABSENCE/REPLACEMENT MEMBERS

Apologies were received from Mr J Grant (Small Scheduled Body Representative).

6 DECLARATIONS OF MEMBERS' INTERESTS

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 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.

7 MINUTES OF PREVIOUS MEETINGS OF THE PENSIONS COMMITTEE HELD ON 9 APRIL AND 15 MAY 2015

RESOLVED

That the minutes of the meetings held on 9 April and 15 May 2015, be approved by the Committee and signed by the Chairman as a correct record.

8 INDEPENDENT ADVISOR'S REPORT

A report by the Committee's Independent Advisor was considered which provided a market commentary on the current state of global investment markets.

The main topic at the present time was the situation in Greece, however this had not had as much of an effect on the Eurozone as originally expected.

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The IMF forecast across the world was normally above 5% per annum, however the forecast for this year was 3.3%. It was likely that the remainder of the decade would see low growth and low inflation.

RESOLVED

That the report be noted.

9 PENSION FUND UPDATE REPORT

Consideration was given to a report which updated the Committee on Fund matters over the quarter ending 31 March 2015.

It was noted that the recommendation be revised to defer the approval of the revised strategic benchmark until the October meeting.

Over the period covered by the report, the Fund rose in value to £1,751.7m on 31 March 2015.

Councillor N I Jackson updated the Committee on the work of the Local Authority Pension Fund Forum (LAPFF). The LAPFF had continued to grow in a positive way and voting had been supported by other shareholders. There had been a good discussion on climate change and energy provision.

An update on asset allocation was received and it was noted that a new consultation would be released later this year by DCLG. If funds did not meet certain, as yet unknown, criteria, they could be forced to use Government approved investment vehicles. If the criteria was based on size, then potentially the Fund would be required to pool investment if it was below a certain figure. Having discussed the issue with Hymans Robertson, it appears the Fund is in a good position, despite not knowing the criteria. There were concerns that this was a tool for the Government to acquire money from pension funds.

It was reported that the Lincolnshire Pension Board had been setup, with training and an inaugural meeting organised, ahead of many other authorities. Following a consultation requesting applications, the membership of the Board was selected by the Executive Director for Finance and Public Protection. The Board membership would be as follows:

- 1 Independent Chair;
- 2 Scheme Member Representatives;
- 2 Employer Representatives.

As the biggest employer in the Fund, Lincolnshire County Council was given one of the employer positions.

The Pensions and Treasury Manager would provide information (but not advice) to the Board and Democratic Services would provide administrative support.

The Committee requested that a report be brought to the next Committee meeting on the Board and how it would operate going forward, in particular the relationship between the Board and the Committee.

Any costs incurred by the Board would be borne by the Fund, however any external advice costs would have to be approved by the Executive Director of Finance and Public Protection.

The Board's purpose was not to scrutinise the Committee, but to ensure the decisions made by them followed approved policies, and that the relevant governance requirements were in place. The relationship between the two would not be confrontational, but more of an assisting role.

This report had asked the Committee to approve the amendment to the objective of the Fund to outperform the strategic benchmark by 0.75%, over the long term. The Committee requested that they needed more information on this, before they could make a decision. Hymans Robertson would be present at the next Committee meeting in October 2015 to provide further information.

RESOLVED

1. That the report be noted;
2. That the agreement of the revised strategic benchmark be deferred to the October meeting of the Committee pending further information.

10 INVESTMENT MANAGEMENT REPORT

The Committee considered a report which covered the management of the Lincolnshire Pension Fund assets over the period from 1 January to 31 March 2015. The Investment Manager summarised the report.

There had been no changes to manager ratings since the previous committee.

The Fund's client representative from Neptune was due to change and Officers had set up a meeting with the manager in August 2015 to discuss this. There had been a number of structure changes within the investment and research team at Neptune, which Officers felt was a positive to future performance.

Hymans Robertson currently had Schrodgers "on watch" and would be meeting representatives from Schrodgers in September 2015.

RESOLVED

That the report be noted.

11 PENSION ADMINISTRATION REPORT

The Committee considered a report by the Pensions Administrator at West Yorkshire Pension Fund (WYPF), which provided an update of the management of the Lincolnshire Pension Fund administration service, over the period from 1 January to 31 March 2015.

The transition period had gone well, however there had been a number of issues which had impacted on performance and extended the transfer period.

As part of their ISO 9000 accreditation, WYPF were responsible for logging all faults and complaints and ensuring all corrective and preventative action was taken. Two complaints had been received regarding the payslips issued by WYPF, the information on which was not as detailed as ones previously issued by Lincolnshire's Fund. However, WYPF believed that their payslips were easier to understand without too much detailed information on them.

An additional two complaints had been received from people who had struggled to get through to the call centre. This issue had now been rectified with the addition of two extra phone lines.

During the transfer the priority had been to ensure pensioners felt the least impact.

As part of the transition to WYPF, a number of over-payments and under-payments had been referred to the Pensions and Treasury Manager, and these had been addressed. Any new errors found would be dealt with within the normal WYPF processes.

Data cleansing had been ongoing since the transfer, addressing any issues with the data from Lincolnshire Pension Fund.

WYPF had held an annual general meeting for its members, which had been well attended. Discussion took place on whether to hold a similar event in Lincolnshire. The Committee asked the Pensions and Treasury Manager to investigate this with associated costs and present findings at the next meeting.

RESOLVED

1. That the report be noted;
2. That the Pensions and Treasury Manager investigate the costs associated with holding an annual general meeting for its members and present the findings at the next meeting.

12 UK EQUITY PORTFOLIO ANNUAL REPORT

The Committee considered the annual report for the year ended 31 March 2015 which covered the performance of the UK Equity index-tracking portfolio, managed internally.

The objective of the portfolio was to deliver the total return of the MSCI UK IMI index +/-0.5% per annum.

RESOLVED

That the report be noted.

13 ANNUAL REPORT ON THE FUND'S PROPERTY INVESTMENT

The Committee considered a report which outlined the performance of the Fund's property and related investments for the year ended 31 March 2015.

The Fund had a strategic allocation of 11.5% in property. This was higher than most other authorities.

The UK Commercial Property Investment returns to 31 March 2015 showed that Standard Life had performed the best of all the Fund's property managers.

Overall, the Fund's investment in property and infrastructure generated a good return of 13.06% which was behind the benchmark return of +13.64%.

RESOLVED

That the report be noted.

14 PENSION FUND DRAFT ANNUAL REPORT AND ACCOUNTS

The Committee considered the draft Annual Report and Accounts for the Pension Fund. The Committee was required to approve them before being presented to the Audit Committee at its meeting in September 2015.

It was noted that on page 3 of the report, the *Management Arrangements* section read *Benefits Administration – Mouchel*. This was discussed and it was agreed that a note would be added detailing the move to WYPF from 1 April 2015.

External auditors had reviewed the Fund's accounts, and the main point which had arisen was the issue of over-payments and they were satisfied that changes made would prevent it from occurring again.

Once the report and accounts had been approved by the external auditors and the Audit Committee, it would be uploaded onto the Fund's website.

RESOLVED

That the draft Pension Fund Report and Accounts be approved, subject to an amendment to detail the move from 1 April 2015 to West Yorkshire Pension Board as the Fund's Pensions Administrator.

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15 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 Lincolnshire Pension Fund Statement of Investment Principles had been amended to show the West Yorkshire Pension Fund as the pensions administrator;
- The Lincolnshire Pension Fund Governance Policy and Compliance Statement had been amended to include details of the Lincolnshire Pensions Board;
- Principle E, within the Compliance Statement, related to collective training as a committee. The Pensions and Treasury Manager requested that all members of the Committee inform her of any training they undertook so that it could be logged.

RESOLVED

That the policies be agreed and the report be noted.

16 PENSION FUND RISK REGISTER

The Committee considered a report which brought the Pension Fund Risk Register for annual review.

It was reported there had not been much change to the register over the year, except for the addition of the over-payment of pensions. Mouchel had failed to pick up this issue over the years. However, the systems in place at WYPS were much more robust and transparent, and Officers were confident it could not happen again.

Following a question, it was confirmed there had been no fraud in relation to the Fund during the time of the current Pensions and Treasury Manager.

RESOLVED

That the risk register be agreed.

The meeting closed at 12.30 pm.