



LGPS LOCAL PENSION BOARD 22 JULY 2016

PRESENT:

Independent Chair: Roger Buttery

Employer Representatives: Councillor M A Whittington and Kirsty McGauley

Scheme Member Representatives: Ian Crowther and David Vickers

Officers in attendance:-

Steve Blagg (Democratic Services Officer) and Jo Ray (Pension Fund Manager)

1 APOLOGIES FOR ABSENCE

None

2 DECLARATIONS OF INTEREST

None declared at this stage of the meeting.

3 MINUTES OF THE PREVIOUS MEETING OF THE LINCOLNSHIRE PENSION BOARD HELD ON 15 APRIL 2016

RESOLVED

That the minutes of the LGPS Local Pension Board held on 15 April 2016, be agreed as a correct record and signed by the Chairman.

4 LIFE CERTIFICATES (MINUTE 21)

Following an enquiry by the Board officers stated that in addition to the issuing of Life Certificates West Yorkshire Pension Fund were also seeking next of kin contact information.

5 MEMBER TRAINING ON 6 OCTOBER 2016 - TRIENNIAL VALUATION BY ACTUARY (MINUTE 26)

The Board was informed that training had been arranged for members of the Pensions Committee for 2.00pm on 6 October 2016 in connection with the Triennial Review by the Actuary and it was agreed that members of the Board should also be invited to this event.

6 PENSION BOARD POLICIES REVIEW

The Board received the annual report on the main policies of the Lincolnshire Pension Board which it was required to review.

The Board considered each Policy and comments made by the Board and responses by officers, included:-

(a) Appendix A - Terms of Reference

1. In the Terms of Reference role of the Board been covered? Officers stated that the role of the Board was detailed on page 14 of the Terms of Reference, in Appendix A.

2. Was the frequency of Board meetings satisfactory? Members agreed that the present frequency of meetings was satisfactory and it was noted that this Board ran well in comparison to other Pension Boards. Officers stated that emergency meetings of the Board could be called if required.

3. Dave Vickers stated that his membership on the Board expired in July 2017 and when would that be considered? Officers stated that consideration would be given to filling his vacancy in April 2017 and that there was not a problem if he wished to serve for another term.

(a) Appendix B - Code of Conduct and Conflict of Interests Policy

Officers stated that the Code now covered both the Pensions Committee and the Board.

What was the position in connection with declarations of members' interest? Officers stated that there was a requirement for the declarations of interests to be updated by members each year and requested that Members complete and return an updated form in due course.

(c) Appendix D – Knowledge and Understanding Policy

Officers stated that training was now a standing item on the agenda.

It was noted that Board members were required to have more knowledge about pension matters than members of the Pensions Committee.

RESOLVED

That the comments made by the Board together with the responses of officers be noted and that the Board's Policies be agreed.

7 PENSION FUND DRAFT ANNUAL REPORT AND ACCOUNTS

The Board received the Pension Fund's Draft Annual Report and Accounts which had been considered by the Pensions Committee on 14 July 2016 and were currently being audited by KPMG. Officers stated that the Accounts were due to be submitted to the Audit Committee in September 2016, for approval. Officers stated that there

were no material issues arising although there were some concerns raised at the Committee about the County Council's data but all of the necessary checks had been carried out. Once the final Accounts had been signed off by the Audit Committee employers would be notified by email that they were available on the Council's website. Scheme members would see a summary report in the Autumn newsletter and also be directed to the website for the full version.

Comments made by the Board and responses by officers where applicable, included:-

1. What was the reason for the large increase in management expenses? Officers gave an explanation for the increases and it was proposed to examine these costs with the objective of reducing them.
2. Discussion was had about the 10years annualised performance figures. Officers explained that in 2009/10 there were a number of asset allocation changes that were not reflected in a timely way in the strategic benchmark. This skewed the performance figures.
3. Surprise was expressed that there was no information about the 2016 triennial valuation's financial position. Officers stated that this information would appear in next year's report, as the valuation process was not completed until later this year.
4. There was a typing error on page 100 under "Funding", third paragraph, first line – deletion of "be" was required.
5. Comments were made as to the relevance of including the funding strategy statement, given its technical content and officers stated there was a requirement to include this in the Accounts.
6. What was the reason for the increase in membership numbers considering all of the cutbacks that had been made in Local Government? Officers stated that this was due to the need now to automatically enrol employees in to the pensions scheme across all employers.
7. What was the effect of Brexit on investments? Officers stated that markets had recovered very well since Brexit and some had, in fact, reached new highs. A risk register which included the effects of Brexit had been reported to the July meeting of the Pensions Committee. With regard to the valuation of liabilities, the drop in gilt yields following Brexit would have increased them.
8. Was the Fund's Actuary likely to change their approach to the triennial valuation? Officers stated that at the current time the Fund's Actuary was not proposing to make any changes to their approach.

The Board agreed that the Draft Annual Report and Accounts for the year ended 31 March 2016 was an excellent document.

RESOLVED

That the comments made by the Board together with the responses by officers be noted and that the Draft Annual Report and Accounts be noted.

8 LGPS ASSET POOLING AND PRESENTATION

The Board received a report and presentation which provided an update on progress to meet the Government's requirements on pooling of Local Government Pension Scheme (LGPS) assets, following publication of the pooling criteria and investment regulations consultation on 25 November 2015.

Discussion between the Board and officers included the following topics:-

1. Officers stated that the Pensions Committee had agreed to pool the Lincolnshire assets with Border to Coast Pensions Partnership (BCPP) and outlined the reasons for the Committee pursuing this course of action together with progress to date.
2. As George Osborne was no longer the Chancellor of the Exchequer would the Government's stance on the pooling of assets still be required? Officers stated that since the change of Government there had been no change in pooling requirements.
3. Officers stated that, over the longer term, there was potential for substantial savings from the pooling arrangements after meeting initial setting up costs.
4. Officers stated that when the final outcome was known on the pooling of assets then the full Council would receive a presentation.
5. Would BCPP have similar investment strategies to that followed by other LGPS pools? Officers stated that investment strategies would vary as these were set at a Fund level and the pool's role was to implement the strategies of its members' funds.
6. Officers stated that detailed consideration would be needed in the appointment of the Executive Body by the Joint Committee.
7. Officers stated that it was possible in the future for some of the current external Investment Managers to be terminated.
8. Officers stated that BCPP would be managed within the Local Government ethos as they would be Local Government companies.
9. Details of the post pooling governance structure were presented and the Board was able to ask whether the Pensions Committee was getting value for money from the arrangements.
10. Where would BCPP be based? Officers stated that it was likely that BCPP would be based in Leeds which had a thriving financial services industry and was a central location which all Funds could access.
11. What was the situation if investment managers appointed by BCPP did not perform well? Officers stated that this was the responsibility of the Executive Board.
12. Officers stated that BCPP would have a close relationship with Pension Fund Managers of the member Funds.
13. Investment decision making, composition of the Joint Committee, holding the asset pool operator to account, benchmarking and performance measures was explained.
14. What was the situation if the LGPS wanted to exit BCPP? Officers stated exiting BCPP would be expensive but an opt-out clause would exist in the governance arrangements.
15. Officers stated that it was a possibility that the Government might look for asset pooling bodies to merge in the future.

RESOLVED

That the comments made by the Board and the responses of officers in connection with the report and presentation, be noted.

9 OVERSIGHT OF INVESTMENTS - TRAINING SESSION

The Board received a presentation in connection with how investment took place in the Lincolnshire Pension Fund, including an explanation of equities, bonds, alternatives, property and the strategic benchmark.

Officers responded to comments made by the Board including an explanation of the role of the independent financial adviser, the reporting of breaches of asset allocation or manager tolerance levels against the strategic benchmark to the Pensions Committee and an explanation of investment manager activities

RESOLVED

That the comments made by the Board and responses and presentation given by officers, be noted.

10 TRAINING NEEDS

Training needs was a standard item on the Board's agenda.

Comments by the Board and responses by officers included:-

1. Members had attended Pension Board training. Members were reminded to keep their training log up to date and submit it once a year to the Council.
2. The Chairman asked members if they had any specific training requirements? Officers stated that training could be organised using the network of manager connections that the Fund had. Officers stated that the guidance on the detailed role of Pensions Boards was limited.

Officers agreed to keep members informed of relevant training courses and members were reminded to submit their training logs.

RESOLVED

That the training needs of Board members be noted and that members be requested to submit their training logs.

11 AGENDA ITEMS FOR THE NEXT MEETING OF THE BOARD

It was noted that the next meeting of the Board had been arranged for 10am on 23 September 2016. The following items were suggested for consideration at that meeting:-

TPR update

6

LGPS LOCAL PENSION BOARD

22 JULY 2016

Administration update and West Yorkshire to be invited to attend
Risk Register
Pooling update (if available)
External Auditor's report

Councillor M A Whittington gave his apologies for this meeting.

The meeting closed at 12.40 pm