



PENSIONS COMMITTEE 6 OCTOBER 2016

PRESENT: COUNCILLOR M G ALLAN (CHAIRMAN)

Councillors R J Phillips (Vice-Chairman), N I Jackson, B W Keimach, C E D Mair, A H Turner MBE JP and P Wood

Co-Opted Members: Mr A N Antcliff (Employee Representative) and Mr J Grant (Non-District Council Employers Representative)

Councillors: attended the meeting as observers

Officers in attendance:-

Peter Jones, Jo Ray (Pension Fund Manager), Nick Rouse (Investment Manager) and Catherine Wilman (Democratic Services Officer)

78 APOLOGIES FOR ABSENCE/REPLACEMENT MEMBERS

Apologies were received from Councillor Mrs S Rawlins and District Councillor J Summers.

79 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.

Mr J Grant declared a personal interested in all items on the agenda as a member of the Witham Fourth District Internal Drainage Board.

Councillor M G Allan requested that a noted be made in the minutes that we was currently in receipt of a North Kesteven District Council pension.

Councillor P Wood declared that he was a contributing member of the Pension Fund and was also in receipt of a Lincolnshire County Council pension.

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80 MINUTES OF THE PREVIOUS MEETING OF THE PENSIONS COMMITTEE HELD ON 14 JULY 2016

RESOLVED

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

81 INDEPENDENT ADVISORS REPORT

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

There was discussion regarding the effects that Brexit had had on the European markets and what further effect the forthcoming elections in Italy, France and Germany in 2018 would have.

The imminent election in USA was not expected to have as much impact on world markets.

RESOLVED

That the report be noted.

82 PENSION ADMINISTRATION REPORT

The Committee considered the quarterly report by the Fund's pension administrator West Yorkshire Pension Fund.

The KPIs for the period 1 June – 31 August 2016 were considered and it was reported that the majority of performance had improved, however there were still some indicators that were below target. A review of the targets was being undertaken to ensure that they were fit for purpose.

Customer satisfaction had been at just over 80% since January 2016.

RESOLVED

That the report be noted.

83 MANAGER REPORT - INVESCO ASSET MANAGEMENT - GLOBAL EX UK ENHANCED INDEX EQUITY PORTFOLIO

The Committee considered a report and presentation from representatives of Invesco Asset Management on their Global ex UK Enhanced Index Equity Portfolio. Due to it containing commercially sensitive information, the appendix to the report was exempt from public circulation.

At the July meeting, the Committee discussed the termination of Neptune and reallocation of the funds. It was agreed that 50% would be reinvested with Invesco which resulted in their asset allocation increasing from 20% to 22.5%. The transfer of assets and cash to Invesco was completed on 1 August 2016. Officers confirmed that performance from Invesco had been very satisfactory over the long term.

RESOLVED

That the report and presentation from Invesco Asset Management be noted.

84 PENSION FUND UPDATE REPORT

Consideration was given to a report which updated the Committee on Fund matters over the quarter ending 30 June 2016 and any current issues.

Officers updated the Committee on the areas of the TPR Checklist Dashboard that were not fully complete and compliant.

Completion of the Pension Regulator's toolkit was highlighted as an area for improvement as not all members of the Committee or Pensions Board had completed this and the Pensions Manager urged all to complete it and forward their certificates to her once this had been done.

Under the Risk Register, the only red item was the *UK leaving the EU*. It was not known what the medium/long term risks would be at this point.

There was discussion on asset pooling and Officers had been hoping to get formal approval from the Government by the end of September, however this had not yet happened. Once approved, the Fund would need Full Council approval to establish the Joint Committee and agree the terms of reference and to buy a £1 share in the operator company BCPP. It was expected that given the tight timescales, delegated responsibility to the Executive Director of Finance and Public Protection (in consultation with the Chair and Vice Chair of the Committee) would be sought to agree the final wording of documents relating to the creation of the Joint Committee and the share ownership. It was planned this would take place at the Council's meeting in February 2017.

The Pension Fund Manager explained, following a question, that the main change for the Committee's responsibility, once BCPP was in operation, would be the removal of direct communication with fund managers, as this would be undertaken by BCPP. The Committee would receive updates on investments from BCPP instead.

The Committee discussed the existing benchmark allocation and tolerance levels as set out in the report which showed both current and those with effect from August 2016. It was felt that the tolerance levels, with effect from August 2016 for *Total Equities* was too high at +/-7.5% and it was agreed to reduce the figure to +/-6%.

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Following the introduction of a new review framework within Section 13 of the Public Service Pensions Act 2013, the Government Actuary's Department (GAD) had recently published the results of its first review using the framework and the results for each LGPS fund had been published. No compliance issues were found for the Lincolnshire Fund. This Committee was pleased with this result but felt that whilst GAD's main concern was solvency and consistency, it should also keep in mind affordability and stability for its employers.

The Committee discussed the Investment Strategy Statement (ISS) which each Fund was required to produce under Regulation 7 of the LGPS Regulations 2016. The ISS was required to be produced and published by 1 April 2017, and as such, it was suggested that the Committee's meeting currently scheduled for April 2017 be brought forward to March in order to incorporate the consideration and approval of the ISS.

The Fund's first Scheme Member Annual Meeting was due to take place on 23 November 2016 in Lincoln with the Pensions Manager, the Committee Chairman and the Pension Board's Independent Chairman all making a presentation to scheme members. Attendance would be limited to 200 members.

RESOLVED

1. That the report be noted;
2. That delegated authority be given to the Executive Director of Finance and Public Protection, in consultation with the Chair and Vice Chair of the Pensions Committee to approve Pension Fund spend up to a maximum of £350k in total, to enable the set-up of the operator (BCPP) and the ACS structure;
3. That the amended tolerance levels around the strategic asset allocation be approved subject to the decrease of tolerance levels with effect from August 2016 for Total Equities from +/-7.5% to +/-6%.

85 INVESTMENT MANAGEMENT REPORT

The Committee considered a report which covered the management of the Lincolnshire Pension Fund assets over the period from 1 April to 30 June 2016.

There was discussion regarding the Fund's investment consultant Hymans Robertson and their performance. Under pooling, the Fund would still require investment consultants at asset allocation level.

RESOLVED

That the report be noted.

86 PERFORMANCE MEASUREMENT ANNUAL REPORT

Consideration was given to a report which set out the Pension Fund's longer term investment performance for the period ending 31 March 2016. The Fund's long term aim was to outperform the strategic benchmark by 0.75% per annum.

The Fund was performing better than required by the Actuary at 6.0% per annum over 3 years and over the longer term (10 years) performance was 4.8% per annum.

It was reported that WM had discontinued their provision of the performance measurement service and Local Authority Universe from April 2016. National LGPS Frameworks would be creating a framework for Funds to use to call off for performance and cost measurement services later in the year. The Local authority Universe would be included in this.

RESOLVED

That the report be noted.

87 PENSION FUND POLICIES - STEWARDSHIP CODE STATEMENT

Consideration was given to a report which provided the Fund's updated Stewardship Code Statement for approval following the implementation of tiering by the Financial Reporting Council (FRC).

The FRC had reviewed all published statements and found there were inconsistencies in reporting of stewardship practices across the market. The statements assessed were categorised into those that did meeting the reporting expectations (Tier 1) and those that didn't (Tier 2).

The Pensions Manager reported that the LPF's statement had been categorised as a Tier 2 statement and had been rewritten where needed and submitted to the FRC. The changes made to the statement related to how managers were monitored and how Lincolnshire participated in the Local Authority Pension Fund Forum and where it had escalated engagement. The amended statement was expected to be recategorised in Tier 1.

RESOLVED

That the amended Stewardship Code Statement be approved.

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88 PENSION FUND EXTERNAL AUDIT PROGRESS REPORT

A report was considered which provided the Audit Progress Report to those charged with governance of the Pension Fund, submitted by the External Auditors for the Council, KPMG. No areas of concern had been found and the Fund was expected to receive an unqualified opinion.

It was reported that KPMG would award a joint ISA260 award to both LCC and the LPF. A separate award for the Fund would be requested next year.

The audit opinion for the Fund would be available with the LCC's opinion, once KPMG had completed their work on the LCC accounts.

RESOLVED

That the report be noted.

The meeting closed at 12.45 pm