



PENSIONS COMMITTEE 13 JULY 2017

PRESENT: COUNCILLOR E W STRENGIEL (CHAIRMAN)

Councillors P E Coupland (Vice-Chairman), R D Butroid, Mrs M J Overton MBE, Mrs S Rawlins and R H Woolley

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

In attendance: Roger Buttery (Independent Chair, LGPS Local Pensions Board), Peter Jones (Independent Advisor)

Officers in attendance:-

David Forbes (County Finance Officer), Yunus Gajra (West Yorkshire Pension Fund), Jo Ray (Pension Fund Manager) and Catherine Wilman (Democratic Services Officer)

8 APOLOGIES FOR ABSENCE/REPLACEMENT MEMBERS

Apologies were received from:

Councillors Mrs P Cooper and A J Spencer; and

Added Member District Councillor J Summers.

9 DECLARATIONS OF MEMBERS' INTERESTS

Councillor P E Coupland declared a personal interest as a South Holland District Councillor

Councillor Mrs M J Overton MBE declared a personal interest as a North Kesteven District Councillor, the Vice Chair of the Local Government Association and as a deferred member of the Pension Fund.

Councillor E W Strenziel declared a personal interest as a City of Lincoln Councillor.

Councillor R H Woolley declared a personal interest as a South Kesteven District Councillor

Mr A N Antcliff, Employee Representative declared an interest as an employee of Lincolnshire County Council and a contributing member of the Pension Fund.

Mr J Grant declared a personal interest as a member of the Witham Fourth District Internal Drainage Board.

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10 MINUTES OF THE PREVIOUS MEETING OF THE PENSIONS COMMITTEE HELD ON 1 JUNE 2017

RESOLVED

That the minutes of the meeting held on 1 June 2017 were agreed as a correct record and signed by the Chairman.

11 INDEPENDENT INVESTMENT ADVISOR'S REPORT

The Committee considered a report by the Independent Advisor which provided a market commentary and Members asked various questions related to the current state of the global investment markets.

RESOLVED

That the report be noted.

12 PENSIONS ADMINISTRATION REPORT

The Committee considered a report which provided a quarterly update from the Fund's pension administrator, West Yorkshire Pension Fund (WYPF).

Performance over the period 1 February 2017 to 31 May 2017 had been good overall, with a two key areas of work not meeting the target which were explained as follows:

- *Deferred Benefits Set up on Leaving* – this was considered a low priority of work. With having no immediate entitlement to payments, deferment cases were all dealt with, but not to the detriment of more important areas;
- *Change to Bank Details* – this area of work had a five day turnaround target, which had not always been met due to the payroll deadline being monthly. Rushing to meet the five days was not always necessary due to the later deadline, however all bank details were changed ahead of the payroll deadline.

There had previously been a rapid growth of employers due to academies, however now that it had become voluntary for schools to convert to academy status, the number of new employers was plateauing.

There had been an 87.07% satisfaction rate from January to March 2017 from customer responses to a survey.

Of the 16,671 Life Certificates issued to pensioner members, the payment of 12 pensions had been suspended due to non-return of certificates. Life Certificates

were a means of ensuring contact and personal details for pensioners were kept up to date.

The production of Annual Benefit Statements had been staggered to 2,000 per day to help staff to deal with the rate of enquiries from members. To date, 35.4% of statements had been produced and WYPF was in line to meet the deadline of 31 August 2017 for the issue of all statements.

In the 2016 Budget, the Government had announced an intention to launch a pensions dashboard which would allow individuals to see all their pensions in one place. Provision of the dashboard was not currently mandatory for pension providers, and there were questions surrounding who would fund the ongoing cost of managing the dashboard.

The cost per member in 2016/17 under the shared service between WYPF and LCC was £13.76. Comparing this to the target which had been £17 and LCC's pre-partnership cost of nearly £19 per member, Officers felt it was clear the partnership was proving to be very good value for money.

Questions from Members of the Committee confirmed the following information:

- Frozen pensions within the scheme were fully inflation proofed;
- There was no differentiation between LPF and WYPF work and both were dealt with by the same staff and using the same workflow systems;
- The partnership between LPF and WYPF had been very successful and there was a good working relationship between the two. Data cleansing was an ongoing process and employers were encouraged to ensure their data submissions were accurate and timely.

RESOLVED

That the report be noted.

13 PENSION FUND UPDATE REPORT

A report was considered which updated the Committee on Fund matters over the quarter ending 31 March 2017 and any current issues.

The Pension Fund Manager went through the report and summarised the main points.

It was highlighted that the Committee's representative on the Local Authority Pension Fund Forum (LAPFF) was no longer a member of the Committee and therefore a new representative was required. Following a short discussion, it was agreed that the Chairman, Councillor E W Strengiel become the new representative. As he was already a member of the Joint Committee of the Border to Coast Pension Partnership (BCPP), it was felt this role would provide Cllr Strengiel with a good overview.

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The Pension Fund Manager took the Committee through the Pension Regulator's Checklist and specifically the areas not fully completed or compliant which were detailed in the report.

Progress towards asset pooling and the formation of BCPP was continuing at some pace to meet the June 2018 'go live' date. The Chairman had attended his first meeting of the Joint Committee and had found it friendly and informative.

Appointments to all senior positions within BCPP would be made over the summer and by the end of October 2017.

Training on the LGPS asset pooling and BCPP, specifically for Committee and Pension Board members within BCPP was to be held in York on 11 & 12 September 2017. Members were requested to get in touch with the Pensions Team in order to reserve a place.

In answer to a question, it was reported that BCPP would operate from Leeds city centre. A number of rental business properties had been considered and a final decision would be made shortly.

RESOLVED

1. That the report be noted;
2. That Councillor E W Strenziel be appointed as the Committee's representative on the Local Authority Pension Fund Forum.

14 INVESTMENT MANAGEMENT REPORT

Consideration was given to a report which covered the management of the Lincolnshire Pension Fund assets over the period from 1 January to 31 March 2017.

The Pension Fund Manager provided an update on all managers and highlighted that there were no current concerns.

Following a question, it was highlighted that Invesco held the largest proportion of the Fund, almost a quarter at just over £492 million. Despite excellent performance from Invesco, the Fund required a balance of complementary managers and therefore any additional investment in Invesco was not advised.

RESOLVED

That the report be noted.

15 ANNUAL REPORT ON THE FUND'S PROPERTY AND
INFRASTRUCTURE INVESTMENTS

The Committee considered a report which outlined the performance of the Fund's property and infrastructure investments for the year ended 31 March 2017.

The Pension Fund Manager provided an update on all managers with a property mandate.

The Fund did not directly own any property, however 9% of the Fund was held in property through investment exposure, which was slightly higher than the local authority average at 8%.

It was noted there was a correction to be made to page 71 of the agenda which should have read 20.5% of the LCC Fund for Industrial and not 50.5%.

Four UK commercial property funds had been chosen to complement each other, and it was noted that Standard Life held an investment in the St Mark's shopping park in Lincoln for the Fund.

The UK's referendum on whether to remain or leave the EU had a negative impact on the property market over the last year, however the weakness of sterling had encouraged overseas investors.

Following questions from Members, it was highlighted that all the property invested in on behalf of the Fund was commercial and not residential.

In response to a question, it was reported that all managers were checking any cladding, where used, in their investment properties, following the recent, devastating fire at Grenfell Tower in London.

RESOLVED

That the report and comments made be noted.

16 LINCOLNSHIRE PENSION FUND POLICIES REVIEW

The Committee considered a report which presented the main policies of the Pension Fund for review. It was noted that the Lincolnshire Pension Fund Funding Strategy Statement and the Lincolnshire Pension Fund Investment Strategy Statement had been approved at the Committee's March 2017 meeting and were therefore not included in this agenda.

It was noted that under Principle 5 of the Stewardship Code Statement, the name of the Committee's representative on the Local Authority Pension Fund Forum needed updating to show Councillor E W Strengiel.

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RESOLVED

1. That the Committee note the report;
2. That the Committee approve the following documents, subject to a minor change as detailed above:

Communication Policy Statement
Governance Policy and Compliance Statement
Stewardship Code Statement
Reporting Breaches Procedure

17 LINCOLNSHIRE PENSION FUND RISK REGISTER

Consideration was given to a report which presented the Pension Fund Risk Register to the Committee for annual review.

There were currently 26 risks and only one red risk with a 'poor' status. This was related to the economic uncertainty of the UK leaving the EU and was something the Council had no control over.

The Pension Fund Manager explained that in relation to Risk 22, due to an unforeseen reduction in staffing, she had taken a step back from BCPP asset pooling work in order to manage the workload of two positions within the team until a replacement was appointed.

Issues were raised regarding a recent court ruling on same sex civil partnerships being entitled to partners' pensions. The Pension Fund Manager explained this was not considered a material risk as there were a low number of same sex partnerships in the Fund.

RESOLVED

1. That the report be noted;
2. That the Risk Register be approved.

18 ANNUAL PENSIONS COMMITTEE TRAINING PLAN AND POLICY

The Committee considered its Annual Training Policy and Plan and it was noted that whilst training for the Committee was not mandatory, it was essential the Members commit to the suggested training.

The Committee's training had to meet the principles of the CIPFA Knowledge and Skills Framework and this could be through direct training, or through consideration of agenda items at Committee meetings. A full knowledge was not required on an individual basis, but collectively as a body.

Members were requested to raise any training requirements they needed to an Officer's attention.

On discussing the requirements of the new Committee, the following subjects were agreed for the session scheduled on 21 September 2017:

- Asset Pooling;
- The role of The Pensions Regulator.

It was noted that CEM benchmarking on costs would be brought to a Committee meeting later in the year.

There was a discussion on the subject of fees paid to fund managers and the Pension Fund Manager explained that over the course of a year, £10m was spent on investment management costs, including fees, which equated to 0.47% of the Fund. It was stressed that the amount of money paid in fees was negligible compared to the returns received as a result of good investments and that in order to receive good returns, quality managers needed to be appointed.

RESOLVED

1. That the training policy be approved;
2. That areas for training be agreed for the meeting on 21 September 2017;
3. That the annual training plan be approved.

The meeting closed at 12.35 pm

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