



PENSIONS COMMITTEE 10 JANUARY 2019

PRESENT: COUNCILLOR E W STRENGIEL (CHAIRMAN)

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

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

Councillors: attended the meeting as observers

Officers in attendance:-

David Forbes (County Finance Officer), Claire Machej (Accounting, Investment and Governance Manager) and Jo Ray (Pension Fund Manager)

43 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor R D Butroid, Mr J Grant (Small Scheduled Bodies Representative) and Councillor Mrs S Rawlins.

44 DECLARATIONS OF MEMBERS' INTERESTS

Mr A N Antcliffe declared an interest as a contributing member of the Fund.

45 MINUTES OF THE PREVIOUS MEETING HELD ON 13 DECEMBER 2018

RESOLVED:

That the minutes of the previous meeting held on Thursday 13 December 2018 be approved as a correct record and signed by the Chairman.

46 INDEPENDENT ADVISOR'S REPORT

The Independent Advisor provided a market commentary on the current state of global investment markets.

One Member questioned why the Independent Advisor had advised that China's economy was growing despite the fact that Jaguar Land Rover had recently announced job cuts as a result of a slowdown in the Chinese economy. It was clarified that as the Chinese population had peaked in 2018, they had started to reduce their consumption of luxury goods. However, the job losses at Jaguar Land Rover were due to more general issues within the company.

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In response to a question, the Independent Advisor explained that the rise or fall of the UK population was crucially dependent on immigration.

RESOLVED:

That the report be noted.

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

The committee received a report from the Independent Chairman of the Lincolnshire Local Pension Board which provided an update on the recent work of the Pensions Board.

The report focussed on the backlog of leaver records at Lincolnshire County Council; contribution monitoring; and the Risk Register.

In response to a question on contribution monitoring, it was confirmed that all employees were fined the same amount and this did not differ depending on the size of the employer. The Fund's Administration Strategy sets out the fines imposed upon employers.

The committee were happy to continue to receive reports by the Independent Chairman of the Lincolnshire Local Pension Board on a quarterly basis.

RESOLVED:

1. That the report be noted.
2. That the committee considered including two additional items into the Risk Register as set out in the Fund Update Report.
3. That the committee continue to receive quarterly updates from the Independent Chairman of the Lincolnshire Local Pension Board.

48 PENSION FUND UPDATE REPORT

The committee received a report from the Pension Fund Manager which provided an update on Fund matters over the quarter ending 30th September 2018, as well as any current issues.

The Pension Fund Manager set out the proposed changes to Risk 24 and Risk 4 of the Council's risk register, as detailed in the report. The committee were satisfied with the proposed recommendations.

The Pension Board had reviewed the risk register at their October meeting and requested that the committee consider whether the current risk score for Risk 3 – 'Loss of key staff and loss of knowledge & skills', was still appropriate given the imminent retirement of the Executive Director of Finance and Public Protection and the County Finance Officer, both of whom had extensive and historical knowledge of the Lincolnshire Pension Fund.

The committee discussed the risk level in detail and concluded that the risk score for Risk 3 should increase to a red level of risk given the loss of expertise and the fact that there will only be one remaining member of staff with extensive knowledge on pensions.

It was also highlighted that there were still 3 members of the Pensions Committee who had still not completed the Pensions Regulator toolkit for training on the Code of Practice.

RESOLVED:

1. That the committee approve the change to Risk 25 – 'Failure to meet requirements as a responsible investor – across all ESG risks' to expand the wording to 'Failure to meet requirements as a responsible investor – across all ESG risks (including climate change and a move to a low carbon economy)'
2. That the committee approve the change to Risk 4 – 'Calculating and paying pensions correctly ' to expand the wording to be – 'calculating and paying pensions correctly (inc. completion of the Guaranteed Minimum Pension Reconciliation and communication with Pensioners)'
3. That the committee agreed to increase the level of risk for Risk 3 – 'Loss of key staff and loss of knowledge & skills'
4. That the report be noted

49 PENSIONS ADMINISTRATION REPORT

The committee received a report from the Business Development Manager (WYPF) which provided an update on current administration issues within the Fund.

It was noted that there had been a typing error in Paragraph 3.1 of the report, and that there had been 17 survey letters sent out, rather than 172 as stated in the report.

It was highlighted that the Pension Fund Manager was working with WYPF to make the Key Performance Indicators more specific and meaningful.

In response to a question, the Business Development Manager confirmed that there were scheme members that were over the age of 70 and still in employment and actively contributing to the Fund.

RESOLVED:

That the report be noted.

50 EMPLOYER MONTHLY SUBMISSIONS UPDATE

The Accounting, Investment and Governance Manager presented a report which provided the committee with up to date information on the employer monthly submissions for the financial year 2018/19.

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The committee were asked to consider whether there were any further actions they wished to take against employers submitting late or inaccurate payments or data.

The committee were invited to ask questions, in which the following points were raised:

- In response to a question, it was clarified that all employers were fined the same amount despite the size of the employer.
- It was noted that training was offered to all employers to help them understand the submissions process.
- Officers emphasised that fines were a last resort and there was extensive work carried out by the Funds Finance Technician to help employers avoid late payment fines.
- Officers felt it was important to work with employers to attempt to resolve issues before taking further action, as it was important to maintain good relationships with employers.
- It was suggested that the level of fine be adjusted depending on the size of the employer.
- It was confirmed that the procedure for issuing fines was set out in the joint administration strategy and any changes to the procedure would need to form part of this strategy.
- The Business Development Manager (WYPF) agreed to investigate how fines were issued to each employer and whether there was merit to adjusting fines. It was agreed that he would review the fining procedure within the Fund's administration policy to see if it remained appropriate.

RESOLVED:

1. That the report be noted.
2. That the Pensions Committee would take no further action against employers submitting late or inaccurate payments or data at this time.

51 INVESTMENT MANAGEMENT REPORT

The Accounting, Investment and Governance Manager presented a report which covered the investment management of the Lincolnshire Pension Fund assets over the period from 1st July 2018 to 30th September 2018.

The report provided a funding level update; the fund performance and asset allocation; Hyman Robertson Manager Ratings and individual manager updates.

Members were referred to the individual manager performance reports from paragraph 4.2 of the report. In response to a question on why Morgan Stanley Global Brands only received a rating of "retain – suitable" from the Fund's Investment Consultant, despite appearing to have produced good returns in 2018. It was clarified that because the fund manager runs a concentrated strategy focussing on 20-40 stocks, this increases the volatility of the product, resulting in a lower rating. However, this

manager was selected to compliment the other global equity managers used by the fund.

RESOLVED:

That the report be noted.

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

12:11 - Councillor B Adams left the meeting and did not return.

The committee received a report from the Pension Fund Manager which highlighted the changes to the Border to Coast Pensions Partnership's Responsible Investment (RI) Policy and Corporate Governance and Voting Guidelines.

Members were referred to appendix A and B of the report, which set out the proposed revised Border to Coast Responsible Investment Policy and the Corporate Governance and Voting Guidelines. Officers highlighted the key changes to both documents.

The committee were asked to approve the alignment of the new version to the current Lincolnshire policy and guidelines.

The Pension Fund Manager also referred the committee to appendix C of the report, which showed the comparison between RI Policies of LGPS pools, published in Responsible Investor.com. This highlighted the considerable work that Border to Coast had put into producing their policy, which came out very favourably compared to other pools' policies.

RESOLVED:

1. That the committee considered the proposed Border to Coast Responsible Investment Policy and Corporate and Voting Guidelines
2. That the committee agreed to align the Lincolnshire RI Policy and Voting Guidelines to Border to Coast's
3. That the report be noted.

53 MAZARS EXTERNAL AUDIT PRESENTATION

The Accounting, Investment and Governance Manager provided a short report and introduced the committee to the Fund's new external auditor – Mazars.

The committee received a presentation from Mike Norman (Senior Manager – Mazars), which provided background information on Mazars, the Local Audit Team and Mazars' audit responsibilities and approach.

In response to a question, Mike Norman confirmed that Mazars would attend the council's Audit Committee meetings and the Pension Fund's accounts would continue

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to be presented to and approved by this committee. However, Mazars will also attend and report their findings to the Pensions Committee if requested.

RESOLVED

That the report and presentation be noted.

54 **CEM BENCHMARKING PRESENTATION**

The Pension Fund Manager introduced the Fund's cost benchmarking provider, CEM.

The committee received a presentation from John Simmonds (CEM), which provided the Lincolnshire Pension Fund Investment Benchmarking Results for the five year period ending 31st March, 2018.

The committee's Independent Advisor noted that data scores appeared to be lower due to:

- A difficult year for the fund in 2016. It was highlighted that data from further years should reflect a more accurate and more positive picture of the benchmark; and
- The mismatch between the classifications of the fund's alternative portfolio compared when compared to the CEM benchmark.

RESOLVED

That the report and presentation be noted.

The meeting closed at 1.09 pm