



County Offices
Newland
Lincoln
LN1 1YL

4 December 2019

Pensions Committee

A meeting of the Pensions Committee will be held on **Thursday, 12 December 2019** in **Committee Room One, County Offices, Newland, Lincoln LN1 1YL** at **10.00 am** for the transaction of business set out on the attached Agenda.

Yours sincerely

A handwritten signature in black ink, appearing to read 'DBarnes'.

Debbie Barnes OBE
Head of Paid Service

Membership of the Pensions Committee
(8 Members of the Council and 3 Co-Opted Members)

Councillors E W Strengiel (Chairman), P E Coupland (Vice-Chairman), B Adams, R D Butroid, P M Key, Clio Perraton-Williams, Mrs S Rawlins and Dr M E Thompson

Co-Opted Members

Mr A N Antcliff, Employee Representative
Steve Larter, Small Scheduled Bodies Representative
R Waller, District Council Representative

**PENSIONS COMMITTEE AGENDA
THURSDAY, 12 DECEMBER 2019**

Item	Title	Pages
1	Apologies for Absence	
2	Declarations of Members' Interests	
3	Minutes of the previous meeting held on 3 October 2019	5 - 12
4	CONSIDERATION OF EXEMPT INFORMATION (In accordance with Section 100 (A)(4) of the Local Government Act 1972, the following agenda item has not been circulated to the press and public on the grounds that it is considered to contain exempt information as defined in Paragraph 3 of part 1 of Schedule 12A of the Local Government Act 1972, as amended. The press and public may be excluded from the meeting for the consideration of this item of business)	
5	Manager Presentation - Border to Coast Pensions Partnership <i>(To receive a report by Claire Machej, Accounting, Investment and Governance Manager, which introduces a presentation from Border to Coast Pensions Partnership)</i>	13 - 56

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Please Note: for more information about any of the following please contact the Democratic Services Officer responsible for servicing this meeting

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PENSIONS COMMITTEE 3 OCTOBER 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 Steve Larter (Small Scheduled Bodies Representative)

Officers in attendance:-

Roger Buttery (Chairman of the Local Pension Board), Yunus Gajra (Business Development Manager, West Yorkshire Pension Fund), Peter Jones (Independent Advisor), Claire Machej (Accounting, Investment and Governance Manager), Jo Ray (Head of Pensions), Peter Summers (Hymans Robertson) and Emily Wilcox (Democratic Services Officer)

23 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor R D Butroid and Councillor Mrs S Rawlins.

24 DECLARATIONS OF MEMBERS' INTERESTS

Mr A Antcliff declared an interest as a contributing member of the Fund; and S Larter declared an interest as a deferred member of the scheme.

25 MINUTES OF THE PREVIOUS MEETING HELD ON 18 JULY 2019

RESOLVED:

That the minutes of the meeting held on 18 July 2019 be approved as a correct record and signed by the Chairman.

26 INDEPENDENT ADVISOR'S REPORT

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

Members were advised that there had been about a 3% fall in the UK market on the 2 October 2019 but the UK was currently operating in a cash-driven market.

It was noted that the US and Chinese markets were still growing, but there was a growing anxiety about the state of global markets, with some countries verging on recession.

RESOLVED:

That the report be noted.

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

Consideration was given to a report by the Independent Chairman of the LGPS Local Pension Board, which provided an update on the work of the Pension Board in recent months.

Members were informed that the Board had met on 18 July 2019, in which their main topics of discussion were the governance of the Fund; employer monthly submissions and contribution monitoring; The Pensions Regulators data scores and pension benefits in suspense.

RESOLVED:

That the report be noted.

28 PENSION FUND UPDATE REPORT

Consideration was given to a report from the Head of Pensions, which updated the Committee on Fund matters over the quarter ending 30 June 2019.

Members were provided with updates on the following:

- Responsible Investments
- TPR Checklist Dashboard
- Risk Register Update
- Asset Pooling Update –
- Investment Consultant Objectives
- Conference and Training Attendance

Members were advised that all members of the Pensions Committee, other than the newly appointed Small Scheduled Bodies Representative had now completed The Pensions Regulator Toolkit.

It was noted that the Fund was in the process of making its first investment into Border to Coast.

Members were invited to provide updates on any conferences or training events that they had attended in recent months.

The Chairman informed the Committee that he had attended the LGC Investment Summit in September 2019, which was their flagship event, and had been updated to reflect the change in requirements as a result of asset pooling. The conference was well attended and a range of topics were discussed including economic outlook; governance; climate change and sustainable investing; and an update from the scheme advisory board.

Members requested to see a more detailed explanation of the some of the manager voting responses where management recommendations had been voted against, particularly in relation to issues such as animal welfare and climate change. The Head of Pensions agreed to provide more information on these in future papers.

RESOLVED:

1. That the report be noted;
2. That authority be delegated to the Executive Director of Resources, in consultation with the Chairman and Vice-Chairman of the Pensions Committee, to agree a set of objectives for the Fund's Investment Consultant.

29 PENSIONS ADMINISTRATION REPORT

Consideration was given to a report from the Business Development Manager, West Yorkshire Pension Fund, which provided an update on current administration issues within the Fund.

Members were informed that there was a typing error in paragraph 1.2 of the report, and that the performance information covered the period 01 April to 30 June 2019.

Members received an update on the following issues:

- Performance and Benchmarking
- Scheme Information
- Member and Employer Contact
- Internal Disputes and Resolution Procedures
- An Administration Update
- Current Technical Issues
- Shared Service Budget

Members were invited to ask questions, in which the following points were noted:

- The Business Development Manager did not expect KPI's on staffing resources and priorities to worsen in the next reporting quarter as a result of the holiday season. It was hoped that the KPI figures would improve.
- It was clarified that it took longer to process 'Transfer Out Quotes' than other work types such as a 'Change of Bank Details' as the change in bank details

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was an instant change, whereas the transfer out quotes involved a lot more work.

RESOLVED:

That the report be noted.

30 EMPLOYER MONTHLY SUBMISSIONS UPDATE

Consideration was given to a report by the Accounting, Investment and Governance Manager, which provided up to date information on Employer Monthly Submissions for the first quarter of the financial year 2019/20.

Members were advised that changes to employers payroll providers, as well as staffing changes at payroll providers were two of the main reasons for late or incorrect submissions. It was noted that West Yorkshire Pension Fund had visited some employers and payroll providers in an attempt to help resolve issues.

Members were invited to ask questions, in which the following points were noted:

- Members raised concerns and questioned what actions were being taken against large employers that were repeatedly submitting late or incorrect data. It was clarified that an email was sent out to each employer. The emails were sent out on a monthly basis and included a senior contact from the organisation. The Accounting, Investment and Governance Officer personally contacts employers that were repeat offenders and engaged in discussions.
- Officer acknowledged the complexity of the data that needed to be provided and the reasons why submissions may be difficult for new payroll providers.
- Members were concerned that there were still employers submitting late or inaccurate data despite the increase in fines. Officers explained that increasing fines by large amounts could have detrimental impacts on smaller employers.
- Members were dissatisfied with the number of late or incorrect contributions and felt that they were not seeing enough improvements.
- Officers agreed to review the current fining and escalation process. The Accounting, Investment and Governance Manager would report the outcome of the review at the next meeting of the Committee.

RESOLVED:

1. That the report be noted;
2. That the employer fining and escalation process would be reviewed;
3. That the Board were satisfied that no further action be taken against employers submitting late or inaccurate payments or data at this time.

31 INVESTMENT MANAGEMENT REPORT

Consideration was given to a report by the Accounting, Investment and Governance Manager, which covered the management of the Lincolnshire Pension Fund Assets over the period from 01 April 2019 – 30 June 2019.

It was noted that over the period of 01 April 2019 to 30 June 2019, the Fund had increased in value by £105.5m to £2,457.2m.

Members were provided with a Fund summary for asset allocation and performance; an update on Hymans Robertson manager ratings and individual manager updates.

It was noted that since the last report there had been one change in the manager ratings, which was that Invesco Global Equities had been downgraded from positive to suitable. An explanation was provided in paragraph 2.4.

Officers had held a call with Invesco on the 26 September 2019 to discuss their performance and areas of concern. Managers from Invesco had provided an explanation of the work being done to help improve certain areas, with the hope that September's performance would show an improvement. Officers noted that the improvements seemed positive. The Accounting Investment and Governance Manager agreed to share the information from Invesco with the committee, and the Manager was happy to attend the Committee in January if Members wished for him to do so.

Members were invited to ask questions, in which the following points were noted:

- The Independent Advisor felt encouraged by the Fund Performance figures detailed within the report. It was noted that the Fund were making incremental changes to the strategic asset allocation benchmark as assets transitioned to Border to Coast, to ensure that the Fund did not have the same technical issues that occurred in 2010.
- Officers felt positive about the changes Invesco had made to their investment model and were having regular dialogue with the Manager.
- Members felt it was beneficial to continue to closely monitor the Invesco performance.
- It was agreed that a representative from Invesco be invited to attend the Committee meeting scheduled for 9 January 2019.

RESOLVED:

That the report be noted.

32 PERFORMANCE MEASUREMENT ANNUAL REPORT

Consideration was given to a report by the Head of Pensions, which set out the Fund's longer term investment performance for the period ending 31 March 2019.

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Members were advised that the Fund's performance over the past ten years was at 9.9%, which was slightly behind the benchmark return of 10.5%. It was noted that the biggest impact on performance over the period was from 2010.

Members were advised of the Fund's five year returns of 8.5%, and the three year returns of 10.2%.

RESOLVED:

That the report be noted.

33 PENSION FUND EXTERNAL AUDIT REPORT

Consideration was given to a report by the Accounting, Investment and Governance Manager, which summarised the findings from the work undertaken by the Council's External Auditors, Mazars, in giving their opinion on the Pension Fund Accounts and Annual Report.

Members were informed that the External Auditors had not identified any issues with the key risks considered, which were, management override of controls and the valuation of unquoted investments for which a market price was not readily available. Internal controls were also reviewed and no control deficiencies identified.

It was noted that Mazars had identified one unadjusted misstatement, just above their trivial threshold which was linked to the valuation of private equity and infrastructure assets at year end. Members were advised that this unadjusted misstatement could occur every year due to the data available when preparing the accounts being superseded with more up-to-date data when the audit was being completed. Officers had updated the accounting policy to address this issue, however it had still been reported.

Members were not concerned about the unadjusted misstatements.

RESOLVED:

That the report and appendices be noted.

34 INVESTMENT BELIEFS REPORT

Consideration was given to a report from the Head of Pensions, which summarised the work undertaken at the Committee training held on 03 September 2019 to create a set of Investment Beliefs and Responsible Investment Beliefs.

The Head of Pensions outlined the proposed key investment beliefs and responsible investment beliefs, and sought the Committee's views on these.

It was felt that Members beliefs had been well captured and the Committee were satisfied that the proposed Investment Beliefs and Responsible Investment Beliefs be agreed.

It was suggested that the Investment Beliefs set out within the report did not seem to correlate with some of the Equity Voting Activity set out in Appendix A to Item 6. Members reiterated the need for further explanation on the Equity Voting Activity.

RESOLVED:

1. That the report be noted;
2. That the Committee's Investment Beliefs, as set out in the report, be agreed;
3. That the Committee's Responsible Investment Beliefs, as set out in the report, be agreed.

35 2019 VALUATION UPDATE REPORT

Consideration was given to a presentation by Peter Summers, Hymans Robertson, which covered the draft whole Fund results of the 2019 triennial valuation to the Committee.

The presentation covered the progress of the valuation to date; the initial results for the whole Fund; the Funding Strategy and the next steps.

Members were advised that the Fund had continued to grow in size and was making good progress and that the number of deferred members had held steady.

It was felt that the current position of the Fund was good and was making good progress but to 'keep going'.

Hymans Robertson had proposed an assumed future investment return of 3.5% per annum, with a 77% likelihood of achieving this. This was open to discussion.

Officers sought Members' views and invited Members to ask questions, in which the following points were noted:

- The Independent Advisor acknowledged that there was currently an uncertain inflation environment, but encouraged Members to decrease the assumed investment return likelihood towards 70%.
- Some Members raised concerns about the media's interpretation of the funding level and that this could lead to further calls for cuts to LGPS pension benefits.
- Relative to other Funds, it was advised that Lincolnshire was not in a position to generally reduce employers contribution rates.

Following discussions, it was agreed that the Head of Pensions would move forward on the basis of an Assumed Investment Return of 4%.

RESOLVED:

1. That the report be noted;
2. That Officers move forward on an Assumed Investment Return figure of 4%.

36 **DRAFT FUNDING STRATEGY STATEMENT**

Consideration was given to a report by the Head of Pensions, which brought the draft Funding Strategy Statement to the Committee for discussion.

Members were informed that the Draft Funding Strategy Statement would be sent to all employers in the Fund for consultation in November, and would be brought back to the Committee for final approval.

Members were referred to Appendix A to the report, which set out the Draft Funding Strategy Statement 2019.

On behalf of the Committee, the Chairman congratulated the Head of Pensions for her winning the Outstanding Contribution of the Year award at the LAPF Investment awards.

RESOLVED:

That the report be noted.

The meeting closed at 12.22 pm

Agenda Item 5

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