

**PENSIONS COMMITTEE
 16 JULY 2020**

PRESENT: COUNCILLOR E W STRENGIEL (CHAIRMAN)

Councillors 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) and Steve Larter (Small Scheduled Bodies Representative)

Councillors: M A Whittington and Roger Buttery attended the meeting as observers

Officers in attendance:-

Yunus Gajra (Business Development Manager, West Yorkshire Pension Fund), Peter Jones, Claire Machej (Accounting, Investment and Governance Manager), Jo Ray (Head of Pensions) and Rachel Wilson (Democratic Services Officer)

78 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Coupland and Councillor R Waller (District Council Representative).

79 DECLARATIONS OF MEMBERS' INTERESTS

Mr Steve Larter (Small Scheduled Bodies Representative) declared that he was a deferred and active member of the Pension Fund.

Mr A Antcliff declared that he was an employee of Lincolnshire County Council and a member of the Pension Fund.

Councillor P M Key declared that he was an active member of the Lincolnshire County Council Pension Scheme.

80 MINUTES OF THE PREVIOUS MEETING HELD ON 11 JUNE 2020

RESOLVED:

That the minutes of the meeting held on 11 June 2020 be approved as a correct record and signed by Chairman.

81 INDEPENDENT ADVISOR'S REPORT

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

The update focused on the impact of the Covid-19 pandemic on markets over the period from March 2020 when the full scale of the pandemic was realised. It was reported that markets fell sharply at this point, however, whilst a modest bounce back had been expected, the Committee was advised that at the time of the writing of the report, most markets (with UK equities as the exception) were within about 10% of levels last seen in February 2020 before the pandemic became widespread. Therefore a solid recovery in share prices had occurred.

It was also reported that the world was in the middle of an unprecedented recession, which had been caused by the lockdowns and the consequential effect on working practices and therefore economic output. These measures were now in the process of being lifted and so there were some signs of an early recovery in output. However, there was a warning that a full recovery was likely to take several years.

RESOLVED

That the report be noted.

82 PENSION FUND UPDATE REPORT

Consideration was given to a report by the Head of Pensions which updated the Committee on Fund matters over the quarter ending 31 March 2020 and any current issues. The report provided updates on the funding level, responsible investments, TPR checklist dashboard, breaches register update, asset pooling update, investment consultancy services appointment, actuarial services appointment, FSS updates and conference and training attendance.

Members were guided through the report and it was highlighted that in terms of the Actuarial Services Appointment, the working group would include Councillors E W Strengiel and B Adams, as well as the Committee's Independent Advisor. The actions required had been sent out to the working group for consideration and a recommendation would be made to the Committee at the meeting in October 2020.

One member commented on the appendix to the report and highlighted that a lot of the votes were against the proposals put forward by Company Boards and it was noted that it was important for the Committee to see where fund managers were voting against these proposals to demonstrate that they were fulfilling responsible investment requirements.

RESOLVED

1. That the report be noted;
2. That the extension of the Investment Consultancy Services contract for an additional 12 months be approved;
3. That the amendments to the Funding Strategy Statement be approved.

83 PENSIONS ADMINISTRATION REPORT

Consideration was given to a report by the Business Development Manager from West Yorkshire Pension Fund (WYPF), the Fund's pension administrator and updated the Committee on current administration issues.

Members were guided through the report and it was highlighted that the overall customer satisfaction survey results were lower than the previous quarter but there was no justifiable reason for this.

It was also noted that no employer training was being undertaken at the moment, due to the Pandemic. However, it was planned to bring back the employer training as virtual sessions. The Committee was also advised that the majority of staff at WYPF were working from home most of the time.

Members were pleased to see that transfers out were being monitored.

RESOLVED

That the report be noted.

84 EMPLOYER MONTHLY SUBMISSIONS UPDATE

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

It was highlighted that the number of late payments was set out on page 72 of the report and the final quarter of the year had shown better compliance. It was also noted that the lockdown had improved performance and no fines had been issued during this quarter.

RESOLVED

That the report be noted.

85 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 1 January to 31 March 2020. The report covered a fund summary – asset allocation and performance; individual investment manager updates; and Hymans Robertson Manager Assessments.

The Committee was guided through the report and it was reported coronavirus and subsequent lock down had had a significant impact with the Fund decreasing in value by 12.7%. equities were particularly badly affected.

In response to a question, it was stated that Invesco's performance would have been expected to more closely track the benchmark than had been seen. Invesco had continued to underperform and the Committee was advised that if this underperformance had just been seen in this quarter, then this would be less of a concern, than the continuing performance. It was still not clear what was causing the underperformance. It was queried whether it was thought that Invesco would have still underperformed if the pandemic had not occurred, and it was thought this was likely.

RESOLVED

That the report be noted.

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

Consideration was given to a report by the Accounting, Governance and Investment Manager which outlined the performance of the Fund's property and infrastructure investments for the year ended 31 March 2020.

It was highlighted that the Fund had a strategic allocation to a property of 9% and infrastructure of 2.5%, the majority of this allocated to UK commercial property funds, with smaller elements in infrastructure, property venture and a European growth fund. All elements of this portfolio underperformed the benchmark in 2019/20 and overall performance had been affected by the Pandemic.

RESOLVED

That the report be noted.

87 LINCOLNSHIRE PENSION FUND RISK REGISTER

Consideration was given to a report by the Head of Pensions which presented the Pension Fund Risk Register and Risk Policy to the Committee for annual review and approval. In addition, the report also presented the Coronavirus Risk Register for consideration.

Members were guided through the report and it was noted that there had been no changes to the risk policy or risk register since the meeting in March 2020. It was also noted that an additional Covid-19 risk register had been created.

RESOLVED

1. That the risk management policy be approved;
2. That the risk register be approved;

3. That the Coronavirus risk register be approved.

88 ANNUAL PENSIONS COMMITTEE TRAINING PLAN AND POLICY

Consideration was given to a report which set out the training policy and the annual training plan for the Pensions Committee members for the year to June 2021.

The Chairman advised that there was a need for members to consider the areas of knowledge and skills where they would like to receive additional training, and it was requested that any suggestions for training should be e-mailed to the Head of Pensions with the Chairman copied in.

RESOLVED

1. That the training policy be approved;
2. That any areas for training at the September and February meetings should be e-mailed to the Head of Pensions;
3. That the annual training plan be approved.

89 PENSION FUND DRAFT ANNUAL REPORT AND ACCOUNTS

Consideration was given to a report by the Accounting, Investment and Governance Manager which brought the draft Annual Report and Accounts for the Pension Fund to the Committee for approval.

It was reported that the preparation of the accounts had been impacted by the Covid-19 pandemic. This included uncertainty around the valuation of illiquid assets, such as property, private equity and infrastructure valuations. In recognition of these issues, there had been a change to the statutory deadline for reporting as set out in the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 which came into force on 30 April 2020.

It was commented that in the previous year there had been an issue around illiquid valuations, and it was queried whether it was expected that this would arise again for this year. It was noted that the current illiquid assets valuations included within the accounts were based on information held on 31 March 2020, however, because of the extended accounts deadline these valuations could be updated. It was expected that updated 31 March 2020 valuations would start to be received from the end of July 2020 and would be incorporated into the accounts if considered materially different by officers.

RESOLVED

That the draft Pension Fund Annual Report and Accounts be approved.

90 CONSIDERATION OF EXEMPT INFORMATION

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PENSIONS COMMITTEE
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RESOLVED

That, in accordance with Section 100A of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that if they were present there could be a disclosure of exempt information as defined in paragraph 3 of Part 1 of Section 12A of the Local Government At 1972, as amended.

91 PROPERTY INVESTMENT

Consideration was given to a report by the Head of Pensions in relation to property investment.

A number of questions from members were asked and answered.

RESOLVED

That the recommendation as set out in the exempt report be approved.

92 INVESTCO - GLOBAL EX. UK EQUITY PORTFOLIO PRESENTATION UPDATE

Consideration was given to a report by the Accounting, Governance and Investment Manager which provided the Committee with an update on Invesco – Global ex. UK Equity Portfolio Presentation.

A number of questions from members were asked and answered.

RESOLVED

That the recommendation as set out in the exempt report be approved.

The meeting closed at 11.17 am