

County Offices  
Newland  
Lincoln  
LN1 1YL

2 December 2020

**In accordance with the powers granted by the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 this will be a virtual meeting.**

### **Pensions Committee**

A meeting of the **Pensions Committee** will be held on **Thursday, 10 December 2020 at 10.00 am as a Virtual - Online Meeting via Microsoft Teams** for the transaction of the business set out on the attached Agenda.

Access to the meeting is as follows:

Members of the Pensions Committee and officers of the County Council supporting the meeting will access the meeting via Microsoft Teams.

Members of the public and the press may access the meeting via the following link: <https://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=136&MId=5586> where a live feed will be made available on the day of the meeting.

Yours sincerely



Debbie Barnes OBE  
Chief Executive

### **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, 10 DECEMBER 2020**

Item	Title	Pages
1	<b>Apologies for Absence</b>	
2	<b>Declarations of Members' Interests</b>	
3	<b>Minutes of the previous meeting held on 15 October 2020</b>	5 - 12
4	<b>CONSIDERATION OF EXEMPT INFORMATION</b> <i>(In accordance with Section 100(A)(4) of the Local Government Act 1972, the following agenda items have not been circulated to the press and public on the grounds that they are 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 these items of business)</i>	
5	<b>Manager Presentation - Legal and General Investment Management - Future World Fund</b> <i>(To receive an exempt report by Claire Machej, Accounting, Investment and Governance Manager, which introduces a presentation from Legal and General Investment Management)</i>	13 - 56
6	<b>Manager Presentation - Border to Coast Pensions Partnership</b> <i>(To receive an exempt report by Claire Machej, Accounting, Investment and Governance Manager, which introduces a presentation from the Border to Coast Pensions Partnership)</i>	57 - 112

**Democratic Services Officer Contact Details**

Name: **Rachel Wilson**  
Direct Dial **07796 994874**  
E Mail Address [rachel.wilson@lincolnshire.gov.uk](mailto:rachel.wilson@lincolnshire.gov.uk)

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

- Business of the meeting
- Any special arrangements
- Copies of reports

Contact details set out above.

All papers for council meetings are available on:  
<https://www.lincolnshire.gov.uk/council-business/search-committee-records>

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**PENSIONS COMMITTEE  
15 OCTOBER 2020**

**PRESENT: COUNCILLOR E W STRENGIEL (CHAIRMAN)**

Councillors P E Coupland (Vice-Chairman), B Adams, 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)

Councillor M A Whittingham, Roger Buttery and David Vickers attended the meeting as observers

Officers in attendance:-

Iain Campbell (Investment Consultant, Hymans Robertson), Yunus Gajra (Business Development Manager, West Yorkshire Pension Fund), Peter Jones (Independent Advisor), Claire Machej (Accounting, Investment and Governance Manager), David Morton (Investment Consultant, Hymans Robertson), Jo Ray (Head of Pensions) and Rachel Wilson (Democratic Services Officer)

**93 APOLOGIES FOR ABSENCE**

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

**94 DECLARATIONS OF MEMBERS' INTERESTS**

Steve Larter declared that he was a deferred and inactive member of the Pension Fund.

Councillor P E Coupland declared an interest as Chairman of the Public Sector Partnership Services Ltd Board, which is an employer within the Lincolnshire Pension Fund.

Councillor P M Key declared an interest as an active member of the Pension Fund.

Mr A Antcliff declared an interest as an employee of Lincolnshire County Council and contributing member of the Pension Fund.

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95 MINUTES OF THE PREVIOUS MEETING HELD ON 16 JULY 2020

RESOLVED:

That the minutes of the meeting held on 16 July 2020 be approved as a correct record and signed by Chairman.

96 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 continued impacts of Covid-19 on the global economy, it was also expected that the upcoming US election would have an effect.

It was reported that in August, the economy only grew by 2% and it was expected that Quarter 3 in the UK would be disappointing. A similar situation was expected in parts of Europe. It was highlighted that Germany's economy was beginning to show signs of trouble, even though it was considered that their handling of Covid-19 had been textbook.

The view was that the western world was going to have a very difficult economic winter and output would fall from Q3 into Q4 of 2020. A consequence of this would be a rise in unemployment, and it was believed that this would mainly be focused on young people. China seemed to have mostly got over the virus, and whilst their economy was not quite as strong as it was in 2019, improvements were being seen, with journeys via public transport almost back to normal levels.

With the US election imminent, the Independent Advisor advised he had not commented on this in his report as the outcome was hard to anticipate at the time the report was written. The US stock markets were close to an all-time high (both the NASDAQ and the S&P500), partly due to the swing in the opinion polls. Also, unemployment was starting to rise quite quickly, and the economy was starting to falter. Congress was gridlocked and so the stimulus that was required was being blocked. Anticipation of the outcome of the election and the potential for a stimulus package in January had buoyed stock markets. It was also highlighted that as tech stocks were doing well, there was concern from some that this would not continue, however, it was suggested that one of the few 'winners' from Covid-19 were the tech companies as many people were now reliant on these products for day to day life and work.

Fundamentals were deteriorating, however, what was considered more important was the amount of liquidity coming from all the global central banks, and in the view of the Independent Advisor, it was unlikely that this would be taken away.

RESOLVED

That the update be noted.

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

Consideration was given to a report by the Independent Chairman of the Lincolnshire Local Pension Board which updated the Pensions Committee on the work of the Pensions Board during the last few months.

It was highlighted that five main issues had been identified by the Board and these were set out at the end of the report and included:

- Concerns about the quality of the external audit of a complex pension scheme and the process which had driven fees to such low levels that audit firms were withdrawing from the market;
- The Pension Board recommended two additional items for inclusion in the Risk Register;
- The vast majority of employers were paying their contributions on time and submitting the required documentation;
- Some concerns about The Pension Regulator (TPR) data scores and the Pension Board could not provide full assurance on this aspect; and
- The Board raised some concerns about the controls of the Suspense Account for unpaid pension benefits and the length of time that it took to locate "missing" members.

It was commented that the Pension Board thought that the WYPF team had transitioned successfully and seamlessly to working from home.

It was confirmed that the two additional risks for the risk register suggested by the Pensions Board would be considered as part of the next item.

**RESOLVED**

That the report be noted.

98     PENSION FUND UPDATE REPORT

Consideration was given to a report by the Head of Pensions which updated the Committee on Fund matters for the quarter ending 30 June 2020. The report covered a funding level update; responsible investments; TPR Checklist Dashboard; Breaches Register Update; Risk Register Update; Asset Pooling Update; FSS Update and Exit Credit Policy; and Conference and Training Attendance.

Members were advised that page 24 of the agenda pack set out two suggested additions to the risk register which had been put forward by the Pensions Board and it was suggested that they were added to the register as green risks.

Members were guided through the report, and reference was made to the exit credit policy and how the amended regulations (the Local Government Pension Scheme Regulations 2013) could affect pension funds. The regulations could require that any surplus had to be paid back to the employer when they left the Scheme. The draft

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policy which set out the general guidelines that Lincolnshire Pension Fund would follow when determining the amount of exit credit payable was attached at appendix E to the report.

In relation to attendance at conferences and training events, it was noted that officers had not attended anything in person since before March 2020, but they had attended many webinars. These included discussion on the impacts of Covid-19 and how pension funds were coping. It was reported that a number of Committee members had attended the Border to Coast Annual Conference on 2 October 2020.

One member commented that they had attended the virtual Border to Coast Conference and had found it to be very well organised.

**RESOLVED**

1. That the report be noted;
2. That the additions to the risk register as suggested by the Pension Board be approved;
3. That the Exit Credit Policy and the amendments to the Funding Strategy Statements be approved.

**99 PENSIONS ADMINISTRATION UPDATE REPORT**

Consideration was given to the quarterly report by the Fund's pension administrator, West Yorkshire Pension Fund. The Committee was updated on current administration issues.

Members of the Committee were guided through the report and were provided with the opportunity to ask questions to the officers present in relation to the information contained within the report and some of the points raised included the following:

- It was encouraging to see that the performance against the KPI's continued to be good.
- It was noted that the target for Transfer Out Quotes had not been met, but it was commented that this was understandable due to the extra requirements from the TPR to highlight pension scams to members, and was not a matter of concern to the Committee.
- It was queried whether there was a plan in place to manage the additional workload following the McCloud Review. It was reported that the West Yorkshire Pension Fund was in the early stages of devising a strategy, and a project team had been set up. A small admin team would also be established which would deal specifically with work following the McCloud review and also other specific projects.
- Reference was made to the Shared Service Budget which was set out on page 110 of the agenda pack. It was highlighted that the number of members for 2019/20 and 2020/21 were the same, and the 2019/20 outturn and 2020/21 forecast were also the same, and queried whether this was correct. The Business Development Manager advised that he would need to double check these figures and would report back to the Committee via the Head of Pensions and the Accounting, Governance and Investment Manager.



RESOLVED

That the report be noted.

100 EMPLOYER MONTHLY SUBMISSIONS UPDATE

Consideration was given to a report which provided the Committee with up to date information on Employer Monthly Submissions for the first quarter of the financial year 2020/21 (April to June 2020).

Members were guided through the report and it was highlighted that the late contributions and data submissions to June 2020 were set out on page 124 of the agenda pack.

RESOLVED

That the report be noted.

101 INVESTMENT MANAGEMENT REPORT

Consideration was given to a report that covered the management of the Lincolnshire Pension Fund assets over the period from 1 April 2020 to 30 June 2020. The report covered the Fund Summary – Asset Allocation and Performance; Individual Investment Manager Updates; and Hymans Robertson Manager Assessments.

It was reported that over this quarter, the Fund had produced a positive return of 10.53% which was only slightly below the benchmark. Details of individual manager performance was set out in Appendix B to the report.

The Fund's Investment Consultant provided the Committee with an assessment of the performance of the Fund's investment managers and portfolios. This focused primarily on the quarter to June 2020. It was highlighted that Invesco had continued to underperform both in rising and falling markets.

RESOLVED

That the report be noted.

102 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 2020.

Members were guided through the report and it was highlighted that Table 2.2 showed the performance of the fund over 1 year, 3 year, 5 year and 10 year periods. The Committee was advised that the performance at 10 years was in excess of the long term return required to meet the Fund's liabilities, even though it was slightly behind the Fund's benchmark, and was ahead of both inflation and average earnings.

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It was reported that the previous year had been difficult for the Fund with the underperformance of Invesco being a contributing factor.

RESOLVED

That the report be noted.

103 PENSION FUND EXTERNAL AUDIT REPORT 2019/20

Consideration was given to a report 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. Their findings were initially reported to the Council's Audit Committee in their Audit Completion Report in September 2020 and was summarised to the Pensions Committee.

It was reported that the changes expected to the draft accounts which were highlighted to the Committee at the July meeting had been incorporated into the accounts. Full details of the changes made were set out in the report at paragraphs 4 to 6.

Members were advised that the external auditor expected to give an unqualified opinion on the Pension Fund accounts by the end of October, but that the opinion contained an 'emphasis of matter' relating to the 'material valuation uncertainty' given by valuers of Property Unit Trust Funds. This would not affect the unqualified opinion, but did draw the reader of the accounts to the disclosure made on these matters in the financial statements.

RESOLVED

That the covering report and the Audit Completion Report prepared by the Council's External Auditors, Mazars, be noted.

104 CONSIDERATION OF EXEMPT INFORMATION

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 they could be a disclosure of exempt information as defined in paragraph 3 of Part 1 of Section 12A of the Local Government Act 1972, as amended.

105 INVESTMENT STRATEGY CONSIDERATIONS

Consideration was given to an report by the Head of Pensions in relation to Investment Strategy Considerations.

A number of questions from members were asked and answered.

RESOLVED

That the recommendations as set out in the exempt report be noted.

106 ACTUARIAL TENDER AND APPOINTMENT RECOMMENDATION

Consideration was given to a report by the Head of Pensions which set out the Actuarial Tender and Appointment Recommendation.

A number of questions by members were asked and answered.

RESOLVED

That the recommendations as set out in the exempt report be noted.

The meeting closed at 12.30 pm

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# Agenda Item 5

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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# Agenda Item 6

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