

**PENSIONS COMMITTEE
7 JANUARY 2021**

PRESENT: COUNCILLOR E W STRENGIEL (CHAIRMAN)

Councillors P E Coupland (Vice-Chairman), R D Butroid, Clio Perraton-Williams and Dr M E Thompson

Co-Opted Members: Mr A N Antcliff (Employee Representative), Steve Larter (Small Scheduled Bodies Representative) and R Waller (District Council Representative)

Councillors: Roger Buttery and David Vickers attended the meeting as observers

Officers in attendance:-

Andrew Crookham (Executive Director Resources), Yunus Gajra (Head of Governance and Business Development, West Yorkshire Pension Fund), Michelle Grady (Assistant Director for Strategic Finance), Peter Jones, Claire Machej (Accounting, Investment and Governance Manager), Jo Ray (Head of Pensions) and Rachel Wilson (Democratic Services Officer)

113 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Mrs S Rawlins.

114 DECLARATIONS OF MEMBERS' INTERESTS

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

Steve Later declared an interest as a deferred and active member of the Pension Fund.

Councillor R Waller declared that his daughter had been appointed as a senior manager for Children's Services at Lincolnshire County Council and was a contributing member of the Pension Fund.

115 MINUTES OF THE PREVIOUS MEETING HELD ON 10 DECEMBER 2020

RESOLVED:

That the minutes of the meeting held on 10 December 2020 be approved as a correct record and signed by Chairman subject to it being noted that Steve Larter's declaration should read that he was an active member of the fund rather than inactive.

116 INDEPENDENT ADVISOR'S REPORT

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

The Committee's Independent Advisor reflected on the changes to the market over the year since March 2020 when the effects of the Covid-19 pandemic on the world, and the global economy, became clearer. It was noted that even though global markets initially fell around 35%, there had been significant improvement in the following nine months, with equity markets being close to an all-time high.

The events which had led to the improvements in the markets were outlined and included the election of Joe Biden as the next US president, the appointment of a new Treasury Secretary in the US, as well as the announcements of successes in the development of several effective vaccines against Covid-19.

It was highlighted that the paper was written three weeks previously and a lot had changed since that time, in particular the emergence of several new variants of Covid-19, which had led to new lockdowns in the UK and Europe. It was assumed that Joe Biden would be taking up the office of president of the United States despite the events of the previous evening, and another significant factor had been the result in Georgia, where the Democrats won both seats to the Senate therefore Congress would not be gridlocked, as some had feared. There had been a Brexit solution which whilst not of global significance, it had helped markets in the UK which had risen 3% the previous day.

In terms of the global economy, it fell around 5% in 2020, with the expectation that it would rise around 5% in 2021, particularly helped by China and the economies of East Asia, which seemed to be growing quite strongly. However, this had been the expectation before the new Covid-19 variants were identified which would particularly impact the UK. It was expected that any recovery would be back-end loaded. Markets were, however, still confident that there would be a significant improvement in profits and dividends.

Despite the large falls of the markets in March 2020, investments had had a very good year. Most equity markets around the world grew by around 10% in 2020, however, the UK was the exception to this and was down 10%, but it did rebound following the Brexit news.

RESOLVED

That the update be noted.

**117 REPORT BY THE INDEPENDENT CHAIR OF THE LINCOLNSHIRE
LOCAL PENSION BOARD**

Consideration was given to a report by the Independent Chair of the Lincolnshire Local Pension Board which updated the Committee on the work of the Pension Board during the previous few months; to give assurances to the Committee from the work

of the Pensions Board and for the Committee to consider recommendations from the Pension Board.

Members were guided through the report and concerns were raised by the Committee around the Data Scores, and it was commented that a report to the next Pension Board meeting on progress with this would be welcomed. It was noted that there had been some improvement over the past six months, and the Independent Chair would report back on this at the next meeting in March 2021.

The Executive Director – Resources commented that there was disappointment that signing off of the Council's accounts had been delayed. It was noted that this was due to the valuation of the Energy from Waste facility in North Hykeham. The Council had agreed a valuation approach with the previous auditors which had been in place for a number of years. The current auditors were not satisfied with the valuation approach and a new valuation had been required which caused the delay, as this required a site visit. Officers were now working to resolve the issue as soon as possible. This would also unfortunately impact on the Pension Fund accounts, but was unavoidable.

RESOLVED

That the update be noted.

118 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 September 2020 as well as any other current issues.

It was reported that this was the standard quarterly report, and the relative performance to the end of September 2020 was positive but it did lag the benchmark.

Members were advised that the next training session for the Pensions Committee and Pensions Board would take place on Thursday 11 February 2021 between 10am and 12noon. This training would be held virtually and an appointment would be sent out later that day.

Members 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. Some of the points raised during discussion included the following:

- Queries were raised regarding the £95k exit cap referred to in paragraph 7.7, and whether if a member of the pension fund were to take the reduced amount and the legislation then changed would they be able to come back for the remaining amount, if they chose to defer their pension was there a time limit. Members were advised that if the legislation changed the amount would be recalculated so the scheme members would always get what they were entitled to. Also, if they chose to defer, they could take it at any point up to the age of 75 which was the standard set out in the legislation. It was also queried

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whether there were many people who were reaching this cap amount. It was noted that this was more of an employer issue as they needed to ensure that total exit payments were not breaching this cap. It was confirmed that there were no figures available yet, and it was not anticipated to be a significant issue at this time.

- In terms of the termination of Invesco, it was queried how this was progressing. The Committee was advised that a meeting had been held with Legal and General the previous day to agree the transition plan. Discussions had also taken place with Invesco as well as Legal and General and Border to Coast. It was hoped that dates would be finalised the following week and that the transition would be undertaken in February 2021.
- The Chairman advised that if any of the Committee would like to raise a question to the Border to Coast Joint Committee, could they direct it to him in advance of the meeting and he would ask it on their behalf.

RESOLVED

That the report be noted and the addition to the risk register detailed in Section 5 of the report be agreed.

119 PENSION ADMINISTRATION UPDATE REPORT

Consideration was given to the quarterly report by the Fund's Pension Administrator, West Yorkshire Pension Fund (WYPF), to the period to the end of September 2020. Members were guided through the report by the Head of Governance and Business Development for WYPF.

It was highlighted that in terms of the KPI's performance, this had remained good and cases had not suffered due to remote working.

It was queried whether in relation to the transfer out quotes there had been consideration of changing the target dates, due to the additional work which needed to be carried out to ensure that transfers were safe for the scheme member. The Committee was advised that this would be looked at either by changing the number of days or looking at whether it could be measured from a different point in the process. It was hoped that this would be resolved before the next quarter.

The Age profile at table 2.4 was questioned, with the number of members in the younger age groups looking relatively low, and whether that was because there were fewer younger people employed or whether they were opting out of the pension scheme. It was noted that this information was not known, as only the details of people who had joined the Scheme were known. The details of those who had opted out would be held at employer level, however, based on experience it was believed that this would be due to a combination of both factors.

RESOLVED

That the report be noted.

120 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 second quarter of the financial year 2020/21 (July to September inclusive). It was noted that this covered the late and inaccurate employer submissions. The Committee was guided through the report.

It was reported that there were very few instances of employers who pay late cash contributions. The area of poorest performance remained the data being returned. It was reported that in the first quarter of the year there were issues with a large payroll provider to academies submitting data returns, but following intervention from the West Yorkshire Pension Fund representatives these issues saw some improvement in the second quarter of the year. However, moving forward into the third quarter their performance had deteriorated again. It was noted that the finance technician from the Fund had been in contact with the payroll provider and their associated employers. In addition, the Fund had written to all of those employers affected by these issues to remind them of their responsibilities in relation to the submission of timely and accurate data.

A small number of late submissions were seen in August, mainly due to the submission date falling over a weekend, and a small number of changes to payroll providers. Details of employers who had made late returns were set out in the appendix to the report.

In relation to paragraph 1.7, it was noted that the fines were set at a minimum of £136, and it was queried whether they could also be set higher, and who would make that decision. The Committee was advised that this was set out in the administration strategy and employers would be aware of the level of fines which could be applied. The imposition of a fine was a Fund decision, and employers would be late if they were late three times in any six month rolling period. Officers would use their discretion to determine whether the level of fine needed to be increased based on the time spent resolving issues.

RESOLVED

That the report be noted.

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

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The Committee received a report which brought the Responsible Investment Policy and Corporate Governance and Voting Guidelines documents to the committee for consideration and requested agreement to align the Lincolnshire pension fund documents with those of Border to Coast.

It was highlighted that the review process was set out in paragraphs 4 - 6 on page 88 of the agenda pack, with key changes to the Responsible Investment policy set out in table at paragraph 10. These changes consisted of minor additions and clarifications with no substantial changes. Key changes to the Corporate Governance and Voting guidelines were set out in the table at paragraph 13. Again these consisted of minor additions and clarifications with no substantial changes.

It was noted that both documents were very closely aligned to how the Lincolnshire pension fund considered it should act as a responsible investor and there were no contentious issues which had been raised.

RESOLVED

1. That the proposed Border to Coast Responsible Investment Policy and Corporate Governance and Voting Guidelines be noted;
2. That the Lincolnshire Responsible Investment Policy and Voting Guidelines be aligned to Border to Coast's;
3. That the report be noted.

122 INVESTMENT STRATEGY UPDATE (JANUARY 2021)

Consideration was given to a report which updated the Committee on the Fund's Investment Strategy and how it was being implemented.

It was reported that this was last considered by the Committee in January 2020. The Fund's targets and allocations were set out at the top of page 118 of the agenda pack.

It was reported that good progress has been made, over the past 12 months, towards implementing the proposed asset allocations.

RESOLVED

That the report be noted.

123 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 item 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 Act 1972, as amended.

124 INVESTMENT PERFORMANCE REPORT

Consideration was given to a report by the Accounting, Investment and Governance Manager which set out the performance of investment managers for the Lincolnshire Pension Fund over the period 1 July 2020 to 30 September 2020.

RESOLVED

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

The meeting closed at 11.07 am