

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

Councillors P E Coupland (Vice-Chairman), B Adams, R D Butroid, P M Key, Mrs S Rawlins 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, Gerry Tawton and David Vickers attended the meeting as observers

Officers in attendance:-

Andrew Crookham (Executive Director Resources), Lisa Darvill (Client Relationships Manager, West Yorkshire Pension Fund), Yunus Gajra (Head of Governance and Business Development, West Yorkshire Pension Fund), Peter Jones, Claire Machej (Accounting, Investment and Governance Manager), Jo Ray (Head of Pensions) and Rachel Wilson (Democratic Services Officer)

125 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor C L Perraton-Williams.

126 DECLARATIONS OF MEMBERS' INTERESTS

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

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

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

Councillor R Waller declared an interest as his daughter was an active member of the Pension Fund as she worked for Lincolnshire County Council.

127 MINUTES OF THE PREVIOUS MEETING HELD ON 7 JANUARY 2021

RESOLVED:

That the minutes of the meeting held on 7 January 2021 be approved as a correct record and signed by Chairman.

128 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 informed the Committee that the conclusion of his report which had been written two weeks prior to the meeting, had been "to travel hopefully" in respect of global equities, and since then there had been a growing number of caveats which he wished to explore during his update. However, the most important event had been the US President's stimulus package of \$1.9 trillion, which equated to around 9% of US national output. About one third of that amount would be issued as cheques in the post to many private individuals in the US in the coming week or so. This would then be cash in the bank for families and would be spent on goods and services. This would provide a huge stimulus to the US economy and most commentators believed this would have a worldwide effect.

In terms of the caveats previously mentioned, it was reported that the principal one was the long term interest rates, which had risen sharply this year. This, plus other factors were increasing fears of inflation. It was reported that views of economists were split. It was believed that globally inflation would rise. However, it was not clear whether it would rise to 2 – 2.5% around the world then fall back or whether it would be a substantial rise over the coming years.

The Advisor had been reminded from a question in a previous set of minutes about speculation in the tech stocks (e.g. Amazon and Google), and at the time he had stated that they had been some of the major beneficiaries from Covid-19 due to the increased numbers of people working from home, shopping online, and their valuations had risen sharply. However, as Covid-19 was now in decline in the US, and this pattern was likely to follow around the world in the second half of 2021, it was noted that these stocks had fallen sharply between mid-February and mid-March 2021 by 12%.

The Independent Advisor concluded his update by discussing the role of the global central banks, as they had assisted government support by providing liquidity and lowering interest rates. It was commented that they would not want to take any action, such as withdrawing that liquidity too soon as it might risk stalling any economic recovery. If central banks remained unconvinced about the pace of economic recovery, it was thought that the outlook for equities remained positive. However, if everyone, including the banks, was certain of a robust economic recovery, that would be when concerns arose. The Federal Reserve had recently announced that interest rates would remain unchanged until 2022 at the earliest. It was also noted that the Bank of England was meeting that day as well.

It was commented that if there was rising inflation and interest rates also went up, this was likely to result in a lot of people and businesses struggling financially. The Committee was advised that this was the last thing that central banks and the government wanted, but the question would be how far they would be prepared to let inflation rates rise. It was noted

that the markets were comfortable with inflation and interest rates up to 2%. It was commented that if inflation went up to 3% (for example) in the US, it was likely that the Federal Reserve would step in and take some action.

RESOLVED

That the update be noted.

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

Consideration was given to a report which updated the Committee on the work of the Pensions Board during the previous few months and provided the Committee with assurances gained from the Pension Board's work.

The Chairman of the Lincolnshire Local Pension Board guided members through the report, and brought to their attention the data scores; employer monthly submissions and contribution monitoring; and the Border to Coast Pensions Partnership – Deep Dive. In relation to the Pension Regulators data scores it was noted that the Scheme Specific scores had improved from 77% to 84% over six months, and the Board would continue to monitor the position.

In relation to the employer submissions, there was disappointment that there had been 57 late data submissions and 13 late payments of contributions. However, the Board did accept that there was some mitigation due to the difficult operating conditions as a result of Covid-19.

It was also highlighted that there was a potential conflict of interest in relation to the Border to Coast Board Partner Fund non-executive directors. It was reported that Lincolnshire County Council did not support this arrangement and had not made any nominations.

RESOLVED

That the report be noted.

130 PENSION FUND UPDATE REPORT

Consideration was given to a report which updated the Committee on Fund matters for the quarter ending 30 December 2020. The matters included in the report included Funding and Performance update; TPR Checklist Dashboard; Breaches Register; Risk Register Update; Asset Pooling Update; Good Governance Review; Independent Advisor – Review Against Objectives; Investment Consultancy Services Contract; and Conference and Training Attendance.

**PENSIONS COMMITTEE****18 MARCH 2021**

Members were guided through the report and attention was drawn to the updates in relation to the funding level, the updates to the risk register, and the good governance review.

In relation to the performance of the Independent Advisor, members commented that as non-specialists in finance, they had always found his reports very useful in following the markets. The Committee did not consider that there were any changes or improvements necessary.

It was reported that, in terms of conference and training attendance, members and officers had attended many virtual meetings since the previous quarter.

**RESOLVED**

1. That the report be noted;
2. That the comments made in relation to the performance of the Independent Advisor be noted;
3. That the creation of a working group of officers and volunteers from the Pensions Committee be approved to consider the Investment Consultant appointment and, following due process, recommend an appointment to the October meeting of the Pensions Committee.

**131 RESPONSIBLE INVESTMENT UPDATE**

Consideration was given to a report which provided the Committee with an update on the Responsible Investment activity during the third quarter of the financial year 2020/21 (October to December inclusive).

Members were guided through the report, and it was commented that Border to Coast was a strong advocate of Responsible Investment, and this was always high up on its agenda.

**RESOLVED**

That the Committee notes the report.

**132 PENSIONS ADMINISTRATION REPORT**

Consideration was given to the quarterly report by the Fund's pension administrator, West Yorkshire Pension Fund (WYPF).

Members were guided through the report with particular attention paid to the performance against key areas of work from 1 October – 31 December 2020. Attention was also drawn to Scheme information - in particular that the numbers in the Fund had remained stable, with

the number of 'undecided' reducing; the age profile of the scheme; member and employer contact; and employer training, which was being held virtually.

Members were advised that it had been a very busy period, but it was pleasing to see targets being met, even though the team continued to work remotely.

RESOLVED

That the report be noted.

### 133 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 third quarter of the financial year 2020/21 (October to December inclusive).

It was reported that this was the standard quarterly report and it was highlighted that there were very few employers who paid their contributions late. However, members were informed that there had been a deterioration in the performance of one of the larger payroll providers submitting employer data during this quarter. The Fund contacted all affected employers and encouraged them to work with the payroll provider to improve compliance. The Fund had also been actively engaging with the provider to ensure they met the statutory deadlines. It was noted that progress had been good and in January 2021, just one submission had been late.

In response to the update, members queried whether the late payments were due to Covid-19. It was commented that by quarter 3 of the financial year, staff would have been working from home for six months, therefore it was likely that any initial problems that would have been encountered should have been resolved by this point. It was also noted that payroll providers could have periods of poor performance, for example if they had turnover in their staff.

RESOLVED

That the report be noted.

### 134 LINCOLNSHIRE PENSION FUND POLICIES REVIEW

Consideration was given to a report which brought to the Committee the main policies of the Pension Fund for review. It was reported that any areas which had been updated were set out in the report. The policies brought to the Committee for review were as follows:

- Investment Strategy Statement (ISS)
- Communications Policy
- Governance Compliance Statement
- Breaches Reporting Policy
- Code of Conduct and Conflicts of Interest

It was highlighted that the main change was in the Pension Fund Code of Conduct and Conflicts of Interest Policy and related to amendments to separate out where requirements differed for the Board and the Committee, and also the addition of consideration of stewardship responsibilities.

It was noted that there very few changes to any of the other policies, and none that were contentious.

RESOLVED

That the policies, as set out below, be approved:

1. Investment Strategy Statement (ISS)
2. Communications Policy
3. Governance Compliance Statement
4. Breaches Reporting Policy
5. Code of Conduct and Conflicts of Interest

135 LINCOLNSHIRE PENSION FUND - BUSINESS PLAN 2021/22

Consideration was given to a report which presented the Lincolnshire Pension Fund Business Plan 2021/22 to the Committee for approval. It set out the overall objectives, Pension Fund Statistics, resources and budget, key tasks for 2021/22, key risks and the forward Plan for 2021/22.

It was noted that where tasks had not been completed from 2020/21 this had been due to circumstances outside of the control of the Team.

RESOLVED

That the Lincolnshire Pension Fund Business Plan 2021/22 be approved.

136 ANNUAL REPORT AND ACCOUNTS 2020/21: REVIEW OF ACCOUNTING POLICIES

Consideration was given to a report which summarised the changes to the Code of Practice on Local Authority Accounting which would be incorporated into the 2020/21 Statement of Accounts for Lincolnshire Pension Fund; the proposed amendments to the Accounts and Audit Regulations 2015, which were currently out for consultation, and the impact this would have on the 2020/21 Statement of Accounts; and the review of the Council's Accounting Policies for the Pension Fund Statements.

It was highlighted that there had only been minor amendments to the guidance and so there had only been minor changes to the accounts and accounting policies. It was also noted that

consideration would have to be given to valuations for unquoted assets received after the draft accounts had been published, but in advance of the final accounts being signed off.

It was queried whether officers were able to provide an update on the sign off of the previous year's accounts. The Committee was advised that this was almost complete, as mentioned previously, the County Council had engaged a specialist valuer to provide a valuation of the Energy from Waste facility in North Hykeham. The new valuation provided was close to the existing valuation, and there was no requirement to change the accounts as the new valuation was within the materiality limits. This was currently going through the Mazars quality assurance process so should be signed off in the coming days.

#### RESOLVED

1. That the changes required to the Statement of Accounts from the Code of Practice 2020/21 be noted;
2. That the proposed changes to the Accounts and Audit Regulations 2015, which were out for consultation, be noted; and
3. That the Statement of Accounting Policies (attached at Appendix A to the report) be approved for use in preparing the Local Government Pension Scheme (LGPS) Pension Fund accounts for the financial year ending 31 March 2021.

#### 137 LINCOLNSHIRE PENSION FUND - FUNDING STRATEGY STATEMENT AND EMPLOYER FLEXIBILITIES POLICIES

Consideration was given to a report which advised the Committee of updates to the Funding Strategy Statement (FSS), following the appointment of Barnett Waddingham, and new employer flexibilities policies in light of the new Regulations that came into force on 23 September 2020. The Regulations required these policies to be referenced in the Funding Strategy Statement.

It was reported that the FSS and the policies were sent to all employers in the Fund for consultation on 4 March 2021. No negative feedback had been received, and the consultation had closed the previous day.

#### RESOLVED

That the updated Funding Strategy Statement, Deferred Debt and Debt Spreading Policy, and the Contribution Review Policy be approved.

#### 138 CONSIDERATION OF EXEMPT INFORMATION

#### RESOLVED

**8**

**PENSIONS COMMITTEE**

**18 MARCH 2021**

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 Act 1972, as amended.

**139     INVESTMENT PERFORMANCE REPORT**

Consideration was given to a report by the Accounting, Investment and Governance Manager which set out investment performance for the Lincolnshire Pension Fund over the period 1 October 2020 to 31 December 2020.

(NOTE: Councillor P E Coupland left the meeting at 12.19pm)

RESOLVED

That the recommendations as set out in the exempt report, be approved.

**140     PENSIONS ADMINISTRATION SHARED SERVICE EXTENSION**

Consideration was given to a report which provided the Committee with information in relation to the Pensions Administration Shared Service Extension.

RESOLVED

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

The meeting closed at 12.25 pm