

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

Councillors P E Coupland (Vice-Chairman), M G Allan, Mrs A M Newton MBE, T Smith and Dr M E Thompson

Co-Opted Members: Mr A N Antcliff (Employee Representative) and Steve Larter (Small Scheduled Bodies Representative)

Councillors: attended the meeting as observers

Officers in attendance:-

Michelle Grady (Assistant Director – Finance), Claire Machej (Accounting, Investment and Governance Manager), Jo Ray (Head of Pensions), Rachel Wilson (Democratic Services Officer), Roger Buttery, Yunus Gajra (Head of Governance and Business Development, West Yorkshire Pension Fund), Peter Jones (Independent Advisor) and Dave Vickers (Pensions Manager)

1 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors M Griggs and S Parkin.

2 DECLARATIONS OF MEMBERS' INTERESTS

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

Mr Andy Antcliff declared an interest as a contributing member of the fund as an employee of Lincolnshire County Council.

Councillor M G Allan declared an interest as an active member of the Pension Fund.

3 MINUTES OF THE PREVIOUS MEETING HELD ON 18 MARCH 2021

RESOLVED:

That the minutes of the meeting held on 18 March 2021 be approved as a correct record and signed by Chairman.

4 INDEPENDENT ADVISOR'S REPORT

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**PENSIONS COMMITTEE**

**15 JULY 2021**

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 his report had been written three weeks earlier, and since then there had been no significant changes. Professional investors were of the opinion that there would still be a major economic upturn, but there was still anxiety about the sharp rise in inflation in the USA. The latest US published inflation rate was 5.5%, to put this into context, at the previous meeting it had been noted that the Federal Reserve was anxious about it going above 3%. The Federal Reserve was holding its nerve and not raising interest rates at this time in response.

It was also reported that US second hand car prices had risen year on year, as there was a huge shortage of new cars due to a lack of computer chips. The price of iron had also doubled since the previous year. However, the majority still believed that market inflation would be short lived. It was noted that long term investments, such as pension funds and insurance companies, were generally growing.

In closing, the Advisor commented on the UK market, which looked quite cheap compared to other global competitors. It was also noted that there had been large increase in UK companies being taken over by overseas companies, often by overseas private equity firms. This was leading adverse comments in the media and in parliament. The UK market has been drifting upwards in response to this takeover activity and it was expected to continue to do so, if only modestly.

It was queried whether there was a risk with the takeover of companies and assets to the Council's pension fund. It was also queried whether there was a need to diversify the Fund's assets to ensure that it was not overly reliant on global companies and gilt yields. The Committee was advised that the Lincolnshire fund would benefit when stocks it held were taken over at elevated prices, however, in the long term it would reduce the attractiveness of the UK market as it would lack the high growth companies, particularly the tech companies. There would also be an issue with UK companies which were managed from abroad.

RESOLVED

That the update be noted.

5 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 Pensions Committee on the work of the Board during the past few months. It was highlighted that there had been five areas of particular focus for the Pension Board at its last meeting on 18 March 2021 which were: Employer Monthly Submission and Contribution Monitoring; the Pension Regulator's Public Service Governance

Survey; Pension Benefits in Suspense – temporary bank accounts; Governance – TPR Checklist Dashboard; and Pension Board Membership.

RESOLVED

That the update be noted.

6 PENSION FUND UPDATE REPORT

Consideration was given to a report presented by the Head of Pensions which updated the Committee on Fund matters for the quarter ending 31 March 2021. Members were guided through the report and the following was noted:

- The Executive Director – Resources, as the S151 Officer, was informed of the breaches which were reported to the Pensions Regulator;
- A number of changes to the meeting timetables had been proposed, in particular the request to move the meeting scheduled for 9 December 2021 to 2.00pm 16 December 2021 due to a clash with the LAPFF Annual Conference; and
- In relation to training, it was noted that there were two new member training sessions planned for the beginning of September, hosted by Border to Coast was being. These would be held virtually. The Border to Coast annual conference on 30 September and 1 October would be face to face in Leeds.

RESOLVED

1. That the report be noted;
2. That the proposed changes to the December, January, September and October Committee meetings, as set out in section 7 of the report be approved.

7 RESPONSIBLE INVESTMENT UPDATE

Consideration was given to a report which provided the Committee with an update on Responsible Investment activity during the fourth quarter of the financial year 2020/21 (January to March inclusive). Members were guided through the report and some of the points raised during discussion included the following:

- It was queried whether the Fund was informed about voting activity before votes took place. Members were advised that there was a voting policy for Border to Coast, which would be followed, and it would only be if Border to Coast were proposing to vote in a way that could be deemed controversial that the Funds would be consulted beforehand.
- In terms of the net zero proposal, it was queried whether there was a risk to smaller investment opportunities, or if there was a risk of stifling competition.

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It was noted that the proposal would be across the entire fund, and there was not an expectation for every company or investment to be net zero.

- Guidance from MHCLG was expected in relation to Responsible Investment, as there would be a requirement for funds to record what they were doing in relation to this. This was an area it was planned to hold some training on in the future.

RESOLVED

That the report and the Responsible Investment activity undertaken during the quarter be noted.

8 PENSIONS ADMINISTRATION REPORT

Consideration was given to a report presented by the Assistant Director (Finance, Governance and Administration) from the West Yorkshire Pension Fund, who updated the Committee on current administration issues. Members were guided through the report and some of the points raised during discussion included the following:

- In relation to the performance indicators, it was queried whether the targets were too lenient as they had been relatively easy to achieve. The Committee was advised that this had been discussed at the Shared Services Management Meeting and a working group would be set up to examine all the performance indicators and whether they needed to be revised.
- In relation to the Shared Services Budget, it was queried whether any savings had arisen from the changes to working arrangements over the past 16 months, and if it was likely that these changes would remain in place. Members were advised that there had been investment in items such as computers, screens, mobile phones as well a large investment in the IT systems to enable the workforce to continue working full time during this period. The option to bring some staff back into the office on hybrid working arrangements was being explored. The savings planned would come from the review of the Members Pensions Portal, which would reduce the cost of printing and postage.
- It was commented that there was a need for the administrators of the Pension Fund to do a good job and provide good value cost per member. It was positive to see that the Fund was getting a £3 rebate per member, and there were no outstanding appeals or cases with the Ombudsman. It was commented that the West Yorkshire Pension Fund was doing a good job as the Fund's administrator.

RESOLVED

That the report be noted.

9 EMPLOYER MONTHLY SUBMISSIONS UPDATE

Consideration was given to a report which provided the committee with information on Employer Monthly Submissions for the fourth quarter of the financial year 2020/21 (January to March inclusive). Members were guided through the report and it reported that generally there were very few employers who paid their contributions late, issues were more likely to occur around late or inaccurate data returns.

RESOLVED

That the report be noted and no further actions be taken against employers submitting late or inaccurate payments or data.

10      LINCOLNSHIRE PENSION FUND RISK REGISTER

Consideration was given to a report which presented the Pension Fund Risk Register and Risk Policy to the Committee for annual review and approval. Members were guided through the report and it was noted that there were no changes to the policy which needed to be brought to the attention of the Committee. It was also reported that there were currently no red risks, and assurance across the risks was generally substantial or high. Work was still underway on the risk appetite.

RESOLVED

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

11      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 2022. It was reported that all new members of the Committee had now completed the initial training with the Head of Pensions.

It was requested that once members had completed the TPR online training, certificates should be sent to the Head of Pensions so they could be added to the members' training record.

RESOLVED

1. That the training policy be approved;
2. That the proposed areas for training at the September and February meetings be agreed as set out in the report;
3. That the annual training plan be approved.

**12      PENSION FUND DRAFT ANNUAL REPORT AND ACCOUNTS**

The Committee received the draft Annual Report and Accounts for the Pension Fund. The draft Annual Report and Accounts for the year ended 31 March 2021 had been completed and were being independently audited by the Council's external auditors, Mazars. It was noted that the Accounts element of the report may be subject to change in light of outstanding valuation information relating to unquoted asset valuations as at 31 March 2021. Subject to the completion of the External Audit work the final Annual Report and Accounts would be presented to the Pensions Committee in October.

It was commented that the previous year, the main LCC accounts had had a challenging audit and it was queried whether the same issues were likely to be experienced for this year's accounts. Members were advised that the work on the audit for the Pension Fund had commenced in June 2021, and by the end of July the majority of the work should be completed. Some further audit time was planned for the beginning of September and to review any further unquoted valuations received. It was not anticipated that there would be any problems in relation to the Pension Fund accounts.

It was clarified that the previous year, there had been a particular issue around the Energy from Waste facility, however, Mazars were content with the work that had been completed around this and had given no indication that there would be any issues this year.

**RESOLVED**

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

**13      ANNUAL REPORT ON THE FUND'S PROPERTY AND INFRASTRUCTURE INVESTMENTS**

Consideration was given to a report which outlined the performances of the Fund's property and infrastructure investments for the year ended 31 March 2021. Members were guided through the report and some of the points raised during discussion included the following:

- In relation to property investment, it was commented that this could be quite volatile, and it was believed that the Chancellor was keen to encourage pension funds to make infrastructure investments. It was queried whether there had been any engagement between the Chancellor and pension funds. It was confirmed that there had been discussion, but pension funds needed to be invested for the benefit of its members. However, infrastructure could be a good investment for pension funds, but it would be important to ensure that it was the right opportunity for the Fund.
- It was suggested that there may be a need for something to be brought to the Committee on this subject, however, members were advised that a good opportunity to discuss this further would be alongside the strategic asset allocation training scheduled for September, and any points raised would be brought forward to the Committee meeting in October.

- A query was raised in relation to the market value of property, and members were advised that the valuations were provided by independent property experts in commercial property.

RESOLVED

That the report be noted.

14 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.

15 INVESTMENT PERFORMANCE REPORT

Consideration was given to a report which covered investment performance. A number of questions were asked and answered.

RESOLVED

That the exempt report be noted.

The meeting closed at 11.33 am