



**PENSIONS COMMITTEE
17 MARCH 2022**

PRESENT: COUNCILLOR E W STRENGIEL (CHAIRMAN)

Councillors M G Allan, S R Parkin, T J N Smith and Dr M E Thompson

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

Councillor M Whittington, Roger Buttery, Gerry Tawton and David Vickers attended the meeting as observers.

Officers in attendance:-

Andrew Crookham (Executive Director - Resources), Peter Jones (Independent Advisor), Claire Machej (Accounting, Investment and Governance Manager), Matthew Mott (West Yorkshire Pension Fund), Jo Ray (Head of Pensions) and Rachel Wilson (Democratic Services Officer)

21 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Mrs A M Newton and M A Griggs.

An apology for lateness was received from Councillor S R Parkin.

22 DECLARATIONS OF MEMBERS' INTERESTS

Steve Larter (Small Scheduled Bodies Representative) declared an interest as an active and deferred member of the Pension Fund.

Councillor R Waller (District Council Representative) declared an interest as his daughter and her partner were a member of the Pension Fund.

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

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

23 MINUTES OF THE PREVIOUS MEETING HELD ON 6 JANUARY 2022

RESOLVED:

That the minutes of the meeting held on 6 January 2022 be approved as a correct record and signed by Chairman.

24 INDEPENDENT ADVISOR'S REPORT

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

The Committee's Advisor informed the Committee of the following matters:

- Overall, economic recovery was strong – forecasted at 5% growth per annum; however, the cost-of-living crisis jeopardised recovery.
- Inflation was approximately at 8% and predicted to reach 10% in the fourth quarter.
- Interest rates were predicted to rise in the short-term.
- The conflict in Ukraine had created market unpredictability; however, possible resolution had assured markets and equities had started to stabilise and rebound.

In response to questions, the Committee was advised that interest rate rises were transient but that the cost-of-living rise was a longer-term issue. The Committee was also advised that China was an important emerging market but that pandemic public health measures had greatly affected growth, which was predicted to be 0% for the second quarter.

RESOLVED:

That the update be noted.

25 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. During the last meeting, the Board focused on the following matters:

- Concern had been raised regarding data quality, specifically Scheme Specific data which had been measured at 85% with no discernable improvement having materialized.
- The Board welcomed the successful partnership working between the Fund and employers.
- Concerns over the external audit process where recruitment issues and the complexity of the requirements had strained resources and the timely completion of work.

RESOLVED:

That the report be noted.

26 PENSION FUND UPDATE REPORT

Consideration was given to a report which updated the Committee on Fund matters for the quarter ending 31 December 2021 and any other current issues. The Committee was guided through the report and the following was noted:

- Fund performance was above the benchmark.
- The Fund generally met all the regulators requirements but was awaiting for TPR training to be completed by one Committee member.
- One additional breach had been added to the log in relation to late payment of contributors.
- There had been no changes to the risk register.
- Border to Coast held a meeting with Funds on 2 March 2022 to discuss the impacts of the conflict in Ukraine.
- The Council was required to maintain its professional investor status and was distributing a questionnaire to members of the Committee to determine and demonstrate a good level of knowledge and understanding and identify training requirements.
- The Fund had maintained its recovery from the falls last year, and was 100.7% funded with an overall value of £3,085 million.

The Committee discussed the report and were advised of the following:

- That new property investments had been made into the European Property Growth Fund.
- That the Fund's Russian investments could not be sold as markets were closed and they had no effective value, but that the situation was being monitored by the Fund's investment managers.

RESOLVED:

That the report be noted.

27 RESPONSIBLE INVESTMENT UPDATE REPORT

Consideration was given to a report presented by the Accounting, Investment and Governance Manager which provided the Committee with an update on Responsible Investment activity during the third quarter of the financial year 2021/22. The Committee was guided through the report, with attention drawn to the following matters:

- Border to Coast Pensions Partnership activity.
- Legal and General's investment manager activity.
- That work was underway to report on metrics towards establishing net zero carbon investments.

- The Stewardship Code's successful submission and accompanying feedback.

The Committee considered the report and discussed the impact of the rising cost of living on net zero ambitions and welcomed the good level of engagement in the Fund's investment management.

RESOLVED:

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

28 PENSIONS ADMINISTRATION REPORT

Consideration was given to a report presented by the Fund's pension administrator, West Yorkshire Pension Fund (WYPF). The Committee was guided through the report – attention was drawn to the following matters:

- Performance and Benchmarking.
- Outstanding appeals and the criteria set by the ombudsman.
- There were currently five staffing vacancies in finance and ten in the service centre, with recruitment underway.
- Audits had found administration to be of a good standard with two recommendations that were being investigated for implementation.
- Current technical issues.

The Committee discussed the report and were advised the following:

- Staff shortages were in part due to internal promotions and recruitment was taking time to find suitable applicants.
- No additional shared service partners were being taken on until staffing was fully resourced again.
- Impacts concerning the new minimum pensionable age were being calculated as information emerged.

The Committee felt that the table detailing service budgets could include more detail on the make up of the budgets.

RESOLVED:

That the report be noted.

29 EMPLOYER MONTHLY SUBMISSIONS UPDATE

Consideration was given to a report presented by the Accounting, Investment and Governance Manager, which provided the Committee with up-to-date information on Employer Monthly Submissions for the third quarter of 2021/22. The Committee was guided

through the report and particular attention was drawn to late payment submissions that were set out in table one. No concerns were reported regarding employers, and no fines had been necessary during this period.

The Committee noted the update and agreed that any employers receiving regular fines be flagged.

RESOLVED:

That the report be noted

30 INVESTMENT AND RESPONSIBLE INVESTMENT BELIEFS

Consideration was given to a report presented by the Head of Pensions, which provided the Committee with a summary of the discussions had at the training session held on 17 February regarding the Committee's investment and responsible investment beliefs. The Committee was guided through the report and particular attention was drawn to changes suggested by members of the Committee at the training session. Following approval, the charges were to be incorporated into the Investment Strategy Statement and published.

The Committee welcomed the changes and discussed the following matters:

- It was difficult to benchmark beliefs; however, the Stewardship Code Statement had been approved, which was evaluated on evidence-based reasoning.
- Statements had been kept general so as to futureproof the document and not restrict it to specifics.

RESOLVED:

That the amendments to the Investment and Responsible Investment Beliefs be approved.

31 LINCOLNSHIRE PENSION FUND POLICIES REVIEW

Consideration was given to a report presented by the Head of Pensions, which outlined any changes to the main policies of the Pension Fund for to the Committee. The Committee was guided through the report and particular attention was drawn to updates relating to the following:

- Investment Strategy Statement
- Communications Policy
- Administration Strategy

The Committee welcomed the updates and discussed the following matters:

- Standards in the Governance Compliance statement were assessed on the basis of comply or explain. Any deviations from the standards set out were well reasoned to best meet the Fund's governance structure.
- It was felt that greater engagement with scheme members was needed, as many only engaged with their pensions when they approached pensionable age.

RESOLVED:

1. That updates to the Fund's Investment Strategy Statement (ISS) be approved.
2. That updates to the Fund's Communications Policy be approved.
3. That updates to the Shared Service Administration Strategy be approved.

32 LINCOLNSHIRE PENSION FUND - BUSINESS PLAN 2022/23

Consideration was given to a report which presented the Lincolnshire Pension Fund Business Plan 2022/23 to the Committee for approval. It set out the overall objectives, Pension Fund Statistics, resources and budget, key tasks, key risks and the Forward Plan for 2022/23.

It was noted that good progress had been made on key tasks, and that where tasks had not been completed from 2021/22 this had been due to circumstances outside of the control of the Team.

RESOLVED:

That the Lincolnshire Pension Fund Business Plan 2022/23 be approved.

33 ANNUAL REPORT AND ACCOUNTS 2021-22: REVIEW OF ACCOUNTING ARRANGEMENTS AND ACCOUNTING POLICIES AND THE EXTERNAL AUDIT - AUDIT STRATEGY MEMORANDUM

Consideration was given to a report presented by the Accounting, Investment and Governance Manager which provided the Committee with information on changes to the Local Authority Code of Practice for 2021/22 and Accounts and Audit Regulations. The report also covered the accounting policies to be used by the Fund when preparing the Financial Statements for 2021/22 and the External Auditors Audit Strategy Memorandum for the 2021/22 audit work.

The Committee was advised that the consultation on the Code of Practice had closed and there was not expected to be any direct impact on the Fund accounts for 2021/22. Some delays had been experienced in drafting the changes; however, they did not have any impact on statutory deadlines.

RESOLVED:

1. That the changes to the Statement of Accounts from the Code of Practice 2021/22 be noted.

2. That the changes to the Accounts and Audit Regulations 2015 be noted.
3. That the Statement of Accounting Policies be approved for use in preparing the Local Government Pension Scheme (LGPS) Pension Fund accounts for the financial year ending 31 March 2022.
4. That the External Auditors Audit Strategy Memorandum be noted.

34 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 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.

35 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.

36 AVC PROVIDER REVIEW

Consideration was given to a report which reviewed the additional voluntary contribution (AVC) provider. A number of questions were asked and answered.

RESOLVED:

That the exempt report be noted.

The meeting closed at 12.01 pm