

PRESENT: COUNCILLOR E W STRENGIEL (CHAIRMAN)

Councillors P E Coupland (Vice-Chairman), M G Allan and Dr M E Thompson

Co-Opted Members: Mr A N Antcliff (Employee Representative) and Councillor R Waller (District Council Representative)

Councillor Mrs A Newton MBE attended the meeting as an observer via Teams.

Officers in attendance: Claire Machej (Accounting, Investment and Governance Manager), Jo Ray (Head of Pensions) and Thomas Crofts (Democratic Services Officer)

Others in attendance: Roger Buttery (Independent Chair of the Lincolnshire Local Pension Board), Matthew Mott (West Yorkshire Pension Fund), Iain Campbell (Hymans Robertson), Graham Long (Border to Coast) and Milo Kerr (Border to Coast)

Others in attendance via Teams: Peter Jones (Independent Advisor), Lisa Darvill (West Yorkshire Pension Fund), Sukhjot Jaur (West Yorkshire Pension Fund) and Melanie Durrant (Barnett Waddingham)

7 APOLOGIES FOR ABSENCE

Apologies for absence were received from Steve Larter and Councillors T Smith, A Newton and S Parkin.

8 DECLARATIONS OF MEMBERS' INTERESTS

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

Councillor P Coupland declared an interest as South Holland District Council's representative at PSPS Ltd.

9 MINUTES OF THE PREVIOUS MEETING HELD ON 9 JUNE 2022

RESOLVED:

That the minutes of the meeting held on 9 June 2022 be approved as a correct record and signed by Chairman.

10 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:

- Inflation was projected to reach 11% in Autumn and had been more persistent than anticipated.
- Interest rates were continuing to rise, which was expected to contribute to an economic slump.
- Wage claims were rising to meet the cost of living.
- Equity markets may be valued too highly.

Members agreed that without a clear monetary policy set by the Bank of England it was difficult to predict what would happen to the economy in these uncertain times.

RESOLVED:

That the update be noted.

11 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:

- The Board had previously been advised that of those scheme members eligible to receive a benefit statement, 99.9% had been produced electronically for deferred members, and 98.7% for active members. However, the PB expressed concern at the apparent low number of members who had accessed the statements via the in-online portal.
- Bradford MDC's Internal Audit had found excellent to good levels of assurance across the pensions administration service managed by WYPF.
- The McCloud ruling was considered in detail, and the Board felt that the impacts on the Pensions Scheme constituted additional costs and pressures for small improvements to member benefits.

RESOLVED:

That the report be noted.

12 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 2022 and any other current issues. The Committee was guided through the report and the following was noted:

- The value of the Fund's invested assets fell by 1.1%.
- In terms of asset allocation, property was below its lower tolerance and cash was above its upper tolerance.
- The Fund had underperformed by 0.4%.
- The deficit had fallen from £60m at the last valuation to a surplus of £116m.
- Training requirements were outlined.
- Internal Audit findings were outlined.

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

- Life expectancy had slightly declined, in part, due to the pandemic.
- Climate risk adaptation was a an investment consideration alongside mitigation, when looking at climate solutions for responsible investments.
- Additional training tools would be available to aid Members knowledge and understanding.

RESOLVED:

That the report be noted.

13 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 final quarter of the financial year 2021/22. The Committee was guided through the report, with attention drawn to the following matters:

- Elections to the Local Authority Pension Fund Forum (LAPFF) executive committee were coming up. The request for nominations was to be made in August with a deadline for submission at the beginning of September. Details of the process were to be shared with Committee members when received.
- Responsible investing activity under the Border to Coast Pensions Partnership was outlined, including their quarterly stewardship report.
- Responsible investing activity by Legal and General Investment Management was outlined.
- Voting under the Border to Coast Pensions Partnership activity was outlined.

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The Committee discussed the report and were advised that a voting policy was reported to the Committee for approval on an annual basis.

RESOLVED:

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

14 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:

- The KPI's for the Interfund area of work had not been met this quarter due to staffing issues.
- Scheme information was outlined, including:
 - Member numbers had increased
 - New employers had joined
- Overall customer satisfaction had increased, but there had been fewer responses to the survey.
- All appeals were outlined, including one appeal, which was outstanding regarding medical information.
- Recruitment was a persistent issue due to natural attrition, promotion from within and a national shortage of suitable applicants.
- An optic reader had been procured to digitise historic paper forms, which would improve data quality. The process was currently being trialled.

RESOLVED:

That the report be noted.

15 THE MCCLOUD RULING - EFFECTS ON THE LOCAL GOVERNMENT PENSION SCHEME

Consideration was given to a report and presentation presented by the Fund's pension administrator, West Yorkshire Pension Fund (WYPF). Attention was drawn to the following matters:

- The changes to the scheme bringing in CARE benefits formed part of a review to reform public service pensions, and put them on a more sustainable, affordable and fairer footing for the longer term.
- All scheme members were moved onto the new scheme in April 2014.
- The McCloud ruling found that transitional protections directly discriminated against younger members.

- The back dating of the McCloud ruling proved challenging to administrators.
- The full impacts of the McCloud ruling were still unfolding.

During consideration of the report, it was stated that the full impact of the ruling on members was unknown at this point in time, but it was anticipated to be of limited benefit to the majority of scheme members.

RESOLVED:

That the Committee note the report and presentation.

16 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 final quarter of 2021/22. The Committee was guided through the report – there were no concerns to report regarding late payments and/or data contributions.

Members agreed that employer submissions had been well managed.

RESOLVED:

That the report be noted

17 2022 TRIENNIAL VALUATION ASSUMPTIONS

Consideration was given to a report by the Head of Pensions, which detailed the proposed assumptions that the Fund's Actuary was to use for the 2022 Triennial Valuation. The following was highlighted:

- Financial assumptions were as follows:
 - Inflation risk premium
 - Consumer prices index inflation
 - Expected future investment returns (discount rate)
 - Salary increases
- Statistical assumptions and methodologies were outlined.
- It was estimated that the funding position will have improved since the last valuation due to increased returns, payments from contributors and lower than expected benefits increases.

During consideration of the report, the following comments were raised:

- What the appropriate level of prudence was.

- The Fund was approaching a fully funded position.
- The triennial valuation was a statutory requirement and it was felt that more frequent reviews would not be beneficial given the long term nature of the fund.
- A sensitivity analysis was to be included in the initial results papers.

RESOLVED:

That the Committee approve the Actuaries proposed approach for setting the assumptions for the 2022 Triennial Valuation.

The Committee resolved to adjourn at 11:55 and reconvened at 12:00.

18 RISK REGISTER ANNUAL REVIEW

Consideration was given to a report by the Head of Pensions 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 work had been undertaken with the Council's Principal Risk Officer to incorporate changes regarding how the Council records and manages risk.

It was explained that risk and governance training was mandatory for all Members of the Committee.

RESOLVED:

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

19 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 2023. It was reported that the Fund would be subscribing to the LGPS Online Learning Academy (LOLA), managed by Hymans Robertson, which was found to be an ideal tool for the training purposes of the Committee.

The next training session was scheduled for 13 October 2022.

RESOLVED:

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

20 ANNUAL REPORT AND ACCOUNTS 2021-22: DRAFT ANNUAL REPORT AND ACCOUNTS

The Committee received the draft Annual Report and Accounts for the Pension Fund.

It was clarified that the report was a draft and that any final revisions would be reported to the Committee, along with the External Auditors findings later in the year.

RESOLVED:

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

21 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 2022. Members were guided through the report and some of the points raised during discussion included the following:

- Under UK commercial property, the four unit trusts had returned 26.16% against a benchmark of 23.14%.
- Investment performance was outlined.
- Aviva had outperformed the benchmark over all periods. The Fund had now closed and was winding up with the manager looking to dispose of all property assets and return cash to investors.
- Five property assets had been sold, with a further eight waiting to be sold
- Other Infrastructure Investments were outlined, including the following previously approved investments:
 - Infracapital Greenfield Partners I
 - Pantheon Global Infrastructure III
- It was anticipated that the Fund will transfer the current allocation to UK commercial property into the Border to Coast UK property sub-fund.

Members agreed that good returns had been achieved and it was clarified that Aberdeen Standard had rebranded as abrdn.

RESOLVED:

That the report be noted.

22 CONSIDERATION OF EXEMPT INFORMATION

RESOLVED:

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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.

23 INVESTMENT PERFORMANCE REPORT

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

RESOLVED:

That the exempt report be noted.

The meeting closed at 1.22 pm