

PRESENT: COUNCILLOR E W STRENGIEL (CHAIRMAN)

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

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

Roger Buttery attended the meeting as an observer

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

Others in attendance: Kelly Steele and Melanie Durrant (Barnett Waddingham)

24 APOLOGIES FOR ABSENCE

Apoloiges for absence were received from Councillor P Coupland.

25 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.

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

26 MINUTES OF THE PREVIOUS MEETING HELD ON 14 JULY 2022

RESOLVED

That the minutes of the meeting held on 14 July 2022 be approved as a correct record and signed by Chairman.

27 INDEPENDENT ADVISOR'S REPORT

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PENSIONS COMMITTEE

22 SEPTEMBER 2022

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

RESOLVED

That the update be noted.

28 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 was encouraged by the fund administrator's proposed use of an optical reader to improve data quality and update historical records.
- The Board felt that the risk register followed a good approach.
- The Board welcomed the further review, by West Yorkshire Pension Fund, of performance metrics for the administration service to improve the utility of set targets.
- The service was commended for achieving the high levels of assurance found by internal audit.
- Members of the Board were satisfied with the annual report.
- Jo Ray was congratulated for being appointed to the PLSA Local Authority Committee and her future input was welcomed.

Members agreed that performance indicator reporting could be broken down to improve clarity.

RESOLVED

That the report be noted.

29 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 30 June 2022 and any other current issues. Matters included Funding and Performance Update; TPR Checklist Dashboard and Code of Practice; Breaches Register Update; Risk Register Update; Asset Pooling Update; the Department of Levelling-Up, Housing and Communities consultation on governance and the reporting of climate change risks; and conference and training attendance.

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

- Performance could only be compared to benchmark data, which showed a slight outperformance. Due to the long-term nature of the Fund's investments, it was important to focus on the longer term performance of managers rather than quarterly performance reports.
- Members were advised that investing in renewable energy was an investment opportunity, and that the Fund did not have a policy to divest from companies that were not fully producing renewable energy.
- Nominal fines were issued by the Fund for late and inaccurate employer contribution payments and data, and significant breaches were reported to the pensions regulator, who could issued substantial fines.
- The impacts of changes in government were unknown at present.

Members discussed the impact of divesting in fossil fuels in the current cost of living crisis and welcomed further policies on the matter from the Government.

RESOLVED

That the report be noted.

30 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 the Responsible Investment activity during the first quarter of the financial year 2022/23 (April to June inclusive). This included activity for the Local Authority Pension Fund, Border to Coast Pensions Partnership, Robeco, and Legal and General Investment Management; Border to Coast Environmental, Social and Governance Reporting; and voting records.

RESOLVED

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

31 PENSIONS ADMINISTRATION REPORT

Consideration was given to a report prepared 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 had fallen in some areas due to prioritisation of tasks, which had a direct impact on the triennial valuation and McCloud work, combined with issues regarding staff resources.
- Internal audit had found good levels of assurance.
- The Pensions Dashboard, alongside McCloud, was another resource intensive project that was currently underway.

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

- A table was to be included within the report outlining the administrator's staff vacancies and recruited positions.
- The meaning of the interfund performance indicators was explained and reassurance was given that, although targets were not met, this did not immediately impact scheme members, as these were employees moving between employers within the Fund, rather than being transferred in or out of the Lincolnshire fund.

Members sought clarity on the overspend on employment costs from WYPF.

RESOLVED

1. That the report be noted.
2. That WYPF clarify their overspend on employment costs to Members.

32 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 first quarter of the financial year 2022/23 (April to June inclusive). The Committee was guided through the report.

- There had been two payroll providers who made late submissions for six employers during the first quarter. This was due to difficulties regarding data extraction from their payroll systems; however, cash contributions had been paid over on time.
- One late submitter was now up-to-date.
- The other late submitter was still struggling with IT systems but was being offered support to resolve the delay.
- No fine had been issued as yet in 2022/23.

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

- The minimum and maximum fines that could be issued by Lincolnshire County Council, as the administrator, were £136 and £300, respectively.
- Employers were warned three times before a fine was issued.

RESOLVED

That the report be noted.

33 ANNUAL REPORT AND ACCOUNTS 2021/22: EXTERNAL AUDIT UPDATE REPORT

The Committee received a report which provided an update from the Fund's external auditor, on the 2021/22 audit of the financial statements. The report detailed the outstanding work and findings from the work completed to date.

Members were provided with the opportunity to ask questions – the following points were raised during discussion:

- Members welcomed that the audit's findings were received on a more timely basis than in previous years.
- In terms of timescales, the external auditors final report was to be submitted to the Audit Committee in November 2022 and the Pension Fund accounts will be considered as part of the combined Statement of Accounts with the County Council's accounts.
- The Pension Fund continued to lobby for the Statement of Accounts for the County Council and the Pension Fund to be separated, as they often delay each other at different times.

RESOLVED

That the report be noted.

34 PERFORMANCE MEASUREMENT ANNUAL REPORT

Consideration was given to a report which set out the Pension Fund's longer term investment performance for the period ending 31 March 2022. Members were guided through the report and information was outlined regarding 10-year returns, 5-year returns, 3-year returns, 1-year returns, and long-term performance analysis.

Members were provided with the opportunity to ask questions – the following points were raised during discussion:

- Pension payments were expected to increase next year due to the rise in inflation.
- It was anticipated the interest rates would continue to rise.
- The report presented data in relation to what had happened regarding performance, and did not project future issues.

RESOLVED

That the report be noted.

35 2022 VALUATION - DRAFT RESULTS

Consideration was given to a presentation by Barnett Waddingham, which covered the draft whole Fund results of the 2022 triennial valuation to the Committee.

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- The presentation covered the progress of the valuation to date, the initial results for the whole Fund, the Funding Strategy Statement, and the next steps. The following was also reported:
- Contribution rates were expected to remain stable.
- The need for greater prudence meant that improvements in the funding position were not as good as predicted.
- Work concerning the McCloud ruling were underway.
- Inflation was predicted to be a longer-term issue than previously thought.
- The impact of the pandemic on the Fund was unclear and did not have a significant bearing on base longevity assumptions. However, increases in life expectancy were slowing.

The proposed assumptions accounted for salary and pension increases and expected investment returns.

Overall, the Fund was in a good position.

Members were provided with the opportunity to ask questions – the following points were raised during discussion:

- Life expectancy increases had decreased for the first time which had a positive impact on fund liabilities. However, scheme members were retiring earlier and so contributions were reducing. The actuarial methodology covered a six month period to smooth volatility.
- Rising contribution rates potentially posed issues for smaller employers. Employer surgeries were being offered to all employers as part of the valuation results communication process to assist employers.
- As required by Government Actuaries Department (GAD), a number of climate risk scenarios have been modelled in the funding strategy and the report will be shared as part of the final Valuation results.

RESOLVED

1. That the Committee note the report and comments made.
2. That the Committee approve the draft results.

36 CONSIDERATION OF EXEMPT INFORMATION

RESOLVED

That under Section 100(A) 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 it is considered to contain exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended.

37 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 12.51 pm