

PRESENT: COUNCILLOR E W STRENGIEL (CHAIRMAN)

Councillors P E Coupland (Vice-Chairman), M G Allan, P Ashleigh-Morris, A W Briggs, S Bunney and T J N Smith

Co-Opted Members: Steve Larter (Small Scheduled Bodies Representative) and Tom Hotchin (Academy Sector Representative)

Officers in attendance:- Michelle Grady (Assistant Director – Finance), Jo Kempton (Head of Pensions) and Thomas Crofts (Democratic Services Officer)

Others in attendance:- Roger Buttery (Independent Chair – LGPS Local Pensions Board), David Vickers (Scheme Member Representative – LGPS Local Pensions Board), David Walker (Hymans Robertson), Steven Turner (Morgan Stanley) and James Owen (Morgan Stanley)

18 APOLOGIES FOR ABSENCE

No apologies for absence were received.

19 DECLARATIONS OF MEMBERS' INTERESTS

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.

Tom Hotchin (Academy Sector Representative) declared an interest as an active member of the Pension Fund.

20 MINUTES OF THE PREVIOUS MEETING HELD ON 13 JULY 2023

RESOLVED

That the minutes of the meeting held on 13 July 2023 be approved as a correct record and signed by Chairman subject to the following amendment:

- Councillor T Smith gave apologies.

21 RESPONSIBLE INVESTMENT UPDATE REPORT

PENSIONS COMMITTEE
21 SEPTEMBER 2023

Consideration was given to a report which provided the Committee with an update on Responsible Investment activity during the first quarter of the financial year 2023/24. Members were guided through the report, and attention was drawn to the latest voting activity as well as Fund's stewardship code submission, which had successfully been met in the previous year, and was now due for reassessment.

RESOLVED

That the report be noted.

22 ANNUAL REPORT ON THE FUND'S PROPERTY AND INFRASTRUCTURE INVESTMENTS

Consideration was given to the annual report on the Fund's property and infrastructure investments. The following matters were highlighted:

- The Fund was currently underweight in its allocation to property, which had had a positive performance impact over the past year, given the turbulence in the market.
- The Fund's allocations to property were reviewed and rebalanced at the Committee's meeting in June.
- Overall performance in property was mixed – with Royal London being the only fund to outperform the benchmark.
- The Fund's property venture investments had come to maturity with generally disappointing returns due to investments being made around the time of the 2008 financial crisis.
- It was too early to determine performance for the UK residential property investments.
- Infrastructure investments continued to perform well.

The Committee considered the report, and the following comments were made:

- The Fund's residential property investments were made up of rented and shared ownership housing and were still in the draw down stage.
- Government policy and regulatory changes always posed a risk to investments over the long term. However, regarding residential property, the market was understocked and was projected to deliver stable returns.
- Long term societal changes were nonetheless important to factor into investment allocation. As such, ESG considerations were an important tool in factoring in future changes.
- Long term was usually defined as being over a ten-year period or longer, and at least over a minimum of five years.
- The Fund was currently over 100% funded.

RESOLVED

That the report and comments made be noted.

23 INVESTMENT POOLING CONSULTATION

Consideration was given to a report, which provided the Committee with the draft response from the Fund to the consultation - LGPS – Next steps on Investment. The following matters were highlighted:

- The consultation on LGPS investment pooling was published on Tuesday 11 July 2023.
- The key points raised in the consultation regarded transition towards pools, collaboration across pools and the consolidation of pools.
- Consolidation of smaller funds, such as those in London boroughs, could be a consideration, due to resourcing issues. Although larger than these funds, the Lincolnshire Pension Fund was still small in comparison to others.
- Private market investments were to remain under the management of Morgan Stanley for the Lincolnshire Pension Fund, at this time.
- The Lincolnshire Pension Fund did not have a policy for geographically local investment.
- It was suggested that appropriate remuneration for members of the Pension Committee be raised due to the substantial knowledge and training requirements.

The Committee considered the report, and the following comments were made:

- Concern was expressed that it was important to ensure that the views of the Committee be respected by other fund committees when pooled. Assurance was given that other partner fund committees were of a similar mindset and compromise was generally agreed.
- It was felt that any decision regarding remuneration to members of the Committee be taken by officers.
- Concern was expressed that the management of the Fund was becoming more prescribed by central government, and that the Committee may lose influence if pools were made larger.
- The Committee was encouraged to relay questions to the Chairman for him to bring to the next Border to Coast Joint Committee.
- It was not clear if passive assets were expected to be pooled too.
- The Committee was concerned that changing pooling arrangements may interfere with the currently well regarded set up at Border to Coast.
- It was expected that new joiners to the pool would be able to access existing 'off the shelf' investments rather than make new demands – as customers rather than shareholders. As such, pooling could be an opportunity to grow the existing arrangements at Border to Coast and expand its customer base.

RESOLVED

1. That the report and comments made be noted.

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PENSIONS COMMITTEE

21 SEPTEMBER 2023

2. That the Committee approve the draft consultation response on the LGPS – Next steps on Investment.
3. That Hymans Roberts circulate its response to the LGPS – Next steps on Investment consultation to the Committee.

24 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.

25 MARKET UPDATE REPORT

Consideration was given to an exempt report. A number of questions were asked, and comments received.

RESOLVED

That the exempt report and discussion be noted.

26 INVESTMENT UPDATE AND MANAGER PERFORMANCE REPORT

Consideration was given to an exempt report. A number of questions were asked, and comments received.

RESOLVED

That the exempt report and discussion be noted.

27 INVESTMENT STRATEGY REVIEW - EQUITIES

Consideration was given to an exempt report. A number of questions were asked, and comments received.

RESOLVED

1. That the exempt report and discussion be noted.
2. That the Committee approve the strategic asset allocation changes to equities as proposed in the report.

28 MANAGER PRESENTATION - MORGAN STANLEY PRIVATE MARKETS

Consideration was given to an exempt report and presentation from Morgan Stanley. A number of questions were asked, and comments received.

RESOLVED

That the exempt report, presentation and discussion be noted.

The meeting closed at 12.22 pm