



**PENSIONS COMMITTEE
14 OCTOBER 2021**

PRESENT: COUNCILLOR E W STRENGIEL (CHAIRMAN)

Councillors P E Coupland (Vice-Chairman), M G Allan, S R Parkin, T Smith and Dr M E Thompson

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

Roger Buttery, Gerry Tawton and Dave Vickers attended the meeting as observers

Officers in attendance:-

Lisa Darvill (Client Relationships Manager, West Yorkshire Pension Fund), Peter Jones (Independent Advisor), Claire Machej (Accounting, Investment and Governance Manager), Jo Ray (Head of Pensions) and Rachel Wilson (Democratic Services Officer)

16 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Mrs A M Newton MBE.

17 DECLARATIONS OF MEMBERS' INTERESTS

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

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

18 MINUTES OF THE PREVIOUS MEETING HELD ON 15 JULY 2021

RESOLVED:

That the minutes of the meeting held on 15 July 2021 be approved as a correct record and signed by Chairman.

19 INDEPENDENT ADVISOR'S REPORT

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 covered two main topics. He commented that the market was now at a fairly critical point in terms of

equity markets. The recent supply shortages and increase in rates of inflation were highlighted. The lockdown had ended in April 2021, which had created a pent-up demand for goods and services.

It was reported that the economic growth rate in July and August 2021 was about 7% per annum, and similar figures had been seen around the world. The natural growth rate for the UK economy was about 2.5%. It was commented that with this level of demand, there should not be surprise at the supply shortages. However, with supply shortages would come price rises, which would be used to control supply.

In terms of UK inflation, CPI was around 3%, with RPI closer to 5%, similar figures were again being seen around the world. Central banks around the world were still unanimous in their belief that these high inflation figures were temporary and would fall back to normal levels as the supply situation eased.

It was queried when it was expected that the Federal Reserve would raise interest rates, and members were advised that there were a range of views about this, and it was thought that if they did have to raise them, they would not rise very far. The Bank of England rate was currently at 0.1%, and there was a suggestion it could rise by 0.25% either side of Christmas, and then by 0.5% later in 2022.

In response to a question, it was noted that cash flow into funds was likely to continue to be high, pension funds were continuing to accrue members through the working population so the cash flow must continue. There was still wealth being generated, and it was thought that people would try and diversify away from equity markets. There were a lot of indexed funds, and equally there were also a lot of active funds that were seeking out the big companies like Amazon and Google according to their investment beliefs.

RESOLVED

That the report be noted.

20 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 reported that the Board had focused on four main issues at its previous meeting, which were Employer Monthly Submissions and Contribution Monitoring; Data Quality; Prudential AVC's; and Draft Annual Report and Accounts.

Members were provided with the opportunity to ask questions in relation to the information contained within the report and some of the points raised during discussion included the following:

- In terms of data quality, it was noted that administrators did need help from employers, and it was discussed whether there was a need for additional resources within WYPF specifically for this task.
- It was noted that it was likely that the issues with data quality were not limited to the Lincolnshire Pension Fund, and the Pension Board would continue encouraging WYPF to prioritise this issue. It was suggested that should be added to the agenda for the next meeting of the Pensions Committee.

RESOLVED

1. That the report be noted.
2. That a report on Data Quality be added to the agenda for the December meeting of the Pensions Committee

21 PENSION FUND UPDATE REPORT

Consideration was given to a report which updated the Committee on Fund matters for the quarter ending 30 June 2021 and any other current issues. Members were guided through the report and the following was noted:

- In relation to the TPR Checklist dashboard and Code of Practice, and item B12 – Knowledge and Understanding, it was noted that there was a requirement for the Pension Board members to complete this, but it was in the Training Plan and Training Policy that this should apply to Pensions Committee members as well.
- It was reported that Councillors M Allan, M Thompson, E Strengiel and Andy Antcliff (Employee Representative) attended the Border to Coast Annual Conference on 30 September and 1 October 2021. It was highlighted that a lot of different topics were covered, but there was a focus on Responsible Investment (RI) and stewardship. Members shared their views on the conference, and it was commented that it had been useful to exchange views with other delegates on an informal basis.
- It was noted that the value of the Fund had increased by 5% to 30 June 2021, and it was queried whether this was due to investments in equities. Members were advised that the Fund did have a relatively high level of equities. The value had fallen in March 2020 when the market fell due to the pandemic, but it had fully recovered those losses.
- It was queried what the impact on the Council would be if it was not a member of the FRC (Financial Reporting Council). Members were advised that the Council was not a member as such, but it did pay a small subscription levy, which all Defined Benefit and Defined Contribution scheme with 5,000 members or more were required to pay.

RESOLVED

1. That the report be noted.

2. That the Committee hold a full day's training in February 2022, in place of the normal half days session.

22 RESPONSIBLE INVESTMENT UPDATE

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 2021/22 (April – June inclusive). Members were guided through the report and topics highlighted included Local Authority Pension Fund Forum (LAPFF) Membership; outcomes achieved through LAPFF Company Engagement; Border to Coast Pensions Partnership and Robeco; voting; Financial Reporting Council (FRC) – New Stewardship Code; and Investment and Responsible Investment beliefs.

RESOLVED

That the report be noted.

23 PENSIONS ADMINISTRATION REPORT

The Committee received the quarterly report by the Fund's pension administrator, West Yorkshire Pension Fund (WYPF), and were updated on current administration issues.

Members were guided through the report and it was highlighted that all KPI's had been met. Members were provided with the opportunity to ask questions to the officers present in relation to information contained within the report and some of the points raised during discussion included the following:

- It was noted that the budget for employees was significantly under spent, and it was confirmed that there were some staffing vacancies. Members were advised that some had now been filled and the new staff would be starting in a few weeks' time. It was acknowledged that they had not been able to fill some key posts, and these vacancies were due to be readvertised.
- It was queried whether the KPI's were challenging enough as they had all been met, and it was noted that there would be a review over the next few months, and further details on this would be brought to the next meeting.
- It was queried whether the Committee could have a table which set out the staff structure, and where the vacancies were. Officers agreed to include this in the next report to the Committee.

RESOLVED

1. That the report be noted.
2. That a staffing structure including the current vacancies be included with the next report.

24 EMPLOYER MONTHLY SUBMISSIONS UPDATE

Consideration was given to a report which provided the Committee with up-to-date information on Employer Monthly submissions for the first quarter of the financial year 2021/22 (April to June inclusive). Members were guided through the report which included data in relation to late contributions and data submissions to June 2021 and late contribution fines to June 2021. It was noted that there had generally been good compliance.

Members were provided with the opportunity to ask questions to the officers present in relation to information contained within the report, and some of the points raised during discussion included the following:

- It was noted that the minimum fines were set out in the report, but it was queried what the maximum fine was. Members were advised that the maximum fine would be less than £300, and the fine was to reflect the cost of the additional work undertaken rather than act as a punishment.
- It was clarified that the letter that the Chairman of the Pensions Board had been asked to write was on behalf of all the partner funds in Border to Coast, and did not relate to any specific employer in Lincolnshire.
- It was noted that if an employer was late with their submissions, it did not impact the employee receiving their pension.
- It was commented that there was a need to monitor those employers who were consistently late.

RESOLVED

That the report be noted.

25 ANNUAL REPORT AND ACCOUNTS 2020/21: EXTERNAL AUDIT UPDATE REPORT

The Committee received a report which provided an update from Mazars, the Funds External Auditor, on the 2020/21 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 to the officers present in relation to the information contained within the report and some of the points raised during discussion, included the following:

It was commented that an article in the media had suggested that 90% of local authority audits had missed the September deadline, and it was queried whether there was a wider issue. It was noted that this was something which was out of the authority's control, and it was believed that Mazars were experiencing resource challenges. The Audit Committee was aware of the delay.

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RESOLVED

That the report be noted.

26 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 2021. Members were guided through the report and information relating to 10 Year Returns; 5 Year Returns; 3 Year Returns; Long Term Performance Analysis; and the PIRC Local Authority Universe.

RESOLVED

That the report be noted.

27 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.

28 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.

29 INVESTMENT STRATEGY REVIEW

Consideration was given to a report which summarised discussions around the Investment Strategy review. A number of questions were asked and answered.

RESOLVED

That the recommendations as set out in the exempt report be approved.

30 INVESTMENT CONSULTANT TENDER AND APPOINTMENT RECOMMENDATION

Consideration was given to a report which set out details regarding the Investment Consultant Tender and Appointment recommendation.

RESOLVED

That the recommendations as set out in the exempt report be approved.

The meeting closed at 12.05 pm

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