

Lancashire County Council

Pension Fund Committee

Minutes of the Meeting held on Friday, 27th July, 2012 at 11.00 am in Cabinet Room 'C' - County Hall, Preston

Present:

County Councillor David Westley (Chair)

County Councillors

T Aldridge	M Parkinson
M Brindle	S Riches
M Devaney	M Welsh
P Evans	B Winlow
F De Molfetta	K Young

Co-opted members

Bob Harvey, (Trade Union representative)
Councillor Mark Smith, (Blackpool Council representative)
Councillor Dorothy Walsh, (Blackburn with Darwen Borough Council representative)
Ron Whittle, (Trade Union representative)

Eric Lambert, Independent Adviser to the Pension Fund was also present.

It was reported that Mr Trevor Castledine had been appointed to the position of investment manager within the County Treasurer's Department. The Committee welcomed Mr Castledine.

1. Apologies

Apologies were received from County Councillors M France and G Roper, and Noel Mills, Independent Adviser.

2. Disclosure of Pecuniary Interests

None.

3. Minutes of the Meeting held on 25 May 2012

The Minutes of the meeting held on 25 May 2012 were presented.

Resolved: That the Minutes of the meeting held on 25 May 2012 be confirmed and signed by the Chair.

4. Exclusion of Press and Public

Resolved: That the press and members of the public be excluded from the meeting during consideration of the following items of business on the grounds that there would be a likely disclosure of exempt information as defined in the paragraph of Part 1 of schedule 12A to the Local Government Act, 1972, indicated against the heading to the item. It was considered that in all the circumstances the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

5. Fund Performance Report

(Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act, 1972. It was considered that in all the circumstances of the case the public interest in maintaining the exemption outweighed the public interest in disclosing the information)

The Committee considered a report on the performance of the Fund as at 31 May 2012, focussing on the key areas of:

- the funding position;
- cash flow;
- investment performance and allocation; and
- risk management of the Fund.

It was reported that the Fund's custodian's risk management processes were now operational and that the custodian's first report was being reviewed. A full risk management report, with integration into the analysis of managers' performance, would be presented to the next meeting.

There was a general discussion on the report presented and officers responded to specific questions on the Fund's bonds, property and infrastructure portfolios.

Resolved: That the report and the on-going work of the Investment Panel to implement the Fund's investment strategy, which seeks to improve fund performance, be noted.

6. Investment Panel Report

(Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act, 1972. It was considered that in all the circumstances of the case the public interest in maintaining the exemption outweighed the public interest in disclosing the information)

The Committee received a report from the Investment Panel setting out the work of the Panel in its meetings on 25 May and 26 June 2012. The Committee's attention was specifically drawn to the following key areas:

- The investment context in which the Fund was operating and in particular the effects of the weak economic growth, the so-called "fiscal cliff" in the US and the on-going problems within the euro zone;
- Investment decisions that had been taken within the Lower Volatility Strategies Allocation to help manage the effects of extreme market volatility;
- Further allocation work that was being undertaken on a number of investment opportunities mainly in the "lower volatility" asset classes; and
- Potential restructuring of Private Equity and Fixed income mandates.

There was a general discussion on the report presented and officers agreed to pursue discussions with admitted bodies (housing associations) that were looking to issue bonds in order to gain a greater understanding of the investment issues from the bond issuer's perspective.

Resolved: That the report be noted.

7. Pension Fund Administration Sub-Committee

The Committee received the minutes of the Pension Fund Administration Sub-Committee from its meeting on 13 June, 2012.

The Sub-Committee had considered reports on:

- Your Pension Service – Annual Administration Report;
- An update on the proposals for the new Local Government Pension Scheme; and
- Membership of the Local Government Pension Scheme and Auto-enrolment.

It was noted that Your Pensions Service had experienced an extremely busy year. This was due to the considerable increase in the number of retirements and requests for benefit estimates, as well as the move to an integrated pensions administration and payroll system. Despite this it was pleasing that Your Pensions Service had been recredited for the Customer Service Excellent award.

The Committee's attention was also drawn to the development of a new Communications Strategy. The Strategy would be key to preparing staff for auto enrolment with effect from January 2013, to improving the perception of the LGPS and to promoting the on-going (ill health cover, life assurance) and long term benefits of the LGPS to employees of the County Council and other employers within the Scheme.

A further detailed report on new Communications Strategy would be presented to the Administration Sub-Committee on 13 November. It was agreed that the Sub-Committee's membership should be expanded to enable all employer

representatives on the Committee to take part in the development and roll out of the new Strategy. It was suggested that a joint communication with the Trade Unions might encourage a greater take up of the Local Government Pension Scheme.

Resolved:

- (i) That the minutes of the Pension Fund Administration Sub-Committee meeting held on 13 June 2012 be noted.
- (ii) That all employer representatives who currently serve on the Committee be appointed to serve on the Administration Sub-Committee for the purpose of overseeing the development and roll out of the new Communications Strategy.

8. Annual Report and Accounts of the Fund - 2011/12

The Committee considered the Annual Report and Accounts of the Pension Fund for 2011/12.

The Committee was informed that the Statement of Accounts was currently being audited by the Audit Commission. The Audit Commission's auditor's opinion would be included in the published Annual Report when the audit was complete. A copy of the Annual Report 2011/12 was presented at Appendix 'A'. The content of the Annual Report included the following sections:

- An overview of the management and financial performance of the fund;
- The Governance Compliance Statement;
- Administration of the Fund;
- Investments of the Fund;
- The accounts and financial statements;
- Actuarial Valuation;
- The Governance Policy Statement;
- The Communication Policy Statement;
- The Funding Strategy Statement;
- The Statement of Investment Principles

It was noted that the County Council's Constitution required the Pension Fund Annual Report to be approved by the Committee and submitted to the Full Council for information.

Resolved: That the 2011/12 Lancashire County Pension Fund Annual Report, as now presented, be approved for submission to the Full Council.

9. Fund Shareholder Voting Report Q2 2012

The Committee considered a comprehensive report on the Fund's shareholder voting arrangements and voting activity for the period 1 April to 30 June 2012. It

was noted that the Fund had voted on 1,908 occasions during this period and had opposed or abstained in 27% of votes.

Resolved: That the report be noted.

10. Transaction of Urgent Business

The Committee was informed that the County Treasurer had, under the procedure for dealing with matters of urgent business, approved the reappointment of Mr Noel Mills as an Independent Investment Adviser to the Committee for a period of two years from 1 July 2011.

The Committee welcomed the reappointment of Mr Mills.

Resolved: That the report be noted.

11. Urgent Business

None.

12. Date of Next Meeting

It was noted that the next meeting of the Committee would be held on Friday 30 November 2012 at 10.00 am at County Hall, Preston.

I M Fisher
County Secretary and Solicitor

County Hall
Preston