

Lancashire County Council

Pension Fund Committee

Minutes of the Meeting held on Friday, 7th June, 2013 at 11.15 am in The Duke of Lancaster Room (Formerly Cabinet Room 'C') - County Hall, Preston

Present:

County Councillor Terry Burns (Chair)

County Councillors

L Beavers	M Parkinson
D Borrow	A Schofield
M Brindle	K Sedgewick
G Dowding	D Stansfield
J Gibson	D Westley
J Lawrenson	B Yates
R Newman-Thompson	

Co-opted members

Bob Harvey, (Trade Union representative)
Councillor Paul Leadbetter, (Lancashire Leaders' Group representative)
Councillor Mark Smith, (Blackpool Council representative)
Councillor Dorothy Walsh, (Blackburn with Darwen Borough Council representative)

County Councillors G Dowding, R Newman-Thompson, A Schofield and D Stansfield replaced County Councillors S Perkins, J Oakes, K Iddon and P White respectively at this meeting.

Eric Lambert and Noel Mills, Independent Advisers to the Pension Fund were also present.

1. Constitution: Chair and Deputy Chair; Membership; Terms of Reference

Resolved:

That,

- i. the appointment of County Councillors T Burns and M Parkinson as Chair and Deputy Chair respectively of the Pension Fund Committee for the 2013/14 municipal year be noted.
- ii. the appointment of County Councillors M Parkinson and T Burns as Chair and Deputy Chair respectively of the Pension Fund Administration Sub-Committee for the 2013/14 municipal year be noted.
- iii. the membership of the Pension Fund Committee and the Pension Fund Administration Sub-Committee be noted.
- iv. the Terms of Reference of the Pension Fund Committee and the Pension Fund Administration Sub-Committee be noted.

2. Apologies

Apologies for absence were received from Councillor Ian Grant and Ron Whittle.

3. Disclosure of Pecuniary and Non-Pecuniary Interests

None.

4. Minutes of the Meeting held on 22 March 2013

The Minutes of the meeting held on 22 March 2013 were presented.

Resolved: That the Minutes of the meeting held on 22 March 2013 be confirmed and signed by the chair.

5. 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.

6. Investment 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 March 2013, focussing on the key areas of:

- the funding position;
- cash flow;
- investment performance and allocation; and
- risk management of the Fund, including credit, liquidity, investment and operational risks.

It was reported that the Pension Fund had been nominated for the European Innovation (Public Pension Scheme – below £15billion) Award. Officers were congratulated on the nomination.

Resolved: That the report be noted.

7. 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 at its meeting held on 1 May 2013. The Committee's attention was specifically drawn to the following key areas:

- The investment context in which the Fund was currently operating particularly in the context of the US economy;
- Investment decisions in respect of credit and fixed income investment strategy, and European property funds;
- Further allocation work i.e. Regulatory Driven and Long Dated Secured Investments, and Infrastructure opportunities; and
- The work being undertaken to develop a Liability and Risk Management Strategy for the Fund.

Resolved:

- i. That the report be noted.
- ii. That a members' briefing be held on the development of a Liability and Risk Management Strategy prior to the submission of the Strategy for approval by the Committee.

The Committee then returned to the remaining Part I agenda items.

8. Pension Service - Annual Administration Report

The Committee received the 2012/13 Administration Report which set out the Service's performance against the standards and targets contained within the Service Level Agreement (SLA).

It was reported that performance continued to meet, and in some areas exceed, the SLA targets. The Committee welcomed the report and the £0.300m one-off rebate which had been given to the Fund by the County Treasurer following an exceptional underspend in the delivery of Your Pension Fund Service in 2012/13.

Officers were asked to consider the inclusion of a State (personal) benefit statement in Annual Benefit Statements issued by Your Pensions Service. It was noted that information would need to be provided by The Department for Works and Pensions and officers agreed to look into this suggestion.

Resolved: That the 2012/13 Administration Report be noted.

9. Knowledge and Skills Framework

The Committee considered a report on the establishment of an appropriate training programme to ensure that the Committee was able to meet its commitments under CIPFA's Knowledge and Skills Framework which had been adopted on 3 February 2012.

Members and officers of the Fund already possessed some of the required knowledge and skills set out in the framework. However, it was likely that some areas could be strengthened, and it was recommended that a self assessment tool which had been developed by Hymans Robertson in conjunction with the CIPFA Pensions Network be used to identify any knowledge and skills gaps. It was agreed that the process would run as follows:

- access to the web-based training tool to be provided to relevant officers and members for them to engage with the training materials;
- training needs assessment submitted to and returned from officers and members;
- analysis of potential training needs and development identified.

This would be done over the next few months and a training programme for both members and officers would then be developed, incorporating the training materials available in the toolkit, relevant seminars, conferences and internal training days.

Resolved:

- i. That the proposed approach to establishing an appropriate member and officer training programme, as set out in the report, be agreed.
- ii. That appropriate tools be used to identify areas where the knowledge and skills of both officers and members require strengthening, and that following this, a programme of activity to address any identified development areas be developed and undertaken.

10. Strategy for the Procurement of UK and Local Property Investment Managers and Independent Valuers

The Committee considered a proposed procurement strategy for the appointment of the UK and Local property investment management mandate and independent valuation contracts.

The Committee was informed that whilst aspects of the contracts for the management and independent valuation of the Fund's UK property portfolio had been renegotiated to the advantage of the Fund and a temporary arrangement had been entered into for the Local portfolio, the contracts had not been fully tendered for many years. It was now proposed to fully market test the UK portfolio investment management contract and the contract for the Independent Valuer. This would be undertaken at the same time as seeking an investment manager for the Local portfolio. The new contracts implementation date would be 1 April 2014, or earlier, if practicable.

It was noted that the Local property investment management mandate would look to maximise opportunities from projects such as the City Deal.

Resolved:

- i. That the procurement strategy for the appointment of the UK and Local property investment management mandate, and independent valuation contracts, as set out in the report, be approved.
- ii. That a report on the results of the procurement exercise be presented to the Committee prior to the appointment of the property investment manager and the establishment of the advisory board.

11. Fund Shareholder Voting and Engagement Report

The Committee considered a comprehensive report on the Fund's shareholder voting arrangements and activity, and engagement activity for the period 1 January to 31 March 2013.

It was noted that the Fund had voted on 421 occasions during this period and had opposed or abstained in 26% of votes.

Resolved: That the report be noted.

12. Internal audit annual report 2012 13 including the audit plan 2013 14

The Committee considered the internal audit annual report for the Fund 2012/13.

Based on the internal audit work undertaken during the year, the internal audit service was able to provide substantial assurance over the internal control environment for the Fund and pension administration.

The Committee also received details of the internal audit plan of work for 2013/14 which amounted to 85 days.

Resolved:

- i. That the internal audit annual report 2012/13 be noted.
- ii. That the internal audit plan for 2013/14 be approved.

**13. External Audit
Lancashire County Pension Fund Annual Audit Plans 2012/13**

The Committee considered the External Audit plan and fees for the audit of the County Pension Fund for 2012/13.

Resolved: That External Audit plan and fees for the audit of the County Pension Fund for 2012/13 be noted.

14. Urgent Business

None.

15. Date of Next Meeting

It was noted that the next meeting of the Committee would be held on Friday 6 September 2013 at 10.00 am at County Hall, Preston.

I M Fisher
County Secretary and Solicitor

County Hall
Preston