

Lancashire County Council

Pension Fund Committee

Minutes of the Meeting held on Friday, 3rd February, 2012 at 10.00 am in Cabinet Room 'C' - County Hall, Preston

Present:

County Councillor David Westley (Chair)

County Councillors

T Aldridge	T Pimblett
M Brindle	S Riches
P Evans	G Roper
F De Molfetta	M Welsh
M Parkinson	K Young

Co-opted members

Councillor Peter Doyle, (Lancashire Leaders' Group representative)
Bob Harvey, (Trade Union representative)
Councillor Mark Smith, (Blackpool Council representative)
Ron Whittle, (Trade Union representative)

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

Announcements

The Chair welcomed Karen Murray as the new District Auditor.

1. Apologies

Apologies for absence were received from County Councillor Mike France and Councillor Mrs D Walsh

2. Disclosure of Personal and Prejudicial Interests

County Councillors M Parkinson, M Brindle, T Pimblett, and D Westley, and Mr R Harvey and Mr R Whittle disclosed personal non-prejudicial interests in the agenda as they were members of the Local Government Scheme.

3. Minutes of the Meeting held on 18 November 2011

The Minutes of the meeting held on 18 November 2011 were presented.

Resolved: That the Minutes of the meeting held on 18 November 2011 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 30 November 2011, focussing on the funding position, the investment performance and allocation, and risk management of the Fund.

It was reported that investment performance information to the end of December 2011 had only just been received immediately prior to the meeting and that it had not been possible to produce an updated report in the limited time available.

It was agreed that members needed to have the most up to date performance information before them for discussion at meetings. Officers were asked to review the timetable of future meetings and ensure that meetings were aligned with the availability and production of audited information. In the meantime, officers promised to circulate a further report based on the investment performance to the end of December 2011 as soon as practically possible. Members were invited to contact officers to discuss any issues arising from the updated report.

Officers would also welcome feedback on the style and content of the performance report and promised to consider any suggested improvements.

There was a general discussion on the report presented. Officers responded to questions about the effects of interest rate changes on the Pension Fund and the Fund's liabilities management approach.

Resolved: That the report 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 considered a report on matters considered by the Pension Fund Investment Panel on 14 December 2011 and members were given an update on issues and action taken since that meeting.

It was noted that the Panel had discussed a broad range of issues relating to:

- The investment Context in which the Fund was operating;
- The current position of the Fund, including specific manager performance and risk profile;
- On-going procurements;
- Further development of the Committee's investment strategy, particularly through the consideration of proposals for investment within the Lower Volatility Strategies Allocation; and

In considering the report members also discussed the following issues:

- The likelihood of increased income from equities;
- The need for the United States to reduce its level of debt and possible implications for the Pension Fund;
- A newspaper article which predicted a significant fall in the price of oil and the effects which this might have on the Pension Fund;
- The Fund's approach to asset management; and
- Clarification in respect of potential investment in Social Housing

Resolved: That the report be noted.

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

7. Update on procurement processes

The Committee considered a progress report on the procurement of the following contracts:

- Global Equity Investment managers
- UK property management and independent valuers

With regards to the global equity investment managers contract, it was reported that 15 of the top scoring investment managers had, following a tendering exercise, been invited to meet Pension Fund officers and advisers in late February. A bench of 10 managers would then be approved and asked to present to a formal selection panel of Fund officers and advisers including the

Treasurer to the Fund in late March. From this, 3-4 investment managers would be initially selected to take on specific mandates within the overall global equities allocation.

The Committee was informed that the finalisation of the global equity investment managers contract had involved much more time and resource than previously envisaged. This meant that it had been necessary to postpone the tenders for the UK property management and independent valuers contract until spring 2012.

Resolved: That the report be noted.

8. Knowledge and Skills Framework

The Committee considered a report on the adoption of the CIPFA Code of Practice on Public Sector Finance Knowledge and Skills including a comprehensive framework of knowledge and skills requirements.

By adopting the Code, the Committee would ensure good governance and training practices. Whilst Members and officers of the Fund already possessed some of the required skills set out in the Skills and Knowledge frameworks; it was recognised that there may be some areas where knowledge may need supplementing or strengthening.

The Committee noted that a knowledge and skills self assessment tool had been developed by Hymans Robertson in conjunction with the CIPFA Pensions Network to enable officers and members to help identify these gaps. It was agreed that the Code and frameworks should be adopted and that officers and members should use the toolkit to identify knowledge gaps. A training program for both members and officers would then be developed, incorporating the training materials available in the toolkit, relevant seminars, conferences, internal training days and possibly joint training with other Pension Funds. The training program would be devised to ensure compliance with the Code of Practice.

Resolved:

1. That the Knowledge and Skills Framework, as set out in the report now presented, be adopted as part of the Policy Framework of the Lancashire County Pension Fund.
2. That officers be requested to commence work using appropriate tools 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.

9. Proposed Changes to the Local Government Pension Scheme

The Committee considered a report on the Government's proposals to change the Local Government Pension Scheme.

The Government had announced a "Heads of Terms" framework within which a new scheme would be developed on a careers average basis for implementation from 2014. In summary, the framework provided for:

- The introduction of a new Scheme in April 2014 (with regulations in place by April 2013) addressing the short term savings required as well as the longer term objectives;
- The new scheme being a Career Average Scheme as set out in the Hutton report;
- The ability to have limited or no contribution rate increases for employees provided that the Government's financial constraints were met;
- Some elements of choice to encourage new members to join and existing members to remain in the Scheme;
- Normal Pension Age would match the rise in the State Pension Age for post 2014 service.

Members were pleased that the proposals whilst framed in a different context addressed the key issues raised by the Committee in its response to the Government's consultation of the already relatively higher contributions paid by LGPS members than those in other public sector schemes and measures to reduce the opt out rate.

It was noted that one union had indicated that it was unwilling to continue to participate in the further discussions to turn the Heads of Terms into a new scheme. However, the two largest unions had indicated that they would continue to negotiate within the framework through weekly meetings with Government officials and the Local Government Association. Further reports would be presented to the Committee as the position became clearer.

Resolved: That the report be noted.

10. Audit Commission Audit Plan 2011 2012

The Committee considered the Audit Commission's detailed audit plan including the key audit risks for 2011/12 and the planned audit strategy, as well as a planned increase in the audit fee.

The increased audit fee was considered acceptable given the changes in the operation of the pension fund and their impact on audit requirements.

Resolved: That the report be noted.

11. Urgent Business

None.

12. Date of Next Meeting

It was noted that whilst the next meeting of the Committee was scheduled to take place on Friday 20 April 2012, the date may change in the light of earlier discussions about the need to align meetings with the availability and production of audited information.

I M Fisher
County Secretary and Solicitor

County Hall
Preston