

Lancashire County Council

Pension Fund Committee

Minutes of the Meeting held on Friday, 4th February, 2011 at 10.00 am in Cabinet Room 'C' - County Hall, Preston

Present:

County Councillor David Westley (Chair)

County Councillors

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

Co-opted members

P Doyle	(Lancashire Leaders' Group representative)
P Goldsworthy	(Lancashire Leaders' Group representative)
B Harvey	(Trade Union representative)
P Hyett	(HE/FE Sector Establishments representative)
R Whittle	(Trade Union representative)

Independent Advisers - Panel Members:

E Lambert	N Mills
-----------	---------

1. Apologies

Apologies for absence were presented on behalf of County Councillor J Lawrenson.

2. Disclosure of Personal and Prejudicial Interests

The following members of the Committee disclosed personal non-prejudicial interests in this agenda as they were members of the Local Government Pension Scheme:

M Brindle	P Evans
M France	R Harvey
P Hyett	T Pimblett
D Westley	R Whittle

3. Minutes of the Meeting held on 10 December 2010

The minutes of the meeting held on 16 July 2010 were presented.

It was noted that County Councillor K Young had attended the meeting held on 16 July 2010 and that Mr R Whittle had disclosed a personal non-prejudicial interests in the agenda for the meeting as he was a member of the Local Government pension Scheme. Unfortunately this information had been omitted from the minutes now presented and it was agreed that the minutes should be amended accordingly.

Resolved: That, subject to the above-mentioned amendments, the minutes of the meeting held on 16 July 2010 be confirmed and signed by the chair.

4. Principles of Revised Governance Arrangements

The Committee considered a report on proposals to amend the Pension Fund's decision making and governance arrangements.

The purpose of the report was to invite comments on a range of proposals to support the new ways of working required by the revised investment strategy that was approved by the Committee on 10 December 2010. The views of the Committee were sought on the following issues:

- Investment decision making – the revised investment strategy required the Fund to make a wider range of individual investment decisions, rather than simply placing funds with managers. It was proposed that the Treasurer to the Fund be given delegated authority to make individual investments on the recommendation of the Investment Panel with the two independent advisers having a veto against a particular investment. This mirrored the arrangements for the Fund's property transactions.
- Procurement arrangements – the committee would determine the criteria for the award of a contract and the Treasurer would be given delegated authority to award the contract on the advice of the Investment Panel. Whilst this proposal would result in the disestablishment of the standing Appointments Sub-Committee, an ad hoc sub-committee would need to be convened to oversee the appointment of the two independent advisers.
- An enhancement of the requirement that the Investment Panel reports on its decisions to each meeting of the Committee.
- The composition of the Committee to remain unchanged.
- The future role of the Administration Sub-Committee.

Members raised a number of comments on the proposals and the main points are summarised below:

- Concerns were expressed about the accountability of the proposed new investment decision making arrangements and the lack of member involvement. It was suggested that the Chair of the Committee (or in his/her absence the Deputy Chair) should serve on the Investment Panel.

Members were assured that the proposal was no different than the other mandates which had been approved by the Committee. All investment decisions must comply with the new investment strategy and no decisions would be taken without the support of the independent advisers. The Committee would receive a report on the investment decisions taken and the rationale for them at each meeting. This would enable members to review, monitor and challenge the decisions taken in line with existing process.

It was agreed that further clarification on the proposed new investment arrangements including the decision making process and accountability should be presented to the next meeting of the Committee.

- A concern was expressed that members would not be involved in the procurement decision making phase.

Members were informed that the current arrangement of the Appointments Sub-Committee making the decision on final selection brought members in to the process at the wrong point. It would be very difficult for members to reject a recommendation which had been borne out of a selection process which met EU procurement rules. It was felt that Members would be better involved at an earlier stage in agreeing the criteria for the award of a contract. The earlier suggestion that the Chair of the Committee should be appointed to the Investment Panel would also provide member involvement in any recommendations to the Treasurer.

- It was considered that the standing Appointments Sub-Committee should be disestablished and that an hoc sub-committee be established as and when necessary for the purpose of overseeing the appointment of the two independent advisers.
- Whilst it was acknowledged that the composition of the Pension Fund Committee met the current regulatory framework, there was a need for the Committee to be representative of the Fund's membership and changes to the composition of the committee should be considered in light of any revised guidance.
- It was considered that the Administration Sub-Committee should be retained and that the Sub-Committee should be requested to specifically monitor the running of the Fund and examine how a greater take-up of the local government pension scheme could be achieved.

Resolved:

1. That the standing Appointments Sub-Committee be disestablished and that an ad hoc sub-committee be convened as and when necessary for the purpose of appointing the independent advisers to the pension Fund Committee.
2. That the Chair of the Committee and in his/her absence the Deputy Chair be appointed to serve on the Investment Panel.
3. That no changes be made to the Committee's membership.
4. That the Administration Sub-Committee be retained.
5. That the County Secretary and Solicitor be requested to prepare a new "constitution" for the Lancashire County Pension Fund reflecting the decisions at 1 to 4 above, the points raised at the meeting and the proposals set out in the report now presented including clarification of the new Investment Decision Making process and accountability.
6. That the new "constitution" be presented to a future meeting of the Committee.

5. Lancashire County Pension Fund - Business Plan 2011/12

The Committee considered the proposed Business Plan for 2011/12.

Work over the coming year would focus on the implementation of the new investment strategy and would include:

- revising governance arrangements
- creating a new investment team
- designing and implementing new processes
- transition between existing arrangements and new arrangements
- review and procurement of various fund manager mandates

A copy of the Plan was presented at Appendix 'A'. This reflected the rolling forward of ongoing activity for 2010/11 and the progress made to date with specific projects included in the 2011/12 Plan.

The Committee noted that there would continue to be a considerable workload associated with the administration of the Fund. This included the implementation a new pensioner payroll system integrated with the pensions administration system.

It was confirmed that the creation of a separate bank account for the Pension Fund was on-going and that the internal audit service was happy with progress. It was also confirmed that arrangements were in hand to satisfy audit requirements around the valuation of private equity investments.

Resolved: That the proposed Business Plan for 2011/12 be approved.

6. Revised Funding Strategy Statement

The Committee considered the Fund's revised Funding Strategy Statement which followed the results of the 2010 formal actuarial valuation of the Fund as noted by the Committee on 10 December 2010.

It was noted that the proposed Funding Strategy Statement had been communicated to employers at the Directors Briefing held on 14 December 2010 and consultation was underway with individual Fund employers in respect of their individual employer contribution rates and the options available to them via the revised Funding Strategy Statement.

The Committee's attention was particularly drawn to Section 5 of the Funding Strategy Statement which set out the deficit recovery plan. Members were asked to agree that the Treasurer to the Lancashire County Pension Fund be authorised to use her discretion where an individual employer wished to deviate from the deficit recovery plan as set out within the revised Funding Strategy Statement, subject to any deviation not impacting on the overall prudent management of the Fund. Such action would only be taken in exceptional circumstances and details would be reported to the Committee.

It was agreed that the Committee need to strengthen its monitoring of investment activity against performance targets, as well as risk management issues. A report on these matters would be presented to each meeting of the Committee.

Resolved:

1. That the revised Funding Strategy Statement be approved.
2. That the Treasurer to the Lancashire County Pension Fund be authorised to use her discretion in exceptional circumstances where an individual employer wishes to deviate from the deficit recovery plan as set out within the revised Funding Strategy Statement, subject to any deviation not impacting on the overall prudent management of the Fund.
3. That a report on any actions taken under 2. above be presented to the subsequent meeting of the Committee.

7. Procurement of Actuarial Services

The Committee received an update on the procurement of actuarial services on behalf of the Fund.

A tripartite exercise to tender for actuarial services began on 18 January 2011. The arrangement was between the Lancashire County Pension Fund, the Cumbria Pension Fund and Merseyside Pension Fund with Merseyside acting as the lead authority during the procurement process.

Details of the process and timescale were set out in the report. It was noted that each Authority would meet on or around 1 July to consider the results of the procurement exercise and to appoint the same recommended provider. Separate contracts would be entered into by each Authority.

Resolved: That the process and timescale of the procurement exercise for actuarial services on behalf of the Fund be noted.

8. Date of Next Meeting

It was noted that the next meeting of the Lancashire Pension Fund Committee would be held on Friday 15 April 2011 at 10.00am at County Hall, Preston.

I M Fisher
County Secretary and Solicitor

County Hall
Preston

9.