

Lancashire County Council

Pension Fund Committee

Minutes of the meeting held on Friday 16 July 2010 at 11.30am

Present:-

County Councillor D Westley - Chair

County Councillors:

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| T Aldridge | H Henshaw * |
| M Barron | R Lawrenson |
| M Brindle | M Parkinson |
| Mrs S Charles | S Riches |
| F De Molfetta | G Roper |
| | M Welsh |

* County Councillor H Henshaw replaced County Councillor T Pimblett

Co-opted Members:

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| Councillor P Goldsworthy | Lancashire Leaders' and Chief Executives' Group |
| R Harvey R Whittle | Trade Union Representatives |
| Mr P Hyett | HE/FE Sector Establishments |

Independent Advisers - Panel Members:

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| E Lambert | N Mills |
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Apologies for absence were presented on behalf of County Councillors M France and M Green, and Councillors P Doyle and S Huggill.

Pension Fund Committee – Constitution: Chair and Deputy Chair; Members and Terms of Reference

1. Resolved:

- i. That the constitution, membership and appointment of chair and deputy chair of the committee for 2010/101 together with the committee's terms of reference, as now reported, be noted.
- ii. That Mr R Harvey, and Councillor G Bell are reappointed to serve on the Pension Fund Administration Sub-Committee for 2010/11.

- iii. That Councillor P Doyle and Mr P Hyett are re-appointed to serve on the Pension Fund Appointments Sub-Committee for 2010/11.

Disclosure of Personal and Prejudicial Interests

County Councillors D Westley, M Parkinson, G Roper, and M Brindle, and Mr P Hyett and Mr R Harvey disclosed personal non-prejudicial interests in this agenda as they were members of the Local Government Pension Scheme. County Councillors M Barron, F De Molfetta and T Aldridge also disclosed personal non-prejudicial interests in this agenda as they were members of the Lancashire Combined Fire Authority.

Minutes of the Meeting held on 26 March 2010

The minutes of the meeting held on 26 March 2010 were presented.

2. **Resolved:** That the minutes of the meeting held on 26 March 2010 be confirmed and signed by the chair.

Pension Fund Administration Sub-Committee

The Committee considered a report on the meeting of the Pension Fund Administration Sub-Committee held on 15 June 2010.

One of the matters considered by the Sub-Committee related to the proposed procurement process for the provision of actuarial services on behalf of the Fund and it was reported that the Sub-Committee had recommended the Pension fund Committee to authorise the Appointments Sub-Committee to make the appointment:

3. **Resolved:**
 - i. That the minutes of the Pension Fund Administration Sub-Committee meeting held on 15 June 2010 be noted.
 - ii. That the Appointments Sub-Committee be authorised to make an appointment for the provision of actuarial services on behalf of the Fund.

Internal Audit Annual Report 2009/10

The Committee considered the 2009/10 internal audit annual report for the Lancashire County Pension Fund.

The Head of Internal Audit introduced the report and commented on the key issues which had arisen during the audit period. The Committee's attention was particularly drawn to the work which had been undertaken to identify the overpayment of management charges in respect of the hedge fund investment. The overpayment had been recovered and controls were now in place to prevent this occurring again.

The Committee was informed that based on the internal audit work undertaken during the year, the Audit Service was able to provide substantial assurance over the internal control environment for the Pension Fund and pension administration.

4. Resolved:

- i. That the 2009/10 internal audit annual report for the Lancashire County Pension Fund be noted.
- ii. That the Committee place on record its appreciation of the work undertaken by the internal audit service to identify and recover the overpayment of hedge fund management charges, and that the Committee's appreciation be conveyed to the officer involved with this piece of work.

**Audit Commission -
Lancashire Pension Fund 2009/10 Opinion Plan**

The Committee considered a report on the Audit Commission's planned approach to the audit of the financial statements of the Lancashire County Pension Fund for 2009/10. The Plan included a reduction of the planned fee for completion of the audit work.

In addition to setting out the general approach to the audit they also identified the specific risks which the Auditors had identified which would be subject to specific testing as part of the audit.

- 5. Resolved:** That the Audit Commission's plans for the opinion audits of the Lancashire County Pension Fund and the revision of the fee for the completion of the Pension Fund 2009/10 audit be noted.

**Audit Commission -
Proposed fees for the 2010/11 audit of the Lancashire County Pension Fund**

The Committee considered a report on the proposed fees for the external audit and inspection of the Lancashire County Pension Fund for 2010/11.

The Audit Commission's fees letter set out the main elements of the proposed audit and inspection work for 2010/11 and where appropriate, highlighted any specific risks which would be reviewed as part of this work.

- 6. Resolved:** That the Audit Commission's fees letter for the audit and inspection of the Lancashire County Pension Fund for the year ending 31 March, 2011 be noted.

Lancashire County Pension Fund Annual Report 2009/10

The Annual Report and Accounts of the Pension Fund for 2009/10 were presented for consideration by the Committee.

The Committee was informed that the Pension Fund Statement of Accounts had been approved by the Audit Committee on 28 June 2010 and 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.

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.

Members gave detailed consideration to the Annual Report and officers responded to a number of questions. In particular, Members commented on the need for more detailed information to be provided on:

- The advice received from Pensions Investment Research Consultants and the Local Authority Pension Fund Forum in respect social, environmental and ethical issues; and
- The issue of investment managers exercising the Fund's voting rights on the Committee's behalf.

Officers noted the points raised and agreed to provide more detailed information in future.

There was a discussion about the membership of the Committee and whether all key stakeholders were adequately represented on the Committee. It was agreed that a further report would be presented to the Committee on this matter.

7. Resolved:

- i. That the 2009/10 Lancashire County Pension Fund Annual Report, as now presented, be approved for submission to the Full Council.
- ii. That a report on the membership of the Committee be presented to the next meeting.

Report of the Treasurer to the Pension Fund – Composition and Terms of Reference of the Investment Panel

The Committee considered a report on proposals to amend the Composition and Terms of Reference of the Investment Panel. This followed a review which had been undertaken in light of the changed approach to the procurement of advisory services to the Fund and the evolution of the

operation of the Panel following the appointment of two new independent Advisers.

8. Resolved: That the revised Composition and Terms of Reference of the Investment Panel, as set out at Appendix 'B', be agreed.

Lancashire County Pension Fund – Business Plan 2010/11 Update

The Committee received an update on progress against the 2010/11 Business Plan.

9. Resolved: That the update on the 2010/11 Business Plan be noted.

Duties, Responsibilities and Possible Liabilities of Members of the Pension Fund Committee

The Committee considered a report on the duties, responsibilities and possible liabilities of members of the Pension Fund Committee.

A view was expressed that Members needed to be satisfied that adequate insurance cover was in place to protect them against claims for any wrong decision. There was no specific indemnity provided by the Council as the risk to Members was considered slight, no Local Government Pension Fund member having being the subject of any action of this type to date. In practice it would be very difficult for a scheme member or tax payer to sue a Committee member and it would be more likely that any action would be taken against those organisations who appoint to the Committee. Advice had been received that whilst it was possible to obtain specific insurance cover for trustees this tended to be so full of exemptions and exclusions that it was not worth purchasing.

Officers promised to circulate a statutory guidance note issued by Communities and Local Government. Amongst other things, the note explained the different legal status of public and private sector pension schemes including the roles and responsibilities of "trustees".

10. Resolved: That the report be noted.

Pension Fund Operating Budget

The Committee at its meeting in January 2010 considered a report on the Operating Budget for the Pension Fund. Members requested a further report on how costs had moved over time and how they were arrived at.

A further report setting out the information requested by Members was presented, together with updated forecast costs and income for 2010/11. Members noted that comparative data for the overall costs of running Pension Funds was not widely available but information secured through the Fund's Performance Measurement Advisers (WM Company) indicated that investment management fees were relatively low, while the fees for

administration were pegged to the lower quartile through a Service Level Agreement.

It was also confirmed that costs of operating the Pension Fund were reviewed by the Fund's auditors as part of their role.

11. Resolved: That the report be noted.

Urgent Business

The Committee considered a report on the appointment of a Panel of Transition Managers. It was reported that the Chair had agreed to the matter being dealt with at this meeting to enable the Panel to be appointed as quickly as possible.

The Committee at its meeting in March 2010 agreed that a procurement exercise be undertaken to form a Panel of Transition Managers from which competitive bids would be sought for individual transactions. Members were informed that a full procurement process had been run and nine tenders had been received. All applicants had passed quality and viability checks and it was recommended that all applicants be appointed to form the Panel.

12. Resolved: That all applicants, as set out at Appendix 'A', be appointed to form a Panel of Transition Managers from which competitive bids will be sought for individual transactions.

Date of Next Meeting

It was noted that the next meeting of the Lancashire Pension Fund Committee would be held on Friday 19 November 2010 at 10.00am at the County Hall, Preston.

It was also noted that the meeting scheduled to take place on 25 March 2011 had been rearranged and would now be held on 15 April 2011.

Exclusion of Press and Public

13. 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.

Report of the Investment Panel

(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 Lancashire Pension Fund Investment Panel on 19 April and 14 June 2010, and by the Strategy Sub-Group on 10 May 2010.

It was reported that the Panel had discussed a broad range of issues relating to the current state of the Fund including specific manager performance, the investment context in which the Fund was operating, the future strategy and other business plan related matters.

14. Resolved: That the report be noted.

I M Fisher
County Secretary and Solicitor

County Hall
Preston