

PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 7 December 2012 commencing at 10.00 am and finishing 1.00 pm

Present:

Voting Members: Councillor David Harvey – in the Chair

Councillor Bill Service (Deputy Chairman)
Councillor Jean Fooks
Councillor Roy Darke
Councillor Stewart Lilly
Councillor Sandy Lovatt
Councillor C.H. Shouler
District Councillor Richard Langridge
District Councillor Jerry Patterson

Other Members in Attendance: Councillor Rodney Rose (part) - observing

District Council Representatives: District Councillor Richard Langridge
District Councillor Jerry Patterson

By Invitation: P. Davies (Independent Financial Adviser); P. Gerrish (Beneficiaries Observer)

Officers:

Whole of meeting S. Collins and S. .Fox (Environment & Economy); D. Ross and J. Dean (Chief Executive's Office)

The Committee considered the matters, reports and recommendations contained or referred to in the agenda for the meeting, together with a schedule of addenda tabled at the meeting and decided as set out below. Except as insofar as otherwise specified, the reasons for the decisions are contained in the agenda, reports and schedule, copies of which are attached to the signed Minutes.

59/12 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

There were no apologies for absence.

60/12 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE

(Agenda No. 2)

Councillors Darke, Fooks, Harvey, Lilly, Patterson and Service each declared personal interests as members of the Pension Fund Scheme under the provisions of Section 18 of the Local Government & Housing Act 1989.

61/12 MINUTES

(Agenda No. 3)

Minutes approved and signed subject to the following amendment to Minute 42/12 (amendment in bold print):

'He added that towards the end of August the Fund had gained a further £20m, which gave an approximate value of **£1.290bn**.

With regard to Minute 53/12, Sally Fox reported that the County Council Members' annual pension statements were currently being distributed and those for the District Council members would follow and should be sent by the end of December.

62/12 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 4)

There were no petitions submitted or any requests to address the meeting.

63/12 OVERVIEW OF PAST AND CURRENT INVESTMENT POSITION

(Agenda No. 5)

Mr Davies reported that the third quarter of 2012 had seen a total appreciation of £45m, and an additional £15m since 6 December, giving an approximate total value of £1.33bn. With regard to asset allocation, the overall value of equities was slightly below target, with bonds 1% above benchmark, but within their target range. Alternatives were also below their benchmark allocation. Despite outperformance by global equities and overseas bonds, overall performance for the quarter and year to 30 September 2012 was 0.6% below benchmark. Over 3 years performance was broadly in line with benchmark, but was 1.2% below benchmark over 5 years.

RESOLVED: to receive the tables and graphs; and that the information contained in them be borne in mind insofar as they related to items 7,8, 9, 10 and 11 on the agenda.

64/12 EXEMPT ITEMS

(Agenda No. 6)

RESOLVED: that the public be excluded for the duration of items 7,8,9,10,11 and 12 in the Agenda since it was likely that if they were present during those items there would be disclosure of exempt information as defined in Part 1 of Schedule 12A to the Local Government Act 1972 (as amended) and specified in relation to the respective items in the Agenda and since it is considered that, in all circumstances of each case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

65/12 OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

(Agenda No. 7)

The Committee considered a report of the Independent Financial Adviser (PF7) which set out an overview of the current and future investment scene and market developments across various regions and sectors. Members asked a number of questions, to which the Independent Financial Adviser responded.

Mr Davies commented that since writing his report, the Chancellor had delivered his Autumn statement which had confirmed a poor economic outlook.

The public were excluded during this item because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following prescribed category:

3. *Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that such disclosure would prejudice the trading activities of the fund managers involved and would prejudice the position of the authority's investments in funding the Pension Fund.*

RESOLVED: To receive the report, tables and graphs and the oral report of the Independent Financial Manager and to bear his conclusions in mind when considering the Fund Managers' reports.

66/12 UBS

(Agenda No. 8)

The representatives, Mr M. Gordon and Mr N. Irish reported on and reviewed the present investments in relation to their part of the Fund and their strategy against the background of the current investment scene for the period which ended on 30 September 2012.

The public were excluded during this item because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following prescribed category:

3. *Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that such disclosure would prejudice the trading activities of the fund managers involved and would prejudice the position of the authority's investments in funding the Pension Fund.*

RESOLVED: to note the main issues arising from the report.

67/12 PARTNERS GROUP

(Agenda No. 9)

The representatives, Mr G. Waller and Mr S. Jovele reported on and reviewed the present investments in relation to their part of the Fund and their strategy against the background of the current investment scene for the period which ended on 30 September 2012.

The public were excluded during this item because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following prescribed category:

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that such disclosure would prejudice the trading activities of the fund managers involved and would prejudice the position of the authority's investments in funding the Pension Fund.

RESOLVED: to note the main issues arising from the reports.

68/12 REPORT OF MAIN ISSUES ARISING FROM REPORTS OF THE FUND MANAGERS NOT REPRESENTED AT THIS MEETING

(Agenda No. 10)

The Independent Financial Adviser reported on the main issues arising from meetings which took place during the quarter with Baillie Gifford (UK Equities) and Wellington Management (PF10).

Mr Davies reported that Baillie Gifford and Legal & General had slightly underperformed in the quarter, but their longer term figures were still very good. Early figures for Wellington were ok. He did not however consider that any action was required.

RESOLVED: to note the main issues arising from the reports.

69/12 SUMMARY BY THE INDEPENDENT FINANCIAL ADVISER

(Agenda No. 11)

The Independent Financial Adviser reported that it was his view that there was potential in the Fund for new investment and he would therefore be recommending to the next Adam Street Global Programme meeting, a commitment of £\$25m to the 2013 programme. He added that infrastructure had been earmarked as a potential area for investment. This was referred to at Agenda Item 14.

RESOLVED: to note the Independent Financial Adviser's summary.

70/12 INTERNAL DISPUTE RESOLUTION PROCEDURE (IDRP) - CASE UPDATE

(Agenda No. 12)

The Committee had before them a report (PF12) updating them on the latest position regarding the Internal Dispute Resolution Procedure complaint which had been considered at the December 2011 meeting.

The public were excluded during this item because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following prescribed category:

3. *Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.*

Sally Fox undertook to circulate to all members of the Committee the initial letter from the Pensions Ombudsman, along with the response from Sean Collins on behalf of the Council.

RESOLVED: to note the report.

RE-ADMISSION OF PRESS AND PUBLIC

71/12 ANNUAL REPORT AND ACCOUNTS 2011/12

(Agenda No. 13)

The Committee were requested to formally adopt the Annual Report and Accounts for 2011/12, a draft of which had been presented to the last meeting for comment (Min. 54/12 refers).

Donna Ross reported that there had been no major revisions to the accounts, only expansions to the notes on pages 25 and 31, as requested by Members at the last meeting.

RESOLVED: to formally adopt the Annual Report and Accounts for 2011/12.

72/12 THE NEW LOOK LOCAL GOVERNMENT PENSION SCHEME (LGPS) 2014

(Agenda No. 14)

The Committee considered a report (PF14) which gave an update on the latest position regarding the redesign of the Local Government Pension Scheme which was due to become affective from 1 April 2014. The report also included information on the most recent Government consultation on investment in partnerships, which had been published with the aim of reducing barriers to future investment in infrastructure products.

The Committee **RESOLVED** to:

- (a) note the latest position on the New Look LGPS 2014 as detailed in the report;

- (b) agree the response to the Government Consultation on Investment in Partnerships based on the draft at Annex 3; and
- (c) agree to hold a seminar on infrastructure investments, provisionally to be held on the afternoon of the 8 March 2013 Pension Fund Committee.

73/12 LOCAL GOVERNMENT PENSION SCHEME (MISCELLANEOUS REGULATIONS) 2012

(Agenda No. 15)

The Committee were requested to give their approval to a new Administering Authority policy (PF15) which gave employer discretion to bring employee benefits into payment where the scheme member's previous employer no longer exists. The introduction of such a policy is a requirement of the 2012 Miscellaneous Regulations.

RESOLVED:

- a) agree the policy for assessing requests for early payment of pensions;
- b) agree to delegate the decision making under this policy to a panel of officers, following consultation with the Chairman;
- c) note the change of bond requirement; and
- d) note the change of power to request closure valuations and revised rates and adjustment certificates.

74/12 EMPLOYER UPDATE

(Agenda No. 16)

The Committee had before them a report (PF16) which gave an update on new employers within the Fund, including new scheduled bodies (academy schools) and Transferee Admission Bodies (following outsourcing exercises). The report also informed Members of the intention to start a consultation on the future pooling arrangements for academy schools, which would then instruct the 2013 valuation process.

RESOLVED: to

- (a) note the progress of previously approved applications for admitted body status;
- (b) retrospectively approve the application for admitted body status by Hayward Services; and
- (c) agree the consultation process with academies in relation to pooling options.

75/12 APPOINTMENT PROCESS FOR A NEW FUND MANAGER

(Agenda No. 17)

The Committee had before them a report (PF16) which gave an update on new employers within the Fund, including new scheduled bodies (academy schools) and Transferee Admission Bodies (following outsourcing exercises). It also informed Members of the intention to start a consultation on the future pooling arrangements for academy schools, which would then instruct the 2013 valuation process.

RESOLVED: that

- (a) an informal Member/Officer working group be set up comprising Councillors Harvey, Lilly, Fooks, the Independent Financial Adviser and the officers, to look at the various options, and their cost implications, which could be employed to condense the appointment process in the future and to submit their report to the 8 March 2013 meeting; and
- (b) the above report to include issues of officer capacity.

76/12 PENSION FUND SCHEME OF DELEGATION

(Agenda No. 18)

The report (PF18) sought committee approval to two minor changes to the Fund's Scheme of Delegation relating to write off's and the investigation of Internal Dispute Resolution Procedure (IDRP) complaints.

RESOLVED: to

- (a) approve the proposed changes to the Pension Fund's Scheme of Delegation, as set down at paragraph 3 of the report; and
- (b) accept the change to the write off procedure to allow the Pension Services Manager to approve write off amounts of up to £500, subject to reports being made to this Committee.

77/12 WRITE OFF'S

(Agenda No. 19)

The Committee had before them a report (PF19) which provided summary details of the amounts written off in the last quarter, in accordance with the Financial Regulations of the Fund.

RESOLVED: to note the report.

78/12 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT

(Agenda No. 20)

Mrs Ross gave an oral report on a number of issues.

- (a) to note the report; and
- (b) to accept the offer of Baillie Gifford to brief the Committee on Corporate Governance prior to start of the next meeting on 8 March 2013.

79/12 ANNUAL PENSION FORUM

(Agenda No. 21)

The Committee were reminded that the annual Pension Fund Forum would take place on Friday 14 December 2012. Members were encouraged to attend as part of their training programme.

PF3

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..... in the Chair

Date of signing