



PENSIONS COMMITTEE 10 OCTOBER 2013

PRESENT: COUNCILLOR M G ALLAN (CHAIRMAN)

Councillors R J Phillips (Vice-Chairman), N I Jackson, B W Keimach, Miss F E E Ransome, Mrs S Rawlins and A H Turner MBE JP and one vacancy

Others in attendance:- Mr A Antcliffe (representing employees) and District Councillor M Leaning (representing District Councils)

Officers in attendance:- Steve Blagg (Democratic Services Officer), Pete Moore (Executive Director Resources and Community Safety), Jo Ray (Group Manager (Pensions and Treasury)), Nick Rouse (Investment Manager) and Dave Vickers (Pensions Manager (Mouchel))

Also in attendance:- Peter Jones, the Committee's Independent Advisor

13 APOLOGIES FOR ABSENCE/REPLACEMENT MEMBERS

An apology for absence was received from Mr J Grant (representing small scheduled employers).

14 DECLARATIONS OF INTEREST

Councillor M Leaning requested that a note should be made in the minutes that he was currently a contributing member of the Pension Fund as a West Lindsey District Councillor and as a member of the Witham Third Internal Drainage Board.

Councillor M G Allan requested that a note should be made in the minutes that he was currently a contributing member of the Pension Fund as a North Kesteven District Councillor.

Councillor Miss F E E Ransome requested that a note should be made in the minutes that she was employed by HSBC.

Mr A Antcliff requested that a note should be made in the minutes that he was currently a contributing member of the Pension Fund as an employee of Lincolnshire County Council.

15 MINUTES OF THE PENSIONS COMMITTEE HELD ON 4 JULY 2013

RESOLVED

That the minutes of the previous meeting of the Committee held on 4 July 2013, be agreed as a correct record and signed by the Chairman.

16 INDEPENDENT ADVISORS REPORT

Peter Jones, the Committee's Independent Advisor presented a report in connection with the current state of the global investment markets and drew particular attention to the current to the on-going problems in the USA in settling their borrowing needs and budget, the expected recovery in the global economy and the potential increase in long term interest rates.

In response to an enquiry from the Committee he stated that the recovery in the banking sector was proceeding. However, there were still problems with the banking sector in southern Europe.

RESOLVED

That the report be noted.

17 PENSION FUND UPDATE REPORT

Jo Ray presented a report in connection with current issues and overall Fund performance over the quarter ending 30 June 2013. She stated that the value of the Fund had fallen slightly in value by £2.0m (0.1%) to £1.488m on 30 June 2013. It was proposed to invite Manifest to the January 2013 meeting to explain the shareholder voting process and voting template that the Fund used.

Councillor N I Jackson, the Committee's representative on the Local Authority Pension Forum gave an update of recent developments including possible mergers of Pension Funds.

Officers stated that the internally managed UK equity portfolio had submitted a bid for £700k of Post Office shares.

RESOLVED

That the report be noted.

18 INVESTMENT MANAGEMENT REPORT

Nick Rouse presented a report in connection with the management of the Fund's assets, over the period from 1 April to 30 June 2013.

In response to comments made by the Committee, officers stated that there were on-going discussions with Neptune and that they were due to make a presentation on their performance to the December meeting. Management fees were explained with a recent reduction in fees negotiated with some managers. Fees were now generally set at a low base level with a performance element.

RESOLVED

That the report be noted.

19 PENSION ADMINISTRATION REPORT

David Vickers presented the quarterly pension report on behalf of the pension administrator, Mouchel.

David Vickers responded to comments made by the Committee including an explanation of performance benchmarking and gave an explanation of the one significant complaint received.

RESOLVED

That the report be noted.

20 MANAGER REPORT - INVESCO ASSET MANAGEMENT - GLOBAL EX UK ENHANCED INDEX EQUITY PORTFOLIO

The Committee received a report from Jo Ray and a presentation from Invesco Asset Managers, in connection with the management and performance of the Global ex UK Enhanced Index Equity Portfolio over the last year.

RESOLVED

That the report and presentation be noted.

21 PENSION FUND ANNUAL REPORT AND EXTERNAL AUDITS ISA 260 REPORT

Jo Ray presented a report in connection with the draft Annual Report and Accounts for the Pension Fund and the ISA 260 report to those charged with governance, submitted by the external auditors for the Council, KPMG.

Jo Ray stated that this was the first time benefits paid out had exceeded contribution income coming into the Fund. This was a result of reducing membership numbers and an increase in pensions paid, following the cuts in to public expenditure and it was hoped that the situation would stabilise in the future. She added that KPMG had stated that the Fund had good processes in place, good quality supporting working papers and sound key financial systems. Once approved by the Committee, the report would be available electronically.

Officers responded to comments made by the Committee including the effects of people living longer which was taken into consideration by the Actuary in his examination of the Fund every three years, communication to employees about the new pension arrangements due to come into practice in 2014 would be an issue, Academies were standalone employers and would be treated the same as any other employer and West Lindsey District Council's contribution rate which all employers

4

PENSIONS COMMITTEE

10 OCTOBER 2013

were being encouraged to follow as a good example of reducing the deficit over the longer term.

RESOLVED

That the Annual Report and Accounts be approved and that the ISA 260 Report prepared by KPMG, be noted.

22 PENSION FUND DISCRETIONARY POLICIES - REVIEW AND UPDATE

Jo Ray presented a report in connection with a review of the Fund's discretionary policies and draft policies for any new discretions. She stated that the Local Government Pension Scheme regulations gave some responsibilities and discretions to the County Council as the administering authority of the Fund.

RESOLVED

That the administering authority discretions for the Lincolnshire Pension Fund as detailed in the report be approved.

23 PERFORMANCE MEASUREMENT ANNUAL REPORT

Jo Ray presented a report on the Fund's investment performance over various time periods ending 31 March 2013 and examined whether the Fund should continue to subscribe to the WM Local Authority Universe.

Following an enquiry from the Committee Jo Ray stated the cost of using WM Local Authority Universe was £5k per annum.

RESOLVED

(a) That the report and that the volatility of the Fund's performance be noted and that the Fund continue to subscribe to the WM Local Authority Universe.

(b) That the Committee receive a report annually of the Fund's performance measured against WM Local Authority Universe.

24 LINCOLNSHIRE PENSION FUND TRIENNIAL VALUATION - INITIAL RESULTS

The Committee received a report from Jo Ray and a presentation from the Fund's Actuary, Hymans Robertson, in connection with the draft results of the Fund's triennial valuation at 31 March 2013.

Comments made by the Committee included:-

1. The reduction in value of the Fund from 76% to 70%.
2. Life expectancy had increase but the effects of obesity on the long term trend were unknown at this stage.

3. The effects of changes in employment activity, e.g. a reduction in work force and a reduction in working hours.

4. The need for an increase in the return on investments to meet the deficit in funding.

The representatives from Hymans Robertson reassured the Committee that there had not been a big deterioration in the Fund and that stability in the contribution strategy was important.

Officers stated that Hymans Robertson would calculate the individual employer's rates in consultation with the employers but any new rates would have to be affordable. At its January 2013 meeting the Committee would consider the funding strategy statement.

RESOLVED

That the results of the Lincolnshire Fund's triennial valuation be noted.

The meeting closed at 1.20 pm

This page is intentionally left blank