

**PENSIONS COMMITTEE
9 OCTOBER 2014**

PRESENT: COUNCILLOR M G ALLAN (CHAIRMAN)

Councillors R J Phillips (Vice-Chairman), N I Jackson, B W Keimach, C E D Mair, Mrs S Rawlins and A H Turner MBE JP

Officers in attendance:- Stuart Duncombe (Pensions Administrator – Mouchel), Jo Ray (Pensions and Treasury Manager), Nick Rouse (Investments Manager), Catherine Wilman (Democratic Services Officer)

In attendance: Peter Jones (Independent Financial Advisor)

23 APOLOGIES/REPLACEMENT MEMBERS

No apologies were received.

24 DECLARATIONS OF MEMBERS' INTERESTS

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

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.

Councillor M Leaning stated he was now a pensioner and in receipt of a pension from the fund.

Councillor R J Phillips declared a personal interest in all items on the agenda as a member of the Upper Witham Internal Drainage Board and as a contributing member of the Pension Fund.

25 MINUTES OF THE PREVIOUS MEETING OF THE PENSIONS COMMITTEE HELD ON 24 JULY 2014

Due to an administrative error, the minutes from the meeting of the Pensions Committee held on 24 July 2014 could not be ratified by the Committee and would be submitted to the Committee at its next meeting on 11 December 2014.

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26 INDEPENDENT ADVISOR'S REPORT

Consideration was given to a report by Peter Jones, the Committee's Independent Advisor which provided a market commentary on the current state of global investment markets.

The UK and US economies forecast economic growth was 3% per annum, but remained fragile. Investors had little confidence in a robust economic future, outside the US and the UK, and were concerned about how durable it was in those two countries beyond 2015.

RESOLVED

That the report be noted.

27 PENSION FUND UPDATE REPORT

The Committee considered a report which updated Members on current issues and Fund matters over the quarter ending 30 June 2014.

Councillor N I Jackson updated the Committee following meetings of the Local Authority Pension Fund Forum.

It was reported that the transfer of pensions administration from Mouchel to West Yorkshire Pension Fund was going well. The Collaboration Board had now had the first of its meetings which would be held quarterly. A satellite office for West Yorkshire Pension Fund would be located within the main building of County Offices. There was still a substantial amount of work to do before the transition in April 2015.

It was noted that Councillor Mrs S Rawlins joined the meeting.

Pensions staff previously employed by Mouchel would transfer to West Yorkshire Pension Fund and be able to join their pension scheme which was administrated by City of Bradford Metropolitan Council.

RESOLVED

That the report be noted.

28 INVESTMENT MANAGEMENT REPORT

Consideration was given to a report which updated the Committee on the management of the Lincolnshire Pension Fund assets over the period from 1 April to 30 June 2014. The Investment Manager summarised the report for the Committee's benefit.

Neptune had previously indicated they would move back into emerging markets, which was done in Quarter 2 and returned 3.9% against a benchmark of 3.2%.

It was confirmed that all figures quoted in the report were gross of fees. The cost of managing the in-house portfolio was around 0.02% of the assets under management.

RESOLVED

That the report be noted.

29 PENSION ADMINISTRATION REPORT

The Committee considered a quarterly report by the pension administrator, Mouchel which provided an update on current administration issues. Stuart Duncombe from Mouchel was present.

The performance results for the period June 2014 to August 2014 extracted from the task management module of the administration system showed that three task areas were underperforming slightly, as a result of the scheme changes, but were expecting to improve.

There had been no praise or complaints received during the quarter.

RESOLVED

That the report be noted.

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

The Committee was invited to consider a presentation from Invesco Asset Managers who maintained the Global ex UK Enhanced Index Equity Portfolio. Michael Fraikin, Director Portfolio Management and Hugh Ferrand, Head of Institutional Sales and Service, were present.

Within the 9 years that Invesco had been running the Global Equities Mandate for the Fund, it had consistently achieved the target set and steadily outperformed. It was currently ahead of the benchmark by 1% and had consistently delivered since inception.

Following the presentation, questions from the Committee were answered:

- The portfolio's annual return of 1.6% was 0.6% over the requirements of the mandate. This return had been achieved within the allowed risk tolerance and no additional risk had been taken;

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- The process was run in a quantitative manner, however the individuals managing the funds oversaw the output of the model and make the final investment decisions;
- There was a risk management function embedded within the team and overseen by another risk function within Invesco to ensure funds were performing within the specifications of all portfolios;
- Invesco had agreed the expected risk of the portfolio with the Committee. If it became advantageous to take more risk to meet the required return target, it would be discussed with the Committee before proceeding.

RESOLVED

That the presentation and report be noted.

31 PENSION FUND EXTERNAL AUDIT ISA 260 REPORT

Consideration was given to a report which brought the ISA 260 report to those charged with governance of the Pension Fund, submitted by the external auditors for the Council, KPMG.

Following a question, it was noted that exchange rates were taken from the Bloomberg system.

RESOLVED

That the report be noted.

32 PERFORMANCE MEASUREMENT ANNUAL REPORT

A report was considered which set out the Pension Fund's longer term investment performance, for the period ending 31st March 2014.

At a previous meeting, the Committee had agreed to continue using the WM Local Authority Universe to measure the performance of the Fund against other authorities. An update of the Fund's performance within the Universe was included in the report.

The long term performance analysis showed good performance overall.

RESOLVED

That the report be noted.

33 ASSET ALLOCATION

A report was considered that updated the Committee following the first meeting of the working group to discuss asset allocation, following the asset liability study undertaken by Hymans Robertson.

Peter Jones, the Committee's independent financial advisor gave a short presentation on asset allocation.

The Committee had agreed the high level allocation between growth assets and low risk assets at its July meeting. The working group was set up to review the detail beneath those asset areas. Its first meeting had been held on 22 September 2014. An invitation to join the working group was extended to the Committee as there was currently only one Councillor representative.

The working group had made a number of proposals to the Committee which were outlined in the report. Each proposal was discussed in turn and all were agreed.

It was noted that equities was a priority for the working group as it would have the biggest impact and therefore this would be the first area to cover.

Members of the Committee would be notified of the date for the next working group.

RESOLVED

That the report be noted.

The meeting closed at 12.35pm.