



PENSIONS COMMITTEE 11 APRIL 2013

PRESENT: COUNCILLOR C FARRAR (CHAIRMAN)

Councillors E R Chapman, N I Jackson, P S Pryzyslak, J M Swanson, Mrs P F Watson and B Young;

Added Members: Mr A Antcliff, Councillor M Leaning, Mr M J Scott

Peter Jones (Independent Investment Advisor)

Officers: David Forbes (Assistant Director, Finance and Asset Management), Jo Ray (Group Manager, Pensions and Treasury), Nick Rouse (Investment Manager), Dave Vickers (Pensions Manager, Mouchel) and Catherine Wilman (Democratic Services Officer).

42. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor D R Dickinson.

43. DECLARATIONS OF MEMBERS' INTERESTS

Councillor P S Pryzyslak declared a personal interest in all items on the agenda as he was currently a contributing member of the Pension Fund in his capacity as a member of South Holland District Council and the South Holland Internal Drainage Board. He also declared that he was currently a Director of Compass Point Business Services East Coast Ltd, and that his daughter was currently a contributing member of the Pension Fund.

Councillor Mrs P F Watson declared a personal interest in all items on the agenda as a contributing member of the Pension Fund in her capacity as a member of Lincolnshire County Council and East Lindsey District Council.

Mr A Antcliff declared a personal interest in all items on the agenda as he was currently a contributing member of the Pension Fund as an employee of Lincolnshire County Council.

Councillor M Leaning declared a personal interest in all items on the agenda as a contributing member of the Pension Fund.

44. MINUTES OF THE MEETING OF THE PENSIONS COMMITTEE HELD ON 17 JANUARY 2013

RESOLVED

That the minutes of the previous meeting held on 17 January 2013 be confirmed and signed by the Chairman as a correct record.

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45. INVESTMENT ADVISORS REPORT

Consideration was given to a report by the Investment Advisor, which provided a market commentary on the current state of global investment markets. The report had been written before Easter and was therefore not up to date with current information, and a verbal update was given.

In economic terms, the global equity markets remained at high levels, however the chance of worldwide economic lift-off was remote. The amount of government debt within the UK was at a worrying level and paralleled that of the US, however the debt of Spain, Italy, Greece and Portugal was far greater. Inflation was a convenient device for lowering debt in real terms, and it was likely that higher inflation would be seen in coming times.

RESOLVED

That the report be noted.

46. PENSION FUND UPDATE REPORT

Consideration was given to a report written by the Group Manager (Pensions and Treasury) which updated the Committee on current issues and overall Fund performance over the period 30 September to 31 December 2012.

It was reported that the Fund had returned 8.6% over the 12 month period, against a strategic benchmark of 7.6%, outperforming by 0.9%. Within the WM Local Authority universe, the Fund was ranked in the 84th percentile. Comparing the Fund's performance to other Local Authority (LA) funds was not thought to be particularly useful, as funds had scheme specific benchmarks, suited to their individual liability profiles and attitudes to risk. Members of the Committee asked whether continuing with the WM subscription at a cost of £6,000 a year was beneficial and it was agreed that a report investigating whether to continue with the subscription would be brought to a future meeting of the Committee.

Councillor N Jackson reported back to the Committee following his attendance at the Local Authority Pension Fund Forum (LAPFF) quarterly meeting and the following points were noted:

- Concern over the confidentiality of discussions between the LAPFF and individual companies was raised. The Forum was of the opinion that they should enter into dialogue with companies, however some had highly confidential information which needed to remain so. If this information were to be divulged to local authorities, it could become the subject of Freedom of Information requests which would breach confidentiality. Going forwards, information would not be sent to local authorities, but would be available on the LAPFF website in a secure area;
- The Forum felt that whilst local authorities had a legal responsibility within the health arena to not support tobacco manufacturers, this

was not applicable to their Pension Fund, and Funds were duty bound to achieve the best returns for their fund members. Members felt that boycotting manufacturers of tobacco products would set a precedent to boycott other areas such as pharmaceutical companies or manufacturers of alcoholic beverages;

- The Forum had received a presentation on Shell gas extraction; pressurised water was used to extract the gas and it was questioned whether the water was dealt with in the proper manner so no pollution occurred during the process.

The consultation by the Department for Communities and Local Government on Investments in Partnerships had proposed two options as follows:

- a) Increase the limit on investments in partnerships from 15% of a local authority pension fund to 30%;
- b) Create a new investment class for investment in infrastructure (including via limited liability partnerships), with an appropriate investment limit of 15% of an overall fund.

The Committee had responded to the consultation supporting option A. The consultation concluded and the Regulations were amended with effect from 1 April 2013, increasing the limit on investments in partnerships to 30.

RESOLVED

1. That the report be noted.
2. That a report on the WM Local Authority universe be brought to a future Committee meeting.

47. INVESTMENT MANAGEMENT REPORT

The Committee considered a report by the Investment Manager which provided information on the management of the County Council Pension Fund assets over the period from 1 October to 31 December 2012.

During discussion of the report, the following points were noted:

- The fees paid to Neptune and Schrodgers had been reviewed and as a result had been changed from a straight percentage of assets fee to a performance related fee. Conditions were attached to ensure that the underperformance incurred to date was taken into account before any performance fees could be paid. If they were to meet their targets, they would earn the same as the original base fee;
- Officers had not carried out independent checks on Morgan Stanley's reported performance, as the fund management industry was highly regulated with annual audits. All managers with unlisted holdings

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would be asked to provide a statement of assurance on their valuation processes as part of the year end procedures.

RESOLVED

That the report be noted.

48. PENSION ADMINISTRATION REPORT

Consideration was given to the quarterly report written by the Pension Manager from Mouchel which provided the Committee with details of current administration issues and performance rates. During discussion of the item, the following points were noted:

- The Task Management figures showed 0% performance for processing new entrants. It was explained that this was due to a computer error and that all new entrants were processed within the target of 18 working days;
- All members in receipt of a pension from the fund received a newsletter in March. It was suggested that future newsletters be shared at meetings of the Committee;
- All new members of staff went through the auto-enrolment process for the pension scheme, however once enrolled they would be sent an information pack which included an opt-out form, should they not wish to be a member. The form included 10 good reasons to be a member.

RESOLVED

That the report be noted.

As this was the last meeting of the Committee before the County Council elections, the Chairman announced that he would not be standing for re-election and therefore thanked all Members of the Committee and Officers involved for their work during his Chairmanship.

The meeting closed at 11.55am.