

AT A MEETING of the PENSION FUND PANEL of the County Council held at The Castle, Winchester on Friday 7 June 2013.

Chairman:
p Councillor M.N. Kemp-Gee

Councillors:

a C. Carter	p A. Joy
a C. Connor	p T. Rolt
p A.G. Dowden	p B. Tennent
p A. Gibson	p T. Thacker

Co-opted members:

p Councillor P. Giddings (Test Valley Borough Council)
p Councillor J. Leek (Basingstoke and Deane Borough Council)
p Councillor D. Jones (Portsmouth City Council)
p Councillor S. Barnes-Andrews (Southampton City Council)
p Dr C. Allen (pensioners' representative)
p Mr P. Reynolds (employee representative)

Independent Adviser:

p C. Dobson

1 **APOLOGIES FOR ABSENCE**

Councillors C. Carter and C. Connor gave their apologies.

2 **DECLARATIONS OF INTEREST**

Members were mindful that where they believed they had a Disclosable Pecuniary Interest in any matter considered at the meeting they must declare that interest at the time of the relevant debate and, having regard to the circumstances described in Part 3, Paragraph 1.5 of the County Council's Members' Code of Conduct, leave the meeting while the matter was discussed, save for exercising any right to speak in accordance with Paragraph 1.6 of the Code. Furthermore Members were mindful that where they believed they had a Non-Pecuniary interest in a matter being considered at the meeting they considered whether such interest should be declared, and having regard to Part 5, Paragraph 2 of the Code, considered whether it was appropriate to leave the meeting whilst the matter was discussed, save for exercising any right to speak in accordance with the Code.

3 **CONFIRMATION OF MINUTES**

The minutes of the meeting held on 1 March 2013 were confirmed.

4 **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman reported that he had decided not to apply to be one of the scheme employer representatives on the Shadow Local Government Pension Scheme Advisory Board which the Government was establishing.

5 **PENSION FUND PANEL REPRESENTATIVES**

The Panel considered a report of the Director of Corporate Resources (Item 5 in the Minute Book) outlining the arrangements for membership of the Panel, including the co-opted representatives.

Dr Cliff Allen had been selected in March 2013 by the Panel's informal sub-group as the new pensioners' representative. His appointment had been formally approved by the County Council at its Annual General Meeting on 23 May 2013.

Phillip Reynolds' position as the employees' representative had been due to be reviewed at 31 July 2013. Under the Public Service Pensions Act, the Pension Fund will be required to establish a Pension Board which may include a number of employee representatives. As the details of these arrangements had not yet been specified by the Government, it was suggested that Mr Reynolds' appointment could be extended until 31 March 2015.

RESOLVED:

- (a) That the appointment of Cliff Allen as pensioners' representative on the Pension Fund Panel be noted.
- (b) That the appointment of Phillip Reynolds as employees' representative be extended to 31 March 2015.
- (c) That the remainder of the report be noted.

6 **INTERNAL AUDIT ANNUAL REPORT AND OPINION**

The Panel considered a report of the Director of Corporate Resources (Item 6 in the Minute Book) providing the Chief Internal Auditor's annual report and opinion on the adequacy and effectiveness of Pensions Services' framework of risk management, internal control and governance for the year ending 31 March 2013.

The Chief Internal Auditor confirmed that 'Substantial Assurance' could be placed on the framework of governance, risk management and management control, and audit testing had demonstrated controls to be working in practice.

RESOLVED:

That the Chief Internal Auditor's annual report and opinion statement for 2012/13 be accepted.

7 PENSIONS ADMINISTRATION PERFORMANCE UPDATE

The Panel considered a report of the Head of Pensions Services (Item 7 in the Minute Book) providing an update on the performance of Pensions Services in 2012/13 and highlighting key changes in the coming year.

Processing times had met service standards for all categories of casework in quarter 4 of 2012/13. Administration costs per member were lower than the target set in the Panel's five-year resourcing plan in 2008, and lower than good practice targets and averages for other Local Government Pension Schemes taken from benchmarking data.

Pension Services had held the Government's quality standard 'Customer Service Excellence' since April 2009. In the annual review of the standard in April 2013, Pension Services were awarded 'compliance plus' for commitment to customer excellence.

The Director of Corporate Resources provided an update on compensation payments for Equitable Life policyholders, and on the Government's progress in consulting on regulations for the new LGPS 2014 pension scheme which was due to be implemented from 1 April 2014. The Local Government Minister had also announced a further consultation later in the year on the structural reform of the Scheme including the possibility of merging funds.

RESOLVED:

That the administration performance for 2012/13 be noted.

8 REVIEW OF THE INTERNAL DISPUTE RESOLUTION PROCEDURE

The Panel considered a report of the Head of Pensions Services (Item 8 in the Minute Book) reviewing the arrangements for the Pension Fund's Internal Dispute Resolution Procedure (IDRP). This was a two stage process, with stage 1 undertaken by the employing authority or the Director of Corporate Resources if the dispute concerned how Pensions Services had applied the Local Government Pension Scheme (LGPS) regulations. If the member of the Pension Fund was unhappy with the Stage 1 decision, they could ask the County Council as administering authority to reconsider the decision under Stage 2 of the IDRP.

Under the current arrangements for Stage 2, appeals were heard by a panel of councillors from the Regulatory B Committee. The Panel considered whether Stage 2 appeals should be heard by the County

Council's Monitoring Officer (or deputy) in future. As a person qualified in law, the Monitoring Officer would be well placed to understand the legal and technical complexities of the LGPS regulations, and would have the experience to scrutinise decisions taken at Stage 1 on a fair minded and impartial basis.

RESOLVED:

That it be recommended to the County Council at its meeting in July 2013 that Stage 2 appeals under the Internal Dispute Resolution Procedure be heard by the County Council's Monitoring Officer (or deputy).

9 **COUNCILLORS ACCESS TO LGPS**

The Panel considered a report of the Head of Pensions Services (Item 9 in the Minute Book) summarising the Government's recent consultation on removing access to the Local Government Pension Scheme (LGPS) for councillors from 1 April 2014.

The Government had proposed three options: (1) no access to the LGPS; (2) continued access for 'front bench' councillors only; and (3) no change to the existing arrangements, with councillors continuing to have access to the LGPS.

The Panel concluded that the question of whether councillors should be allowed access to the Scheme was a matter for individual employers. The Panel's interest was in seeking the most efficient way of administering whatever the Government decided. From April 2014, the main LGPS scheme would be based on career average pay, as was the existing councillors' scheme, so it would be more efficient for councillors to join the main scheme rather than continue to have special provisions, if access to the Scheme was allowed in future.

RESOLVED:

- (a) That responses to the Government's consultation on access for councillors to the LGPS were a matter for individual local authority employers.
- (b) That if local authorities support continued access to the LGPS for councillors (the Government's option 3), councillors should move to the standard provisions of the new LGPS 2014 scheme to ensure administrative efficiency.

10 **TRAINING FOR PANEL MEMBERS, INCLUDING THE TRAINING PLAN FOR 2013/14**

The Panel considered a report of the Director of Corporate Resources (Item 10 in the Minute Book) providing information about the training

opportunities available for Panel members and the proposed Training Plan for 2013/14.

RESOLVED:

- (a) That Panel members contact the Director of Corporate Resources if they wish to attend any of the training courses, seminars or conferences described in the report, including the LCG Investment Summit at Celtic Manor, Newport in September 2013.
- (b) That the proposals for the in-house training session in November 2013 set out in the report be approved.
- (c) That the Training Plan for 2013/14 be approved.
- (d) That the remainder of the report be noted.

11 **PENSION FUND CASH – ANNUAL REPORT FOR 2012/13**

The Panel considered a report of the Director of Corporate Resources (Item 11 in the Minute Book) which summarised the activities of the Director in managing the Pension Fund's cash balance during 2012/13. The Panel had agreed an Annual Investment Strategy earlier in the year and the cash balance had been managed in accordance with that Strategy throughout the year. The cash balance at 31 March 2013 was £51.2m.

RESOLVED:

That the outturn report on the Pension Fund's cash management in 2012/13 be approved.

12 **EXCLUSION OF PRESS AND PUBLIC**

RESOLVED:

That the public be excluded from the meeting during the following items of business, as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during these items there would be disclosure to them of exempt information within Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972, and further that in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, for the reasons set out in the reports.

13 **PENSION FUND CASH – ANNUAL REPORT FOR 2012/13 – EXEMPT APPENDIX**

The Panel noted an exempt Appendix from the Director of Corporate

Resources (Item 13 in the Minute Book) concerning the management of the Pension Fund's cash balance in 2012/13. [SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

14 **RETENDERING FOR THE PENSION FUND'S GLOBAL CUSTODIAN**

The Panel considered an exempt report from the Director of Corporate Resources (Item 14 in the Minute Book) updating the Panel on the outcome of the retendering of the Pension Fund's custodian contract. [SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

15 **INVESTMENT UPDATE INCLUDING RECENT PERFORMANCE RETURNS**

The Panel considered an exempt report from the Director of Corporate Resources (Item 15 in the Minute Book) updating the Panel on the progress of the Pension Fund's investments. [SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

16 **PROPERTY PORTFOLIOS - UPDATE**

The Panel considered an exempt report from the Director of Corporate Resources (Item 16 in the Minute Book) updating the Panel on its UK and European property portfolios. [SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]