

AT A MEETING of the PENSION FUND PANEL of the County Council held at The Castle, Winchester on Wednesday 15 December 2010.

Chairman:
p Councillor M.N. Kemp-Gee

Councillors:

p F.G. Allgood
p C. Carter
p B.D. Dash
p A.G. Dowden

a T.G. Knight
p B. Tennent
p T. Thacker
p T.K. Thornber, CBE

Co-opted members:

p Councillor P. Giddings (Test Valley Borough Council)
p Councillor J. Moulton (Southampton City Council)
p Mr E.W. Hughes (pensioners' representative)
p Mr P. Reynolds (employee representative)

Independent adviser:

p Mr H. Cole

128 **APOLOGIES FOR ABSENCE**

Councillor T.G. Knight gave his apologies.

129 **DECLARATIONS OF INTEREST**

Members were mindful that, where they believed they had a personal or prejudicial interest in any matter to be considered at the meeting, they should, normally at the time of the debate, declare their interest and, having regard to the circumstances described in paragraphs 9, 10, 11 and 12 of the County Council's Code of Conduct, consider whether to leave the meeting whilst the matter was discussed, save for exercising any right to speak in accordance with paragraph 12 of the Code. The declaration should be made at the time of the relevant debate.

Councillor T.K. Thornber declared a personal interest in connection with the report on the Pension Fund's Business Plan (Minute 137 below refers) in respect of Zurich Financial Services Group as the provider of services for Additional Voluntary Contributions.

The pensioners' representative Mr E.W. Hughes declared a personal interest in connection with the report on Alternative Investments (Minute 144 below refers) in respect of a shareholding in the company IQE.

The independent adviser Mr H. Cole informed the meeting of a personal interest in connection with the reports on Alternative Investments (Minute 144 below refers) and the Property Portfolios (Minute 145 refers) in respect of a shareholding in Aberdeen Asset Management.

130 **MINUTES**

The Minutes of the meeting held on 19 November 2010 were confirmed as a correct record and signed by the Chairman.

131 **CHAIRMAN'S ANNOUNCEMENTS**

No Chairman's communications were received.

132 **PENSION FUND PANEL REPRESENTATIVES**

The Panel considered a report of the County Treasurer (Item 5 in the Minute Book) regarding co-opted representatives on the Pension Fund Panel, including the option of increasing the representation for the Hampshire district councils and for Portsmouth and Southampton City Councils. The two representatives for the Hampshire districts could be allocated on a geographical basis such as North and East Hampshire (Basingstoke and Deane, East Hampshire, Hart, Havant, Rushmoor and Winchester) and South and West Hampshire (Eastleigh, Fareham, Gosport, New Forest and Test Valley). The Panel also discussed when such changes should be implemented.

The Panel considered whether to extend the appointment of the co-opted representative of the Fund's pensioners, Mr E.W. Hughes, for the year to 31 March 2012, and the arrangements that should be put in place to renew the appointment in future.

RESOLVED:

- (a) That the County Council be recommended to increase the number of co-opted representatives on the Pension Fund Panel of the Hampshire district councils from one to two, with effect from autumn 2011, to be allocated to North and East Hampshire and to South and West Hampshire.
- (b) That the County Council be recommended that both Portsmouth and Southampton City Councils be invited to nominate a co-opted representative on the Pension Fund Panel instead of alternating every two years, with effect from autumn 2011.
- (c) That Mr E.W. Hughes be invited to continue as the pensioners' representative on the Pension Fund Panel until 31 March 2012.
- (d) That the County Treasurer report to a future meeting of the Panel on appropriate procedures for the selection of the pensioners' representative after 2012.

133 **PENSION FUND ANNUAL GENERAL MEETING 2010**

The Panel considered a report of the County Treasurer (Item 6 in the

Minute Book) summarising the attendance and response from employers to the Annual General Meeting for 2010 and to consider proposals for 2011. Attendance numbers for the AGM held on 29 September 2010 at Sparsholt college was similar to the previous year. Most of the major employers were represented.

The Panel considered the proposed arrangements for the meeting in 2011, which would be known as the Annual Employers Meeting to clarify its purpose. The meeting will be held a month later, on 31 October 2011 at 2pm, to allow the Pension Fund's Annual Report and Statement of Accounts to be published with a full external auditor's certificate. The venue will be Ashburton Hall in Winchester.

RESOLVED:

- (a) That the report on the attendance at the Annual General Meeting for 2010 be noted.
- (b) That the arrangements for the Annual Employers Meeting to be held on 31 October 2011 at 2pm in Ashburton Hall, Winchester be noted.

134 **TRAINING FOR PANEL MEMBERS**

The Panel considered a report of the County Treasurer (Item 7 in the Minute Book) reviewing Panel members' training in 2010/11. A series of training sessions had been provided in November 2010, including one delivered by Lord Myners. He suggested that the Panel consider whether more information should be published in the Pension Fund's Annual Report on the background and experience of Panel members, including the training they have received.

The Panel discussed its future training needs and the proposal to hold further training sessions in November 2011.

The Panel also considered the skills recommended in the Knowledge and Skills Framework for Pension Fund Panel members recently published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

RESOLVED:

- (a) That the training received by the Panel so far in 2010/11 be noted.
- (b) That the County Treasurer report to a future meeting of the Panel on the options for publishing additional background information about each Panel member in the Pension Fund's Annual Report for 2010/11.

- (c) That arrangements be put in place to hold two further half-day training sessions for Panel members in November 2011.
- (d) That the publication and content of the CIPFA knowledge and skills framework be noted and that the Panel and Chairman already met the requirements set out in the framework.

135 **INTERNAL AUDIT STRATEGY 2011 - 2014**

The Panel considered a report of the County Treasurer (Item 8 in the Minute Book) regarding the revised Internal Audit Strategy for the County Council. The report highlighted key changes to the internal audit focus and approach for the Pension Fund. In future, internal audit plans and progress reports concerning the Pension Fund would be presented to the Pension Fund Panel. The revised audit approach would operate at a strategic level providing a value adding, and proportionate, level of assurance. Clear identification, monitoring and reporting of the independent internal audit assurance will support the production of the annual governance statement for the Pension Fund.

RESOLVED:

That the changes in approach and reporting for the Pension Fund arising from the revised Internal Audit Strategy 2011-2014 be approved.

136 **HUTTON INDEPENDENT PUBLIC SERVICE PENSIONS COMMISSION – RESPONSE TO THE SECOND CALL FOR EVIDENCE**

The Panel considered a report of the County Treasurer (Item 9 in the Minute Book) finalising the response to the Independent Public Service Pensions Commission's second call for evidence. The Panel had considered a first draft of the response at the meeting on 19 November 2010. A revised version had been circulated to all the Pension Fund's employers for information and to encourage them to respond to the Commission.

RESOLVED:

- (a) That the response to the Independent Public Service Pensions Commission be agreed and submitted to the Commission by the deadline of 17 December 2010.
- (b) That the response be sent for information to all Hampshire MPs and the Local Government Association.

137 **REVIEW OF THE PENSION FUND'S STATUTORY STATEMENTS**

The Panel considered a report of the County Treasurer (Item 10 in the

Minute Book) providing an annual update of the Hampshire Pension Fund's statutory statements, including its Business Plan, Statement of Investment Principles, Funding Strategy Statement, Governance Policy and Governance Compliance Statement, and Communication Policy Statement.

The Panel reviewed the progress over the last year on the action plan set out in the Business Plan and considered a revised action plan for the forthcoming year.

The Pension Fund's actuary was finalising amendments to the Funding Strategy Statement which would be circulated to the other employers for consultation purposes in due course.

Minor amendments had been made to the other statutory statements.

RESOLVED:

- (a) That progress on the Business Plan's actions in 2010 be noted and the updated Business Plan for the next year be approved.
- (b) That the updated Statement of Investment Principles be approved.
- (c) That progress on updating the Funding Strategy Statement be noted.
- (d) That the updated Governance Policy and Governance Compliance Statements be approved.
- (e) That the updated Communication Policy Statement be approved.

138 **PENSION FUND CASH – ANNUAL INVESTMENT STRATEGY
2011/12**

The Panel considered a report of the County Treasurer (Item 11 in the Minute Book) regarding the Annual Investment Strategy for 2011/12 for the Pension Fund.

The draft Annual Investment Strategy had been prepared with the advice of the County Council's treasury management advisers, Arlingclose.

RESOLVED:

- (a) That the Annual Investment Strategy for 2011/12 be approved and adopted for the remainder of 2010/11.
- (b) That the County Treasurer be authorised to manage the Fund's cash balance in accordance with the policy set out in the report.

- (c) That the County Treasurer be authorised to invest the Pension Fund's cash balance in market-related investments as appropriate.

139 **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 those 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.

140 **PENSION FUND CASH – ANNUAL INVESTMENT STRATEGY 2011/12 (EXEMPT APPENDIX)**

The Panel noted an exempt appendix to the report from the County Treasurer on the Annual Investment Strategy for 2011/12 (Item 13 in the Minute Book).

[SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

141 **APPOINTMENT OF AN INDEPENDENT ADVISER TO THE PENSION FUND**

The Panel considered an exempt report from the County Treasurer (Item 14 in the Minute Book) on the appointment of an independent adviser to the Pension Fund.

[SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

142 **ACTUARIAL VALUATION AT 31 MARCH 2010**

The Panel considered an exempt report from the County Treasurer (Item 15 in the Minute Book) on the actuarial valuation of the Pension Fund at 31 March 2010.

[SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

143 **MANAGEMENT FEES AND TRANSACTION COSTS IN 2009/10**

The Panel considered an exempt report from the County Treasurer (Item 16 in the Minute Book) on the Pension Fund's management fees and transaction costs in 2009/10.

[SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

144 **ALTERNATIVE INVESTMENTS PORTFOLIO - UPDATE**

The Panel considered an exempt report from the County Treasurer (Item 17 in the Minute Book) on the alternative investments portfolio.
[SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

145 **PROPERTY PORTFOLIOS - UPDATE**

The Panel considered an exempt report from the County Treasurer (Item 18 in the Minute Book) on the Pension Fund's property portfolios.
[SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

146 **FUTURE INVESTMENTS MANAGEMENT ARRANGEMENTS**

The Panel considered an exempt report from the County Treasurer (Item 19 in the Minute Book) on the future investment management arrangements for the Pension Fund.
[SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]