

AT A MEETING of the PENSION FUND PANEL of the County Council held at The Castle, Winchester on Friday 17 June 2011.

Chairman:
p Councillor M.N. Kemp-Gee

Councillors:

p C. Carter
p B.D. Dash
p A.G. Dowden
p T.G. Knight

a 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

172 **APOLOGIES FOR ABSENCE**

Councillor B. Tennant gave his apologies.

173 **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.

Mr E.W. Hughes left the room during the discussion of the report on the Appointment of the Pensioners' Representative on the Pension Fund Panel (Minute 179).

Councillors M.N. Kemp-Gee and T.K. Thornber and Mr E.W. Hughes declared a personal interest in connection with information on Equitable Life policyholder compensation in the report on Administration Performance and Targets for 2011/12 (Minute 181).

Councillor P. Giddings and Mr E.W. Hughes declared a personal interest as pensioners of the Hampshire Pension Fund in connection with the exempt Appendix to the Administration Performance and Targets for 2011/12 (Minute 183).

Councillors T. Thacker and J. Moulton declared a personal interest in connection with the report on the Engagement of Prudential as an Additional Voluntary Contributions Provider (Minute 185).

174 **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman noted that David Heck and Richard Kinch of the Independent Remunerations Panel had attended the meeting as observers.

At the Chairman's invitation, the County Treasurer reported that Item 15 on the Actuarial Valuation at 31 March 2010 would be considered with Item 7 on the Funding Strategy Statement as the Monitoring Officer had confirmed that it was no longer necessary to treat Aon Hewitt's report on the Actuarial Valuation as exempt under Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972. Aon Hewitt had given their consent to the publication of the report with the Panel's Agenda.

175 **TRAINING PLAN**

The Panel considered a report of the County Treasurer (Item 4 in the Minute Book) on the training plan for the Pension Fund Panel for 2011/12. The report also reviewed the training received by Panel members in 2010/11, the proposals for the Panel's training session in November 2011 and the internet-based e-learning opportunities that were available.

The Panel discussed whether further biographical details about each Panel member should be included in the Pension Fund's Annual Report.

The Panel also considered how appropriate training could be provided for new and recently appointed members of the Panel, including whether use could be made of the Local Government Pension Scheme Fundamentals course provided by the Local Government Employers organisation.

RESOLVED

- (a) That the training plan for 2011/12 be approved.
- (b) That the County Treasurer be requested to prepare additional background information about each Panel member for inclusion in the Pension Fund's Annual Report and Accounts for 2010/11.
- (c) That consideration be given to providing further training for the Panel in November 2011 on what to look for when an investment manager is underperforming and on socially responsible investment.
- (d) That the proposed arrangements for training new members of the

Panel be approved, including the use of the Local Government Employers' Fundamentals course.

- (e) That the remainder of the report be noted.

176 **CHIEF INTERNAL AUDITOR – ANNUAL REPORT AND OPINION**

The Panel considered a report of the Chief Internal Auditor (Item 5 in the Minute Book) which provided an annual report and opinion for the year ending 31 March 2011. The Chief Internal Auditor confirmed that Hampshire County Council's framework of governance, risk management and management control was 'appropriate', and that audit testing had demonstrated that controls were working in practice.

RESOLVED

That the Chief Internal Auditor's annual report and opinion statement for 2010/11 be accepted.

177 **HUTTON INDEPENDENT PUBLIC SERVICE PENSIONS COMMISSION REVIEW OF PUBLIC SECTOR PENSIONS**

The Panel received and noted a report of the County Treasurer (Item 6 in the Minute Book) providing an update on the Hutton Independent Public Service Pensions Commission's review. A full response from the Government to the Commission's final report was expected in autumn 2011. The independent adviser provided a briefing for the Panel on a recent meeting arranged by Standard Life Investments with Lord Hutton on the background to his report and its recommendations.

178 **FUNDING STRATEGY STATEMENT AND ACTUARIAL VALUATION AT 31 MARCH 2010**

The Panel considered reports of the County Treasurer (Item 7 and 15 in the Minute Book) providing an update of the Funding Strategy Statement and the final report on the actuarial valuation prepared by the Fund actuary Aon Hewitt.

The Funding Strategy Statement had been revised in conjunction with Aon Hewitt as part of the process of preparing the actuarial valuation at 31 March 2010. It had been circulated for comments to all the Pension Fund's employers and no comments had been received.

RESOLVED

- (a) That the updated Funding Strategy Statement be approved.
- (b) That the Statement of Investment Principles be amended to read that "Each investment manager is asked to work actively with companies to promote forward-looking social, environmental and

ethical standards”.

- (c) That the actuarial valuation at 31 March 2010 be approved and adopted.

179 **APPOINTMENT OF THE PENSIONERS’ REPRESENTATIVE ON THE PENSION FUND PANEL**

The Panel considered a report of the County Treasurer (Item 8 in the Minute Book) concerning the appointment of the pensioners’ representative on the Pension Fund Panel. Mr E.W. Hughes had served as the pensioners’ representative with distinction since 1994. No selection process had been undertaken since 1994, however, and the Panel considered whether steps should be put in place to give the Pension Fund’s pensioners an opportunity to nominate the representative in the future.

RESOLVED

- (a) That Mr E.W. Hughes be invited to continue as the pensioners’ representative on the Pension Fund Panel from 1 April 2012 on a rolling one-year basis.
- (b) That the County Treasurer be requested to investigate arrangements for a selection process that could be undertaken for the position of the pensioners’ representative from 1 April 2013.

180 **APPOINTMENT OF AN INDEPENDENT ADVISER**

The Panel considered a report of the County Treasurer (Item 9 in the Minute Book) on possible arrangements for the future appointment of the Pension Fund Panel’s independent adviser. Following consideration of the matter at the Panel’s meeting on 15 December 2010, the Treasurer had reviewed arrangements at other Local Government Pension Funds for independent advisers. Some Pension Funds used specialist firms to provide independent advice and it would be worthwhile discussing with these firms the services that could be provided. A draft role profile and person specification was included in the report for the Panel’s information.

RESOLVED

- (a) That the progress on investigating possible arrangements for an independent adviser be noted.
- (b) That the Treasurer be requested to report later in 2011 on proposals for arrangements for independent advice in 2012 onwards.

181 **ADMINISTRATION PERFORMANCE AND TARGETS FOR 2011/12**

The Panel considered a report of the County Treasurer (Item 10 in the Minute Book) providing an update on the administrative performance of the Pension Fund in 2010/11 and highlighting key changes in the coming years. Considerable progress had been made during 2010/11, particularly on eliminating the backlog of work on deferred benefits.

The County Treasurer reported that an integrated payroll module would be implemented in late 2011/12 and a major new release of the pensions administration software would be installed in 2012/13. Further changes to the Local Government Pension Scheme were expected following the Hutton review.

The County Treasurer provided an update on the progress on compensation for Equitable Life policy holders following the Government's recent announcement on its compensation scheme.

RESOLVED

That the improved position regarding pension administration be welcomed.

182 **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.

183 **ADMINISTRATION PERFORMANCE AND TARGETS FOR 2011/12 (EXEMPT APPENDIX)**

The Panel considered an exempt report from the County Treasurer (Item 12 in the Minute Book) providing information on future administrative arrangements.

[SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

184 **REVIEW OF THE PENSION FUND'S INVESTMENT STRATEGY**

The Panel considered an exempt report from the County Treasurer (Item 13 in the Minute Book) concerning the review of the Pension

Fund's Investment Strategy.
[SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT
INFORMATION]

185 **ENGAGEMENT OF PRUDENTIAL AS AN ADDITIONAL VOLUNTARY
CONTRIBUTIONS PROVIDER**

The Panel considered an exempt report from the County Treasurer
(Item 14 in the Minute Book) on the appointment of Prudential as an
Additional Voluntary Contribution (AVC) provider.
[SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT
INFORMATION]

186 **PENSION FUND CASH – ANNUAL REPORT 2010/11**

The Panel considered an exempt report from the County Treasurer
(Item 16 in the Minute Book) providing an annual report on the
management of the Pension Fund's cash balance.
[SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT
INFORMATION]

187 **NORTHERN TRUST – ANNUAL REPORT**

The Panel considered an exempt report from the County Treasurer
(Item 17 in the Minute Book) regarding the services provided by
Northern Trust as the Pension Fund's custodian of assets.
[SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT
INFORMATION]

188 **AON HEWITT'S APPOINTMENT AS ACTUARY**

The Panel considered an exempt report from the County Treasurer
(Item 18 in the Minute Book) concerning the appointment of Aon Hewitt
as the Pension Fund's actuary.
[SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT
INFORMATION]

189 **PROPERTY PORTFOLIO - UPDATE**

The Panel considered an exempt report from the County Treasurer
(Item 19 in the Minute Book) providing an update on the Pension Fund's
portfolios of UK and European property.
[SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT
INFORMATION]