AT A MEETING of the PENSION FUND PANEL of the County Council held at The Castle, Winchester on Friday 7 December 2012.

Chairman:
p Councillor M.N. Kemp-Gee

Councillors:
p C. Carter
p J. Bryant
p B.D. Dash
p A.G. Dowden
a A. Gibson
p T.G. Knight
p B. Tennent
p T. Thacker

Co-opted members:
p Councillor P. Giddings (Test Valley Borough Council)
a Councillor J. Leek (Basingstoke and Deane Borough Council)
a Councillor D. Jones (Portsmouth City Council)
p Councillor S. Letts (Southampton City Council)
p Mr E.W. Hughes (pensioners' representative)
p Mr P. Reynolds (employee representative)

Independent Adviser:
p Carolan Dobson

276 **APOLOGIES FOR ABSENCE**

Councillors A. Gibson and J. Leek gave their apologies. Councillor A Gibson was engaged on other County Council business.

277 **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.

278 **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman reported that two co-opted members of the Panel, Councillors J. Leek and D. Jones, had not attended any of the meetings of the Panel in November and December 2012. The last meeting of the Panel attended by the councillors was on 15 June 2012. As a result, both councillors' absence from Panel meetings would extend over more than six months as the next meeting of the Panel would not be held until 1 March 2013.

RESOLVED:

(a) That the continued absence of Councillor J. Leek be approved on the basis of temporary ill health.

(b) That the absence of Councillor D Jones be approved.

(c) That the Director of Corporate Resources be asked to write to Councillor D. Jones to establish whether her absence from the Panel was likely to continue.

279 LGPS ADMINISTRATION UPDATE

The Panel received and noted a report of the Director of Corporate Resources (Item 4 in the Minute Book) providing an update on the Pension Fund's administrative performance in the first six months of 2012/13 and on issues affecting pensions administration.

Michael Hayles of the legal firm Burges Salmon attended the meeting to update the Panel on proposed governance changes arising from the Public Service Pensions Bill and legal risk management for Local Government Pension Scheme funds.

280 INTERNAL AUDIT PROGRESS REPORT

The Panel received and noted a report of the Director of Corporate Resources (Item 5 in the Minute Book) providing an overview of internal audit work completed in accordance with the approved audit plan and an overview of the status of 'live' reports. Management action arising from completed audit reports, as well as the rolling work programme arising from Audit Plan for 2012/13, were both on target.

281 PENSIONERS' REPRESENTATIVE – ARRANGEMENTS FOR APPOINTMENT

The Panel received and noted a report of the Director of Corporate Resources (Item 6 in the Minute Book) providing an update on the progress on selecting a pensioner's representative for the Pension Fund Panel from April 2013. The five shortlisted candidates for the position attended the meeting as observers to gain an insight into the Panel's activities.

282 INVESTMENT LIMITS – GOVERNMENT CONSULTATION

The Panel considered a report of the Director of Corporate Resources (Item 7 in the Minute Book) regarding a response to a Government consultation paper on changes to the statutory limits on investments in partnerships.

RESOLVED:

(a) That the Director of Corporate Resources submit a response to the Government's consultation paper based on the comments set out in the report.

(b) That the response should emphasise that the Panel's support for increasing the limit for investments in partnerships to 30% was in the interest of giving the Pension Fund increased flexibility to decide its own investment strategy and did not reflect support for significantly increasing the Pension Fund's investment in infrastructure, which would be judged on its own merits.

(c) That the response should remind the Government of the need for a comprehensive review of the statutory investment limits for the Local Government Pension Scheme with the aim of introducing modern and appropriate arrangements for pension fund investment.

283 **COMPARISONS WITH OTHER LOCAL GOVERNMENT PENSION FUNDS**

The Panel considered a report of the Director of Corporate Resources (Item 8 in the Minute Book) providing a comparison of the investment performance of the Hampshire Pension Fund with other Local Government Pension Scheme funds for periods ending in 2010/11.

RESOLVED:

That the Director of Corporate Resources report annually on these statistics and on any other appropriate information comparing the performance of Local Government Pension Scheme funds.

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

The Panel considered a report of the Director of Corporate Resources (Item 9 in the Minute Book) on the annual review of the Pension Fund's statutory statements.

RESOLVED:

(a) That progress on the planned actions in the Business Plan for 2012/13 be noted.

(b) That the Business Plan for 2013/14 be approved.

(c) That the updated Statement of Investment Principles be approved.

(d) That the position on the Funding Strategy Statement be noted.

(e) That the updated Governance Policy and Governance Compliance Statements be approved.

(f) That the updated Communication Policy Statement be approved.

285 **PENSION FUND CASH – ANNUAL INVESTMENT STRATEGY 2013/14**

The Panel considered a report of the Director of Corporate Resources (Item 10 in the Minute Book) on the Annual Investment Strategy for 2013/14 and the policy for managing the Pension Fund's cash balance. The draft Annual Investment Strategy had been prepared taking into account advice from the County Council's treasury management advisers, Arlingclose.

RESOLVED:

(a) That the Annual Investment Strategy for 2013/14 be approved, subject to the inclusion in the Strategy of clarification that the use of the Pension Fund's bankers NatWest for deposits would be reviewed and appropriate action taken if NatWest's credit rating was reduced and there was considered to be significant risk to the Pension Fund's deposits.

(b) That this Annual Investment Strategy be implemented from the date of this meeting for the remainder of 2012/13.

(c) That the Director of Corporate Resources be authorised to manage the Pension Fund's cash balance in accordance with the policy set out in the report.

286 **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.

287 **PENSION FUND CASH – ANNUAL INVESTMENT STRATEGY 2013/14 (EXEMPT APPENDIX)**

The Panel received and noted an exempt appendix to the report from the Director of Corporate Resources (Item 12 in the Minute Book) on the Annual Investment Strategy for 2013/14. [SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

288 **MANAGEMENT FEES AND TRANSACTION COSTS IN 2011/12**

The Panel received and noted an exempt report from the Director of Corporate Resources (Item 13 in the Minute Book) on the level of management fees and transaction costs incurred in 2011/12. [SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

289 **TACTICAL ASSET ALLOCATION**

The Panel received and noted an exempt report from the Director of Corporate Resources (Item 14 in the Minute Book) updating the Panel on the progress of the Pension Fund's tactical asset allocation portfolio. [SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

290 **PROPERTY PORTFOLIOS – UPDATE**

The Panel considered an exempt report from the Director of Corporate Resources (Item 15 in the Minute Book) updating the Panel on its UK and European property portfolios. [SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]