

WILTSHIRE PENSION FUND COMMITTEE

PART 1 MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING HELD ON 27 SEPTEMBER 2017 AT THE WEST WILTSHIRE ROOM - COUNTY HALL, TROWBRIDGE BA14 8JN.

Present:

Cllr Steve Allsopp, Cllr Tony Deane (Chairman), Diane Hall, Cllr Simon Jacobs, Cllr Gordon King, Cllr Christopher Newbury, Linda Stuart and Cllr Roy While (Vice Chairman)

Also Present:

Mr Jim Edney, Howard Pearce, Barry Reed and Cllr Philip Whitehead

48 Membership

The Chairman welcomed Diane Hall, Employer Body Representative, back to the Committee after a sabbatical year.

49 Attendance of non-members of the Committee

Howard Pearce and Barry Reed, Local Pension Board, were in attendance.

Philip Whitehead, Cabinet Member for Finance, was also in attendance.

50 Apologies for Absence

Apologies for absence were received from Mike Pankiewicz and Cllr Steve Weisinger.

51 Minutes

Resolved:

To confirm the Part 1 minutes of the meeting held on 28 June 2017.

52 Declarations of Interest

David Anthony, Head of Pensions, made a declaration in respect of the agenda item on Brunel Pension Partnership as he had been appointed to a role within

the company and was to leave his role at the Wiltshire Pension Fund at the end of November.

53 **Chairman's Announcements**

The Chairman reminded members to make every effort to attend the Fund's Investment Away Day on 1 November, when there would be further opportunity to discuss Liability Driven Investments.

54 **Public Participation**

There were no members of the public present.

55 **Scheme Regulatory and Legal Update**

The Head of Pensions provided an update on the latest regulatory and legal updates for the LGPS. A key update from HM Treasury was that Government intended to bring forward legislation banning cold calling in relation to pensions. Additionally, a further consultation was planned on the implications of reform to public sector exit payments, such changes would have implications on the Fund and its members.

Attention was drawn to two updates which carried high risk for the Fund. The first was the implementation of the General Data Protection Regulations (GDPR) from May 2018 as this would have significant impact on the Fund's data management processes, the Fund was already preparing for the new regulations, however this required significant resource. In response to questions, it was confirmed the Fund was investigating whether it required an individual DPO or could share one with Wiltshire Council. It was noted that, if needed, the Fund could bring in external advice on GDPR to assist the team and also collaborate with other Funds within Brunel Pension Partnership (BPP) to share best practice. A second key risk was the requirement on the Fund to opt up to Professional investor status under MiFid II to allow it retain its current holdings from January 2018.

Finally, members heard from August the Fund had launched ill-health liability insurance for most scheme employers, it was mostly only large employers which had opted out.

Resolved:

To note the regulatory and legal update and the changes highlighted in the report.

56 **Local Pension Board Annual Report and Update**

A report presented the LPB Annual Report for Committee consideration. The Chairman of the Board summarised the role of the Board and advised there had

been no reportable regulatory breaches over the last 12 months. The Fund was compliant with the Pensions Regulator (tPR) Code of Practice, although some actions for improvement had been identified, and it was noted the Pensions Regulator recently had more resource to monitor compliance. The Chairman also highlighted that the role of the LPB was being reviewed and the Fund awaited the responses from the Scheme Advisory Board as to how the Boards were functioning nationally since they had now been in place for two years.

Members of the Committee commended officers on the quality of the report and were keen to hear the results of the LPB survey to explore where the Board could add value to the work of the Fund.

Resolved:

To note the minutes and key decisions of the Local Pension Board meeting held on 13 July 2017.

To note the LPB Annual Report and approve its publication.

57 **External Audit Report**

The Head of Pensions presented KPMG's final audit report, for which a certificate of assurance had now been provided and would be included in the Fund's Annual Report. There were no significant issues arising from the external audit. Following a question from the Committee, it was confirmed the internal audit report addressed the issue of GMP reconciliations between Altair and SAP.

The Committee discussed the appointment of the external auditor and their fee basis. The Treasurer advised that external auditors were now appointed on a national basis and therefore KMPG would not be the auditor for the next year, this process should also see a reduction in fee basis.

Resolved:

To note KPMG's final audit report on the 2016-17 Annual Report

58 **Annual Report 2016-17**

The Fund's Annual Report was presented for the Committee's consideration and it was highlighted this would include the external audit certificate.

The Committee and LPB representatives were pleased with the quality and accessibility of the report; it was noted the report was available in hard copy to stakeholders upon request.

A question was raised over the employer contribution rates identified in the Annual Report and officers advised these had increased following each triennial

Valuation and future rates would increase in line with the 2016 Actuarial Valuation.

Resolved:

To approve the draft Annual Report for 2016-17.

59 **Budget Monitoring 2017-18 Report**

A report on the latest budget monitoring position for the Fund was circulated for members' information. The report separated the investment manager fees and operational costs of the Fund and identified the Fund was currently £111k underspent. The Fund had an underspend on custodian costs of £89k as a result of increased income from the security lending programme and had saved money on the administration side by pushing back progress of the employer self-service system. It was stressed the self-service system was a priority for the next 12 months.

Members noted a significant performance fee paid to Baillie Gifford, this was because the manager had performed well beyond their benchmark and the rest of the market.

Resolved:

To note the latest budget monitoring position for the Wiltshire Pension Fund.

60 **Key Performance Indicators**

The Head of Pensions provided an update on performance against the Fund's Administration Key Performance Indicators which had previously been agreed by Committee and would be reported on bi-annually. In future, KPIs would also be developed to monitor the performance of employer members, both in terms of their payment of contribution rates and providing quality to the Fund by employer bodies.

Members considered the report contained useful information, however highlighted the capacity issues for the Pensions team which was operating on reduced resource. In response to a question on the uneven distribution of pension leavers to deferred status, it was confirmed this was likely due to delays in getting information in from employers.

Resolved:

To note the Fund's performance against its key performance indicators.

61 **Pension Fund Risk Register**

The Head of Pensions introduced the Fund's latest Risk Register for the Committee to consider. Two risks had risen since the last report: PEN009 'Failure to Hold Personal Data Securely' and 'PEN023 Resources of Officers and Members to Meet the Expansion of Business Items'. Current staffing levels mean 'PEN011: Lack of expertise of Pension Fund Officers', 'PEN012: Over-reliance on key officers' and 'PEN020 Pooling of LGPS assets' remained red risk.

The Treasurer highlighted the key issue behind all of these risks was limited resource due to recent staff departures and the imminent departure of the Head of Pensions. It was however considered the mobility of staff into new private sector jobs reflected well on the Fund. The Treasurer advised the demands of the role of Head of Pensions had increased significantly in recent years and proposed the team be restructured to be led by a Head of Administration to manage the Fund's increasing administration requirements and a Head of Investments to performance manage Brunel. The Committee heard there would also be some changes to increase capacity to lower level staffing with a total cost of a further £195k to the Fund.

Following questions from the Committee it was clarified the new roles would be out to advertise shortly with a view to holding interviews at the start of November to allow a handover period before the current Head of Pensions left his role. Committee meeting dates had also been altered to allow the Committee to meet before the end of November supported by the Head of Pensions, and the Treasurer confirmed an interim arrangement could be made if necessary should suitable candidates not apply for the new roles. Members agreed it was important to advertise roles at the market rate to attract the right candidates to these specialist roles, and were supportive of the need for two roles at the top tier of the structure to allow the Fund to focus more on administration as this matter had tended to be a lower priority whilst the Fund was focusing on asset pooling.

It was commented that with the number of employers in the Fund growing and LGPS regulations increasing the Fund needed to allow more resource to managing administration. Members also agreed both the Head of Administration and Head of Investment should have experience in both areas of business so as to allow a strategic overview and resilience in the team. The Chairman highlighted it was important at this time that members support officers and keep abreast of latest updates to ensure they could steer the Fund through this transition. It was considered that Committee members should play a role in the interview process and they were invited to submit their availability for interview dates.

Both the Treasurer and the Committee expressed their thanks to the Head of Pensions for his excellent work and dedication to improve the performance of the Fund during his time in the role.

Resolved:

To note the Risk Register and measures being taken to mitigate risks.

To support the proposed structural changes and additional budget to address resource issues.

To thank the Head of Pensions for his excellent work supporting the Fund and improving performance during his time in the role.

62 **MiFid 2 Election to Professional Status**

A report from the Head of Pensions recommended the Committee resolve to seek professional investor status for its investments ahead of the implementation of MiFiD 2 in January 2018. Templates were available for LGPS funds to apply for professional status and the Fund also had to demonstrate it could meet certain requirements.

Resolved:

a) Note the potential impact on investment strategy of becoming a retail client with effect from 3 January 2018.

b) Agree to the immediate commencement of applications for elected professional client status with all relevant institutions in order to ensure it can continue to implement an effective investment strategy.

c) In electing for professional client status, the committee acknowledges and agrees to forgo the protections available to retail clients as detailed in APPENDIX 1 on attached link <http://www.lgpsboard.org/index.php/opting-up-process>

d) Agree to approve delegated retrospective responsibility to Head of Pensions for the purposes of completing the applications and determining the basis of the application as either full or single service.

63 **Date of Next Meeting**

It was noted the next regular meeting of the Committee was to be held on 23 November 2017, brought forward from 7 December 2017.

Resolved:

To note the change to the next meeting date.

64 **Urgent Items**

There were no urgent items.

65 **Exclusion of the Public**

Resolved:

To agree that in accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the business specified in Minute Numbers 66-70 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraphs 1 & 3 of Part I of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.

66 **Brunel Pension Partnership Update**

A verbal update was provided by the Head of Pensions on the progress of the Brunel Pension Partnership for the pooling of Local Government Pension Scheme assets.

Resolved:

To note the update on the progress of Brunel Pension Partnership.

67 **Investment Strategy Update**

Confidential papers outlined the high-level asset allocation review undertaken by Mercers and outline the proposed focus for the next 12 months as proposed by the Investment Sub Committee.

Resolved:

To agree proposals from the Investment Sub Committee as to the Fund's investment strategy for the next 12 months.

68 **Investments Quarterly Progress Report**

Three confidential reports were circulated updating the Committee on the performance of the Fund's investments as to the end of June 2017.

Resolved:

To note the reports on the performance of the Fund's investments as to the end of June 2017.

69 **Minutes and Key Decisions of the Investment Sub-Committee**

Committee was asked to consider the minutes and key decisions of the Investment Sub Committee meeting held on 13 September 2017.

Resolved:

To note the key decisions of the Investment Sub Committee held on 13 September 2017.

70 **Minutes**

Resolved:

To confirm the Part 2 minutes of the meeting held on 28 June 2017.

(Duration of meeting: 10.30 am - 12.30 pm)

The Officer who has produced these minutes is Libby Johnstone, of Democratic Services, direct line 01225 718214, e-mail libby.johnstone@wiltshire.gov.uk

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