

Wiltshire Pension Fund Committee

MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING HELD ON 3 OCTOBER 2019 AT COUNTY HALL, BYTHESEA ROAD, TROWBRIDGE, BA14 8JN.

Present:

Cllr Steve Allsopp, Cllr Tony Deane (Chairman), Diane Hall, Cllr Robert Jandy (Substitute), Cllr Gordon King, Chris Moore and Mike Pankiewicz

Also Present:

Anthony Fletcher and Howard Pearce

55 Membership

It was noted that Councillor Roy While had stood down from being a Councillor. A replacement for his position on the WPFC would be appointed at the next full council meeting.

The committee thanked Roy for his contributions to the WPFC and the council.

56 Attendance of non-members of the Committee

Two members of the public were present for part 1 of the agenda.

57 Apologies for Absence

Apologies were received from:

Cllr Brian Ford who was substituted by Cllr Robert Jandy

58 Minutes

RESOLVED

The Part 1 minutes of the meeting held on 18 July 2019 were approved.

59 Declarations of Interest

There were no declarations of interest.

60 Chairman's Announcements

The chairman announced that there would be an extraordinary WPFC on the 25 October to consider the valuations.

Barry Dodds, Hymans Robertson, explained that Hymans had been working on the valuations over the last few months noting delays relating to data quality. The initial results had been discussed and the valuations would be presented at the WPFC meeting on the 25 October, with a meeting to follow in the afternoon of the 25 October with employers. The valuations followed a mechanistic approach displaying the impacts on life expectancy. It was likely that some rates would go up or down.

Key points from questions asked included: whether the papers/ findings would be available prior to the meeting; confirmation on the deadline to agree rates and the frequency of valuation exercises.

Officers and Hymans in response noted that: A summary of the valuation process and results would be available five working days prior to the meeting and individual employer reports would be available on the day; The legal deadline to agree employer contribution rates was the 31 March 2020 although the aim was to try and agree the rates within a month of issuing them, there was not an obligation to negotiate the rates, although it was in the best interest of everyone to find a mutually agreeable rate; the Fund had responded to the consultation on the frequency of the valuation exercise noting their concerns on having the exercise every five years, although this was now out of their hands to change.

RESOLVED

Officers and Hymans to produce a valuation briefing paper prior to 25th October meeting.

Officers to review data queries raised during the valuation process and identify themes.

61 **Public Participation**

Public Participation

Jane Laurie

The Chairman referred to the public questions received and invited officers to respond to the questions.

1. *Which oil, gas and coal companies are included in the Wiltshire Pension Fund's managed funds, and how much is invested in each?*

Officers noted that not all of the relevant information was immediately available. The pensions team had written to the investment managers and were working to collate the information. A written response would be provided within five working days.

2. *As stated at the Responsible Investing seminar, the Brunel Partnership allows for areas of particular interest and concern to partners to be selected. Will the WPF select climate change (and the risk of stranded assets) as one of their top concerns?*

Officers noted that Wiltshire Council had recently declared a climate emergency, Brunel were aware of Wiltshire's position, and that work was ongoing.

3. *What analysis has the WPF done into the potential risk of stranded assets, especially in oil, gas and coal investments? How does this risk compare to that of any negative impact, if any, resulting from divestment from these companies?*

Officers noted that this type of analysis was not carried out in house, but that officers would expect the Fund's investment managers to carry out work prior to making an investment, and as part of ongoing monitoring. The WP was aware of the issues and the committee had been briefed. If there were any concerns, the WPF and officers could raise the issues with investment managers. Diverse portfolios were built to try and avoid stranded assets.

Jane Laurie gave a three minute statement.

The Chairman thanked Jane for her comments noting that the WPF was heading in the right direction.

RESOLVED

The Pension Investment Manager to provide a written response to Jane Laurie within 5 working days.

62 **Minutes and Key Decisions of the Local Pensions Board**

RESOLVED

To approve the Part 1 minutes, and recommendations, from the Local Pension Board meeting held on 22 August 2019.

63 **Review of Actions Log**

Richard Bullen, Fund Governance & Performance Manager, highlighted the key points of the actions log which included:

- At the WPFC in December 2018 it was agreed to provide more metrics to compare the WPF with other funds. CIPFA had produced a standard template for all funds to use to publish their figures. WPF was using the template along with other funds to enable comparison. The national direction was to have public data which would could be compared.
- The administration strategy was under review and would be taken to the next LPB and WPFC meetings.
- IT issues were being raised at an appropriate level as they appear.
- The unaudited annual report was published on the website. A final version would be available once the annual accounts had been signed off. No issues were highlighted from the audit of the WPF accounts.
- Implementing the strategic asset allocation was on-going.

64 **Scheme, Regulatory, Legal and Fund Update**

Andy Cunningham, Head of Pensions, introduced the item referencing the report included with the agenda, noting that not much had changed. Key areas highlighted were: The consultation on the valuation cycle had ended in July although no response from the Government had yet been received; The Good Governance project was on-going with a report from Hymans; Officers had completed the rollout of the new online scheme member portal (Member Self Service (MSS)). There had been a 20% take up so far and it was hoped that the number would rise over time; The benefit statement has been published -, despite a few issues and the majority of benefit statements were sent on time. 92% of the statements were sent out on time, with data quality, missing data and IT issues being sighted as the key reasons for the failure to deliver the other 8%. An amber Pension Regulator breach has been recorded and a strategy to issue the remaining statements formulated.

During the debate the following points were made: That retirees could only access their payslip on a separate system as not much information is currently held on MMS; MMS take up would be monitored; The pensions dashboard was still in its very early stages and officers were unsure what the system would look like, or the information it would provide.

RESOLVED

Officers to implement the strategy to improve the issuance of member Benefit Statements

65 **Internal Audit Report**

The Governance & Performance Manager introduced the item explaining that WPF challenged itself against the compliance with the Pension Regulator's Code of Practice 14 for the Fund year 2018-19.

A questionnaire was used which posed 83 questions covering all areas of the Fund's internal controls, it was concluded that most of the areas reviewed were

found to be adequately controlled and being well managed. Overall an improvement was observed from 16 areas identified as requiring improvement in 2017-18 to 10 areas in 2018-19.

SWAP (the Independent Auditor) provided a “Reasonable” assurance concerning the self-assessment followed and recommended that the Fund completed random sample testing of the responses received from managers involved in the self-assessment to confirm that the responses were correct.

It was noted that the new risks identified related to the LPB as it was difficult to recruit to the board. Steps were being taken to change the terms of reference for the Board so recruitment could be less prescriptive. A training strategy was being written for officers and member training would be explored further.

RESOLVED

Officers to submit an Officer training policy to the Board.

Officers to sample test responses from Managers in accordance with the auditor’s recommendation.

66 **Budget Monitoring Report**

Jenny Devine, Pensions Investment Manager, introduced the report noting that some figures had been identified which were missing from the report and the overall overspend was less than previously thought.

Rozalyn Vernon, Fund Investment & Accounting Manager, explained that there had been a £27k overspend on the controllable budget, with a £1.9M net overspend which was mostly due to investment manager costs and Brunel costs.

During the discussion it was noted that: there had been a lack of continuity and transparency in the process of employing agency staff, including the transfer of an agency staff member to the Bloom Agency.

The Chairman requested that future reports include simplified data.

RESOLVED

To note the projected outturn for 2019/20 and the details of the appendix.

67 **Pension Fund Risk Register**

The Governance & Performance Manager introduced the risk register and gave an overview of the changes that had been made.

Questions were asked about the McCloud case and data reliance. In response, officers explained that the McCloud case highlighted issues around the requirements of data collection and not the quality of that data. Data had not

been collected as existing regulations did not require it and the McCloud case has potentially created a retrospective requirement. The WPF is asking all employers to retain their data and providing guidance on data retention. Employers would be asked to retain data for 13 years, with the WPF asking for an additional 15 years for it to be retained. Employers would therefore be requested to retain their data for 28 years although it was recognised that they were entitled to set their own data retention policies.

The committee discussed the WPF's position on carbon footprint and responsible investments and they agreed that the WPF was moving in the right direction. However, the risk register would continue to record this issue as an amber risk.

There was a brief discussion on Brexit and it was noted that it was difficult to know the impacts of Brexit. The Chairman also noted that changes to the appointment of a S151 officer continued to be a risk.

At the end of the debate it was;

RESOLVED

The Committee noted the Risk Register and approved the changes/actions recommended by officers in their briefing report.

It was agreed that the Chairman would speak to Council leader regarding the appointment of a S151 officer.

68 **Good Governance Report**

The Governance & Performance Manager presented the results of a review commissioned by the Scheme Advisory Board (SAB) & published by Hymans Robertson in July 2019, which examined the effectiveness of the current LGPS governance models and considered the alternatives or enhancements which could strengthen LGPS governance.

Four governance models had been proposed with the majority of feedback favouring options 1 and 2, namely Improved Practice & Greater ring-fencing. In summary, the feedback generally indicated that whilst more clarity would be welcome in the Fund's governance arrangements the role of the Administering Authority was still seen as valuable and no one model would suit all Funds.

The training of Members was briefly discussed and it was noted that there was a training strategy in place which treated both the LPB and WPF in the same way. Both groups of Members were encouraged to maintain their knowledge & understanding albeit, it was recognised that only the Board members has a statutory duty to do so.

A question was asked as to whether an independent advisor would need to be involved with asset transitions to Brunel, with another independent advisor checking their work.

The committee was advised that officers had recommended to Brunel to use an independent advisor in the future.

RESOLVED

The appointment of an Asset Transition Manager by Brunel would be recorded on the risk register.

Paper copies of the Good Governance document would be circulated to members on request.

69 **Date of Next Meeting**

It was noted that there was an extraordinary committee meeting on the 25 October 2019 and the next ordinary meeting would take place on the 17 December 2019.

70 **Urgent Items**

There were no urgent items.

71 **Exclusion of the Public**

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 72-78 because it was 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.

72 **AVC Review Update**

A report on the AVC review was presented and it was;

RESOLVED

The committee noted the paper, Governance Report and performance figures from Prudential.

Officers would report the results of their AVC reviews annually to Committee on an exception basis & that future reporting should focus on funds primarily used by members.

Future reporting should recommend whether AVC investment choices need to altered.

73 **Alternative Employer Investment Strategy**

The Head of Pensions Administration & Relations introduced the proposal for implementing a separate employer investment strategy for certain groups of employers and it was;

RESOLVED

a). The Committee approved the introduction of the separate employer investment strategy as outlined within the report, to apply with effect from 1 April 2020 for relevant employers (or sooner if an employer requests);

b) To delegate to officers the approach to onboarding appropriate employers and to moving employers between the main and alternative investment strategy.

c). For officers to wait until they see what the take up is before exploring the possibility of introducing a further alternative investment strategy where they consider it would appear to be beneficial for employers and the Fund.

74 Funding Strategy Statement (FSS)

Officers and Hymans Robertson presented an updated draft FSS and it was;

RESOLVED

The Committee approved the draft Wiltshire Pension Fund - Funding Strategy Statement 2019, subject to the period of consultation of employers not resulting in any material changes being deemed required by officers.

75 Brunel Pension Partnership Update

There was a verbal update by the Investment Manager on the progress of the implementation of the Brunel Pension Partnership.

76 Investment Quarterly Progress Report

Three confidential reports were presented updating the Committee on the performance of the Fund's investments. These were considered by the Investment Sub-Committee at its meeting on 5 September and were circulated for information only.

RESOLVED

- To note the two investment reports and the update provided by officers and advisers at the meeting;**
- To approve increasing the allocation to Magellan up to 8% of the total value of the Fund, less the value of the Partners Group**

portfolios, to be funded from the disinvestment from the Loomis Sayles Absolute Return bond fund;

- To increase the allocation to global property to 35% of the total property portfolio;
- To implement the disinvestment from Barings diversified growth fund by making a series of 5-6 equal sized monthly redemptions, and temporarily invest the proceeds in index inked gilts;
- To approve that the increase in protection assets is actioned by creating a new allocation to secured income of 10% of the total fund value, and that this is held in index linked gilts (from the proceeds of the Barings disinvestment) in the interim until this can be deployed;
- To begin the process of data sharing information on the property portfolios with Brunel, and to seek more assurance on the documentation and ability of Brunel to manage the first transitions before reassessing whether to go ahead with transitioning Wiltshire's property funds to Brunel;
- To instruct CBRE to notify Wiltshire officers before making any commitments to closed-ended funds;
- To approve the expenditure of £13,000 on an exercise to carry out carbon footprinting analysis on the Fund's investments;
- To sign up to support the Transition Pathway Initiative;
- To transfer the Fund's entire passive equity exposure (from the currently held portfolios of UK passive equities, hedged global passive global equities and hedged fundamental passive equities) into a portfolio of hedged low carbon passive equities, to be managed by Brunel.

77 **Minutes and Key Decisions of the Investment Sub Committee**

The Part 2 (confidential) minutes of the Investment Sub Committee meeting held on 5 September 2019 were presented and it was;

RESOLVED

To approve the minutes and key decisions of the Part 2 (confidential) minutes of the Investment Sub Committee held on 5 September 2019.

78 **Minutes**

The Part 2 (confidential) minutes of the meeting held on 18 July 2019 were presented and it was;

RESOLVED

To approve the Part 2 (confidential) minutes of the meeting held on 18 July 2019.

(Duration of meeting: 10.30 am - 1.55 pm)

The Officer who has produced these minutes is Jessica Croman of Democratic Services, direct line 01225 718262, e-mail jessica.croman@wiltshire.gov.uk

Press enquiries to Communications, direct line (01225) 713114/713115