Wiltshire Council
Where everybody matters

WILTSHIRE PENSION FUND COMMITTEE

DRAFT MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING HELD ON 12 MAY 2011 AT COUNCIL CHAMBER - COUNCIL OFFICES, BRADLEY ROAD, TROWBRIDGE.

Present:

Mrs Lynda Croft, Cllr Tony Deane (Chairman), Cllr Charles Howard (Vice Chairman), Cllr Des Moffatt, Cllr Jeff Osborn, Cllr Mark Packard, Mr Mike Pankiewicz, Cllr Sheila Parker, Mr Paul Potter and Mr Bob Summers

19. **Membership Changes**

None

20. **Attendance of Non-Members of the Committee**

Cllr John Brady
Cllr Fleur de Rhe-Philipe
Cllr Bill Moss

Mr Bob Summers, Independent Pension Advisor – CIPFA
Mrs Paul Potter, Hymans Robertson

Mr Chris Wilson, KPMG
Ms Gemma Broom, KPMG

Mr Robin Weir, Edinburgh Partners
Ken Fraser, Edinburgh Partners

Mr Tim Garratt, Baillie Gifford
Mr Steven Gardner, Baillie Gifford

21. **Apologies for Absence**

Cllr Peter Stoddart
Mr Tim Jackson
Mr Jim Edney

22. **Minutes**

The minutes of the meeting held on 01 March 2011 were presented.

Resolved:

To approve as a correct record and sign the minutes.

23. **Chairman's Announcements**

The Chairman apologised on behalf of officers for the delay in distribution of the late paper under Item 15 – Investments Quarterly Progress Report, and explained that this had been due to the delay in receiving the information from the Fund's Custodian BNY Mellon.

24. **Declarations of Interest**

None

25. **Public Participation and Councillors' Questions**

None

26. **KPMG Interim Audit Report**

The Chairman introduced Mr Chris Wilson and Mrs Gemma Broom of auditors KPMG, who updated the committee on the key findings found within the interim audit report for 2010-11.

Chris Wilson highlighted the high importance of two changes during the 2010-11 financial year: these were the implementation of the Altair system and the changes due to the adoption of the new International Financial Reporting Standards (IFRS).

Work was continuing to improve the accounts production process, and it was explained that KPMG works in liaison with the Pension Fund's finance team and Wiltshire Council's internal Audit team, to avoid duplication and maximise effectiveness. It was clarified that KPMG were content that draft accounts were being prepared under the requisite levels to ensure full disclosure.

Key audit risks were:
- IFRS conversion process
- Valuation of investment assets
- Implementation of Altair

The audit fee for the 2010/11 audit is £45,450 (2009/10 was £46,950) and is calculated in reference to a number of factors set by the Audit Commission along with KPMG's assessment of audit risk and control environment.

Gemma Broom then gave an update on the work in progress at Wiltshire. Organisational controls are good; work on assessing IT controls was in progress and comments would be included in the final audit report in September. Regarding financial controls there were two minor deficiencies, namely that evidence of the independent review of the bank reconciliation process was not being performed, and there was no review of the manual journals evident.

These points were discussed, and officers explained that verifications of the reconciliations were of course happening, and work was underway to establish a transparent and reliable digital method of recording these and the other review processes undertaken by Pension Fund staff.

Chris Wilson explained that any further work resulting from these issues would not involve significant extra work or impact on the fees due to KPMG.

Bob Summers, the Independent Financial Adviser to the fund added that CIPFA were monitoring the implementation of the IFRS across funds, and would strive for consistency of approach.

Membership details appeared to now be fully in order, and following a final check in July, Gemma Broom confirmed this audit action point should be cleared in the next report.

The interim Chief Finance Officer also confirmed that a full 10 day review of the Altair system was a component of the general Audit work plan, to be approved at the Audit meeting of 13 May.

Resolved:

To note the interim Audit report.

27. **Pension Fund Risk Register**

The Head of the Pension Fund, David Anthony, summarised his report, and outlined the key changes in the risk register since the last meeting of the committee, as follows:

PEN001 – Failure to process pension payments and lump sums on time
This risk increased from green to amber as a result of access issues experienced by some pension fund staff. The planned rollout of new laptops to the team would ameliorate this risk in the future.

PEN006b / PEN007b: Significant rises in employer contributions for non-secure employers due to increases in liabilities / significant raises in employer contributions for non-secure employers due to poor/negative investment returns
This risk decreased from amber to green as a result of the agreement of rates for the 2010 Valuation with all employers.

PEN013: **Failure to communicate properly with stakeholders**
This risk remained at amber but a number of different issues have arisen, it was explained. The change in pension tax relief has been communicated to all members although the ability to provide the tax liability information next year (October 2012) still requires developing. The impact of National Employers Savings Trust (NEST) and the responsibilities of individual employers also need to be communicated.

A growing concern is the potential number of opt-outs following the Government's implementation of Lord Hutton's report into public sector pensions, which is expected to increase employee contribution rates by on average 3% from April 2012. Measures including reward statements are being considered to help retain existing members and efforts to make eligible non-members aware of the benefits they are missing out on will continue.

A typical reward statement would be a booklet constructed to emphasise the benefits of joining the pension scheme as part of a total remuneration offered by individual employers. The Pension Fund team were investigating the practicalities of this, as the information would form a part of the employers' own communications with their employees.

Other actions to offset this risk were being considered and include:

- Surgeries for members of the Local Government Pension Scheme
- Further newsletters for active members of the scheme
- Annual benefits letters to those who have opted-out – to show them the benefits they are missing out on.

The Independent Adviser re-iterated concerns about the effect of heightened contribution rates, and emphasised that evidence pointed to substantial drop-out rates, above the 1% suggested by Treasury as a consequence of the reforms. CIPFA would continue to question Central Government on the need for this and origins of the £900 million requirement that the increases were designed to fill. The opt-out estimates used by the Treasury were also based on historic numbers of participation in local government funds, which were likely to be inaccurate given the current round of job losses, retrenchment and general economic situation. The Interim Chief Finance Officer stated that he shared these concerns, and was looking to commission research into the likely effects and was also a high profile issue amongst the Society of County Treasurers.

Resolved:

To note the Pension Fund Risk Register

28. **Administering Authority Discretions Policy**

The Employer Relationship Manager outlined changes to the existing Administering Authority Discretions policy. The changes update the previous policy approved by this Committee on 28 February 2007 and had been drafted to cover all of the Administering Authority's discretions as detailed in the Local Government Pension Scheme (Administration) Regulations 2008, Clause 5, part 1.

It was explained that the policy provided guidelines for Pension Fund staff, confirmation of their responsibilities and transparency in processes undertaken.

A number of slides were circulated (attached to these minutes), outlining the changes in detail.

Clarification was sought regarding the following:

- 121 and 122A (2)(c): Inward Transfers – It was confirmed that transfers in and out of the Wiltshire Pension Fund scheme were valued using actuarial factors.

- The Head of Pensions confirmed he was satisfied that employees and employers would only be able to transfer the appropriate amount in and out of the scheme.

- The abolishment of the default retirement age would have little effect on the scheme: for its purposes the retirement age remained at 65.

Resolved:

To approve the updated Discretions Policy Statement

29. **Date of Next Meeting**

The date of the next meeting of the Wiltshire Pension Fund Committee was confirmed as Friday 22nd July.

30. **Urgent Items**

None

31. **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 15-18 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraph 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.

32. **Investment Structure Review**

Consideration was given to a confidential report by the Chief Financial Officer which set out the recommendations generated from discussions at the recent Investment Away Day and also various options for the future investment strategy of the Wiltshire Pension Fund.

After a full debate during which various options were examined, it was

Resolved:

That Wiltshire Pension Fund Committee:

a) **agrees an aspiration to move the Fund's equities split to 30% UK / 70% overseas as opportunities arise from changes in the equities mandates**

b) **will consider the implementation of a dynamic currency hedging programme and requests officers to provide further information to**

Members to enable them to agree to the procurement of these services, if so minded, at the July committee meeting

c) **requests officers to explore the options for implementing an element of the index-tracking against an alternative 'fundamental' index with a proposal for the July committee**

d) **agrees to continue the Capital International AIG mandate in its existing Sterling denominated guise until the July meeting, when options regarding the future of the mandate will be discussed.**

e) **will give consideration to Absolute Return Fund mandates, through a further education session in June for Members, in case the Fund wish to make a future strategic allocation**

f) **agrees to reduce the current 2% strategic allocation for active currency to 0% until further notice**

g) **will consider the alternative asset classes of infrastructure, private equity, commodities and timber with a view to making a strategic allocation (funded from the Fund's current equities allocation), at the July committee meeting, following a further education session in June for Members**

h) **will not currently consider a strategic allocation of assets to a loans mandate but this will be reviewed again once the Government's announcement on the implementation of the Hutton Review is known.**

i) **agrees to maintain the current allocation of property to 13% of the Fund and request officers to explore the possibilities of a global allocation with recommendations for implementation to be considered at a future committee meeting.**

33. **Investments Quarterly Progress Report**

The Fund Investment and Accounting Manager presented the confidential Wiltshire Pension Fund Investment Quarterly Progress Report. After significant discussion, during which the Committee considered the Authority's investment performance relative to other Local Government Pension Schemes which was published in the public domain, it was,

Resolved:

a) **To note the Quarterly Investment Report**

b) **That the reasons for the change in the Fund's peer group ranking be investigated by officers and conveyed to members of the committee.**

34. **Edinburgh Partners - Review of 2010-11 and plans for the future**

Robin Weir and Ken Fraser from Edinburgh Partners reviewed the previous year and outlined their plans for the future.

Resolved:

To note the information contained in the report and the investment policy detailed by Edinburgh Partners.

35. **Baillie Gifford - Review of 2010-11 and plans for the future**

Tim Garratt and Steven Gardner from Baillie Gifford reviewed the previous year and outlined their plans for the future.

Resolved

To note the information contained in the report and the investment policy detailed by Baillie Gifford.

(Duration of meeting: 10.30 am - 2.40 pm)

The Officer who has produced these minutes is Liam Paul, of Democratic Services, direct line 01225 718376, e-mail liam.paul@wiltshire.gov.uk

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Local Government Pension Scheme

Administering Authority Discretion Policies

Wiltshire Pension Fund

12th May 2011

Minute Item 28

Wiltshire Council

Where everybody matters

lgps

1. Background

- Wiltshire Pension Fund & its employers must adhere to the LGPS Regulations 2008 (with amendments)

- The LGPS Regulations generally dictate how the Scheme is administered & detail the benefits.

- Regulations allow for certain decisions to be made either by individual employers or the Fund ("Administering Authority").

- Statutory requirement employers outline their policy on these discretions in an **Employer Discretions Policy**. Furthermore, Pension Funds should outline their policy decisions in a **Administering Authority Discretions Policy**.

(**Employers Discretion Policies** available on WPF website)

2. New “Administering Authority” discretions policy

Key reasons for the proposed change

- Current Administering Authority’s discretion policy written in 2007, prior to introduction of 2008 LGPS Regulations – changed discretions available.
- **Impact**: Some current discretions lack clarity & others no longer required
- Some discretions need revising – difficult to implement & enforce (e.g. Pension abatement)

2. Administering Authority Discretion Policy – current policy

Key discretions (there are numerous other technical ones)

80(5): payment of strain on fund costs: The Administering Authority will require a capital payment to the fund for additional liabilities arising from early payment of benefits on redundancy, etc.

109: abatement of pension on re-employment:

The Administering Authority has determined that pensioners who retired with an enhancement on ill-health/redundancy and are re-employed in local government shall have the pension abated so the sum of pension and new earnings doesn't exceed the amount they would have earned in pre-retirement employment. The amount of abatement is restricted to that part of the pension derived from the enhancement.

2. Administering Authority Discretion Policy – current policy

Key discretions (there are numerous other technical ones)

119: bulk transfers

The Administering Authority will agree with employing authorities and new scheme trustees or managers that a bulk payment be made that represents a fair value to the Fund.

121 and 122A(2)(c): inward transfers

The Administering Authority has determined to accept transfer values into the LGPS, however, where appropriate, actuarial advice will be sought prior to the acceptance of a CETV. The administering authority will accept a transfer after the 12 month limit where the Employing Authority has agreed an extension of the period for an election.

2. Administering Authority Discretion Policy – Proposed Policy

Key discretions (there are numerous other technical ones)

A41(2) Whether to require any strain on Fund costs to be paid "up front" by Employing authority following redundancy, flexible retirement, or the waiver (in whole or in part) of any actuarial reduction on flexible retirement (but not waiver of reduction in full on compassionate grounds).

WPF will require costs relating to redundancy, flexible retirement and the waiver of any actuarial reduction on flexible retirement to be paid "up front". WPF will invoice for such payments and will require payment to be made within its normal invoice terms. If there is any cost to the fund for deferred benefits being released at the employers consent before the former member attains age 60 these may be (or will be) recharged to the former employer of the member concerned.

2. Administering Authority Discretion Policy – Proposed policy

Key discretions (there are numerous other technical ones)

A70(1)* & A71(4)(c) & T12
WPF will not abate pensions following re-employment.

A81(1)(b): Agree to bulk transfer payment
WPF will agree to bulk transfer payments where, with actuarial advice and where necessary with employer consultation, the Fund believes the amount transferred represents a fair valuation of benefits.

A83(9): Allow transfer of pension rights into The Fund
WPF will allow members to transfer in pension rights in accordance with the LGPS regulations.

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