

## WILTSHIRE PENSION FUND COMMITTEE

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**DRAFT MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING HELD ON 29 SEPTEMBER 2011 AT COUNCIL CHAMBER - COUNCIL OFFICES, BRADLEY ROAD, TROWBRIDGE, BA14 0RD.**

**Present:**

Mrs Lynda Croft, Mr Jim Edney, Mr Tony Gravier, Cllr Charles Howard (Vice Chairman), Mr Tim Jackson, Cllr David Jenkins (Substitute), Cllr Mark Packard, Mr Mike Pankiewicz, Cllr Sheila Parker and Mr Paul Potter

**Cllr Howard in the Chair.**

**56. Membership**

There were no changes to the membership.

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

None.

**58. Apologies for Absence**

Apologies for absence were received from Cllr Deane, Cllr Brady and Cllr de Rhe-Philipe, as well as Michael Hudson, Interim Chief Finance Officer.

Cllr David Jenkins substituted for Cllr Osborn.

**59. Minutes**

The minutes of the meeting held on 22 July 2011 were presented.

**Resolved:**

**To approve as a correct record and sign the minutes.**

60. **Chairman's Announcements**

The Chairman updated the meeting on the following items:

**CIPFA Governance Health Check**

At the previous meeting the committee resolved for officers to review the benefits and if appropriate commission an independent health check for the fund. This has now been commissioned, and Mr Keith Bray will present his report on the Governance Arrangements of the fund on 1 December 2011.

**Members Training**

Members were reminded that the next training event would focus on procurement and accounts & audit regulations. Originally scheduled for October 2011, this would likely now take place in November.

Following the announcements on the Government's proposed changes to the LGPS, which are expected over the next few weeks, the Fund's Actuary will be invited to the training session to give an update on the current actuarial issues facing the fund that committee members need to be aware of.

Democratic Services will circulate a list of suggested dates and the Pensions will choose a date and location most amenable to all. The finalised date will then be communicated to members by email.

**LGC Investment Conference feedback**

The Chairman highlighted positive feedback from Cllr Des Moffatt, who had attended the 2011 LGC Investment Summit at Celtic Manor at the start of September. Cllr Moffatt felt that the summit was very informative, particularly in updating on the expectations for the UK economy free of media spin. He stated that from an investment point of view the UK economy can expect to bump along for a few years, with the main risk being uncontrolled inflation. An interesting new initiative was the financial services industry working on bonds to provide local government with capital funding.

61. **Declarations of Interest**

None

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

None

63. **Pension Fund Risk Register**

The Head of the Pension Fund, David Anthony, summarised his report, and explained that there were no significant changes in the risk register since the

last meeting, however there were four areas where the risk remained at a medium level, instead of the target of low risk. These were as follows:

- a) **PEN008: Failure to comply with LGPS and other regulations** – A number of actions are on-going to mitigate this risk. Workflow will monitor all tasks being undertaken by the Benefits Team, ensuring they follow the same procedures when processing work. Currently this has only been rolled out to the Senior Pension Officers but all Pension Officers should be using this from October onwards. The intention is this system will allow the monitoring of Employers performance in line with the Administration Strategy.

There is also a need to review the current Pension Fund Team structure to ensure there is sufficient resource and knowledge available to not only monitor the team's compliance with the regulations, but to ensure service standards are maintained and that the forthcoming changes surrounding the scheme, tax legislation, data records and auto-enrolment can be implemented. The intention is the restructure will not significantly increase overall resources but allow for more technical posts to support the team to deal with the more complex issues facing the Fund. All proposals need to be evaluated with HR and any additional costs will be approved by the Chief Finance Officer in liaison with the Chairman and Vice-Chairman prior to implementation.

- b) **PEN010: Failure to keep pension records up to date and accurate** – There has been detailed reconciliations undertaken between the Wiltshire Council payroll and the pension records. The majority of the starters' backlog has been resolved with the focus on the leavers records. Once resolved, work will focus on the other large employers to reconcile data and address any issues.

Once the Workflow project is fully implemented, an imaging project is planned in November to enable all documents to be scanned to ensure records are kept in a safe and consistent place.

- c) **PEN011: Lack of expertise of Pension Fund Officers and Chief Finance Officer** – as detailed above the Pension Team structure review will address any issues of knowledge gaps at the right levels, with particular reference to the administration of benefits. All officers have the opportunity to identify any knowledge and skills gaps through the annual appraisal process. The Fund has recently procured the CIPFA Knowledge and Skills Framework toolkit from Hymans Robertson which includes an evaluation process and a knowledge library to ensure officers have the relevant knowledge areas for their post. This toolkit will be utilised over the coming months as part of officers learning and development programmes.

- d) **PEN013: Failure to communicate properly with Stakeholders** – the Fund has refreshed its Communications Policy which is

elsewhere on this agenda. This includes taking a more pro-active approach to ensure scheme members are aware of their benefits. The Fund has attended a 'Pension Party' at the request of Swindon UNISON to promote the scheme and will be running its first of a series of Pension Clinics on 29 September 2011 for Swindon Borough Council employees. Work is on-going in ensuring employers are aware of their responsibility in respect of NEST and the changes to tax relief.

**Resolved:**

**To note the report**

64. **Projected Outturn 2011-12**

The Fund Investment and Accounting Manager, Catherine Dix, outlined the Fund's projected outturn statement for 2011-12. In doing so she drew particular attention to the performance fee paid to Baillie Gifford which had contributed to a £550,000 overspend against Investment Management Fees for segregated funds. However, the Fund has benefited from greater than expected asset returns far in excess of this for the Baillie Gifford mandate.

65. **Communications Policy**

The Head of the Pension Fund explained that the policy under consideration by the committee was a refresh of the previous communications policy which was introduced in approved in 2009.

Questions were invited, and members of the committee were content with both the content of the policy and information flow between the Fund and its employers / members.

It was made clear that there were a number of ways the Pensions Fund team communicates with employers who are part of the Fund. These are as follows:

- A dedicated member of staff to act as a Employer Relationship Manager
- Quarterly liaison meetings
- Employers' newsletters
- An annual report
- Training opportunities

A new initiative is the development of drop-in 'clinics' as a method of distributing information to members of the scheme through their employers / workplaces. There will be a series of roadshows once the outcome of the Hutton report is known.

**Resolved:**

**To approve the revised Wiltshire Pension Fund Communications Policy**

66. **Stewardship Code**

The Fund Investment and Accounting Manager, Catherine Dix introduced the attached statement of compliance with the FRC's Stewardship Code. This was in accordance with good governance guidelines and set out extent to which the Wiltshire Pension Fund and its fund managers have complied with the code.

It was reported that two-thirds of the Fund's global equities managers were fully compliant with the code.

Questions were asked regarding the way votes were cast at the AGMs of companies whose stock was owned by the Fund. It was confirmed that at each meeting, votes were cast in accordance with the Fund's third party voting administrator, Pensions & Investment Research Consultants Limited (PIRC's) Governance Code.

If there was a vote on a specific issue on which the committee had expressed a strong direction and / or held a longstanding interest, it was possible to resolve to instruct PIRC to vote in a specific manner.

Generally members of the committee welcomed moves to strengthen the accountability of funds invested on behalf of local authority funds by the Financial Reporting Council (FRC) and praised the Fund's engagement and conflict resolution structures.

Members were reminded that voting reports for the Fund from PIRC were available on the Fund's website, through the members' login portal:

<http://www.wiltshirepensionfund.org.uk/login>

**Resolved:**

**To approve the Stewardship Code Compliance Statement 2011.**

67. **External Audit Report**

A member of the committee highlighted that concern was raised at the Audit Committee a day previously that some of the hedging activities undertaken by the Fund's mandates were illegal.

The Committee was assured that this was not the case. The Fund's advisor, Mr Paul Potter commented that the Fund was invested in some long/short equity funds but he was confident that they acted properly.

Chris Wilson, of KPMG summarised the key points of the report and thanked the Pension Fund staff for their support.

A discussion ensued regarding the auditing and governance difficulties of monitoring the Fund as it now had a fundamentally more global approach to investing.

In response Gemma Broom, of KPMG explained that their 'Fund Radar' system allowed the company to gain comfort on the accuracy of investment pricing, based on stock prices, underlying assets and computer modelling, or a combination of the above methods. Investment allocations are audited to ensure they are within a certain tolerance on the above measures.

The role of the Fund's custodians, BNY Mellon was pointed out: as they check that the fund managers' valuations of investments are sound, through due diligence and other measures.

Members of the committee were also reminded that there existed and legislative framework for the investment of Pension Fund assets, and that under the IFRS, funds were required to list all credit risks.

68. **Annual Report**

At the Chairman's discretion this item was held before the preceding item on the agenda to facilitate smooth running of the meeting.

Members were asked to note the report was still in an unpublished format. A number of typographical corrections were pointed out and corrected.

**Resolved:**

**To approve the draft Wiltshire Pension Fund Annual Report & Financial Statements 2010-11 for publication, subject to the completion of the audit.**

69. **Date of Next Meeting**

The committee noted that the next meeting of the Committee will be held on 1 December 2011.

A members' training session is planned for 24 November 2011.

70. **Urgent Items**

None

71. **Exclusion of the Public**

**Resolved:**

**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 72-77 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.**

72. **KPMG Financial Controls Peer Group Comparison**

Gemma Broom of KPMG introduced the KPMG Financial controls peer group comparison document which provided a high level overview of how the Wiltshire Pension Fund (WPF) compares to its peer group.

The areas covered by the report were:

- Scheme Governance
- Dealing with Members: Defined Benefit
- Investments: Segregated Funds
- Investments: Pooled Investment Vehicles
- Scheme Accounting

Ms Broom explained that governance arrangements scored slightly better than the average of all other public service schemes, and the Fund also scored extremely highly against all comparators with regards to scheme accounting. For all the above mentioned areas the Wiltshire Pension Fund achieved or exceeded the public sector peer group scores in all areas.

Members questioned why the Fund was lower compared to the all comparators group when it came to Audit. It was explained that many private schemes have their own Pension Fund Audit committee.

Regarding the benchmarking on members' data, it was highlighted that reconciliations were very difficult based on the large number of employers within the Fund as many corporate funds only have one.

KMPG commended the investment, reconciliations work and record keeping of the Wiltshire Fund. Ms Broom also informed those present that KPMG used independent experts to obtain variations of derivatives due to the size and complexity of the portfolios involved.

Members welcomed the report and the forthcoming CIPFA Benchmarking paper which would provide further comparisons with a greater number of other schemes in relation to the administration of the Fund.

**Resolved:**

**To note the report and verbal update provided.**

73. **Update on the Administration of the Uniformed Pension Schemes Administered by Wiltshire Council**

The Head of the Pension Fund gave a confidential update on two pension schemes, which the Wiltshire Pension Fund team currently administer on behalf of the Police and Fire Authorities

**Resolved:**

**To note the verbal update provided.**

74. **South West Framework**

The Head of the Pension Fund spoke to his confidential report regarding the development of the Southwest Actuarial, Benefits and Investment framework.

**Resolved:**

**To approve the proposed approach for the tendering of Actuarial, Benefits and Investment services, as outlined in the report.**

75. **Investment Structure Update**

The Head of the Pension Fund gave a confidential update to the committee on officers' work to move forward the procurement of the new investment mandates agreed at the last meeting.

**Resolved:**

**To note the verbal update provided.**

76. **Investments Quarterly Progress Report**

The Fund Investment and Accounting manager summarised her confidential report, which detailed the investment activity and performance of the entire Fund for the period up to 30 June 2011 together with a look at the performance of individual mandates for the same period.

The committee was also updated on the Fund's value and funding position following the volatility in the equity markets in August.

**Resolved:**

- 1) To note the contents of the report.**
- 2) To formally review the performance of the Edinburgh Partners mandate at the February 2012 meeting.**



77. **M&G - Review of 2010-11 & Plans for the Future**

William Nicoll and Simon Parker from M & G Investments reviewed the previous year's developments regarding the UK Companies Financing Fund and outlined their plans for the future.

**Resolved:**

**To note the information contained in the reports and the verbal update on investment policy provided by M & G Investments.**

(Duration of meeting: 10.30 am - 1.45 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](mailto:liam.paul@wiltshire.gov.uk)

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