

AGENDA

Meeting: Wiltshire Pension Fund Committee
Place: Committee Room III - County Hall, Trowbridge
Date: Thursday 30 September 2010
Time: 10.30 am

Please direct any enquiries on this Agenda to Liam Paul, of Democratic and Members' Services, County Hall, Bythesea Road, Trowbridge, direct line 01225 718376 or email liam.paul@wiltshire.gov.uk

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Briefing arrangements:	Date	Time	Place
Chairman's Briefing	Thursday 30 Sept 2010	9.30 am	Office of the Chief Finance Officer

Membership:

Wiltshire County Council Members:

CLlr Tony Deane (Chairman)
CLlr Charles Howard (Vice Chairman)
CLlr David Jenkins
CLlr Jeff Osborn
CLlr Sheila Parker

Substitute Members

CLlr Bill Moss
CLlr Mark Packard
CLlr Fleur de Rhe-Philippe
CLlr John Smale

Swindon Borough Council Members

CLlr Des Moffatt
CLlr Peter Stoddart

Substitute Members

CLlr Mark Edwards

Employer Body Representatives

Mr Tim Jackson
Vacancy

PART 1

Items to be considered when the meeting is open to the public

1. **Membership Changes**

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

3. **Apologies for Absence**

4. **Minutes of the previous meeting** *(Pages 1 - 6)*

To sign and confirm the minutes of the meeting held on 15 September 2010 (attached).

5. **Chairman's Announcements**

6. **Declarations of Interest**

Councillors are requested to declare any personal or prejudicial interests or dispensations granted by the Standards Committee.

7. **Public Participation**

The Council welcomes contributions from members of the public.

If you would like to make a statement at this meeting on any item on this agenda, please register to do so at least 10 minutes prior to the meeting. Up to 3 speakers are permitted to speak for up to 3 minutes each on any agenda item. Please contact the officer named above for any further clarification.

Members of the public wishing to ask a question should give written notice (including details of any question) to the officer named above by **12.00noon on Tuesday 28 September 2010**.

8. **Date of Next Meeting**

To note that the next regular meeting of the Committee will be held on 02 December 2010.

9. **Urgent Items**

Any other items of business which, in the opinion of the Chairman, should be considered as a matter of urgency. Urgent items of a confidential nature may be considered under Part II of this agenda.

10. **Exclusion of the Public**

To consider passing the following resolution:

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 Item Numbers 14 – 17 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.

PART II

Item during whose consideration it is recommended that the public should be excluded because of the likelihood that exempt information would be disclosed

Members are reminded that Part II reports contain confidential information and should be treated accordingly. They should not be disclosed or passed to any other person(s). Members are also reminded of the need to dispose of such reports carefully and are urged to return them to the committee secretary at the end of the meeting for disposal.

11. **2010 Actuarial Valuation Report** *(To Follow)*

A confidential report by the Head of Pensions will be circulated and the Fund's Actuary will present to the meeting.

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WILTSHIRE PENSION FUND COMMITTEE

**DRAFT MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING
HELD ON 15 SEPTEMBER 2010 AT COMMITTEE ROOM III - COUNTY HALL,
TROWBRIDGE.**

Present:

Cllr Charles Howard (Vice Chairman), Mr Tim Jackson, Cllr David Jenkins, Cllr Des Moffatt, Cllr Bill Moss (Reserve), Cllr Jeff Osborn, Cllr Sheila Parker and Cllr Peter Stoddart

Cllr Fleur de Rhe-Philippe also attended the meeting.

Also Present:

Mr Tony Gravier and Mr Mike Pankiewicz – Trade Union Representatives
Mr Paul Potter – Hymans Robertson
Mr Jim Edney – Independent Pension Fund Advisor

54. **Membership**

Recruitment for the Replacement of Mrs Irlene Cooper

The Chairman explained that the Head of Pensions had written to the appropriate employers within the Education Scheduled bodies and Transferee Admitted Bodies asking, for nominations by the end of September for a replacement for Mrs Irlene Cooper. These will be shortlisted by the Chief Finance Officer and Head of Pensions and invited to a formal interview with the Chairman and Vice-Chairman prior to their selection and appointment.

55. **Attendance of Non Members of the Committee**

Cllr Fleur de Rhe-Philippe

56. **Apologies for Absence**

Apologies for absence were received from Cllr Tony Deane

57. **Minutes of Previous Meeting**

It was requested that the location of the meeting (omitted from the minutes header sheet) and the name of the Fund Investment and Accounting Manager (Catherine Dix instead of Caroline Dix) be added and corrected respectively.

Resolved:

To confirm and sign the minutes of the Wiltshire Pension Fund Committee, held on 14 July 2010, subject to the corrections listed above.

58. **Chairman's Announcements**

2010 Valuation

The Chair reminded the Committee that the next meeting will take place on the 30th September, with the presentation of the Triennial Valuation results being the single item on the agenda.

It was explained that the funding level at 31 March had originally been estimated to be around 65%. However this is likely to increase by around 8-10% on the back of recent government announcements, namely the move from the RPI to CPI for pension increases, the two year public sector pay freeze, along with the inclusion of more Fund specific longevity analysis. All of these will reduce overall liabilities.

Members' Training

The Chair explained that Members will have received by email a Training Needs self assessment questionnaire. Members were requested to complete and return these to the Head of Pensions by 30 September.

Following receipt of these forms, one-to-one sessions will be organised with the Head of Pensions and the Fund Investment Manager to run through any issues, comments or concerns to enable a new members training plan to be updated for the December Committee.

Members were asked to note that a training session is in the process of being organised and that it will address the remaining areas from the 2010 training plan. This will take place on the 03 November. An email will be sent to members of the committee when details have been finalised.

59. **Declarations of Interest**

None

60. **Public Participation**

None

61. **Draft Annual Report for 2009-10**

Catherine Dix, Fund Investment and Accounting manager outlined the Draft Annual report for the benefit of the committee members and explained that the purpose of bringing it to the Committee was to seek approval from the members of the committee subject to any changes raised at the meeting.

Following discussion members suggested the following amendments:

- 1) Correct the footnote to read "Annual Report and Financial Statements"

- 2) Include Wellington Academy (under Scheduled Bodies) and Devizes Museum (under Admitted Bodies), in the list of participating employers listed on page 5 of the report.
- 3) Change the last sentence of paragraph 10 of the Chairman's Foreword to read as follows; "Early indications suggest significant increases in some employer contribution rates and work is currently on-going with employers and the Actuary to look at ways of ameliorating these increases to be implemented from April 2011 onwards".
- 4) Remove the final sentence of the Chairman's Foreword "Thus we should have a headstart in any negotiations involving reductions of benefits", in order to avoid giving any false impressions about possible future action by the Fund itself.

Resolved:

To note and approve the Draft Annual Report for 2009-10 for publication subject to the amendments listed above and the completion of the audit.

62. **Final Audit Report**

At the invitation of the chairman the Head of Pensions introduced Ms Gemma Broome, attending to talk to the Final Audit Report by KPMG in place of Chris Wilson, who sent his apologies. Members were reminded that KPMG initially completed an interim audit visit in March 2010 and reported their findings to the May Committee meeting. In the interim they had conducted the main audit resulting in the draft Final Audit Report now under consideration.

The Head of Pensions outlined the three significant changes that occurred in the period of the Audit (2009-10), namely the move to Unitary status for Wiltshire Council with four district councils and the County Council merging into one, the ongoing introduction of the new SAP business management system, and the implementation of a single bank account for the Pension Fund.

Ms Broome summarised her report and explained that KPMG had worked with officers throughout the year to discuss specific risk areas, namely the Implementation of the SAP system, and valuation of investment assets, and set out their final evaluation of the risks. The Fund had addressed the issues appropriately.

She then detailed a number of recommendations and management responses, which were discussed by members of the committee and officers, and then explained that there was one recommendation outstanding from the prior year recommendations, namely providing accurate and reconciled membership data. In response officers explained that this was difficult as the system used was 'live' and thus would generate different results at any one time. Nevertheless a procedure was being developed to address this concern.

Finally a number of Audit differences were presented, which it was explained were issues of incorrect categorisation rather than actual discrepancies. There was no net impact on the accounts.

Officers were requested to look into the possibility of providing the committee with Internal Audit reports in the future. It was further noted that this report will also be presented to the 30 September meeting of the Audit Committee.

Resolved:

To note the contents of the report.

63. **Wiltshire Pension Fund Risk Register**

The Committee considered a report by the Head of Pensions which gave an update in relation to changes to the Fund's Risk Register. It was noted that the following four items had changed or been updated since the last report:-

- a) **PEN001: Failure to process pension payments and lump sums on time** – This has increased from green to amber reflect the upgrade of the pension database from AXISE to Altair which took place in August. Although it's not anticipated any significant issues will arise that prevent setting up new pensioners into payment, any implementation inherently carries an increased risk. The system is being monitored to ensure any post implementation issues are identified and remedied immediately.
- b) **PEN004: Inability to keep service going due to loss of main office, computer system or staff** – This risk remains at amber although the concerns surrounding the fire proof storage of the microfiches are currently being addressed through the planned procurement of two fire safes and the outlining of a business case to transfer these records to digital media.
- c) **PEN006b: Significant rises in employer contributions for non-secure employers due to increases in liabilities & PEN007b: Significant rises in employer contributions for non-secure employers due to poor/negative investment returns** – These risks has been revised down to amber from red. Increases in employer contributions are expected from the 2010 Valuation although the recent announcement from the Government to link pension increases to the Consumer Price Index (CPI) instead of the Retail Price Index (RPI) from April 2011 will have a significant impact on the liabilities of the Fund. The longevity risk is also being addressed through the use of Club Vita mortality data which is far more accurate as it's tailored to the Fund's specific membership which again may reduce liabilities, although not as significantly. Alongside this, officers have set up a framework to review the long term financial stability of non-secure employers which will recommend the levels of flexibilities to adopt in regards the increases in employer contributions over the next three years. This should assist in addressing employers affordability issues and prevent significant increases in the short term.
- d) **PEN10: Failure to keep pension records up-to-date and accurate** – Although the risk remains Amber, the latest audit report discussed elsewhere on this agenda has highlighted that records were not in a consistent form and some pieces of information were missing. With the implementation of SAP, Altair and the on-going review of the internal processes this is an area being developed. Methods of improving the quality of data being collected and held are currently being explored. As Altair is now live the implementation of the imaging and workflow systems can be addressed which should mitigate this risk.

Following discussion it was agreed that the Head of the Pensions Fund should update the Committee on the business continuity procedures in place for the Fund. Furthermore it was agreed that two fire safes, discussed at the previous meeting should be purchased to address the PEN004 as soon as possible.

Resolved:

a) To note the update to the Risk Register

b) To approve the Head of the Pension Fund to purchase two fire safes under delegated powers, for a total of £7000.

64. Administration Strategy Update

The Head of the Pensions Fund gave an update to the committee on the administration strategy, focusing on the areas of 'Wiltshire Pension Fund administration performance', 'Employer administration performance' and 'Improving performance'.

It was explained that focusing on better communication between employers and the Fund and the move towards more automatic reporting was among some of the approaches having a positive effect. The administration strategy is initially seen as a tool with which to engage employers and help them improve performance, although it was explained an escalation process is in place should persistent and serious problems arise.

Resolved:

To note the update on the implementation of the Wiltshire Pension Fund Administration Strategy outlined in the report.

65. Date of Next Meeting

The Chairman reminded members of the Committee that the next meeting was scheduled for Thursday 30 September, at 10:30, with the single item on the agenda being the consideration of the Triennial Valuation from the Fund's Actuaries Hyman Robertson.

66. Urgent Items

None

67. Exclusion of the Public

It was resolved:

To exclude the public from the meeting for the business specified in Item Numbers 15 – 16, in accordance with Section 100A(4) of the Local Government Act 1972, 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.

68. **Corporate Governance Update**

The Chair invited Janice Hayward and Alan MacDougall of PIRC to update the Committee on developments in the sphere of corporate governance.

They delivered a presentation on 3 main issues;

- Policy developments - including the UK Corporate Governance Code, the Stewardship Code and ongoing consultations by UK, EC and American institutions
- Voting in 2010 – Statistics on defeated resolutions and other contentious cases.
- Directors' Pension – A new flashpoint in executive remuneration

Members then discussed the salient points of the briefing and examined the activities undertaken by PIRC on behalf of the committee.

Resolved:

To note the information contained in the verbal update by PIRC

69. **Quarterly Progress Report**

Consideration was given to a confidential report by the Head of Pensions on investment activity and performance of the Fund for the period to 30 June 2010 together with a review of investment managers' performance for the same period prepared by Hyman Robertson.

Resolved:

To note the contents of the reports.

(Duration of meeting: 10.30 am - 12.50 pm)

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

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