

WILTSHIRE PENSION FUND COMMITTEE

DRAFT MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING HELD ON 1 MARCH 2011 AT COMMITTEE ROOM III - COUNTY HALL, TROWBRIDGE.

Present:

Mrs Lynda Croft, Cllr Tony Deane (Chairman), Cllr Charles Howard (Vice Chairman),
Mr Tim Jackson, Cllr Des Moffatt, Cllr Jeff Osborn, Cllr Mark Packard, Cllr Sheila Parker and
Cllr Peter Stoddart

Also Present:

Mr Jim Edney, Independent Pensions Advisor
Mike Pankiewicz, Union Representative
Mr Paul Potter, Hymans Robertson
Cllr Bill Moss,
Cllr Fleur de Rhe-Philippe

1. **Membership Changes**

Mrs Lynda Croft replaces Mrs Irlene Cooper as an Employer Body Representative.

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

Cllr Fleur de Rhe-Philippe
Cllr Bill Moss

3. **Apologies for Absence**

None

4. **Minutes of the Previous meeting**

The minutes of the meeting held on 02 December 2011 were presented.

Resolved:

To approve as a correct record and sign the minutes.

5. **Chairman's announcements**

The Chairman welcomed Lynda Croft from Wiltshire College who joins the committee as an Employer Body Representative for Educational Bodies.

The Chairman also updated the committee on the following items:

- The Hutton Review – The Second response paper from Lord Hutton on the Independent Review of Public Sector pensions is expected on 12 March and it is expected that recommendations from the review will be incorporated into the budget on March 23.

It has been previously confirmed that employees' contribution rates will increase, and defined benefits will be retained in some form – most likely based on a career average system. Details will be circulated to members as more information becomes known.

- South West Actuarial Agreement – Officers were working with the Environment Agency and other south-west funds to set up a multi-supplier framework for the procurement of actuarial, benefits and investment advice. It is hoped this will be established by mid May. The benefits to the fund were primarily in removing duplication of officer's time and the potential to achieve cost savings and efficiencies through bulk purchasing of services. Wiltshire Pension Fund contracts for actuarial, benefits and investment advice are all overdue for retendering. The framework, once established will be used to do this.

The Chairman added that if observers or members of the committee wished to further scrutinise the arrangements, then a briefing could be arranged by request with the Head of Pensions. Members will also be involved prior to any drawdown from the framework for actuarial and investment advice services.

- Members Training Session at Western Asset Management – Five members of the Committee and Two officers attended the training session at the offices of Western Asset Management on Friday 28 January. Committee Members visiting were impressed by the high level of scrutiny, and extensive controls and oversight that was evident in the organisation; also noting the importance of key personnel in a relatively small operation.

6. **Declarations of Interest**

None.

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

There were no members of the public present.

8. Pension Fund Benchmarking Update

The Head of the Pension Fund, David Anthony updated the Committee on the CIPFA Benchmarking club results that the Wiltshire Pension Fund (WPF) joined last summer. In general the survey shows that the Wiltshire Pension Fund is broadly in line with other LGPS schemes. There are areas of possible future investigation / improvement, namely, actuarial and communication costs and the levels of staff knowledge.

Performance in a number of key areas was highlighted:

- The total administration cost per member is £23.47 which is lower than the comparator (£23.49) but slightly higher than the all schemes survey (£22.72).
- Staff costs per member (£8.15) are below both the comparator and all schemes (both £10.05). This may indicate WPF has a proportionately smaller administration team.
- The direct cost per member is £7.93, significantly higher than the comparator (£3.39) and all schemes (£3.26). This includes communications, actuarial and other running costs.
- Communications is £0.50 per member higher than the comparator. This may be due to WPF having a dedicated Communications Manager along with a review of its communications documentation undertaken in 2009/10.
- The actuarial cost per member (£3.61) is significantly higher than both the comparator (£1.36) and all schemes (£1.11). This is surprising and requires investigation. WPF did have a high level of activity in 2009/10 due to the number of outsourcings, cessations and bulk transfers undertaken along with the need for additional support during the period the Pension Manager post was vacant.
- Wiltshire Pension Fund is in line with peers regarding the number of joiners, retirements, deaths and other leavers it processed.
- The survey indicates shows that 46% of the Administration team have a relevant qualification which is below the comparator (61%) and all schemes (64%).

A discussion arose following consideration of the report and those present emphasised the importance of hiring, training, and retaining skilled staff. It was also pointed out that the figures could vary year to year depending on the relative activity of the funds' investment and administration teams. The allocation of overheads could also be treated differently between authorities.

Secondly, following KPMG's 2010 Pension Schemes Financial Control Peer Group Comparison report, outlined at the previous meeting, the Head of Pensions explained that work was underway in a number of areas to help the Fund improve on its 2010 score, including:

- ✓ The Fund would once again be audited internally, following a 3-year gap. An audit plan has now been agreed.

- ✓ Reconciliations have been improved by integrating with Wiltshire Council's SAP system. Work would now begin with the second-largest employer – Swindon Borough Council.
- ✓ A workflow system for the monitoring and allocation of administration work is being implemented.
- ✓ Contribution controls and record keeping would be made easier by reconciling the amount paid each month by each employer to an individual member.
- ✓ Officers now consider AAF01/06 and SAS70 reports at interim meetings and scan the annual reports of pooled accounts for areas of concern.

Resolved:

To note the report.

9. **Pension Fund Risk Register**

Head of Pensions presented a report that delivered an update on the Risk Register for the Wiltshire Pension Fund, and he highlighted three changes in the Risk Register since the previous meeting.

- a) **PEN006a/007a: Significant rises in employer contributions due to increases in Liabilities**
This risk has decreased from amber to green following the implementation of the Stabilisation Policy for secure employers.
- b) **PEN 013: Failure to communicate properly with Stakeholders**
This risk has changed from green to amber following changes in the Annual Allowance and Life Time Allowance for tax exemptions. This will mainly impact on members earning above £100k and is being communicated to them. Systems need to be developed to ensure the Fund can inform members of their potential tax liability from 2012 onwards.
- c) **PEN017: Lack of expertise on Pension Fund Committee**
This risk has reduced from Amber to Green following the completion of the Members Self-Assessment and the implementation of the Members Training Plan.

N.B. The Pension Fund's office space during the refurbishment of the MECH building was confirmed as being within the lower floor of Old County Hall: as such the safe to house microfilms could now be ordered.

Resolved:

To note the update of the Risk Register.

10. Funding Strategy Statement

The Head of Pension introduced an updated Funding Strategy Statement for Wiltshire Pension Fund for consideration and approval. This was a refresh of the previously agreed (2008) strategy with some additions.

The purpose of the Statement is:

- To establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met;
- To support the regulatory requirement to maintain as nearly constant employer contribution rates as possible; and
- To take a prudent longer-term view of funding liabilities.

The two main changes to the strategy reflected development of the Fund's stabilisation policy (paragraphs 3.4 – 3.8 of the Strategy), and the changes to the Fund's admissions policy (paragraphs 3.9, 3.10 of the Strategy).

The strategy fulfils the Wiltshire Pension Fund's statutory obligation to produce a FSS.

Resolved:

To approve the draft Wiltshire Pension Fund - Funding Strategy Statement, as attached in the Appendix to the report.

11. Treasury Management Strategy

The Fund Investment & Accounting Manager, Catherine Dix, introduced the Wiltshire Pension Fund's Treasury Management Strategy, which was put before members of the committee for approval. It was explained that it is best practice, as well as being desirable operationally, to have a separate Treasury Management Strategy for the Wiltshire Pension Fund, so that there is no question of cross-subsidy or co-mingling.

The Strategy made clear that the Fund will aim to achieve the optimum return on investments commensurate with high levels of security and liquidity.

The Fund has net inflows from its dealings with its members, so in any month, the income from contributions and transfers-in significantly exceed the pensions, transfers-out and costs paid out. The surplus cash accumulated (Trowbridge Cash) is sent to one of the Fund's investment managers on a monthly basis, although a float of approximately one month's cash requirement (£1.5 - £2 million) is held for cash flow purposes. This is necessary to avoid the Fund having to borrow short-term within the month.

Following questions it was clarified that the Fund has its own bank account, entirely separate from Wiltshire Council's bank accounts, and the two associated sets of cash investments are also managed separately. This complies with the investment regulations.

It was also explained that the strategy seeks approval for a maximum of £8 million to be held with any single counterparty: increasing the limit to this level will ensure that the Pension Fund could remove any counter-party at short notice (if for example it becomes in-eligible), and not encounter problems. The funds are then sent to one of the investment managers every second or third week of the following month.

Resolved:

To approve the attached Treasury Management Strategy.

12. **Date of Next Meeting**

The next regular meeting of the Committee will be held on Thursday 12 May 2011.

13. **Urgent Items**

None.

14. **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.

15. **Valuation Update**

The Head of Pensions updated the Committee on revisions to the contribution rates for employers for the period 2011-14, as agreed at the 30 September 2010 meeting. The revised figures being presented followed discussion with non-secure employers regarding contribution rate relief.

The agreed employer contribution rates, including the effects of the stabilisation policy, and contribution relief where applicable, and will form part of the Rates and Adjustment certificate that will be provided to the Secretary of State by 31 March 2011. The revised contribution rates will be effective from 1 April 2011.

It was confirmed that in the hypothetical situation where an employer ceased to contribute there would be a number of options to pursue payment and ultimately could be referred to the Pensions Regulator. If the employer involved was an admitted body the admission agreement could effectively be ceased. It was also

explained that variations in employers' rates were determined largely by the age profile of the contributing organisations in question.

Resolved:

- a) **To note the report and the finalised employer contribution rates for 2011 to 2014, as circulated.**
- b) **A note is circulated to Committee Members explaining the basis on which Transfer Admitted Bodies are taken into the Fund and how their liabilities are disaggregated from the outsourced authority.**

16. **Pension Fund Administration Budget 2010-11**

A confidential report by the Chief Finance Officer is circulated proposing an administration budget for the Fund for 2011-12.

Resolved:

- (i) **That the Committee approves the Wiltshire Pension Fund Administration Budget for the period 2011-12, as shown in Appendix 1 to the minutes, totalling £6.178 million.**
- (ii) **That Budget Monitoring papers be brought biannually to future meetings of this Committee.**

17. **Quarterly Progress Report**

Consideration was given to a confidential report introduced by the Investments Manager, which detailed investment activity and performance of the entire Fund for the period to 31 December 2010 together with a look at manager level performance for the same period.

Resolved:

To note the contents of the report.

18. **Review of Capital International and ING Investment Managers**

The Committee considered three reports prepared by the Investment Advisers Hymans Robertson: a) on the Fund's Performance; b) a review of Capital International and c) a Property Mandate Update on ING.

Ms Claire Swinden and Mr Richard Carlyle presented an update on Capital International's work for their Wiltshire Pension Fund Absolute Income Grower (AIG) mandate and the Global Equity mandate, and their aims for the future.

Mr Max Bunney and Mr Max Johnson presented an update on ING's work for the Fund in 2010 and their aims for the future.

Following the presentations, Mr Paul Potter, of Hymans Robertson, gave a verbal high level review of the three papers under consideration by the committee.

After a short debate amongst committee members it was

Resolved:

- c) to keep “on watch” the Capital International global equity mandate for 12 months and review the Capital International Absolute Income Grower (AIG) mandate as part of the Investment strategy review.**
- d) The investment strategy review will take place in April with recommendations brought to the May Committee.**
- e) The ING Property mandate will remain in its current state.**

Please Note: An away day is to be organised to take place in April, to allow members, officers and advisors to consider in detail the future investment strategy, and to provide officers with input in advance of a formal report paper which will be brought to the May meeting.

(Duration of meeting: 10.35 am - 2.45 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

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