

WILTSHIRE PENSION FUND COMMITTEE

DRAFT MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING HELD ON 23 MAY 2012 AT COUNCIL CHAMBER - COUNCIL OFFICES, BRADLEY ROAD, TROWBRIDGE, BA14 0RD.

Present:

Cllr John Brady (Substitute), Cllr Tony Deane (Chairman), Cllr Charles Howard (Vice Chairman), Mr Tim Jackson (Associate Member), Cllr Des Moffatt and Cllr Sheila Parker

Also Present:

Cllr Bill Moss

57 Membership Changes

- 1) Following the Annual Meeting of Council on **15 May 2012**, there were the following changes to the Committee:

Cllr Malcolm Hewson was removed as a substitute member.

Cllr David Jenkins was added as a substitute member.

Cllr Jeff Osborn (formerly full member) became a substitute member.

Cllr Fleur de Rhé-Philippe (formerly substitute member) became a full member.

- 2) Following Swindon Borough Council's Annual General Meeting on **18 May 2012**, Cllr Brian Ford was added to the Committee.

58 Attendance of Non-Members of the Committee

None.

59 Apologies for Absence

Cllrs Mark Packard, Fleur de Rhé-Philippe and Brian Ford gave their apologies.

Cllr de Rhé-Philippe was substituted by Cllr John Brady.

Mrs Lynda Croft gave her apologies.

60 **Minutes of the Previous Meetings**

The minutes of the ordinary meeting held on **22 February 2012** and the Special Meetings held on **06 January 2012, 27 January 2012, 28 March 2012 and 10 May 2012**, were presented.

It was,

Resolved:

To approve the minutes as a true and correct record.

61 **Chairman's Announcements**

The Chair requested all mobile phones be switched off.

62 **Declarations of Interest**

There were no declarations.

63 **Public Participation and Councillors' Questions**

There were no questions or public statements.

64 **Internal Audit Report**

The Service Director (Finance) presented a report informing members of the findings of the internal auditors on the Wiltshire Pension Fund from their 2011/12 audit.

It was highlighted that although no high level risks identified during the audit, two medium level risks had been noted as key issues for the Fund to address, namely the lack of a complete and regular comparisons of the pensions payroll and the Altair database risks, and delays in investigating and clearing ageing balances with bank reconciliations risks misstatement in the accounts and year end backlogs.

The Service Director (Finance) stressed the council had agreed responses in view of the findings, with new procedures being phased in including a rolling programme of reconciliations and an action plan contained in the report has been drawn up to implement necessary improvements in controls .

In response to queries, it was clarified officers have worked with South West Area Partnerships (SWAP) to draw up action plans, and that SWAP are a public partnership and have been undertaking audits with several neighbouring local

authorities, and that monthly mortality screening of pensioners isn't cost effective but less frequent reviews would be implemented.

After discussion, it was,

Resolved:

That the Committee note the Internal Audit Report and its findings and to receive a verbal update on the delivery of the actions to address the issues raised at the July meeting, and a full update in September.

65 **KPMG Interim Audit Report**

Gemma Broom from KPMG presented a report regarding the interim external audit report produced by KPMG for the Committee which was completed in April 2012.

It was stressed the report was still in draft form, and noted that the process was in stage three of four, with planning and control evaluation completed, the substantive procedures to identify audit adjustments, concluding on critical accounting matters and planning and performing substantive audit procedures and review the Annual Governance Statement now on-going for July. Process completion was to be achieved for the September 2012 meeting of the Committee.

Ms Broom further noted that KPMG would work further with internal auditors this year, and made particular reference to continuing work around the SAP system as an issue for future reference, and in response to queries reaffirmed the independence of the external auditors from the activities of the Fund.

A discussion followed, where the depth of working with internal auditors was raised, and if the report addressed any resource issues regarding staffing, and were informed that it did not so long as there was no impact on service delivery.

The Head of Pensions added the report did not raise any major concerns at this stage ahead of the final report in September 2012.

It was,

Resolved:

To note the Interim External Audit Report.

66 **Pension Fund Risk Register**

The Head of Pensions presented a quarterly update report on the Fund's Risk Register. The Committee's attention was drawn to the 2 significant changes since December 2011, as follows:

PEN006a & b: Significant rise in employer contributions for secure/non-secure employers due to increases in liabilities.

PEN012: Over-reliance on key officers.

It was stated that the current market volatility and weakness could significantly impact employer contributions at the 2013 Triennial Valuation and needs to be, especially in light of the potential LGPS reforms carefully monitored as events progress.

With regard to overreliance on key officers, it was explained that the Pension Fund restructure was being implemented, but with some staff leaving, others unavailable, and being unable to appoint to permanent positions until the restructure had been completed, the potential risk of impact on service delivery for 4-6 weeks had increased as there would be limited capacity in the short term should further staff become unavailable. This risk will reduce as the new structure settled and was fully appointed.

The Chair requested the Director of Finance keep close watch over the staffing issue as it pertained to the Fund.

Resolved:

To note the updated Risk Register and the measures being taken to mitigate current high and medium risks.

67 **Date of Next Meeting**

The date of the next meeting was confirmed as **25 July 2012**. The location would be circulated after the meeting, once confirmed.

68 **Urgent Items**

There were no public urgent items.

69 **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 70-75 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.

70 **Investment Quarterly Progress Report Update**

The Fund Investment and Accounting Manager presented an investment quarterly progress report, highlighting the performance against the benchmarks for each mandate of the Fund.

Joanne Holden (Mercers) then presented a confidential report assessing the performance of the Fund's investment managers.

The Committee then discussed the report, and discussed what options were available nationally that could impact the Fund and how these could be addressed, and discussed the generic performance of the managers in comparison with similar funds.

After discussion, it was,

Resolved:

To note the update and thank Mercers for their report.

71 **Investment Strategy Review**

Joanne Holden (Mercers) presented a confidential report reviewing the Fund's current strategy together with recommendations for future options from the Director of Finance and Head of Pensions.

Following debate, it was,

Resolved:

- 1) To agree to fund the Barings Absolute Return Fund mandate to 10% of the Fund's assets using the assets from the terminated Capital AIG mandate and to treat this as part of the Fund's equity allocation;**
- 2) To agree to implement the switch from the Fixed Index Gilts (2.5% of Fund's assets) to Index Linked Gilts held by Legal & General with a revised strategic allocation of 5% of the Fund's assets;**
- 3) To ask Mercers to undertake a review of the bond portfolio and objectives to be considered at the July committee meeting and to liaise with Western Asset Management on their view on the deliverability of these potential changes;**
- 4) To ask Mercers to produce a paper to provide further background on Emerging Market Multi Asset Funds and the workings of an allocation for opportunistic investments prior to any decision to allocate funds to either area;**

- 5) To note the other medium term changes outlined in the Investment Strategy Review report and to consider these over the next 12 months based on the performance of the managers currently on watch.

72 **Baillie Gifford: Formal Review of the Global Growth Fund Mandates**

The Committee received a presentation and update from Baillie Gifford regarding the Long Term Global Growth Fund Mandate, reviewing the recent performance and plans for the future managing of the LTGG mandate.

The Committee then asked questions of the Baillie Gifford representatives.

It was,

Resolved:

To thank the representatives from Baillie Gifford for their presentation.

73 **Legal & General: Formal Review of the Passive UK Equities and Passive Gilts Funds**

The Committee received a presentation and update from Legal & General regarding the Passive UK Equities and Passive Gilts Funds, reviewing recent performance and identifying future trends.

The Committee then asked questions of the Legal & General representative.

It was,

Resolved:

To thank the representative from Legal & General for their presentation and to consider a further update to the Committee in Autumn 2012 should any significant developments occur.

74 **Minutes of the Previous Meeting**

The Private Minutes of the meeting held on **22 February 2012** was presented. It was,

Resolved:

To approve the minutes as a true and correct record.

75 **Urgent Items**

Through the Chair the Head of Pensions updated the Committee regarding developments relating to the Committee putting the Fund forward as potential Lead Plaintiff in a class action in the USA as decided at the meeting on 10 May 2012.

The Committee was informed it was not likely the Fund would be appointed by the court as Lead Plaintiff, but had met its fiduciary duties regarding the case.

(Duration of meeting: 10.35 am - 2.20 pm)

The Officer who has produced these minutes is Kieran Elliott, of Democratic Services, direct line 01225 718504, e-mail kieran.elliott@wiltshire.gov.uk

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