

## WILTSHIRE PENSION FUND COMMITTEE

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**DRAFT MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING HELD ON 19 SEPTEMBER 2013 AT CIVIC CENTRE, ST STEPHENS PLACE, TROWBRIDGE. BA14 8AH.**

**Present:**

Cllr Tony Deane (Chairman), Cllr Charles Howard (Vice-Chair), Cllr Des Moffatt, Cllr Mark Packard, Mr Mike Pankiewicz, Cllr Roy While (Substitute) and Cllr Philip Whitehead (Substitute)

**Also Present:**

Jim Edney, Joanne Holden (Mercers), Catherine McFayden (Hymans) and Cllr Dick Tonge

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59 **Membership**

There were no changes to the membership of the Committee.

60 **Attendance of Non-Members of the Committee**

Councillor Richard Tonge.

61 **Apologies for Absence**

Apologies for absence were received from Councillors Sheila Parker and Graham Payne, and Mrs Lynda Croft and Mr Tim Jackson.

Councillor Parker was substituted by Councillor Phillip Whitehead.

Councillor Payne was substituted by Councillor Roy While.

62 **Minutes**

The minutes of the meeting held on 25 July 2013 were presented for consideration. It was,

**Resolved:**

**To APPROVE as a true and correct record and sign the minutes.**

63 **Chairman's Announcements**

Through the Chair it was announced that the Pensions team would be making presentations for Swindon Academies on 01 October 2013 and Wiltshire Academies on 21 October 2013. The Chair encouraged Members to attend the next Schools Forum on 03 October 2013 to familiarise themselves with some of the issues for Schools and Academies that was relevant to their work on the Pension Fund Committee.

64 **Declarations of Interest**

There were no declarations.

65 **Public Participation and Councillors' Questions**

There were no questions or statements submitted.

66 **External Audit Report**

Duncan Laird from KPMG presented the Final External Audit Report 2012/13. It was stated that very few adjustments, mostly of a presentational nature, had been recommended prior to KPMG signing off their positive opinion of the council's accounts on 4 September 2013.

A discussion followed the presentation of the report, and in response to queries it was stated that it could be possible for KPMG to sign off the accounts by the end of July in future, depending on how quickly the council was able to finalize the work, and it was a goal of the council to ready the accounts in such a time. In response to comments about IT effectiveness it was confirmed the issues related to council wide issues with the SAP system, not Pensions specific issues, and that the issues did not pose a financial risk.

It was,

**Resolved:**

- 1) **To thank KPMG for their report and accept the Final External Audit Report 2012/13, and**
- 2) **To thank officers for their work which resulted in the very positive report.**

67 **Pension Fund Risk Register**

The Head of Pensions presented the updated Pensions Fund Risk Register, noting there had been no significant changes since the last Committee meeting.

Attention was drawn to an update to PEN003 - Failure to implement the LGPS 2014 Reforms - where work was continuing on a communications strategy on the implementation of their reforms, and that the website for the fund would contain a tool to allow members to compare their benefits between the old and new schemes.

It was also noted that with regards risks PEN011 and PEN012 regarding lack of expertise of Pension Fund officers and overreliance on key officers due to a vacancy within the Pension team, the vacancy had not yet been filled due to the current uncertainty facing the structure of funds nationally and the outcome of the current 'Call for evidence' from the Government. As part of the Lord Hutton review of Public Sector Pensions funds were being encouraged to work more collaboratively so officers continue to discuss with other administering authorities to explore possible areas of collaboration or sharing of resources. Therefore this post will be recruited on a seconded basis until plans for structural reforms are issued by the Government in May 2014.

A discussion followed where the issue of liquidity within the Fund was raised, and it was stated that currently there was still more money coming into the Fund than being paid out, although this would change at some point in the future, and that there was £25 million of investment income made available to cover any temporary shortfall. In response to queries it was stated the Fund's position was about average for its peers.

At the conclusion of discussion, it was,

**Resolved:**

**To note the update and the measures being undertaken to mitigate the current medium risks.**

68 **Budget Monitoring 2013-14 Report**

The Fund Accounting and Investment Manager presented a report on the current budget monitoring position for the Wiltshire Pension Fund for the year 2013/14. It was stated there had been a £1.2 million underspend to date. This was mainly a result of lower investment manager fees due to both performance fee levels not being triggered for Baillie Gifford, and the termination of the Edinburgh Partners mandate and its funds transferred to the passive L&G mandate.

A discussion followed where an overspend for Actuarial Services was queried, and it was explained this was the result of additional cost arising from benefits advice to cover the vacant Pension Manager position, along with an increased costs for the triennial Valuation as a result of the increasing number of employers within the Fund.

It was,

**Resolved:**

**To note the current position.**

## 69 Officers' Training Update

A verbal update from the Head of Pensions on Officer training was presented. It was re-iterated that this was important that the relevant skills and knowledge were held and maintained within the team to mitigate risk PEN11: Lack of Expertise of Pension Officers on the Risk Register. It was stated that training plans were progressing well and that the Pensions team had a training budget of £17,500, with approximately £4,000 remaining unallocated.

Details were sought on the specifics of officer training, and it was explained that there was training for the administration team included regular monthly bite-size sessions on areas so as Data Protection, LGPS 2014 changes, handling benefit statements, annual allowances changes and other scenarios, and that external courses were organized were necessary. For qualifications, it was noted that three staff were undertaking a foundation degree in Pension Administration, with a further two undertaking a diploma in the same.

It was also stated that a focus on efficiency prevailed throughout all training. It was,

### Resolved:

**To note the update.**

## 70 Funding Strategy Statement

The Head of Pensions introduced the draft Funding Strategy Statement for the Fund, noting that the draft would undergo a 20 day consultation period. Additional details on understanding employer obligations, changing maturities and risk among issues were noted.

It was,

### Resolved:

- 1. To approve the draft Wiltshire Pension Fund - Funding Strategy Statement 2013; and**
- 2. To publish the Funding Strategy Statement following the completion of the consultation period.**

## 71 'Call for Evidence' Draft Response

As requested by the Committee at its meeting on 25 July 2013, the Head of Pensions presented a draft response to the Department of Communities and Local Government (DCLG) 'Call for Evidence' responding to questions on the proposed Local Government Pension Scheme (LGPS) reforms, which needed to be sent to the DCLG by 27 September 2013.

It was stated further evidence from the advisers to the Fund had been submitted since the publication of the draft response, should be incorporated into the

response. It was also noted by members that the emphasis was on good governance. Reducing operational costs, while a significant objective, had a low impact on a Fund's overall funding level which were far greater impacted by market fluctuations, and that a focus on manager's fees was not very useful without context, where low fees might be an indicator of poor performance or a less robust investment strategy.

The Committee discussed the questions from the DCLG, and whether the merger of Funds in future or merely increased co-operation was a more efficient structure, and assessed the draft responses proposed.

At the conclusion of debate, it was,

**Resolved:**

**To delegate to the Chairman of the Wiltshire Pension Fund Committee, Head of Pensions and Service Director (Finance) to approve the final response to the DCLG, following the inclusion of the latest evidence into the responses and taking into account the comments from the Committee.**

72 **Proposed Appointment to the Investment Sub-Committee**

At the meeting on 25 July 2013, the Committee approved the setting up of an Investment Sub-Committee (ISC) for the purpose of Opportunistic Investing. The Membership was to include three voting members of the Pension Fund Committee

It was noted that all Members were welcome to attend ISC meetings, but that only the Members as listed in the report would have voting rights, and that two of the three ISC members would be the Chairman and Vice-Chairman of the Committee unless unable to attend, where another Member would be appointed in their place.

Following discussion, it was,

**Resolved:**

**To agree that the third voting member of the ISC is allocated to a Swindon Borough Council representative on the Wiltshire Pension Fund Committee.**

73 **Date of Next Meeting**

It was confirmed that the next regular meeting of this Committee would be held on **Wednesday 6 December 2013**. There would be an additional meeting on **Thursday 10 October 2013** at 10.30am at St John's Parish Centre for the presentation of the 2013 Triennial Valuation results.

74 **Urgent Items**

There were no urgent items.

75 **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 76-80 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.

*Paragraph 3 - information relating to the financial or business affairs of any particular person (including the authority holding that information).*

76 **Update on 2013 Triennial Valuation**

A verbal update from the Fund Actuary, Hymans, on the progress of the 2013 Triennial Valuation was presented. It was stated that the update was regarding initial calculations and that a full report would follow at the special meeting of the Committee on 10 October 2013.

It was further stated that the Fund Stabilization Policy as previously agreed was unchanged, although the deficit had grown in monetary terms by 50%.

Questions were raised regarding the planned rise in employer contributions, and it was also confirmed there were no retrospective changes to the current Stabilisation Policy and Contribution Rate Relief being offered to employers to manage these increases.

At the end of discussion it was,

**Resolved:**

**To note the update.**

77 **Investments Quarterly Progress Report**

The Fund Investment and Accounting Manager presented the Investments Quarterly Progress Report, highlighting the performance against the benchmark for various mandates of the fund, along with a confidential report from the advisers to the Fund, Mercers.

The Committee discussed the reports and noted those mandates which had been underperforming, but also that the Fund had undergone many changes in the past few years, and that at the current time it was decided to keep on watch those mandates which were underperforming and await further reports.

It was,

**Resolved:**

**To note the updates and thank Mercers for their report.**

78 **Investment Review - Proposed Amendment to Property Mandate**

The Head of Pensions presented a confidential report updating the Committee on the implementation of the investment strategy and proposing an amendment to the current Property mandate with CBRE.

The Committee discussed the merits of the proposed amendments to the listed mandates and any associated risks.

At the end of discussion, it was,

**Resolved:**

- a) **to note the progress made transitioning assets between Edinburgh Partners and Legal and General;**
- b) **to note the progress made with the procurement exercise to appoint an Emerging Market Multi Asset manager;**
- c) **to agree the expansion of the property mandate to include a global element of initially 25% Global 75% UK, with the intention of moving to 50% Global 50% UK in the longer term.**

79 **Partners Group - Review of 2012-13 & Plans for the Future**

Sarah Brewer and Michael Barben from Partners Group gave a presentation and report on their mandate of the Pension Fund, and took questions from the Committee on the progress and future plans for that mandate.

Following which, it was,

**Resolved:**

**To thank the representatives from Partners Group for their attendance and presentation.**

80 **M&G - Review of 2012-13 & Plans for the Future**

Gary Parker and John Atkin from M & G gave a presentation and report on the review of their mandate of the Pension Fund and future plans, and took questions from the Committee.

Following which, it was,

**Resolved:**

**To thank the representatives from M & G for their attendance and presentation.**

(Duration of meeting: 10.40 am - 2.10 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](mailto:kieran.elliott@wiltshire.gov.uk)

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