

LOCAL PENSION BOARD

PART 1 MINUTES OF THE LOCAL PENSION BOARD MEETING HELD ON 20 JULY 2016 AT THE KENNET ROOM - COUNTY HALL, TROWBRIDGE BA14 8JN.

Present:

David Bowater, Lynda Croft, Sarah Holbrook, Cllr Christopher Newbury, Mike Pankiewicz, Howard Pearce (Chairman) and Barry Reed

47 Membership

There were no changes to the membership of the Board.

48 Attendance of non-members of the Board

There were no non-members of the Board present.

49 Election of the Vice-Chairman

It was explained that in accordance with Terms of Reference the Vice-Chairmanship of the Board was to alternate yearly between scheme member and employer member representatives. The Chairman thanked Mike Pankiewicz for his work as Vice Chairman over the last year and nominations were sought from employer member representatives for the position as Vice-Chairman for 2016-17.

Resolved:

To appoint Lynda Croft as Vice-Chairman for the forthcoming year.

50 Apologies

There were no apologies for absence.

51 **Minutes**

Members considered the minutes of the last meeting held on 7 April 2016 and the Board's action log. The Chairman requested that pending actions be coded amber and the review of audit arrangements be coded red to signify that it was an outstanding action. The Head of Pensions updated that the Board members' handbook was being collated and would be circulated shortly, members were invited to comment upon it at the October meeting. The Head of Pensions would publish the handbook online, provided it contained no confidential information.

Resolved:

To confirm the minutes of the meeting held on 7 April 2016.

To note the Board's Action Log and request that outstanding and pending actions be colour-coded accordingly.

52 **Declarations of Interest**

There were no declarations of interest.

53 **Chairman's Announcements**

It was noted that despite the recent changes in Prime Minister and Cabinet, Marcus Jones MP remained Parliamentary Under Secretary of State at the Department for Communities and Local Government.

54 **Public Participation and Councillors Questions**

There was no public participation.

55 **Minutes and Key Decisions of the Wiltshire Pension Fund Committee**

The Board received the minutes of the previous meetings of the Wiltshire Pension Fund Committee and Investment Sub Committee, the Head of Pensions and noted that the South West Audit Partnership (SWAP) audit report was also presented to this Board.

Resolved:

To note the minutes and key decisions of the Wiltshire Pension Fund Committee and Investment Sub Committee meetings held on 30 June and 6 June 2016.

56 Scheme, Legal Regulatory and Fund update

The Head of Pensions updated on the current consultation on the Amendment Regulations, the new regulations would pick up anomalies from the LGPS 2014 scheme. The Fund had already drafted a response to the consultation, which had been approved by the Pension Fund Committee.

Members also heard that in light of the Counsel view on the legal status of Local Pension Boards officers had spoken to the Council's insurers about adding indemnity cover for Board members to this policy, however the insurer did not consider Board members at risk so would not extend the policy. Officers had approached other providers for quotes however they were very costly, it was thought that this was because companies were uncertain as to the risks involved. The Council's legal advisors considered the risk to Board members not covered by indemnity insurance to be extremely minimal, since the Board was not a decision-making body. The Head of Pensions was to await further advice from the Scheme Advisory Board (SAB) and would report back at the October meeting. Members agreed that it would be beneficial to wait for SAB guidance as a national solution was needed and considered no immediate action was required given the minimal risks. It was requested that officers also ask the SAB for guidance on cover needed for non-voting observers on Pension Fund Committees. Members were advised that the Board Chairman was already covered by his own professional indemnity cover.

Resolved:

To note the proposed draft response to the LGPS amending regulations consultation.

To note the legal advice that the absence of insurance indemnity cover presented minimal risk to Local Pension Board members.

To await further guidance from the Scheme Advisory Board on the issue of insurance indemnity and to consider this at the next ordinary meeting.

57 Risk Register

The Board was presented with the current Risk Register for the Fund; two new risks had been added since the last report: 'PEN024 Impact of EU referendum' which reflected the potential for increased market volatility from a vote to exit from the EU, and 'PEN025 Academisation of Schools' which reflected Government policy to encourage all schools to convert to academy status; this had the potential to increase the number of employers in the Fund. PEN012 'Over reliance on key staff' had been upgraded since the Fund Benefits Manager was due to take maternity leave in November.

Members were concerned that the LGPS pooling of assets was a risk to the Fund by increasing workload for officers and the potential movement of staff out of the Fund to the pooled fund. As such, it was recommended that PEN020 be logged as high risk.

Resolved:

To note the current Risk Register and recommend that PEN020 'Pooling of LGPS assets' be coded red to reflect a high risk of resource pressures arising from asset pooling.

58 **Review of the Wiltshire Pension Fund Statement of Accounts**

The Board was presented with the Fund's draft financial statements which were to be signed off by the Audit Committee on 27 July. No recommendations were expected to arise from the audit and the approved accounts would be published in the Fund Annual Report. Questions were raised over projected salary increase rates and it was explained that the numbers specified reflected predictions over the long term, approximately a 20 year period. Following a question from the Chairman it was confirmed that a £3.9m long term debt did not need to be reported to the Pensions regulator as a breach since this was being paid back over a 10 year period and was a national issue with the magistrates service. Stylistic corrections needed to the accounts were noted.

Resolved:

To note the draft Wiltshire Pension Fund Financial Statements 2015-16, approved for publication by the Wiltshire Pension Fund Committee subject to the completion of the audit.

59 **Internal and External Audits for 2016**

The Board was presented with an update from internal and external auditors; the internal audit plan for 2016-17 was being finalised and was expected to be presented at the October meeting. Internal audit for 2015/16 was graded with 'Reasonable Assurance' meaning that most areas reviewed were found to be adequately controlled, generally risks were well managed but some systems required the introduction or improvement of internal controls. There were no significant finds to report from the audit although two medium risks relating to reconciliations and payroll were reported and were being acted on. The Board requested that an update on actions taken be reported to its January meeting. Members also requested that external auditors attend the January meeting in the instance of material recommendations arising from their audit. The external audit from KPMG was still ongoing and any subsequent recommendations would be reported to the Fund.

Following questions from the Board it was confirmed that pension straining costs would usually be factored into redundancy costs. It was agreed that redundancy costs be considered at the next meeting in the instance of such related issues arising from the audit.

Resolved:

To note the update on the progress of the external audit from KPMG for 2016 and the internal audit report and agreed action plan.

To request that an update is provided at the January meeting on the actions taken following the outcome of the internal audit and that external auditors also report to this meeting in the instance of material recommendations arising from that audit.

To request that redundancy costs be considered at the October meeting in the instance of such issues arising from the audit.

60 **Statement of Investment Principles**

A report presented the annual update of the Statement of Investment Principles (SIP), approved by the Wiltshire Pension Fund Committee at its last meeting, for review. The SIP outlined how the fund intended to manage its investments. In the last year the change to asset allocation with the Loomis Sayles mandate had been the only significant change; the allocation had been changed to 60% Absolute Return Bond/40% Multi Asset Credit spilt from a previous 50/50% split. The Board understood that a new Investment Strategy Statement, drawing on key points of the SIP, would be produced over the next financial year as part of the asset pooling with Project Brunel.

The Chairman advised that the 'Myners Principles' (referenced in Supplement 1 to the SIP) were now titled 'Principles of Investment Governance' and recommended that officers obtain a recent report of the Law Commission on fiduciary duty and the United Principles of Responsible global report on Fiduciary duty and the , as this could be useful to writing the Investment Strategy Statement.

Resolved:

To note the updated Statement of Investment Principles.

61 **Update on the Business Plan**

The Board was updated on the Business Plan for the fund which had been coded according to both priority and risk, items coded as grey were actions that had been completed. Officers advised that the impact of pooling arrangements

had delayed the development of Key Performance Indicators for the Fund however this was now a priority which was now being addressed. The pooling arrangements (business plan item 38) was both high priority and high risk in terms of resource.

A summary was provided of outstanding actions including:

- Priority 1- key policy documents were currently being refreshed;
- Priority 4- the review of the contract for an Independent Governance Adviser was overdue, however the Fund was comfortable with the current green coding of the priority as continuity of adviser was valued at the present time;
- Priority 10- an Employer/Pensioner meeting was planned for autumn 2016 however the Fund was concentrating on more effective means to communicate with stakeholders;
- Priority 11- risk reviews were a high priority and expected to be addressed over the autumn;
- Priority 12- a framework needed to be designed to review the performance of the Fund's advisers;
- Priority 14- the implementation of bi-annual performance reporting would tie in with risk reviews;
- Priority 16- the Fund was keen to use social media to communicate and had begun discussions on setting up a social media account;
- Priority 17- officers aspired to formalise a review of the Committee performance and would also link this to a framework to review the Fund's advisers;
- Priority 23- the full actuarial valuation was a high priority;
- Priority 24- a Member's Handbook for the Committee would be prepared ready for 2017 elections;
- Priority 25- a review of the Investment Sub-Committee was low priority as the focus had been on other investment issues;

The Head of Pensions advised that 2016 valuation was on track and the Fund was currently working on this as a priority, officers were also planning to complete the GMP reconciliations project by December 2016 and refresh the Funding Strategy Statement in January 2017.

The Chairman thanked officers for their hard work to achieve the Business Plan outcomes but expressed concern that 9 out of 39 actions had slipped, mainly due to insufficient resource. The Board recommended that the Committee review the Fund priorities and supported the recruitment of additional resource if necessary to achieve the priorities.

Resolved:

To note the update on the Business Plan and to recommend to the Wiltshire Pension Fund Committee that it reviews the priorities or supports the recruitment of additional resource if necessary to achieve the priorities.

62 **Assessing the Impact of the Local Pension Board**

The Chairman introduced a report suggesting Key Performance Indicators (KPIs) for the Board, members were supportive of the proposals and felt that the value they could add to the governance of the fund would increase overtime as the Board embedded and knowledge of members increased. It was noted that the recommendations of the Board were being implemented, for instance on additions to the Risk Register and the development of a Breaches Policy. Members fed back that, in comparison with other Boards, Wiltshire appeared to be ahead, members were not aware of other boards having developed KPIs.

Resolved:

To agree the proposed Key Performance indicators and request they be included in the Board's Annual report.

63 **Local Pension Board Annual Report**

The Head of Pensions presented the Board's Annual Report and advised that it would be published on the Fund's website and also the SAB website. Members considered it would be useful to review the Wiltshire Local Pension Board annual report relative to the other 88 LPB annual reports and requested that such a benchmarking exercise be undertaken in early 2017.

Resolved:

To approve the Local Pension Board Annual Report.

To request that a benchmarking exercise of LPB annual reports be undertaken in comparison with other Boards in early 2017.

64 **How did the Board do?**

Members discussed the content of the meeting agenda and agreed that the items were in line with their remit as a Board.

65 **Urgent items**

There were no urgent items.

66 **Date of next meeting and Forward Work Plan**

The next meeting was to be held on 20 October 2016 and the Chairman advised that future meeting dates should be released over the next month.

67 **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 68-69 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.

68 **Brunel Pension Partnership and Investment Pooling 2016**

Members were updated on the submission of the Brunel Pension Partnership's proposal to the Government's consultation on investment reforms.

Resolved:

To note the update and the joint submission of the Brunel Pension Partnership as the Fund's detailed proposal to the Government's consultation on investment reforms approved by the Wiltshire Pension Fund Committee on 30 June 2016.

To endorse the need for an independent review of the Brunel Pension Partnership Business Case and to recommend that overall risks of the new manager are reviewed.

To recommend that further detail is provided in the Business Case on the member and employer representation in the governance arrangements of the new pool.

To recommend that a low-cost exit strategy for the Fund is negotiated and that detail be provided on the process of transferring to a new pool.

To recommend that external resource is recruited to support asset pooling as necessary.

69 **Minutes and Key Decisions of the Wiltshire Pension Fund Committee and Investment Sub-Committee**

Members considered the key decisions of the recent meetings of the Investment Sub Committee and Wiltshire Pension Fund Committee.

Resolved:

To note the minutes and key decisions of the Investment Sub Committee meeting on 16 June 2016 and Wiltshire Pension Fund.

(Duration of meeting: 10.35 am - 1.15 pm)

The Officer who has produced these minutes is Libby Beale, of Democratic & Members' Services, direct line 01225 718214, e-mail elizabeth.beale@wiltshire.gov.uk

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