

## WILTSHIRE PENSION FUND COMMITTEE

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**MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING HELD ON 18 JULY 2019 AT KENNET ROOM - COUNTY HALL, BYTHESEA ROAD, TROWBRIDGE, BA14 8JN.**

**Present:**

Cllr Tony Deane (Chairman, Cllr Roy While (Vice-Chairman), Cllr Steve Allsopp, Mike Pankiewicz, Chirs Moore

**Also Present:**

Cllr Richard Britton, Richard Bullen, Andy Cunningham, Jennifer Devine, Anthony Fletcher, Becky Hellard, Howard Pearce, Barry Reed, Barry Dodds and Dave Willers

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**28 To confirm the membership of the ISC**

Membership of Investment sub Committee as appointed by full council on 21 May 2019 was; Cllr Tony Deane (Chair), Cllr Roy While (Vice-Chair), Cllr Gordon King and Cllr Tim Swinyard (Swindon Borough Council).

Cllr Tim Swinyard has left Investment sub Committee and Brian Ford (Swindon Borough Council) joins the Investment sub Committee.

**29 Apologies for Absence**

Apologies were received from Cllr Gordon King, Cllr George Jeans, Cllr Brian Ford and Diane Hall.

**30 Minutes**

**Resolved:**

**The Part 1 minutes of the Wiltshire Pension Fund Committee meeting held on 14 March 2019 were approved.**

**31 Declarations of Interest**

There were no Declarations of Interest.

**32 Chairman's Announcements**

The Chair announced that an extraordinary meeting had been called for 25 October for the Triennial Valuation 2019 sign off.

33 **Public Participation**

There were no members of the public present.

34 **Minutes and Key Decisions of the Investment Sub-Committee**

**Resolved:**

**To receive the Part 1 minutes, and consider recommendations arising, from the last meeting of the Investment Sub-Committee held on 5 June 2019.**

35 **Minutes and Key Decisions of the Local Pensions Board**

**Resolved:**

**The Part 1 minutes, and recommendations arising, from the Local Pension Board meeting held on 23 May 2019 were noted.**

36 **Scheme, Legal, Regulatory and Fund Update**

Officers updated the Committee on a range of subjects including the Stewardship code, the McCloud case, Public sector Exit payments, the valuation cycle and the MHCLG consultation on pooling.

The Committee noted that Officers had responded to the HM Treasury consultation on Reforms to Public Sector Exit Payments and to the MHCLG consultation on Changes to the Local Valuation Cycle and the Management of Employer Risk. The latter proposed change to local fund valuations from the current three-year (triennial) to a four-year (quadrennial) cycle. The pros and cons of this change were debated.

In anticipation of conclusion of the McCloud case, Officers commented that whilst the financial implications were likely to be mild, the impact upon administration costs were likely to be substantial.

**Resolved:**

**The committee noted the report.**

37 **Internal Audit Report**

Officers presented the outcomes of recent internal audit reports undertaken by South West Audit Partnership (SWAP). The first addressed administration and financial controls and the second addressed the transition of assets as set out in the Statement of Financial Activities (SoFA).

The external Audit had been prepared to fit in with the requirements of Audit Committee on 24 July 2019.

Additional points to note were that Deloitte had been appointed as the new external auditor and the scope of their audit should be reviewed. In addition, discussion took place concerning the dual preparation of Fund and Corporate annual accounts.

**Resolved:**

**The Final Audit Report was noted as was the update on the appointment of Deloitte as the Fund's external auditor.**

**Where there were findings by Auditors, an action plan would be prepared by officers who would update the Local Pension Board in six months.**

38 **Key Performance Indicators**

The Head of Pensions Administration and Relations reported that KPIs were now being reported on more robust data and drew the committee's attention to three key indicators, Disclosure Regulations, tPR data scores and Administration Strategy targets.

After a request from the Local Pension Board, the Fund now assesses itself against the Disclosure Regulations and uses a CIPFA template to achieve this. tPR's requirement to submit Common and Conditional Data quality scores were noted along with the logistical issues associated with improving on those scores, notably the impact on performance of the Council's IT functionality. The Administration Strategy targets are locally defined and are currently under review.

The debate that followed highlighted the value of performance trends alongside snapshot data and the balance required between quality, costs and time in delivering positive trends. It was highlighted that a comparison of the Fund's KPI could be made against other Funds after the legal deadline for each Fund to publish their annual report of 1 December has passed.

**Resolved:**

**The Committee thanked officers for the more comprehensive production of regular KPIs and the progress made in the direction of travel in the Fund's compliance with service standards.**

**Where IT functionality concerns continued, officers should escalate the matter to the s151 officer.**

39 **Administration Budget**

Officers talked through a report that detailed the budget, actuals and variances across 2018-2019 and sought re-approval of aspects of the 2019-2020 budget.

Fund Investment Management Fees varied by £7,901,000 due to a mis-coding of last year's budget, Fund Investment Costs varied by £126,000 and Fund Scheme Administration varied negatively by £175,000.

The debate that followed clarified that Wiltshire Council's financial regulations apply to Wiltshire Council Pension Fund and that those regulations were undergoing a re-write that sought to make them more explicit. The Chair requested quarterly budget monitoring updates on the Fund Scheme Administration budget.

It was also noted that the PIRC contract had been terminated and that the research work had been taken on by the Brunel Pension Partnership.

**Resolved:**

**The Committee noted the outturn for 2018-19 and approved two additional elements:**

- a) A £68,000 extension to the Pension Fund Administration Budget for 2019-20 to cover the cost of dealing with a staffing matter**
- b) A £35,000 extension to fund additional temporary staffing in 2019-2020.**

**The Committee requested that officers would continue to monitor budgets and report to Committee on a quarterly basis**

40 **Training Item: New CIPFA accounting guidelines**

The Investment Manager delivered a summary of the changes introduced by the new CIPFA accounting guidance in conjunction with a review of the draft Annual Report and Accounts.

**Resolved:**

**The committee noted the training item.**

41 **Annual Report and Accounts**

The Investment Manager advised that the audit of the Annual Report and Accounts was almost complete. The Annual Report this year contained new information about the cost and savings associated with investment pooling, as well as detailed information about administration KPIs.

In the accounts, investment management expenses were much higher compared to last year, but this was due to greater transparency from investment managers of all the costs incurred, not an actual increase in costs. This figure was also higher due to a prior year error which had been reclassified.

The Chair of the Pensions Board observed that the report was the first published in line with the new guidance and that this ought to be made explicit in the report. Officers confirmed that this assurance was provided by the external auditors. The Chair of the Pension Board also requested that any non-compliance with the guidance was disclosed in the annual report. Officers confirmed that there was no non-compliance.

**Resolved:**

**The Committee noted the annual report for the year to 31 March 2019, authorised the officers to make any necessary minor amendments to the annual report prior to publication, approved the annual report for publication and recommended to the audit committee that the accounts be approved.**

**The Investment Manager would communicate the published Accounts on the website with a link to MSS & distribute soft copies to employers.**

**The Investment Manager would add a comment in Accounts about verification against CIPFA checklist.**

**The Investment Manager would add a positive statement in the Accounts about SAB cost transparency.**

42 **Pension Fund Risk Register**

Officers stated that the Risk Register had been re-formatted to be more consistent with corporate risk management and now addressed four categories of risk, Horizon Risk, Dynamic Risks, Ongoing Risk and Ceased Risk. The Risk Register will continue to quantify risk as product of likelihood and potential impact and then express that risk as Red, Amber or Green (RAG).

The debate recognised the value in; stating operational and strategic risks, enabling a focus upon priority risks, managing by exception, surfacing major points through better presentation of evidence and detailing mitigating actions. Furthermore, where a risk had ceased, the nature of its cessation would be documented.

**Resolved:**

**The Committee approved the new design of the Fund's Risk Register but requested that officers considered only bringing a smaller number of risks to it, with all risks still being monitored at officer level.**

**The Committee recommended that officers would refer the register to LPB for their scrutiny.**

43 **Date of Next Meeting**

**Resolved:**

It was noted that the next regular meeting of the Committee will be held on 3 October 2019.

44 **Urgent Items**

There were no Urgent Items.

45 **Exclusion of the Public**

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 20 - 28 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.

46 **Triennial Valuation 2019: Modelling outcomes and Contribution Rate Strategy**

Resolved:

The Committee agreed to target fixed contribution rates for tax-raising bodies subject to the valuation results being consistent with the modelling output.

The Committee approved the contribution strategy for different employer categories.

47 **Strategic Asset Allocation:**

Resolved:

The Committee approved the new strategic asset allocation, and interim strategic asset allocation.

The Committee agreed to fully disinvest the Barings diversified growth fund portfolio.

The Committee agreed to disinvest an amount of the passive UK equities portfolio to take total passive equities down to 18.9% of the total fund value, pending the Committee being willing to increase the allocation to Magellan.

The Committee agreed to fully disinvest the Loomis Sayles absolute return bond fund.

The Committee agreed to top up the allocation to Loomis Sayles multi-asset credit fund with the balance of the proceeds from the disinvestment

from the Loomis Sayles absolute return bond fund (total proceeds less the amount used to top up index linked gilts, and the amount used to top up Magellan, pending the Committee being willing to increase the allocation to Magellan).

The Committee agreed to increase the allocation to infrastructure to 8.0% of the total fund value by making an additional investment into the Magellan listed infrastructure fund, pending the Committee meeting Magellan and gaining confidence in their investment process and portfolio construction.

The Committee agreed to invest a further amount in protection assets to take the total allocation to 25.0% of the total fund value, to be funded from the entire proceeds from the disinvestment from Barings, and the balance from part of the proceeds from the disinvestment from the Loomis Sayles absolute return bond fund, pending a review on the most appropriate asset class for this increase to be made.

48 **Unison/Share Action's responsible investing in the LGPS report**

Resolved:

The report was noted by the committee as an aid to the formation of future policy.

49 **Wiltshire Council's acknowledgement of a 'Climate Emergency'**

Resolved:

The Committee noted the report and would invite Faith Ward to deliver a training session on responsible investment and commission Brunel to carry out an exercise to calculate the carbon footprint of the investments of the Fund.

Mercer would be asked to provide a copy of their Climate change report 2017.

The Committee requested that within the next ISS the Fund's position on Climate Change should adopt a more prominent position within the document.

50 **Brunel Pension Partnership update**

Resolved:

The committee noted the update on Brunel Pension Partnership.

51 **Investment Quarterly Progress Report**

Resolved:

The report was noted by the committee.

52 **Minutes and Key Decisions of the Investment Sub Committee**

**Resolved:**

The Part 2 (confidential) minutes of the Investment Sub Committee meeting held on 5 June 2019 were noted.

53 **Brunel Oversight Board meeting minutes**

**Resolved:**

The minutes of Brunel Oversight Board held 31 January 2019 and 30 April 2019 were noted.

54 **Minutes of Pensions Committee**

**Resolved:**

The Part 2 (confidential) minutes of the meeting held on 14 March 2019 were approved.

(Duration of meeting: Times Not Specified)

The Officer who has produced these minutes is Jim Brewster of Democratic Services, direct line 01225 718242, e-mail [jim.brewster@wiltshire.gov.uk](mailto:jim.brewster@wiltshire.gov.uk)

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