

WILTSHIRE PENSION FUND COMMITTEE

PART 1 MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING HELD ON 23 MARCH 2017 AT THE KENNET ROOM - COUNTY HALL, TROWBRIDGE BA14 8JN.

Present:

Cllr Steve Allsopp, Cllr Tony Deane (Chairman), Cllr Charles Howard (Vice Chairman),
Cllr Gordon King, Mike Pankiewicz, Linda Stuart, Cllr Steve Weisinger and Cllr Roy While

Also Present:

Mr Jim Edney, Joanne Holden and Michael Hudson

1 Membership

There were no changes to the membership of the Committee.

2 Attendance of non-members of the Committee

There were no non-members of the Committee present.

3 Apologies for Absence

Apologies for absence were received from Cllr Sheila Parker, Sue Eley and Kerry Chisholm (South West Audit Partnership).

4 Minutes

Resolved:

To confirm the Part 1 minutes of the meeting held on 15 December 2016.

5 Declarations of Interest

Jim Edney, Independent Advisor to the Fund, advised that the contract for the Independent Advisor role was highlighted in the Business Plan as due for review in July 2018. There was no decision to be made at this meeting, the timeframe was just for note, therefore Mr Edney declared this only for transparency purposes.

Cllr Charles Howard later made a declaration under item 134 below.

6 **Chairman's Announcements**

There were no Chairman's Announcements.

7 **Public Participation**

There were no members of the public present.

8 **Local Pension Board Update**

The Head of Pensions introduced the minutes and recommendations arising from the Local Pension Board meeting held on 25 January 2017. It was noted that members had discussed their Code of Conduct and the issue of indemnity insurance which was still being investigated by officers. The Board members had reviewed their training plans and Committee members were also encouraged to use the Pensions Regulator toolkit for training. It was highlighted that the Board had reviewed the risk register, regulatory update and internal audit report which were also presented before the Committee. The Committee discussed the remit of the Board as a 'critical friend' and understood the Scheme Advisory Board would soon issue a survey on how the new governance arrangements were working. The Board's recommendation on its budget was noted along with a proposed £6,000 reduction in training budget.

Resolved:

To note the minutes and recommendations of the Local Pension Board meeting held on 25 January 2017.

9 **SWAP Audit Report**

The Committee was presented with reports updating on the latest two audits from SWAP on TPR compliance and key controls, along with an update on the implementation of recommendations from the previous audits. The Committee heard that SWAP had given the Fund a 'Reasonable Assurance' opinion, there were no significant findings in the report with only two medium risks identified. Of the two medium risks, the outstanding reconciliations between Altair and SAP were now back up to date, the reconciliation between Altair and Pension Payroll remained and was being addressed as part of the GMP reconciliation project. In respect of compliance with the Pension Regulator's Code of Practice No.14 there were no significant findings and the Fund was found to be fully compliant in publishing information about the scheme and managing risk, with only a few low priority recommendations.

The Chairman congratulated officers on a good audit report however expressed concern over overdue payments owed to the Fund. The Head of Pensions reassured members that this was a materially small figure, details of which

would be broken down in the Annual Report which would be presented to the next meeting. Members discussed the potential benefits or complications of schools joining Multi Academy Trusts (MATs) on the administration of the Fund, this could mean the fund would have fewer individual employers to manage however it could also complication valuations. The Chairman requested that officers and members consider the potential risks associated with MATs and update at the next meeting, it was noted that the situation was currently fluid and so a full paper on this would not be brought until later in the year.

Resolved:

To note the update and attached SWAP Internal Audit Reports and updated Action Plan.

To request that an initial update on the potential impact on the Fund of Multi Academy Trusts is reported to the next meeting in advance of a full report at a later meeting.

10 **Regulatory Update**

A report updated on the latest developments in respect of the LGPS scheme. In particular members discussed the Markets in Financial Instruments Directive II (MiFID II) which would take effect on 3 January 2018. The main concern for the Fund was that it would be treated as a 'retail' investor instead of 'professional' client, with implications for investment opportunities available to the Fund and on investment pooling. Members were updated that a response to the consultation had been sent on behalf of Brunel Pension Partnership.

Resolved:

To note the recent scheme and regulatory changes.

11 **Treasury Management Strategy**

A report on Treasury Management was presented to the Committee, the report identified that the Fund was in a cash neutral position, with any surplus cash being deployed into investments. Members understood there had been no changes to the Annual Treasury Management Strategy from the previous year.

Resolved:

To approve the Treasury Management Strategy for the Wiltshire Pension Fund.

12 **Investment Strategy Statement**

The Committee was presented with the draft Investment Strategy Statement for the Fund, and attention was drawn to the Agenda Supplement which contained

an amended version in response to consultation feedback which was also included. The Head of Pensions advised that the Investment Sub Committee, Local Pension Board and employer members had been consulted with, the draft Statement had also been available on the Fund's website for public comment. The Fund's Independent Advisor highlighted he had input into the statement following consideration at the Investment Sub Committee meeting.

The officer advised that the Investment Strategy Statement would replace the Statement of Investment Principles and include the financial and non-financial issues of investing. It was expected that the statement would be updated in the next 12-18 months as a result of asset pooling since this triggered a significant material change in the governance of the Fund. In response to questions, it was confirmed that most other Funds hadn't had a consultation on their respective statements and that Wiltshire welcomed feedback to allow a more robust Statement to be developed.

Resolved:

To note the consultation feedback and to approve the 2017 Investment Strategy Statement for final publication.

13 **Pension Fund Risk Register**

A report presented the latest Risk Register for review which highlighted two risks increasing from green to amber since the last report: PEN011: Lack of expertise of Pension Fund Officers and PEN012: Over-reliance on key officers. The Fund had been unable to recruit to the Pension Fund Accountant post to cover maternity leave, the Investment Officer had recently left the Fund and the Systems Manager and Senior Systems Officer had both resigned to take up other roles externally. It was also explained that the Strategic Pension Manager was committed to the Brunel Pension Partnership for 3 days a week.

The Head of Pensions advised that the Strategic Pension Manager would be available to the Fund for two weeks in April for the close of the accounts and the Fund Development Manager was covering the Systems roles. The Systems team would be reviewed with a view to developing a better staff structure. The Committee discussed that there was a general shortage in the industry of Systems and Software staff and expressed concern that the Fund was not able to pay the market rate to attract candidates due to being constrained by the Wiltshire Council salary bands. Concerns were raised over the potential impact of Financial Instruments Directive II (MiFid II) on the Fund from January 2018 and it was agreed this should be a specific risk on the register.

Resolved:

To note the attached Risk Register and measures being taken to mitigate risks.

To add Financial Instruments Directive II (MiFid II) regulation as a specific risk to the Risk Register.

14 **Business Plan Update**

A report updated on the implementation of actions in the Business Plan and suggested amendments to the plan. It was explained that the Business Plan was coded to reflect the risk associated with items and priority. The Triennial Valuation, performance reporting and GMP reconciliations were identified as high priority with medium resource risk. It was proposed that some items on the Business Plan be deferred to allow the focus of work to be on more critical areas. In response to a question on asset pooling, it was confirmed that the Finance and Legal Advisory Group in Brunel Pension Partnership would look at staffing for the company, recommendations would go to the Oversight Board and then to the Committee.

Resolved:

To note the updated position from the Business Plan and agree the revised target dates and priority order.

15 **Wiltshire Pension Fund Administration 2016-17 Budget Monitoring**

Members received the projected outturn of the Wiltshire Pension Fund Administration Budget for 2016/17. The Strategic Pension Manager highlighted that although the Fund was £581,000 overspent, this was mostly due to a high performance fee from Baillie Gifford, thus was not of concern. On discussion of manager fees it was understood these were difficult to estimate, they usually came in under budget, and often an overspend was positive as it represented increased asset values from good performance. The benefit of separating the investment budget from the administration budget was discussed and it was agreed a separation would be useful for future reports to show the differentiation between more 'controllable' operational costs and those related to financial markets.

Resolved:

To note the projected outturn of the Wiltshire Pension Fund Administration Budget 2016/17.

To recommend that future reports separate the budget for investment manager fees, investment and administration costs.

16 **Wiltshire Pension Fund Administration Budget 2017 -2020**

A report outlined the proposed Administration budget for 2017-18 and planned expenditure in 2018-19 and 2019-20 which was broadly the same as in previous years. The Treasurer to the Fund explained that the budget contained

controllable costs and non-controllable costs, such as fore investment manager fees. It was noted that budget increases were proposed in some areas due to joining Brunel Pension Partnership and increased use of consultants. It was proposed that a delegation be made to allow the Treasurer to approve variations to the budget between meetings of the Committee to ensure time critical decisions could be made, subject to ratification at the next meeting of the Committee, it was explained that in particular working capital may be needed to support the progression of Project Brunel.

The Committee discussed the Fund's administration cost per member which appeared high in comparison to the figures CIPFA produced for other Funds, in response to this it was explained that Funds measured the costs in different ways and the key fact to consider was that Wiltshire's costs had not changed materially year on year.

Resolved:

To:

- a) **Approve the Pension Fund Administration Budget for 2017/18 shown in the Appendix totalling £10.169m.**
- b) **Note the indicative budget allocations for 2018-19 and 2019-20.**
- c) **Approve that variations against the budget will be monitored and that authority is delegated to the Treasurer to the Pension Fund Committee to approve variations to the budget where these are urgent or very significant, and that this be reported to the Committee retrospectively for ratification. That no more than £100,000 additional capital be deployed to progress Brunel Pension Partnership under this delegation.**

17 **CIPFA Benchmarking Report**

The Committee was presented with the annual CIPFA Pension Administration Benchmarking results. In response to discussion over the benefit of comparison to other Funds it was considered that although Pension Funds had different structures and therefore different measures, the comparison was useful to spot anomalies and general trends. The Fund's Independent Advisor also highlighted that Section 5 of the report related to performance of the Fund which was a useful and positive measure. In response to questions it was confirmed that Wiltshire included recharges and overheads in the figures submitted to CIPFA however other Funds may submit different figures.

Resolved:

To note the annual CIPFA benchmarking results.

18 **Pension Fund Administration Key Performance Indicators (KPIs)**

The Head of Pensions introduced Key Performance Indicators officers would use to monitor the Fund's performance of its administration of pension benefits. The officer explained that it had been challenging to develop these indicators since it was difficult to distinguish whether delays in processes were due to the Fund or a hold up due to the employer or scheme member. Officers were pleased to introduce the indicators to identify where bottlenecks in processes occurred, where efficiencies could be made, or where more resource was needed. The KPIs were the first step to monitor performance and a further report would be brought to the Committee later in the year.

The Committee questioned what consultation had been undertaken on the Fund's performance from an employer or member perspective and was advised that feedback was sought on individual Fund responsibilities such as those outlined in the Administration Strategy, rather than on performance as a whole. There was also a facility on the website where members could submit general comments to the Fund; officers also confirmed that feedback was sought when issuing documents like the Annual Benefits Statements.

Resolved:

To note the proposed KPIs for measuring the summary of the Fund's performance against its key performance indicators.

19 **Date of Next Meeting**

The next meeting of the Committee was to be held on 28 June 2017.

20 **Urgent Items**

The Chairman advised that Cllr Charles Howard was to stand down as a councillor at the May 2017 election. The Committee and officers expressed their thanks to the Vice Chairman, for his dedication and contribution over the years to the Wiltshire Pension Fund.

21 **Exclusion of the Public**

Resolved:

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 133-138 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.

22 **Triennial Valuation Update**

The Head of Pensions updated on the Fund's Triennial Valuation and the agreement of contribution rates with employers.

Resolved:

To note the Valuation update provided, the 2016 Valuation report and the proposed finalised employer contribution rates for 2017-2020 as shown in the Appendix that will form the Rates and Adjustment certificate for the 2016 Triennial Valuation.

To provide the Scheme Advisory Board with the Fund's valuation funding level based on their bespoke assumptions.

23 **Brunel Pension Partnership Update**

Cllr Charles Howard declared a non-pecuniary interest due to potential future involvement in Brunel Pension Partnership. It was noted that the councillor was standing down in the forthcoming election, therefore would have no further involvement as a member of the Wiltshire Pension Fund Committee from May 2017.

The Treasurer to the Pension Fund updated on the progress of Brunel Pension Partnership.

Resolved:

To confirm a delegation to the Chief Legal Officer and Chief Finance Manager (Treasurer to the Fund) to take such actions necessary to progress Brunel Pension Partnership between meetings of the Committee. For the avoidance of doubt, this delegation includes the ability to inject up to £100,000 of additional capital into Brunel Pension Partnership as detailed under Minute 127 above.

To note the potential need to call an additional meeting of the Wiltshire Pension Committee in May or June.

24 **Liability Driven Investments Update**

A report from Mercers presented a high level review on the options for LDI and proposed an amendment to the current passive gilts allocation for Committee approval.

Resolved:

To approve the restructuring of its passive over 5 years Index linked gilts to two longer dated index linked gilt holdings to provide more hedging as outlined in the report from Mercer.

25 **Investment Quarterly Progress Report**

An update on the performance of the Fund's investments was circulated for members to note.

Resolved:

To note the performance of the Fund's investments as to the end of December 2016

26 **Investment Sub-Committee Update**

The Part 2 minutes and recommendations of the Investment Sub Committee meeting held on 1 March were available to the Committee.

Resolved:

To note the minutes and recommendations arising from the Investment Sub-Committee meeting held on 1 March 2017.

27 **Minutes**

Resolved:

To confirm the Part 2 minutes of the meeting held on 15 December 2016.

(Duration of meeting: 10.30 am - 1.00 pm)

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

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