

WILTSHIRE PENSION FUND COMMITTEE

DRAFT MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING HELD ON 4 DECEMBER 2013 AT KENNET ROOM - COUNTY HALL, TROWBRIDGE BA14 8JN.

Present:

Cllr Tony Deane (Chairman), Cllr Brian Ford, Cllr Charles Howard (Vice-Chair), Mr Tim Jackson, Cllr Des Moffatt, Cllr Mark Packard, Mr Mike Pankiewicz, Cllr Sheila Parker and Cllr Roy While

Also Present:

Mr Jim Edney, Joanne Holden and Cllr Dick Tonge

91 **Membership**

Following the meeting of Council on 12 November 2013, the following changes to membership of the Committee were noted.

Councillor Graham Payne was removed as a Member of the Committee.

Councillor Roy While, previously a substitute Member of the Committee, was appointed a full Member of the Committee

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

There were no non-member attendees

93 **Apologies for Absence**

Apologies for absence were received from Mrs Lynda Croft and Mr Tony Gravier.

94 **Minutes**

The minutes of the meeting held on 19 September 2013 were presented for consideration. It was,

Resolved:

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

95 **Chairman's Announcements**

It was announced that following the Committee's decision at its meeting on 04 June 2013 to transfer 10% of the Fund's assets to a Emerging Markets Multi Asset Manager, the contract had gone out for tender and three managers were expected to attend a special meeting of the Committee in January 2014 for one to be appointed to that mandate

It was also noted that the Pensions Team would shortly be transferred to their new working space in the renovated County Hall facilities. The Chairman expressed his concerns about the open plan work space planned for the pension team given the sensitivity of their work.

96 **Declarations of Interest**

There were no declarations of interest

97 **Public Participation and Councillors' Questions**

There were no questions or statements submitted.

98 **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 meeting.

Attention was drawn to an update to risk PEN018: Failure to implement the LGPS 2014 Reforms and it was noted that work was continuing on the communications strategy through collaboration with South West Funds, with a newsletter to be sent out in the new year and leaflets explaining changes in more detail while Roadshows have been scheduled across the County. Further presentations are available on request from employers.

It was also noted that the new software for the scheme is planned to be released in February 2014 and currently the firm responsible for the software are monitoring the testing process. A discussion followed raising concerns around the implementation stage and it was stated that the testing stage is progressing successfully and that contingency plans were in place if needed.

There was also an update on PEN 011 – Lack of expertise of pension fund officers, it was noted that training was ongoing and that staff were actively gaining relevant qualifications.

Resolved:

The Committee is asked to note Risk Register and the measures being taken to mitigate the current medium risks.

99 **CIPFA Business Services Update**

Robert Summers (Chairman CIPFA Pensions Panel and Network) presented an update on the current activities and the latest developments/issues within the Local Government Pension Scheme (LGPS) sector, as attached to these minutes, including details of the proposed Pensions Code of Practice, current and future operation of Pensions Boards, the LGPS Governance Consultation the work of the CIPFA Pensions Panel and its responses to statutory changes and changes to investment regulations

Discussion followed noting issues around recruitment for the Pensions Board and the level of detailed knowledge that would be required by all the members, as well as the need for an application guide for Local Government Pensions Scheme operating under the new Pensions Code of Practice

The issue of Collaborative Investment Vehicles (CIVs) as a potential collaborative model for LGPS schemes was discussed, with members concerned about a lack of resources for such a scheme. The Committee also discussed the most appropriate method for engaging with Wiltshire's parliamentary representatives to raise concerns and questions over the forthcoming changes, in particular the emphasis on administrative costs of running pensions schemes over the issue of the liabilities of those schemes.

After discussion,

Resolved:

For the Chair and Vice-Chair arrange a meeting with Claire Perry MP to discuss concerns regarding the implementation of the new system with officers assistance from officers, and report back to Committee members before the next committee meeting.

100 **Date of Next Meeting**

It was confirmed that the next regular meeting of this Committee would be held on Thursday 6 March 2014.

A special meeting of the Committee to appoint a new Fund Manager would take place in January 2014, with a date to be confirmed later

101 **Urgent Items**

There were no urgent items.

102 **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 defined in paragraph 3 of Part 1 of the 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).

103 **CIPFA Pension Administration Benchmarking Club Report**

The Head of Pensions presented the Pensions Administration Benchmarking Club Report for 2013, comparing the service of the Wiltshire Pension Fund against 52 other Local Government Pension Scheme Authorities. It was noted that the survey results were based on pension administration only, and due to differences between administration for the different Funds within the benchmarking club, the provided data and comparison is useful as an indicative assessment of the Fund, while not being an exact comparison with other Funds.

The Committee discussed the report, noting that overall costs were in line with peers despite increased costs from IT administration arising from increased membership of the scheme and department restructuring, Staff costs per member were below the average for the Funds in the Club.

Other points included that the Fund's administration staff had a lower than average level of relevant qualifications, but it was noted that several members were in the process of obtaining those and higher qualifications. It was also noted that the Fund had a higher proportion of deferred members than the average

At the conclusion of discussion, it was,

Resolved:

That the committee note the updates to the report.

104 **Investments Quarterly Progress Report**

The Fund Investment and Accounting Manager presented the Investments Quarterly Progress Report to note the performance of the mandates of the Fund, along with a commentary report from the advisers to the Fund, Mercers.

The Committee discussed the reports and noted that most mandates had performed strongly, and continued to note the phased transition of the Edinburgh Partners mandate to the L&G Fundamental Indexation Fund.

After discussion, it was,

Resolved:

That the committee note the progress report.

105 **Berenberg - Review of 2012-13 & Plans for the Future**

Matthew Stemp, Tindaro Siragusano and Maria Heiden from Berenberg 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 Berenberg for their attendance and presentation.

106 **CBRE- Review of 2012-13 and Plans for the Future**

Max Johnson, Alex Bignell and Mark Adcock from CBRE 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 thanks the representatives from CBRE for their attendance and presentation.

(Duration of meeting: 10.30 am - 2.30 pm)

The Officer who has produced these minutes is Jessica Croman of Democratic Services, direct line 01225 718262 e-mail jessica.croman@wiltshire.gov.uk

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Wiltshire Pension Fund
4th December 2013
Pensions Current Issues

Bob Summers
Chair CIPFA Pensions Panel & Network

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CIPFA Pensions Panel
Role

- Develop / promote / maintain best practise
- Respond to consultations
- Ensure positive relationships

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CIPFA Pensions Panel Focus

- Accounting / auditing
- Reporting / disclosure
- Scheme / fund management
- Governance
- Regulatory environment

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CIPFA Pensions Panel Best Practice / Guidance

- Example Accounts / Disclosure (2013)
- Preparation of the Annual Report (2012)
- LGPS Taxation (2011)
- Buying Time (2011)
- Stock Lending (2011)
- Knowledge / Skills Code of Practice (2013)
- Knowledge / Skills Framework (2010)
- Narrative Reporting (2010)
- Delivering Good Governance (2009)

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CIPFA Pensions Panel Best Practice / Guidance (continued)

- CFO Guidance on Valuations (2008)
- Risk and Reward (2007)
- FOI (2006)
- Shareholder Responsibilities (1999)
- Investment Decision Making / Disclosure (2012)
- Funding Strategy Statements (2012)
- Managing Risk (2012)
- Pensions TIS (2013)

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CIPFA Pensions Network Role / Delivery

- Promotion Practitioner Best Practice
- Identifying / Contributing Best Practice
- Pensions Panel link
- Workshops / Conferences / Newsletters / Networking

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Public Sector Pensions Act 2013

- S 3 (5) – Treasury consent
- S 5 – Pensions Board / Conflict of Interest
- S 7 – Scheme Advisory Board
- S 9 – Revaluation – Treasury role
- S 11 – Valuations – Treasury role
- S12 – Cost Cap
- Schedule 4 (para 4) - Appointment Skilled Persons
- (para 14) – Regulator Code of Practice
- (para 19) – Regulator KS for Pensions Boards

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tPR Code of Practice for Public Sector Pension Schemes

- Requirement of Public Services Pensions Act 2013
- Application to funded / unfunded schemes
- Governance / Standards Sub-Committee Role

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tPR Code of Practice tPR Statutory Objectives

- Protect benefits of pension scheme members
- Reduce risk of calls on Pension Protection Fund
- Promote / improve understanding of the good administration of work-based pension schemes
- Maximise compliance with the duties and safeguards of the Pensions Act 2008

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tPR Code of Practice Content

- Pension Board Knowledge / Understanding
- Conflicts of Interest
- Pension Board information
- Internal controls
- Administration
- Resolving issues

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**tPR Code of Practice
Pension Board Knowledge /
Understanding Requirements**

- Conversant with scheme rules and any document recording policy
- Knowledge / Understanding of pension law and any other prescribed matters
- Knowledge / Understanding to enable proper exercise of Pension Board functions

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**Public Sector Pensions Act
2013 - Pension Boards**

Act allows for regulations to provide for same committee to do both jobs (Clause 5(7)). First glance it may seem that same committee option is administratively expedient however:

- The roles are very different and may require different resources, for example, investment skills in one role and audit skills in the other,
- A single committee constitution may not be able to effectively encompass the decision making requirement of the scheme manager role and the 'assistance' role of the pensions board
- The cross scrutiny functions will prove difficult to apply and demonstrate within one committee
- Clause 5(4)(c) requires regulations to provide that the pension board should have equal numbers of employer and member representatives. Combining the two roles would include applying that requirement to the committee responsible for both roles.

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LGPS Governance Consultation
Pensions Panel Response

- Pension Board
 - Avoid over prescription / maximum local flexibility
 - Establish April 2015
 - Not supportive of extending remit
 - S115 officer position
 - Local discretion to determine Board information
 - Funds determine membership levels
 - Separate from statutory committee
 - Annual report
- Scheme Advisory Board
 - compulsory levy needed

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Scheme Advisory Board

Shadow board set up to test the new national arrangements and inform the process of creating the statutory board in regulation. The shadow board was created by a working group representing a wide range of LGPS stakeholders.

The board membership consists of:

Chair – nominated and appointed by the working group

Employers – nominated by funds, appointed by LGA and WLGA

Members – nominated and appointed by TU's (UNISON, GMB, Unite)

Advisors – Actuarial (ACA), Legal (APL) Finance (ALAT), Practitioners (Funds), Professional (CIPFA)

Observers – DCLG, tPR, NAPF

The board leads on the **Call for Evidence** and the **Scheme Annual Report** with other matters handled by sub-committees who report back to the board.

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Scheme Advisory Board Sub - Committees

Shadow board has a range of sub-committees with membership drawn from across all stakeholders in varying proportions. The sub committees are:

- Administration and Communication** – tasked with looking at ill Health retirement and Annual Benefit Statements
- Governance and Standards** – assisting IFR in developing code of practice, collating all existing codes and guidance and assisting funds with new local governance requirements
- Investment and Engagement** – looking at 'fiduciary duty' and revisions to investment regulations
- Value for Money and Collaboration** – Collating all current and planned shared service and joint procurement initiatives
- Cost management and Contributions** – Setting out the scheme level cost management process – ensuring employee contribution yield is 6.5%

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* Only to be obtained in accordance with the regulations, or after taking advice.

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Investment Regulations / The Limits (Before Partnership Limit Increase)

| Investments | Maximum permitted under regulations * |
|---|---------------------------------------|
| Any single sub-underwriting contract | 5% |
| Contributions to any single partnership | 5% |
| All contributions to partnerships | 15% |
| All deposits with any local authority or similar, and all loans to anyone (any combination of such deposits and loans is also subject to the 10% limit, though there is an exception for government loans in paragraph 12, Part 2 of Schedule 1) | 10% |
| All investments in unlisted securities of companies | 15% |
| Any single holding | 10% |
| All deposits with any single bank, institution or person (other than the National Savings and Investments bank) | 10% |
| All sub-underwriting contracts | 15% |
| All investments in units subject to the trusts of unit trust schemes and all investments in open ended investment companies and any combination of unit trust units and open ended investment company investments where the unit trust schemes and the collective investment schemes constituted by those companies are managed by any one body | 35% |
| Any single insurance contract | 35% |
| All securities transferred by the authority under stock lending arrangements | 35% |

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Investment Regulations Consultation 2013

- Barrier to Infrastructure Investment ?
- New Asset Class (15%) or Partnership Increase (30%)
- Definition
- CIPFA Pension Panel Response

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Investment Regulations & Pensions Panel Responses

- Review in 2008 - Prudential regime needed
- Response to 2011 DCLG Consultation
 - Simplify / clarify
 - Streamline
 - Delete investment definition / add derivative powers
- Further 2011 comment
 - replace with Occupational Pensions Scheme (Investment) Regulations
- Support for partnership limit increase in 2013 but fundamental reform needed
- Impetus from structural reform options?

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Investment Management Expenses

- Reported or netted off in asset values
- Media / political / Shadow Board focus
- Hymans sponsored research / 15 LGPS Funds
- Investment Costs 63 bps but disclosure 32 bps

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Investment Management Expenses Accounting

- IFRS does not require disclosure
- Technical issues on amending Local Authority
Accounting Code of Practise
- Statutory Basis for accounting ?
- Exemplar Accounts / disclosure

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Investment Management expenses Needed

- Consistent reporting data / comparable between reporting periods
- Consistent reporting data / inter-fund comparisons
- Sound underpin to develop performance metrics
- Transparency

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CIPFA CFO Knowledge / Skills Statement

- Status / Statement of Professional Practice
- Application / Administering Body CFO + all other local authority CFOs
- Structure
 - leadership team membership
 - involvement in all material decisions
 - promote / deliver good financial management
 - lead / direct finance function fit for purpose
 - professionally qualified / experienced

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Call For Evidence Responses

- 133 responses including 69 funds
- Around 50% referred to data from existing studies / datasets
 - Around 25% presented analysis / statistics of their own
 - Around 25% appeared to not have supporting evidence

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Cabinet Office / DCLG Consultancy

- Three potential collaborative models
 - CIV at England / Wales level, local asset allocation
 - 5/10 CIV's / local asset allocation
 - 5/10 merged funds / decision making at merged fund level
- To be examined
 - barriers to implementation
 - implementation costs and on-going costs
 - implementation programme
 - NPV assessment over 10 years

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LGPS Structural Reform

- Context
- Shadow Board Role
- Consultation 2014
- Pensions Panel Position

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Pensions Panel / Network

Thank You

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