

WILTSHIRE PENSION FUND COMMITTEE

PART 1 MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING HELD ON 10 MARCH 2016 AT KENNET ROOM - COUNTY HALL, TROWBRIDGE BA14 8JN.

Present:

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

Also Present:

Cllr Bill Moss, Jim Edney and Michael Hudson.

12 **Membership**

There had been no changes to the membership of the Committee.

13 **Attendance of non-members of the Committee**

Catherine McFadyen (Hymans Robertson) was in attendance.

14 **Apologies for Absence**

Apologies for absence were received from Diane Hall, Tony Gravier, Cllr Steve Weisinger and Cllr Mark Packard who was substituted by Cllr Gordon King.

15 **Minutes**

Resolved:

To confirm the Part 1 (public) minutes of the meetings held on 10 December 2015 and 1 February 2016.

16 **Chairman's Announcements**

The Chairman drew Committee's attention to the South West Audit Partnership report and advised that the Fund had followed recommendations outlined in the report.

17 **Declarations of Interest**

There were no declarations of interest.

18 **Public Participation and Councillors' Questions**

There was no public participation.

19 **Treasury Management Strategy**

The Committee considered a report presenting an updated Treasury Management Strategy for 2016-17 which had been amended to reflect the need for compliance with the Local Government Pension Scheme (LGPS) 2016 Regulation on management and investment of Funds. It was confirmed that officers would continue to monitor the numbers of transfers out of the Fund resulting from the new freedoms in accessing Defined Contributions pension savings which had commenced in April 2015. Key points of the Treasury Management Strategy were outlined in the report. A question was raised as to whether the Strategy provided sufficient protection against changes in the banking sector; officers and advisors considered the protection to be sufficient and advised that the situation would continually be reviewed.

Resolved:

To approve the Treasury Management Strategy for 2016-17.

20 **Pension Fund Risk Register**

The Head of Pensions updated on the Wiltshire Pension Fund Risk Register which now included an additional risk 'PEN023 Resources of Officers and Members to Meet Expansion of Business Items'. The risk had been added in response to additional pressure faced from the current number of consultations, regulatory changes to the scheme, governance requirements and investment issues. In response to the new risk, officers were increasing the use of internet links in reports to reduce the volume of committee paperwork. 'PEN006b Significant rises in employer contributions for non-secure employers due to increases in liabilities' and 'PEN007b Significant rises in employer contributions for non-secure employers due to poor/negative investment returns' had been upgraded to a medium risk to highlight concern that current market conditions had worsened as the Fund approached the Triennial Valuation.

The Chairman acknowledged the increased pressure on officers arising from the Government's proposals for the pooling of assets and the financial cost of this scoping work. Officers advised that at this early stage the full costs and resource requirement of pooling were not known however this would be calculated for the July 2016 Government deadline for submissions.

Resolved:

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

21 **Triennial Valuation Update**

Catherine McFadyen, Fund Actuary, outlined the process for the 2016 Valuation and the proposed approach for reviewing employers. It was explained that the valuation was designed to ensure the Fund has sufficient cash available to pay pensions as they fell due. The valuation process has already begun by way of communications with employers and between April and June 2016 employers would be asked to submit their year-end data, the whole Fund valuation results would be available and reported to the Committee in September. The key performance indicators of the Fund would also be reported to the Scheme Advisory Board in September 2016.

At the 2016 valuation the Fund would determine employer contributions using a risk-based approach however, unlike previous valuations, for certain employers, in specific circumstances, a different investment strategy could be recommended as the whole fund strategy may not support their funding objectives. The Actuary considered that most employers within the Fund would follow the central strategy; however a handful of employers may follow a different strategy. The bespoke employer risk plans would be a result of their risk analysis, funding objective and contribution strategy.

Officers confirmed that the impact of the few bespoke plans would not be felt at full Fund level and would not impact upon the pooling with other funds. The approach would allow greater flexibility for employers, however the Fund would still hold the same assets. Members raised questions on the communication between the Fund and members and were advised that a newsletter had recently been issued and early warning report for the valuation would be sent to employers. It was confirmed that since an Employer Relations Manager had been appointed, meetings would be organised with employers to explain the valuation to them. The Chairman questioned how the Fund would develop bespoke strategies and was advised that this would be done with the assistance of its investment advisors and that employers needing similar strategies would be grouped. The Committee heard that the Actuary would provide guidance on guarantors for employers and would discuss with employers the risks they were running in following a central investment strategy. It was acknowledged that the 2016 Valuation would be challenging due to current market conditions.

Resolved:

To note the proposed approach to the 2016 Valuation.

22 **Employers Cessation Policy**

The Head of Pensions updated on the implementation of a revised Wiltshire Pension Fund Employer Cessation Policy which had originally been approved in 2010. The Fund was currently experiencing cessation situations frequently, with increasingly complexities of dealing with such events, officers suggested that an updated policy would assist in managing the risk to the Fund by allowing an element of flexibility to address different cessations whilst ensuring a consistent and fair approach to all employers. The framework would allow employers to plan cessation payments on a more flexible basis by spreading the costs.

It was explained that currently employers who could not afford to stay in the scheme may be in the situation where they could neither afford to leave the scheme due to the lump-sum payment required; the new policy would allow employers to spread the exit payments. In response to questions, it was confirmed that over the last 12 months approximately 4 employers had applied for cessation and officers would now be addressing the issue of affordability for employers in advance.

Resolved:

To approve the Wiltshire Pension Fund Cessation Policy, to take effect from 1 April 2016.

23 **Wiltshire Pension Fund Administration Budget Monitoring**

An update was provided on the current projected outturn of the Wiltshire Pension Fund budget and it was noted that the current Fund investment costs were close to budget.

Resolved:

To note the update on Budget Monitoring.

24 **Wiltshire Pension Fund Administration Budget 2016-19**

A report by the Head of Pensions outlined the proposed administration budget for 2016/17 and planned expenditure in 2017/18 and 2018/19. It was explained that the Fund's budget (excluding investment management fees) was projected to require £115,000 extra funding due to an increase in actuary fees for the 2016 Triennial Valuation, an increase in Pension Administration Recharge, additional salary costs and additional software costs. Furthermore, additional funding was required to support the Local Pension Board.

Following questions from the Committee, it was confirmed that costs arising from pooling funds would need to be detailed in submission to Government in July therefore the Committee would be informed prior to this date. The pooling of funds was not expected to have a significant impact on staffing however

additional support could be employed as and when required. The Treasurer to the Pension Fund advised that the budget was funded from member and employer contributions and investment returns; any reduction in staffing would primarily make savings for the Fund but have no direct impact on Wiltshire Council budgets.

Resolved:

To approve the Pension Fund Administration Budget for 2016-17 shown in the Appendix totalling £10.201m.

To note the indicative budget allocations for 2017-18 and 2018-19.

25 **Pension Website Demonstration**

The Chairman invited Zoe Stannard, the Fund's Communications Manager, to provide a tour of the website which included information to members, employers and other stakeholders. The officer advised that a future aspiration was for members to be able to access their statements online via this website.

The Committee acknowledged that many Pensioners in Wiltshire did not have access to the internet, but was reassured that correspondence to members would continue to be sent as a hard copy in the post in addition to information available online.

Resolved:

To thank Zoe Stannard for the informative presentation.

26 **Review of Actuarial, Benefits and Investment Advisers Contract**

A report by the Strategic Pension Manager outlined proposals for the extension of the call-off contract period for both Actuarial/Benefits Advisory Services and Investment Advisory Services. In 2011 the Fund had worked with six other South West funds to tender the contracts for actuarial, benefits and investment services, as a result of the process a framework had been established running for 7 years, covering two valuation cycles. Wiltshire Pension Fund had appointed Hymans Robertson for Lots 1 & 2 and Mercers for Lot 3. The call off-contracts were originally for a period of 4 years with an option to extend for a further period. The possible extension for Hymans Robertson was for 3 years, whereas the Mercers extension was for 3 years 11 months.

The Head of Pensions was pleased with the service provided by Hymans and Mercers and proposed that the contacts be extended. The Committee highlighted the importance that the Fund achieves value for money and questioned whether a discounted fee could be sought. Officers advised that a reasonable rate for services had been agreed at the time of the original tender due to the economies of scale involved and the framework was designed to

prevent the need for a re-tender process. Officers also expected to experience reduced fees as a result of pooling with other Funds. Members acknowledged that in the current climate, continuity was preferable however re-tendering should be undertaken when the contracts expired in 3 years time.

Resolved:

To agree for the continuation of the call off contracts with Hymans Robertson as provider of Actuarial & benefits services and with Mercer as provider of Investment Services.

27 **Update from the Local Pension Board**

The Committee considered the minutes and recommendations of the Local Pension Board meeting held on 14 January 2016 heard that Board members had undertaken training on the Pensions Regulator Code of Practice no.14. The Pensions Regulator Toolkit was also available to members of this Committee and provided training on the governance of Funds.

Resolved:

To note the recommendations of the Local Pension Board.

28 **Date of Next Meeting**

The next regular meeting of the Committee was to be held on 30 June 2016.

29 **Urgent Items**

There were no urgent items.

30 **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 number 31-33 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 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.

31 **Minutes**

Resolved:

To confirm the Part 2 minutes of the last ordinary meeting held on 10 December 2015 and extraordinary meeting held on 1 February 2016.

To note the minutes and key decisions of the Investment Sub-Committee meeting held on 25 February 2016.

32 **Pooling of Investments & Consultation Update**

A verbal update was provided by the Treasurer to the Fund on the proposals for pooling in response to the Government consultation.

Resolved:

To note the update on the pooling of investments and Government consultation.

To endorse the appointment of the Chairman of the Wiltshire Pension Fund Committee as the representative of the Fund at meetings of the Shadow Joint Committee Oversight Board and to agree that the Vice-Chairman or other members of the Committee may be called upon to act as a substitute or to accompany the Chairman as an additional attendee.

33 **Investments Quarterly Progress Report**

Confidential reports updated the Committee on the performance of the Fund's investments as to the end of December 2015, these had previously been presented to the Investment Sub-Committee.

Resolved:

To note the report on the performance of the Fund's investments.

(Duration of meeting: 10.30 am - 12.45 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

Press enquiries to Communications, direct line (01225) 713114/713115