

WILTSHIRE PENSION FUND COMMITTEE

DRAFT PART 1 MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING HELD ON 29 SEPTEMBER 2016 AT THE SALISBURY ROOM - COUNTY HALL, TROWBRIDGE.

Present:

Cllr Steve Allsopp, Cllr Tony Deane (Chairman), Sue Eley, Cllr Charles Howard (Vice Chairman), Mike Pankiewicz, Cllr Sheila Parker, Linda Stuart and Cllr Roy White

Also Present:

Bob Summers

57 **Membership**

It was noted that Cllr Gordon King had replaced Cllr Mark Packard on the Wiltshire Pension Fund Committee and Investment Sub Committee.

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

There were no non-members of the Committee present.

59 **Apologies for Absence**

Apologies for absence were received from Cllr Steve Weisinger, Cllr Gordon King, Michael Hudson (Treasurer to the Fund) and Jim Edney (Independent advisor) who was substituted by Bob Summers.

60 **Minutes**

Resolved:

To confirm the Part 1 minutes of the meeting held on 30 June 2016.

61 **Declarations of Interest**

There were no declarations of interest.

62 **Chairman's Announcements**

The Chairman considered the benefits of working electronically.

Resolved:

To request that external attendees be given access to electronic Committee papers.

63 **Public Participation and Councillors' Questions**

There was no public participation.

64 **Local Pension Board Update**

The Committee considered the minutes and recommendations arising from the Local Pension Board meeting held on 20 July 2016. It was highlighted that Counsel view was that the Board was not a Committee of the Council and therefore not covered by the Council's insurance indemnity cover. The Committee agreed this presented minimal risk and it was noted that further advice from the Scheme Advisory Board on insurance indemnity cover was awaited. The Committee noted the Board's recommended upgrading for PEN020 on the Risk Register and the Head of Pensions advised that the Board's recommendations in respect of the Business Plan would be included as part of the Risk Register. Members noted the Board's request that an exit-strategy for Brunel Pension Partnership be developed; however commented that the intention behind pooling arrangements was that there would be an element of permanency.

Resolved:

To note the recommendations arising from the Local Pension Board meeting held on 20 July 2016.

To note the current work plan for the Board.

65 **External Audit Report**

The Committee was presented with the final Audit report for the Fund and noted there were no issues arising.

Resolved:

To note the final audit report.

66 **Annual Report 2015-16**

Members considered the Fund's annual report and noted the Local Pension Board annual report included as an annex. The annual report contained the financial statements approved at the June meeting and would be uploaded to the Fund's website. The Fund's independent advisor commented that the content in the report was of a very high standard.

Resolved:

To approve the draft Wiltshire Pension Fund Annual Report 2015-16, with the inclusion of a link to the Local Pension Board Annual Report.

To thank officers for their hard work in supporting the Fund and in producing the report.

67 **Additional Voluntary Contributions Fund Choice**

The Committee was asked to consider adding an additional fund choice to the range of Additional Voluntary Contribution (AVC) options currently offered to members. An AVC provided members the option to increase their benefits upon retirements and any return on their investment; deductions were taken from pay before tax and sent across to the provider making it a tax efficient way to save. Pension fund members were currently able to choose from a range of investment options depending on their risk profile, one additional fund from Prudential had been highlighted as of potential interest. The Prudential Ethical fund invested in shares of UK companies which demonstrated good environmental, social and governance policies. The fund would be actively managed against its benchmark, the FTSE4Good UK INDEX, which was limited to those companies in the FTSE All-share Index which met set ethical criteria.

Officers advised that the option had a medium-to-high risk rating and so complimented additional options, however did not pose risk to the Fund itself. Following questions from members it was confirmed that officers were in early stage discussion with Scottish Widows about giving legacy Clerical Medical members the option of more choice of funds.

Resolved:

To approve the addition of the Prudential Ethical Fund as an option to the range of funds offered to members by Prudential.

68 **Budget Monitoring 2016-17 Report**

Officers presented the Fund's Budget Monitoring report for 2016/17 and advised that the Fund was £411,000 overspent due to a performance management fee from Baillie Gifford and commissioning resource to support Brunel Pension Partnership. It was noted that the costs incurred through Brunel were recorded as 'Investment Consultancy' and a breakdown of the returns the Fund would expect to see from Brunel would be provided at the next ordinary meeting.

Resolved:

To note the report on the latest budget monitoring position for the Wiltshire Pension Fund.

69 **Annual Benefit Statement Update**

The Head of Pensions updated the Committee on the 2016 Annual Benefit Statement exercise. Although some Annual Benefit Statement's had been sent by the August deadline, the majority were sent two weeks later due to printing issues. This was not considered to be a significant breach of regulations however it would be reported to the Local Pension Board for consideration.

Resolved:

To note the update on the Annual Benefit Statement exercise.

70 **Pension Fund Risk Register**

The Head of Pensions advised on updates and additions to the Risk Register. Five key changes had been made since the last report on 30 June 2016.

The main change was the grading of 'PEN020: Pooling of LGPS assets' which had been upgraded from medium to high as Brunel Pension Partnership project presented a risk to the Fund through increased workload and officers having less time to devote to other administrations activities. Similarly, Brunel presented the potential for the movement of staff out of the Fund to become involved in the future pooling arrangements, impacting upon 'PEN012: Over-reliance on key officers' and 'PEN011: Lack of expertise of Pension Fund Officers'; consequently these two risks had been raised to medium. The Fund's independent advisor commented that he supported the changes to the Risk Register as he continued pooling to carry high risk.

'PEN002: Failure to collect and account for contributions from employers and employees on time' had been increased from low to medium risk as a result of increased pressure of monitoring contribution due to a greater number of employers in the fund. 'PEN017: Lack of expertise on the Pension Fund Committee' had recently been graded medium following the resignation of one long standing member and advice that the Vice Chairman would not seek re-election in 2017.

The Chairman advised that he had raised the issue of Committee succession planning with the Leader of the Council. Following questions it was confirmed that two employers were currently behind on their contributions payments however this was considered to be an administration error rather than intentional. Officers also advised that they were awaiting further guidance on the implications of the public sector exit cap which would come into force in April 2017; once guidance was received this would also be provided within the newsletter the Fund sent to employers.

Resolved:

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

71 **Date of Next Meeting**

It was noted that a special meeting of the Committee was to be held on 13 October 2016, the next ordinary meeting of the Committee would be on 15 December 2016.

72 **Urgent Items**

There were no urgent items.

73 **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 74- 81 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.

74 **Minutes**

Resolved:

To confirm the Part 2 minute of the meeting held on 30 June 2016.

75 **Investment Sub-Committee update**

Members were presented with an update from the Investment Sub Committee meeting held on 15 September 2016 and requested to consider recommendations arising from that meeting.

Resolved:

- **To note the minutes of the Investment Sub-Committee and report from Mercer on effectiveness of the Sub-Committee**
- **To note the report on risk management options.**
- **To agree that the Committee takes a training session on the use of LDI which sets out the nature and size of the risks the Fund is facing; and**
- **To explore in more detail by way of an initial training session on the options available for equity protection strategies in comparison to investing in a lower volatility equity strategy; and**
- **To note the recommendations of the Investment Sub Committee in relation to currency hedging and consider these as part of the formal review of Berenberg dynamic currency hedging mandate.**

76 **Proposed Class Action Update**

The Head of Pensions updated on the latest position of a class action case the Fund was participating in.

Resolved:

To note the update from the Head of Pensions on the class action case.

77 **Funding Strategy Statement**

Members were presented with a Funding Strategy Statement which had been updated.

Resolved:

To approve the draft Wiltshire Pension Fund Funding Strategy Statement 2016 as attached in the Appendix.

To publish the Funding Strategy Statement following the completion of the consultation period and update to the Committee on 15 December 2016.

78 **Scheme Advisory Board Funding Metrics**

The Head of Pensions updated on funding metrics being submitted to the Shadow Advisory Board ahead of the formal valuation results being reported to Committee in October.

Resolved:

To note the update on funding metrics and request that officers report concerns to Hymans Robertson and seek advice from the Actuary on the requirement to report this figure to the Scheme Advisory Board.

To decline the submission of funding metrics to the Shadow Advisory Board by 30 September, unless advised by the Section 151 officer that there are legal reasons requiring the release of the metrics by this

deadline, and to reconsider funding metrics as a high priority on 13 October 2016 valuation meeting.

79 **Pooling of Investment Assets**

The Committee received an update on the Government's proposals on the pooling of investment assets.

Resolved:

To note the update by the Head of Pensions on the progress of the Brunel Pension Partnership.

To request that the independent assurance report be circulated as part of the Full Business Case for pooling to Committee members.

To note the recommendations of the Local Pension Board in respect of pooling.

80 **Review of Berenberg Dynamic Currency Hedging Mandate**

The Head of Pensions introduced a review of the Berenberg Dynamic Currency Hedging Mandate and related recommendations from the Investment Sub Committee.

Resolved:

To request that the Berenberg dynamic currency hedging mandate is terminated; and

The strategic dynamic currency overlay programme is replaced with a 50% passive currency overlay on its overseas equity exposure; and

That 50% of the overseas equity exposure is hedged through the use of Legal and General hedged global equities and Legal & General hedged RAFI 3000 pooled vehicles.

81 **Investment Quarterly Progress Report**

The Committee was presented with the Investment Quarterly Progress Report for information.

Resolved:

To note the report on performance of the Fund's investments as to the end of June 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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