

## WILTSHIRE PENSION FUND COMMITTEE

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**DRAFT MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING HELD ON 25 JULY 2013 AT COUNCIL CHAMBER - COUNCIL OFFICES, MONKTON PARK, CHIPPENHAM, SN15 1ER.**

**Present:**

Cllr Tony Deane (Chairman), Cllr Brian Ford, Tony Gravier, Cllr Charles Howard (Vice-Chair), Cllr Mark Packard, Mike Pankiewicz, Cllr Sheila Parker and Cllr Graham Payne

**Also Present:**

Jim Edney, Joanne Holden and Cllr Dick Tonge

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38 **Membership**

To note that Councillor Mark Edwards was no longer a substitute of the Committee.

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

Councillor Richard Tonge.

40 **Apologies for Absence**

Apologies for absence were received from Councillor Des Moffat, Mr Tim Jackson and Mrs Lynda Croft.

41 **Minutes**

The minutes of the meeting held on **04 June 2013** were presented for consideration and comment. It was,

**Resolved:**

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

42 **Chairman's Announcements**

Through the Chair there were the following announcements:

- 1) Induction packs which had been prepared for a proposed training session which had to be cancelled, had been circulated electronically to the Committee. Further training would be arranged for the Autumn 2013.
- 2) Two conferences of potential interest to Committee members were scheduled for October:
  - i. Local Government Pensions Investment Forum in London, 3 October 2013.
  - ii. Baille Gifford Seminar in Edinburgh, 2-3 October 2013.

Those interested in attending were directed to contact the Head of Pensions.

#### 43 **Declarations of Interest**

There were no declarations.

#### 44 **Public Participation and Councillors' Questions**

There were no statements or questions submitted.

#### 45 **Review of Membership of the Wiltshire Pension Fund Committee**

The Head of Pensions introduced a report on the Review of the Committee's Membership requested at the last meeting. It was noted that the number of employer bodies admitted in the Fund had increased, but that as the admitted employer body representatives on the Committee did not currently face re-selection under existing rules, or re-election as with local authority representatives, opportunity for the admitted employer bodies to be represented was limited.

Options to increase opportunity for representation were presented as detailed in the report papers, including introducing a fixed term for representatives before a re-selection process or increasing the number of employer body representatives on the Committee. It was noted that in order to maintain the required ratio of elected member majority by the Administering Authority on the Committee, the number of elected members would need to be increased in the event of an increase in non-elected members.

During the course of debate, it was also noted that details on current member attendance statistics would be provided in the Annual Report of the Pension Fund Committee, and there were discussions on potential terms limits.

At the conclusion of debate, it was,

#### **Resolved:**

- a) **To agreed that the representatives for the employer organisations serve a 4 year fixed term from appointment; and**

- b) On expiry of the 4 year fixed term, applications for the position will be sought (from the incumbent and the applicable employer bodies) and an appointment process undertaken by the Committee should more than one application be received for the role; and**
- c) To agree to publish meetings attendance records in the Annual Report; and**
- d) Ask the Head of Pensions to update the Fund's Governance Compliance Statement in the light of decisions made at this meeting.**

#### 46 **Pension Fund Risk Register**

The Head of Pensions presented the updated Pensions Fund Risk Register, drawing attention to three significant changes since the last Committee.

The change to PEN003 – insufficient funds to meet liabilities as they fall due – was stated to be the result of the acceleration in the maturity cash profile of the Fund as a result of changes to outsourcing and redundancy programmes. It was stated that such a development was natural and causes more of an operational issues to ensure sufficient cash to meet outgoings, but investment income currently more than covers any shortfall but that there would be careful monitoring to ensure that the investment strategy is reviewed should the position change significantly.

There was also a further change to PEN011 and PEN012 regarding lack of expertise of Pension Fund officers and overreliance on key officers due to a vacancy within the Pension team, but that external advisers were being used to mitigate this risk in the short term as required and the recruitment process for the position was underway.

The final change was to PEN018 – failure to implement the LGPS 2014 reforms – and was a new risk added to the register to focus on the new scheme to ensure the Fund was prepared for the changes that would come into force for April 2014.

A debate followed, where the Committee discussed the upcoming LGPS reforms and the transitional rules that were to be followed, and requested an update on risk PEN018 at the next meeting.

It was,

#### **Resolved:**

**To note the update and the measures being undertaken to mitigate the current medium risks.**

#### 47 **Draft 2012-13 Annual Report**

The Service Director (Finance) introduced the draft annual report 2012-13 for the Pension Fund, thanking the Fund Investment and Accounting Officer and her team for their work over the past year, and was hopeful that Wiltshire would be among the first council's in the country to have their Statement of Accounts signed off by their auditors.

It was highlighted that no real issues had been raised by the council's auditors in the report to date, and that there were no expected concerns to bring to the Committee's attention, with only minor drafting changes noted.

The Committee welcomed the report, and thanked officers for their work over the past year.

It was,

#### **Resolved:**

**To approve the draft Wiltshire Pension Fund Annual Report & Financial Statements 2012-13 for publication, subject to the completion of the audit.**

#### 48 **Review of Academies**

The Head of Pensions introduced the report, noting that there were currently 59 academies in Wiltshire, but clear and definitive guidance from the Department of Communities and Local Government on how Pension Funds should treat them did not exist and that officers had considered actuary and legal advice to form a consistent approach. A consultation and further guidance is expected in autumn 2013.

It was stated that different areas of the country treated academies differently, but they often had higher rates than their respective Local Education Authorities due to different member profiles and shorter deficit recovery periods, which could range from 7-14 years rather than 20, as they cannot be seen as secure as tax raising bodies. It was also noted that a government statement on 2 July 2013 on a Fund guarantee for pension's liabilities of academies had not been clear, and can potentially be withdrawn.

The Committee was informed the 2013 valuation of academies was ongoing and the Fund would review its approach as part of this process.

A debate followed, where the difficulties of some academies to handle the financial implications of independence was raised, as well as the need for a balanced approach once government guidance had been established. The increasing risk as more schools were becoming academies was a concern for some members, and it was determined that further work was required on the risks of the timescales of the deficit recovery periods.

The Committee discussed the need to consult with academies as the situation progressed, and it was agreed the Service Director (Finance) would ensure the matter was raised at the School Forum in October 2013 to raise awareness of the issues, which engaged with most Wiltshire academies.

At the conclusion of debate, it was,

**Resolved:**

**To note the report and ask for a further update at the September meeting of the Committee.**

49 **Statement of Investment Principles (SIP)**

The Fund Investment and Accounting Manager presented the Statement of Investment Principles (SIP), including decisions taken by the Committee in February and June 2013 and amendments to the Stewardship Code.

It was,

**Resolved:**

**To approve the 2013 Statement of Investment Principles.**

50 **Proposed Terms of Reference for the Investment Sub-Committee**

The Head of Pensions introduced a report detailing proposed Terms of Reference for an Investment Sub-Committee, as agreed at the June meeting of the Committee, to make decisions on medium term investments of 3-7 years utilizing up to 5% of Fund assets, where timescales meant it would not be practical to call a meeting of the entire Committee.

The Committee discussed how the Sub-Committee would operate, and it was confirmed that proper procurement processes would be followed and normal regulations abided by with decisions made by the Sub-Committee, and it was stated the advisers to the Fund, Mercers, would not receive a commission from any recommendations brought to the Sub-Committee for determination.

It was also raised by some members that a Swindon Borough Council member should be one of the voting members of the Sub-Committee, and that all Members of the Committee were welcome to attend any meeting of the Sub-Committee, which would be bound by the same rules of public meetings as the regular committee, and that a review of the system would take place after 12 months of operation.

After debate, it was,

**Resolved:**

**To approve the setting up of an Investment Sub-Committee for the purpose of Opportunistic Investing based on the Terms of Reference on**

**the Appendix attached to the report with the deletion of “redeemable after 7 years as a maximum” in 1.3 of the Appendix .**

**51 Local Government Pension Scheme (LGPS) Reforms Update**

The Head of Pensions introduced a report on the latest updates to the Local Government Pension Scheme Reforms, and drew attention to paragraph six of the report which detailed Wiltshire Members and officers of the Fund had nominated to the shadow Scheme Advisory Board and its sub-committees. Attention was also drawn to the proposed Fund’s response to the LGPS 2014 Consultation and Discussion Paper – New Governance Arrangements and highlighted a response would be drafted in September for the ‘Call for Evidence’ from the Department of Communities and Local Government.

The Committee discussed the update and proposed responses, and also agreed that minutes from any sub-committee and committee of the shadow Board would be circulated to Members.

It was,

**Resolved:**

- a) note the appointments to the shadow national Scheme Advisory Board and sub committees; and**
- b) agree the proposed response to the DCLG LGPS 2014 Consultation paper as per Appendix A; and**
- c) agree to proposed response to the DCLG: Discussion Paper – New Governance Arrangements LGPS 2014 as per Appendix B; and**
- d) note a proposed response to the ‘call for evidence’ will be presented to September 2013 Committee meeting.**

**52 Date of Next Meeting**

The date of the next meeting was confirmed as Thursday 19 September 2013.

**53 Urgent Items**

There were no urgent items.

**54 Exclusion of the Public**

It was,

**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 55 - 58 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraph 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.

*Paragraph 3 - Information relating to the financial or business affairs of any particular person (including the authority holding the information)*

55 **Implementation of a Stabilisation Policy for the 2013 Valuation**

Representatives from the Fund's Actuary presented a confidential report reviewing the Stabilisation policy, asking members to approve the continuation of the policy for long term secure employers within the Fund.

Details were given of how different scenarios were tested, and the details were sought about who the policy would apply to, being the secure employers such as the Fire and Police services and Councils, as well as affordability of the police.

After discussion, it was,

**Resolved:**

- a) Note the presentation from the Fund's Actuary; and
- b) Agree to retain the current Stabilisation policy to be applied to the secure employers with the Fund which is to limit increase / decreases in employer contributions to +1 or -1% per annum from 1 April 2014 onwards; and
- c) Agree to maintain the current "Contribution Rate Relief" policy for non-secure employers.

56 **Review of Manager Fees update**

Joanne Holden (Investment Adviser – Mercers), presented a verbal update to the Committee on the outcome of negotiations between Mercers and Investment Managers on the subject of altering the fees payable by the Fund, and presented several options with regards fixed or performance related fee rates.

Following debate, it was,

**Resolved**

To approve the new proposed fee structures from Baillie Gifford (retaining the performance related approach) and Legal & General.

57 **Western Asset Management - Review of 2012-13 & Plans for the Future**

Representatives from Western Asset Management gave a presentation and report on the review of their mandate of the Pension Fund, and took questions from the Committee.

Following which, it was,

**Resolved:**

**To thank the representatives from Western Assets Management for their attendance and presentation.**

*(From 1250-1330, Councillor Tony Deane was absent from the room, and the Vice-Chairman, Councillor Charles Howard, was in the Chair)*

58 **Barings - Review of 2012-13 & Plans for the Future**

Representatives from Barings gave a presentation and report on the review of their mandate of the Pension Fund, and took questions from the Committee.

Following which, it was,

**Resolved:**

**To thank the representatives from Barings for their attendance and presentation.**

(Duration of meeting: 10.40 am - 2.15 pm)

The Officer who has produced these minutes is Kieran Elliott, of Democratic Services, direct line 01225 718504, e-mail [kieran.elliott@wiltshire.gov.uk](mailto:kieran.elliott@wiltshire.gov.uk)

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