



# Buckinghamshire County Council

## Minutes

## *PENSION FUND COMMITTEE*

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**MINUTES OF THE MEETING OF THE PENSION FUND COMMITTEE HELD ON THURSDAY 29 NOVEMBER 2007, IN LARGE DINING ROOM, JUDGES LODGINGS, COMMENCING AT 2.00 PM AND CONCLUDING AT 5.48 PM.**

### **MEMBERS PRESENT**

Mr S Crooks, Mr F Downes (Chairman), Mr P Gerrella, Mr P Hardy (Vice-Chairman) and Mr C Jones

### **OFFICERS PRESENT**

Harriet Anthony, Mercer Investment Consulting  
Julie Edwards, Treasury Manager (Finance)  
Graeme Muir, Barnett Waddingham LLP  
Keith Neale, Independent Adviser  
Anwen Owens, Mercer Investment Consulting  
Clive Palfreyman, Assistant Head of Finance (Corporate Financial Services)  
Julie Vrondis, Pensions Manager  
Jacqueline Yates, Head of Finance

### **AGENDA ITEM**

#### **1. APOLOGIES FOR ABSENCE / CHANGES IN MEMBERSHIP**

Apologies were received from David Meacock, Don Phillips and Quintin Ings-Chambers.

#### **2. DECLARATIONS OF INTEREST**

There were no declarations of interest.

#### **3. MINUTES**

The minutes of the meeting held on 20 September 2007 were confirmed.

#### **4. ACTUARIAL VALUATION**

Members received a presentation on the three year Actuarial Valuation from Graeme Muir, Barnett Waddingham LLP. A copy of the presentation was attached to the agenda for the meeting.

Key points were:

- The need to set the level of contribution for employers in order to provide sufficient funds for all pension fund members to receive their pensions.

- Stable contribution rates are important.
- The actuarial valuation is used to agree a funding plan, but the FRS 17 valuation relates to the actual cost of pensions.
- The value of assets rose higher than anticipated over the last three years and the funding level has increased from 60% to 84%. However, ongoing costs increased to 13.4% of payroll and deficit contributions are still required.
- Once mortality has been considered, the funding level drops to 81%
- Under the new Scheme which will come into place in 2008, employee contribution rates will vary according to salary.
- The mortality rate has improved during the 20<sup>th</sup> Century and the rate of improvement is accelerating.
- It was suggested that the current employer's contribution rate should at least remain the same in order to help pay off the deficit.

Members noted it was unlikely that pension fund levels would reach those in the 80's when companies were able to take 'pension holidays'.

The Committee noted that the actuarial report will remain in draft until March 2008 should members wish to make any further amendments.

The Chairman thanked Mr Muir for his presentation.

## **5. PENSION FUND CONSULTATIVE GROUP - UNCONFIRMED MINUTES**

Members received the unconfirmed minutes of the Pension Fund Consultative Group, which had its first meeting on 26 October 2007.

The Pension Fund Consultative Group had come into being as a result of the change in the governance arrangements.

The Chairman informed members that the first meeting had been very positive. An overview of the Pensions Administration Team had been presented and the AVC Options report had led to a recommendation from the Group to the Pensions Fund Committee. This is covered under item 6 of the Agenda.

The next meeting of the Consultative Group will be held on Tuesday 11 March 2008.

## **6. AVC OPTIONS PRESENTATION**

Members received the Report and presentation of Julie Vrondis, Pensions Manager.

This report had been presented to members of the Pensions Fund Consultative Group, who had agreed to recommend to the Committee that the Prudential AVC Scheme be opened to members of the Pension Fund.

The Prudential was appointed as a provider in 1989. However, a review of providers was undertaken in 2000 and Clerical Medical was appointed in place of Prudential. Those Pension Fund members who were already paying into Prudential were able to continue doing so.

Currently, Prudential is the leading AVC provider in the market. Members noted that existing Clerical Medical members would be able to transfer if they wished.

### **RESOLVED**

**The Committee APPROVED the opening of the AVC Scheme with Prudential.**

## **7. FUND MANAGERS' PERFORMANCE**

Members received the report of Julie Edwards, Treasury Manager, the purpose of which was to present the performance of the Pension Fund's managers for the third quarter of 2007.

The following was noted:

- During the three month period to 30 September 2007, the Fund had increased in value from £1,242m to £1,268m.
- Alliance Bernstein, Blackrock, Mirabaud and Morley had outperformed their benchmark for the third quarter, and Morley, Mirabaud, Blackstone and Blackrock had outperformed throughout the year.
- The Fund has a gross return of 0.9% compared to the 0.8% benchmark.
- During this quarter the Pension Fund was ranked in the 28th percentile in the WM local authority universe. In the year to 30 September 2007 it was ranked 40<sup>th</sup>, and over an average of three years to the end of September 2007 it was ranked 38<sup>th</sup>. The five year average is 30<sup>th</sup> percentile.

## **8. PENSION FUND STATEMENT OF ACCOUNTS**

Members received the report of Julie Edwards, Treasury Manager.

The Statement of Accounts was approved by Regulatory and Audit Committee at its meeting on 28 September 2007.

In the year to 31 March 2007 the value of the Pension Fund had increased by £118m to £1.205bn. Contributions were £103m; Expenses £59m and returns on investments amounted to £74m.

**The Committee NOTED the Report.**

## **9. RISK ASSESSMENT FOR THE PENSION FUND - UPDATE**

Members received the report of Julie Edwards, Treasury Manager, the purpose of which was to update the Committee on the Pension Fund risk register.

In discussion the following was noted:

- P6 – *If local Government restructures then an increase in early retirements, increase in administration costs and impact on revenue.*  
It was agreed that the untreated score should remain the same until the Joint Improvement Board had made decisions regarding shared back office services in February. A further report would be presented in six months time.
- P11 – *If there is an underestimation of pensioner longevity then there will be a failure to have high enough pension contributions and increased pressure on future contributions.*

It was agreed that the Assistant Head of Finance would review this item in order to reflect the actions put in place as a result of the recent actuarial valuation.

## **10. GOVERNANCE POLICY**

Members received the Report of the Assistant Head of Finance, Corporate Financial Services, which informed members that the Pension Fund's Governance Policy Statement has been updated in order to take account of revised governance arrangements implemented in May 2007. This reflected the good practice and reporting arrangements in place.

Officers were currently in the process of developing an Administration Strategy which

would be presented to the Committee for approval, at a future meeting. The Strategy will form the umbrella for administrative framework.

The Chairman requested that this item be presented to the Pension Fund Consultative Group at its next meeting.

Discussion took place regarding the amount of training which members were undertaking. Apart from regular training sessions at least twice a year, presentations from Fund Mangers and attendance at conferences were also part of the training programme. Members agreed that consistency of training and attendance at courses was vital to the work of the Committee. Even though officers were able to provide advice on the Pension Fund, the Committee itself was responsible for the decisions made and should have an understanding of how things work in general terms.

The Committee agreed it was important to establish a training programme for next year on the basis of the training needs analysis carried out earlier in the year.

With regard to the flowchart showing responsibilities, members noted that the County Council is the Authority with statutory responsibility for the Pension Fund, and reports annually to the other employers involved. The Chairman also commented that a report on the work of the Pension Fund Committee should also be made annually.

#### **11. DATE OF NEXT MEETING**

The next meeting of the Committee will be held on 21 February 2008 in Mezzanine Room 3. (*Addendum: subsequent to this meeting the date of the next meeting was changed to 28 February 2008.*) Dates of future meetings are as follows:

<b>2008</b>	<b>2009</b>
17 April	5 March
29 May	2 April
11 September	
23 October	
20 November	

#### **12. EXCLUSION OF THE PRESS AND PUBLIC**

##### **RESOLVED**

**That the press and public be excluded for the following item which is exempt by virtue of Paragraph 3 of Part 1 of Schedule 12a of the Local Government Act 1972 because it contains information relating to the financial or business affairs of any particular person (including the authority holding that information)**

#### **13. CONFIDENTIAL MINUTES**

The confidential minutes of the meeting held on 29 November 2007 were confirmed.

#### **14. PENSION FUND CONSULTATIVE GROUP - CONFIDENTIAL UNCONFIRMED MINUTES**

Members received, for information, the confidential minutes of the Pension Fund Consultative Committee meeting held on 26 October 2007 and noted their contents.

#### **15. PENSION FUND INVESTMENT STRATEGY**

Members received a summary and presentation from Anwen Owens and Harriet Anthony of Mercer Consulting.

It was agreed that Mercer Consulting would produce model structures for the Committee to discuss.

**CHAIRMAN**