

# Minutes

## *PENSION FUND COMMITTEE*

**MINUTES OF THE MEETING OF THE PENSION FUND COMMITTEE HELD ON THURSDAY  
19 NOVEMBER 2009, IN ROOM 57 OLD COUNTY OFFICES, COMMENCING AT 10.00 AM  
AND CONCLUDING AT 12.45 PM.**

### **MEMBERS PRESENT**

Mr S Crooks, Mr F Downes, Mr T Egleton, Mr P Hardy, Mr C Jones, Mr Z Mohammed and  
Mr R Scott

### **OFFICERS PRESENT**

Carolyn Dobson, Independent Adviser  
Julie Edwards, Pensions and Investments Manager  
Susan Gill, Audit Commission  
Jo Holden, Mercer Investment Consulting  
Maureen Keyworth, Democratic Services Officer  
Clive Palfreyman, Assistant Head of Finance (Managed Services)  
Matthew Passey, Mercer Investment Consulting  
Mick West, Audit Commission  
Jacqueline Yates, Head of Finance and Procurement

### **AGENDA ITEM**

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

Apologies were received from Chris Williams (Milton Keynes Council Representative)  
and Anwen Owens.

Members were informed that Harriet Anthony from Mercers had been replaced by  
Matthew Passey. Jo Holden attended in place of Anwen Owens.

The Chairman welcomed to the meeting Susan Gill and Mick West from the Audit  
Commission.



## **2. DECLARATIONS OF INTEREST**

Zahir Mohammed declared a personal interest because he works for a FTSE100 property company.

## **3. MINUTES**

The minutes of the meeting held on 3 September 2009 were confirmed as a true record.

## **4. AUDIT OF PENSION FUND ANNUAL ACCOUNTS 2008/09**

Members received the report of the Pensions and Investments Manager, the purpose of which was to present the Audit Commission's report on any significant findings from its audit of the Pension Fund Accounts.

The Committee noted there were no changes to the accounts that were submitted to members at the meeting on 4 August. However, the Audit Commission raised some issues in their report which is outlined in the papers attached to the agenda.

There was one unadjusted misstatement in the accounts which resulted in sales and purchases being understated by £2.8m. The accounts were not changed since the amount is not material and has no effect on the net assets statement.

### **Surplus Cash**

The Audit Commission raised an issue regarding surplus cash. A call account has now been set up solely for use of Pension Fund cash and a Service Level Agreement (SLA) will be formalised once the Committee has agreed the arrangements.

Mr Hardy, who is Chairman of the Regulatory and Audit Committee, stated he was satisfied that the issues raised by that Committee had been dealt with.

The Officer from the Audit Commission stated that this issue had been identified nationally. It was noted that the Committee has already taken steps to ensure the Pension Fund receives a fair share of investment income.

The Head of Finance and Procurement stated that one of the reasons this was raised by the Audit Commission was because the Pension Fund surplus gets swept up into the overall balance that the County Council invests and the County Council pays the seven day London Interbank Bid Rate (LIBID) rate to the Pension Fund for its investments. The reason these arrangements have been set up is to ensure greater transparency around the Pension Fund and arrangements can be formalised within an SLA which will be presented to the Committee at its January meeting. The same arrangements are in place for the Fire and Rescue Authority which also has an SLA in place.

A member expressed concern regarding the risk factor and who controls this. It was noted that this only relates to cash on a day to day basis before it is handed over to the Pension Fund managers. It is a short term investment and invested under the rules of the Treasury Management arrangements for the County Council. Regular meetings are held to discuss this and checks and balances are made on who the Authority can lend to and for what time.

In answer to a member's question about whether the Authority has to be registered by the Financial Services Agency (FSA) to do deposit taking by the Fire Authority, the Head of Finance stated that the Authority did not, as the Council does not invest in the Fire Authority's name or pay the actual return on investment.

### **Employer Contributions**

The Audit Commission is satisfied with the current arrangements and has suggested asking employers to have their internal audit reviews signed to confirm their contributions collected through payroll are correct.

### **Matters being raised by one Authority.**

This arose as a result of an authority challenging the pension calculation to employers, which is currently in arbitration. A formal hearing was recently held at which the other Authority failed to provide any supporting evidence. The hearing has given them 28 days to present evidence, after which the Pension Fund will have 56 days to respond to the evidence presented.

A member asked whether the arbitration route was the only way to resolve this issue. It was noted that this matter was raised in 2006 when an element of the pensions administration was transferred to another organisation. This particular organisation is now claiming that there were some arrears relating to this time. On behalf of the Fund representations were made to the organisation and offers were made to work with them to resolve the issue but with no positive response, and due to an outstanding invoice is outstanding there was no option but to take this route.

### **Pantheon**

Pantheon is unlike other fund managers in that it does not produce a statement of internal controls. Officers have looked at the possibility of this being produced.

Mercers stated they did not have a specific view regarding companies producing statement of internal controls reports, and this would not have affected their ratings. However, with regard to best practice they considered it would be good to have an internal controls report and Mercers agreed to pursue this on behalf of the Committee.

### **Resource Implications**

The Committee was asked to note the revised audit fee of £48,000. The Audit Commission considered the proposed scale fee of £72,000 and will be applying the maximum reduction resulting in the reduced fee.

### **RESOLVED:**

#### **The Committee**

**NOTED the Accounts and the Letter of Representation for the financial year ended 31 March 2009.**

**Considered and commented on the matters raised by the Audit Commission.**

## **5. PENSION FUND RISK REGISTER**

Members received the report of the Pensions & Investments Manager. The Risk Register identifies the key risks to the Pension Fund and is reviewed by the Pension Fund Committee at six monthly intervals. The last review took place on 2 April 2009.

With regard to P2 although there has been some recovery in global investment markets, it is suggested that this remains on yellow for the time being.

With regard to P6 a member asked whether officers were concerned regarding the amount of work relating to employees and transformation. The Pensions and Investments Manager stated that whilst the risk assessment was amber, she would

update the risk register to include transformation. The Head of Finance stated that there was more administration activity in terms of people exiting the organisation and Shared Services will also have an impact in the future. Redundancies should not impact on the Fund, but there may be a pension strain issues for employers.

It was agreed that a report would be presented on the effects of transformation and efficiencies within services, as well as pension strain.

## **6. PENSION FUND CONSULTATIVE GROUP UPDATE**

This item was discussed after item 4 on the agenda.

Members received the report of the Assistant Head of Finance and noted that the latest meeting of the Pension Fund Consultative Group (PFCG) was held during October 2009. As part of the terms of reference for that Group, minutes of the meeting are reported to the Pension Fund Committee for consideration. The minutes were attached to the report.

There was good attendance at the meeting and the following items were discussed:

- Corporate Performance Report
- Update on Investment Strategy
- DCLG consultation which will have an impact on employers, unions and employees in the scheme.
- CIPFA benchmarking. It was noted that the total cost of Buckinghamshire's scheme is lower in comparison to other Authorities of similar sized funds and demographic area.

In answer to a member's question about whether the PFCG is working satisfactorily, the Chairman stated that he would like to see more input from its members.

**Members NOTED the PFCG minutes**

## **7. PENSION FUND COMMITTEE FORWARD PLAN**

Members received the Forward Plan and noted its contents.

A member emphasised the value of advance notice of training days.

## **8. DATE OF NEXT MEETING**

The next meeting of the Committee will be held at 10.00am on Thursday 21 January 2010 in Mezzanine Room 1.

Dates of future meetings

25 February	17 June	28 October
13 May	12 August	18 November

## **9. 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)**

**10. CONFIDENTIAL MINUTES**

The confidential minutes of the meeting held on 3 September 2009 were confirmed as a true record.

**11. FUND MANAGER'S PERFORMANCE**

Members received the report of the Pensions & Investments Manager, the purpose of which was to present the performance of the Pension Fund's fund managers for the third quarter of 2009, ending 30 September 2009.

The report is now presented in a different format as a result of discussions from the last meeting of the Committee. The results also reflect the transitions period which was undertaken in September. Whilst fund managers' performance is important, the figures are skewed by the transition process.

**12. TRANSITION OUTTURN REPORT**

The Chairman welcomed to the meeting Ian Davidson and Andy Gilbert from Barclays Global Investors Transition Management, who gave a presentation on the recent transition that they had undertaken on behalf of the Fund.

The Investment consultant considered that the transition was well timed. It was noted that all managers were very helpful which helped it to go smoothly.

The Chairman thanked Ian Davidson and Andy Gilbert for their presentation.

Officers from Mercer Investment Consulting left the meeting.

**13. FUND MANAGER PERFORMANCE**

This item was taken after Item 6 and the Committee agreed that members of the press and public be excluded from the room.

The Chairman welcomed to the meeting Olivier Meyohas and Theiry Vanparys from Blackstone Alternative Asset Management, who gave a presentation.

Members discussed the contents of the presentation.

**14. PENSION FUND INVESTMENT CONSULTANT**

Members received the report of the Assistant Head of Finance and discussed arrangements for the Investment Consultant role.

**Members considered arrangements for the Investment Consultant role and AGREED to place the Investment Consultant service out for tender.**

**CHAIRMAN**