

Minutes

PENSION FUND COMMITTEE

MINUTES OF THE MEETING OF THE PENSION FUND COMMITTEE HELD ON WEDNESDAY 31 MAY 2017, IN MEZZANINE ROOM 1, COUNTY HALL, AYLESBURY, COMMENCING AT 10.04 AM AND CONCLUDING AT 12.07 PM.

MEMBERS PRESENT

Mr J Chilver, Ms A Macpherson, Mr D Martin, Mr J Gladwin and Barber

OTHERS PRESENT

Ms Carolan Dobson, Independent Adviser
Ms Edwards, Pensions and Investments Manager
Mr Mark Preston, Finance Director, Business Services Plus
Mr Matthew Passey, Mercer Investment Consulting
Mr Nick Sykes, Investment Consultant, Mercer Investment Consulting
Mrs Kristi Bhanja, Committee Assistant
Mr Thomas Slaughter, Executive, Grant Thornton Auditors

AGENDA ITEM

1. ELECTION OF CHAIRMAN

It was proposed and duly seconded that Mr J Chilver be elected Chairman of the Committee for the ensuing year.

2. APPOINTMENT OF VICE CHAIRMAN

It was proposed and duly seconded that Mrs A Macpherson be appointed Vice-Chairman of the Committee for the ensuing year.

3. APOLOGIES FOR ABSENCE / CHANGES IN MEMBERSHIP

Apologies had been received from Mr T Butcher and Mr S Lambert.

4. DECLARATIONS OF INTEREST

There were no declarations of interest.

5. MINUTES

The minutes of the meeting held on 22 March 2016 were agreed as an accurate record and signed by the Chairman.

The three action points from the minutes were confirmed as completed.

6. MINUTES OF THE BUCKINGHAMSHIRE PENSION BOARD

The Committee noted the minutes from the Buckinghamshire Pension Board on the 16 March 2017.

Mr Steve Mason stated that the minutes remained unapproved as they have not been approved by the Pension Fund Board. This would happen at the next meeting of the Pension Fund Board in July 2017.

7. EXTERNAL AUDIT PLAN

The Chairman welcomed Mr T Slaughter from Grant Thornton to the meeting. Mr Slaughter presented the report and highlighted the following:

- The external audit plan had been to the County Council's Regulatory and Audit Committee meeting on 24 May 2017.
- Planning materiality had been determined based upon professional judgement in the context of Grant Thornton's knowledge of the Fund and in line with previous years. For purposes of planning the audit overall materiality was determined to be £22,213k, being 1% of net assets as of 31 March 2016 (£2.2m). Mr Slaughter confirmed that additional risk was not perceived. All misstatements over £1.1m would be reported to the Committee along with the circumstance details
- The report set out the significant risks identified, which was where the bulk of work for Grant Thornton had been identified. This included the revenue cycle, management override of controls and level 3 investment valuations not being correct.
- The significant risk evaluation on level 3 investments had been based on the judgement that private equity investments were hard to value. Problems had not been encountered previously, but had to be flagged as a significant risk.
- Further risks were identified which were not considered to be areas that were highly judgmental, or unusual in relation to the day to day activities of the business.
- The report highlighted the timeline of the audit with the final audit visit on 19 June 2017. Following this there would be a two week timescale to complete work. A report would then be presented to the Pension Fund Committee in July 2017, followed by County Council.

RESOLVED

The Committee NOTED the report.

8. DRAFT STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

Ms Julie Edwards presented the report and highlighted the following:

- The draft accounts had been presented to the Regulatory and Audit Committee for information on 24 May 2017.
- The audit of the Pension Fund Accounts would commence on 19 June 2017.
- The Pension Fund Account and Net Asset Statement showed that the value of the Pension Fund had increased by £474m to £2.696 billion in the year up to 31 March 2017.
- The increase had been the result of contributions, transfers in from pensions and investment returns. Benefits including pensions, lump sum retirement benefits and death benefits of £120m had been paid out in the year up to 31 March 2017.
- Net assets of the fund available to fund benefits at 31 March 2017 were just under £2.7bn.
- The report showed that membership had reduced by 2,000 to 22,754. The documented decline in figures had been due to a backlog with administration and some leavers or deferred pensioners that had not been processed or their status not being amended. The pension administration system was a live database and therefore the figures continue to change after the end of the financial year.
- There remained a backlog of 1,700 leavers and some transfers between funds, which had resulted in a correspondence increase. The transfer of Buckinghamshire Care Ltd had also had an impact on resource.
- It would be possible to gauge if there would be enough resource in the pension team once the workloads establish a steady state pattern.
- The report noted the interest rate sensitivity analysis and stated *'the sensitivity of the Fund's investments to change in interest rates has been analysed by showing the impact of a 1% change in value'*. Ms J Edwards would confirm the context of this wording against CIPFA example accounts.

Action: Ms J Edwards

- There would be an expectation that the value of withholding tax would remain broadly consistent from one year to the next (assuming the investment strategy remains unchanged) but the report showed a significant decrease in value. Ms J Edwards would check this and report back to the next Committee.

Action: Ms J Edwards

RESOLVED

The Committee NOTED the report.

9. PENSIONS ADMINISTRATION STRATEGY

Ms J Edwards presented the report and highlighted the following:

- The strategy would be reviewed every three years.
- There had been an increase in the charge for estimates where a member had asked for two estimates within a year. The charge had increased from £10.00 to £11.50.
- iConnect would continue developing which employers will use for data submission.
- The Administration Strategy and Service Level Agreement documentation had been sent out for consultation.
- There had been a change in one of the Additional Voluntary Contribution providers to Scottish Widows.
- There had not been any levied charges to employers and the focus remained on education. There were three training sessions planned for this year as well as visits.
- The pensions administration was hosted through Heywoods and Mr M Preston would contact the company for confirmation that its security systems have been tested in light of the recent cyber-attacks that resulted in disruption to the NHS.

Action: Mr M Preston

- This year would be the last that members would receive paper annual benefit statements (unless they had opted out) and encouragement had been given to self-service.
- There had been positive feedback to the member self-service system.

RESOLVED

The Committee NOTED the report.

10. FORWARD PLAN

Ms J Edwards presented the forward plan to the Committee and highlighted the following:

- The next meeting would be 27 July 2017 and there was a slot for a Fund Manager presentation, along with a training session. There would also be a further update on the Brunel Pension Partnership.

Following a discussion the Committee requested the following:

- All Pension Fund Committee Members to be emailed the dates of future Pension Fund Board dates, so that they could attend if available.

Action: Mrs K Bhanja

- Mr G Muir from Barnett-Waddingham was to be invited to the meeting on 27 July 2017 to update the Committee in relation to the impact of using different salary increase assumptions for the triennial and IAS19 valuations, and

provide a funding update. Additionally, Mr Muir would be asked to talk about long term cashflows.

Action: Ms J Edwards

RESOLVED

The Committee NOTED the forward plan

11. 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).

12. CONFIDENTIAL MINUTES

The confidential minutes of the meeting held on 22 March 2016 were agreed as an accurate record and signed by the Chairman.

13. CONFIDENTIAL MINUTES OF THE BUCKINGHAMSHIRE PENSION BOARD

The Committee noted the minutes from the Buckinghamshire Pension Board on the 16 March 2017.

14. FUND MANAGER PERFORMANCE

The Committee received a detailed report in relation to the Fund Manager's Performance.

RESOLVED

The Committee NOTED the report.

15. BRUNEL PENSION PARTNERSHIP UPDATE

The Committee received a detailed report from Mr M Preston in relation to the Brunel Pension Partnership.

RESOLVED

The Committee NOTED the report.

16. PRIVATE EQUITY UPDATE

The Committee received a detailed report in relation to Private Equity.

RESOLVED

The Committee NOTED the report.

17. DATE OF NEXT MEETING

The next meeting will be held on 27 July 2017 at 10am.

CHAIRMAN