

# Minutes

## *PENSION FUND COMMITTEE*

**MINUTES OF THE MEETING OF THE PENSION FUND COMMITTEE HELD ON THURSDAY  
27 JULY 2017, IN MEZZANINE ROOM 1, COUNTY HALL, AYLESBURY, COMMENCING AT  
10.04 AM AND CONCLUDING AT 12.53 PM.**

### **MEMBERS PRESENT**

Mr J Chilver (Chairman), Mr C Harriss, Mr D Martin and Mr J Gladwin

### **OTHERS PRESENT**

Ms C Dobson, Independent Adviser  
Ms J Edwards, Pensions and Investments Manager  
Mr M Preston, Finance Director,  
Mr M Passey, Mercer Investment Consulting  
Mrs K Bhanja, Committee Assistant  
Mr B O'Connor, Mercer Investment Consulting  
Mr T Slaughter, Executive, Grant Thornton  
Mrs C Platts, Pensions Communications Officer  
Mr R Barr, Pantheon  
Mr P Ward, Pantheon

### **AGENDA ITEM**

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

Apologies had been received from Mr M Barber, Mr T Butcher, Mr S Lambert, Mrs A Macpherson and Mr N Miles.

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

There were no declarations of interest.

#### **3. MINUTES**

Previous actions from the minutes had been completed and updated as follows:

- Ms J Edwards confirmed that the wording from the Draft Statement of Accounts for the Year Ended 31 March 2017 had been reviewed and were in line with

CIPFA guidance.

- Ms J Edwards stated that a query had been submitted regarding the change in the value of withholding tax from 2015/16, and a response had been awaited.
- Mr M Preston confirmed that Heywoods, who hosted the pension's administration system, had not been subject to the ransomware attack and had up to date security in place.
- Mr G Muir from Barnett Waddingham would be attending the Committee in September.

The minutes from the 31 May 2017 were deemed to be an accurate record and signed by the Chairman.

#### **4. ANNUAL ACCOUNTS AUDIT**

Ms J Edwards, Pensions and Investments Manager and Mr T Slaughter from Grant Thornton presented the report and highlighted the following:

- Grant Thornton had audited the Pension Fund Accounts recently and proposed to issue an unqualified audit opinion on the Pension Fund's financial statements. There were no significant concerns.
- As a consequence of the audit, changes to the fair value hierarchy disclosures (Note 12) and contractual commitments (Note 19) of the Accounts were agreed.
- Following the adoption of IFRS13 for Pension Fund Accounts this year, the Note 12 fair value hierarchy disclosure would be limited to investments. Dividend income receivable, current assets and current liabilities had been removed from the fair value hierarchy table and the 2015-16 comparator figures had been restated.
- The Audit Findings Report also recommended that the reconciliation of monthly returns from scheduled and admitted bodies in respect of their contributions to the scheme be updated on a regular basis and all significant reconciling differences appropriately resolved. Management had agreed this recommendation.
- Mr R Ambrose was employed by Buckinghamshire County Council, not the Pension Fund Committee.
- The Pensions Finance Officer role responsible for reconciling monthly contributions had been vacant for 3 months up to February 2017. The vacancy had been filled but the new post holder handed in their notice after 6 weeks in the role citing workload volumes as one of the reasons for leaving.
- As the number of employers within the Fund had increased the reconciliation of employer contributions had become increasingly onerous. An additional post had been created and two Pensions Finance Officers had been appointed from the beginning of July 2017 which would assist with the backlog.
- It had been estimated that the contributions monitoring backlog would be up to date by the end of September 2017.

Following discussion by the Committee the following points were made:

- The Chairman wished to thank the Pensions & Investments Team for all their hard work resulting in a successful accounts audit.
- The use of i-connect would help in reducing the resource required for reconciliation; however; manual checking would still be required. Work had already started on the 2017/18 accounts.
- Administration fees had increased due to the increase in staffing levels. The £1.9m reimbursed to the County Council for administration costs (Note 14) included the £1.8m administration costs and £0.1m oversight and governance costs within management expenses (Note 7).
- Under the market price (sensitivity analysis) the latest review in March 2017 had shown that the overall risk factor of the fund was 13.4%, there had not been any comparatives from the previous year to benchmark against but had come from the Investment Strategy Review. The 13.4% was in line with the expected return.
- The Fund liability referred to the methodology used which is in line with accepted guidelines and in accordance with IAS19. The triennial valuation had not been based on the IAS19 but IAS26.. Mr Slaughter considered that they had used IAS26 rather than IAS19.. There would need to be an amendment to the Funds' Statement of Accounts that would require sign off by the Chairman of the Regulatory and Audit Committee. Mr M Preston would take this forward with Ms R Martinig.
- Ms Edwards stated that there had been instances of figures being incorrectly reported as admitted bodies instead of scheduled bodies in 2015/16 accounts.

**ACTION: Mr Preston**

There were a number of questions that the Committee wished to raise with Mr G Muir from Barnett-Waddingham at the meeting in September, including:

- The reconciliation completed in relation to assets and liabilities of employer sub Pension Funds (which would feed into the main Pension Fund) – what would be included as there had been an instance of an employer adding an additional contribution that had not been included until it had been queried.
- The justification on actuary assumptions – what was the methodology used. Was the rate of 4.2% on salary increases realistic?

## **RESOLVED**

**The Committee NOTED the Accounts for the financial year ended 31 March 2017, NOTED Grant Thornton's Audit Findings Report and NOTED the Letter of Representation.**

## **5. ANNUAL REPORT 2016/17**

Mrs C Platts, Pensions Communications Officer presented the report and highlighted the following:

- The Annual Review of the Buckinghamshire Pension Board had been to the Pension Fund Board on 19 July 2017. There were some amendments to the paper relating to the review of the Buckinghamshire Pension Board and to the Pension Fund Annual Report to explain, in more detail, the work the Pension Fund Board had undertaken in the year up to 31 March 2017. This would be included with the final report.
- There had been an error relating to the attendance of Members at the Pension Fund Committee. Mr D Martin had 100% attendance record. Ms Edwards would amend the report to reflect this.

**ACTION: Ms Edwards**

Following discussion by the Committee the following points were made:

- A company had been requested to run initial analysis data on the Guaranteed Minimum Pension reconciliation. The HMRC is scheduled to close its data reconciliation service in December 2018, the level of risk associated with this was queried. There would be a follow up meeting next week to discuss the report and decide on the next steps. The risk register score may need to be amended following the meeting.
- In relation to risk A11, concerning admitted bodies who joined the Fund prior to 1997 and the likelihood of their active members becoming zero and the Fund having no powers to make good any deficit, members wished to know the level of risk this posed. Mr Preston was aware of an incident with a charitable organisation although this had not had any big financial impact on the Fund concerned. Ms C Dobson stated that any bodies admitted to the Fund would have their bonds checked.
- In relation to satisfaction levels and the trends and performance against targets, the report did not explain how the data performed against targets. It had been suggested that the heading needed to be changed in the report to reflect that the data had been against the same criteria. Mrs C Platts would make amendments to the heading and would check CIPFA guidance to ensure we remained compliant.

**ACTION: Mrs Platts**

- All employees of the County Council were entitled to join the pension scheme regardless of their contract; this would be in line with LGPS Regulations. It had been appreciated that short term employees to the scheme caused additional work for the Administration Team but the Fund had to comply with the law.
- There needed to be a review of the Key Performance Indicators (KPI's) as some of the targets have been unrealistic. There would be a particular focus on customer experience.

## **RESOLVED**

**The Committee NOTED and APPROVED the annual report subject to the amendments being made in relation to the heading on satisfaction levels and the section of the review of the Buckinghamshire Pension Board being updated.**

## **6. FORWARD PLAN**

Ms J Edwards, Pensions and Investments Manager presented the report and highlighted the following:

- Mr G Muir from Barnett Waddingham would be attending the Committee in September.
- The Administering Authority Discretionary Policy and Governance update would be presented at the September meeting.
- Standard Life had been invited to present at the next meeting.

### **RESOLVED**

**The Committee NOTED the forward plan.**

## **7. 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).**

## **8. CONFIDENTIAL MINUTES**

The confidential minutes from the 31 May 2017 were deemed to be an accurate record and signed by the Chairman.

## **9. PRIVATE EQUITY UPDATE**

The Committee received detailed presentations from Mercers' and Pantheon.

### **RESOLVED**

**The Committee NOTED the contents of the presentations.**

## **10. BRUNEL PENSION PARTNERSHIP UPDATE**

Mr M Preston, Finance Director presented a detailed report to the Committee.

### **RESOLVED**

**The Committee NOTED the report.**

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

The next meeting will be held on 20 September 2017 at 10am in Mezzanine 2, County Hall, Aylesbury.

**CHAIRMAN**

## Annual Review of the Buckinghamshire Pension Board

The Public Service Pensions Act 2013 introduced the requirement to have a Local Pensions Board to assist in the good governance of the scheme. The Buckinghamshire Pension Fund established the Board by the deadline of 1 April 2015 and the Buckinghamshire Pension Board's first meeting took place on 21 July 2015.

The Board currently meets three times per annum and consists of 4 Employer and 4 Member representatives, although there has been an unfilled vacancy for a scheme employer representative during the whole of 2016/17. Attendance at the meetings has been high, with an attendance rate of 71%.

All members of the Board have voting rights.

On 31 March 2017, the Board members were:

### **Scheme member representatives**

- Reece Bowman
- Peter Dearden
- Steve Mason (Chairman)
- Joe McGovern

### **Scheme employer representatives**

- Bev Black
- Roona Ellis (Vice Chairman)
- Ian Thompson
- *Vacant post*

Members of the Board are required to disclose any declarations of interest at the beginning of each Buckinghamshire Pension Board meeting.

In accordance with Section 248a of the Pensions Act 2004, every member of the Buckinghamshire County Council Local Pension Board must be conversant with the rules of the scheme (the Local Government Pension Scheme Regulations), and any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme.

Pension Board members must also have knowledge and understanding of the law relating to pensions, and such other matters as may be prescribed.

Accordingly, all members of the Board are encouraged to take advantage of the many training opportunities notified to them by Pensions Officers and to maintain their core knowledge via self-study using the Pensions Regulator's Public Services toolkit for online learning. This includes modules on conflicts of interest, managing risk and internal controls, maintaining accurate member data, maintaining member contributions, providing information to members and others, resolving internal disputes and reporting breaches of the law, and is regularly updated by the Pensions Regulator during the year.

A training needs analysis was undertaken in autumn 2016 to identify further training needs. Whilst there were no key themes identified for further training, the Chairman and Vice Chairman both attended the "LGPS Fundamentals" training course, which is periodically run by the Local Government Pension Committee over three days. This is a comprehensive course based on the knowledge and understanding needs set out by the Scheme Advisory Board and attendance will enable Board members to consolidate their familiarity with the topics. It was therefore recommended that all Board members attend this training event.

During 2016/17 the Board undertook reviews of:

- their Terms of Reference, Code of Conduct Policy, Conflicts Policy and the Knowledge and Understanding Framework,
- the Pension Fund Annual Report and Accounts 2015/16,
- the updated Pensions Administration Strategy,
- the 2017/18 Communications Plan,
- complaints under the Internal Disputes Resolution Procedure (IDRP),

- the Pension Fund Risk Register and
- the CIPFA Pensions Administration Benchmarking performance.

At each meeting of the Board, reports were presented and considered regarding:

- Pension Fund Administration Performance Statistics,
- Pension Fund Committee agenda and minutes,
- Updates from Officers regarding the progress in implementing the Brunel Pension Partnership as part of the Government LGPS Investments reform agenda,
- The BCCPF Employer's Newsletter for each quarter.

In addition, the Board Chairman attended meetings of the Pension Fund Committee in an 'observer' capacity, including additional meetings regarding developments in the Brunel Pension Partnership process, and had regular meetings with Senior Officers to review ongoing Administration issues. The Board Chairman also presented an update on the work of the Board at the Fund's general meeting which took place in December 2016.

Steve Mason, Buckinghamshire Pension Board Chairman reported; "In its second 12 months of operation, the Pensions Board has worked closely with Members of the Pension Fund Committee and Senior Officers to help ensure the smooth operation of the administration of the LGPS in Buckinghamshire.

It is recognised that the core functions of the Board are to assist the Administering Authority in securing compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, any requirements imposed by the Pensions Regulator in relation to the Scheme, and to ensure the effective and efficient governance and administration of the Scheme. All Board activities are targeted toward fulfilling this role.

We all look forward to continuing in this role in the coming 12 months."