

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