

# Agenda

## *PENSION FUND COMMITTEE*

**Date:** Thursday 1 March 2018  
**Time:** 10.00 am  
**Venue:** Large Dining Room, Judges Lodgings,  
Aylesbury

<b>Agenda Item</b>	<b>Page No</b>
<b>1 APOLOGIES FOR ABSENCE / CHANGES IN MEMBERSHIP</b>	
<b>2 DECLARATIONS OF INTEREST</b> To disclose any Personal or Disclosable Pecuniary Interests	
<b>3 MINUTES</b> Minutes of the meeting held on 11 November 2017.	<b>3 - 8</b>
<b>4 TREASURY MANAGEMENT SERVICE LEVEL AGREEMENT</b>	<b>9 - 12</b>
<b>5 FORWARD PLAN</b>	<b>13 - 14</b>
<b>6 EXCLUSION OF THE PRESS AND PUBLIC</b> To resolve to exclude the press and public as the following item 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)	
<b>7 CONFIDENTIAL MINUTES</b>	<b>15 - 18</b>
<b>8 FUND CASH FLOW FORECAST</b>	<b>19 - 30</b>
<b>9 FUND MANAGER PERFORMANCE</b>	<b>31 - 50</b>
<b>10 BRUNEL PENSION PARTNERSHIP UPDATE</b>	<b>51 - 54</b>
<b>11 CURRENCY HEDGING</b>	

**12 BRUNEL PENSION PARTNERSHIP UPDATE**

**13 DATE OF NEXT MEETING**

The next meeting will be held on the 25 May 2018 at 14:00.

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If you would like to attend a meeting, but need extra help to do so, for example because of a disability, please contact us as early as possible, so that we can try to put the right support in place.

*For further information please contact: Despina Archak on 01296 383051, email: [darchak@buckscc.gov.uk](mailto:darchak@buckscc.gov.uk)*

**Members**

Mr J Chilver (C)

Mr T Butcher

Mrs A Cranmer

Mr C Harriss

Mr D Martin

Vacancy

Mr M Barber, Thames Valley Police

Mr J Gladwin, District Council representative

Mr N Miles, Milton Keynes Council

# Minutes

## *PENSION FUND COMMITTEE*

**MINUTES OF THE MEETING OF THE PENSION FUND COMMITTEE HELD ON THURSDAY  
30 NOVEMBER 2017, IN MEZZANINE ROOM 2, COUNTY HALL, AYLESBURY,  
COMMENCING AT 10.05 AM AND CONCLUDING AT 12.40 PM.**

### **MEMBERS PRESENT**

Mr J Chilver (Chairman), Mr T Butcher, Mrs A Cranmer, Mr D Martin and Mr J Gladwin

### **OTHERS PRESENT**

Carolan Dobson, Independent Adviser  
Julie Edwards, Pensions and Investments Manager  
Mark Preston, Finance Director, Business Services Plus  
Matthew Passey, Mercer Investment Consulting

### **AGENDA ITEM**

#### **1. APOLOGIES FOR ABSENCE / CHANGES IN MEMBERSHIP/ APPOINTMENT OF VICE CHAIRMAN**

The Chairman welcomed Mrs A Cranmer to the meeting.

Apologies were received from Mr N Miles and Mr M Barber.

Mr D Martin was appointed Vice-Chairman of the Pension Fund Committee.

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

There were none.

#### **3. MINUTES**

In relation to item 5 (Administering Authority Discretionary Policy), Ms J Edwards was yet to circulate the amended version of discretionary policy to Committee Members. Ms Edwards confirmed that she would do this before the next meeting.

**ACTION: Ms J Edwards**



Mr S Mason was recorded as representing Aylesbury Vale District Council in error. This should be changed to the Pension Fund Board.

Subject to this amendment, the minutes of the meeting held on 20<sup>th</sup> September 2017 were agreed as a correct record.

**ACTION: Ms L Dale**

#### **4. BUCKINGHAMSHIRE PENSION BOARD MINUTES**

The Committee noted the minutes of the meeting of the Buckinghamshire Pension Fund Board held on 18 October 2017.

Members noted that there had been a reduction in leaver checking tasks from 1,600 to 1,400. Ms Edwards confirmed that this matter had been reported to the Regulatory and Audit Committee. While there was still a backlog, significant progress had been made with the intention of clearing the backlog by March 2018. Ms Edwards confirmed that there were approximately 1,050 tasks outstanding as of that morning.

Ms Edwards agreed that a statement would be brought to the Regulatory and Audit Committee meeting in March to confirm this had been completed.

**ACTION: Ms J Edwards**

#### **5. FORWARD PLAN**

Ms J Edwards, Pensions and Investments Manager presented the forward plan.

A brief discussion took place regarding the agenda for next March.

**RESOLVED**

**The Committee noted the Forward Plan**

#### **6. GOVERNANCE UPDATE**

Mrs C Lewis-Smith, Principal Pensions Officer and Ms Julie Edwards, Pensions and Investments Manager, presented the report to the Committee. The following points were raised in discussion and in answer to Members questions:

- The proposed changes would take effect from 1 May 2018.
- The number of meetings would be reduced to five with the option of holding additional meetings if required.
- Page 5, point 4, relating to the appointment and termination of the custodian and fund managers, would be removed from the Terms of Reference as this function will be managed by Brunel Pension Partnership moving forward.
- It was explained that amendments to the Terms of Reference were required to

align with future pooling arrangements.

There had been a change in the wording of points 3.3 and 3.4 of the Governance Compliance Statement: 'statement of investment principles' had been amended to 'investment strategy statement'.

#### **RESOLVED**

**The Committee AGREED the revised terms of reference as set out in Appendix 1 prior to Full Council approval.**

**The Committee AGREED the Governance Policy Statement as set out in Appendix 2 and the Governance Compliance Statement, Appendix 3.**

### **7. PENSION FUND RISK REGISTER**

The Chairman thanked Ms Edwards for providing the Committee with the Pension Fund Risk Register.

Ms Edwards gave an overview of the report and explained that there had been a migration of data from a spreadsheet to a Risk Register Tool called Pentana. The register would now show risks alongside descriptions and mitigating actions.

- The Vice-Chairman suggested that Ms Edwards should liaise with the Insurance Section to ensure that only the relevant information would be included on the register. Red Risks and increasing risks should be shown and lower risks should be removed.
- The Chairman suggested that the risks should be categorised, giving the example of grouping legal and compliance risks, for ease of reference. There should be an overall representation of the biggest risks in order to focus the readers' attention.
- The Vice-Chairman suggested that the descriptions should include more detail about areas affected by each risk e.g. financial.
- Members were keen to know more about the rating given to investment strategy given the recent refresh. Ms Edwards explained that the score was amended to reflect where Committee perceived the risk to be compared to where the risk was rated previously.
- Mr T Butcher made an observation that the register should only feature risks within control as opposed to risks such as Brexit that could not be controlled.
- Ms C Dobson commented that the overall risk should be shown followed by sub risks and possible mitigating actions in order to give the reader a better view.

#### **RESOLVED**

**The Committee NOTED the Pension Fund Risk Register**

### **8. ADMINISTERING AUTHORITY DISCRETIONARY POLICY**

Mrs C Lewis-Smith, Principal Pensions Officer, presented the report. The following points were raised in discussion and in answer to Members questions:

- The current policy which was updated in September, did not permit a Scheme member to elect for voluntary Scheme pays. This would allow the Fund to pay a Scheme member's annual allowance tax charge if they did not have the right to mandatory Scheme pays. The amendment will create fairness for Scheme members. It will assist members with a tapered annual allowance, due to their earnings, who may not exceed the £40,000 limit but who do exceed the lower tapered limit.
- Lifetime allowance was not included.
- While there would be no net cost to the fund, the Vice-Chairman noted that there would be a cost to officer time.
- 87 people had been written to this year as a result of the yearly annual allowance exercise required to be performed by the Fund.
- The policy does not include income or pension growth earned outside of the Buckinghamshire Local Government Pension Scheme (LGPS)
- It was noted that, while there would be associated risks in making the benefit deduction calculations, it was a requirement.
- It was noted that this amendment would affect a small number of high earners.

#### **RESOLVED**

**The Committee APPROVED the Administering Authority's Discretionary Policy**

### **9. FUNDING STRATEGY STATEMENT**

Ms J Edwards, Pensions and Investments Manager, presented the report. The following points were noted in discussion and in answer to Members questions:

- The document, produced by Barnett Waddingham, would be based on the Fund's position following the triennial valuation as at 31 March 2016.
- The Committee discussed the possible impact the Strategy Statement could have on individual employers.
- It was noted that there would be bond requirements as security should the employer default.
- Mr J Gladwin highlighted that, as the Council has devolved responsibilities to academies, it was important to give full consideration to the possible impact this would have on schools as employers.
- Ms Dobson requested to see the document suite highlighting exactly which points would be relevant to give further clarity on the matter of bonds and academies. Mr M Preston and Ms Edwards agreed to look into this.

**ACTION: Ms J Edwards and Mr M Preston**

#### **RESOLVED**

**The Committee AGREED the Funding Strategy Statement.**

### **10. 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)**

### **11. CONFIDENTIAL MINUTES**

The Confidential Minutes of the meeting held on 20 September were agreed as an accurate record and signed by the Chairman.

### **12. BUCKINGHAMSHIRE PENSION FUND BOARD CONFIDENTIAL MINUTES**

The Chairman of the Buckinghamshire Pension Fund Board provided the Committee with an update.

### **13. FUND MANAGERS PERFORMANCE**

The Committee received a report on the Fund Managers' Performance.

### **14. FUND MANAGERS PRESENTATION**

The Committee received a report from the presentation from Aberdeen Standard Investment

### **15. BRUNEL PENSION PARTNERSHIP UPDATE**

The Committee received an update on the Brunel Pension Partnership.

### **16. DATE OF NEXT MEETING**

1 March 2018, 10:00am, Large Dining Room, Judges Lodgings, Aylesbury

**CHAIRMAN**





# Pension Fund Committee

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<b>Title:</b>	Treasury Management Service Level Agreement
<b>Date:</b>	Thursday 1 March 2018
<b>Author:</b>	Finance Director, Resources
<b>Contact officer:</b>	Julie Edwards – Pensions & Investments Manager, 01296 383910
<b>Local members affected:</b>	

*For press enquiries concerning this report, please contact the media office on 01296 382444*

## Summary

At its meeting on 6 March 2017, the Pension Fund Committee agreed the arrangements for investing the Fund's surplus cash in a Service Level Agreement (SLA). This report updates the Committee on the provision of treasury management services by Buckinghamshire County Council to the Pension Fund in 2017 and asks the Committee to discuss and approve the arrangements for investing the Pension Fund's surplus cash balances in 2018/19.

## Recommendation

**The Committee is asked to approve the Pension Fund treasury management Service Level Agreement.**

**Supporting information to include the following if a decision is being requested:**

### Resource implications

There are none arising directly from this report.

### Legal implications

There are none arising directly from this report.

### Other implications/issues

- 1 The Pension Fund maintains relatively small balances of cash arising from the receipt of employer and employee contributions exceeding payments made on behalf of the Fund. Most of the Fund's cash is managed externally, either by the investment managers or the Bank of New York Mellon, the Fund's custodian. State Street replaced Bank of New York Mellon as the Fund's custodian on 13 December 2017. The cash held by the administering authority is usually less than 1.0%, or £20m, of the Fund's assets providing a working balance for the Fund to meet its short term commitments. From time to time, if surplus cash balances held approach £20m and are greater than the amounts required by the Fund's private equity managers, then they are invested with the Fund's investment managers in accordance with the Investment Strategy.
- 2 At its meeting on 6 March 2017, the Pension Fund Committee approved the SLA for 2017/18 setting out the arrangements in place for investing the daily cash balances. The SLA for 2018/19 has been updated to reflect the current practice of investing the Fund's cash balances in the interest bearing Pension Fund current account. Members are asked to review and approve the SLA for 2018/19 attached as Appendix 1.
- 3 During 2017 (2016) the Pension Fund earned £30.2k (£30.6k) interest on its working cash balances, representing 0.46% (0.64%) on an average balance of £6.6m (£4.8m). The cash balances ranged from £0m to £16.1m during 2017 (£0m to £10.3m during 2016). A separate bank account operates for the Pension Fund and the interest is paid into the Pension Fund bank account. The Council's treasury team invested all the Pension Fund's working cash in the Pension Fund bank account, call accounts or money market fund. The Pension Fund bank account receives interest on daily balances.
- 4 Local Government Pension Regulations (Management & Investment) 2009 gave the Pension Fund the power to arrange a temporary loan from a bank for up to 90 days in order pay benefits due under the Pension Fund Scheme or to meet investment commitments. However, there are no counterparties in the market that will temporarily lend cash to the Pension Fund. In previous years members of the Pension Fund Committee had indicated that they would prefer to borrow from the market rather than the County Council. However, with no external market willing to temporarily lend to the Fund, the Pension Fund Committee members agreed that they would prefer the Fund to borrow temporarily from the County Council rather than maintain a higher cash buffer to meet any unexpected cash requirements. There were no instances during 2017 where the Fund temporarily borrowed cash from the County Council.

**Feedback from consultation, Local Area Forums and Local Member views (if relevant)**

Not applicable.

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**Background Papers**

Treasury Management Strategy Report to County Council on 22 February 2018, Agenda Item 8.

<https://democracy.bucksc.gov.uk/documents/s109128/Report%20for%20Treasury%20Management%20Strategy.pdf>

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## Appendix 1

**PROVISION OF TREASURY MANAGEMENT SERVICES BY BUCKINGHAMSHIRE COUNTY COUNCIL TO THE BUCKINGHAMSHIRE COUNTY COUNCIL PENSION FUND**

This is an agreement between the Pension Fund Committee and the Administering Authority Buckinghamshire County Council, such that:

- 1 A separate bank account operates for the purpose of the Pension Fund.
- 2 Based on the projected daily balances for the Pension Fund bank account, the BCC Treasury Team will invest / ~~withdraw~~ cash in from the interest earning Pension Fund bank account so that the balance in the Pension Fund bank account is within +/- £5,000 the limit as determined by Council's the treasury management strategy.
- 3 The BCC Treasury Team will invest the Pension Fund's remaining cash balances with counterparties on behalf of the Pension Fund in accordance with the County Council's treasury management strategy. Investments will usually be in an instant access call account / Money Market Fund since the Fund's money is primarily held to meet immediate payments from the Fund. Interest will be paid into the Fund's bank account at the agreed rate.
- 4 For any surplus balances estimated to be significant in cash terms and likely to remain for a significant period of time, the BCC Treasury Team will make every effort to place these surplus funds with Fund Managers in accordance with the Fund's Investment Strategy.
- 5 The BCC Treasury Team may arrange a temporary loan from the County Council for up to 90 days in order to pay benefits due under the Pension Fund Scheme or to meet investment commitments.
- 6 The BCC Treasury Team will check balances on the Pension Fund / Council cash adjustment codes every Friday and on the last working day of the month. Any balances on the cash adjustment account will be transferred to / from the Pension Fund.

This agreement is effective from 1 April 2018 and will be subject to annual review by the Pension Fund Committee.



# PENSION FUND COMMITTEE FORWARD PLAN

Updated	16-Feb-18
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1 March 2018		Aylesbury, County Hall	
	Agenda Item	Author	Cyclical Item?
	Apologies / Declarations of interest / Minutes	--	
	Treasury Management Service Level Agreement	Julie Edwards	Annual
	Forward Plan	Julie Edwards	Every meeting
	Exclusion of Press and Public		
	Confidential Minutes		
	Fund Cash Flow Forecast	Julie Edwards	6 monthly
	Fund Manager Performance	Julie Edwards	Quarterly
	Brunel Portfolios Mapping	Mercer	No
	Currency Hedging	Mercer	No
	Brunel Pension Partnership Update	Julie Edwards	No
	Date of next meeting / AOB	--	

24 May 2018		Aylesbury, County Hall	
	Agenda Item	Author	Cyclical Item?
	Election of Chairman / Appointment of Vice-Chairman		
	Apologies / Declarations of interest / Minutes	--	
	Buckinghamshire Pension Board Minutes	Steve Mason	4-monthly
	External Audit Plan	Grant Thornton	Annual
	Annual Accounts	Julie Edwards	Annual
	Pension Fund Risk Register	Julie Edwards	6 monthly
	Forward Plan	Julie Edwards	Every meeting
	Exclusion of Press and Public		
	Confidential Minutes		
	Confidential Buckinghamshire Pension Board Minutes	Steve Mason	4 monthly
	Pension Fund Performance	Julie Edwards	Quarterly
	Responsible Investment Policy	Brunel Pension Partnership	No
	Date of next meeting / AOB	--	

20 July 2018		Aylesbury, County Hall	
	Agenda Item	Author	Cyclical Item?
	Apologies / Declarations of interest / Minutes	--	
	Declarations of interest / Minutes	Chairman	
	Annual Accounts Audit	Julie Edwards /Grant Thornton	Annually
	Annual Report 2017/18	Cheryl Platts	Annually

# PENSION FUND COMMITTEE FORWARD PLAN

Updated	16-Feb-18
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Forward Plan Exclusion of Press and Public Confidential Minutes	Julie Edwards	Every meeting
Date of next meeting / AOB	--	

<b>24 September 2018</b>	<b>Aylesbury, County Hall</b>	
<b>Agenda Item</b>	<b>Author</b>	<b>Cyclical Item?</b>
Apologies / Declarations of interest / Minutes	--	<b>Every meeting</b>
Buckinghamshire Pension Board Minutes	Steve Mason	4 monthly
Forward Plan	Julie Edwards	Ad hoc
Exclusion of Press and Public		Every meeting
Confidential Minutes		
Buckinghamshire Pension Board Confidential Minutes	Steve Mason	4 monthly
	Mercer	Ad hoc
Pension Fund Performance	Julie Edwards	No
Date of next meeting / AOB	--	No

<b>26 November 2018</b>	<b>Aylesbury, County Hall</b>	
<b>Agenda Item</b>	<b>Author</b>	<b>Cyclical Item?</b>
Apologies / Declarations of interest / Minutes	--	
Buckinghamshire Pension Board Minutes	Steve Mason	4 monthly
Governance Update	Julie Edwards / Claire Lewis-Smith	Annually
Pension Fund Risk Register	Julie Edwards	6 monthly
Forward Plan	Julie Edwards	
Exclusion of Press and Public		
Confidential Minutes		
Buckinghamshire Pension Board Confidential Minutes	Steve Mason	4 monthly
Pension Fund Performance	Julie Edwards	Quarterly
Date of next meeting / AOB	--	

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