

Minutes

PENSION FUND COMMITTEE

MINUTES OF THE MEETING OF THE PENSION FUND COMMITTEE HELD ON FRIDAY 26 JULY 2019, IN LARGE DINING ROOM, JUDGES LODGINGS, AYLESBURY, COMMENCING AT 11.05 AM AND CONCLUDING AT 1.10 PM.

MEMBERS PRESENT

Mr J Chilver (Chairman), Mr D Martin (Vice-Chairman), Mr M Barber and Mr T Butcher

OTHERS PRESENT

Julie Edwards, Pensions and Investments Manager, Buckinghamshire County Council
Tony English, Investment Consultant, Mercer
Matthew Passey, Investment Consultant, Mercer
Claire Lewis-Smith, Principal Pensions Officer
Anne-Marie Kenward, Committee Assistant
Cheryl Platts, Pensions Communications Officer

AGENDA ITEM

1 APOLOGIES FOR ABSENCE / CHANGES IN MEMBERSHIP

On opening the meeting the Chairman acknowledged members of the public who had attended on behalf of Aylesbury Quakers and Extinction Rebellion (XR) groups and invited them to make brief statements.

Kathy Russell, representing Aylesbury Quakers, read from a prepared statement.

Several members of the XR drew the committee's attention to their fellow protestors gathered outside to highlight the billions of people worldwide affected by climate change. They urged the committee to take immediate action to disinvest in fossil fuels to show the next generation they were willing to taking responsibility. XR also called on the County Council to join other councils nationally in declaring a climate emergency. They left gifts of promotional material, including a book by Greta Thunberg, for each of the members of the committee.

Several protestors had chained themselves to railings outside the Judges Lodgings and Old County Hall, in the neighbouring Market Square. The Chairman was invited to

unchain protestors as an indication of support. The Chairman declined to do so in order to facilitate the continuation of the meeting.

In response to the statements the Chairman read from a prepared statement and referred to a letter tabled at the meeting responding to previous similar enquiries.

Apologies were received from Mr R Bagge, Ms C Dobson, Mr J Gladwin, Mr N Miles, Mr I Murray, and Mr M Preston.

2 DECLARATIONS OF INTEREST

There were none.

3 APPOINTMENT OF VICE-CHAIRMAN

RESOLVED

That Mr D Martin be appointed as Vice Chairman of the Committee for the ensuing year.

4 MINUTES

RESOLVED: The minutes of the meeting held on 30th May 2019 were AGREED as a correct record.

5 ANNUAL ACCOUNTS AUDIT

Apologies had been received from Mr I Murray, Grant Thornton auditor. Ms J Edwards, Pensions & Investments Manager, gave an overview of the report circulated as a supplement to the agenda pack.

The following points were discussed as a result of questions raised by members of the committee:

- Accounts needed to be published by 31 July 2019. Due to a delay with the auditors these would need to be published with a statement explaining that the full auditors view would not be available until a later date. There was no definitive timeline for the auditors to complete their review.
- Mr M Barber stated that the Thames Valley Police (TVP) auditors would be unable to sign off the TVP accounts until Grant Thornton had issued a letter of assurance on the Pension Fund audit.
- It was confirmed that another auditor working with the district councils had experienced similar delays.
- As the draft audit findings had only been received on 23 July 2019 officers had not had the opportunity to review and respond. This would be brought to a future meeting.
- Members of the committee asked for future accounts to give more information

about fund changes across the period.

- There were concerns that publishing without an auditor's opinion would lead to a lack of oversight by this committee. Mr D Martin stated that as the Chairman of the Regulatory and Audit Committee he had had conversations with the County Council's Section 151 Officer. The S151 Officer had advised that if members of this committee were satisfied that there had not been a material change the committee could ask the Regulatory and Audit Committee meeting on 30 July, to agree the final accounts.

RESOLVED: The Committee AGREED that if there were no material changes, the Regulatory and Audit Committee (chaired by Mr Martin) could agree the accounts to be published on 31 July 2019. If there were material changes a further meeting of the Pension Fund Committee would be called as soon as possible.

6 ANNUAL REPORT 2018/19

Mrs C Platts, Communications Officer, gave an overview of the report circulated with the agenda.

Mrs Platts confirmed the report had been prepared based on advice and guidance from Central Government which for the first time included detailed information such as:

- A value for money statement.
- A move toward standardised key performance indicators (KPI)
- Analysis of new pensioners by type of retirement
- Information on asset pooling
- And other mandatory requirements, as listed in the 2019 edition of CIPFA statutory guidance for LGPS annual reports.

The following points were discussed as a result of questions asked by members of the committee:

- In future reports the Committee would like to see a direction of travel recorded for actions on the Risk Register. Ms J Edwards, Pensions & Investments Manager, confirmed that for the current register the direction of travel is reporting no change since the risk has not reduced / increased since the previous review.
- Mrs Lewis-Smith confirmed that the "limited" rating placed on iConnect by the internal auditor referred to reporting limitations for the reconciliation of contributions received. The team had introduced a workaround by asking employers who use iConnect to submit a monthly financial reconciliation spreadsheet. In the long term the team would work with iConnect to improve its reporting tools. Members queried whether the rating was correct if the team had a robust plan of action in place.
- It was confirmed that 68 employers were using the iConnect system most of whom were smaller employers. There were no charges to use the iConnect system.
- It was confirmed that iConnect had assisted officers with the introduction of

General Data Protection Regulation (GDPR) but had not been introduced as a result of GDPR.

- A member queried why the change in market value of investments was the same in 2019/20 to 2011/22 as 2018/19, market returns are difficult to forecast but the projections should be in line with the actuary's assumptions. It was noted that that the Management Expenses is showing as income not an expense for 2019/20 to 2011/22.

ACTION: Ms Edwards

- Lower management expenses shown on page 33 were confirmed as savings made by pooling funds with Brunel.
- Regarding GMP reconciliations, page 47 of the agenda pack, it was confirmed that 55,892 of approximately 70,000 scheme member records had been reconciled.

RESOLVED: The Committee AGREED the report subject to the suggested improvements and audit opinion.

7 EXIT PAYMENT CAP

Mrs C Lewis-Smith, Pensions Administration Manager, gave an overview of the report circulated with the agenda.

Mrs Lewis-Smith highlighted the Fund's response to the consultation which could be found on page 177 of the agenda pack. Feedback included:

- Suggesting a minimum implementation period of nine months in light of the vesting day for the new unitary Buckinghamshire Council, 1 April 2020.
- There were some situations where the cap could be relaxed such as compassionate grounds due to genuine hardship, to effect urgent workplace reforms and where an exit arrangement is agreed but delayed until after the implementation date.
- The fairness of the cap had been questioned by other organisations but the Fund's response was based purely on a pension administration point of view.

Members of the committee stated they agreed with the points raised by officers, but requested that in future consultation responses should be presented to the committee prior to submission to ensure oversight.

RESOLVED: The committee noted the report.

8 EMPLOYER COST CAP AND MCCLOUD

Mrs C Lewis-Smith, Pensions Administration Manager, gave an overview of the report circulated with the agenda.

Mrs Lewis-Smith highlighted the following points:

- The report referred to two different types of caps:

- The employer cost cap (ECC) process as operated by Her Majesty's Treasury (HMT).
- The future service cost cap (FSC) process as operated by the Local Government Pension Scheme (LGPS) Scheme Advisory Board (SAB).
- In September 2018 HMT announced that employer costs would increase alongside an increase to scheme member benefits, due to the reduction in the SCAPE discount rate. SAB proposed scheme changes from April 2019 but these were placed on hold in January 2019 until the impact of the McCloud judgement could be assessed.
- The McCloud judgement concerned the firefighter's and judicial pension schemes. The Court of Appeal ruled that transitional protections were unlawful. The government was subsequently denied leave to appeal and the case would now return to employment tribunal for remedy which could take 12 months or more.
- The administrative and financial burden to the pension fund would be unknown until the after the remedy was decided. The remedy would be applied retrospectively to 1 April 2014. It is anticipated the cost of the remedy would be less than the cost of scheme improvements required to reach the scheme target cost so it would be expected that some of the SAB proposed changes would be implemented and applied retrospectively to 1 April 2019
- Officers were unsure of the burden the McCloud judgement could place on officer time until the final decision was reached. Officers could not be sure of the number of scheme members affected.
- Members of the committee asked for the possible administration impact to be included on the Risk Register.
- Officers would be seeking clarification on whether changes made retrospectively could lead to breaches.

RESOLVED: The Committee NOTED the report.

9 CHANGES TO THE LOCAL VALUATION CYCLE AND THE MANAGEMENT OF EMPLOYER RISK POLICY

Mrs Lewis-Smith highlighted that the Ministry of Housing, Communities and Local Government (MHCLG) had opened a 12 week policy consultation called 'LGPS: Changes to the Local Valuation Cycle and the Management of Employer Risk.' The consultation closes on 31 July 2019. The draft response could be found on page 217 of the agenda pack.

The following points were discussed as a result of questions asked by members of the committee:

- Among other changes the consultation proposed that some employers could decide to no longer offer the Local Government Pension Scheme (LGPS) which would result in those employers having an increased contribution rate and a sizable exit payment when the last active member leaves.
- Existing employees could continue with their LGPS membership but the LGPS

- would not be available to new employees.
- Employers would be required to offer an alternative pension provision.

RESOLVED: The Committee AGREED the consultation response on page 217 of the agenda pack.

10 FORWARD PLAN

Mrs J Edwards, Pensions & Investments Manager, referred to the updated forward plan circulated with the agenda pack.

Mrs Edwards confirmed the following items would be brought to the next meeting:

- Appointment of an Adjudicator.
- Breaches of the law.
- Brunel Pension Partnership Update.
- Pension Fund Performance.
- Low Volatility Equities, Small Cap Equities, Diversified Growth Funds and Stock Lending.

RESOLVED: The Committee NOTED the update.

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

13 EMPLOYER RISK ANALYSIS

15 ANY OTHER BUSINESS

14 DATE OF NEXT MEETING

Friday 13th September 2019 at 2pm, in Mezz 2, New County Offices, Aylesbury.

CHAIRMAN