

Minutes

PENSION FUND COMMITTEE

MINUTES OF THE MEETING OF THE PENSION FUND COMMITTEE HELD ON FRIDAY 13 SEPTEMBER 2019, IN MEZZANINE ROOM 2, COUNTY HALL, AYLESBURY, COMMENCING AT 2.05 PM AND CONCLUDING AT 4.55 PM.

MEMBERS PRESENT

Mr J Chilver (Chairman), Mr C Harriss, Mr D Martin (Vice-Chairman) and Mr N Miles

OTHERS PRESENT

Carolan Dobson, Independent Adviser
Julie Edwards, Pensions and Investments Manager
Mark Preston, Head of Finance - Pensions, Investments & Projects
Matthew Passey, Investment Consultant, Mercer
Claire Lewis-Smith, Pensions Administration Manager
Katie-Louise Collier, Committee and Governance Adviser
Tony English, Investment Consultant, Mercer
Rachael Martinig, Pensions & Investments Accountant
Catherine Dix, Brunel Pension Partnership
Faith Ward, Brunel Pension Partnership

AGENDA ITEM

1 APOLOGIES FOR ABSENCE / CHANGES IN MEMBERSHIP

Apologies had been received from Mr Barber, Mr Butcher, Mr Bagge and Mr Gladwin.

2 DECLARATIONS OF INTEREST

Ms Dobson, Independent Adviser, stated that she was a Non-Executive Director for Aberdeen Standard Fund Managers Ltd and M & G Securities Ltd which didn't cause a conflict, but she wanted to make the Committee aware of it. She was also the Independent Investment Advisor for the EA pension fund.

3 MINUTES

The minutes of the last meeting held on 26th July 2019 were agreed. It was requested

that all consultation responses to Departments of State should be seen and agreed by Members of the Committee prior to submission.

4 BUCKINGHAMSHIRE PENSION BOARD DRAFT MINUTES

Mr Mason, Chairman of the Pension Fund Board, introduced the draft minutes and highlighted that on p11, the target to issue 95% of active Scheme Members with an annual benefit statement, had been exceeded and the staff had actually achieved 97%. Mr Mason congratulated the staff within the service for achieving this figure.

RESOLVED: The Committee NOTED the Pension Fund Board minutes

5 APPOINTMENT OF AN ADJUDICATOR - LGPS DISPUTES

Ms Edwards, Pensions & Investments Manager, discussed the item with the Committee in Mr Hollis' absence. Mr Hollis, Head of Legal and Compliance, had attended the Pension Fund Committee in March 2019 to nominate employees from HB Public Law as adjudicators for Local Government Pension Scheme (LGPS) disputes. As this relationship would end on September 2019, a new Adjudicator would need to be appointed. Mr Hollis had recommended the appointment of Ms Herries-Smith of Wycombe District Council, with Ms Jayarajah from Wycombe District Council as her substitute.

A Member asked about the procedure for dealing with complaints or in the event that an appeal process arose against the Adjudicator's appointment. As they would be employed by Wycombe District Council, they would not be classed as independent. Mrs Lewis-Smith, Pensions Administration Manager, assured the Member that any dispute which progressed beyond stage 2 would go to the Pensions Ombudsman, who would be independent and impartial.

RESOLVED: The Committee AGREED the LGPS Adjudicator appointments

6 BREACHES OF THE LAW

Mrs Lewis-Smith gave an overview of the item which contained a record of all breaches of the law which had taken place between 2018 and August 2019.

- Within the administration category, as aforementioned by Mr Mason, the team had surpassed targets and achieved a substantial increase of 97% of annual benefit statements issued by the statutory deadline.
- Within the contributions category, some employers had taken over 92 days to make payments. To remedy this, the team had contacted employers and made them aware of the additional administrative costs incurred if they paid late. The figure had since reduced to about 31 days on average. There had been £253k still outstanding, which had been made up of 91 missed payments. The team would continue to chase these employers to ensure payments were received.
- It had been anticipated that the team would experience issues with late payments

in July as schools and many smaller employers, such as the parish councils, had closed for the summer period and payments often hadn't been made until they reopened. This had contributed to the figure, but as a contingency the team had worked with most of them before they incurred fines and as a result, most had only been a few days late.

- There had been one large employer who had made late payments, but they had not consistently paid late every month. Although the authority did not impose a sanction the Member asked whether this had been a consistent issue and was informed that it hadn't been. Members discussed whether this would be an opportunity investment cost, and were told by Ms Edwards that although there would be no sanction cost, a new charging structure and administration strategy had been in development and would soon be implemented.
- In response to a Member's concern that employees nearing retirement should be prioritised for receiving their annual benefits statement, Mrs Lewis-Smith assured that the team continued to liaise with employers so that they received outstanding statements, that statements would be reissued in January 2020 and that most employees coming up for retirement will have an accurate and timely statement. Ms Dobson added that in the event of a large pay-out becoming due, this becomes immediately reportable by trustees.
- When asked if other authorities imposed sanctions, Ms Dobson informed the Committee that most had threatened to but had never had to action it. Mr Preston, Head of Finance – Pensions, Investments & Projects, said that employers could be reported to the regulator but it would become a serious matter. The Chairman informed that team that they would have the support of the Committee if they were to choose to impose sanctions on persistent offenders.

RESOLVED: The Committee NOTED the report

7 ACCOUNTS AUDIT 2018/19

Ms Edwards discussed the draft accounts audit for 2018/19 with the Committee. Audit findings had previously been presented at the July Pension Fund and Regulatory and Audit Committees. There had been a few suggested changes which could be found in Appendix C of the Grant Thornton Audit Findings Report.

The final accounts hadn't changed significantly and the Auditor was no longer awaiting further information from BCC to carry out the audit, so formal auditing should have been completed by the end of September 2019. This would then be ready to go to Regulatory and Audit in November 2019. The Auditor had approved the adjustment of £38.8m from the McCloud judgement and processed the new amount.

The Chairman noted that there had still been no proposal of a final fee within the report. Ms Edwards said that the final fee would be confirmed but that there had been no active discussions or questions from the Auditor.

RESOLVED – The report was NOTED by committee

8 PENSION FUND RISK REGISTER

Ms Edwards drew the Committee's attention to the new/changed risks since the register had been last reviewed. Notably, the McCloud judgement had increased risk and the change in government legislation would have an effect on the actuarial valuation. There had been an increase in the risk of inflation, particularly within certain trading relationships within the EU and there would be increased volatility in the event of a no-deal Brexit, which would impact the Fund. To validate this point, Mr English, Investment Consultant – Mercer, informed the Committee of the recent announcement that changes would be made to the way the Retail Price Index (RPI) is calculated, however no changes were expected to be made to the Consumer Price Index (CPI).

A Member questioned whether any of the risks had been escalated from the Pension risk register to BCC's Corporate risk register and was told that none had been.

It was questioned whether the risk of public sector cuts, following the transition to a Unitary Council, should be quantified as a more significant risk due to the reduction in the number of employees, and therefore contributors to the scheme. It was agreed that this did affect future valuations and could have a large impact on income coming into the fund. Ms Dobson recommended a defensive allocation strategy if this were to occur and monitoring to see if any large contributors left the scheme or if the age spectrum of the profile changed.

A Member asked if there would be issues or extra work involved for the Pensions & Investments Team due to pay dates differing across the five authorities. Mr Preston said that contribution payment due dates would remain the same and it would be easier for the team, as there will be a smaller number of employers in the Fund. Ms Edwards told the Committee that they had been working with the Payroll team to onboard employers onto I-Connect. This would mean that employers could self-serve, some of the data transfer would be automated and data would automatically upload to the pension database.

RESOLVED: The Committee NOTED the report

9 FORWARD PLAN

RESOLVED: The committee NOTED the forward plan

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
- 12 BUCKINGHAMSHIRE PENSION BOARD CONFIDENTIAL MINUTES
- 13 ENVIRONMENTAL SOCIAL AND CORPORATE GOVERNANCE - CLIMATE CHANGE
- 14 PENSION FUND PERFORMANCE
- 15 LOW VOLATILITY EQUITIES
- 16 DATE OF NEXT MEETING

The date of the next meeting will be 25th November 2019 at 2.30pm at County Hall, Aylesbury

CHAIRMAN