



Buckinghamshire County Council

Minutes

PENSION FUND CONSULTATIVE GROUP

MINUTES OF THE MEETING OF THE PENSION FUND CONSULTATIVE GROUP HELD ON TUESDAY 11 MARCH 2008, IN MEZZANINE ROOM 3, COUNTY HALL, AYLESBURY, COMMENCING AT 10.02 AM AND CONCLUDING AT 10.50 AM.

MEMBERS PRESENT

Mr F Downes (Chairman), Mr R Atkins, Mr S Cox, Mr C Palfreyman, Ms T Pearce and Ms J Whiteley

OFFICERS PRESENT

Maureen Keyworth, Democratic Services Officer
Julie Vrondis, Pensions Manager

AGENDA ITEM

1. APOLOGIES / CHANGES IN MEMBERSHIP

Apologies were received from Jacky Eubank, Steve Mason and John McMillan.

2. MINUTES

The minutes of the meeting held on 26 October 2008 were confirmed as a true record.

3. FUND MANAGERS' PERFORMANCE REPORT

Members received a report on the performance of the Pension Fund's managers for the fourth quarter of 2007, which showed the market value of the Fund, as at 31 December 2007, as £1.284m.

The report also showed the asset allocation split by class, the value of the fund held by each fund manager and the type of mandate, and the fund managers' performance for the quarter to 31 December 2007.

The members discussed the performance of the fund managers over the last quarter and the year 2007 as a whole. The Pension Fund Committee is taking action where necessary and continues to monitor the performance of all the fund managers.

The Pension Fund is just below the top third of the performance table, and if current performance is maintained it will go higher.

The Pension Fund Committee is in the process of developing and reviewing the

strategy, and looking closely at the funding pattern in order to achieve ways of increasing return. The outcome of the review will be fed back at the April meeting of the Pension Fund Committee.

4. INDEMNITY BONDS

Members received the report of the Pensions Manager which gave a summary of the review of the indemnity bonds of the transferee admitted bodies within the Pension Fund.

Indemnity bonds are in place to protect the fund should any contract terminate early and leave a funding deficit or pension strain costs.

In the early 90's Pension Funds were buoyant and final salary schemes and contributory holidays existed. This is no longer the case and most final salary schemes have disappeared. Funding gaps are now common and when companies did experience difficulties many Pension Funds could not pick up the cost.

The LGPS allows employers meeting certain criteria to join the scheme demonstrated by the fact that this Bucks fund has over 100 employing organisations involved. In 1997 changes were introduced and it was the responsibility of the contracting authority to provide for any pension shortfalls arising if admitted companies went bankrupt. At the same time, administering authorities insisted on the requirement for a bond from any newly outsourced company. Although this bond covers the pension strain, that is only a small part of the risk. Members were referred to a table in the report showing the potential risks which can affect a Pension Fund. It was also noted that because final salary schemes are disappearing, bonds are becoming harder to get.

Because the risk relates more to the possibility of companies going bankrupt, it seemed logical to set a bond reflecting that risk. Credit scores on companies could be used as basis on which to set a bond and there are already mechanisms in place to assess such a risk. It was considered that this would be a fairer approach, particularly with regard to smaller companies.

Bond levels would be reviewed on a regular basis and a time period of three years or less was considered, dependent upon the term of the contract and the status of the Company.

5. LGPS NEW SCHEME - UPDATE

Members received a sheet giving an update on the new benefit package, compared to the current scheme. Main points of note are:

- The Pension remains at final salary
- Accrual will go up from 1/80th as at 31 March 2008, to 1/60th from 1 April 2008. However, there will be no automatic lump sum after April 2008. The lump sum accrued to 31 March 2008 will be banked until retirement is taken up.
- Retirement age remains at 65 for men and women. Under Government regulations, from 2010 the earliest age for retirement will be 55 years. However, existing scheme members will have protection under the old scheme for 2 years.
- Pensionable pay will be based on an average of the final year's pay, or an average of the best three consecutive years pay during the member's last 10 years of service, whichever is higher. Because of this change, payroll records will need to be kept.
- With regard to survival benefits, co habiting partners are now recognised.
- Death in service grant will increase from two times to three times actual salary.

Death after retirement will increase from five times pension, less any pension paid, to 10 times pension, less any pension paid.

- Additional Voluntary Contributions will remain, but not added years. However, there will be an option to buy up to £5,000 additional annual pension in steps of £250.
- Under the new Scheme there is currently a two tier ill health retirement package. However, this is likely to become three tiers after 1 April 2008.
- Contribution bands are being introduced for employees, which will average out at about 6.3%. BCC intends to review salaries on a monthly basis in order to ensure employees are paying at the correct rate.

Members noted that the Employer Training Day had been a great success with a large turnout. Those who attended agreed they felt equipped to deal with the new scheme. DVDs have been issued to all employers, on the new scheme, existing transition and new employees.

6. PENSIONS ADMINISTRATION PERFORMANCE REPORT

Members received the report of the Pensions Manager, which gave details of the work performance statistics for the last 10 months.

The following was noted:

- All correspondence and calls are logged on a work flow system. The aim is to complete the majority of queries within 10 days. The Pensions Manager was asked whether more detailed queries could be put on hold and members were informed that queries relating to transfer of previous pension fund can be put on hold, but year end tasks cannot.
- The dip in the figures for September and December may be due to movement of school employees, which may also account for the increase in the figures for October and January.

The Pension Fund Consultative group NOTED the performance statistics of the team.

7. PENSIONS ADMINISTRATION STRATEGY

Under the new Scheme, authorities have been given the discretion to prepare a pension administration strategy which would contain the authority's policies in relation to pension administration. The current policies, charters and service level agreements are detailed in the report.

The new Scheme also gives Authorities the power to charge underperforming employers for additional work. Backlogs often build up when vital information is not forthcoming from employers, such as unpaid leave, maternity leave, or the fact that an employee has left and notification has not been given. Often temporary staff have to be employed to deal with the backlog and this incurs expenses over and above the normal employer contribution. School's that outsource their payroll service fall into this category. Such additional charges would relate to employers who persistently create more work.

The Assistant Head of Finance stated that there were mechanisms in place to recover such charges. It was hoped that this would be implemented by summer 2008, but employers would be consulted prior to implementation.

The Pension Fund Consultative Group were IN FAVOUR of such a strategy being put in place.

8. DATES OF FUTURE MEETINGS

The next meetings of the Pension Fund Consultative Group are:

- Wednesday 15 October 2008 at 10.00am in the Large Dining Room, Judges Lodgings
- Thursday 19 March 2009 at 10.00am in Mezzanine Room 2

9. 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)

10. CONFIDENTIAL MINUTES

The confidential minutes of the meeting held on 26 October 2008 were confirmed as a true record.

CHAIRMAN