



# Buckinghamshire County Council

## Minutes

## *PENSION FUND CONSULTATIVE GROUP*

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**MINUTES OF THE MEETING OF THE PENSION FUND CONSULTATIVE GROUP HELD ON WEDNESDAY 15 OCTOBER 2008, IN LARGE DINING ROOM, JUDGES LODGINGS, COMMENCING AT 10.00 AM AND CONCLUDING AT 10.50 AM.**

### **MEMBERS PRESENT**

Mr F Downes, Pension Fund Committee Representative (Chairman)  
Mr S Cox, Pensioner Representative  
Mr I Frost, Milton Keynes Council  
Mr S Mason, Aylesbury Vale District Council Representative  
Mr C Palfreyman, BCC Finance Representative  
Ms T Pearce, Chiltern District Council Representative  
Ms L Turvey, Admitted Body Representative - Fremantle Trust  
Mr G Waghorn, Milton Keynes Council  
Mr I Thompson, Thames Valley Police Authority

### **OFFICERS PRESENT**

Mrs J Vrondis, Pensions Manager  
Ms A Cobban, Corporate HR Manager  
Mrs C Gray, Senior Democratic Services Officer  
Ms C Perry, Principal Pensions Officer  
Ms K Rawlings-Smith, Trainee Solicitor  
Mr C Thompson, Principal Pensions Officer

### **AGENDA ITEM**

#### **1. APOLOGIES / CHANGES IN MEMBERSHIP**

Apologies were received from Jacky Eubank and Bob Atkins (Ian Thompson attending on his behalf).

The Democratic Services Officer reported the following Changes in Membership:

Stewart Gilchrist, Milton Keynes Council – Resigned  
Ian Frost and Gary Waghorn, Milton Keynes Council – New Members  
Peter Watson, Aylesbury Vale District Council - Resigned

#### **2. MINUTES**

The minutes of the meeting held on 11 March 2008 were confirmed as a true record, subject to the figure on page 1 reading £1.284 billion and not £1 million.

### 3. FUND MANAGERS' PERFORMANCE REPORT

Members received a report on the performance of the Pension Fund's investment managers for up to the end of the second quarter of 2008, being until 30 June 2008 which showed the market value of the Fund, as at 30 June 2008, as £1.185 billion.

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 30 June 2008.

The members discussed the performance of the fund managers over the last two quarters. The Pension Fund Committee is taking action where necessary and continues to monitor the performance of all the fund managers.

Details of the third quarter will be discussed at November's meeting of the Pension Fund Committee. Members asking about the valuation of the Pension Fund were advised that the figures for March 2009 would be out in June 2009, therefore these figures would not be available for next year's budget round.

The press has recently highlighted the international turbulence in the stock market, obviously being headline news and this is also reflected in the quarter to the end of June and expecting it moreso to be reflected in the quarter to the end of September.

Pensions are of course long term investments and there is therefore no short term risk to be concerned of at the moment as the investment is managed on a twenty to twenty-five years cash flow basis. The long term prognosis was that markets were expected to recover. Members were reminded that the stock market runs in cycles and two years ago the stock market was showing its highest returns; current levels are similar to that experienced in pre 1997.

Members were referred to Table 1 on page 5 showing the market value of the Pension Fund has fallen from £1.2 billion to £1.18 billion over the second quarter. There will be a further drop in the third quarter and it is anticipated that the Fund will continue to struggle until January/February 2009.

Tables 2 and 3 are showing negative returns. It was explained that the benchmark is set depending on the stock invested in. Some managers have cut stock and some have underperformed. Meetings were held over the summer with Fund Managers to discuss the investment strategy with regard to the current economic climate and to look at how Fund Managers were performing.

A Member asked for confirmation as to the figures in Table 4 regarding Pantheon (Europe). It was confirmed that the figures for Pantheon (Europe) are misleading as it is a comparatively small pot compared to the portfolio's other Fund Managers. Table 3 shows that 1% of the Fund is minimal in the scheme of things; this time next year Members could expect up to a 5% allocation to Pantheon (Europe).

It was further asked why there were negative figures against the benchmark which had a positive return. This was due to small pots of cash doing well, but this may not apply to the whole package. The Chairman confirmed that Pantheon (Europe) are a fairly new member and investments would be increased with Fund Managers if their performance was good.

The Members were referred to paragraph 6 on page 7 of the agenda showing where Buckinghamshire County Council is ranked in comparison to other local authorities, which was 63<sup>rd</sup> percentile for second quarter of 2008. The five year average shows Buckinghamshire County Council in the 34<sup>th</sup> percentile. The Fund Managers are keen not to lose momentum and they are looking at new strategies.

Members were also referred to paragraph 12 with regard to the recent valuation. The full 2007 triennial valuation showed a funding level to 81% with an average required employer contribution of 19.2%. The funding level had only dropped 1% in the mini valuation in March 2008 which is good when looking at the larger picture. .

The Pension Fund Committee is undertaking a tender process in reviewing Fund Managers. The process so far has taken six months in accordance with the EU Procurement Regulations and the next step is deciding which Fund Managers to appoint. It is intended that the new Fund Managers will be in place by the end of January 2009.

A Member commented about the Treasury Seminar he attended where the Professor of Economics had recommended a cut in equity and investing in cash and bonds. A Member also asked whether Buckinghamshire County Council do anything similar.

Members were advised that some equity funds had been split between a property mandate and the Legal & General Bond Manager. Stocks can be picked up cheaply at the moment and deliver good returns when the market has rebounded.

The Icelandic situation was noted. Members were assured that no Pension Fund money was within that £5m. A minimal amount of Icelandic stock had been invested in by a Fund Manager which the Pension Fund is looking into, but this would have minimal impact on the Fund.

#### **4. PENSION CHARGES ON DIVORCE**

Members received the report of the Pensions Manager.

From 1 December 2000 pension providers have powers to split pensions rights as part of the matrimonial assets if a couple divorced. This required a cash transfer value to be calculated and a person is entitled to one free valuation a year. If any more are requested, pension providers can charge as there is no statutory duty to provide this information.

Appendix 1 at page 13 of the agenda shows the charges set in 2000 as recommended by the National Association of Pension Funds (NAPF). Appendix 2 are the current levels as suggested by NAPF, and Appendix 3 are the rates that the pension section propose to start charging. Members were advised that there are not a huge amount of pension sharing orders issued, maybe around ten a year. However, it is intended that a structure is put into place and reviewed annually.

A Member queried whether £1,000 is a lot of money when it comes to generating a cash transfer value. It was explained to Members that if it is a straightforward divorce then it is not a lot, but if the divorce is contested, then the costs can accrue with going back and forth between parties and solicitors.

Another Member suggested that a record was kept of work generated throughout the year to ensure that costs were covered.

**The Pension Fund Consultative Group AGREED the revised charges, which will be reviewed annually.**

#### **5. PENSIONS PERFORMANCE STATISTICS / UPDATE ON YEAR END AND ANNUAL BENEFIT STATEMENTS**

Members received the Pensions Administration Performance Report.

In the past twelve months the section has seen the implementation of the new Pension Scheme. Despite expectations, the Pensions Team did not see a significant increase in the number of queries received and this can in part be attributed to the successful communication of the changes to scheme members and employers. There has been a steady increase in the number of daily tasks being completed by the team within the 10 day turnaround set in the customer charter. In September 2008, this was down to less than 1% of total work completed, which is due to the hard work of the Pensions Team and the two trainee pension administrators nearing the completion of their training and becoming multi-functional.

A Member asked about figures relating to qualitative measurement being recorded properly and accurately. Members were advised that there were various procedures for checking the workflow. Members were also advised that the Pensions Team were in the process of redesigning their workflow procedures which would enable the team to report on a more qualitative basis. The Chairman confirmed that the next report should contain a qualitative statement.

An Officer explained that she thought the information given in the quarterly newsletters was very helpful but a lot of information comes through which is technical and not easily understood. It would be useful to have updates as to what's happening and what's coming up in plainer English.

Members were advised that the large increase in daily tasks in June 2008 could be attributed to the start of the annual year end process whereby the Pensions Section takes the annual contribution data provided by employers and calculates a pensionable pay figure on which the annual benefit statement is calculated. This process identifies where information has not been supplied by employers throughout the year i.e changes in hours, employees leaving and new starters.

A Member asked whether any changes were expected to the Pension Fund in the longer term. They were referred to the previous consultation where employees had asked that their Pension Scheme be related to final salary. However the affordability of relating it to employees final salary was quite challenging as the overall Scheme would need to generate 9% return each year and more risks would have to be taken to achieve this. New entrants to the Scheme would have to be barred from this part of the Scheme.

**The Pension Fund Consultative Group NOTED the performance statistics of the Team.**

## **6. BENCHMARKING**

Members received the CIPFA Benchmarking Club Report. Members were advised that out of 92 Administering Authorities, 53 took part which was the highest turnout so far. Each year data is supplied based on cost measures, workload measures, staff related measures and Industry Standard Performance Indicators.

Members were referred to page 28 of the agenda showing cost per member and that this was lower than the Club average. Members were also asked to note that the total members per full-time equivalent was the 2<sup>nd</sup> highest in the Club. Members then looked at the timeline and membership increase. Members were advised that the average was displayed and the figures below the benchmark show the cost is lower per member. The only year that we were higher than the average was 2003.

The Chairman asked whether there was anything different with the report. Members were advised that qualitative data is currently recorded as a scrap book showing the additional functions the team does compared to the other participating Authorities. This varies between authorities regarding communication, but overall

Buckinghamshire County Council has done very well.

Ms L Turvey enquired as to the time spent in preparing this report and how useful the information actually was. Members were advised that the report shows where Buckinghamshire County Council is in comparison to other authorities. The report is very useful and takes approximately two days to gather the information, correlate and submit.

Local authorities whose Pension Funds had been outsourced are included in the benchmarking scheme but information was restricted due to the competitive market.

A Member asked about staff qualifications within the team. Members were referred to page 40 and advised that there was a training plan for each new member of the team and this encouraged further qualification. Some staff leave to work in the private sector once qualified but in the past two years there has been little fluctuation due to the training plan and the career matrix.

## 7. DISCRETIONARY POLICIES

Members received the Discretionary Policies Report. Discretionary policies applicable under the LG Pension Scheme Regulations 2007 need to be made by each employer in the Fund. Members need to consider the local policy which is set by each employer within the Fund and fund policy which it is set as an administering authority .

There are six specific matters on which employers need to declare their local policy as below:-

### 1. Discretion of employer to increase total membership of active member

*Regulation 12 LGPS (Benefits, Membership and Contributions) Regs 2007*

Under this regulation an employer has the power to increase the membership (pensionable service) of an employee in the pension scheme by up to 10 years.

**Current BCC Policy:** BCC does not currently award augmented years

**Suggested policy:** Employers could award augmented years on a case by case basis.

**Reason for Change:** Allowing augmented years on a case by case basis would give employers more flexibility. Augmented years are fully funded by the employer at the date of award.

### 2. Discretion of employer to award additional pension

*Regulation 13 LGPS (Benefits, Membership and Contributions) Regs 2007*

This regulation gives an employer the power to award up to £5000 per year additional pension on retirement.

**Current BCC Policy:** N/A, this is a new option

**Suggested policy:** Employers could award augmented years on a case by case basis or employers could choose not make use of this regulation to award additional pension on retirement.

**Reason for Change:** Employers may prefer to award augmented years as above rather than augmented pension, it is probably easier to have just one method of increasing benefits rather two.

### 3. Discretion to permit flexible retirement

*Regulation 18 LGPS (Benefits, Membership and Contributions) Regs 2007*

This regulation enables an employer to let an employee, aged 55 or more (50 for protected members), reduce his/her hours or grade, and receive part or full payment of pension benefits under the main scheme regulations. If the employee would suffer an actuarial reduction in the pension and lump sum due to the early payment, the regulations confer a further discretion for the employer, at its own cost, to waive that reduction in any particular case.

**Current BCC Policy:** The BCC policy has been reviewed and a copy is attached

**Suggested policy:** Employers should review their policies on flexible retirement, including whether or not a waiver of actuarial reduction will be made in any case.

**Reason for Change:** The new BCC policy imposes a minimum hour/pay reduction and also stipulates a minimum period for the member to remain employed with BCC. BCC will not waive reductions.

#### **4. Discretion to permit early payment of pension**

*Regulation 30 LGPS (Benefits, Membership and Contributions) Regs 2007*

Under this regulation a member of the pension scheme aged 55 or more (50 for protected members) may apply for the early payment of their retirement benefits, subject to the consent of their employer. An application may be made by either a current employee or a former employee holding deferred benefits. This regulation gives a further discretion to the employer, at its own cost, to waive any actuarial reduction on compassionate grounds.

**Current Policy:** BCC currently assess each case on its merits, each case is signed off by the head of service and the head of finance.

**Suggested policy:** Employers could agree to an application from a current employee only in a case where it is satisfied that there is a clear business benefit, and where the employee or the service are willing to reimburse to the pension fund any costs arising from the early retirement.

Employers could grant an application from a former employee holding deferred benefits. The former employee will be expected to reimburse to the pension fund any costs arising from the early retirement. Actuarial advice confirms this will be cost neutral to the Fund.

Employers could waive any actuarial reductions that may be applicable, but this will increase any pension strain cost.

**Reason for Change:** A former employee applying for early payment of deferred benefits usually does so because of financial hardship, as such an application can be granted at no cost to the employer it would seem unreasonable not to grant the request.

#### **5. Discretion to permit late inward transfer of pension rights**

*Regulation 83 LGPS (Administration) Regs 2008*

A request to transfer pension rights in to the LGPS must be made within 12 months of joining the scheme, but this regulation allows an employer to extend that period.

**Current Policy:** All such requests are referred by pensions to the employer concerned for a decision

**Suggested policy:** Any request to transfer pension rights after the twelve month limit should be declined unless the member claims they did not get the information regarding this deadline when they commenced their employment.

**Reason for Change:** Until recently the Pensions Manager made the decision in these cases. However a case came up where a late transfer was agreed to and then the employee was made redundant; the pension strain cost was increased as a result of the transfer. All such applications are now referred to employers due to this possibility. BCC have found that they are getting a lot of requests and are finding it time consuming to look at each case, they are therefore considering declining all cases unless the person claims they did not get the pension starter pack..

## **6. Determination of questions and disputes**

*Regulation 58 LGPS (Administration) Regs 2008*

An employer must specify the job title and the address of the person to whom applications to deal with questions and disputes arising from the administration of scheme membership must be made.

**Current Policy:** In BCC such applications are made to the HR Manager, OD & HR.

**Suggested policy:** No change is suggested for BCC. Employers who have not specified the person to whom applications should be made should do so immediately.

**Reason for Change:** To comply with legislation

There are eight specific matters on which the Council needs to declare its local policy as an administering authority which are set out below:-

## **7. Making “Admission Agreements”**

*Regulations 5, 6 and 7 LGPS (Administration) Regs 2008*

An administering authority may make an “Admission Agreement” with certain other organisations, in order to admit their employees to the local LGPS fund.

**Recommended local policy:** This Council will enter into an “Admission Agreement” where this is considered appropriate. Any such case will be considered and decided by the Head of Finance.

## **8. Considering late applications to pay contributions for absence**

*Regulation 22 LGPS (Administration) Regs 2008*

A request to pay pension contributions to cover a period of unpaid leave must be made within 30 days, but this regulation allows an administering authority to extend that period.

**Recommended local policy:** Any request to pay such contributions after the 30 day limit will be considered and decided by the Pensions Manager. Such a request will be granted only if it is considered that there are significant extenuating circumstances.

## **9. Permitting regular additional pension contributions**

*Regulation 23 LGPS (Administration) Regs 2008*

A member of the local pension fund can apply to make regular additional pension contributions. In that event, this regulation permits the administering authority, if it wishes, to require a medical report from the applicant, to show that he/she is in good

health.

Recommended local policy: This Council will require such a medical report from an applicant – obtained at the applicant's cost - before allowing regular additional contributions, where the employee has declared a medical condition on their application form.

## **10. Awarding Death Grant payments**

Regulation 23 LGPS (Administration) Regs 2008

This regulation gives an administering authority absolute discretion as to the person to whom a death grant payment should be made

Recommended local policy: Decisions about the payment of death grants will be considered and made by the Pensions Manager.

## **11. Paying Child Pensions**

Regulation 26 LGPS (Administration) Regs 2008

Under this regulation, an administering authority has the discretion to treat a child's education or training as continuous, ignoring any break.

Recommended local policy: Decisions about the payment of child pensions will be considered and made by the Pensions Manager, taking into account the circumstances of each individual case.

## **12. Reclaiming additional costs arising from an employer's sub-standard performance**

Regulation 43 LGPS (Administration) Regs 2008

If an administering authority incurs extra work or other additional costs, as a result of an employer (including BCC) failing to provide necessary information as and when required, then the authority is able to recharge the employer for these costs.

Recommended local policy: This Council will make use of this regulation and will normally recharge employers (including BCC) for any additional costs incurred due to the performance of an employer.

## **13. Dealing with disputes**

Regulation 60 LGPS (Administration) Regs 2008

This regulation requires an administering authority to specify who will deal with questions and disputes arising from its role as an administering authority (these will be different from any cases arising for an employer).

Recommended local policy: In this Council Linda Forsythe, Group Solicitor, Legal Services, County Hall, Aylesbury will deal with such matters.

## **14. Reducing or suspending a retirement pension, if a pensioner starts new local government employment**

Regulation 70 LGPS (Administration) Regs 2008

The pension of an employee who retires and is subsequently re-employed in local



government may be subject to reduction or suspension. This regulation requires an administering authority to state its local policy on this issue.

This provision is not new, and the Council's policy is not to reduce or suspend pensions in such cases.

Recommended local policy: The basic pension (excluding any 'added years' element) of a pensioner who is re-employed in local government after 1 October 2006 will not be reduced or suspended.

Next steps were then clarified to the members. With regard the first six discretions, each employer must have them. Employers can either have their own or share the policies Buckinghamshire County Council have opted for. The Pensions Manager of Buckinghamshire County Council needs the copies of the augmented years policy from Members by December as it is a statutory requirement for employers to have them. A draft policy is sufficient for the Pensions Manager to check and advise on.

**The Pension Fund Consultative Group were IN FAVOUR of the changed outlined in the report.**

**8. DATE OF NEXT MEETING**

The next meeting of the Pension Fund Consultative Group will be held on Thursday 19 March 2009 at 10.00am in Mezzanine 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 4 of Part 1 of Schedule 12a of the Local Government Act 1972 because it contains information relating any consultations or negotiations, in connection with any labour relations matter arising between the Authority or a Minister of the Crown and employees of, or office holders under, the Authority.**

**10. DISCRETIONARY POLICIES**

Members noted the report which was being submitted to the Senior Appointments and Bucks Pay Award Committee on the Local Policy of the Local Government Pension Scheme.

**CHAIRMAN**