

# Minutes

## *PENSION FUND CONSULTATIVE GROUP*

**MINUTES OF THE MEETING OF THE PENSION FUND CONSULTATIVE GROUP HELD ON FRIDAY 9 OCTOBER 2009, IN MEZZANINE ROOM 2, COUNTY HALL, AYLESBURY, COMMENCING AT 10.00 AM AND CONCLUDING AT 11.10 AM.**

### **MEMBERS PRESENT**

Mr F Downes, Pension Fund Committee Representative (Chairman)  
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 M Cross, Unison Representative  
Mr I Thompson, Thames Valley Police

### **OFFICERS PRESENT**

Ms C Perry, Principal Pensions Officer  
Ms K MacDonald, Democratic Services Officer

### **AGENDA ITEM**

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

Apologies were received from Bob Atkins, Sue Burgess, Stuart Cox and John McMillan.

The Chairman reminded Members that the AGM is to be held on Thursday 15 October 2009, 10am, Green Park Conference Centre, Aston Clinton

#### **2. MINUTES**

The minutes of the meeting held on 19 March 2009 were agreed as a true record subject to the following amendment:

##### **Item 2 – Minutes**

First line should read “The minutes of the meeting held on 15 October 2008 were agreed,” not 2009 as stated.



### **3. QUARTERLY PERFORMANCE**

Members received the report of the Assistant Head of Finance, the purpose of which was to present the performance of the Pension Fund's fund managers for the second quarter of 2009.

During the three months ending 30 June 2009, the market value of the fund increased from £1,004m to £1,069m. The combined Fund achieved a gross return of 5.1% compared to its benchmark return of 6.6%, an underperformance of 1.5%. BlackRock, Blackstone, LGIM – passive and Mirabaud outperformed their benchmarks. Alliance Bernstein, Aviva Investors, Capital International, Pantheon Asia V and Pantheon Europe V, Pantheon Europe VI, Pantheon USA VII, Pantheon USA VIII and Standard Life have underperformed their benchmarks. Alliance Bernstein and Capital International are no longer Fund Managers for Buckinghamshire County Council.

The WM local authority data for the second quarter of 2009 is not yet available. After achieving a ranking of 29<sup>th</sup> for the first quarter, the Fund's annual, three years and five years rankings of 42, 38 and 45 respectively had improved compared to the previous quarter.

Underlying performance issues will be addressed when the Fund's revised Investment Strategy is implemented over the following months which has ensured flexibility is built into the process.

**The Group NOTED the Report and commented as appropriate.**

### **4. INVESTMENT STRATEGY UPDATE**

Members received the report from the Assistant Head of Finance the purpose of which was to inform Members of changes made to the Investment strategy following the OJEC tender process, where new Fund Managers were appointed and an asset transition exercise undertaken during September 2009.

Members were advised that robust discussions had been undertaken and that the Investment Strategy has increased alternative' asset types where it is believed that more value can be generated, increasing expected return without increasing risk. Global equity has increased and within the Global Equity mandates, the Investment Strategy reduces US equity exposures but increases emerging market exposures. The risk and benchmarks favourably with other LGPS funds.

Following a lengthy and intensive Fund Manager search, five new Fund Managers have been recruited. These are: Deutsche Bank, Investec, Partners Group, Royal London and Schroder. There are three Global managers who have different streams and styles, a Core Plus Bonds manager and a Private Equity Fund of Funds. By recruiting a higher number of managers than previously greater flexibility has been built into the new portfolio to enable the Fund to pre-empt and react to market conditions and manage performance more dynamically than previously. A transition manager will also be appointed.

The transition was completed on 16 September 2009 and costs were lower than expected. The new Private Equity Fund Manager has a 12 year minimum contract and will not be fully funded for the first 3-4 years. Members were informed that Legal and General, Active Bonds are no longer a Fund Manager but have been retained as a Passive Fund Manager.

A discussion took place around underperformance of Fund Managers.

The group discussed the basis of advice to not invest in UK Equity and it was commented that there was a view that the UK market was stagnating and that there was not a huge amount of value to be achieved. Conversely, it was highlighted that UK Equities can only invest in UK markets, although it was noted that many UK companies now have global exposures. In comparison Global Equities had greater flexibility as they were not prevented from investing in the UK market. Buckinghamshire has fewer bonds than some other organisations and less equity exposure.

**The Committee NOTED the Report and commented as appropriate**

## **5. DCLG CONSULTATION**

Members had received the report of the Assistant Head of Finance the purpose of which was to inform Members of the Pension Fund Administrating Authority's response to the informal consultation paper on the affordability, viability and fairness of the Local Government Pension Scheme (LGPS).

The Department for Communities and Local Government (DCLG) published the consultation on 25 June 2009 and Buckinghamshire County Council's response was received by the DCLG by the 30 September 2009 deadline.

The consultation takes the form of two papers although expected by 10 July 2009, the second paper is still yet to be published but is expected to cover benefits and administrative procedures. Due to the absence of the second paper the consultation response has led to a fragmented response which is to some extent incomplete.

Buckinghamshire County Council's response to the consultation expressed concern and disappointment that DCLG had not published the second consultation to enable a holistic reconsideration of LGPS scheme rather than taking a fragmented approach.

The authority expressed disappointment that following concerns outlined in its responses to the 2006 LGPS Reform consultation the 2008 resultant scheme did not resolve affordability issues. The view of Buckinghamshire is that the consultation focuses too heavily on the 2010 valuation. The authority supports the closer integration of the triennial valuation and Funding Strategy Statement. However Pension Fund Committees will become increasingly reliant on the robustness of actuarial methodologies. Currently, any actuarial valuation provides a funding estimation on one particular day every three years in accordance with a set of underlying assumptions which are not uniformly adopted across all LGPS funds. Small changes to the actuarial valuation can have a significant effect on contribution rates.

The consultation document suggests a move away from the 100% funding target, whilst the authority has support for the view it proposes that the 100% target is not realistic in the short term but must remain the long term goal.

The authority welcomes any acceptable proposals to increase Fund income and increasing contributions from higher paid employees is a feasible option provided remuneration will not be supplemented through alternative means.

A small reduction in contributions levels for lower paid staff is not supported, as for employees on Band 1 at the authority this would equate to approximately 80p per week which is not sufficient to encourage increased scheme membership.

In summary, the view of Buckinghamshire County Council is that more radical scheme affordability proposals need to be developed. Should significant cash shortfall be predicted the LGPS should critically review areas such as:

- Benefits for either current or future employees
- Dependant benefits and additional benefits

The second stage of the consultation is awaited which is expected to discuss benefits.

Members discussed the consultation document and raised concerns about being asked to comment in the absence of the second part of the consultation.

The Group was advised that Thames Valley Police Association had responded to the consultation and will forward Officers a copy for information.

**Members NOTED the response to the DCLG consultation and CONSIDERED what may be appropriate for a Fund Administrators Response for the second part of the consultation (yet to be published)**

## **6. CIPFA BENCHMARKING**

Members had received the CIPFA Benchmarking Club Report. Members were advised that each year data is supplied based on cost measures, workload measures, staff related measures and Industry Standard Performance Indicators. Data supplied includes the number of entrants to the scheme, early leavers, retirements and deaths; details of how calculations are processed; staffing information such as salary and pensions experience.

Members were referred to page 51 of the agenda showing cost per members and that this was lower than the Club average.

A Member referred to page 41 of the agenda in relation to the Communications to Members data and enquired if it was communicated to all Members. The Officer advised that it referred to statutory communications; usually the statutory annual benefits statements and highlighted that in Buckinghamshire some people could not receive communication by email. The Officer commented that it is a time consuming and expensive process, but that it was statutory. The Group were advised that there is a new system available, which may address these issues which the County will consider for the future.

Another Member enquired when the annual statements were due to be sent out and was informed that Officers are currently working on the statements and that in the main they should be sent out by Christmas.

The Officer was asked what the key points identified from benchmarking were and said that the total cost of Buckinghamshire's scheme is lower in comparison to other Local Authorities of similar size funds and demographic area. She highlighted that the data can also be useful for team structuring and workload.

**Members considered and commented on the summary data.**

## **7. ADMINISTRATION PERFORMANCE**

Members received the report of the Principal Pensions Officer.

Key points during June 2009 were:

- In June 2009, there were 25 new notifications of death and all initial death letters were sent out on the same day the Pensions Team was notified.
- The Pensions Team responded to 605 general queries of which 551 were responded to within the required 10 day period. The queries were generated both internally and externally.
- Of the 54 queries that were not dealt with within the 10 day turnaround, approximately half of there were as a result of responses being sent back by the relevant checker for amendment or recalculation. The remainder was due to the relatively high volume of queries.
- The Pensions Team were notified of 134 new leavers from the scheme (not including retirements), were requested to produce 122 estimates of retirement benefits (to both scheme members and scheme employers) and set up 84 new starter records.

The Officer referred Members to the graph on page 54 of the agenda and informed the Group that in April 2009 there was an increase in progress over target advising that due to a restructure the service was not able to recruit, which has distorted the figures slightly. A member of the benefits administration team was seconded into another part of the team and the benefits administration team has been one staff member short. Following the recruitment of a benefit administrator officer they will be part of the client officer team.

A Member commented that the figures for September 2008 were exceptionally high and enquired as to the reasons why September 2009 also appeared busy. The Officer advised that September is a busy month as deferred benefit assessments are sent out July/August an increase in questions are received. In addition, September follows the holiday season.

**The Group NOTED the performance statistics of the team.**

## **8. DATE OF NEXT MEETING**

The next meeting of the Pension Fund Consultative Group will be held on Thursday 11 March 2010 at 10.00am in Mezzanine Room 2.

Dates of future meetings. All meetings commence at 10.00am and will be held in Mezzanine Room 2.

14 October 2010

The Chairman asked if Members would be interested in Clive Palfreyman inviting Fund Managers to attend a future meeting. Members agreed.

**Action: Clive Palfreyman**

**CHAIRMAN**