

Minutes

PENSION FUND CONSULTATIVE GROUP

MINUTES OF THE MEETING OF THE PENSION FUND CONSULTATIVE GROUP HELD ON THURSDAY 7 APRIL 2011, IN MEZZANINE ROOM 2, COUNTY HALL, AYLESBURY, COMMENCING AT 10.02 AM AND CONCLUDING AT 10.43 AM.

MEMBERS PRESENT

Mr F Downes, Pension Fund Committee Representative (Chairman)
Mr S Cox, Pensioner Representative
Mr P Hammond, Thames Valley Police Authority
Mr S Mason, Aylesbury Vale District Council Representative
Mr J McMillan, Wycombe 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

OFFICERS PRESENT

Mr C Thompson, Principal Pensions Officer
Mrs C Lewis-Smith, Principal Pensions Officer
Mrs M Keyworth, Democratic Services Officer
Mr R Ambrose, Head of Finance and Commercial Services

AGENDA ITEM

1. APOLOGIES / CHANGES IN MEMBERSHIP

Apologies were received from Michael Chard, Sue Burgess and Jackie Eubank.

Members were informed that Richard Ambrose had been appointed as the new Head of Finance and Commercial Services in October 2010.

2. MINUTES

The minutes of the meeting held on 15 December 2010 were agreed as a true record.



INVESTOR IN PEOPLE



3. ADMINISTRATION STRATEGY AND SERVICE LEVEL AGREEMENT

The Group received the report of the Head of Finance.

Members were informed that the Pension Administration Strategy was implemented with effect from 1 June 2010 and all employers were asked to sign a revised Service Level Agreement. To date only 53 have signed up. It was noted that employers who have not submitted relevant data or replied to queries by the year end will be charged any additional administration costs, if applicable, irrespective of whether they have signed the SLA. Updated SLAs will be issued in May 2011 and the period of agreement will be extended to 31 March 2014 and re-issued every three years thereafter.

The Administration Team has sent out 15,500 annual benefit statements, which is an increase since last year.

The Pension Fund Consultative Group considered and comments on the Report.

4. ADMINISTRATION TEAM PERFORMANCE

The Group received the report of the Head of Finance detailing work performance statistics for the last 12 months to January 2011.

Members were informed that the Administration Team was turning around the work within the required time limits, with the exception of December when the number of tasks not being completed in time increased.

In the 10 month period April – January 2011, 1,300 estimates for retirement benefits were calculated and 74 new redundancy quote requests were received, all of which were dealt with within the required timescale. In the same period 2,500 new starters were set up and it was noted that the corresponding opt out rate remains at 22% to 23% which is the same for other local authorities. In January 2011, 673 queries were responded to.

The Chairman asked whether the Team would be able to cope if there was a further increase in workload. If the proposed increase in pension contributions was implemented, there may be a spike in the numbers opting out but the Team would not be put under any further pressure.

A member expressed her thanks to the Team for their timely responses.

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

5. HUTTON REVIEW

The Group received the report of the Assistant Head of Finance.

The initial report from Lord Hutton was published in October 2010, with a second report published in March 2011, outlining recommendations.

Whilst it would appear the recommendations are still lacking some detail, the key issues are that Public Service Pensions should be:

- Affordable and sustainable
- Adequate and fair
- Supporting productivity
- Transparent and simple

It was anticipated that the Government response to the Hutton Review will be published in the Autumn and may be reported to members at the October meeting of the Consultative Group.

The following was noted:

Scheme Benefits:

- A career average scheme, rather than final salary scheme would be more affordable for Pension Funds and easier to administer.
- Pension payments being increased in line with prices will not greatly benefit employers but should be more attractive to employees.
- More definition was needed with regard to the suggestion of making the Pension Scheme undesirable for future non-public sector workers to have access to public service pension schemes. It was uncertain what effect this will have regarding outsourcing and TUPE.

Governance:

- With regard to governance and the statement that each Fund should have a properly constituted, trained and competent Pension Board, it was uncertain how competence and training could be demonstrated. Most Pension Fund Committee members are not experts in this field and not necessarily fully trained, particularly those smaller organisations without adequate resources to fulfil this requirement. This will be further discussed at the May meeting of the Pension Fund Committee.
- It is recommended that data on the Pension Fund is regularly published. Information on the Bucks Pension Fund is widely available compared to other Authorities.

Implementation and Transition:

- It has been common practice for current Scheme members to remain in the existing Scheme and new members to move over to the new Scheme. It may be that Unions will not be happy if current Pension Scheme members are moved to the new Scheme.

The LGPS

- With regard to maintaining funded arrangements for the LGPS in the future, many central government schemes are unfunded. The Buckinghamshire Pension Fund has a £1.5bn fund and will continue with its investment strategy and be responsible for investments. But Hutton talks about comparison and benchmarking which would be difficult to implement because each LGPS is unique. Those in the higher percentiles are defensive in their investments and lower ones are aggressive and therefore it was uncertain how useful comparative data would be.
- Introduction of the new Scheme could be an opportunity to look at pooling expertise and contracts. This could help minimise costs.

Pension Funds can expect changes to begin before the end of Parliament and discussions will take place with employers and employees to try to satisfy all.

The changes outlined in the Hutton Review have not gone as far as expected. However, the final outcome will not be known until the government response has been received and Unions have been consulted. It was considered that this would be a more thorough scheme review than the one eventually implemented in 2008.

In the ensuing discussion, the following was noted:

- A career average scheme was expected and will benefit lower paid workers.
- The decision on unfunded schemes will be interesting and some employers will prefer this because the figures do not have to be entered into the balance sheets.
- The Review will cover the whole Scheme, including benefits. However, it is not

clear from the legal perspective how enforceable it will be.

- With regard to flexible retirement, there is a cost factor attached. It is attractive for employees but will be a concern for employers.
- It was expected that employee contributions may increase and more so for those on higher salaries. There is nothing in the report with regard to tax relief.
- Once the Government response has been received, DCLG will be instructed to start the consultation process. For BCC, consultation will take place through the Pension Fund Committee and the Pension Fund Consultative Group.

The Pension Fund Consultative Group NOTED the summary of the Hutton Review.

6. DATE OF NEXT MEETING

The next meeting of the Pension Fund Consultative Group will be held on Thursday 13 October 2011 at 10.00am in Mezzanine Room 3, County Hall, Aylesbury.

7. 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)

8. CONFIDENTIAL MINUTES

The confidential minutes of the meeting held on 15 December 2010 were agreed as a true record.

A member asked whether they would receive a copy of the tri-annual valuation. The Valuation had recently been signed off and will be emailed out shortly.

9. FUND MANAGER PERFORMANCE

The Group received the report of the Assistant Head of Finance.

The Pension Fund is in a good position with five new Fund Managers embedded and doing well. The Fund outperformed its benchmark by 0.4% for the quarter and had a return of 13.8%, representing an outperformance of 0.8% for the twelve month period.

The Pension Fund Committee will shortly be undertaking a mini investment Strategy Review but it was not anticipated there would be any fundamental changes. The Strategy will be agreed in June 2011 and it may be that asset allocations may have changed when the report is presented to the Consultative Group in October.

Discussion took place with regard to the Investment Manager Risk Table, Fund Manager asset allocation and performance, as well as annual performance.

The Pension Fund Consultative Group NOTED the performance of the Pension Fund's fund managers for the fourth quarter of 2010, ending 31 December 2010.

CHAIRMAN