



Buckinghamshire Council Pension Fund Committee

Minutes

**MINUTES OF THE MEETING OF THE PENSION FUND COMMITTEE HELD ON WEDNESDAY 5 JULY 2023
IN THE PARALYMPIC ROOM, BUCKINGHAMSHIRE COUNCIL, GATEHOUSE ROAD, AYLESBURY HP19 8FF,
COMMENCING AT 1.00 PM AND CONCLUDING AT 3.25 PM**

MEMBERS PRESENT

R Bagge, T Butcher, A Collingwood, E Gemmell and I Macpherson

OTHERS IN ATTENDANCE

E Cook, C Dobson, J Edwards, R Ellis, T English, M Passey, S Phillips and M Preston

Agenda Item

1 ELECTION OF CHAIRMAN

RESOLVED:

That Councillor Timothy Butcher be elected Chairman of the Pension Fund Committee for the ensuing year.

2 APPOINTMENT OF VICE-CHAIRMAN

RESOLVED:

That Councillor Ralph Bagge be elected Vice-Chairman of the Pension Fund Committee for the ensuing year.

3 APOLOGIES FOR ABSENCE

Apologies for absence were received from Cllr P Marland and Cllr M Walsh.

Action: Email to be sent from the Chairman to Matthew Barber regarding representation on the Committee.

4 DECLARATIONS OF INTEREST

There were no declarations of interest.

5 MINUTES OF THE LAST MEETING

RESOLVED:

That the Minutes of the Meeting of the Pension Fund Committee held on 21 March 2023 were agreed as a correct record.

6 BUCKINGHAMSHIRE PENSION FUND BOARD DRAFT MINUTES

RESOLVED:

That the Minutes of the Buckinghamshire Pension Fund Board meeting held on 29 March 2023 be noted.

7 AUDIT OF 2020/21 ACCOUNTS

The Chairman agreed to take this item before the item entitled 'Audit of 2021/22 Accounts'.

Grant Thornton presented the audited Statement of Accounts for Buckinghamshire Pension Fund for the year ended 31 March 2021 to the Committee.

The audited Statement of Accounts for the Buckinghamshire Pension Fund for the year ended 31 March 2021 was attached as Appendix 1. The Buckinghamshire Pension Fund Accounts and Net Assets Statement showed that in the year to 31 March 2021 the value of the Pension Fund increased by £725m to £3.638bn. This was the net result of the contributions made (£177m) including transfers in from other pension schemes, employers' contributions and employees' contributions; payments out £140m including pensions, commutations, lump sum retirement benefit and death benefits; management expenses £18m plus net returns on investments (£725m).

The draft Audit Findings Report for the Buckinghamshire Pension Fund for the year ended 31 March 2021 was attached as Appendix 2. Grant Thornton had substantially completed the audit and they had not identified any adjustments to the financial statements that impact the Buckinghamshire Pension Fund's net asset position. Grant Thornton anticipated issuing an unqualified audit report opinion. The formal sign off for the Pension Fund Statement of Accounts would take place at the same time as the formal sign off for Buckinghamshire Council's Statement of Accounts which was anticipated to be during 2023. On the morning of the 5 July 2023, the Audit and Governance Committee approved the Buckinghamshire Pension Fund Statement of Accounts 2020/21 and delegated final sign off of the Statement of Accounts to the Chairman of Audit and Governance Committee and the S151 Officer subject to:

- No material changes in the accounts.
- Final sign off by the external auditors of Buckinghamshire Council accounts 2020/21.
- And, subject to the Pension Fund Committee endorsing management's proposed treatment of not adjusting the Statement of Accounts to reflect the potential £8.939m overstatement.

- Most of the audit work took place during the summer of 2021. The audited accounts and the draft Audit Findings Report were presented to Pension Fund Committee and the Audit and Governance Committee on 9 September 2021 and 29th September 2021 respectively. Since September 2021 there had been some further work undertaken on Level 2 investments and further review of the audit working papers following a change of Audit Director. Level 2 investments were investments where quoted market prices were not available, the Financial Reporting Council (FRC) introduced additional audit requirements in 2022.

- The Committee noted the three main changes to the draft Audit Findings Report considered by Committee in September 2021:

- Page 10 significant judgement or estimate Level 2 investments £3,410m. The Buckinghamshire Pension Fund had investments in a range of bonds, pooled investment vehicles and property unit trusts that in total were valued in the net assets statement as at 31 March 2021 at £3,410m. Grant Thornton's testing identified an overstatement of

£2.21m in the value of the Brunel Smaller Companies fund as a result of differences in the share price used by Buckinghamshire Pension Fund and the share price recorded on FT.com. Grant Thornton estimated the potential error in the untested residual population as an overstatement of £6.72m, giving a total overstatement of £8.939m which had been recorded as an unadjusted error. On the morning of 5th July 2023, the Audit and Governance Committee agreed to approve management's proposed treatment of not adjusting the Statement of Accounts to reflect the £8.939m overstatement, subject to the Pension Fund Committee endorsing this approach.

- Page 23 reclassification of cash in the current and prior period – in note 12, pages 22, 24 and 25 of the Buckinghamshire Pension Fund Statement of Accounts the Fund was erroneously classifying cash held in money market funds as a financial asset at amortised cost.
- Page 26 Note 3 – Contributions– a footnote was added to explain the increase in employee contributions to note 3, pages 13 of the Buckinghamshire Pension Fund Statement of Accounts.

Grant Thornton confirmed that once the Statement of Accounts had been formally signed off, there would be no more changes made to the accounts.

With regard to the £8.939m overstatement, the Committee agreed to endorse management's proposed approach of not adjusting the Statement of Accounts to reflect the overstatement.

Having reviewed the audited Statement of Accounts for Buckinghamshire Pension Fund for the year ended 31 March 2021, the Committee: -

RESOLVED:

That the audited Statement of Accounts for Buckinghamshire Pension Fund for the year ended 31 March 2021 be noted.

8 AUDIT OF 2021/22 ACCOUNTS

Grant Thornton presented the audited Statement of Accounts for Buckinghamshire Pension Fund for the year ended 31 March 2022 to the Committee.

The audited Statement of Accounts for the Buckinghamshire Pension Fund for the year ended 31 March 2022 was attached as Appendix 1. The Pension Fund Accounts and Net Assets Statement showed that in the year to 31 March 2022 the value of the Pension Fund increased by £275m to £3.913bn. This was the net result of the contributions made (£169m) including transfers in from other pension schemes, employers' and employees' contributions; payments out £144m including pensions, commutations, lump sum retirement benefit and death benefits; management expenses £17m plus net returns on investments (£268m).

The draft Audit Findings Report for the Buckinghamshire Pension Fund for the year ended 31 March 2022 was attached as Appendix 2. The audit work was completed remotely by Grant Thornton. Grant Thornton's work was substantially complete and they had not identified any adjustments to the financial statements that impact on the Pension Fund's reported financial position.

The formal sign off for the Pension Fund accounts would take place at the same time as the formal sign off for Buckinghamshire Council's accounts, which was anticipated to be during 2024. On 10 May 2023, the Audit and Governance Committee approved the Buckinghamshire Pension Fund Statement of Accounts 2021/22 and delegated final sign off of the Statement of

Accounts to the Chairman of Audit and Governance Committee and the S151 Officer subject to:

- No material changes in the accounts.
- Final sign off by the external auditors of Buckinghamshire Council accounts 2021/22.
- And, subject to the Pension Fund Committee endorsing management's proposed treatment of not adjusting the Statement of Accounts to reflect the £2.623m overstatement.

The Committee noted the four recommendations which had been identified because of issues identified during the audit. Details of the issues and risks and recommendations were documented on pages 19 to 21 of the Audit Findings Report. The management response to the draft Audit Findings Report for the Buckinghamshire Pension Fund for the year ended 31 March 2022 was attached as Appendix 3.

The investment management expenses were recognised in the Statement of Accounts by journaling the total investment management expenses for each portfolio less the investment management expenses recognised in the Statement of Accounts from the custodian investment accounting information. A formula had been overwritten with a hard coded amount which resulted in an error in the investment management fees of £452k.

The audit work identified an issue in respect of the valuation of Level 3 investments. The 31 March 2022 value in the accounts was overstated by £2.623m compared to the value in the 31 March 2022 capital statements. The capital statements were provided by the investment managers quarterly in arrears. The 31 March value in the accounts was based on the previous 31 December valuation adjusted for any payments to the fund or distributions received. There would always be a difference, but the 31 March 2022 difference was greater than usual reflecting the impact of the war in Ukraine on asset valuations. Although a large monetary amount, the £2.623m represented 0.07% of the Pension Fund net asset value and therefore management had proposed not adjusting the Statement of Accounts since the amount was not material. The Audit and Governance Committee agreed to approve management's proposed treatment of not adjusting the Statement of Accounts to reflect the £2.623m overstatement, subject to the Pension Fund Committee endorsing this approach.

A member of the Committee questioned why the 31 March 2022 value in the accounts was based on the 31 December 2021 valuation and asked whether the valuation dates could be aligned in the future to ensure more accuracy. In response, Grant Thornton explained that this was unavoidable as the Pension Fund's accounts need to be prepared before the end of year figures become available. This was the same for all Pension Funds. The Statement of Accounts would only be adjusted if the difference in the amount was deemed to be material.

Having considered the issue of the £2.623m overstatement, the Committee agreed to endorse management's proposed approach of not adjusting the Statement of Accounts.

Grant Thornton confirmed that the 2021/22 Statement of Accounts had been updated to reflect the changes made to the 2020/21 Statement of Accounts.

Having reviewed the audited Statement of Accounts for Buckinghamshire Pension Fund for the year ended 31 March 2022, the Committee: -

RESOLVED:

That the audited Statement of Accounts for Buckinghamshire Pension Fund for the year ended 31 March 2022 be noted.

9 DRAFT PENSION FUND ACCOUNTS 2022/23

The Committee received a report which contained the draft unaudited Statement of Accounts for the Buckinghamshire Pension Fund for the year ended 31 March 2023 and held a discussion on their contents.

The Pension Fund Accounts and Net Assets Statement showed that in the year to 31 March 2023 the value of the Pension Fund decreased by £171m to £3.742bn. This was the net result of the contributions made (£189m) including transfers in from other pension schemes, employers' and employees' contributions; payments out £150m including pensions, commutations, lump sum retirement benefit and death benefits; management expenses £22m plus net returns on investments £189m.

The audit of the draft Statement of Accounts for Buckinghamshire Pension Fund would commence remotely by Grant Thornton on 1 August 2023. A further report, incorporating the findings of Grant Thornton would be brought to this Committee at a future meeting. The finalised Statement of Accounts would be approved by the Chairman of the Audit and Governance Committee and the Section 151 Officer following the audit and consideration of the auditor's report at the Audit and Governance Committee. The formal sign off for the Buckinghamshire Pension Fund Statement of Accounts for the year ended 31 March 2023 would take place at the same time as the formal sign off for Buckinghamshire Council accounts, which was anticipated to be during 2024.

With regard to Note 17 of the accounts, which set out the Actuarial Position of the Fund, the Committee were pleased to note that on 31 March 2022, the market value of the assets held were £3.91bn, sufficient to cover 104% of the accrued liabilities assessed on an ongoing basis.

The Committee thanked Buckinghamshire Council officers for their hard work in preparing the accounts.

Having reviewed the draft Statement of Accounts for Buckinghamshire Pension Fund for the year ended 31 March 2023, the Committee: -

RESOLVED:

That the draft Statement of Accounts for Buckinghamshire Pension Fund for the year ended 31 March 2023 be noted.

10 FORWARD PLAN

RESOLVED:

That the Forward Plan be noted.

11 EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED:

That the press and public be excluded for the following items as they were exempt by virtue of Paragraph 3 of Part 1 of Schedule 12a of the Local Government Act 1972 because they contained information relating to the financial or business affairs of any particular person (including the authority holding that information).

12 CONFIDENTIAL MINUTES OF THE LAST MEETING

RESOLVED:

That the confidential minutes of the Buckinghamshire Pension Fund Committee held on 21 March, be approved as a correct record.

13 BUCKINGHAMSHIRE PENSION FUND BOARD CONFIDENTIAL DRAFT MINUTES

RESOLVED:

That the confidential minutes of the Buckinghamshire Pension Fund Board meeting held on 29 March 2023, be noted.

14 PENSION FUND PERFORMANCE

The Committee received the report from the Pensions and Investments Manager.

RESOLVED:

That the investment performance of the Pension Fund for the first quarter of 2023 ending 31 March 2023 be noted.

15 INVESTMENT STRATEGY

The Committee considered the further remodelling which had been requested at the last Committee meeting.

RESOLVED:

That the alternative 1a strategy be approved, with the objective to organise the sale and purchase of stocks and assets as soon as possible in order to achieve the % allocation as set out in the alternative 1a strategy.

16 CLIMATE SCENARIO ANALYSIS

Mercer's Climate Scenario Analysis report was presented to the Committee.

RESOLVED:

That the report be noted and that the next steps set out in the confidential minutes be undertaken.

17 DATE OF THE NEXT MEETING

27 September 2023 at 2pm