

## **Minutes of the Pension Fund Investment Board held on 21 May 2012**

### **Present:**

#### **Members**

Councillors John Appleton, Chris Davis, Jim Foster, and Brian Moss

#### **Officers**

Dave Abbott, Democratic Services Officer  
John Betts, Head of Corporate Finance  
Neil Buxton, Pensions Services Manager  
John Galbraith, Senior Solicitor, Employment Team  
Andrew Lovegrove, Group Accountant  
Phil Triggs, Treasury and Pensions Group Manager

#### **Invitees**

Peter Jones, Independent Adviser  
John Wright, Adviser, Hymans Robertson

No members of the public attended the meeting.

### **1. General**

#### **(1) Election of the Chair and Vice Chair**

Councillor Brian Moss, seconded by Councillor John Appleton, proposed and it was unanimously resolved that Councillor Chris Davis take the position of Chair of the Pension Fund Investment Board.

Councillor Jim Foster, seconded by Councillor Brian Moss, proposed and it was unanimously resolved that Councillor John Appleton take the position of Vice Chair of the Pension Fund Investment Board.

#### **(2) Apologies**

None.

#### **(3) Members' Declarations of Personal and Prejudicial Interests**

Councillors Chris Davis and John Appleton both declared personal interests as members of the Local Government Pension Scheme.

Councillor Jim Foster declared a personal interest in relation to Item 3 as Governor of a sixth form college in Nuneaton.

#### **(4) Minutes of the previous meeting and matters**

##### Collection of overseas dividends

Phil Triggs informed the Board that this issue only affects only the MFS global equities portfolio and assured members that although the receipt process can take time, any income is accrued at the point it becomes payable.

##### Investments

Councillor John Appleton requested a statement of income earned by each of the Warwickshire Pension Fund's investments so the Board can judge how well each of the fund managers are performing.

Phil Triggs said he would action this request with a schedule due for consideration later in the meeting.  
The minutes were agreed as a true record and were signed by the Chair.

## **2. Investment Performance**

Phil Triggs presented the report and the following points were noted:

- The fund value at the time of the report was just over £1.2bn.
- Overall, the fund had out-performed the benchmark by 0.58% and there was out-performance in eight asset classes.
- During the quarter, MFS, State Street, Threadneedle (UK Equities) and Legal and General (Global Equities), Legal and General (Fixed Interest), and Blackstone out-performed their benchmarks.

Peter Jones, referring to Table 5 in the report, thought that the property performance was giving cause for concern and should be monitored more closely. Property is due for review this year with a visit by the managers at the next meeting.

### **Resolved**

That the Board note the fund value and investment performance for the fourth quarter in 2011/12 to 31 March 2012.

## **3. Academies and the LGPS**

Neil Buxton presented the report and the following points were noted:

- Warwickshire currently has 20 Academies
- The average contribution rate is 17.4%
- 966 individual members have been transferred over and more will follow in September.
- Some schools have dropped out from Academy status – partly because of concerns about pension issues.
- The Secretary of State issued further guidance about pooling that was received the morning of the Board meeting – in short; funds can choose whether to pool or not. A detailed report on the guidance will be presented at next meeting.

John Betts advised the Board that this is a fast moving area and members need to be clear about their roles as trustees of the pension fund. Warwickshire County Council shouldn't be seen as cross-subsidising Academy schools.

### **Resolved**

That the Board note the update concerning academies in the Warwickshire Pension Fund.

## **4. Business Plan Outcome 2011/12**

The report was presented by Phil Triggs and the following points were noted:

### **Administration**

Councillors asked for clarity on the roles of the Pension Fund Investment Board and the Staff and Pensions Board with regards to administration issues.

Councillor John Appleton noted that he had received two P60s, one for pensions and one for salary, but both identical - there was no mention of 'pensions' anywhere on the document.

Neil Buxton agreed to talk to the payroll team to resolve the issue.

Councillors commented that hard copies of papers often arrive very close to the meeting dates. Officers said this would be resolved.

The Chair congratulated Phil Triggs and the Treasury and Pensions team for being short-listed for Fund of the Year.

### **Communication**

Information on the Hutton reforms is expected this week. The communications team is ready with press releases and information to go out as soon as announcements are made.

### **Decision making process**

Members felt they had enough knowledge, through training and expert advice from Hymans Robertson and Peter Jones, to take the important decisions required of them.

It was felt that the Consultative Board structure wasn't very effective – District and Borough members rarely turned up to meetings. There are also training issues – co-opted members often aren't given the appropriate level of training.

### **Myners report**

Phil Triggs agreed to arrange for Manifest to attend the next meeting to talk about how they look after the pension fund's voting interests.

### **UN principles for responsible investment**

There had been a report on this issue in previous years. Phil Triggs agreed to circulate the report to members after the meeting.

### **Financial and Risk Management**

Councillor John Appleton said that risk management needed to be more of a focus.

Councillors also had concerns about demographic risks and the difficulties in making decisions in the current financial environment.

### **Resolved**

That the Board note the progress made with regard to the Pension Fund Business Plan objectives for 2011/12.

## **5. CIPFA Pension Fund Knowledge and Skills Framework**

Phil Triggs presented the report and the following points were noted:

- Investment opportunities for pension funds are becoming increasingly complex and require a broad range of knowledge for informed

decision making. The CIPFA framework is a tool to determine member's knowledge levels and identify areas for improvement.

- There are 2 parts to the framework – the first part is a paper based training self assessment that officers can use to identify common areas for training. The second part is an online repository of information with areas tailored towards either members or officers.
- There are no associated timescales or targets. It is designed to be used according to individual member's needs.

Councillors welcomed the CIPFA training framework – and commented that it would be particularly useful for any new members of the Board.

Councillors asked if there was any equivalent that was cheaper or free. John Wright assured members that the costs were per fund and relatively modest.

John Wright said that Hymans Robertson could provide 1 hour training sessions before meetings.

Councillor John Appleton asked that, where possible, training was relevant to items on that meeting's agenda.

#### **Resolved**

That the Pension Fund Investment Board adopt the CIPFA Knowledge and Skills Framework to identify skills and learning requirements, with the stipulation that there is a review in 12 months time and elements of training are attached to the Board's regular meetings.

### **6. Clifton-on-Dunsmore Parish Council**

This report notified the Board that Clifton-on-Dunsmore Parish Council has passed a resolution for the parish clerk to have access to the Local Government Pension Scheme administered by Warwickshire County Council.

#### **Resolved**

That the Pension Fund Investment Board note that Clifton-on-Dunsmore Parish Council has passed a resolution to become a scheduled body member of the Warwickshire Pension Fund.

### **7. Directions Order**

Neil Buxton presented the report and the following points were noted:

- Usually when employees are transferred from the public sector to the private sector through outsourcing there is an element of pensions protection. However, support staff at Academy schools (catering, cleaning, finance, IT, HR etc.) are not provided with that same protection.
- If an Academy brings a service in-house, or the County Council wins the contract, then staff would be protected but otherwise, they wouldn't be.

#### **Resolved**

That the Board note that support-staff at academies are not protected with regard to LGPS membership if their service is outsourced to a private contractor.

## **8. Update on the Fund Manager Appointment Process**

Phil Triggs presented the report and the following points were noted:

Hymans Robertson have produced a list of approved managers and detailed questionnaires have been sent out to them.

De-risking

John Wright advised members that previous advice to further de-risk the fund, while being correct at the time it was given, was no longer true because the fund level has fallen. The fund should maintain weight in growth assets.

A further update will be provided at the next meeting.

## **9. Future Risks Facing the Warwickshire Pension Fund**

Phil Triggs presented the report and the following points were noted:

### **Longevity Risk**

- There is a demographic risk – the number of people of pensionable age relying on the fund will increase. The use of longevity swaps is one option to mitigate this risk. The Hutton reforms have also helped considerably, with the retirement age being linked to the State Pension Age.

### **Fund Maturity Risk Including Opt-outs and Outsourcing**

- The makeup of the fund will evolve over time as the public sector gets smaller and the Council moves towards more outsourcing of services. The number of contributors to the fund will fall.
- Over the long term it is likely that the Local Government Pension Scheme will move towards the characteristics of the private sector with regards to member age and less risky assets within fund portfolios.

### **Inflation Risk**

- Inflation is an ongoing risk while the low interest environment persists. The Consumer Price Index has been on a reducing trend after reaching record highs at the end of 2011 / beginning of 2012. This risk can be counteracted with investment into property and index-linked bonds.
- Insurance schemes are another option but they can be very expensive.

### **Risk of Employers Ceasing to Exist**

- To mitigate this risk a one-size-fits-all investment strategy for all employer bodies may not be appropriate in future. Short term employers could be put into a low risk fund that wouldn't be exposed to the volatility in equities, for example.

John Appleton requested to see an example of the report or questionnaire that would be submitted to employers to assess their finances. Officers agreed to check with the contracts team and report back to the Board.

Councillor John Appleton also asked why, in reference to the Legal and General report, the actual value of gilts and bonds was so far ahead of the benchmark. Phil Triggs agreed to check and report back to the Board.

**Resolved**

That the Board note the report and consider any measures conducive to relieving the current risks and pressures pertaining to the Pension Fund.

**10. SAS70 Fund Manager Control Documents**

Phil Triggs presented the report informing the Board of the requirement for trustees to be aware of, and comment on, SAS70 Fund Manager Documents which provide guidance to auditors when assessing the internal controls of a service organisation and issuing a service auditor's report.

**Resolved**

That the Board note the requirement for trustees to be aware of and comment on SAS70 Fund Manager Control Documents.

**11. Any Other Items**

None.

The Board rose at 13:05pm

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Chair