

Minutes of the Pension Fund Investment Board held on 13 February 2012

Present:

Councillors

John Appleton, Chris Davis (Chair), Jim Foster, Brian Moss, and David Wright

Officers

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

Invitees

Peter Jones, Independent Adviser
Paul Potter, Adviser, Hymans Robertson
Simon Brazier, Head of UK Equities, Threadneedle
Leigh Harrison, Head of Equities, Threadneedle
Andy Wiggins, Client Relationship Director, Threadneedle

1. General

(1) Apologies

None.

(2) Members Declarations of Personal and Prejudicial Interests

Councillor Jim Foster declared a personal interest in relation to item 7 as Governor of a sixth form college in Nuneaton.

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

Councillor John Appleton declared a personal interest as a resident of Priors Marston.

(3) Minutes of the previous meeting and matters arising

The minutes were agreed as a true record and signed by the Chair.

Matters Arising - Income Contributions (page 1 of 6)

Phil Triggs handed out a sheet that set out income contributions from employers and employees.

The Chair asked for a breakdown of the years 2009/10 and 2010/11 to be brought to the next meeting of the Board.

Matters Arising - Dividend payments (page 4 of 6)

Phil Triggs informed the Board that he has consulted with the Bank of New York Mellon and they have confirmed that the issue is with the collection of overseas dividends.

(4) Chair's Announcements

The Chair, on behalf of the Board, congratulated Phil Triggs for winning Local Government Chronicle Finance Officer of the Year 2011.

2. Investment Performance

Phil Triggs presented the report and noted that the fund value at 31 December 2011 was £1.14bn, showing a slight improvement from the position reported at the previous meeting, due to a small recovery in the markets.

Resolved

That the Board noted the fund value and investment performance for the third quarter in 2011/12 to 31 December 2011.

3. Global Custodian Key Performance Indicators

Phil Triggs presented the report summarising the results of the Fund's custodian, Bank of New York Mellon and noted that all performance indicators were fine, apart from the collection of dividend payments, due to difficulties around collecting overseas dividends.

Following a request from Councillors, Phil Triggs agreed to make further enquiries about the ages of outstanding dividends.

Resolved

That the Board noted the Global Custodian performance for the period 1 October to 31 December 2011.

4. Business Plan for 2012/13

Phil Triggs presented the report of the Business Plan and Actions for 2012/13.

Neil Buxton highlighted the issue of auto-enrollment and said it will be a major administration issue for employers. The Treasury and Pensions department are currently looking at how they can best support employers.

Resolved

That the Board approved the Warwickshire County Council Pension Fund Business Plan for 2012/13 as set out in **Appendix A**.

4.5 Presentation from Threadneedle Investments

Leigh Harrison, Head of Equities at Threadneedle, informed the Board that Simon Brazier, Head of UK Equities at Threadneedle, has taken over as lead manager on the Warwickshire County Council Pension Fund account.

Simon Brazier made a presentation to the Board and the following points were noted:

- Running pension fund money is at the heart of what Threadneedle do.
- Threadneedle aim to outperform the FTSE All Share index by 1.5% per annum over rolling three year periods.
- Over the past 3 years the numbers have been disappointing but the new team is focused on delivering good results.
- Threadneedle have the ability to find good companies to grow in a difficult environment.

The Chair thanked the team from Threadneedle Investments for their presentation.

5. **Review of Pension Fund Risk Management**

Phil Triggs presented the report about the Register of Risks. Risks that have been upgraded include the risk of falling active payrolls, the risk of structural change, and the risk of legislative change (e.g. Hutton).

Councillors discussed the item and the following points were noted:

- WCC has to encourage people to stay in the pension scheme longer.
- We have to do a better job of reminding employees of the benefits of staying in the scheme.
- The more publicity we give to the scheme the better.

Officers noted that 76% of eligible members at WCC are members of the pension scheme which, compared to the national average, is a good number. The majority of opt-outs are due to short term financial reasons.

Resolved

Members approved the Register of Risks in **Appendix A**, and approved the process by which the register was compiled, with the following addition:

The cash-flow element of the fund should be a separate, short-term liquidity risk.

6. **The Future of the Local Government Pension Scheme**

Phil Triggs presented the report concerning the future of the Local Government Pension Scheme.

Resolved

That the Board noted and approved the report informing members of a recent communication issued by the Secretary of State for the Department for Communities and Local Government, concerning a Heads of Agreement signed jointly by the local government trades unions and the Local Government Association.

7. **Academies and the Local Government Pension Scheme**

Phil Triggs presented the report regarding the Government's preferred approach as regards to how local authority employers and LGPS administering authorities should deal with the actuarial assessment of the employer contribution rate for academies.

Warwickshire County Council have assumed a deficit recovery period of 19 years, the same as all other bodies.

The Chair requested a follow up report to be brought to the next meeting of the Board.

Resolved

1. That the Board noted the joint release issued by the Secretaries of State for Education and Communities and Local Government reference preferences as to how Local Government Pension Scheme (LGPS) administering authorities and employers should be treating the funding of pensions liabilities for academies.
2. That, pending publication of future academy guidance, the authority continue with its current approach, i.e., allocating the academy's share of assets at date set up and assuming the 2010 actuarial assumptions, setting initial contribution rates at date set up, (again assuming 2010 actuarial assumptions), applying the fund 19-year deficit recovery period, and applying the full employer contribution rate with no stepped phases.

8. Administration Charges

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

- The administration charge for the fund was £1.5m.
- 30 new employers were added to the scheme and that has led to an additional administrative burden.
- The majority of administration for new employers is at the set-up stage.
- New employers aren't having a significant impact day-to-day but if all schools became Academies and joined the scheme there would have to be a re-evaluation.

Resolved

That the Board approved the report, informing members of how administration charges are charged to the Fund and how the additional burden of the increase in scheme employers can be mitigated.

9. Treasury and Pensions: Customer Service Accreditation

Neil Buxton presented the report about how the Treasury & Pensions Group achieved the Customer Service Excellence Accreditation.

Councillor Jim Foster asked if the service receives much feedback from members of the scheme.

Neil Buxton responded:

- There have been 4 complaints this year, mostly due to changes of address that weren't properly updated.
- Treasury and Pensions conduct online surveys and receive good feedback.
- 1 member of staff was shortlisted for the GEM awards (an internal award celebrating excellence).

Resolved

That the Pension Board noted the report and congratulated officers Lisa Webb and Linda Radley for their project management in achieving the accreditation.

10. Reports Containing Confidential or Exempt Information

Resolved

That members of the public be excluded from the meeting for the items mentioned below on the grounds that their presence would involve the disclosure of exempt information as defined in paragraph 1 of Schedule 12A of the Local Government Act 1972.

1(3) Minutes of the Previous Meeting and Matters Arising – Exempt

11. Implementing New Investment Arrangements

Phil Triggs presented the report considering the conclusions from the review of the Fund's investment arrangements approved at the last meeting of the Board on 14 November 2011.

12. Any other Items

None.

The Board rose at 13:20pm

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Chair