

## **Minutes of the Pension Fund Investment Sub-Committee meeting held on 11 November 2013**

### **Present:**

#### **Members**

Councillors John Appleton, Bill Gifford, John Horner, and Brian Moss

#### **Officers**

Sally Baxter, Democratic Services Officer

John Betts, Head of Service, Finance

Neil Buxton, Pensions Services Manager

Mathew Dawson, Treasury and Pension Fund Manager

John Galbraith, Senior Solicitor, Employment Team

Andrew Lovegrove, Head of Corporate Financial Services

Vicki Forrester, Principal Accountant

#### **Invitees**

Peter Jones, Independent Investment Advisor

Paul Potter, Investment Advisor, Hymans Robertson

Richard Warden, Actuary, Hymans Robertson

### **1. General**

#### **(1) Apologies**

Apologies were received from Councillors Sara Doughty and Peter Morson.

#### **(2) Disclosures**

Councillor John Appleton declared a non-pecuniary interest as a member of the Local Government Pension Scheme.

#### **(3) Minutes of the previous meeting**

The minutes of the meeting held on 29 July 2013 were agreed as a true record.

### **2. Investment Performance**

2.1 Mathew Dawson, Treasury and Pensions Group Manager, presented the report and informed members that the fund's value was £1,403.6M at 30 September 2013, an increase of 2.9% on the previous quarter.

2.2 The performance of the Fund Asset Allocation Private Equity was reported to be closer to 1% than the 5% benchmark. Work would be undertaken in partnership with Hymans Robertson in early 2014 to identify funds for investment.

2.3 In response to a question from Councillor John Appleton (Chairman), Mathew Dawson explained that due to the long term nature of investment, it was difficult to assess performance with regards to cash allocation.

2.4 Performance by Fund Manager was reported to be strong, with all Fund Manger's outperforming the cash base benchmark.

2.4 Peter Jones noted that performance across all managers was very encouraging with all different elements working well.

## **2.5 Resolved**

1. That the Pension Fund Investment Sub-Committee noted the fund value and investment performance for the second quarter in 2013/14 to 30 September 2013.

## **3. Warwickshire County Council Pension Fund Admissions and Termination Policy**

- 3.1 Neil Buxton, Pensions Manager, explained to the Committee the key points of the Warwickshire County Council Pension Fund Admissions and Termination Policy in particular, cessation payments that would be paid should a Fund employer decide to withdraw from the pension scheme.
- 3.2 The Committee was advised that a review of the policy should be undertaken to ensure that in the event of the closure of a fund employer, a robust method and calculation of any cessation payment, if appropriate, could be formulated.
- 3.3 It was acknowledged that in light of the announcement from the Secretary of State for Education regarding the willingness of the Government to act as Guarantor in the event an Academy should close, it was pertinent to look at the Policy and make provision for the event that this should fail. It was suggested that two pools of funds be established, one especially for Education to minimise the impact on other policy holders.
- 3.4 In response to questions from the Committee, Neil Buxton explained the possible effect it would have on the Council if an Academy should fail. He clarified that pooling funds was in accordance with Government guidance and the Pension Fund Investment Sub Committee would review the approach in future.
- 3.5 A detailed discussion ensued about the proposed draft policy for employers leaving the fund and the importance of due diligence. Richard Warden, Hymans Robertson, highlighted the importance of reviewing the policy now to incorporate new guidance.

### **3.6.1 Resolved**

1. That the Committee approve the amendments to the Admissions and Termination at Appendix b.

## **4. Auto Enrolment**

- 4.1 Neil Buxton, Pensions Manager, explained that in response to Government legislation, Warwickshire County Council's Local Government Pension Scheme (LGPS) would operate a Staging Date for employees that were eligible for membership of the LGPS but not members of the pension Scheme. Automatic enrolment would take place under the provisions of Automatic Enrolment.
- 4.2 The Staging Date was 1 May 2013 and enrolled employees had a time frame of three months to opt out of the pension scheme. It was believed that of the 1108 employees auto enrolled by the County Council, 729 employees had opted to stay in the pension scheme. This was a reported increase of 600 contributing members from 31 July 2013 to 31 July 2012.

#### **4.3 Resolved**

1. The Pension Fund Investment Sub Committee noted the impact of membership numbers.

#### **5. Stratford Civic Centre**

5.1 Neil Buxton, Pensions Manager, asked the Committee to consider the application by Stratford Civic Centre for admitted body status with the Warwickshire Pension Fund. Four employees and members of the Local government Scheme were scheduled to transfer to a new employer, sponsored by the Town Trust, from 1 January 2014

5.2 Although the application did not satisfy the current policy of at least 10 members for admission to the Pension Fund, the sub Committee had in the past made exceptions so as to protect membership rights of current members. In light of this, the Actuary had been consulted and had calculated a contribution rate of 22.4% for the Civic Centre and a Bond surety of £62,000 in the event of a foreclosure. In addition, the Town Trust would be required to act as a guarantor in case there are any unfunded liabilities on foreclosure.

5.3 John Galbraith, Senior Solicitor, and Andrew Lovegrove, Head of Corporate Financial Services, clarified that it was Stratford Town Trust that would be required to act as guarantor and that they were in a healthy position with regards to assets.

#### **5.6 Resolved**

1. That the Pension Fund Investment Sub-Committee approve the application made by Stratford Civic Centre for admitted body status with the Warwickshire Pension Fund.

#### **6. Review of Pension Fund Risk Management**

6.1 Mathew Dawson, Treasury and Pensions Group Manager, presented the Register of Risks and control mechanisms in place for those identified. He discussed the risk management process which included the objectives of the Pension Fund as set in the business plan. The risks of achieving the objectives are then identified and the likelihood and impact if they were to occur are evaluated.

6.2 The Committee considered the key risks and controls contained in Appendix A, in particular, key risks and controls that were summarised as an investment risk. The following risks were identified:

- Fund assets failing to deliver returns over the long term in line with the expected returns underpinning the actuarial variation and funding strategy.
- Contribution requirements from employers.
- High levels of inflation in the future are not matched by asset returns.
- Fund faces short term liquidity problems and is unable to meet benefit outgoings.
- Pensioners living longer.
- Falling active payrolls leading to underpayment of deficit recovery amounts.

6.3 Councillor John Appleton (Chair) suggested that further in depth investigation needs to be undertaken including demographics of scheme members with regards to

pensioners living longer to mitigate against the risk. In addition to this, the Committee requested graphical information to help explain the risk associated with falling active payrolls.

6.4 Paul Potter, Investment Advisor, Hymans Robertson, explained the nature and importance of identifying and evaluating investment risk.

**6.5 Resolved**

- 1) That the Pension Fund Investment Sub Committee approve the Register of Risks.
- 2) That the Pension Fund Investment Sub Committee approve the process by which the Register of Risks has been compiled.

**7. Exempt Items – Reports containing Confidential or Exempt Information**

7.1 The Pension Fund Investment Sub-Committee passed the following resolution: That members of the public be excluded from the meeting for the item mentioned below on the grounds that their presence would involve the disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

**8. Exempt Minutes of the meeting of the Pension Fund Investment Board – 29 July 2013**

8.1 The Pension Fund Investment Sub-Committee agreed the exempt minutes of the meeting held on 29 July 2013 as a true and accurate record.

**9. Infrastructure Options**

9.1 Mathew Dawson, Treasury and Pensions Group Manager, presented the report and Paul Potter, Investment Advisor, Hymans Robertson, provided information during discussion, as per the exempt minutes.

**9.2 Resolved**

1. That the Pension Fund Investment Sub-Committee commission Hymans Robertson to undertake initial work around infrastructure fund of funds manager selection.
2. Request that fund managers attend the next meeting of the Sub-Committee to present further information.

**10. Actuarial Valuation 2013 – Verbal update**

10.1 Richard Warden, Fund Actuary, Hymans Robertson, presented and discussed the report as per the exempt minutes,

**10.2 Resolved**

1. That the Pension Fund Investment Sub-Committee note the Actuarial Valuation 2013 update

**11. Any other items**

Members were reminded that the Annual General Meeting would be held on 28 November 2013 at Shire Hall in Committee Room 2, from 9.15 a.m. Members were invited to attend the event and informed that it was aimed at employers thus was not a forum for decision making.

The Board rose at 11.40am

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Chair