

# Staff and Pensions Committee

25 February 2010

# Agenda

The Staff and Pensions Committee will meet at the **SHIRE HALL, WARWICK**, on **THURSDAY 25 FEBRUARY 2010** at **3:30 p.m.**

## 1. General

- (1) Apologies for absence.
- (2) Members Declarations of Personal and Prejudicial Interests.

Members to declare the existence and nature of their personal interests at the commencement of the relevant item (or as soon as the interest becomes apparent). If that interest is a prejudicial interest the Member must withdraw from the room unless one of the exceptions applies.

Membership of a district or borough council is classed as a personal interest under the Code of Conduct. A Member does not need to declare an interest unless the Member chooses to speak on the matter relating to their membership. If the Member does not wish to speak on the matter, the Member may still vote on the matter without making a declaration.

- (3) Minutes of the public meeting held on the 12 November 2009 (copy attached).

## 2. Review of Pension Fund Risk Management

Report of the Warwickshire Pension Fund Investment Board.

Report drawing attention to the highest risks facing the Pension Fund.

### Recommendation

That the Staff and Pensions Committee note that pensioners' longevity represents the highest risk to the Pension Fund and that, in consequence, the Warwickshire Pension Fund Investment Board considers it important to continue to discourage early retirement.

### **3. Private Equity Contract**

Report of the Strategic Director, Resources.

Report requesting approval of the private equity tender for the pension fund.

#### **Recommendation**

That the Committee approve the commencement process for the appointment of a private equity manager (fund of funds) for the Warwickshire pension fund.

### **4. Any other items**

Which the Chair decides are urgent.

### **5. Item Containing Exempt Information**

To consider passing the following resolution:

'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 4 of Schedule 12A of the Local Government Act 1972'

(NB. Copies of extracts describing exempt information are available in Warwickshire Libraries, the County Council Handbook and the Access to Information Register held in my office).

### **6. Exempt extract of minutes of the meeting held on 12 November 2009**

**JIM GRAHAM**  
**Chief Executive**

#### **Board Membership**

Councillors: Jose Compton, Alan Farnell (Chair), Eithne Goode, Brian Moss and Heather Timms.

**General Enquiries: Please contact Jean Hardwick on 01926 412476**

**E-mail: [jeanhardwick@warwickshire.gov.uk](mailto:jeanhardwick@warwickshire.gov.uk) Enquiries about specific reports:**

**Please contact the officers named in the reports.**

**Minutes of a meeting of the Staff and Pensions Committee held on  
12 November 2009**

**Present:**

Councillors Alan Farnell (Chair)  
Jose Compton  
Eithne Goode  
Brian Moss  
Heather Timms

**1. General**

**(1) Apologies for absence**

None.

**(2) Members Declarations of Personal and Prejudicial Interests**

None.

**(3) Minutes of the meeting held on the 23 July 2009**

**(1) Minutes**

**Resolved:-**

That the minutes of the Staff and Pensions Committee's 23 July 2009 meeting be approved as a correct record and be signed by the Chair.

**(2) Matters arising**

None.

**2. Any other items**

None.

**3. Item Containing Exempt Information**

**Resolved:-**

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 4 of Schedule 12A of the Local Government Act 1972.

**4. Exempt minutes of the meeting held on 23 July 2009**

**Resolved:-**

That the minutes of the Staff and Pensions Committee's 23 July 2009 meeting be approved as a correct record and be signed by the Chair.

**SEE SUMMARY BELOW**

**5. Review of future of Employment Training Warwickshire – Pension Issue**

The Staff and Pensions Committee agreed the way forward for Employment Training Warwickshire staff.

**6. Allowances Review**

The Staff and Pension Committee supported the proposals and requested a further progress report.

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Chair of Committee

The Committee rose at 16:20 p.m.

**AGENDA MANAGEMENT SHEET**

**Name of Committee**                      **Staff and Pensions Committee**

**Date of Committee**                      **25 February 2010**

**Report Title**                                **Review of Pension Fund Risk Management**

**Summary**                                      Report from the Pension Fund Investment Board drawing attention to the highest risks facing the Pension Fund

**For further information please contact:**

Phil Triggs Group Accountant Tel: 01926 412227 philtriggs@warwickshire.gov.uk	Phil Maull Senior Committee Administrator Tel: 01926 412834 philmaull@warwickshire.gov.uk
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**Would the recommended decision be contrary to the Budget and Policy Framework?**      No.

**Background papers**                      None

**CONSULTATION ALREADY UNDERTAKEN:-**

Details to be specified

- Other Committees                       .....
- Local Member(s)                       .....
- Other Elected Members               Cllr Davis, Chair of Pension Fund Investment Board
- Cabinet Member                       .....
- Chief Executive                       .....
- Legal                                       John Galbraith
- Finance                                     David Clarke, Strategic Director, Resources –
- Other Chief Officers                    .....
- District Councils                       .....
- Health Authority                       .....

Police  .....

Other Bodies/Individuals  .....

**FINAL DECISION YES**

## Staff and Pensions Committee – 25 February 2010

### Review of Pension Fund Risk Management

#### Report of the Pension Fund Investment Board

##### **Recommendation**

That the Staff and Pensions Committee note that pensioner longevity represents the highest risk to the Pension Fund and that, this risk is actively monitored through the triennial valuation.

## **1 Introduction**

- 1.1 Warwickshire County Council is responsible for the delivery of benefit promises made to members of the Warwickshire Pension Fund. This is achieved by setting objectives and goals with varying timeframes. Risks lie in failing to meet the intended goals.
- 1.2 Risks are identified and evaluated via a risk evaluation model and are prioritised with existing controls or new controls implemented to mitigate the risks. These are recorded in a risk register, which we monitor on a regular basis.
- 1.3 The Pension Fund Investment Board last considered the risk register at its meeting on 1 February 2010 at which it was agreed that the three risks that were identified as high strategically should be brought to the Staff and Pensions Committee's attention.

## **2 High Level Risks**

- 2.1 By use of a matrix that places values on the impact and likelihood of risks, these can be categorised as low, medium or high. The high level risks are set out below:

<b>Risk</b>	<b>Control Mechanism</b>
<b>Investment Risk</b>	
Fund assets fail to deliver returns in line with the anticipated returns underpinning valuation of liabilities over the long-term. <b>Impact: 5</b> <b>Likelihood: 3</b> <b>Risk Level: High</b>	Anticipation of the long-term return on a relatively prudent basis (as recommended by the actuary) to reduce the risk of under-performing.
<b>Investment Risk</b>	
Fall in equity markets leading to deterioration in funding levels and increased contribution requirements from employers. <b>Impact: 5</b> <b>Likelihood: 3</b> <b>Risk Level: High</b>	Significant proportion of fund given to gilts, property and hedge funds.  Continued belief that equities are the best proven asset class over the long term.
<b>Funding Risks</b>	
Pensioners living longer <b>Impact: 4</b> <b>Likelihood: 5</b> <b>Risk Level: High</b>	Setting of mortality assumptions by actuary with some allowance for future increases in life expectancy. Recent reports, most notably the Turner Report, are promoting a later retirement culture. Longevity is regarded as a direct benefit from better health, increased prosperity and life style choices by the population.

- 2.2 It will be noted that the highest risk is related to longevity of the Fund's pensioners and dependants.
- 2.3 While the Turner Report promoted a later retirement culture, recent changes in the Local Government Pension Fund (LGPS) regulations allow for a more flexible approach to retirement. Also in the event of an early retirement, the impact does not fall on the pension fund as the employer is required to fully compensate the Pension Fund for the associated costs
- 2.4 The Pension Fund's actuary considers longevity as part of the triennial valuation exercise and the overall funding position of the Fund reflects current views on longevity. Recent changes to the LGPS have increased the employee contribution rate for higher earners and there are currently ongoing discussions about further changes to cost sharing between the employer and the employee.



### **3 Recommendation**

- 3.1 That the Staff and Pensions Committee note that pensioner longevity represents the highest risk to the Pension Fund.

CHRIS DAVIS  
Chair of the Warwickshire Pension Fund Investment Board

Shire Hall  
Warwick  
February 2010

**AGENDA MANAGEMENT SHEET**

**Name of Committee**                      **Staff and Pensions Committee**  
**Date of Committee**                      **25 February 2010**  
**Report Title**                                **Private Equity Contract**

**Summary**                                      Report requesting approval of the private equity tender for the pension fund

**For further information please contact:**                      Phil Triggs  
Group Accountant  
Tel: 01926 412227  
philtriggs@warwickshire.gov.uk

**Would the recommended decision be contrary to the Budget and Policy Framework?**                      No.

**Background papers**

**CONSULTATION ALREADY UNDERTAKEN:-**                      Details to be specified

- Other Committees                       .....
- Local Member(s)                       .....
- Other Elected Members                       Cllr Heatley, Cllr Davis, Cllr Moss
- Cabinet Member                       Cllr Farnell
- Chief Executive                       .....
- Legal                                       John Galbraith
- Finance                                       David Clarke, Strategic Director, Resources – Reporting Officer
- Other Chief Officers                       .....
- District Councils                       .....
- Health Authority                       .....

- Police  .....
- Other Bodies/Individuals  .....

**FINAL DECISION YES**

**SUGGESTED NEXT STEPS:**

Details to be specified

- Further consideration by this Committee  .....
- To Council  .....
- To Cabinet  .....
- To an O & S Committee  .....
- To an Area Committee  .....
- Further Consultation  .....

**Staff and Pensions Committee – 25 February 2010**

**Private Equity Contract**

**Report of the Strategic Director, Resources**

**Recommendation**

That the Committee approve the commencement process for the appointment of a private equity manager (fund of funds) for the Warwickshire pension fund.

**1 Introduction**

- 1.1 At its meeting on 16 November 2009, the Pension Fund Investment Board approved the commencement of a tender process for the appointment of a private equity (fund of funds) manager to run a £50m portfolio.
- 1.2 This report recommends that approval be given to the process by the Staff and Pensions Committee.

**2 Authority**

- 2.1 As the fee value of the contract over its lifetime is likely to be in excess of £500,000, it requires approval by the appropriate committee.
- 2.2 The original report and recommendation was approved by the Pension Fund Investment Board on 16 November 2009.

**3 Recommendation**

- 3.1 That the Staff and Pensions Committee approve the commencement process for the appointment of a private equity manager (fund of funds) for the Warwickshire pension fund.

DAVID CLARKE  
Strategic Director, Resources  
Shire Hall  
Warwick  
February 2010