

Pension Fund Committee

Minutes of a meeting held at County Hall,
Colliton Park, Dorchester on 24 June 2015.

Present:

John Beesley (Bournemouth Borough Council) (Chairman)
Colin Jamieson (Dorset County Council) (Vice-Chairman)
Mike Byatt, Andrew Canning, Ronald Coatsworth, (all Dorset County Council), May Haines
(Borough of Poole), John Lofts (District Council Representative) and Johnny Stephens
(Scheme Member Representative).

Officer Attendance:

Nick Buckland (Chief Treasury and Pensions Manager), Anne Cheffey (Pensions Benefits
Manager) and David Wilkes (Finance Manager - Treasury & Investments).

Manager and Adviser Attendance:

Alan Saunders (Independent Adviser) and Peter Scales (Governance Adviser).

(Note: These minutes have been prepared by officers as a record of the meeting and of any
decisions reached. They are to be considered and confirmed at the next meeting of
the Committee to be held on **14 September 2015**.)

Election of Chairman

Resolved

24. That John Beesley be elected Chairman for the year 2015/16.

Appointment of Vice-Chairman

Resolved

25. That Colin Jamieson be appointed Vice-Chairman for the year 2015/16.

Apologies for Absence

26. Apologies for absence were received from Mike Lovell (Dorset County
Council) and Richard Bates (Fund Administrator).

Code of Conduct

27. There were no declarations by members of any disclosable pecuniary
interests under the Code of Conduct.

Terms of Reference

28. The terms of reference for the Committee were received by members.

Noted

Minutes

29. The minutes of the meeting held on 3 March 2015 were confirmed and
signed.

Public Participation

Public Speaking

30.1 There were no public questions received at the meeting in accordance with
Standing Order 21 (1).

30.2 There were no public statements received at the meeting in accordance with Standing Order 21 (2).

Petitions

31. There were no petitions received in accordance with the County Council's petition scheme at this meeting.

Statement from the Chairman

32. The Chairman, on behalf of the Committee, thanked Councillor Neil Sorton, the previous Chairman, for his contribution to the work of the Committee and wished him well for the future. The Chairman welcomed May Haines to her first meeting as representative for the Borough of Poole.

Governance Compliance Update

33.1 The Committee received a report by the Governance Adviser on Governance Compliance. He highlighted changes to the regulatory environment, changes to annual report requirements, the role of local pension boards, and the future structure of the Local Government Pension Scheme (LGPS).

The Annual Report

33.2 The Chief Treasury and Pensions Manager commented that for the majority of the items highlighted in the report as not or partially compliant, information was available and published separately but had not previously been included in the annual report. The Governance Adviser added that signposting to other reports within the annual report was acceptable, although not fully compliant with the guidance.

The Local Pension Board

33.3 The Chief Treasury and Pensions Manager asked if the knowledge and understanding requirements for Board members needed to be met by the Board collectively, as was the case for the Committee, or by each individual member. The Governance Adviser confirmed that these requirements were for each Board member, and that the Pension Regulator had powers to monitor and enforce this requirement.

33.4 A member asked the Governance Adviser how other Boards were approaching the requirement for Board members to gain competency, and whether there was scope for joint-training of Board and Committee members. The Governance Adviser replied that most Boards were still "feeling their way" in relation to training, and he agreed that there was some overlap of training needs for Board and Committee members but, for example, the focus on investments for each body was very different.

33.5 A member asked how Committee members would be kept informed of activities of the Board. The Chief Treasury and Pensions Manager replied that this was a topic for discussion by the Board at its inaugural meeting, but his recommendation was that Board meeting papers be circulated to Committee members. He also thought that it might be possible for representatives of the Committee to attend meetings of the Board, and/or representatives of the Board to attend meetings of the Committee. The Governance Adviser reminded members that the terms of reference for the Board were set by the Committee.

33.6 A member asked if minutes from Board meetings would be made available to Committee members. The Chief Treasury and Pensions Manager replied that they would and that they would be posted on the Pension Fund website.

33.7 A member asked if Board meetings would be open to the public. The Governance Adviser replied that they were not open to the public but that Committee members could be invited to attend.

The future structure of the LGPS

33.8 The Governance Adviser stated that since writing his report the Department for Communities and Local Government (DCLG) had begun a procurement process for research into future options for the LGPS.

33.9 The options to be developed and consulted on were expected to be (1) a more discrete identity within the administering authority, including delegations to one senior officer for all pension matters, a stronger role for the Section 151 officer and the separate financial reporting and auditing of pension funds, (2) the establishment of Joint Committees or combined authorities and (3) complete separation of funds from their administering authority.

33.10 This research was expected to conclude in September 2015, and would then be considered by the DCLG before any proposals were published for consultation. The Chairman asked the Chief Treasury and Pensions Manager to find out what other funds were doing in relation to these three options.

Resolved

34.1 That the guidance from the Scheme Advisory Board and Code of practice No. 14 from tPR are reviewed with the Local Pension Board to identify a programme of business and current tasks, and report back to the Committee.

34.2 That the revised Governance Compliance Statement is agreed and submitted to the DCLG.

34.3 That the tPR compliance and enforcement policy is reviewed by both the Committee and the Board.

34.4 That preparations are made to submit information for reviews by the three regulatory bodies as and when required.

34.5 That the CIPFA guidance on preparing annual reports is reviewed carefully in preparing the annual report for 2014-15.

34.6 That the Chief Treasury and Pensions Manager circulate the LGPS future options papers to Committee members and find out what other funds were doing in relation to these three options.

Governance Policy and Compliance Statement

35.1 The Committee considered the revised Governance Policy and Compliance Statement from the Chief Treasury and Pensions Manager.

35.2 A member asked if the Committee was responsible for appointing members of the Board. The Chief Treasury and Pensions Manager confirmed that the Committee had responsibility under delegated authority to appoint members of the Board.

Resolved

36 That the revised Governance Policy and Compliance Statement be approved for publication.

Pensions Administration

37.1 The Committee received a report by the Pension Fund Administrator regarding the administration of the Fund. The Chief Treasury and Pensions Benefit Manager explained that this was the first report to the Committee covering this topic, and it was intended to be a regular report to future meetings.

37.2 The Pensions Benefits Manager highlighted that two employers had not submitted their required year end reports and were therefore incurring fines.

37.3 The Pensions Benefits Manager said that the Fund would be joining the “tell us once” scheme which would mean that when a death was registered with the registrar, the Fund would automatically be notified. She also said the Fund would be joining a national scheme to help ensure only one death benefit was paid when pension fund members were members of more than one LGPS fund, following changes introduced in April 2014. A member asked if changes to death benefit entitlements had been communicated to pension fund members. The Pensions Benefits Manager replied that information on these changes had been added to the Fund website.

37.4 The Pensions Benefits Manager highlighted that she would be investigating whether it would be more efficient and effective to scan documents in-house rather than using an off-site provider. A member suggested that the date of documents would be a helpful searchable field for all scanned documents. The Pensions Benefits Manager said that this would be considered as part of her review.

37.5 The Independent Adviser asked if the “freedom and choice” changes to pensions from 1 April 2015 had been considered by the Fund. The Chief Treasury and Pensions Manager explained that pension fund members could not withdraw their pension pot directly from the LGPS funds, but they could transfer to a defined contribution scheme and then withdraw it, providing they were aged over 55. The Pensions Benefits Manager said that although there had been many enquiries from pension fund members, only one person to date was actively pursuing this option. She added that information about “freedom and choice” had been added to the Fund website and would be included in the annual benefits statement issued to pension fund members.

Noted

Pension Fund Business Plan

38.1 The Committee considered a report by the Fund Administrator on the Business Plan for the three years covering 2015 to 2018.

38.2 The Chief Treasury and Pensions Manager highlighted that on Action Point 17, scheme employers could now make changes directly through the “YourFund” portal when previously such changes would have been reported to the Benefits Administration team who would then have made the changes.

38.3 A member asked that the references to Paul Kent, the previous Fund Administrator, be updated to refer to Richard Bates, the current Fund Administrator. The Chief Treasury and Pensions Manager agreed to make these corrections.

38.4 A member asked if, given the current valuation of £2.3 billion, a £3 million threshold for a “catastrophic” risk was appropriate for the Fund. The Chief Treasury and Pensions Manager explained that the risk categorisation was based on the model used by Dorset County Council, and he agreed that this overstated the impact of risk to the Fund. The Chief Treasury and Pensions Manager therefore agreed to revisit the risk register for the Fund.

Resolved

39. That the Pension Fund Business Plan for 2015 to 2018 be agreed, subject to the review of the risk register by the Chief Treasury and Pensions Manager.

Statement of Investment Principles

40.1 The Committee considered a report by the Fund Administrator on the revised Statement of Investment Principles. The Chief Treasury and Pensions Manager highlighted the changes.

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40.2 The Independent Adviser suggested that the table showing asset allocation targets be amended to show both “long term strategy” and “interim” targets. The Independent Adviser also suggested replacing government bonds exposure of 12% with the Liability Hedging Programme. The Chief Treasury and Pensions Manager agreed to make these changes.

Resolved

41. That the publication of the revised Statement of Investment Principles be agreed, subject to the amendments agreed above.

Fund Administrator’s Report

42.1 The Committee considered a report by the Fund Administrator on the allocation of assets and overall performance of the Fund up to 31 March 2015.

42.2 The Independent Adviser presented Appendix 2 and provided a commentary on the investment outlook, and how it was likely to affect each asset class. The Independent Adviser commented that since the last meeting, given the changes in the wider world economy such as the slowdown in China, surprisingly little had happened in the markets.

42.3 A member commented that many of the uncertainties highlighted in the Independent Adviser’s report had been on-going for some time and he asked if the Independent Adviser thought there were any unanticipated possible events that could impact on markets. The Independent Adviser thought that one such example would be a tightening of monetary policy more quickly in the UK than markets anticipated if employment and wage growth rose too sharply, especially if coupled with a tightening of fiscal policy at the same time.

42.4 A member asked for the Independent Adviser’s opinion on the impact on markets of the current situation in the Middle East. The Independent Adviser did not feel that the current situation in the Middle East would have any significant impact on markets. He highlighted that the oil price had recently recovered a little.

42.5 The Vice-Chairman asked the Independent Adviser if he thought the Fund should consider moving some allocation from equities to property, given the difference in performance of these two asset classes. The Independent Adviser felt that although there should still be strong returns in 2015, property was coming towards the end of its bull run, and therefore he would not be inclined to recommend an increase in its allocation. The Chief Treasury and Pensions Manager said that when the changes to global equities management arrangements were known there may be an opportunity to increase allocations to other asset classes, such as infrastructure and private equity.

42.6 A member asked what the impact was of hedging 50% of the currency risk of overseas equities. The Chief Treasury and Pensions Manager said that the current hedging policy would be reviewed and then reported to a future meeting of the Committee. A member asked if this review could be circulated to members in advance of the Committee papers. The Chief Treasury and Pensions Manager agreed to do so.

Resolved

43.1 That no changes be made to asset allocation at this time.

43.2 That delegated authority be given to the Fund Administrator, after consulting with the Chairman and Vice-Chairman, to appoint at least one active global equity manager and at least one “smart beta” manager.

Manager Reports

(a) UK Equity Report

44. The Committee considered a report by the Finance Manager (Treasury and Investments) which highlighted the performance of the internally managed UK equities portfolio, the Standard Life UK equities fund, the AXA Framlington fund and the Schroders Small Cap fund. The Chief Treasury and Pensions Manager told members that the structure of the UK equity portfolio would be reviewed in 2016.

Noted

(b) Pictet Asset Management

45. The Committee considered a report by Pictet Asset Management on the Fund's investments in Global Equities.

Noted

(c) Royal London Asset Management (rlam)

46. The Committee considered a report from Royal London Asset Management (rlam) on the Corporate Bond portfolio.

Noted

(d) CBRE Global Investors

47.1 The Committee considered a report from CBRE Global Investors, the Fund's Property Manager. The Finance Manager (Treasury and Investments) told members that the acquisition of the Derwent Shared Ownership portfolio was completed on 31 March 2015 for approximately £9M.

47.2 The Chairman questioned the large increase in void rate from 3.2% as at 31 December 2014 to 6.4% as at 31 March 2015. The Chief Treasury and Pensions Manager said that this was a concern shared by the Property Manager, and that they were looking to address this.

Noted

(e) Insight Investment

48. The Committee considered a report from Insight Investment, who had the mandate for the liability matching strategy.

Noted**Dates of Futures Meetings****Resolved**

49. That meetings be held on the following dates:

24 June 2015	County Hall, Dorchester
14 September 2015	County Hall, Dorchester
25/26 November 2015	London, to be hosted by CBREi
1 March 2016	County Hall, Dorchester
21/22 June 2016	London (to be confirmed)
8 September 2016	County Hall, Dorchester
25/26 November 2016	London (to be confirmed)

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Questions from Members of the Committee

50. No questions were asked by members under Standing Order 20 (2).

Meeting Duration 10.00am to 12.58pm

Chairman

Date