

Minutes of the Meeting held

Friday, 22nd March, 2013, 2.00 pm

Bath and North East Somerset Councillors: Paul Fox (Chair), Gabriel Batt, Nicholas Coombes, Charles Gerrish (Vice-Chair) and Katie Hall

Co-opted Voting Members: Ann Berresford (Independent Member), Councillor Mary Blatchford (North Somerset Council), Carolan Dobson (Independent Member), William Liew (HFE Employers) and Richard Orton (Trade Unions)

Co-opted Non-voting Members: Clive Fricker (Town and Parish Councils), Steve Paines (Trade Unions) and Paul Shiner (Trade Unions)

Advisors: Tony Earnshaw (Independent Advisor) and John Finch (JLT Benefit Solutions)

Also in attendance: Tim Richens (Divisional Director, Finance), Tony Bartlett (Head of Business, Finance and Pensions), Liz Woodyard (Investments Manager), Matt Betts (Assistant Investments Manager), Steve McMillan (Pensions Manager), Martin Phillips (Finance & Systems Manager (Pensions)) and Alan South (Technical and Development Manager)

57 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer advised Members of the procedure.

58 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies were received from Cllr Mike Drew. Cllr Katie Hall had communicated that she was caught in traffic in Bath and would be late.

59 DECLARATIONS OF INTEREST

There were none.

60 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

The Chair reminded Members that this was Carolan Dobson's last meeting as a Member of the Committee. He paid tribute to her contributions to the work of the Committee during her term of appointment.

The Chair welcomed William Liew to his first meeting of an ordinary meeting of the Committee.

61 ITEMS FROM THE PUBLIC - TO RECEIVE DEPUTATIONS, STATEMENTS,

PETITIONS OR QUESTIONS

There were none.

62 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

63 MINUTES: 14 DECEMBER 2012 AND 6 MARCH 2013

The minutes of 14 December 2012 and the public and exempt minutes of the meeting of 6 March 2013 were approved as a correct record and signed by the Chair.

64 BUDGET AND SERVICE PLAN 2013/16

The Head of Business and Finance and Pensions presented the report. He said that Members would be aware of the significant programme of work facing the Administration and Investments Teams in 2013-14. These included the introduction of the new scheme, the 2013 valuation, implementation of the new investment strategy, the roll out of electronic information services and the increased level of employer and employee engagement that would be required. He drew attention to the table in Appendix 3B (agenda page 35) setting out additional recurring costs for staff salaries and the one-off costs to be incurred during the next three years, mostly attributable to implementation of the new investment strategy. In reply to a question from a Member as to whether the projected increased fees for external investment managers were conditional on them achieving their targets, he replied that it was standard practice for their fees to be calculated as a percentage of the value of the assets. The Investments Manager said that in some years there had been underspend on managers' fees because assets had fallen in value and that certain assumptions about the impact of the new investment strategy had been incorporated in the projections for fees.

The Chair asked whether it would be possible to charge primary schools which became Academies a one-off fee for becoming members of the Fund. The Investments Manager replied that this was under review. At present administration fees were charged on the basis of actuarial calculations; one issue being researched was whether the Fund could set standard fees.

RESOLVED to approve the 3-year Service Plan and Budget for 2013-16 for the Avon Pension Fund.

65 LGPS 2014 CONSULTATION

The Technical and Compliance Manager presented the report. He said that there had been repeated slippage in the Government's timetable. The draft Regulations had been issued 4 days before Christmas and an 18-week consultation launched. The Fund's response (given in the appendix to report) had been sent on 8 February 2013. It had highlighted areas requiring further clarification. Information from the

Government on the transition process, originally expected at the end of February, was now expected “before Easter”. The final Regulations were now expected in May/June. There would also be a consultation document on cost controls.

RESOLVED to note the response submission by Bath and North East Somerset Council. as the administering authority of the Avon Pension Fund sent to DCLG on 8 February 2013.

66 REVISED TREASURY MANAGEMENT POLICY

The Finance & Systems Manager (Pensions) presented the report. He said that it was proposed to amend the Fund’s Treasury Management Policy in line with changes to the Council’s Treasury management Policy. The principal change related to overnight deposits with National Westminster Bank.

A Member asked why it was necessary to state in the Policy that the Fund’s monies would be invested separately from the Council’s and that the Fund would receive the actual interest earned. This should be self-evident. The Chair explained that this because of past history; at one time the Fund’s cash had at one time been pooled with the Council’s for administration purposes, though the Fund had always received the interest earned by its own monies.

RESOLVED to approve the revised Treasury Management Policy as set out in Appendix 2.

67 INVESTMENT PANEL MINUTES AND RECOMMENDATIONS

RESOLVED to note the draft minutes of the Investment Panel meeting held on 22 February 2012.

68 HEDGE FUND PORTFOLIO

RESOLVED unanimously that

The Committee having been satisfied that the public interest would be better served by not disclosing relevant information, the public shall be excluded from the meeting for this item in accordance with the provisions of Section 100(A)(4) of the Local Government Act 1972, because of the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act as amended.

After discussion it was **RESOLVED** to delegate the actions agreed on the hedge fund portfolio to the Investment Panel.

69 PROJECTS ARISING FROM THE STRATEGIC REVIEW - COMMITTEE TERMS OF REFERENCE

The Committee returned to open session.

The Investments Manager presented the report. She said that Committee was being asked to formally endorse the amended terms of reference agreed at the Committee's special meeting on 6 March, so that they could be submitted for approval by the Annual General Meeting of Bath and North East Somerset Council in May. The amendments were required to implement changes in governance required by the new investments strategy.

A Member suggested that "delegate decisions to Officers" at item 9 on agenda page 85 should be amended to "delegate specific decisions to Officers". The Committee agreed this amendment.

Another Member proposed that the quorum of the Committee should be increased from 3 voting members to 5 voting members, one of whom shall not be a member of Bath and North East Somerset Council. The Committee agreed this amendment.

A Member asked what would happen in the event of a tied vote on the Committee. The Chair explained that the Council's constitution gave the Chair a second or casting vote.

RESOLVED to approve the Terms of Reference as set out in Appendix 1, subject to the two amendments agreed the Committee, for submission to the Council's AGM in May 2013.

70 REVIEW OF INVESTMENT PERFORMANCE

The Assistant Investments Manager presented the report and the headline performance figures. He drew attention to the change to the LGPS Investment Regulations described in section 9. The limit to investments in partnerships had been increased from 15% to 30%. At present the Fund was well below this limit.

Mr Finch presented the JLT investment report. He said that since the preparation of the report the financial crisis in Cyprus had sent many of the positives into reverse. The funding position had fallen slightly because of Cyprus and Italy. Gilt yields had fallen, which would impact on the valuation. He drew attention to the statement that changes introduced to the Man fund of hedge funds portfolio had as yet failed to improve Man's investment performance. Other managers would be reviewed as part of the new investment strategy.

A Member asked how realistic manager's targets were in such difficult market conditions. Mr Finch said this was a very good question. Performance over time should be considered and the extent to which a manager's stock selection had contributed to underperformance.

[Councillor Katie Hall joined the meeting at this point.]

A Member asked why page 17 of the JLT report (agenda page 115) indicated that Stenham had underperformed over 3 years, whereas the covering report did not identify any major concerns with this manager. The Investments Manager replied that Stenham were restructuring and becoming slightly more proactive in how they were allocating the portfolio. However, Officers were meeting Stenham in April to review performance.

[Clive Fricker joined the meeting at this point.]

In reply to a question from the Chair, the Investments Manager said that the Fund had no specific investments in Cyprus, Greece or Portugal.

Members noted the Local Authority Pension Fund Forum Quarterly Engagement Report. The Investments Manager reported that Councillor Mike Drew and the Assistant Investments Manager had attended the meeting of LAPFF that week.

RESOLVED to note the information as set out in the report.

71 PENSION FUND ADMINISTRATION

The Finance & Systems Manager (Pensions) presented the financial report. The forecast for the year to 31 March 2013 was for net expenditure to be £107,000 under budget. This was largely because of reduced expenditure on salaries due to delayed appointments.

Avon Pension Fund (“APF”) Performance

The Pensions Manager presented the administration report. In the quarter to December 31st 2012 more cases than received in the period were cleared and an additional 703 old cases were also cleared, giving a performance figure against the target of 113%. The four new benefits staff who had been recruited last year had completed their learning curve and were now having an impact on improving performance.

Opt Outs

Figures for opt-outs were extremely encouraging; only 46 staff with more than 4 months service had decided to opt out of the Scheme, which represented a mere 0.2% of the total Fund membership.

A Member asked why the graph on agenda page 181 showed peaks in two months. The Pensions Manager replied that this might be connected with large numbers joining the education sector in September, or, given that the second peak seemed to be in November, might be because employers had been late submitting data.

A Member commented that the Balanced Scorecard had been first introduced several years ago and that gradually more and more information had been added to it, which made it quite difficult to interpret now. She suggested it might be rationalised and simplified. The Pensions Manager agreed to review it.

Employer Performance

Employers' performance providing information about *retirees* (agenda page 183) had improved, which was quite encouraging, though there was still room for further improvement. Performance with *deferred* cases (agenda page 185) was a different story, though not so bad as appeared at first sight, because, as explained in the report, once older backlog cases had been cleared the performance figures in this area should improve. There were almost no instances of late payment of

contributions. The introduction of *i-Connect* software should lead to improved performance. In future notification of staff changes by employers would only be accepted electronically, and those continuing to send paper would be charged an additional administration charge; it was hoped that being aware of this would be enough to encourage their improved performance.

New additional charges for employer non-compliance in meeting SLA agreed performance targets on submission of member data changes

The Pensions Manager said that the approval of the Committee was sought to the principle of charging employers who fail to send information on member data changes on time (as specified in the Service Level Agreements) additional administration charges and for the scale of charges contained in Appendix 8. The Chair asked how the Committee could decide whether the level of charges was reasonable. The Pensions Manager replied that the level of charges was in line with that adopted by other pension funds around the country.

The Pensions Manager drew attention to the information on *i-Connect* and Employer Self-Service given in section 9 of the report. *i-Connect* allows employers to monitor their payroll on a monthly basis, identify staff who qualify for auto-enrolment and provide monthly updates to the Fund. The four unitaries, who were by far the largest employers in the Fund, signed contracts to take *i-Connect* last December. Other Fund employers might adopt *i-Connect*. *i-Connect* did not cover leavers. All employers had Employer Self-Service and could notify changes on-line.

Cyprus situation

The Pensions Manager reported that some pension funds and also DWP (UK State Pension) had suspended payments to banks in Cyprus. There were pensioners of the Fund resident in Cyprus, about half of whom had bank accounts in the UK. The Fund also decided to stop payments for the time being. However, it had made contact with 2 of its pensioners in Cyprus to establish if it might cause them financial hardship if they did not receive their pension payments in Cyprus. They had asked them to get in touch about their situation. Members congratulated the Pensions Manager for this proactive approach.

RESOLVED

1. To note administration and management expenditure incurred for 10 months to 31/01/2013.
2. To note performance indicators and customer satisfaction feedback for 3 months to 31/01/13.
3. To note the Summary Performance Report for period from 1/04/2012 to 31/01/2013.
4. To APPROVE the Schedule of Additional Charges for employer non-compliance in meeting SLA agreed performance targets on submission of member data and the application of these charges.

72 AUDIT FEES 2012-13

The Finance and Systems Manager (Pensions) presented the report. Grant Thornton had been appointed the Fund's external auditors for 2013/14. They would supply the same service the Audit Commission had. They had not yet prepared their audit plan, which would be presented at the June meeting.

RESOLVED to note the planned audit fees for 2012/2013.

73 WORKPLANS

Members agreed that in order to use their time as efficiently as possible, it would be sensible to schedule training sessions for the same days as meeting of the Committee.

RESOLVED to note the workplans for the period to 31 March 2014.

The meeting ended at 3.28 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services