

Minutes of the Meeting held

Friday, 28th March, 2014, 2.00 pm

Bath and North East Somerset Councillors: Paul Fox (Chair), Charles Gerrish (Vice-Chair), Lisa Brett and Ian Gilchrist

Co-opted Voting Members: Ann Berresford (Independent Member), Councillor Mary Blatchford (North Somerset Council), Councillor Mike Drew (South Gloucestershire Council), William Liew (HFE Employers), Shirley Marsh (Independent Member), Steve Paines (Trade Unions) and Councillor Steve Pearce (Bristol City Council)

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

Advisors: Jignesh Sheth (JLT Benefit Solutions) and Tony Earnshaw (Independent Advisor)

Also in attendance: Tony Bartlett (Head of Business, Finance and Pensions), Liz Woodyard (Investments Manager), Matt Betts (Assistant Investments Manager), Geoff Cleak (Pensions Benefits Manager), Martin Phillips (Finance & Systems Manager (Pensions)) and Alan South (Technical and Development Manager)

49 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer read out the procedure.

50 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies were received from Councillor Gabriel Batt and from Rowena Hayward.

51 DECLARATIONS OF INTEREST

There were none.

52 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

53 ITEMS FROM THE PUBLIC - TO RECEIVE DEPUTATIONS, STATEMENTS, PETITIONS OR QUESTIONS

There were none.

54 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

55 MINUTES: 13 DECEMBER 2013

These were approved as a correct record and signed by the Chair.

56 2013 VALUATION & ADMITTED BODIES UPDATE

The Investments Manager presented the report. She mentioned the impact that cuts in grant funding were having on the viability of some charities, which were Admitted Bodies to the Fund.

The Chair asked Members to note that the risk to the Fund arising from Admitted Bodies should be kept in proportion, as explained in paragraph 3.2 of the report.

A Member inquired about the nature of the Fund's duty of care to members referred to in paragraph 8.3(ii). The Head of Business, Finance and Pensions explained that the Fund's duty of care consisted in ensuring that an employer in difficulties followed proper processes, including the provisions of employment law, in dealing with employees who were Fund members. It was not the responsibility of the Fund to communicate directly with the employees of a failing employer. Members accepted this.

Officers explained that only the benefits accrued by an employee up to the date of the failure of the employer would be protected and that an employer leaving the Fund would do so on a wind-up basis. Officers also described how they liaised with at-risk organisations. The Investments Manager explained that all new employers admitted to the Fund had to be guaranteed or have a bond in place, so that this was a legacy issue.

The Committee delegated to officers the redrafting of recommendation 2.4 to reflect the discussion.

RESOLVED

1. To note the report summarising how the Funding Strategy Statement (FSS) has been applied to groups of employers
2. To note the update on the admitted bodies.
3. To agree the revised approach to implementing the investment policy for certain small employers funded on the corporate bond basis.
4. To agree the amendment in the Fund's policy for stopping accruals for eligible members.
5. To instruct officers to update the FSS to reflect the amended policies as required.

57 LGPS UPDATE AND TPR CONSULTATION

A workshop for Members on the LGPS 2014 scheme had been held immediately before the meeting.

The Technical and Compliance Manager gave a verbal update.

It was agreed to amend the first recommendation to express the Committee's concern about the absence of information from Government about the new scheme so close to the implementation date. It was also agreed to amend the third recommendation to express thanks to the Pensions staff for their efforts in very difficult circumstances.

In response to a question from a Member about progress on changes to the governance of LGPS Funds and possible merging of Funds, the Investments Manager said that the Government review was about six months behind target. The review had made a great issue of investment costs; it appeared that there would be pressure for collective investment rather than the merger of funds.

RESOLVED

1. To note the current position regarding the LGPS 2014 Regulations and changes and to express concern about the absence of information from the Government so close to the implementation date.
2. To note the information regarding consultations and any responses received.
3. To note and thank the Pensions staff for their efforts under increasing pressure because of the lack of complete Regulations.

58 BUDGET AND SERVICE PLAN 2014/17

The Head of Business, Finance and Pensions presented the report. He reminded Members that last year the Committee had agreed significant investment to ensure that the administration team was able to cope with the challenges ahead. These challenges included the introduction of a new LGPS scheme, changes to governance and possible changes to the number and structure of LGPS funds. Additional pressures were also constantly being created by the increase in the number of employers in the Fund, as functions were contracted out and as the number of Academies increased.

A Member made two comments. The first was that there was very little information about investment costs. The second was that there was still a relatively low percentage of employers and members electing to contact the Fund electronically. She thought that there may need to be some compulsion to bring about an increase in the use of electronic communication. Another Member agreed that investment costs should be stated separately. It was noted that employers imposing additional administrative costs could now be recharged.

It was agreed that investment managers' fees should be stated separately in the budget.

RESOLVED

1. To approve the 3-year Service Plan and Budget for 2014-17 for the Avon Pension Fund.

2. To urge that in future Service Plans investment manager fees should be stated separately in the budget.

59 REPORT ON INVESTMENT PANEL ACTIVITY

The Assistant Investments Manager presented the report. There were no recommendations from the Panel. Panel decisions were recorded in paragraph 4.1 of the report. The Chair of the Panel, Councillor Charles Gerrish, said that the Panel had decided that two days would be required for the infrastructure manager selection process because of the complexity of the issues to be considered.

A Member raised the issue of the very large fines imposed by regulators on various financial institutions, which were being paid from shareholder funds. He asked whether there was scope for recovering this money on behalf of Fund members. He also wondered what voting action had been taken by the Fund's investment managers in relation to these fines. He did not have any great hope that money would be recovered, but thought the Fund's investment managers should be pressing for better governance. The Investment Manager replied that class actions had been started in the United States, but there was no similar process in the UK. There were initiatives of which the Fund's officers were aware, but it was not clear at present whether any actions were likely to be successful. She did not think that shareholders would speak with a single voice. There were discussions within the Local Authority Pension Fund Forum about these issues.

RESOLVED

1. To note the draft minutes of the Investment Panel meeting held on 26th February 2014.
2. To note the decisions made by the Panel since the last quarterly activity report.

60 TREASURY MANAGEMENT POLICY

The Finance & Systems Manager (Pensions) presented the report.

RESOLVED to approve the Treasury Management Policy as set out in Appendix 1 to the report.

61 REVIEW OF INVESTMENT PERFORMANCE FOR QUARTER ENDING 31 DECEMBER 2013

The Assistant Investments Manager presented the report and summarised the headline figures. He drew attention to the information about portfolio restructuring contained in section 6 of the report.

Mr Sheth commented on market developments. A Member noted that many pension funds had been selling off corporate bonds. Mr Sheth replied that corporate bonds had actually given strong returns for some time.

RESOLVED to note the information set out in the report.

62 PENSION FUND ADMINISTRATION - BUDGET MONITORING 2113/14 AND PERFORMANCE INDICATORS FOR QUARTER ENDING 31 DECEMBER 2013

The Finance & Systems Manager (Pensions) presented the finance report. The Pensions Benefit Manager presented the administration report.

A Member raised the issue of IT security in the light of recent attacks by CyberLocker viruses. She knew of companies who had been unable to use their IT systems for weeks because of these viruses. She was particularly concerned about the vulnerability of spreadsheet programs to these viruses. The Head of Business, Finance and Pensions said that Council finance staff were heavily dependent on spreadsheets. No information had so far been received about risks from CyberLocker viruses. The Council's systems were subject to 200 virus attacks per day. Anti-virus protection was constantly updated. All spreadsheets received from outside the Council were virus checked. The Chair asked whether vulnerability to viruses would increase as more staff worked from home. The Head of Business, Finance and Pensions replied at present he had a direct broadband connection at home and was not able to work on his own PC. He understood that in future staff working from home would be able to access Council systems from their own computers within a secure virtual environment. The Chair suggested that the risk register should be updated to cover these IT developments.

RESOLVED to note:

1. The administration and management expenditure incurred for 10 months to 31 January 2014.
2. Performance Indicators & Customer Satisfaction feedback for 3 months to 31 January 2014.
3. The Summary Performance Report for period from 1 April 2011 to 31 January 2014.
4. Member roadshow events and employer training sessions undertaken to communicate the New LGPS 2014, including sample customer feedback.

63 WORKPLANS

The Investments Manager presented the report. She said that a workshop would be held on the new pension fund governance arrangements. This would be scheduled for the morning before the Committee meeting on 26 September and cancelled if the Government review had not concluded by that date.

RESOLVED to note the workplans.

The meeting ended at 3.33 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services