

**Minutes of the Meeting held**

Friday, 26th September, 2014, 2.00 pm

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

**Co-opted Voting Members:** Ann Berresford (Independent Member), Councillor Mary Blatchford (North Somerset Council), William Liew (HFE Employers), Shirley Marsh (Independent Member) and Councillor Steve Pearce (Bristol City Council)

**Co-opted Non-voting Members:** Richard Orton (Trade Unions)

**Advisors:** Tony Earnshaw (Independent Advisor)

**Also in attendance:** Tony Bartlett (Head of Business, Finance and Pensions), Liz Woodyard (Investments Manager), Matt Betts (Assistant Investments Manager), Martin Phillips (Finance & Systems Manager (Pensions)), Steve Makin (Communication and Public Relations Manager) and Alan South (Technical and Development Manager)

**18 EMERGENCY EVACUATION PROCEDURE**

The Democratic Services Officer read out the procedure.

**19 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

Apologies were received from Councillor Patrick Anketell-Jones and Councillor Mike Drew (South Gloucestershire Council).

**20 DECLARATIONS OF INTEREST**

There were none.

**21 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR**

There was none.

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

There were none.

**23 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS**

There were none.

## **24 MINUTES: 27 JUNE 2014**

The Minutes of the meeting of 27 June 2014 were approved as a correct record and signed by the Chair.

## **25 AUDITED STATEMENT OF ACCOUNTS 2013/14 AND GOVERNANCE REPORT**

The Chair reminded Members that the accounts had been presented at the Corporate Audit Committee the previous meeting.

Mr Morris presented The Audit Findings Report (Annual Governance Report) giving an unqualified opinion on the Pension Fund Financial Statements Ms Choudhury summarised the audit findings.

The Chair asked about the £2.2m overpayment of employers' contributions by Bristol City Council (BCC). Mr Morris said that BCC had recognised the overpayment, but had still not decided what to do about it. It was likely they would decide next month. He confirmed that based on the fact that employers can overpay their deficit recovery payments, the overpayment has been treated as income in the accounts, giving rise to a Net Additions from dealing with members of £2.9m. Councillor Pearce (Bristol City Council) said that he was concerned at the length of time that BCC was taking to decide.

The Chair said that he was pleased that only three recommendations had been made as a result of the audit. The Head of Business, Finance and Pensions said that recommendations 1 and 3 would be implemented by 1<sup>st</sup> October. He was puzzled about recommendation 2 (automatic notification of staff leavers to IT), because he believed that the payroll system automatically sent notifications about leavers to IT services and that this had been in place for several years. The Vice-Chair responded that this might be the prescribed procedure, but to his knowledge it was not always done: he had sent emails to staff and after receiving no reply had discovered on inquiry that the member of staff no longer worked for the Council. The Chair asked for this to be investigated and for a report about it to be made to the next meeting of the Committee.

The Committee thanked the Finance team for an excellent set of accounts. The Chair was also pleased to note the current external auditor's reduced fees as compared to the previous external auditors.

Mr Morris asked if the Committee would authorise management's proposed treatment of the unadjusted misstatement described on agenda page 64 (discrepancy between NatWest cash balance and cash book) so that the Letter of Representation could be signed. The Chair asked officers to report back to the Committee on the reasons for this discrepancy.

It was then **RESOLVED** unanimously:

1. To note the final audited Statement of Accounts for 2013/14.

2. To authorise management's proposed treatment of the unadjusted misstatement reported on page 14 of the Audit Findings Report (agenda page 64).
3. To note the issues raised in the Annual Governance Report.
4. To approve the draft Avon Pension Fund Annual Report 2013/14.

## **26 PENSION BOARDS**

A workshop for Members on this topic had been held before the start of today's meeting.

### **RESOLVED:**

1. To note that the budget for the Pension Board will be determined by the Committee during 2015/16 as the Board's role and workplan is confirmed by the regulations.
2. To note the Fund's draft response to the draft regulations for scheme governance.

## **27 TERMINATION POLICY**

The Investment Manager presented the report. She explained that two changes were being sought to the current policy as detailed in paragraphs 5.2 and 5.7 of the report. The aim was to minimise the risk to the Fund from the residual liabilities when employers had exited the Fund. Such liabilities could persist for many years during which longevity factors will change.

A Member said that the Fund should do nothing that would affect its seniority as a creditor of employers who went into to liquidation. He wondered whether it would be affected if the Fund agreed phased exit payments, and suggested that maximum and minimum periods for the deferral of these payments should be defined. The Investments Manager responded that she did not think the Fund's seniority as a creditor would be affected by phased payments, and that in any case the issue would only arise in the case of small employers. The Chair asked officers to research and report back to the Committee with an authoritative opinion on debt seniority in these circumstances.

A Member asked where the figure of 2% p.a. long-term rate for longevity improvement came from. The Investments Manager said this was the figure recommended by the Actuary and it could be varied by the Committee periodically. The Chair said that the figure to be used would be reviewed on a case-by-case basis by the Chair and Vice-Chair and that the guideline figure set out in the policy of 2% would be subject to regular review by the Committee.

### **RESOLVED:**

1. To approve the repayment plans as set out in paragraph 5.2.
2. To approve the use of a 2% p.a. long term rate for improvement in longevity, subject to review by the Chair and Vice Chair on a case by case basis and on-going review by the Committee.

## **28 REPORT ON INVESTMENT PANEL ACTIVITY**

The Assistant Investments Manager summarised the key facts in the report. The Panel had made 3 decisions, which were listed in paragraph 4.1 of the report and details of which were given in the exempt appendices.

Before discussing the exempt appendices, the Committee passed the following resolution:

Having been satisfied that the public interest would be better served by not disclosing relevant information, the Committee **RESOLVES**, in accordance with the provisions of section 100(A)(4) of the Local Government Act 1972, that the public be excluded from the meeting during the discussion of appendices 2,3 4 and 5 to this item, 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, the Committee **RESOLVED**:

1. To note the draft minutes of the Investment Panel meeting of 3 September 2014.
2. To note the recommendations and decisions made by the Investment Panel since the last quarterly activity report as set out in 4.1.

## **29 REVIEW OF INVESTMENT PERFORMANCE FOR QUARTER ENDING 30 JUNE 2014 (INCLUDING REVIEW OF INTERNAL CONTROL REPORTS)**

The Assistant Investments Manager summarised the key information as given in paragraph 5.1 of the report. He said that of the five managers rated amber, two were improving, two were being closely monitored and the mandate of one had been terminated. He drew attention to section 8 of the report, which summarised the results of the annual review of investment managers' internal control reports.

Mr Sheth said that there were no significant issues with managers that needed to be reported to the Committee. He commented on market conditions.

A Member said that he was not comfortable with a situation where 5 out of the Fund's 18 managers were rated amber. He asked when the Fund's investment advisers were last appraised. The Investment Manager replied that the investment advisers' contract would be retendered in the current year. However the current

contract could be terminated at any time, if the Committee felt that it was not getting good advice. Another Member agreed that although it was a concern that a quarter of the Fund's investment managers were underperforming, she suggested that there were a number of other indicators, such as the ranking of the Fund in relation to other local authority funds and the performance of the fund against its overall benchmark, that could be used to assess performance. The Independent Advisor commented that it was not unusual in his experience for a number of managers to be underperforming at any one time.

**RESOLVED:**

1. To note the information set out in the report.
2. To note the LAPFF Quarterly Engagement Report.

**30 PENSION FUND ADMINISTRATION, BUDGET MONITORING, PERFORMANCE INDICATORS FOR QUARTER ENDING 30 JUNE 2014 AND RISK REGISTER ACTION PLAN**

The Finance & Systems Manager (Pensions) summarised the budget report. Expenditure for the full year is forecast to be £50,000 below budget for the reasons stated in paragraph 4.2 of the report. Late payment by one employer had been found to be due to the use of a wrong sort code. This had now been rectified.

The Communication and Public Relations Manager presented the performance report.

The Investments Manager reported that there had been no changes to the Risk Register. Members asked about the impact of the new rules for taking pension early announced in the 2014 Budget. The Investments Manager replied that these represented a risk to the funding level of the Fund and would be included in the Risk Register.

**RESOLVED:**

1. To note the administration and management expenditure incurred for 4 months up to 31 July 2014.
2. To note performance indicators and customer satisfaction feedback for 3 months to 31 July 2014.
3. To note the summary performance report for period from 1 April 2011 to 31 July 2014.
4. To note member roadshow events and employer training sessions undertaken to communicate the New LGPS 2014, including sample customer feedback.
5. To note the Risk Register.

**31 WORKPLANS**

**RESOLVED** to note the workplans.

The meeting ended at 3.34 pm

Chair(person) .....

Date Confirmed and Signed .....

**Prepared by Democratic Services**