



Pensions Committee

Minutes – 8 January 2014

Attendance

Members of the Committee (Wolverhampton CC)

Cllr Bert Turner (chair)
Cllr Steve Evans
Cllr Mike Heap
Cllr John Reynolds
Cllr Zahid Shah (from item seven)
Cllr Tersaim Singh

Trade union observers

Mr Malcolm Cantello (Unison)
Mr Martin Clift (Unite)
Mr Ian Smith (Unite - retired)

District members

Cllr Muhammed Afzal (Birmingham CC)
Cllr Damian Gannon (Coventry CC)
Cllr Rachel Harris (Dudley MBC)
Cllr Alan Martin (Solihull MBC)
Cllr Vic Silvester (Sandwell MBC)

Employees

Geik Drever	Director of Pensions
Mark Chaloner	Assistant Director – Pensions
Jane Alexander	Principal Auditor
Peter Farrow	Head of Audit
Jane Hopkins	Team Leader, Legal Services
Claire Parlor	Head of Governance
Mandy Wylde	Pensions Operations Manager
Martyn Sargeant	Head of Democratic Services

Professional advisers:

Muna Rowe PwC

Part 1 – items open to the press and public

Item Title
No.

MEETING BUSINESS ITEMS

1. Apologies for absence

Apologies for absence were submitted on behalf of Cllrs Peter Bilson, Mark Evans, Andrew Johnson, Lorna McGregor, Sandra Samuels (Wolverhampton).

2. **Substitute members**

Cllr Silvester attended the meeting on behalf of Cllr Eling (Sandwell MBC).

3. **Declarations of interest**

No interests were declared.

4. **Minutes**

(a) Pensions committee (25 September 2013)

Resolved:

That the minutes of the meeting held on 25 September 2013 be approved as a correct record and signed by the Chair, subject to the resolution under item seven being amended to read:

'That the decisions taken regarding the bid be approved and the outcome be noted.'

(b) Investment advisory sub- committee (11 December 2013)

Resolved:

That the minutes of the meeting held on 11 December 2013 be adopted.

(c) Pensions joint consultative forum (26 November 2013)

Resolved:

That the minutes of the meeting held on 4 September 2013 be noted.

5. **Matters arising**

Cllr Reynolds noted that quorum had only just been reached at the recent meeting of the consultative forum and that, as this was not a decision-making meeting, the Councillors membership might be reduced to avoid this scenario for the future. All other observers in the Forum remain the same.

Resolved:

That Councillors membership of the Joint Consultative Forum be reduced to be simply the chair and vice-chair.

DECISION ITEMS

6. **Pension administration report 1 August to 30 September 2013**

Geik Drever presented the pension administration report for the period August/September 2013.

She noted that participation in the scheme continued to increase in terms of new employers. She noted five new employer admissions since the last meeting and asked the Committee to approve Compass Contract Services Ltd as a new member.

Geik referred to new performance indicators which will be effective from 1 April 2014 if not before.

Geik highlighted proposals to expend about £40,000 on overtime to target the workload backlog, reducing it to a reasonable level by the end of the financial year. Cllr Silvester asked whether productivity might be improved through increased homeworking. Geik Drever suggested the improvement in productivity in such scenarios was largely due to reduced sickness and that the Fund had a good sickness level amongst its employees. The Fund already has some employees undertaking homeworking.

In relation to write offs/write ons, Geik drew attention to a particular over payment to a pensioner, noting that the subsequent investigation had highlighted a number of procedural improvements for the future. Malcolm Cantello suggested such incidences might be covered by Guarantee Insurance. Geik suggested the cost of such instances as a percentage of the amount paid out during the year was extremely low, and the cost of such insurance would probably exceed the write-offs.

Geik also noted an intention to increase web transactions (currently about 3.5%) in order to reduce costs and advised the Fund was considering the use of incentives to encourage take up.

Resolved:

- (1) To agree the admission of Compass Contract Services Ltd as a participating employer.
- (2) To note the contents of the report, in particular the write offs/ons and additional costs of £40,000 for overtime to address a backlog of work.

INFORMATION ITEMS

7. Trustee training activity – update report

Geik Drever presented the update on trustee training and encouraged all members of the Committee to report any training, so it could be noted on their profiles. A reference guide for online reading leaflet was circulated to all Committee members at the meeting.

Resolved:

To note the contents of the report.

8. Annual report and accounts 2012/13

Muna Rowe from PWC audit presented an update on the 2012/13 report and accounts, noting that the bulk of the work had been conducted between May and July 2013 and was now completed. She confirmed all items outstanding since the draft report was circulated had been resolved.

Muna drew to the Committee's attention a small number of key issues:

- One significant risk highlighted for Pension Funds is management override of controls and so formed a key part of the audit. No issues arose from the audit in this respect

- Because of the number of external managers, the Fund is dependent on controls in place in those organisations, so examination of their practices also formed part of the audit.
- Although the report highlighted a number of late payments of contributions, the auditors were comfortable that these were being addressed and Geik Drever confirmed this would continue to be a reported performance indicator, with any specific issues being addressed to the Committee.

Muna advised PwC had issued an unqualified opinion. There were no significant audit adjustments and just one non-trivial adjustment but this was considered not to have a significant impact on the accounts so it didn't need to be adjusted.

Malcolm Cantello queried whether the documentation remained in draft form. He highlighted a typographical error in the executive summary. Geik Drever confirmed the audit forms part of the wider Council's audit, which has been published and that the Fund's Annual Report and Accounts had been published on the Fund's website since October 2013.

Resolved:

To note the final 2012/13 Annual Report and Accounts and the annual audit report.

9. **Compliance monitoring**

Resolved:

To note the contents of the report and that no compliance issues had arisen during the period covered by the report.

10. **Internal audit update**

Peter Farrow introduced the report, updating the Committee on progress made against the audit plan. He highlighted two red recommendations made in relation to data management and suggested the Committee should receive an update on management progress made in addressing these. He confirmed the audit team would provide a year-end report in due course.

Resolved:

To note the contents of the latest internal audit update.

EXCLUSION OF PRESS AND PUBLIC

11. **Exclusion of press and public**

Resolved:

That in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item(s) of business as they involve the likely disclosure of exempt information falling within the paragraphs of Schedule 12A of the Act set out below:

<i>Item No.</i>	<i>Title</i>	<i>Applicable paragraph</i>
12	Actuarial valuation 2013	3
13	Economic and market update – September 2013	3
14	Valuation of investments	3
15	Combined governance activity April to June 2013	3
16	Service plan monitoring 2013/14	3

Part 2 – exempt items, closed to the press and public

12. Actuarial Valuation 2013

Geik Drever circulated an update confirming the most recent information regarding the funding position. She referred to the Funding Strategy Statement and Termination Policy which has been agreed with the Actuary and form the basis of the results. She highlighted some of the changes made from 2010, in particular the recovery periods, ring-fencing removals, early retirement allowances, termination assessments, and de-risking strategy. She advised the recovery period had been revised down to 22 years (from 25). Geik highlighted the ending of easement arrangements on early retirement allowances, explaining that future payments would be expected up front but with scope to negotiate payment over three years for cashflow purposes if the employer's covenant was good. Malcolm Cantello queried whether this had been reflected by the actuary, and Geik Drever confirmed that to be the case.

Employers have been issued with their individual results and engagement is ongoing until end of January 2014. In February 2014, all employers will be formally notified of their contribution rates, with Committee formally signing off the Actuarial Valuation Report in March 2014.

Resolved:

- (1) To note the actuarial valuation process to date.
- (2) To approve, in principle, the confirmation of individual results to participating employers and the Funding Strategy Statement, including the Termination Policy.
- (3) To note ongoing consultation with employers over the results and the Funding Strategy Statement.

13. Economic and market update – December 2013

Mark Chaloner presented the update.

Resolved:

- (1) To note the Investment Advisory Committee's decision that tactical asset allocation ceased with effect from 11 December 2013.
- (2) To note the global market and economic update paper prepared by Hymans Robertson, the Fund's investment adviser.

14. **Valuation of investments**

Geik Drever confirmed this would be made available to members after the meeting on request.

15. **Combined governance activity April to June 2013**

Mark Chaloner presented the governance report, noting that it had been a quieter period for voting but a number of key engagement issues should be noted.

- (1) A petition to Coventry City Council requesting disinvestment from arms companies, in response to which the Director of Pensions had written to the Council outlining the Fund's policy to engage with companies rather than disinvest.
- (2) Widespread discussion amongst local authorities and pension funds about an apparent conflict between the public health role of councils and investment, through pension funds, in the tobacco industry. The Director of Pensions would be briefing Council Leaders and Chief Executives on this matter at their next joint meeting, which was scheduled to take place at the end of January.
- (3) Labour blacklists by construction companies, in respect of which a response would be provided to Wolverhampton City Council (which raised the issue with the Fund) in due course.

Resolved:

- (1) To note the voting activity for the period to 30 September 2013
- (2) To note the issues raised on engagement and the Fund's response.
- (3) To note the LAPFF engagement activities.

16. **Service plan monitoring 2013/14**

Geik Drever presented the monitoring report for the year to date.

She noted a projected underspend of about £66,000 against the operational budget, mainly arising from savings against employee costs/communications and IT, but offset by fees incurred by the Fund (actuarial and professional/operational), some of which will be recovered through additional employer contributions that do not appear in the operating budget. It was also noted that recharges to employers for actuarial costs would be invoiced in future and not added on to individual contribution rates for recovery over a longer period. Committee agreed that this should be the case going forward.

Geik asked the Committee to approve changes to the Fund's bank (NatWest) mandate for employees authorised to confirm transfers of funds.

Resolved:

- (1) To note the service plan monitoring report for the year to date.
- (2) To authorise specific employees to confirm transfers of funds on behalf of the Pension Fund.