



Pensions Committee

19 September 2014

10.30 am

Item

3

Public

**MINUTES OF THE PENSIONS COMMITTEE MEETING HELD ON 20 JUNE 2014
10.30 AM - 12.45 PM**

Responsible Officer: Sarah Townsend

Email: sarah.townsend@shropshire.gov.uk Tel: 01743 252803

Present:

Members of the Committee:

Councillors Anne Chebsey, Andrew Davies and Joyce Barrow (Substitute) (substitute for Thomas Biggins)

Co-Opted Members (Voting):

Malcolm Smith (Chairman)

1 Election of Chairman

It was proposed, seconded and **RESOLVED:** that Mr Malcolm Smith be elected Chairman for the ensuing municipal year.

2 Apologies for Absence and Substitutions

Apologies for absence were received from Councillor Thomas Biggins, Councillor Malcolm Pate, Mr Bill McClements, Mrs Jean Smith, Mr Arnold England and Mr Richard Overton.

Councillor Joyce Barrow substituted for Councillor Thomas Biggins.

3 Appointment of Vice-Chairman

It was proposed, seconded and **RESOLVED:** that Councillor Malcolm Pate be appointed Vice-Chairman for the ensuing municipal year.

4 Disclosable Pecuniary Interests

Members were reminded that they must not participate in the discussion or voting on any matter in which they had a Disclosable Pecuniary Interest and should leave the room prior to the commencement of the debate.

5 Minutes

RESOLVED:

That the Minutes of the meeting held on 20 March 2014 be approved and signed by the Chairman as a correct record.

6 Public Questions

There were no public questions.

7 F&C (Responsible Engagement Overlay)

Mr Ian Biscoe and Mr Yo Takatsuki gave a presentation on F&Cs approach to engagement which focused on encouraging companies to address material environmental, social and governance issues, with a view to reducing risk and supporting long-term performance.

By way of a corporate update, it was reported that F&C had recently been acquired by the Bank of Montreal which has a North American base and had acquired F&C to become the centrepiece of the Bank of Montreal's European asset management business. It was noted that there would be no material change to investment teams or processes and that the Group Management Team remained in place.

It was reported that between January 2013 and June 2014, F&C made 115 engagements on behalf of the Shropshire County Pension Fund and 28 milestones were achieved. The Committee's attention was then drawn to a couple of specific engagement case studies in order to demonstrate how through engagement with the companies involved, the identified issues had been resolved.

8 Global Infrastructure Partners (Infrastructure)

Mr Mehrdad Noorani gave a presentation on the performance of the Global Infrastructure Partners II Portfolio. He summarised the activities which had taken place over the past twelve months and provided a review of current performance.

It was noted that the team had grown with the addition of three Senior Advisors and four Operating Professionals although their strategy of operating focus remained unchanged.

Members were informed that the Portfolio companies were performing well. Their return on exit of Access Midstream Partners which occurred a week before the Pensions Committee meeting, had exceeded their expectations.

(At this point in the meeting, Councillor Joyce Barrow tendered her apologies as she was due to be in attendance at another meeting. She left the room at 11.20 am and came back into the meeting at approximately 12.15 pm).

9 Prudential (AVC)

Mr Mike Johnstone and Mr Alistair Hogg gave a presentation on this scheme and highlighted the following points:

- Whilst active members continued to grow, there had been a large increase in membership during the last financial year, presumably due to the reduced tax free lump sum available to new members after this date.
- The largest holding of AVC members' money was in the Prudential With Profits Cash Accumulation Fund (43%). In response to a query, it was mentioned that 55% of this fund was invested in equities and property. The return achieved in the year ending April 2014 had been a pleasant surprise. The second largest holding at 13% (£488,000) was in the Prudential Deposit Fund with the remainder well spread.
- In terms of the fund administration, they were looking at some of the service levels to improve performance.

10 Grant Thornton - Informing The Audit Risk Assessment for Shropshire County Pension Fund

The Committee received the report of the External Auditor, Grant Thornton, (copy attached to the signed Minutes) which detailed responses received from the Council's Management in respect of a series of questions relating to the areas of fraud, laws and regulations, going concern, accounting estimates and related party transactions.

Mr Ashley Wilson, Pensions Audit Manager for Grant Thornton, was in attendance to present the report. He confirmed that he was happy with the responses that had been received and that the report had not identified any major issues and did not contain anything unexpected or unusual.

RESOLVED:

That the contents of the report be noted.

11 Grant Thornton - Shropshire Pension Fund Audit Plan 2013/14

The Committee received the report of the External Auditor, Grant Thornton, (copy attached to the signed Minutes) which set out The Audit Plan for Shropshire County Pension Fund for the year ended 31 March 2014.

Mr Ashley Wilson, Pensions Audit Manager for Grant Thornton, was in attendance to present the report. In particular, Members' attention was drawn to the results of interim audit work (page 10 of the report) which detailed the findings of their interim audit work and the impact of their findings on the accounts audit approach. It was noted that there were a couple of areas of work outstanding which would be reported on when complete.

The Committee confirmed that they were happy with the report and that The Audit Plan for Shropshire County Pension Fund was suitable for their organisation.

RESOLVED:

That the contents of the report be noted.

12 Consultation Report

The Committee received the report of the Head of Finance, Governance and Assurance (copy attached to the signed Minutes) which provided Members with an update on the recent consultation issued by the Department for Communities and Local Government (DCLG) in May 2014.

The consultation set out evidence for proposals for reforms to the Local Government Pension Scheme and opportunities to deliver savings of £660 million a year for local taxpayers.

RESOLVED:

That authority be delegated to the Scheme Administrator and the Chairman of the Pensions Committee to respond to the Local Government Pension Scheme Opportunities for collaboration, cost savings and efficiencies consultation by the deadline of the 11 July 2014. A copy of the final response would be circulated to Members for any further comments or amendments prior to the 11 July 2014 deadline.

13 Fund Governance and Creation of New Pension Board

The Committee received the report of the Head of Finance, Governance and Assurance (copy attached to the signed Minutes) which outlined the requirement to produce a Governance Compliance Statement in line with the best practice principles published by the Communities & Local Government Department and recommended an update of the Governance Compliance Statement that was first published in February 2006 and last revised in June 2013. The report also provided an update on the introduction of a Pension Board under the requirements of the Public Service Pensions Act 2013 and recommended procedures for the implementation of the Board.

The Pensions Committee was asked to consider establishing a Task and Finish Group in order that it could consider and develop options relating to the establishment of the Pension Board. It was recommended that membership of this Task and Finish Group consist of the Chairman of the Pensions Committee together with one other employer representative and one scheme member representative.

It was noted that a report would be taken to the 18 December 2014 Council meeting in order to agree the terms of reference and all appointments to the Pension Board as these were unable to be delegated to the Pensions Committee.

In response to a query from a Member, it was confirmed that the Pension Board was not expected to have decision making powers in relation to the Fund.

RESOLVED:

- (a) That the revised Governance Compliance Statement (Appendix A to the report) be approved.
- (b) That the contents of the report and in particular, the requirements for the Council to establish a Pension Board by the 01 April 2015 be noted.
- (c) That the establishment of a Task and Finish Group to consider how best to implement the changes be agreed.
- (d) That any decisions regarding the creation of the Pension Board be delegated jointly to the Chairman of the Pensions Committee and Head of Finance, Governance and Assurance (Scheme Administrator), taking the advice of the Task and Finish Group.

14 Corporate Governance Monitoring

The Committee received the report of the Head of Treasury and Pensions (copy attached to the signed Minutes) which informed Members of Corporate Governance and socially responsible investment issues arising in the quarter 01 January 2014 to 31 March 2014.

In response to a query from a Member, the Head of Treasury and Pensions reported that F&C were paid approximately £40,000 per year.

RESOLVED:

That the position as set out in the report, Manager Voting Reports (Appendix A) and F&C Responsible Engagement Overlay Activity Report (Appendix B) be accepted.

15 Pensions Administration Monitoring

The Committee received the report of the Pension Administration Manager (copy attached to the signed Minutes) which provided Members with monitoring information on the performance of and issues affecting the Pensions Administration Team.

The Pensions Team Leader was in attendance to present the report.

It was reported that procedures outstanding at the end of the month had fallen since last reporting to the Committee and had levelled out. Members were also informed that due to the introduction of the new scheme on the 01 April 2014, it had been identified that extra resources were needed in order to continue to deliver a high level of service. A revised structure had been introduced and this had created opportunities for current team members with resulting vacancies now being recruited too. It was hoped that by July 2014 the team would be back to full capacity and able to move forward.

It was noted that the project that had been set up to produce a combined P60 / Pensions Increase notification had been completed with a combined P60, Payslip and details of April's Pension Increase successfully issued to all pensioners on the

01 May 2014. This had been very well received with minimal queries to the helpdesk.

RESOLVED:

- (a) That the position as set out in the report be accepted.
- (b) That the revised Administration Strategy (Appendix D to the report) be approved.
- (c) That the Communications Policy (Appendix E to the report) be approved.

16 Exclusion of Press and Public

RESOLVED:

That under paragraph 10.2 of the Council's Access to Information Procedure Rules, the proceedings of the Committee in relation to the following items, should not be conducted in public on the grounds that they might involve the likely disclosure of exempt information as defined by the category specified against them.

17 Exempt Minutes (Exempted by Category 3)

RESOLVED:

That the Exempt Minutes of the meeting held on 20 March 2014 be approved and signed by the Chairman as a correct record.

18 New Admission Bodies (Exempted by Category 3)

The Committee received the exempt report of the Pension Administration Manager (copy attached to the Exempt signed Minutes) which provided confirmation details of three new Admission Bodies to the Fund together with confirmation of two new Schedule 1 Part 1 Scheme Employer (Academies) that had or would be joining the Fund.

RESOLVED:

That the recommendations in the exempt report be approved.

19 Investment Monitoring - Quarter to 31 March 2014 (Exempted by Category 3)

The Committee received the exempt report of the Head of Treasury and Pensions (copy attached to the Exempt signed Minutes) which provided Members with monitoring information on investment performance and managers for the quarter period to 31 March 2014, and reported on the technical meetings held with managers since the quarter end.

RESOLVED:

That the position as set out in the exempt report be noted.

(The full version of Minutes 18 and 19 constitutes exempt information under Category 3 of Paragraph 10.4 of the Council's Access to Information Rules and has accordingly been withheld from publication).

Signed (Chairman)

Date: