

Minutes

Name of meeting	ISLE OF WIGHT COUNCIL PENSION FUND COMMITTEE
Date and time	20 MAY 2011 AT 10.00 AM
Venue	COMMITTEE ROOM 1, COUNTY HALL, NEWPORT, ISLE OF WIGHT
Present	Councillors: Roger Mazillius (Chair), Peter Bingham, Reg Barry, Vanessa Churchman, Tim Hunter-Henderson and Wayne Whittle Representatives: Chris Lisher, Admitted Bodies Representative Steve Milford, Unison Representative Officers: Dave Burbage, Strategic Director of Resources, Jo Thistlewood, Technical Manager and Carol Harrison – Minutes.
Apologies	Councillor: Barry Abraham

Cllr Mazillius welcomed Cllr Tim Hunter-Henderson to the committee who was taking place of Cllr Ivan Bulwer. The committee stood in silence in memory of Cllr Bulwer.

1. **Minutes of the meeting held on 18th February 2011 ([Paper A](#))**

RESOLVED :

The minutes of the meeting held on the 18th February 2011 were agreed as a correct record.

2. **Declarations of Interest**

Cllr Wayne Whittle and Cllr Reg Barry declared interest as members of the Isle of Wight Pension scheme and Cllr Reg Barry also declared as being in receipt of an Isle of Wight Council Pension.

3. **Pension Fund Bank Account – Paper B**

A report to the Pension Fund Committee on 18th February 2011 outlined the requirements for the new account and the work that was required to ensure it was operational by 1st April 2011.

It was agreed at the last meeting that an update be presented to this Committee and that final agreement of cost and recharge to the pension fund be agreed.

With regard to changes to systems required the final cost of the work carried out by Logica was £2,361 and this amount would be charged to the Pension Fund.

The work in relation to is progressing smoothly and the total cost of the new bank account to the Pension Fund accounts will be approximately £6,000 in 2011-12 and then onwards a cost of £500 per annum for annual maintenance/licence fees.

The Council and Pension Fund are now fully compliant with all statutory requirements in respect of the segregation of cash balances.

RESOLVED :

Agreed that the charges to the Pension Fund be agreed.

4. Hutton Review and Government proposals – Paper C

At the last meeting Peter Summers, Hymans Robertson did a presentation on the Hutton review and at that stage the final report had not been published. On the 10th March the final Hutton report was published with 27 recommendations.

Key points were:

- final salary schemes phased out by 2015 to be replaced by a career average scheme
- increase in normal retirement age linked to state pension
- fixed cost ceiling for employers contributions
- full protection of accrued rights
- the LGPS remains a separate funded scheme

The Hutton report recommendations clearly show the direction for the future of the LGPS, however the final decisions will not be made until later in the year following consultation by the Government and certain elements may well change.

Cllr Churchman reported back on a National Association of Pension Funds conference which she attended where Lord Hutton's report was discussed. In particular she highlighted the potential increase in employee contribution rates by an average of 3% and the potential implications of increased retirement age on employment of young people.

There were concerns about employees potentially leaving pension funds if contribution rates increased too much.

Cllr Churchman had been invited to attend a follow up meeting with DCLG and Aon Hewitt.

Cllr Mazillius thanked Cllr Churchman on behalf of the committee.

RESOLVED :

Agreed to note the report.

5. **Exclusion of Public & Press:**

The chair moved the statutory notice to exclude the public and press due to consider passing a resolution that, under Section 100(A)(4) of the Local Government Act 1972, the public and press be excluded from the meeting for the following items of business, namely Agenda items 6 - 10, on the grounds that there is likely to be disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information

The Committee discussed the motion and in particular were advised by the Strategic Director of Resources that in the past when the Committee was named Investment Panel the predominance of business was very detailed performance management with investment managers but now we have changed to a Pension Fund Committee where much of the agenda items are of a wider general interest, agenda items that can be taken in public. There will be items however where the Pension Fund Committee will want to discuss them in detail which will have commercial sensitivity particularly when we have presentations from our individual managers where that will still need to be taken with press and public excluded.

The thrust will be to try to make as many of the reports as open as possible. Once the Pension Fund Committee have discussed them at the detail or development stage then they will come back in the more formal meetings in the public part of the agenda. It is not practicable to do all the business particularly on the more detailed manager reports in public.

For instance the actuarial services, the accounts and trustee reports are all items that will be returned to the committee to be discussed in public. The Isle of Wight Pension Fund overview is not specifically about the overall fund being just an internal snapshot on a quarterly basis, but formal reports regarding the overall performance of the fund will be discussed in public.

Members generally felt that as much as possible should be on the general agenda.

RESOLVED :

Following a lengthy discussion it was agreed to that this was a good start and the Committee agreed to move the resolution to exclude the press and public.

The Press left the meeting.

6. **Actuarial Services**

This follows a report from the last meeting. We have had the same actuaries for a considerable number of years as we *did* with fund managers and went through a process of revising our investment management arrangements appointing three managers. It was not sensible to go out to tender on our actuarial services at that

time because we needed our actuary to assist with that process. The time is now right, to undertake that process. This is no reflection on the current actuary.

The report set out three options, firstly stay as we are, second to go with a framework contract and thirdly to go through a procurement process. The sensible time to change would be from 1 April 2012, so there is time to go through a proper procurement process. The framework contract would seem to offer little overall advantage and less control over who we choose and the costs charged.

The recommended procurement tender process would proceed under two headings- one for the pure actuarial work and the other on the independent advisor role. Companies can bid to do either or both.

Before finalising the specification it was agreed that Chris Lisher representative of the admitted bodies would have the opportunity to put forward any issues from an admitted body point of view for the Committees consideration.

Following questions and discussion it was agreed that the entire Pension Fund Committee comprise the Selection Panel.

In relation to costs of the procurement exercise this would be undertaken by Council internal staff.

RESOLVED :

Agreed to

- 1) undertake a procurement exercise as set out in the report
- 2) to delegate to the Strategic Director of Resources the finalisation of the specification
- 3) that all members of the Committee constitute the Selection panel

7. 2010 Triennial Revaluation & Admitted Bodies – Paper E

Peter Summers from Hymans attended the last meeting and outlined the overall position on the triennial revaluation which was based on data at the 31st March 2010 and implemented from 1st April 2011.

The appendix to the report outlined the contributions of the admitted bodies and for the Isle of Wight Council for the next three years.

The report updates the position on admitted bodies. The Isle of Wight College has the largest number of employees of the admitted bodies. They have requested to attend meetings and it is recommended that they attend along with Chris Lisher and Steve Milford as non-voting representatives.

As previously reported there may be additional admitted bodies in the future in respect of the Highways PFI and in respect of academies and secondary school trusts. Also other areas might depend upon changes in some delivering through social enterprises, and partnerships.

RESOLVED :

To note the report and agreed that the Isle of Wight College be added to the Committee as a non-voting member.

8. **Accounts and Trustees report – Paper F**

The first draft of the accounts and trustees report as at the 10th May was considered.

RESOLVED :

Agreed to note the report, and significant progress made in completing the accounts for the pension fund for the year ended 31st March 2011. The wording of the Trustees report to be included in the Pension Fund accounts was agreed.

9. **Funding Strategy Statement**

The Funding Strategy Statement (FSS) is reviewed in detail at least every three years alongside the triennial valuations. Following the completion of the 2010 valuation which is implemented from 1st April 2011 a review is now required.

The FSS is a summary of the Pension Fund's approach to funding liabilities.

RESOLVED :

Agreed that the Funding Strategy Statement be taken to the next meeting which will be in public and with the admitted bodies present for final agreement.

10. **Isle of Wight Pension Fund Overview**

The position at 31st March 2011 gave a valuation of £326m. The benchmarking for the fund was 70% in equities whereas it stood at 73.5%. Bonds were underweight and global equities stood at 34.2% which was slightly below the statutory limit of 35%. The asset allocation of the fund would be reviewed at the November 2011 meeting.

RESOLVED :

To note the position at 31st March 2011 valuation.

Meeting closed at 12.45 pm

CHAIRMAN