
PENSIONS COMMITTEE, 29.03.10

Present: Councillor John Gwilym Jones (Chairman).
Councillor Keith Greenly-Jones (Vice-chairman).

Councillors:- Trevor Edwards, John R. Jones, John W. Jones.

Co-opted Member:- Councillor Goronwy O. Parry (Isle of Anglesey County Council).

Officers:- Dilwyn Williams (Corporate Director), Dafydd Edwards (Head of Finance Department), Gareth Jones (Pensions Operations Manager) and Gwyn Parry Williams (Committee Officer).

Apologies: Councillors W. Tudor Owen, Gwilym Euros Roberts and Councillor Margaret Lyon (Conwy County Borough Council) and Marina Parry Owen (Pensions and Investments Officer).

1. DECLARATION OF PERSONAL INTEREST

No declarations of personal interest were received from any member present.

2. MINUTES

The Chairman signed the minutes of the previous meetings of this committee held on 16 December 2009 and 11/29 January 2010, as a true record.

3. PENSIONER MORTALITY SCREENING AND ADDRESS TRACING SYSTEM

Submitted – the report of the Head of Finance Department on pensioner mortality screening and the address tracing system.

The Pensions Operations Manager reported that the Gwynedd Pensions Unit paid over 7,000 pensioners monthly. It depended on the National Fraud Initiative, deceased members' family and friends and the closure of bank accounts to notify the service of pensioner deaths. Not all deaths were notified immediately; weeks and months could pass in some instances. Late notifications resulted in overpayments, the reclaiming of which was time-consuming and, in cases where the death had occurred in a previous tax year, retrospective tax adjustment and correspondence with HMRC was required.

It was noted that the Council operated a policy where pension payslips were only issued if there was a 50 pence or more change in the net pay from the previous month, and this saved the fund approximately £15,000 per annum in postage. As a result, it was not always immediately obvious to relatives that the deceased was in receipt of a pension. The National Fraud Initiative (NFI) was implemented every two years, and could identify un-notified deaths. However, these could be up to two years late and could also include erroneous notifications that could have embarrassing consequences. On 28 February 2010, there had been 6,286 deferred pensioner members in the fund. Of these, 671 were known to have changed address without notifying the pensions unit. Unknown others could also exist.

Each year, a high number of Deferred Annual Benefit Statements (ABS) were returned marked as 'gone away'. This was problematic as the regulations required that those deferred members should receive an ABS, but more so when benefits were due and the member could not be traced. There could be cases of deferred members having died without the family realising that benefits were due from the scheme.

He noted that part of the Pensions Unit's improvement plan for 2009/10 was to examine the possibility of introducing a mortality screening and address tracing service. In terms of price and ease of administration, Atmos Data Service Ltd. offered the most attractive option that included a free analysis check on the data held by the fund. Across the fund, the check had identified 33 potential mortality cases. However, some, or all of these could be cases already notified but not processed. There had been 761 forwarding addresses listed and 2,117 unconfirmed addresses (although some of these might be as a result of bilingual issues). It had also noted 8,486 addresses that could potentially be improved to Royal Mail standards.

In relation to the initial data cleanse, the officer informed the committee that the initial process was just a starting point, but could be undertaken at any time when it was deemed prudent to do so. As a starting point to this new initiative, it was advisable to instigate such a check and to decide at what intervals that such cleansing should be carried out in the future.

Processing Postcode Address File Cleanse

Providing corrections / enhancements for 14,219 records @ £0.16 per record: £2,275.04

Address Tracing

Providing 761 forwarding addresses @ £2.00 per forwarding address £1,522.00

Identifying 317 "gone aways" @ £0.60 per flagged record £190.20

Mortality Screening

Identifying 33 potential mortalities @ £5.00 per record £ 165.00

Total £4,152.24

The officer noted that regular mortality screening, which was the second process, was much more active, and it involved screening 7,098 pensioners and dependants at a cost of £2,000 per annum. The cost was based on 20p per record per annum subject to a minimum of £2,000 per annum and it included provision of "gone away" notifications and forwarding addresses on a monthly basis and an annual "PAF" Cleanse for all records.

RESOLVED to approve -

i) The appointment of Atmos Data Services as a provider of Data Cleansing and Mortality Screening Services to the Gwynedd Pension Fund.

ii) An annual budget of £2,000 for the Mortality Screening Service.

iii) A one-off budget of £4,152 for the 2010/11 financial year for data cleansing and address tracing.

4. TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY FOR 2010/11

Submitted – the report of the Head of Finance Department noting that the Local Government Pension Scheme (Management and Investment of Funds) Regulations had come into force on 1 January 2010. These new regulations -

a) seemed to suggest that pension fund cash was no longer permitted to be pooled with the cash balances of the administering authority from 1 April 2010;

b) gave the administering authority an explicit power to borrow for up to 90 days, for the cash flow purposes of its pension fund;

c) required the pension fund to have a separate bank account from 1 April 2011.

However, on 4 March 2010, the Communities and Local Government Department (CLG) had issued an informal interim guidance on pooling. It contradicted some people's interpretation of the above regulations, as it seemed to suggest that we could continue to pool pension fund cash with the Council's cash balances.

The officer noted, that due to the uncertainty in how to interpret the guidance, advice had been requested regarding the above regulations and guidance from Hymans Robertson, the Pension Fund's advisers. They were of the opinion that the CLG guidance seemed to backtrack somewhat on the regulations, which seemed to prohibit any pooling of Council and Pension Fund money. Their advice had been that the Council could continue pooling if the following four criteria could be met -

- i) that the Pensions Committee requested that the pension fund cash assets be pooled with the Council's assets;
- ii) that the pooling had to be for the purpose of treasury management of pension fund cash only and the pension fund should not be "lending" to the Council, e.g. by using a positive pension fund cash balance to offset an overdraft Council cash position;
- iii) that the pension fund cash must have the same economic rights as the Council cash, i.e. get the same investment return, including sharing in any default or loss of capital as the Council cash assets over the period of investment;
- iv) that a formal framework was required for how this was conducted, which needed to be shared with the pension fund auditor so that they could verify the workings and also compliance with regulatory requirements.

Historically, the Council had complied with (ii) and (iii) above. Also, details of how the Council calculated the interest paid to the pension fund on their cash balances during the year were provided to the auditors when they carried out their annual audit. However, from 1 April 2010, the auditors would also be required to check our compliance with the regulatory requirements. Consequently, and in accordance with the Assembly's Statutory Guidance on Local Government Investments, the Council was required to prepare an Annual Investment Strategy as part of its treasury management function. It was considered good practice for the Gwynedd Pension Fund to adopt the Gwynedd Council Treasury Management Strategy Statement (TMSS) for 2010/11, as amended for the purpose of the Pension Fund. Gwynedd Council's TMSS for 2010/11 had been approved by the Council on 25 February 2010.

In relation to CIPFA guidance, the officer noted that the fund would also have regard to the 2009 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes.

The fund had net inflows from its dealings with its members, so in any month, the income from contributions and transfers-in significantly exceeded the pensions, transfers-out and costs paid out. Once there would be sufficient surplus cash, it would be transferred to one or more of the fund's investment managers. Normally up to around £5m was held back for cash flow purposes, such as pension payments and funding calls from the private equity funds. However, in the past, due to known commitments, there had been times when the surplus cash held in the fund's bank accounts with the Council had been over £20m. Currently, all the fund's surplus cash was pooled with the cash balances of the Council and invested with counterparties in accordance with the Council's Treasury Management Strategy Statement. At the end of the financial year, the Council paid interest over to the pension fund based on the fund's daily balances over the year. This could continue if the Pensions Committee requested that the pension fund's surplus cash balances be pooled with the Council's cash balances. It was apparent that pooling the

fund could lead to economies of scale, and as a result, could attract better interest rates, reduce bank costs and avoid the duplication of work within the Council.

The officer noted that the Council currently only invested with the eight institutions who were part of the Credit Guarantee Scheme. As conditions in the financial sector had started to improve, in order to diversify the counterparty list, another 19 overseas banks had been added to the list. The Council had approved these additions on 25 February 2010, and the new list would be implemented from 1 April 2010 onwards. The proposed strategy would not deal with the cash held by the fund's investment managers for settlements.

RESOLVED

- a) To approve the Treasury Management Strategy Statement and the Annual Investment Strategy for 2010/11, as amended for the Pension Fund (Appendix A to the report), and the list of counterparties (Appendix C to the report).**
- b) To request to the Council to allow the surplus cash balances of the Pension Fund to be pooled with the Council's general cash flow from 1 April 2010 onwards.**

The meeting commenced at 10.00am and concluded at 10.30am.