

# Public Document Pack

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17 April 2019

## Pensions Panel

A meeting of the panel will be held at **10.30 am** on **Monday, 29 April 2019** at **County Hall, Chichester**.

**Tony Kershaw**  
Director of Law and Assurance

## Agenda

### Part I

10.30 am 1. **Declarations of Interests**

Members and officers are invited to make any declaration of personal or prejudicial interests that they may have in relation to items on the agenda and are reminded to make any declarations at any stage during the meeting if it becomes apparent that this may be required when a particular item or issue is considered.

It is recorded in the register of interests that:

- Dr. Walsh is a Member of the Littlehampton Harbour Board, Arun District Council and Littlehampton Town Council
- Mr Donnelly is a Horsham District Councillor
- Mr Jupp has a daughter who works for Blackrock

These financial interests only need to be declared at the meeting if there is an agenda item to which they relate.

10.32 am 2. **Part I Minutes of the last meeting** (Pages 5 - 8)

The Panel is asked to agree the Part I minutes of the meeting of the Panel held on 28 January 2019 attached (cream paper).

10.34 am 3. **Urgent Matters**

Items not on the agenda, which the Chairman of the meeting is of the opinion, should be considered as a matter of urgency by reason of special circumstances.

- 10.34 am 4. **Part II Matters**
- Members are asked to indicate at this stage if they wish the meeting to consider bringing into Part I any items on the Part II agenda.
- 10.35 am 5. **Business Plan 2019/20 (To Follow)**
- Report by the Director of Finance, Performance and Procurement.
- The Panel is asked to note the updates to the 2018/19 Business Plan, and agree the proposed activities for the 2019/20 financial year.
- 10.55 am 6. **Policy Documents (Administering Authority Discretions, Administration Strategy and Communication Policy Statement) (To Follow)**
- Report by the Director of Finance, Performance and Procurement.
- The Panel is asked to; note the Administering Authority Discretions, note the Administration Strategy; and consider the Communication Policy Statement.
- 11.00 am 7. **Administration Transfer and Performance (To Follow)**
- Report by the Director of Finance, Performance and Procurement.
- The Panel is asked to note the update.
- 11.15 am 8. **Date of the next meeting**
- The next meeting of the Pensions Panel will be 10.00 a.m. 24 July 2019 at County Hall.

## **Part II**

- 11.15 am 9. **Exclusion of Press and Public**
- The Board is asked to consider in respect of the following item(s) whether the public, including the press, should be excluded from the meeting on the grounds of exemption under Part I of Schedule 12A of the Local Government Act 1972, as indicated below, and because, in all the circumstances of the case, the public interest in maintaining the exemption of that information outweighs the public interest in disclosing the information.

- 11.15 am 10. **Part II Minutes of the last meeting** (Pages 9 - 14)
- To confirm the Part II minutes of the meeting of the Panel held on 28 January 2019, for members of the Panel only (yellow paper).
- 11.20 am 11. **Investment Strategy** (To Follow)
- Report by Director Finance, Performance and Procurement attached for members of the Panel only (yellow paper).
- The Panel is asked to consider the recommendations within the report.
- 11.45 am 12. **Investment Pooling** (To Follow)
- Report by Director Finance, Performance and Procurement attached for members of the Panel only (yellow paper).
- The Panel is asked to consider the recommendations within the report.
- 12.05 pm 13. **Review of Pension Performance**
- The following reports are for the Panel to review Pension performance over the last quarter.
- (a) **Transaction and Performance** (To Follow)
- Paper by the Director of Finance, Performance and Procurement summarising transactions and performance during the quarter, for members of the Panel only (yellow paper).
- (b) **Independent Fund Advisor Comments** (To Follow)
- Paper from the independent fund advisor giving comments on the quarter, for members of the Panel only (yellow paper).
- 12.15 pm 14. **Presentation by UBS**
- The Panel to receive a presentation on portfolio performance.
- Lunch**
- 2.15 pm 15. **Triennial Valuation (including Funding Strategy Statement)** (To Follow)

**To all members of the Pensions Panel**

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## **Pensions Panel**

28 January 2019 – At a meeting of the Pensions Panel held at 10.00 am at County Hall, Chichester.

Present: Mr Hunt (Chairman)

Mr Bradford, Mrs Dennis, Mr Jupp (arrived at 12.18pm), Mrs Urquhart, Dr Walsh, Mr Donnelly and Ms Taylor

Apologies were received from Mr Elkins

### **Part I**

The Chairman reported that this was Steve Harrison's last meeting. The Chairman thanked Steve for his support to the Pensions Panel and the County Council.

#### **83. Declarations of Interests**

83.1 Mr Hunt declared a personal interest as a member of the Chichester Harbour Conservancy.

#### **84. Part I Minutes of the last meeting**

84.1 Resolved – That the Part I minutes of the Pensions Panel held on 1 November 2019 be approved as a correct record, and that they be signed by the Chairman.

#### **85. Investment Strategy**

85.1 The Panel considered a report by the Director of Finance Performance and Procurement (copy appended to the signed minutes).

85.2 Rachel Wood, Pension Fund Investment Strategist, introduced the report which looked into the previous discussion on infrastructure and private debt investment consideration.

85.3 David Walker, Hymans Robertson, spoke through the report which recommended approaches for the different asset classes and the rationale and considerations for each.

85.4 The Panel made comments on Infrastructure including those that follow.

- Queried the rates that were used in the investment calculations. – *David Walker explained that the rate depended on the asset for the underlying measure. Not all contracts were linked with inflation. 7-10% was considered a good target.*
- Questioned the impact of Brexit on Global infrastructure and would mechanisms could be used to counter the impact. – *David Walker explained that careful due diligence would manage the currency risk.*

## Agenda Item 2

- Sought clarity on the experience of the projects. – *David Walker explained that it was important to look at elements such as the managers' due diligence, strong investor protections, assurance on contract governance terms, etc.*
- Asked if investment in the proposed classes should be direct investments, or via a fund. – *David Walker proposed that a fund option would be preferred.*
- Queried if Global infrastructure would include the UK. – *David Walker confirmed there would be UK exposure. Steven Law, Hymans Robertson, confirmed that Canada had made historical investments in infrastructure that could be studied.*

85.5 The Panel made comments on Private Debt including those that follow.

- Queried if investments in private debt would be balanced via a mandate. – *David Walker explained that it would be possible to invest in a single or multiple funds. A proposal of 2 fund commitments was suggested which would give the desired exposure and diversification.*
- Asked if the fund would be able to restrict where funds went. – *David Walker reported that it would be for the fund manager to set their mandate. There may be small scope for the pension fund to add restrictions.*
- Queried the risk of correction with real estate and retail investments. – *Mr Hunt felt that more consideration was required on these investments further down the line. It would be something to discuss with fund managers.*
- Queried the proposed level of investment at 5% in private debt. – *David Walker proposed 5% was a good starting point. The investment could then be built on as appropriate.*
- Asked Hymans Robertson representatives to clarify their recommendation in the report regarding the retention of existing equity holdings. – *David Walker commented that there has been sufficient de-risking activity and that current holdings should be maintained until the fund was ready to diversify. Caroline Burton, Independent Advisor, agreed with the recommendation in the report.*

85.6 The Panel also went into Part II to discuss Appendix C that was Part II.

Resolved - That under Section 100(4) of the Local Government Act 1972, the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Part I, of Schedule 12A, of the Act by virtue of the paragraph specified under the item and that, in all the circumstances of the case, the public interest in maintaining the exemption of that information outweighs the public interest in disclosing the information.

85.8 Resolved – that the Panel considers the options presented in the report and asks officers to work the Panel's advisors to develop a Specification for the Fund's income asset allocation for consideration at the 29 April meeting.

**86. Pension Fund Policy Documents**

86.1 The Panel considered a report by the Director of Finance Performance and Procurement (copy appended to the signed minutes).

86.2 Steve Harrison, Financial Planning Manager, introduced the report and explained that it was good practice to look at the Treasury Management report annually.

86.3 The Panel discussed the use of held cash and if the policy would need to be updated. – *Mr Hunt explained that cash was used on demand and was not generally held. Steven Law commented that other local authorities would look at more creative uses of cash.*

86.4 Resolved – that the Panel approves the 2019/20 Treasury Management Strategy and notes the treasury activity undertaken during 2018/19.

**87. Date of the next meeting**

87.1 The Panel noted that its next scheduled meeting would take place on 29 April 2019 at County Hall, Chichester.

**88. Exclusion of Press and Public**

88.1 Resolved - That under Section 100(4) of the Local Government Act 1972, the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Part I, of Schedule 12A, of the Act by virtue of the paragraph specified under the item and that, in all the circumstances of the case, the public interest in maintaining the exemption of that information outweighs the public interest in disclosing the information.

**89. Part II Minutes of the last meeting**

The Panel agreed the Part II minutes of the Pensions Panel held on 1 November 2018.

**90. Investment Pooling**

The Panel considered a report by the Director of Finance, Performance and Procurement on Investment Pooling.

The Panel agreed the recommendations within the report.

**91. Review of Pension Performance**

The Panel considered a paper by the Director of Finance, Performance and Procurement.

The Panel received an update from Caroline Burton relating to the quarterly performance reports from the fund managers.

The Panel welcomed the advice.

**92. Business Plan (including Pension Administration)**

The Panel considered a report by the Director of Finance, Performance and Procurement.

The Panel considered the report and welcomed Andrew Lowe from Hampshire County Council to discuss the progress with the transfer of pension administration.

**93. Presentation by Baillie Gifford**

The Panel received an update from Lynn Dewar & Anne-Marie Gillon from Baillie Gifford on the portfolio performance for the quarter.

**94. Presentation by Aberdeen Standard**

The Panel received an update from Jennifer Ball, Matthew Cunliffe & Dominic Delaforce from Aberdeen Standard on the portfolio performance for the quarter.

The meeting ended at 1.25 pm

Chairman



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