

Pensions Panel

24 July 2019 – At a meeting of the Pensions Panel held at 10.30 am at County Hall, Chichester.

Present: Mr Hunt (Chairman)

Mr Bradford, Mrs Dennis, Mr Elkins, Mr Jupp, Mrs Urquhart, Dr Walsh, Mr Donnelly and Ms Taylor

Part I

14. Declarations of Interests

14.1 Mr Elkins declared a personal interest as a Member of Arun District Council and the Littlehampton Harbour Board.

14.2 Mr Jupp declared a personal interest as a Member of Horsham District Council.

14.3 The Chairman requested that these interests be added to future agendas.

15. Part I Minutes of the last meeting

15.1 Rachel Wood, Pension Fund Investment Strategist, clarified for minute 4.2 that the Pension Advisory Board had considered the Administering Authority Discretions in July 2018 and was a different version from the one considered by the Pensions Panel in April 2019.

15.2 Rachel Wood also clarified that the number of employers quoted in minute 5.5, bullet 1, should be 201.

15.3 Resolved – That the Part I minutes of the Pensions Panel held on 29 April 2019 be approved as a correct record, and that they be signed by the Chairman.

16. Part II Matters

16.1 The Panel queried why the ACCESS update was in Part II. – Rachel Wood confirmed that the update included information that was commercially sensitive.

17. Pension Advisory Board Minutes - Part I

17.1 The Panel considered the confirmed Part I minutes from the 6 March 2019 Pension Advisory Board meeting; and the Agenda from the 22 May 2019 meeting (copies appended to the signed minutes).

17.2 The Panel welcomed Peter Scales, Chairman of the Pension Advisory Board. Peter Scales gave the Panel a summary of the recent work and activity of the Pension Advisory Board. This included a performance review of the year, 1:1 interviews between the Chairman and each of the

Board members, policy document reviews and agreeing a business plan that aimed to align with the Pension Panel's plan. Peter Scales explained that he ensured that the work of the Board did not duplicate the work of the Panel.

17.3 The Chairman welcomed the additional of Pension Advisory Board minutes to the Pensions Panel and confirmed that he would be attending the November Pension Advisory Board meeting.

17.4 Resolved – That the minutes and agenda be noted.

18. Annual Report and Accounts

18.1 The Panel considered a report by the Director of Finance and Support Services (copy appended to the signed minutes).

18.2 Rachel Wood introduced the report and explained that the Audit Results Report had been considered at the recent Regulation, Audit and Accounts Committee. Adjustments had been made for Private Equity valuations following the publication of fund manager reports after the draft financial statements had been completed.

18.3 The external auditor Ernst and Young (EY) had also requested that additional accounting consideration be included for the McCloud outcome.

18.4 Supplementary wording had also been added relating to ACCESS, which would be consistent with all ACCESS authorities.

18.5 The Panel made comments including those that follow.

- Queried the level of overpayments. – *Rachel Wood explained that this mainly related to member deaths.*
- Sought clarity on the figures for stock lending as the net figures were similar for the 2 periods listed. – *Rachel Wood resolved to investigate the figures but proposed that the net figures were linked to fees.*

POST MEETING CLARIFICATION – The correct figures are shown below and have been amended in the published annual report

	2017/18	2018/19
Gross	£0.200m	£0.736m
Net	£0.142m	£0.589m

- Considered the wording for the Pensions Panel in the scheme management section and requested that the wording be refined.
- Queried the plans to fill the vacancy on the Pensions Panel for the Employer representative. – *Rachel Wood reported that officers were working with the Director of Law and Assurance on an appointment. The role had previously been occupied from the Police Authority.*
- Asked if it was normal to sort employers alphabetically and not by materiality size. – *Rachel Wood confirmed that the information could be sorted differently.*
- Sought clarity on the backing for academies. – *Steven Law, Hymans Robertson, confirmed that academies stood on their*

own, but backing from the Department of Education was available if necessary.

- Queried the failure to hit the target for the payment of pension benefits. – *The Chairman explained that this was linked to data following the administration transfer. The focus would be on assurance going forwards with Hampshire County Council.*

18.6 Resolved – that the Panel agrees the Annual Report; and notes the Statement of Accounts appended to the Annual Report and the items raised by the external auditors.

19. Funding Strategy Statement

19.1 The Panel considered a report by the Director of Finance and Support Services (copy appended to the signed minutes).

19.2 Rachel Wood introduced the report and explained the current focus for the fund was the actuarial valuation which occurred every three years. Officers were working with Hymans Robertson and Hampshire County Council on the required data.

19.3 The Funding Strategy Statement had been reviewed by the Pension Advisory Board, and feedback from employers had been included in the report. Once the Pensions Panel had approved the Statement, Steven Law would proceed with the valuation work.

19.4 Steven Law gave a presentation to the Panel on the Actuarial Valuation (copy appended to the signed minutes).

19.5 Steven Law spoke through the presentation which outlined the timescales for the valuation, the actuarial assumptions, the projected funding level results and some of the unknowns including the Ministry of Housing, Communities and Local Government (MHCLG)'s consultation on moving towards 4 year valuation cycles to align with the unfunded public sector pension scheme cycle (such as the National Health Service Superannuation Scheme (NHSSS)). This cycle change would require either a 3 year, then a 2 year valuation; or a 5 year valuation.

19.6 Cost sharing options from the Scheme Advisory Board and HM Treasury were on hold pending the outcome of the McCloud case. The case concerned age discrimination within public sector pension fund reform. The treasury want one solution to resolve the issues; however the Local Government Pension Scheme may be allowed their own solution which would be likely to include protection for all members who joined before 2012 up to 2022.

19.7 Steven Law finished the presentation by outlining the fund objectives and the aim to maintain a better than 2/3rd's chance of full funding over 20 years.

19.8 The Panel made comments including those that follow.

- Queried if it was possible to perform more frequent valuations. – *Steven Law confirmed that interim valuations could take place. Additional valuations for high risk employers already took place.*
- Asked if the outcome for McCloud would impact other discussions regarding female state pension age issues. – *Steven Law was not sure if this would be impacted.*
- Queried if a 1% employer rate decrease was a reasonable estimation before McCloud was finished. – *Steven Law explained that he would be monitoring this but felt that 1% would be a good estimate at this point in time.*
- Sought clarity on the impact of staff turnover on cashflow. – *Steven Law explained that this would be discussed with Katherine Eberhart and the Police when modelling work was undertaken on outlook. The approach to risk would have to be considered depending on cashflow.*

19.9 Resolved – that the Panel:

1. Notes the update on the McCloud judgment
2. Considers the feedback from Employers relating to the draft Funding Strategy Statement.
3. Agrees the current version of the Funding Strategy Statement as the approach assumed by the Actuary when calculating employer liabilities and determining the pace at which these liabilities are funded.
4. Agrees that further minor changes to the document can be made by the Director of Finance and Support Services in consultation with the Chairman; with any material changes being brought back to the Pension Panel.
5. The Panel agrees that the final response to the valuation cycle consultation and management of employer risk is sent by the Director of Finance and Support Services in consultation with the Chairman.

20. Business Plan

20.1 The Panel considered a report by the Director of Finance and Support Services (copy appended to the signed minutes).

20.2 Rachel Wood introduced the report and outlined the key areas of focus and the training options that were available to members.

20.3 The Panel made comments including those that follow.

- Asked if there were any specific training recommendations. – *Rachel Wood highlighted the training events in the report and explained that attendees could choose their own breakout activities. Members were encouraged to speak to Rachel Wood to discuss their individual training needs.*

- Queried if there would be a Local Government Association conference in January. *-Rachel Wood resolved to look into this and circulate information to Panel members.*

20.4 Resolved – that the Panel notes the updates to the Business Plan.

21. Date of the next meeting

21.1 The Panel noted that its next scheduled meeting would take place on 25 October 2019 at County Hall, Chichester.

22. Exclusion of Press and Public

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.

23. Part II Minutes of the last meeting

The Panel agreed the Part II minutes of the Pensions Panel held on 29 April 2019.

24. Pension Advisory Board Minutes - Part II

The Panel noted the contents of the Part II minutes from the 6 March 2019 Pension Advisory Board meeting.

25. ACCESS Update

The Panel considered a report by the Director of Finance and Support Services.

The Panel noted the update.

26. Administration Performance

The Panel considered a report by the Director of Finance and Support Services.

The Panel noted the update on administration performance.

27. Review of Pension Performance

The Panel considered a paper by the Director of Finance and Support Services.

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

The Panel welcomed the advice.

28. Presentation by Baillie Gifford

The Panel received an update from Anne-Marie Gillon and Tim Gooding from Baillie Gifford on the portfolio performance for the quarter.

The meeting ended at 1.15 pm

Chairman