

Pensions Panel

1 November 2018 – At a meeting of the Pensions Panel held at 10.00 am at County Hall, Chichester.

Present: Mr Hunt (Chairman)

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

Apologies were received from Mrs Dennis

Part I

70. Declarations of Interests

70.1 No interests were declared.

71. Part I Minutes of the last meeting

71.1 Steven Law, Hymans Robertson, commented that minute 63.8 should say 'an amber flag' rather than 'a red flag'. The Panel agreed to the amendment.

71.2 Resolved – That the Part I minutes of the Pensions Panel held on 25 July 2018, amended as above, be approved as a correct record, and that they be signed by the Chairman.

72. Minutes of the Annual Meeting of the Pension Fund

72.1 Resolved – That the minutes of the Annual Meeting of the Pension Fund held on 25 July 2018 be approved as a correct record, and that they be signed by the Chairman.

73. Investment Strategy

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

73.2 Rachel Wood, Pension Fund Investment Strategist, introduced the report and informed the Panel that the funding level was 106.3%.

73.3 Members of the Pensions Panel had previously had an informal meeting where infrastructure and private debt investment options had been discussed and so David Walker, Hymans Robertson, gave a presentation to the Panel on Income Asset Considerations (copy appended to the signed minutes).

73.4 The presentation outlined the details for the different types of investment including examples and risks.

73.5 The Panel made comments including those that follow.

- Queried the definition of Social infrastructure. – *David Walker explained that this referred to schools and hospitals. The Panel discussed the consideration that was being given to investment in local housing in West Sussex. Katharine Eberhart, Director of Finance, Performance and Procurement, explained that this option could not be used if it provided a less favourable risk adjusted return than in other geographical areas.*
- Noted the social benefits of social investments, but raised concerns on the level of returns. – *The Panel noted that their duty was the financial stability of the fund and that the Panel's focus was different from the County Council's. Steven Law commented that other Local Government Pension Schemes had made social investments which could be looked into to see the results. Caroline Burton, Independent Fund Advisor, commented that Manchester had found it difficult to balance investment and social responsibility in this field.*
- Raised concerns on the risks associated with Private Debt investments and queried if there was a need to deviate from the current fund strategy. – *Jeremy Hunt explained that the need to change the strategy had already been established, but acknowledged the concerns about Private Debt as an option.*
- Queried the risks involved with Private Debt and what yields could be expected. – *David Walker acknowledged the risks and explained that careful manager appointment would be important. Returns could be 5-7% over Libor and preferred strategies with a focus on senior secured debt.*

73.6 Jeremy Hunt noted the concerns of the Panel and acknowledged the need for more testing and investigation on the discussed investment options.

73.7 Resolved - That the Panel supports the work of officers with Fund advisers to develop the options around income based asset allocation, to include the advantages and disadvantages, for further consideration.

74. Actuarial Matters

74.1 Steven Law gave a presentation to the Panel on hot topics for Local Government Pension Schemes (LGPS) (copy appended to the signed minutes).

74.2 Steven Law began by reporting on the Government Actuary's Department (GAD) Section 13 valuation and how this could impact the West Sussex Pension Fund.

74.3 Steven Law discussed Cost Cap Valuations and how the calculations looked into the impact of staff promotion and life expectancy. These factors were considered when looking at the value of the Scheme for members. The expectation was that lower pay employee contributions would change.

74.4 Steven Law explained the plan to bring LGPS funding valuations in line with National Scheme valuations and highlighted the timeline within the presentation to achieve this. Steven Law explained that it would be

possible to set a contribution rate for the County Council for five years, but admitted bodies may require more frequent funding assessments.

74.5 The Panel made comments including those that follow.

- Queried the impact of the Cost Cap Valuations for the LGPS. – *Steven Law explained that that employer rates would remain for the LGPS, however the Fire Fighters pension would see employer rates rise from 17% to 30%. Rachel Wood clarified that this would impact the County Council, but not the pension fund.*
- Sought clarity on the impact of the changes for lower pay employee contributions. – *Steven Law resolved to look into this and provide detail for the Panel.*
- Asked how long life considerations were used for the fund. – *Steven Law explained the Club Vita work which looked at mortality risks for the fund. Social economic effects were also considered. Mortality assumptions and West Sussex profiling would impact the scheme now for those retiring in 30 years.*

74.6 The Panel thanked Steven Law for the presentation.

75. Business Plan

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

75.2 Steve Harrison, Financial Planning Manager, introduced the report and gave an update on the current progress with pooling where sub fund negotiations were taking place.

75.3 Steve Harrison reported that work was continuing with Capita in preparation for the administration transfer.

75.4 Steve Harrison highlighted the training strategy within the report that would ensure a common strategy for the Pensions Panel and the Pension Advisory Board.

75.5 The Panel made comments including those that follow.

- Queried the use of the term 'Pension Board' within the training strategy. – *Steven Law confirmed that this reference referred to the Pension Advisory Board and that this was the term that the Pensions Regulator term for local pension boards.*
- Asked if members could receive as much notice as possible when they were notified about training events. – *Rachel Wood resolved to see if earlier notice could be given. Members also requested guidance on which training to attend.*
- Highlighted that the training log was missing some attended events and should also include historic training that had been undertaken. – *Rachel Wood resolved to look into this.*
- Requested training on private equity. – *Rachel Wood resolved to look into this.*

- Sought reassurance that the administration migration plan was robust and asked if the Panel could look at it. – *Steve Harrison resolved to share the plan.*

75.6 Resolved – That the progress made on the Fund Business Plan is noted and that the Training Strategy is noted and agreed.

76. Date of the next meeting

76.1 The Panel noted that its next scheduled meeting would take place on 28 January 2019 at County Hall, Chichester.

77. Exclusion of Press and Public

77.1 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.

78. Part II Minutes of the last meeting

The Panel agreed the Part II minutes of the Pensions Panel held on 25 July 2018.

79. Update on Pensions Administration

The Panel received an update from the Director of Finance, Performance and Procurement on the Pension Administration transfer to Hampshire County Council.

The Panel noted the update.

80. 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.

81. Presentation by UBS

The Panel received an update from Malcolm Gordon, Jonathan Davies and Scott Wilkin from UBS on the portfolio performance for the quarter.

82. Presentation by Partners Group

The Panel received an update from Alexander Ott, Sarah Brewer and Courtney Bensen from Partners Group on the portfolio performance.

The meeting ended at 2.15 pm

Chairman