

## **Pensions Panel AGM**

24 July 2019 – At a meeting of the Pensions Panel AGM held at 2.15 pm at County Hall, Chichester.

### **1. Welcome**

1.1 Jeremy Hunt, Chairman of the Pensions Panel, welcomed the attending employers to the meeting.

1.2 Jeremy Hunt welcomed and introduced Katherine Eberhart – Director of Finance and Support Services; Rachel Wood - Pension Fund Investment Strategist; Tim Gooding and Anne-Marie Gillon from Baillie Gifford; Steven Law – Actuary from Hymans Robertson; Andrew Lowe – Hampshire County Council and Peter Scales – Chairman of the Pension Advisory Board.

1.3 Jeremy Hunt reported on the recent transfer of Pension Administration from Capita to Hampshire County Council. Thanks were given to the staff from Capita on their work for the fund.

1.4 Jeremy Hunt highlighted the new member pension portal and encouraged employers to ask their employees to use the portal.

1.5 Jeremy Hunt gave an update on the pension fund and reported a £300m outperformance over the decade and also reported that Baillie Gifford funds would be moving into the ACCESS pool in November.

1.6 Jeremy Hunt spoke on Environmental, Social and Governance (ESG) and explained that fund managers worked with invested companies to ensure correct governance approaches. The Pensions Panel's primary task was ensuring fiduciary responsibility, but it was also important to consider ESG issues.

1.7 Jeremy Hunt reported that in 2016 the West Sussex Pension Fund was the best performing local authority pension fund in England and Wales.

### **2. Draft Annual Report of the Pension Fund**

2.1 Katherine Eberhart – Director of Finance and Support Services, introduced the draft annual report which gave a summary of the activity for the year, covering fund performance and administration activity.

2.2 Katharine Eberhart reported that there had been a £250m asset increase for the year and that the fund was in receipt of positive cashflow (money being paid into the fund was higher than the money being paid out).

2.3 Katharine Eberhart reported that at the last triennial valuation the fund was 95% funded. The fund was now maintaining a 105% funding level.

2.4 Katharine Eberhart highlighted the previous administration performance issues experienced by employers and hoped that the transfer to Hampshire County Council would improve things once employers were used to the new arrangements. Communications would also be improved going forwards. The first quarter targets had not been met, but this was linked to the recent transfer and Hampshire Pension Services were working to improve this.

2.5 Jeremy Hunt thanked Katharine Eberhart for her presentation.

### **3. Investment Markets**

3.1 Tim Gooding and Anne-Marie Gillon gave a presentation on Baillie Gifford's strategy and performance for the pension fund.

3.2 Anne-Marie Gillon explained that there had been no change in strategy and that Baillie Gifford takes a long-term approach to investing.

3.3 Tim Gooding outlined how Baillie Gifford manages the equity portion of the portfolio, highlighting the importance not only of a long-term investment horizon but also the durability and diversity of growth sought. Responsible stewardship is built into the investment process, the premise being that companies that are well managed and that act responsibly to their stakeholders will, on average, outperform over the long run companies that act in an irresponsible manner. Investment teams have a dedicated resource from the Governance & Sustainability team which ensures that every decision takes full account of any relevant ESG issues.

3.4 An attendee queried the responsible investment policy and West Sussex County Council's recent motion to attempt to be carbon neutral by 2030; and asked if the fund would be disinvesting from fossil fuels. – *Jeremy Hunt explained that Baillie Gifford invested according to the Pension Panel's instructions and that fund managers were signed up to the United Nations Principles for Responsible Investment (UNPRI). Consideration was given to ESG matters which includes emissions. It was noted that some fossil fuel companies were investing in renewable energy and that investment withdrawal could impact this research. The Pension Panel's principal task was to ensure maximum returns for the fund, however the need to transition to renewable energy was noted. There were currently no exclusions on any asset type for the pension fund.*

3.5 Jeremy Hunt thanked Tim Gooding and Anne-Marie Gillon for their presentation.

### **4. Actuarial Matters**

4.1 Steven Law, Hymans Robertson, gave a presentation on the actuarial considerations for the fund valuation.

4.2 Steven Law outlined the milestones for the valuation and explained that the new contribution rates for employers would come into effect from 1 April 2020.

4.3 Steven Law outlined the current proposal from Ministry of Housing, Communities and Local Government (MHCLG) to move towards 4 year valuation cycles and how this may impact interim valuations.

4.4 Steven Law also explained the McCloud case which was linked to an age discrimination case for pension funds. The impact of the outcome could mean backdated protection to 2014 for more members. This would lead to uncertainty with the calculation for employer contribution rates.

4.5 Jeremy Hunt thanked Steven Law for his presentation.

## **5. Pension Administration Update**

5.1 Rachel Wood, Pension Fund Investment Strategist, introduced the item and explained that the administration transfer to Hampshire County Council had completed on time and the payroll system was running well. The external auditor EY was happy with the data transfer.

5.2 Andrew Lowe from Hampshire County Council gave a presentation that explained how the partnership working was happening and what the organisation structure for Hampshire Pension Services looked like.

5.3 Andrew Lowe explained how Hampshire Pension Services delivered their administration service, and explained that their next key piece of work would be publishing the annual benefit statements on the portal.

5.4 An attendee queried the timescales for when Hampshire Pension Services expected business as usual levels to resume. – *Andrew Lowe explained that Hampshire County Council were working with the West Sussex County Council to improve performance as soon as possible.*

5.5 Jeremy Hunt reiterated his request that employers encourage their employees to use the portal, where they would be able to check their pension record and also update their personal details. Andrew Lowe welcomed this encouragement and reported that Hampshire Pension Services had received good feedback on portal usage.

5.6 Jeremy Hunt thanked Andrew Lowe and his team.

The meeting ended at 15:10

Chairman