

Pensions Panel

2 February 2018 – At a meeting of the Pensions Panel held at 10.00 a.m. at County Hall, Chichester

Mr Bradford**	Mrs Dennis	Mr Donnelly
Mr Hunt (Chairman)	Mr Jupp	Ms Taylor
Mrs Urquhart	Dr Walsh*	

No apologies for absence were received.

* Dr Walsh left at 12.30 p.m.

** Mr Bradford left at 2.20 p.m.

In attendance by invitation: Roger Elkins;
Caroline Burton (Independent Adviser);
Steven Law, Kameel Kapitan and David Walker (Hymans Robertson);
Dominic Russell, Matthew Cunliffe and Dominic Delaforce (Aberdeen Standard);
Lynn Dewar and Susan Swindells (Baillie Gifford)

Officers Present:

Katharine Eberhart, Director of Finance Performance and Procurement	Steve Harrison, Financial Planning Manager	Rachel Wood, Pension Fund Strategist
Laura Davies Finance Manager Pension Fund Accounting & Reporting	Jonathan Clear, Treasury Management Officer	Adam Chisnall, Democratic Services Officer

Part I

Declaration of Interests

137. Rachel Wood declared a personal interest in relation to the ACCESS Pooling Update item as her husband works as a Principal Pensions Officer at East Sussex County Council.

Part I Minutes of the Pensions Panel held on 6 November 2017

138. The Panel requested that the word 'consider' in minute 99 should be removed. The Panel also felt that 'and were working successfully for the Fund' should also be removed from minute 99.

139. Resolved – that the Part I minutes of the Pensions Panel held on 6 November 2017, amended as above, be approved as a correct record, and that they be signed by the Chairman.

Business Plan Update

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

141. Steve Harrison introduced the report and explained that the report highlighted key tasks and risks for the fund.

142. It was reported that Savills had been reappointed as the external property valuer for the fund. Administration performance was also discussed, and the Panel were informed that the January figures for targets showed that the three targets had been met. New staff had been hired which had helped with administration.

143. The Panel made comments including those that follow.

- Queried if contingency plans had been considered following the recent news regarding Capita performance. – *Katharine Eberhart reported that contingency plans for all areas were being looked at. Short term emergency plans had been considered relating to how contracts were run. The Panel were reassured that payroll contingency plans were in place.*
- Sought clarity on the size of employers recently admitted to the fund, particularly Essex Cares Ltd. – *Steven Law confirmed that there were 50 members for Essex Cares Ltd.*
- Asked how long Savills had in place and what the tender process had been. – *Rachel Wood confirmed that Savills had been in place for three years. Laura Davies explained that there had been a full tender process with three bidders. Savills had been appointed under the same terms and conditions they had previously. The Panel asked if this would impact Aberdeen Standard. Rachel Wood explained that the contract with Savills was with the Pension Fund and not Aberdeen Standard. Savills were the agent of the fund and independent.*
- Queried if officers were confident that administration performance would be maintained. – *Katharine Eberhart confirmed that the figures would be carefully managed and that if the staff levels were consistent, continued levels of performance would be expected.*

144. The Panel agreed to have a discussion regarding Capita administration performance in the Part II section of the meeting as the contents of the discussion would contain exempt information.

145. Resolved - That the Panel notes the updates and proposed actions in the Business Plan.

Investment Strategy

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

147. Rachel Wood introduced the report and explained that the report followed the recent informal meeting of the Pensions Panel to look at investment strategy. The report had drawn on the discussions at that meeting. Since the informal meeting Hymans Robertson had undertaken further modelling work on de-risking and re-risking.

148. David Walker gave a presentation to the Panel on the Investment Strategy Review (copy appended to the signed minutes).

149. David Walker spoke through the current strategy for the fund concerning allocation to growth assets and stabilizing assets. The review had looked into the strategy to meet longer term objectives.

150. David Walker spoke through the objectives for the fund, with a main aim to stabilize contributions by managing rate affordability and risk exposure. Asset buckets were discussed with the recommendation to recognise income as a new asset bucket. The property portfolio did not currently have a drive towards development and so would be classed within the income bucket.

151. Steven Law discussed contribution targets and that 14% was no longer appropriate due to the increase in the cost of benefits. Surplus could be carefully utilised to help reduce rates. The recommended target rate would be around 18% which would allow appropriate flexibility to allow for market fluctuations. In order to add some future-proofing to the strategy, he recommended a target in line with the cost of benefits at future valuations.

152. Steven Law outlined the different strategies that had been tested and outlined how they had scope to achieve the 18% rate. It was important to consider strategies that did not increase risk without added benefit. Probability of success measures were used to determine which strategies were suitable and which ones met the criteria of the strategy. The presentation showed a 10% and 20% de-risking strategy that would meet the desired criteria.

153. David Walker explained that it was important to consider which assets were appropriate for income generation. Getting a further 20% invested in a short timeframe would be hard to achieve and so a target of an additional 10% would be more appropriate.

154. David Walker explained the practicalities of changing the investment strategy and how they would impact income assets and ACCESS Governance. Training would also be a key consideration.

155. The Panel made comments including those that follow.

- Queried Patheon as a private equity manager and if they should come to a Panel meeting. – *Rachel Wood explained that they had not attended a Panel meeting recently due to their small portfolio size.*
- Asked if infrastructure investment would belong in the income asset bucket. – *David Walker confirmed that it would.*
- Sought clarity on the recommended timeframes for contribution changes. – *Steven Law explained that there were rules in place over how fast this could happen. All employers in the fund had to be considered to ensure those with surplus could see an added benefit.*
- Queried the timescales for implementing the new investment strategy – *Steven Law proposed two years as a good timeframe. Caroline Burton added that it would depend on what was available to buy. A lot of work would be necessary to gain confidence in the available options.*

- Asked if the model would currently propose moving bonds to growth for re-risking. – *Steven Law explained that if funding levels dropped the options would be to increase contribution rates or consider taking more risk. If the 85% funding level was reached, the Panel would make a decision to perhaps consider moving protection assets into growth assets – therefore, a minimum amount of liquidity was required in the protection bucket. If funding levels rose to a high level, such as 120%, this would meet probability considerations and so a 14% contribution rate could be considered.*
- Sought clarity on action taken when triggers were breached. – *Steven Law explained that moving funds incurred costs and so they should be considered carefully. If the fund had over a 2/3 probability rating, it may be better to wait.*
- Asked if cashflow could be utilised for investment. – *Steven Law explained that the fund is cashflow positive, but not significantly so it would take a long time to build up the required amount.*

156. Resolved - That the Panel recommends.

- A further asset category (income) is included as a strategic asset bucket, in addition to growth and protection.
- The current property mandate (10% allocation) is reclassified as an income asset
- The Fund seeks to move a further 10% from growth assets to an alternative income asset class (meaning a total allocation to income assets of 20%).
- The move should be over 2-3 years based on appropriate opportunities including arrangements available through the ACCESS pooling structure.
- The contribution strategy should target a contribution window around the Fund's cost of accrual, currently about 18% of pay, over the next two valuation cycles (to 31 March 2026)
- The current re-risking strategy, at 85%, is retained.
- Any re-risking follows a Pensions Panel discussion and appropriate advice.
- If the funding level reaches 120%, the panel should consider moving the target contribution rate to 14% during the following actuarial valuation if these levels persist.
- Further modelling work would be required if the funding level continued to rise beyond 120%.

Treasury Management

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

158. Steve Harrison introduced the report and explained that the proposed strategy was a continuation of the existing policy. It was explained that money was held in cash to assist with transactions such as property investments.

159. Jonathan Clear explained that cash levels were monitored for the intention of paying bills and property transactions. These funds were very liquid and were passed on to cash managers to be more strategic with investment policy. £30m was currently being held for the intention of property investments.

160. The Panel made comments including those that follow.

- Queried the action that would be taken to meet the property investment target. – *Rachel Wood explained that future transactions would be over the long term. Work would be done with Aberdeen Standard to consider this. David Walker proposed that overweight equity could be used to assist with this.*

161. Resolved - That the Panel approves the 2018/19 Treasury Management Strategy and notes the treasury activity undertaken during 2017/18.

Date of Next Meeting

162. The Panel noted that its next scheduled meeting will take place on 30 April 2018 at 10.00 a.m. at County Hall, Chichester.

Exclusion of Press and Public

163. 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.

The meeting ended at 3.05 p.m.

Chairman

Summary of Matters discussed in the absence of the Press and Public on 2 February 2018

Part II Minutes of the Pensions Panel held on 6 November 2017

(Exempt, paragraph 3, Financial or business affairs of any person (including the authority))

The Panel agreed the Part II minutes of the Pensions Panel held on 6 November 2017.

Capita Administration Performance

(Exempt, paragraph 3, Financial or business affairs of any person (including the authority))

The Panel discussed the pension administration work that was undertaken by Capita.

Adviser Review

(Exempt, paragraph 3, Financial or business affairs of any person (including the authority))

The Panel received an update from Caroline Burton, Independent Adviser, relating to the quarterly reports from the fund managers. The Panel welcomed the advice.

Presentation by Investment Managers from Baillie Gifford - Investment Activity, Performance and Future Investment Policy

(Exempt, paragraph 3, Financial or business affairs of any person (including the authority))

The Panel received an update from Lynn Dewar and Susan Swindells from Baillie Gifford on the portfolio performance for the quarter.

Aberdeen Standard (formerly Aberdeen Asset Management)

(Exempt, paragraph 3, Financial or business affairs of any person (including the authority))

The Panel considered a report that looked at the property contract the fund has with Aberdeen Standard.

Presentation by Investment Managers from Aberdeen Standard - Investment Activity, Performance and Future Investment Policy

(Exempt, paragraph 3, Financial or business affairs of any person (including the authority))

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

ACCESS Pooling Update

(Exempt, paragraph 3, Financial or business affairs of any person (including the authority))

The Panel received an update on progress with the ACCESS pooling arrangements.

Breaches

(Exempt, paragraph 3, Financial or business affairs of any person (including the authority))

The Panel were informed of a breach relating to a non-payment of employer and member contributions.

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Director of Law and Assurance

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If calling ask for Rachel Wood

20 April 2018

Pensions Panel

A meeting of the Pensions Panel will be held on Monday 30 April 2018, starting at **10.00 am** at County hall, Chichester.

The Panel will be joined by Caroline Burton, the Fund Adviser, the Fund Managers for UBS and Pantheon Ventures / Partners Group, and by the Actuary.

Tony Kershaw
Director of Law Assurance and Strategy

Agenda

Part I

1. 10.00 Declaration 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.

2. 10.02 Part I Minutes of the Pensions Panel held on 2 February 2018

To confirm the part I minutes of the meeting of the Panel held on 2 February 2018, attached (cream paper).

3. 10.04 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.

4. **10.05 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.

5. **10.05 Business Plan (2018/19)**
Report by Director Finance, Performance and Procurement attached.

The Panel is asked to note the update to the 2017/18 plan and agree fund activities for 2018/19.

6. **10.20 Investment Strategy Review**
Hymans Robertson will present on the day.

7. **10.50 Update on work with ACCESS Pool**
Report by Director Finance, Performance and Procurement attached.

The Panel is asked to note the report.

8. **11.05 Date of the next meeting**
The next meeting of the Pensions Panel will be 10.00 a.m. 25 July 2018 at County Hall.

Part II

The Panel is asked to consider in respect of the following items whether the public, including the press, should be excluded from the meeting on the grounds of exemption under Part 1 of Schedule 12A of the Local Government Act 1972 (paragraph 3: financial or business affairs of any particular person (including the authority holding the information) 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.

The minutes and reports dealt with under this part of the agenda **are enclosed for members of the Panel only (yellow paper)**.

9. **11.05 Part II Minutes of the Pensions Panel held on 2 February 2018**
To confirm the part II minutes of the meeting of the Panel held on 2 February 2018, attached for members of the Panel only (yellow paper).

Exempt: paragraph 3, financial or business affairs of any person (including the authority).

- 10. 11.10 Pension Administration**
Report by Director Finance, Performance and Procurement attached for members of the Panel only (yellow paper).

The Panel is asked to note the update

Exempt: paragraph 3, financial or business affairs of any person (including the authority).

11:30 Break

- 11. 11.35 Adviser Review**
The Fund's Adviser will retrospectively review the performance of the Fund's Investment Managers during the last quarter, assess risk and review compliance.

11a. Paper by Director of Finance, Performance and Procurement summarising transactions and performance during the quarter, attached for members of the Panel only (yellow paper).

11b. Paper from the independent fund advisor giving comments on the quarter, to follow for members of the Panel only.

Exempt: paragraph 3, financial or business affairs of any person (including the authority).

- 12. 11.45 Presentation by UBS**
Portfolio from UBS for members of the Panel only.

Exempt: paragraph 3, financial or business affairs of any person (including the authority).

12.45 Lunch – for members of the Panel and Guests

- 13. 13.45 Presentation by Pantheon Ventures / Partners Group (Private Equity)**
Portfolio from Pantheon Ventures / Partners Group for members of the Panel only.

Exempt: paragraph 3, financial or business affairs of any person (including the authority).

To: all members of the Pensions Panel