

Pensions Panel

20 November 2015 – At a meeting of the Pensions Panel held at 10.30 a.m. at County Hall, Chichester

Attendees: Michael Brown (Chairman), Nigel Peters, Deborah Urquhart, Brian Donnelly, Bernard Smith, James Walsh, Gordon McAra, Daniel Sartin.

Advisers: Steven Law, Lorna Lyon (Hymans Robertson)

Officers: Tim Stretton, Steve Harrison, Sarah Hiscoke

Apologies: Peter Metcalfe, Caroline Burton

Part I

Agenda Item 1: Introductions

1359. The Chairman welcomed Mr Brian Donnelly (a new member, from Horsham District Council), Steven Law and Lorna Lyons (Hymans Robertson) to the meeting.
1360. The Chairman advised that Lynn Dewar and Paul Roberts (from Baillie Gifford) would be joining the meeting – Susan Swindells unable to attend due to illness. Representatives from Capita would be also joining later.
1361. Apologies were received from Caroline Burton and Peter Metcalfe.

Agenda Item 2: Declaration of Interests

1362. It is recorded in the register of interests that:
- Mr Brown's son is a Director of Deloitte
 - Mrs Urquhart is a Governor of Chichester College and on the Board of the South Downs National Park Authority
 - Mr. A Smith is a deferred member of Mercers
 - Dr. Walsh is a Member of Littlehampton Harbour Board, Arun District Council and Littlehampton Town Council.
 - Brian Donnelly, as a new member, declared an interest as a Horsham District Councillor. This would be noted as a standing declaration
1363. These financial interests only need to be declared at the meeting if there is an agenda item to which they relate.

Agenda item 3: Approval of Part I minutes of the Pensions Panel held on 22 July 2015 and matters arising

1364. The minutes of the meeting from 22 July were agreed.

Agenda Item 4: Statement of Investment Principles and Amendment to Investment Strategy

1365. The Chief Technical Officer introduced the item. He explained that the policy previously discussed by the Panel in relation to de-risking the Fund at agreed trigger points such as 95% funding had been followed through into these policy documents. From now on, if agreed, that de-risking policy would be applied and action taken in accordance with the process set-out at the relevant trigger points.
1366. It had also been necessary to update documents to formalise the practice of holding foreign currency. In particular, the Fund receives private equity distributions in fund currency and has held Euros for a period due to poor exchange rate conditions. The policy has been updated to explicitly reference to strategy for holding foreign currency.
1367. The Myners Principles had also been reviewed.
1368. It was noted that the Baillie Gifford bond benchmark, and fund, was to be discussed later in the meeting.
1369. The changes proposed to the documents were agreed by the Panel.

Agenda Item 5: Business Plan Update

1370. The Chief Technical Officer introduced the item. This was a standing item on the agenda. Attention was drawn to the MIFID2 (Markets in Financial Instruments Directive) which was being introduced and would mean Investment managers would need to evaluate their clients and classify them as either 'retail' or 'professional'. If the West Sussex Fund was classified as retail, the worst case would mean having to disinvest in certain products quickly to comply with new requirements. The cost of dis-investing will not be known until clarity is provided about the potential products affected.
1371. The Panel asked about the MIFID issue and what were the chances of being classified as a retail only investor. The Panel considered that some lobbying may be worthwhile. The Actuary indicated the DCLG were keen to keep LGPS funds as professional, but that this could not be promised.
1372. The Chief Technical Officer updated the Panel on the work of the Pension Board, which had had two formal meetings held and two training sessions. The Board would shortly be sending a report to the Governance Committee. The Board Chairman has indicated a willingness to attend the next formal Panel meeting in February.
1373. The report was noted by the Panel.
1374. It was agreed some lobbying by the Panel Chairman on the MIFID 2 issue would be helpful.

Agenda Item 6: Draft Policy for reporting Breaches of the Law to the Pensions Regulator

1375. The Chief Technical Officer introduced the item. He explained the Pensions Regulator does not state *who* should report the breaches (can be individual, board etc) but paper outlines the proposed process and policy for the Pension Fund to adopt. It was proposed that certain breaches would also be reported (such as major theft) but that a view was need on whether other breaches were 'material'. The process proposed would require the HR Consultant (Pensions) to consider this and make a recommendation for the Executive Director Corporate Resources and Services to decide.
1376. The Annual Benefit Statements were three weeks later than the statutory deadline. This had not yet reported. Capita would explain more about this issue on their agenda item.
1377. The Actuary advised that breaches should be reported (preferably with details of actions to prevent reoccurrences) otherwise the Pensions Regulator can help with actions to be taken – they tend to use fines as a last resort.
1378. The Actuary confirmed he has a whistleblowing obligation and policy.
1379. The report was agreed by the Panel.

Agenda Item 7: Pension Fund Administration Performance update

1380. The Chairman welcomed Dan de la Rosa and Steve Birks from Capita to the meeting.
1381. They highlighted that there had been substantial system changes following the CARE (Career Average Revalued Earnings) scheme introduction from a final salary scheme. They also highlighted issues such as the large number of enquires following the pensions freedom allowed by the Chancellor. This was a part of the reason why performance had been variable, but assistance from elsewhere in Capita to supplement local resources had been used to ensure the backlog of work was sorted by end of June.
1382. Capita acknowledged the breach of the Regulations in respect of the Annual Benefit Statement (ABS) and apologised. They explained the contributory factors as set out in their report. A draft paper of 'Lessons Learned' and processes for 2016 ABSs were being prepared to be finalised and shared later this month with the Fund to avoid the same issues again.
1383. Capita advised that they were confident that processes are in place to prevent reoccurrence; this will still be reliant on receiving timely data from employers (they noted that WSCC sends data on time).
1384. The Panel queried the performance trends with some KPIs. Capita explained the number of cases is not standardised across the headings, so the impact of failing with one or two cases can look exaggerated in areas where there is a KPI with a very low number of transactions.

1385. The Panel noted the dip in performance and pointed out that the workload was unprecedented but not unforeseen. Capita agreed that they should have been proactive rather than reactive but explained their staff shortages at the time were unforeseen. They now have a stable trained workforce, and will try to improve their staff turnover to better manage workloads. Capita agreed to supply details of actual staff turnover to the next Panel meeting.
1386. The issue of financial compensation was raised and confirmed Capita had paid £100k in service credits and invested £0.25m in improvements.
1387. The Actuarial Valuation in 2016 is reliant on clean, accurate data; this is Capita's highest priority currently, they are auditing the employee records (e.g. starters/leavers, historical inaccuracies) and they are confident the data will be as clean as possible in time for the revaluation. The Actuary confirmed that Hymans have been working on an online data validation tool for common sense checks, this will be available free of charge. Capita hope to use this in January to check data, which is on track.
1388. The Panel raised issues with the way that online benefit statements were laid out; spouse's pensions were represented as a snapshot which created confusion. Capita undertook to look at this matter for any scope to change next year.
1389. The report was noted by the Panel
1390. The Panel agreed to support the proposal to notify the Pension Regulator of the missed statutory deadline for the production and publication of the Annual Benefit Statement.
1391. Dan de la Rosa and Steve Birks left the meeting.

The meeting ended at 1.00 p.m.

Chairman

Summary of Matters discussed in the absence of the Press and Public

The Panel agreed the Part II minutes from the 22 July meeting.

The Panel discussed pooling arrangements and then received an update from Baillie Gifford on investment activity, performance and investment policy.