

Minutes: Part 1 Pensions Panel held on 7 November 2014

Attendees: Mr Michael Brown (Chairman), Mrs Deborah Urquhart, Dr James Walsh, Mr Andrew Smith, Mr Peter Metcalfe, Mr Bernard Smith, Mr Daniel Sartin, Mr Michael Jones and Mr Nigel Peters

In Attendance: Peter Lewis, Tim Stretton, Steve Harrison, Nathan O'Brennan, Vickie Hampshire, Caroline Burton (Independent Adviser to the Panel)

Introduction

1221. The Chairman welcomed to Andrew Smith, Barry Mack (Governance), Steven Law, Nathan O'Brennan and Caroline Burton to the meeting.

Declarations of Interest

1222. Members and officers were 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.

1223. 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 Peters' wife works for the County Council

1224. These financial interests only need to be declared at the meeting if there is an agenda item to which they relate.

1225. In addition Mr. Smith advised that he was a deferred member of Mercers and Dr. Walsh advised that he was a Member of Littlehampton Harbour Board, Arun District Council and Littlehampton Town Council. The Chairman requested that these declarations should be noted permanently on the agenda.

Approval of Part I Minutes of the Pensions Panel held on 23 July 2014 and matters arising

1226. The minutes were approved.

Governance of the Pension Fund Update

1227. The Chairman introduced the paper by the Executive Director for Corporate Resources and Services. A working group had been set up to consider the governance issues following the Pension Act requirement for a Pension Advisory Board to be established. The Pension Advisory Board would be required to look at the Pension Fund's administration and its governance, with a requirement that the new structure should be in place by 1st April 2015. It was important that the new Board was as cost effective as possible

and for the existing Pension Panel to be committed to and support the new arrangements.

1228. Barry Mack suggested that there are clear examples of good and bad in LGPS, but the requirement to set up a Pension Board does feel like an imposition when good governance arrangements already exist. However it was now important to get value from having the Pension Advisory Board set up.
1229. Mr. Sartin expressed his disappointment with not being part of the working group but noted that Unison welcomed the introduction of Pension Boards, after campaigning for more member involvement for a number of years. Specifically Mr Sartin raised concerns about the role profile for the member representative, which he considered to be potentially obstructive to member representatives, may put candidates off applying and did not include any reference to release time. As a result of this it may mean that only people who have independent means will be able to apply, which raises Equalities and Accessibility issues. Regarding the paid Chairman position, Mr. Sartin understood the rationale but had concerns about the length of the contract term and with the potential for the Chairman to be handpicked.

Nigel Peters and Michael Jones joined the meeting

1230. The Chairman suggested that Mr. Sartin could meet with Officers and make Governance Committee aware of his concerns.
1231. Mr. Walsh welcomed the setting up of a Pensions Advisory Board but raised concerns about Paragraph 21 of the Terms of Reference:

Selection of Employer and Scheme Member Representatives

21. The remaining members of the Board shall be appointed by the Chairman working with the Executive Director Corporate Resources and Services and the Director of Law Assurance and Strategy. Nominations will be sought from employers and members through direct invitations or discussions with their representative bodies.

Dr. Walsh felt that appointment needed to follow an open and transparent process and that employers/scheme members to choose their own representatives via an election, reflecting the process for the appointment of the District/Borough representative.

1232. The Panel noted the difficulties arising with contacting all members. It was suggested that information about the Pension Advisory Board was included with payslips and in the Annual Benefit Statement.
1233. Barry Mack agreed with the Panel that the Role Profile and Terms of Reference for the Pension Advisory Board were quite onerous and members of the Board needed to recognise the commitment needed. The County Council started considering this issue in January 2014 and whilst a lot of work has gone into getting the Pension Advisory Board set up to date, there is still a lot of work to be done before 1 April 2015. Many LGPS funds are leaving the establishment of the Pension Board until the statutory guidance is published, which is potentially more of a risk than the approach adopted

by the County Council in applying the principles which are known given that no material changes are expected. The appointment of an experienced Chairman will help with expertise, putting in place a training plan to meet the knowledge and understanding requirements and ensuring that the views of all members of the Board are heard. Mr. Mack noted that the Pension Advisory Board does not include an 'employee' representative but rather a Scheme member representatives and this was an important distinction.

1234. Barry Mack agreed that Paragraph 21 could be made more specific. The County Council would put advertisements out but there is a danger that there may not be many applicants. There is an allowance in the Terms of Reference for a short initial appointment of the Chairman and for the position to be reviewed within Paragraph 22. The Terms of Reference to shorten the initial period to two years (from four) would be amended in advance of Governance Committee.
1235. Mr. Jones advised that he had previously been a solicitor specialising in Pensions. Governance is a significant issue for all Funds, and the setting up of a Pension Board for the LGPS appeared rushed. Mr. Jones indicated that many Schemes fulfil their obligations as Trustees without a paid chairman but in appointing volunteers it was important to recognise the time constraints particularly given the knowledge and understanding requirements for the Board. Communication was extremely important and there was a danger without a clear strategy that members of the Pension Advisory Board would not be fully engaged with the process.
1236. Barry Mack agreed that the knowledge and understanding requirements were onerous, and more onerous than for the Pension Panel, but the Terms of Reference set out for the WSCC Pension Advisory Board were just reflective of the requirements set out by the Pensions Regulator. The Chairman, once appointed, would only be checking that the representatives have the capabilities and behaviours to fulfil the role but it was important to note that it was not necessary to look for previous experience, but rather ensuring that via the selection process, the best candidates are appointed.
1237. Mr. A Smith advised that he had attended one of the Working Group sessions. He agreed that Paragraph 21 could be misconstrued as a direct invitation and should be reworded. It was agreed that Paragraph 21 was expanded in advance of Governance Committee.
1238. The Chairman confirmed that the Pension Advisory Board would not be making decision but rather checking the conduct of the Pensions Panel and overseeing the administration functions. It was important that both bodies work together to ensure efficient, effective governance of the Fund. Using the Fund Administration as an example Barry Mack suggested that the Pension Advisory Board would look at day to day running of the service whilst the Pensions Panel would look at who is providing the service.
1239. The Panel agreed that Paragraph 1 of the Terms of Reference should read "Local Pension Board of the West Sussex Local Government Pension Fund" as required under the Pension Act.
1240. The Panel requested that Officers should review Paragraph 22 to reflect the initial two year term

1241. The Panel requested that Officers should review Paragraph 21 to reflect discussions
1242. All changes would be amended in advance of Governance Committee on 24 November and County Council on 12 December.
1243. The Panel suggested that a separate paper could be provided to Governance Committee with comments from Unison and requested that Officers met with Unison to discuss the set up of the Pension Advisory Board.
1244. The paper was noted.

Asset Liability Modelling by the Actuary

1245. Steven Law introduced the item. The issue of the Fund's investment strategy and any mechanism for de-risking has been discussed at the last few Panel meetings. The minutes which had been circulated to the Pensions Panel reflected the roundtable discussion on 29 October 2014 and set out the foundations for any future investment strategy. The Panel made the decision that the objective was to be fully funded over 20 years with a 2/3 chance of meeting this target. This provided enough flexibility and comfort for a more detailed discussion to develop a framework on how we this decision is applied.
1246. The Chairman asked those who had not attended the roundtable for their comments on the minutes.
1247. Mr. B Smith was happy a contribution holiday had been discounted.
1248. Dr. Walsh requested that the minutes reflect who attended round table.
1249. Regarding the current procurement the Chairman advised that this was due to complete in the current financial year, and therefore would be awarded based on the current investment strategy. The Fund Adviser suggested that the impact going forwards depended on the decision taken by the Pensions Panel. If it requires a move towards fixed interest, then this could be done via a change to the existing managers benchmark. If, for example, it is a change to the composition of the property portfolio such as long lease, secure income only investments then this would need to be discussed with the property manager and may require a change to the existing targets, remuneration and set up.

Signed:

Date:

Amendment to Paragraph 21 of the Terms of Reference for the Pension Board

Original

Selection of Employer and Scheme Member Representatives

21. The remaining members of the Board shall be appointed by the Chairman working with the Executive Director Corporate Resources and Services and the Director of Law Assurance and Strategy. Nominations will be sought from employers and members through direct invitations or discussions with their representative bodies.

Amendment agreed by Governance Committee on 24 November 2014 and subsequently by County Council on 12 December 2014

Selection of Employer and Scheme Member Representatives

21. The members of the Board other than the Chairman shall be appointed by the Chairman with advice from the Executive Director Corporate Resources and Services and the Director of Law, Assurance and Strategy. Nominations will be invited with a view to maximising the opportunity for all scheme members and employers to participate in nominating or seeking nomination for the other panel appointments. All regular communications, such as pensions newsletters and the website will be used to promote the opportunity and invite participation in nomination and approval of candidates through an open and transparent process.