

Pensions Panel

26 July 2017 – At a meeting of the Pensions Panel held at 10.00 a.m. at County Hall, Chichester

Mr Bradford
Mr Fitzjohn
Ms Taylor

Mrs Dennis
Mr Hunt*
Mrs Urquhart

Mr Donnelly
Mr Jupp

Apologies for absence were received from Dr Walsh.

Mr Hunt left at 10.30 a.m. and returned at 11.30 a.m.

In attendance by invitation:

Caroline Burton (Independent Adviser);
Steven Law, Kameel Kapitan and Paul Potter (Hymans Robertson);
Lynn Dewar and Susan Swindells (Baillie Gifford).

Officers Present:

Katharine Eberhart,
Director of Finance
Performance and
Procurement

Rachel Wood
Pension Fund Investment
Strategist

Vickie Hampshire,
Finance Manager
Pension Fund Governance

Laura Davies
Finance Manager
Pension Fund Accounting
& Reporting

Sarah Hiscoke
Pensions Accountant

Adam Chisnall,
Democratic Services
Officer

Part I

Election of Vice Chairman

47. The Chairman, Mr Hunt, explained that he had a medical appointment to attend during the meeting. As Dr Walsh had given apologies to the meeting, members were required to appoint a Vice Chairman to cover the absence.

48. Resolved - That the Panel:

- (1) Appoints Mrs Urquhart as Vice Chairman for the meeting to cover the Chairman's absence.

Declaration of Interests

49. Mr Jupp declared a personal interest as a Horsham District Council Member.

50. Mrs Urquhart informed the Panel that her role as a Governor for Chichester College was coming to end and so this should be removed from the register of interests.

Approval of Part I Minutes of the Pensions Panel held on 21 June 2017

51. Resolved – that the Part I minutes of the Pensions Panel held on 21 June 2017 be approved as a correct record, and that they be signed by the Chairman.

Draft Annual Report and Draft Accounts

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

53. Laura Davies introduced the report and explained that the accounts were still subject to audit, but so far there had been no substantial findings.

54. The Panel made comments including those that follow.

- Queried the high percentage figure of 34.07% for 2016 late settlements. – *Laura Davies resolved to investigate the high figure.*
- Sought clarity on the charge for legal advice. – *Laura Davies explained that the charge was negotiated with legal services. Details of the actual figure would be sent to the Panel.*
- Queried the review work on AVCs. – *Laura Davies explained that a review had taken place on the current provider and there was now work to test the market to see if the best product was being offered to members.*
- Asked if an update was needed on the choice of benchmark for private equity. – *Caroline Burton explained that the benchmark was 5% over FTSE. Paul Potter explained that private equity was difficult to benchmark as it required a long-term view. Caroline Burton added that due to its monitoring requirements, private equity would always be a quarter behind valuations on listed equity. Steven Law explained that private equity only covered 4% of the assets in the fund.*
- Requested the number of employees in the scheme, broken down by status. – *Vickie Hampshire resolved to send this on to the Panel members, but explained that it would be exempt information.*

55. Resolved - That Panel approves the draft Annual Report & Accounts 2016/17.

Investment Strategy Statement

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

57. Vickie Hampshire introduced the report and informed the Panel that the first meeting of the Joint Committee for ACCESS would be meeting on Monday and that operator procurement would be the main item on the agenda.

58. The Chairman explained that the fund was now over 105% funded and so further de-risking plans had been implemented. Given the high funding level, it was proposed the investment strategy be updated.

59. The Panel received an update from Hymans Robertson on Investment Review (copy appended to the signed minutes).

60. Steven Law explained the importance for the Panel to define its investment beliefs to inform its investment strategy and the balance of risk, affordability and stability.

61. Steven Law explained that the investment review had been triggered by the fund exceeding the 105% funding level. It was also timely to consider the investment strategy ahead of joining the ACCESS group. Paul Potter explained that re-risking could be enabled when necessary.

62. Caroline Burton explained the important of considering asset classes for their stability, liquidity and associated fees. Steven Law added that the focus should be on determining the allocation split, rather than the different types of investment at this stage.

63. The Panel made comments including those that follow.

- Queried where the decision lies with investment managers when pooling begins. – *Vickie Hampshire explained that the operator for ACCESS would make the decision.*
- Requested the recent correspondence that had been sent to the Minister regarding pooling. – *Vickie Hampshire resolved to circulate this.*
- Asked how members of the fund were being informed of pooling progress. – *Vickie Hampshire reported that information would be in member newsletters. Steven Law added that members should not be impacted by the pooling arrangements.*
- Queried the allocation split in 2008. – *Steven Law reported that the split was 80% growth assets and 20 % stabilising assets.*
- Discussed the consideration of active verses passive investment. – *Paul Potter explained that the active equity managers for the fund had performed well. Vickie Hampshire reported that an exercise was taking place to look at ACCESS commonality to determine which funds to consider. Vickie Hampshire resolved to circulate the results of this exercise. Paul Potter explained that ACCESS colleagues could have differing strategies.*

64. Resolved - That the Panel:

- (1) Notes the current funding level and the action taken.
- (2) Requests an additional Panel meeting in September to determine investment beliefs to inform the strategy review.

Business Plan Update 2017/18

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

66. Rachel Wood introduced the report and informed the Panel that Hymans Robertson had been re-appointed as actuary to the pension fund. Key items of work for 2017/18 would be Guaranteed Minimum Pension, Data Protection, MiFIDII and monitoring the administration work on the backlog.

67. The Panel sought clarity on the requirements of training. – *Rachel Wood explained that the Pensions Regulator expected Panel members to have appropriate*

knowledge and understanding. The Governance Committee want Panel members to complete the Fundamentals training and also attend conferences. Steven Law reported that the Government was due to confirm expectations for Pensions Panel and Pension Advisory Board members.

68. Resolved - That the Panel notes the ongoing work to achieve the business plan.

Date of Next Meeting

69. The Panel noted that its next scheduled meeting will take place on 6 November 2017 at 10.00 a.m. at County Hall, Chichester. Following the discussion on the Investment Strategy Statement, officers would look to schedule an additional meeting in September.

Exclusion of Press and Public

70. 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 12.45 p.m.

Chairman

Summary of Matters discussed in the absence of the Press and Public on 26 July 2017

Approval Part II Minutes of the meeting held on 21 June 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 21 June 2017 with a minor wording amendment.

Pension Administration Performance and Options

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

The Panel discussed pension administration and the current work to improve the performance. The Panel welcomed the report and requested an update at their November meeting to monitor progress.

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.

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.