

**Pensions Panel**

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

Present: Mr Hunt (Chairman)

Mr Donnelly  
Mr Smith  
Dr Walsh

Mr McAra  
Ms Taylor

Mr Metcalfe  
Mrs Urquhart

Apologies for absence were received from Mr Peters.

In attendance by invitation: Caroline Burton (Independent Adviser); Steven Law, Kameel Kapitan and Paul Potter (Hymans Robertson); Matthew Cunliffe, Dominic Russell and Dominic Delaforce (Aberdeen Asset Management Limited) joined the meeting at 12.15 pm

**Officers Present:**

Katharine Eberhart,  
Director of Finance  
Performance and  
Procurement

Steve Harrison,  
Chief Technical Officer

Vickie Hampshire,  
Project Accountant -  
Pensions

Laura Davies  
Pension Fund  
Accountant

Rosemary Pugh,  
Democratic Services  
Officer

**Part I**

**Part I Minutes of the meeting held on 4 November 2016**

135. Resolved – that the Part I minutes of the Pensions Panel held on 4 November 2016 be approved as a correct record, and that they be signed by the Chairman.

**Valuation and Investment Update**

136. The Panel received a presentation from Steven Law and Paul Potter (Hymans Robertson) on the Valuation and Investment Update (copy appended to the signed minutes).

137. Steven Law introduced the item and highlighted the following:- The West Sussex Pension Fund is currently the highest funded local government pension fund on a like for like comparison. It is now almost 100% fully funded and in a very healthy position. There had been a delay in the provision of data for two employers, a result of this is that the funding level of 95.1% is likely to fall to 95.0% for the 2016 valuation. The de-risking plan was triggered when the fund was 95% funded. On 18 January 2017, Fund Managers UBS and Baillie Gifford (BG), were instructed

to change investment from fewer equities and into more bonds. A second de-risking strategy can be triggered when the fund reaches 105%. Steven Law advised that the Panel might think about de-risking into other types of asset.

138. The Panel made comments including those that follow.

- Asked about the nature the overall risk of the two employers' positions – *Steven Law advised that there was a need to put in security against possible insolvency.*
- Asked about the period of time for the trigger process and the 105% level. The Chairman was more concerned about the 105% level and asked if there had ever been discussion about this. *Caroline Burton advised that the period of time for the de-risking process was appropriate, an increase in the number of days would not add anything. She also advised that it was important to maintain the discipline of de-risking.*
- Asked about the cost impact of de-risking and about monitoring – *Steven Law advised that there would be some transaction costs but no real change for employers. Caroline Burton added that UBS and BG were skilled in bonds investment.*
- The Chairman stated that the priority was to keep the level of funding high and not a focus on the fund's position in a league table.

139. Resolved - That the Panel notes the conclusions of the valuation work and the implementation of the de-risking strategy.

### **Funding Strategy Statement**

140. The Panel received a report by the Director of Finance, Performance and Procurement on the Funding Strategy Statement (copy appended to the signed minutes).

141. The Chief Technical Officer introduced the report and advised that there had been little change to the Statement since the report to the Panel in July 2016. He advised that there was one policy change which involves the treatment of academies which are joining Multi Academy Trusts (MATs), as many more schools leave to join a MAT than when the policy was first established around 3 or 4 years ago.

142. The Panel made comments including those that follow:-

- Asked whether staff in the West Sussex pension scheme can transfer to arrangements made by the MAT – *Steve Harrison confirmed that staff would have to transfer to the fund with which the MAT is associated.*
- With regard to employers with no active members, asked why an employer would continue to contribute to the Fund – *Steven Law advised that this might be necessary to pay off a deficit. The Chairman felt that this needed to be clarified.*

143. Resolved – (1) That the Funding Strategy Statement is approved and

(2) That the amendment to the Statement with regard to the approach to academies is approved.

## Investment Strategy Statement

144. The Panel received a report by the Director of Finance, Performance and Procurement on the Investment Strategy Statement (ISS) (copy appended to the signed minutes).

145. The Chief Technical Officer introduced the report and highlighted the key changes to the Local Government Pension Scheme (LGPS) (Management and Investment of Funds) Regulations which came into force on 1 November 2016. He advised that among other changes to the regulations there is a Power of Direction for the Secretary of State to intervene in matters of investment .e.g. in infrastructure. The ISS also has to cover the approach to asset pooling and includes a detailed section on risk measurement and given the position of our Fund, officers added a section around de-risking. A section on how Administering Authorities will implement the Stewardship Code, including conflicts of interest has been added. The process for consultation on the ISS is set out in the report before its final approval by the Director of Finance, Performance and Procurement by 1 April 2017.

146. The Chairman suggested that the Strategy should include a specific reference to the Fund's de-risking policy in Paragraph 3 on Page 52 of the report. The Panel agreed to this amendment to the Strategy.

147. Resolved – That

- (1) the Panel approves the ISS for consultation,
- (2) the Panel agrees to review becoming signatories to the UK Stewardship Code as outlined in Paragraphs 7 – 9,
- (3) the Panel approves the consultation process as outlined in Paragraphs 10 – 12,
- (4) the Panel delegates final approval of the ISS to the Director of Finance, Performance and Procurement in consultation with the Pension Panel Chairman.

## Treasury Management Report

148. The Panel received a Treasury Management report by the Director of Finance, Performance and Procurement (copy appended to the signed minutes).

149. The Chief Technical Officer introduced the annual report to the Pensions Panel on treasury management. He advised that as at 31 December 2016, the Pension Fund's internally managed cash amounted to £44.1m. No changes to the current strategy are proposed.

150. The Panel made comments including those that follow: -

- Asked whether there was some scope for reducing the large amount held in cash to achieve a better return – *Steven Law advised that there had been some large transfers, which had resulted in the higher than usual amount held in cash.*
- Asked about the impact of the leave outcome of the EU referendum – *The Chief Technical Officer highlighted the indicators of credit risk as set out in Paragraph 5. The Chairman reported that risk of bail-in was discussed at the recent meeting of the Treasury Management Panel.*

- Asked about the option for pension freedoms – *this is not available for members of the LGPS until one year before retirement, there has been a very low uptake for this option.*

151. The Panel agreed that the recommendations should include a requirement to review cash holdings with a view to minimise the amount held.

152. Resolved – That

- (1) the Panel approves the 2017/18 Treasury Management Strategy as set out in Appendix 1,
- (2) the Panel notes the treasury activity undertaken during 2016/17 (1 April to 31 December 2016) and
- (3) the Fund's cash holdings are reviewed with a view to minimise the amount held.

### **Markets in Financial Instruments Directive II (MiFID II)**

153. The Panel received a report on MiFID II by the Director of Finance, Performance and Procurement (copy appended to the signed minutes).

154. The Chief Technical Officer introduced the report and highlighted a concern that the Fund could be re-classified to 'retail' client status. The Chairman, on behalf of the Pension Fund, has written a robust response to the consultation which the Panel is asked to note. Officers will keep a watching brief on the outcome.

155. Resolved – That the Panel notes the Pension Fund's response to the consultation.

### **Date of the Next Meeting**

156. The Panel noted that its next scheduled meeting will take place on 13 April 2017 at 10.00 a.m. at County Hall, Chichester.

### **Exclusion of Press and Public**

157. 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 30 January 2017**

### **Part II Minutes of the meeting held on 4 November 2016**

(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 4 November 2016.

### **Business Plan 2016/17**

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

The Panel discussed the Business Plan Update for 2016/17.

That the Panel noted:

- a) The result of the External Managed Investments Report from Internal Audit.
- b) The continuing work of the Pension Advisory Board.
- c) The change of Fund Custodian.
- d) The performance of the Pensions Administration Team over the last three months

### **Pension Fund Pooling Update**

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

The Panel noted the progress that was being made in relation to pension fund pooling.

### **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.

### **Aberdeen Asset Management Limited**

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

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