

**Draft Minutes: Part 1 Pensions Panel held on 8 November 2013**

Start: 10:15am

**Present:** Mr Michael Brown (Chairman), Mr Peter Lamb, Mr Peter Metcalfe, Mr Gordon Marples, Mr Nigel Peters, Dr James Walsh, Mr Daniel Sartin

**Apologies:**

Apologies were received from: Mr Bernard Smith, Mrs Deborah Urquhart and the Sussex Police & Crime Commissioner.

**In Attendance:** Richard Hornby (Director of Finance and Assurance), Caroline Burton (Independent Adviser to the Panel), Vickie Hampshire, Steve Harrison, Paul Audu, Tara Atkins.

Also in Attendance:

Hymans Robertson: Steven Law and Lorna Lyon

1098. The Chairman welcomed attendees and in particular Steven Law and Lorna Lyon from Hymans Robertson.
1099. Also, the Chairman announced with great sadness the death of Councillor Michael (Mick) Hodgson who had served as a member of the Pensions Panel. The Chairman asked the Panel to observe a minute's silence in remembrance of Mr Hodgson.
1100. Then the Chairman led with his personal tribute to Mr Hodgson and afterwards invited other members of the Panel to pay their tributes.
1101. Mr Michael Brown said that Mick made very valuable contributions to the Pensions Panel, in particular, his deep knowledge of the property and other investment markets that supported the powerful insights he shared with the Panel. He often wrong footed the experts presenting to the Panel but always in a very courteous and friendly way.
1102. Comments from Deborah Urquhart were read out as she was unable to attend the meeting due to sickness. Her comments were "it is with great sadness that we note the passing of our colleague Mick. He played a very active role in the success of our Pension Fund, challenging fund managers and advisors and sharing his extensive experience in property matters for our consideration. All done with a mischievous sense of humour. He leaves big shoes to fill".
1103. Mr James Walsh said that Mick took a strong delight in saving his best comments and questions until last. He was very fond of him and he will be much missed.
1104. Mr Gordon Marples said of Mick that he was jolly good company.

1105. Mr Richard Hornby also paid tribute to Mick. He echoed all the earlier comments. He said it was nice to be important, but more important to be nice which Mick certainly was. He will be sorely missed not only by his fellow members, but by officers too.

## **PART I**

### **Agenda Item:**

#### **1. Declaration of Interests**

1106. No new declarations.

#### **2. Approval of the Part I Minutes Held on 24 July 2013 and Matters Arising**

1107. There were no queries on the draft Part I minutes.

#### **Resolved:**

- The Panel agreed that the draft minutes should be approved as accurate account of the Part I of the Pensions Panel meeting on 24 July 2013.

#### **3. Update on Pension Reform and Governance Issues**

1108. The Director of Finance and Assurance introduced the report focusing on the government's proposal for structural reform of the Local Government Pension Scheme (LGPS) in England and Wales and the changes to governance arrangements per the 2013 Pensions Act. The key points were:

- Firstly, the government had commenced a tender process to obtain advice on three options for LGPS reform:
  - A common investment vehicle at England and Wales level, with asset allocation strategies still determined by the local pension funds;
  - 5-10 common investment vehicles across England and Wales, for example based on aggregate fund size or geographical areas, again with asset allocation strategies decided by locally;
  - 5-10 merged funds across England and Wales, grouped on the same basis as the common investment vehicles above, but with decision-making taken by new governance arrangements at the merged fund level.
- Secondly, the proposed new Pensions Board function with scrutiny powers and the issues around representation on the Panel. This was part of the move under the Pensions Act 2013 for greater uniformity across all Funds (public and private) with the Pensions Regulator assuming a role for the LGPS, with enhanced requirements for governance and training a likely feature.

1109. In view of the nature of the above matters, there was need for the Panel to consider setting up a Working Group to explore the issues. The Panel sought to clarify the purpose of a Working Group. The Director of Finance and Assurance advised that the Panel had choices to make including how it wished a Pensions Board to work, the governance approach to taking investment decisions, representation, voting decisions etc. What may happen on mergers is an issue, but in the meantime Government had also introduced new governance requirements Funds were expected to address nevertheless.
1110. The Panel queried a sentence relating to Scheme Advisory Board funding, on page 18 of the report that appeared confusing on the costs of new governance. The Director of Finance and Assurance advised that this area of the government's proposal remained unresolved but a small unavoidable levy (in the region of £3k per Fund) was probable to support the new national structures. Also, the Panel questioned the rationale for involving all Funds in the proposed reform – especially as West Sussex had performed very strongly under the current arrangements. The reform should focus only on failing LGPS Funds. Of the three options being considered by the government, the option to merge Funds was the most undesirable to the Panel.
1111. There was some discussion about pursuing the issue of the LGPS reform with the Sussex Members of Parliament. The Chairman advised the Panel that the West Sussex County Council Cabinet met the local MPs and the Cabinet asked the MPs to urge some caution on the Minister concerned, Mr Brandon Lewis MP. The Chairman was in the process of writing to Mr Andrew Tyrie MP on the topic.
1112. The Independent Adviser informed Panel that the Government appeared to be shifting the focus a little from investment performance to investment expenses. In the Panel's view, the West Sussex Fund had very good fee arrangement with fund managers. The Panel were also informed, amongst other things, the Minister was seeking to introduce combined LGPS Annual Financial Statement.

**Resolved:**

1113. That
- The Panel noted the current stage in the government reform agenda.
  - The Panel agreed that a Working Group of the Pensions Panel should be set up, in accordance with the Terms of Reference appended to the report, to review the governance arrangements of the Pension Fund. The Panel further agreed that the Working Group would comprise the Chairman of the Pensions Panel as Chair, Mr Nigel Peters, Mr Gordon Marples, Mr Peter Metcalfe and Mr Richard Hornby (Director of Finance and Assurance) as ex-officio advising. Also noted that important to liaise with Democratic Services over structural changes involving other Committees and agreed they would be involved to shape any proposals.