

Minutes of the Pensions Committee Meeting held on 15 February 2016

Present: Stephen Sweeney (Chairman)

Attendance

Derek Davis, OBE	Robert Marshall
Steve Elsey (Co-Optee)	Mike Worthington (Vice-Chairman)
Mike Lawrence	

Apologies: Philip Atkins, Alan Dudson and Shelagh McKiernan

PART ONE

26. Resignation of David Loades, Co-opted Member

The Chairman informed the Committee of the resignation of David Loades who had served as a Co-opted Member on the Pensions Committee, representing Scheme Employers (Local Authorities/Police/Fire) since 28 October 2011. David had indicated that he did not wish to continue to be the employers' representative on the Committee due to the pressure of his own business and also his Council work.

Members extended their thanks to Mr Loades for the valuable contribution he had made to the work of the Committee.

27. Minutes of the meeting held on 18 December 2015

RESOLVED – That the minutes of the meeting held on 18 December 2015 be confirmed and signed by the Chairman.

28. LGPS Pooling

The Committee received two presentations from the Director of Finance and Resources, both in relation to the Government's proposal for Local Government Pension Scheme (LGPS) administering authorities to pool investments.

Both presentations provided the Committee with an update of the current position in relation to the Government's proposals for the pooling of investments. The first presentation summarised the findings of Project POOL (a piece of work undertaken by 24 LGPS Funds, including Staffordshire and co-ordinated by Hymans Robertson) as follows:

- Preferred approach is Multi-asset Pools (MAPs) formed by regional and/or likeminded groups of funds.
- For most asset types, regional pools may give sufficient size to get the majority of scale benefits / fee reductions.
- Regional or likeminded groupings also give individual funds more involvement in the governance of pools.

- For infrastructure, a national vehicle may be best (MAPs Plus) built on or running alongside existing arrangements.
- Some pools will have the choice of in-house and external management – effectively a manager choice and same due diligence.
- Structure options: may include Authorised Contractual Scheme (ACS) or “Joint Committee”?

The Committee also noted although in the short term the cost of implementing the changes were likely to exceed the anticipated savings, in the longer term (10 years plus), the proposals would bring about savings of circa £200m - £300m per annum nationally.

The second presentation provided the Committee with an update on the proposed pooling solution for the Staffordshire Fund and covered a range of issues including:

- LGPS Central - The Proposed pooling solution for the Staffordshire Fund
- Why Funds need to pool their assets
- The proposed timeline for asset pooling
- The work carried out to date
- The Government’s criteria for Pooling
- Likely Pooling configurations for Funds across England and Wales
- The scale of LGPS Central
- The principles of strong governance and decision making
- Reducing costs and obtaining value for money
- Increasing investing in infrastructure
- Next steps

In response to questions from Members in relation to the governance arrangements for LGPS Central and the frequency with which the Pool’s governing body would meet, the Director of Finance and Resources indicated that these matters were still to be agreed and that further update reports would be brought to the Committee at its meetings in March and June 2016.

RESOLVED – That Melanie Stokes be thanked for her presentation.

29. Local Government Pension Scheme: Investment Reform Criteria and Guidance

The Committee were informed that in the July Budget 2015, the Chancellor announced the Government’s intention to work with Local Government Pension Scheme (LGPS) administering authorities to ensure that they pooled investments to significantly reduce costs whilst maintaining overall investment performance. The Chancellor announced that the pools should take the form of up to six British Wealth Funds, each with assets of at least £25bn, which were able to invest in infrastructure and drive local growth.

Authorities were invited to submit proposals for pooling which the Government would assess. This would be a two stage process, with initial proposals, confirming which Pool(s) Authorities were proposing to work with, due by 19 February 2016. The second

stage of the process required more detailed proposals from each pool and these were due to be submitted by 15 July 2016.

The Director of Finance and Resources indicated that the Committee had already approved proposals for the Staffordshire Pension Fund to work alongside LGPS colleagues in Cheshire, Derbyshire, Leicestershire, Nottinghamshire, Shropshire, Worcestershire and the West Midlands (2 Funds) in the formation of an asset pool. Going forward, the pool would be known and referred to as LGPS Central.

Authorities needed to suggest how their pooling arrangements would be constituted and how they would operate. Submissions needed to describe how the following four criteria would be achieved:

- Asset pool(s) that achieved the benefits of scale
- Strong governance and decision making
- Reduced costs and excellent value for money
- An improved capacity to invest in infrastructure

The Committee considered the draft Staffordshire Pension Fund's initial proposal to DCLG which confirmed the Fund's commitment to the pooling agenda and its intention to work alongside LGPS colleagues in the creation and development of LGPS Central. They also received the LGPS Central joint response to this initial stage of the consultation. It was noted that the initial responses were at a very high level as much of the detailed work around pooling would be carried out by the participating Funds between now and July 2016. This would enable both the Staffordshire Pension Fund and LGPS Central to submit their detailed responses to DCLG by the 15 July 2016 deadline.

The Director of Finance and Resources added that the Committee would be kept informed of LGPS Central's progress at their meetings in March and June. However, due to the timeframe being imposed by DCLG and the fact that there were several participating Funds in LGPS Central, there would be times when it would be impractical to bring all issues to the Committee for a decision and it was therefore suggested where it was felt that an issue could not reasonably await the next meeting of the Committee, the Director of Finance and Resources be authorised to take such decisions in consultation with the Chairman.

RESOLVED – (a) That the publication of the Government's consultation paper on the Investment Reform of the Local Government Pension Scheme; including the set of criteria that must be met to achieve such reform, and appropriate Guidance, be noted.

(b) That the commitment to LGPS Central be endorsed.

(c) That the initial proposal to DCLG from the Staffordshire Pension Fund be endorsed and that any decision arising from such, in connection with the establishment of LGPS Central, which it is felt cannot reasonably await the next meeting of the Committee, be delegated to the Director of Finance and Resources, in consultation with the Chairman.

30. Local Government Pension Scheme: Revoking and replacing the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009

The Committee were informed that to assist with the process of forming up to six British Wealth Funds, there was a need to revoke and update the LGPS (Management and Investment of Funds) Regulations 2009. There were two main areas of reform:

- (i) A package of reforms that proposed the removal of some of the existing prescribed means of securing a diversified investment strategy and instead placed the onus on authorities to determine the balance of their investments and take account of risk.
- (ii) The introduction of safeguards to ensure that the more flexible legislation proposed was used appropriately and that the guidance on pooling assets was adhered to. This included a suggested power for the Secretary of State to intervene in the investment function of an administering authority when necessary.

The Committee considered the Staffordshire Pension Fund's proposed response to the consultation (as set out in Appendix 2 to the report) which restated the eight questions asked in the consultation documents together with the suggested response the Fund should make. The Committee noted that the response was due to be submitted to the Department for Communities and Local Government, alongside the Fund's initial proposal on the LGPS Investment Reform Criteria, by 19 February 2016.

RESOLVED - (a) That the publication of the Government's consultation paper on Revoking and Replacing the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 which:

- (i) sets out a package of reforms for a less prescriptive set of LGPS Investment Regulations;
- (ii) introduces safeguards to ensure that this more flexible legislation is used appropriately and that the guidance on pooling assets is adhered to; and
- (iii) includes a suggested power for the Secretary of State to intervene in the investment function of an administering authority when necessary,

be noted.

(b) That the Staffordshire Pension Fund's proposed response to the consultation, as set out in Appendix 2 to the report, be approved.

31. Exclusion of the Public

RESOLVED - That the public be excluded from the meeting for the following items of business which involve the likely disclosure of exempt information as defined in the paragraphs of Part 1 of schedule 12A of the Local Government Act 1972 indicated below:

The Committee then proceeded to consider reports on the following issues:

32. Exempt minutes of the meeting held on 18 December 2015
(Exemption paragraph 3)

33. Pensions Administration
(Exemption paragraph 3)

Chairman