

Minutes of the Pensions Committee Meeting held on 17 March 2017

Present: Mike Lawrence (Chairman)

Attendance	
Derek Davis, OBE	Stephen Sweeney
Alan Dudson	Kevin Upton (Co-Optee)
Geoff Locke (Co-Optee)	Mike Worthington
Shelagh McKiernan	

Also in attendance: Corrina Bradley and Ian Jenkinson (Pensions Board Members)

Apologies: Margaret Astle, Philip Atkins, OBE, Nigel Caine and Sue Insull

PART ONE

49. Declarations of Interest

The following Member declared an interest in accordance with Standing Order 16.5:-

Member	Minute Nos.	Interest	Reason
Alan Dudson	All	Personal	Membership of the GMB National Pensions Committee

50. Minutes of the meeting held on 30 January 2017

RESOLVED – That, subject to the table in minute number 40 being amended to read as follows, the minutes of the meeting of the Pensions Committee held on 30 January 2017 be confirmed and signed by the Chairman:

Member	Minute Nos.	Interest	Reason
Alan Dudson	All	Personal	Membership of the GMB National Pensions Committee

51. Minutes of the meeting of the Pensions Panel held on 7 March 2017

RESOLVED – That the minutes of the meeting of the Pensions Panel held on 7 March 2017 be noted.

52. Staffordshire Pension Fund Audit Plan 2016/17

The Director of Finance and Resources submitted the proposed Audit Plan for the audit of the Pension Fund 2016/17 by Ernst & Young LLP, the County Council's auditors.

The Committee considered the Audit Plan which detailed how Ernst & Young intended to carry out their responsibilities as auditors. The work the Auditors intended to undertake would provide the Fund with the following:

- The Auditor's opinion on whether the financial statements of the Staffordshire Pension Fund gave a true and fair view of the financial position as at 31 March 2017 and of the income and expenditure for the year; and
- The Auditor's opinion on the consistency of the Pension Fund financial statements within the Pension Fund annual report with the County Council's published financial statements.

It was noted that although the Fund was audited as part of the County Council's accounts, Ernst & Young would issue a separate opinion on the Fund and produce a Fund specific Audit Findings Report. This would be reported to both the Pensions Committee and the Audit and Standards Committee.

The Committee were also informed that for the purposes of determining whether the financial statements were free from material error, the Auditors had determined that overall materiality for the financial statements of the Pension Fund was £37 million based on 1% of net assets and that they would inform the Fund of any uncorrected audit mis-statements greater than £1.9 million.

RESOLVED – That the external auditor's plan for the audit of the Staffordshire Pension Fund (the Fund) for the 2016/17 financial year be noted.

53. Pensions Business Plan 2017/18

The Committee received an update on progress against the 2016-17 plan and noted that significant successes had been achieved in a number of areas including:

- Completion of the Triennial Valuation;
- Full Health Check against the Pension Regulator's Code of Practice 14;
- Issue of the Annual Benefit Statements by 31 August 2016;
- Continued progress on asset pooling following the July 2016 submission;
- Completion of the Strategic Asset Allocation Review following the results of the Triennial Valuation.

The Director of Finance and Resources presented the Pensions Business Plan 2017-18 and explained the key issues to be faced in the coming year which included:

- The reconciliation of contracting out data with HM Revenue and Customs;
- Implementation of I-Connect software with Fund Employers (monthly data collection);

- Continuing to provide resources to assist with the set up and implementation of the LGPS Central asset pool.

In response to questions from Mrs. McKiernan and Mr. Jenkinson regarding resourcing, the Chairman indicated that he had written to the Leader of the Council to request additional staffing resources to assist with the data management issues. He added that his request was being considered as part of a wider review into the de-commissioned Shared Service Centre. The Director of Finance and Resources also added that, where possible, changes were made to systems in order to improve efficiency. Mr Jenkinson requested that the Pensions Board receive regular updates on the issue of resourcing.

In response to a question from Mr. Locke concerning the set-up costs the Fund would incur in relation to LGPS Pooling, the Director of Finance and Resources indicated that the Staffordshire Pension Fund was a relatively low cost Fund and, as a consequence, it was estimated that it would not break even and start to recoup the set-up/running costs until approximately 2032/33. The Director added that this was a very worst case scenario and the Business Case relating to the creation of LGPS Central was currently being reworked.

RESOLVED – That the Pensions Business Plan 2017-18 be approved and the key challenges which might affect performance be noted.

54. Review of Funding Strategy Statement (FSS) and Investment Strategy Statement (ISS)

The Director of Finance and Resources informed the Committee that all Local Government Pension Scheme (LGPS) Funds were required to prepare, maintain and publish Funding Strategy Statement (FSS) and Investment Strategy Statement (ISS) documents. The FSS must be formulated, maintained and published in accordance with the Public Service Pension Act 2013, whilst the ISS must be formulated, maintained and published in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. Both documents must be reviewed annually and issued for consultation during each triennial valuation. In addition, the Pensions Committee must formally approve the FSS and ISS as part of the triennial valuation.

A full review of the FSS had been undertaken as part of the current valuation and the ISS had been produced in accordance with the new regulations, taking into account the findings of the valuation process.

The Committee noted that the FSS governed how employer liabilities were measured, the pace at which those liabilities were funded and how employers, or pools of employers, paid for their own liabilities. The changes to the CIPFA guidance meant that the Fund's FSS required major alterations to maintain compliance with the new guidance and the current LGPS and Fund environment. The draft FSS was considered by the Committee at its October meeting, as an integral part of the valuation process. It was also noted that, following a consultation with interested parties, there were no material responses to return to the Committee meeting on 9 December 2016 although, during February, after the closure of the consultation, an employer from the education group, challenged the change to the way they were now regarded by the Fund due to

their lack of covenant. No further communication had been received and it was therefore assumed that the response providing the rationale for the changes had been accepted.

The Committee agreed at its meeting on 21 October 2016, that the FSS would be finalised by officers in consultation with the Chairman. As this had not yet happened the Committee was requested to approve the final document.

The Director of Finance and Resources also explained that the ISS replaced and largely replicated, the previous Statement of Investment Principles (SIP). Authorities were required to prepare and maintain an ISS which documented how the investment strategy for the Fund was determined and implemented. The ISS was required to cover a number of areas, specifically:

- The requirement to invest money across a wide range of investments.
- An assessment of the suitability of particular investments and investment types.
- The maximum percentage authorities deemed should be allocated to different asset classes or types of investment, although limits on allocations to any asset class were not prescribed as was currently the case under the 2009 Regulations.
- The authority's attitude to risk, including the measurement and management of risk.
- The authority's approach to investment pooling;
- The authority's policy on social, environmental and corporate governance considerations.
- The authority's policy with regard to stewardship of assets, including the exercise of voting rights.

It was noted that under Regulation 7(5), the authority must consult such persons as it considered appropriate as to the proposed contents of its investment strategy. In the formulation of the ISS, the Fund had initially consulted with its investment advisors and the Pensions Panel. There was also a consultation open with employers and other interested parties via the Fund's website. As this consultation did not close until 24 March 2017, the Committee were requested to delegate approval of the final version of the ISS to the Director of Finance and Resources in consultation with the Chairman of the Committee, in order that the 1 April 2017 deadline for publishing the document could be met.

The Committee were also informed that during 2017, it was the Fund's intention to become a signatory of the Financial Reporting Council's UK Stewardship Code. This would involve producing a statement of compliance against 7 key principles and whilst it was believed that the Fund's current approach to stewardship was fully compliant with the code, there was a need to document and develop the way this could be demonstrated. It was noted that the Fund's equity investment managers were all current signatories to the Code. In response to a question from Mr. Jenkinson concerning how the exercising of voting rights would be reported back to the Pool, the Director explained that the exercise of voting rights would be reported to the Pool's Joint Committee.

In response to questions from Members relating to some of the complex terminology used in the ISS, the Director undertook to look into the possibility of simplifying the terminology where possible.

RESOLVED – (a) That the Funding Strategy Statement (FSS) (Appendix A to the report) be approved.

(b) That the Investment Strategy Statement (ISS) (Appendix B to the report) be provisionally approved, subject to any amendments required following consultation with interested parties; and that the approval of the final version of the document be delegated to the Director of Finance and Resources in consultation with the Chair of the Pensions Committee, in order that the 1 April 2017 deadline for publishing the ISS can be met.

55. Retiring Members

Members paid tribute to Mr Lawrence for the contribution he had made during the time he had served on the Pensions Committee and also as its Chairman. Mr. Lawrence thanked Members for their kind comments and also extended his thanks to the other Members of the Committee who were not seeking re-election at the forthcoming County Council elections in May.

56. 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:

PART TWO

57. Exempt minutes of the meeting held on 30 January 2017
(Exemption paragraph 3)

58. Exempt Minutes of the meeting of the Pensions Panel held on 7 March 2017
(Exemption paragraph 3)

59. Debt Write-off
(Exemption paragraph 3)

60. Appointment Process for Fund Actuary
(Exemption paragraph 3)

61. Pensions Administration - Admitted Bodies
(Exemption paragraph 3)

Chairman

