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Pensions Committee

Monday, 30 January 2017

10.00 am

Oak Room, County Buildings, Stafford

John Tradewell
Director of Strategy, Governance and Change
20 January 2017

A G E N D A

PART ONE

1. **Apologies**
2. **Declarations of Interest**
3. **Minutes of the meeting held on 9 December 2016** (Pages 1 - 2)
4. **Minutes of the Pensions Panel held on 6 December 2016** (Pages 3 - 6)
5. **Exclusion of the Public**

The Chairman to move:

'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 paragraph of Part 1 of schedule 12A of the Local Government Act 1972 indicated below'

PART TWO

6. **Exempt minutes of the meeting held on 9 December 2016** (Pages 7 - 14)
(Exemption paragraph 3)
7. **Exempt minutes of the Pensions Panel held on 6 December 2016** (Pages 15 - 24)
(Exemption paragraph 3)

8. **Local Government Pension Scheme (LGPS) Asset Pooling** (Pages 25 - 46)
(Exemption paragraph 3)

Report of the Director of Finance and Resources

9. **The Local Government Pension Scheme administration - Breaches - Update** (Pages 47 - 56)
(Exemption paragraph 3)

Report of the Director of Finance and Resources

10. **Pensions Administration - Admitted Bodies** (Pages 57 - 60)
(Exemption paragraph 3)

Report of the Director of Finance and Resources

Membership

Margaret Astle	Geoff Locke (Co-Optee)
Philip Atkins, OBE	Robert Marshall
Nigel Caine (Co-Optee)	Shelagh McKiernan
Derek Davis, OBE	Peter Noskiw (Co-Optee)
Alan Dudson	Stephen Sweeney
Sue Insull (Co-Optee)	Kevin Upton (Co-Optee)
Mike Lawrence (Chairman)	Mike Worthington (Vice-Chairman)

Note for Members of the Press and Public

Filming of Meetings

The Open (public) section of this meeting may be filmed for live or later broadcasting or other use, and, if you are at the meeting, you may be filmed, and are deemed to have agreed to being filmed and to the use of the recording for broadcast and/or other purposes.

Recording by Press and Public

Recording (including by the use of social media) by the Press and Public is permitted from the public seating area provided it does not, in the opinion of the chairman, disrupt the meeting.

Minutes of the Pensions Committee Meeting held on 9 December 2016

Present: Mike Lawrence (Chairman)

Attendance	
Derek Davis, OBE	Peter Noskiw (Co-Optee)
Sue Insull (Co-Optee)	Stephen Sweeney
Geoff Locke (Co-Optee)	Kevin Upton (Co-Optee)
Shelagh McKiernan	Mike Worthington (Vice-Chairman)

Also in attendance: Corrina Bradley and Christina Washington (Pensions Board Members)

Apologies: Gordon Alcott (Pensions Board Member), Margaret Astle, Philip Atkins OBE, Nigel Caine, Alan Dudson, Ian Jenkinson (Pensions Board Member), Tim Legge (Pensions Board Member) and Robert Marshall.

PART ONE

32. Declarations of Interest

There were no declarations of interest on this occasion.

33. Minutes of the meeting held on 21 October 2016

RESOLVED – That the minutes of the meeting of the Pensions Committee held on 21 October 2016 be confirmed and signed by the Chairman.

34. 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:

35. Exempt minutes of the meeting held on 21 October 2016 (Exemption paragraph 3)

36. Strategic Asset Allocation Review 2016 (Exemption paragraph 3)

37. Review of Additional Voluntary Contributions (AVC) Arrangements (Exemption paragraph 3)

38. The Local Government Pension Scheme Administration - Breaches (Exemption paragraph 3)

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

Chairman

Minutes of the Pensions Panel Meeting held on 6 December 2016

Attendance
Philip Atkins, OBE (Chairman) Mike Lawrence
Derek Davis, OBE Shelagh McKiernan

Also in attendance: David Thomas (Independent Adviser), Tim Legge (Observer) and Graeme Johnston (Hymans Robertson).

Apologies: Robert Marshall and Carolan Dobson (Independent Adviser)

PART ONE

30. Declarations of Interest

There were no Declarations of Interest on this occasion.

31. Minutes of meeting held on 8 September 2016

RESOLVED – That the minutes of the Meeting of the Pensions Panel held on 8 September 2016 be confirmed and signed by the Chairman.

32. Pension Fund Performance and Portfolio of Investments as at 30 September 2016

The Director of Finance and Resources submitted a summary of the performance of the Pension Fund, together with a portfolio of the Fund's investments, as at 30 September 2016.

The Panel were informed that the Fund had a market value of £4.2bn at 30 September 2016. It had returned 6.9% over the quarter marginally outperforming its strategic benchmark by 0.8%. This was predominantly driven by positive returns from equity markets and the fall in the value of Sterling. However, it was also helped by the fact the Fund was underweight in several lower returning asset classes, such as bonds and overweight in the higher returning global equities. Private equity, UK equities and Property all outperformed their relative benchmarks.

With regard to the longer term, the Fund had outperformed its strategic benchmark by 0.5% in the year to date and over the 3 and 5 year time periods it continued to outperform its strategic benchmark by 0.3% and 0.7% respectively.

In response to a question from Mr. Davis as to whether he thought the market value of the Fund had reached its peak, Mr. Thomas expressed the opinion that the Fund had reached a point where it was not likely to grow as quickly as it had done, more recently.

RESOLVED – That the Pension Fund investment performance and the portfolio of investments for the quarter ended 30 September 2016 be noted.

33. Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016

The Panel considered a report from the Director of Finance and Resources informing them of the content of the new Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, which came into force on 1 November 2016.

They were informed that in November 2015, the Government issued a consultation paper on Revoking and Replacing the LGPS (Management and Investment of Funds) Regulations 2009, with the aim of removing the prescriptive nature of the existing regulation, in order to allow LGPS Funds the ability to collaborate on the pooling of Fund assets.

In its post-consultation commentary, published in September 2016, the DCLG reported that it had received 23,516 responses to its consultation proposals. No fewer than 23,131 of those were from individual members of the public who objected to the new powers of intervention that the government intended to grant itself, alongside its insistence that administering authorities should not pursue policies that conflicted with those of the Government in the areas of foreign affairs and defence. Despite the objections, the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 were published and came into force on 1 November 2016.

The Panel noted that, under the new Regulations there were several key areas of reform:

- (i) the existing 'prescribed' means of securing a diversified investment strategy were removed and instead the onus was placed 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 was used appropriately and that the guidance on pooling assets was adhered to. This included a power for the Secretary of State to intervene in the investment function of an administering authority where he considered it necessary; and
- (iii) the obligation for administering authorities to formulate an Investment Strategy Statement (ISS) in accordance with the governments' guidance on such and publish it by 1 April 2017.

The Director explained that the Investment Strategy Statement (ISS) would replace the current Statement of Investment Principles. Authorities were required to prepare and maintain an ISS which documents how the investment strategy for the Fund is determined and implemented. The authority is required to publish its first ISS by 1 April 2017 and maintain it, with reviews taking place at least every three years. The ISS for the Staffordshire Pension Fund, which was being worked on in collaboration with LGPS Central colleagues, would be available for consideration by the Pensions Panel and Pensions Committee at their meetings in March 2017.

RESOLVED – That the content of the new Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, which came into force on 1 November 2016, be noted.

34. Dates of Future Meetings

- 7 March 2017

To be confirmed:

- 6 June 2017
- 25 July 2017 (Managers' day)
- 5 September 2017
- 5 December 2017
- 6 March 2018

All meetings are scheduled to start at 9.30am at County Buildings, Stafford.

35. 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 paragraph of Part One of Schedule 12A of the Local Government Act 1972 (as amended) indicated below.

PART TWO

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

36. Exempt Minutes of the Meeting held on 8 September 2016
(Exemption paragraph 3)

37. Pooling of LGPS Investments
(Exemption paragraph 3)

38. Property - Confirmation of the action of the Director of Finance and Resources
(Exemption paragraph 3)

39. Strategic Benchmark Review and Monitoring
(Exemption paragraph 3)

40. Pension Fund Performance and Manager Monitoring for the quarter ended 30 September 2016
(Exemption paragraph 3)

41. Responsible Investments (RI) Report Quarter 3 2016
(Exemption paragraph 3)

42. Manager Presentations
(Exemption paragraph 3)

Chairman

Not for publication by virtue of paragraph(s) 3
of Part 1 of Schedule 12A
of the Local Government Act 1972

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