

Minutes of the Pensions Committee Meeting held on 18 December 2018

Attendance

Ben Adams	Bob Spencer
Ann Edgeller	Mike Sutherland
Colin Greatorex (Chairman)	Stephen Sweeney
Phil, Jones	Michael Vaughan

Also in attendance: Ian Jenkinson, Tim Legge and Kate Salter (Pensions Board Members).

Apologies: Philip Atkins, OBE, Nigel Caine (Co-optee), Derek Davis, OBE and Peter Noskiw (Co-optee).

PART ONE

1. Declarations of Interest

There were no declarations of interest on this occasion.

2. Minutes of the meeting held on 27 September 2018

RESOLVED – That the minutes of the meeting of the Pensions Committee held on 27 September 2018 be confirmed and signed by the Chairman.

3. Minutes of the meeting of the Pensions Panel held on 4 September 2018

The Chairman referred to minute number 4 “Appointment of Union and Small Employer Representatives for the Pensions Committee” and welcomed Michael Vaughan (Union Representative) to his first meeting of the Committee. The Chairman also indicated that he had spoken to the Staffordshire Parish Council’s Association concerning the appointment of the Small Employer Representative and that the matter was to be considered at the Associations next meeting which was due to take place on 7 January 2019.

RESOLVED – That the minutes of the meeting of the Pensions Panel held on 4 September 2018 be noted.

4. LGPS Asset Pooling Arrangements - Audit Assurance Framework

The Committee received a report of the Director of Finance and Resources on the development of an assurance framework over the new pooling arrangements operating within LGPS Central.

The Committee were informed that, during 2014, the government explored a number of options for improving the efficiency and sustainability of the LGPS and undertook extensive consultation on the potential to deliver savings through greater investment

management collaboration. Following this exercise, in the summer of 2015, the government announced its intention to introduce a new regulatory framework which would facilitate collective investing and issued guidance and criteria to help administering authorities to develop proposals for asset pooling aimed at reducing costs and improving efficiency. Initial proposals were required by February 2016, followed by more detailed business case submissions in July 2016, with a target implementation date of 1 April 2018.

Informal links with several Midlands based LGPS Funds became the starting point for wider discussions in the context of the formal requirement for pooling. This resulted in a joint proposal from Cheshire, Derbyshire, Leicestershire, Nottinghamshire, Shropshire, Staffordshire, West Midlands and Worcestershire to create 'LGPS Central', with combined assets of £35 billion. The Minister, Marcus Jones MP provided written confirmation, in November 2016, that LGPS Central had been formally accepted as a Local Authority Pension Fund Pool.

On 23 March 2017, following recommendations made by the Audit and Standards Committee and the Pensions Committee, the Council approved the Director of Strategy, Governance and Change and the Director of Finance and Resources to enter into the Shareholders Agreement and the Inter-Authority Agreement to establish a joint asset pool (LGPS Central), and investment management company (LGPS Central Ltd) and Joint Committee. The governance structure and arrangements for the LGPS Central pool have now been established.

Staffordshire County Council were leading on a co-ordinated and collaborative Internal Audit response to the new arrangements operating within the pool which had involved consultation with all Partner Fund's Internal Audit functions, External Audit Partners, the Practitioners Advisory Forum and LGPS Central Ltd.

A collaborative approach had been favoured in developing assurance over the new pooling arrangements operating within LGPS Central to:

- ensure a consistent approach to all Partner Funds when providing assurance to their own organisation in relation to LGPS Asset Pooling;
- prevent duplication, so that LGPS Central and LGPS Central Ltd were not having to deal with audit queries from all Partner Funds Internal and External Auditors;
- effectively share information between Internal Audit Partners and also between Internal Audit Partners and LGPS Central and LGPS Central Ltd; and
- identify risks and mitigating controls at an earlier stage.

As part of this collaborative approach, Staffordshire County Council's Internal Audit Service had led on the development of an Assurance Framework applying the three lines of defence model, focusing on the management controls, oversight governance arrangements and independent assurance required to provide assurance to Partner Funds that potential risks regarding pooling had been considered and were mitigated. The Assurance Framework was currently in draft form and looked at the control environment for the LGPS Central Pool only.

Assurance over the control framework operating within LGPS Central Ltd was currently being discussed with the Partner Fund's Internal Audit functions and the Practitioners Advisory Forum for the company's first year of operation and for 2019/20 and beyond.

The Committee also received a presentation detailing the key elements of the governance structure and the draft Assurance Framework.

In response to a question from Mr Jenkinson as to whether the proposals would create more work for the Internal Audit Team, the Interim Chief Internal Auditor indicated that the Internal Audit Teams from the constituent authorities within the Pool still needed to decide how the work would be split-up/shared and that the main areas of activity would focus on the areas considered to be of the highest risk.

In response to a question from Mr Adams on how the Committee could be assured that the assurance work being undertaken would give a true reflection of the situation within the Company, the Head of Treasury and Pensions indicated that the Staffordshire Pension Fund had representatives on both the Joint Committee and the Shareholder's Forum and that the Company would also need to have an AAF 01/06 (assurance report on internal controls) in place. The Interim Chief Internal Auditor also added that any internal audit report would give an assurance on the first and second lines of defence.

Mr Sutherland enquired as to whether the Internal Audit Team had had sight of the proposed assurance framework of other Pools. In response, the Interim Chief Internal Auditor indicated that the LGPS Central Pool was more advanced than the other Pools in relation to the creation of an Assurance Framework and that its proposals had been shared with other Pools and comments/feedback had been invited.

In response to a question from Mr Legge in relation to whether the Pool had seen a reduction in asset management costs, the Head of Treasury and Pensions indicated that savings were beginning to be seen by way of reductions in the levels of asset management fees.

RESOLVED – That the development of an Assurance Framework by Staffordshire County Council's Internal Audit service for the LGPS asset pooling arrangements and the LGPS Central pool be noted.

5. 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.

PART TWO

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

6. Exempt minutes of the meeting held on 27 September 2018 (Exemption paragraph 3)

7. Exempt minutes of the meeting of the Pensions Panel held on 4 September 2018

(Exemption paragraph 3)

8. Breaches and Disclosure of Information - Annual Benefit Statements (ABS)

(Exemption paragraph 3)

9. LGPS Pensions Administration - Additional Resource

(Exemption paragraph 3)

10. LGPS Central Limited Update

(Exemption paragraph 3)

Chairman