

Minutes of the Pensions Committee Meeting held on 15 June 2018

Attendance

Ben Adams	Peter Noskiw (Co-Optee)
Derek Davis, OBE	Mike Sutherland
Ann Edgeller	Kevin Upton (Co-Optee)
Colin Greatorex (Chairman)	

Also in attendance: Ian Jenkinson and Christina Washington (Pensions Board Members).

Apologies: Philip Atkins, OBE, Bob Spencer, Stephen Sweeney and Martyn Tittley.

PART ONE

1. Declarations of Interest

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

Member	Minute Nos.	Interest	Reason
Ben Adams	6	Personal	Friend of Philip Jones
Derek Davis	6	Personal	Friend of Philip Jones
Mike Sutherland	6	Personal	Friend of Philip Jones

2. Minutes of the meeting held on 16 March 2018

RESOLVED – That the minutes of the meeting of the Pensions Committee held on 16 March 2018 be confirmed and signed by the Chairman.

3. Appointment of Pensions Panel

RESOLVED – That the following members be appointed to serve on the Pensions Panel for the 2018/19 municipal year:

- Philip Atkins
- Derek Davis
- Colin Greatorex
- Mike Sutherland
- Stephen Sweeney

4. Minutes of the meeting of the Pensions Panel held on 6 March 2018

RESOLVED – That the minutes of the meeting of the Pensions Panel held on 6 March 2018 be noted.

5. Staffordshire Pension Fund Investment Performance 2017/18

The Committee received a presentation by Nick Kent from Portfolio Evaluation Limited (PEL) on the Staffordshire Pension Fund investment performance for 2017/18. They noted that:

- The Fund has outperformed its benchmark over the one, three, five year and ten year periods.
- Markets have provided high returns over the medium term due to, in part, sterling depreciation, Brexit, global economic growth and QE.
- The Fund has underperformed the average for the PEL Local Authority Average over the one and three year periods but has outperformed over the five and ten year periods; the longer term being a more appropriate period over which to measure consistent investment performance. The Fund has also achieved this with less risk than the average.
- The marginal outperformance in 2017/18 was as a result of all primary asset classes outperforming (except for Property and UK equities) via stock selection. The two highest contributors were the Private Equity portfolio, and Global Equities via the outperforming JP Morgan portfolio. Bond assets also contributed positive excess, generated by the outperformance of the Insight Corporate Bond portfolio.
- Total risk remains low and active risk is at a level that is consistent with the structure of the Fund. Risk has remained stable over the year.

In response to a question from Mr Adams in relation to the low yields from European Equities over the period, the Director of Finance and Resources indicated that approximately 8% of the Staffordshire Pension Fund was invested in European Equities. Mr Adams also asked whether comparisons were made in respect of regional returns (i.e. North America, Europe etc) to the market (as shown in PEL presentation). In response, the Director indicated such comparisons were not normally made as the Fund invested in equities globally but that such information could be made available to Members.

In response to a question from Mr Grestorex concerning the impact on markets of the cessation of quantitative easing (QE), Mr Kent indicated that Japan, the UK and the US had already ended their QE purchases, while Europe was in the process of winding theirs down. The large unknown was seen to be when Central Banks begin to unwind their QE purchases over the coming years.

Mr Jenkinson indicated that he had found the presentation very useful and that, in his view, the performance information presented at the quarterly Pensions Panel meetings meant that decisions on investments were evidence based and that in acting in this way the Fund demonstrated it was well managed.

In response to a question from Mr Adams about the Fund's performance compared with other local authority funds, Mr Kent indicated that whilst other Funds had out-performed the Staffordshire Fund, this may be due to the fact that they had a higher allocation to equities, which had performed extremely well over the last 3 years. They may have also had a higher risk profile. The Director of Finance and Resources added that Funds within LGPS Central shared information about Strategic Asset Allocation in an effort to learn from best practice.

RESOLVED - That the presentation on Pension Fund investment performance 2017/18 be noted.

6. Pensioner Representative for the Pensions Committee

The Committee received a report of the Director of Finance and Resources concerning the appointment of a non-voting co-opted representative on the Pensions Committee representing Retired Pension Scheme Members (the Pensioner Representative).

They were informed that the position had been vacant for some time now following the appointment, illness and subsequent resignation of the previous representative in 2016. Following an unproductive search in 2017, an advert was placed in the Spring 2018 InContact magazine and expressions of interest were received from 5 individuals as a result. After seeking further information from those individuals, interviews with the Chair of the Committee and the Head of Treasury & Pensions took place during May 2018. It was recommended to the Committee that the position of non-voting co-opted member on the Pensions Committee representing Retired Pension Scheme Members be offered to Mr Philip Jones.

The Committee were also informed of the recent resignation of Sue Insull and Geoff Locke who served as co-opted members on the Committee. The Director of Finance and Resources added that arrangements would be made to recruit to the two vacant positions on the Committee.

RESOLVED – (a) That the appointment of Mr Philip Jones as the non-voting co-opted representative on the Pensions Committee for Retired Pension Scheme Members (the Pensioner Representative), be approved.

(b) That the recent resignation of Sue Insull and Geoff Locke be noted and that the Committee's thanks be extended to them for the valuable contribution they had made whilst serving as co-opted members on the Committee.

7. Pensions Outturn Business Plan 2017/18

The Committee received a report of the Director of Finance and Resources concerning the final outturn position for the financial year together with a summary of the key achievements against the 2017/18 Business Plan.

The report covered a range of issues including:

- Key achievements during 2017/18
- Performance Standards

- Ongoing workloads and the potential impact on Performance Standards
- Pensions Administration Team – Staffing
- Pensions Investment Team
- Pension Fund Budget and Costs
- Cost Benchmarking

The Committee were informed that the final position against the Plan showed that the majority of planned activities had been achieved or were in progress. Of those in progress, some were classed as 'business as usual' activities and these together with several other 'development' activities had been carried forward into the 2018/19 Business Plan.

RESOLVED – That the outturn position of the Staffordshire Pension Fund Business Plan 2017/18 be noted and approved.

8. Risk Register & Risk Management Policy

The Committee received a report of the Director of Finance and Resources concerning the Fund's Risk Register and Risk Management Policy.

They were informed that CIPFA Guidance recommended the production and monitoring of a Risk Register for Local Government Pension Scheme (LGPS) funds. Risk management was being increasingly recognised as an element of good corporate governance and it was widely considered best practice to maintain and regularly review a Risk Register for the Pension Fund.

At its meeting in July 2017, the Pensions Committee noted the contents of the Pension Fund Risk Register at that time and asked the Local Pension Board to undertake a detailed review of both the identified risks and the process for maintaining the Risk Register and report back on issues of areas of concern arising from such a review. Mr Jenkinson indicated that the Board had now completed that work and were of the view that the Risk Register was a robust, comprehensive and appropriate approach to risk management, and that the RAG rating was an understandable way to identify and categorise the risks. The Board also considered that the Officer Working Group managed the whole process through an appropriate procedure, had ownership of both the individual risks and the whole register and took their responsibility seriously. He added that the Board was content to continue to scrutinise the risk register process if the Committee so wished. Mr Greatorex expressed his thanks to the Board for their work on the scrutiny of the risk register process.

The Committee considered a summary of the high level risks associated with the Fund's objectives together with the controls and sources of assurance currently in place. This was intended to give the Committee an overview of the main risks the Pension Fund needed to consider and the controls in place to mitigate them.

The Committee were also informed that the Pension Regulator's Code of Practice recommended that a Pension Fund had a Risk Management Policy in place to cover key areas such as:

- The Fund's attitudes to, and appetite for risk;
- Aims;
- Risk measurement and management; and
- Responsibility

The proposed Risk Management Policy for the Staffordshire Pension Fund was considered by the Committee.

Mr Adams enquired as to who raises with the government the pensions implications of changes to public organisations such as local government reorganisation. In response, the Director of Finance and Resources indicated that the Local Government Association and the scheme actuaries of the various funds tended to be the leading bodies in raising such matters with central government.

RESOLVED – (a) That the high level and emerging risks from the current Pension Fund Risk Register, as presented in Appendices 3 and 4 to the report respectively, be noted.

(b) That the content and recommendations of the Local Pensions Board review of the Pension Fund Risk Register, attached at Appendix 2 to the report, be noted and that the Local Pensions Board be requested to continue to play an active role in the ongoing review process.

(c) That the Risk Management Policy of the Staffordshire Pension Fund, attached at Appendix 5 to the report, be approved.

9. Training Plan & Training Policy

The Committee received a report of the Director of Finance and Resources concerning the Training Plan and Training Policy for Members of the Committee.

They were informed that Section 248A of the Pensions Act 2004, as amended by the Public Services Pensions Act 2013, required that trustees of occupational pension Schemes should be trained and have knowledge and understanding of the law relating to pensions, the role of trustees, the principles of scheme funding and investment, and the management and administration of pension scheme benefits. At their meeting on 8 December 2017, the Committee reaffirmed their commitment to the CIPFA Knowledge and Skills Framework (CIPFA KSF) and the adoption of a high level Training Plan covering the 8 key knowledge areas of the CIPFA KSF:

- Pensions Legislative
- Pensions Governance
- Pensions Administration (Local Pensions Board only)
- Pensions Accounting and Auditing Standards
- Pensions Services, procurement and relationship management
- Investment performance and risk management
- Financial markets and products knowledge
- Actuarial methods, standards and practices

Committee Members had also agreed to complete a Training Needs Analysis (TNA) assessing their perceived knowledge against the 8 key areas. As one would expect, there were differences in individual Members' knowledge but based on the responses received (c50%) then as a collective the Committee was well on its way to having a basic understanding in terms of their knowledge across the 8 key areas. The Director of Finance and Resources indicated that this was not unreasonable given the relatively short tenure of several new Committee Members.

Training for Pensions Committee Members in 2018/19 was planned to consist of a number of elements. Some of these were in response to the results of the TNA and some were dictated by the areas that needed to be focused on in the short to medium term e.g. 2019 Actuarial Valuation. As with all training plans, some flexibility in terms of times and methods of delivery would be required but an outline of the proposed training was as follows:

- 15 June 2018 - Portfolio Evaluation Limited to deliver just in time training on Performance Measurement;
- 13 July 2018 - CEM Benchmarking to talk about Cost Benchmarking; and the Local Authority Pension Fund Forum (LAPFF) and Legal and General Investment Management (LGIM) would discuss their roles in delivering the Fund's policy on Responsible Investment;
- Hymans Robertson to attend the September Pensions Committee to help review Funding Objectives and at the December and March Committees to consider the 2019 Actuarial Valuation;
- October – December 2018 – Local Government Association offer 3 day Pensions Fundamentals training; and
- 16 November 2018 – Hymans Robertson to prepare Members to review the Fund's Strategic Asset Allocation (Investment Strategy) and to explain how this linked to the Funding Strategy.

The Director added that any Member who had not already done so, may also wish to have a look at the Pension Regulators toolkit. This was an online training programme covering many of the key areas of the CIPFA KSF (with the main exception being investments).

As with all areas of Pensions, it is considered to be best practice and demonstrate good governance to set out the Pension Fund's attitude towards the Training, of all individuals charged with the oversight of the Fund, by having a policy on such. The Committee considered the Staffordshire Pension Fund's Training Policy.

RESOLVED – (a) That the results of the Training Needs Analysis (TNA) (Appendix 2 to the report) in relation to the CIPFA Knowledge and Skills Framework (CIPFA KSF) and the 2018/19 Training Plan (set out in paragraph 6 to the report), be noted.

(b) That the Staffordshire Pension Fund's Training Policy (Appendix 3 to the report), be approved.

10. 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:

- 11. Exempt minutes of the meeting held on 16 March 2018**
(Exemption paragraph 3)
- 12. Exempt minutes of the meeting of the Pensions Panel held on 6 March 2018**
(Exemption paragraph 3)
- 13. LGPS Regulations - Admission of New Employers to the Fund**
(Exemption paragraph 3)
- 14. LGPS Central**
(Exemption paragraph 3)

Chairman