

Minutes of the Pensions Committee Meeting held on 18 December 2015

Present: Stephen Sweeney (Chairman)

Attendance

Margaret Astle	Robert Marshall
Philip Atkins	Shelagh McKiernan
Steve Elsey (Co-Optee)	Eric Shaw (Co-Optee)

Apologies: Derek Davis, OBE, Alan Dudson, Mike Lawrence, David Loades (Co-optee) and Mike Worthington.

PART ONE

13. Resignation of Eric Shaw, Co-opted Member

The Chairman informed the Committee that Eric Shaw has served as a Co-opted Member on the Pensions Committee (representing retired scheme members) since the Spring of 2012. This was Eric's last meeting as he had indicated that he could not continue to be the representative of retired scheme members beyond the end of 2015.

Members expressed their thanks to Eric for the valuable contribution he had made to the work of the Committee over the last 4 years and wished him well for the future.

14. Minutes of the meeting held on 23 October 2015

RESOLVED – That the minutes of the meeting held on 23 October 2015 be confirmed and signed by the Chairman.

15. Minutes of the meeting of the Pensions Panel held on 1 December 2015

RESOLVED – That the minutes of the meeting of the Pensions Panel held on 1 December 2015 be noted.

16. Review of Communication Strategy

The Committee received a report of the Director of Finance and Resources in respect of the proposed review of the Administering Authority's Communication Strategy.

They were informed that under Regulation 106B of the 1997 regulations an administering authority was first required to prepare and publish a written statement on its communication policy. Regulation 61 of the current regulations, the Local Government Pension Scheme Regulations 2013 (LGPS2013) requires that the administering authority must set out its policy on:

- (a) the provision of information and publicity about the Scheme to members, representatives of members and Scheme employers;

- (b) the format, frequency and method of distributing such information or publicity;
and
- (c) the promotion of the Scheme to prospective members and their employers”.

The statement must be revised and published by the administering authority following a material change in their policy on any of the matters referred to above. The Communication Strategy was last reviewed on 2 July 2013. A review had now taken place to include the new Local Pension Board.

The Committee considered the draft revised Communication Strategy.

In response to a question from Mr Elsey in relation to how the administering authority communicated with Fund employers and members, the Director of Finance and Resources indicated that employers received a regular newsletter and also an “infolet” to bring to their attention any changes within the Scheme; and Members of the Fund received a guide to membership of the Fund. Additional information was also available on the Fund’s website.

In response to a question from Ms McKiernan in relation to parish councils, the Director indicated that parish councils could, by passing the necessary resolution, opt to join the LGPS and also decide which roles/positions on the Council could be eligible for membership.

RESOLVED – That the draft Communication Strategy be approved.

17. Review of the Governance Policy Statement

The Committee received a report of the Director of Finance and Resources in respect of the proposed review of the Administering Authority’s Governance Policy Statement.

They were informed that under Regulation 73A of the 1997 regulations an administering authority was first required to prepare and publish a written statement on its governance arrangements. Regulation 55 of the current regulations, the Local Government Pension Scheme Regulations 2013 (LGPS2013) required that the administering authority must set out a policy statement.

The Governance Policy Statement was last reviewed in 2008 and a review had now taken place to update the document to reference the County Council’s current constitution; update the document to reference the LGPS 2013 regulations; and include details of the new Local Pension Board.

The Committee considered the draft revised Governance Policy Statement.

RESOLVED – (a) That the draft Governance Policy Statement be approved in principle.

(b) That the Director of Finance and Resources be requested to undertake a short consultation with relevant parties as required by the pension regulations following a review of the statement.

(c) That the Chairman of the Committee be authorised to approve the final document in consultation with the Director of Finance and Resources.

18. Pensions Committee - Co-opted Representatives of the Pensions Forum

The Committee received a report of the Director of Strategy, Governance and Change seeking the Committee's views on the appointment of co-opted members on the Committee going forward.

They were informed County Council's Constitution provided that the Pensions Committee should comprise of 9 elected members and 6 non-voting co-opted members representing the following categories:-

- 2 Trades Union Representatives (A vacancy for one of which had existed for some time)
- 1 Representative for larger public bodies (ie Local Authority, Police and Fire)
- 1 Admitted Body Representative – representing organisations that employ staff who have been transferred from local authority employment under TUPE arrangements (eg. Entrust, Kier, Housing Associations)
- 1 Other Scheduled Employer Representative representing smaller bodies (for example academies)
- 1 representative of retired scheme members.

Of the 6 non-voting co-opted members, five were appointed by the Pensions Forum, and one (a representative of retired scheme members) was appointed directly by the Committee.

The attendance of the non-voting co-opted members at the Pensions Committee meetings was aimed at providing the opportunity for the Committee to hear other perspectives during their discussions. However, since the Forum representation on the Committee was agreed, the membership of the Staffordshire Pension Fund had changed greatly and it was now made up of around 200 employers, of which 50% were academies/ educational bodies with the other 50% split fairly evenly between Councils and other types of employers. With three of the five seats appointed by the Forum being currently vacant, this provided an opportunity to consult on the current structure of representation with a view to making changes to better reflect the membership of the Fund.

The consultation with members of the Pensions Forum took place throughout November 2015. A total of 21 responses were received. Twelve responses advocated the status quo; 7 proposed option 1 below and one response proposed option 2 below. The final response, from Kidsgrove Town Council, proposed that "Councillor Geoff Locke re-join the Pensions Committee".

It was suggested that the Committee should also consider option 3 below which was a consolidated option based on responses.

	Status Quo (Supported by 12)	Option 1 (supported by 7)	Option 2 (proposed by 1)	Option 3 consolidated option
Trade Unions	2	1	1	2
Larger public bodies	1	1	1	1
Admitted Bodies	1	1	2	1
Other scheduled employers	1	1	0	0
Education Sector	-	1	1	1

Given that although the majority of responses to the consultation favoured the status quo i.e. the retention of the current allocation of seats, there was still a need for the Committee to consider whether this would be fit for purpose for the future bearing in mind that, in recent years the membership of the Staffordshire Pension Fund had changed greatly. It was also important to have robust, up to date governance arrangements which could stand up to scrutiny by the new Pensions Board.

Following a debate, the Committee agreed that, as the Education sector now formed a large part of the Fund's membership, Option 1 above should be pursued.

RESOLVED – That the Pensions Forum be informed of the Committee's proposal to seek approval to a change to the County Council's Constitution in order that one of the co-opted member seats on the Committee currently allocated to the "Trades Union Representatives" be allocated instead to the "Education Sector Representative".

19. Consultation on pooling and Investment Management Regulations

The Committee received a report of the Director of Finance and Resources in respect of the Government consultation on "Pooling" and Investment Management Regulations issued on 25 November 2015 as part of the Chancellor's Autumn Statement.

They were informed that Government issued two main documents on 25 November 2015:

- Local Government Pension Scheme: Investment Reform Criteria and Guidance.
- Local Government Pension Scheme: Revoking and replacing the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

The above documents were issued alongside other supporting documents:

- Cabinet Office and Department for Local Communities and Local Government – Design of the structure and governance of effective and efficient CIVs for LGPS funds.
- Draft Regulations – The Local Government Pensions Scheme (Management and Investment of Funds) Regulations 2016.
- Local Government Pension Scheme: opportunities for collaboration, cost savings and efficiencies – Consultation Response.

The Committee noted that there had been several earlier Government papers about how LGPS funds may achieve cost savings through collaboration. The first was a ‘call for evidence’ from 21 June 2013 to 27 September 2013 which was followed up by a specially commissioned paper by Hymans Robertson which examined three options;

- 5 – 10 merged funds
- 5- 10 collective investment vehicles (CIV)
- 1 collective investment vehicle

This was followed up by a consultation that ran from 1 May 2014 to 11 July 2014. The Government included a summary of the consultation responses in the papers released on 25 November 2015.

The Director of Finance and Resources explained that the formal consultation issued on 25 November 2015 was in fact in relation to the investment regulations. This allowed more flexibility for local decision making and retracted a number of current restrictions. However the regulations also crucially introduced a new power for the Secretary of State to intervene ‘if the Secretary of State believes that a Fund has not had regard to guidance and regulations’ which might include failing to participate in one of the large asset pools or proposing a pooling arrangement that does not adhere to the criteria’. It is in that context that the Government has also published its ‘Criteria and Guidance’ document and had requested authorities to -

- Submit their initial proposals by 19 February 2016
- Submit ‘refined and completed submissions’ by 15 July 2016

With regard to the Pooling criteria, there were 4 headline criteria -

- Scale
- Governance
- Savings
- Infrastructure investment

In respect of scale, the Government has explicitly stated that funds should have at least £25bn of assets.

The Committee noted that the amount of information required in responses in some cases was substantial and it was clear that any response in February would not be a full and detailed response given the complexity in answering how pools would be structured. It appeared that the Government had recognised that full details would not

be available in February but they were expecting a full response by the second deadline of 15 July 2016.

The Director of Finance and Resources indicated that the pooling of investments was the largest change to LGPS investments for 40 years. Given the significance of the change, the Pensions Committee may wish to hold a special meeting to approve the formal response and, with that in mind, 15 February 2016 was being reserved in Members' diaries. Further consideration would also need to be given as to whether a special Committee meeting may be required prior to the 15 July deadline.

RESOLVED – (a) That the consultation on pooling and the investment management regulations, issued on 25 November 2015 as part of the Chancellor's Autumn Statement, be noted.

(b) That a special meeting of the Pensions Committee be held on 15 February 2016 to consider the response to the consultation.

(c) That it be noted that a further special meeting of the Committee may need to be held prior to the 15 July deadline.

20. 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:

21. Exempt minutes of the meeting held on 23 October 2015
(Exemption paragraph 3)

22. Exempt minutes of the meeting of the Pensions Panel held on 1 December 2015
(Exemption paragraph 3)

23. Knowledge and Skills Framework Training - 2016 Valuation
(Exemption paragraph 3)

24. Administration Strategy
(Exemption paragraph 3)

25. Pooling
(Exemption paragraph 3)

Chairman