

Minutes of the Pensions Committee Meeting held on 15 July 2016

Present: Mike Lawrence (Chairman)

Attendance	
Margaret Astle	Robert Marshall
Philip Atkins, OBE	Shelagh McKiernan
Derek Davis, OBE	Stephen Sweeney
Alan Dudson	Mike Worthington
Geoff Locke (Co-Optee)	

Apologies: Nigel Caine (Co-optee), Sue Insull (Co-optee) and Tim Legge (Pensions Board Member).

PART ONE

10. Retirement of John Wood, Head of Treasury and Pensions

The Committee were informed that John Wood, the County Council's Head of Treasury and Pensions, was to retire from the Authority in August. Members extended their thanks to Mr Wood for the support he had given to the Committee.

11. 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 UNITE and GMB Trades Unions' Pensions Committee

12. Minutes of the Joint Meeting of the Pensions Committee and pensions Board held on 17 June 2016

RESOLVED – That the minutes of the joint meeting of the Pensions Board and Pensions Committee held on 17 June 2016 be confirmed and signed by the Chairman.

13. Pensions Committee - Appointment of a Co-opted Representative

The Committee were informed that it was reported to their meeting on 18 December 2015 that Mr Eric Shaw, who served as the non-voting co-opted member on the Pensions Committee representing Retired Pension Scheme Members, was to resign from the Committee at the end of 2015. As a result of Mr Shaw's retirement, during the Spring of 2016 expressions of interest were sought from retired members to fill the vacant co-opted member seat on the Committee. Two applications were subsequently received.

On 17 June 2016 the two applicants were interviewed by a Panel consisting of the Chairman of the Committee and two senior officers from the Pensions Team. The Panel recommended that the position of non-voting co-opted member on the Pensions Committee representing Retired Pension Scheme Members be offered to Mr Alan Knight.

RESOLVED – That the appointment of Mr Alan Knight as the non-voting co-opted member on the Pensions Committee representing Retired Pension Scheme Members be approved.

14. Pensions Business Plan 2015/16 Outturn

The Director of Finance and Resources presented the Pensions Business Plan outturn for 2015/16 and indicated that the final position against the plan showed that the majority of planned activities had been achieved or were in progress. (Those in progress would be carried forward into the 2016/17 Business Plan.) Key achievements during 2015/16 included:

- Establishment of Local Pension Board.
- 2015 Fire Fighters CARE Scheme implemented.
- Retained Customer Service Excellence.

90% of performance targets had been achieved against 6 of the 15 published standards. Although this was lower than for 2014/15 (when the 90% performance target was achieved in 9 of the 15 published standards), it was noted that in 9 of those areas, the average monthly volumes had increased compared to last year.

It was also noted that, as well as undertaking their day to day accounting and contract monitoring activities, the investment team were kept busy during the year with several time consuming projects including the Initial discussions with Cheshire and Shropshire Pension Funds which led to the '7 Shires' collaboration and a joint tender for the Fund's passively managed assets; and the work around the creation of LGPS Central.

The Committee also received detailed comparisons of the following costs for 2013/14, 2014/15 and 2015/16:

- Administration costs
- Oversight and Governance costs
- Investment Management costs

It was noted that:

- Total administration costs had increased in 2014/15 predominantly due to the one off implementation costs of the new Altair payroll system. The one off nature of the costs meant that they had fallen out of the 2015/16 costs which were more in line with those of previous years increased by inflation.

- Total Oversight and Governance costs had increased marginally in 2015/16. The cost of actuarial advice had increased relative to 2014/15 due to some preliminary Triennial Valuation work being undertaken with the actuary. This work would be partly funded by the district councils in due course.
- Whilst it appeared that Investment Costs had increased in 2015/16, they had actually fallen on a like for like comparison. This was due to the inclusion of £1.2m in transaction costs being included as part of the investment managers costs in 2015/16, but such costs were not included on the comparison figures for 2013/14 and 2014/15. The inclusion of such fees in the 2015/16 comparison provided additional transparency and complied with recent CIPFA guidance, concerned with full cost disclosure.

In response to a question from Mr Sweeney concerning the recruitment of staff, the Director of Finance and Resources indicated that it was often difficult to recruit suitably qualified/experienced staff, partly due to the Council's policy on redeployment. This often meant that staff were recruited at a lower level than desired to meet immediate workloads and then, over a period of time, received appropriate training and development to attain the necessary skill levels. The Director added that it may also be necessary to go out to tender for some areas of the Pensions Team's work where it was not possible to undertake such work from within the existing staffing resources.

Mrs. McKiernan sought an assurance that, despite the staffing difficulties, the Pensions Team were complying with the regulations and meeting all of the statutory requirements. In response, the Director confirmed that although the Pensions Team were "falling backwards in some areas of compliance", the members of the Fund were not being neglected.

RESOLVED – That the outturn position for 2015/16 be noted.

15. LGPS Pensions Administration - Draft Regulations

The Committee were informed that the Local Government Pension Scheme Regulations 2013 became effective from 1 April 2014. The current consultation document issued by the Government included some proposed corrections to the 2013 regulations, to implement changes where the regulations were not working as expected and to bring the LGPS regulations into line with Government Policy. There were two key proposed changes to the regulations:

- To increase the number of options to a Scheme member in relation to their Additional Voluntary Contribution (AVC) plan (a separate pension "pot" built up outside the LGPS with one of the providers selected by the Administering Authority). The proposed amendment, which was in line with the Government's Freedom and Choice Legislation introduced last year, would permit the member to transfer their AVC to another pension arrangement without transferring their main LGPS benefit.
- The 2013 Scheme regulations introduced the option for an employee who was awarded a benefit under the 2013 regulations to elect for payment of their benefit between age 55-60 without the employer's or former employer's consent. There was no cost to the employer as the benefit was paid actuarially reduced to the

member. The draft amendment regulations would extend this option to former employees who were awarded deferred benefits under the 2008 Scheme regulations, again at no cost to the employer or former employer.

The Director of Finance and Resources indicated that the Fund's response to the consultation would include a suggestion that the proposed changes should also relate to earlier pensions regulations.

The Committee were also informed that the Government revised its Fair Deal Guidance for the Public Sector (not LGPS) in 2013. LGPS had for a number of years been subject to the Best Value Staff Transfers (Pensions Direction) 2007 instead. The Direction detailed the level of pension protection for employees of English best value authorities where the provision of services were contracted out and staff were TUPE transferred to an independent provider. The LGPS addressed membership of independent contractors currently through an admission agreement.

The current consultation contained proposed amendments to implement a reformed Fair Deal in the Local Government Pension Scheme. The proposal supported the current process of the independent provider being admitted to the LGPS through an admission agreement. Currently independent contractors could choose to use another broadly comparable scheme for the pension provision. The current proposals would make admitted body status a requirement and widened the type of employer who would be covered by the LGPS.

It was not proposed that where a contract was re-tendered and employees had been members of a broadly comparable pension scheme that the new service provider was required to become an employer in the LGPS. The proposed draft regulations suggested that where there was a surplus as opposed to a deficit at the end of the admission agreement, the fund would be able to return this surplus to the admitted body.

The changes proposed would mean that Fair Deal for LGPS would become more mandatory than for the rest of the Public Sector; for example a charity or voluntary sector body would be obligated to become an admitted body which might be undesirable for them as well as the fund.

The consultation was to close on 20th August 2016.

RESOLVED – (a) That the contents of the technical consultation on the Local Government Pension Scheme (LGPS) Regulations be noted.

(b) That any technical response to the consultation be delegated to the Director of Finance and Resources.

16. Review of Funding Strategy Statement and Statement of Investment Principles

The Committee were informed that as part of their work on the 2013 triennial actuarial valuation of the Pension Fund, Hymans Robertson reviewed the Fund's Funding Strategy Statement (FSS). The draft version of the FSS was presented to the Pensions

Committee at its meeting on 13 December 2013. Following a period of consultation, which resulted in no material changes, the final version of the FSS was approved in consultation with the Chair of the Pensions Committee.

A full review of the FSS would be undertaken as part of the 2016 triennial valuation. New guidance was awaited and it was anticipated that a draft FSS would be brought to the next meeting of the Pension Committee as part of the valuation process.

The FSS was available on the Staffordshire Pension Fund website:

<http://www.staffspf.org.uk/Finance-and-Investments/Funding-Strategy-Statement/Funding-Strategy-Statement.aspx>

The Director of Finance and Resources also explained that under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (investment regulations), Pension Funds were required to publish a Statement of Investment Principles (SIP) which must include the Fund's policy on the following:

- Types of investment held
- The balance between different types of investment
- Risk, including the ways in which risks are to be measured and managed
- The expected return on investments
- The realisation of investments
- The extent to which social, environmental or ethical considerations are taken into account in investment
- The exercise of rights (including voting rights), if any, attaching to investments
- Stock Lending
- Compliance with Secretary of State's Guidance (Myners principles)

The SIP had to be kept under review and revised if there was a material change in any of the matters referred to above. The Department for Communities and Local Government (DCLG) had consulted on revoking and replacing the 2009 investment regulations. The revised regulations contained a proposal to replace the SIP with a new Investment Strategy Statement (ISS), which was to be published no later than 6 months after the regulations came into force. Whilst this was originally anticipated to be 1 October 2016, this timeline had been pushed back and was currently anticipated to be 1 April 2017.

The Committee also noted that following their approval of the Fund's Strategic Asset Allocation (SAA) in December 2013, a review of the SIP was carried out. As there were no recommended changes to the SAA, there were no significant changes in the fundamental investment principles. However, there had been changes to narrative to more accurately reflect the latest position. Text and tables detailing future investment returns and their expected volatility had also been revised to keep the information provided up to date.

In preparing, maintaining and publishing the SIP, the Authority must consult with 'such persons as they consider appropriate'. In view of the fact that there had been no significant changes in the investment strategy or in the strategic asset allocation, it was considered unnecessary for wider consultation of the SIP on this occasion. However, the Fund's Investment Advisors have been consulted.

The SIP is available on the Staffordshire Pension Fund website:

<http://www.staffspf.org.uk/finance/investmentprinciples>

RESOLVED – (a) That it be noted that there have been no changes to the fully revised FSS, which took account of the results of the 2013 triennial actuarial valuation of the Fund.

(b) That it be noted that there have been no significant changes to the investment principles included in the Statement of Investment Principles; albeit there have been minor changes in narrative to more accurately reflect the latest position of the Fund's investments.

17. 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:

18. Exempt minutes of the Joint Meeting of the Pensions Committee and Pensions Board held on 17 June 2016

(Exemption paragraph 3)

19. 2016 Valuation - Next Steps

(Exemption paragraph 3)

20. LGPS Pooling Update

(Exemption paragraph 3)

Chairman