

AT A MEETING of the PENSION FUND PANEL of the County Council held at The Castle, Winchester on Friday 4 March 2016.

Chairman:
p Councillor M. Kemp-Gee

Administering Authority Representatives (Councillors):

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| p C. Carter | p P. Latham |
| a C. Connor | a T. Rolt |
| p A. Gibson | p B. Tennent |
| p A. Joy | p T. Thacker |

Employer Representatives (Co-opted members):

a Councillor P. Giddings (Test Valley Borough Council)
a Councillor M. Chaloner (Southampton City Council)
p Mr D. Robins (Churchers College)

Scheme Member Representatives (Co-opted members):

p Dr C. Allen (pensioners' representative)
p Mr P. Reynolds (active members' representative)
a Mrs V. Arrowsmith (deferred members' representative)
p Mr N. Wood – substitute for Mrs Arrowsmith

Independent Adviser:

p C. Dobson

50 **BROADCASTING ANNOUNCEMENT**

The Chairman announced that the press and members of the public were permitted to film and broadcast the meeting. Those remaining at the meeting were consenting to being filmed and recorded, and to the possible use of those images and recording for broadcasting purposes.

51 **APOLOGIES FOR ABSENCE**

Councillors Connor, Giddings, Rolt, Chaloner and Mrs Arrowsmith gave their apologies.

52 **DECLARATIONS OF INTEREST**

Members were mindful that where they believed they had a Disclosable Pecuniary Interest in any matter considered at the meeting they must declare that interest at the time of the relevant debate and, having regard to the circumstances described in Part 3, Paragraph 1.5 of the County Council's Members' Code of Conduct, leave the meeting while the matter was discussed, save for exercising any right to speak in accordance with Paragraph 1.6 of the Code. Furthermore Members were mindful that where they believed they had a Non-Pecuniary interest in a matter being considered at the meeting they considered

whether such interest should be declared, and having regard to Part 5, Paragraph 2 of the Code, considered whether it was appropriate to leave the meeting whilst the matter was discussed, save for exercising any right to speak in accordance with the Code.

53 **CONFIRMATION OF MINUTES**

The minutes of the meeting held on 18 December 2015 were confirmed.

54 **CHAIRMAN'S ANNOUNCEMENTS**

There were no announcements.

55 **GOVERNANCE - INTERNAL AUDIT PROGRESS REPORT**

The Panel and Board received and noted a report of the Director of Corporate Resources (item 5 in the Minute Book) setting out an overview of internal audit work completed in accordance with the approved audit plan.

Internal Audit's work had included a review of the governance of the Pension Fund following the implementation of the Panel and Board, which had concluded that substantial assurance can be placed on the effectiveness of the framework of risk management, control and governance supporting the objectives of the governance of the Pension Fund.

56 **GOVERNANCE - INTERNAL AUDIT PLAN 2016/17**

The Panel and Board received and noted a report of the Director of Corporate Resources (item 6 in the Minute Book) setting out an overview of internal audit work planned for 2016/17. The plan includes reviews of the data for transfers in and out of the scheme, receipt of pension contributions, pensions payroll and payments following member deaths.

57 **GOVERNANCE – LGPS INVESTMENT POOLING UPDATE**

The Panel and Board received a report of the Director of Corporate Resources (item 7 in the Minute Book) giving an update on the progress of forming investment pools. Hampshire has joined the ACCESS (A Collection of Central Eastern and Southern Shires) pool, along with ten other funds. The ACCESS pool submitted its objectives, principles and progress in formation to the Department of Communities and Local Government (DCLG) on 19 February 2016.

RESOLVED:

- (a) That the progress made in forming the ACCESS pool, including the first submission made to the Government and the next steps

to producing the pool's business plan be noted.

- (b) That the Panel and Board delegate to the Director of Corporate Resources authority to continue to negotiate with the other funds to form the ACCESS pool, in consultation with the Chairman and with information to be shared with the Panel and Board.

58 **GOVERNANCE – PANEL AND BOARD TRAINING IN 2016/17**

The Panel and Board considered a report of the Director of Corporate Resources (item 8 in the Minute Book) setting out the proposed training arrangements for members of the Pension Fund Panel and Board in 2016/17. In particular members noted the importance of training for Panel members in their role in the governance of the Pension Fund and how the training programme is underpinned by the Training Needs Analyses that the members complete.

The legal requirements regarding training were also drawn to Members attention and for the minutes it is important to add:-

The Scheme Advisory Board Guidance states -

“In accordance with section 248A of the 2004 Act, every individual who is a member of a Local Pension Board must:

6.1.1 be conversant with:

6.1.1.1 the rules of the LGPS, in other words the Regulations and other regulations governing the LGPS (including the Transitional Regulations, earlier regulations and the Investment Regulations); and

6.1.1.2 any document recording policy about the administration of the Fund which is for the time being adopted in relation to the Fund, and

6.1.2 have knowledge and understanding of:

6.1.2.1 the law relating to pensions; and

6.1.2.2 such other matters as may be prescribed”.

The issue of substitute members was also discussed and the Panel and Board agreed that these requirements also relate to substitute members in order to properly prepare them for the occasions they are required to attend meetings.

The training plan for 2016/17 includes sessions on ethical investment considerations, the revised Management and Investment Regulations, pensions administration and the 2016 actuarial valuation.

RESOLVED:

- (a) That the 2016/17 training programme was approved and remainder of the report was noted.

59 **GOVERNANCE – REPORT DUE TO DCLG**

The Panel and Board considered a report of the Director of Corporate Resources (item 9 in the Minute Book) providing a draft of the report that is due from the County Council to DCLG on the implementation of the Joint Pension Fund Panel and Board. The report was a condition of the County Council obtaining permission for the joint committee. The draft report sets out that the Panel and Board has achieved the benefits that the County Council set out in its application in being more effective than separate committees and asks that DCLG makes its permission for the joint committee permanent.

RESOLVED:

- (a) That the draft report on the formation of the Joint Pension Fund Panel and Board is endorsed and authority is delegated to the Director of Corporate Resources to finalise and submit the report, having consulted further with the Chairman.

60 **GOVERNANCE – FUNDING STRATEGY STATEMENT CONSULTATION UPDATE**

The Panel and Board considered a report of the Director of Corporate Resources (item 10 in the Minute Book) following employer workshops and extended consultation on the proposed changes to the Pension Fund's Funding Strategy Statement (FSS). The FSS has been amended on the recommendation of the Fund Actuary, to allow education sector employers in the scheduled and admitted body funding groups, who are not backed by a government guarantee, and the Housing Associations within the admitted body group, to be removed from the groups and have individual contribution rates calculated.

Legal advice confirmed that the LGPS regulations give the Administering Authority the statutory power to amend the funding model. Changes to the FSS must be made in consultation with 'such people as the Administering Authority considers appropriate'. This has been achieved through the extended consultation process with all Fund employers, and to which 29 employers responded.

The main sector of employers who are not supportive of the changes are Further Education colleges, who are concerned that the change is unnecessary and that de-grouping in a time of financial and organisational uncertainty will be counterproductive as it will further weaken employers.

The Panel and Board considered all of the views received in the

consultation and agreed that the purpose of removing employers from the existing funding groups ensures that those who remain in the group share the same characteristics and reduces the risks of both unacceptable cross subsidies and employer failure. The Panel and Board also noted that this change will bring the Fund closer to the norm for all other LGPS Funds where employers already have individual contribution rates. In response to the points raised by the Further Education colleges, the Panel and Board did not agree that they share the fundamental attributes of the other employers who it is proposed remain in the group. The Panel and Board did acknowledge that future changes to employer status (such as colleges receiving a government guarantee on conversion to academy status) could be taken into account by the Fund Actuary.

RESOLVED:

- (a) That the draft Funding Strategy Statement was approved and will be adopted.
- (b) That authority is delegated to the Director of Corporate Resources to make arrangements for the removal of the Higher Education and Further Education employers from the scheduled and admitted body groups, and the housing associations from the admitted body group, as recommended by the Fund Actuary.
- (c) That the Director of Corporate Resources is given delegated authority to approve the creation of new funding sub groups and to approve the entry of employers, who wish to join and who adhere to the criteria set out by the Fund Actuary, into these sub groups.
- (d) That the remainder of the report was noted.

61 **EXCLUSION OF PRESS AND PUBLIC**

RESOLVED:

That the public be excluded from the meeting during the following items of business, as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during these items there would be disclosure to them of exempt information within Paragraphs 3 of Part 1 of Schedule 12A to the Local Government Act 1972, and further that in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, for the reasons set out in the reports.

62 **MINUTES OF PREVIOUS MEETING HELD ON 18 December 2015 (EXEMPT APPENDIX)**

The exempt minutes of the meeting held on 18 December 2015 were confirmed.

63 **GOVERNANCE – FUNDING STRATEGY STATEMENT
CONSULTATION UPDATE - APPENDIX**

The Panel and Board received and noted an exempt appendix from the Director of Corporate Resources (Item 13 in the Minute Book) including the consultation responses received on the revised FSS. [SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

64 **INVESTMENTS - PENSION FUND CUSTODIAN PERFORMANCE
REPORT**

The Panel and Board received and noted an exempt report from the Director of Corporate Resources (Item 14 in the Minute Book) updating the Panel about the performance of the Fund's custodian, JP Morgan. [SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

65 **INVESTMENTS - INVESTMENT UPDATE**

The Panel and Board received an exempt report from the Director of Corporate Resources (Item 15 in the Minute Book) updating the Panel and Board about the progress of the Pension Fund's investments. [SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

66 **INVESTMENTS – ALTERNATIVE INVESTMENTS PORTFOLIO
UPDATE**

The Panel and Board received an exempt report from the Director of Corporate Resources (Item 16 in the Minute Book) updating the Panel and Board about the progress of the Pension Fund's alternative investments. [SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]