

Pensions Board

Minutes of a meeting of the Pensions Board held in the Quantock Room, Shire Hall, Taunton on Wednesday 6 February 2019 at 10:00.

Present

Cllr M Healey (Chairman)

Mr Paul Deal

Mr Nigel Behan

Officers Present:

Anton Sweet - Funds & Investment Manager, SCC

Shirley Cuthbert - Employer and Communications Manager, Peninsula Pensions

79 Apologies for absence - agenda item 1

None

80 Declarations of interest - agenda item 2

Mr Deal and Mr Behan declared personal interests as members of the Local Government Pension Scheme.

81 Minutes of the Meeting held on 24 July 2018 - agenda item 3

The minutes of the meeting held on 24 July 2018 were accepted as being accurate and were signed by the Chairman.

82 Public Question Time - agenda item 4

There were no members of the public present and no questions were asked, statements/comments made or petitions presented.

83 Business Plan Update - agenda item 5

The Board considered the report of the Funds and Investments Manager setting out a Workplan of items of business for its meetings over the next year.

It was noted that, as requested by the Board, future Board meetings would be held on the same day as, and follow, Pensions Committee meetings.

The Funds and Investments Manager invited Board members to identify further topics for consideration at future meetings.

In responding to issues raised by Board members, the Funds and

Investments Manager and the Peninsula Pensions' representative pointed out that:

- the review of Peninsula Pension's administrative performance would remain as a six-monthly report as preparing it on a three-monthly basis had been found to be impractical; however, improvements in the information therein and its presentation were being considered
- the External Auditor's report on the Fund's Annual Report and Accounts for 2018/19 would be considered at the September rather than June Board meeting
- through the practice of sending Board members a full set of Pensions Committee papers, Board members could see the latest copies of reports on Peninsula Pensions' administrative performance being submitted to the Pensions Committee and it would be open to them, if they wished, to ask for other matters to be covered or more information provided etc when the report came before the Board.

The Board noted the report.

84 LGPS Pooling of Investments - agenda item 6

The Board considered the report of the Funds and Investments Manager which gave an update on progress with the transition of the Pension Fund's investment assets to Brunel Pension Partnership Ltd under work involving the pooling of the Fund's investment assets with other Funds in the South West.

Progress had included:

- the transfer of £507.8m of passive assets and £436.5m of active UK equity assets
- the establishment of a private markets team
- preparations were being made for the move of property assets and the Emerging Market portfolio.

While the Ministry of Housing, Communities and Local Government had issued draft revised guidance on the pooling of LGPS funds, no significant changes would need to be made if it was introduced in its current form.

The Funds and Investments Manager drew attention to the consideration by the Somerset Pensions Committee at its meeting on 7 December 2018 of a Special Reserve Matter relating to Brunel Partnership's Business Plan, its revenue budget for 2019/20 and related matters (the SRM to approve the budget was an annual requirement of the Shareholder's agreement that governed Brunel and the ten Shareholder funds). After considering the SRM, the Pensions Committee had passed the following resolution:

“(a) to approve the revised budget for 2019/20 and the projected additional expenditure for the current financial year (2018/19);

(b) not to approve the proposed movement of the budget between years, as the 5% contingency already gave sufficient provision for such movement;

(c) to convey to Brunel the Committee's disappointment and concern regarding the Special Reserve Matter, the need for improved financial monitoring and control and for a new formula that limited the contingency to a reasonable previously agreed fixed sum; and to point out that given the authority's very difficult financial position future overspends or significant increases in budget were unlikely to be supported."

A discussion ensued, with the Funds and Investments Manager responding to issues and concerns raised by Board members.

The Board RESOLVED to place on record that it fully shared the concern expressed by the Pensions Committee about the unsatisfactory nature of Brunel's budget process last year; its frustration at the lack of powers available to the Board in response to the situation; and its concern about long-term savings arising from the transfer to Brunel being eroded.

85 Review of Pension Fund Risk Register - agenda item 7

The Board considered the report of the Funds and Investments Manager reviewing the Pension Fund's risk register.

The Funds and Investments Manager pointed out that a more comprehensive review of the risk register would be undertaken shortly in response to new CIPFA guidance.

The Funds and Investments Manager provided an overview of each risk and the mitigating actions and control measures, responding to questions and comments from Board members on PF2, PF10 and other risks.

The Board noted the report, expressing support for a joint informal session with Pensions Committee members to take forward the proposed fuller review of the risk register.

86 Update on Fair Deal - agenda item 8

The Board considered the report of the Head of Peninsula Pensions on a further consultation by the Ministry of Housing, Communities and Local Government on proposals under the Government's Fair Deal initiative which were intended to strengthen the pensions protections that applied following an outsourcing.

The further consultation, which took into account some of the concerns raised in response to the original consultation, proposed changes including:

- service providers being required to offer LGPS membership to

- individuals who had been compulsorily transferred from an LGPS employer, removing the option of a broadly comparable scheme
- automatic transfer of LGPS assets and liabilities when employers in the scheme were involved in a merger or takeover
 - All LGPS scheme employers would be considered as Fair Deal employers with the exception of further/higher education corporations and admission bodies.

The LGPS Scheme Advisory Board would issue guidance to help employers with Fair Deal.

The Peninsula Pensions representative responded to queries and comments from Board members on matters including the application of the new protection provisions to retendered outsource contracts, and referred to Pensions Line, the employers e-zine newsletter which provided updates on changes in pensions legislation.

The Board noted the report.

87 Proposed Changes to LGPS Regulations - agenda item 9

The Board considered the report of the Head of Peninsula Pensions on proposed improvements to LGPS following the Government Actuary Department's determination that the costs of the Scheme were now below the target rate.

The proposals included: removal of Tier 3 ill health; minimum death-in-Service lump sum of £75,000; enhanced early retirement factors; and revised member contribution rates and bandings.

The proposals took into consideration the change in the annual revaluation of CARE (Career Average Revalued Earnings) benefits to Consumer Price Index including owner occupiers' housing costs (CPIH) as opposed to CPI. They were expected to result in an increase to the average employer future service rate across the Scheme of approximately 0.9% of payroll costs, although the impact on individual employers would vary and depend on the 2019 valuation process.

The Funds and Investments Manager referred to the implications for LGPS of the recent successful outcome of legal cases brought by judges and firefighters against the Government on the grounds that changes to their pensions schemes were discriminatory, and the associated delay in implementing proposed changes to the Scheme which were originally due to take effect on 1 April 2019.

The Board noted the report and the update given.

88 Any Other Urgent Business

None.

(The meeting ended at 12.12pm)

**Mark Healey
Chairman - Pensions Board**

(Pensions Board – 6/02/19)

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