

AT A MEETING of the PENSION FUND PANEL AND BOARD of the County Council held at The Castle, Winchester on Friday 16 December 2016.

Chairman:
p Councillor M. Kemp-Gee

Elected members of the Administering Authority (Councillors):

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

Employer Representatives (Co-opted members):

p Councillor P. Giddings (Test Valley Borough Council)
p Councillor H. Mason (Portsmouth City Council)
a Mr D. Robbins (Churchers College)
p Councillor M Chaloner (Southampton City Council) substituting for Mr D. Robbins

Scheme Member Representatives (Co-opted members):

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

Independent Adviser:

p C. Dobson

119. **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.

120. **APOLOGIES FOR ABSENCE**

Cllr Thacker, Mrs Arrowsmith and Mr Robbins sent their apologies.

121. **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.

122. **CONFIRMATION OF MINUTES**

The minutes of the Pension Fund Panel and Board held on 4 November 2016 were confirmed.

123. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman announced to the committee that Mr Reynolds was stepping down from the Panel and Board as the active scheme member representative. On behalf of the committee the Chairmen thanked Mr Reynolds for his dedicated participation over a significant number of years. It will be recommended to the County Council that as the substitute scheme member representative Mr Wood is appointed as the active scheme member representative. The Chairman invited Mr Reynolds to remain and observe the remainder of the meeting.

The Chairman invited members of the Panel and Board who had recently attended training events to update the committee on any relevant matters that they had heard:

- Cllr Connor updated the Panel and Board on a recent SPS conference on investment issues he had attended that in particular covered discussion on the merits of active and passive investment and strategies to protect capital values.
- Mr Wood shared with the Panel and Board his experience of networking with fellow committee members from other funds a recent Fundamentals course.

The Chairman provided an update for the Panel and Board on the progress of investment pooling following his attendance at a meeting with the Government Minister, who was holding meetings with representatives of all the pools. The Chairman informed the committee that work was continuing on the establishment of the ACCESS pool. Key to this work is the agreement of an Inter-Authority Agreement (IAA) between the 11 member funds. An additional Panel and Board meeting has been scheduled for 31 January 2017 in order that a draft of the IAA can be discussed and consideration given to recommending that the County Council to agree the IAA.

124. **GOVERNANCE: PENSIONS ADMINISTRATION UPDATE**

The Panel and Board received and noted a report of the Director of Corporate Resources (item 5 in the Minute Book) setting out the administrative performance from April to September 2016. The Panel

and Board were pleased to note that Pension Services had continued to maintain their improved performance in achieving 100% for all key targets and submitting data by the agreed deadline to the Fund's Actuary for the triennial valuation.

The Panel and Board thanked Pension Services for their continued hard work in delivering an effective and efficient service which was reflected in the comparison of Hampshire's administration and governance costs with the other LGPS Funds.

The Panel and Board noted the timeliness of the notification from employers for key activities, which is critical to the delivery of service to scheme members, and where employers had provided explanations for deadlines that had been missed.

The Director reminded the Panel and Board that where certain specific legal advice is required Pension Fund utilise the services of Burges Salmon. It is recommended that the National Framework for legal services is used to contract with Burges Salmon to provide continuity for legal advice on admission agreements and access the capped fee-rates from the framework.

RESOLVED:

- a) That authority is delegated to the Director of Corporate Resources to use the National Framework for legal services to contract with Burges Salmon for legal advice for pension administration.
- b) That the remainder of the report was noted.

125. **GOVERNANCE - REVIEW OF THE PENSION FUND'S STATUTORY STATEMENTS**

The Panel and Board considered a report of the Director of Corporate Resources (item 6 in the Minute Book) providing an annual update of the Pension Fund's Business Plan, Funding Strategy Statement, Statement of Investment Principles, Governance Policy and Governance Compliance Statements, Communications Policy Statement and Administration Strategy Statement.

The Director reported to the Panel and Board that the Funding Strategy Statement has been redrafted to reflect the 2016 triennial actuarial valuation and new CIPFA guidance. Following the Fund's Annual Employer meeting, where employers were provided with the draft outcome of the actuarial valuation, there has been a period of a months consultation on the Funding Strategy Statement. The Director informed the committee that three consultation responses had been received and reviewed by the Fund's actuary and that further changes to the draft

strategy are not required as a result.

The Panel and Board noted that following the recent publication of revised LGPS Investment Regulations the Pension Fund will be required to produce a Investment Strategy Statement that will replace the Statement of Investment Principles. The draft Investment Strategy Statement will be presented to the Pension Fund Panel and Board before the deadline of 31 March 2017.

RESOLVED:

- (a) That progress on the planned actions in the Business Plan for 2016/17 was noted.
- (b) That the Business Plan for 2017/18 was approved.
- (c) That the Funding Strategy Statement was approved with minor amendments.
- (d) That the Statement of Investment Principles was approved.
- (e) That the Governance Policy and Governance Compliance Statements were approved.
- (f) That the Communication Policy Statement was approved.
- (g) That the Administration Strategy Statement was approved.

126. **GOVERNANCE: INVESTMENT STRATEGIES FOR EMPLOYERS**

The Panel and Board considered a report of the Director of Corporate Resources (item 7 in the Minute Book) written by the Fund's Actuary following the review of the Pension Fund's grouped funding arrangements and decision by the Panel and Board in order to strengthen the Fund's risk management framework and to introduce two intermediate funding targets for specific types of employers in the Fund.

In anticipation of possible queries from employers following changes to their funding targets, the Actuary was asked to comment on the options for implementing different strategies and confirm whether adoption of a single investment strategy remains compatible with differential investment return assumptions being adopted for employers.

The Fund's Actuary's advice is that the Pension Fund maintains the current policy of operating a single investment strategy for the Fund.

RESOLVED:

- (a) That the Pension Fund continued its current policy of operating a

single investment strategy across the Fund

- (b) That it be noted that this may need to be revisited in future should any employers subject to the orphan funding target request a lower risk strategy and be prepared to meet the costs of its implementation.
- (c) That the remainder of the report was noted.

127. **INVESTMENT: CASH MONITORING AND ANNUAL INVESTMENT STRATEGY 2017/18**

The Panel and Board considered a report of the Director of Corporate Resources (item 8 in the Minute Book) on the Pension Fund's cash balances and the Annual Investment Strategy for those cash balances for 2017/18. The Annual Investment Strategy had been prepared taking into account advice from the County Council's treasury management advisers, Arlingclose.

RESOLVED:

- (a) That the Annual Investment Strategy for 2017/18 be approved.
- (b) That the Annual Investment Strategy be implemented from the date of this meeting for the remainder of 2016/17.
- (c) That the Director of Corporate Resources be authorised to manage the Fund's cash balances in accordance with the policy set out in the report.

128. **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.

129. **MINUTES OF PREVIOUS MEETING HELD ON 4 NOVEMBER 2016 (EXEMPT APPENDIX)**

The exempt minutes of the Pension Fund Panel and Board held on 4 November 2016 were confirmed.

130. **INVESTMENT: CASH MONITORING AND ANNUAL INVESTMENT STRATEGY 2017/18 APPENDIX**

The Panel and Board considered the exempt appendix from the Director of Corporate Resources (Item 11 in the Minute Book) supporting the Pension Fund's Annual Cash Investment Strategy. [SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

131. **INVESTMENTS - INVESTMENT UPDATE INCLUDING RECENT PERFORMANCE RETURNS**

The Panel and Board considered the exempt report from the Director of Corporate Resources (Item 12 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]

132. **INVESTMENT – ALTERNATIVE INVESTMENTS PORTFOLIOS UPDATE**

The Panel and Board considered the exempt report from the Director of Corporate Resources (Item 13 in the Minute Book) updating the Panel and Board on the Pension Fund's alternative investment portfolios. [SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]