

AT A MEETING of the PENSION FUND PANEL AND BOARD of the County Council held at The Castle, Winchester on Friday 12 July 2019.

Chairman:
p Councillor M. Kemp-Gee

Elected members of the Administering Authority (Councillors):

p C. Carter	p A. Joy
p A. Dowden	a P. Latham
p A. Gibson	p J. Glen
p B. Tennent	p T. Thacker (vice-chairman)
p D. Mellor	

Employer Representatives (Co-opted members):

a Councillor J. Smith (Portsmouth City Council)
a Councillor T. Cartwright (Fareham Borough Council)
p Councillor S. Barnes-Andrews (Southampton City Council)
p Mr D. Robbins (Churchers College)

Scheme Member Representatives (Co-opted members):

p Dr C. Allen (pensioners' representative)
p Mr N. Wood (scheme members representative)
a Mrs V. Arrowsmith (deferred members' representative)
p Mrs S. Manchester (substitute scheme member representative)

Independent Adviser:

a C. Dobson

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.

160. **APOLOGIES FOR ABSENCE**

Cllrs Latham, Cartwright, Smith, Mrs Arrowsmith and Mrs Dobson sent their apologies.

161. **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.

162. **CONFIRMATION OF MINUTES**

The minutes of the Pension Fund Panel and Board held on 29 March 2019 were confirmed.

163. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman congratulated Carolyn Williamson, Deputy Chief Executive and Director of Corporate Resources on being appointed as President of CIPFA.

The Chairman welcomed Cllr Barnes-Andrews back to the Panel and Board representing Southampton City Council and congratulated Dr Allen on being reappointed as the Pensioner Representative.

The Chairman informed members he had been elected Vice-Chairman of the ACCESS Joint Committee.

The Chairman invited members to provide feedback on any recent training courses. Cllr Glen updated the committee on a conference provided by Mallor Street and Cllr Gibson on an SPS conference on Cash Management and Liability Matching both had a significant focus on Environmental, Social and Governance (ESG) factors in investment decisions.

The Chairman asked Andy Lowe, Head of Pensions Investments and Borrowing to provide an update for the committee on the recent McCloud case.

164. **DEPUTATIONS**

In accordance with Standing Order 12, the Panel and Board received a deputation from Chris Holloway, a member of Winchester Action on Climate Change, who spoke about the risk of investment in fossil fuels, including:

- that taking money out of fossil fuels is not only a moral issue but just as much a financial issue;
- asking the Panel and Board to agree to explore what Pension Fund members actually think; and
- asking that the Responsible Investment sub-committee consider and report back on the points raised by Winchester Action on Climate Change in their response made to the Pension Fund's

consultation on the draft Responsible Investment policy.

The Chairman thanked Chris Holloway for her deputation.

165. **GOVERNANCE: RESPONSIBLE INVESTMENT POLICY**

With the committee's approval this item was moved up the agenda to follow the deputation.

The Panel and Board received a report of the Director of Corporate Resources (Item 10 in the Minute Book) on proposed changes to the Pension Fund's Responsible Investment Policy. The Director reported that following the Panel and Board's approval a significant programme of consultation was undertaken with the Pension Fund's scheme members and employers over seven weeks.

The Director reported that only 29 responses were received, which was disappointing in the context that the Pension Fund has over 170,000 scheme members. Following the responses amendments were made to the draft policy to further clarify the ESG factors the Pension Fund requires its investment managers to consider and the different requirements for various asset class. There remains no requirement in the policy that the Pension Fund dis-invests from any particular company or sector, as the number of responses received did not constitute sufficient evidence that scheme members would support this.

The updated policy still proposes the formation of a Responsible Investment sub-committee, with four seats for County Councillors, one for scheme member representatives and one for employer representatives; mirroring the representation of the Panel and Board. It was proposed that appointments to the sub-committee be made at the next meeting of the Panel and Board.

RESOLVED:

- a) That the contents of the report including the consultation responses were noted.
- b) That the revised Responsible Investment Policy was approved.
- c) That the Terms of Reference for the Responsible Investment Sub-Committee were approved.
- d) That appointments to the Responsible Investment sub-committee be made at the Panel and Board's next meeting.

166. **GOVERNANCE: PROPOSED CHANGES TO THE CURRENT GROUPING ARRANGEMENTS IN THE FUND**

Mr Wood informed the committee that he had responded to the Pension Fund's consultation referred to in this item on behalf of his employer (Fareham Borough Council), which was noted, and in light of this, Mr Wood did not participate in the decision.

The Panel and Board received a report of the Director of Corporate Resources (Item 5 in the Minute Book) and presentation from the Pension Fund's actuary proposing changes to the Pension Fund's grouping mechanism for funding purposes. Changes have been proposed because the grouping arrangements have been under strain for over a decade as employers have sought to make efficiencies through outsourcing, restructuring and creating trading companies. Whilst the Fund Actuary was able to accommodate these different approaches, it is increasingly difficult to sustain, and to justify, the grouped approach.

The Fund Actuary reported that the following changes to the Pension Fund's grouping mechanism were proposed to:

- disband the Scheduled Body Group at the 2019 valuation and,
- establish an academies pool for all academies and free schools covered by the Department for Education guarantee;
- establish a Town and Parish Council pool;
- allow any Town and Parish Council who elects to do so, to not be part of the Town and Parish Council pool, and to instead have an individual contribution rate;
- calculate an individual contribution rate for all the remaining scheduled body employers who are currently part of the Scheduled Bodies group;
- change the operation of the Admitted Body Group so that employers are allocated assets at an individual level to enable different deficit recovery periods to be used;
- remove the two employers currently in the Admitted Body Group who do not have a subsumption commitment from a local authority and instead calculate an individual rate for them;
- allow any employer with an individual rate to pre-pay contributions in return for a discount, under a methodology agreed with the fund actuary;
- allow any employer with an individual rate or an employer in the Town and Parish Council pool or the Admitted Body Group to pay additional contributions towards their deficit if desired.

These proposals were finalised following consultation with employers, the results of which were reported by the Director. An updated summary

of the consultation responses was provided to the committee as in error the original excluded the response of Fareham Borough Council. The Fund Actuary reported that the 2019 triennial valuation provides an opportunity to make these structural changes because there has been a material improvement in the funding level since the last valuation.

RESOLVED:

- a) That having noted and considered the responses set out in Appendix 3 of the report, the proposed changes to the way in which employers are grouped for funding purposes, as set out in paragraph 7 of the report was approved.
- b) That authority was delegated to the Director of Corporate Resources to agree with the Fund Actuary the methodology for calculating the discount given to employers who pre-pay contributions.

167. **GOVERNANCE: MINUTES OF THE ACCESS JOINT COMMITTEE**

The Panel and Board received and noted the minutes of the ACCESS Joint Committee (Item 6 in the Minute Book) on 12 March 2019.

168. **GOVERNANCE: ACCESS BUSINESS PLAN**

This item was deferred to the next meeting.

169. **GOVERNANCE: ADMINISTRATION PERFORMANCE UPDATE**

The Panel and Board considered the report from the Director of Corporate Resources (Item 8 in the Minute Book). The Director reported that Pension Services have performed well against the four key measures of good administration in 2018/19. There has been a dip in performance in the first part of 2019/20 due to much higher than anticipated number of member queries relating to the new partnership with West Sussex County Council, which was successfully launched in March 2019. However, performance was back on track by the second week in June and Pension Services are now delivering to the agreed service standards.

The Director also reported that the Ministry for Housing, Communities and Local Government has published a policy consultation setting out proposals to transition the local valuation cycle for the LGPS from triennial to quadrennial. The case for this change has not been made in the consultation document and therefore the Pension Fund's proposed response sets out the view that no change should be made to the timing of local LGPS valuations.

RESOLVED:

- a) That the strong performance of Pension Services in 2018/19 was noted and Pension Services were thanked for their hard work.
- b) That the proposed response to the valuation cycle and employer risk consultation was approved.

170. **GOVERNANCE: PANEL AND BOARD TRAINING PLAN 2019/20**

This item was deferred to the next meeting.

171. **GOVERNANCE: PENSION FUND RISK MANAGEMENT**

The Panel and Board noted the report from the Director of Corporate Resources (Item 11 in the Minute Book) providing an update on the Pension Fund's risk management activity and the Fund's risk register, which forms part of its Annual Report. The Risk Register had been updated by improving the mitigation for employer risk to better take account of the Fund's Funding Strategy, and to add risks for investment pooling and contractual arrangements.

172. **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.

173. **MINUTES OF PREVIOUS MEETINGS (EXEMPT)**

The exempt minutes of the Pension Fund Panel and Board held on 29 March 2019 were confirmed.

174. **GOVERNANCE – GOOD GOVERNANCE CONSULTATION**

This item was deferred to the next meeting.

175. **INVESTMENTS – INVESTMENT PERFORMANCE 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 on the performance of the Pension Fund's investments.
[SUMMARY OF AN EXEMPT MINUTE]