

**PENSIONS BOARD****Minutes of the meeting held on 3 May 2019**

**In the Oswestry Room, Shirehall, Abbey Foregate, Shrewsbury, Shropshire, SY2 6ND**

**9.30am-12.20pm**

**Responsible Officer:** Michelle Dulson

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**Present****46 Apologies**

46.1 No apologies were received.

**47 Declarations of Conflicts of Interest**

47.1 No conflicts of interest were declared.

**48 Minutes of the previous meeting**

48.1 In relation to paragraph 36.3 of the Minutes, it was confirmed that an update on the tracing exercise was provided in the Administration and Regulatory update report for this meeting (Agenda Item 12).

48.2 In relation to paragraph 36.6, it was confirmed that no emails had yet been received for Board Members however a reminder had been included in the 'In Touch' publication.

**48.3 RESOLVED:**

That the Minutes of the meeting held on 16 November 2018 be approved and signed by the Chairman as a correct record.

**49 Public Question Time**

49.1 No public questions were received.

49.2 A brief discussion ensued in relation to ways in which to increase communication with the public.

## 50 LGPS Central

50.1 A presentation was given by Mike Weston, Chief Executive and Callum Campbell, Head of Client Services for LGPS Central (copy of slides attached to signed Minutes) which covered the following areas:

- Introduction
- Our Shared Objectives
- Progress to Date
- Key Performance Indicators
- Governance and Oversight
- Responsible Investment and Engagement
- Our People
- How we communicate

50.2 The Chairman informed the Chief Executive and Head of Client Services that some concern had been raised at the Pensions Board Chairs meeting that the payback was not going to materialise in the timeframe promised and that the amount expected back was not as much. The Chief Executive explained that he had been in discussions with the Local Authorities concerned and explained about the benefits and economies of scale coming from investments and the more you invest, the more you save. He informed the Board that different funds were more involved than others so it was difficult to predict more accurately.

50.3 In response to a query, the Chief Executive explained that they chose managers who they felt would perform best before discussing price. He informed the meeting that the eight partner funds did challenge those decisions about how managers and advisers were chosen as they were aware that they did not have the monopoly on experience so did take advice from partner funds who brought a different angle to the recruitment process.

50.4 The Chief Executive went on to explain that strategic asset allocation remained the prerogative of the Pension Funds themselves and that was where advisers could add significant value in order to advise the Central fund before asset classes were chosen.

50.5 A question was raised about what the 'Business as usual' timescale was. The Chief Executive confirmed this would be when the bulk of transitions into the Central fund had happened. It was suggested that 2020 was a very aggressive timescale and difficult to achieve.

50.6 In response to a query it was confirmed that residual assets would remain with partner funds. The Director of Finance, Governance and Assurance (Section 151 Officer) responded to a query in relation to residual assets and felt the only issue would be if other funds wanted to go in a certain direction that did not fit with Shropshire's requirement. The Head of Treasury and Pensions informed the Board that Shropshire was quite different to some of the other funds as it was towards 100% funded and had invested in certain asset classes specific to Shropshire. In response to a query, the Head of Treasury and Pensions confirmed that the decision

about which asset classes to invest in remained with the individual Pensions Committees.

50.6 A brief discussion ensued in relation to the ability to withdraw funds from the Central pool if, for example, Shropshire wished to put more funds into an asset class not supported by the Central fund. This could, in theory, be achieved, however it was hoped that in this instance something mutually beneficial could be found. Discussion then turned to the collation and monitoring of investments which would be undertaken by the Scheme Advisory Board.

50.7 The Head of Treasury and Pensions confirmed that a response to the CIPFA Pooling Guidance Consultation had been done on behalf of the Shropshire County Pension Fund. The Chief Executive informed the Board that the LGPS Central Annual Report for the year end to March 2019 would be published late May/early June.

50.8 In response to a query, the Chief Executive explained how the audit process worked and the Head of Treasury and Pensions assured the Board that officers were happy with the arrangements. The Chief Executive went on to talk about responsible investment and informed the Board that there was a specific responsible investment team within the Central fund with a bespoke strategy of engaging rather than excluding in order to influence change. He then took Board Members through their approach to Governance and Oversight.

50.9 The Head of Client Services informed the Board of the various methods of communication with Partner Funds through the Practitioner Advisory Forum and various sub-groups, publications, conferences etc which he felt was a very important part of their job. In relation to interaction with other pools, the Chief Executive highlighted the Cross Pool Working Groups attended by five other pools and the Head of Treasury and Pensions reported that there was an officer Cross Pool Working Group also.

50.10 In conclusion, Members thanked the Chief Executive and Head of Client Services for their attendance which they had found to be very useful and hoped that they would engage with the Pensions Board on a regular basis.

## **51 Pensions Board Chairs meeting**

51.1 The Chairman updated the Board in relation to the recent Pensions Board Chairs meeting. He reported that the following issues were discussed:

- Turnover of Membership Boards;
- Tailored training for Board Members;
- Worcester County Council were unhappy about changes to the payback period and revisions to the cost sharing. Nottingham County Council would not make any savings whilst Shropshire Council would save £36m over 30 years;
- Set up costs  $\frac{1}{8}$ th, based on assets under management, others split equally.

51.2 The Chairman felt that Board Member attendance at these meetings was very important. He agreed to feedback to the Board following the next meeting on 9 July.

## **52 Specific Risk Register matrix for the Shropshire Pension Board**

- 52.1 The Communications and Governance Team Leader circulated a Risk Register based on that from Cheshire Pension Board (copy attached to the signed Minutes) and requested that Members took this away and let her have any comments. Once the Board were happy the Risk Register could be adopted and put on the website.
- 52.2 The Director of Finance, Governance and Assurance (Section 151 Officer) explained that a meeting could be arranged with the Internal Risk Manager in order to facilitate identification of risk, risk scoring, targets etc. He confirmed that the Risk Register could be adopted in the first instance and any amendments required could be made following the session with the Internal Risk Manager. The targets would then be reviewed annually.

## **53 Pensions Committee Reports and Feedback - Exempt reports to be discussed in exempt session of the meeting.**

- 53.1 The reports considered by the Pensions Committee at its meeting on 15 March 2019 had been received by the Board. John Hall reported that he had attended the last two meetings of the Pensions Committee and he updated the Board.
- 53.2 Concern was raised around the continued value of assets and the Head of Finance, Governance and Assurance (Section 151 Officer) explained non-rebuttable risk whereby the Council needed to demonstrate separation of duties. The Head of Treasury and Pensions explained that hard to value investments could go up or down so an estimate was made.
- 53.3 In response to a query, the Head of Treasury and Pensions explained how assets were liquidated. He informed the meeting that the external auditors, Grant Thornton, were appointed in 2017 by the LGA.
- 53.4 The Head of Treasury and Pensions explained how risks were mitigated via equity protection as a short to medium-term measure.
- 53.5 It was agreed to circulate a draft of the Pension Board Chairman's report to members of the Board.

## **54 Liverpool Spring Workshop**

- 54.1 John Hall updated the Board following his attendance at the Liverpool Spring Workshop.

## **55 Admitted Bodies**

- 55.1 The Pensions Manager introduced and amplified her report (copy attached to the signed Minutes) which provided information on the status of admitted bodies within the Shropshire County Pension Fund. She informed the meeting that this would be updated at the end of the financial year following the valuation.

55.2 In response to a query the Pensions Manager explained that if an Academy ceased to exist, the fund liabilities would be paid by the Dfe. In relation to historic bodies without guarantees, the Pensions Manager confirmed that a lot of these were covered by bonds.

**55.3 RESOLVED:**

That the contents of the report be noted.

**56 Report on Breaches of LGPS Regulations**

56.1 The Board received the report of the Communications and Governance Team Leader – copy attached to the signed Minutes – which provided an update on the Breaches of LGPS regulations recorded for 2018/19 affecting the Shropshire County Pension Fund.

56.2 The Communications and Governance Team Leader explained that the log was for the three months following the last Pensions Committee. It showed that the number of employer related breaches had reduced. She reported that the template would be changed for 2019/20 to include more detail.

**56.3 RESOLVED:**

That the contents of the report be noted.

**57 Administration and Regulatory Updates**

57.1 The Board received the report of the Pensions Manager – copy attached to the signed Minutes – which provided Members with the latest administration and regulatory updates affecting the Local Government Pension Scheme.

57.2 The Pensions Manager draw attention to the consultation on limiting Exit Payments for public sector workers and explained the implications of this.

57.3 In response to a query, the Pensions Manager informed the Board that SCAPE stood for Superannuation Contributions Adjusted for Past Experience.

**57.4 RESOLVED:**

That the contents of the report be noted.

**58 Pensions Dashboard**

58.1 The Pensions Manager introduced and amplified her report (copy attached to the signed Minutes) which provided Members with the latest news on the national pension dashboard project).

**59 AOB**

59.1 None.

## 60 **Board and Committee Training update**

60.1 The Communications and Governance Team Leader informed Board Members of the following training opportunities:

- 27 June Training in Wolverhampton 10am-4pm
- 9 July Responsible Investment LGPS Birmingham 10am-4pm
- 15 November Actuarial meeting
- LGA Fundamentals 3 day training course
- January 2020 LGA Governance Conference

## 61 **Date of Next Meeting**

61.1 It was agreed to hold the next meeting of the Pensions Board after the meeting of the Pensions Committee on 5 December 2019.

*NB. The next meeting was scheduled to take place on Friday 1 November at 9.30am in the Bridgnorth Room.*

Signed ..... (Chairman)

Date: .....