

MINUTES of the meeting of the **SURREY LOCAL PENSION BOARD** held at 11.00 am on 12 October 2015 at Committee Room C, County Hall, Kingston upon Thames, Surrey KT1 2DN.

These minutes are subject to confirmation by the Committee at its next meeting.

Elected Members:

- * Paul Bundy
- A Tony Geer
- * Mr Nick Harrison (Chairman)
- * Mr John Orrick (Vice-Chairman)
- * David Stewart
- * Claire Williams-Morris
- * Trevor Willington

In attendance

Phil Triggs, Strategic Manager, Pensions and Treasury
Neil Mason, Senior Advisor (Pension Fund), Pensions and Treasury
Alex Moylan, Senior Accountant, Finance, Pension Fund and Treasury
Jason Bailey, Pension Services Manager

9/15 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

No apologies were received and there were no substitutions.

The Board was asked to note that Mandy Horrell had stood down as a member representative on 31 July 2015. A request had been sent to GMB to identify a new nominated representative.

10/15 MINUTES FROM THE PREVIOUS MEETING: 27 JULY 2015 [Item 2]

These were agreed as an accurate record of the meeting.

11/15 DECLARATIONS OF INTEREST [Item 3]

Trevor Willington asked that it be noted that he is a governor at Nescott College, which is an employer of the scheme.

David Stewart asked that it be noted that he would be commencing employment at Hammersmith and Fullham, an admitted body in the scheme, on 4 January 2016.

12/15 QUESTIONS AND PETITIONS [Item 4]

There were no questions or petitions.

13/15 ACTION TRACKER [Item 5]

Witnesses: Neil Mason, Senior Advisor (Pension Fund)

Key points raised during the discussion:

1. The Board reviewed the action tracker and discussed the use of named substitutes. It was felt by the Board that the arrangements for named substitutes would disadvantage retired or deferred member representatives. The Board agreed that meetings should be scheduled to ensure substitutes were not required.
2. The Chairman informed the Board that the use of independent members would be reviewed in 2016, once the Board had completed its training and knowledge requirements.
3. Officers informed the Board that the Scheme Advisory Board had re-issued a national Key Performance Indicator (KPI) proforma, and that the scheme would be submitting a response to this. This proforma will be available to the Board for their next meeting. The Board was informed that the Scheme Advisory Board had proposed that the Department for Communities and Local Government changed regulations to make reporting these KPIs a statutory requirement.

Actions/Further Information to note:

- That the updated terms of reference of the Surrey Local Pension Board be circulated.

14/15 KNOWLEDGE AND UNDERSTANDING UPDATE [Item 6]

Witnesses: Neil Mason, Senior Advisor (Pension Fund)

Key points raised during the discussion:

1. The Board was advised that there would be joint training on 6 November 2015 with the Surrey Pension Fund Committee. This training would cover Pension Fund investment arrangements.
2. Board members updated on their individual progress to meet the Board's knowledge and understanding requirements.

Actions/Further information to note:

None.

15/15 SUMMARY OF PENSION FUND COMMITTEE MEETING - 18 SEPTEMBER 2015 [Item 7]

Witnesses: Phil Triggs, Strategic Manager, Pensions and Treasury
Neil Mason, Senior Advisor (Pension Fund)

Key points raised during the discussion:

1. The Board was provided with a verbal update on the Pension Fund Committee meeting on 18 September 2015. Officers briefly outlined the government's recent announcement concerning the intention to pool investments for local government pension funds. A discussion statement would be published by the government in late November, with proposals being submitted to government by pension fund administrators in February 2016. The Board was informed that pension funds would then be given 3 years from April 2016 to implement new proposals. The Pension Fund Committee would be reviewing these proposals in February 2016.
2. The Board was advised that the Pension Fund Committee had approved the implementation of the unitisation of assets. This would mean that there would be the opportunity to match employer funding strategies to their specific experience (it was expected that this would initially be restricted to three funding groups). Officers expressed the view that this would improve risk management and allow the fund to take a more flexible approach to its investment strategy. The Board was assured that the project would be conducted after consultation with the employers.
3. The Board was informed that there had been some transactional issues related to transfers when new employees had joined the Surrey pension fund. The Board requested a report back on the issue and steps taken to resolve it at the next meeting.
4. The Board was informed that it was now included in the risk register and reporting mechanisms for the Pension Fund Committee. Officers advised that the Committee had also conducted a deep-dive review on

Fund costs and that the results of this had been presented to the Committee at the meeting.

5. A review into the private equity investments made by the scheme had been presented to the Committee at the meeting.

Actions/Further Information to be provided:

- The Surrey Pension Fund Committee minutes for 18 September 2015 to be circulated to the Board
- A future report to be provided to the Board outlining transactional issues related to the transfer of data from new employees joining the scheme.

16/15 SURREY PENSION FUND STATEMENT OF ACCOUNTS 2014-15 [Item 8]

Witnesses:

Phil Triggs, Strategic Manager, Pensions and Treasury
Neil Mason, Senior Advisor (Pension Fund)
Alex Moylan, Senior Accountant

Key points raised during the discussion:

1. The Board was given a summary of the statement of accounts, with officers highlighting the approximately £20 million increase in contributions from the previous financial year. After the payment of benefits and expenses, this had left the fund in cash flow positive position of £30 million in 2014/15.
2. The Board discussed the fund's approach to investment, and raised a question about how the investment management fees compared to other pension funds. The Board was advised that £3.9 million were performance fees. This reflected a performance that was higher than average over the previous 5 years. . It was highlighted that officers and the Pension Fund Committee had completed a deep-dive review of the pension fund's cost base. The Board agreed to review this deep-dive review following circulation and to request an item if there were additional questions.
3. The Board discussed the use of currency hedging, and was advised that hedging was undertaken specifically by Legal and General on behalf of the fund.

Resolved:

The Surrey Local Pension Board resolved to:

- **Note** the financial statements set out in Annex 1.
- **Note** the adjustments made to the financial statements during the course of the audit as set out in Annex 2.
- **Note** the Letter of Representation as set out in Annex 3.
- **Note** the External Auditor's Report as set out in Annex 4.

Actions/Further Information to be provided:

Officers to circulate the deep dive review into the cost base of the pension fund to the Board.

17/15 DATE OF THE NEXT MEETING [Item 9]

18/15 EXCLUSION OF THE PUBLIC [Item 10]

Resolved:

that under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the following items of business on the grounds that they involve the likely disclosure of exempt information under paragraph 3 of Part 1 of Schedule 12A of the Act.

PART TWO – IN PRIVATE

THE FOLLOWING ITEMS OF BUSINESS WERE CONSIDERED IN PRIVATE BY THE BOARD. SET OUT BELOW IS A PUBLIC SUMMARY OF THE DECISIONS TAKEN.

19/15 CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY PENSION FUND ADMINISTRATION BENCHMARKING CLUB 2015 DRAFT REPORT [Item 12]

Resolved:

The Board

notes the content of the Chartered Institute of Public Finance and Accountancy (CIPFA) Pension Administration Benchmarking Club 2015 (draft) report (annex 1).

Actions/further information to be provided:

The Board to receive the Chartered Institute of Public Finance and Accountancy (CIPFA) Pension Administration Benchmarking Club 2016 report upon publication.

20/15 INTERNAL AUDIT REPORT: REVIEW OF PENSION ADMINISTRATION [Item 13]

Resolved:

The Board

notes the content of the Internal Audit Report and Management Action Plan.

Actions/further information to be provided:

None.

21/15 SURREY PENSION FUND ANNUAL REPORT [Item 11]

Resolved:

The Board:

notes the content of the unaudited annual report (annex 1)

Actions/further information to be provided:

The Board requested that the governance policy statement and that additional updates concerning the Board were circulated for information.

22/15 PUBLICITY FOR PART TWO ITEMS [Item 14]

That non-exempt information relating to items considered in Part 2 of the meeting may be made available to the press and public, if appropriate.

Meeting ended at: 2.40 pm

Chairman