

MINUTES of the meeting of the **SURREY PENSION FUND COMMITTEE** held at 12.00 pm on 25 February 2016 at Ashcombe Suite, County Hall, Kingston upon Thames, Surrey KT1 2DN.

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

Elected Members:

- * Ms Denise Le Gal (Chairman)
- * Mr Alan Young (Vice-Chairman)
- * Mr W D Barker OBE
- * Mr Tim Evans
- * Mr Stuart Selleck
- Mrs Hazel Watson

Ex officio Members:

Mr David Munro
 Mrs Sally Ann B Marks, Chairman of the County Council
 Mr David Hodge, Leader of the Council
 Mr Peter Martin, Deputy Leader and Cabinet Member for Economic Prosperity

Co-opted Members:

- Mr Tony Elias, Borough/District Representative
- * Ian Perkin, Office of the Surrey Police and Crime Commissioner
- * District Councillor Peter Stanyard, Borough/District representative
- * Philip Walker, Employees

In attendance

Rachel Basham, Senior Manager – Leadership and Member Support
 John Harrison, Surrey Pension Fund Advisor
 Sheila Little, Director of Finance
 Neil Mason, Senior Advisor (Pension Fund)
 John Orrick Local Pension Board Member
 Phil Triggs, Strategic Finance Manager (Pension Fund & Treasury)

19/15 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

Apologies were received from Tony Elias and Hazel Watson.

20/15 MINUTES OF THE PREVIOUS MEETING [Item 2]

The minutes were agreed as a true record of the meeting, subject to a minor amendment regarding ensuring consistency when referring to the Surrey Pension Fund Advisor.

21/15 DECLARATIONS OF INTEREST [Item 3]

There were no declarations of disclosable pecuniary interests.

22/15 QUESTIONS AND PETITIONS [Item 4]

No questions or petitions were received.

23/15 ACTION TRACKING [Item 5]

Declarations of interest:

None

Key points raised during the discussion:

1. The Strategic Finance Manager (Pension Fund and Treasury) confirmed that he had sent a definition of the term TECKAL company to the Committee outside of the meeting.
2. The Strategic Finance Manager (Pension Fund and Treasury) updated the Committee on an issue that had been raised at the last meeting regarding governance arrangements for the proposed Borders to Coast Pensions Partnership (BCPP). At the last meeting, concerns had been raised regarding the ability of the proposed Supervisory Entity to sign off decisions regarding Fund Managers. Three Committee Members (Alan Young, Tim Evans and Stuart Selleck) had been tasked with working alongside the Chairman and Strategic Finance Manager (Pension Fund and Treasury) to raise this issue outside of the meeting, with a view to amending the governance section in the proposal. Advice had been sought from the Local Government Association who had advised that decisions regarding Fund Managers should be the responsibility of the Executive Body. Therefore, this element of the proposal was not amended.
3. The Chairman stated that although the Supervisory Entity would not appoint Investment Fund Managers, they would take decisions on the sub-buckets and how the fund is structured. They would also be responsible for appointing the Executive Body.
4. The Vice-Chairman queried whether the advice from the LGA was available in writing, to which the Chairman responded that it was and that she would forward it to the Committee outside of the meeting.
5. Members agreed that this decision made the communication between the Surrey Pension Fund Committee and their representative on the Supervisory Entity very important. They would also need to be confident that the Executive Body had the right skills to make decisions about Investment Fund Managers.
6. The Director of Finance confirmed that there was a flowchart which set out the proposed governance arrangements for the BCPP which Officers would share with the Committee.
7. It was confirmed that the detailed submission would be need to be submitted to Government by the end of July 2016, with full implementation by July 2018.

Actions/further information to be provided:

1. That the Chairman e-mails the advice from the LGA regarding the role of the Supervisory Committee in making decisions about Investment Fund Managers to the Surrey Pension Fund Committee.

2. That the Strategic Finance Manager (Pension Fund and Treasury) shares a diagram setting out proposed governance arrangements for the BCPP with the Surrey Pension Fund Committee.

Resolved:

That the action tracker was noted and the committee agreed to remove the completed actions from the tracker.

24/15 ACTUARIAL ASSUMPTIONS: 2016 VALUATION [Item 6]

Declarations of interest:

None

Witnesses:

Barry McKay, Hymans Robertson

Key points raised during the discussion:

1. The Strategic Finance Manager (Pension Fund and Treasury) introduced the report, providing an overview of the actuarial assumptions to be used in the next actuarial valuation of the Pension Fund. He also introduced three different models of establishing discount rates (Gilts plus, CPI plus and the Economic model), and outlined the advantages and disadvantages of each one.
2. It was noted that the Economic model was not used widely amongst Pension Funds as it was considered to be more generous and less prudent than the other models.
3. The representative from Hymans Robertson provided an update to the Committee on the 2016 valuation process. He stated that Hymans Robertson had reviewed their valuation method in the previous year and decided, although no model was perfect, that Gilts plus model was the best available.
4. The representative also set out Hymans Robertson's two step approach to valuation. Firstly, they set a funding target using the Gilts plus model and the assumptions set out in the report. Secondly, they set a contribution rate by running over 5000 assumptions.
5. The Chairman queried whether the contribution rate modelling was based on a Gilts yield or CPI model. The representative from Hymans Robertson responded that it was on a Gilts yield curve. A CPI curve was not yet widely available and would therefore take more time to create. He added that the curve used did not impact on the discount rate, simply the way it was presented.
6. The Committee had a discussion, querying the benefits of the CPI plus model vs the Gilts plus model. A number of points were made including:
 - a. Whether the Gilts plus model was proving to be too prudent and therefore not offering the best deal to employees, and ultimately Council Tax payers.
 - b. Whether it was sensible to use a Gilts Plus Model when so much of the fund was invested in assets.
 - c. That the distorted market tended to favour the CPI plus model.

- d. The impact of using the Gilt plus model on public perception, in that the CPI model tends to produce a smaller number.
 - e. Whether the Gilt plus model represented an accurate view of what is happening with inflation.
 - f. Whether the Gilt plus model was overestimating the funds liabilities.
7. A number of Members acknowledged the fact that stabilisation had been successful in setting a stable contribution rate – and that this was something that was important to employers.
 8. The Vice-Chairman stated that any measure chosen could be subject to future distortions; it just happened that current distortions could be seen in the Gilt market.
 9. The Chief Finance Officer stated that Officers did receive queries from the public when accounts were published regarding the size of the deficit and liabilities. Any change to how they were presented would need to be explained.
 10. The majority of the Committee Members expressed preference for the CPI model. It was felt that if the fund liabilities were linked to CPI, valuation should be linked to CPI as well.
 11. It was agreed to look at this item again at the May meeting with a view to making a final decision on which model to use in the future.

Actions/further information to be provided:

None.

Resolved:

1. That the Pension Fund Committee considers whether to move to the CPI plus model at their next meeting in May 2016.

25/15 EXCLUSION OF THE PUBLIC [Item 7]

Resolved:

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

26/15 INVESTMENT CONSULTANT INTERVIEWS [Item 8]

Declarations of interest:

None

Key points raised during the discussion:

1. The Pension Fund Committee assessed four different firms of Investment Consultants, as part of the procurement exercise to agree a supplier.

Resolved:

That the Pension Fund Committee:

1. Noted the assessment criteria by which an investment consultant may be appointed.
2. Agreed the appointment of a supplier who achieved the highest score on a two year contract with an option to extend for two further years, with effect from 1 April 2016, in line with the LGPS Frameworks document.

27/15 PUBLICITY FOR PART 2 ITEMS [Item 9]

It was agreed that non-exempt information may be made available to the press and public, where appropriate.

28/15 DATE OF NEXT MEETING [Item 10]

That the date of the next meeting, scheduled to take place on 13 May 2016, be re-arranged due to a clash with the Conservative Group Annual General Meeting.

Meeting ended at: 5.30pm

Chairman

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