

# Scheme Advisory Board

## SCHEME ADVISORY BOARD MINUTES

MEETING HELD ON 13th JULY 2015 AT LAYDEN HOUSE, LONDON

### PRESENT

Joanne Segars	CHAIR
Cllr Roger Phillips	Local Authority Employer - Non Fund Representative
Cllr Kieran Quinn	Scheme Employer Representative (LGA)
Cllr Denise le Gal	Scheme Employer Representative (LGA)
Cllr Mary Barnett	Scheme Employer Representative (WLGA)
Emelda Nicholroy	Scheme Employer Representative (non-LA)
Brian Strutton	Scheme Member Representative (GMB)
Garry Warwick	Scheme Member Representative (GMB)
Jon Richards	Scheme Member Representative (UNISON)
Fiona Farmer	Scheme Member Representative (Unite)
Dick Banks	Scheme Member Representative (Unite)
Chris Bilsland	Adviser - (Fund Treasurers)
Nicola Mark	Adviser - Fund Practitioner Representative
Gary Delderfield	Adviser - APL
Alison Murray	Adviser - ACA ( <i>substituting for Peter Summers</i> )
Bob Summers	Adviser - CIPFA
Robert Plumb	Observer – The Pensions Regulator
Chris Megainey	Observer – DCLG
Helen Forrest	Observer – NAPF
Jeff Houston	LGA - Board Secretary
Elaine English	LGA - Board Secretariat
Liam Robson	LGA - Board Secretariat

### 1. Apologies and introduction

Apologies were received from Cllr Ian Bond, Chris Tansley and Peter Summers (Alison Murray attended the meeting in his place).

Joanne Segars (JS) introduced the meeting and took declarations of potential conflicts of interest from Bob Summers and Gary Delderfield (GD) regarding Options for separation, agenda item 5.

For the purpose of the minutes, agenda item 5 was discussed first, and then revisited after item 4.

### 2. Actions and Agreements from meeting of 1st June 2015

**Agreed** - All actions were confirmed as being undertaken or on the agenda for the meeting.

Jeff Houston (JH) provided an update on the progress on actions paper confirming that:

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- The Ombudsman case summary was circulated as part of the meeting pack.
- The PwC deficit management report and webpage summarising progress of the working group had been drafted and was to be published following the meeting.

### 3. **Summer Budget 2015 Update on the red book announcements on pooled investment and agreement on way forward**

Chris Megainey (CM) provided an update and some background around the thinking behind the Budget proposal:

The eventual package would include the following:

- The criteria to be reached by the pooling proposals from the sector, it is envisaged that size will be a major element in these criteria.
- Consultation on investment regulations with an early timeframe for commencement.
- Consultation on the backstop measures if the proposed arrangements do not meet the criteria.

The timescale is such that while not all details are mapped out, it is expected that the consultation will be in October 2015, before the Spending Review in November, and there would be progress to report before the Budget in March 2016.

The Board expressed concern that LGPS employers and members should not have to bear additional costs from this process.

**Action:** CM to seek a letter/visit from the Minister setting out how the criteria and other details of the investment pools are to be taken forward.

CM left the room at 11.45 while the Board continued to discuss the Summer Budget.

In summary, there was discussion and debate around how the criteria; should be set and how those already pooling assets will be affected. It was recognised that the project will require a great deal of resources and be draining on already stretched staff keeping sight of the imperative shorter term issues.

The Board agreed that the invitation to provide input to the process should be accepted in order to ensure the sector's participation in the outcome.

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**Action:** The Chair, Cllr Roger Philips (RP) and JH should meet to discuss the approach for taking pooled investment work forward and report back to the Board. Also, it was agreed to hold a wider consultation meeting with funds, including government officials, during August.

## 4. Board establishment

### **Update from DCLG on Board Establishment and funding**

CM stated that the Minister had been provided with advice on establishing the Board and budget approval and was waiting on the Minister for a decision.

### **Update from secretariat – secondment from Cheshire**

JH gave an update on Board resourcing and confirmed that Cheshire West and Chester had provided a secondee, Karl White, for three days a week in order to support the work of the Board sub committees.

The Board recorded its thanks to the Cheshire West and Chester administration authority for their support.

### **Draft agreement with LGA for ring-fenced income and expenditure services**

It was agreed that the Chair and JH could move forward with the agreement once funding was agreed by DCLG.

## 5. Options for separation

In order to continue current work-streams and begin in new areas, it was noted that the importance on having the Board budget approved by the Minister was paramount.

**Agreed** The Board agreed to note the review groups' decision and winning bidder.

**Action** JH to scope the changes with the winning bidder in light of the Summer Budget and to establish the level of resource required from the secretariat in order to complete the work.

**Agreed** It was acknowledged that in this instance, analysis of the bids was kept commercial in confidence from the full Board membership in order to avoid conflicts of interest. It was agreed that for future procurements non bidding board members should have access to the bids in full.

## 6. Pension Teams under pressure

JH gave a summary of paper D, Pension Teams under pressure. The paper was drafted following a request from the Administration and Communications committee regarding the increasing regulatory burden

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of pension teams, the risk of cutting the pension service function, the financial reality of any such cuts and the regulatory limitations on recharge to funds.

**Action** The Board agreed that a carefully worded letter should be drafted for approval, which will be sent to section 151 officers, copied to Chief Financial Officers.

## 7. Report from Cost Management meeting of 6<sup>th</sup> July 2015

An update was provided on GAD's data gathering exercise. The sub-committee highlighted possible risks and requested a project chart that clarified the interdependency between tasks and various party responsibilities.

The sub-committee are reviewing the future service cost factors, specifically revaluation methodology, transfer club membership and 50/50 membership before making recommendations to the Board.

## 8. GMP reconciliation

JH provided a summary of Paper E, the Board noted the following:

- The need for funds to reconcile member records with HMRC may result in significant alterations to pensions going forward and the discovery of considerable over/under payments.
- Subject to legal advice currently being taken by HM Treasury, funds may also have to cover additional pension increases estimated at £60m a year.
- In addition, the requirement to equalise GMPs for men and women could result in a significant complication to the calculation of pension increases on an annual basis.

## 9. Any other business

The Board briefly discussed the recent Ombudsman case, noting the importance of understanding deficits and contribution rates and academy conversion and thanked GD for the speed brief note.

## 10. Date of next meeting

Monday 21st September, 11am to 1pm  
Layden House, rooms A&B

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