

# Shadow Advisory Board

## SHADOW ADVISORY BOARD MINUTES

MEETING HELD ON 8 DECEMBER 2014 AT LAYDEN HOUSE, LONDON

### PRESENT

Joanne Segars	Chair
Kieran Quinn	Scheme Employer Representative
Denise Le Gal	Scheme Employer Representative
Ian Bond	Scheme Employer Representative
Emelda Conroy	Non – Local Authority Employer Representative
Brian Strutton	Scheme Member Representative
Dick Banks	Scheme Member Representative
Garry Warwick	Scheme Member Representative
Jon Richards	Scheme Member Representative
Chris Tansley	Scheme Member Representative
Fiona Farmer	Scheme Member Representative
Nicola Mark	Local Authority Fund Practitioner Representative
Gary Delderfield	APL
Peter Summers	ACA
Bob Summers	CIPFA
Robert Plumb	Observer – The Pensions Regulator
Helen Forrest	Observer - NAPF
Bob Holloway	Observer - DCLG
Chris Megainey	Observer - DCLG
Jeff Houston	LGA
Con Hargrave	LGA
Elaine English	LGA
Liam Robson	LGA

### 1. APOLOGIES FOR ABSENCE

Apologies were received from Mary Barnett, Roger Phillips and Chris Bilisland.

### 2. Actions and Agreements from 15 September and 29 October 2014

**Agreed** – All actions from previous meeting agreed as undertaken.

**Action** - Further letter to be written to the Minister asking if he is able to attend a future meeting of the Board. This would be in order to discuss specific topics such as the plans for structural reform and the Board's workplan for deficit management.

### 3. Deficit management and performance measurement

a) Deficit management workstreams and standardised valuations

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**Agreed** – Jeff Houston informed the Board that there was a linkage between the proposed timescales and budget as no money is yet available to fund some of the required work. The Board discussed the tight deadlines and the fact that there was a need to engage with the LGPS community to ensure they were aware of the work being undertaken. Mr Houston stated that the date March 15 was a work back in time to be ready for the 2016 valuations.

**Action** – Secretariat to publish annex on work streams with a covering note to all 89 funds ASAP. The organisation of an event/conference in the New Year on deficits as well as the wider work of the SSAB should be considered in order to aid engagement with funds and employers. A deficits communications plan should be prepared by the Secretariat.

**Action** – The deficits work plan to be amended to refer to 'liability matching investment strategies' in broad terms and not just 'liability driven investment' which has a very specific meaning.

**Agreed** - The Cost Management & Contributions sub-committee should consider the assumptions for use in the standardised valuations calculations - and which of these should be centrally or locally determined - at its next meeting in February with a view to these being considered by the Board at the following meeting.

**Agreed** – The Board to have sight of draft deficit management regulation proposals for their consideration at the March meeting.

## b) Plans for 2013/14 annual report

The update on the plans for the 2013/14 Scheme annual report was noted.

**Action** - The Board to be provided with an update on viewing statistics of the annual report pages of the website.

## c) Key performance indicators (KPIs) for LGPS funds

Jeff Houston presented the key performance indicators previously agreed by the Annual Report Working Group.

**Agreed** – The Board agreed the content of the paper subject to:

- The structure of the paper being reviewed to aid ease of use,
- The third of the five general themes to refer to 'asset management strategy', not just 'asset management', and
- KPI no. 5 - reference to 'large' employers to be removed.

**Action** – Jeff Houston to report the findings of the Board back to the Annual Report Working Group and the Secretariat to reissue the paper taking on board feedback received.

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**Action** - DCLG to share the green paper they are preparing regarding reports produced under section 13 of the Public Service Pensions Act 2013 in order that the Board can establish the crossover there is with the work being undertaken by the Annual Report Working Group.

## 4. Publication of further Counsel Opinion on LGPS

Bob Holloway noted that article 18 was very broad and that the covering note for Counsel's opinion should be amended to say that 'the relevant parts of article 18 are adopted'.

**Action** – Amended covering note to be cleared via Nigel Giffin then recirculated to Board members to agree and sign off.

## 5. Establishment of statutory scheme advisory board

Jeff Houston informed the Board that the SSAB had been supported since its existence by the LGPC Secretariat as part of the LGA, as highlighted in the report. The Board felt that the proposed funding outlined in the paper was probably too low. It was confirmed that when the SSAB becomes statutory it will be run by a levy subscription via DCLG. It was confirmed that top slice would not be used for funding of the statutory Board for 2015/16.

**Action** - Jeff Houston to recalculate numbers including the below points and recirculate this to the Board for their consideration:

- To take into account the time spent by Jeff in providing secretariat support to the Board and to its sub-committees,
- To estimate the costs that would be incurred by the statutory Scheme Advisory Board in respect of matters such as website support, finance and accounting, communications, etc, and
- To outline indicative contributions per administering authority based on fund active membership.

**Agreed** - Upon finalisation of statutory Board budget, subscription will need to be confirmed with funds as soon as possible in order that they can budget for the costs.

**Agreed** - DCLG with Secretariat to agree a form of communication to funds advising them of the subscription, when agreed, for next year.

**Action** - DCLG to draft a letter from the Minister asking the Board to continue working until April as well as setting out what he envisages the Board doing post-April

## 6. Transfers in the LGPS:

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**a) To DC schemes from April 2015**

Jeff Houston stated that he would be meeting with HM Treasury regarding the advice individuals would have to take before taking a transfer to a defined contribution scheme from April 2015.

**Action** - Secretariat to liaise with the Association of Professional Financial Advisers (APFA) in order to consider how to ensure that financial advice provided to LGPS members looking to transfer from April 2015 is sufficient for the needs of members and pension funds.

**b) Participation in public service pensions transfers club**

Jeff Houston informed the Board that the LGPC had agreed to write to the Chief Secretary to HM Treasury highlighting that the proposal that Club transfer terms are used for the new career average scheme structures is financially unfair, administratively cumbersome and is not a sensible way to deal with people who individually move within government.

**Agreed** – It was agreed that the Board would leave the LGPC to write the letter to the Chief Secretary regarding this issue.

**7. Update from sub-committees [including review and sign off of cost control communications]**

Jeff Houston gave a summary of the report outlined at Item 7.

**Agreed** - The cost management communications as presented to the Board to be published on the website and communicated to all funds.

It was confirmed that with respect of cost management, GAD is doing more work and, will come back with their estimation as to the expected yield of member contributions for 2015/16 when finalised. Under the scheme reforms agreed, the yield targeted for member contributions is 6.5%.

**Action** – A letter to be sent to DCLG regarding the 2015/16 member contribution bandings depending on the figures which result from GAD's yield calculations.

The Board discussed whether there was benefit in the Board issuing a model local pension board terms of reference document to provide a best practice guide as to how these should be established.

**Agreed** - There would be value in the Board issuing a model document and the possibility of reaching agreement to a model local pension board terms of reference should be explored via a working group.

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**Action** - A working group to be set up to include Gary Delderfield, Jon Richards, Helen Forrest, Brian Strutton, Nicola Mark, Bob Summers, Bob Holloway and Kieran Quinn to try and agree a model Terms of Reference for local pension boards.

## 8. AOB

**Action** – It was agreed that the Board should meet on a monthly basis until the statutory Scheme Advisory Board is established.

## 9. DATE OF NEXT MEETING

**Agreed** - 6<sup>th</sup> February 2015 14:00 – 16:00 Terrace Lounge, Local Government House

**Action** - Secretariat to circulate remaining dates for 2015 meetings.

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