

# Sub-Committee Chairs meeting

2nd December 2014

2.00pm

**Present:**

Cllr Roger Philips – Employer representative (deputising for SSAB chair)

Ged Dale - Fund Practitioner (Administration & Communications chair) *[via telecon]*

Ian Greenwood - LAPFF (Investment & Engagement chair)

Brian Strutton - GMB (Cost Management & Contributions chair)

Mark Wynn - Fund Practitioner (Value for Money & Collaboration chair)

Bob Summers - CIPFA (Governance & Standards chair)

Liam Robson - LGA (Shadow Advisory Board secretariat)

**Apologies** - Joanne Segars - NAPF (Shadow Advisory Board chair),

Jeff Houston - LGA (Shadow Advisory Board secretariat)

- 1) The respective chairs provided updates on the work being undertaken by their sub-committees.

**a. Administration & Communications**

- i. Since the last meeting, the sub-committee has made progress in its discussions on reforms to the ill health retirement tiers and has defined a set of options; the main option is cessation of Tier 3 retirement. The increased cost of this could be offset by reducing Tier 1 retirement to 90%.

GAD is currently calculating the costs of the various options in preparation for discussions at sub-committee and Board level.

**b. Cost Management & Contributions**

The sub-committee's work has progressed in two main areas.

- i. GAD has completed its work on assumptions for the aggregation of the 2013 valuation results to give clear, consistent and comparable performance of the participating pension funds. The expectation is that on aggregate, the valuations calculated on common assumptions will show a difference from Treasury's employer cost cap calculation by about 1%.

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- ii. Secondly, communication of the cost management process with Government and the wider community will be an item on the SSAB agenda for December.
- iii. Since the last meeting, it became apparent that the member contribution level setting, if auto adjusted in line with CPI, as set out in regulations, would result in missing the target of 6.5%. It is proposed that a letter is written to the Secretary of State to address this issue.

## **c. Governance & Standards**

- i. The draft governance guidance and consultation has been the focus of the sub-committee's efforts over the last month. There were over 20 responses ranging from one page to over 10 pages. The responses covered both specific wording and more general points; the most notable were around the Board function, membership and appointments.

In parallel, the revised regulations are expected to address the issues of joint boards and independent members, due to be issued in January 2015.

The Pensions Regulator's final version of their Code of Practice should not differ substantially from those previously issued.

One of the recurring questions raised during the consultation was whether the SSAB was going to issue a template terms of reference. The regulations are deliberately non prescriptive to allow for variances between fund and avoid one-size-fits-all methodology in application. Some administering authorities, in the absence of examples or a model, may opt for bare minimum approaches.

- ii. The sub-committee proposes raising model terms of reference at the SSAB. If an annotated model was to be produced this would need to be circulated in or before January 2015 to meet the implementation timescales. Best practice could then be reviewed at a later date and on an ongoing basis.
- iii. The working group is due to draft a recommendation paper to present to the SSAB setting out a range of options and criteria on separation.

## **d. Investment & Engagement**

- i. The sub-committee will be meeting in January and is working on guidance for engagement with the organisations funds invest in, and emphasising the importance of investment in pension fund governance.
- ii. The passive debate appeared to have gathered momentum in the last couple of weeks and anecdotally implied, incorrectly, that new regulations would direct funds to invest on a passive basis.

## **e. Value for Money & Collaboration**

- i. The next meeting of the sub-committee will be in December. Setting up a frameworks event will be on the agenda, along with guidance on the use of frameworks, and widening their use, sharing

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costs.

A 'preferred supplier' list was suggested, and how this could be introduced and drive better value for money, open for discussion.

It was noted that funding for the work of the SSAB from 1 April 2014 will be likely be via levies on Funds (not authorities).

Also noted, was that once the key performance indicators have been agreed and utilised, those not achieving good value for money will be identified. The work of the SSAB and sub committees will enter sensitive territory and will need to be carefully managed.

## 2) Other matters raised in the course of the meeting:

The pension freedoms agenda has led to more enquiries for members around taking benefits from age 55. Under the current LGPS regulations, those members deferring after 1 April 2014 are able to voluntarily choose to take their retirement benefits immediately, whereas those who deferred before 1 April 2014 are not able to do so (and may consequently transfer out to DC schemes to access their pension at an earlier date). The general consensus was that it would be advantageous to all parties to allow retirement from age 55 for all deferred members.

It was noted that there were overlaps and contradictions in lines of communication in respect of the Budget reforms between funds and the scheme as a whole, which should be avoided where possible.

The meeting closed at 2.55pm