



PENSION COMMITTEE

MINUTES of the meeting of the Pension Committee held on Friday 8 February 2019 commencing at 10.00 am.

**PRESENT
MEMBERSHIP:**

Cllr Colin Hay	Cllr Ray Theodoulou
Cllr Shaun Parsons	Cllr David Brown
Cllr Rachel Smith	Peter Clark
Cllr Lynden Stowe	

Apologies: Cllr Nigel Cooper and Cllr Nigel Moor FRTPI FRSA

In Attendance: Paul Blacker, Mark Spilsbury, Alex Bull, John Arthur (Independent Advisor) & Andrea Griffiths.

1. MINUTES -

The minutes of the meeting held on the 9th November 2018 were approved as a correct record and signed by the Chairperson.

Resolved

That the public minutes of the meeting held on the 9th November 2018 be approved as a correct record.

2. PUBLIC QUESTIONS -

No public questions were received.

3. MEMBERS' QUESTIONS -

No Members' questions were received.

4. PENSION FUND RISK REGISTER

Mark Spilsbury, Head of Pensions introduced the risk register explaining that the risk register was a live document and therefore it was important for it to reflect the discussion carried out by the committee.

Members were informed that since the risk register was last considered by the Committee, the following changes had been made:

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- A new risk A/R 1.2 has been added, which related to the resourcing of the Pension Administration Team, as requested at the November meeting.
- F1; The likelihood of this residual risk had now been increased from a 2 to 3.
- F4; The period comment had changed to a three year period
- F5; The likelihood of this residual risk had now been increased from a 2 to 3
- F8; Two of the high risk employers without guarantors have left the fund. One had repaid its cessation deficit of around £6m in full. The cessation deficit for the other employer (who left in January 2019) is currently being calculated. Once paid the scores relating to this risk would be reviewed again.
- F9; £510m has been transitioned to the BPP passive portfolio's and £350m to the BPP UK Equities active portfolio and a reconciliation has confirmed that all assets transitioned as expected.
- A/R5; Detailed reconciliation process completed and results returned to HMRC which has resulted in a significant reduction in potential liabilities.
- G6; This risk has slightly increased with the departure of the previous S151 Officer who had accumulated significant expertise in this area, having had limited knowledge prior to her appointment. The acting S151 officer now takes up this role and is already increasing his knowledge in this area after discussions with the Head of Pensions, Actuary, and Independent Advisor to the Fund.

In relation to A/R1.2, officers explained that a short business case would be presented at the next Committee meeting in May.

In response to a question it was noted that the Pension Regulator would look at fund returns and any areas of poor performance. The Head of the Pension Fund explained that when the information was available the results would be presented to the Committee. Members felt that it was necessary to get this right for the Pensioners within the fund.

During the discussion, members referred to a recent scam case and requested officers to check the best practice advice to give pensioners.

The Committee also requested that any amendments to the risk register continue to be highlighted in order to focus attention on all changes made.

Resolved

That the committee noted the Risk Register

5. AWARD OF ACTUARIAL CONTRACT

Mark Spilsbury, Head of the Pension Fund, presented the actuarial services report.

It was explained that, under delegated powers approved by Cabinet, the Director of Strategic Finance had awarded a seven year contract to Hymans Robertson for the provision of actuarial services to the Gloucestershire Pension Fund. The contract

was for an initial term of four years with an option to extend for a further three years at an estimated total value of £1.3 million.

Providing this was passed without challenge, the Director of Strategic Finance authorised the Head of Legal Services to attach the Council's seal to the contract and execute on behalf of the Council.

Members were interested to learn why other parties had not tendered for this contract, the Head of the Pension Fund explained that the tender process had been adhered to and it was up to the individual companies to submit a bid.

Resolved

That the Committee noted the decision to award this contract to Hymans Robertson.

6. CONSULTATION ON STATUTORY GUIDANCE ON ASSET POOLING IN THE LOCAL GOVERNMENT PENSION SCHEME

The Head of the Pension Fund presented the report. Members were advised that the Department for Communities and Local Government (DCLG) had issued draft guidance on asset pooling, and were inviting views on this draft guidance.

The Committee noted that this would be an informal consultation with interested parties only, including the Scheme Advisory Board, Pensions Committees, Local Pension Boards, the pool Joint Committees or equivalent, the Cross Pool Collaboration Group, the pool operating companies where owned by participating funds, and CIPFA.

It was intended that a Client Group workshop will be held with representatives of the Brunel Pension Partnership with a view of submitting a joint response to this consultation. However, all Funds were also free to consider whether they wished to submit a fund response to the consultation.

In response to a question, members were advised the Pension Fund had a small allocation of £22million (around 1% of the funds assets) invested in infrastructure. It was explained that Brunel were using specialist Infrastructure managers and advisor in relation to all investment portfolio's including the Infrastructure one.

The topic of geographically based social impact infrastructure was raised by a member of the Committee. Members were advised that there were rigid rules for the establishment of new investment portfolios which were set out in a policy document, and any request would require the support of the Brunel Client Group comprised of the Head of Pension's from each of the ten Pension Funds within the Brunel Pension Partnership..

The Committee requested that the Head of Pension's raise this matter with his colleagues on the Client Group to see if there was any support for the creation of an infrastructure portfolio which targeted geographically based investments which

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delivered acceptable investment returns and positive local social impact outcomes. The Committee requested an update at the next meeting.

In addition the Chairperson requested that the latest set of minutes from the Brunel Oversight Board were circulated to the committee for information.

It was suggested that Brunel should be challenged in terms of transitions, in order to gauge their viewpoint. Members were advised that Brunel would produce a transition costs report in due course on which the Independent Investment Advisor would be asked to comment.

Members were requested to send any comments to officers before the end of the consultation period in relation to the pooling consultation.

Resolved

That the Committee considered the draft statutory guidance on asset pooling.

7. MARKET VALUATIONS AND QUARTERLY PERFORMANCE REVIEW OF THE PENSION FUND: QUARTER 4

Alex Bull, Finance Manager (Pension Investments and Finance), presented an overview of market valuations and an update on the performance of the Gloucestershire Local Government Pension Scheme, (LGPS), as at 30 December 2018.

The report was sub-divided into four areas, detailing information on i) Manager Performance; ii) Asset Allocation; iii) Market Values, and iv) Cash Position. The Committee discussed the report in detail. It was noted that slightly revised key figures were circulated at the meeting. Members were advised that there was an overall fall in the fund value of around £175million in the last quarter of 2018, with all equity classes falling in value. However, during January 2019 there had been a recovery with around 50% of the fund reduction being recovered.

The Committee were advised that the passive mandate had transferred to Legal & General via Brunel. In addition, the Aberdeen Standard Life mandate had transitioned mid November 2018 and there was limited performance at this stage. It would be necessary to assess the performance over a longer period. The Committee raised concerns regarding Aberdeen Standard Life's poor performance whilst a manager to the fund, but noted that the manager would be delivering a different mandate under the Brunel Pension Partnership.

It was agreed that the one page supporting paper on performance net of fees, should have the Brunel mandate's listed together for clarity.

Resolved

That the performance report was noted.

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8. EXCLUSION OF THE PRESS AND PUBLIC

It was resolved

That in accordance with Section 100 A (4) of the Local Government Act 1972 the public be excluded from the meeting for the following agenda items, because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraph 3 & 5 of Part 1 of Schedule 12 A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.

9. EXEMPT MINUTES

The exempt minutes of the meeting held on 9th November 2018 were agreed as a correct record and signed by the Chairman.

Resolved

That the exempt minutes of the meeting held on the 9th November 2018 be approved as a correct record.

10. REPORT FROM THE INDEPENDENT ADVISOR TO THE FUND

Independent Advisor, John Arthur, provided members with an update on current investments. It was reported that the Pension Fund underperformed against its performance target in Q4 2018. The level of underperformance was within risk tolerances, and it was reported that the fund was close to achieving its performance target over the medium and longer term. The Committee were referred to the detailed Performance and Executive Summaries contained within the report.

Resolved

That the report be noted.

11. ADMISSION BODY REQUESTS

The Finance Manager, Alex Bull presented the report in detail

Resolved

That the Committee approved the Officer's recommendation.

12. EMPLOYERS UPDATE

The Head of the Pension Fund, Mark Spilsbury, updated members on the issues raised and outlined the current position.

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Resolved

That the report be received.

13. BRUNEL PENSION PARTNERSHIP UPDATE REPORT

The Head of the Pension Fund, presented the report in detail. The Committee were advised that the report summarised the key points included in the Brunel Pension Partnership Business Report and the minutes of the Brunel Oversight Board (BOB).

Resolved

That the Committee noted the report.

CHAIRMAN

Meeting concluded at 11.58 am