



PENSION COMMITTEE

MINUTES of the meeting of the Pension Committee held on Friday 3 December 2021 commencing at 10.00 am.

**PRESENT
MEMBERSHIP:**

Cllr Matt Babbage	Cllr David Brown
Cllr Mark Mackenzie- Charrington	Peter Clark
Cllr Wendy Thomas	Cllr David Gray
Cllr Colin Hay	Cllr Dr Andrew Miller
Cllr Lynden Stowe	

Apologies:

In Attendance:

28. DECLARATIONS OF INTEREST -

No declarations were made.

29. PUBLIC QUESTIONS -

No public questions were received.

30. MEMBERS' QUESTIONS -

No member questions were received.

31. MINUTES -

Resolved

That the minutes of the previous meeting held on the 24th September 2021 be approved as a correct record.

32. PENSION BOARD DRAFT MINUTES

Resolved

That the Pension Board draft minutes be noted.

33. GLOUCESTERSHIRE PENSION FUND QUARTERLY UPDATE - PART 1

The Head of Pensions presented an overview of market valuations and an update on the performance of the Fund, as at 30 September 2021.

Members noted that by the end of the quarter the market value had increased by £42.2m, to £3.100bn. It was reported that performance for the fund over three years to September 2021 was 8.0%, and was slightly ahead of the benchmark. Members were advised that the last quarter provided a return of 1.3%, outperforming the strategic benchmark by 0.2%.

The Committee were advised that the Fund was in a positive funded position at the quarter end.

Members were advised that final transition of the Funds fixed interest allocations to Sterling Corporate Bonds and Multi-Asset Credit had completed to the Brunel Portfolios during the quarter.

It was explained in terms of the fund administration there was an increased level of activity and the number of retirees had increased significantly. The Head of Pensions told the Committee staff were still continuing to work under Covid constraints and the administration team continued to do a sterling job in challenging times. In response to a question, members were advised that the administration performance was lower than the target, this was an ongoing issue relating to staffing shortages and partially due to Covid working constraints.

Members were advised that administration was a cause for concern and that performance targets had been affected nationally across the majority of LGPS Funds due to Covid. As a result some Funds had taken the decision to temporarily amend the required performance targets accordingly, however for Gloucestershire it had been decided not to amend the targets but continue to report against them.

It was noted that as part of resourcing levels the ability to recruit and train staff in the current situation was an ongoing issue. The Head of Pensions advised Members the job adverts were due to go live on the website very soon.

The Head of Pensions explained the Annual Report had been published by the deadline, however the accounts were still unaudited at this stage.

In response to a question, it was confirmed that all Chairs of the Local Authority Pension Funds had received correspondence in relation to the – UN Guiding Principles on Business and Human Rights Investments in the Israeli settlement economy. It was explained that the scheme advisory board would be debating this issue at their December meeting and would provide the appropriate advice to all LGPS funds in due course. Members asked if it would be possible for the Committee to have sight of the letter.

In response to a request for information on exposures in the new corporate bond portfolio, the Head of Pensions explained that not all asset classes had a clear label

of fossil fuels and the fund was instilling responsible investment through its ethos. Due to the recent launch of the portfolio the required reporting had yet to be received to provide the data requested, but this will be able to be provided in the future.

Resolved

That the Committee noted the market value and quarterly performance of the Gloucestershire Pension Fund as at 30 September 2021.

34. RISK MANAGEMENT POLICY & RISK REGISTER

The Head of Pensions explained that the Policy recognised that effective Risk Management was an essential element of good governance in the LGPS. The Committee were requested to approve the Policy, as the recent governance review had identified that the Fund did not have a dedicated policy on Risk Management in place. Members were advised if the policy was agreed then the risk register would be reformulated in accordance with the new policy.

Members were advised that the risk register was a live document and therefore it was important for it to reflect the discussion carried out by the Committee. It was noted since the risk register was last considered by the Pension Committee in September 2021, there had been no substantial movement in the overall risk levels faced by the fund.

The Committee took note of the highlighted risks within the report. Members noted that in terms of risk scoring the Fund had been adopted the same scoring matrix used by GCC in order to provide continuity. The Head of Pensions explained that the criteria for assessing risk in relation to the Fund was set out on page 61 of the report (Appendix 1).

During the discussion it was suggested that the policy should include a clear definition of risk, officers agreed to amend the report accordingly to encapsulate a clear definition.

The Committee felt that a heat map should include a detailed graph which depicted all the risk levels and clarified how many were at each level, as it would be more user friendly and quicker to ascertain the information.

Resolved

That subject to amendments the Committee approved the Risk Management Policy and the changes to the risk register as detailed in the report.

35. ABATEMENT POLICY

The Head of Pensions explained abatement was a method of reducing a pension where a pensioner was re-employed by either a local authority or another employer who allows that pensioner access to the LGPS and the pay upon re-employment

Minutes subject to their acceptance as a correct record at the next meeting

plus pension exceeds the person's pay when they retired. The pay at retirement was adjusted for inflation and any reduction was on a pound for pound basis.

In response to a question, it was noted if approved the policy would come into force as of today.

Resolved

That the Committee approved the Abatement Policy with effect from the 3rd December to cease abatement for all future retirees from the Fund.

36. REPORTING AND RECORDING BREACHES OF THE LAW POLICY

The Head of Pensions explained the proposed policy set out the procedure to be followed by certain persons involved with the Gloucestershire Pension Fund in relation to identifying, recording and where necessary, reporting breaches of the law to the Pensions Regulator.

It was explained that the updated policies were as a result of the governance review. The Committee agreed they should be made aware of breaches that occur. Members requested that complaints be considered at a later meeting. It was explained that complaints were usually brought against the employer and not the Fund.

During the discussion, members requested that in the future, policy documents include a summary history and a version number for clarity. It was explained that all policies were held centrally and available through the funds website. The committee also requested a matrix of when policies were due to be reviewed.

Resolved

That the Committee approved the Reporting and Recording Breaches of the Law Policy.

37. STATEMENT OF ADMINISTERING AUTHORITY DISCRETIONS POLICY

The Head of Pensions explained the LGPS regulations of 2013 required an Administering Authority to prepare and keep under review a written statement of its policy in relation to the exercise of its discretion under a number of provisions. Therefore the policy had been updated in accordance with the regulations.

Resolved

That the Committee approved the Statement of Administering Authority Discretions Policy.

38. PROPOSALS FOR PENSION ARRANGEMENTS FOR OUTSOURCED SERVICES

The Head of Pensions explained the report looked to set the Funds preferred solution regarding the pension arrangements for outsourced services. The options were currently documented within the Funding Strategy Statement, but with no guidance on the Fund's preferred approach. It was noted that Hymans Robertson in their capacity as actuary to the Fund, had prepared a comprehensive paper (Appendix 1), in order to assist the Fund in understanding the principles of the admission body risk sharing route known as "pass-through" and provided a comparison of the risks between this and the traditional (current) admission route. The report set out the possible contribution rate approaches and next steps for the Committee to consider for implementation.

Members were informed a number of different approaches could be taken in offering risk sharing agreements between the awarding authority and a contractor. It was explained the defining feature of a pass-through arrangement was to pass significantly less pension risk onto the contractor, in order to reduce the volatility of the contractor's costs of participation. The consequence was that more of the pension risk remained with the awarding authority but by passing less of the pension risks to the contractor, the awarding authority would expect more competitive bids.

In response to a question relating to smaller employers, the Actuary advised members that the fund was not exposed to any risk through pass through, as a bond was in place as per the admission agreement and provided indemnity.

Members questioned the term and conditions, the Head of Pensions explained that contractual terms would be written into the standard admission agreements. In terms of commercial agreements these would be bespoke agreements, draft by legal representatives on behalf of the fund. During the discussion, members queried the scheme of delegation in terms of who would approve the admission agreement on behalf of the Fund. The Committee were advised the scheme of delegation would be reviewed at the next Committee meeting, but under the current discretions policy it would be the Head of Pensions.

Resolved

That the Committee formally adopted the pass-through approach, as the preferred pension arrangement for future outsourced services.

39. EXCLUSION OF THE PRESS AND PUBLIC

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 of Part 1

Minutes subject to their acceptance as a correct record at the next meeting

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.

40. EXEMPT MINUTES

Resolved

That the exempt minutes of the meeting held on 24th September 2021 were agreed as a correct record.

41. PASSIVE & SMART BETA ALLOCATION REVIEW

The Head of Pensions presented the report in detail which outlined the passive and smart beta allocations.

Resolved

That the Committee agreed the new Investment Strategy Statement of the Gloucestershire Pension Fund.

42. GLOUCESTERSHIRE PENSION FUND QUARTERLY REPORT UPDATE - PART 2

The Head of Pensions presented the report in conjunction with the Independent Adviser and gave an overview of market valuations and an update on the performance of the Fund, as at 30th September 2021.

Resolved

That the Committee noted the market value and quarterly performance of the Gloucestershire Pension Fund as at 30th September 2021.

43. ADMISSION AGREEMENTS

The Head of the Pensions Fund presented the report in detail.

Resolved

That the Committee approved the Officer's recommendation.

CHAIRMAN

Meeting concluded at 12.37 pm