



PENSION COMMITTEE

MINUTES of the meeting of the Pension Committee held on Friday 23 September 2022 commencing at 10.00 am.

**PRESENT
MEMBERSHIP:**

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

Apologies: Cllr David Brown & Cllr Stephen Hirst

In Attendance: Matthew Trebilcock (Head of Pensions), John Arthur (Independent Advisor), Julie West (Hymans) and Andrea Griffiths (Democratic Services)

71. APOLOGIES

Apologies were received from Cllr Hirst and Cllr Brown.

The Chairman welcomed Julia Atkinson, newly appointed employer representative to the meeting.

72. DECLARATIONS OF INTEREST -

No declarations of interest were made.

73. PUBLIC QUESTIONS -

No public questions were received.

74. MEMBERS' QUESTIONS -

No member questions were received.

75. PENSION COMMITTEE MINUTES -

Resolved

That the minutes of the 16th June 2022 were approved as a correct record.

76. PENSION BOARD DRAFT NOTES

The Committee received the draft notes of the Pension Board held on the 21st July 2022.

77. GLOUCESTERSHIRE PENSION FUND QUARTERLY UPDATE - PART 1

The Head of Pensions presented the report which summarised the Fund's funding position, market value, asset allocation, investment performance for the quarter ending 30 June 2022.

Members noted that by the end of the quarter to 30 June 2022, the Fund's total market value had decreased by £181.909m, to £2,924.184m and over the quarter, total Fund assets produced a negative return of -5.9%, compared to a target of -5.4%, underperforming the strategic benchmark by 0.5%. It was reported that performance over the 3 years to 30 June 2022 was 4.7% annualised slightly behind the benchmark by 0.6%. Despite the decrease the fund was still regarded to be in a healthy position.

The Committee noted that the Government had launched their consultation on Governance and Reporting of climate risks, which followed the Taskforce for Climate-related Financial Disclosures (TCFD) framework, which would require administering authorities to consider and report against the four key areas of governance, strategy, risk management and targets. Members were advised that a training day would be held at the before the consultation deadline to allow the fund to respond.

The Head of Pensions informed Committee that the Administration Key Performance Indicator's (KPI's) were not where he wanted them to be. The KPIs had been impacted by the triennial valuation which had taken up considerable time and resources. However, as the triennial valuation was a critical part of governance process and given the efforts of the team, they were ahead of the timetable and were working with all employers of the fund. He reiterated there were currently no breaches of the statutory requirements.

The Head of Pensions explained that two new Pensions Officers had been appointed and would be in post in the near future. There were another 4 Pension Officer posts to be recruited to. In addition, the recruitment process for a new Pension Administration Manager was underway, which would build more resilience into the team as a whole. The Committee were informed that recruiting across the entire LGPS sector remained a challenge as the volume of membership increased as did the complexities of peoples circumstances. The Head of Pension would continue to undertake a review of the processes, with the new Pension Administration Manager, when appointed, to see how things could be improved through efficiencies or through the use of IT systems.

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

Member were advised that the LGPS National Knowledge assessment would be sent to them via email for completion and they were urged to complete the assessment as soon as possible.

Members raised concerns regarding the Pension Fund Administration performance figure of 90%, they felt this figure was unrealistic as it hadn't been achieved for a considerable time. The Committee requested a strategic action plan in order to clearly understand the issues affecting the KPI's.

The Head of Pensions reiterated the KPI's weren't where he personally wanted them to be either but many of the issues were systemic as the team had been under resourced for a long period of time and had not kept pace with service change. Although he appreciated the need to understand the reasons. He acknowledged the complexity of the fund and the increased requests, which had been hampered by IT resources.

The Head of Pensions reiterated that the service had been under resourced for a considerable amount of time and it would undoubtedly take time to bring in staffing resources as individual's knowledge needed to be built upon as it was a complex area of work. He advised the committee that the issues could not be immediately resolved just by appointing new staff as it would take 6 to 12 months for these additional resources being in a position to aide improvement due to the training and upskilling required. He has already commissioned Hymans to assist in the training plan for new recruits as well as support staff, in order to repair the long term issues.

Some members felt the targets were meaningless and should be realistic in terms of what could be achieved, in order to hold those responsible to account.

In response to a question, members were informed that the team morale was good as the team could see additional resources were finally being put in place to support them and that they are continuing to receive the support of Committee. Many dedicated staff had been working overtime to provide continuity of service in these challenging times.

The Committee were disappointed with the poor investment performance of the fund and referred to page 27 of the report. The Independent Advisor (IA) explained that the main issue of underperformance of the majority of managers was due to the unusual market situation and the impact of the Responsible Investment ethos of the partnership. He recognised the invasion of Ukraine had affected the quarterly performance figures and all commodities across the board. Overall the IA felt Brunel's approach remains appropriate in the current climate.

Resolved

That the Committee noted the funding and investment position and governance activities as at 30 June 2022.

78. RISK REGISTER

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The Head of Pensions explained that in accordance with the Risk Management policy agreed by Committee on 3 December 2021, progress and activity in managing risks would be monitored and recorded on a risk register and key information would be provided on a quarterly basis to the Pension Committee and the Pension Board, as part of the regular update reports on governance, investments and funding, and administration and communications. The Committee were advised that there were no major changes since the previous review and a number of risks remained elevated at this time.

Members requested for future reference an explanation as to what/why risks had changed.

Resolved

That the Committee noted the risk register and the current elevated risks and the new risks as outlined in the report.

79. GOVERNANCE COMPLIANCE & POLICY STATEMENT

The Head of Pensions presented the report and advised the LGPS Regulations 2013 required the administering authority to measure their governance arrangements against the standards set out in the statutory guidance issued by the Secretary of State for Communities and Local Government. It was noted that the governance statement review had concluded that we were fully compliant with the guidance in the areas that were applicable.

Resolved

That the Committee approved the Governance Policy and Compliance Statement.

80. LGPS PERFORMANCE BENCHMARKING REPORT

The Committee were advised by the Head of Pensions that the fund participated in the LGPS Investment Performance benchmark as undertaken by PIRC. It was noted the fund had been exposed to high volatility associated with the slightly larger equity allocation but over the last 10 years this had delivered a return in line with the average.

Resolved

That the Committee noted the LGPS Performance Benchmarking Report as at 31 March 2022.

81. ANNUAL REPORT OF THE PENSION BOARD FOR 2021/22

The Committee received the Pension Board Annual Report and were advised that the Board now had a full quota of members.

Resolved

The Committee noted the Pension Board Annual Report for 2021-22, which would be included in the Funds Annual Report 2021-22.

82. PENSION FUND FINANCIAL STATEMENTS 2021/22

The Head of Pensions advised the Committee that the report provided the opportunity to consider the draft year-end financial statements of the Gloucestershire Pension Fund. It was explained once the audit had concluded they would be presented to the Audit Committee for approval as part of Gloucestershire County Council's Accounts.

Members were advised that the audit findings report would be circulated via email for information, once the audit had completed. It was noted that the Pension Fund Annual Report would be published on or before the 1st December, the Committee noted the process for the approval of GCC Accounts and the publication of the Pension Fund Annual Report.

In response to a question, it was explained there was a national shortage of auditors given the commercial demand and the approval of the accounts had been moved to the end of November to take account of the delays.

In response to a question relating to the decrease in the total employer contributions, members were advised that some employers as part of the previous valuation had opted to prepay some of their secondary contributions to receive a discount, as the Fund would have those assets to invest for a longer period .

Resolved

That the Committee recommended the Fund's financial statements for 2021-22 to the Audit Committee for approval as part of GCC's overall financial statements, whilst noting the audit findings report would be presented at or before the meeting.

83. 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 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.

84. PENSION COMMITTEE EXEMPT MINUTES

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

The exempt minutes of the meeting held on 16th June 2022 were agreed as a correct record and signed by the Chairman.

85. PENSION BOARD DRAFT EXEMPT MINUTES

Resolved

The Committee received the draft notes of the Pension Board held on the 21st July 2022.

86. 2022 VALUATION RESULTS

The Committee received a detailed presentation on the actuarial valuation results from Julie West, Hymans.

Resolved

That the Committee approved the report recommendation

87. INVESTMENT ADVISORS QUARTERLY REPORT AND STRATEGY ASSET ALLOCATION REVIEW

The Independent Advisor presented the report in detail and advised members of the Fund Asset Allocation and investment performance for the quarter ending 30 June 2022.

Resolved

That the Committee noted the report.

88. GLOUCESTERSHIRE PENSION FUND UPDATE - PART 2

The Head of Pensions presented the report in conjunction with the Independent Adviser and explained that the report was designed to be read in conjunction with the Part 1 report, which provided more detailed analysis and commentary on the Fund's asset allocation, investment performance for the quarter ending 30 June 2022.

Resolved

That the Committee noted the detailed performance reports for the quarter ending 30 June 2022 and the employer, Brunel and future investment activities of the Fund.

CHAIRMAN

Meeting concluded at 1.02 pm

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