



PENSION COMMITTEE

MINUTES of the meeting of the Pension Committee held on Thursday 2 March 2023 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	

Apologies: Julia Atkinson

1. DECLARATIONS OF INTEREST -

No declarations of interest were made.

2. PUBLIC QUESTIONS -

No public questions were received.

3. MEMBERS' QUESTIONS -

No member questions were received.

4. PENSION COMMITTEE MINUTES

Resolved

That the Committee approved the minutes of the meeting held on the 8th December 2022.

5. PENSION BOARD MINUTES

Resolved

That the Committee noted the draft Pension Board minutes of the meeting held on the 18th January 2023.

6. GLOUCESTERSHIRE PENSION FUND QUARTERLY UPDATE - PART 1

- 6.1 The Head of Pensions presented the report which summarised the Fund's funding position, market value, asset allocation, investment performance for the quarter ending 31 December 2022.
- 6.2 Members noted that by the end of the quarter to 31 December 2022, the Fund's total market value had increased by £60.4m to £2,947.9m and over the quarter, total Fund assets produced a positive return of 2.1%, compared to a target of -2.0%, outperforming the strategic benchmark by 0.1%. It was reported that performance over the 3 years to 31 December 2022 was 3.7% annualised which was 0.1 behind the benchmark. The fund was still regarded to be in a healthy position.
- 6.3 In response to a question, members were advised that employer contributions would be covered under agenda item 10 and the vast majority of employers within the fund were open to new members with long term time horizons. The Actuary explained in terms of stability, contributions weren't usually reviewed during valuations. The Committee noted the funding level, which was driven by inflation and interest rates. Members were advised that during a period of volatility it would be unwise to change direction until the situation had settled down.
- 6.4 The Independent Adviser (IA) drew the committee's attention to page 73 of the report, which detailed the performance summary. In the IA opinion, he felt the market had moved through peak inflation based on year on year calculation. He added that energy prices were falling and the speed of inflation had declined, yet there would be less of an impact on wage inflation. The IA remarked that consumers were still prepared to spend and that supported markets, however it was a different environment for many asset classes.
- 6.5 The IA continued to give a detailed presentation of his report and informed members of the long term capital market assumptions, he added that UK Gilts had increased to 4.2%, based on the 10 year return forecast and given the fall in real estate assets it would take time for prices to reset.
- 6.6. The Committee proceeded to discuss the performance v benchmark chart on page 21 of the report. The IA explained that performance was in line with sustainable funds, which had been presented with some challenges. The Head of Pensions was working closely with Brunel to develop secondary benchmarks, as the industry standard progressed. It was noted that funds was measured against Morgan Stanley Capital International (MCSI) index.
- 6.7 A member wished to know at what point were equities reviewed, as markets changed over time. The IA explained that the Strategic Asset Allocation (SAA) was reviewed every three years, as SAA was driven by the long term forecast assumptions.
- 6.8 Members were informed there was a poor rate of productivity in the UK and more stability was required. The Committee discussed the labour market in the UK, and some members felt that low wages had suppressed market productivity. The IA

informed the committee that historically the UK had issues with inflation, and it would take time to redress the balance and Government would need to set a clear roadmap.

- 6.9 The Head of Pensions introduced the Andy Cunningham, Pension Administration Manager to the Committee and the remaining three Pension Officer posts had been recruited too. The Head of Pensions informed Committee that there was some improvement in the Administration Key Performance Indicator's (KPI's) and the team were actively working to resolve the issues. Members reiterated their frustration with the KPI's and felt there was no point in having the targets if they were unachievable.
- 6.10 It was noted the review of the administration strategy would help to establish what were the relevant indicators and they would be reported back to the June Committee meeting. The Committee were reassured that none of the statutory targets had been breached. During the discussion, members requested that the statutory deadlines be included in future reports, and that a detailed plan including dates, for accountability purposes be presented to the June Committee. In addition, members requested a benchmark comparison against other funds in terms of KPI's. (Action MT)
- 6.11 The Head of Pensions advised the Committee the performance indicators were as a result of a combination of factors over a period of time, and they would be impacted further by the complex change of calculations and the McCloud ruling. In response to a question, it was noted that volume and complexity of the pension administration had increased and the service was actively looking at working practices and technology to improve the current situation. It was noted that the Committee had been very supportive of the new staffing positions and officers appreciated the continued support and understanding.
- 6.12 In terms of the Business Plan, it was reported that the service was operating to target and the Pension Audit Opinion had been issued and would be incorporated in to the annual report and published on the Fund's website.
- 6.13 Member were advised that the LGPS National Knowledge assessment had been completed by five committee members, and 5 Pension Board members and Gloucestershire ranked fifth out of 16 funds. It was noted that a training plan was being developed based on the responses received.
- 6.14 A member suggested there needed to be more interaction between the Pension Committee and the Audit & Governance Committee, in terms of the accounts and audit reports, in order to develop a wider understanding. It was suggested that the external auditor could attend a future meeting, in order to explain their role in relation to the Pension Fund and help to bridge the gap between committees (Action MT). Members welcomed this approach. The Head of Pensions advised Committee that the Pension Board were in place to ensure good governance.

6.15 **Resolved**

That the Committee noted in accordance with the regulations, the Fund's position and governance activities as at the 31 December 2022.

That the Committee noted the performance of the investments as detailed in appendix 1.

7. RISK REGISTER

7.1 The Head of Pensions explained that in accordance with the Risk Management policy, 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.

7.2 The Committee were advised that there were no major changes since the previous review and the 'Operational (administration and Communication) Risk 1' had been removed as the impact of Covid-19 had now materially reduced and the impacts had been mitigated by changes to working practices.

7.3 **Resolved**

That the Committee noted the risk register and the current elevated risks and the removal of Operational Risk 1 as outlined in the report.

8. BUSINESS PLAN 2023/24

8.1 The Head of Pensions presented the Fund's Business Plan 2023/24 in detail and advised Committee that the Pension Fund Audit had now been finalised

8.2 The Business Plan included the budget for expected payments from the Gloucestershire Pension Fund over the period, including the resources required to manage the Fund. It was explained that a small overspend of £116k was forecast at year end against the approved budget for 2022/23, members were advised of the reasons for the forecast outturn position. During the discussion, it was requested that notes be included in the budget summary.

8.3 In response to a question, it was clarified that the external auditor's fees were set nationally by the Public Sector Audit Appointments (PSAA). Members were advised that additional work had been undertaken by the current External Auditor, which had led to an increase in fees. The Committee was informed that KPMG had been appointed as the new External Auditor for the Authority. During the discussion, it was suggested there needed to be more dialogue between the Pension Committee and the Audit & Governance Committee, in relation to the signing of accounts and the audits undertaken.

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

8.4 Resolved

That the Committee approved the Business Plan for 2023/24 and noted the current outturn position of the 2022/23 business as detailed in the report.

9. 2022 VALUATION REPORT AND FUNDING STRATEGY STATEMENT

9.1 The Head of Pensions advised Committee that Hymans Robertson had produced a report on the actuarial valuation of the Gloucestershire Pension Fund at 31 March 2022. The report contained information on the employer contribution rates for the period 1 April 2023 to 31 March 2026 and provided a review of the funding level at 31 March 2022. It was noted that the actuary's report would be published on the Fund's Website.

9.2 Resolved

That the Committee accepted the report on the actuarial valuation of the Gloucestershire Pension Fund at 31 March 2022 and agreed that following a period of consultation that the Draft Funding Strategy Statement, Cessation Policy, Contributions Policy and Pre-Payment Policy, which were approved by Committee on the 23 September 2022, be formally adopted from 1 April 2023.

10. 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.

11. EXEMPT PENSION COMMITTEE MINUTES

Resolved

That the exempt minutes of the meeting held on 8th December 2022 were agreed as a correct record.

12. EXEMPT PENSION BOARD MINUTES

Resolved

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

That the Committee noted the draft exempt minutes of the Pension Board meeting held on the 18th January 2023.

13. GLOUCESTERSHIRE PENSION FUND QUARTERLY UPDATE - PART 2

13.1 The Head of Pensions presented the report 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 future activities, participating employer activities and a summary of the operational aspects of the Brunel Pension Partnership, for the quarter ending 31 December 2022.

13.2 Resolved

That the Committee noted the position of the Fund as at 31 December 2022 and advised of the preferred option and requested that it be brought back to Committee in due course.

14. MEETING RECORDING LINK

**Please use the following link to access the recording:
<https://gloucestershire.public-i.tv/core/portal/webcasts>**

CHAIRMAN

Meeting concluded at 12.10 pm