



PENSION COMMITTEE

MINUTES of the meeting of the Pension Committee held on Friday 22 September 2023 commencing at 10.00 am.

PRESENT MEMBERSHIP:

Atkinson	Cllr David Brown
Cllr Dr Andrew Miller	Cllr David Gray
Cllr Colin Hay	Cllr Chloe Turner
Cllr Lynden Stowe (Chair)	

Apologies: Cllr Matt Babbage, Peter Clark and Cllr John Bloxsom

32. DECLARATIONS OF INTEREST -

No declarations of interest were made.

33. PUBLIC QUESTIONS -

The following supplementary questions were asked:

Question 1 - Penny Kent asked why is Gloucestershire Pension Committee in a Council which declared a climate emergency years ago, so lacking in initiative on climate action compared to other counties around the south west?

The Chair referred to the published response already provided for question 4. He explained that many of the funds within Brunel travelled at a different pace but overall he thought GCC was in a good place. As Brunel was a leader regarding responsible investment and that Gloucestershire was part of that pack the Chair disagreed with the claim that the fund was lagging at the extent suggested.

Question 2 - Penny Kent asked would Gloucestershire Pension Committee now also take its ethical and moral responsibility seriously?

The Chair replied the Committee did take it's ethical and moral responsibility seriously but it also had to balance that with its fiduciary responsibilities. He explained it was necessary to recognise the pension fund was funded by employer contributors, members of the scheme but also as a backstop by the taxpayer. Those parties involved all had input into this, but part of that process was very much striking that balance between what would be referred to as responsible investment, while ensuring that the fund delivered the correct returns needed, in

order to pay scheme members their pensions when they become due, or continue to be paid.

The Chair recognised that in any range of investment, people will hold different views but he was content that the fund was on the right trajectory for investments in relation to fossil fuels. It was explained that some of those fossil fuel companies were leading in Renewable Energy and it was essential to be engaged with those companies in order to influence those decisions, with our partners in Brunel. It was explained that other countries, who wouldn't be such a positive influence would be keen to take up those investments if the fund withdrew from its investment. The Chairman felt it was a question of being better off being at the table, being invested and having influence to drive their policies going forward, as the Pension Committee policies were very much aligned to those of responsible investment.

Questions 3 - Penny Kent asked you say you acknowledge that you may need to take an action and have reserved the right to influence specific exclusions if appropriate, the planet is burning and were heading for a climate cliff edge, if not now, when?

The Chairman felt this was a very similar question to the previous question. He reflected the fact that Brunel throughout it's the various meetings had shown commitment to responsible investment. The Chair believed Brunel were one of the leading managers in this country with regards to looking at investments, as they dug very deep, talked and engaged with those companies. It was explained that profits ended up as reinvestments or as dividends which funded the pension fund. The Chair recognised there was a circle of investment and investments in companies like Shell formed part of the fund and the they very much were part of what pays our current pensioners pension. The Chairman felt that the fund was better off at the table, being able to influence and better off with companies who were investing in renewables into the future.

Question 4 - Alan Mossman wondered what stopped the Committee going out and gathering information from the contributors to the county pension fund?

The Chair responded that the fund held engagement sessions with all of the employers, and employer/employee representatives were also members of the committee and the pension board. It was noted that all members (60,000+ members) of the scheme were entitled to attend the annual meeting each year. The County Council was a transparent body and would always engage with anybody who wished to engage. In addition, there was an engagement strategy, a communication strategy, and a huge amount of information with regards to the Pension Committee activities and the activities of Brunel available on the internet.

Question 5 - Alan Mossman advised the committee there was research available and he was happy to share it with the Chair, that suggested that divesting first and then engaging is much more effective than engaging while investing. Mr Mossman asked why was the committee reluctant to do pursue this method?

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The Chair accepted Mr Mossman's offer of the research and asked him to send it directly via email and he would ask Brunel for their interpretation of the research and provide a response in due course. He felt this wasn't a fair comment and referred to the direction of investments and the allocation of our assets over the last 18 months, which clearly indicated a direction of travel into responsible investments.

Question 6 - Alan Mossman remarked that it was great that the fund had some investments in affordable housing, but why only 50% in the county?

The Chair explained there were several reasons and they were well documented in previous reports that were available online. He added that fundamentally one needed to recognise that part of our fiduciary duty was having a balanced portfolio. The Chair appreciated that most members would like to see that figure at 100%, as opposed to the independent adviser who would prefer it much lower, therefore it was necessary to strike a balance, hence the 50%. It was also recognised that there weren't many opportunities that come forward that represent an acceptable investment package where affordable housing in Gloucestershire would be offered and such an investment opportunity needed to be explored.

Question 5,6 & 7 - Alan Mossman referred to the letter that Councillor Turner submitted in March 2023, and he asked when would the Chairman respond to all the points in raised in that letter?

The Chair explained that Councillor Turner had joined this Committee in May 2023 and he was sure she would play a very active role in the committee and would be more influential as a member of the committee. It was noted that all of the policies were readily available in the public domain, in addition Brunel also produced large volumes of reports that could be viewed online.

Question 9a - Alan Mossman asked what were the advantages of retaining investments in fossil fuels?

The Chair replied investment in any funds involved a degree of subjectivity. He didn't think it was possible to say with any certainty where the investments would be in so many years, with or without fossil fuels investment. He reiterated the committee's main fiduciary duty was to have a balanced portfolio and fossil fuel investments only equated to 1.3% of the total fund. He understood the concept that it was better to be at the table and have the ability to influence, or walk away from that ability. The Chair believed it was important to be at the table, and have the ability to influence as it also aligned with fiduciary duty, and that was also the advice of our independent investment adviser, therefore it remained the policy of this pensions committee.

Alan Mossman sought clarification as to what was the advantage of being at the table?

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The Chair explained that together with the response to question 9a, it was still important to retain that balanced portfolio, through the fiduciary duty and the ability to influence.

Question 9b - Alan Mossman asked what were the advantages of switching from fossil fuels to green and ethical investments?

The Chair explained that the fund had already switched from some fossil fuels to other investments with the support of Brunel, as the fund was now underweight in fossil fuel investments. The Chair referred to previous responses, and he believed the right policy was in place, and as a pension committee it took advice from its professional advisers. It was explained that the Committee did have to come to decisions and ultimately they were accountable to its scheme members.

Question 10 - Alan Mossman asked if the withdrawal of subsidies to the fossil fuel sector would jeopardise the value of fossil fuel investments?

The Chair replied that to some extent that may well be the case, but it was necessary to recognise that a Government subsidy, maybe to fossil fuels could enhance subsidies to renewables and the investments in energy companies would involve both of those as investments were often for a 10-year period for specific holdings. If there was a shift in policy, or subsidy there would be a realignment. In essence it means we're holding the investment today because we believe that it remains an investment in a balanced portfolio.

Question 12, Katherine Holden asked will the Committee direct to divest from fossil fuels now?

The Chairman referred to the previous responses, and stated that the answer was not right now, as it was necessary to comply with the fiduciary duties of the pension funds to maintain a balanced portfolio. He added that the committee were trying to take a responsible investment position, by sitting around the table and trying to influence companies as a collective pooled fund through Brunel. He recognised that was a position that committee may change in the future if it wished to do so.

Question 13 Katherine Holden asked about the awareness of the committee members on the likely risks of climate change, she wondered if they received more formal training, would they reconsider and take immediate action to divest in fossil fuels now?

The Chair referred to his previous responses and advised that a responsible investment training session was being arranged for the committee in November.

34. MEMBERS' QUESTIONS -

No member questions were received.

35. PENSION COMMITTEE MINUTES -

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At this point the meeting was briefly adjourned and reconvened shortly after.

Members were advised that a responsible investment training session was in the process of being arranged and the details would be circulated in due course.

Resolved

That the minutes of the meeting held on the 15th June 2023 were approved as a correct record.

36. PENSION BOARD DRAFT MINUTES

Resolved

That the Committee noted the draft Pension Board minutes of the meeting held on the 20th July 2023.

37. GLOUCESTERSHIRE PENSION FUND QUARTERLY UPDATE - PART 1

The Head of Pensions presented the report which detailed the Fund's funding position, market value, asset allocation, investment performance for the quarter ending 30 June 2023.

Members noted that by the end of the quarter to 30 June 2023, the Fund's total market value had increased by £61.3m to £3,112.7m and over the quarter, total Fund assets produced a positive return of 1.5%, which was equal to the strategic benchmark. It was reported that performance over the 3 years to 30 June 2023 was 6.0% annualised which is 0.1% ahead of benchmark. The fund was still regarded to be in a healthy position.

The Independent Adviser (IA) gave a detailed presentation of his report He recognised there were a number of long term issues such as demographics had changed and there was a strong desire for decarbonisation. Inflation remained an issue for the economy.

He informed the committee that there was potentially some value in short term lending, as that area was beginning to look quite attractive, based on the actuarial required rate of return. The IA felt that interest rates were near their peak and a locked in rate for seven years was an attractive investment if you could find a suitable investment fund to invest through. The Committee noted that the high alpha global fund had performed very well and was ahead of its benchmark since inception.

Members welcomed the report and questioned the use of Artificial Intelligence (AI) and green technology. The committee discussed the impact in terms of productivity gains, as some members felt that AI ongoing technological advancements would strive to remove barriers. The IA explained that long term investment in education was the key, as the UK had performed poorly in that area

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Julie Masci, Grant Thornton (GT) presented the Pension Fund Audit Findings report and advised the committee GT would be issuing an unqualified opinion on the financial statement, and overall she felt it was a positive picture. It was explained that the audit was progressing well. Members were advised that the newly appointed external auditors were also actively engaged with GCC.

During the discussion, the Chair requested that in the future the Audit Findings report be a separate item on the agenda.

The Committee agreed that the GT Audit Findings report should be commended to the Audit & Governance Committee for its approval.

Resolved

That the Committee noted in accordance with the regulations, the Fund's position and governance activities as at the 30 June 2023.

That the Committee noted the performance of the investments as detailed in report and associated appendices.

That the Committee acknowledged the Audit Findings Report provided by Grant Thornton for year to 31 March 2023 and requested it be commended to the Audit & Governance Committee.

38. RISK REGISTER

The Head of Pensions explained that in accordance with the Risk Management policy, progress and activity in managing risks will continue to be monitored and recorded on a risk register and key information will 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.

Resolved

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

39. LGPS PERFORMANCE BENCHMARKING REPORT

The Head of Pensions presented the report and explained that the Fund participated in the LGPS Investment Performance benchmark undertaken by PIRC.

Resolved

That the Committee noted the LGPS Performance Benchmarking Report as at 31 March 2023.

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40. ANNUAL REPORT OF THE PENSION BOARD FOR 2022/23

The Committee received the Pension Board Annual Report.

Resolved

The Committee noted the Pension Board Annual Report for 2022-23

41. DRAFT ANNUAL REPORT 2022/23

The Local Government Pension Scheme Regulations 2013 requires administering authorities to prepare a Pension Fund Annual Report. The regulations also required the Annual Report to be published on or before 1st December following the year end.

Members were advised that the Funds Annual Report could only be published once the Council's Statement of Accounts has been approved. If the Statement of Accounts had not been approved by 1 December, the annual report would be published with a draft Statement of Accounts and will be republished once the Statement of Accounts had been approved.

During the discussion, members suggested that the photographs needed to be amended to be more representative of Gloucestershire and perhaps include green technology pictures. Members also requested more clarity in terms of the benefits to members on page 18 of the report, as a wider understanding was required. The Head of Pensions accepted the points raised and agreed to amend the report and would recirculate a copy for the committee's approval.

In response to a question relating to the increase in transition costs, it was explained that those costs were due to the transition to Brunel and there was more transparency through CTI and the detailed reporting was becoming more granular. Members were advised that details of management fees, CTI could be circulated via email if they wished and it was noted there would be a benchmark so the committee could monitor and challenge. The Chair requested more narrative detail be circulated to the committee for information.

Members referred to the diagram on page 168 and requested that the colours be amended if possible.

The Committee were requested to email any further suggestions/amendments to the Head of Pensions. The Committee agreed subject to the amendments to delegate final approval to the Chair.

Resolved

That the Committee noted the current draft of the Annual Report 2022-23 and subject to any feedback received or agreed amendments, delegated final approval of the Annual Report to the Chair of the Pensions Committee,

thereby enabling publication of the Annual Report in accordance with the regulatory requirements.

**42. DEPARTMENT FOR LEVELLING-UP, HOUSING AND COMMUNITIES
CONSULTATION: LOCAL GOVERNMENT PENSION SCHEME (ENGLAND AND WALES): NEXT STEPS ON INVESTMENT**

The Head of Pensions explained that a consultation on the future of investment pooling in the LGPS has been expected for some time and the Committee were asked to approve the proposed response to the consultation.

Resolved

That the Committee approved the response to the consultation on next steps on investments as attached at Appendix 2 to the report.

43. PROCUREMENT OF PENSIONS ADMINISTRATION ICT SYSTEM

The Head of Pensions sought approval to conduct a Procurement exercise for a 10-year contract (initial 7-year term, with a 3-year extension option) using the National LGPS Framework for Pensions Administration Software in relation to the Fund's Pension Administration System requirements.

In response to a question, it was noted that an outside company would be used to assess the social value process. During the discussion, a member asked if the dashboard could be used to ask questions of member and if the annual report could be distributed to members of the scheme via the dashboard. The Head of Pensions explained that the member self-service function would exist but he would need to check the requirements in terms of GDPR, if information was being sent out to members.

Resolved

That Pension Committee delegated authority to the Head of Pensions in consultation with the s151 Officer and the Chair of Pensions Committee to:

1. Conduct a mini-competition process under the National LGPS Framework for Pensions Administration Software in respect of a call-off contract for the supply of a pension administration system. The proposed call-off contract shall continue for an initial period of seven years and include an option to extend its term for a further period of not more than 3 years;

2. Award such call-off contract to the preferred tenderer and

3. Determine whether to exercise the option to extend such contract for a further period of not more than three years on the expiry of the initial seven-year term.

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44. 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.

45. EXEMPT MINUTES

Resolved

The exempt minutes of the meeting held on the 15th June 2023 were agreed as a correct record.

46. GLOUCESTERSHIRE PENSION FUND QUARTERLY UPDATE - PART 2

The IA presented the report which was designed to be read in conjunction with the Part 1 report, as it 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 30 June 2023.

Resolved

That the Committee noted the employer activities and Brunel update as at 30 June 2023.

That the Committee noted the progress of the Social and Affordable Housing portfolio delivery.

That the Committee received a presentation from Schroders-greencoat.

CHAIRMAN

Meeting concluded at 12.52 pm