



PENSION COMMITTEE

MINUTES of the meeting of the Pension Committee held on Thursday 7 December 2023 commencing at 10.00 am.

**PRESENT
MEMBERSHIP:**

Cllr Dr Andrew Miller	Peter Clark
Cllr Matt Babbage	Cllr David Gray
Cllr Colin Hay	Cllr Chloe Turner
Cllr Lynden Stowe (Chair)	Cllr John Bloxsom
Cllr David Brown	

47. DECLARATIONS OF INTEREST -

No declarations of interest were made.

48. PUBLIC QUESTIONS -

No supplementary questions were asked.

49. MEMBERS' QUESTIONS -

No member questions were received.

50. PENSION COMMITTEE MINUTES -

Resolved

That the Committee approved the public minutes of the meeting held on the 22nd September 2023.

51. PENSION BOARD DRAFT MINUTES

Resolved

That the Committee noted the draft Pension Board public minutes of the meeting held on the 19th October 2023.

**52. GLOUCESTERSHIRE PENSION FUND BUSINESS UPDATE - PART 1 -
FUNDING & INVESTMENT**

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

The Head of Pensions explained the report updated the Committee on matters relating to the funding and investment performance of the Fund and provided details of ongoing and future business operational issues.

The Head of Pensions detailed the Fund's funding position, market value, asset allocation, investment performance for the quarter ending 30 September 2023. Members noted that by the end of the quarter to 30 September 2023, the Fund's total market value had increased by £3.116m o £3,115.884m. Over the quarter, total Fund assets underperformed the strategic benchmark by 1.1%. It was reported that performance over the 3 years to 30 September 2023 was 5.1% annualised which is 0.6% behind the benchmark.

During the discussion it was noted that the Schroder's Greencoat investment vehicle was launched in October 2023 and further information would be available at the next committee meeting in relation to the deployment of the £60m commitment to this investment vehicle which is focussed on renewable energy.

In response to a question, the Independent Advisor (IA) explained that due to market dynamics liabilities had decreased and contributions had increased, as inflation had risen so in turn had the contributions. The actuary would consider long term inflation rates in order to match the longevity of the pension. The Head of Pensions advised members that the Pension Fund was in a cash flow positive position at the last valuation. He intended to rerun the analysis and would be bringing the results back to the next committee meeting.

Members welcomed the opportunity to have further discussion, and questioned why there appeared to be little fluctuation in terms of asset value and wondered if the fund was too heavily weighted in equities. The Committee were informed that there had been a period of stellar returns but the IA reassured the Committee that he was content with a quieter quarter, given recent the periods of volatility.

Members questioned the sustainable equities underperformance; the Head of Pensions explained the MSCI benchmark resulted in some disparity due to the portfolios thematic approach to sustainability. The largest impact on performance related to the weighting of the so called Magnificent 7 stocks on the related index. The fund held a market cap of 6% but was underweight by 10% against the benchmark. Members questioned the performance of the private markets investments, David Vickers, Chief Investment Officer (CIO), Brunel explained the J-curve effect and that it would take 3-5 years to see results on those type on investments. It was noted that the market value was positive.

The IA informed the Committee that individual manager made the investment decisions, but the market psychology was trying to predict churn and change within the markets. The CIO added that the mandate of a sustainable investment fund was to invest in a stock with a positive impact.

Resolved

That the Committee noted the update provided within the report.

53. GLOUCESTERSHIRE PENSION FUND BUSINESS UPDATE - PART 1 - GOVERNANCE & OPERATIONS

The Head of Pensions updated the Committee on matters relating to the governance of the Fund and provided details of ongoing and future business operational issues.

In terms of the consultation related to pooling guidance, the Head of Pensions explained that the transition guidance was not an issue for Gloucestershire. However, the Brunel pool is currently valued at c£40bn, which is below the £50bn aspiration pool size contained in the autumn statement, but the Brunel pooling model was regarded as an exemplar.

Members questioned the landscape of the pooled funds and requested further detail; the Head of Pensions agreed to circulate a briefing note providing an overview of the pools position.

In response to a question, it was explained that infrastructure and levelling up had different risk factors and weren't expected to be mandatory as part of a Funds strategic asset allocation..

With regard to the business plan, it was confirmed that the fund was now tracking the newly agreed key performance indicators (KPI's), and recruitment process was still ongoing and would also take time to upskill new recruits to impact on the KPIs.

In response to a question, members were advised that the net drop in pension administration KPIs was due to the number of cases increasing and it would take time to upskill new staff members to the team. Recruitment still proved to be an ongoing challenge in the current environment. . The Committee felt that it needed to be evident as to what the target was and why it hadn't been achieved, the Head of Pensions agreed to review the information. During the discussion, the committee were informed that there was a number of variables such as staff turnover, retirements, ill health, etc that could deviate the path to achieving the KPIs which is not within the control of the management.

Members questioned the targeted work of other funds and the detail; it was clarified that these points would be covered under the Responsible Investment Policy agenda item.

Resolved

That the Committee noted the update report.

54. RISK REGISTER

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

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.

Resolved

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

55. EXCLUSION OF THE PRESS AND PUBLIC

The Committee discussed the requirement of the Responsible Investment Policy to be considered in the exempt session. Some members felt it would be difficult to discuss without referring to the appendices, while other members felt the item should be discussed in the public domain.

After some discussion it was noted that the report would come back to committee with the consultation responses and it would then be debated in the public session. On being put to the vote, it was agreed, 5 for proceeding into the exempt session and 2 against.

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.

56. EXEMPT MINUTES

Resolved

That the Committee approved the exempt minutes of the meeting held on the 22nd September 2023.

57. PENSION BOARD DRAFT EXEMPT MINUTES

Resolved

That the Committee noted the draft Pension Board exempt minutes of the meeting held on the 19th October 2023

58. RESPONSIBLE INVESTMENT POLICY

The Head of Pensions presented the report in detail and explained the Fund didn't have the appropriate licences to share some of the analytical information that the policy had been developed upon, hence the need to discuss the report in the exempt session.

It was noted the Pension Committee had a fiduciary duty to act in the best interest of the members. In order to do this effectively the Committee recognised the importance of managing Environmental, Social and Corporate Governance ('ESG') issues, including climate change, which were financially material to the Fund, both in terms of opportunities and risks. It was important that ESG considerations and active ownership were integrated throughout investment processes and that they were taken into account as part of funding and investment strategy setting.

Members were advised that the Fund's Responsible Investment Policy sets out the Committee's approach to Responsible Investment and detailed the actions the Committee, Brunel Pension Partnership ("Brunel") and other external providers take on behalf of the Fund's members and other stakeholders, to enhance long-term risk adjusted returns and protect the Fund from ESG and reputational risks.

The Committee had a lengthy debate on the proposed Responsible Investment Policy and raised a number of points during the discussion. During the discussion it was clarified that the committee were being asked to approve the draft policy for consultation, and the final report would come back to the June 2024 meeting and would be discussed in the public domain.

Resolved

That the Committee approved the report recommendations in terms of net zero and approved partners.

That the Committee approved the draft Responsible Investment Policy.

That the Committee approved the following net zero commitments:

- **Adopt a whole of Fund 2045 net zero target, with a total Fund carbon reduction target of 50% by 2030 (carbon footprint 1&2) against the base level at 2020.**
- **Adopt a target of a 60% reduction by 2030 (carbon footprint 1&2) against the base level at 2020 for its listed equity allocation.**
- **Adopt a target of a 50% reduction by 2030 (carbon footprint scope 1&2) against the base level at 2020 for its corporate bond's allocation.**
- **Raising the Fund's sustainable/low carbon green assets to 30% (currently 23%) by 2025**
- **Commit to expanding the Fund's Net Zero target setting to incorporate other asset classes, targeting a whole of Fund approach.**

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That the Committee approved the Funds affiliation with the following organisations/initiatives:

- **Institutional Investors Group on Climate Change (IIGCC)**
- **Climate Action 100+**
- **Transition Pathway Initiative (TPI)**

That the Committee approved the draft Responsible Investment Policy for consultation.

That the Committee would review the draft policy, including the consultation responses in June 2024, and the policy would then be reviewed on an annual basis.

59. GLOUCESTERSHIRE PENSION FUND BUSINESS UPDATE - PART 2

The Head of Pensions and 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 September 2023.

Resolved

That the Committee noted the investment activities and performance as of 30 September 2023.

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

That the Committee received the Annual Performance presentation from Brunel Pension Partnership.

CHAIRMAN

Meeting concluded at 1.02 pm