



PENSION COMMITTEE

MINUTES of the meeting of the Pension Committee held on Friday 8 November 2019 commencing at 10.00 am.

**PRESENT
MEMBERSHIP:**

Cllr Colin Hay	Cllr David Brown
Cllr Rachel Smith	Cllr Nigel Cooper
Cllr Lynden Stowe	Peter Clark
Cllr Ray Theodoulou	Cllr Nigel Moor

Apologies: Cllr Shaun Parsons

In Attendance: Mark Spilsbury, Alex Bull, John Arthur and Andrea Griffiths.

50. OPENING NOTE

The Chairman reminded Members that a workshop on Investment & Risk facilitated by John Arthur would commence following the formal meeting.

The Chairman advised Members that Mark Spilsbury, Head of Pensions would be retiring from the Council sometime between March and June 2020. It was anticipated that a new Head of Pensions could be recruited and be in post allowing for a full handover before Mark left.

The Chairman congratulated Mark on his retirement and thanked him for his valued service. He remarked that Mark had always displayed great courtesy and thanked him for support, advice and wished him well for the future.

Cllr Hay echoed the Chairs sentiment and wished Mark every future happiness in his forthcoming retirement.

51. PUBLIC QUESTIONS -

No Public questions were received.

52. MEMBERS' QUESTIONS -

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

Councillor Eva Ward submitted the following question in writing on behalf Stroud Town Council employees:

“There is now plenty of evidence that investments through environmental, social and governance led principles out-perform the conventional non-ESG returns. If not through divestment, then through what strategy do the investment managers propose to protect their members from the potential capital losses that are inevitable given that 80% or more of fossil fuel reserves, which make up the value of those companies, must become stranded assets – if we are to meet our climate commitments?”

The Independent Advisor explained that the same question had been asked by most of the client base. He explained that long term and realistically yes but factually it was difficult to say there was evidence. He felt the question required academic backing to give the question context. Members were advised that the BPP were a far sighted pool and considered Environmental, Social and Government impacts. This was part of BPP’s primary deciding factor in there processes for selecting managers and Investments. As pension funds worked on a long term investments and the ESG issues were given due consideration.

The Independent Advisor added that the other question was that of the engagement route versus disengagement in terms of oil, plastics, etc. The Committee were advised that not all issues were black and white as there was a whole grey area. He explained that as a long term investor the best course of action was to engage with large companies in order to bring about change.

It was noted that BPP was one of the eight pools and given there power, companies would undoubtedly respond to them accordingly, given the investment levels at stake. The Independent Advisor was in favour of engagement, as he felt disengagement was not the best route to bring about change.

53. MINUTES -

Councillor Hay requested that in future the acronyms as referred to by the LGPS were used within the minutes.

Resolved

That the public minutes of the meeting held on 20th September 2019 were approved as a correct record and signed by the Chairperson.

54. PENSION FUND RISK REGISTER

Mark Spilsbury, Head of Pensions introduced the risk register. It was noted that the risk register was a live document and therefore it was important for it to reflect the discussion carried out by the committee.

Members were informed that since the risk register was last considered by the Committee, the following changes had been made:

- Risk F3 – Fall in risk free returns on Government Bonds leading to a rise in the value placed on liabilities.

The likelihood has reduced from a 3 to a 2 because of the outcome of the 2019 triennial valuation of the Fund, which used a discount rate based on an asset outperformance assumption over bond rates, under which the funding position will improve significantly.

- Risk F4 – Increasing Pension Fund Deficit (over the long term)

The likelihood has reduced from a 3 to a 2 because of the outcome of the 2019 triennial valuation of the Fund, under which the funding position will improve significantly.

- F/D1 – Pensioners living longer and increasing the cost to the Fund.

The likelihood has reduced from a 3 to a 2 because detailed Gloucestershire related longevity data, which has been used as part of the 2019 valuation of the Fund, indicates that the level of increase in longevity is slowing down.

- G5 – Lack of relevant expertise, knowledge, skills and resources at officer and member level in relation to the administering the LGPS.

The likelihood of this risk has, temporarily, increased from a 3 to a 4, to cover the period of recruitment of, and knowledge transfer to, a new Head of the Gloucestershire Pension Fund, following the imminent retirement of the current post holder.

During the discussion, it was suggested that Climate Change Impact should be included as a risk, given the pressure of ESG. Officers agreed to take this point away for inclusion in the Risk Register. Members felt climate change was a massive risk which needed to be included on the risk register and monitored regularly.

It was noted that pension members were often surprised at what the LGPS invested in, officers explained that it was a question of engaging members to develop their understanding. The Head of Pensions suggested perhaps this information could be included in the pensioners newsletter and agreed to take this point away for further consideration. Members felt it was important to inform pensioners that the LGPS invested approximately £2.5 Billion in large companies throughout the world.

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

It was noted that F2 risk need to be amended to 'November'. Officers agreed to make the amendment.

Resolved

That the committee noted the Risk Register.

That the Climate Change Impact be included on the Risk Register and the F2 Risk be amended.

55. INVESTMENT PERFORMANCE SUMMARY

Alex Bull, Finance Manager presented the report in detail. Members were advised that the long term performance of the fund was in a good position and was performing relatively well.

In response to a question, members were informed that the passive Legal & General mandate was broadly inline with the benchmark.

Some discussion took place relating to quant models and resilience in terms of Blackrock's under performance. The Independent Advisor explained that it was too early to make any judgements on performance and patience was required at this stage.

Resolved

That the report be noted.

56. EXCLUSION OF THE PRESS AND PUBLIC

It was 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 & 5 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

57. EXEMPT MINUTES

Resolved

That the exempt minutes of the meeting held on 20th September 2019 were approved as a correct record and signed by the Chairperson.

58. INDEPENDENT ADVISOR REPORT

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Independent Advisor, John Arthur, provided members with an update on current investments. It was reported that the Pension Fund underperformed against its performance target in Q3 2019. The level of underperformance was within risk tolerances, it was reported that the fund was close to achieving its performance target over the medium and longer term. The Committee were referred to the detailed Performance and Executive Summaries contained within the report.

Resolved

That the report be noted.

59. 2019 ACTUARIAL VALUATION - HYMANS ROBERTSON

The Committee received a detailed presentation on the valuation update from Julie West, Hymans Robertson.

Resolved

The Committee received the presentation.

CHAIRMAN

Meeting concluded at 12.12 pm