

# PENSION BOARD

**MINUTES of the meeting of the Pension Board held on Wednesday 17 October 2018 commencing at 12.00 pm at the Chairman's Room - Shire Hall, Gloucester.**

## **PRESENT MEMBERSHIP:**

Annette Benson	Owen Shaw
Sean Collins	Jon Topping
Cllr Nigel Moor	

## **70. MINUTES**

### **Resolved**

**The public minutes of the Pension Board meeting held on 16th April 2018 were agreed as a correct record of the meeting.**

## **71. PENSION FUND RISK REGISTER**

Mark Spilsbury, Head of the Pension Fund, gave an update on the Pension Fund Risk Register. The Risk Register was last reviewed by the Pension Committee at its meeting on the 7th September 2018 and by the Pension Board in March 2018. It was confirmed that the points raised at each meeting had all been addressed.

The Pension Board noted that since its last meeting the following amendments had been made:

- F3: Fall in risk-free returns on Government bonds, leading to rise in value placed on liabilities. The Residual risk score had increased due to falling bond yields.
- F8: Orphaned employers give rise to added costs for the Fund. New Period Comments: Two high risk employers without guarantors would be leaving the fund between March 2018 and January 2019 reducing this risk. However, since one large employer remained in this category the risk has not changed.
- F9: New Risk: Financial loss experienced during the transitioning of assets to the new Brunel Portfolio's. It was noted that £510m had been transitioned to the BPP passive portfolio's and a full reconciliation had confirmed that all assets transitioned were as expected.
- A/R1: Significant additional costs resulting from changes to national pension requirements and/or HMRC rules e.g. changes arising from public sector

pensions reform, and/or more complex regulations requiring increased administration resources. It was noted that in order to effectively deal with the increased workload emanating from the new 2016 CARE scheme, additional pensions officers were recruited to in the Pension Administration Team during 2016. A further four staff members had now been recruited in 2018 to bring the staffing within the Pension Administration team up to the agreed full establishment funded by the budget.

- G9: Transition from the current custodian to State Street Bank under the Brunel Pension Partnership resulting in failings during the transition and/or inadequate performance reports post transition and/or negative impacts on the final accounts of the Pension Fund due to failings in the accounting reports received from State Street Bank. It was noted that no major problems were encountered during the transition and assets transferred were reconciled back to the detailed records held by each manager. Satisfactory performance reports were now being provided by State Street, the key information from which would be included in more detailed reports being produced by the Brunel Pension Partnership.

In response to a question, it was noted in relation to F8 the term 'orphaned' meant an employer without a guarantor failing financially. The narrative regarding this risk would be amended to make this clearer (Action – MS)

The Pension Board were pleased to note the Pension Committee had taken on board its advice relating to the Risk Register.

### **Resolved**

**That the report be noted.**

## **72. BUSINESS PLAN 2018/19**

Head of the Pension Fund, Mark Spilsbury, gave an update on the key tasks included within the 2018-19 Business Plan.

The Board were advised of the major targets and milestones for 2018/19, as detailed on Page 17 of the report.

It was noted that the main budget change between 2017/18 and 2018/19 was a £328,000 increase in other external costs in relation to Gloucestershire's anticipated share of company costs under the Brunel Pension partnership (BPP), taking the estimated charge to £614,000 in 2018/19. External fund manager fees were forecasted to remain the same for 2018/19 with the expectation that budget reductions would arise following BPP becoming fully operational with the selected managers for the new, pooled portfolios. In terms of external fees, it was explained that it was more important to have improved performance rather than fee savings.

In response to a question relating to staffing costs and the estimated budget, the Head of the Pension Fund explained that Gloucestershire's LGPS was likely to be

within the second lowest quartile in terms of staff, however he was satisfied at this moment that staffing levels were sufficient.

The Board were advised that the Pension Committee agreed the Business Plan and received a regular update.

The Head of the Pension Fund confirmed there were two LGPS training events available if members of the Pension Board wished to attend, they should contact him directly to book a place.

**Resolved**

**That the report be noted.**

**73. AUDIT FINDINGS REPORT**

Mark Spilsbury, Head of the Pension Fund, referred to the audit findings for the Gloucestershire Pension Fund, including a summary of the key issues affecting the preparation of the fund's financial statements for the year ending March 2018.

The Head of the Pension Fund confirmed no material errors had been identified as requiring amendment in the draft financial statements.

He referred the Board to the minor audit adjustments. These were noted as an amount of £8.956 million was included within sales proceeds which should have been included within gains/losses on disposal. It was explained that the accounts had been changed accordingly. Also, two investments were identified with a value totalling £3.641 million which were included within level 3 investments and were deemed to be classified as level 2 investments. Therefore, these were recategorised in agreement with the External Auditors.

In response to a question regarding when the audit report would be finalised it was confirmed that this would happen once the auditor had reviewed the Annual Report for 2017/18.

**Resolved**

**That the report be noted.**

**74. PENSION ADMINISTRATION PERFORMANCE**

Mark Spilsbury, Head of the Pension Fund, gave a detailed presentation of the Pension Administration Performance.

In response to a question, it was noted that four new members of staff had been recruited with the agreement of the Pension Committee to administer the fund, which had contributed to the increased performance.

The Board were pleased to note the improving performance and remarked on the positive efforts made by the team. The Head of the Pension Fund explained there was further work required, in order to achieve all of the six targets in 2018/19.

The Board were advised that if a hardship case was submitted in the event of a death grant, then it would be prioritised accordingly. Members requested to know what the timeframe was in relation to retirements and lump sum payments, officers agreed to clarify the position. (Action – MS)

It was noted that in terms of death grants this usually occurred within 8 days after the receipt of the legal paperwork. However, the team would ensure the funds were paid to the right person, regardless of the time factor.

A discussion took place relating to any possible scheme changes by Government, officers added there were no further changes to report at this stage.

**Resolved**

**That the report be noted.**

**75. PENSION FUND ANNUAL REPORT 2017/18**

Mark Spilsbury, Head of the Pension Fund informed the Board that the Annual Report was presented to the Pension Committee at its September meeting. It was noted that any suggested amendments or comments relating to the Annual Report were to be submitted to Officers by 21st September 2018. The Board were advised that no amendments were submitted, therefore the report was being printed ready for distribution in December.

**Resolved**

**That the update be received.**

**76. INVESTMENT PERFORMANCE REPORT**

Mark Spilsbury, Head of the Pension Fund, presented an overview of market valuations and an update on the performance of the Gloucestershire Local Government Pension Scheme, (LGPS), as at 30 June 2018. It was noted that the performance report had been produced by State Street.

It was noted that the Pension Committee had requested the previous reporting summary of performance, as it was deemed to be more user friendly. The Board concurred that the chart on page 53 of the report was difficult to understand.

The report was sub-divided into four areas, detailing information on i) Manager Performance; ii) Asset Allocation; iii) Market Values, and iv) Cash Position. The Committee discussed the report in detail.

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

The Board discussed in detail the difference between performance target and the benchmark. The Head of the Pension Fund advised the Board that GCC LGPS would move to the same methodology as other LGPS, in terms of monitoring performance. It was noted that in terms of benchmark performance WAMCO and BlackRock Global Equity had continued to perform adequately whilst Hermes had performed exceptionally well over a longer time period.

The Head of Pension Fund informed members that the fund had underperformed against its target. However, the level of performance was disappointing but within risk tolerances. It was noted that a summary report, including the benchmark and performance target and the Brunel performance report would be presented at the next Pension Committee meeting, including a one page supporting paper on performance net of fees.

One area of concern that had emerged from the report had been the underperformance of the Aberdeen Standard Investment mandate. It was noted that the Pension Committee had called in Standard Life managers on various occasions to question them over their poor performance. The Head of the Pension Fund explained that under Brunel there would be flat fees and no performance related fees, which should result in a saving.

Members agreed that the report had provided a useful insight into the performance of the fund. The report was noted without further comment or feedback to the Pension Committee.

**Resolved**

**That the performance report was noted.**

**77. EXCLUSION OF THE PRESS AND PUBLIC**

**Resolved**

**That In accordance with Section 100 A (4) of the Local Government Act 1972, it was resolved that the public should be excluded from the meeting for the following agenda items because it was likely that if members of the public were present at the meeting for these items 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 that the public interest in withholding the information outweighed the public interest in disclosing the information to the public.**

**78. EXEMPT MINUTES**

It was noted that the member attendance needed to be amended.

**Resolved**

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

**That the exempt minutes of the Pension Board meeting held on 16th April 2018 were agreed as a record of the meeting, subject to the attendance being amended.**

**79. INDEPENDENT ADVISOR REPORT**

Mark Spilsbury, Head of the Pension Fund gave an overview of the report, which was tailored for the Pension Committee. The Board agreed the report was very informative.

**Resolved**

**That the report be noted.**

**80. PIRC ANNUAL FUND REVIEW**

Mark Spilsbury, Head of the Pension Fund presented the report in detail. The Board took assurance from the report and felt that it acted a peer review.

**Resolved**

**That the report be noted.**

**81. BRUNEL PENSION PARTNERSHIP**

Mark Spilsbury, Head of the Pension Fund, gave a verbal update on the Brunel Pension Partnership.

**Resolved**

**That the verbal update be received.**

**82. ANY OTHER BUSINESS**

Members were requested to email request to officers if they had any areas to be included on future agendas.

**CHAIRPERSON**

Meeting concluded at 1.40 pm