



PENSION COMMITTEE

MINUTES of the meeting of the Pension Committee held on Friday 1 September 2017 commencing at 10.00 am.

PRESENT MEMBERSHIP:

Cllr Colin Hay	Cllr Ray Theodoulou
Cllr Nigel Cooper	Cllr David Brown
Cllr Shaun Parsons	Cllr Brian Oosthuysen
Cllr Lynden Stowe	Peter Clark

Apologies: Sharon Crane

In Attendance: Jo Walker, Mark Spilsbury, Steve Tyson (Independent Advisor) and Andrea Griffiths.

43. DECLARATIONS OF INTEREST -

Councillors Theodoulou, Parsons and Stowe all declared they were members of Cotswold District Council. Councillor Hay also declared he was a member of Cheltenham Borough Council.

44. PUBLIC QUESTIONS -

No public questions were received.

45. MEMBERS' QUESTIONS -

No Members' questions were received.

46. MINUTES -

The public summary minutes were approved as a correct record and signed by the Chairman.

The following actions were noted, in relation to:

- Minute 27, The Chairman added that any member, who had a proposal in relation to the Vice-Chairman, should submit it to Democratic Services prior to the next meeting. **Action – Members**
- Minute 34, Members had previously requested the budgeted Brunel costs for 2017/18. The Head of the Pension Fund informed the Committee that costs for

2017/18 were £260K and the fund cost for 2018/19 would be £520K. The Chairman added that the Brunel Pension Partnership had a long term payback period. It was noted that the alleviation of costs was discussed with Ministers. However, the Treasury's view was that the Fund would be making substantial savings, and should not be averse to making a substantial investment.

In response to a question, the Head of the Pension Fund explained when the new managers were appointed to Brunel, it would then be possible to provide details of the transition costs.

- Minutes 35, The Committee previously requested that the risks associated with Cyber Security be investigated in more depth. The Strategic Director of Finance explained that two system audits on SAP & Cyber Security were being undertaken and the outcome would be disseminated via the risk register. In response to a question, it was noted that the Audits terms of reference would include obtaining assurance from Fund Managers.

47. MARKET VALUATIONS & QUARTERLY PERFORMANCE REVIEW OF FUND Q2

Head of Pension Fund, Mark Spilsbury, presented an overview of market valuations and an update on the performance of the Gloucestershire Local Government Pension Scheme, (LGPS), as at 30 June 2017. It was reported that this was the first report which used the new strategic asset allocation as agreed by Committee in March 2017, for implementation from 1 April 2017. The short term (pre-Brunel) strategic asset allocation was shown within the report.

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.

The Head of Pension Fund informed members that performance was slightly above the benchmark targets for Quarter 2, It was reported that the performance return was positive during the past 12 months and overall, the outlook looked positive.

Resolved

That the performance report was noted.

48. IMPLEMENTATION OF THE MARKETS IN FINANCIAL INSTRUMENTS DIRECTIVE

Mark Spilsbury, Head of the Pension Fund presented the report. He proceeded to explain that this was a standard report produced by the Local Government Association which all of the Funds within the Brunel Pool were submitting to their Pension Committees, as recommended by the LGA, to get approval to opt up to professional client status.

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

It was explained that the Gloucestershire LGPS already had this status but under the amended MIFID 2 Directive, all LGPS Funds would be down graded to retail investor status.

Members appreciated it was a technical report which sets out the implications of having retail status in paragraphs 4 to 6, and gave the process for opting up. In practice the clear expectation was that all Pension Funds would be granted professional client status.

It was put into context, as the minimum level of Assets under management need to be considered for professional status was £10 million.

The Head of the Pension Fund explained that there was really no choice because if retail status continued past 3 January 2018 investment costs would rocket and most of the financial institutions we dealt with, including the new custodian/administrator appointed under the Brunel partnership, may well refuse to deal with us, or at least reduce the products available to us.

In response to a question, Members were informed that the level of training received was comparable to other Authorities. It was noted that newly appointed members to the Pension Committee were required to attend an LGA Pension Committee training course. The Chairman added if members wanted any further training, they should contact the Head of the Pension Fund directly to make the necessary arrangements. Members requested that any training opportunities be actively flagged up for their attention. **Action – Mark Spilsbury/Members**

The Head of the Pension Fund and the Independent Advisor agreed to discuss possible areas for training, which included private debt, responsible investing, ethical investments, etc. The consensus was that more regular training would be beneficial to members. It was suggested that perhaps the LGA should host a condensed refresher training event, in order to keep members up to date. The Strategic Director of Finance agreed to relay this view to the LGA. **Action – Jo Walker**

It was noted that all LGPS Funds were being expected to go through this process. Therefore, the Committee was asked to approve the recommendations set out on Page 17 of the report, which basically meant the Fund retains the status quo going forward.

Resolved

That the Pensions Committee approved the report recommendations, which were as follows:

- i. The Committee noted the potential impact on investment strategy of becoming a retail client with effect from 3rd January 2018**

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

- ii. **The Committee agreed to the immediate commencement of applications for elected professional client status with all relevant institutions in order to ensure it can continue to implement an effective investment strategy.**
- iii. **In electing for professional client status the committee acknowledges and agrees to forgo the protections available to retail clients attached as in Appendix 1.**
- iv. **The Committee agreed to approve delegated responsibility to the Strategic Finance Director and the Head of Pensions for the purposes of completing the applications and determining the basis of the application as either a full or single service.**

49. PENSION FUND ANNUAL REPORT

Mark Spilsbury, Head of the Pension Fund presented the report. The draft Pension Fund Annual Report for 2016/17, was prepared in accordance with the Local Government Pension Scheme Regulations, which set out what should be included with Annual Reports.

It was noted that the report largely followed previous year's reports in terms of content and style. However, because the timetable for the completion of Annual Accounts had now been brought forward, the draft Pension Fund Annual Report, also included the External Auditors opinion on the Pension Fund Accounts.

Officers were pleased to report that the External Auditors concluded that the accounts presented a true and fair view and had been properly prepared in accordance with Codes of Practice for Local Authority Accounting. It was explained that no errors were identified in the accounts and the quality of the supporting papers were praised by the auditors.

The regulations governing the content of the Annual Report required it to be published on or before 1st December following the year end, and subject to any changes requested by the Committee, it was intended that the final Annual Report would be submitted to full Council at its December meeting.

Members noted that it was a very long report, however there was limited flexibility regarding the content.

During the discussion the following amendments were agreed:

- That any additional information required within the introduction be delegated to the Chairman and the Director of Strategic Finance.
- That the funding level be included within the report,
- That the Administration's function and performance be included within the report.
- The report required conformity and alignment throughout.
- Page 49 of the report, a photo for all members of the Committee be included (Peter Clark picture missing)

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

- Page 56 of the report, The Analysis of Pension Overpayments be amended to thousands, in order to avoid any confusion.
- Page 61 of the report, Membership Summary dates needed to be amended accordingly.
- Page 89, Councillor Stowe remarked that he had attended two training sessions in 2016/17.
- Page 97 of the report, Principle E14, Peter Clark informed the Committee that he had not received or completed a self assessment form. The Head of Pension Fund agreed to check the maintained records. **Action – Mark Spilsbury.**
- Page 117, Councillor Parsons had been omitted from the membership list.

The Head of the Pension Fund explained that the Pensions Team were focused on producing and distributing the Annual Statements to over 50,000 LGPS members. Members noted that this had a detrimental effect on the Performance Indicators, and would need time to recuperate. It was noted four additional members of staff had been recruited to help with the process.

In response to a question relating to 'Death Gratuities', Officers explained that it was important to ensure the payment was made promptly to alleviate any further stress to the recipient and if necessary, cases of hardship could be processed quicker. In the Annual Report, the term Gratuities will be changed to Grants.

The Committee questioned the sudden increase in the overpayment figure, as detailed on page 56 of the report. Officers explained that one large overpayment had been made, however this had now been recovered.

It was noted that the Pension Fund Annual Report was available on the GCC website and copies were available at the Annual LGPS Meeting. Members were informed that a summary was sent to all LGPS pensioners, members requested in the future, to view the summary prior to despatch. **Action – Mark Spilsbury**

Members discussed the issue of fraud and if the police were reluctant to prosecute, then the Counter Fraud Hub should be delegated with the task of investigating any such claims. The Director of Strategic Finance agreed to discuss this further with the Chief Internal Auditor.

Resolved

That the report be approved, subject to the following amendments:

- **That any additional information required within the introduction be delegated to the Chairman and the Director of Strategic Finance.**
- **That the funding level review be included within the report,**
- **That the Administration's function and performance be included within the report.**
- **The report required conformity and alignment throughout.**
- **Page 56 of the report, The Analysis of Pension Overpayments be amended to thousands, in order to avoid any confusion.**
- **Page 61 of the report, Membership Summary dates be amended**

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

- **Page 49 of the report, a photo for all members of the Committee be included (Peter Clark picture missing)**
- **Page 89, Councillor Stowe remarked that he had attended two training sessions in 2016/17.**
- **Page 117, Councillor Parsons had been omitted from the membership list.**
- **Page 97 of the report, Principle E14, Peter Clark informed the Committee that he had not received or completed a self assessment form.**

50. PENSION BOARD ANNUAL REPORT

Mark Spilsbury, Head of the Pension Fund, presented the report.

It was noted that the terms of reference for the local Pension Board of the Gloucestershire Local Government Pension Fund stated that the Board would provide an annual report to the Pension Committee and also to the County Council, on 6th December 2017.

The Head of the Pension Fund explained whilst taking account of the relevant LGPS regulations and guidance, the Gloucestershire LGPS decided to appoint an independent non voting chair of the Pension Board. An independent chair of the Pension Board cannot have any involvement (e.g. through membership or employer links) with the local pension scheme they would be chairing, but having good experience, knowledge of the LGPS would be advantageous and would assist the other Board members in their role. To comply with these requirements the Gloucestershire LGPS invited the Head of the Pension Fund at the Oxfordshire LGPS, Sean Collins, to become chair of the Gloucestershire Pension Board. In response to a question, it was noted that the Head of the Pension Fund, Mark Spilsbury in return chaired Oxfordshire's Pension Board and these arrangements appeared to work well. The Committee was informed that the Pension Board had no decision making powers, their role was purely on a governance basis which added value.

Members wished to know what were the costs involved in the Pension Board, the Committee were informed that the only costs involved were minimal and were for mileage expenses and officer time. It was suggested that the minimal costs involved should be noted within the report.

In response to a question, it was noted that members of the board were appointed for a period of four years. During the discussion, it was remarked that Unison felt there was potential for a conflict of interests with the positions only being filled by Directors. The Director of Strategic Finance explained that all organisations were asked for nominations and there was nothing preventing people from attending the meetings if they so wished.

Resolved
That the report be noted

51. THE ACTUARY'S REPORT ON THE FUND AT 30TH JUNE 2017.

Mark Spilsbury, The Head of the Pension Fund presented the Actuary's Report in detail. The Funding Update Report represents a 'point in time' measurement of the funding position, including making comparisons and assumptions between funding levels and financial market data reported by Hymans Robertson, (as Fund Actuary), at 31st March 2016 and 30th June 2017.

Members were informed that the funding level at the 30th June 2017 valuation had been 83.4%. The funding level at 31st March 2016 formal valuation was 79.6%. This represented a deficit of £435m at 31st March 2016 decreasing to a deficit of £417m at 30th June 2017. The estimated change in the deficit as at 30 June 2017 was largely due to asset outperformance since March 2016.

During the discussion it was noted that different actuaries had different views. The Director of Strategic Finance explained that on occasion people needed to access their LGPS earlier than anticipated due to terminal illnesses, etc. The Pensions team dealt with any issues that arose in order to assist LGPS members.

Resolved

That the Funding Update Report was noted.

52. PENSION FUND RISK REGISTER

As the Administrative Authority, Gloucestershire County Council was required to maintain, and keep under review, a Funding Strategy Statement (FSS) for the Gloucestershire Pension Fund. The Council was also required to identify any risks associated with the Pension Fund and the measures or controls taken to counter such risks. The Risk Register was last reviewed by the Pension Committee in March 2017.

Mark Spilsbury, Head of the Pension Fund, informed members that since the Risk Register was reviewed in August 2017, a number of changes had been made to the following risks F2, F4, F9 and F/D2 as a result new period comments had been inserted.

In addition, it was noted that the direction of travel arrow relating to F2 needed to be amended. **Action – Mark Spilsbury**

During the discussion, members requested to know what proportion of staff were members of the LGPS. The Head of the Pension Fund agreed to circulate this information in due course. **Action – Mark Spilsbury**

The committee noted and agreed the amendments to the Risk Register, as highlighted by the published report.

Resolved

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

That the Committee reviewed and agreed the attached Risk Register, which included the amendments included within the Risk Register.

53. 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.

54. EXEMPT MINUTES

Resolved

That the exempt minutes of the meeting held on 2nd June 2017 were agreed as a correct record and signed by the Chairman.

55. PIRC ANNUAL FUND REVIEW

Karen Trumble, PIRC gave a detailed presentation relating to the Annual Fund Review.

Resolved

That the report be noted.

56. INVESTMENT UPDATE

Steve Tyson, Independent Pension Advisor, presented information on investment issues and the position of the financial markets.

Resolved

The update was noted.

57. REPORT BACK FROM JUNE 2017 MANAGERS MEETINGS

Steve Tyson, Independent Pension Advisor, gave a detailed update on the Fund Managers meeting which was held in London on the 29th June 2017.

Resolved

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

That the report be noted.

58. INVESTMENT PRESENTATION

Marian George and Catherine Matthews from the Western Asset Investment Company gave a detailed presentation on the Investment Company's portfolio.

59. NEW INVESTMENT PROPOSALS

Mark Spilsbury, Head of the Pension Fund, gave a detailed presentation which highlighted the Strategic Asset Allocation for 2017/2020.

Resolved

That the Committee accepted the Officer's recommendation.

60. ADMISSION BODIES REQUEST

The committee received a report from the Director of Strategic Finance.

Resolved

That the Committee approved the Officer's recommendation.

CHAIRMAN

Meeting concluded at 2.03 pm