

PENSION BOARD

MINUTES of the meeting of the Pension Board meeting held at Shire Hall on Monday 16 October 2017.

Present:

Sean Collins	Jon Topping
Cllr Nigel Moor	John Wills
Owen Shaw	

Officers in attendance: Mark Spilbury, Alan Marshall and Jo Moore

47. APOLOGIES

There were no apologies at the meeting.

Chairman of the Board, Sean Collins, welcomed John Wills, (Head of Finance at Gloucestershire University), to the meeting. (John had replaced Kate Walton as an employer member of the Board).

John informed the meeting that he would be leaving the University in the next few months and proposed Annette Benson take his place as employer member, (representing the University of Gloucestershire). He confirmed that Annette had been Financial Controller at the University for a number of years.

The Board noted the change in circumstance and agreed to accept the replacement member without having to go through another selection process.

48. MINUTES

The non-exempt minutes of the Pension Board meeting held on 24 March 2017 were confirmed as an accurate record of that meeting.

The information recorded in the non-exempt minutes of the Pension Committee meetings held on 29 March 2017, 2 June 2017 and 1 September 2017 were noted.

Cllr Nigel Moor confirmed he had attended the Pension Committee meetings in March and June, where there had been a rigorous assessment of the Pension Board minutes. It was noted that the Risk Register would be reviewed every 3 months, instead of every 6 months.

In noting the update presented to the Pension Committee in June, detailing information on the Gloucestershire Local Government Pension Fund Business Plan 2017-18, it was agreed that the update was useful and that it would be appropriate to consider a further update at the Pension Board meeting in March 2018.

Action by – Mark Spilbury

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

It was also suggested the Pension Board consider the Pension Committee Annual Report, and this was accepted. Due to the timings of board meetings, it was agreed that the report would be circulated to board members by email on an annual basis at the end of each August/beginning of September. Any comments would be made to Mark Spilsbury, Head of the Pension Fund and noted at October board meetings.

Action by – Mark Spilsbury

Cllr Moor also suggested that the Pension Board might benefit from considering the investment updates presented to the Pension Committee as exempt information by Independent Advisor, Steve Tyson. The suggestion was endorsed by the Pension Board, combined with a proposal that Mark Spilsbury, as Head of the Pension Fund, provide an overview of the information at each board meeting.

Action by – Mark Spilsbury

It was confirmed that the Pension Committee had made no comments on the Pension Board Annual Report.

49. ASSET ALLOCATION AND INVESTMENT PERFORMANCE OF THE FUND

Mark Spilsbury, Head of the Pension Fund, informed members that this was the first meeting at which the Pension Board had been presented with performance information on the Gloucestershire Pension Fund. He explained that the report was sub-divided into two areas, detailing; i) manager performance and ii) asset allocation.

Board members noted the information and requested that a similar report be presented at each meeting. It was felt the information had been very useful.

50. RISK REGISTER

Mark Spilsbury, Head of the Pension Fund, gave an update on the Pension Fund Risk Register. Now reviewed as a standing item by the Pension Committee, the risk register had been considered at the March, June and September 2017 meetings. It was confirmed that the points raised at each meeting had all been addressed.

The Pension Board noted the information and agreed that, overall, the new approach reflected a positive and encouraging outcome. It was felt that, what had previously been a rather “static” document was now a “dynamic” document, under permanent review.

The Pension Board requested that the comments from this meeting be relayed to the Pension Committee.

Action by – Mark Spilsbury

51. EXTERNAL AUDIT 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 2017. It was noted that this was the first time of presenting the audit findings to the Gloucestershire Pension Board.

The Head of the Pension Fund confirmed no material errors or other areas had been identified as requiring amendment in the draft financial statements. He also referred to the good relationship that existed between the auditors and the finance team at Gloucestershire County Council (GCC) and the excellent commitment from GCC staff.

One minor issue identified by the audit as needing implementation was the need to update the council's SAP system to reflect unrealised gains and losses. It was noted that the requirement was a medium priority.

As a means of feeding into the signing off process of the Pension Fund Annual Report, it was suggested that the Pension Board consider the Audit Findings Report as an annual arrangement. The Head of the Pension Fund accepted this proposal and advised members that the reporting timetable for the Annual Report was anticipated to be a little tighter next year. In spite of this, he was confident the timetable would be met.

Action by – Mark Spilsbury

Cllr Nigel Moor enquired if the audit report would be shared with fund members. It was confirmed that the findings would be presented at the Annual General Meeting in December, and that the members of the Pension Board were welcome to attend the meeting. The Head of the Pension Fund to confirm the date of the meeting via email.

Action by – Mark Spilsbury.

52. IMPLEMENTATION OF THE MARKETS IN FINANCIAL INSTRUMENTS DIRECTIVE

Mark Spilsbury, Head of the Pension Fund, informed members that a detailed report on the implications of the Markets in Financial Instruments Derivative (MIFID2) and the process for seeking professional investor status had been reported to the Pension Committee meeting held on 1 September 2017.

At the meeting, the Pension Committee considered the impact of becoming a retail client with effect from 3 January 2018, before agreeing to commence the process of seeking elected professional client status with immediate effect. In electing to seek professional client status, the committee acknowledged and agreed to forgo the protections available to retail clients. The committee also agreed to delegate

responsibility to the Director: Strategic Finance and the Head of the Pension Fund for the purposes of completing and determining the basis of the applications.

Following the Pension Committee meeting in September, a standard self-assessment questionnaire formulated by the Scheme Advisory Board and the Local Government Association has been completed and sent to all fund managers engaged by the fund. The Head of the Pension Fund advised that it was fully expected that all fund managers would agree to opt to the professional investor status. To not take this option could incur significant financial costs.

Noting the action taken by the Gloucestershire Fund, the Pension Board identified a need to ensure the Pension Committee was equipped with the necessary skills and training to respond to Government/EU regulations. To meet this requirement, it was suggested an additional risk be added to the risk register for the fund to consider the impact of not providing committee members with the required level of professional knowledge and training. The risk to be added to the risk register under the heading, 'Loss of experience on the Pension Fund Committee or Pension Board, and/or the lack of adequate training, having a negative impact on overall governance arrangements within the Gloucestershire LGPS'.

Action by – Mark Spilsbury

The Head of the Pension Fund confirmed that an additional self assessment exercise was about to be undertaken, which would assist in developing a fit for purpose training plan for the Pension Committee.

53. GLOUCESTERSHIRE PENSION FUND FUNDING UPDATE

Mark Spilsbury, Head of the Pension Fund, gave an update on the performance of the Gloucestershire County Council Pension Fund as of 30 June 2017.

Drawing on comparisons with the funding position as of 31 March 2016, the following points were made: -

- a) The funding level at 30 June 2017 had increased from 79.6% to 83.4%;
- b) There was a slight improvement to the fund deficit, decreasing from £435m in March 2016 to £417m at the end of June 2017;
- c) Future updates to consider the funding position from an assets versus liabilities perspective;

The Pension Board endorsed the Pension Committee's request for regular, (at least six monthly), performance updates on the Gloucestershire Pension Fund and asked that these be also brought back to the Board meeting.

Action by – Mark Spilsbury

EXCLUSION OF PRESS AND PUBLIC

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.

54. EXEMPT MINUTES

- a) The exempt minutes of the Pension Board meeting held on 24 March 2017 were agreed and confirmed as an accurate record of that meeting.
- b) The exempt minutes of the Pension Committee meetings held on the following dates were noted.
 - i. 29 March 2017
 - ii. 2 June 2017
 - iii. 1 September 2017

55. LOCAL AUTHORITY PENSION FUND PERFORMANCE ANALYSIS

Mark Spilsbury, Head of the Pension Fund, gave an overview of the performance of the Gloucestershire Pension Fund based on comparisons with 60 other local funds, as of 1 September 2017.

The Pension Board commended the clarity of the information that had been presented, and welcomed the opportunity to consider the report in the future. It was agreed the report would continue to be presented to both the Pension Committee and the Pension Board.

Action by – Mark Spilsbury

56. MOVEMENT TOWARDS THE NEW STRATEGIC INVESTMENT STRATEGY

Mark Spilsbury, Head of the Pension Fund, confirmed that the Pension Committee had agreed the new strategic asset allocation for the financial period 2017/18 to 2019/20 in March 2017. The new allocation would adopt a phased approach, the details of which were included in the report. The Head of the Pension Fund confirmed that the committee, officers and the fund's Independent Advisor had been content with the proposals. The report was noted.

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

57. BRUNEL PENSION PARTNERSHIP - SHORT VERBAL UPDATE

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

58. PENSION ADMINISTRATION PERFORMANCE

Mark Spilsbury, Head of the Pension Fund, gave an update on the performance of the Gloucestershire Pension Fund Administration Team.

Acknowledging the hard work and efforts of the team, the Board noted the report and welcomed the improvement in performance.

CHAIRPERSON

The meeting concluded at 12.05 pm

It was suggested the Board continue to meet twice a year, (March and October), with the flexibility to arrange an additional meeting if required.

It was suggested the next meeting be held in early March 2018.