

PENSION BOARD

Minutes of the meeting of the Pension Board held on Monday 16 April 2018 at Shire Hall, Gloucester.

PRESENT	Sean Collins (Chair)	Owen Shaw
	Annette Benson	Jon Topping
	Cllr Nigel Moor	

59. APOLOGIES

There were no apologies at the meeting.

60. MINUTES

The non-exempt minutes of the meeting held on 16 October 2017 were confirmed and signed as a true record of that meeting.

Chairman of the Board, Sean Collins welcomed, Annette Benson, (Financial Controller for the University of Gloucestershire), to the meeting. As a point of clarification, Annette confirmed that, although she had been Financial Services Accountant for a number of years, it had only been in the last year she had undertaken the position of Financial Controller at the University.

Outlining the actions taken since the last meeting, the Head of the Pension Fund, Mark Spilsbury, confirmed that: -

- i) An update on the Gloucestershire Local Government Pension Fund Business Plan 2017-18 would be provided at each Pension Board meeting, (the update reported at today's meeting would be considered at item 4 of the agenda);
- ii) The Pension Board to be invited to comment on the Pension Committee Annual Report. It was agreed the report would be circulated to board members by email in either August or early September and for board members to submit any comments to Mark Spilsbury, Head of the Pension Fund. The comments would be noted at the October board meeting.
- iii) An update on the council's investments to be considered at each Pension Board meeting. In the past, a report had been presented to the Pension Committee as exempt information by former Independent Advisor, Steve Tyson. It was suggested that, for all future meetings, the Head of the Pension Fund, Mark Spilsbury, would present an overview of information in the form of several short reports. The name of the replacement independent advisor was confirmed as John Arthur.

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- iv) Comments made in response to the Pension Fund Risk Register, (considered by the Pension Board in October 2017), to be reported to the Pension Committee at each meeting.
- v) The Pension Board to consider the Audit Findings Report on an annual arrangement.
- vi) A performance analysis report would be produced on an annual basis and presented to the Pension Board at each autumn meeting.

Actions by – Head of the Pension Fund, Mark Spilsbury

61. INVESTMENT PERFORMANCE REPORT

Head of Pension Fund, Mark Spilsbury, informed members that the performance report had been produced by State Street.

Key points highlighted by the report included:

1. That the fund's performance for the period ending December 2017 was not specific to Gloucestershire;
2. The performance data relating to the performance of the Gloucestershire Pension Fund, (reported at page 10 of the agenda), would no longer make comparisons against benchmark indices but against performance targets;
3. The 'client overview compared with strategic benchmark table' reported on page 11 of the agenda would no longer form part of the report and would be replaced by the 'client overview compared with performance target' information;

The Head of the Pension Fund confirmed that the funds' performance was in a positive position. Whilst the opening months of 2018 had been quite volatile for global financial markets, recent reports indicated a positive outcome, with a one year return of over 11%.

Members were advised to monitor the mid to long term performance of the fund, (reported at 3 and 5 year intervals), both of which were anticipated to provide a more revealing and interesting analysis.

One area of concern that had emerged from the report had been the slight underperformance of the Aberdeen Standard Investment mandate. Members were advised that, had it not been for the recent move to the Brunel Partnership and the high transition costs that had been incurred, a decision would have been made to investigate the issue.

Members supported the intention to replace the symbols used in the 'ex post risk report', (reported at page 16 of the agenda), and agreed that the suggestion to present the information in an 'easy to read' format would be welcomed.

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The performance report would now be presented to the Pension Committee, (and continue to be presented on a quarterly basis) The report to include an analysis of the total fund, plus an analysis of the Gloucestershire fund. Data relating to other funds would not be included in the report.

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.

62. BUSINESS PLAN UPDATE 2017/18

Head of the Pension Fund, Mark Spilsbury, gave an update on the key tasks included within the 2017-18 Business Plan. He confirmed that a detailed review of the plan had been undertaken and that work would be ongoing to support the development of a new investment strategy. The business plan had received formal accreditation in March 2018 and was anticipated to become fully operational by the end of April.

The Annual Report agreed by the Audit Committee in July 2017 had been published on the council website in September 2017. The report reflected the significant amount of work that had gone into ensuring year end returns had been completed and returned within the statutory deadline. The Annual Benefits Statement, (reporting very positive results), had been circulated to all pension holders. Members welcomed the positivity of the report.

The Head of the Pension Fund confirmed the dates of two training events scheduled to take place prior to the Pension Committee meetings on: -

Friday 11 May 2018 - Responsible Investment and Carbon Footprint
Friday 7 September 2018 – Investment Risks and Returns

Both sessions would be held at Shire Hall between 10 and 11am with a further regional event due to be arranged in Oxford. Details of the event in Oxford to be circulated to members when known.

Board members expressed their appreciation at the improvement in relationships between officers and employers and endorsed the suggestion that the performance of the team might benefit from the appointment of additional employees.

The Business Plan 2017/18 to be considered by the Pension Committee on 11 May 2018.

63. RISK REGISTER

Board members were advised of the changes that had been applied to the Pension Fund Risk Register since the board meeting last met in October 2017.

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The board noted that one of the changes (risk 9), had been introduced at the request of the Director of Strategic Finance to consider the potential risks that might emerge during the transition period to State Street Bank under the Brunel Pension Partnership. The board was pleased to note no major problems had been encountered.

During the discussion, it was suggested that the Pension Committee consider adding a new risk to the risk register to identify the potential risks to new mandates following the move to the Brunel Partnership.

The addition of a second risk was also suggested, to consider the risks that might arise from the transition to the new business case.

The board requested that the Risk Register be printed on A3 (coloured) paper for ease of reading.

There were no further comments and the document was noted

Action:

The Pension Board proposed that the Pension Committee consider the addition of two new risks to the Risk Register.

Risk 1 – To identify the risks to new mandates following the move to the Brunel Partnership

Risk 2 – To identify the risks to the new business case following the move to the Brunel Partnership

64. FUNDING LEVEL REPORT

Head of the Pension Fund, Mark Spilsbury, gave an update on the Gloucestershire County Council Pension Fund.

Mark informed members that the original update had been received during his absence and on inspection had not been as expected. Having contacted Hymans Robertson LLP, (author of the report), a further update had been produced with the correct information. The updated version of the report had only been received that day and was circulated at the meeting.

Mark explained that the original update, (provided to illustrate the estimated development of the funding position of the Gloucestershire County Council Pension Fund from 31 March 2016 to 31 March 2018), had been based on 'estimated' and not 'actual' returns.

In presenting the update, it was reported that the funding deficit level had increased slightly and was significantly higher. The funding level reported at the latest formal valuation had been 79.7%. As of 31 March 2018, the funding level had risen to

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83.3%, increasing from a deficit of £435m at 31 March 2016 to a deficit of £442m at 31 March 2018. It was noted that there had been a slight drop in the deficit in 2017.

The figures considered at the meeting were based on actual contributions, signifying a more realistic position. It was suggested that, for future updates, only actual returns should be provided. The update considered at this meeting would be considered by the Pension Committee on 11 May 2018.

Some of the key points the board was asked to note included: -

1. The funding level had dropped over the last quarter due to negative investment funds;
2. Market conditions had remained broadly constant over the same period;
3. The updated report was prepared using a single set of market related assumptions, derived in line with the council's Funding Strategy Statement;
4. Contributions would be re-assessed following the 2019 formal valuation

The funding update was noted.

65. EXCLUSION OF THE PRESS & PUBLIC

The Pension Board

RESOLVED:

That, in accordance with Section 100 A (4) of the Local Government Act 1972, 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, 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 this information could outweigh the public interest in disclosing the information to the public.

66. EXEMPT MINUTES

The exempt minutes of the meetings below were confirmed and noted as accurate records of the meetings: -

Pension Board Meeting – 16 October 2017
Pension Committee Meeting – 10 November 2017
Pension Committee Meeting – 9 February 2018

67. PENSIONS ADMINISTRATION REPORT

Head of Pension Fund, Mark Spilsbury, invited Pensions Administration Manager, Alan Marshall, to present the report.

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Alan gave a detailed update on the performance of the Gloucestershire Pension Fund Administration Team, based on comparisons between the actual percentage achievements and the average number of days taken to complete each task between 2016/17 and the first 11 months of 2016/17.

The report was noted.

68. STRATEGIC ASSET ALLOCATION

Head of the Pension Fund, Mark Spilsbury, gave a detailed update on the key changes between the Strategic Asset allocation, (covering the financial years 2017/18 to 2019/20), agreed by the Pension Committee in March 2017 and the proposed asset allocation agreed on 9 February 2018.

The report was noted.

69. BRUNEL PENSION PARTNERSHIP UPDATE REPORT

Head of the Pension Fund, Mark Spilsbury, presented the Brunel Business report for the period 1 January 2018 to 28 February 2018.

The report was noted.

CHAIRPERSON

Meeting concluded at 11.00am