



PENSION COMMITTEE

MINUTES of the meeting of the Pension Committee held on Friday 10 May 2019 commencing at 10.00 am.

**PRESENT
MEMBERSHIP:**

Cllr Colin Hay	Cllr Ray Theodoulou
Cllr Shaun Parsons	Cllr David Brown
Cllr Lynden Stowe	Peter Clark

Apologies: Cllr Rachel Smith and Cllr Nigel Moor FRTPI FRSA

In Attendance: Paul Blacker, Mark Spilsbury, Alex Bull, John Arthur (Independent Advisor) & Andrea Griffiths.

1. DECLARATIONS OF INTEREST

Councillor Stowe informed the Committee that he was no longer a member of Cotswold District Council.

2. PUBLIC QUESTIONS -

No public questions were received.

3. MEMBERS' QUESTIONS -

No Members' questions were received.

4. MINUTES -

The minutes of the meeting held on the 8th February 2019 were approved as a correct record and signed by the Chairperson.

Resolved

That the public minutes of the meeting held on the 8th February 2019 be approved as a correct record.

5. PENSION BOARD MINUTES

Resolved

That the Pension Board minutes were noted.

6. PENSION FUND RISK REGISTER

Mark Spilsbury, Head of Pensions introduced the risk register explaining 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:

- A/R 1.2; the narrative had been amended to reflect the intention to increase the number of Senior Pension Officers, as set out in the Business Plan.
- F1 and F5; the narrative had been updated to reflect the fact that the residual risk likelihood had now been reduced back to a 2, in the context of the full Q1 2019 performance.
- F2; Narrative updated to confirmed that the Investment Strategy Statement and Strategic Asset Allocation would be amended following a review to be undertaken later in 2019/20 once the results of the 2019 valuation were available.
- F8; Narrative updated to reflect the fact that both of the employers who had left the fund had now paid their cessation debts in full.
- F/D6; Narrative updated to reflect the possibility of introducing an ill health liability insurance process under which all employers were included within a blanket cover policy unless they formally opted out.

During the discussion, further information was requested in relation the costs involved with ill health insurance policy/F/D6 and the benefits it provided. It was agreed that a report would be produced for an appropriate future meeting of the Committee, which evaluates the current arrangements, with any alternative arrangements, from a risk and vfm perspective. (Action MS). Officers explained that pension strain costs emanating from ill health retirements are a major risk to individual employers within the fund, and the fund as a whole, and hence must be addressed by appropriate mitigating actions to protect the fund. It was noted that the current insurance policy offered to employers was provided by by Legal & General, via Hymans Robertson, with employers free to choose as to whether they took out such cover. Members felt employers should be encouraged to take the cover.

In response to a question, it was noted that Hymans Robertson receive commission from Legal & General calculated as a percentage of premium paid by each employer when they opt to take out the cover.

Resolved

That the committee noted the Risk Register

7. PENSION FUND BUSINESS PLAN

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

Head of Pension Fund, Mark Spilsbury, gave an update on the Gloucestershire Local Government Pension Fund Business Plan 2019-20.

The Business Plan was prepared in accordance with the Department of Communities and Local Government best practice guidance for the governance of pension funds. The business plan confirmed that, at 31 March 2019, the Gloucestershire Local Government Pension Scheme (LGPS) had 55,468 members, consisting of 19,026 active, 20,414 deferred and 16,028 retired (pensioner/dependent) members.

The Head of the Pension Fund clarified that the costs set out in the business plan were borne by the Fund and not by the County Council. Estimated costs within the proposed budget for 2019/20 totalled £9,143 million, which includes significant costs from investment managers and costs relating to the Brunel Pension Partnership. It was explained that the main budget change between the 2018/19 budget (£9,268m) and 2019/20 was a decrease in external investment management costs. This was primarily because the budget for External Fund Manager costs had been reduced by £00,000, which reflected the removal of the budget provision for a potentially large performance fee that could have been payable under the previous UK equities investment mandate with Aberdeen Standard Life, prior to the establishment of Brunel Active UK mandate.

The Committee noted the key targets and major milestones for the Pension Fund for 2019/20, as detailed on page 28 of the report.

Members were advised that the budget for staff costs had increased by £81,000, which related to the recruitment of three additional full time pension officer posts within the Pensions Administration Team. Officers explained that the Gloucestershire's staffing costs were still significantly lower than many other similar sized LGPS funds.

In response to a question, members were informed that the increased staffing levels would help to achieve the performance benchmark targets by 2021. Officers explained that staffing costs were fully funded from the Pension Fund, hence the separate Pension Fund accounts.

Members requested a costing chart over a three year period in order to closely monitor the BPP budget activity. (Action – MS) The Committee wanted to examine the expected reduction in external fund manager's fees compared with the additional costs to the Fund of the Gloucestershire share of the Brunel Pension Partnership (BPP) costs. In relation to the BPP budget, the Chairperson informed the Committee that BPP had been advised that there is an expectation that there would be no future significant increases in the BPP budget.

It was noted that there were a number of sub-groups, one of which was chaired by Mark Spilsbury that help to hold the BPP to account. In response to a question, it was explained that all ten shareholders had to be in agreement to approve addition staffing resources, under the agreed Special Reserve Matter process.

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During the discussion it was also noted that BPP senior staff would present to the Pension Committee throughout the year. Mark Mansley and Chris Crozier from BPP would be presenting to the Committee later on in the agenda, primarily on investment performance and on the quarterly business report produced by the BPP.

Resolved

The report was noted.

8. MARKET VALUATIONS AND QUARTERLY PERFORMANCE REVIEW OF THE PENSION FUND: QUARTER 1

Alex Bull, Finance Manager (Pension Investments and Finance), presented an overview of market valuations and gave an update on the performance of the Gloucestershire Local Government Pension Scheme, (LGPS), as at 31st March 2019.

Member's attention was drawn to the market value by manager table on page 33 of the report, from which it was noted that the fund had increased in value over the quarter to March 2019, rectifying the fall experienced over the quarter to December 2018. The committee continued to discuss the overall performance of the fund as set out in the chart. This showed that, over the long term, fund performance was slightly higher than the strategic benchmark.

John Arthur, Independent Advisor to the Fund, added that performance had been managed against the benchmark and overall the fund was in a good position.

Members expressed their frustration at the length of the external performance reports. Officers explained that in time Brunel would replace this report and a shorter, more user friendly version was anticipated. It was suggested that it may be possible to offer a training session going forward on the BPP investment mandates and their performance.

Resolved

That the report be noted.

9. UPDATE ON INVESTMENTS MADE WITH THE BRUNEL PENSION PARTNERSHIP

The Head of the Pension Fund, Mark Spilsbury informed the Committee that the report provided an update on:

- The timetable for the implementation of the BPP Investment Portfolio's
- The allocation ranges agreed by Committee under the current strategic asset allocation; and
- The level of investments already made in the portfolio's implemented to date.

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Members were advised that around 40% of the funds investments are now managed by or committed to the BPP. This should increase to around 64% by the end of 2019/20.

Resolved

That the report be noted.

10. BRUNEL PENSION PARTNERSHIP PERFORMANCE REPORT

Mark Mansley and Chris Crozier, BPP presented the report.

The Fund had delivered 7.3% on an absolute basis over Q1 and had outperformed its target benchmark by 0.5%. The absolute return over the one year period was 5%, underperforming on a one year basis by -1.8%. The overall picture for Quarter 1 was deemed positive by BPP.

It was noted that 40% of the assets had now been transferred to BPP. In response to a question, it was noted that the cost of the transition was significantly lower than the estimated figure included in the Brunel original business case. Members felt that the report could be refined. The Chairman requested that the detail and style of reporting needs to be re-examined in relation to future reports to the Gloucestershire Pension Fund. BPP welcomed the opportunity to discuss the details further and agreed to amend the report and tweak the language where necessary. (MS/Mark Mansley, BPP)

The Committee sought assurances in relations to transitions. Mark Mansley explained that it was possible to keep within that estimated cost range and restructure the portfolio's in order to so. He advised members that BPP hoped to come in on the lower part of the range and were working hard to achieve to this position. The transition panel had been appointed and they would seek to ask three transition managers to tender for it.

The Independent Advisor, John Arthur inquired as to how BPP planned to appoint managers to future funds, in terms of emerging markets and high alpha. Mark Mansley explained that a lot of work had been already been undertaken, including the group analysis of managers, the correlation between categories of managers, diversification drawn on expertise of market characteristics. The Independent Advisor supported the concept of combining managers in order to maximise the chances of achieving the agreed performance target, although he felt that the targets set were extremely stretching.. BPP remarked that the target should be aspirational and they were comfortable with the High Alpha and Emerging Markets at the moment.

In response to a question, Members were advised that ESG considerations were taken very seriously by the BPP. BPP wanted managers to take a broader long term view on portfolios. If a manager decided to invest in a controversial company then BPP would want answers as to know why they had taken that decision.

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During the discussion, it was noted that Passive Developed Equities on page 69 of the report, did not appear to correlate with page 71 of the report. BPP agreed to check this information and report back to the next meeting of the Committee. (Action – Mark Mansley / Chris Crozier BPP).

Resolved

That the report be noted.

11. 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.

12. EXEMPT MINUTES

The exempt minutes of the meeting held on 8th February 2019 were agreed as a correct record and signed by the Chairman.

Resolved

That the exempt minutes of the meeting held on the 8th February 2019 be approved as a correct record.

13. EXEMPT PENSION BOARD MINUTES

Resolved

That exempt minutes be noted.

14. REPORT FROM THE INDEPENDENT ADVISOR TO THE FUND

Independent Advisor, John Arthur, provided members with an update on current investments. The Committee were referred to the detailed Performance and Executive Summaries contained within the report.

Resolved

That the report be noted.

15. BRUNEL PENSION PARTNERSHIP BUSINESS REPORT

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Chris Crozier, BPP, presented the report in detail.

Resolved

That the report be noted.

16. 2019 ACTUARIAL VALUATION OF THE FUND

Julie West and Paula McCall from Hymans Robertson, gave a detailed presentation of the report.

Resolved

That the presentation be noted.

At this juncture the Chairperson had to leave the meeting, the Vice-Chairman proceeded to chair the meeting.

17. ACTUARIAL ASSUMPTIONS

The report was presented in detail by Julie West from Hymans Robertson. It was explained that valuation was a statutory requirement of the regulations which facilitated a health check of the fund against an appropriate funding target and a review of its funding plan. In order to carry out the valuation, actuarial assumptions were required to set an appropriate funding target.

Member's attention was drawn to the executive summary, which suggested changes to certain actuarial assumptions and the appropriate reasons were detailed accordingly. The Committee noted there had been some challenges with the valuation, although overall GCC LGPS was in a better position in comparison to peer funds.

Resolved

That the actuarial assumptions set out in the report in relation to the 2019 valuation of the Gloucestershire Fund are agreed by the Committee, subject to further discussion on the discount rate.

18. ADMISSION BODY REQUESTS

The Finance Manager, Alex Bull presented the report in detail. Members were advised that since the last Pension Committee meeting in February 2019, there had been one new request for admitted body status within the Gloucestershire LGPS.

Resolved

That the Committee approved the Officers recommendation.

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CHAIRMAN

Meeting concluded at 14:05pm