



## PENSION COMMITTEE

**MINUTES of the meeting of the Pension Committee held on Friday 20 September 2019 commencing at 10.00 am.**

**PRESENT  
MEMBERSHIP:**

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

**Apologies:** Cllr Rachel Smith

**33. DECLARATIONS OF INTEREST -**

Councillor Stowe declared he was now the GCC Shareholder representative on UBICO.

**34. PUBLIC QUESTIONS -**

No public questions were received.

**35. MEMBERS' QUESTIONS -**

No Members' questions were received.

**36. MINUTES -**

It was noted that Cllr Cooper was present at the May meeting, subject to this amendment the public minutes of the meeting held on the 10th May 2019 were approved as a correct record and signed by the Chairman.

**Resolved**

**That the public minutes of the meeting held on the 10th May 2019 be approved as a correct record, subject to Cllr Cooper's attendance being amended.**

**37. PRESENTATION ON RESPONSIBLE INVESTMENT**

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

The Committee received a detailed presentation from Faith Ward, Responsible Investment Officer and Chris Crozier, Relationship Officer from the Brunel Pension Partnership (BPP).

Members were advised that a sustainable equity mandate would be issued in due course. It was noted that BPP had a detailed responsible investment policy and supporting information on their website and this was incorporated into their work ethic. Alex Bull, Pensions Manager advised the Committee that he also sat on the Responsible Investment Sub Group at BPP.

In response to a question relating to financial sustainable system, Ms Ward explained that it involved looking at how our economy could contribute to a more sustainable planet, whilst being mindful of the factors which impact on financial returns and hence the delivery of pensions.

Ms Ward advised members that the policy framework was devised in association with the Government Department for Work and Pensions. It was explained that there was now a more operational focus on the client, and that BPP gave the Government advice and feedback.

It was suggested that should Pension Funds use their influence on Government as the value of the funds should not be underestimated. As many pension funds were major investors in Companies and held a great deal of influence in the UK first and foremost.

Members were advised that during the manager selection process, BPP considered a number of factors including the team composition, staff turnover, etc and they challenged managers on a variety of issues before appointing.

It was noted that emerging markets were defined through the MSCI Index, Ms Ward explained that China was considered an emerging market as it was not possible to access most Chinese businesses. Members wished to know if there was a level playing field across the markets, officers explained it was more a question of how risk was being managed, for example in Japan it was unusual to have women on the board, therefore it was necessary to have nuances and regional expertise.

The Committee were advised that there were responsible investment levels on alcohol, etc but currently not on smoking, however BPP are likely to address this in the future. It was evident there were intrinsic challenges involved in operating to different time lines. In response to a question, members were advised that the Committee would receive a quarterly carbon footprint report.

Members also questioned the ethical and moral trend in pension schemes. Ms Ward explained that it was necessary to have an awareness of the issues and have a greater understanding as companies who were positioning themselves to be more sustainable would probably be in a better position in the longer term.

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Officers reminded members of the Investor Day which had been arranged by BPP and all were welcome to attend.

The Committee proceeded to discuss the presentation in considerable detail. The Chairperson thanked Faith & Chris for attending and providing the Committee with a very detailed presentation, he reiterated that members were concerned by a number of issues and that a follow up session would be advisable in due course.

It was suggested that the Annual Report could include a paragraph on Responsible Investing as this would give members of the scheme reassurance.

### **Resolved**

**That the presentation was received.**

## **38. RISK REGISTER**

Mark Spilsbury, Head of Pensions introduced the risk register explaining that it had been reviewed in August 2019 and a number of changes had been made which were all highlighted in yellow within the risk register. It was noted 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 in May 2019 a number of changes have been made:

- F/D3: A Company admitted to the Fund as an admission body may become financially unviable. The likelihood had reduced from a 3 to a 2 because two high risk employers without guarantors left the fund between March 2018 and January 2019. Both had now repaid their cessation deficits of around £6m and £6.2m.

During the discussion, it was noted that it was difficult to include political risk, as it was subjective and this was usually taken into account during the strategic asset allocation.

### **Resolved**

**That the committee noted the Risk Register.**

## **39. DRAFT PENSION FUND ANNUAL REPORT**

Alex Bull, Finance Manager (Pensions & Investments) presented the report. The draft Pension Fund Annual Report for 2018/19 was prepared in accordance with the Local Government Pension Scheme Regulations, which set out what should be included with Annual Reports.

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.

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

It was noted that officers had included the summary sections on pages 3 to 6 following its introduction during 2017/18. This section includes a more graphical presentation of the key information contained within the full report. Officer's explained the intention was that the summary introduction section could be read as a standalone summary of the Annual Report. Members requested that a highlighted note be included clearly stating this fact and that some information on the BPP and responsible investment should also be included in the Annual Report.

Officers explained that the Annual report included Pension Fund Accounts for 2018/19 and these accounts had been audited and received an unqualified audit opinion, and were considered by the Audit & Governance Committee on the 26th July 2019.

In addition, the annual report now included a section on Investment Pooling which set out the costs and savings resulting from the pooling initiative in the format required by CIPFA..

After some discussion, the committee noted the Pension Fund Annual Accounts and Annual Report. Members were requested to send any further suggested amendments or comments relating to the Annual Report to Officers by 10th October 2019.

**Resolved**

**That the report be noted.**

**That any further comments or amendments be submitted by members of the committee by the 10th October 2019.**

**40. PENSION BOARD ANNUAL REPORT**

Mark Spilsbury, Head of the Pension Fund presented the report in detail. He informed the Committee that the Board had two meetings relating to the 2018/19 financial year. The Committee noted that Sean Collins (Head of Pensions for Oxfordshire) was the Chairman of the Gloucestershire Pension Board, as he had good experience and knowledge of the LGPS, which was invaluable.

In response to a question, it was noted that all Board Members were appointed for a four year period and after consultation the majority of members had agreed to continue their appointments.

**Resolved**

**That the report be noted.**

**41. PENSION ADMINISTRATION PERFORMANCE REPORT**

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

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 six full time members of staff had been recruited with the agreement of the Pension Committee to administer the fund, which had contributed to the improved performance. The Head of the Pension Fund explained that it took time to train staff and naturally this had impacted on performance targets.

Members were advised that the fund performance in 2018/19 was moving in the right direction, however improvement was still required in relation to the processing of Retirement/Lump Sums (69%) and Deaths Grants (82%). The Head of the Pension Fund anticipated this should be overcome by recruiting more senior staff, as approved by the Pension Committee, to increase performance.

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. In response to a question, it was explained that, on occasion some people attempted to claim a death grant to which they were not entitled too. The Committee were advised that it took a lot of resources to clarify the situation to ensure that death grants are always paid to the correct person(s).

The Committee noted that the GCC Pensions Team had signed up to the 'Tell us once' service operated by the registration service.

During the discussion, members referred to people who were still claiming a pension, when the pensioner had passed away. It was explained that, where actions were felt to be fraudulent, the matter would be referred to the Police.

The Committee were pleased to note the improving performance and remarked on the positive efforts made by the team.

### **Resolved**

**That the report be noted.**

## **42. MARKET VALUATIONS & QUARTERLY PERFORMANCE REVIEW OF PENSION FUND : QUARTER 2 2019**

Alex Bull Finance Manager (Pension and Investments), presented an overview of market valuations and an update on the performance of the Gloucestershire Local Government Pension Scheme, (LGPS), as at 30 June 2019.

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.

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Members were referred to the summary report (page 215), which included the benchmark and performance target and the Brunel performance. Officers explained that the next detailed report would be produced by the BPP rather than the custodian and would clearly report on the benchmark and out performance target, together with relevant responsible investment information..

**Resolved**

**That the performance report was noted.**

**43. 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.**

**44. EXEMPT MINUTES**

It was noted that Cllr Cooper was present at the May meeting, subject to this amendment the exempt minutes of the meeting held on the 10th May 2019 were approved as a correct record and signed by the Chairman.

**Resolved**

**That the exempt minutes of the meeting held on the 10th May 2019 be approved as a correct record, subject to Cllr Cooper's attendance being amended.**

**45. INDEPENDENT ADVISORS QUARTERLY REVIEW**

Independent Advisor, John Arthur, provided members with an update on current investments. It was reported that the Pension Fund slightly underperformed against its performance target in Q2 2019. The level of underperformance was within risk tolerances, it was reported that the fund was close to achieving its performance target over the medium and longer term. The Committee were referred to the detailed Performance and Executive Summaries contained within the report.

**Resolved**

**That the report be noted.**

**46. ADMISSION BODY REQUESTS**

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

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

**Resolved**

**That the Committee approved the Officer's recommendation.**

**47. REVIEW OF STRATEGIC ASSET ALLOCATION**

The Head of the Pension Fund, Mark Spilsbury presented the report in detail. Members were advised of the current position.

**Resolved**

**That the Committee noted the report and approved the Officer recommendation.**

**48. ILL HEALTH PENSION STRAIN COSTS**

Mark Spilsbury, Head of the Pension Fund presented the report and advised members of the current position.

**Resolved**

**That the Committee considered the report and approved the Officer recommendation.**

**49. BRUNEL PENSION PARTNERSHIP UPDATE**

Mark Spilsbury, Head of the Pension Fund updated the committee.

He confirmed the timetable for the implementation of the BPP Investment Portfolio's, and the agreed Strategic Asset allocation ranges confirmed by the Committee.

**Resolved**

**That the report be received.**

**CHAIRMAN**

Meeting concluded at 1.24 pm