

PENSION BOARD

MINUTES of the meeting of the Pension Board held on Wednesday 19 January 2022 commencing at 10.00 am.

PRESENT MEMBERSHIP:

John Abbott	Michael Hunt
Annette Benson	Jon Topping
Sean Collins	Cllr Stephen Hirst

1. DECLARATIONS OF INTEREST

No declarations of interest were made.

2. PENSION BOARD MINUTES

Resolved

That the Pension Board minutes held on the 19th October 2021 be approved as a correct record.

3. PENSION COMMITTEE DRAFT MINUTES

Resolved

That the draft Pension Committee minutes held on the 3rd December 2021 be duly noted.

4. GLOUCESTERSHIRE PENSION FUND UPDATE

The Head of Pensions explained the report summarised the Fund's financial position and operational activities for the quarter ending 30 September 2021. The Board were advised that the report was in effect a review of the outcomes of the previous quarter and beyond. It was noted that the report had been presented to the Pension Committee.

The report also contained information on relevant recommendations which were tabled and agreed by Committee at its December meeting.

It was reported that overall the Fund remained in a healthy position, and that the assets outweighed the liabilities and the Fund was still valued in excess of £3bn. In terms of the next valuation cycle, it was noted that the actuary expected that the return on assets to be slightly reduced going forward to 4.1%.

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Members were advised that final transition of the Funds fixed interest allocations to Sterling Corporate Bonds and Multi-Asset Credit had completed to the Brunel Portfolios during the quarter.

The Board were advised of the review of low carbon passive and smart beta allocations, as requested by the Pension Committee. The reviews were requested in response to the launch of the Paris Aligned Benchmark, in addition a report was provided to the Committee from the Independent Advisor and a presentation from David Vickers (CIO), Brunel Pension Partnership.

It was noted that the Committee had agreed an allocation to the Paris Aligned Benchmark, as well as increases to the strategic allocations to Global High Alpha and Sustainable Equities portfolios which encapsulated all of the current exposures to the low carbon and the smart beta portfolios. As a result the Committee updated and approved its new Investment strategy statement, which was provided to the Board as part of the agenda pack.

In terms of engagement statistics the committee received reports detailing the activity that was being undertaken on their behalf by Hermes EOS. It was noted that an annual report of our stewardship outcomes that Brunel provided would be presented to the March Pension Committee and would also be presented to the next Pension Board meeting in April 2022.

In terms of fund administration it was explained that the service was maintaining the current working practices, however it was recognised that these may change subject to Government advice. Members were advised that staff were still working in an enforced Covid environment. The Head of Pensions informed Members there was an increased level of activities especially in the area of retirements and that the Fund would potentially see the highest volume of retirements in any given year.

The Head of Pensions anticipated that performance indicators would improve as the figures were reported on a calendar year cumulative basis, he expected to see an improvement as during the course of the year staff had been redeployed in the first two quarters, to assist in the production of the benefit statements and processing the year end returns.

It was noted that in terms of the McCloud ruling and the 95K Cap funds, officers were awaiting further guidance in light of the consultation process, so the risk had remained at amber at this stage.

The Board were advised that in terms of the Governance Review, a work plan had been devised and many of the statutory policies had been reviewed to ensure compliance.

In response to a question relating to the SLA's for the administration and internal targets, a member wished to know if there were any published SLA external targets. The Head of Pensions explained that there weren't any external targets, only statutory targets in terms of compliance. It was noted that the Committee and the Board viewed performance against the same internal targets. It was recognised

there were statutory requirements and if not achieved these would have to be reported as breaches and non compliance in terms of activity.

Members wished to know if there was any reason why the statutory targets aren't included on the same reports. The Head of Pensions explained it was purely historical and there was no particular reason why it hadn't been included. The Board felt as their role was to ensure the committee were meeting their statutory responsibilities and felt this should be reviewed.

The Head of Pensions agreed that where the statutory requirement existed, it could be included within the report. Members welcomed this approach, as it added a degree of comfort and the fact there are no breaches were being reported consolidated the point.

Resolved

That Board noted the report and agreed that the statutory requirement be included where appropriate.

5. RISK MANAGEMENT POLICY & RISK REGISTER

The Head of Pensions explained that the Policy recognised that effective Risk Management was an essential element of good governance in the LGPS. The Committee approved the Policy at its December meeting, as the recent governance review had identified that the Fund did not have a dedicated policy on Risk Management in place. Members were advised that the risk register would be reformulated in accordance with the new policy.

The Board were advised that the methodology was outlined on Page 75 of the report, which detailed how risk would be assessed going forward. It was noted this replicated what GCC used throughout the service areas but had been tailored appropriately to Pensions. The Risk Register would continue to go to Committee and the Board on an ongoing basis to be reviewed.

It was noted that the Board had previously requested that the G7 risk was elevated, the Committee appreciated the feedback from the Board and agreed that the risk should be increased.

The Head of Pensions explained the Committee had requested that a definition of risk be incorporated within the policy, as detailed at page 70 of the report. The new format risk register would be presented to the next Committee and Board meeting.

The Board felt the policy was comprehensive and the heat map was beneficial to focussing attention in terms of risk. It was agreed that the risk criteria should accompany the risk register as a key document for a point of reference. It was suggested that a clearer indication of what has been done in terms of residual risk, in the future a risk mitigation narrative would be included for clarity purposes. It was noted that the smiley faces were not helpful, as it gave a conflicting view given the colour indicators.

Resolved

That the Board noted the report and agreed the changes to the risk register as detailed in the report.

6. REPORTING & RECORDING BREACHES OF THE LAW POLICY

The Head of Pensions explained that the policy set out the procedure to be followed by any persons involved with the Gloucestershire Pension Fund in relation to identifying, recording and where necessary, reporting breaches of the law to the Pensions Regulator. It was noted the Policy had been agreed by the Pension Committee at its meeting on the 3rd December 2021.

It was explained that the updated policies were as a result of the governance review. Any breaches would be reported to the Committee and Board as a standing item going forward.

The Chair welcomed the inclusion of the breaches log on a quarterly basis, as it was a key issue for the Board to ensure the Committee managed its statutory responsibilities.

It was noted that all policies were published on the Pension Fund website for all to view to ensure transparency and governance. A training session would also be prepared in accordance with the policy for the Board and the Committee.

Resolved

That the Board noted the approved Reporting and Recording Breaches of Law Policy.

7. STATEMENT OF ADMINISTERING AUTHORITY DISCRETIONS POLICY

The Head of Pensions explained the LGPS regulations of 2013 required an Administering Authority to prepare and keep under review a written statement of its policy in relation to the exercise of its discretion under a number of provisions. Therefore the policy had been updated in accordance with the regulations.

In relation to amendment reference 45, the Board were advised that abatement was applied to pension's pre 2014. Abatement had been temporarily suspended in 2020 to prevent people from being financially impeded by returning to work in order to assist with the pandemic. The Committee agreed at its December meeting that abatement would no longer be applied going forward.

With regards to reference 12-15, in terms of admission bodies' agreements, it was agreed that the Head of Pensions assisted by Legal support would now have delegated responsibility going forward. The Head of Pensions explained that any new or exiting admissions would be reported on a quarterly basis. The Board were

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advised that the policy was also published on the fund website for all parties to view.

During the discussion, members agreed that it was a sensible approach to make the amendments in relation to reference 12 -15. In response to a question, it was noted that the Board/Committee would receive a quarterly report on admissions activity.

Resolved

That the Committee noted the Statement of Administering Authority Discretions Policy.

8. PENSIONS ARRANGEMENTS FOR OUTSOURCED SERVICES

The Head of Pensions explained the report looked to set the Funds preferred solution regarding the pension arrangements for outsourced services. The report was approved by Committee at its meeting on the 3rd December 2021.

It was explained the options were currently documented within the Funding Strategy Statement, but with no guidance on the Fund's preferred approach. It was noted that Hymans Robertson in their capacity as actuary to the Fund, had prepared a comprehensive paper (Appendix 1), in order to assist the Fund in understanding the principles of the admission body risk sharing route known as "pass-through" and provided a comparison of the risks between this and the traditional (current) admission route. The report set out the possible contribution rate approaches and next steps to consider for implementation.

Members were informed a number of different approaches could be taken in offering risk sharing agreements between the awarding authority and a contractor. It was explained the defining feature of a pass-through arrangement was to pass significantly less pension risk onto the contractor, this would also reduce the volatility of the contractor's costs of participation. The consequence was that more of the pension risk remained with the awarding authority but by passing less of the pension risks to the contractor, the awarding authority could expect more competitive bids.

Officers had been working closely with the actuary on guidance notes to all awarding authorities and it was critical for the fund to interact with employers. In response to a question, it was noted there was fundamentally no additional risk to the fund, as the liabilities were with the awarding authority.

Resolved

That the Board noted the formal adoption of the pass-through approach, as the preferred pension arrangement for future outsourced services.

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9. EXCLUSION OF THE PRESS & PUBLIC

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 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.

10. PENSION COMMITTEE DRAFT EXEMPT MINUTES

Resolved

That the draft Pension Committee exempt minutes held on the 3rd December 2021 be duly noted.

CHAIRPERSON

Meeting concluded at 11.15 am