



PENSION COMMITTEE

MINUTES of the meeting of the Pension Committee held on Thursday 3 March 2022 commencing at 10.30 am.

**PRESENT
MEMBERSHIP:**

Cllr Matt Babbage	Cllr Lynden Stowe
Cllr Mark Mackenzie- Charrington	Cllr David Brown
Cllr Wendy Thomas	Cllr David Gray
Cllr Colin Hay	

Apologies: Peter Clark

In Attendance: Matthew Trebilcock (Head of Pensions), John Arthur (Independent Advisor), Julie West (Hymans Robertson), and Andrea Griffiths

44. DECLARATIONS OF INTEREST -

Councillor Miller declared he was a member of the Conservative Friends of Israel.

45. PUBLIC QUESTIONS -

Question 2.1 - Mr Brookes requested further information regarding the holdings that the fund had, and requested clarity on the headings, such as local market value, based market value, share par value, etc. He asked if an explanation could be provided in relation to the terminology and the value of the actual holdings.

The Chair explained that a response would be sought and would be provided in due course.

Question 2.2 - Mr Brookes asked a question relating to divestment and if there was material investment risk such as stranded assets and if the fund were looking to divest. He mentioned the moral dimension in terms of climate change and in terms of Gazprom in Russia investments. Mr Brookes referred to the response provided that Brunel was going to set out clear expectations for its asset managers and was reviewing its companies and the climate stock. He wished to know if as a client would the Committee press strongly for Brunel to divest from any companies which continue to explore for fossil fuel reserves, which was in disregard of the recommendations of the IEA as they recommended there should be no further fossil fuel exploration as it was not needed.

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The Chair explained that the issue relating to Russia would be dealt with later in the Committee's agenda. It was noted there were considerable time scales involved in stranded assets and in the investments, the fund took a very long term view of its investments and the returns over a number of years. The Chair also recognised that some flexibility had to be given to fund managers in those areas. The Chair accepted the points made with regard to the economic and moral issues that were at stake within fund management and particularly some of the minerals and extraction based industries.

Question 3 - Penny Kent asked a supplementary question about divestment on behalf of South West Action on Pensions, given that engagement was very unlikely to work with major fossil fuel companies when the core of their businesses is to extract and sell fossil fuels for financial gain and that since 2018, all major oil and gas companies had approved projects that were not consistent with the Paris goals, would the pension committee therefore ask Brunel Pension Partnership to provide incontrovertible evidence that their policy of engagement is effective in altering the core business models of the oil giants that were set to destroy our planet.

The Chair advised that a response would be provided in writing because it involved a commitment from Brunel on behalf of the 10 different funds. It was noted that the response would also be circulated to all members of the Committee for information. The Chair proceeded to explain that it was necessary to look at some of the investments because some may be holdings in what potentially could be stranded assets and oil exploration, but some of them did have a very positive direction of travel including investment in renewables. It was recognised there was course a phasing, as it would take a number of decades for oil to be replaced by renewables.

Alan Mossman requested a copy of the response in relation to the previous question.

Question 4.1 Alan Mossman stated that he hadn't received an answer to the question about stranded assets, he felt there was nothing in the risk register that addressed stranded assets explicitly. He wished to know what action the Committee would commit to ensure that it was explicitly included in the risk register that's used by both the County Pension Fund and used by Brunel in the risk register.

The Chair explained that members of the committee would be discussing the risk register during the meeting and members would have opportunity at that point to take onboard the point raised and to provide challenge to our officers. In addition, Brunel would be asked to comment appropriately and a response would be sent in due course.

Question 4.2 Alan Mossman stated that in relation to the first paragraph and "protecting our interests through contributing to a more sustainable and resilient financial system which supports sustainable economic growth and a thriving society". He didn't believe there was time for the Chair to explain how he understood sustainable economic growth. He requested a written response from the Chair detailing his understanding of this complex goal.

The Chair noted the request and agreed to provide an answer in writing.

Question 4.3 the supplementary question related to the fund understanding what member, as in those who were contributing, deferred and pensioners thought. Mr Mossman felt the initial response was about how the fund had set out to tell members what the fund management think. He explained that it lead him to assume that the fund had done nothing to find out what members think and asked the Chair if that' was not the case what was the answer to my question.

The Chair explained that it had not been possible to hold an annual meeting during the course of the last couple of years for the reasons stated. The AGM was a forum for any member of the fund to raise questions. The Chair explained he was unable to pass comment on the 2019 AGM, as he was not appointed to his current position until 2020. The Chair also added that all parties had the opportunity to engage at the AGM and committee meetings by submitting questions.

46. MEMBERS' QUESTIONS -

No Members questions were received.

47. MINUTES -

Resolved

That the public minutes of the meeting held on 3rd December 2021 were agreed as a correct record.

48. PENSION BOARD DRAFT MINUTES

Resolved

That the Committee noted the draft Pension Board minutes of the 19th January 2022.

49. RUSSIA/UKRAINE UPDATE

In light of recent global events, at this juncture a report was tabled at the meeting which gave members an update on the potential impact and exposure of the Fund's investments.

The Independent Advisor strongly advised the Committee to accept the recommendation going forward in light of the global politically situation.

In response to a question, it was explained that in terms of monetary value the investment was relatively small at £7.7 million; however it was a question of morals, ethics but predominantly investment risk.

The Head of Pensions explained if Russia were to take over Ukraine, then the Fund would need to look at how it viewed the situation and the investment risks it now posed and it was important that the Fund had the ability to make statements about what it would and wouldn't do. Members also questioned how the fund would view those countries that were supporting Russia.

Members unanimously supported the proposal but wished to remain open minded and agreed that any future investment in this area should be debated by the Committee. The Head of Pensions advised that any decision would always come back to Committee and any Russian stocks would be sold as soon as the markets allowed. It was recognised that the Russian market would be uninvestable for a long time.

The Committee also suggested that Belarus should be included, officers explained that MSCI Emerging Market Index was removing Russia and officers would need to check if there were any investments in Belarus at this stage. **(Action – MT/JA)**.

Members also sought clarification on the number of Ukrainian investments held by the Fund. **(Action – MT)**

It was noted that things could change rapidly in Russia, as western businesses had changed Russia and many young Russians had western mind sets and it was important to not conflate the Putin regime with the Russian people. Members supported the approach and hoped that the sanctions would speed up change. It was noted the recommendations would be shared with Brunel and the other appropriate bodies as a matter of urgency.

Resolved

That the Pension Committee agreed the following actions to be taken by the Fund:

- **With immediate effect, to prohibit any new investments in Russian assets**
- **To begin, in an orderly manner, to disinvest from all Russian-controlled and Russian-owned assets, both bonds and equities, wherever they be listed, to ensure we capture all Russian assets. Due to the nature of the Russian regime, we do not make the distinction between state-owned assets and non-state-owned companies**
- **Where our non-Russian assets have material revenues/profits derived from Russia, we will seek to influence through engagement to the same end.**

50. GLOUCESTERSHIRE PENSION FUND QUARTERLY UPDATE - PART 1

The Head of Pensions presented the report which summarised the Fund's funding position, market value, asset allocation, investment performance for the quarter ending 31 December 2021.

Members noted that by the end of the quarter to 31 December 2021, the Fund's total market value increased by £126.733m, to £3,226.748m and over the quarter, total Fund assets produced a positive return of 4.1%, compared to a target of 4.3%,

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slightly underperforming the strategic benchmark by 0.2%. It was reported that performance over the 3 years to 31 December 2021 was 12.3% ahead of the benchmark by 0.9%.

The Committee were advised that the fund was in a positive position at the quarter end.

The Head of Pensions explained the annual Responsible Investment and Stewardship outcomes report would provide greater information on the effectiveness and outcomes of the voting and engagement undertaken and would include case studies. The report for 2021 was currently being prepared by Brunel and this would be issued to all Committee and Board members in due course.

Members suggested that in terms of the Annual Responsible Investment and Stewardship Outcomes Report a lot of the information was out of date and more current data was required. It was recognised there was more visibility from the different groups and stock responses. It was noted that a member had previously asked for some examples of the top engagement and stewardship activities, Officer's agreed to follow this request up. **(Action – MT)**

In terms of Fund Administration and as the service emerges from the pandemic, the intention was to work towards implementing agile working for the team, as per GCC guidelines, which would see greater flexibility across the team, but would result in a major change to the overall teams working behaviours that were in place prior to the pandemic in 2020.

Resolved

That the Committee noted the report in accordance with the regulations, the Funds position and activities as at 31 December 2021.

51. RISK REGISTER

The Head of Pensions explained that in accordance with the Risk Management policy agreed by Committee on 3 December 2021, progress and activity in managing risks would be monitored and recorded on a risk register and key information would be provided on a quarterly basis to the Pension Committee and the Pension Board, as part of the regular update reports on governance, investments and funding, and administration and communications.

In addition, as part of the agreed risk management policy there was a new risk register format which would provide a dashboard (heat map) overview of the risks in the following 3 categories:

- Governance
- Funding & Investment Risks
- Administration & Communication Risks (Operational)

Included on the dashboard, at the request of Committee, was a summary of the total number of identified risks across all three categories per risk exposure

referenced between target and actual and could be viewed at appendix of the report.

Members were advised that as part of the exercise the risks had been reviewed against previous rating and there were no material changes to risk levels since the Committee considered the risk register at its last meeting in December 2021.

During the discussion, members agreed that Governance Risk number 9 header be amended to 'Climate Change & Stranded Assets', including Environmental ESG issues. **(Action – MT)**

Resolved

That the Committee noted the Risk Register and the current elevated risks, as outlined in the report.

52. FUND BUSINESS PLAN 2022/23

The Head of the Pensions explained that the Fund's Business Plan 2022/23, as set out in Appendix 1 of the report, covered the Funds objectives, key areas of activity and budget for 2022/23.

It was noted that good governance of the Pension Fund was critical for the long-term sustainability of the Fund for the members and the participating Employers.

The Business Plan included a budget for expected payments from the Gloucestershire Pension Fund over the period, including the resources required to manage the Fund.

Members were advised the Business Plan was formally reviewed and agreed every year. However, it was monitored by officers throughout the year, and as a result the Pensions Committee could be asked to agree changes to it, if required throughout the year.

In response to a question, the Head of Pensions explained that the majority of the Funds Administrative and Oversight & Governance underspend related to the level of vacancies in the team during the year. The recruitment of these posts had been delayed due to the pandemic. This was also reflect in the IT underspend in relation to required equipment and licences. The underspend in actuarial fees would be reflected in an increase in the 2022/23 budget, as this was based on the additional activities on the valuation process and fees were levied as the project progresses.

In response to a question, members noted the expenditure on professional fees fluctuated year on year depending on the number of complex matters the Fund had to deal with that may require legal opinion or support from additional professional advisers.

Members were advised that the Fund received a rebate of £46k against our fees, which represented a budget underspend by Brunel for 2020/21.

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The Head of Pensions explained for 2022/23 it was proposed to focus on 4 key areas in addition to the normal activities of the Fund. The core projects were summarised as follows:

- 2022 actuarial valuation and associated activities
- Pensions administration system contract review/renewal
- Pensions Dashboard (including a data improvement strategy)
- McCloud
- Taskforce for Climate Related Financial Disclosure (TCFD) regulations

Resolved

That the Committee approved the Business Plan for 2022/23 and noted the current outturn position of the 2021/22 business plan.

53. 2019 VALUATION - PUBLIC SERVICE PENSIONS ACT 2013, SECTION 13 REPORT

The Committee received a detailed presentation from the Actuary, Hymans Robertson, it was noted that under Section 13 of the Public Service Pensions Act the Department of Levelling Up Housing and Communities (DLUHC) appointed the Government Actuary's Department (GAD) to carry out a review of the LGPS local funding valuations.

Hymans Robertson had submitted data and information regarding the 2019 valuation on the Fund's behalf to GAD and they used this data, along with data from the other LGPS Funds to carry out their analysis. It was noted that GAD published their report on the 2019 valuations on 16 December 2021.

The Committee noted that the GAD analysis was very analytical and presents various metrics in a "like-for-like" fashion so that reasonable comparisons can be made between LGPS funds.

Members were advised that the report had been prepared by Hymans Robertson and provided an overview of the general results from the section 13 exercise and importantly the Fund specific outcomes for Gloucestershire.

Resolved

That the Committee noted the outcome of the 2019 Valuation Public Service Pensions Act 2013, Section 13 report in relation to the Gloucestershire Pension Fund.

54. EXCLUSION OF THE PRESS AND PUBLIC

Resolved

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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.

55. EXEMPT MINUTES

Resolved

That the exempt minutes of the meeting held on 3rd December 2021 were agreed as a correct record.

56. 2022 VALUATION - ACTUARIAL ASSUMPTIONS

The Committee received a detailed presentation from the Actuary, Hymans Robertson as part of the preparation for the 2022 valuation.

Resolved

That the Committee approved the assumptions for the 2022 valuation as set out in the report.

57. GLOUCESTERSHIRE PENSION FUND QUARTERLY UPDATE - PART 2

The Head of Pensions presented the report in conjunction with the Independent Adviser and explained that the report was designed to be read in conjunction with the Part 1 report, which provided more detailed analysis and commentary on the Fund's asset allocation, investment performance for the quarter ending 31 December 2021.

Resolved

That the Committee noted the detailed performance reports for the quarter ending 31 December 2021 and the employer, Brunel and future investment activities of the Fund.

CHAIRMAN

Meeting concluded at 1.22 pm