

PENSIONS COMMITTEE

Minutes of a Meeting of the Pensions Committee held in the Luttrell Room - County Hall, Taunton, on Friday 9 June 2017 at 2.00 pm

Present: Cllr G Noel (Chairman), Cllr James Hunt, Cllr S Coles, Cllr G Frascini; Mr Gordon Bryant, Mrs Sarah Payne and Mr Richard Parrish.

Other Members present:

1 Apologies for absence: Mr Mark Simmonds.

2 Declarations of Interest - Agenda Item 2

Mr Parrish declared a personal interest as his wife was an SCC employee and a member of the fund in respect of agenda item 6. Mrs Payne also declared a personal interest as investments she held were managed by Jupiter Asset Management in respect of agenda item 6.

3 Minutes from the previous meeting - Agenda Item 3

The minutes of the meeting held on 3 March 2017 were received and approved as an accurate record.

4 Public Question Time - Agenda Item 4

There was one member of the public in attendance but no questions were asked/petitions presented/statements made.

5 LGPS Pooling of Investments - Agenda Item 5

The Committee considered this report that explained under guidance published by the Government in November 2015 that the Council was required to work towards the pooling of the Fund's investment assets with other LGPS funds with pooling beginning in April 2018. It was noted that for the purposes of pooling the Council had aligned itself with 9 other funds in the South West of England and was working with those other funds to create an Financial Conduct Authority (FCA) regulated investment company, called Brunel Pension Partnership Ltd, (BPP).

The Funds and Investments Manager updated the Committee with recent progress including the appointment of Denise Le Gal as non-executive Chair in mid-April and also advising that the processes for the appointment of 2 further non-executive directors and a shareholder non-executive director were well advanced and should be completed shortly.

There was a brief discussion of the Pooling processes with the Funds and Investments Manager providing answers to questions and explaining, for the benefit of newer Members background and progress made regarding governance of the Brunel Pension Partnership.

The Committee agreed:

- That the Council Section 151 officer execute the various legal documents on behalf of the Fund to formally establish BPP as a Company;
- That Mr Mark Simmonds be asked to exercise the Shareholder rights, being the Somerset Pension Fund's nominated representative on the Shareholder Oversight Board and the Client Group;
- That the Funds and Investment Manager keep the Committee up-to-date with other issues relating to pooling or the establishment of BPP.

The report was accepted.

6 **Independent Advisor's Report** - Agenda Item 6

The Committee's Independent Advisor Caroline Burton provided a verbal overview of the financial situation in the United Kingdom (UK) and Over-seas

Members briefly discussed the points raised during the overview, including possible changes to interest rates, small movement in the value of sterling, the markets would respond more positively to a 'soft Brexit' including transitional arrangements regarding the City of London, pay increases and inflation, high levels of personal and household debt in the UK, the possible impact of inflation following quantitative easing and the possibility of interest rate rises positively affecting the banking industries.

The Independent Advisors update was accepted.

7 **Analysis of Performance** - Agenda Item 7

The Committee considered this report on the performance of the pension fund investments for the quarter ended 31 March 2017 and related matters.

Issues discussed:

- Performance of each of the managers was discussed with particular reference to progress towards their three-year targets, with the Funds & Investment Manager providing further information;
- Members noted that overall the fund as a whole underperformed its benchmark during the quarter. The level of absolute return was strongly positive;
- Jupiter, Maple-Brown Abbott, Nomura and Aviva all produced performance ahead of their targets;
- £2.9m had been withdrawn from the in-house global equity fund during the quarter, broadly that represented dividend income on the fund during the quarter;
- Overall it was noted that the current value of the whole Fund stood at approximately £1,965m;
- The current projection of the smoothed funding level for the Fund at 31 March 2017 stood at 83.0%.

The Committee agreed to accept the Analysis of Performance report.

8 **Business Plan Update** - Agenda Item 8

The Committee considered this report that provided Members with a business plan of topics, to ensure the Committee met its responsibilities and considered all necessary issues, and also a meeting work plan of proposed items of business.

The Committee discussed the plans and noted that work on the 2016/17 accounts and production of the annual report was underway. It was noted that Members could request agenda items/training to help with their roles on the Committee.

The Committee agreed to accept the reports.

9 Budget and Membership Statistics Update - Agenda Item 9

The Committee considered this report about the position of the pension fund budget at 31 March 2017; the projected outturn position for the full year; and full year budget were shown in Appendix A of the report.

There was brief discussion of the report, and the information it contained, including the number of active members which had decreased by 955 in the quarter. The number of undecided members had decreased by 691; deferred members increased by 758; the number of pensioners had increased by 148. This had resulted in a net change overall of +1,170.

There was a brief discussion about the Pension Fund budget and the Committee agreed to accept the report.

10 Employer Body Update - Agenda Item 10

Members considered this report that provided the Committee with information about the current status of employing bodies within the Fund.

It was noted that there were 179 employers with active members in the Fund – 59 scheduled bodies – comprising 33 scheduled body employers, 12 academy trusts and 14 stand-alone academies; 27 resolution bodies and 34 admitted bodies.

The Committee agreed to accept the report.

11 Review of Pension Fund Risk Register - Agenda Item 11

The Committee considered and discussed the Pension Fund's risk register. Members accepted the principal and importance of considering the register at every meeting to review and monitor each risk and approve changes as necessary.

There was a discussion of the risk register and the Committee noted that there had not been any changes to the register. The Committee sought and received assurances from Officers that plans were in place to address all of the 9 identified risks and the report was accepted.

12 Voting and Engagement report - Agenda Item 12

The Committee considered a report which provided information about the voting and engagement activity of the Fund's investment managers for the six month period to 31 March 2017.

There was a brief discussion about PIRC advice and executive remuneration and remuneration voting details provided in the report were noted. The report was accepted.

13 Policies and Statements - Agenda Item 13

The Committee considered a report that advised Members the Pension Fund is required to maintain a significant number of policies and statements in accordance with LGPS regulations. In line with good governance the new Committee was being offered the chance to amend and approve the following documents, each attached to the report as a numbered annex:

- Funding Strategy Statement (annex 1)
- Investment Strategy Statement (annex 2)
- Financial Reporting Council Stewardship Code Statement (annex 3)
- Governance Compliance Statement (annex 4)
- Pensions Committee Scheme of Delegation (annex 5)
- Pensions Committee Training Policy (annex 6)
- Communication Policy Statement (annex 7)
- Pension Administration Strategy (annex 8)

The Funds and Investments Manager provided an overview of each document and explained that all the policies and statements had been the subject of a consultation exercise at the point of their introduction or last significant alteration. It was also noted that the Funding Strategy Statement and Investment Strategy Statement had just been the subject of a consultation with Fund employers.

Members also heard that the Committee could request that each document be considered at any future meeting if so desired. Following a brief discussion the Committee agreed to adopt the policies and statements as attached to the report.

14 Any other urgent items of business - Agenda Item 14

The Chairman, after ascertaining there were no other matters arising, thanked all those present for attending this first meeting of the new quadrennium and he encouraged his fellow Committee Members to take up opportunities to visit conferences and/or participate in training and learn about this interesting and varied area of the Council's business.

(The meeting ended at 3.45 pm)

CHAIRMAN