

# Pensions Committee

Minutes of a meeting of the Pensions Committee held in the Luttrell Room, County Hall, Taunton on Thursday 21 September 2017 at 2.00pm.

## Present

Cllr G Noel (Chairman)

Cllr S Coles

Cllr G Frascini

Cllr J Hunt

Mr G Bryant

Mrs S Payne

Mr M Simmonds

**Apologies:** Mr R Parrish

**Other Members present:** None

**Officers present:** Stephen Morton – Strategic Manager, Finance Technical, Anton Sweet – Funds & Investment Manager and Charlotte Thompson - Peninsula Pensions.

**Advisors present:** Caroline Burton (Independent Investment Advisor), Melanie Stephenson & Louise Lau (Barnett Waddingham)

## **2 Declarations of interest – agenda item 2**

2.0 Mrs Payne declared a personal interest as investments she held were managed by Jupiter Asset Management.

Mr Simmonds, Mrs Payne and Mr Bryant declared personal interests as members of the Local Government Pensions Scheme.

## **3 Minutes of the meeting – agenda item 3**

3.0 The minutes of the meeting held on 9 June 2017 were received and approved as an accurate record.

## **4 Public question time – agenda item 4**

4.0 Mr Reimers asked a question regarding litigation and the effects of climate change. The Funds & Investment Manager responded verbally and assured Mr Reimers that he would also receive a written response.

## **5 LGPS Pooling of Investments – agenda item 5**

5.0 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 a Financial Conduct Authority (FCA) regulated investment company, called Brunel Pension Partnership Ltd, (BPP).

5.1 The Funds and Investments Manager updated the Committee with recent progress including the appointment of executive and non-executive directors, and on-going work to complete the appointment of an investment administrator.

5.2 The report was accepted.

## **6 Independent Advisor's Report – agenda item 6**

6.1 The Committee's Independent Advisor Caroline Burton provided a verbal overview of the financial situation in the United Kingdom (UK) and Overseas.

6.2 Members briefly discussed the points raised during the overview, including: possible changes to interest rates; investments in emerging markets; the impact of gold taxation in India; and the financial implications of Brexit.

6.3 The Independent Advisors update was accepted.

## **7 Analysis of Performance – agenda item 7**

7.0 The Committee considered this report on the performance of the pension fund investments for the quarter ended 30 June 2017 and related matters.

7.1 The committee discussed: the performance of each of the fund managers with particular reference to progress towards their three-year targets; and noted that the current projection of the smoothed funding level for the Fund at 30 June 2017 stood at 85.7%.

7.2 The Committee agreed to accept the Analysis of Performance report.

## **8 Business Plan Update – agenda item 8**

8.0 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.

8.1 The Funds & Investments Manager informed the Committee of the need to reconsider the investment strategy to ensure best fit with the Brunel offer, and that this needed to be finalised by March.

8.2 The Committee discussed: the formation of the Brunel funds; potential benefits if incumbent fund managers were reappointed; and taxation implications of transfers between funds.

8.3 The Committee agreed to accept the report.

**9 Budget and Membership Statistics Update – agenda item 9**

9.0 The Committee considered this report about the position of the pension fund budget at 30 June 2017; and the outturn position for the first quarter of the year to 31<sup>st</sup> March 2018.

9.1 The Funds and Investments Manager highlighted: transaction costs were slightly higher than normal. He also highlighted there had been a drop-off of active members as a result of the long term trend of councils to reduce workforces, but this had been in part balanced by auto enrolment until now. Finally it was noted that the first quarter budget was in line with expectations.

9.2 There was brief discussion of the report, and the information it contained, including: implications of a continued fall in active membership; and the increased transaction costs as a result the centralisation of the Probation Service in March 2015.

9.3 The Committee agreed to accept the report.

**10 Employer Body Update – agenda item 10**

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

10.1 It was noted that there were 181 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 36 admitted bodies.

10.2 There was a brief discussion regarding autoenrolment and the fact that elected Members cannot join the pension fund and are not provided with an auto enrolment alternative. The Committee were reminded that the elected Members were office holders as opposed to employees.

10.3 The Committee agreed to accept the report.

**11 Review of Pension Fund Risk Register – agenda 11**

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

11.2 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 that the transfer to Brunel would be addressed as a separate risk.

11.3 The report was accepted.

## **12 Annual Accounts and Investment Performance – agenda item 12**

12.0 The Committee considered this report that provided an overview of the Fund's accounts, information within the accounts and the investment performance of the 2016-17 financial year and related matters.

12.1 The Committee considered the detailed report and discussed a range of topics including: the increased investment expenses and rise in the performance fees paid to fund managers; the increase in total membership, alongside the decrease in active and deferred members; and the difference between investment income and investment performance.

12.2 The Committee agreed to approve the Fund's Annual Report and Financial Statements.

## **13 Review of Administration Performance – agenda item 13**

13.0 The Committee considered this report from the Head of Peninsula Pensions detailing a review of the Administration's performance. The Committee were informed of: on-going work on priority cases; that the percentage of non-priority work had remained static; the work of the specialist amalgamation team; and restructuring of Peninsula staff.

13.1 The Committee noted improved performance, with particular reference to 76% of all work being completed within target; and that the backlog of work had reduced by 10% since April 2017.

13.1 The report was accepted.

## **14 Report of the Actuary – agenda item 14**

14.1 The Committee considered a report circulated and a presentation from Barnett Washington that provided Members with an Actuarial Funding Update.

14.2 The presentation covered:

- A reminder of the position at the last formal valuation;
- An update on events since the last formal valuation;
- An indication of the current position of the Fund;
- Risks going forward/update on the LGPS and other Pensions issues.

14.3 The Committee thanked the Actuary's representatives for their informative presentation.

**15 Implications of MIFID 11 – agenda item 15**

- 15.1 The Committee considered this report which outlined the impact of the implementation of the Markets in Financial Instrument Directive 2014/15 with particular reference to the administering authority becoming a retail client on 3<sup>rd</sup> January 2018, recommending that the Committee agree that election for professional client status should be made on behalf of the authority immediately.
- 15.2 The committee discussed the loss of protection as a Professional Client, and the potential implications for the authority.
- 15.3 The Committee approved the following:
- Committee notes the potential impact on investment strategy of becoming a retail client with effect from 3<sup>rd</sup> January 2018.
  - Committee agrees to the immediate commencement of applications for elected professional client status with all relevant institutions in order to ensure it can continue to implement an effective investment strategy.
  - In electing for professional client status, the committee acknowledges and agrees to forgo the protections available to retail clients attached as Appendix A.
  - Committee agrees to approve delegated responsibility to the Funds and Investments Manager for the purposes of completing the applications and determining the basis of the application as either full or single service.

**16 Policies and Statements – agenda item 16**

- 16.1 The Committee considered this report which outlined changes to regulations and SCC standing orders which require a refresh of the Pension Fund's scheme of delegation.
- 16.2 The Committee considered the new Scheme of Delegation which was attached as Appendix A and unanimously agreed that it should be adopted without amendment.

**17 Any other business of urgency – agenda item 17**

- 17.1 There was no other business.

(The meeting ended at 16.23)

**Graham Noel**  
**Chairman – Pensions Committee**