

Pensions Committee

Minutes of a meeting of the Pensions Committee held in the Luttrell Room, County Hall, Taunton on Thursday 8 December 2017 at 2.00pm.

Present

Cllr G Noel (Chairman)

Cllr S Coles
Cllr J Hunt

Mr G Bryant
Mr R Parrish

Apologies: Cllr G Fraschini, Mrs S Payne, Mr M Simmonds

Other Members present: None

Officers present: Stephen Morton, Anton Sweet, Caroline Burton, Charlotte Thompson

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

2.0 Mr Bryant declared a personal interest as members of the Local Government Pensions Scheme.

Cllr J Hunt declared a personal interest as he is employed by the Somerset Partnership NHS Trust

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

3.0 The minutes of the meeting held on 21 September 2017 were received and approved as an accurate record, subject to one typographical amendment.

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

4.0 There were no members of the public present.

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.

5.1 The Funds and Investments Manager updated the Committee with recent progress including: that the Brunel Pension Partnership Ltd recruitment

programme was almost complete; that some posts were currently filled on a temporary basis; and that an FCA application had been submitted, and approval was expected before March 2018. The Funds and Investments Manager further informed Committee Members that any vote regarding Special Reserved Matters required unanimous approval.

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: the speed of share price recovery following any performance 'blips'; performance 'blips' creating buying opportunities; and the potential 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 September 2017 and related matters.

7.1 The Funds & Investments Manager highlighted: the in-house fund had performed well and in line with the benchmark for the quarter; the funds overall value was growing; absolute returns for the quarter were positive; the aim of being 100% funded; how different funding arrangements would result in employers becoming fully funded at different times; and that the fund was holding greater cash balances than usual

7.2 The committee discussed: the performance of each individual fund and associated performance benchmarks; 'banking' good performance; predicted longer term investment performance; that the fund was currently 87% funded; and the impact of the fund becoming fully funded.

7.3 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: the Brunel portfolio was not yet finalised, but further details would be brought to the next meeting of this Committee; that strategic asset allocation was reviewed annually, but there had not been any changes for some time; and the potential for a ban on ‘unethical’ investments.
- 8.2 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 September 2017; and the outturn position for the first half of the year to 31st March 2018.
- 9.1 The Funds and Investments Manager highlighted: fund managers had reverted to historical levels of transaction costs; that transaction costs would increase alongside the size of the fund; that the number of pensioners was increasing at a predictable rate; contributions were greater than expected; and lump sums on retirement were higher than expected. The Funds and Investments Manager further noted the arrangements for administrative expenses and oversight and governance.
- 9.2 Members requested that for the purposes of future reporting Brunel expenses be detailed as a separate line.
- 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 38 admitted bodies.
- 10.2 The Committee were informed of: the Pensions Regulator requirements regarding data quality; the requirement for all schemes returns to include a data quality score from next year; and the impact of the new Data Protection Act.
- 10.2 There was a brief discussion regarding employers becoming admitted bodies and pension protection and individual’s rights to remain in the LGPS.

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 a new risk, PF 9, regarding risks associated with the ability of pooling to deliver the cost savings indicated in the business case and maintain investment performance has been added to the risk register following a request from Committee at the last meeting.

11.3 There was a brief discussion regarding SW1 and legacy IT systems.

11.4 The report was accepted.

12 Voting and Engagement Report – agenda item 12

12.1 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 30th September 2017.

12.2 There was a brief discussion regarding mechanisms to allow easy engagement including electronic voting.

12.3 The Funds and Investments Manager noted that in certain jurisdictions a proxy must attend in person to vote.

12.4 The Committee accepted the report.

13 Policies and Statements – agenda item 13

13.0 The Committee considered this report that provided an overview of the maintenance of the pension funds policies and statements and associated LGPS regulations. It was highlighted that due to changes in regulations and SCC standing orders it is necessary to refresh the Pension Fund's scheme of delegation.

13.1 The committee agreed to formally adopt the new Scheme of Delegation which was attached as Appendix A to the report.

14. Exclusion of the press and public – agenda item 14

- 14.1 The Committee agreed to pass a resolution under Section 100A (4) of the Local Government Act, 1972 that the press and public be excluded from the remainder of the meeting on the basis that if they were present during the business to be transacted there would be a likelihood of disclosure to them of exempt information of the following description:

The amount of expenditure proposed to be incurred by the authority under any particular contract for the acquisition of property or the supply of goods or services.

15. Report on Formal Review of Funds Managers

- 15.1 The Committee considered and discussed this report.

16 Any other business of urgency – agenda item 16

- 16.1 There was no other business.

(The meeting ended at 11.39)

**Graham Noel
Chairman – Pensions Committee**