

Pensions Committee

Minutes of a meeting of the Pensions Committee held in the Quantock Room, Shire Hall, Taunton on Friday 7 December 2018 at 10.00am.

Present

Cllr G Noel (Chairman)

Cllr M Chilcott

Cllr J Hunt

Mr G Bryant

Apologies: Cllr S Coles, Cllr R Parrish, Mrs S Payne and Mr M Simmonds

Officers present: Stephen Morton – Strategic Manager, Finance Technical, Anton Sweet – Funds & Investments Manager and Dan Harris - Peninsula Pensions, Mrs C Burton – Independent Adviser

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

2.1 Mr Bryant declared a personal interest as a member of the Local Government Pension Scheme.

3 **Minutes of the Previous Meeting** – agenda item 3

3.1 The minutes of the meeting held on 20 September 2018 were received and approved as an accurate record.

4 **Public Question Time** – agenda item 4

4.1 There were no public questions.

5 **LGPS Pooling of Investments**

5.1 The Committee considered the report of the Funds and Investments Manager on progress with the transition of the Pension Fund's investment assets to Brunel Pension Partnership Ltd under work involving the pooling of the Fund's investment assets with other Funds in the South West.

5.2 Progress had included: the transfer of over £500m of passive assets; establishment of the ACS fund and the appointment of fund managers for the UK equity and Low Volatility equity portfolios; transfer of UK equity assets previously managed by Aberdeen Standard Investments;

establishment of a private markets team.

5.3 The Committee then considered a Special Reserve Matter relating to Brunel Partnership's Business Plan, its revenue budget for 2019/20 and related matters introduced by the Funds and Investments Manager. The SRM to approve the budget was an annual requirement of the Shareholders' agreement that governed Brunel and the ten Shareholder funds.

5.4 **RESOLVED**

(a) to approve the revised budget for 2019/20 and the projected additional expenditure for the current financial year (2018/19);

(b) not to approve the proposed movement of the budget between years, as the 5% contingency already gave sufficient provision for such movement;

(c) to convey to Brunel the Committee's disappointment and concern regarding the Special Reserve Matter, the need for improved financial monitoring and control and for a new formula that limited the contingency to a reasonable previously agreed fixed sum; and to point out that given the authority's very difficult financial position future overspends or significant increases in budget were unlikely to be supported.

6 Independent Adviser's Report – agenda item 6

6.1 Caroline Burton, the Committee's Independent Adviser, gave an overview of the financial situation in the UK and overseas.

6.2 Members briefly discussed the points raised during the overview, including: the continuing, strong US economy (although there were concerns that it might have peaked or would do so soon); lack of liquidity and low levels of activity; hopes for an end of year rally; and the difficulty of forecasting due to ongoing uncertainty regarding Brexit and turbulent market conditions globally.

6.3 The Committee noted the Adviser's update.

7 Analysis of Performance – agenda item 7

7.1 The Committee considered the report of the Funds and Investments Manager on the performance of the Pension Fund investments for the quarter ended 30 September 2018 and related matters.

7.2 The Funds and Investments Manager commented, and responded to questions on, the performance of in-house funds and managed funds against benchmarked performance and targets. He referred to the confidential report on Review of Fund Managers under item 14 of the agenda. Investment strategy, the value of the Fund and market conditions

were amongst the matters discussed.

7.3 The Committee noted the report.

8 Business Plan Update – agenda item 8

8.1 The Committee considered the report of the Funds and Investments Manager on progress with implementing the business plan for 2018 – 20 prepared to ensure the Committee met its responsibilities and considered all necessary issues, and also setting out a workplan of items of business for its meetings during the next 12 months.

8.2 The Funds & Investments Manager undertook to circulate proposed arrangements (dates/times etc) for training events for Committee members, having asked for, and taken into account, the views they had expressed.

8.3 The Committee noted the report.

9 Budget and Membership Statistics Update – agenda item 9

9.1 The Committee considered the report of the Funds and Investments Manager on the position of the Pension Fund budget at 30 September 2018, covering transaction costs and membership changes; and the outturn against budget for the second quarter of the financial year 2018/19.

9.2 The Funds and Investments Manager: explained why transaction costs for Nomura and Amundi were not included; referred to the continuing reduction in active members and increases in the deferred, undecided and pensioners categories; and responded to a query about Fund management costs.

9.3 The Committee noted the report.

10 Employer Body Update – agenda item 10

10.1 The Committee considered the report of the Head of Peninsula Pensions on the current status of employing bodies within the Pension Fund.

10.2 It was noted that the Fund currently had the following number of employers with active members: 64 scheduled bodies – comprising 15 scheduled body employers, 12 academy trusts and 37 stand-alone academies; 20 resolution bodies; and 36 admitted bodies.

10.3 The Committee noted the report.

11 Review of the Pension Fund Risk Register – agenda item 11

- 11.1 The Committee considered the report of the Funds and Investments Manager reviewing the Pension Fund’s risk register.
- 11.2 The Funds and Investments Manager pointed out that a more comprehensive review of the risk register would be undertaken shortly in response to new CIPFA guidance. Discussion took place on Risk PF2 – ‘The Pension Fund has insufficient available assets to meet its long-term liabilities’ and ways in which it might be addressed.
- 11.3 The Committee noted the report.

12 Voting and Engagement – agenda item 12

- 12.1 The Committee considered the report of the Funds and Investments Manager on the voting and engagement activity of the Pension Fund’s Investment Managers for the six months to 30 September 2018.
- 12.2 The Funds and Investments Manager responded to a query on the costs involved in voting and engagement by Brunel and others.
- 12.3 The Committee noted the report.

13 Exclusion of the Press and Public – agenda item 13

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

Also the Committee agreed that in all the circumstances of the case the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

14 Report on Formal Review of Fund Managers – agenda item 14

- 14.1 The Committee considered the confidential report of the Funds and Investments Manager reviewing the performance of individual Fund Managers.

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- 14.2 After discussion, the Committee **RESOLVED** to retain each Fund Manager until the relevant portfolio moved across to Brunel.
- 15 Any Other Business of Urgency** – agenda item 15
- 15.1 There was no other business.

(The meeting ended at 11.55)

Graham Noel
Chairman – Pensions Committee