

## **PENSIONS COMMITTEE**

Minutes of a Meeting of the Pensions Committee held in the Luttrell Room - County Hall, Taunton, on Friday, 2 December 2016 at 10.00 am

**Present:** Cllr G Noel (Chairman), Cllr S Crabb, Cllr D Hill and Cllr J Hunt

**Other Members present:**

**Apologies for absence:**

**1 Declarations of Interest - Agenda Item 2**

Cllr Crabb, Cllr Hunt, Mrs Moore, and Mrs Payne each declared personal interests as members of the Local Government Pensions Scheme in respect of agenda item 5.

Mrs Payne also declared a personal interest as investments she held were managed by Jupiter Asset Management in respect of agenda item 7.

**2 Minutes from the previous meeting - Agenda Item 3**

The minutes of the meeting held on 22 September 2016 were received and approved as an accurate record.

**3 Public Question Time - Agenda Item 4**

There were no Members of the public present and no questions asked.

**4 LGPS Pooling of Investments - Agenda Item 5**

The Committee considered a report and received a verbal update on the proposed joint submission to the DCLG of how the Somerset Pension Fund would pool its investments with other LGPS funds to form the Brunel Pension Partnership.

In its capacity as the Administering Authority for the Somerset County Council Pension Fund, and having received and reviewed the Full Business Case relating to the proposed Brunel Pension Partnership, the Pensions Committee Resolved to enter into investment pooling as a part of the Brunel Pensions Partnership with respect to the Somerset County Council Pension Fund. The Resolution was made on and subject to the following terms and conditions:

1. That the Brunel Pension Partnership investment pool is developed, funded and implemented substantially in accordance with the terms and provisions described in the Full Business Case, and more particularly that:
  - a FCA regulated company to be named Brunel Pension Partnership Limited be established and operated with all necessary and appropriate arrangements as to its ownership, structure, governance and services capability;

- a new supervisory body comprising representatives of the Council and all other participants in the Brunel Pension Partnership be established to ensure oversight of the SCC Fund's investment and participation in the Brunel Pension Partnership;

2. That the Pensions Committee will continue to exercise the delegated powers it has to undertake such tasks as it thinks appropriate to progress implementation of investment pooling, and to take such decisions and do all other things deemed necessary in order to promote the interests of the Council with respect to pooling, which without limitation shall include agreeing and authorising any documentation, contracts, terms of reference, financial expenditure or investment that may be required consequential upon the SCC Fund's participation in the Brunel Pension Partnership.

3. That the Director of Finance and Performance (as the designated Section 151 officer) be similarly authorised and granted delegated powers to undertake such tasks as they think appropriate to progress implementation of investment pooling, and to take such decisions and do all things deemed necessary in order to support the Pensions Committee and to promote the interests of the Council with respect to pooling, which without limitation shall include informing and advising the Pensions Committee on the continued viability and suitability of investment pooling in light of any developments, financial or otherwise, in the period up to the establishment of the Brunel Pension Partnership.

4. That subject to the above, all such matters be carried out with the aim of achieving a target date for investment pooling of 1 April 2018, and otherwise subject to such intermediate steps and timescales as may be considered appropriate and necessary by the Pensions Committee.

Mr Crabb wished it to be recorded that he had voted against the pooling of the Fund's investments assets with other LGPS funds.

## 5 **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 the likelihood of an increase in inflation, the effect of a fall in the value of sterling post Brexit; the continuing low price of the cost of oil; the difficulties in the Far Eastern markets and the stagnation of the economy in India and the effect on other emerging markets.

There was also a discussion about the economic situation following the outcome of the EU referendum and it was noted that so far most of the negative outcomes of a vote to leave had not been realised.

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

The Committee considered this report on the performance of the pension fund investments for the quarter ended 30 September 2016 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 fund as a whole outperformed its benchmark during the quarter. The level of absolute return was strongly positive;
- Of the external managers Standard Life on UK equity, Maple-Brown Abbott and Nomura achieved performance ahead of their targets;
- £4.2m was withdrawn from the in-house global equity fund during the quarter. Broadly this represents dividend income on this fund during the quarter;
- Overall it was noted that the current value of the whole Fund stood at approximately £1,816m;
- Members' noted that Fund's Actuary, Barnett Waddingham, do not provide a funding update during the period they undertake the formal valuation process.

The Committee agreed to accept the Analysis of Performance report

## 7 **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 workplan of proposed items of business.

The Committee discussed the 2 attached appendices to the report. The business plan up to Summer 2019, colour coded to highlight progress of items, was discussed and Members noted items scheduled for future meetings, noting this was the penultimate meeting before the Council Elections in May 2017.

It was reported that work on the Brunel Pension Partnership had continued to take up a significant amount of the Investment team's time. The Committee agreed to accept the reports.

## 8 **Budget and Membership Statistics Update** - Agenda Item 9

The Committee considered this report about the position of the pension fund budget at 30 September 2016; the projected outturn position for the first quarter of the financial year to 31 March 2017; and the full year projection against 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 1,02 in the quarter. The number of undecided members had increased by 65; deferred members increased by 595; the number of pensioners had increased by 76. This had resulted in a net change overall of +634.

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

## 9 **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 the fund currently has a number of employers with active members: 59 scheduled body employers made up of 33 scheduled body employers, 12 academy trusts and 14 stand-alone academies; 27 resolution bodies; 32 admitted bodies.

The report also noted that Mendip District Council would be entering in to a number of contracts with Crapita, Vinci and Arcadis, more information about admissions would be provided to future meetings, however all admission agreements would be on a closed basis. The Committee agreed to accept the report.

#### 10 **Review of Pension Fund Risk Register** - Agenda Item 11

The Committee considered and discussed the Pension Fund's risk register. Members reiterated the 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 on-going risk management was central to the management of the Pension Fund and this was reflected by the coverage of risk in key documents such as the Funding Strategy Statement and the Statement of Investment Principals. The risk register for the Pension Fund (attached as Appendix A to the report) allowed for consideration of the entire Fund's identified risks in a single document.

There was a brief discussion of the register and 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.

#### 11 **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 30 September 2016.

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.

#### 12 **Exclusion of the press and public** - Agenda Item 13

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 outweighs the public interest in disclosing the information.

**13 Review of Investment Fund Structure - Agenda Item 14**

The Committee considered and discussed this report and agreed not to make any change to current arrangements.

**14 Report on Formal Review of Fund Managers - Agenda Item 15**

The Committee considered and discussed this report and agreed not to make any change to current arrangements.

**15 Any other urgent items of business - Agenda Item 16**

There were no other items to consider and the Chairman thanked all those present for attending and closed the meeting.

**(The meeting ended at 11.28 am)**

**CHAIRMAN**