

Pensions Committee

Thursday 20 September 2018
2.00 pm Luttrell Room, County Hall,
Taunton



To: The Members of the Pensions Committee

Cllr G Noel (Chairman), Cllr M Chilcott, Cllr S Coles, Cllr James Hunt, Bryant, Richard Parrish, Sarah Payne and Mark Simmonds

Issued By Scott Wooldridge, Strategic Manager - Governance and Risk - 12 September 2018

For further information about the meeting, please contact Mike Bryant 01823 359048 or MBBryant@somerset.gov.uk

Guidance about procedures at the meeting follows the printed agenda.

This meeting will be open to the public and press, subject to the passing of any resolution under Section 100A (4) of the Local Government Act 1972.

This agenda and the attached reports and background papers are available on request prior to the meeting in large print, Braille, audio tape & disc and can be translated into different languages. They can also be accessed via the council's website on www.somerset.gov.uk/agendasandpapers



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AGENDA

Item Pensions Committee - 2.00 pm Thursday 20 September 2018

1 **Minutes from the previous meeting held on 8th June 2018** (Pages 3 - 8)

The Committee is asked to confirm the minutes are accurate.

Pensions Committee

Minutes of a meeting of the Pensions Committee held in the Luttrell Room, County Hall, Taunton on Thursday 8 June 2018 at 10.00am.

Present

Cllr G Noel (Chairman)

Mr G Bryant
Cllr M Chilcott
Cllr J Hunt

Mr R Parrish
Mr M Simmonds

Apologies: Cllr S Coles, Mrs S Payne

Other Members present: None

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

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

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

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

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

The minutes of the meeting held on 8 September 2017 were received and approved as an accurate record.

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

There were no members of the public present.

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 developments in the pooling structure were on-going; the first movement would be passive assets, taking place on the 11th July; tenders for other asset categories were on-going; and that consideration should be given to the Council's shareholder representative, as the Council's S151 Officer and current representative would soon be leaving the authority.

It was agreed that the incoming Interim Director of Finance, as the new s151 officer would take on the Council's shareholder representative role.

The report was accepted.

6. Exclusion of the Press and Public – agenda item 6

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.

7. Review of Investment Fund Structure – agenda item 7

The Funds and Investments Manager highlighted the key issues for consideration, noting: the percent of the fund currently committed to Equity, Fixed Income, Property, alternative investments and cash; the balance of active and passive management within the fund; the geographic mix within listed equity; the continued investment in private equity; consideration of alternative asset classes; and then highlighted the need to decide on allocations to new Brunel portfolios as they become available. Following a request from Committee a continuity option had been provided to aid the discussion. The Committee were further informed that it was recommended that the Committee make arrangements for managing the movement from the current investment strategy to the new Brunel Portfolios in consultation with Brunel.

The Funds and Investments Manager informed the Committee that in his opinion the continuity option provided a relatively simple transition and that the strategy was still fit for purpose.

The Independent Advisor further noted her support for the continuity option, adding that past performance had shown this to be the right strategy.

Members briefly discussed the points raised, including: the background to the existing investment strategy; if equity investments were too cautious, particularly given the fund was 87% funded; Brexit hedging and associated de-risking; and the split between passive and active assets.

Committee agreed to; adopt the continuity option provided in the paper; officers should take the necessary steps to implement this strategy as the Brunel portfolios become available; and officers to report to committee at each meeting on progress.

8. Independent Advisors Report – agenda item 8

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

The Committee were informed: there had been no changes in the bond markets; there was consensus that US interest rates would rise; there was less confidence regarding the UK or Europe's interest rates rising; the good economic conditions in the USA; industrial property stock was highly valued; and the retail outlook was negative.

The Independent Advisors update was accepted.

9. Analysis of Performance – agenda item 9

The Committee considered this report on the performance of the pension fund investments for the quarter ended 31 March 2018 and related matters.

The Funds & Investments Manager highlighted: the low returns in the last quarter of 3.8%, below the 5.4% target; Aviva had recently informed clients that they are selling their multi manager property business to LeSalle and officers were looking into the timing regarding novating to LeSalle or moving to Brunel if available in time; the Accounts were currently being audited; and at the end of March 2018 the Actuary indicated that the fund was 87.8% funded.

The committee discussed the timing of Brunel transitions to minimise impacts.

The Committee agreed to accept the Analysis of Performance report, and requested further consideration be given to the charts scales used.

10. Business Plan Update

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 Funds & Investments Manager informed the Committee: that the accounts had now been closed and were in the process of being audited; and note the importance of Committee member training.

Following a brief discussion, the Committee agreed that the Actuary should attend Committee in September and the Annual Employers Meeting, noting that this was not a valuation year. The Committee agreed to accept the report.

11. Budget and Membership Statistics Update

The Committee considered this report about the position of the pension fund budget at 31st March 2018.

The Funds and Investments Manager highlighted: transaction costs remained at a similar level; the expectation that transaction costs would increase in line with asset growth; the increased transactions costs following the probation service transfer; and that contributions were greater than anticipated.

Members proceeded to discuss contributions and the Funds and Investments Manager explained the process for calculating projected contributions.

The Committee agreed to accept the report.

12. Employer Body Update

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

It was noted that a number of Academies would be transferring out of their existing trusts, but that this shouldn't have a significant impact on employer numbers.

The Committee agreed to accept the report.

13. Review of Administration Performance

The Committee considered this report from the Head of Peninsula Pensions detailing a review of the Administration's performance. The Committee were informed of: 77% of work had been completed within target; CIPFA benchmarking remained unchanged; performance increases; backlog reductions; and the reduction in unnotified leavers at year end.

The Head of Peninsula Pensions further informed the Committee of the

Peninsula Pensions staff restructure and future Peninsula Pensions recruitment.

The Committee thanked the Head of Peninsula Pensions for her work; sought further clarification of complaints logging and resolution; and considered the percentage targets for query resolution. The Funds and Investment Manager further noted that complaints were included in the Funds Annual Report.

The report was accepted.

14. Review of Pension Fund Risk Register

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.

The report was accepted.

15. Voting and Engagement Report

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 31st March 2018.

The Funds and Investments Manager noted that Brunel will in future publish all voting decisions on their website.

The Committee discussed vote abstentions, and accepted the report.

Cash Management Strategy

16. The Committee considered this report which allowed review of the arrangements for the management of the Fund's cash, and ensured the Committee approve the strategy and counterparty criteria.

The Funds and Investment Manager highlighted the importance of parity of arrangements across employers.

During the discussion Members considered the Cash Management Strategy attached as Appendix A to the report and the revised Counterparty criteria for the investment of sterling cash balances attached as Appendix B to the report.

There was a discussion about the Cash Management Strategy and the Committee agreed to approve the Cash Management Strategy; the Counter

party strategy; to re-appoint the in-house team to manage the cash balances on a segregated basis.

The report was accepted.

17. Resources Review, Budget Setting, and Committee Objective Setting

The Committee considered a report that asked Members to consider the set objectives for the fund, the resources necessary to attain those objectives and a definition or measurement mechanism for success.

There was a discussion of the report and the Committee agreed the proposed budget and to maintain the absolute return target for the fund, and that resource were adequate. The report was accepted.

18. 2019 Meeting Dates

The Committee considered this report that proposed meeting dates for the following calendar year, Officers believe that this course aids all stakeholders to ensure the dates are kept clear and therefore propose to continue with these arrangements.

The Committee is asked to approve the following proposed dates for 2019:

- Friday 8th March 2019 at 10.00 am at Library Meeting Room, Taunton
- Friday 7th June 2019 at 10.00 am at Library Meeting Room, Taunton
- Thursday 19th September 2019 at 2 pm at Library Meeting Room, Taunton
- Annual Meeting, Morning of Friday 20th September 2019, arrangements TBC
- Friday 6th December 2019 at 10.00 am at Library Meeting Room, Taunton

19. Any other business

There was no other business.

(The meeting ended at 11.39)

Graham Noel
Chairman – Pensions Committee