

Pensions Committee

Minutes of a meeting of the Pensions Committee held on Friday 13 December 2019 at 2.00pm in the Mendip Room, Shire Hall, Taunton.

Present:

Cllr G Noel (Chairman)
Cllr James Hunt
Cllr L Leyshon
Cllr J Parham
Mrs S Payne
Mrs C Burton (Independent Adviser)

1 **Minutes of the Previous Meeting** - agenda item 1

The Committee agreed and the Chairman signed the Minutes of the meeting held on 7 June 2019 as a correct record.

2 **Apologies for Absence** - agenda item 2

Mr G Bryant and Mr M Simmonds.

3 **Declarations of Interest** - agenda item 3

Cllr Leyshon and Mrs Payne declared personal interests by virtue of being members of LGPS. Mrs Payne also declared a personal interest by virtue of holding assets in Jupiter Asset Management.

4 **Public Question Time** - agenda item 4

There were no public questions.

5 **Report of the Actuary** - agenda item 5

The Committee received a presentation from Mr G Muir, Partner at Barnett Waddingham, the Somerset Pension Fund's appointed firm of actuaries, on the results and assumptions from the 2019 valuation of the Fund.

The presentation covered matters including: key valuation questions; and key assumptions about inflation, discount rate, asset returns, employer contributions and mortality. Key 'takeaways' (a mix of positive and negative) were: good asset performance; improved funding position - some decreases in secondary rates; slowdown in mortality improvements; many employers seeing stable results;

reductions in real discount rate; increase in primary rate; and lots of remaining uncertainty.

Matters discussed with Mr Muir included; local authority contribution rates; possible change to valuation term (from 3 to 4/5 years); retirements on ill health grounds; and factors taken into account is assessing longevity.

The Funds and Investments Manager indicated that results from the triennial review were being circulated to employers and officers would respond to any queries.

6 **LGPS Pooling of Investments** - agenda item 6

The Committee considered a report by 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.

Progress to date had included: the transfer of: £507.8m of passive equity assets on 11 July 2018; £436.5m of active UK equity assets on 21 November 2018; £83.7m of emerging market equity from management by Amundi on 9 October 2019 which would be followed by remaining equity portfolios; the private markets team having been fully established and taken some initial commitments from funds; and preparations for the move of Somerset's property assets.

The report referred to the next cycle of commitments to private market portfolios being sought by Brunel for investment from 1 April 2020 and the Committee's intention to allocate 5% of the total Fund to private equity in the long-term. Based on the current overall size of the Fund and the frequency of commitment windows from Brunel a commitment of £50m was proposed, for formal approval by the Committee, as being consistent with this long-term strategic allocation. The Funds and Investments Manager and the Independent Advisor responded to queries and comments about the nature of the investment involved and returns,

The report also covered consultations undertaken under the project.

The Funds and Investments Manager updated the Committee on recent changes in management personnel at Brunel and related matters.

The Committee noted the report and **RESOLVED** unanimously to approve a commitment of £50m to the Brunel Private Equity Cycle beginning 1 April 2020.

7 **Independent Investment Advisor's Report** - agenda item 7

Mrs C Burton, the Fund's Independent Advisor, gave an overview of the situation in the UK and overseas, referring to the strong recovery by sterling and rise in the

stock market following the result of the General Election on 12 December 2019, involving a large overall majority for the Conservative Party. However, Mrs Burton pointed out that this might be a short-term reaction only, referring to the significant continuing uncertainty about the UK's relationship with the EU post-Brexit and other, global issues, and anticipated a continued cautious approach by investors while a clearer picture emerged.

The Funds and Investments Manager referred to recent positive dialogue between the USA and China which had seen a rise in world markets.

The Committee noted the update.

8 Review of Investment Performance - agenda item 8

The Committee considered a report by the Funds and Investments Manager on the performance of the Pension Fund's investments for the quarter ended on 30 September 2019 and related matters.

The Funds and Investments Manager commented, and responded to questions on: the performance of managed and remaining in-house funds against benchmarked performance and targets; factors behind underperformance by Jupiter (continental European equities) and Aberdeen Standard Investments (UK equities); market conditions; and the impact of the on-going transfer of funds to Brunel.

The Committee noted the report.

9 Review of Administration Performance - agenda item 9

The Committee considered a report by the Head of Peninsula Pensions providing an update on administrative performance against internal targets and Disclosure Regulations, and employer bodies covered by the Fund,

The report was presented by the Funds and Investments Manager who referred to the positive impact of recruitment, training and new ways of working on Peninsula Pensions' performance.

The Committee noted the report and the request that any queries should be emailed to the Head of Peninsula Pensions.

10 Business Plan Update - agenda item 10

The Committee considered a report by the Funds and Investments Manager on progress with implementing, and amendments to, the Business Plan for 2020 - 21 prepared to ensure that the Committee met its responsibilities and considered all

necessary issues. The report also set out a workplan of items of business for its meetings during the next 12 months.

Work areas included: LGPS pooling of investments; production of the accounts (which had received an unqualified audit opinion); completion, approval and publication of the Fund's annual report; the triennial valuation; standard quarterly reviews of investment performance; and monitoring of legal and regulatory requirements and their implications for Fund policies and statements.

The Committee noted the report.

11 Budget and Membership Statistics Update - agenda item 11

The Committee considered a report by the Funds and Investments Manager on the position of the Pension Fund budget at 30 September 2019, covering transaction costs and membership changes, and the projected outturn against budget to 31 March 2020.

The statistics largely reflected existing trends, although investment income was significantly higher than expected partly due to factors associated with the transfer of investment assets to Brunel.

The Committee noted the report.

12 Review of Pension Fund Risk Register - agenda item 12

The Committee considered a report by the Funds and Investments Manager reviewing the Pension Fund's risk register.

The Funds and Investments Manager referred to:

- a change to the Register involving the addition of a risk for cyber security (PF11) - which would be more fully assessed in terms of the level of risk and appropriate mitigating actions
- the timetabling of a more comprehensive review (with Pensions Board members) of the risks currently on the Register, in line with CIPFA guidance.

The Funds and Investments Manager responded to issues raised by Committee members about management of risks associated with his own or colleagues' absence from work, commenting that the level of exposure was mitigated by staffing structures and systems in place.

The Committee noted the report.

13 **Administration Strategy** - agenda item 13

The Committee considered a report by the Funds and Investments Manager on a revised administration strategy for the Somerset Pension Fund to that introduced in April 2015.

A Pension Administration Strategy provided a mechanism to formulate a service level agreement between the administering authority and the Scheme employers and helped to improve governance arrangements. The review followed the restructure of Peninsula Pensions and reflected the growth in membership and demands of Scheme members and employers, changes to LGPS regulations, advances in technology and improvements to performance monitoring. The Funds and Investments Manager commented during discussion that the revised Strategy would provide a robust framework for the management of the Fund.

Fund employers would be consulted on the revised Strategy before it was brought back to the Committee for formal approval.

The Committee noted the report and expressed support for the revised Strategy.

14 **Exclusion of the Press and Public** - agenda item 14

The Committee **RESOLVED** under Section 100A (4) of the Local Government Act, 1972 that the press and public be excluded for 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: Information relating to the financial or business affairs of any particular person (including the Authority) and in accordance with Section 36 of the Freedom of Information Act, 2000 by virtue of the fact that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

15 **Urgent Business** - agenda item 14

Transition Costs

Mrs Burton expressed concern regarding costs associated with the transfer of investment funds to Brunel. The Funds and Investments Manager responded by explaining the basis of the charges. It was agreed that Mrs Burton should be provided with further information on transition costs and that the matter should be discussed at the next meeting.

(The meeting ended at 4.48pm)

CHAIR