

# Pensions Board

Minutes of a meeting of the Pensions Board held in the Luttrell Room, County Hall, Taunton on Thursday 21 December 2017 at 10:00.

## Present

Cllr M Healey (Chair)

Mr P Deal

Mr N Behan

**Officers present:** Mr S Morton – Strategic Manager – Pension Fund and Service Management; and Mr A Sweet – Funds & Investment Manager; and, the Clerk.

**Also present:** None.

### 1 **Apologies for absence** – agenda item 1

All Board members were present.

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

Mr Behan and Mr Deal declared personal interests as members of the Local Government Pension Scheme.

Cllr Healey declared he was a Member of the Local Government National Joint Council (NJC).

### 3 **Minutes of the meeting held on 16 March 2017** – agenda item 3

Mr Deal asked a number of questions for clarification and to obtain updates as it had been sometime since the last meeting of the Board and the Funds and Investments Manager responded to each point. Also it was noted that the financial year in the first paragraph of minute 64 should be amended to read 2016/17 and not 2017/18.

The minutes of the meeting held on 16 March 2017 were accepted, with the amendment above, as being accurate and were signed by the Chairman.

### 4 **Appointment of Chair** – agenda item 4

The Clerk called for nominations from the Members of the Pensions Board for the position of Chair. Cllr Mark Healey was proposed and seconded and there being no other nominations Cllr Healey was elected unopposed as Chair for a 12 month period.

### 5 **Public Question Time** – agenda item 5

There were no members of the public present and therefore no questions were asked, statements/comments made or petitions presented.

### 6 **Business Plan Update** – agenda item 6

The Board considered its Business Plan for the coming year and during the consideration of the report, issues / concerns were raised, questions asked / answered and further information was provided on:

- The background to the formation of Pensions Boards following the Public Service Pensions Commission led by Lord Hutton in 2011 was provided;
- There was a discussion about the merits of looking to see what other activities other LGPS Board's had undertaken and if training could be tailored to fit that or if training could be arranged. In response it was noted that the Council had taken the view to invite Members of both the Pensions Committee and the Pensions Board to training events and members of both were invited to submit suggestions/requests for agenda items and also training requirements;
- The Actuarial review and subsequent valuation of the Fund and it was noted that previously it had been suggested that the Actuary be invited to the Board's December meeting however given the time since the previous meeting (last March) this request had been over looked;
- There was a brief discussion about the composition of the Board and an update was provided on attempts to fill the vacant positions, currently 3.

The report was accepted and the Funds and Investments Manger agreed to prepare a report for the next meeting on 15 March 2018.

## **7 LGPS Pooling of Investments – agenda item 7**

The Board was reminded that under guidance published by the Government in November 2015 the Council had been required to work towards the pooling of the Fund's investment assets with other LGPS funds with a start date of April 2018. For the purposes of pooling the Council had aligned itself with 9 other funds in the South West and had been working with those funds to create a Financial Conduct Authority (FCA) regulated investment company known as Brunel Pension Partnership Ltd, (BPP).

It was noted that BPP had moved in to new Offices last October. It was noted that State Street Bank and Trust Company had been appointed as the administrator/custodian by BPP. One of the 10 partner funds had transitioned their custody assets to State Street with a second tranche of transfers being due in December.

Members heard that BPP had recruited 9 members of staff from the client funds and there had been 4 external appointments. Currently 13 vacancies remained to complete the staffing structure. The process for obtaining FCA regulation is continuing.

It is was reported that BPP would allow the Fund to make significant savings over time with the Council's Fund estimated to make savings of £27.8m in the period to 2036 after costs and it was anticipated that the Somerset Fund

would breakeven in 2024. It was recognised that those were forecasts and there were significant risks to their timing and delivery and they were based on a core set of assumptions and therefore actual savings could be significantly greater or smaller over time.

The Funds and Investments Manager reported on the engagement event held last November and in response to a question he noted that he had continued to circulate to Board Members copies of communications (mostly emails) sent to the Pensions Committee to keep them updated on developments. The report was accepted.

**8 Analysis of receipt of Contributions from Employers for 2016/2017 – agenda item 8**

The Board considered this report that provided an update on the effectiveness of the Fund in collecting Pensions contributions from Employers during the 2016/2017 financial year. It was noted that under the LGPS Regulations 2013 Employers are required to pay to the Administration Authority the contributions stated in the Fund Actuary's Rates and Adjustments Certificate as employer contributions and the employee contributions that have been deducted from members' pay.

Members heard that during 2016/2017 financial year (prior year comparative in brackets) there were 140 (104) instances of late payment, making up 8.63% (6.74%) of payments due. The corresponding figures for more than 10 days beyond due date were 67 (48) instances and 4.13% (3.11%) of payments due. There was a brief discussion as to the cause and circumstances of the late payments as the figure had worsened and it was explained that there were a small number of late payments, from single employers for relatively small amounts.

It was further noted that instances of failure to pay by the due date had been spread over 55 (30) employers. Based on average monthly contributions from employers it was estimated that by value 97.59% (99.66%) of contributions had been received on or before due date. It was also confirmed that all contributions due during the year had been received. The report was accepted.

**9 Review of Pension Fund Risk Register – agenda item 9**

The Board 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.

There was a discussion of the risk register which included the addition to the risk register (PF10) Failure of the Brunel Pension Partnership Ltd to deliver either fee savings or investment performance. It was explained that this had been added as the Committee recognised the risks associated with

surrendering overall control of Somerset's Pension Funds and pooling them under the management of the newly created company.

The Chair asked about PF8 and it was noted that on establishment of the Brunel pension partnership and pooling this risk and others would need to be reconsidered/assessed. It was requested that in future updates if the register could display a direction of travel arrow to help highlight any changes since the last meeting to aid understanding and inform the Board's deliberations.

The report was accepted.

## **10 Review of Administration Performance – agenda item 10**

The Board received a paper that provided the requested bi-annual update on the performance of Peninsula Pensions, the shared service that provided benefits administration to the Somerset and Devon Pension Funds.

The Board were informed of: on-going work on priority cases; that all work including the percentage of non-priority work had increased; and the recent review and subsequent reorganisation and restructuring of Peninsula staff. The Strategic Manager – Pension Fund and Service Management provided an overview of how the work had been reviewed and how the effects of auto enrolment and the need to check data quality had prompted an increase in resources and staffing.

The Board noted the overall performance and summary of completed work between April 2016 and January 2017, attached to the report as Appendix A. It was explained in response to a question that timescales were tighter for priority work than non-priority work. Also it was confirmed that the 'Business Analysts' that had assisted with the review were Devon County Council employees.

The report was accepted.

## **11 Review of Pension Committee papers – agenda item 11**

The Board considered the agenda and reports from the 8 December 2017 meeting of the Pensions Committee, with the Funds and Investments Manager providing an overview of the reports. The following topics were covered in discussion:

- Analysis of Performance: the Board was pleased to note that most targets had been met and the overall value of the Fund continued to rise (it had stood at £2.037bn as at 30 Sept) despite the continued fall of the value of Sterling, the increase (albeit small) to interest rates and the continuation and supposed uncertainty of Brexit negotiations;
- The Funds and Investments Manager provided Board Members with an overview of the confidential agenda item considered by the Pensions Committee at its last meeting regarding the Formal Review of Fund Managers;

- The Funds and Investments Manager provided Board Members with an overview of possible changes regarding the number of Funds and Investments Manager once the investment funds had been pooled/ under the management of Brunel Pension Partnership Ltd, and it was noted that the Pensions Committee would choose which of the available 25 funds it wished to invest in but the management of those 25 funds would be decided by Brunel;
- There was a brief discussion about what might be done to protect the Fund from any future stock market crash and/or down turn in performance.

**12 Any Other Urgent Business – agenda item 12**

After ascertaining that there were no other items of business the Chair thanked all those present for attending and closed the meeting at 11:52 wishing everyone a Merry Christmas and a Happy New Year.

(The meeting ended at 11.52am)

**Mark Healey  
Chair – Pensions Board**