

## LOCAL PENSION BOARD

**MINUTES** of the meeting held on Friday, 18 January 2019 commencing at 10.30 am and finishing at 12.20 pm

**Present:**

**Voting Members:** Mark Spilsbury – in the Chair

Alistair Bastin  
Stephen Davis  
Councillor Bob Johnston  
District Councillor Sandy Lovatt  
Sarah Pritchard

**Officers:**

Whole of meeting S. Collins, S. Fox and J. Dean

*The Committee considered the matters, reports and recommendations contained or referred to in the agenda for the meeting, and decided as set out below. Except as insofar as otherwise specified, the reasons for the decisions are contained in the agenda and reports, copies of which are attached to the signed Minutes.*

**1/19 WELCOME BY CHAIRMAN**

(Agenda No. 1)

The Chairman welcomed all to the meeting.

With regard to the vacancy on the Employer's side, Sean Collins reported that he intended to take the matter to the next Employers Group at the beginning of February. He hoped to have someone in place by the next meeting.

**2/19 APOLOGIES FOR ABSENCE**

(Agenda No. 2)

There were no apologies for absence.

**3/19 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE OPPOSITE**

(Agenda No. 3)

There were no declarations of interest submitted.

**4/19 PETITIONS AND PUBLIC ADDRESS**

(Agenda No. 4)

There had been no requests to petition or address the meeting submitted.

## **5/19 MINUTES**

(Agenda No. 5)

The Minutes of the last meeting held on 26 October 2019 were approved and signed as a correct record.

With regard to the vacancy on the Employer's side, Sean Collins reported that he intended to take the matter to the next Employers Group at the beginning of February. He hoped to have someone in place by the next meeting.

With regard to Minute 45/18 – 'Review of the Annual Business Plan' Sean Collins confirmed that the first investment performance report would be reported to the Oversight Board on 31 January and would be circulated to Members of the Board, commenting also that it would be the first draft and it would evolve over time. He was also asked if there would be a main report going to Committee in relation to ESG investment. He responded that the main conversation regarding this would be at Brunel. The Chairman added that the Investment Strategy would come before the Board for comment to the Committee as part of the 2019 Valuation process – the timetable for which was set down in the current Agenda (Agenda Item 10).

## **6/19 REVIEW OF THE ANNUAL BUSINESS PLAN**

(Agenda No. 6)

The Board was invited to review the latest position against the Annual Business Plan for 2018/19, as considered by the Pension Fund Committee at its meeting on 7 December 2018, and to offer its views to the Committee (LPB6).

Sean Collins reported that work on the full report on the transition to the UK active equity portfolio was ongoing. However, it was known that it was likely that fund management fees would be lower than assumed in the business case.

In response to a question from the Board, Sean Collins reported that the Business Plan would be submitted to the 8 March meeting of the Pension Fund Committee, and to the 26 April meeting of the Board. Members of the Board were sent a copy of the Committee papers as a matter of routine.

In relation to paragraph 17 of the report, Sean Collins reported that a meeting about the Business Plan had taken place between the new Actuary, Hymans Robertson and with most of the large Employers. This was a new approach and had been the first time the Employers had been engaged with the process. In part, Hymans was endeavouring to ascertain what the appetites for risk were and what they valued the most. The key factor which arose from this meeting was that they valued contribution rate stability above short – term contribution rate reductions. It was intended to ask their views for key matters, all of which would be brought back to the Board and the Employers for discussion prior to submission to the June or September meeting of the Committee.

With regard to Environmental, Social and Governance (ESG) issues within investment decision making (paragraph 10 of the report), Sean Collins reported that the first quarterly report from Brunel Pension Partnership (BPP) to clients, as portfolios continued to transition over, would contain data on this topic. This would be shared with the Committee and the Board, together with advice on how this could be used in public to address any issues. The Board welcomed this improved reporting that would be provided by BPP and also requested that consideration be given to including this very fast-moving subject on the Training Plan.

It was **AGREED**: to

- (a) note the progress against the key service priorities and budget included within the Business Plan 2018/19 and, in particular to welcome the improved reporting that would be provided by BPP in relation to ESG matters; and
- (b) request that consideration be given to including ESG matters in future training plans.

## 7/19 **RISK REGISTER**

(Agenda No. 7)

The Board reviewed the latest Risk Register report which was submitted to the Committee at its last meeting on 7 December 2018 (**LPB7**).

Sean Collins reported that climate change and the risks to returns had been raised at the Employers Forum which had taken place the week prior to this meeting. The Chief Responsible Investment Officer from Brunel had given reassurance that all ESG factors were looked at and a Board member added that she had stated that Brunel did consider climate change amongst other ESG factors as a risk to future investment returns.

Some members of the Board spoke of the importance of the risks being reported in the public domain and that there was a transparency to this. Sean Collins stated that there was already a large amount of mitigation in relation to climate change already being undertaken by the fund managers to ensure that it did not become a long-term risk. The ESG elements of the Independent Strategy Statement would set out how it was monitored and how the Committee could ensure that this had the desired effect.

The Board considered whether to recommend the Committee to consider making an investment into the BPP passive low carbon mandate by reducing its investment in the BPP passive equities mandate. This needed to be balanced alongside Risk 2 'Investment Strategy aligned with Pension Liability Profile' and how we ensure sufficient robustness for the Fund to meet its obligations.

It was **AGREED** to **RECOMMEND** the Committee to consider:

- (a) including climate change on the risk register as a separate risk; and
- (b) make an investment into the BPP passive low carbon mandate by reducing its investment in the BPP passive equities mandate(s).

**8/19 PENSION BOARD CONSTITUTION**

(Agenda No. 8)

The Board considered changes to its current Constitution (LP8) following discussions at the last two meetings. It was asked to agree the changes for recommendation to the Pension Fund Committee for approval.

A consensus in relation to all the changes was not reached and it was therefore decided not to include the changes made to paragraph 42.

**9/19 MONITORING INVESTMENT EXPENDITURE**

(Agenda No. 9)

At the request of one of the scheme member representatives the Board considered a report (LPB9) which provided a breakdown of the investment management costs included in the 2017/18 Annual Report and Accounts, alongside the performance information of the Fund Managers covering the same period. The Board was invited to consider the information contained in the report (LPB9) and determine what conclusions it could draw from the data and to advise the Pension Fund Committee accordingly.

In response to analysis of the performance given by the scheme member, Mr Collins clarified that some were new allocations thus making it both too early and inaccurate to scrutinise performance based on costs. Moreover, some required time to come to fruition. He further advised that the Committee did not look specifically at fees, but it looked at the net performance of the investments over time. He gave some examples of fund managers' turning around bad performance over time, and vice-versa. He also assured the Board that the Committee was very active in keeping account of performance.

The Board both thanked Mr Collins for the reports he had provided on this matter and welcomed them.

It was **AGREED** that a similar report monitoring fees against each mandate be provided to the Board in 6 months' time.

**10/19 2019 FUND VALUATION**

(Agenda No. 10)

At the request of one of the scheme members, the Board considered a report (LPB10) which set out the key steps and the timetable for the 2019 Fund Valuation process, in order to gain a better understanding of the Board's role in the process.

Mr Collins assured the Board that the key Committee reports would also be submitted to the Board for comment. He added that should the Board determine that something had not been taken account of, then the Committee would not sign it off until it could take account of the Board's comments at its next meeting. This was welcomed by the Board.

**11/19 EXEMPT ITEMS**

(Agenda No. 11)

**RESOLVED:** to exclude the public for the duration of Items 12, 13 and 14 since it was likely that if they were present during these items there would be disclosure of exempt information as defined in Part 1 of Schedule 12 A to the Local Government Act 1972 (as amended) and specified in relation to the respective item in the Agenda and since it is considered that, in all circumstances of each case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

**PROCEEDINGS FOLLOWING THE WITHDRAWAL OF THE PRESS AND PUBLIC****12/19 EXEMPT MINUTE - 26 OCTOBER 2018 MEETING**

(Agenda No. 12)

The exempt minute from the meeting of 26 October 2018 was approved and signed as a correct record (LPB12).

*The public should be excluded during this item because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following prescribed category:*

3. *Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.*

The Board asked if staff recruitment was still a challenge for the Pensions Team. Sean Collins responded that, whilst it remained a challenge, the Team was in a better position in terms of its ability to resolve queries and data issues. The Team was currently getting into position for the end of year.

In response to a question about whether a market premium had been considered, Mr Collins stated that the Pension Fund Committee had already advised that any option to help the situation should not be ignored, including the possibility of applying supplements.

**13/19 IMPROVEMENT PLAN**

(Agenda No. 13)

The Board considered the latest in the series of reports to the Pension Fund Committee (LPB13) and this Board on the Fund's approach to employer management. It included the latest version of the Improvement Plan which was aimed at ensuring the Fund met its statutory targets in terms of data quality and services to scheme members and employers.

*The public should be excluded during this item because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following prescribed category:*

3. *Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.*

Sean Collins reported on current actions being taken in respect of the Improvement Plan.

The Board thanked Mr Collins for the detailed report.

It was **AGREED** to note the major improvements being made and implemented, and to support the actions being taken.

**14/19 INDEPENDENT FINANCIAL ADVISER**

(Agenda No. 14)

This item had been added to the Agenda at the request of one of the scheme member representatives. It allowed the Board to review the confidential report presented to the meeting of the Pension Fund Committee on 7 December 2018. The report was attached at LPB14 and the Board was invited to provide any comments to the Pension Fund Committee.

*The public should be excluded during this item because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following prescribed category:*

3. *Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.*

It was **AGREED** to note the report.

**READMISSION OF PRESS AND PUBLIC**

**15/19 ITEMS TO INCLUDE IN REPORT TO THE PENSION FUND COMMITTEE**

(Agenda No. 15)

- Various ESG matters, as highlighted above in the ‘Review of Annual Business Plan’ and ‘Risk Register’ items; and
- ‘Monitoring Investment Expenditure’ item.

..... in the Chair

Date of signing .....

