

## PENSION FUND COMMITTEE

**MINUTES** of the meeting held on Friday, 10 March 2017 commencing at 10.15 am and finishing at 3.07 pm

**Present:**

**Voting Members:** Councillor Stewart Lilly – in the Chair

Councillor Patrick Greene (Deputy Chairman)  
Councillor Jean Fooks  
Councillor Nick Hards  
Councillor Sandy Lovatt  
Councillor Neil Owen  
Councillor Les Sibley  
District Councillor Bill Service  
Councillor Gill Sanders (In place of Councillor Surinder Dhesi)

**District Council Representatives:** District Councillor Bill Service

**By Invitation:** Alistair Bastin (Beneficiaries Observer)  
Peter Davies (Independent Financial Adviser)

**Officers:**

Whole of meeting J. Dean (Resources Directorate); Chief Finance Officer, S. Collins, S. Fox and G. Ley (Corporate Finance)

*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.*

### **1/17 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS**

(Agenda No. 1)

Cllr Gill Sanders attended for Cllr Surinder Dhesi and apologies were received from Cllr Richard Langridge and Cllr James Fry.

### **2/17 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE**

(Agenda No. 2)

Councillors Fooks, Lilly, Owen, Sanders, Service and Sibley each declared personal interests as members of the Pension Fund Scheme under the provisions of Section 18 of the Local Government Act 1989.

**3/17 MINUTES**  
(Agenda No. 3)

The Minutes of the last meeting held on 2 December 2016 were approved and signed as a correct record.

**4/17 MINUTES OF LAST MEETING OF THE LOCAL PENSION BOARD**  
(Agenda No. 4)

**5/17 PETITIONS AND PUBLIC ADDRESS**  
(Agenda No. 5)

A large number of requests to address the Committee had been received with regard to Agenda Item 12 'Investment Strategy Statement'. The Chairman, in the interests of fairness and the lengthy Agenda, had instead invited each individual to send in a written statement expressing their views. Each statement had then been sent to all members of the Committee and the Board prior to the meeting.

**6/17 COLLABORATION UPDATE**  
(Agenda No. 6)

The Committee were updated on the latest position in respect of the establishment of the Brunel Pension Partnership, in line with the full business case approved at the last meeting of the Committee. The report (PF6) also highlighted the key issues to be determined in advance of the next round of Committee meetings following the May election.

It was noted that it would be unlikely that a special meeting of the Committee would be required prior to the next meeting.

**RESOLVED:** to note the position in respect of key decisions to be taken over the next few months.

**7/17 BUSINESS PLAN 2017/18**  
(Agenda No. 7)

Members considered the Business Plan for the Pension Fund Committee for the forthcoming financial year which included the key objectives for the forthcoming year, the proposed Budget and the Cash Management Strategy (PF7).

The Committee thanked the Pensions Team for all their hard work, particularly in light of the number of recent office moves they have had to undergo in recent years.

**RESOLVED: to**

- (a) approve the Business Plan and Budget for 2017/18 as set out at Annex 1;
- (b) approve the Pension Fund Cash Management Strategy for 2017/18;
- (c) delegate authority to the Chief Finance Officer to make changes necessary to the Pension Fund Cash Management Strategy during

- the year, in line with changes to the County Council's Treasury Management Strategy;
- (d) delegate authority to the Chief Finance Officer to open separate pension fund bank, deposit and investment accounts as appropriate; and
  - (e) delegate authority to the Chief Finance Officer to borrow money for the pension fund in accordance with the regulations.

## **8/17 ADMINISTRATION REPORT**

(Agenda No. 8)

The Committee had before them a report (PF8) which gave an update on the latest position on administration issues, including the quality and timeliness of returns from employers, the latest position on new admissions to the Fund and any debt write-offs.

### **RESOLVED to:**

- (a) note current team performance;
- (b) approve the write off of £10,770.67;
- (c) note the proposed actions in respect of data retention issues;
- (d) agree to the destruction of the paper records which have been scanned to the Altair system; and
- (e) note the current positions with applications for admission to the fund and other employer changes.

## **9/17 RISK REGISTER**

(Agenda No. 9)

The Committee considered the latest position on the Fund's Risk Register which gave an update on the risks reported to the last meeting and which added in new risks that had been identified in the intervening period (PF9).

**RESOLVED:** to note the report.

## **10/17 FUND VALUATION 2016**

(Agenda No. 10)

The Committee had before them a report which gave an update on key issues arising from the draft results of the 2016 Fund Valuation (PF10).

**RESOLVED:** to note the report.

## **11/17 FUNDAMENTAL REVIEW OF ASSET ALLOCATION**

(Agenda No. 11)

The Committee considered a report (PF11) from the Independent Financial Adviser which informed the Committee of any potential changes required in the Strategic Asset Allocation of the Fund following the 2016 Valuation results.

*The public was excluded during consideration of Annexes 1-10 because its discussion in public was 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, in that such disclosure would prejudice the trading activities of the fund managers involved and would prejudice the position of the authority's investments in funding the Pension Fund.*

**RESOLVED to:**

- (a) retain the existing asset classes, but de-risk by reducing the Equity allocation by 5% and increasing the Fixed Interest allocation by 5% [paras 22, 23]
- (b) switch the holding in LGIM's FTSE 100 Index Fund into LGIM's FTSE All-Share Index Fund [para 31]
- (c) maintain a specific allocation to UK Equities [para 34]
- (d) maintain the existing external investment managers until the introduction of the Brunel Company, but then scrutinise the choice of mandates available within Brunel [paras 20, 26]

**12/17 INVESTMENT STRATEGY STATEMENT**

(Agenda No. 12)

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require all LGPS administering authorities to publish a new Investment Strategy Statement (ISS) by 1 April 2017. This ISS (PF12) replaces the Statement of Investment Principles (SIP) that the Fund previously produced.

In order to meet this timeframe the document needs to be approved at the current Committee meeting. The ISS must be drafted following receipt of appropriate advice. The fundamental review of the Fund's strategic asset allocation strategy, which is also presented to this Committee, constitutes this formal advice from the Fund's Independent Financial Adviser. The fundamental review is taken to Committee in March to tie in with the timetable for receiving the results of the triennial valuation of the Fund from the Fund's Actuary. At the time of writing the ISS, the contents of the fundamental review had not been approved, and as such, all references were to the strategic asset allocation currently in place. Following consideration of the fundamental review at this Committee, any changes agreed would be reflected in an updated ISS.

In future, the intention was for the review of the ISS to align with the cycle of other related reports and so would ordinarily be included on the Agenda for June Committee meetings, along with the Funding Strategy Statement, to allow any fundamental review changes to be reflected. The ISS must be reviewed at least every

three years. As was the case with the SIP the intention was that the ISS would be approved on an annual basis by the Committee and may be reviewed in intervening periods if required.

The Chairman then addressed the meeting referring to the large number of written representations on the ESC Policy (Environmental, Social & Corporate Governance) that both he and members of the Committee had received over the last 4 years, including the 21 representations received prior to this meeting. He stated how important it was to endeavour to do what was best for all and on that basis he proposed a motion, which was duly seconded and agreed unanimously), to **RESOLVE** to approve the Investment Strategy subject to the addition of the following to the first sentence of the Committee's Environmental, Social and Corporate Governance Policy to read as follows (amendment in bold italics):

'The Committee recognises that environmental, social and corporate governance (ESG) issues, ***including that of climate change***, can have materially significant investment implications.'

### 13/17 OVERVIEW OF PAST AND CURRENT INVESTMENT POSITION

(Agenda No. 13)

The Independent Financial Adviser reviewed the investment activity during the past quarter and presented an overview of the Fund's position as at 31 December 2016 (PF13).

Mr Davies reported that the overall value of the Fund at 31 December 2016 had increased by £82m, of which equities had risen by £70m and private equities by £15m and there had been a small gain in property. Bonds had depreciated by £12m. As at the end of February 2017, it had been estimated that there had been a further rise of approximately £50m, due to a rise in overseas equities, though this situation could change.

The Committee **RESOLVED** to receive the tables and graphs, and that the information contained in them be borne in mind, insofar as they related to agenda items 15, 16, 17, 18, 19 and 20 on the Agenda.

### 14/17 EXEMPT ITEMS

(Agenda No. 14)

***The Committee RESOLVED that the public be excluded for the duration of items 15, 16, 17, 18, 19 and 20 in the Agenda since it was likely that if they were present during those items there would be disclosure of exempt information as defined in Part I of Schedule 12A to the Local Government Act 1972 (as amended) and specified in relation to the respective items in the Agenda and since it was considered that, in all the circumstances of each case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information.***

## 15/17 OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

(Agenda No. 15)

The report (PF15) set out an overview of the current and future investment scene and market developments across various regions and sectors. The report itself did not contain exempt information and was available to the public. It also set out the context for consideration of the reports from the Fund Managers. The Independent Financial Adviser also reported orally and this information was exempt information.

*The public was 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 was considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information, in that such disclosure would prejudice the trading activities of the fund managers involved and would prejudice the position of the authority's investments in funding the Pension Fund.*

**RESOLVED: to receive the report, tables and graphs, to receive the oral report, to consider any further action arising on them and to bear the Independent Financial Adviser's conclusions in mind when considering the Fund Managers' reports.**

## 16/17 UBS

(Agenda No. 16)

The Independent Financial Adviser reported orally on the performance and strategy of UBS drawing on the tables at Agenda Items 13 and 15.

The representatives, Malcolm Gordon and Jean-Luc Seidenberg presented their approach to investments in relation to their part of the Fund and their strategy against the background of the current investment scene. They also gave their views on the future investment scene.

At the end of the presentation they responded to questions from members.

*The public was 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 was considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information, in that such disclosure would prejudice the trading activities of the fund managers involved and would prejudice the position of the authority's investments in funding the Pension Fund.*

The Committee **RESOLVED** to note the main issues arising from the presentation.

**17/17 WELLINGTON**

(Agenda No. 17)

The Independent Financial Adviser reported orally on the performance and strategy of Wellington drawing on the tables at Agenda Items 13 and 15.

The representatives, Nicola Staunton, Ian Link and Louise Kooy-Henckel presented their approach to investments in relation to their part of the Fund and their strategy against the background of the current investment scene. They also gave their views on the future investment scene.

At the end of the presentation they responded to questions from members.

*The public was 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 was considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information, in that such disclosure would prejudice the trading activities of the fund managers involved and would prejudice the position of the authority's investments in funding the Pension Fund.*

**RESOLVED:** to note the main issues arising from the presentation.

**18/17 REPORT OF MAIN ISSUES ARISING FROM REPORTS OF THE FUND MANAGERS NOT REPRESENTED AT THIS MEETING**

(Agenda No. 18)

The Independent Financial Adviser reported on the main issues arising from the officer meetings with Insight, Baillie Gifford and Legal & General in conjunction with information contained in the tables (PF18). This included issues in respect of the Private Equity portfolio.

*The public were 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 was considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information, in that such disclosure would prejudice the trading activities of the fund managers involved and would prejudice the position of the authority's investments in funding the Pension Fund.*

**RESOLVED:** to note the main issues arising from the report.

**19/17 SUMMARY BY THE INDEPENDENT FINANCIAL ADVISER**

(Agenda No. 19)

The Independent Financial Adviser reported that there were no further issues which required discussion.

**20/17 ANNUAL REVIEW OF THE INDEPENDENT FINANCIAL ADVISER**

(Agenda No. 20)

The Committee considered a report (PF20) which reviewed the work undertaken by the Independent Financial Adviser over the course of the past year and which invited Members to provide any feedback on the levels of service received and/or changes going forward.

*The public were 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.*

**RESOLVED:** to note the review report and to wholeheartedly agree to thank Mr Davis for his valuable knowledge and valued opinions, his frankness and his approachability during the past year.

**READMISSION OF PRESS AND PUBLIC**

**21/17 CORPORATE GOVERNANCE - VOTING**

(Agenda No. 21)

Members considered a report (PF21) which provided information on the voting records of the Fund Managers which they had exercised on behalf of the Fund over the year to 31 July 2016.

**RESOLVED:** to

- (a) note the Fund's voting activities; and
- (b) commit to becoming signatories to the UK Stewardship Code and request that officers prepare a Stewardship Code statement to be considered at the next Pension Fund Committee meeting.



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**22/17 VOTE OF THANKS TO CHAIRMAN AND DEPUTY CHAIRMAN**

Cllr Nick Hards proposed a vote of thanks to the Chairman, Cllr Stewart Lilly, and the Deputy Chairman, Cllr Patrick Greene, for all their hard work and commitment during the past 4 years.

..... in the Chair

Date of signing