

## **PENSION FUND COMMITTEE – 8 MARCH 2019**

### **REPORT OF THE PENSION BOARD**

#### **Report by the Independent Chairman of the Pension Board**

##### **Introduction**

1. At the first meeting of the new Pension Fund Committee on 23 June 2017, it was agreed at the suggestion of the Chairman, that each future meeting of the Committee should receive a written report from the Pension Board, setting out the key elements of their work and any matters which the Board wished to draw to the Committee's attention.
2. This report reflects the discussions of the Board members at their meeting on 18 January 2019. The Board was attended by the Independent Chairman and five of the scheme employer and scheme member representatives. David Locke had changed employer and as such was no longer able to meet the criteria to act as a Scheme Employer representative and had stepped down from the Board with effect from 31 December 2018. The process to appoint a replacement is underway. Cllr John Howson also attended the Board meeting as an Observer.

##### **Matters Discussed and those the Board wished to bring to the Committee's Attention**

3. The Board again devoted a significant part of its agenda to the on-going issues on employer management, data quality and the issue of Annual Benefit Statements. It considered the improvement plan, and noted the major improvements being implemented. The Board also wished to have noted its support for the actions being taken to ensure the Pensions Administration Team has adequate and appropriate resources to deliver the agreed improvement plan.
4. The Board considered the reports received by the Pension Fund Committee on the review of the Annual Business Plan and the Risk Register. It focused its discussions on issues around the Environmental, Social and Governance (ESG) Policy, and had a number of issues it wished to be noted and brought to the Committee's attention:
  - It welcomed the improved reporting that would be provided through the Brunel Pension Partnership;
  - It felt that ESG issues should form a key element of the future training plan;
  - It recommended that there should be a separate risk added to the risk register on climate change; and

- that the Committee be requested to consider making an investment into the passive low carbon equity mandate managed through Brunel, by reducing the allocation to the passive global mandate, with this being seen as a key mitigation to the proposed risk on climate change.
5. Following the discussion at the two previous Board meetings, the Board again reviewed its own Constitution, with particular reference to the process for adding items to the agenda. Following the discussion, the Board made no recommendations to amend the current Constitution.
  6. Following a request from a scheme member representative, the Board discussed an item the cost transparency which included an analysis of the fund manager costs for 2017/18 split by fund manager, alongside their performance for the same period. Whilst the Board drew no conclusions from the data presented, they welcomed the information, and asked for a similar report to be produced in 6 months' time.
  7. The Board reviewed a report on the upcoming 2019 Fund Valuation, it being keen to understand the timetable and how they could review the key assumptions being made and how these impacted onto the final contribution rates certified by the Actuary. The Board resolved to request that the key reports due to presentation to the Committee are also made available to the Board, to enable it to comment as appropriate.
  8. The final report considered by the Board was the confidential item presented to the December Committee meeting regarding the short-term extension of the contract for the Independent Financial Adviser. One member of the Board highlighted that the Fund had underperformed its benchmark by 0.2% per annum over the period of the IFA's contract. It was explained to the Board that the IFA was not directly responsible for the investment performance of the Fund Managers but had in fact been instrumental in initiating the changes in all areas which had contributed to the under-performance. The Board also noted that the primary purpose for seeking the short-term extension was to provide continuity during the period assets were transitioning to Brunel, with full procurement exercise undertaken on completion of the transition as appropriate, once the long - term requirements were identified.

## **RECOMMENDATION**

9. **The Committee is RECOMMENDED to note the Report of the Board and:**
  - (a) note the comments of the Board in respect of the actions being taken to ensure that the Pensions Administration Team have adequate and appropriate resources to deliver the agreed implementation plan;**
  - (b) consider its request that all key reports in respect of the 2019 Valuation are submitted to the Board for their comments as appropriate; and**

**(c) note its comments on the risk register and the investment in the low carbon portfolio and to consider this further on the separate item on the risk register elsewhere on this agenda.**

Mark Spilsbury  
Independent Chairman of the Pension Board

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