

LOCAL PENSION BOARD

MINUTES of the meeting held on Friday, 13 July 2018 commencing at 10.30 am and finishing at 12.10 pm

Present:

Voting Members: Mark Spilsbury – in the Chair

Alistair Bastin
Stephen Davis
David Locke FCA
District Councillor Sandy Lovatt

Officers:

Whole of meeting S. Collins, S. Fox and J. Dean (Resources)

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.

22/18 WELCOME BY CHAIRMAN

(Agenda No. 1)

The Chairman welcomed all to the meeting.

23/18 APOLOGIES FOR ABSENCE

(Agenda No. 2)

Apologies for absence were received from Cllr Bob Johnston and Sarah Pritchard.

24/18 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE OPPOSITE

(Agenda No. 3)

There were no declarations of interest.

25/18 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 4)

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

26/18 MINUTES

(Agenda No. 5)

The Minutes of the last meeting held on 20 April 2018 were approved and signed as a correct record.

ORDER OF BUSINESS AND AN ADDITIONAL ITEM OF ANY OTHER BUSINESS

It was **AGREED** that:

- (a) agenda items 10, 11, 12 and 13 be taken prior to exempt item 8 and
- (b) an additional item of business entitled 'Cost Transparency', as agreed by the Chairman, be taken following Agenda Item 13.

27/18 ANNUAL REPORT OF THE PENSION BOARD

(Agenda No. 6)

The Board was asked if it wished to make any changes to its draft Annual Report (LPB6) which set out the key issues considered by the Board during 2017/18, and its key priorities for the 2018/19 financial year.

In response to a query, Mr Collins confirmed that the finalised report would be published as part of the Annual Report and Accounts of the Pension Fund Committee and it would also be published on Brunel's Scheme Advisory Board's website.

The Board **AGREED** to approve its Annual Report for 2017/18 financial year.

28/18 REVIEW OF THE ANNUAL BUSINESS PLAN

(Agenda No. 10)

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 8 June 2018; and to offer any views back to the Committee (LPB10).

Mr Collins reported that the Plan would feature in subsequent reports over the next two quarters. He pointed out that the Training Day had been attended by 6 out of 7 of the Board members and 10 out of 12 of the Committee members. The Committee's Beneficiaries Observer and the Independent Financial Adviser had also attended. He asked the Board to consider whether there were any other issues it would like in-depth training on. Points raised by members of the Board included the following:

- The officers were congratulated on their hard work in enabling online access to pensioners' accounts, which had recently been launched;
- With regard to the fifth priority - the Pensions dashboard, Sally Fox reported that monetary briefings on the delivery of data was being run by the DWP, who were the software suppliers. She added that she was currently in discussion with DWP regarding data which would need to be uploaded;
- With regard to the fourth priority which addressed the growing importance of Environmental, Social & Governance (ESG) issues, Mr Collins confirmed that a survey would be taken of scheme member representatives, which would include information about the direction the Pension Fund Committee

had taken on the subject of divestment, prior to the major review of the Investment Strategy Statement to be agreed by Committee in 2020.

Members of the Board **AGREED** that they had no comments to relay back to the Committee.

29/18 RISK REGISTER

(Agenda No. 11)

The Board was invited to review the latest report on the Risk Register, which had been presented to the Pension Fund Committee on 8 June 2018 and to offer any views back to Committee (LPB11).

The Board **AGREED** that they had no comments for the Committee.

30/18 BRUNEL PENSION PARTNERSHIP

(Agenda No. 12)

Mr Collins gave an oral update on the latest position in relation to the development of the Brunel Pension Partnership. He reported the following:

- The first transition of assets had taken place that week to Legal & General;
- The process for awarding contracts for the new UK equity portfolio was continuing, with due diligence meetings with the short-listed fund managers to be held in the following week. Part of the process was to minimise the tax implications and to this end Brunel had appointed Fund Rock as its operator;
- Papers were being despatched to the Oversight Board in relation to private markets and how to take this forward; and
- The transition timetable had been reviewed and it had remained unchanged. The next to be transitioned was the Global & Emerging Markets and DGF and Property would be later.

Mr Collins was asked about the costs of transitioning assets to L & G passive. He informed the Board that a report would be produced and then made available by the Transition Manager for the Board and the Committee once the transition had taken place. He added that, in his view, the transition costs would come in under estimate. The Chairman reported that it was expected that there would be overall fee savings across the 10 funds.

The Board asked that a GANT chart be made available in relation to the transition timetable when it was circulated.

In response to a query about whether the Board would be able to request a report from Brunel, or at least a general overall statement on the overall financial situation, Mr Collins stated that the expectation was that Brunel would not attend the Pension Fund Committee every quarter – (it had not yet been agreed on the frequency), but Brunel would be preparing a quarterly performance report. A draft of this report was to be submitted to the Oversight Board the following week. Representatives from Brunel were due to attend either the September 2018 meeting or the December 2018 Committee. Mr Collins also pointed out that currently it was difficult to ascertain the

overall financial situation as so much was still to be determined, but the Oversight Board was currently examining all reporting arrangements and the Client Group was also looking at it. The process would be significantly refined over the next year and the Committee would then be able to see all the monitoring reports it wished to. He added that the intention was to hold another Brunel Engagement day in October or November this year for Oxfordshire, Buckinghamshire and Gloucestershire to present the position as it currently stood.

He informed the Board that as Chair of the Client Group, he had recently met, along with the two Vice Chairs of the Client Group from Devon and Somerset, with the company to discuss the first year of operation. All had agreed that the arrangements were progressing well, though there were issues and actions which needed to improve. For example, the general organisation needed to be tighter as some deadlines had been missed. There was a need, however, to keep in mind that there was a huge amount of work involved. There was also the question for some about where the responsibility lay. All parties needed to get used to their new responsibilities and the new governance arrangements, understanding that they could not now be involved in the level of detail that they were accustomed to. Mr Collins stated that nationally Brunel had a good reputation to date and was proving to be a very good partnership.

The Board **AGREED** to note the report.

31/18 REVIEW OF THE BOARD'S CONSTITUTION

(Agenda No. 13)

In accordance with paragraph 68 of the Constitution (attached at LPB13), the Board was invited to consider whether it wished to make any changes, with particular attention to an issue which had arose in recent meetings regarding the inclusion of items of any other business.

During the ensuing discussion, the Chairman stated his view that items of any other business should be allowed where possible, as this was a meeting held in the public domain (where appropriate). However, he did feel that officers should be given as much time as possible to produce their reports to ensure that proper consideration could be given to them by the Board. To that end, he proposed that a new standard item be added to each Agenda under the title 'Any other Business for Consideration at the next Meeting'.

He proposed also that appropriate items that were considered urgent and which required consideration by the Board at a meeting, would be added to the Agenda with the agreement of the Chairman, as long as no less than one month's notice had been given, in order to allow for a written report to be produced.

Moreover, if any very urgent items arose from Pension Fund Committee which required consideration at the next meeting of the Board, and did not allow for one month's notice to be given, then these would be allowed by the Chairman in special circumstances if the Chairman deemed it appropriate.

The Board **AGREED** the above and requested Julie Dean to bring a revised Constitution to the next meeting for consideration.

Item of Any Other Business Allowed by the Chairman – Cost Transparency – Investment Costs

The Chairman had allowed this item of any other business to be placed on the Agenda.

Employee representative, Alistair Bastin, who had brought this item, stated his concern that the returns submitted to the Pension Fund Committee were silent in respect of costs incurred by the fund managers and fees charged to the Committee. To that end he requested the Board to consider receiving the cost transparency spreadsheets submitted by the Fund Managers at its next meeting so that a thorough monitoring could occur, to enable comparison with Brunel's costs and fees following the transition. He was backed also by Stephen Davis who stated his preference to be aware of the costs and the level of fees incurred now, prior to the complete transition to Brunel.

Suggestions from Members of the Board included a proposal that a summary report from the officers to the Board be prepared which highlighted the key points, rather than receipt of the transparency templates themselves; and the possibility of looking at all spreadsheets to ascertain what each individual fund manager was charging.

It was another Board member's view that the Committee already employed a strategy whereby it looked at the spread of risk profiles employed by the different fund managers in order that a balanced view could be gained. Moreover, net fee levels depended upon the strategic allocations. To look at it in a more detailed manner at that level would, in his view, be unadvisable.

Sean Collins advised the Board that Legal & General submitted four templates for four separate funds and Baillie Gifford, one. The other Fund Managers had not yet submitted any annual returns, having signed up to the transparency code after the end of the financial year. Furthermore, Brunel was not charged with reducing costs, but improving net investment performance. As an example of the dangers of focusing just on investment costs, he cited that Baillie Gifford's transaction costs were always very low because their process focussed on holding growth stocks for the long term. Brunel could appoint a second manager who transacted on a more regular basis as stocks hit the manager's assessment of fair value, so increasing the level of investment costs. No judgement could be made on this without also looking at the impact on investment performance. Therefore, for the reasons above, looking solely at a template would not indicate any key implications/issues. Mr Collins also pointed out that actual fees paid were provided each year and made public within the annual accounts.

Following the Board's discussion it was **AGREED** that Mr Collins be requested to submit a report covering the points made in the discussion to the next meeting.

32/18 EXEMPT ITEMS

(Agenda No. 7)

The Board **RESOLVED** that the public be excluded for the duration of items 8 and 9 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 was considered that, in all circumstances of each case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

33/18 EXEMPT MINUTE - 20 APRIL 2018

(Agenda No. 8)

The exempt Minute of the meeting held on 20 April 2018 was approved and signed as a correct record (LPB8).

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 distort the proper process of free negotiations with another party.*

34/18 EMPLOYER MANAGEMENT

(Agenda No. 9)

The Board considered the latest in a series of reports to the Pension Fund Committee on the Fund's approach to employer management.

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 distort the proper process of free negotiations with another party.*

READMISSION OF PRESS AND PUBLIC

35/18 ITEMS TO INCLUDE IN REPORT TO THE PENSION FUND COMMITTEE

(Agenda No. 14)

The Board confirmed the following issues it wished to include in its latest report to the Pension Fund Committee:

- Request for a report on fees, in the context of performance, to be submitted to the next meeting of the Board.
- Request for a GANT chart to be produced with regard to the transition timetable.
- How the Committee might like the Board to assist with administration issues.

36/18 DATES OF FUTURE MEETINGS 2018/19

(Agenda No. 15)

The Board noted the following dates of future meetings for 2018/19:

(All to take place on a Friday, starting at 10.30am)

- 26 October 2018
- 18 January 2019
- 26 April 2019
- 19 July 2019
- 25 October 2019
- 24 January 2020

..... in the Chair

Date of signing