

Minutes of the Meeting held

Friday, 27th June, 2014, 2.00 pm

Bath and North East Somerset Councillors: Charles Gerrish (Vice-Chair in the Chair), Patrick Anketell-Jones, Lisa Brett and Ian Gilchrist

Co-opted Voting Members: Ann Berresford (Independent Member), Councillor Mary Blatchford (North Somerset Council), Councillor Mike Drew (South Gloucestershire Council), William Liew (HFE Employers), Shirley Marsh (Independent Member) and Councillor Steve Pearce (Bristol City Council)

Co-opted Non-voting Members: Clive Fricker (Town and Parish Councils) and Richard Orton (Trade Unions)

Advisors: Tasnim Choudhury (Grant Thornton) and John Finch (JLT Benefit Solutions)

Also in attendance: Tim Richens (Divisional Director- Business Support), Liz Woodyard (Investments Manager), Matt Betts (Assistant Investments Manager), Steve Makin (Communication and Public Relations Manager), Martin Phillips (Finance & Systems Manager (Pensions)) and Alan South (Technical and Development Manager)

1 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer read out the procedure.

2 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies were received from Councillor Paul Fox.

Apologies were also received from Tony Earnshaw, the Independent Investment Advisor.

3 DECLARATIONS OF INTEREST

There were none.

4 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

5 ITEMS FROM THE PUBLIC - TO RECEIVE DEPUTATIONS, STATEMENTS, PETITIONS OR QUESTIONS

There were none.

6 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

7 MINUTES: 28 MARCH 2014

These were approved as a correct record and signed by the Chair.

8 ROLES AND RESPONSIBILITIES OF THE COMMITTEE

The Investments Manager presented the report. She said that a DCLG consultation document about the requirement to establish a local pensions board had been received. Pensions Officers would be meeting the B&NES Monitoring Officer about the establishment of the pension board in July. A workshop about it would be held before the next meeting in September and a recommendation would be put to the November meeting of B&NES Council.

A Member noted that “education bodies” at the top of agenda page 18 should be “further and higher education bodies”.

RESOLVED

1. To note:
 - a. the roles and responsibilities of the members, advisors and officers;
 - b. the Terms of Reference of the Committee and Investment Panel;
 - c. the requirement to establish a local pensions board.
2. To approve the Governance Compliance Statement.
3. To agree that Councillor Patrick Anketell-Jones, Ann Berresford, Councillor Mary Blatchford, Councillor Ian Gilchrist, William Liew will remain Members of the Investment Panel.
4. To agree that Councillor Mike Drew will remain the Committee’s nominee to the Local Authority Pension Fund Forum (LAPFF).

The Investments Manager advised that any Member could attend meetings of LAPFF. Councillor Pearce requested to be notified of the dates of meetings.

9 APPROVAL OF DRAFT ACCOUNTS 2013/14

The Finance & Systems Manager (Pensions) presented the draft accounts. He gave details of several small amendments made to the draft accounts since the publication of the agenda. He said that the draft accounts had to be signed off by the

Section 151 Officer by 30 June and that the final accounts would be laid before the Committee for approval at its meeting on 26th September.

A Member noted a large increase in transfers in recorded on page 35. The Finance & Systems Manager (Pensions) explained that this was the result of the merger of Filton and Stroud Colleges into South Gloucestershire and Stroud College. The Investments Manager explained that the figures given for transfers in were the actuarial values.

A Member noted that the net return on investment was half that of the previous year. The Investments Manager explained that this was because of a lower rise in the value of investments; the previous year the markets had been up strongly, whereas in 2013/14 they had only risen by 6%.

Ms Choudhury gave a presentation on the external audit plan 2014.

RESOLVED to note:

1. the Draft Statement of Accounts for the year to 31 March 2014 for audit;
2. the Audit Plan for the accounts for the year ended 31 March 2014.

10 DCLG CONSULTATION ON COLLABORATION, COST SAVINGS AND EFFICIENCIES

The Investments Manager presented the report. She said that the Fund's response to the consultation emphasised that costs could not be considered in isolation apart from risk and investment objectives. The key points of the response were summarised in section 5 of the report. The deadline for submission of the response was 11 July 2014.

The following points were made in discussion:

- the use of joint investment vehicles would result in lower administrative costs
- restructuring might not lead to the savings envisaged by the Government and in any case would take some time to realise
- there were other ways of saving money apart from structural reform; the response should give examples of other ways of reducing costs
- the main issue was liabilities not costs; a 1% increase in bond yields would result in a 20% reduction in liabilities
- higher returns resulted in higher investment costs because of the contracts that funds had with most investment managers
- there was a need for hard evidence and that a better result would be achieved if consultees provided the Government with as much detailed evidence as possible

RESOLVED to approve the draft response the draft response to the consultation *LGPS: opportunities for collaboration, cost savings and efficiencies* subject to the Committee's comments.

11 ANNUAL RESPONSIBLE INVESTING REPORT

The Investments Manager presented the report and introduced Mr Paul Hewitt of Manifest.

Mr Hewitt gave a presentation on the monitoring of proxy voting. A Member asked how investment managers expressed their disapproval of companies which had incurred fines for breaches of financial regulations. Mr Hewitt suggested this could be like shutting the door after the horse had bolted. The key issue was whether there was evidence of malfeasance or lack of internal control. If there was, investment managers would have to consider whether they wished to continue to invest in that company. A Member asked how we could be sure that our managers were genuinely independent, given the mobility of directors. Mr Hewitt replied that investment managers had to operate within a professional framework. The Chair noted that Manifest could only report on resolutions actually put to the vote; it could be difficult for shareholders to group together to put a resolution. A Member suggested that this was the core problem: many issues never actually got to a vote. A Member said that the Panel's meetings with managers gave an opportunity for their approach to corporate governance to be discussed with them.

RESOLVED to approve the annual Responsible Investment Report for 2013/14.

12 REPORT ON INVESTMENT PANEL ACTIVITY

The Assistant Investments Manager presented the report. He informed the Committee that at its last meeting the Panel had begun the review of the hedge fund portfolio and had met two managers. No concerns about the managers had been identified.

RESOLVED to note:

1. the draft minutes of the Investment Panel meetings held on 4 June 2014.
2. the recommendations and decisions made by the Panel since the last quarterly activity report, as set out in 4.1 of the report.

13 DISCRETIONS POLICY

The Technical and Compliance Manager presented the report. He explained that it was a requirement under the LGPS regulations 2014 for the Fund to have and to publish discretionary policies and procedures in relation to specified matters. The proposed discretionary policies and procedures were set out in Appendix 1. It was also proposed to maintain the current policy on abatement of pension, as explained in section 5 of the report.

A Member asked whether discretions had been exercised in the past. The Divisional Director – Business Support said that it had, but cases were few and the sums were small. A Member suggested that an annual report on discretions should be

presented to the Committee. The Technical and Compliance Manager said that he would take this suggestion on board.

RESOLVED to agree:

1. the three proposed discretionary policies and the delegated powers as set out in Appendix 1;
2. to maintain the current policy on abatement pending a future review;
3. to agree that a minimum regular contribution level of £10 per month be set for purchasing addition pension under Regulation 16, LGPS Regulations 2013.

14 APPROVAL OF COMMITTEE'S ANNUAL REPORT TO COUNCIL

It was noted that "education bodies" under the heading "Committee Membership" on page 1 should be "further and higher education bodies".

RESOLVED to approve the 2014 Annual Report to Bath and North East Somerset Council.

15 REVIEW OF INVESTMENT FOR YEAR ENDING 31 MARCH 2014

The Assistant Investments Manager presented the report and highlighted the key figures. The funding level had increased from 78% to 84% since March 2013 because of an increase in gilt yields and investment returns. He reported that two managers (Stenham and TT) previously rated amber had been upgraded to green. Several minor changes were proposed to the Statement of Investment Principles as set out on a separate sheet. He drew attention to the changed format of the JLT investment report, which for this meeting included an annual review which focussed on whether the revised strategic investment strategy had been successful.

Mr Finch presented the JLT investment report. He drew attention to one-year attribution table on agenda page 251, which demonstrated that the return of 5.8% would have been 4.5% under passive management and to the three-year attribution table on page 252, which showed that the Fund had outperformed by 1.3% compared with what the return would have been under passive management.

RESOLVED

1. to note the information set out in the report;
2. to note LAPFF Quarterly Engagement Report at Appendix 4;
3. to agree minor updates to the Statement of Investment Principles as explained in Section 10.

16 PENSION FUND ADMINISTRATION - BUDGET OUTTURN 2013/14, PERFORMANCE INDICATORS AND RISK REGISTER ACTION PLAN

The Finance & Systems Manager (Pensions) presented the budget report. Net expenditure had been £1.542m under budget and directly-controlled administration expenditure had been £347,000 under budget for the reasons set out in paragraph 4.2 of the report. There had been an underspend on communications because of the Government's delay in bringing the new scheme regulations, but the costs of additional communications this year could be contained through increased use of electronic communication.

A Member asked about late payers. Officers explained that some small employers were filling in forms incorrectly and continuing to calculate contributions at the old rate.

The Communication and Public Relations Manager presented the performance report. There had been a 48% increase in workload because of enquiries relating to the new LGPS scheme and the ongoing severance programme at Bristol City Council. The roadshow programme had continued, and 1,500 members had attended by the end of May. A number of training events had also been held. The staff time consumed by roadshows and training events would impact on performance. He drew attention to the progress towards full electronic self-service (ESS) given in section 10 of the report. 72% of the Fund's membership was now covered by ESS.

RESOLVED to note:

1. administration and management expenditure incurred for 12 months to 31 March 2014;
2. Performance Indicators & Customer Satisfaction feedback for 3 months to 30 April 2014;
3. Summary Performance Report for period from 1 April 2011 to 30 April 2014;
4. member roadshow events and employer training sessions undertaken to communicate the New LGPS 2014, including sample customer feedback;
5. the Risk Register.

17 WORKPLANS

RESOLVED to note the workplans.

The meeting ended at 3.55 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services

