

AVON PENSION FUND COMMITTEE

Minutes of the Meeting held

Friday, 23rd June, 2017, 2.00 pm

Bath and North East Somerset Councillors: David Veale (Chair), Christopher Pearce (Vice-Chair), Shaun Stephenson-McGall, Lisa O'Brien and Rob Appleyard

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

Co-opted Non-voting Members: Richard Orton (Trade Unions) and Steve Paines (Trade Unions)

Advisors: Steve Turner (Mercer)

Also in attendance: Maria Lucas (Head of Legal and Democratic Services), Tony Bartlett (Head of Business, Finance and Pensions), Liz Woodyard (Investments Manager), Matt Betts (Assistant Investments Manager), Alan South (Technical and Compliance Advisor) and Geoff Cleak (Pensions Manager)

1 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer advised the meeting of the procedure.

2 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies were received from Cheryl Kirby, Wendy Weston and Tony Earnshaw.

The Chair welcomed Cllr Rob Appleyard to his first meeting of the Committee. Cllr Appleyard was replacing Cllr Cherry Beath, who had stepped down to focus on her role as Chair of the Council this year.

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: 24 MARCH 2017

The public and exempt minutes of 24 March 2017 were approved as a correct record and signed by the Chair.

8 ROLE AND RESPONSIBILITIES OF COMMITTEE

The Investment Manager presented the report.

She drew Members' attention to the addition of paragraph (f) in section A of the Governance Compliance Statement:

“The Avon Pension Fund is represented on the governance arrangements of Brunel Pension Partnership.”

She reported that the recruitment of an Independent Member to replace Ann Berresford was in progress.

The Head of Business, Finance and Pensions reminded Members that the term of appointment of the Independent Advisor would end after the Special Meeting on 5th July 2017. The need for an Independent Advisor would be reviewed at a future date.

It was noted that Steve Paines would succeed Wendy Weston as the Trade Union voting Member with immediate effect.

RESOLVED:

1. To note the roles and responsibilities of the Members, Advisers and Officers.
2. To note the Terms of Reference of the Committee and Investment Panel.
3. To approve the Governance Compliance Statement.
4. To appoint the current Members of the Investment Panel to serve for a further year.
5. To agree that Cllr Steve Pearce, Richard Orton and Cllr Mike Drew should continue to represent the Fund on the Local Authority Pension Fund Forum.

9 NOTING OF DRAFT ACCOUNTS 2016/17

The Investment Manager presented the report.

She reminded Members that the Fund's accounts formed part of Bath and North East Somerset Council's accounts, and so would be presented to the Council's Corporate Audit Committee for approval. Members were therefore invited merely to note the accounts.

The Fund's assets had increased by £620m over the year because of the rise in the market value of the assets. Management fees had increased because of the rise in the value of the assets. Members asked whether there were alternatives to performance-based managers' fees. The Investment Manager replied that in the past the Fund had put mandates out to tender on the basis of flat fees, but invariably they would have been more expensive than fee structures related to 'assets under management' or performance-based fees, because managers structure the flat fee to protect their income in falling markets. A Member suggested that performance-based fees gave managers an incentive to maximise returns to the Fund. A Member asked whether a ceiling was set on manager fees. The Investment Manager replied that there are claw-back arrangements with some managers and in the case of closed end private asset funds such as Partners, fees are only payable when the assets they managed are sold and profits are realised.

RESOLVED to note the draft statement of accounts for the year to 31 March 2017 for audit.

10 REPORT ON INVESTMENT PANEL ACTIVITY

The Assistant Investments Manager presented the report.

There were no decisions by the Panel and no recommendations from it to the Committee.

RESOLVED to note the minutes of the Investment Panel meeting on 24 May at Appendix 1 and the summary of the Meet the Managers Workshop at Exempt Appendix 2.

11 ANNUAL REVIEW OF INVESTMENT STRATEGY AND PERFORMANCE

The Assistant Investments Manager presented the report and summarised the key points.

Over the year the funding level and increased about 10% from 86% to 96%.

This quarter Mercer had provided an Annual Investment Review for the year to 31 March 2017, as had been agreed when the Committee had delegated some investment decisions to the Investment Panel. The Annual Investment Review would provide the background to the strategic investment review, which will be considered at the special meeting of the Committee on 5 July 2017.

FCA had not yet issued details of the opt-out criteria LGPS will need to satisfy in order to be reclassified as a 'professional counterparty' from the default position of 'retail counterparty' under MIFID II.

Mr Turner commented on the Mercer Annual Investment Review. It was noted that the focus of the review is to reduce equity risk within the portfolio due to the improvement in the funding position.

Before discussing Exempt Appendix 3 to the report the Committee **RESOLVED** that the public interest would be better served by not disclosing relevant information, and that therefore the public should be excluded from the meeting for the duration of the discussion of Exempt Appendix 3 to this item in accordance with the provisions of section 100(A)(4) of the Local Government Act 1972, because of the likely disclosure of exempt information as defined in paragraph 3 of Schedule 12A of the Act as amended.

RESOLVED:

1. To note the information set out in the report.
2. To note the LAPFF Quarterly Engagement Report at Appendix 4.

12 LGPS POOLING OF ASSETS

RESOLVED that the Committee being satisfied that the public interest would be better served by not disclosing relevant information, that the public should be excluded for the duration of the discussion of this item and the reporting of this part of the meeting be prevented in accordance with the provisions of section 100(A)(4) of the Local Government Act 1972, because of the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act as amended.

The Council's Solicitor and Monitoring Officer was present for this item.

The Investment Manager presented the report.

Following discussion it was **RESOLVED:**

1. To note the legal agreements pertaining to Brunel Pension Partnership.
2. To note progress towards establishing BPP Ltd.
3. To nominate the Chair, Cllr David Veale, as the Committee's representative to the Oversight Board.

13 INTERNAL AUDIT UPDATE

The Pensions Manager presented the report.

RESOLVED to note the report and outcomes from Internal Audit work and the proposed areas to be included in the Bath and North East Somerset Council Audit Plan for 2017/18.

14 REPORT ON GMP RECONCILIATION

The Technical and Compliance Advisor presented the report.

RESOLVED to note the current position regarding the reconciliation between Avon Pension Fund and HMRC.

15 BUDGET AND CASHFLOW MONITORING

The Investment Manager presented the report.

Directly-controlled Administration expenditure was £267,500 below budget, mainly because of lower than budgeted expenditure on salaries due to delays appointing staff following the restructuring of the Administration teams, but also because of the holding over of expenditure on the IT strategy.

As Members were aware, in recent years contributions received had been less than benefits paid, and cash flow was now about £1.5m negative per month. Net cash outflow in 2016/17 was less than forecast because of the factors identified in paragraph 5.2 of the report.

RESOLVED to note:

1. The administration and management expenditure incurred for the year to 31 March 2017.
2. The Cash Flow Report for the year to 31 March 2017.

16 PENSION FUND ADMINISTRATION - PERFORMANCE INDICATORS FOR QUARTER AND YEAR ENDING 31 MARCH 2017 AND RISK REGISTER ACTION PLAN

The Pensions Manager presented the report.

A Member expressed concern about the number of outstanding cases and the size of the backlog. The Pensions Manager replied that he was confident that the recent increase in staff resources and IT improvements would be able to reduce these significantly.

RESOLVED to note:

1. Membership date, Employer Performance and Avon Fund Performance for the 3 months to 31 March 2017.
2. Progress and reviews of the TPR Data Improvement Plan.

17 UPDATE ON LEGISLATION

The Technical and Compliance Advisor presented the report.

RESOLVED to note:

1. The current position regarding the developments that could affect the administration of the Fund.
2. The current position regarding HM Treasury Exit Payments Legislation and potential timescales.

18 WORKPLANS

The Investment Manager presented the report.

She said that the workplan for the Investment Panel appeared light, but additional meetings were about to be arranged.

RESOLVED to note the workplans.

The meeting ended at 3.33 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services