



Pensions Committee

28 June 2016

10.00 am

**MINUTES OF THE PENSIONS COMMITTEE MEETING HELD ON 18 MARCH 2016  
10.00 AM - 12.47 PM**

**Responsible Officer:** Sarah Townsend  
Email: sarah.townsend@shropshire.gov.uk Tel: 01743 257721

**Present:**

Members of the Committee:

Councillor Malcolm Pate (Chairman)  
Councillors Anne Chebsey and Andrew Davies

Co-Opted Members (Voting):

Councillors Malcolm Smith and Arnold England (Substitute) (substitute for Charles Smith)

Co-Opted Members (Non-Voting):

Jean Smith

**49 Apologies for Absence and Substitutions**

Apologies for absence were received from Councillors Thomas Biggins, Charles Smith and Mr Nigel Neat.

Councillor Arnold England substituted for Councillor Charles Smith.

Apologies for absence were also received from Councillor Michael Wood (Substitute Member).

**50 Disclosable Pecuniary Interests**

Members were reminded that they must not participate in the discussion or voting on any matter in which they had a Disclosable Pecuniary Interest and should leave the room prior to the commencement of the debate.

**51 Minutes**

**RESOLVED:**

That the Minutes of the meeting held on 27 November 2015 be approved and signed by the Chairman as a correct record.

## 52 **Public Questions**

There were no public questions.

## 53 **Aberdeen Fund Management Ltd (Pan European Property)**

Mr Dominic Delaforce and Mr Tom Richardson gave a presentation on the performance of the European Property Portfolio.

In terms of Shropshire's performance, it was noted that this had been strong over the last twelve months, with the portfolio outperforming the long term benchmark and the composite index, despite significant transactional activity. This was partly attributed to European Funds performing much better.

It was noted that Shropshire's Portfolio was now 82% weighted to the UK (excluding cash) and that this would continue to grow during 2016 as the strategy was to return capital to the UK from non UK European investments.

In respect of the sale of CG Malls Europe, the Committee questioned what the position would look like had it been made into a buying opportunity. Mr Dominic Delaforce and Mr Tom Richardson stated that they would provide the Head of Treasury and Pensions with the figures.

Finally, it was noted that the priorities in respect of Shropshire's mandate for 2016 were to continue to rationalise the UK element of the portfolio, to continue allocation of capital to the UK market and to monitor European liquidations and the secondary market.

## 54 **BlackRock - Benefits of Diversification**

Mr Simon Betteley and Ms Jo Langton from Blackrock, were in attendance to give a presentation on the benefits of diversification. They explained that diversification was about thinking of the outcome and finding a better way to achieve returns with less volatility.

The Committee were shown how different asset classes had behaved in recent years, to demonstrate that they had all seen periods of both good and negative performance. This indicated the problems of being invested in a single asset class and the conclusion was that by being diversified, investors can not only diversify their returns, but also their risk.

## 55 **Investment Strategy and Economic Scenarios**

Mr John Belgrove, Mr Louis-Paul Hill and Mr Mark Jeavons from Aon Hewitt, were in attendance to give a presentation on Investment Strategy, Diversification and Economic Scenarios.

The past performance of Shropshire's Fund was considered along with what had driven market performance and the positive and negative factors for the global economy.

Aon Hewitt's own five year economic scenarios were outlined. These were designed to assess the impact on pension funds' funding positions. In addition, and by way of an example, the current investment strategy was compared with an alternative diversified strategy.

The next steps were then detailed, with strategic asset allocation being of the highest importance / impact. The Committee were informed that the investment strategy would be reviewed during 2016 and would take account of funding calculation and goals, investment beliefs and a focus on alternatives.

## 56 Local Government Pension Scheme Central Update

The Head of Treasury and Pensions gave an update presentation on the Local Government Pension Scheme (LGPS) Central Pool. He explained that Shropshire were looking to pool with eight other Funds in the creation of 'LGPS Central'. The Funds are all based in the Midlands and are working together to create an investment pool of around £35 billion.

A copy of the joint submission to Government in response to the DCLG (Department for Communities and Local Government) issue of 'Local Government Pension Scheme: Investment Reform Criteria and Guidance', was circulated to the Committee.

It was reported that there would be significant one-off set-up and transition costs but that long term savings could be achieved. In terms of the timescale, liquid assets needed to be transferred to pools by 01 April 2018.

The Committee were informed that the LGPS Central Funds had like-minded principles with 'One Fund, One Vote' being a key feature. Six of the Funds had already worked together successfully on recent passive procurement, which had led to significant savings and four Officer Meetings had already been held, with further regular meetings planned.

In response to a query, the Head of Treasury and Pensions explained that individual Pension Funds would not see a dramatic change. However, the pool would be responsible for making investment manager appointments, although individual Funds would retain control over their own strategic asset allocation, utilising managers accepted into the pool. It was reported that the best legal structure for the pool was yet to be decided but a clear process would be required around how decisions are made and legal advice would need to be sought. It was currently expected that a Board would be set up with one elected Member / Officer from each LGPS sitting on the Board to oversee the running of the pool. The pool could not be 'all things to all Funds' and therefore some compromise would be necessary.

With regard to Infrastructure, it was explained that the Government was keen to encourage the LGPS Funds to increase their weighting in infrastructure and for these investments to be in the United Kingdom. However, the Head of Treasury and Pensions commented that investments needed to be suitable and it was essential that projects offered acceptable investment returns and risk levels.

**RESOLVED:**

Due to the tight Government timetable for responses, certain decisions would need to be made prior to the quarterly Pensions Committee meetings. It was therefore agreed that delegated authority be given to the Head of Finance, Governance and Assurance (Section 151 Officer), in consultation with the Chairman, to progress this work. Members would be provided with a further update on decisions made at the June Pensions Committee meeting.

**57 Grant Thornton - Shropshire County Pension Fund Audit Plan 2015/16 and Informing the Audit Risk Assessment for Shropshire County Pension Fund 2015/16**

In respect of 'The Audit Plan for Shropshire County Pension Fund' 2015/16, the Committee received the report of the External Auditor, Grant Thornton, (copy attached to the signed Minutes) which set out the audit plan for Shropshire County Pension Fund for the year ending 31 March 2016.

Mr Terry Tobin, Senior Manager for Grant Thornton, was in attendance to present the report. He stated that there were no major changes in terms of accounting requirements and no significant issues had arisen as a result of the audit.

The Committee confirmed that they were happy with the contents of the report.

**RESOLVED:**

That the contents of the report by the External Auditor, Grant Thornton, be noted.

In respect of the 'Informing the Audit Risk Assessment for Shropshire County Pension Fund' report, the Committee received the report of the External Auditor, Grant Thornton, (copy attached to the signed Minutes) which detailed responses received from the Council's Management in respect of a series of questions relating to the areas of fraud, laws and regulations, going concern, accounting estimates and related party transactions.

Mr Terry Tobin, Senior Manager for Grant Thornton, was in attendance to present the report. He confirmed that he was happy with the responses that had been received.

**RESOLVED:**

That the contents of the report by the External Auditor, Grant Thornton, be noted.

**58 Schedule of Committee and Other Meetings 2016/17**

The Committee received the report of the Head of Treasury and Pensions (copy attached to the signed Minutes) which set out a schedule of meetings of the Committee and outside bodies on which the Committee was represented. It also identified which managers and advisers would be attending the respective meetings.

The Committee were reminded that Fund managers and advisers were now only invited to present at Pensions Committee meetings if there were any issues or concerns.

It was also noted that the next meeting of the Pensions Committee, scheduled to be held on 24 June 2016, needed to be cancelled. Committee Members would be advised of the revised date in due course.

**RESOLVED:**

- (a) That the schedule of Committee meetings for 2016/17, including the Annual Meeting, as set out in the report be agreed.
- (b) That the representation at other conferences and training events as set out in the report be agreed.

**59 Pension Fund Treasury Strategy 2016/17**

The Committee received the report of the Head of Treasury and Pensions (copy attached to the signed Minutes) which proposed the Pension Fund Treasury Strategy for 2016/17 for the small cash balances that the Administering Authority maintained to manage the day to day transactions of the Fund.

**RESOLVED:**

- (a) That authority be delegated to the Scheme Administrator (Section 151 Officer) to manage the Pension Funds day to day cash balances.
- (b) That the Pension Fund Treasury Strategy be approved.
- (c) That the Scheme Administrator (Section 151 Officer) be authorised to place deposits in accordance with the Pension Fund's Treasury Strategy.
- (d) That the Scheme Administrator (Section 151 Officer) be authorised to add or remove institutions from the approved lending list and amend cash and period limits as necessary in line with the Administering Authority's creditworthiness policy.

**60 Corporate Governance Monitoring**

The Committee received the report of the Head of Treasury and Pensions (copy attached to the signed Minutes) which informed Members of Corporate Governance and socially responsible investment issues arising in the quarter 01 October 2015 to 31 December 2015.

**RESOLVED:**

That the position as set out in the report, Manager Voting Reports (Appendix A) and BMO Global Asset Management Responsible Engagement Overlay Activity Report (Appendix B) be accepted.

**61 Pensions Administration Monitoring**

The Committee received the report of the Pension Administration Manager (copy attached to the signed Minutes) which provided Members with monitoring information on the performance of and issues affecting the Pensions Administration Team.

The Committee were informed that due to the workload of the Pensions Administration Team, some agency work arrangements had been put in place.

**RESOLVED:**

- (a) That the position as set out in the report by the Pension Administration Manager be accepted.
- (b) That the GMP (Guaranteed Minimum Pension) Reconciliation exercise be carried out in line with the HMT (Her Majesty's Treasury) recommendations contained within section eight of the report.

**62 Training Requirements**

The Committee received the report of the Pension Administration Manager (copy attached to the signed Minutes) which provided Members with an update on the training arrangements in place within the Fund and introduced a new Training Policy for approval. The report also covered the training received by Pensions Board Members since its introduction on 01 April 2015.

**RESOLVED:**

- (a) That the Training Policy (Appendix A) be approved.
- (b) That the Pensions Regulators eLearning programme be completed by the Pensions Committee.
- (c) That the training undertaken so far by the Pensions Board (Appendix D) be noted.
- (d) That the Pension Regulators Survey be noted. (A summary of results could be found in Appendix E and a full report could be found in Appendix F).

**63 Exclusion of Press and Public**

**RESOLVED:**

That under paragraph 10.2 of the Council's Access to Information Procedure Rules, the proceedings of the Committee in relation to Minutes 64 to 66, be not conducted in public on the grounds that they might involve the likely disclosure of exempt information as defined by the category specified against them.

**64 Exempt Minutes (Exempted by Category 3)**

**RESOLVED:**

That the Exempt Minutes of the meeting held on 27 November 2015 be approved and signed by the Chairman as a correct record.

**65 New Admission Bodies (Exempted by Category 3)**

The Committee received the exempt report of the Pension Administration Manager (copy attached to the Exempt signed Minutes) which provided Members with details

regarding two admissions under Schedule 2 Part 3 Regulation 1(d)(i) of the Local Government Pension Scheme Regulations 2013. These admissions were due to services transferring from a Scheme Employer under two service contracts.

The report also provided confirmation of a new Schedule 1 Part 1 Scheme Employer (Academies) and a new Schedule 2 Part 2 Scheme Employer (Designated Bodies).

**RESOLVED:**

That the recommendations in the exempt report by the Pension Administration Manager be approved.

**66 Investment Monitoring - Quarter to 31 December 2015 (Exempted by Category 3)**

The Committee received the exempt report of the Head of Treasury and Pensions (copy attached to the Exempt signed Minutes) which provided Members with monitoring information on investment performance and managers for the quarter period to 31 December 2015, and reported on the technical meetings held with managers since the quarter end.

**RESOLVED:**

That the position as set out in the exempt report by the Head of Treasury and Pensions be noted.

*(The full version of Minutes 65 and 66 constitutes exempt information under Category 3 of Paragraph 10.4 of the Council's Access to Information Rules and has accordingly been withheld from publication).*

Signed ..... (Chairman)

Date: .....