



Pensions Committee

27 November 2015

10.00 am

MINUTES OF THE PENSIONS COMMITTEE MEETING HELD ON 25 SEPTEMBER 2015

10.15 AM - 12.37 PM

Responsible Officer: Sarah Townsend
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Present:

Members of the Committee:

Councillor Malcolm Pate (Chairman)
Councillors Thomas Biggins and Andrew Davies

Co-Opted Members (Voting):

Charles Smith

Co-Opted Members (Non-Voting):

Nigel Neat and Jean Smith

16 Apologies for Absence and Substitutions

Apologies for absence were received from Councillors Anne Chebsey and Malcolm Smith.

Apologies for absence were also received from Councillors Arnold England, Roger Evans and Rob Sloan (Substitute Members).

Councillor Charles Smith (Voting Co-opted Member), Mr Nigel Neat (Non-Voting Co-opted Member) and Mr Mike Morris (Pensions Board Member but in attendance as an Observer) were welcomed to their first Pensions Committee meeting.

17 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.

18 Minutes

RESOLVED:

That the Minutes of the meeting held on 26 June 2015 be approved and signed by the Chairman as a correct record.

19 Public Questions

There were no public questions.

20 Harris Associates (Global Equities)

Mr Euan MacLaren and Mr Mike Manelli gave a presentation on the performance of their Global Equity Portfolio as of 30 June 2015.

Members were firstly provided with an organisational overview before Mr Manelli went on to explain the reasons for the underperformance of the portfolio. Members were also taken through the ten largest and smallest contributors to performance between 30 June 2014 and 30 June 2015, following which, questions were asked in relation to the recent market volatility and the driving factors behind the underperformance.

21 Investec Asset Management (Global Equities) and Government Budget Announcement

Mr Stephen Lee and Mr Ian Vose gave a presentation on the performance of the Investec Global Dynamic Equity Fund as of 30 June 2015. Members were informed that since the inception of the Fund on 30 September 2013, it had outperformed its comparative index, the MSCI ACWI (All Country World Index) by 3.7%.

Members were taken through the performance of the portfolio's stocks and their sector attribution between 30 June 2014 and 30 June 2015 together with details of the stocks that had been bought and sold over this period.

Mr Lee also gave a presentation on the Summer Budget 2015 and its impact on the Local Government Pension Scheme. In brief, in 2014, the Hymans Robertson report to the Government provided a structure analysis on Local Government Pension Schemes with the primary purpose of quantifying the potential for cost savings across the LGPS. The Summer Budget 2015 detailed how the findings of this report were to be taken forward. Mr Lee explained that a consultation on "Criteria" had already started and that a further consultation was expected later this year on new investment regulations and "back stop" legislation which would be applied if any fund did not come up with sufficiently ambitious proposals that met this "Criteria".

22 LDI Strategy

Mr John Belgrove and Mr Louis-Paul Hill, from Aon Hewitt, gave a presentation on Shropshire Investment Strategy Proposal - Liability Driven Investment (LDI) and Unconstrained Bonds.

Members had the opportunity to ask questions and were informed that the Officer recommendations would be voted upon in the Exempt part of the meeting.

23 Internal Audit Outturn Report for Shropshire County Pension Fund 2014/15

The Committee received the report of the Audit Service Manager (copy attached to the signed Minutes) which provided Members with details of the work undertaken by Internal Audit for the year ended 31 March 2015. It was reported that final performance had been good with 100% of the annual Audit Plan being delivered. Four good and one reasonable assurances were made in 2014/15 and a total of nineteen recommendations had been made in the five audit reports related to the year. One 'significant' recommendation was made in the Altair Pension Application audit and the remaining recommendations were rated as 'requiring attention' or 'best practice'.

It was reported that on the basis of the work undertaken and management responses received, the Pension Fund's governance, risk management and internal control processes were sound and working effectively. The Audit Service Manager was therefore able to deliver a positive year end opinion on the Fund's internal control environment for 2014/15.

RESOLVED:

- (a) That performance against the Audit Plan for the year ended 31 March 2015 be endorsed.
- (b) That the Audit Service Manager's positive year end opinion on the Fund's governance, risk management and internal control environment for 2014/15, on the basis of the work undertaken and management responses received, be endorsed.

24 External Audit - The Audit Findings for Shropshire County Pension Fund 2014/15

The Committee received the report of the External Auditor, Grant Thornton, (copy attached to the signed Minutes) which highlighted the key matters arising from the audit of Shropshire County Pension Fund's financial statements for the year ending 31 March 2015.

Mr John Gregory and Mr Ashley Wilson were in attendance and advised the meeting that it was anticipated that an unqualified opinion in respect of the Fund's financial statements would be provided and that the key messages arising from the audit were:

- That the draft and final version of the financial statements recorded net assets carried forward of £1,512,730,000 and that no material adjustments affecting the Fund's net assets position had been identified; and
- That a number of minor adjustments to the notes to the financial statements had been agreed with Officers.

Mr Gregory informed the meeting that one non-trivial adjustment that netted to £0.7m had been identified in respect of discrepancies between the values of investments reported by the custodian and fund managers but that Officers were not proposing to amend the 2014/15 financial statements as the values were not materially different.

Following the meeting, it was noticed that there was a typing error on page 6 of the report and that the last paragraph under the heading 'Key issues arising from our audit' needed to be amended to read 'Officers are not proposing to amend for this in 2014/15, as the values are not materially different. If an amendment were made it would **decrease** both the Fund's reported surplus and net assets by £0.7m. The Pensions Committee is asked to approve management's proposed treatment and recognition of this and the associated disclosure within the Letter of Representation (further details are on page 17)'.

RESOLVED:

- (a) That the content of the report of the External Auditor, Grant Thornton, be noted.
- (b) That the management's proposed treatment of the one non-trivial adjustment be approved.
- (c) That the signing of the Letter of Representation be approved.

25 Pension Fund Annual Accounts 2014/15

The Committee received the report of the Head of Finance, Governance and Assurance (copy attached to the signed Minutes) which provided Members with the Shropshire County Pension Fund Annual Report 2014/15 and an update on the annual audit.

RESOLVED:

That the Pension Fund Annual Report 2014/15 be approved.

26 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 April 2015 to 30 June 2015.

RESOLVED:

That the position as set out in the report, Manager Voting Reports (Appendix A) and F&C Responsible Engagement Overlay Activity Report (Appendix B) be accepted.

27 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.

It was reported that there was a typing error on paragraph 9.7 of the report and that Shropshire Council Members' term of office ended in 2017 and not 2016 as stated within the report.

It was noted that the Pensions Regulator had provided a free e-learning programme and the Committee were advised to undertake this training. The e-learning

programme could be accessed via the Regulator's "Trustee Toolkit" on their website: <https://trusteetoolkit.thepensionsregulator.gov.uk/>. Committee Members would be contacted further about this in due course.

RESOLVED:

That the position as set out in the report by the Pension Administration Manager be accepted.

28 Collaborative Working with other Local Government Pension Funds

The Committee received the report of the Head of Treasury and Pensions (copy attached to the signed Minutes) which informed Members of discussions that had been taking place with other Local Government Pension Scheme (LGPS) Administering Authorities and sought delegated authority to continue this work.

The report also provided an update to Members on the wider national position in respect of collaboration within the LGPS, and in particular the potential impact of an announcement contained within the Summer Budget. Members were updated on the National Collaboration work which was being co-ordinated by Hymans in which Joint Working Groups had been set up in order to submit a joint response to Government on two or three pooling options. The Shropshire Fund is one of 25+ other funds involved in contributing to this work.

Members were informed that the seven Funds involved in discussions appeared to have sufficient 'critical mass' to be able to jointly procure passive investment management services at a cost that was significantly lower than the individual Funds were currently paying. It was noted that since the report had been written, an investment consultant, bfinance, had been selected by the seven Funds.

RESOLVED:

- (a) That the position as set out in the report be noted.
- (b) That authority be delegated to the Head of Finance, Governance and Assurance in consultation with the Chairman if necessary to conclude the matter of joint procurement of a passive investment manager with other LGPS administering authorities.

29 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 30 to 32, 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.

30 Exempt Minutes (Exempted by Category 3)

RESOLVED:

That the Exempt Minutes of the meeting held on 26 June 2015 be approved and signed by the Chairman as a correct record.

31 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 new Employer admissions to the Fund, both under Schedule 2 Part 3 Regulation 1(d)(i) of the Local Government Pension Scheme Regulations 2013, due to services transferring from a Scheme Employer, under a service contract. Members were also provided with details of a potential admission to the Fund.

The report also provided confirmation of a new admission, which under the governance arrangements, had been approved by the Chairman of the Pensions Committee between committee meetings, to allow the sealing of the Admission. Confirmation of four new Schedule 1 Part 1 Scheme Employer (Academies) who would or had joined the Fund, along with one closure were also reported.

RESOLVED:

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

32 Investment Monitoring - Quarter to 30 June 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 30 June 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 31 and 32 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: