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PENSION FUND COMMITTEE

MINUTES OF MEETING HELD ON TUESDAY 30 NOVEMBER 2021

Present: Cllrs Andy Canning (Chairman), Peter Wharf (Vice-Chairman), John Beesley, David Brown, Bobbie Dove, Howard Legg, Mark Roberts, Simon Christopher and Adrian Felgate

Apologies: -

Also present (for all or part of the meeting): MJ Hudson, James Russell-Stracey, Brunel Pension Partnership, and Alex Halls, Kate Hillyar, Perry Noble and James Wardlaw, Federated Hermes and Alan Saunders (Independent Investment Adviser)

Officers present (for all or part of the meeting): Aidan Dunn (Executive Director – Corporate Development), Karen Gibson (Service Manager – Pensions) and David Wilks (Service Manager – Treasury and Investments)

125. **Welcome and Statement from the Chairman**

The Chairman welcomed Committee members and others, and made the following statement:

“In the light of the increasing Covid-19 case rates and projected increases, in consultation with group leaders, Dorset Council’s Chief Executive has exercised his emergency powers to revert to informal virtual meetings.

This has since been compounded by the need to be able to webcast meetings that take place ‘in person’ - which is not readily available at this time - so it has been decided for now to maintain virtual meetings.

Where a decision is required, committee members will express a ‘minded to’ decision in respect of recommendations set out in officer reports, with decisions being made under officer delegated authority in the light of ‘minded to decisions’ expressed by members in the virtual meetings

Accordingly, this meeting has those arrangements in place.”

126. **Apologies**

An apology for absence was received from Jim McManus, Corporate Director - Finance and Commercial.

127. Declarations of Interest

No declarations of disclosable pecuniary interests were made at the meeting.

128. Minutes

The minutes of the meeting held on 8 September 2021 were confirmed by the Chairman.

129. Public Participation

There were no questions or statements from members of the public, nor from Town and Parish Councils at the meeting:

130. Questions from Members

There were no questions from Members.

131. Urgent items

There were no urgent items.

132. Pensions Administration Report

The Committee considered a report from officers on operational and administration matters relating to the pension fund.

Implementation of the new systems had generally progressed well but there were still some significant outstanding issues including the calculation of annual allowances. Key Performance Indicators (KPI) reporting was also a 'work-in-progress' and needed further development.

Staff retention had historically been high but the administration team had lost a significant number of experienced staff in the last year. Home working meant that staff could move to better paid employment, such as with the London boroughs, without the need to relocate. Skilled and knowledgeable pensions administration staff were at a premium nationally, as was the case in many sectors.

Officers were working with Human Resources (HR) colleagues to identify what could be done to improve retention and recruitment. Use of the Council's apprenticeship scheme could be considered as a way of developing staff internally, but qualifications would need to be supplemented by experience.

Cllr John Beesley, in his capacity as a member of the Local Government Pension Scheme (LGPS) Scheme Advisory Board (SAB), offered to feedback

to SAB anything practical that might be of help to pensions administrations teams.

Noted

133. Independent investment Adviser's Report

The Committee considered a report from Alan Saunders, the pension fund's Independent Investment Adviser, that gave his views on the economic background to the pension fund's investments, the outlook for different asset classes and key market risks.

Inflation continued to be a concern. Staff shortages and a big squeeze on real incomes could lead to a 'wage-price' spiral which in turn could lead to slower growth.

The Bank of England Monetary Policy Committee (MPC) had not raised Bank Rate at its most recent meeting in November 2021, but Bank Rate was widely expected to reach 1% by the end of 2022. In the US the Federal Reserve had begun to taper its programme of quantitative easing.

This was the last report from Mr Saunders before retirement from the role after 17 years and the Chairman thanked him on behalf of the Committee for his valued advice over this period.

Noted

134. Fund Administrator's Report

The Committee considered a report from officers on the pension fund's funding position, asset valuation, investment performance and asset allocation as at 30 September 2021.

The value of the pension fund's assets ended the quarter at £3.6 billion compared to £3.3 billion at the start of the financial year, with 63% of those assets now under the management of Brunel Pension Partnership.

Target allocations for private market assets remained a challenge and it was therefore agreed to make commitments to Brunel's cycle three private markets' portfolios for Private Equity and Infrastructure, provisionally for £60M to each with final commitments confirmed March 2022. A new allocation to Private Debt was not proposed at this stage.

The funding position estimated by the actuary was that the value of the pension fund's assets covered 88% of the present value of liabilities.

The investment return for the quarter was 2.5% compared to the combined benchmark return of 2.4%. Approximately 30% of the pension fund's liabilities were hedged against inflation sensitivity using just under 12% of assets to do so.

James Russell-Stracey, Brunel Pension Partnership, updated the Committee on matters arising from Conference of the Parties (COP) 26, the newly launched low reduced carbon emissions passive equities funds, and the forthcoming 'stocktake' of Brunel's approach to decarbonisation.

Cllr John Beesley, the pension fund's representative on the Brunel Oversight Board, updated the Committee on governance matters relating to the investment pooling partnership.

Resolved

- i. That the revised Investment Strategy Statement (ISS) and Funding Strategy Statement (FSS) are published on the pension fund's website.
- ii. That commitments are made provisionally to Brunel's cycle three private markets' portfolios for Private Equity (£60M) and Infrastructure (£60M).

135. Pension Fund Annual Report

LGPS regulations require all administering authorities to publish an annual report on the activities of its pension fund.

The report of the independent auditor regarding the financial statements had not been received but it would be circulated to members of the Committee when received.

Resolved

- i. That the annual report is published as is, with a delegation to the Chairman and Vice-Chairman to approve the final version if no substantive matters are raised in the auditor's report.
- ii. That the auditor's report is circulated to all Committee members when received

136. Dates of Future Meetings

Resolved

That the next meeting be held on the following date:

10am Tuesday 10 March 2022 – London (tbc)

137. Exempt Business

Exclusion of the Public

Resolved

That under Section 100A(4) of the Local Government Act 1972, the public be excluded from the meeting for the business specified in minute 14 because it

was likely that if members of the public were present there would be disclosure to them of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing that information.

138. Federated Hermes Investment Update

The Committee received a presentation from Federated Hermes, one of the pension fund's infrastructure investments manager. Federated Hermes gave an update on performance to date and the outlook for the future. Performance to date had been disappointing and the Committee remained concerned about the outlook for the future.

Resolved

That performance is monitored closely over the coming quarters with a formal review of the mandate at the meeting of the Committee in November 2022.

139. Independent Investment Advice Update

The Committee received an update from officers on the procurement exercise to appoint a provider of independent investment advice.

Noted

Duration of meeting: Times Not Specified

Chairman

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