

PENSION FUND COMMITTEE

MINUTES OF MEETING HELD ON TUESDAY 26 MARCH 2024

Present: Cllr Andy Canning (Chairman), Cllr David Brown (BCP), Cllr Simon Christopher, Adrian Felgate, Cllr Howard Legg, Cllr Mark Roberts and Cllr Gary Suttle

Present remotely: Cllrs John Beesley (BCP) and Felicity Rice (BCP)

Also present: Tim Dickson and Simon Wood (Brunel Pension Partnership), and Steve Tyson (Independent Investment Advisor, Apex Group)

Officers present (for all or part of the meeting):

Aidan Dunn (Executive Director - Corporate Development S151), Karen Gibson (Service Manager for Pensions) and David Wilkes (Service Manager for Treasury and Investments)

260. **Apologies**

No apologies for absence were received.

261. **Minutes**

The minutes of the meeting held on 5 March 2024 were confirmed and signed.

262. **Declarations of Interest**

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

263. **Public Participation**

No questions or statements from members of the public were made at the meeting.

264. **Questions From Councillors**

No questions or statements from Councillors were made at the meeting.

265. **Urgent items**

There were no urgent items.

266. **Pensions Administration**

Performance against Key Performance Indicators (KPIs) continued to be generally good despite difficulties with the McCloud remedy.

The new McCloud regulations came into place on 1 October 2023. There had been further delay in the software delivery needed for the implementation of the McCloud remedy and this was now not expected until the end of the year. The pension fund's data was in good condition ready for the McCloud remedial work and the 2025 valuation. Local Government Pension Scheme (LGPS) funds are expected to issue annual benefit illustrations in compliance with the new McCloud regulations for the first time next year. This would not be possible until the software had been delivered.

The possibility of moving to a different software provider was discussed and it was noted that the other main software provider was further ahead in implementing the McCloud remedial work compared to the Dorset's provider. Discussions had taken place between officers and the provider, and the provider was due to attend the next Local Pension Board meeting where software delivery progress would be monitored.

New Government Actuary Department (GAD) guidance was issued on 24 January 2024. This covered technical areas such as interfund transfers and provided details of additional calculations required in respect of the McCloud remedy.

267. Pension Fund Investments

The value of the pension fund's assets at 31 December 2023 was £3.8 billion with just under 80% of assets by value now under the management of Brunel.

Employer contribution rates would be reviewed by the actuary at the next triennial valuation based on assets and estimated liabilities as at 31 March 2025. The actuary was expected to take a cautious approach if the funding position had improved as they would not want to reduce rates and then subsequently have to increase rates at a later date.

The total return from the pension fund's investments over the quarter to 31 December 2023 was 5.0%, compared to the combined benchmark return of 4.5%. The total return for the 12 months to 31 December 2023 was 9.7% compared to the benchmark return of 8.8%. Annualised returns for three years were 4.5% compared to the benchmark return of 6.0% and for five years were 5.8% compared to the benchmark of 6.4%.

The quarter to 31 December 2023 saw global falls in inflation at a faster pace than previously expected, which led to expectations that interest rates might start to fall faster than expected and in turn a rally across most asset classes. This had continued into the first quarter of 2024. The backdrop for Brunel's portfolios was more positive due to stabilising interest rates and lower energy prices.

A key theme in markets was the performance of the so-called Magnificent Seven mega-cap stocks - Apple, Amazon, Alphabet, Meta, Nvidia, Microsoft and Tesla. The potential for social media and anti-trust legislation could have impact on the

valuations of some of these companies. Brunel's active portfolios were generally underweight these companies and their underlying managers would be aware of and managing these risks.

Brunel were investigating with FTSE the reported increase for the quarter in Weighted Average Carbon Intensity (WACI) for the Paris Aligned Benchmark (PAB) and Climate Transition Benchmark (CTB) passive equities products. The results of the investigation would be shared with client funds but it was believed that these products were meeting their targets.

David Vickers, Brunel's Chief Investment Officer, had accepted an invitation to sit on a Green Finance Initiative (GFI) taskforce to deliver independent recommendations to the Shadow Chancellor regarding mechanisms to encourage greater private investment in the UK's net zero economy. Brunel is not party-political and engages with the UK government and shadow government, and with other mainstream political parties, on an independent basis where it considers such engagement useful.

Brunel agreed to provide a more detailed analysis of the geographical exposure of its Emerging Markets equities portfolio.

268. Brunel Governance / Scheme Advisory Board Update

Cllr John Beesley, the pension fund's representative on the Brunel Oversight Board (BOB), and also a member of the LGPS Scheme Advisory Board (SAB), updated the Committee on governance matters relating to investment pooling.

Brunel's budget for 2024/25 had been agreed by the shareholders. It had also been agreed by the ten shareholders that the threshold for approval of Special Reserved Matters (SRM) would be reduced from 100% to 75% therefore ensuring that one fund could not exercise a veto over the wishes of the majority of shareholders. A replacement for Brunel's retiring chair had been agreed subject to confirmation. It was agreed that Brunel's Chief Investment Officer should be invited to a forthcoming meeting of the Committee.

SAB wanted to ensure that any legislation or guidance resulting from the proposals for the LGPS in the spring budget was compatible with fiduciary duty. The McCloud remedy was still occupying a lot of the SAB's time.

269. Pension Fund Treasury Management Strategy 2024/25

The Committee considered a report by officers setting out the Treasury Management Strategy (TMS) for 2024-25.

Although the pension fund had no strategic allocation to cash, cashflows needed to be managed to ensure there was sufficient liquidity to meet liabilities as they fell due and to invest any surplus balances appropriately. The TMS provided the framework within which officers must manage these cashflows and cash investments.

The TMS for 2024-25 was unchanged from 2023-24 and broadly followed the TMS for Dorset Council, the administering authority for the pension fund, where applicable.

Decision

That the Treasury Management Strategy for 2024-25 be approved.

270. Dates of Future Meetings

- 1.30 pm Tuesday 25 June 2024 - County Hall, Dorchester.
- 1.30 pm Tuesday 17 September 2024 - County Hall, Dorchester.
- 1.30 pm Tuesday 26 November 2024 - County Hall, Dorchester.
- 1.30 pm Tuesday 18 March 2025 - County Hall, Dorchester.

All meetings to be preceded by training for committee members 10am to 12.45pm.

271. Exempt Business

Decision

That the press and the public be excluded for the following item(s) in view of the likely disclosure of exempt information within the meaning of paragraph 3 of schedule 12 A to the Local Government Act 1972 (as amended).

272. Investment Management Changes

The Committee were updated on progress made implementing changes to investment management arrangements agreed previously by the Committee.

At its meeting 29 November 2023, the Committee approved the transition of the pension fund's holdings in the RLPPC Over 5 Year Corporate Bond Fund managed by Royal London Asset Management (RLAM) to the Sterling Corporate Bonds portfolio managed by Brunel Pension Partnership. This transition was approximately 95% complete and expected to be fully complete within weeks.

At its meeting 5 March 2024, the Committee approved the transfer of the pension fund's holdings in Climate Transition Benchmark (CTB) passive equities to Paris Aligned Benchmark (PAB) passive equities. This transition was now fully complete.

Duration of meeting: 10.00 am - 12.45 pm

Chairman

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