

Pensions Committee

Tuesday, 28 June 2016, County Hall, Worcester - 2.00 pm

		Minutes
Present:		Mr R W Banks (Chairman), Mr A I Hardman and Mr R C Lunn (Vice Chairman) Co-opted Members (voting) – Mr V Allison (Employer representative), Mr A Becker (Employee representative) and Mr R J Phillips (Herefordshire Council)
Available papers		The Members had before them: A. The Agenda papers (previously circulated); and B. The Minutes of the meeting on 27 April 2016 (previously circulated). A copy of document A will be attached to the signed Minutes.
41	Named Substitutes (Agenda item 1)	None.
42	Apologies/ Declarations of Interest (Agenda item 2)	Apologies were received from Mr R J Sutton and Mr P A Tuthill. Mr V Allison and Mr A Becker declared interests as members of the Pension Fund.
43	Public Participation (Agenda item 3)	None.
44	Confirmation of Minutes (Agenda item 4)	RESOLVED that the Minutes of the meeting held on 27 April 2016 be confirmed as a correct record and signed by the Chairman.
45	Administering Authority - Administration Update (Agenda item 9)	The Committee considered the Administering Authority - Administration Update. The HR Service Centre Manager introduced the report and made the following points: <ul style="list-style-type: none">• The end of year statement had now been received

from the Brandon Care Trust albeit it with a number of queries. The Managing Director of the Trust, along with other employers where queries remained, would be written to remind them of their responsibilities

- The Pension Fund Valuation data would be submitted to the Actuary by 30 June 2016. There were a couple of employers that were intent on changing the format of the standard form which caused difficulties for the reconciliation of information
- The Fund had met the Pensions Regulator's deadline for submitting the Annual Benefit Statements this year
- The implementation plan was awaited from the DCLG in relation to the Negative Pensions increase
- A final determination of no maladministration had been found by the Pensions Ombudsman for a complaint dating back to 2014.

In the ensuing debate, the following principal points were raised:

- Had employers been provided with the appropriate training to provide the necessary information for the Administering Authority? The HR Service Centre Manager advised that employer workshops had been arranged in February 2016 and those employers who had not submitted information had been encouraged to attend. In addition one-to-one support had been provided over the telephone and via email. However it was not possible to maintain this level of support therefore it was important to formally write to the relevant Managing Directors at this stage
- Were there still outstanding information requirements from employers? The HR Service Centre Manager stated that some of the information was still not correct. This meant that the Fund had money that it was unable to post out or when the Fund made a query about the receipt of money it transpired that a member had left the organisation. There was a lack of understanding by certain individuals of the process which had been made more complicated with the introduction of CARE. It was not possible to check every piece of information that was submitted.

Exclusion of Public and Press

RESOLVED that the general update from the Administering Authority be noted.

RESOLVED that pursuant to Section 100A of the Local Government Act 1972, the press and public shall be excluded from the meeting during items 5 and 6 on the grounds that there would be disclosure to them of information relating to the financial or business affairs of any particular person (including the authority holding the information) and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Summary of the proceedings of the meeting during which the press and public were excluded.

46 Worcestershire County Council Business Case - Asset Pooling (Agenda item 6)

The Committee considered the Worcestershire County Council pool business case.

RESOLVED that:

- a) the Worcestershire County Council pool business case be endorsed;
- b) the Chairman of the Committee be authorised in consultation with the Chief Financial Officer to write to the Secretary of State to request that the principle be supported that Pooling should allow all funds to benefit from coming together to secure reductions in the cost of managing its assets in particular highlighting the impact on the Worcestershire Pension Fund business case; and
- c) the Chairman and Vice-Chairman of the Committee be authorised in consultation with the Chief Financial Officer to lobby the members of the LGPS Central pool in relation to the fair allocation of running costs for the Worcestershire Pension Fund within the pool.

47 LGPS Central Pool Business Case (Agenda item 5)

The Committee considered the LGPS Central Business Case submission.

The Chief Financial Officer introduced the report and made following points:

- He thanked Mark Forrester for his work in putting together the business case for the Worcestershire County Council pool and the LGPS Central Pool

**48 Pension Fund
Annual Report
(Agenda item 7)**

- A meeting of the Chairman and Vice-Chairman of the LGPS Central would be held on 8 July to seek endorsement from the participating pool members. He was recommending a qualified endorsement at this stage due to issues around the fair sharing of cost across the Funds.
- He emphasised that the submission to the Government by 15 July was not the final position for the Fund.

RESOLVED that the LGPS Central Business Case submission to Government be endorsed subject to the following qualification:

- **Allocation of the authorised Collective Investment Vehicle's Operator running costs to be further explored with other Pension Fund representatives to ensure fair sharing of costs across the Funds in the pool.**

The Committee considered the Pension Fund Annual Report.

The Chief Financial Officer introduced the report and made the following comments:

- A clearance meeting had been held with the external auditor and they were intending to issue an unqualified audit opinion on the Pension Fund accounts subject to clarification on some small details
- The impact of the referendum to leave the EU had not been included in the Annual Report and he would draft a paragraph on this matter in consultation with the Chairman of the Committee
- There had been a considerable amount of volatility in the markets over the last financial year and the value of the Fund's net assets had decreased by £35m
- Recurring income from contributions had increased by 4.2% as a result of an increased number of contributors to the fund, partly due to the impact of Auto Enrolment
- Net earnings had decreased however overall, the Fund had received more cash from contributors
- The Pension Fund's Governance Policy Statement had been published on the Council's website
- The new governance arrangements included the establishment of a Pension Investment Advisory Panel and Pension Administration Forum to

49 Pension Investment Update (Agenda item 8)

support the Pension Committee in its role as Scheme Manager

- It was important to be mindful of the Fund's liabilities and the Actuarial assessment of those liabilities.

In the ensuing debate and in response to a query, The Principal Accountant – Pension Fund indicated that it was possible that the impact of Brexit on the Pension Fund could be positive. The Chief Financial Officer added that the key issue was that the investment of the fund's assets should be viewed over the long term.

RESOLVED that the Pension Fund Annual Report and Accounts 2015/16 be approved.

The Committee considered the Pension Investment update.

The Chief Financial Officer introduced the report and commented that:

- It was recommended that Nomura and JP Morgan remain on watch
- It had been a difficult quarter for Schroders but their performance was recovering
- He confirmed that Capital International's mandate had been terminated and the portfolio assets had been transitioned to the North America section of the LGIM passive equity portfolio.

Philip Hebson, the Independent Investment Advisor added the following points:

- The last quarter had been quite volatile. It was always worthwhile undertaking a health check of the Fund to ascertain how it was doing. He almost expected the investment managers to underperform because of the type of unusual issues that arose during the last quarter. He considered that the performance during the last quarter should not give cause for concern
- The Fund had a better understanding of the way in which its money was being managed. Despite Brexit, the performance in the current quarter was holding up
- He emphasised that Pension Fund investment was a long term project
- In response to a query, he explained that a "commitment" was the value of the investment the

Fund had signed up to with the Fund Manager and a "drawdown" was a transfer of cash from the Fund's bank account to the Fund Manager.

RESOLVED that:

- a) **the Independent Financial Adviser's fund performance summary and market background be noted;**
- b) **the update on the Investment Managers placed 'on watch' by the Pension Investment Advisory Panel be noted; and**
- c) **the termination of the Capital International mandate and transition of the assets to the LGIM passive equity portfolio be noted.**

The meeting ended at 3.50pm

Chairman