

Pensions Committee**Monday, 13 March 2017, County Hall, Worcester - 10.00 am**

Present:		Minutes Mr R W Banks (Chairman), Mr A I Hardman and Mr P A Tuthill 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 held on 7 December 2016 (previously circulated).
69	Named Substitutes (Agenda item 1)	None.
70	Apologies/ Declarations of Interest (Agenda item 2)	An apology was received from Mr R C Lunn. Mr P A Tuthill declared an interest in Agenda item 6 as a Member of Malvern Hills Conservators and did not vote on the matter.
71	Public Participation (Agenda item 3)	None.
72	Confirmation of Minutes (Agenda item 4)	RESOLVED that the Minutes of the meeting held on 7 December 2016 be confirmed as a correct record and signed by the Chairman.
73	Administering Authority - Administration Update (Agenda item 5)	The Committee considered the administering authority – update report. In the ensuing debate, the following principal points were raised: <ul style="list-style-type: none">• Roger Philips indicated that the PricewaterhouseCoopers report had been commissioned by the Scheme Advisory Board (SAB) to consider how academies fitted into the pension scheme. The SAB had received the

		<p>report and were consulting with Minsters regarding its publication</p> <ul style="list-style-type: none"> • In response to a query, the HR & OD Service and Commissioning Manager explained that although the termination cap on exit payments was known, the Government had yet to publish revised Regulation or detailed advice to how the cap would be implemented to assess any potential impact for members of the LGPS. <p>RESOLVED that the general update from the Administering Authority be noted.</p>
74	Malvern Hills Conservators (Agenda item 6)	<p>The Committee considered a proposal from Malvern Hills Conservators to move from an open to a closed admission basis.</p> <p>In the ensuing debate, the following principal points were raised:</p> <ul style="list-style-type: none"> • In response to a query, the Finance Manager – Pensions, Treasury Management and Capital indicated that the actuary had provided comparison contribution rates for both an open or a closed fund and it had proved more expensive to maintain a closed fund, principally due to a lack of new members in the scheme going forward. However Malvern Hills Conservators had taken this advice into account and considered a closed fund to be an affordable option • The move to a closed fund was a sensible approach to addressing the financial issues facing the Malvern Hills Conservators. <p>RESOLVED that the proposal from Malvern Hills Conservators to move from an open to a closed admission basis, on an 18 year deficit recovery plan, be approved, subject to Malvern Hills Conservators gaining a surety bond with value of £1,178,000, the value of which is reviewed at least on a triennial basis.</p>
75	Risk Register (Agenda item 7)	<p>The Committee considered the Risk Register.</p> <p>In the ensuing debate, the following principal points were raised:</p> <ul style="list-style-type: none"> • The Chief Financial Officer indicated that the Pension Board had reviewed the Risk Register and were content with the risk levels and

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Update (Agenda
item 8)**

- associated mitigating actions
- Concern was expressed about the lack of response from the FCA to the European legislation in relation to MiFID 2 because it was apparent that the instructions from the European Union were not as prescriptive as implied by the FCA. The Chief Financial Officer commented that chief financial officers had met representatives of the FCA and the FCA had given an informal indication of their intentions
- In response to a query, the Chief Financial Officer stated that he was not aware of any recent examples of organisations that had ceased with the need for the Pensions Deficit to be picked up by remaining members of the Worcestershire Pension Fund.

RESOLVED that the Risk Register be approved and adopted for review.

The Committee considered the Pension Investment update.

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

- The Chief Financial Officer reported that the overall value of the Fund had increased on the back of increases in the equities market. The question was whether to lock in some of that gain in the future
- The Portfolio Evaluation Performance Report was very useful and comprehensive. The figures appeared to show that the Fund had performed better over the last 5 years than the previous 10 years
- Should the excess return of 1.2% in the year summary as set out in the Portfolio Evaluation Performance Report be 3%? If it was 3% then it was good news and ahead of benchmark. The Chief Financial Officer confirmed that the comment had incorrectly taken information from two different columns and PEP would be asked to correct the report
- The question was whether the Fund could find a more defensive position, without continually relying on the increase in the equities market, that provided a rate of return similar to that of infrastructure investments. At present the equities market had been the right place to be in the

relatively recent short term and it was difficult to determine where else to invest successfully given returns from other asset classes, but this would be kept under review

- Could the Fund request a voluntary actuarial evaluation in the interim? The Chief Financial Officer advised against a valuation as a short term measure. It was important that decisions on the future investment of the Pension Fund were made on a long term basis and the long term plan was to continue to invest in the equities market.

RESOLVED that:

- a) The Independent Financial Advisor's fund performance summary and market background be noted; and**
- b) The update on the Investment Managers placed 'on watch' by the Pension Investment Advisory Panel be noted.**

77 LGPS Central Update (Agenda item 9)

The Committee received an update on LGPS Central.

RESOLVED that the LGPS Central Update be noted.

78 LGPS Central Cost Share (Agenda item 10)

The Committee received an update on the LGPS Central cost share arrangements.

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

- were the revised cost share arrangements the best deal that the Fund could achieve or was there room for further negotiation? The Chief Financial Officer responded that at this stage, this was the best possible negotiated position for the Fund. There was still further work to do on sub-Fund charging and progress on this would be reported to future meetings. In response to a specific point on sharing set-up costs on an equal basis, West Midlands Pension Fund had stipulated that if they were to agree to a one member one vote basis for the Pool then it would have to operate on an equal cost share basis for these costs and so there was no room for further reductions
- What would be more helpful to officers to keep or remove the qualification on cost sharing at this

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stage? The Chief Financial Officer advised that to keep the qualification would mean that it would remain as a risk on the Pool Risk Register and raise the question as to what would be needed for its removal in the future. Removal of the qualification would show that the Fund was taking a reasonable approach which would be constructive for future negotiations

- The Committee expressed their appreciation to Mark Forrester for his excellent work in negotiating a revised cost share agreement on behalf of the Fund.

RESOLVED that the qualification be formally removed, in relation to the approved LGPS Central Governance agenda item recommendations on 7 December 2016, which stated that a cost share agreement is required to be agreed with all LGPS Central pool members that ensures value for money for the Worcestershire County Council Pension Fund from entering into the LGPS Central investment pool.

The Committee considered the Investment Strategy Statement.

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

- In response to a query, the Chief Financial Officer advised that there had not been any change in the Fund's position with regard to socially responsible investment
- There did not appear to be any reference in the Statement to consultation with scheme members. The Finance Manager – Pensions, Treasury Management and Capital indicated that the plan was to publish the Statement prior to 1 April 2017 with a feedback form attached to allow Fund Members to feedback on any concerns or proposed changes. Any feedback would be reported back to the Committee
- In response to a query, the Finance Manager – Pensions, Treasury Management and Capital commented that employers had not been formally consulted on the Statement to date however it was a matter that would be raised at the next Employers Forum in May 2017
- Concern was expressed that the wording in the "Engagement versus Exclusion" section of the Statement was unsatisfactory in terms of the approach taken by the Fund in relation to ethical

investment. The Chief Financial Officer concurred that the paragraph could be reworded to better reflect a more positive affect of investment on governance and communities. It was agreed that the wording of this paragraph be reviewed accordingly in consultation with the Chairman and Vice-Chairman of the Committee.

RESOLVED that the Fund's Investment Strategy Statement be approved subject to the section relating to "Engagement versus Exclusion" being reworded by the Chief Financial Officer in consultation with the Chairman and Vice-Chairman of the Committee to better reflect a more positive affect of investment on governance and communities.

The meeting ended at 11.18 am.

Chairman