

Pensions Committee**Friday, 16 June 2017, County Hall, Worcester - 10.00 am****Present:****Minutes**

Mr R W Banks (Chairman), Mr A I Hardman,
Mr R C Lunn, Mr P Middlebrough and Mr P A Tuthill

Co-opted Member (voting) – Mr A Becker (Employee
representative)

Available papers

The Members had before them:

- A. The Agenda papers (previously circulated); and
- B. The Minutes of the meeting held on 13 March
2017 (previously circulated).

**80 Named
 Substitutes
 (Agenda item 1)**

None.

**81 Apologies/
 Declarations of
 Interest
 (Agenda item 2)**

Apologies were received from Mr V Allison and Mr R J
Phillips.

Mr A Becker declared an interest as a member of the
Pension Fund.

**82 Public
 Participation
 (Agenda item 3)**

None.

**83 Confirmation of
 Minutes
 (Agenda item 4)**

RESOLVED that the Minutes of the meeting held
on 13 March 2017 be confirmed as a correct record
and signed by the Chairman.

**84 Malvern Hills
 Trust (Agenda
 item 6)**

Further to Minute no. 74, the Committee considered the
removal of a condition for the Malvern Hills Trust to gain
a surety bond.

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

- No reference had been made in the report to the
potential impact on the profits and losses of the
Pension Fund of the proposed arrangements.
Mark Forrester, Finance Manager – Pensions,

Treasury Management and Capital commented that reference to the impact on profit and losses had been made in the previous report. It was important to consider the affordability of any proposed solution as there were only a limited number of options open to the Fund. If the Fund reduced the risk by reducing the recovery period that would put pressure on short term profits and losses. There would be an Annual Review which could be made 6 monthly if agreed. Although the scheme would be closed to new members, it was anticipated that the Trust would be able to increase income through its branding exercise

- There did not appear to be any alternative to the approach proposed and although it was not ideal, this approach had been undertaken before. Due to the additional information now provided, it was clear that the Trust was in a stronger financial position because of its precepting powers, the ability to increase car park charges and had maintained a reserve. Although there were risks associated with this approach, the overall impact of anything going wrong would be minimal on the Fund
- What would happen if no action was taken? Mark Forrester advised that the admission basis for the Trust would remain open and therefore the Trust would continue to accrue pension liabilities for new joiners, which would increase the risk to the Fund.

RESOLVED that:

- a) **The update on Malvern Hills Trust precept powers is noted;**
- b) **The condition that Malvern Hills Trust gain a surety bond with value of £1,178,000 is removed; and**
- c) **The Trust move from an open to a closed admission basis, on an 18 year deficit recovery plan, subject to an annual review of their financial position by the Fund, is approved.**

The Committee considered the administering authority administration update.

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

item 5)

- Bridget Clark, the HR &OD Service and Commissioning Officer would confirm the date of the Administration Forum in due course
- In response to a query, Bridget Clark advised that although there was no specific statutory requirement to undertake the Guaranteed Minimum Pension Reconciliation there was sufficient guidance from the Pensions Regulator and separate legislation to accept that there was a duty to do so. It was impossible to determine the size of the liabilities affected in advance and therefore the financial impact on the Fund was not known. The exercise had been initiated by HMRC to all Pension Funds. This was a significant piece of work and it was important that the exercise was as accurate as possible therefore external expertise would need to be brought in to create an implementation plan, timetabling and mini-tendering exercise to then deliver the plan
- Bridget Clark undertook to check whether the exercise was being carried out across the private as well as the public sector
- In response to a concern about the impact of the exercise on members of the Fund, Bridget Clark advised that the exercise will ensure liabilities were correctly assigned and that all records are correct and remove any impact on individual members of the Fund.

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

86 Pension Investment Update (Agenda item 7)

The Committee considered the Pensions Investment update.

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

- Mark Forrester, Finance Manager – Pensions, Treasury Management and Capital commented that Nomura had continued to perform strongly in the last quarter. In particular, their Manager in the Japanese market had out-performed the market by 6% over the past year. Schrodgers had underperformed again but initial reports for the existing quarter were very positive
- In response to a query, Mark Forrester indicated that the total value of the Fund had risen from 1.9bn to 2.5bn

- What actions were being taken to protect the value of the Pension Fund? Mark Forrester replied that it was appropriate to consider options to reduce the level of risk. Officers would identify the most appropriate option and report back to the Committee. The market was constantly changing and all options would be considered
- The Fund's long term equities represented a more volatile risk than bonds or real assets. Following the implementation of the changes resulting from the 2013 and 2016 strategic asset allocation reviews, the Fund's returns have been strong with a reduced level of portfolio volatility
- In response to a query, Mark Forrester indicated that the events in Qatar had had very little impact on the Fund due to the limited investment in the Middle East.

RESOLVED that:

- a) the Independent Financial Adviser'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.**

87 Infrastructure and Property Investments (Agenda item 8)

The Committee considered the appointment of pooled Infrastructure and Property Fund managers.

In the ensuing debate, it was commented that it was sensible to take a more prudent approach by investing £210m as opposed to £250m, leaving £40m available for investment in real assets over the next twelve months, to take advantage of opportunities as they arise and to reduce manager concentration risk.

RESOLVED that:

- a) the appointments of Invesco, AEW, Stonepeak and First State be approved; and**
- b) the following commitments be approved: £75m First State; £75m Stonepeak; £40m Invesco Residential; and £20m AEW.**

88 Alternative Indices Investments

The Committee considered the blend of alternative indices factors.

	<p>(Agenda item 9)</p> <p>RESOLVED that the blend of alternative indices factors be noted.</p>
<p>89</p> <p>LGPS Central Update (Agenda item 10)</p>	<p>The Committee considered an LGPS Central update report.</p> <p>In the ensuing debate, the appointment of Joanne Segars as Chair of the LGPS Central was welcomed.</p> <p>RESOLVED that the LGPS Central Update be noted.</p>
<p>Exclusion of Public and Press</p>	<p>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.</p> <p>Summary of the proceedings of the meeting during which the press and public were excluded.</p>
<p>90</p> <p>LGPS Central Regulatory Business Plan, Cost Savings and Regulatory Capital (Agenda item 11)</p>	<p>The Committee noted the approval of the Regulatory Business Plan for LGPS Central at the Shareholders Forum on 19 June 2017. The Committee noted the updated Cost Savings Model and changes to forecasted savings for the Partner Funds. The Committee approved an increase in the budget for setup costs. The Committee approved the Regulatory Capital requirement for LGPS Central and its introduction on 31 January 2018.</p>

The meeting ended at 11.45am.

Chairman