

**Pensions Committee****Friday, 22 June 2018, 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 Members (voting) – Mr V Allison (Employer representative), Mr A Becker (Employee representative) and Mr R J Powell (Herefordshire Council)

**Available papers**

The members had before them:

- A. The Agenda papers (previously circulated); and
- B. The Minutes of the meeting held on 19 March 2018 (previously circulated).

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

None.

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

Mr V Allison, Mr A Becker and Mr R Phillips declared an interest as members of the Pension Fund.

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

None.

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

**RESOLVED** that the Minutes of the meeting held on 19 March 2018 be confirmed as a correct record and signed by the Chairman.

**123      Administering  
             Authority -  
             Administration  
             Update (Agenda  
             item 5)**

The Committee received a verbal update from Bridget Clark, HR Service Centre Manager.

Bridget Clark updated members with the following points:

- In relation to the Year End preparation, the majority of the interfaces have now been received from Worcestershire County Council's provider to enable the Administering Authority to proceed with the delivery of the Annual Benefit Statements. Outstanding queries were being followed up



- A provider had now been appointed to deliver the GMP Reconciliation project. It was not possible to name the provider at this stage because the agreement had yet to be signed. An update report would be brought to the next Committee meeting

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

- Were there any concerns about meeting the HMRC deadline for the completion of the GMP Reconciliation? Bridget Clark advised that the appointed provider had experience of undertaking this exercise for other LGPS Funds and having shared the Phase 1 data with them, they were confident that the timescales would be met
- The GMP Reconciliation was an issue that the Pension Regulator was monitoring carefully.

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

## 124 LGPS Central Update (Agenda item 6)

The Committee received an update on LGPS Central.

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

- In relation to the Central Pool timetable, was it anticipated that the Pool would assign each of the sub-funds to a particular asset fund manager? Rob Wilson, Finance Manager – Pensions, Treasury Management and Capital responded that each sub-fund would be allocated from a selection of asset fund managers based on the nature of each Fund's mandate. Philip Hebson, Independent Financial Advisor added that there were different styles of management available for some asset classes therefore it was important that the Pool had a range of options available to meet the needs of their pension fund clients
- Was the key driver for the introduction by the Government of the pooling system the aim of reducing costs rather than the improvement of performance? Rob Wilson acknowledged that whatever the intentions behind the introduction of the pooling arrangements, performance was a key aspect of the pooling arrangements for the Pension Fund going forward
- Had the Central Pool introduced a protocol/policy for dealing with the media? Rob Wilson responded



that he would check and provide an update at the next meeting

- Had the imminent transfer of asset management to the Central Pool had a positive or negative impact on the performance of the Fund's existing asset managers? Rob Wilson commented that the onus was on the Pension Fund to ensure that its asset managers were maximising returns prior to the transfer and he assured the Committee that performance was being regularly monitored
- Was the Fund paying any contribution to the Central Pool, despite assets not being transferred to date? Rob Wilson indicated that the Pension Fund had entered into a cost-sharing agreement with the Central Pool and paid an annual fee. Every effort was being made to ensure that the Fund achieved value for money from its contribution
- It was early days in the creation of the Central Pool but there was a sense that the Pool considered itself to be in charge of the individual Pension Funds. This was not the case as the Pool had been established to work on behalf of individual Pension Funds not vice versa. If the Pension Fund was not satisfied with the performance of the Pool it could switch to an alternative Pool. Rob Wilson added that officers had been trying to change this mentality within LGPS Central and he felt that the message was starting to get through. Philip Hebson added that it was important to note that any transition of assets to the Pool must be approved by this Committee
- Although it was early days, the priority for the Pool was to establish the right vehicle for the investment in infrastructure. Rob Wilson added that future investment in infrastructure had been highlighted as a major issue by the Central Pool's Investment Group
- Andrew Lovegrove expressed caution over following the LGPS Central timetable for the transfer of the Sub-funds without assessing the impact on and implications for the Fund's Triennial evaluation and investment strategy
- had any assurance been received from the Pool about the relative value of the funds being pooled? The danger was that poor value assets could be deliberately pooled at the expense of other Pension Funds investment? Rob Wilson agreed that this was a matter that the Pool should be mindful of and consequently a corporate business case would need to be submitted in each



**125 Pension Investment Update (Agenda item 7)**

case by the relevant pension fund.

**RESOLVED: that the LGPS Central Update be noted.**

The Committee considered the Pension Investment Update report.

In introducing the report, Philip Hebson indicated that markets continued to be volatile in nature. Since the end of the quarter, the UK markets had had a strong run but the other developed markets had not recovered to the same extent. In the circumstances, he welcomed the introduction of an Equity Protection Strategy for the Fund.

**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.**

**126 Pension Fund Unaudited Annual Report and Accounts 2017-18 (Agenda item 8)**

The Committee considered the Pension Fund Unaudited Annual Report and Accounts 2017-18.

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

- Rob Wilson indicated that any changes to the Annual Report would be reported to the next Committee meeting
- How many Pension Funds were 100% fully funded? Philip Hebson responded that most funds were up to fully funded. However, performance depended on the overall strategy of the Fund. Some funds had not been exposed to risk and consequently had missed out on the benefits of the rise in the equity markets and some funds had decided to de-risk too early
- Should the Fund be considering amending its approach to minimise its exposure to risk? Philip Hebson advised that rather than waiting for the Tri-annual Evaluation, the Investment Strategy was currently being reviewed
- In response to an issue raised about the Fund reaching a position in the future where pension



contributions did not match payments, Philip Hebson commented that it should always be remembered that the Pension Fund existed to pay pensions to its members and therefore the fund needed to continue increase rates of return in order to meet the Fund's liabilities.

**RESOLVED that the unaudited Pension Fund Annual Report and Accounts 2017/18 be approved.**

**127 Government Actuary Department (GAD) Pension Review Update (Agenda item 9)**

The Committee received an update on the Government Actuary Department (GAD) Pension Review.

In the ensuing debate, the following principal point was raised:

- The positive outcome of the GAD interim review for the Pension Fund was welcomed. In response to a query, Rob Wilson indicated that the actuary had provided feedback as part of the GAD reporting process.

**RESOLVED that the Government Actuary Department (GAD) Pension Review be noted.**

**128 Worcestershire County Council Pension Fund Training for Pensions Committee Members (Agenda item 10)**

The Committee considered Pension Fund Training for Pensions Committee Members.

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

- Philip Hebson commented that the limited number of trained Committee members represented a risk to the Pension Fund therefore from a governance perspective it would be beneficial to extend training to other councillors. Training was important to help members make informed decisions
- It would be preferable not to make training mandatory but rather encourage members to engage
- In response to a query, Simon Lewis, the Committee Officer undertook to check whether Co-opted members would be able to nominate substitutes to attend meetings in their place and therefore attend training sessions
- A formal training session as part of the induction of new members of the Council would be beneficial
- The opportunity for joint training with Pension



**129 Investment  
Strategy  
Statement  
Update (Agenda  
item 11)**

Committee members from other pension funds within the LGPS Central Pool was welcomed

- The training should be flexible in nature in order to address the individual needs of members of the Committee
- The transition arrangements should be included as a high priority issue in the training session in September.

**RESOLVED: that**

- a) **The Joint Training Policy for the Pensions Committee and the Local Pension Board be approved;**
- b) **Over the summer of 2018 all members of the Committee, along with appropriate Administration officers complete the self-assessment questionnaires set out at Appendix 3 to the report. This will be used to inform consideration of further topics for training to be considered at the September Committee;**
- c) **The opportunity for joint training with Pension Committee members from Pension Funds within the LGPS Central Pool was welcomed;**
- d) **Other councillors be invited to attend future training events;**
- e) **The training should be flexible in nature in order to address the individual needs of the members of the Committee; and**
- f) **The proposed topics for consideration at the training in September be noted. The transition arrangements to be included as a high priority.**

The Committee considered the Investment Strategy Statement Update.

**RESOLVED that:**

- a) **The proposed amendments to the Fund's Investment Strategy Statement (ISS) (shown in italics and underlined) be approved; and**
- b) **A detailed review of the Funds Investment Strategy Statement (ISS) and Asset allocation**



is undertaken during 2018/19.

The meeting ended at 11.25 am.

Chairman .....