

**Pensions Committee****Friday, 13 December 2019, County Hall, Worcester - 2.00 pm**

		<b>Minutes</b>
<b>Present:</b>		Mr P Middlebrough (Chairman), Mr V Allison, Mr R W Banks, Mr R C Lunn, Mr J Price and Mr P A Tuthill
<b>Also attended:</b>		Mr R J Phillips attended as a member of the Pension Board.
<b>Available papers</b>		The members had before them:  A. The Agenda papers (previously circulated); and  B. The Minutes of the meeting held on 16 October 2019 (previously circulated).
<b>206</b>	<b>Named Substitutes (Agenda item 1)</b>	Ms P Marsh for Ms T Fagan.
<b>207</b>	<b>Apologies/ Declarations of Interest (Agenda item 2)</b>	An apology was received from Ms T Fagan.  Mr V Allison, Ms P Marsh and Mr R J Phillips (as a Pension Board Member) declared interests as members of the Fund.
<b>208</b>	<b>Public Participation (Agenda item 3)</b>	None.
<b>209</b>	<b>Confirmation of Minutes (Agenda item 4)</b>	<b>RESOLVED</b> that the Minutes of the meeting held on 16 October 2019 be confirmed as a correct record and signed by the Chairman.
<b>210</b>	<b>Pension Board and Pension Investment Sub-Committee Minutes (Agenda item 5)</b>	<b>RESOLVED</b> that the Minutes of the Pension Investment Sub-Committee be noted.
<b>211</b>	<b>Actuarial</b>	The Committee considered the Actuarial Valuation and

**Valuation and  
final Pension  
Fund Strategy  
Statement  
(Agenda item 6)**

final Pension Fund Strategy Statement (FSS).

In the ensuing debate, the following points were raised:

- It was noted that only 7% of employers had responded to the consultation. Were those employers that had responded from the sectors that the Fund most needed to receive feedback? Michael Hudson, the Chief Financial Officer commented that a response rate of 7% was a disappointingly low response rate and compared poorly with other funds. It was surprising given the good turnout at the recent Administration Forum which had been attended by a cross-section of fund employers. Most of the responses to the consultation had been from local government employers although there was a responder from the education sector albeit not representative of the sector as a whole. The general perception from the Administration Forum was that employers did not consider there to be any issues but it would have been beneficial to have this view confirmed through the consultation exercise. The apathetic response was perhaps a matter for the Pension Board to review and feedback to this Committee
- In response to a query, Michael Hudson commented that at the Administration Forum, employers had been split into different groups to discuss the valuation. Employers appeared to be content and made little comment. There was a concern that the lack of response could be attributed to a lack of understanding.

**RESOLVED: that**

- a) the results of the Actuarial Valuation be noted;**
- b) the Funding Strategy Statement be approved and any further operational changes be delegated to Fund officers with an update provided to the March Pensions Committee;**
- c) the points raised regarding the specific questions asked on the Funding Strategy Statement be noted; and**
- d) the proportion of responses from employers to the Funding Strategy Statement consultation was disappointing and the Pension Board be requested to examine ways of improving**

**212 Strategic Asset Allocation Review (Agenda item 7)**

**response rates and report back to the Committee.**

The Committee considered the Strategic Asset Allocation Review.

In the ensuing debate, the following points were raised:

- In response to a concern about the lack of reference in the Review to ethical investment, Rob Wilson, Finance Manager – Pensions Treasury & Capital explained that ethical considerations had been included in the Responsible Investment section of the report. It was recognised that more work needed to be done to strengthen the Responsible Investment arrangements
- It was difficult to make a fair assessment of the performance of the mandate of an active manager over a 10 year period. Philip Hebson, Independent Advisor to the Fund commented that the Fund took a long-term view of investments, recognising that circumstances changed over time and that riskier investments could be subject to periods of market volatility. The Fund had a good track record of maintaining dialogue with investment managers to understand the rationale of their investment style
- In response to a query, Philip Hebson indicated that it was important that the Fund evolved over time, responding to emerging issues. Responsible Investment was recognised as an important emerging issue which would be further embedded as a key consideration in the determination of future investment
- The Chairman of the Committee encouraged all members to attend pension training events. He highlighted a SAB training event on 15 January 2020 and a Responsible Investment training session on 31 January 2020
- In response to a query about the future balance of investment between property and infrastructure, Philip Hebson advised that after the 2016 Strategic Asset Allocation review the Fund had struggled to find suitable investments in the property sector at attractive values, therefore investment had been focused on the infrastructure sector. This investment approach was likely to be repeated in the future
- Would the outcome of the general election have any impact on the Fund's approach to asset allocation or equity protection. Philip Hebson

advised that the election would have no impact the Fund's strategic approach but could impact on the timings. The assumption in the review had been based on business-as-usual albeit cognisant of recent events

- A specific reference to the need for investments to be signed up to the Code of Transparency should be included in the SAA recommendations
- In response to a query about the Fund's approach to equity protection, Philip Hebson indicated that a more detailed examination of the main trigger points for the Equity Protection Strategy was being undertaken. The Fund needed to be smarter in the way it implemented the Strategy, for example, there could be periods where it would be beneficial to the Fund not to implement the Strategy. There was now a greater understanding of the sophisticated nature of the Strategy than when it was originally introduced and it was important that members had an understanding of whatever approach was adopted by the Fund
- Was the Fund ready to move to the next stage of the Equity Protection Strategy? Philip Hebson commented that the next phase had been agreed in principle however it was important to remember that equity protection was an investment risk tool and should be used as such and not embedded in the investment strategy. It was vital that the Fund maintained control over the Strategy and that members received further training on it.

**RESOLVED: that**

- a) the Strategic Asset Allocation recommendations set out in paragraph 5 of the report be approved subject to the inclusion of specific reference to the need for investments to be signed up to the Code of Transparency: and**
- b) the Strategic Asset Allocation actions set out in paragraph 7 of the report be included in the Forward Plan of the Committee and the Pension Investment Sub-Committee.**

The Committee considered the Good Governance Review and Objectives of the Fund's Investment Advisor.

**RESOLVED that the Scheme Advisory Board (SAB) and The Pension Regulator's (TPR) governance**

	<b>Investment Advisor (Agenda item 8)</b>	<b>reviews and the objectives of the Fund's Investment Advisor be referred to the Pension Board for consideration with the outcomes brought to the Committee meeting in March 2020.</b>
<b>214</b>	<b>LGPS Central Update (Agenda item 9)</b>	<p>The Committee considered the LGPS Central update.</p> <p>In the ensuing debate, the following points were raised:</p> <ul style="list-style-type: none"> <li>• Would an element of competition be established between different pools whereby an individual fund could switch to another pool? Philip Hebson advised that in practical terms, a pool was highly unlikely to want to entice a fund to transfer because there was no appetite to do so with the amount of ongoing work. It was possible in the future that there could be element of cross-pool co-operation for larger infrastructure projects. If this Fund was dissatisfied with LGPS Central, it was more likely that the it would operate alone rather than join another pool</li> <li>• There was still a lack of available benchmarking information to be able to assess the performance of LGPS Central against other pools. Rob Wilson advised that the Fund was awaiting investment pooling guidance from the Government. Roger Phillips added that there was a dialogue taking place concerning pool classes and the way in which pools were developing. A clearer understanding of the different roles and responsibilities of pools was needed.</li> </ul> <p><b>RESOLVED that the LGPS Central Update be noted.</b></p>
<b>215</b>	<b>Pension Investment Update (Agenda item 10)</b>	<p>The Committee considered the Pension Investment Update.</p> <p>In the ensuing debate, Rob Wilson undertook to review the 'Donut' charts for how votes had been cast in different markets and regions to make them clearer and easier to understand.</p> <p><b>RESOLVED: that</b></p> <ul style="list-style-type: none"> <li>a) <b>The Independent Financial Adviser's fund performance summary and market background be noted;</b></li> <li>b) <b>The update on the Investment Managers</b></li> </ul>

**216 Risk register  
(Agenda item  
11)**

placed 'on watch' by the Pension Investment Advisory Panel be noted;

- c) The update on the transition of the Active Corporate Bonds mandate into the LGPS 'Global active Investment Grade Corporate Bond Fund be noted;
- d) The funding position compared to the investment performance be noted;
- e) The update on the Equity Protection current static strategy extension be noted;
- f) The update on Responsible Investment activities and Stewardship investment pooling and the Stewardship Code be noted;
- g) The update on the LGPS Central report on the voting undertaken on the Funds behalf be noted; and
- h) The update on the development of a Climate Risk Monitoring Platform be noted.

The Committee considered the Risk Register.

In the ensuing debate, the following points were raised:

- In relation to Risk Reference WPF 02 (risk of insufficient knowledge amongst members), Michael Hudson explained that the recent Committee decision to expand the membership of the Board was aimed at mitigating the impact of this risk. Following agreement by Council, a retired member had been recruited to the Board and he was seeking an active member representative
- In response to a query as to why Risk Reference WPF 11 in relation to the failure to pool assets using LGPS Central and been assessed as an amber risk, Michael Hudson indicated that there were a number of different issues to balance including the pool's investment strategy and whether it was bringing forward the right asset classes for the Fund hence the amber risk assessment
- The McCloud judgement had implications for all aspects of the Fund's activities and therefore should it be added as an individual risk on the register? Michael Hudson advised that the Fund

had very little control over the impacts of the judgement other than encouraging employers to be aware of its implications. It had been assessed that, given the relatively limited level of impact, the existing mitigation actions would be sufficient.

**RESOLVED that the Worcestershire Pension Fund Risk Register as at 2 December 2019 be noted.**

**217 Pension Fund Training Programme (Agenda item 12)**

The Committee considered the Pension Fund Training Programme.

In the ensuing debate, the following points were raised:

- Michael Hudson indicated that the introduction of training sessions for new members was being considered
- The Chairman of the Committee commented that if members of the Committee had any suggestions for additions to the programme, they should submit them to officers. He also encouraged members to attend LGPS Central training sessions
- Rob Wilson advised that members had been notified of two further training sessions arranged in June and October 2020. He also would be sending out a knowledge and skills assessment questionnaire to members for completion.

**RESOLVED: that**

- a) **The feedback from the Pensions Training event on the 28 November 2019 be noted; and**
- b) **The Training plan be noted.**

**218 Forward Plan (Agenda item 13)**

**RESOLVED that the Forward Plan be noted.**

The meeting ended at 3.45pm.

Chairman .....