

**PENSIONS COMMITTEE**  
**6 OCTOBER 2017****EQUITY PROTECTION STRATEGY**

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**Recommendation****1. The Chief Financial Officer recommends that:**

- a) **the equity protection report provided by the Fund's Actuary be noted; and**
- b) **the Chief Financial Officer be provided with delegated authority in consultation with the Chairman and Vice-Chairman of the Committee to work with advisers and implement an equity spread protection strategy for the Fund's equities.**

**Purpose of the Equity Protection Strategy Report**

2. The Fund's Actuary has calculated that due to the increase in the value of the fund's assets since the actuarial valuation held on 31 March 2016, at the end of June 2017, the Fund had a deficit but was c. £442m ahead of the funding plan.
3. Given that most of the improvement seen since the 2016 valuation is attributable to the rally in equity markets over the period, the Actuary has recommended that the Fund consider using an equity protection strategy to:
  4. Reduce the likelihood that further deficit contributions will be required at the 2019 valuation; and
  5. Seek to "bank" some of the recent upside with a few to potentially reducing contributions at future valuations.
6. An alternative approach to equity protection would be to simply de-risk by moving funds from equities to other asset classes. The challenge with this approach is that it would also reduce return commensurately which would have an impact on the affordability of providing future benefits.

**Equity Protection Strategy Report Summary**

7. The Fund's Actuary estimates that the Fund's equity holdings are the largest contributor to the overall level of risk. With equity markets at or close to all time high levels, the Actuary believes that now is an opportune time to protect against market falls and therefore protect the contribution position. The Actuary estimates that the Fund currently has available additional resources of around £442m based on the actual position as at 30 June 2017. By implementing an equity protection strategy, this level of resource can be achieved without the need to amend the long-term strategic allocation.

8. The Actuary strongly recommends this as a positive risk management strategy given current market conditions. If this is taken forward, further work should be undertaken to determine the optimal structure for the Fund (including consideration of how this would be delivered in the current manager framework). Implementation of an equity protection strategy could be achieved within a relatively short timeframe once the particulars of the strategy have been agreed.

## **Contact Points**

### County Council Contact Points

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### Specific Contact Points for this report

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## **Supporting Information**

- Equity Protection Strategy Report (Appendix)

## **Background Papers**

In the opinion of the proper officer (in this case the Chief Financial Officer) there are no background papers to this report.