

COUNCIL
13 JULY 2017**REPORTS OF COMMITTEES****SUMMARY OF DECISIONS TAKEN BY THE PENSIONS
COMMITTEE**

Administering Authority – Administration Update

1. The Committee has noted the general update from the Administering Authority in relation to End of Year Arrangements, Annual Benefit Statements, Worcestershire County Council – Change to Payment System, Administration Forum, and Guaranteed Minimum Pension Reconciliation.

Malvern Hills Trust

2. The Committee had previously agreed that Malvern Hills Trust move from an open to a closed admission basis, on an 18 year deficit recovery plan, subject to Malvern Hills Trust gaining a surety bond with value of £1,178,000, the value of which is reviewed at least on a triennial basis. The bond requirement was to reduce the risk to the other employers in the Fund bearing the cost of the deficit in the event that Malvern Hills Trust are unable to pay the deficit over the 18 years recover period or in the event of early termination.
3. Malvern Hills Trust have contacted a number of banks but have been refused a surety bond without a charge on their assets, which they are unable to provide due to legal restrictions relating to their charity status.
4. The Committee therefore has agreed that the condition that Malvern Hills Trust gain a surety bond with value of £1,178,000 is removed and 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.

Pension Investment update

5. The Committee has noted the Independent Financial Adviser's fund performance summary and market background.
6. The Committee has noted the update on the Investment Managers placed 'on watch' by the Pension Investment Advisory Panel, namely JP Morgan – Emerging Markets and JP Morgan – Bonds.

Infrastructure and Property Investments

7. The Committee previously approved the move to a new strategic asset allocation for the Pension Fund as part of the Fund's strategic asset allocation review. The aim of the asset allocation change is to achieve lower volatility without reducing total returns to enable a closer correlation between the Fund's assets and the longer term liability profile.

8. In February 2017 BFinance were appointed as a specialist procurement adviser to assist with the tender for property and infrastructure pooled funds. As a result of BFinance's analysis and recommendations five pooled Infrastructure and Property Fund managers were interviewed by members of the Pension Investment Advisory Panel. Following the interviews, four managers were recommended for appointment by the Pension Investment Advisory Panel. The Committee has approved the appointments of Invesco, AEW, Stonepeak and First State as the pooled Infrastructure and Property Fund managers.

9. The Committee has approved the following split of £210m commitments: £75m First State; £75m Stonepeak; £40m Invesco Residential; and £20m AEW. These commitments would ensure that there is not an over concentration with the newly proposed managers and allows for further deployment of capital in the next twelve to eighteen months to help increase vintage year diversification and take advantage of any market opportunity as they arise given the changing market environment.

Alternative Indices Investments

10. The Committee previously agreed to increase the Fund's allocation to alternative indices by 5% from the current strategic allocation of up to 10% of the Fund to 15% equities allocation. The increase was conditional on the Chairman of the Committee approving the proposed balance of alternative indices.

11. Legal and General Asset Management (LGIM), the Fund's passive equities manager, carried out detailed analysis of the Fund's current alternative indices investments. As a result of the LGIM analysis the Chair of the Pension Committee has approved the option to maintain the current factor-based strategies but change the weights allocated to each of the strategies. The Committee has noted the blend of alternative indices factors.

LGPS Central Update

12. Northern Trust has been appointed as an 'asset servicer' to provide depository and custody facilities to LGPS Central and will be key in ensuring that LGPS Central complies with its regulatory responsibilities. Joanne Segars has been appointed as the Non-Executive Chair of LGPS Central, previously Chief Executive of the Pensions and Lifetime Savings Association (formerly known as the National Association of Pension Funds). Andrew Warwick Thompson, currently Executive Director for Regulatory Policy at The Pensions Regulator has been appointed as Chief Executive. The Committee has noted the LGPS Central update.

LGPS Central Regulatory Business Plan, Cost Savings and Regulatory Capital

13. The Committee has noted the approval of the Regulatory Business Plan for LGPS Central at the Shareholders Forum on 19 June 2017. The Committee has noted the updated Cost Savings Model and changes to forecasted savings for the Partner Funds. The Committee has approved an increase in the budget for setup costs. The Committee has approved the Regulatory Capital requirement for LGPS Central and its introduction on 31 January 2018.

Mr R W Banks
Chairman

Contact Points

County Council Contact Points

County Council: 01905 763763

Worcestershire Hub: 01905 765765

Specific Contact Points for this report

Simon Lewis, Committee Officer

Tel: 01905 846621

Email: slewis@worcestershire.gov.uk

Background Papers

In the opinion of the proper officer (in this case the Head of Legal and Democratic Services) the following are the background papers relating to the subject matter of this report:

Agenda papers for the meeting of the Pensions Committee held on 16 June 2017.