

COUNCIL
19 JULY 2018**REPORTS OF COMMITTEES****(a) SUMMARY OF DECISIONS TAKEN BY THE PENSIONS COMMITTEE**

Administering Authority – Administration Update

1. The Committee has noted the general verbal update from the Administering Authority in relation to the Guaranteed Minimum Pension (GMP) Reconciliation exercise - update, and the year-end preparation.

LGPS Central Update

2. On the 1 April 2018, LGPS Central Limited formally went live and to date daily routines have been operating effectively and staff are getting to grips with the new systems. Over the past quarter there had been a continued focus on the recruitment of senior pool staff with the Head of Client Service and Stakeholder Engagement, the Risk Manager, Head of HR and Business Services and Head of Operations being appointed. All the Investment Directors have been appointed apart from Active Equities but this was expected to have concluded shortly.
3. LGPS Central has begun direct engagement with Partner Funds through the Investment Directors on what products and services it can offer, and its near-term priorities. Initially it sees opportunities for further use of the existing passive sub-funds and to support Partner Funds more generally via Advisory Agreements covering a variety of asset classes.
4. The Chief Executive Officer of LGPS Central, Andrew Warwick-Thompson is meeting monthly with representatives of each fund together with the Chief Investment Officer and Head of Client Service and Stakeholder Engagement. The Committee has noted the LGPS Central Update.

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.

Pension Fund Unaudited Annual Report and Accounts 2017-18

7. The Annual Report is a key communications channel between the fund and a wide variety of stakeholders. The Report contains information relating to fund investments, administration, governance, valuations, accounts and membership. The Committee has approved the unaudited Pension Fund Annual Report and Accounts 2017/18. Final approval of the Accounts will be sought from the Audit and Governance Committee in July 2018.

Government Actuary Department (GAD) Pension Review Update

8. In addition to the normal actuarial valuation carried out by the Fund Actuary, the Public Service Pensions Act 2013 means that the Department of Communities and Local Government (DCLG) are required to commission a "Section 13" valuation which will look at the 2016 valuation results for LGPS Funds and check whether, in their opinion, the various Funds have carried out their valuations in a way that is compliant with the LGPS Regulations, is not inconsistent with other Funds, will ensure solvency, and will ensure long-term cost efficiency. The Section 13 valuation is carried out by the Government Actuary's Department (GAD). GAD will produce a report which analyses each LGPS Fund's valuation results from 2016. This is likely to be formally published in September 2018.

9. The GAD assessment applies six tests around solvency, and seven tests on long-term cost efficiency. Funds can be assessed as green, amber or red on each of them. GAD have carried out an initial review on the 2016 valuation results and the good news is that the Worcestershire County Council Pension Fund received no red flags and only one amber flag which was in relation to its funding level being 84.4% using the 2016 data. The Committee has noted the GAD Pension Review.

Worcestershire County Council Pension Fund Training for Pension Committee Members

10. The Committee has approved the Joint Training Policy for the Pensions Committee and the Local Pension Board. The Committee agreed that other councillors be invited to attend future training events. The training should be flexible in nature in order to address the individual needs of the members of the Committee.

11. The Committee agreed that over the summer of 2018 all members of the Committee, along with appropriate Administration officers complete self-assessment questionnaires. This will be used to inform consideration of further topics for training to be considered at the meeting of the Committee in September.

12. Discussions have taken place within the Central Pool about the delivery of a training programme for members of the Pensions Committee, in particular in relation to induction training. The Committee welcomed the opportunity for joint training with Pension Committee members from Pension Funds within the LGPS Central Pool.

13. The Committee noted the proposed topics for consideration at the training in September and agreed that the transition arrangements be included as a high priority.

Investment Strategy Statement (ISS) Update

14. The LGPS Investment Regulations that came into effect from 1 November 2016 required all funds to publish a new ISS by 1 April 2017. The current ISS was approved by the Committee in March 2017 and must then be kept under review and revised from time to time and at least every three years. The Committee has approved some minor amendments to the 2017 ISS to strengthen the governance areas and update previous agreed decisions on asset allocations as follows:

- Update to the Responsible Investment section relating to Engagement versus Exclusion and Voting highlighting the Stewardship code
- Update on the Strategic Allocation Investment Benchmark and Ranges.

15. Given that the risks associated with the Fund's relatively high allocation to equities, the Committee has agreed that a detailed review of the Funds ISS and Asset allocation is undertaken during 2018/19.

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 19 March 2018.