

Pensions Committee

Friday, 1 December 2017, County Hall, Worcester - 10.00 am

	Minutes
Present:	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) and Mr A Becker (Employee representative)
Available papers	The Members had before them: A. The Agenda papers (previously circulated); and B. The Minutes of the meeting held on 6 October 2017 (previously circulated).
101 Named Substitutes (Agenda item 1)	None.
102 Apologies/ Declarations of Interest (Agenda item 2)	An apology was received from Mr R Phillips. Mr A Becker and Mr V Allison declared an interest as members of the Pension Fund.
103 Public Participation (Agenda item 3)	None.
104 Confirmation of Minutes (Agenda item 4)	RESOLVED that the Minutes of the meeting held on 6 October 2017 be confirmed as a correct record and signed by the Chairman.
105 Administering Authority - Administration Update (Agenda item 5)	The Committee considered the Administering Authority - Administration Update report. The details were set out in the report. In the ensuing debate, the following principal points were raised: <ul style="list-style-type: none">• In response to a query, Bridget Clark explained that at this stage the full extent of the work associated with reconciliation of the GMP was not known

- Had a filtering process been devised or did every record need to be examined individually? Bridget Clark advised that the Pension Regulator required every Pension Fund to undertake the reconciliation exercise. Every discrepancy would need to be examined as part of the exercise. However it was not intended to pursue discrepancies under a certain value. The impact on the Pension Fund of undertaking such an approach would need to be assessed
- How had the cost of the exercise been assessed? Bridget Clark advised that the estimated cost had been based on the number of members in the fund, the discrepancies identified and the standard of the data held in the system. The difficulty would be assessing the amount of work necessary to rectify these discrepancies. The estimates received from external providers were lower than anticipated. The exercise would help to ensure that the records held in the Fund were correct at the present time
- What percentage of the discrepancies found related to finances and what percentage related to personal details? Bridget Clark advised that it was not possible to determine that level of detail at this stage. When more information was known, the Committee would be updated accordingly
- What action would be taken where a discrepancy affected the payment of a pension? Bridget Clark commented that a decision would need to be made whether to recover overpayments. Payments moving forwards would need to be corrected. The system very much relied on the accuracy of the information supplied by the employers in the first instant. There was also a number of complexities to the system, particularly in relation to CARE
- It was not an option to do nothing because of the duty to undertake the exercise as determined by The Pension Regulator. Bridget Clark added that it was possible that the Pension Regulator could fine the Fund for non-compliance and instruct the Fund to undertake the exercise anyway. Sue Alexander commented that the impact and extent of the exercise was yet to be determined however any issues arising would be reported back to the Committee
- Philip Hebson reaffirmed that all Pension Funds nationally were required to undertake the reconciliation exercise. It was a matter that the Pension Regulator took seriously

- A request was made that future Administration Forum meetings be webcast.

RESOLVED: that

- delegated authority be granted to the Interim Chief Financial Officer to proceed with procuring external support and manage the delivery of the Fund's Guaranteed Minimum Pension (GMP) reconciliation exercise; and**
- the general update from the Administering Authority be noted.**

106 Pension Investment Update (Agenda item 6)

The Committee considered a Pension Investment Update report. The details were set out in the report.

In introducing the report, Mark Forrester indicated that the Pension Fund was currently valued at £2.7b.

RESOLVED: that

- the Independent Financial Adviser's fund performance summary and market background be noted;**
- the update on the Investment Managers placed 'on watch' by the Pension Investment Advisory Panel be noted; and**
- JP Morgan Emerging Markets be removed from list of 'on watch' managers by the Committee.**

107 LGPS Central Update (Agenda item 7)

The Committee considered the LGPS Central Update report. The details were set out in the report.

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

- Mark Forrester confirmed that further appointments had now been made within LGPS Central including the positions of Chief Risk and Compliance Officer and General Counsel
- In response to a query, Mark Forrester explained that procurement exercises would be need to be undertaken by LGPS Central to appoint new Fund managers and notices of termination would need to be issued where necessary.

**108 Equity
Protection
Strategy
(Agenda item 8)**

RESOLVED that the LGPS Central Update be noted.

The Committee considered the Equity Protection Strategy. The details were set out in the report.

The Committee received a presentation from representatives of River and Mercantile, who had been selected to implement and manage the static options equity protection strategy. A number of technical questions were asked and responded to by representatives of River and Mercantile.

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

- At what stage would the Committee receive a report on the outcome of the strategy to optimise the level of downside protection? A representative of River and Mercantile stated that he expected to provide a progress report to the Committee within 12 months of the strategy being implemented
- In response to a query, a representative of River and Mercantile indicated that the company had 54 clients including a number of councils
- How much downside protection did the Pension Fund realistically need? Mark Forrester advised that the level of protection available was market driven and would be achieved from selling returns above 5% per annum from the Fund's passive UK, US and European equities. The Fund would not pay an upfront premium for the protection. A representative of River and Mercantile added that it was important to choose the appropriate approach tailored to the Fund's particular circumstances. The Fund was in a positive situation where it did not need to take additional risk to achieve the returns above 5% per annum.

RESOLVED that the planned appointment of River and Mercantile to implement a static options equity protection strategy be noted.

Exclusion of Public and Press

RESOLVED that pursuant to Section 100A of the Local Government Act 1972, the press and public shall be excluded from the meeting during item 9 on the grounds that there would be disclosure to them of information relating to the financial or business affairs of any particular person (including the

**109 Alternatives
Investment
(Agenda item 9)**

authority holding the information) and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Summary of the proceedings of the meeting during which the press and public were excluded. (This is a fair summary of the proceedings and there are no exempt minutes.)

The Committee considered the approach to alternative investments. The details were set out in the report.

The Committee received a presentation from Bfinance, who were appointed as a specialist procurement advisor to assist with the tender for property and infrastructure pooled funds.

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

- What was the typical value of loans being sought by other pooled funds? A representative of BFinance advised that loans ranged from £20m to £150m however the average was approximately £40m. Mark Forrester added that the request was being made for a £50m allocation with the possibility of investing more in the future. A representative of BFinance stated that it was important that the Fund maintained a degree of diversification in its approach to investment in the future
- In response to a query, Mark Forrester commented that the Venn group would be launching a fund and there would be an opportunity for the Fund to invest next year subject to the appropriate due diligence being undertaken
- In response to a query, Mark Forrester advised that the appropriate due diligence work would be undertaken by Bfinance on the Hermes II fund.

RESOLVED: that

- a) **the following top-up commitments: £25m First State; £25m Stonepeak be approved;**
- b) **the Interim Chief Financial Officer be granted delegated authority to commit £25m to Hermes Fund II, subject to appropriate due diligence being undertaken by Bfinance and sign-off by the Chairman of the Committee; and**

- c) the Interim Chief Financial Officer be granted delegated authority to undertake a search for a £50m allocation to a new corporate private debt mandate. Any commitments to corporate private debt vehicles, and an associated amendment to the Fund's Investment Strategy Statement, will be subject to approval by the Committee.

The meeting ended at 12.45pm.

Chairman