

Pension Board

Wednesday, 31 January 2018, County Hall, Worcester - 2.00 pm

		Minutes
Present:		Mr K Bray (Independent Chairman), Ms L-M Chapman, Ms K Wright, Mr P Grove and Mr N Shaw
Available papers		The Members had before them: A. The Agenda papers (previously circulated); B. The Agenda papers and Minutes of the Pensions Committee on 1 December 2017 (previously circulated); and C. The Minutes of the meeting held on 15 November 2017 (previously circulated)
88	Apologies (Agenda item 1)	An apology was received from Mr R W Banks, Chairman of the Pensions Committee.
89	Declaration of Interest (Agenda item 2)	Mr K Bray declared general interests in his role as the Forum Officer of the Local Authority Pension Fund Forum (LAPFF) - the Worcestershire Fund is a long-standing Forum member and in relation to work he undertook with a firm of US lawyers who were involved with Shareholder Litigation and had the County Council as one of its clients.
90	Confirmation of Minutes - 15 November 2017 (Agenda item 3)	RESOLVED that the Minutes of the meeting held on 15 November 2017 be confirmed as a correct record and signed by the Chairman.
91	Update on financial management arrangements (Agenda item 4)	Sue Alexander, the interim Chief Financial Officer provided a brief update on the financial management arrangements. She informed the Board that two key individuals had left the Council, Sean Pearce, the Chief Financial Officer and Mark Forrester, Principal Accountant – Pensions Fund. Both positions were being filled. The final interviews for the new Chief Financial Officer were taking place on 2 February 2018, with Rob Wilson being appointed to replace Mark Forrester from 1 March 2018. In the interim additional strategic support had been provided by Andrew Lovegrove and Philip

**92 Pensions
Committee - 1
December 2017
(Agenda item 5)**

Hebson. In order to build in some resilience for the future, a fellow officer would shadow Rob Wilson.

The Board received the Agenda papers and Minutes of the Pensions Committee meeting held on 1 December 2017. Members received a brief summary and commentary on the various items considered by the Pensions Committee.

Administering Authority – Administration Update

- Bridget Clark explained that the Administering Authority was in the process of going out to tender through the National Framework Agenda to appoint an organisation to undertake the GMP Reconciliation exercise with a view to starting the exercise in February 2018
- In response to a query, Bridget Clark explained that the minimum number of potential tenders that could be considered was 3 and the maximum was 9. It was expected that the successful bidder would commence work immediately
- Bridget Clark indicated that she would invite Board members to the next Administration Forum meeting. Every effort was made to encourage employers to attend these meetings
- Bridget Clark commented that Barnet Pension Fund had become the first Fund in the country to be issued with a fine by the Pension Regulator for failing to issue a formal notice. Philip Hebson added that unlike the governance arrangements for Barnet Pension Fund, this Board effectively oversaw the work of the Pension Committee
- In response to a query about staffing levels, Bridget Clark acknowledged that a vacancy existed in her team and efforts were being made to fill that post as quickly as possible
- The Chairman emphasised the important role that the Board had in holding the Pensions Committee to account. Councils were facing considerable financial pressures and the Board had a role in ensuring that those pressures did not impact on the Pension Fund
- Concern was expressed that the pooling arrangements were taking place part way through the actuarial cycle. Would it be prudent to bring forward the actuarial valuation accordingly? Philip Hebson advised that the date of the Actuarial Valuation could not be moved however he considered that as part of the equity protection process, conversations were being held with the

actuary on a regular basis. The Chairman advised that it was possible to have interim actuarial valuations

- Andrew Lovegrove commented that the Board should be aware that although overall investment performance was very good and it was beneficial to have arrangements in place to protect those gains, not every employer within the Fund was fully funded and some would be in deficit. It was therefore important to keep employers informed and to manage perception. The Chairman suggested that a question be posed to the Pensions Committee to consider whether to have an interim valuation. Philip Hebson advised that the Central Pool would take over responsibility for the management of assets however responsibility for the liability rested with the funds through the Strategic Asset Allocation Strategy. Therefore the Central Pool would have to act at the Pension Fund's behest. The Chairman added that a lot of time, effort and money had been spent on the pooling arrangements and there was a danger that the Pension Fund became the poor relation despite the Strategy rather than stock selection being the key driver

Pension Investment Update

- Philip Hebson explained that the Pension Fund was valued at £2.66bn at the end of September. It was encouraging that all the active managers had outperformed the market. It was expected that the value of the Fund would increase further by the end of December. The key issue now was how to protect this position going forward
- Had any Pension Funds lost money during this period of rising markets? Philip Hebson advised that there were some funds that had removed risk from their investment portfolio and therefore had taken away any potential to improve market performance

LGPS Central update

- Rob Wilson commented that work remained to be done to finalise a number of appointments and investment manager positions as well as finalising the budget, business plan and client reporting. He confirmed that he would have an active role in discussions about the pooling arrangements to ensure the interests of this Fund were protected. There was also Worcestershire Pension Fund member representation on the Central Committee

and the Shareholders Forum through the Chairman or Vice-Chairman of the Pensions Committee

- What were the critical milestones in establishing the Central Pool? Rob Wilson advised that the FCA application approval was critical to the process

Equity Protection Strategy

- Did the Equity Protection Strategy come into force over a number of weeks or did it need to be formally signing off? Philip Hebson explained that the commencement of the Strategy required the signature of the Chief Financial Officer
- In response to a query. Philip Hebson advised that a plan was in place to vary the approach to hedging the funds dependent on how the market was performing
- In response to a query, Philip Hebson indicated that there would be some cost to the Fund of the Equity Protection Strategy in terms of a reduction in the level of upside performance in the market however the Strategy would provide protection against any significant downside market performance and thereby protecting the Fund from losing significant amounts of money
- There was no downside to the market at the moment therefore would it be more beneficial if the Strategy was introduced for a 6 – 9 month period only? Philip Hebson commented that the protection was for the next 18 month period but it was possible to review this Strategy. However there was a danger that the current market, which had been artificially affected by quantitative easing could unravel at any point and no-one knew when that might be hence the proposed approach

Alternatives Investment

- In response to a query, Philip Hebson explained that the Venn Group would be considered as a possible option as part of the rolling alternative investment programme. Due diligence would be undertaken to ensure that any investment was appropriate for the Fund.

The Committee Reports and Minutes were noted.

The Committee received an update on MiFID II from Sue Alexander the Interim Chief Financial Officer. She informed members that all fund managers had been consulted and the MiFID II application form had been

93 MiFID II (Agenda item 6)

94 Skills questionnaires update (Agenda item 7)

completed. The application would need to be updated to reflect changes to officer posts within the organisation and would be reviewed on an annual basis.

The Board received the feedback on the skills and knowledge self-assessment questionnaires.

In the ensuing debate the Chairman indicated that as the Board met only four times a year, it was unrealistic to expect members to become experts in the different aspects of the Pension Fund. It was therefore important for the Board to be able to access expert opinion. Any members of the Board wishing to receive training on any aspect of the Pension Fund should notify officers. He encouraged members to attend the CIPFA National Event and officers would notify them of the date.

The Board noted the feedback on the skills and knowledge self-assessment questionnaires.

95 Pension Board Work Plan (Agenda item 8)

The Board considered its work plan.

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

- Were officers confident that all employee contributions to open and closed schemes would be underwritten by the local authority should a particular scheme go into liquidation? Bridget Clark advised that within the Fund there were a number of very old undertakings and therefore a review of the status of these schemes would need to be undertaken, supported by the Actuary, to understand the risks and the options available to employers in such circumstances. Keith Bray added that employee's pensions would be guaranteed and this issue would be a matter between the employer and local authority. Andrew Lovegrove added that the risks associated with employers with no guarantee was a major challenge for the Fund, employers and the Actuary. Bridget Clark indicated that it was vital that employers were fully aware of the long term consequences.

The Board noted its work plan.

96 Any Other Business (Agenda item 9)

The Chairman of the Board commended Sue Alexander, the Interim Chief Financial Officer for her work in relation to the Pension Fund.

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The meeting ended at 3.45pm.

Chairman