

Worcestershire County Council

Agenda

Pension Board

Wednesday, 25 July 2018, 2.00 pm
County Hall, Worcester

DISCLOSING INTERESTS

There are now 2 types of interests:
'Disclosable pecuniary interests' and **'other disclosable interests'**

WHAT IS A 'DISCLOSABLE PECUNIARY INTEREST' (DPI)?

- Any **employment**, office, trade or vocation carried on for profit or gain
- **Sponsorship** by a 3rd party of your member or election expenses
- Any **contract** for goods, services or works between the Council and you, a firm where you are a partner/director, or company in which you hold shares
- Interests in **land** in Worcestershire (including licence to occupy for a month or longer)
- **Shares** etc (with either a total nominal value above £25,000 or 1% of the total issued share capital) in companies with a place of business or land in Worcestershire.

NB Your DPIs include the interests of your spouse/partner as well as you

WHAT MUST I DO WITH A DPI?

- **Register** it within 28 days and
- **Declare** it where you have a DPI in a matter at a particular meeting
 - you must **not participate** and you **must withdraw**.

NB It is a criminal offence to participate in matters in which you have a DPI

WHAT ABOUT 'OTHER DISCLOSABLE INTERESTS'?

- No need to register them but
- You must **declare** them at a particular meeting where:
 - You/your family/person or body with whom you are associated have a **pecuniary interest** in or **close connection** with the matter under discussion.

WHAT ABOUT MEMBERSHIP OF ANOTHER AUTHORITY OR PUBLIC BODY?

You will not normally even need to declare this as an interest. The only exception is where the conflict of interest is so significant it is seen as likely to prejudice your judgement of the public interest.

DO I HAVE TO WITHDRAW IF I HAVE A DISCLOSABLE INTEREST WHICH ISN'T A DPI?

Not normally. You must withdraw only if it:

- affects your **pecuniary interests** **OR** relates to a **planning or regulatory** matter
- **AND** it is seen as likely to **prejudice your judgement** of the public interest.

DON'T FORGET

- If you have a disclosable interest at a meeting you must **disclose both its existence and nature** – 'as noted/recorded' is insufficient
- **Declarations must relate to specific business** on the agenda
 - General scattergun declarations are not needed and achieve little
- Breaches of most of the **DPI provisions** are now **criminal offences** which may be referred to the police which can on conviction by a court lead to fines up to £5,000 and disqualification up to 5 years
- Formal **dispensation** in respect of interests can be sought in appropriate cases.

Pension Board

Wednesday, 25 July 2018, 2.00 pm, County Hall, Worcester

Membership: Mr K Bray (Independent Chairman)

Employers Representatives

Mr P Grove

Mr N Shaw

Members Representatives

Ms L-M Chapman

Ms K Wright

Agenda

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5	Pensions Committee - 22 June 2018 Administering Authority – Administration update – for review by the Board LGPS Central update – for review by the Board Pension Investment update– for review by the Board Pension Fund unaudited Annual Report and Accounts 2017/18 – for review by the Board Government Actuary Department (GAD) Pensions Review update – for review by the Board Pensions Fund Training – for review by the Board Investment Strategy Statement update – for review by the Board The Agenda papers and Minutes have previously been sent to you . Please bring your copy with you to the meeting.	
6	Pension Board Work Plan For review/action by the Board.	5 - 6
7	Any Other Business	

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To obtain further information or a copy of this agenda contact Simon Lewis, Committee Officer, on 01905 846621,

All the above reports and supporting information can be accessed via the Council's website

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Worcestershire Local Pension Board

Annual Report 2018

The Public Services Pensions Act 2013 required the Administering Authority for each Local Authority Pension Scheme (LGPS) fund in England and Wales to establish a Local Pension Board.

The role of local pension boards is to assist the Administering Authority to secure compliance with LGPS Scheme Regulations and other legislation relating to the governance and administration of the Fund, together with any requirements imposed by the Pensions Regulator. In short, the Board's role is to ensure the effective and efficient governance and administration of the Worcestershire Fund

The Regulations also require the membership of the Board to be made up of equal numbers of employer and employee representatives with a minimum of four members i.e. at least two employer representatives and two employee representatives. The employee representatives on the Board must be independent of the Fund - that is to say they must have no involvement with the day to day management of the Fund.

The membership of the Worcestershire Local Pension Board is as follows:-

Employer representatives

Mr P Grove (Worcestershire County Council)

Mr N Shaw (Herefordshire County Council)

Employee Representatives

Ms L-M Chapman (Unison)

Ms K Wright (GMB)

Independent Chairman (Non- voting)

Mr K Bray (formerly Director of Financial Services at the City and County of Cardiff)

The Board met on four occasions during the year

- 19 July 2017 Mr Grove and Ms Wright did not attend
- 15 November 2017 Full attendance
- 31 January 2018 Full attendance
- 2 May 2018 Ms Wright did not attend

The Board will next meet on 25 July 2018

During the year the Board's work programme has covered the following areas:-

- **Monitoring and review of the Pension Fund Investment Sub Committee meetings on**

16 June 2017

The Board received an administration update including an update on the GMP (Guaranteed Minimum Pension) being carried out by HMRC

The Board received an investment update and enquired whether steps were being taken to protect the funding level improvements and were reassured to hear that this was being investigated.

The Board received a report on Performance Indicators and was informed that a separate risk register was maintained for cyber security risks.

The Board received an update on progress with the establishment of the Central Pool

The Board's Annual Report was approved and the response to the Scheme Advisory Board's Survey of Board practices was discussed and agreed.

It was agreed that updates on MIFID 2 and the GMP reconciliation would be brought to the November meeting

6 October 2017

The Board received an administration update and it was confirmed that there were no outstanding issues or appeals with the Pensions Regulator or Ombudsman.

The performance of the fund's investment managers and the implications of managers being put 'on watch' were discussed. It was noted that performance over the medium and longer term was far more important than performance in any individual quarter – due to the Fund's long term liabilities and long term investment performance horizon.

The Fund's involvement with the development of the Central pool was discussed and it was noted that the Fund's Chief Financial Officer had a position on the interviewing panel for senior appointments.

In view of the Fund's high exposure to equities the Board received an interim report on progress with the development of an equity protection strategy aimed at protecting the Fund's improved funding level.

The Board considered the MIFID 2 Opt Up Submission.

The Board received a specimen copy of the Annual Benefits Statement sent to members

Consideration was given to the development of the Board members' level of knowledge and skills and it was agreed that members would be kept informed of future training events.

The Board was informed of Mark Forrester's imminent departure to take up another post with Birmingham University. On behalf of Board Members the Independent Chairman thanked Mark for his invaluable contribution to the work of the Fund and wished him well for the future

1 December 2017

The Board received an update on the Fund's financial management arrangements from the Interim Chief Financial Officer following the departure of Seam Pearce to take up a post with another Authority. Interviews for the new CFO were imminent and Rob Wilson had been appointed to replace Mark Forrester. In addition Andrew Lovegrove, CFO of Herefordshire CC would attend Board meetings in the interim as an adviser. Philip Hebson the Fund's Independent Investment adviser also attended this meeting.

The usual administration update was received. Members were informed that the fund was appointing an organisation to undertake the GMP reconciliation and were invited to attend the next meeting of the Administration Forum for the Fund's employers. The Board acknowledged that councils were facing very considerable financial pressures but noted that these pressures must not be allowed to impact detrimentally on the management of the Fund.

There was discussion about the benefit of commissioning an interim actuarial valuation and it was agreed that the Pensions Committee should give consideration to this. It was noted that while the Central Pool would be responsible for stock selection, the Fund would retain the responsibility for investment strategy and this was the more important factor in determining investment performance.

The fund value now stood at £2.66bn and it was important to try to protect this in such uncertain times. The proposed Equity protection strategy was for the next 18 months but would be kept under review.

With regard to MIFID 2 – all fund managers had been contacted to secure Opt Up status but this would have to be reviewed annually.

The knowledge and skills of Board members was reviewed and in view of the complexities involved it was stressed that the Board needed to have access to expert opinion and advice as necessary.

The Board noted challenges arising from the need for employers within the Fund to be able to meet their financial obligations regarding their future contributions.

19 March 2018

The Board was pleased to hear of the appointment of Michael Hudson as Chief Financial Officer and welcomed him to the meeting.

Following the administration update it was noted that, from a fund member prospective, queries had been raised about the adequacy of staffing levels at Liberata UK, the Council's Managed Services Provider and noted that this was being addressed.

The Board received a report on the impact of auto enrolment and expressed concern about the difficulties that employees could be faced with when backdated contributions were required. The Board felt that the position that a small number of employees find themselves in is unacceptable and noted that representations have been made nationally. The Board asked to be kept informed of developments in this context.

In discussion following the investment update, the Board noted the Fund did not regard investment in currencies as being consistent with its investment strategy. It was explained that the Equity Protection Strategy afforded protection for a market fall of up to 20% but that some potential upside gains would be surrendered.

River and Mercantile continued to provide updates on the strategy

The Board noted that the Central Pool had received FCA registration approval and became operational on 1 April 2018. Staff transfers were taking place and the timetable for the transfer of funds would be brought to the next Board. Assurances had been given by the Pool that the Equity Protection Strategy would be continued if assets were transferred during the currency of the existing Worcestershire Strategy. Board members would also receive updates on the costs of the operation of the Pool.

At the Board Meeting on 2nd May 2018 it was confirmed that that the Council's indemnity insurance provided cover for Board members.

Finally the members of the Board would wish to express their thanks and appreciation to the officers of the Fund for the assistance they have provided during the year.

Keith Bray

Independent Chairman

July 2018

Worcestershire County Council Pension Fund

Pension Board Work Plan 2018/19

No.	Activity	Q1 2018	Q2 2018	Q3 2018	Q4 2019
1	LGPS Central Governance and update transitions etc				
2	Strategic Asset Allocation Review				
3	Actuarial Valuation - Full Results				
4	Risk Register Update				
5	Investment Strategy Statement				
6	External Audit Plan 2018/19				
7	Key Performance Indicators 2018/19				
8	GAD Survey				
9	Equity Protection Strategy				
10	Update on Guaranteed minimum pension				
11	Pension Fund Annual Report and Accounts 2017/18				
12	Covenant Review Funds Employers				
13	Fund Performance update				
14	Board annual report				
15	Pension Board Training Review and update				
16	Work plan CIPFA Suggested items as per 2018 guide				

Quarter for Board activity to be reviewed and/or actioned at the arranged Board meeting

QUARTER 1 is from April 2018 to June 2018

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