

Pension Board**Monday, 4 February 2019, County Hall, Worcester - 2.00 pm**

		Minutes
Present:		Mr K Bray (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); and B. The Minutes of the meeting held on 31 October 2018 (previously circulated).
119 Apologies (Agenda item 1)		None.
120 Declarations 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.
121 Confirmation of Minutes - 31 October 2018 (Agenda item 3)		RESOLVED that the Minutes of the meeting held on 31 October 2018 be confirmed as a correct record and signed by the Chairman.
122 Pensions Committee - 28 November 2018 and 21 January 2019 (Agenda item 4)		The Board received the Agenda papers and Minutes of the Pensions Committee meetings held on 28 November 2018 and 21 January 2019. Members received a brief summary and commentary on various items considered by the Committee. <u>Equity Protection</u> <ul style="list-style-type: none">• The external providers of the equity protection policy had a vested interest in this Fund continuing with their policy. It was important that the Committee made a decision on equity protection based on the benefits to the Fund going forward• Rob Wilson advised that an Asset Allocation Review had been commenced which would be carried out alongside the Triennial Valuation. As

part of this process, external advisors had been commissioned to consider the appropriate approach to equity protection for the Fund. The Fund's actuary was keen for a decision to be made prior to the next valuation and in March, officers would be discussing with the actuary the impact of equity protection on employers' contributions

- It would be helpful to have a clear understanding of the impact of equity protection on the Fund in monetary terms. Rob Wilson indicated that this information would be reported to the March Committee meeting

LGPS Central Update

- **The Board noted the concerns expressed by the Pensions Committee about LGPS Central at its meeting held on 28 November 2018 and offered its support to the Committee in its views.**

Funding Strategy Statement update for changes to LGPS regulations

- The key issue to note in the Statement was that the target recovery period was 18 years at the last valuation. Rob Wilson responded that the target recovery period would be reassessed at the next valuation. At the last valuation, the Fund was 75% funded. It was now 92% funded which would impact on the deficit recovery period.

Covenant Monitoring

- Rob Wilson explained that the Administering Authority had not yet received all this year's employer responses to requests for covenant monitoring information. In future it was hoped that employers would have a better understanding of what was necessary and response rates would improve
- Was the actuary likely to change its view on employer contribution rates? Rob Wilson advised that it was possible that the actuary could say that unless an employer provided a response to the Fund's request for covenant monitoring information then the rate could be set for the next three years with no way of changing it. Bridget Clark added that the Pension Regulator provided guidance on covenant reviews
- In response to a query, Rob Wilson commented that work was being concentrated on the larger employers as well as those employers rated as a

red risk.

LGPS Central Budget and Business Plan 2019/20

- The presentation of the Budget and Business Plan by LGPS Central was poor and lacked a clear Executive Summary
- The proposed budget had a disproportionate impact on certain funds within the Pool and this was a particularly concerning development for this Fund. Since the introduction of the pooling arrangements, the outcome at the end of the recovery period for the Fund would be a smaller gain than originally predicted. This represented the wrong direction of travel for the Fund
- Did the Fund have support from other funds within LGPS Central for its arguments about the need to review the cost-sharing arrangements? Rob Wilson indicated that other funds had expressed some disquiet about the general approach taken by the pool, particularly with regard to the consultation arrangements with partner funds on the investment mandate. It was hoped that dialogue would continue with LGPS Central and that the basis of the cost-sharing agreement would be reviewed. The appointment of a Chief Executive for the pool would also help matters. It was hoped to be able to report progress on cost-sharing arrangements to the Pensions Committee in June
- Was it possible to pick and choose aspects from different pools which would be beneficial for this Fund? Rob Wilson advised that it was possible to collaborate between pools to seek benefits for all pool fund members but not acting as an individual fund
- Was there any comparison information emerging about the cost of pooling arrangements? Rob Wilson advised that it was too early at this stage for such comparison information to be available however he expected an industry standard to be introduced in the future and he anticipated that the Standard Statement of Accounts would provide more relevant comparison information
- The Chairman commented that LGPS Central was now a member of the Local Authority Pension Fund Forum
- The Chairman indicated that he would be attending a LGPS Central Board Chairman meeting on 27 February and would report back to this Board.

123 Administration Strategy (Agenda item 5)

The Committee Reports and Minutes were noted.

The Board considered the Administration Strategy.

In the ensuing debate, the following points were raised:

- Bridget Clark indicated that the Administration Strategy had been brought to the Board for comment as part of the consultation exercise. It was hoped that the language in the Strategy was easy to understand. A copy had been issued to all employers with the aim of encouraging employers to be aware of their responsibilities
- In response to a comment, Bridget Clark acknowledged that some of the professional advisors set out in the further information section of the Strategy had been listed incorrectly and undertook to revise the list accordingly.

The Board noted the Worcestershire Pension Fund Administration Strategy.

124 Work Plan (Agenda item 6)

The Board considered its work plan.

The Board noted its work plan.

125 Any Other Business (Agenda item 7)

McCloud Judgement

The Chairman indicated that a challenge had been made under age-discrimination legislation to the arrangements for the cut-off period for the transitional protection for employees within 10 years of retirement. The Court of Appeal had subsequently upheld this challenge. Rob Wilson commented that the implications for members of the Fund was that potentially their contributions would either stay the same or go up. Bridget Clark added that the Government was appealing this decision. As a result of this decision a degree of uncertainty had been created about the cost cap.

Strategic Asset Allocation Review

The Chairman commented that the role of the pool was essentially to select stock however he emphasised that the key decisions rested with the Fund in terms of sourcing key markets. This issue would be a main focus for the Board going forward.

The meeting ended at 3.40pm.

Chairman