

Pensions Committee**Monday, 21 January 2019, County Hall, Worcester - 10.00 am****Present:****Minutes**

Mr R W Banks (Chairman), Mr R C Lunn,
Mr P Middlebrough and Mr P A Tuthill

Co-opted Members (voting) – Mr V Allison (Employer representative), 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 28 November 2018 (previously circulated).

155 Named Substitutes (Agenda item 1)

None.

156 Apologies/ Declarations of Interest (Agenda item 2)

Apologies were received from Mr A I Hardman and Mr R J Philips.

Mr V Allison and Mr A Becker declared interests as members of the Pension Fund.

157 Public Participation (Agenda item 3)

None.

158 Confirmation of Minutes (Agenda item 4)

RESOLVED that the Minutes of the meeting held on 28 November be confirmed as a correct record and signed by the Chairman.

159 Funding Strategy Statement update for changes to LGPS regulations (Agenda item 6)

The Committee considered the Funding Strategy Statement update for changes to LGPS regulations.

In the ensuing debate, the following points were made:

- What sanctions were in place for employers who failed to comply with the updated LGPS regulations? Bridget Clark advised that every effort was made to liaise with employers and provide any training requirements to avoid the use of sanctions. Should this approach fail, then the

160 Covenant Monitoring update (Agenda item 7)

matter would be reported to the Chief Financial Officer. The ultimate sanction rested with the Pensions Regulator who had a range of options available including financial penalties. To date, no employers had been reported to the Pensions Regulator for this fund. There was also an opportunity for a member of the Fund to complain to the Pensions Ombudsman.

RESOLVED that the Funding Strategy Statement (FSS) attached as an Appendix to the report be approved.

The Committee considered the Covenant Monitoring update.

In the ensuing debate, the following points were made:

- It would seem more difficult for smaller parish councils to be able to provide the necessary covenant information. Was there a de-minimus level set by the Administering Authority? Rob Wilson acknowledged the difficulty in obtaining information from smaller parish councils. Assistance was provided with a focus on those elements suggested by the Actuary. Parish councils would be chased for this information albeit recognising the small risk to the Fund
- In response to a query, Rob Wilson commented that the Administering Authority's efforts would be concentrated on those outstanding responses from employers with larger liabilities. Michael Hudson emphasised the importance of establishing a dialogue with employers to obtain this information and avoid any unwanted surprises at the next valuation
- Given the regulated environment that Academies worked within, failure to complete the return on time should be considered a concern and rated as a red risk. Rob Wilson responded that the risk of Academies not responding was rated as an Amber risk at this stage
- What were the consequences if an employer failed to respond? Michael Hudson explained that the covenant review flagged up the risks associated with an employer being able to support its liabilities and pay contributions due. Failure to respond could have implications for employer contributions at the next valuation.

Exclusion of Public and Press

RESOLVED that the Covenant Monitoring update and next steps be noted.

RESOLVED that pursuant to Section 100A of the Local Government Act 1972, the press and public shall be excluded from the meeting during item 5 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 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.)

161 Local Government Pension Scheme Central (LGPSC) Budget and Business Plan 2019/20 (Agenda item 5)

The Committee considered the Local Government Pension Scheme Central (LGPSC) Budget and Business Plan 2019/20.

In the ensuing debate, the following points were raised:

- The budget and business plan by LGPS Central and the LGPSC Strategic business plan were lengthy and inadequate documents and lacked an executive summary. In addition, the cost of producing these documents was queried. It was considered symptomatic of the "money-no-object" management approach taken by LGPSC and the general lack of control over costs
- Michael Hudson indicated that this Pension Fund was the only fund within the Pool to take a report on the LGPSC budget and business plan to members. Given the implications of the budget to the Fund, it was important that this Committee had an opportunity to feed their views to the Fund's representative on the Shareholders Forum. There did seem to be a lack of focus by LGPSC on the views of the client pension funds. In particular, a failure to recognise the role of the Practitioners Advisory Forum. However the crux of the matter was that the base budget had increased slightly principally as a result of staffing costs and a launch budget had been added which had not been included in the original business plan. The implications for this Fund was a significant reduction in the forecast cumulative saving up until 2033/34 which had implications for the

payback period for this Fund. To date, The Pool had not formally confirmed its new Chief Executive

- Concern was expressed about how the costs of LGPSC had escalated. Michael Hudson responded that the initial business plan had failed to adequately include the transition and launch costs of the Pool
- A member commented that if only one of the fund members was not benefitting from the pooling arrangements then some form of compensation should be considered to ensure that that member fund was not alienated from the Pool
- The Fund's Shareholder representative ought to challenge the budget arrangements at the Forum meeting in February
- If the Committee was being advised that as a result of the updated budget, the savings for this Fund were negligible, what were the obligations of the Shareholder representative to the Fund members and Council taxpayers? Michael Hudson commented that the principal responsibility of the Fund's representative on the Shareholder Forum was to the company. However the representative also had a duty to ensure that the views of this Committee on behalf of the Fund were represented at the Forum
- The reason for this report being exempt was queried. Michael Hudson advised that the budget and business plan would not been made public by LGPSC and therefore the information within it was exempt
- The expectation of the Fund would be that cost-sharing would be reviewed to look at options to look at whether it could be bought back to the original forecast £4m savings in line with the cost-sharing agreement
- What options were available to the Committee if the final agreed LGPSC budget placed the financial position of the Fund in an untenable position? Michael Hudson responded that a meeting of the Pool's Chief Financial Officers was being held. Due diligence on the base budget costs by Pool members and the launch costs of the Pool were being challenged by PAF. One of the unresolved issues to be discussed was the failure of the Pool to recognise the role of PAF and share data with it. It was difficult to assess the culture of the Pool going forward without confirmation of the Chief Executive appointment. He would seek to meet the new Chief Executive

as soon as possible. In the worst case scenario, the Fund would enact the exit provision in the Pooling arrangements although this had not been triggered by any Fund to date

- Were any other Funds struggling with the LGPS budget arrangements? Michael Hudson commented that it was complicated and varied because each fund had a different approach to investments, staffing etc. The investment approach undertaken by this Fund via a limited number of investments and heavily into equities particularly passive equities meant that it would always have the least to gain from the pooling arrangements
- Concern was expressed about the quality of staff employed by LGPSC. Michael Hudson advised that the staff employed by the Pool was a mixture of external and TUPE appointments. Staff competence and development was a matter to be addressed with the new Chief Executive on appointment
- Had the Fund committed itself fully to the Pool whereby it would be difficult to extricate itself from the agreement? Michael Hudson advised that the Fund was a shareholder of the Pool, whilst none of the Fund's investments had yet been transferred to the Pool. He understood that the Shareholder's Agreement did have reference to exit arrangements but could not comment further on the specifics
- The Shareholder representative should address any significant changes to the Budget and Business Plan on the Committee's behalf in consultation with the Chairman and Vice-Chairman of the Committee.

RESOLVED that:

a) the LGPSC Budget and Business Plan for 2019/20 update be noted and the Fund's Stakeholder representative be asked to take the following views to the next Shareholders Forum meeting on 12 February 2019:

- i. Concern about the culture of LGPSC, in particular the lack of focus on the views of the client pension funds (including a failure to recognise the role of the Practitioners Advisory Forum (PAF)) and the lack of strategic focus on investment;**
- ii. The need for greater transparency in the**

- iii. **funding arrangements of the Pool;**
- iii. **concern about the relationship between the Budget and Business Plan for 2019/20 and the original cost-sharing agreement, in particular the forecast reduction in the cumulative saving up to 2033/34 for the Worcestershire Pension Fund;**
- iv. **Concern about the Pool's cost control mechanisms;**
- v. **The lack of a user-friendly executive summary for members and a lack of clarity in the presentation of information by the Pool;**
- vi. **An expectation that cost-sharing would be reviewed to look at options to bring it back to the original forecast £4m savings in line with the original cost-sharing agreement;**

The Fund's representative on the Stakeholder Forum will address any significant changes to the Budget and Business Plan on its behalf in consultation with the Chairman and Vice-Chairman of the Committee; and

- b) **LGPSC latest version of the LGPS Central Budget 2019/20 presentation at Appendix 1 to the report and the LGPS Central Strategic Business Plan at Appendix 2 to the report be noted.**

The meeting ended at 11.25am.

Chairman