

**Pensions Committee****Tuesday, 17 March 2020, County Hall, Worcester - 2.00 pm**

		<b>Minutes</b>
<b>Present:</b>		Mr P Middlebrough (Chairman), Mr V Allison (for items 1 - 11), Mr A I Hardman and Mr R C Lunn
<b>Available papers</b>		The members had before them:  A. The Agenda papers (previously circulated); and  B. The Minutes of the meeting held on 31 January 2020 (previously circulated).
<b>227</b>	<b>Named Substitutes (Agenda item 1)</b>	None.
<b>228</b>	<b>Apologies/ Declarations of Interest (Agenda item 2)</b>	Apologies were received from Mr R W Banks, Mr P Tuthill and Mr R J Phillips (as Pension Board member).  Mr V Allison declared on interest as a member of the Fund.
<b>229</b>	<b>Public Participation (Agenda item 3)</b>	None.
<b>230</b>	<b>Confirmation of Minutes (Agenda item 4)</b>	<b>RESOLVED</b> that the Minutes of the meeting held on 31 January 2020 be confirmed as a correct record and signed by the Chairman.
<b>231</b>	<b>Pension Investment Update (Agenda item 9)</b>	The Committee considered the Pension Investment Update.  In the ensuing debate, the following points were raised: <ul style="list-style-type: none"><li>Philip Hebson, financial advisor to the Fund indicated that since the report was written, the UK/US/European markets had fallen by approximately a third and the Japanese market by approximately 30%. There were really big moves in the market on a daily basis caused by a combination of the Coronavirus outbreak, the Saudi Arabia/Russia disagreement over oil prices; and the ban on European travel to the US. The</li></ul>

market had seen shocks like this before and plans were in place to cope. A rough estimate including a number of assumptions was that the funding level of the Pension Fund was now 80%

- In relation to the Equity Protection Strategy, Philip Hebson advised that within the markets covered by the Strategy (US/UK/Europe) there had been significant falls. In particular there had been a significant fall of the UK FTSE part of the Equity Protection Strategy and therefore the decision had been taken, given the magnitude of the fall, to cash in half of the protection which would enable a gain of 19.8m. which would potentially be reinvested from cash into equities. For the FTSE index, the Fund was at the bottom end of the protection, for Euro STOXX close to the bottom and for the US market within range. Conversations had taken place with River and Mercantile about the next move for the Fund. They had 3 alternative approaches, 2 of which involved the restructuring of the Strategy. The 3<sup>rd</sup> approach accepted that the Strategy had achieved what it had set out to do and therefore the Fund would come off the protection where it was at the bottom of the protection range and reinvest funds to make good some of the losses in the markets. The stance that the Fund had always taken towards equity protection was to keep things simple therefore to restructure the strategy was not what was intended from the outset and would be expensive. In addition, the Fund would more likely be a buyer of equities rather than a seller and it was unknown how long the coronavirus outbreak would impact on markets
- Philip Hebson commented that within the Strategic Asset Allocation Review the balance between passive and active equity investment was being reviewed. Having looked at the quality of some of the Fund's passive investments in the current environment, his view was that funds should be reinvested in active equities
- In response to a query, Philip Hebson stated that although the Chief Financial Officer had delegated authority to undertake changes to the Equity Protection Strategy, it was considered prudent to share the current thinking with the Committee to ensure that members were comfortable with the direction of travel
- A member argued that there was no point in continuing with the Equity Protection Strategy with performance at the bottom of the market. Would

the Strategy wind itself up automatically? Philip Hebson responded that the Strategy carried a time value at present as it did not expire until September which provided an opportunity to keep all options open but the question that needed to be asked was what would the Fund gain from any delay

- Michael Hudson, the Chief Financial Officer added a note of caution that the approach to equity protection should take into consideration the assumptions of the Fund's Actuary, Mercers. Mercers had indicated that if markets continued to fall then they would consider providing an interim valuation. The impact of the winding up the Strategy on the Valuation and employer contributions would need to be talked through with them
- In response to a query, Michael Hudson confirmed that it was possible to withdraw individual elements of equity investment from the Strategy
- It was queried whether LGPS Central had developed any UK active equity products. Philip Hebson responded that LGPS Central were in the process of developing a UK active equity product but was not quite ready to go live yet
- The Chairman reiterated the statement received from the LGPS Board which set out that *"There has been a lot of disturbing news lately about the fall in stock markets and the potential resultant impact on defined contribution pensions. LGPS defined benefit pensions are not linked to stock market performance and are set out in statute. Although short term investment values may vary, the LGPS as a long-term investor is securely managed to address any longer term impacts. LGPS Scheme members can therefore be assured that both their contributions and their pension, whether in payment or built up to date, will be unaffected."*

**RESOLVED: that**

- a) The Independent Financial Adviser's fund performance summary and market background be noted (Appendices 1 and 2 to the report);**
- b) The update on the Investment Managers placed 'on watch' by the Pension Investment Advisory Panel be noted;**

- c) The update on the Pensions Investment Sub Committee’s decision to invest £50m into the British Strategic Investment Fund (BSIF) which is a Fund with a mixture of Property and Infrastructure assets be noted;
- d) The update on the transition of the Active Corporate Bonds mandate into the LGPS 'Global active Investment Grade Corporate Bond Fund be noted;
- e) The funding position compared to the investment performance be noted;
- f) The update on the Equity Protection current static strategy be noted;
- g) The update on Responsible Investment activities (Appendix 4 to the report) and Stewardship investment pooling and the Stewardship code be noted;
- h) The update on the LGPS Central report on the voting undertaken on the Funds behalf be noted (Appendices 5 to 7 to the report);
- i) The update on the development of a Climate Risk Monitoring Platform be noted;
- j) The proposed Environment Social and Governance (ESG) Audit be agreed; and
- k) The update on the feedback on the ‘spectrum of capital (Appendix 8 to the report) be noted.

**232 Pension Board and Pension Investment Sub-Committee Minutes (Agenda item 5)**

The Committee considered the Pension Board and Pension Investment Sub-Committee Minutes.

Simon Lewis, Committee Officer informed the Committee that the meeting of the Pension Board scheduled to take place on 9 March had been inquorate and therefore there were no Minutes for the Committee to review. Those Board members present received a briefing session instead.

**RESOLVED** that the Minutes of Pension Investment Sub-Committee be noted.

**233 LGPS Central Update (Agenda**

The Committee considered the LGPS Central Update.

**RESOLVED:** that the LGPS Central Update be

item 6)

**234 Pension Fund Strategy Statement (Agenda item 7)**

noted.

The Committee considered the Actuarial Valuation and final Pension Fund Strategy Statement.

In the ensuing debate, the following points were raised:

- In response to a suggestion from members of the Committee, Rob Wilson Finance Manager – Pensions and Treasury Management undertook to consider the possibility of renaming the investment risk strategies which were currently entitled High, Medium and Low as Growth, Medium and Cautious
- The reference to Malvern Hills Conservators in the Pension Fund Strategy Statement should be changed to Malvern Hills Trust.

**RESOLVED:** that

- a) The Final Funding Strategy Statement (Appendix 1 to the report) be noted;**
- b) The Initial draft of the 2019 Valuation rates and adjustment certificate (Appendix 2 to the report) be noted; and**
- c) The Chief Financial Officer be granted delegated authority to undertake any dealings with exit credits with the exception of those above £0.5m which may only be undertaken in consultation with the Chairman of the Pensions Committee.**

**235 Good Governance Reviews and Objectives of the Fund's Investment Advisor (Agenda item 8)**

The Committee considered the Good Governance Reviews and Objectives of the Fund's Investment Advisor.

In the ensuing debate, the following points were made:

- Rob Wilson advised that the Committee would receive updates on the actions set out in Scheme Advisory Board (SAB) 'Good Governance' review and Worcestershire Pension Fund 'Good Governance' position statement
- The report indicated that a review of portfolios was undertaken quarterly but there was no reference to the deep dive exercises that took place every six months. Rob Wilson indicated that the proposed objectives could be amended to include

a more detailed reference to the Fund's approach to monitoring portfolios. An update report would be brought back to the Committee.

**RESOLVED: that**

- a) **The Scheme Advisory Board (SAB) 'Good Governance' review and Worcestershire Pension Fund 'Good Governance' position statement attached as Appendix 1 to the report be noted;**
- b) **The Pension Regulator's (TPR) governance reviews be noted; and**
- c) **The objectives for the Fund's Investment Advisor as detailed in Appendix 2 to the report be agreed subject to a more detailed reference to the Fund's approach to monitoring portfolios.**

**236 Investment Strategy Statement Update (Agenda item 10)**

The Committee considered the Investment Strategy Statement Update.

In the ensuing debate, the following points were raised:

- Rob Wilson undertook to amend Appendix A (of Appendix 1) - Strategic Allocation Investment Benchmark and Ranges so the totals added up correctly
- In response to a query, Rob Wilson confirmed that the Investment Strategy Statement was circulated to all employers. Bridget Clark, HR & OD Service Commissioning Manager advised that that reference to it could be included in the information provided to employees.

**RESOLVED: that**

- a) **the Fund's 2020 Investment Strategy Statement (ISS) Appendix 1 be agreed; and**
- b) **the monitoring arrangements for Employers for High, Medium and Low risk investment strategies as set out in Appendix 2 to the report be agreed.**

**237 Risk Register (Agenda item 11)**

The Committee considered the Risk Register.

In the ensuing debate, the following points were raised:

- Bridget Clark explained that the new risk associated with the project plan was the impact of the coronavirus outbreak. Contingency arrangements were in place to support this
- In response to a query about the impact of the coronavirus outbreak on working arrangements, Bridget Clark confirmed that administrative staff had the capability to work from home. The immediate resource pressure for the service was undertaking the payroll in April. The top priority was to ensure the payment of pensions and avoid overpayments
- Bridget Clark advised that in respect of the GMP Rectification the Council was reliant on the data from HMRC to our provider ITM and this was being followed up.

**RESOLVED that the Worcestershire Pension Fund Risk Register as at 28 February 2020 be noted.**

**238 Business Plan (Agenda item 12)**

The Committee considered the Business Plan.

In the ensuing debate, Bridget Clark commented that it was anticipated that in time the Pension Board would provide an additional level of scrutiny of the Business Plan.

**RESOLVED that the Worcestershire Pension Fund Business Plan as at 27 February 2020 be noted.**

**239 Pension Administration Strategy (Agenda item 13)**

The Committee considered the Pension Administration Strategy.

In the ensuing debate, Bridget Clark commented that members of the Fund were advised to notify the Pension Administration team should they not receive their pension. The Fund reserved its right to pass on any fines to the relevant employer arising from late notification and late or non-payment of pensions Where there was a persistent issue with late notifications, the relevant employer would be contacted.

**RESOLVED that the proposed changes to the Worcestershire Pension Fund Pension Administration Strategy to take effect from 1 April 2020 be approved.**

**240**      **Worcestershire  
County Council  
Pension Fund  
Administration  
Budget 2020/21  
(Agenda item  
14)**

The Committee considered the Worcestershire County Council Pension Fund Administration Budget 2020/21.

**RESOLVED: that**

- a) **the Pension Fund Administration Budget, including manager fees, for 2020/21 shown in the Appendix to the report totalling £13.296m be approved;**
- b) **the indicative budget allocations for 2021/22 and 2022/23 be noted;**
- c) **variations against the budget be monitored be noted; and**
- d) **the Chief Financial Officer to the Pension Fund be granted delegated authority to approve variations to the budget of up to £0.5m.**

**241**      **Worcestershire  
County Council  
Pension Fund  
Training for  
Pension  
Committee  
Members  
(Agenda item  
15)**

The Committee considered the Worcestershire County Council Pension Fund Training for Pension Committee Members.

In the ensuing debate, the following points were raised:

- In response to a query, Rob Wilson indicated that approximately 40% of members of the Committee, Pensions Investment Sub-Committee and Pension Board had completed their self-assessment questionnaires to date
- Rob Wilson confirmed that the pensions training event on 3 April would be cancelled as a result of the impact of the coronavirus outbreak
- Bridget Clark undertook to look at the possibility of webcasting future training events.

**RESOLVED: that**

- a) **the CIPFA Knowledge and Skills Framework for Members of Pension Committees as detailed in Appendix 1 to the report be noted;**
- b) **the Joint Training Policy for the Pensions Committee, Investment Sub Committee and the Local Pension Board (Appendix 2 to the report) be approved;**
- c) **by the end of April 2020 all members of the Committee, Pension Investment Sub**

**242 Forward Plan  
(Agenda item  
16)**

Committee and Pension Board, along with appropriate Administration officers complete the self-assessment questionnaires set out at Appendix 3 to the report. This will be used to inform consideration of further topics for training to be considered at the June Committee;

- d) any proposed training event being developed for Funds in the LGPS Central Pool be linked into the Fund's overall training programme;
- e) the attendance of other councillors at training events be reviewed; and
- f) the proposed training events plan for the next year set out in Appendix 4 to the report be agreed.

The Committee considered its forward plan.

**RESOLVED** that the Forward Plan be noted.

The meeting ended at 3.50pm.

Chairman .....