

Minutes of the Pensions Committee

County Hall, Worcester

Wednesday, 23 March 2022, 2.00 pm

Present:

Cllr Karen Hanks, Cllr Adrian Hardman, Cllr Luke Mallett and
Cllr Scott Richardson Brown

Also attended:

Cllr Roger Philips, the Chairman of the Pension Board and Cllr Paul Harrison, a
member of the Pension Board were also in attendance.

Available papers

The members had before them:

- A. The agenda papers (previously circulated); and
- B. The minutes of the meeting held on 2 February 2022 (previously
circulated).

Cllr Adrian Hardman, Vice-Chairman in the Chair.

358 Apologies/Named Substitutes (Agenda item 1)

Apologies were received from Cllr Elizabeth Eyre and Jane Evans.

359 Declarations of Interest (Agenda item 2)

Cllr Roger Phillips (Chairman of the Pension Board) declared interests as the
Chairman of the Scheme Advisory Board (SAB) for the Local Government
Pension Scheme and as a Director of PPL.

360 Public Participation (Agenda item 3)

None.

361 Confirmation of Minutes (Agenda item 4)

RESOLVED that the minutes of the meeting held on 2 February 2022 be confirmed as a correct record and signed by the Chairman.

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

RESOLVED that the minutes of the meetings of the Pension Board and Pension Investment Sub-Committee be noted.

363 LGPS Central Limited (LGPSC) Update (Agenda item 6)

The Committee considered the LGPSC Update.

In the ensuing debate, the following points were made:

- It was indicated in the Committee report that LGPSC were not looking to transfer funds into new products, was this due a general lack of new products available on the market? Rob Wilson advised that LGPSC expected to complete their product plan soon. The intention in the short term was to allow their existing investments to 'bed down'. Any future investments would likely be in products of a similar nature
- It was regrettable that an agreement could not be reached at the Shareholders meeting in February over the salaries paid to non-executive employees. It would appear that one or two partner funds had not been comfortable with proposed wage rates which were more comparable with the private sector. Rob Wilson added that he hoped an agreement could be reached at the next Shareholder meeting in April 2022.

RESOLVED that the LGPSC update be noted

364 Pension Investment Update (Agenda item 7)

The Committee considered the Pension Investment Update.

Philip Hebson, the Fund's Independent Investment Advisor introduced the report and made the following points:

- An opportunity had arisen to enable the Fund to increase its initial investment of £50m in the Gresham House Forestry Fund up to £75m. This option for additional investment was welcomed as it helped to continue the development of the Fund's relationship with Gresham House and hopefully open up the possibility of further investment opportunities for the Fund in the future
- Further work would be undertaken to understand exactly what social impact investments related were available in the market and have the ability to either make the same level of investment return or enhanced investment return required by the Fund. The findings would be reported back to Committee

- The estimated funding level had not been as badly impacted as expected by the Russian invasion of Ukraine, albeit the markets remained volatile
- As pensions were Consumer Prices Index (CPI) linked, there was a concern about the impact on cashflow of increases in inflation. The views of the Fund's actuary, Mercer would be sought on this matter as part of the impending valuation.
- In relation to equity protection, River & Mercantile, who managed the Strategy, had been acquired by Schroders. It was a concern that Schroders had a different approach to equity protection that was more aligned with making money than protecting gains. However, Schroders had indicated that clients would not see any difference to service provision following the takeover. The Fund needed to ensure that that was the case. Overall, the Equity Protection Strategy had benefited the Fund over the last quarter.

In the ensuing debate, the following points were made:

- In relation to the impact of inflation on the cashflow position, the Chairman of the Pension Board commented that the actuary would be examining the impact of factors such as increases in pay rates including the national minimum wage and low paid public sector workers. Michael Hudson added that the anticipated cash windfall for employers as a result of the strong funding level would not now materialise. However, the funding position remained positive enough to be able to maintain a balanced position for employers
- It was commented that the actuary should take a more positive assessment of the Fund's discount rate in the next valuation. Philip Hebson acknowledged that this would be a matter raised with the actuary
- In response to a query, Philip Hebson acknowledged that there was a danger that the Fund could invest in too many portfolios which would then become a challenge to monitor effectively.

RESOLVED that:

- a) The Independent Investment 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 Sub Committee be noted;**
- c) The funding position compared to the investment performance be noted;**
- d) The update on the equity protection current static be noted;**
- e) The update on responsible investment activities, the Local Authorities Pension Fund Forum (LAPFF) (Appendix 3 to the**

report) and the stewardship of investment pooling assets be noted; and

- f) The update on the LGPS Central report on the voting undertaken on the Funds behalf be noted (Appendices 4 to 6 to the report).

365 Investment Strategy Statement (ISS) and Climate Change Risk Strategy Update (Agenda item 8)

The Committee considered the Investment Strategy Statement (ISS) and Climate Change Risk Strategy Update.

In the ensuing debate, the following points were made:

- The work carried out to date on the Investment Strategy Statement (ISS) and Climate Change Risk Strategy was welcomed, in particular the consultation undertaken with other organisations
- The Chairman of the Pension Board drew particular attention to the executive summary which he considered gave a clear indication of progress made by the Fund to date. He hoped that it would help encourage the pool to establish a consistent approach to the presentation of information across partner funds
- It was important that the work associated with investment Strategy Statement (ISS) and Climate Change Risk Strategy did not become out of step with the Equity Protection Strategy. This would be a matter to be considered as part of the strategic asset allocation (SAA).

RESOLVED that:

- a) **The Fund's 2022 Investment Strategy Statement (ISS) set out at Appendix 1 to the report be agreed;**
- b) **The Climate Change Risk Strategy set out at Appendix 2 to the report be agreed;**
- c) **The Fund's ESG Workshop Review on the 2 February 2022 be noted and the recommended outcomes below be agreed:**
 - **Add SDG 12 Responsible Consumption and Production to the Fund's existing investment beliefs within the ISS**
 - **Look to engage more with the wider members of the pension fund to get their views on Environmental, Social & Governance matters**
 - **Explore and agree an internal climate target for the fund during 2022**
 - **Explore further social impact investments as to whether they can deliver market-rate, risk-adjusted returns;**
- d) **The Fund's 2nd Annual Climate Risk Report be noted; and**

- e) **The ‘Task Force on Climate related Financial Disclosures’ (TCFD) Report be approved. (Appendix 3)**

366 Business Plan (Agenda item 9)

The Committee considered the Business Plan.

In the ensuing debate, it was queried whether recent staff recruitment issues had been resolved. Chris Frohlich indicated that two new staff members had been recently recruited.

RESOLVED that the Worcestershire Pension Fund (WPF) Business Plan as at 22 February 2022 and the Fund’s achievements in the 2021 / 2022 LGPS year be noted.

367 Worcestershire County Council Pension Fund Administration Budget 2022/23 (Agenda item 10)

The Committee considered the Worcestershire County Council Pension Fund Administration Budget 2022/23.

In the ensuing debate, the following points were made:

- Michael Hudson introduced the report and explained that the restructure of the pensions administration function had commenced, and a number of junior posts had already been recruited to. The Head of Pension Administration post was planned to be advertised in April 2022 and dependent on the number of candidates, interviews were planned to be held in May 2022
- Michael Hudson indicated that as part of the national pay negotiations, discussions had been held about the possible eradication of salary spinal points 1-4. At the very least spinal points 1-2 would no longer exist
- It was agreed that the Chairman be consulted as part of the delegation arrangements for the approval of any variations to the Administration Budget of up to £0.5m.

RESOLVED that:

- a) The Pension Fund Administration Budget, including manager fees, for 2022/23 shown in the Appendix totalling £21.015m be approved;**
- b) The indicative budget allocations for 2023/24 and 2024/25 be noted;**
- c) Variations against budget will be monitored be noted; and**

- d) **The Chief Financial Officer in consultation with the Chairman of the Committee be granted delegated authority to approve variations of up to £0.5m.**

368 Review of Training Policy and Programme (Agenda item 11)

The Committee considered the review of the Training Policy and Programme.

RESOLVED that the Fund's Training Policy and Programme also known as the Skills and Knowledge Framework be noted.

369 Risk Register (Agenda item 12)

The Committee considered the Risk Register.

RESOLVED that the 22 February 2022 Worcestershire Pension Fund Risk Register be noted.

370 Pension Administration Strategy including Policy Statement on Communications (Agenda item 13)

The Committee considered the Pension Administration Strategy including the Policy Statement on Communications.

In the ensuing debate, the following points were made:

- It was queried whether the additional pension responsibilities incumbent on employers would be supported by additional training opportunities. Chris Frohlich responded that it was not intended to provide additional training because the present level of support for employers was considered sufficient. Employers were kept up to date through the Employers Forum. In addition, the Fund's website was regularly updated. The provision of suitable regular training was difficult because of the differing range of knowledge between employers. There was always the opportunity for employers to raise issues of concern for discussion at a Forum meeting
- How were the needs of the smaller employers catered for by the Fund? Chris Frohlich advised that all employers were encouraged to contact the Administration team whenever they had a concern or needed advice. Michael Hudson added that there would also be an opportunity for employers to contribute to the forthcoming actuarial valuation process.

RESOLVED that the proposed changes to the existing April 2021 Worcestershire Pension Fund (WPF) Pension Administration Strategy (PAS) including the WPF Policy Statement on Communications be approved.

371 Funding Strategy Statement (Agenda item 14)

The Committee considered the Funding Strategy Statement (FSS)

RESOLVED that the February 2022 Funding Strategy Statement (FSS) be agreed.

372 Government Actuary Department's (GAD) Pension Review Update (Agenda item 15)

The Committee considered the GAD's Pension Review Update.

In the ensuing debate, the Chairman of the Pension Board indicated that he understood that the Government intended to pursue academisation for all local authority schools. Therefore it was important for the Fund to determine its approach to academies. Chris Frohlich commented that the Administration team were looking at systems that could process admissions easier. Michael Hudson added that it was beneficial that Multi-academy Trusts (MATs) were well-established in the county because generally they had better supported administrative functions and levels of understanding of processes. Chris Frohlich added that there were a number of academies that were looking to join a MAT which made the administrative arrangements more straight-forward.

RESOLVED that the Government Actuary Department's Pension Review update be noted.

373 Governance Review and Update (Agenda item 16)

The Committee considered the Governance Review and Update.

RESOLVED that the Governance Review and Update be approved, in particular noting the changes to:

- a) The Fund's Governance Policy Statement; and
- b) The terms of reference (TOR) for the Pension Board, Pensions Committee and Pension Investment Sub Committee.

374 Stewardship Code Compliance Statement (Agenda item 17)

The Committee considered the Stewardship Code Compliance Statement.

In the ensuing debate, it was agreed that the final version of the Code would be circulated to members of the Committee for information.

RESOLVED that:

- a) The draft Stewardship Code for the Fund be noted;
- b) The final version of the Code be circulated to members of the Committee for information;
- c) The Chief Financial Officer be granted delegated authority in consultation with the Chairman and Vice Chairman of the Pensions Committee to approve the final version of the Code for submission to the Financial Reporting Council (FRC) by the closing date on the 30 April 2022; and
- d) An update report be presented to the meeting of the Pensions Committee on 28 June 2022.

375 Forward Plan (Agenda item 18)

RESOLVED that the Forward Plan be noted.

The meeting ended at 3.40pm.

Chairman