

## **Minutes of the Pensions Committee**

**County Hall, Worcester**

**Tuesday, 13 December 2022, 2.00 pm**

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### **Present:**

Cllr Elizabeth Eyre (Chairman), Shane Flynn, Cllr Adrian Hardman and Cllr Trish Marsh

### **Also attended:**

Cllr Roger Phillips, Chairman of the Pension Board.

### **Available papers**

The members had before them:

- A. The Agenda papers (previously circulated); and
- B. The Minutes of the meeting held on 13 October 2022 (previously circulated).

### **407 Apologies/Named Substitutes (Agenda item 1)**

Apologies were received from Jane Evans, Cllr Karen Hanks, Cllr Luke Mallett, Cllr Scott Richardson Brown.

### **408 Declarations of Interest (Agenda item 2)**

Cllr Roger Phillips, Chairman of the Pension Board declared an interest as the Chairman of the Scheme Advisory Board (SAB) for the Local Government Pension Scheme.

### **409 Public Participation (Agenda item 3)**

None.

### **410 Confirmation of Minutes (Agenda item 4)**

**RESOLVED** that the Minutes of the meeting held on 13 October 2022 be confirmed as a correct record and signed by the Chairman.

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

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

**412 Exclusion of Public and Press**

**RESOLVED** that pursuant to Section 100A of the Local Government Act 1972, the press and public shall be excluded from the meeting during item 6 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.)

**413 LGPS Central Update (Agenda item 6)**

The Committee received a presentation from, Mike Weston, Gordon Ross, Patrick O'Hara and Matt Jones from LGPS Central (LGPSC).

In the ensuing debate, the following points were made:

- In response to a query, Patrick O'Hara indicated that a response to the TCFD report had been submitted to the Government by LGPSC on behalf of all partner funds. Mike Weston added that it was recognised that there was a range of views on this matter within the pool. LGPSC was equipped to provide support to partner funds in a more cost-effective and consistent way
- In response to a query about LGPSC's approach to recruitment, Mike Weston explained that it was important to attract the right staff whether through external recruitment or internal promotion. It was recognised that staff turnover was too high. However, the job market was very competitive at present and every effort was made to attract the best available candidates as well as retaining existing staff
- It was queried whether LGPSC had considered providing private health care as part of the job offer to attract candidates. Mike Weston indicated that that was a matter for the shareholders to decide
- In response to a query, Gordon Ross indicated that the data in relation to RI and ESG was becoming clearer and more readily available. Patrick O'Hara added that evidence indicated that companies were embracing RI but there was a danger that with energy companies doing so well, they would become a more attractive investment
- In response to a query, Gordon Ross explained that the re-tendering of the Emerging Markets Active Equity investment manager position and the three-year investment review would take place concurrently

- In response to a query as to whether China would be removed from the Emerging Markets portfolio, Gordon Ross commented that this was an approach that would be reviewed. The key aspect for LGPSC was to design products that meet the needs of all partner funds
- In response to a query, Patrick O'Hara indicated that there was a general shift away from investment in traditional heavy industry to next generation energy
- It was queried whether the performance of private equity investment would eventually dip in similar fashion to public markets. Gordon Ross confirmed that there appeared to be a 6-9 month lag in the performance of private markets. There was initial signs of a mark down in the performance of private markets. LGPSC would make every effort to protect partner fund's investments in the volatile market.

**RESOLVED that the LGPS Central update and the presentation attached as an Appendix be noted.**

#### **414 Pension Investment Update (Agenda item 7)**

The Committee considered the Pension Investment Update.

In the ensuing debate, the following points were made:

- Phillip Hebson indicated that although the Fund had reduced to an estimated 93% funding level, it was possible that the heavy weighting to equities could bring the funding level back up towards 100% funded, given the recent recovery in these markets
- On Equity Protection, Phillip Hebson explained that the Fund would look to keep in contact with the previous managers from River & Mercantile. It was felt that their management methods and communication skills were well suited to the investment approach of the Fund, which could prove to be beneficial again in the future
- The Chairman of the Pension Board reported that SAB had been collating pension fund climate change information nationally. The Government had indicated that local investment related to investments made in the UK. He also emphasised the importance of engagement (rather than disinvestment) with companies as a means of exerting RI influence from within.

**RESOLVED that:**

- a) The Independent Investment Adviser's fund performance summary and market background be noted (Appendices 1 and 2);**
- 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 strategy be noted;**
- e) **The update on Responsible Investment activities, Local Authorities Pension Fund Forum (LAPFF) (Appendix 3) and Stewardship investment pooling be noted;**
- f) **The update on the LGPS Central report on the voting undertaken on the Funds behalf be noted (Appendices 4 to 6); and**
- g) **The update on Taskforce for Climate-related Financial Disclosures (TCFD) Consultation be noted.**

#### **415 Business Plan (Agenda item 8)**

The Committee considered the Business Plan.

In the ensuing debate, the following points were made:

- The Chairman of the Pension Board emphasised the importance of monitoring the number of opt outs and 50/50s amongst members because of the critical impact on the Fund's cash flow. Richard Sultana responded that the Fund could not tell people to remain in the scheme but could explain the benefits of staying in the scheme and provide advice on alternative options available. However, it was now possible to provide better information to employers to identify any such trend
- Had preparations been made to cater for a possible future increase in the number of employees taking early retirements? Richard Sultana responded that early identification of these types of trends was part of the engagement process with employers.

**RESOLVED that the Worcestershire Pension Fund (WPF) Business Plan be noted.**

#### **416 Pension Fund Annual Report for the year ended 31 March 2022 (Agenda item 9)**

The Committee considered the Pension Fund Annual Report for the year ended 31 March 2022.

In the ensuing debate, the following points were made:

- In response to a query, Rob Wilson confirmed that the rise in the costs associated investment management expenses in 2017/18 was likely to be attributed to the increased cost transparency in the reporting of investment management fees introduced by the Scheme Advisory Board
- It was queried whether compliance with the Myners' Report remained relevant to the Fund. Rob Wilson responded that reference to this Report probably no longer needed to be recorded in the Annual Report.

**RESOLVED** that the Pension Fund Annual Report for the year ended the 31 March 2022 as set out in the attached Appendix to the report be approved.

**417 Risk Register (Agenda item 10)**

The Committee considered the Risk Register.

In the ensuing debate, Richard Sultana agreed to look into the possibility of making reference in the Register to a risk associated with the impact of opt-outs and redundancies.

**RESOLVED** that the October 2022 WPF Risk Register be noted.

**418 Actuarial Valuation and Funding Strategy Statement Update (Agenda item 11)**

The Committee considered the Actuarial Valuation and Funding Strategy Statement Update.

In the ensuing debate, Rob Wilson indicated that discussions had taken place with Mercers, the Fund's Actuary about the discount rate. He was comfortable with the discount rate that had been set by the actuary. Michael Hudson added that this Valuation would be the last undertaken by Mercers on behalf of the Fund before a re-tendering exercise of the position of Fund's actuary was carried out.

**RESOLVED** that:

- a) The update on the preliminary 2022 Actuarial Valuation be noted;
- b) The proposed key actuarial assumptions and funding parameters, in paragraphs 15 to 29 of the report which will be incorporated into the Funding Strategy Statement be approved;
- c) The draft Funding Strategy Statement (noting some information can only be included when the actuarial valuation is complete) be approved and the provisional results in paragraph 34 be noted; and
- d) The Chief Financial Officer be granted delegated authority to refine and finalise the draft FSS, following formal consultation with employers, having regard to the advice of the Fund Actuary.

**419 Governance Update (Agenda item 12)**

The Committee considered the Governance Update.

In the ensuing debate, the Chairman of the Pension Board reported that the Government review of pension fund governance had slipped back. SAB had stressed the importance of showing that local authorities had sufficient knowledge and had asked that the aspect of the review relating to fund knowledge and understanding be brought forward.

**RESOLVED that the Governance Update be noted.**

**420 Training Update (Agenda item 13)**

The Committee considered the Training Update.

In the ensuing debate, Rob Wilson indicated that wherever possible, training sessions would be recorded with a view to creating a reference library of training material.

**RESOLVED that the training update be noted.**

**421 Forward Plan (Agenda item 14)**

**RESOLVED that the training update be noted.**

**422 Exclusion of Public and Press (Agenda item 15)**

**RESOLVED that pursuant to Section 100A of the Local Government Act 1972, the press and public shall be excluded from the meeting during item 16 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.)**

**423 Strategic Asset Allocation Review Update December 2022 (Agenda item 16)**

The Committee considered the Strategic Asset Allocation Review Update December 2022.

In the ensuing debate, members discussed the overall approach to investment given the fact that the Fund was 100% funded at the time of the valuation, the cash flow of the Fund, the consistency in investment approach between the Asia and Emerging Market portfolios and possible investment in private equity.

**RESOLVED that the Strategic Asset Allocation Review update be noted.**

The meeting ended at 4.55pm.

Chairman .....