

Minutes of the Pensions Committee

County Hall, Worcester

Thursday, 13 October 2022, 10.00 am

Present:

Cllr Elizabeth Eyre (Chairman), Cllr Karen Hanks, Cllr Adrian Hardman, Cllr Scott Richardson Brown and Cllr Mel Allcott, Shane Flynn and Cllr Trish Marsh.

Available papers

The members had before them:

- A. The Agenda papers (previously circulated); and
- B. The Minutes of the meeting held on 28 June 2022 (previously circulated).

390 Apologies/Named Substitutes (Agenda item 1)

Apologies were received from Cllr Luke Mallett, Jane Evans and Cllr Roger Philips (Chairman of the Pension Board).

Cllr Mel Allcott substituted for Cllr Luke Mallett

391 Declarations of Interest (Agenda item 2)

None.

392 Public Participation (Agenda item 3)

None.

393 Confirmation of Minutes (Agenda item 4)

RESOLVED that the Minutes of the meeting held on 28 June 2022 be confirmed as correct record and signed by the Chairman.

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

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

395 Pension Investment Update (Agenda item 6)

The Committee considered the Pension Investment Update.

In the ensuing debate, the following points were made:

- The Fund had an estimated funding level of 96% at the end of August 2022, which was a weighted average of all employers across the Fund. In the short term the turmoil in the financial markets, rising interest rates and inflation had raised concerns. However, the Committee was reassured that the long-term view taken regarding maintaining liquidity and ability to pay pensions in the short, medium and long term meant that the Fund was resilient in the face of short-term challenges;
- The Committee asked that the balanced approach to investments and the resulting resilience of the Fund was communicated to members and asked to be copied into the communications. This would be shared through employer newsletters;
- In terms of Strategic Asset Allocation, the Committee noted the decision of the Pensions Investment Sub Committee to place LGPSC emerging markets mandate on watch and that it was recommended this continue and is monitored;
- The decision to exit Equity Protection due to the downward trend of the market was discussed and endorsed. The Committee supported continuing to monitor and review the situation.

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; and**

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

**396 Worcestershire County Council Pension Fund
Administration Budget Forecast Outturn 2022/23 and
updated Indicative Budget 2023/24 to 2025/26 (Agenda item
7)**

The Committee considered the Worcestershire County Council Pension Fund Administration Budget Forecast Outturn 2022/23 and updated Indicative Budget 2023/24 to 2025/26.

In the ensuing debate, the following points were made:

- Members noted that details of fees were now more transparent;
- A member queried whether the Fund's position for controllable costs compared to other LGPS Funds could be improved. It was noted that there had been one-off additional costs in-year. The aim was to be in the lower quartile – there was a risk that if at the lower end of costs the administration of the Fund might be under resourced.

RESOLVED that:

- a) The variations to the Pension Fund Administration Budget, including manager fees, for 2022/23 shown in the Appendix to the report totalling £21,015,140 be noted; and
- b) The Investment Managers Fees budget be revised to the forecast outturn of £18,674,400 as shown in the Appendix to the report. This would result in an overall proposed 2022/23 budget of £21,648,600.

397 Business Plan (Agenda item 8)

The Committee considered the Business Plan.

In the ensuing debate, the following points were made:

- In response to a comment about the impact of changes in employers, it was noted that resource had been added to the administration team to monitor changes in employer and to ensure the LGPS was offered as the pension scheme where appropriate;
- The Committee asked that its thanks be recorded to all involved who had issued the 2022 annual benefit statements and newsletters on time.

RESOLVED that the Worcestershire Pension Fund (WPF) Business Plan as at 26 August 2022 be noted.

398 Governance Update (Agenda item 9)

The Committee considered the Governance Update.

In the ensuing debate, the following points were made:

- The Committee requested that the updated Business Plan and Risk Register are included in the agenda for the next Committee meeting;
- Having heard a verbal update on the current staffing situation, the approach being taken to improve skills and recruit, the Committee asked that the pension administration structure be included in a future Committee report, together with an update on how it is proposed to fill vacancies.

RESOLVED that the Governance Update be noted.

399 Actuarial Valuation Update (Agenda item 10)

The Committee considered the Actuarial Valuation Update.

In the ensuing debate, the following points were made:

- It was noted that individual employers' funding and contribution rates were due to be presented on 8 and 10 November with a subsequent opportunity to meet the Fund's actuarial advisors to discuss the results. It was stressed that these were preliminary discussions subject to clarification;
- The moderate stagflation approach being taken was noted;
- It was likely that the final report would be brought to the March meeting of the Committee.

RESOLVED that the preliminary results of the provisional 2022 Actuarial Valuation be noted.

400 LGPS Central Update (Agenda item 11)

The Committee considered the LGPS Central update.

In the ensuing debate, the following points were made:

- It was noted that whilst it was a challenging time for recruitment, there were no key posts vacant at LGPS Central;
- The Committee asked that a visit to the Headquarters of LGPS Central in Wolverhampton be arranged.

RESOLVED that the LGPS Central update be noted.

401 UK Stewardship Code 2021 Submission (Agenda item 12)

The Committee considered the UK Stewardship Code 2021 Submission.

In the ensuing debate, the following points were made:

- The Committee congratulated and thanked all officers involved in making the submission, noting specifically that the Fund was one of only 15 Local Government Pension Funds which were signatories to the Code and one of only 2 in the LGPS Central Pool;
- Members asked that details of the achievement be included on the Pension Fund website.

RESOLVED that the successful 2021 Stewardship code feedback (Appendix to the report) from the Financial Reporting Council (FRC) application for the Fund submitted on the 30 April 2022 be noted.

402 Risk Register (Agenda item 13)

The Committee considered the Risk Register.

In the ensuing debate, the following points were made:

- The actions being taken to recruit, retain and develop staff were noted and an update would be presented at the next meeting;
- The planned update on cyber security at the next meeting was welcomed;
- arising from procurement of software, a member asked whether sharing processes with other Funds could achieve efficiency savings. The Chief Financial Officer reported that currently the Fund did not have any backlogs and officers were ensuring processes were robust prior to automation. In his view the risks of merging with others for administration purposes currently outweighed the potential gains, especially in terms of quality and effectiveness of the service.

RESOLVED that the August 2022 WPF Risk Register be noted.

403 Training Update (Agenda item 14)

The Committee considered the Training Update. Members were asked to let the Chief Financial Officer know if they would like to attend the LGPS conference in Cardiff in January 2023.

RESOLVED that the training update be noted.

404 Forward Plan (Agenda item 15)

RESOLVED that the Forward Plan be noted.

405 Exclusion of Public and Press (Agenda item 16)

RESOLVED that pursuant to Section 100A of the Local Government Act 1972, the press and public shall be excluded from the meeting during item 17 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.)

406 Hymans Review of the Fund's Investment Strategy (Agenda item 17)

The Committee considered the Hymans Review of the Fund's Investment Strategy.

The Committee considered that the Review had been useful and discussed elements of the report relating to key findings and strategic allocations, including emerging markets, gilts and the potential overlap in some holdings.

RESOLVED that the Fund's investment Strategy review undertaken by Hymans Robertson LLP be noted and comments be fed into the Fund's Strategic Asset Allocation Review to be undertaken later in the year.

The meeting ended at 12.20 pm

Chairman