

## **Minutes of the Pensions Committee**

**Lakeview Room, County Hall, Worcester**

**Wednesday, 20 March 2024, 10.00 am**

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### **Present:**

Cllr Elizabeth Eyre (Chairman), Cllr Adrian Hardman, Cllr Karen Hanks, Cllr Luke Mallett, Shane Flynn and Councillor Peter Stoddart

### **Available papers**

The members had before them:

- A. The Agenda papers (previously circulated); and
- B. The Minutes of the meeting held on 31 January 2024 (previously circulated).

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

Apologies were received from Cllr Scott Richardson Brown and Cllr Roger Phillips (Chairman of the Pension Board).

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

Cllr Luke Mallett declared an interest as a consultant working with a charity involved in a carbon sequestration programme in East Africa.

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

None.

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

**RESOLVED** that the Minutes of the meeting held on 31 January 2024 be confirmed as a correct record and signed by the Chairman.

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

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

## **501 Investment Strategy Statement and Climate Change Risk Strategy Update (Agenda item 6)**

The Committee considered with respect to the red the Investment Strategy Statement and Climate Change Risk Strategy Update.

Sherief Loutfy, Head Of Pension Investments, Treasury Management and Banking Introduced the report and made the following points:

- The Weighted Average Carbon Intensity (WACI) of the Fund's Total Equities had decreased by 31.5% since 2020 and 13.7% since 2022 driven by a reduction in exposure to the energy sector. The Fund was moving in the right direction and was now 40% behind benchmark albeit there remained work to be done to improve further.
- In response to LGPSC's feedback regarding the climate scenario analysis work, the Fund had spoken to Hymans Robertson, the Fund's actuary to take this work forward.
- Work continued on the Draft Task Force on Climate related Financial Disclosures (TCFD). Although this work was not mandatory, it showed that the Fund took ESG seriously. It was expected that this work would become mandatory in the future.

In the ensuing debate the following points were made:

- Philip Hebson, the Pension Fund's independent advisor commented that the value of the Fund continued to fluctuate. Although there had been delays in the exit from the Global Emerging Markets Fund, the Fund had been positively impacted as a result of a recovery in the market in China.
- In response to a query about the Fund's progress with the proposed investment in Gilts through LGPSC, Philip Hebson advised that work was ongoing and conversations had been held with LGPSC to ensure that the Fund received a bespoke and not an "off the shelf" Gilt product.
- The performance of the Fund in reducing its WACI was impressive and showed the big impact that small changes could make. Had the Fund been able to prove that its ESG work had benefited members of the Fund. Philip Hebson responded that it was very difficult to quantify the benefit of this work to members, although the negative impact of poor Governance could be very visible and quantifiable.
- It was requested that a one-page summary be appended to the Council Report that explained the Fund's positive approach to RI and ESG investment.

**RESOLVED** that:

- a) The Fund's 2024 draft Investment Strategy Statement (ISS) be approved as set out at Appendix 1 to the report subject to changes to the Asset Allocation;
- b) The draft Climate Change Risk Strategy (CCRS) be approved as set out at Appendix 2 to the report;
- c) The Fund's ESG Workshop Review on the 31 January 2024 and the recommended outcomes be noted;
- d) The Fund's 4th Annual Climate Risk Report (Appendix 3 to the report) be noted; and
- e) The draft 'Task Force on Climate related Financial Disclosures' (TCFD) Report (Appendix 4 to the report) be noted.

## **502 Funding Strategy Statement (Agenda item 7)**

The Committee considered the Funding Strategy Statement (FSS).

**RESOLVED** that the proposed updated FSS be noted.

## **503 Risk Register (Agenda item 9)**

The Committee considered the Risk Register.

In response to a query, Richard Sultana confirmed that the I-Connect system would change the way that the Administration function worked and should lead to a reduction in the head count as a result of natural wastage. In addition, it removed the need for the year-end process which cut down on the amount of work necessary.

**RESOLVED** that the February 2024 Worcestershire Pension Fund Risk Register be noted.

## **504 Governance Update (Agenda item 10)**

The Committee considered the Governance Update.

In response to a query, Philip Hebson commented that the General Code included very few actual governance changes relevant to LGPS Funds. The outcome of the Government's Good Governance review remained outstanding. Many funds intended to continue with the process of introducing their own good governance framework regardless of the outcome of the review.

**RESOLVED** that the following documents be approved:

- **Good Governance Position Statement March 2024 (Appendix 1 to the report)**
- **Draft Governance Policy Statement 2024 (Appendix 2 to the report)**
- **Draft Policy on Representation 2023 (Appendix 3 to the report)**
- **Policy on Conflicts of Interest 2022 (Appendix 4 to the report)**
- **Draft Pension Administration Strategy 2024 (Appendix 5 to the report)**

## **505 Training Update (Agenda item 11)**

The Committee considered the Training Update.

In the ensuing debate, the following points were made:

- The Chairman welcomed the work undertaken by the Fund to ensure that career development in Pension Administration became more professional.
- It was requested that members received guidance as to the most appropriate on-line training courses to attend. Richard Sultana explained that guidance would be provided on receipt of members' completed training needs assessment forms.
- The training provided to Committee members had improved and was now very good.

**RESOLVED** that the **Worcestershire Pension Fund Training Update including the Training Policy and Programme (Appendix 1) and the Training Plan (Appendix 2) be noted.**

## **506 Forward Plan (Agenda item 12)**

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

## **507 Exclusion of Public and Press (Agenda item 13)**

**RESOLVED** that pursuant to Section 100A of the Local Government Act 1972, the press and public shall be excluded from the meeting during items 8, 14, 15 and 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.)**

## 508 Business Plan (Agenda item 8)

The Committee considered the Business Plan.

Richard Sultana, Head of Pensions Administration introduced the report and made the following comments:

- The performance of Scottish Widows, the Fund's in-house AVC provider had improved. A review of this service provision would be undertaken in 2024/25.
- Hymans Robertson had been the successful bidder to provide actuarial services to the Fund and had started work on 22 January 2024.
- The Fund continued to develop its own staff. Two vacancies were being held in reserve to see if they were needed under the new staff structure.
- The I-Connect system would be rolled out to all employers. The system linked employer payrolls with the Worcestershire County Council payroll and provided a double validation of information provided. Fundamentally it provided more effective collection of monthly data from scheme employers and would support the delivery of the Pensions Dashboard programme in the future.

In the ensuing debate, the following points were made:

- In response to a query about the performance of Scottish Widows, Richard Sultana commented that Scottish Widows were aware that they had an issue with information not being collated correctly. Issues with the performance of AVC providers was being experienced nationwide and reflected the small-scale nature of the business.
- In response to a request, Richard Sultana undertook to arrange a meeting of representatives of Hymans Robertson with employer representatives as well as with members of the Pension Board and Pensions Committee.
- Would the working relations with Hymans Robertson take time to bed-in? Richard Sultana added that there were fairly standard working practices amongst actuaries. Sherief Loutfy added that Hymans Robertson had a proactive approach to dealing with employers and employers' auditors.
- In response to a query about the implementation of the McCloud remedy, Richard Sultana commented that the work was on track for completion by 31 March 2025.
- In response to a query, Richard Sultana confirmed that evidence did need to be provided to prove that a pensioner was entitled to receive a pension under the LGPS legislation either through their job role or a personal designation.
- The review of the AVC provision was welcomed because it was an area that would grow in importance in the future.

**RESOLVED** that the Worcestershire Pension Fund Business Plan as at February 2024 (Appendix 1) together with the Internal Audit Reviews of

**Pensions Administration (Exempt Appendix 2) and Pensions Investment (Exempt Appendix 3) be noted.**

**509 Pension Investment Update (Agenda item 14)**

The Committee considered the Pension Investment Update.

**RESOLVED that:**

- a) The Independent Investment Adviser's fund performance summary and market background be noted (Appendices 1, 2 and 3 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 be noted;**
- d) The update on equity protection be noted;**
- e) The investment pipeline update be noted (Appendix 4 to the report);**
- f) The latest investment benchmarking report and CEM presentation be noted (Appendices 5 & 6 to the report);**
- g) The update on responsible investment activities, Local Authorities Pension Fund Forum (LAPFF) be noted;**
- h) The update on the Taskforce for Climate-related Financial Disclosures (TCFD) be noted; and**
- i) The update on the Taskforce on Nature-related Financial Disclosures (TNFD) be noted.**

**510 Worcestershire County Council Pension Fund Administration Budget 2024/25 (Agenda item 15)**

The Committee considered the Worcestershire County Council Pension Fund Administration Budget 2024/25.

**RESOLVED that:**

- a) The Pension Fund Administration Budget, including manager fees, for 2024/25 be approved; and**
- b) The indicative budget allocations for 2025/26 and 2026/27 be noted.**

**511 LGPS Central Update (Agenda item 16)**

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

The meeting ended at 1.00pm.

Chairman .....