worcestershire county council

AGENDA ITEM 6

COUNCIL
12 JANUARY 2017

REPORTS OF COMMITTEES

(c) SUMMARY OF DECISIONS TAKEN BY THE PENSIONS COMMITTEE

Strategic Asset Allocation Review

1. Every three years the Fund takes stock of the performance and composition of the Fund's Strategic Asset Allocation with the aims of:

   i. meeting the requirements of the Fund's draft 2016 Funding Strategy Statement;
   ii. maintaining targeted returns, and
   iii. improving the Fund's opportunity to minimise volatility of returns and optimising diversification of risk.

2. The Fund's Funding Strategy Statement is not proposed to change as a result of the 2016 Actuarial Revaluation and therefore the aim of the Strategic Asset Allocation should remain unchanged from that endorsed by the Shadow Pensions Committee as a result of the 2013 valuation.

3. The Committee has approved a number of recommendations which will enable the Fund to continue to meet the assumptions contained within the Fund's Funding Strategy Statement with regards to ongoing expected returns in excess of CPI inflation and also take into account Central Government's asset pooling agenda and the establishment of the LGPS Central pool on 1 April 2018.

Actuarial Valuation

4. Every three years, in line with legislation, the Fund Actuary, Mercer, carries out a full Actuarial Valuation of the Fund to calculate how much the employers in the Scheme need to contribute going forward to ensure that its liabilities, the pensions due to current and future pensioners, will be paid as they fall due. The Fund's funding level has increased from 69% funded at 31 March 2013 to 76% at 31 March 2016. Total contributions are expected to increase for 2017/18 above those planned following the 2013 Actuarial Valuation by £1.0m (£87.6m compared to £86.6m). The Committee has noted the results of the Actuarial Valuation

5. The Committee has approved the Funding Strategy Statement (“FSS”). The purpose of the FSS is to set out a clear and transparent funding strategy that will identify how each Fund employer’s pension liabilities are to be met going forward. The key points of the statement are shown below:

- The target recovery period for the Fund as a whole is 18 years at this valuation which is 3 years shorter than the corresponding recovery period from the previous valuation. Subject to affordability and other considerations, individual employer recovery periods would also be expected to reduce by 3 years at this valuation
- Following a key change to the method of valuing the Fund's liabilities from Gilts+ to CPI+, it is proposed at this valuation the real return over CPI inflation for determining the past service liabilities is 2.15% per annum and for determining the future service (“Primary”) contribution rates is 2.75% per annum.

Administering Authority – Administration Update

6. The Committee has noted the general update from the Administering Authority in relation to the Pension Fund Triennial Valuation 2016, Government Consultations, admissions to the Fund, pension taxation limits, and GMP Reconciliation.

Pension Fund Investment update

7. The Committee has noted the Independent Financial Adviser's fund performance summary and market background.

8. The Committee has noted the update on the Investment Managers placed 'on watch' by the Pension Investment Advisory Panel, namely JP Morgan – Emerging Markets and JP Morgan – Bonds.

9. The Normura portfolio has outperformed target performance of +1.5% over the past year and three years in line with the contract required performance, and therefore the Pension Investment Advisory Panel recommended and the Committee has agreed that Nomura be taken off 'watch'.

Mr R W Banks
Chairman

Contact Points

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Background Papers

In the opinion of the proper officer (in this case the Head of Legal and Democratic Services) the following are the background papers relating to the subject matter of this report:

Agenda papers for the meeting of the Pensions Committee held on 7 December 2016.