

Worcestershire Local Pension Board

Draft Annual Report 2016/17

The Public Services Pensions Act 2013 required the Administering Authority for each Local Authority Pension Scheme (LGPS) fund in England and Wales to establish a Local Pension Board no later than 1 April 2015. Subsequent Regulations issued by the Department for Communities and Local Government (DCLG) required that the boards should be operational before 1 August 2016.

The role of local pension boards is to assist the Administering Authority to secure compliance with LGPS Scheme Regulations and other legislation relating to the governance and administration of the fund, together with any requirements imposed by the Pensions Regulator. In short, the Board's role is to ensure the effective and efficient governance and administration of the Worcestershire Fund

The Regulations also require the membership of the Board to be made up of equal numbers of employer and employee representatives with a minimum of four members i.e. at least two employer representatives and two employee representatives. The employee representatives on the Board must be independent of the Fund - that is to say they must have no involvement with the day to day management of the Fund.

The Board may be chaired by one of these Board members or an independent, non- voting Chairperson may be appointed.

The Worcestershire Board was established as required by the 2013 Act and met for the first time on 29 July 2015. The membership of the Board is as follows:-

Employer representatives

Mr M J Hart (Worcestershire County Council)

Mr G Powell (Herefordshire County Council) from July 2015 to June 2016

Mr D Harlow (Herefordshire County Council) from July 2016 to April 2017

Employee Representatives

Ms L-M Chapman (Unison)

Mr K Sheppard (GMB) from July 2015 to July 2016

Mr Stuart Harrison from October 2016 to April 2017

Independent Chairman (Non- voting)

Mr K Bray (formerly Director of Financial Services at the City and County of Cardiff)

The Board met on five occasions

- 1 June 2016 Apologies for non - attendance were received from Mr Powell and Mr Sheppard
- 20 July 2016 Mr Powell did not attend
- 26 October 2016 Mr Harrison did not attend
- 8 February 2017 Apologies for non - attendance were received from Mr Harlow and Mr Harrison
- 5 April 2017 Apologies for non - attendance were received from Mr Harlow and Mr Harrison

The Board will next meet on 18 July 2017

During the year the Board's work programme has covered the following areas:-

- **Monitoring and review of the Pension Fund Investment Sub Committee meetings on**

3 February 2016
27 April 2016
1 June 2016
26 September 2016
7 December 2016
13 March 2017

This included review of updates regarding the administration of the Fund and of the investments made and held by the Fund.

- **Monitoring and Review of Progress with regard to the pooling of LGPS funds in England and Wales.**

In last year's report reference was made to the proposal by Central Government to direct the ninety LGPS funds in England and Wales to create a small number of investment pools of £25bn+, and to encourage more investment into infrastructure. It was noted that this initiative would present all funds, including the Worcestershire Fund, with very significant challenges.

During the year the Board has received regular reports from, Mr Sean Pearce, the Fund's Chief Financial Officer (CFO) regarding the progress of the Central Pool which consists of nine funds including Worcestershire. The Pool was the first in the country to receive formal approval from the Minister at the Department for Communities and Local Government.

Initial concerns about the fairness of cost sharing between the funds participating in the Central Pool had been addressed by the CFO and following discussions with the other Central Pool members a revised proposal had been agreed which provided a £1million gain for the Worcestershire Pension Fund.

During May 2017 Board members were informed of the appointments of Ms Joanne Segars (formerly Chief Executive of the Pensions and Lifetime Savings Association) as Non- Executive Chair of the Central Pool and Mr Andrew Warwick-Thompson (formerly the Executive Director for Regulatory Policy at The Pensions Regulator) as the Pool's first Chief executive Officer.

- **The Role of the Pensions Regulator**

The Board received an update report on the role of the Regulator at its meeting on 20 July 2016

- **Actuarial Valuation of the Fund**

At its meeting on 26 October 2016 the Board received a report from the CFO regarding the Government Actuary's Department (GAD) 'Section 13' Dry Run Report. This was an examination by the Government of the consistency of valuation reports which were provided to LGPS funds in England and Wales by four different actuaries with a view to establishing the impact of the application of a common set of assumptions' to all LGPS funds in England and Wales. The CFO reported that the Fund's actuary (Mercer) had taken a prudent view when choosing actuarial assumptions for the 2013 valuation resulting in a funding level of 69%.

By contract the GAD 'Section 13' Dry Run Report indicated an 83% funding level for the Worcestershire Fund.

The Board also received an overview report of the preliminary results for the 2016 valuation by the Fund's actuary which indicated a funding level of 75% as at 31 March 2016.

- **Risk Register**

The Board considered the Fund's risk Register at its meeting on 8 February 2017.

The CFO reported that an additional risk had been added to the register in relation to MIFID2 (a European Directive which would regard LGPS funds as 'retail' rather than professional investors and could, as a result, potentially remove some significant investment opportunities from the Fund.) Work was underway through the professional organisations and more particularly by the Local Government Association (LGA) to ensure that LGPS funds such as the Worcestershire fund could operate as a professional investor.

Overall there were no risks in the register rated as 'red' following mitigating arrangements, although a number of 'amber' risks remained.

- **External Audit Plan 2016/17**

The Board reviewed the External Audit Plan for 2016/17

- **Public access to Board Meetings and information**

The Board considered public access arrangements for meetings of the Board and at its meeting on 8 February 2017 resolved that future meetings of the Pensions Board be made open to the press and public.

The members of the Board would wish to express their thanks and appreciation to the officers of the Fund for the assistance they have provided during the year.

Keith Bray

Independent Chairman

June 2017