

COUNCIL
14 FEBRUARY 2019**REPORTS OF COMMITTEES****SUMMARY OF DECISIONS TAKEN BY THE PENSIONS**
COMMITTEE

Local Government Pension Scheme Central (LGPSC) Budget and Business Plan 2019/20

1. Each year LGPSC is required to produce an updated budget and Strategic Business Plan. The intention of the Company and Practitioners Advisory Forum (PAF) which has key representation from lead officers for each of the Partner funds is to take an agreed set of papers to the Shareholder Forum which is being held on the 12 February 2019. Given the importance and financial implications for Worcestershire's Pension Fund, it was felt that the 2019/20 LGPSC budget and business plan should come to the Committee for discussion and debate before it went to the Shareholders Forum meeting.

2. During the discussion, members of the Committee expressed a degree of disquiet about the financial implications for Worcestershire's Pension Fund of updated LGPSC budget and Strategic Business Plan. The Committee has therefore agreed that the LGPSC Budget and Business Plan for 2019/20 update be noted and the Fund's Stakeholder representative be asked to take the following views to the next Shareholders Forum meeting on 12 February 2019:
 - i. Concern about the culture of LGPSC, in particular the lack of focus on the views of the client pension funds (including a failure to recognise the role of the Practitioners Advisory Forum (PAF)) and the lack of strategic focus on investment;
 - ii. The need for greater transparency in the funding arrangements of the Pool;
 - iii. concern about the relationship between the Budget and Business Plan for 2019/20 and the original cost-sharing agreement, in particular the forecast reduction in the cumulative saving up to 2033/34 for the Worcestershire Pension Fund;
 - iv. Concern about the Pool's cost control mechanisms;
 - v. The lack of a user-friendly executive summary for members and a lack of clarity in the presentation of information by the Pool;
 - vi. An expectation that cost-sharing would be reviewed to look at options to bring it back to the original forecast £4m savings in line with the original cost-sharing agreement;

The Fund's representative on the Stakeholder Forum will address any significant changes to the Budget and Business Plan on its behalf in consultation with the Chairman and Vice-Chairman of the Committee.

3. The Committee also noted the LGPSC latest version of the LGPS Central Budget 2019/20 presentation and the LGPS Central Strategic Business Plan.

Funding Strategy Statement update for changes to LGPS regulations

4. All employers of the Worcestershire County Council Pension Fund were provided with the Funding Strategy Statement (FSS) which was implemented with effect from March 2017 following the 2016 Actuarial Valuation. 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.

5. The Administering Authority is required to monitor the progress of the funding strategy between full actuarial valuations and review the strategy if it is considered appropriate. The overarching regulations of the LGPS were updated with effect from 19 April 2018 through an amending Statutory Instrument; the Local Government Pension Scheme (Amendment) Regulations 2018. The Fund has therefore taken the view to update the FSS to reflect this legislative change which relates to the ability to allow a surplus of assets over liabilities to be paid out of the Fund when an employer terminates.

6. No responses were received following consultation with employers and the Committee has approved the updated Funding Strategy Statement.

Covenant Monitoring update

7. Covenant is the measure of how certain the Fund can be that an employer will be able to support its liabilities and pay contributions due. The weaker the covenant means the higher the risk. All employers were contacted over the summer 2018 to request details of their latest accounts data and to date 66% returns overall had been received. The responses received have been collated by the Actuary for analysis of the employers' financial strength, sustainability and ability to meet pension costs and a traffic light system is being used to identify/rate high risk.

8. Those employers who have yet to respond would be chased, particularly employers with larger liabilities. The outputs of this exercise will be used to enter into/continue dialogue with the high risk employers and to tailor strategies for valuation, funding and investment. The Committee has noted the Covenant Monitoring update and next steps.

Mr R W Banks
Chairman

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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 21 January 2019.