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**MINUTES OF THE  
NINETY-THIRD ANNUAL GENERAL MEETING  
OF  
LADY GROVER'S FUND**

Held at Mountbarrow House, 6-20 Elizabeth Street, London, SW1W 9RB  
31 May 2018

In attendance:

Maj Gen Adrian Lyons	Chairman and Trustee
Air Cdre Stephen Anderton	Vice Chairman and Trustee
Air Cdre Peter Johnson	Member
RAdm John Gower	Member
Mr Lee Holloway	Member
Brig Jon Brittain	Member
Cdr Nigel Hare	Member
Mr Nigel Silby	Actuary, ED Financial
Mr Eric Pritchard	Auditor, Keelings
Ms Olivia Merrick	Rathbones
Ms Judith Naylor	Potential Committee Member
Col Mike Vickery	Secretary

Apologies:

Gen Sir Roger Wheeler	President
Mrs Bridgit Getley	Trustee
Col Sharon Woodhouse	Member
Cdr Stephen Mackay	Member

**AGENDA ITEMS**

**1. Opening remarks by the Chairman.**

The Chairman welcomed all to the ninety-third AGM.

Apologies were received from The President, Bridgit Getley, Sharon Woodhouse and Stephen Mackay.

The Chairman welcomed Judith Naylor as a potential Committee Member and Trustee; Olivia Merrick, Investment Manager, Rathbones; Nigel Silby, Actuary, ED Financial; Eric Pritchard, Auditor, Keelings.

Attendees introduced themselves.

## 2. **Minutes of the 2017 AGM.**

All attendees had a copy of the 2017 AGM minutes before them. There were no comments or objections. The minutes were proposed by John Gower and seconded by Peter Johnson.

## 3. **Matters Arising from the Minutes.**

There were no matters arising which would not be covered in the Committee's report.

## 4. **2017 Reports.**

### The Committee of Management's 2017 Report to the Fund's Members

The Committee's Report was contained in the Audit papers. The Chairman gave a précis of the Report. The Committee ruled that the Report should include a paragraph outlining the proposal to outsource the administration of the Fund to The Officers Association. With this proviso, the Report was proposed by Jon Brittain and seconded by Stephen Anderton.

Audit. Copies of the audited Accounts and Balance Sheet were before the meeting.

Eric Pritchard, of Keelings Auditors, outlined aspects of the statutory financial statements for the year to 31<sup>st</sup> December 2017. He indicated that there had been formatting changes, to reflect new applicable accounting standards. The Statement of Comprehensive Income (formerly the Income and Expenditure Account) showed a small fall in regular premium income, but improved investment income returns, yielding 2.8%, compared with 2.6% for 2016. A further unrealised gain on investment values of £152,000 was recognised - lower than in 2016 - but still adding value to the Fund. Expenditure levels were higher and the overall surplus amounted to £145,508 (2016 £216,851) which was added to the Fund values shown on the Statement of Financial Position (previously Balance Sheet). He commented that, as a result of the Actuary's certification of a solvency position as at 31<sup>st</sup> December 2017, an unqualified audit report was issued. The Chairman thanked Mr Pritchard for his presentation.

Investment report. Copies of Rathbones Investment Report were before the meeting.

Olivia Merrick of Rathbones mentioned the Fund's Investment mandate explaining there had been no changes to the objectives. The benchmark, income payment and fees were all unchanged. Over the calendar year 2017 the portfolio was up over 11%. Olivia explained that it had been a strong year for equity markets and, being overweight equities with a bias to

overseas, the Fund had benefitted. The benchmark was up just under 10%. Since January 2018 the markets had had a difficult first quarter. Equity markets had resumed their usual level of volatility after a very calm 2017. However, April and May had been stronger and thus the portfolio was up over 1%, ahead of its benchmark year to date. The portfolio was valued at £2.2m in the week of the AGM. The Chairman noted that when he took on the Chairmanship ten years ago, the portfolio was valued at £1.3m; the Committee were impressed and very pleased with the long term performance of the investments.

Olivia briefly touched on asset allocation confirming that we were still overweight equities, a position that Rathbones were comfortable with probably for the rest of the year. Rathbones still felt quite uncomfortable concerning the prospects of returns from fixed income and cash, both of which looked vulnerable in the current environment.

Olivia talked through the FTSE100 two year chart showing that we had recovered the Q1 sell off and more. There seemed a high level of geopolitical risk at the moment, in particular with Italy. Olivia was asked what impact Europe and the Italian saga would have on the portfolio and on the portfolio's bonds in particular. She explained that we did not hold Italian debt in the funds as it was rather risky even before the latest political events. Europe had done very well for the fund in 2017, through equity funds. Markets tended to look through political noise on a medium to long term basis. However, such events certainly would see market volatility heighten in the short term.

One of the Committee referred to the ARC valuation and asked why Rathbones were more positive on equities if fixed income was producing a higher return. This referred to the estimated yields on our valuation where fixed interest was yielding 3.6% at the headline level, versus equity 2.3%. Olivia explained that income was only part of the overall total return. Whilst fixed income may yield more, over the long term we would not expect the capital return to be significant. Equities had delivered excellent capital returns in 2017 and had been the driving force behind the fund's overall returns. She also referred to the UK equity portion of the portfolio which had a relatively high yield at 3.5%.

#### Actuary's Report.

Nigel Silby introduced his written report to the Committee of Management on the valuation of the Fund at 31 December 2017. He wanted to draw the Committee of Management's attention to three key matters in the report.

#### Investment strategy

The Fund had approximately 80% of its assets invested in equities and equity-type investments. In recent years this strategy had been successful. The view of the Fund's investment manager (and other investment managers) was that over the longer term equities should produce a much better investment return than fixed interest bonds. The difficulty for the Fund is that this investment strategy had risks in that a downturn in the equity markets could make the Fund insolvent leading to it having to take short term remedial actions to restore solvency which may not be in the best long term interests of members. The Fund could reduce its short term investment risk by investing a higher proportion of its assets in

fixed interest bonds but given the very low yields on bonds currently available and the poor investment outlook for bonds this was unlikely to be in the long term interests of members.

Nigel said that his view was that the Fund should continue with its current investment strategy but should aim to increase its free asset ratio (the ratio of excess assets to total assets) so that it had a “buffer” against short term falls in the equity markets. When asked he said that his opinion was that the Fund should target a free asset ratio of 20% to 25%.

The Actuary further updated the meeting on the rules regarding solvency. It had now been directed by PRA that if at any time a Society’s assets could not cover its actuarial liabilities trading must cease immediately. This replaced the arrangement formerly in place where the Society had a period of grace to resolve issues. Going forward with the Society’s current position on equities meant that a substantial fall in in market valuation could have serious immediate consequences even if it were only short term when markets recovered. The AGM noted this.

### Claims

Nigel noted that claim rates increased very substantially with the age of the beneficiary. Also for various reasons the claims rates for widows who took the option to become members in their own right were particularly high. The Fund had a long standing practice of charging a level contribution to members irrespective of their age. However, this did mean that relatively small changes in the valuation assumptions concerning claims could have a very large effect on the valuation liabilities. He suggested that to reduce this risk the Committee of Management could consider introducing an age-related contribution scale.

### Sensitivity of the Valuation

Nigel drew the attention of the Committee of Management to the paragraph in his report illustrating the sensitivity of the valuation result to the valuation assumptions in addition to those concerning claims.

The claims paid by the Fund were mostly paid to elderly members and for most new members this meant that claims were likely to arise many years after they had joined the Fund. This, in combination with current low interest rates used to discount future cash flows, made the Fund’s liabilities very sensitive to small changes in certain valuation assumptions.

Olivia Merrick explained what the equity markets falls were like in 2008, noting that the most severe fall had been in the US where the market had fallen nearly 40%. Thus, the likelihood of the entire portfolio falling more than 40% seemed slim on an historical basis, given that equities were only 70% of the portfolio and broadly spread by region. However, she agreed that a significant drawdown around year end could lead to a technically insolvent position.

There followed discussion of the introduction a sliding scale of subscriptions to increase by age. The meeting agreed to consider this further in future committee meetings.

The AGM further proposed that the Fund should produce a Resolution plan.

## 5. Adoption of the 2017 Accounts.

Jon Brittain proposed the approval and adoption of the 2017 accounts; Stephen Anderton seconded.

#### 6. **Re-appointment of Auditors and Actuary.**

Under Rules 25(1) and 25(2) of the Fund, the AGM was required formally to appoint an Auditor and an Actuary annually. It was proposed that Keelings Ltd be re-appointed as Auditors and that Nigel Silby be re-appointed as Actuary. John Gower proposed and Jon Brittain seconded the motion.

The Chairman thanked Olivia Merrick and Eric Pritchard for their handling of our portfolio and audit and invited them to leave the meeting.

#### 7. **Subscriptions and Claims.**

The Secretary had been tasked at the 11 April Management Committee Meeting with consulting the Actuary on the potential effects of raising subscriptions from £50 inclusive of IPT to £55 and £60 inclusive of IPT. At the same time, the Actuary was to examine the likely effect of raising the maximum amount a member could claim in any twelvemonth from £6930 to £8k, £9k or £10k.

In response, the Actuary produced the table below:

#### **Change in net liability relative to base case at 31 December 2017 (£000)**

	<b>Contribution gross of IPT pa</b>		
<b>maximum claim</b>	<b>£50</b>	<b>£55</b>	<b>£60</b>
<b>£6,930</b>	0	-161	-324
<b>£8,000</b>	104	-58	-219
<b>£9,000</b>	150	-12	-174
<b>£10,000</b>	160	-2	-164

Following on from the advice given earlier by the Actuary, the Committee expressed a wish to create a significant hedge against insolvency by increasing income from subscriptions. It was felt that although in each category of claim it was not necessary to raise the maximum amounts claimable, members should be offered a real increase in the overall amount they could claim in any twelvemonth.

The meeting and Actuary discussed the options in detail. It was proposed to raise the subscription to £60 inclusive of IPT, and to raise the maximum claim amount to £8000. John

Gower proposed and Peter Johnson seconded. The Secretary was tasked with getting the relevant rule changes ratified by the PRA.

#### **8. General Data Protection Regulation.**

The Secretary explained that GDPR would not normally be a subject for an AGM. He felt, however, that since it was an important new compliance issue which had come into force 6 days before the AGM he should brief the Committee on the Fund's GDPR status.

The Committee were aware of the changes made to the database to separate the administrative personal details from the more sensitive medical information. Since that time the Fund's Privacy Statement and Data Consent form had been sent out by post and email. He had sought consent from 2296 members and 2798 beneficiaries. He had received some 1500 replies and processed some 800 of them. The database showed when consent had been sought, when it had been given and in what format.

In future, when a member approached the Fund for a claim, we would ask for members' consent to hold the medical details they supplied. It was suggested that a rule change be introduced that no payment could be made on a claim unless data consent had been given. The Secretary would take expert advice on the proposal.

#### **9. Contract with OA (Advance)Ltd.**

All members had a copy of the draft contract before them. The CEO, COO, Head of Finance OA and their lawyers had had a phone conference on 29 May with the Secretary of Lady Grover's Fund and our lawyers to discuss and agree final details. There had been a high degree of agreement and both parties were of the opinion that we are near to completion.

The Committee acknowledged the significant amount of work that had gone into preparing the contract and that 99% of the work had been done. It was agreed that the Committee should accept the OA Proposal subject to contract agreement and go ahead with a handover of the administration of the Fund to OA on 1 July 2018. Stephen Anderton proposed; Jon Brittain seconded.

#### **10. Future Committee Changes.**

The Committee discussed the future governance of the Fund after 1 July 2018. The question of CEO was raised. The current CEO, Michael Vickery, agreed to continue in the role.

The current Committee members voted new Committee Members onto the Committee. All changes listed below would take place on 1 July 2018, subject to contract signature.

- Michael Vickery handed in his notice as Secretary, to serve until 30 June handing over his tasks to OA (Advance).
- Nigel Hare was appointed Secretary.

- Subject to finalisation of terms, Michael Vickery remained as CEO for the duration of the project, with annual reviews.
- Jane Laidler, Ian Caws and Judith Naylor were elected on to the Committee. Judith Naylor was appointed the medical member of the Committee.
- Adrian Lyons, Peter Johnson, Stephen Mackay, Nigel Hare, Sharon Woodhouse and Bridgit Getley resigned as Committee Members.
- John Gower, Stephen Anderton, Jon Brittain and Lee Holloway agreed to remain on the Committee.
- John Gower was appointed Chairman of the Committee. No Vice Chairman was nominated.
- Bridgit Getley, Stephen Anderton and Adrian Lyons resigned as Trustees.
- Jane Laidler and Judith Naylor were Appointed Trustees. One trustee position remained vacant.
- The President resigned his Presidency.
- Bridgit Getley was elected as Patron of Lady Grover's Fund.

These changes were proposed by Jon Brittain and seconded by John Gower.

#### 11. **Any Other Business.**

There were no items raised or notified for Any Other Business. The Chairman thanked the Committee for their contributions and closed the AGM.

AW Lyons  
MajGen  
Chairman