



LADY GROVER'S FUND FOR OFFICERS 95TH ANNUAL GENERAL MEETING

16th JUNE 2020 at 1400 (online meeting)

MINUTES

FUND MEMBERS PRESENT

John Gower (JG)	Chairman (Committee/Member)
Jon Brittain (JB)	Trustee (Committee/Member)
Ian Caws (IC)	Member (Committee/Member)
Judy Naylor (JN)	Trustee (Committee/Member)
Lee Holloway (LH)	Trustee (Committee Member)
Mike Vickery (MV)	Outgoing CEO (Member)
Bridgit Getley (BG)	Patron (Voting member)
Ray Lock	Member
John Lowles	Member
Andrew Figgures	Member
Stephen Anderton	Member
Timothy Finnegan	Member
Simon Springett	Member
Nick Mifsud	Member
Robert Lynch	Member

IN ATTENDANCE

Simon Allen (SA)	COO OA
Nigel Hare (NH)	Membership Secretary (Member)
Jo Killip (JK)	Head Finance OA
Vernita Sollis-Smith (VSS)	Assistant to Membership Secretary
Stuart Bell (SB)	CEO and committee member dsg
Nigel Silby (NS)	Actuary
Olivia Merrick OM)	Rathbones
Jocelyn Lynch	Potential Trustee

ITEM ONE: OPENING COMMENTS

JG welcomed the members and attendees to the meeting and explained basic protocols first:

- Individuals were invited to remain muted throughout the meeting unless wishing to speak to ensure those presenting could be heard clearly.
- If connectivity issues arose, attendees may be requested to switch off video to reduce data transfer.
- A sound check was conducted to ensure everyone could hear.
- Attendees were informed that the meeting would be recorded, and copies may be made available on request. (*Post Meeting Note: no copies having been requested after two months the recordings have been deleted*)

JG formally started the meeting by introducing Nigel Silby and Olivia Merrick who would be presenting later.

JG's opening comment was that this was the first Annual General Meeting (AGM) he had attended where more than two members were present. He indicated that he would be considering this format for future AGMs as it appeared better to enable attendance by members, explaining that dispensation had been given by the FCA for AGM's to be conducted remotely during COVID-19 and that, pending adoption of the proposed rule changes by members at the beginning of the meeting, he would be submitting the rule changes to the FCA to allow the committee the choice of conducting future AGM's remotely.

JG reassured the meeting that, despite COVID, the business of the Fund had continued and that the Officers' Association (OA) had established processes to allow working from home.

JG explained that in order to continue the meeting the vote on approving the Rule changes needed to be taken now. The necessary paperwork had been circulated prior to the meeting (Paper 2), along with protocols and guidelines (Paper 1). An electronic vote was taken, and the rule change proposal was passed. (12 votes for – none against).

JG confirmed that the rule changes had been approved and the meeting could continue.

ITEM TWO: MINUTES OF THE 94TH AGM HELD ON 17 JUNE 2019

JG asked for any comments on the previous AGM minutes which had been included in the pre-meeting paperwork (Paper 3). No comments were received, and JG sought approval from the meeting. Jon Brittain proposed, and Mike Vickery seconded the approval of the minutes which was carried (4 votes for and none against).

JG confirmed that the minutes had been approved via electronic vote.

ITEM THREE: MATTERS ARISING FROM THE MINUTES

JG stated that any matters arising from minutes of last years AGM are covered on this agenda or in the Committee's report.

ITEM FOUR: 2019 REPORTS

Committee of Management's Report 2019

JG explained that all the reports within this session look back over 2019 and all the experts talking will be covering 2019, however, he had asked them, where appropriate to reflect on any significant changes brought about by the COVID crisis.

JG ran through the report, highlighting the following points:

- Income in 2019 was slightly higher than in 2018. This was largely down to the performance of investments and the increase of membership fees in late 2018.
- There was a minor decrease in grants paid to members last year; £101,000 had been paid which was a decrease of around £14,000 than the previous year.
- Operating costs grew for two reasons:
 - Firstly, it was the first full year of outsourcing the Lady Grover administration to the OA.
 - Secondly, requirements from the regulator meant that Lady Grover was required to continue with Mike Vickery as CEO until a suitable replacement could be found.
- Lady Grover remains at risk of insolvency, principally due to the way in which the regulator makes its calculations, with some of the Fund's investments not being included. However, due to the decision to introduce tiered subscriptions, the Fund has been able to weather the current fiscal crisis and remain solvent with a resilience that has not been seen previously.
- There has been a net loss in membership which Nigel Hare talked through later in the meeting.

JG asked for comments on the Committee of Management Report prior to asking for a vote on its approval. Approval of the report was proposed by Bridgit Getley and seconded by Ray Lock and was passed. (14 votes for and none against).

Investment paper

JG invited Olivia Merrick (OM) from Rathbones to run through her presentation based on the investment paper.

OM updated the members on performance of the portfolio to the 9th June 2020. The value of the portfolio was just over £2m at that point, having enjoyed a strong recovery from the lows in March when it had seen quite steep pandemic-induced falls. There had been a stark difference in UK equity vs World equity performance this year, with the UK market down some 15% vs world markets ex-UK up 1.7%. This was largely due to the cyclical bias of the UK market (high exposure to oil & gas companies, miners, and banks) as well as the continued overhang of the UK's EU exit deadline later this year.

OM highlighted that income had unfortunately fallen more than expected in a 'typical' recession, due to the unique nature of this situation and the government-imposed lockdowns. Many otherwise healthy companies had suspended their dividend for the time being, to protect their balance sheet until they had more clarity around their operating environment. Income from the fund was therefore £45k per annum, where it has been £55k at the beginning of this year. Apart from a potential cut from BP, Rathbones are not anticipating any more meaningful cuts, and therefore hope income would only grow from this level as companies reinstated some form of a dividend in the next 12 months.

The portfolio continued to be modestly overweight equities vs the WMA Balanced benchmark, but Rathbones had a clear preference for quality, defensive companies that should be able to survive a tough operating period, and perhaps emerge stronger as competitors fail or become takeover opportunities. Rathbones were also buying companies that they felt would be long term, structural winners when we emerged from the pandemic, due to key trends that they thought would be drastically accelerated (more tech in people's lives, digitalisation of businesses, ecommerce, to name a few). Crucially banks were in good shape, and monetary and fiscal stimulus offered so far in developed economies has been vast, which was a key support for markets.

OM highlighted that the fund performed well last year and was up 17% from the previous year.

OM talked to the current climate and the effect that has had on the fund. We had seen the fund drop around 22%, however, this has recovered slightly from a low point of 23 March 2020 to a drop of 18%. OM revealed that a sizeable percentage of the negative return has come from the Fund's relatively high exposure to the UK equity market around which there has been remaining uncertainty caused by the exit of the UK from the EU.

Actuarial Report & Certificate

NS said that the purpose of the valuation was to assess the liabilities of the Fund and compare these liabilities with the assets of the Fund. If the assets of the Fund exceed its liabilities, then the Fund could be confirmed as being solvent.

Method

Fundamentally liabilities were calculated as the value of future member benefits plus the value of future expenses minus the value of future contributions received from members. In calculating liabilities, the actuary complied with rules published by the UK regulator, the Prudential Regulation Authority ("PRA"). These rules are designed to ensure that the liabilities are calculated conservatively so as to provide a safety margin against actual experience in the future being worse than expected.

In addition, two safety margins are held. The first is an explicit amount formally known as the Required Minimum Margin (often referred to as the solvency margin). The second is the "resilience reserve" which is an addition to the basic liabilities to allow for sudden changes in the value of the Fund's investments and interest rates.

Assumptions

NS commented on how the assumptions underlying the liability calculation are derived. Assumptions about claims are based on the recent experience of the Fund. Expense assumptions are based on recent expenses but are only required to be sufficient to ensure that the Fund is able to meet its obligations to existing members. The interest assumption used to value future cash flows is driven by the dividend yield on the Fund's equity investments (no allowance is made for future capital gains).

Result at 31 December 2019

NS provided some figures on the valuation result and noted that a full report on the valuation at 31 December 2019 had been sent to the Committee of Management. He said that the key figure for members to bear in mind was the excess of the Fund's assets over its liabilities including the resilience reserve and solvency margin. At 31 December 2019 this was approximately £0.45 million. This compared with assets of the Fund of approximately £2.2 million.

Key factors behind this strong position were the recent change in contribution rates and the very strong investment performance achieved in 2019 (the investment return had been almost 17%).

Covid-19

NS had made an estimate of the effects of the Covid-19 pandemic on the financial position of the Fund at 30 April 2020. Given the membership of the Fund and the benefits provided, no changes in the valuation assumptions were required to reflect increased sickness and mortality rates. However, the Fund had been seriously affected by the fall in the value of its investments since 31 December 2019 and by lower dividends and interest rates.

NS estimated that at 30 April 2020 the excess assets of the Fund were £0.13 million compared with £0.45 million at 31 December 2019. The Fund remained solvent.

Summary

NS said that the Fund had started 2020 in a strong financial position primarily due to its changed contribution rates. As a result, it was able to withstand the large fall in the value of its investments as stock markets reacted to the potential consequences of the Covid-19 pandemic.

JG noted the unexpected absence of the auditor, Eric Pritchard of Keelings who could not be contacted. He therefore undertook to deliver the report of accounts himself.

ITEM FIVE: ADOPTION OF THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2019

JG asked the members for any questions on the accounts including the updates from OM and NS. As there were no questions, JG opened the electronic vote with Simon Springett proposing and Robert Lynch seconding the approval of accounts that was carried (12 votes for and none against).

While voting was taking place, JG thanked OM and NS and Eric Pritchard, in his absence, for all the work they do on behalf of Lady Grover. JG invited them to stay on the meeting should they wish. NS decided to stay, and OM chose to leave.

JG confirmed that the statement of accounts had been approved off via electronic vote.

ITEM SIX: RE-APPOINTMENT OF AUDITORS AND ACTUARY

JG explained that each year the auditors and actuary need to be re-appointed. He proposed the re-appointment of the auditors, Keeling & Jones Hunt, and actuaries, ED Financial which was sought via electronic vote. The vote was proposed by Mike Vickery and seconded by Simon Springett and carried (5 votes for and none against).

JG confirmed that the vote was complete, and the auditors and actuaries had been re-appointed.

ITEM SEVEN: MEMBERSHIP AND CLAIMS

JG reminded attendees that it was agreed at the SGM that tiered subscriptions would come into force of 1 July 2020.

JG introduced NH to report on membership and claims and explained that the information he was providing was a summary of the report given to the Committee at the Q4 meeting held in January 20. The report had been circulated pre-meeting (Paper 5). JG added that NH would also include a brief summary of membership and claims since the onset of COVID.

NH first comment was to highlight the number of new members from last year. Lady Grover had 54 new members which is the highest number of new increases NH has seen to date and there was a significant increase in the number of phone calls and enquires about the fund. NH pointed out that despite the increase in members, there was a net loss of 153 members during the year. This was mostly due to ongoing work to contact a significant number of members that were paying incorrect subs, many of whom pay via standing order. This work had led to 103 members being removed.

NH informed the meeting that less was paid in claims last year than the year before. The total claims were down 12% on the year before and we had a third fewer claims as well. This had resulted in the overall average paid out per claim rising from £1160 in 2018 to £1634 in 2019. The assessment of the reason for this is that we received more claims for nursing and accommodation which are among the highest paid out per claim.

NH asked if there were any questions prior to moving on to the impact COVID. Robert Lynch asked what the OA has been doing to increase membership and enquires and what plans are in place to continue this trend. NH undertook to answer that question later, in his report on the contract.

JG outlined to Members that he had set the OA a membership increase target, which he acknowledged as challenging and NH confirmed the target. (*Post meeting note – the target was set at the committee meeting held on 20 July 2018 at 2000 new members over 5 years*). JG clarified that the loss of members in 2019 sounded worse than it was given that most of those leaving had been not been paying the correct subscription. The financial effect on the Fund of their removal was, therefore, minimal.

NH highlighted that since Christmas and the onset of COVID we have seen a significant fall in enquires. Nonetheless, the overall reduction in the number of members was only 5 which is better than the equivalent period last year. However, he pointed out that work on the database is ongoing and there are still some 100 underpaying members to be contacted, many of whom may decide to leave.

NH pointed out that claims have also significantly reduced since the onset of COVID and if the rate remains the same, we will see the lowest annual total in the last three years. NH posited that the reasoning behind the drop in claims is due to the reduction in elective surgeries which may well change as we emerge from the pandemic.

JG also speculated that many members are likely to have been shielding which would also lead to the reduction in claims. He agreed that we could reasonably assume that once the pandemic is over, we could start to see a rise in the number of claims and that this rise would likely include some additional backlog.

ITEM EIGHT: CONTRACT WITH THE OA

NH updated on the actions the OA took in 2019 to help promote the Lady Grover Fund. One action was to reach out to several charities, including The Forces Pension Society and seek their support by sharing information about the Fund. The OA has also updated the Lady Grover website to increase the appeal to a younger audience with clearer advertising of benefits. This included the introduction of a new system that allows enrolment through the website which complies with GDPR and makes joining the Fund much easier. The OA has also shared the work it has been doing for the Fund in the COBSEO newsletter.

The OA has also been working with Forces Health, a commercial organisation that sells core health care and they now have a direct link to the LG Fund website through their website.

NH highlighted that the migration to Microsoft 365 by the OA and the Fund had been instrumental in allowing the Fund to continue operating during the pandemic.

JG asked if Lee Holloway (LH) would like to add anything as OA CEO. LH informed the meeting that the OA recently held a meeting to discuss the marketing plans for the Fund for the coming year. LH highlighted that the focus over the past 2 years for the OA in respect of the contract with the Fund was to bring the administration of the Fund up to date. This included a significant amount of work on GDPR which had resulted in less resource being available for other activity including marketing.

JG admitted that he has set ambitious targets for the OA which will be very challenging to reach in the current configuration of the Fund, but that a significant uplift was essential to fund survival. JG confirmed that over the last 18 months quite a large amount of time has been spent tightening up compliance which has taken the management committee focus away from growing the fund. The committee is now refocussing on continuing to resolve how we sell end of life care assurance to younger military officers.

LH mentioned that he recently had approval from the OA Trustees to start a membership programme for the OA and this should have a positive impact on LGF as it could become part of the membership offering from OA.

ITEM NINE: ROTATION OF COMMITTEE

JG explained that we are required to rotate one third of our committee members each year. The next member for rotation was Jon Brittain (JB). JB stood down as a committee member then JG proposed he be re-elected. The ensuing vote was proposed by Simon Springett and seconded by Judith Naylor. The motion was carried. (13 voted for, none against).

JG confirmed after the vote that JB was re-elected to the committee.

JG's explained that his tenure as Chairman is reviewed annually and he explained that he would be retiring at the end of this meeting and seeking re-election at the beginning of the next committee meeting in July.

The next vote was for Stuart Bell (SB) to be confirmed as the new CEO designate (pending approval of his appointment by the regulator). The ensuing vote was proposed by Simon Springett and seconded by Ray Lock. The motion was carried (10 voted for and none against).

JG then confirmed SB was elected to the committee as CEO dsq.

ITEM TEN: ANY OTHER BUSINESS

Simon Springett (SS) asked whether any consideration had been given to further tapering subscriptions to encourage younger officers to join. JG thought this was an excellent suggestion that will be further considered by the LGF Committee.

ITEM ELEVEN: CLOSING REMARKS & CEO FAREWELL/WELCOME

JG's closing remarks were to MV, who was retiring after 10 years as CEO. JG thanked MV for his tireless efforts and wished him all the best in his retirement. JG then presented MV with a gift.

JG handed over to Bridgit Getley (BG), the Patron of the Fund who introduced herself and, on behalf of the LG family, added her thanks to MV for his service.

A final vote was taken to wish MV every success and happiness in his retirement and, with a resoundingly unanimous outcome, all those present wished MV just that.

MV thanked all for their kind words and for the gift from the committee and said a final goodbye (though knowing Mike, none genuinely believed that!).

JG thanked all for attending, for their attention and contributions and formally closed the AGM at **15:36**