LADY GROVER'S FUND

NURSING. HOSPITAL AND HOME HELP

LADY GROVER'S FUND FOR OFFICERS 96TH ANNUAL GENERAL MEETING

15th JUNE 2021 at **1400** (online meeting)

MINUTES

FUND and COMMITTEE MEMBERS PRESENT

John Gower (JG)	Member, Chairman (Committee Member)
Jon Brittain (JB)	Member, Trustee (Committee Member)
Ian Caws (IC)	Member, Committee Member
Judy Naylor (JN)	Trustee (Committee Member)
Lee Holloway (LH)	Member, Trustee (Committee Member)
Jocelyn Lynch	Beny Member, Trustee (Committee Member)
Stuart Bell (SB)	CEO (Committee Member)

Stephen Anderton	Member	Robert Lynch	Member
Elliot Bancroft	Member	Nick Mifsud	Member
Thomas Coutts-Britton	Member	Derek Rutherford	Member
Beryl Dennett-Stannard	Beny Member	Vernon Stradling	Member
Richard Eccles	Member	John Stevens	Member
John Fennell	Member	Ian Stuart	Member
Tim Finnegan	Member	Michael Vickery	Member
Peter Johnson	Member	Gordon Wilson	Member
Francis Hobbs	Member		

IN ATTENDANCE

Jo Killip (JK)	Head of Finance OA
Elaine Fairless (EF)	Actuary
Nigel Silby (NS)	Actuary
Elliott Bancroft (EB)	Rathbones
Richard Martin	M&G
John Gilbert	M&G
Karen Hardy	Assistant to Membership Secretary
Victoria Greenhalgh	Officers' Association

APOLOGIES

None given in advance

ITEM ONE: OPENING COMMENTS

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

- Attendees were informed that the meeting would be recorded, and copies would be available to members who had registered to attend.
- Attendees were requested to switch off their video to help maintain the video stream.
- Individuals were invited to remain muted throughout the meeting unless wishing to speak to ensure those presenting could be heard clearly.
- Attendees were invited to raise questions electronically via the ‘chat’ facility or via the ‘raised hand’ button.

JG formally started the meeting by introducing LGF advisers Nigel Silby, Elaine Fairless, Elliott Bancroft, John Gilbert, Richard Martin and members of the Officers’ Association.

JG advised that the Fund’s rules have been changed so virtual meetings are allowed to continue in future. For the first time more members who are not members of the Committee were in attendance.

JG stated that members will be aware that the Society has announced plans to change its constitution to that of a discretionary mutual. This subject is not part of the AGM business but as indicated in the agenda members will be updated on plans in an informal briefing and discussion immediately following the AGM.

ITEM TWO: MINUTES OF THE 95TH AGM HELD ON 16 JUNE 2020

JG asked for any comments on the previous AGM minutes which had been included in the pre-meeting paperwork. 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.

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 year’s AGM are covered on this agenda or in the Committee’s report.

ITEM FOUR: 2021 REPORTS

Committee of Management's Report 2021

JG explained that all the reports within this session look back over 2020. JG formally recorded his thanks to the Officers' Association in particular for the way in which they managed their business during the pandemic.

JG reported that the effects of Covid impacted LGF in two ways:

- The asset base took a massive dive at the beginning of first lockdown, this has now recovered.
- The number of claims has significantly diminished, JG reported the reasons for this were:
    - The NHS had been very focussed on Covid and not on routine operations.
    - A lot of LGF members have not been going out and falling over. The lockdowns have restricted opportunities to make a claim and so the claim base is much lower.

JG went on to discuss the financial statement which shows a drop in both income and capital expenditure and a slight change in the Fund's asset balance, but the Fund remains healthy. Total assets are very much the same as the year before. LGF is comfortable in its financial situation.

Robert Lynch raised a question on expenditure being £141k 7% of fund value – is this the norm for a charity? OA for example. Also, premium income is £15k so you are spending most of income to administer yourselves – what are you doing to correct this? JG replied most the income is used to administer LGF, required to do that because LGF is a regulated society. One the reasons to seek discretionary mutual status is to reduce this cost demand.

Audit Report

JG advised that whilst the auditor was not present at the meeting his report had been previously circulated. The auditor has reported that the Fund is solvent, safe and sound.

Investment paper

JG directed attendees to the report previously circulated. Elliott Bancroft summarised the Fund's performance as follows:

- The portfolio up to the end of May returned a quite healthy 20.8% which compares with the benchmark which returned 15%.
- Client portfolio value £2.34m producing an income yield of £40k per annum.
- Long term returns performance strong against benchmark

JG added a further benefit of moving to a discretionary mutual status is it will allow much more discretion in balancing the portfolio when removed from solvency rules that exist in the regulation. Current portfolio is designed to give best protection against involuntary insolvency.

EB was asked about his fees. He replied that Rathbones charge a flat fee of 0.6% plus underlying charges.

Actuarial Report

NS reported. NS introduced Elaine Fairless his co-director who peer reviews his work for LGF.

The Actuaries are concerned with the business in force on 31st December 2020. They make a projection of future cash flows, that is the contribution income, the expected claims paid to members of the Fund and expenses, these are projected forward for each future year. They then establish the amount of money needed currently to pay future cash flows allowing for interest on payments occurring in the future. The PRA requires this calculation to be done by a qualified actuary, and be done on a prudent basis, that is the assumptions should aim to be sufficient that if things go slightly wrong there will still be sufficient value given to those reserves. Once reserves are calculated they are compared with the total value of assets, currently around £2.2m at 31st December and hopefully find assets are larger than the assets needed to meet future obligations on existing business.

NS was happy to report that the Fund's assets exceed reasonably comfortably by approximately £190k the net requirement to cover future liabilities and therefore NS can certify in the statutory returns that the Society is solvent.

Every third year a more detailed set of returns are required to be submitted to the PRA who are at liberty to challenge or ask questions if they wish. They have historically not done so for LGF.

A question was raised asking whether the return from Rathbones of 1.7% is low. NS replied the rate is the dividend yield on the assets or the income yield on the gilts held. It is the nature of investing in equities, they do have low dividends but the reason to invest in equities is not the investment risk return, the dividend yield, it is because capital growth is expected over the long run. Can expect growth to be greater than the rate of inflation, so a much better overall return on equities than purely the dividend yield. The PRA rules on the valuation rate of interest, the rate at which assets are discounted, say that NS is not allowed to take into account any potential future capital gains, only dividend yields can be taken into account. The dividend yield is low and during the pandemic dividend yields fell by even more as a result of companies cutting some of their dividends. NS felt it was not a fair way to look at equities. EB added income has dropped throughout the pandemic, more than 50% of the FTSE 100 cut their dividends. It is important to look at income and capital returns, over the last 10 years the Fund has annualised 8.1% per year for 10 years. So whilst income is a factor the capital returns have been more than sufficient to increase the value of the portfolio.

JG added that when faced in a year with a high claims ratio, which has been the case in the years up to but not including this year being reported on now, some capital growth has been realised in order to meet those costs. Essentially selling off assets in order to meet those costs, which the Fund is able to do because of the significant capital growth. Income alone would not be sufficient.

JK advised that in the previous few years about £90k of shares have been sold to cover working capital and also Rathbones tend to have a cash reserve, so often they are not actually selling shares, the cash is actually there waiting to be invested, this normally takes place in Q3 and Q4 of the year once membership subscriptions have been used up.

John Fennell asked if the actuaries have any view on the characteristics of the people who are actually members. At the moment only about 3% of the membership are claiming. John Fennell could not find any figures for the insurance industry that talk about the normal claim rate per how much is on the books. He asked if this might strengthen the argument that says 'you are running a wonderful investment business but actually there are very few, if anybody, claiming'. JG replied that the claim, notwithstanding the correct assessment that the number of membership claims is relatively small as a proportion of the membership, but it is also correct that they are the more vulnerable and more elderly section of the membership largely who claim. Nor is it wrong to say that these claim levels before the Covid year were ramping up and could not be dismissed, they were significant and giving cause for concern. Another important thing is that the insurance deal that LGF offers is so unattractive to every other insurer that there is no realistic possibility that the contracts of insurance could be passed on as a potential future. NS added that current claims are not going to be a good guide to future claims for the existing membership because claims rates increase dramatically once people get into their 80s and over claim rates shoot up and the reserves reflect a need to set aside monies to cover those increased claims. They would not stay at current levels indefinitely.

ITEM FIVE: ADOPTION OF THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2020

JG asked the members for any questions on the accounts. As there were no questions, JG opened the electronic vote with Thomas Coutts-Britton proposing and Beryl Dennett-Stannard seconding the approval of accounts that was carried.

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

ITEM SIX: RE-APPOINTMENT OF AUDITORS AND ACTUARY

JG thanked NS and EF for their advice which goes far beyond the level of what is actually paid for. 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 Stephen Anderton and seconded by Beryl Dennett-Stannard and carried.

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

ITEM SEVEN: MEMBERSHIP AND CLAIMS

JK reported LGF now has just over 2,500 members. There were a number of cancellations last year due to memberships being cancelled due to non-payment. All members are now paying. JK advised that claims are much lower. The trend previously was that people were claiming for hospital accommodation and nursing home fees, that has really reduced over the last year and the claims are now mostly for home help. Claims are likely to go up in the future once the country gets back to normal to see what the true claim rate is going to be in the future. JG added that whilst it is anticipated that claim rates will rise, it is expected to rise above average once NHS start to deal with the massive backlog in routine procedures.

ITEM EIGHT: ELECTION OF COMMITTEE MEMBERS

SB advised that the election of the Committee Members comes in two parts.

a. **Re-election of Committee Members (Rule 16 (2) applies)**

The longest serving third of the Committee have to retire at each AGM, this year John Gower and Lee Holloway are up for re-election. There are no other candidates and there are sufficient vacancies on the Committee. It is an uncontested election and under Rule 16(2) that means no vote is required.

b. **Election of Mrs Jocelyn Lynch as Committee Member**

Mrs Jocelyn Lynch has been informally advising the Committee over the last year and has previous experience as a Trustee of the OA. The Members have endorsed her as set out in Paper 7.

The electronic vote was opened. It was unanimously agreed in favour.
For: 14 votes
Against: 0.

ITEM NINE: ANY OTHER BUSINESS

JG had received a question from John Fennell about proportion of current membership who are serving. JG advised that this information was currently not available. A search of the database will be carried out and this information will be added to the Frequently Asked Question section on the website.

Francis Hobbs asked where membership is being promoted. JG replied that at the moment do not actively promote at the entry points of Officers but do market at the Staff College, although this has not be done during the pandemic. The intention is to meet with Commandant of the Staff College in near future.

A question was raised on whether membership fees would be raised to make up for reducing membership. JG replied that fees would not be increased, fees have been reduced for younger joiners. The membership fees have been raised to reflect the risk that the age-related categories bring in relation to NS' earlier point. Rates remain competitive and will be pushed to the point where that is the reason why people are leaving who are in the older age brackets. The Committee remains sensitive to that but whilst under strict solvency rules if the subscription rates are not adjusted to reflect the claims projections, this would adversely affect projected solvency margins.

ITEM TEN: CLOSING REMARKS

JG thanked all those who contributed to the most attended AGM of recent years.