Minutes of the Local Pension Board of Warwickshire Pension Fundmeeting held on 11 January 2016

Present:

Members
Keith Bray (Chair), Councillor Alan Cockburn, Heather Costello, Andy Crump, Keith Francis, Alan Kidner and Councillor Matt Western.

Officers
Helen Barnsley, Democratic Services Officer
John Betts, Head of Finance
Neil Buxton, Pensions Manager
Andrew Lovegrove, Head of Corporate Financial Services
Sian Stroud, Senior Solicitor and Team Leader
Paul Williams, Democratic Services Team Leader.

1. Introductions and General business

(1) Apologies

None

(2) Board Members' Disclosures of Interests

None.

(3) Minutes of the meeting held on 28 July 2015

The minutes so the meeting of the Board held on 28 July 2015 were agreed as an accurate record for signing by the Chair. There were no matters arising.

2. Annual Report and Financial Statements 2015

Neil Buxton (Pensions Manager) introduced this report. Copies of the Warwickshire Pension Board Annual Report and Annual Statements 2014-2015 were distributed to Board members. No questions on the Annual Report were forthcoming.

In response to a question from Councillor Alan Cockburn, Andrew Lovegrove (Head of Corporate Financial Services) updated the Board on Warwickshire's position regarding the pooling of pension funds. He explained that Central government was consulting on an initiative to create six "wealth funds" across England and Wales. It is understood that there are proposals in circulation for eight pools and Warwickshire is currently considering three of these namely i) a pool comprising Warwickshire, Surrey, East Riding and Cumbria ii) a pool of funds within the West Midlands iii) a geographically larger pool comprising a number of funds located across the middle of England. All three pools would aim to satisfy the Government's minimum requirement of £30bn of assets. The pools will have different characteristics with some funds currently being largely internally managed while others, like Warwickshire employ external managers. The pools will offer a range of investments covering different investment sectors. Keith Bray, the Chair, explained that the 89 funds in England and Wales would retain their identity and still be able to choose which sectors they wished to invest in. Thus the pooling of funds would not remove their ability to choose where they will invest. The funds that make up each pool will work in collaboration to choose fund managers.

The Board was informed that it is this joint procurement of fund management where it is expected significant savings will be made but the Chair reminded the meeting that fund performance is about more than the cost of fees. The principal aim is for funds to produce good returns while controlling risks.

Funds that have good funding levels will not be expected to support any that are in deficit. The Central Government has stated that it will be taking reserve powers to ensure that all funds participate in the proposed pooling arrangements. The indications are that where funds express the view that they do not wish to be party to pooling they will be forced to do so. Any proposals for pools that are deemed to be unviable will be rejected by Government.

The role of the Local Pension Board regarding the pooling process was discussed. It was emphasised that this was in ensuring that the correct process had been followed in deciding which pool to join. It is not the responsibility of the Board to advise on which pool should be joined or on the criteria on which that decision should be made.

In response to a question from Councillor Matt Western regarding the transparency of the process to date it was noted that the short timescale presented by the Government had reduced the opportunities for this.

The Board agreed that before any decision is made by the Warwickshire Fund on its pooling preference, it (the Board) should meet again to assure itself that the process followed has been correct and transparent. To this end it was agreed that the Board should meet again before the final Council decision in July.

The position regarding pooling governance arrangements was clarified. Before agreeing to join a pool the Warwickshire Fund will need to have followed appropriate processes and be satisfied it will work in its interest. Alan Kidner asked if consideration was being given to Local Pension Boards' members having direct involvement of the governance of the pool. He was advised that for each pool to have representation from Local Pension Boards may make the governance structure unwieldy. The Board will have an oversight how Warwickshire Pension Fund engages with the running of the pools.

The use of external fund managers to advise pools on investments was discussed. Some of the pools will require the services of outside consultants. Larger ones (such as West Midlands and East Riding) already have in-house expertise and may draw on these resources as well as possibly appointing investment managers for certain types of investment

Funds will set their own benchmarks and investment strategies and decide which sectors of the pool they wish to invest in. The Warwickshire Fund will be able to challenge the performance of the pool it is in. This will be the responsibility of the Pension Fund Investment Sub-committee.

Returning to section 2 of the published report Neil Buxton informed the meeting that it is expected that reviews of the performance of the Pension Fund will, in future, be undertaken more frequently than at present.

The responsibility of all partners to report any breaches to the Pensions Regulator was emphasised.

Innovations regarding communication were discussed. The website is to be re-branded to distinguish it as being that of the Warwickshire Pension Fund. In addition work is underway to improve communication with scheme employers. E-learning methods are being developed for the use of employers. These will inform them of their role as administrators. Employers are required to submit a monthly return. This is unusual though not unique. In response to a question from Alan Kidner the meeting was informed that payments can be on the 19th or the 23rd of the month depending on how they are made (cheque or BACS).

The distinction between “Scheduled Bodies”, “Designation Bodies” and “Contractors” was explained. The first are large bodies such as the County Council and district Councils. These have a right to join the fund. The second includes smaller employers eg Parish Councils. These cannot be prevented from joining but a resolution is required from that body before they can do so. Contractors are employers that have taken on County Council functions and staff. They become members to protect the pension rights of any employees who have been transferred over.

Citizens’ Advice Bureaux are “Community Admission Bodies”.

The Annual Benefits Statement is required to be produced by 31 August. Warwickshire produces its statements in partnership with other authorities to hold costs down. In 2015 96% of active members in Warwickshire received their statements on time.

There are currently 2000 “preserved benefits” members marked as “gone away”. These are people who have paid into the fund but who have fallen out of contact with its administrators. It is expected that additional efforts will be made to track these people down.

Regarding section 7 – “benchmarking”, Board members commented on the high level of detail in the appended report. It was noted that whilst the cost per member of administering the Warwickshire Fund has decreased it remains high compared to others. In response the board was informed that staff costs can be high but a recent job evaluation exercise indicated that salaries were commensurate to the work being carried out. Particular reference was made to the payroll cost per pensioner (Page 8 of the CIPFA report). This was the highest recorded. In reply the Board was told that this is a legacy of old systems.

Members of the Board welcomed the CIPFA report, although it was suggested it could be clearer. It was suggested that the report should be delivered every year and that it should be accompanied by commentary that would enable easier understanding of the results.

Turning to section 9 “Valuation 2016” the Board was reminded of the very tight timescale available to submit the relevant data to the actuary. Regarding the assumptions forming the basis of the valuation it was noted that these derive from the actuary. It was noted that these need to be consistent across valuations and that advice was being sought on this from the national Scheme Advisory Board.

3. Review of Minutes of Pension Fund Investment Sub-committee Meeting 14 December 2015

Councillor Matt Western expressed his disappointment at the number of apologies given by members of the committee. Further information was requested on the challenges that a failure of Legal and General would present to the fund.

4. Next Steps

It was agreed that meetings of the Board should be arranged for April, July and December 2016.

5. Any other business

None

The board rose at 3.25 pm

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Chair