

**Minutes of the meeting of the
Local Pension Board of the Warwickshire Pension Fund
held on 14 July 2016**

Present:

Members

Keith Bray (Chair), Councillor Alan Cockburn, Heather Costello, Andy Crump, Keith Francis, Alan Kidner and Councillor Peter Morson.

Officers

Neil Buxton, Pensions Manager

Mat Dawson, Treasury and Pension Fund Manager

Andrew Lovegrove, Head of Corporate Financial Services

Victoria Newbold, Senior Solicitor and Team Leader

Paul Williams, Democratic Services Team Leader

Others

Mark Packham, Director, PWC

1. Introductions and General Business

(1) Apologies

None

(2) Board Members' Disclosures of Interests

None

(3) Minutes of the meeting held on 11 January 2016

The minutes of the meeting of the Board held on 11 January 2016 were considered by the Board. Alan Kidner requested that the final paragraph on page 2 of the minutes be changed to state that he had requested that pension scheme members should be able to have more involvement in the governance of the new pension pool. This was agreed. With that alteration the minutes were agreed as an accurate record for signing by the Chair.

Under matters arising, officers were asked whether the promised spreadsheet on breaches was yet available (P3, para 4). In reply, the board was told that this was not yet ready but should be by the end of August.

2. Review of the Minutes of the Pension Fund Investment Sub-Committee for 14 March 2016 and 13 June 2016

Board members reviewed the two sets of minutes from the Pension Fund Investment Sub-Committee (PFISC). The Chair reminded the Board that the PFISC is open to the public although there are occasions when it has to move into closed session. The Board was informed that a request from the Chair that Local Pension Board members be given access to exempt papers had prompted a dialogue with the County Council's Legal representatives. Given the status of the Board it had been proposed that consideration be given, on a case by case basis, as to whether

exempt information should be made available to Board members when linked to the Board's work programme. The Board considered this reasonable but agreed that if the system was found not to work effectively it should be reviewed.

It was agreed that Board members would be sent details of future meetings on the Pension Fund Investment Sub-Committee.

3. Update on Pooling of LGPS Funds (Led by PWC)

Mark Packham, Director, PWC was welcomed to the meeting. Using Powerpoint, he briefed the Board on progress with the national Pension Fund Pooling project. In response to questions from members of the Board, Mark Packham expanded on the role of investment officers who will assist the pool at a strategic level. An example was provided whereby a pension fund might elect to invest in Overseas Equity Funds; that choice rests with the fund but the choice of investment manager rests with the pool.

The pension fund will retain discretion over where it wishes to make its investments and will hold units in the funds offered by the Pool. The Warwickshire fund will be able to move between funds within the Pool as the investment landscape changes. Any pension fund in one pool cannot invest in units in another pool. However, pools will offer a diverse range of units to their constituent funds, providing a wide range of investment opportunities.

Pension funds can choose when they engage with their selected pool. They can adopt a "wait and see" approach, joining late, or a "join and influence" approach. Warwickshire has followed the trend and chosen the latter.

The Board was reminded that the future performance of Investment Managers cannot be guaranteed. A good record in the past does not give any certainty for the future. Experience has shown that the performance of Fund Managers should be prioritised over the cost of their services.

Mat Dawson, Treasury and Pension Fund Manager, stated that the Warwickshire Pension Fund has a good sense of the savings that pooling should bring. However, there is uncertainty over the transition costs. There are resources to cover these costs but it has been recognised that pressure on officers will increase during the transition period.

It was agreed that the Board should be provided with the information that Mat Dawson and colleagues will be submitting to the government.

The future mix of internal and external investment managers was discussed. Mat Dawson informed the Board that the decision of which managers the Warwickshire Pension Fund favours will rest with the Pension Fund Investment Sub-Committee. When the Pool makes its selection, Warwickshire will have a vote like other members of the Pool.

South Yorkshire Pension Fund has taken responsibility for administration for the Border to Coast Pool. However, it should not be regarded as the "Lead Fund". No one fund is leading. The approach is more collaborative.

Pension scheme members will not be directly involved in the governance of the Pool. However, any member can approach the Local Pension Board or the Pension Fund Investment Sub-Committee and engage through that route. This is similar to the current practice.

It was agreed that a copy Mark Packham's presentation would be circulated electronically to Board members.

4. Update of progress with Triennial Valuation

Neil Buxton, Pensions Manager, informed the Board that the data for the triennial valuation is now with Hymans Robertson. Initial results are awaited. The Board was informed that the main task of fund administrators is to secure and submit the information for the review. The workload for this valuation is higher than previously owing to the greater fragmentation of employers from whom data is required. Employers were set a deadline of 30 April to submit the information. All but a handful met that deadline but with between 50 and 60 thousand members in the Fund the data collection was a major task. It is expected that a clearer indication of value/ funding level will be available for the annual meeting of the fund in November but the deadline for the final valuation is not until April 2017. The Board commended officers for their hard work.

Regarding the assumptions on which the valuation is based, Andrew Lovegrove, Head of Corporate Financial Services, informed the Board that some investment areas such as gilt yields are constantly changing and hard to predict. Other assumptions, such as pay growth are more easily predicted (although recent political changes mean that there is now less certainty in this and other areas). In terms of predicting the future draw on pension funds, much work has been done on life expectancy with a suite of data sets being used to predict mortality rates.

The Chair informed the Board of a divergence of views on how best to conduct actuarial valuations and manage assumptions. A template is being developed to assist in like-for-like comparisons. However, on the basis that there is no correct answer when it comes to assumptions, there is benefit in considering a range of different views. This opinion was echoed by Mark Packham from PWC who counselled against any attempt to settle on a single solution.

Officers assured the Board that there are no concerns over data quality. Employers are well trained, benefitting from personal contact, induction packs (for new members) and e-learning. Academies can be problematic principally because of the bureaucratic workload they face and in some instances, a deficit of skills and knowledge regarding pensions.

It was anticipated that the valuation will be discussed at the next meeting of the Pension Fund Investment Sub-Committee.

5. Transparency of Investment Costs and Fees

Using Powerpoint, Mat Dawson briefed the Board on costs and fees incurred as part of the pension fund management process. In response to questions, he confirmed that a fund's performance and managers' performance was assessed net of fees. The merit of benchmarking against other funds was questionable as some operate at a higher level of risk than others. However, efforts are being made to

manage investment and fees information in a way that will allow for comparisons. This was done for the pooling bid and when compared to a peer group it was found that Warwickshire was performing well. It is expected that in the future, under the pooling arrangements, the reduced number of investment managers involved will make the assessment of fees etc easier.

It was reported that some funds do not report all of their costs. This gives a misleading impression that they are cheaper to run ie more efficient.

CIPFA has prescribed a way of assessing costs. This new approach was endorsed by Mark Packham of PWC.

In conclusion, Mat Dawson stated that with the new pooling arrangements, scrutiny of fees and costs will be enhanced principally by the number of constituent bodies that are monitoring them. In addition, if there are concerns, then the Financial Conduct Authority could become involved.

6. Administration Update

Neil Buxton informed the meeting that annual benefits statements will be sent to pension fund members by the end of August.

Along with all other pension schemes the LGPS is involved in reconciling data held by the Fund with that held by HMRC which related to the members Guaranteed Minimum Pension. Initial feedback for pensioner and deferred pensioner records is good but it is inevitable (and feedback from other funds confirms this) that there will be some cases where Warwickshire Pension Fund data differs to records held by HMRC and therefore there will be either overpayment or underpayments of pension made. For overpayments, an adjustment may be made to the pension going forward.

The Warwickshire Fund collaborates with other funds on matters such as the style and format of pension statements.

In answer to a question regarding collaboration with other administering authorities, the Warwickshire Pension Fund collaborates with neighbouring authorities (e.g. Worcestershire, Shropshire, Cheshire, Bedfordshire etc) on communications and annual benefits statements.

There are currently in excess of 2,000 preserved benefits marked as “gone away” because the Fund is unaware of their current address. Efforts will be made, via a tracing agency, to contact these members.

7. Pension Board Procedures - e.g. appointment of new members, expense claims, emails addresses, local pension board webpage, establishing a proper budget, and access to policy documents

Alan Kidner had previously raised a number a practical issues. An apology was provided for the delay in paying expenses to members of the Board by Neil Buxton. Assurances were given that payments will be made more rapidly in the future.

The Board was informed that County Council representation on the Board was a matter for the Council. However in response to confusion of precise roles on the

Board, it was agreed that officers would clarify who is considered an employer representative, an employee representative and an independent member.

It was not considered necessary to try to agree a separate budget for the Board. All reasonable expenses will be met by the County Council and the Pension Fund. Andrew Lovegrove agreed to attempt an assessment of the costs incurred to date.

Neil Buxton agreed to set up a group email address for the Board.

8. Draft Warwickshire Pension Board Annual Report

Keith Bray introduced his draft annual report. Following a brief discussion the report was endorsed by the Board.

9. Indemnity Insurance for Board Members

Keith Bray explained that recent Counsel's Opinion had suggested that Local Pension Boards, not being fully constituted committees of local authorities would not automatically be covered by their host council's indemnity insurance. Andrew Lovegrove agreed to investigate the situation in Warwickshire and report back to the Board.

10. Any other business

Members of the Board agreed that before their next meeting, training should be provided for them on the role of the Pensions Regulator.

The board rose at 1.00p.m

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Chair