

**Minutes of the meeting of the
Local Pension Board of Warwickshire Pension Fund
held on 12 January 2017**

Present:

Members

Keith Bray (Chair), Jeff Carruthers, Andy Crump, Keith Francis, Alan Kidner and Councillor Peter Morson

Officers

John Betts, Head of Finance
Mathew Dawson, Treasury and Pension Fund Manager
Andrew Lovegrove, Head of Corporate Financial Services
Victoria Newbold, Senior Solicitor and Team Leader
Ben Patel-Sadler, Democratic Services Officer

Other invitees

Richard Warden, Actuary – Hymans Robertson

1. Introductions and General business

(1) Apologies

Councillor Alan Cockburn

(2) Board Members' Disclosures of Interests

None

(3) Minutes of the meeting held on 14 July 2016

Keith Bray (Chair) informed the Board that the issue of insurance cover for Local Pension Boards had arisen at the Worcestershire Pension Board. Members noted that Worcestershire's position was that the Local Pension Board was covered under the council's standard insurance policy.

Andrew Lovegrove, Head of Corporate Financial Services informed the Board that there were currently conflicting views in relation to whether or not Local Pension Boards were automatically covered by their host council's indemnity insurance. Andrew Lovegrove informed the Board that he would circulate a Briefing Note to clarify the position of the Local Pension Board of Warwickshire Pension Fund.

In relation to the LGPS being involved with reconciling data held by the Fund with that held by HMRC which related to the members Guaranteed Minimum Pension, the Board noted that this presented a significant challenge for funds to meet the 2018 deadline set by the government.

Members expressed a view that they were now clear on who was considered as employee and employer representatives on the Board.

The Board noted that attempts would be made to host some training around the role of the Pensions Regulator on the day of the next Board meeting.

The Board expressed a view that members should be granted access to all of the information being considered by the Pension Fund Investment Sub-Committee.

The minutes of the meeting of the Board held on 14 July 2016 were agreed as an accurate record for signing by the Chair.

2. Review of the Minutes of the Pension Fund Investment Sub-Committee for 12 September 2016 and 12 December 2016

The Board noted that they had been invited to attend future meetings of the Pension Fund Investment Sub-Committee – members expressed a view that they would attend future meetings wherever possible.

The Board asked a question around who was responsible for rebalancing the pension fund.

Mathew Dawson, Treasury and Pension Fund Manager informed the Board that Legal and General were responsible for rebalancing the fund. The Board requested that Mathew Dawson supplied them with a summary which would include the statement of investment principles.

A discussion took place around the merits of hedging overseas investments. Members noted that there were no definitive right or wrong methods when it came to taking decisions around investments. Investment decisions were taken after careful consideration had been given to all possible outcomes – members expressed a view that there was never 100% certainty that any investment would yield significant returns.

In relation to the issue of Brexit, Mathew Dawson informed the Board that it was unlikely that the overall investment strategy would change in the short term because of the United Kingdom's decision to leave the EU. The Board noted that significant political events were built in to the long-term investment strategy.

Richard Warden, Actuary – Hymans Robertson informed the Board that a stabilisation mechanism was applied to the precepting bodies who were members of the LGPS. Members noted that this stabilisation mechanism was used to determine the contribution rates to the scheme paid by each employer. This was utilised to ensure that the overall fund was funded correctly over the long-term.

Mathew Dawson informed the Board that ministerial approval of the Border to Coast Pension Pool had been given – a full report to Council would be considered in March 2017.

3. Update on Pooling of LGPS Funds

Mathew Dawson, Treasury and Pension Fund Manager provided the Board with a verbal update where members noted the following points:

- The Pension Pooling scheme was announced by George Osborne (then Chancellor of the Exchequer) in 2015 with the aim of reducing the number of pension schemes in operation and to encourage local authorities to invest in local infrastructure. It was also hoped that pooling would reduce costs and improve governance arrangements. In the Autumn Statement of 2016, Phillip Hammond (Chancellor of the Exchequer) announced that a total of £23 billion would be invested in innovation and infrastructure over a five year period.
- Members noted that Warwickshire had opted to join the Border to Coast Pension Pool which had a fund value of £35 billion. Border to Coast had been chosen because of its clear proposal and roadmap, good internal investment resource and the one fund, one vote scheme which it had adopted. Members noted that post 2018, the UK Equity asset class would be managed by the Border to Coast Pool. Mathew Dawson informed the Board that it was expected that Council would formally approve the Border to Coast deal in March 2017.
- By joining the Border to Coast Pool, officers would be unable to speak directly to the fund managers – this would be the responsibility of Border to Coast. Mathew Dawson informed the Board that it would be essential for Border to Coast to forge excellent client relationships with the fund managers – he was confident that this would be the case. Mathew Dawson was confident that savings on fund manager fees would be achieved by joining the Border to Coast Pool.
- The Chair expressed a view that local government pension schemes sought to secure long term, well performing investments. It would remain crucial for asset allocations to be managed effectively to secure the best possible returns on investments.
- Members noted that independent advice had been sought from a range of partners to ensure that the decision to join the Border to Coast Pool was the right one from Warwickshire's perspective.
- Members noted that the Border to Coast offices would be located in Leeds.
- The Board expressed a view that it was imperative for Warwickshire to monitor the achieved savings into the future.

Mathew Dawson informed the Board that CIPFA guidance stated that all fees paid to fund managers were required to be published.

4. Valuation Results

Richard Warden, Actuary – Hymans Robertson addressed the Board and provided members with an overview of the 2016 fund evaluation. Members noted that the fund actuary adopted a six-stage process to arrive at the 2016 valuation, which were:

- Setting assumptions
- Understanding the fund
- The national picture
- Setting employer funding strategies
- Balancing prudence and affordability
- A transparent Funding Strategy Statement (FSS)

Members noted that low interest rates were continuing to have a negative impact on financial investments. Richard Warden informed the Board that a risk based approach was adopted when calculating the future growth of the fund and did include financial uncertainties as part of the modelling process. Members noted that economic growth was likely to remain slow for a significant amount of time. This would result in more pressure on future pension costs.

Richard Warden informed the Board that because people were now living longer, adjustments would need to be made to contribution rates to ensure that the fund remained correctly funded.

Members noted that the Warwickshire Pension Fund was placed in the upper quartile of pension funds nationally in terms of its funding level.

Richard Warden informed the Board that each employer's contribution rates were set on an individual basis. If any employers withdrew from the fund for whatever reason, then it was the responsibility of the remaining employers to make up the shortfall in contributions from the departing employer. Members noted that negotiations with regards to contribution rates were fair – it was never the aim of the fund to set unmanageable contribution rates to employers and their employees.

5. Administration update including benchmarking results, complaints, breaches schedule, forum/training day, new employers and administration requirements for employers

Andrew Lovegrove, Head of Corporate Financial Services provided an update to the Board.

In relation to benchmarking, members noted that the Council was currently looking at changing the current payroll provision with a view to have a replacement available from 2018. It was anticipated that the new system would reduce charges to the Fund.

Members noted that any breaches would be reported to the Board. In future, if any employer was late in paying contributions, an e-mail would be sent reminding them of their legal responsibilities and that they were likely to be recorded as a breach and risked being reported to The Pension Regulator.

With regards to complaints, the Board noted that four complaints had been received since April 2016. Andrew Lovegrove informed the Board that when sending out pension information, processes were in place to ensure that other people participating in the fund could not be identified.

The Chair expressed a view that Local Pension Boards had experienced a difficult 18 months since they were implemented. The Chair saw the Local Pension Board as a critical friend which could be asked to assist with any tasks set by the Pension Fund Investment Sub-Committee.

6. Any other business

None

The board rose at 12.45 p.m.

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Chair