Local Pension Board of the Warwickshire Pension Fund

12 January 2017

Agenda

The Warwickshire Local Pension Board will meet in **Committee Room 2, Shire Hall**, **Warwick** on **12 January 2017 at 10.30am.**

1. **Introductions and General business**

   i) **Apologies**

   ii) **Board Members' Disclosures of Interests** (as stipulated by the Public Sector Pensions Act 2013 and set out in Annex A of the Agreed Board Terms of Reference)**.**

   iii) **Minutes of the meeting held on 14 July 2016**

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

3. **Update on Pooling of LGPS Funds (Mathew Dawson)**

4. **Valuation Results (Rob Bilton, Actuary – Hymans Robertson)**

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

6. **Any other Business**

JIM GRAHAM
Chief Executive
Shire Hall
Warwick
January 2017

Membership of the Local Pension Board

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

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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, KeithFrancis, 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 it 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 and employer representative, and 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 at1.00p.m

……………………………………
Chair

Minutes of the Pension Fund Investment Sub-Committee meeting held on 12 September 2016

Present:

Members
Councillors John Appleton, Bill Gifford (Vice Chair), Brian Moss, Bob Stevens (Chair) and Alan Webb

Officers
Mathew Dawson - Treasury and Pension Fund Manager
Vicki Forrester – Principal Accountant
Andrew Lovegrove - Head of Corporate Financial Services
Ben Patel-Sadler - Democratic Services Officer
Sian Stroud – Senior Solicitor and Team Leader

Invitees
Robert Bilton – Hymans Robertson
Peter Jones – Independent Investment Adviser
Paul Potter – Hymans Robertson
Karen Shackleton – Independent Investment Adviser
Neil Turner - Schroders
Richard Warden – Hymans Robertson

Observers
None

No members of the public attended.

1. General

(1) Apologies for absence

None

(2) Members Disclosures of Pecuniary and Non-Pecuniary Interests

None

(3) Minutes of the previous meeting held on 13 June 2016

The minutes of the meeting held on 13 June 2016 were agreed as a true and correct record and were signed by the Chair.

2. Investment Performance

Mathew Dawson - Treasury and Pension Fund Manager introduced the report and informed the Committee that the overall value of the fund had seen an increase of 4.52% on the previous quarter.

Members noted that the UK Equity Asset Class was in an overweight position – the Overseas and Fundamental Global Equity Asset Classes were slightly underweight.
Members noted that the overall performance of Threadneedle (Fund Manager) was good. Mathew Dawson informed the Committee that the performance of Threadneedle had dipped during the previous quarter due to the financial markets' initial reaction to Brexit. However, members noted that Threadneedle were performing well overall and were offering good long-term value in relation to investment returns.
Members expressed a view that the performance indicators showed that overall, the Council's long-term investments remained protected.
The Committee requested further information with regards to any investments which the Council had in the US property market.

Resolved

The Sub-Committee noted the fund value and investment performance for the first quarter in 2016-17 to 30 June 2016.

3. Fund Rebalancing

Karen Shackleton – Independent Investment Adviser introduced the report and informed the Committee that the overall aim of the fund rebalancing process was to ensure that the fund remained balanced in the Liquid Asset Class. Members noted that there had been a temporary suspension around the rebalancing of US equities.
Members noted that Legal and General Investment Management (LGIM) were responsible for optimising fund investments using the 'buy low, sell high' concept. Karen Shackleton informed the Committee that it was important for LGIM to set the band widths narrow enough to capture the 'buy low, sell high' benefit, but wide enough to avoid short term market noise, or volatility, which would result in unnecessary and costly turnover.
The Committee noted that LGIM had been selling down the US fund in order to bring it back to a balanced position – with no US fund now to balance, it was recommended to the Committee by Karen Shackleton to suspend the rebalancing of US equities. The Committee expressed a view that this was a logical step to take – at the present time the US was in a strong economic position overall. There was no need to sell US stocks when LGIM might have to try and purchase them again in the future.

Resolved

The Sub-Committee agreed to suspend the rebalancing of US equities and agreed that the next quarterly rebalancing in September 2016 be reviewed so that market conditions at that time could be taken into account before any rebalancing took place.

4. Brexit Implications

Paul Potter – Hymans Robertson introduced the report and informed the Committee that since the Brexit decision occurred, economic forecasts reflected the view that Brexit had resulted in short term economic costs due to the level of uncertainty created.
Members noted that the sterling currency value had fallen following the Brexit decision and had not yet recovered to pre-Brexit values.
Due to the Pension Fund having a significant number of overseas assets, the overall value of the fund had increased since Brexit occurred due to currency gains on all of its overseas holdings.
Paul Potter informed the Committee that large global businesses and corporations had not been affected by Brexit - building firms and retailers had been hit hardest by the Brexit decision.
Members noted that it was expected that interest rates would remain lower for longer – low bond yields would impact on the liabilities of the Fund.
The Committee noted that all measures taken by the Fund Managers were to protect their long term investors (such as the County Council).
Paul Potter informed the Committee that a clearer financial picture in relation to the Brexit decision would be available towards the end of September.
In relation to the Brexit discussion, the following points were made/noted by the Committee:

- Property values in London were likely to be hit hardest following Brexit.
- Property investments were seen as the most vulnerable following Brexit.
- Overall, the Fund had stood up well following Brexit – however, it would be important to keep a close watch on any significant trends occurring in the financial markets as the implications of Brexit become clearer over the coming months.

Resolved

The Sub-Committee noted the report.

5. Actuarial Valuation 2016

Robert Bilton and Richard Warden – Hymans Robertson circulated a 2016 progress report in relation to the 2016 Actuarial Valuation.
The Committee noted that a decision was taken at the June 2016 meeting to continue a fund modelling exercise which would stabilise employer contribution rates for large tax-backed employers for the 2016 actuarial valuation. Members noted that since the June 2016 meeting, the actuary had requested from officers their views on the salary growth assumptions that should be used in the calculations that underpin the actuarial valuations results.
When considering the presentation and the associated 2016 progress report, the following points were noted by the Committee:

- Robert Bilton and Richard Warden wished to place on record their thanks to all Council staff who had worked to ensure that they were provided with the up to date membership data.

- The draft funding strategies would be available for the Sub-Committee to consider in December 2016.

- The Committee were provided with four Asset Outperformance Assumptions and noted that the 1.6% figure was used by the actuary to inform further discussions.

- Members noted that people were now living longer – this placed an increased demand on the Pension Fund.

- It was expected that the current public sector pay restraint would remain in place for another three to four years at least.

- The recommendation from actuary in relation to salary increases was that the weighted average single assumption of RPI would be -0.4%.

- The Committee noted that there had been an increased churn in relation to the membership data – when compared with 2013, 2016 had seen around 6400 new actives (new employees joining the Pension Fund).

- The Pension Fund Deficit had fallen in cash terms.

- Members noted that there had been fewer ill health retirements than expected, fewer early leavers than expected and fewer pensioner deaths than expected – 50:50 take-up was also lower than expected.

- In setting employer contribution rates, the actuary needed to understand employers, to determine their funding target, to determine how long each employer had to reach their target and most importantly how much risk each employer could take to hit their target.

After considering the presentation provided by Hymans Robertson, the Committee requested that the actuary report to the December 2016 meeting with proposals which would move away from the current actuarial model. Examples of this included not using an implied interest rate assumption, using the current RPI figure when determining potential contribution rates and using a market futures approach.

Resolved

The Sub-Committee agreed to note the report and to adopt Scenario 2 from the appendix to the report – this was seen as the most realistic and prudent approach to take.

6. Any other items

Councillor Bob Stevens (Chair) informed the Committee that the pooling arrangements with Border to Coast were progressing slowly – the Chair would keep the Committee informed when further developments were made.

7. Reports Containing Confidential or Exempt Information

To consider passing the following resolution:

‘That members of the public be excluded from the meeting for the items mentioned below on the grounds that their presence would involve the disclosure of exempt information as defined in paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972’

8. Exempt Minutes of the meeting held on 13 June 2016

The exempt minutes of the meeting held on 13 June 2016 were agreed as true and correct records to be signed by the Chair.

The meeting rose at 12.10pm

………………………………………
Chair

Minutes of the Pension Fund Investment Sub-Committee meeting held on 12 December 2016

Present:

Members
Councillors Bill Gifford (Vice Chair), Brian Moss, Bob Stevens (Chair) and Alan Webb

Officers
John Betts – Head of Finance
Gary Dalton - Solicitor
Andrew Lovegrove - Head of Corporate Financial Services
Ben Patel-Sadler - Democratic Services Officer

Invitees
Robert Bilton – Hymans Robertson
Kerry Duffain – Markham Rae
Peter Jones – Independent Investment Adviser
Paul Potter – Hymans Robertson
Karen Shackleton – Independent Investment Adviser

Observers
None

No members of the public attended.

1. General

(1) Apologies for absence

Apologies for absence had been received from Councillor John Appleton and Mathew Dawson - Treasury and Pension Fund Manager

(2) Members Disclosures of Pecuniary and Non-Pecuniary Interests

None

(3) Minutes of the previous meeting held on 12 September 2016

The following amendments to the minutes of the meeting held on 12 September 2016 were proposed and agreed:

a.) At page 2 (item 3) the sentence should read ‘with no passive US fund now to balance, it was recommended to the Committee by Karen Shackleton to suspend the rebalancing of US equities’.

b.) at page 4 (bullet point number 6), the sentence should read ‘The recommendation from actuary in relation to salary increases was that the weighted average single assumption of salary increases would be -0.4%’.

The minutes of the meeting held on 12 September 2016 were agreed as a true and correct record and were signed by the Chair.

2. Investment Performance

Andrew Lovegrove - Head of Corporate Financial Services introduced the report and informed the Committee that the overall value of the fund had seen an increase of 6.88% on the previous quarter.

Members noted that the Equity Asset Class was in an overweight position – the Infrastructure Asset Class was slightly underweight. Members noted that work would be undertaken to rebalance the Asset Classes accordingly.

The Committee noted that the government was keen to encourage spending and investment around infrastructure – it was the Committee's view that over the long term, the government would be seeking to direct investments into local infrastructure projects. Members noted that the definition of infrastructure was changing – an example of this was the classification of investments in social housing now being placed within the infrastructure investment category.

Members noted that all fund managers apart from Schroders Property were currently outperforming their benchmark targets. Andrew Lovegrove informed the Committee that recent turmoil in the property sector had played a part in Schroders not reaching their benchmark target. Members noted that the three year Fund Manager Performance data indicated exceptional performance. Peter Jones – Independent Investment Adviser expressed a view that this justified the choice of the current active fund managers. Members noted that the pressure to move from active to passive fund managers was not justified at the present time because of the excellent performance figures outlined in the report – this data represented benefits of several millions of pounds by using active managers.

The Committee noted that that due to the recent US elections result, there was a possibility of interest rates rising.

Karen Shackleton – Independent Investment Adviser informed the Committee that it was preferential to keep equity investments in foreign currency on an un-hedged basis so that diversification benefits could be obtained (depending upon the fluctuation of the market rates).

Resolved

The Sub-Committee noted the fund value and investment performance for the second quarter of 2016-17 to 30 September 2016.

3. The Stewardship Code

Andrew Lovegrove - Head of Corporate Financial Services introduced the report and informed the Committee that it was the aim of the pension fund to become classified as Tier 1. Members noted that in November 2016 the Financial Reporting Council (FRC) had stated that the fund would now be assessed as Tier 1.

Members queried why the FRC had originally classed the pension fund as Tier 2 – Andrew Lovegrove informed the Committee that no reasons had been given by the FRC as to why. This was now largely academic, as the fund was now classed as Tier 1.

The Committee noted that the Stewardship Code was reviewed every three years.

Resolved

The Sub-Committee agreed to approve the revised statement at Appendix A of the report.

4. The 2016 Actuarial Valuation.

Robert Bilton – Hymans Robertson introduced the report and guided members through the 2016 progress report where the following points were noted:

- The primary aim of investors was to guard against the risk of high inflation.

- Hymans Robertson recommended that there should be no allowance made for an Inflation Risk Premium (IRP) – an analysis of UK gilt yields and implied RPI inflation since 1 January 2007 had not indicated that RPI inflation would rise dramatically in the future. Peter Jones – Independent Investment Adviser informed the Committee that there had been some opposition to not including an IRP. It was Peter Jones' view that the current method was too prudent and might have an adverse effect on smaller bodies within the fund. Robert Bilton assured the Committee that this exercise sought to make calculated future assumptions using checked and tested methodologies. Members sought assurance that the actuary had taken into account future uncertainty around inflation when recommending that no allowance for an IRP was included. Robert Bilton informed the Committee that this uncertainty was considered when determining the potential contribution rates.

- In relation to the whole fund valuation results, members noted that the deficit of the fund at 31 March 2016 was £358m which was down from £419m at 31 March 2013 – this was positive.

- Members noted that the Warwickshire Pension Fund was currently in the upper quartile of funds nationally in terms of its standardised funding ratio.

- The Committee noted that employer level valuation results had a wide range of outcomes. Factors affecting this included salary increases for staff in certain organisations, the number of ill health lay-offs and those organisations with little or no active members remaining. Members noted that there would be a significant amount of churn as new employees began their employment with employers within the fund – active members of the fund would increase which would result in funding plans being tailored as a result of this. Actuary sought to effectively balance the liabilities of the fund against the assets of the organisation, future contributions and anticipated future investment returns.

- Members noted that the Funding Strategy Statement was the Warwickshire Fund's funding blueprint – the Committee noted that the 2016 funding strategy review used the 2013 strategy as a starting point, looked at what could be done better and whether or not the current funding plans were still appropriate. Members noted that the Fund was required to consult with employers during the review process. Robert Bilton informed the Committee that the 2016 review had identified areas for improvement, including better understanding of employers, looking at the funding target of each employer, how long would be given to each employer to get to their target and how much risk each employer could take to reach their target.

- In relation to the actuary and fund agreeing one set of assumptions and with actuary then calculating contribution rates, it was likely that the Warwickshire Fund would be fully funded in around twenty years' time. Members noted that 5000 potential successful and unsuccessful outcomes were considered during the 2016 review. The Committee noted that it was crucial to effectively balance the level of risk, prudence and affordability when determining contribution rates now and in future years.

- If organisations within the fund could no longer afford the set contribution rate, then conversations would take place to determine whether or not that employer wished to remain in the Warwickshire scheme. In relation to the 2016 funding strategy update, members noted that a risk based approach would be used to set contribution rates for all employers. It was also noted that actuary would recognise the relative riskiness of an employer in the funding plan by using a higher likelihood of success.

- Members noted that long-term employers such as the police and the Council would seek stabilised contribution rates over time – a stabilisation mechanism was used to keep these long term employers' contributions at a stabilised level. Members noted that actuary had conducted testing around lower, medium and higher risk employers in the fund to determine the final contribution rates. The age profiles of each employer also had an effect on the rates paid by employers and employees. In setting the contribution rates for each employer, it was possible to mitigate risks in terms of financial shortcomings by utilising the funding levels of each employer. Members noted that the current stabilisation mechanism was still appropriate for the lower and medium risk employers. However, testing results in relation to the higher risk employers suggested that +2%/-1% was a more appropriate contribution strategy. The Committee noted that these higher risk employers were aware that their contributions to the fund were likely to increase.

- In relation to the assessment of academies, the fund proposed to lower the ‘risk bar’ to match that of the lowest risk employers i.e. precepting bodies. Members noted that work was being undertaken nationally to determine how academies may or may not participate in the Local Government Pension Scheme (LGPS)

Resolved

The Sub-Committee agreed to note the results in Appendix A and;

1.) Approve the initial Funding Strategy Statement in Appendix B and;

2.) Approve the proposal in 4.2 and Appendix C and;

3.) Receive the final report at the March 2017 meeting.

5. Pooling Update

Andrew Lovegrove - Head of Corporate Financial Services introduced the report and informed the Committee that final confirmation was being awaited from the government before the formal pooling arrangements could begin. Members noted that the submission made to government by Border to Coast had not encountered any issues.

Karen Shackleton – Independent Investment Adviser informed the Committee that Border to Coast had been meeting with all Independent Investment Advisers. After the initial meeting, it was the view of the Independent Investment Advisers that too many sub-funds were being suggested by Border to Coast – there was still a large number of fee savings to be achieved.

John Betts – Head of Finance informed the Committee that some concerns had been made on a national level in relation to the proposed remuneration for those individuals tasked with managing each Pension Pool. Members agreed that because this was a completely new and unique role, it was difficult to determine an appropriate salary for the position.

John Betts informed the Committee that it was hoped that the final details around the pooling arrangements would be considered by Full Council in March 2017. Members noted that this was a significant decision to be made by the Council.

Resolved

The Sub-Committee agreed to note the report.

6. Presentation from Markham Rae

Kerry Duffain – Markham Rae presented to the Committee in relation to the possibility of the Pension Fund investing in Trade Finance via Markham Rae.

Members noted that other Local Government Pension Schemes had invested with Markham Rae – some of those were also members of the Border to Coast Pool.

Kerry Duffain explained to the Committee about what Trade Finance was and what role Markham Rae played in the process.

Members noted that the Preferred Return (hurdle) rate was set at 8% with a net target return of 10-12%.

The Committee acknowledged that as more competitors entered the market offering the same service as Markham Rae then rates were likely to fall.

With regards to the regulation of the work undertaken by Markham Rae, the Committee noted that an advisory board operated to ensure that all negotiations and transactions were within the specified mandate.

It was the view of the officers and Independent Investment Advisers present at the meeting that this presented an opportunity to invest in a newly developing market which had the potential to achieve good investment returns in the short-term.

Councillor Bill Gifford moved, seconded by Councillor Brian Moss that further due diligence work be undertaken by officers to determine whether or not the Fund would be investing with Markham Rae.

7. Any Other Items

None

8. Reports Containing Confidential or Exempt Information

To consider passing the following resolution:

‘That members of the public be excluded from the meeting for the items mentioned below on the grounds that their presence would involve the disclosure of exempt information as defined in paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972’

9. Exempt Minutes of the meeting held on 12 September 2016

The exempt minutes of the meeting held on 12 September 2016 were agreed as true and correct records to be signed by the Chair.

10. Investment Update

The meeting rose at 12.50pm

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Chair

Item 5

Local Pension Board of the Warwickshire Pension Fund

12 January 2017

Administration update

Recommendation

That the Local Pension Board of the Warwickshire Pension Fund notes and comments on the report.

1.0 Introduction

1.1 This report seeks to update the Board on a number of different areas relating to the administration of the Warwickshire Pension Fund. Board members are requested to note the report and comment on any areas of interest or concern.

2.0 Benchmarking

2.1 The Fund continues to be a member of the CIPFA pensions administration benchmarking club. The appendix to this report provides a brief summary of the Fund's costs compared with other members of the club. The cost for administration remains high against this benchmark average but this tends to be in areas where the Fund has little or no control of the costs e.g. pensioner payroll and direct costs.

2.2 Latest Position

2.2.1 The County Council is reviewing its current payroll provision with a view to have a replacement available from 2018. It is expected that this new system will reduce charges to the Fund.

2.2.2 The Pension Manager attended a meeting a CIPFA about the current club and whether the information requested is fit for purpose. It was commented that a reduced number of pension funds participated this year, although this may be down to competing priorities e.g. the triennial valuation.

2.2.3 CIPFA will be discussing with the Scheme Advisory Board whether an element of compulsion for funds to participate can be introduced. Concerns have been expressed by Funds that the questions are subjective and that some funds will be selective about what information and costs they disclose.

2.2.4 There is an ongoing review of the questionnaire and an emphasis on improved guidance regarding what costs should be included.

3.0 Employer Forum / Training Day

3.1 This highly successful event was held at Warwick Racecourse on 9th December and attended by 50 people representing over 40 employers. The half day event provides employers with the opportunity to discuss issues with members of the Pensions Team and also to receive training in more formal areas. The training for the event covered:

- Additional Pension Contributions,
- Ill Health Retirement
- Annual and Monthly returns
- Starters and Leavers

3.2 These sessions were preceded by a presentation by the Manager concerning the requirements of The Pension Regulator code of practice, possible breaches and the introduction of the Fund's draft administration guide "Working Together". Employers have been invited to comment on this before its introduction.

3.3 There was a further presentation concerning the Fund's E-learning project which will be introduced in the coming months. This will be a "how to" system for employers to refer to for completing forms and other administration processes.

3.4 Latest Position

3.4.1 Employers will be invited to feedback on the event and an internal review will be undertaken to see how the event can be enhanced for future years'. For example, it is likely that targeted events will be held around the County for employers about specific events; final pay calculations is one such area.

3.4.2 In response to requests from employers about pre-retirement courses. The Fund is investigating having a video available for members to access on-line.

4.0 Administration Requirements

4.1 The draft of the "Working Together" administration guide is available via the link below:

https://apps.warwickshire.gov.uk/api/documents/WCCC-962-334

4.2 The document goes into detail about the responsibilities of the employer, the information they need to provide and by when and, similarly the responsibility of the scheme administrator.

4.3 Latest Position

4.3.1 The draft is out for consultation with the aim for the formal introduction in March / April when tailored guides will be issued to each employer. The guide will also be available for new employers.

5.0 New Employers

5.1 The Fund has the following new employers:

- Aspen Services (contractor) St Gregory's school
- Alliance in Partnership (contractor) Myton Academy
- Class Catering (contractor) Bishops Itchington school
- Stratford Primary Academy (part of the Community Academy Trust)
- North Leamington Academy
- Premier Support Services (contractor) Trinity school
- Rugby Free secondary school

5.2 In addition Erudition Academy Trust ceased and the two Warwickshire academies who were part of that Trust (Queen Elizabeth, Atherstone and Kingsbury) moved to new trusts based in the West Midlands although they will continue to remain part of the Warwickshire PF.

5.3 Latest position

5.3.1 The Fund has finalised the Admissions ad Terminations policy for presentation to a future Staff and Pensions Committee. A specific guide for new academies is in the process of being drafted.

6.0 Breaches

6.1 There are no material breaches to report. The Fund has reminded all employers of the need to pay employee and employer contributions on time.

6.2 Latest Position

6.2.1 Going forward, if an employer is late in paying contributions (i.e payment is not received by 19th of the month) they will be sent an email reminding them of their legal responsibilities and that they are likely to be recorded as a breach and risk being reported to The Pension Regulator.

7.0 Complaints

7.1 A member complained that they had received information relating to another member of the LGPS. A letter of apology was sent, a review of practices of the officer concerned was undertaken and all letters now checked.

7.2 There was an incident of a late implementation of a divorce debit resulting in an overpayment of pension. Member had been told pension would be reduced but this did not happen. Processes reviewed

7.3 Lost birth certificate.

7.4 Following the death of a member a complaint was received that our letter to the next of kin did not reflect same sex partners. Apology issued; form and letter amended.

8.0 Background Papers

None

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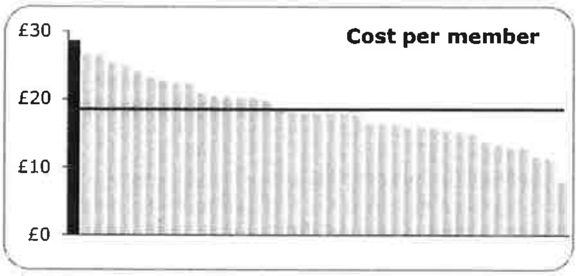
APPENDIX

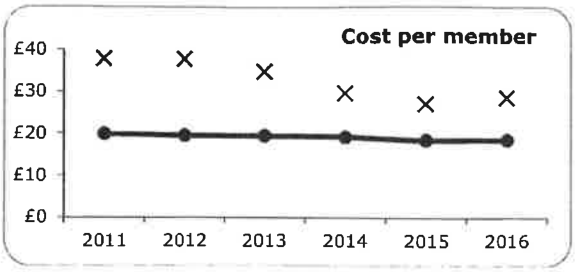
SECTION 1 - SUMMARY 2015/16

NET COST / MEMBER 2015/16

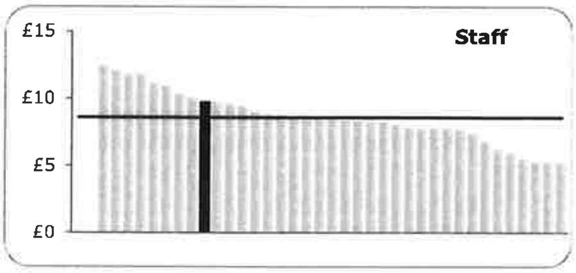


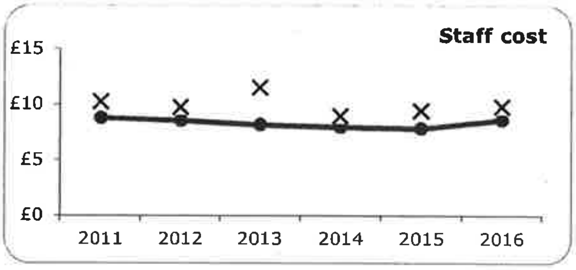
Club average

X Warwickshire



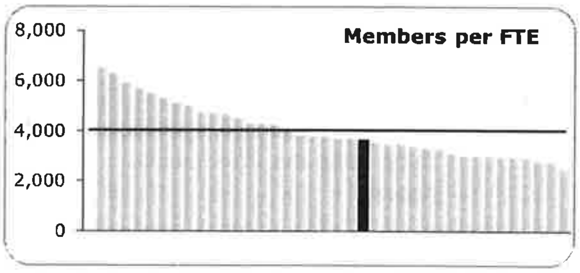
STAFF COST / MEMBER 2015/16



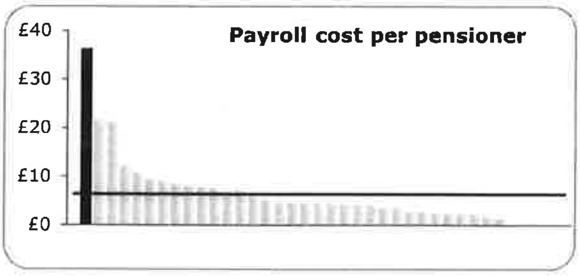


COST £'000 / FTE

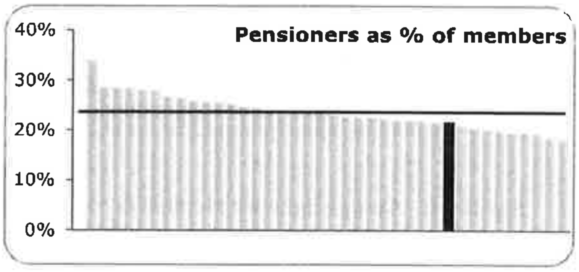
MEMBERS LGPS / ADMIN FTE



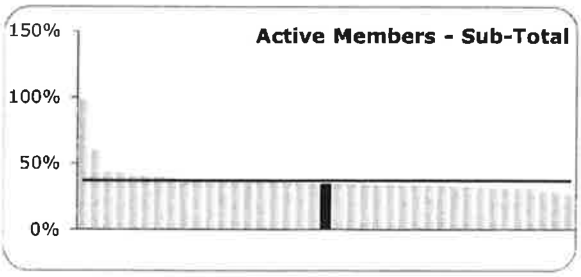
PAYROLL COST / PENSIONER



PENSIONERS AS A % MEMBERS



ACTIVES AS A % MEMBERS



NUMBER OF LGPS EMPLOYERS