

**Minutes of the meeting of the
Local Pension Board of Warwickshire Pension Fund
held on 11 July 2017**

Present:

Members

Keith Bray (Chair), Andy Crump, Keith Francis, Alan Kidner and Councillor Jill Simpson-Vince

Officers

John Betts, Head of Finance
Neil Buxton, Pensions Manager
Mathew Dawson, Treasury and Pension Fund Manager
Chris Norton, Strategic Finance Manager
Jane Pollard, Legal Services Manager
Paul Williams, Democratic Services Team Leader

Other invitees

Ian Colvin – Hymans Robertson

1. Introductions and General business

The Chair welcomed Councillor Jill Simpson-Vince, Ian Colvin and Chris Norton to the meeting.

(1) Apologies

Jeff Carruthers and Councillor Matt Western

(2) Board Members' Disclosures of Interests

Keith Bray (Chair) informed the meeting that he is the Forum Officer for the Local Authority Pension Fund Forum. In addition he stated that on occasion he undertakes work for Barrack, Rodos and Bacine, a law firm based in the United States of America. This work is separate from his role as Chair of the Local Pension Board.

Andy Crump explained that following the May 2017 elections he is now a member of Warwickshire County Council. For the purposes of the Local Pension Board he was acting in his work capacity. He had been advised that this did not present any conflict. The meeting was informed that Andy Crump would, however, be looking to stand down from the Local Pension Board.

Alan Kidner, stated that his brother's wife is an employee of JP Morgan. It was recognised that this was unlikely to present any issues but still worthy of recording.

To assist members, Ian Colvin (Hymans Robertson) explained that with regards interests consideration should always be given as to whether any kind of

relationship (personal or professional) would result in a conflict. Each case should be considered as they arise.

(3) Minutes of the meeting held on 12 January 2017

With regards the accuracy of the minutes, Alan Kidner requested that the reference to “employee” representatives on the Board (final line on bottom of page 1 of 5) be changed to read “member”. This would better reflect the function of representing all members of the Pension Fund and not just those currently in employment. This was agreed and the minutes altered accordingly.

Under matters arising, Neil Buxton (Pensions Manager) stated that the matter of insurance for Board members remained unclear. Keith Francis stated that at a recent seminar he had attended along with Local Pension Board members from other areas, there was some discussion on the matter. All at the seminar acknowledged that this remains a grey area whilst many were of the opinion that they were not covered by their host authority’s insurance. There had been a suggestion at the seminar that a specific insurance policy had been developed but no further information had been forthcoming. The Chair, whilst recognising that the chances of the a claim ever being made against the Board were slim, emphasised the need to clarify this matter and ensure that by whatever means the Board is covered by insurance.

The meeting was reminded that insurance would cover events such as loss of data (eg a laptop being left on a train). It was concerned with more than just the business of the Board itself.

Neil Buxton agreed to follow up on the matter and report back to members.

Members requested a list of dates of the meetings of the Pension Fund Investment Sub- Committee. This was agreed.

Members discussed whether they should have access to all papers, including exempt reports, that are considered by the Pension Fund Investment Sub-Committee. It was noted that boards in other areas do have access to all papers but it was agreed that with the new pooling arrangements coming on stream in 2018 it was preferable to leave the matter in abeyance for the timebeing.

With reference to the management of the UK Equity asset class by the Border to Coast Pool (second bullet point on page 3 of 5 of the minutes) Matthew Dawson (Treasury and Pension Fund Manager) stated that this had been cited as an example of internal management only.

With the alteration requested by Alan Kidner the minutes of the meeting of the Board held on 12 January 2017 were agreed as an accurate record for signing by the Chair.

2. The Role of the Pensions Regulator

Using powerpoint Ian Colvin from Hymans Robertson gave a presentation to the Board on the role of the Pensions Regulator.

Throughout the presentation a number of questions were asked. The Board discussed “risk” and the ways in which it could be assured that the scheme is being governed effectively and efficiently. In this the distinction was drawn between “reassurance” and “ensuring”. The meeting was informed that the Council’s Internal Audit function was increasingly engaged with the Pension Fund. The Chair observed that the issue of ensuring hangs on the question of what is realistic. It would not be possible to review every aspect of the work of the fund. However, it is important to pursue matters of concern if they come to light.

It was suggested and agreed that the Board receive reports on internal and external audits commencing at its next meeting with internal audit.

Officers reminded Board members that they are always happy to assist them with answers to questions and in increasing their overall knowledge. This was welcomed.

Regarding Internal Dispute Resolution Procedures (IDRP) the Board was informed that most disputes concern retirement through ill health. Where breaches are recognised these are reported to the Pensions Regulator and measures put in place to avoid a recurrence of the breach. Neil Buxton stated that the Council receives monthly reports on breaches but relies on employers etc informing those who collate the reports. An example of an issue recently identified was of incomplete information being recorded for new starters. This applied to around 80 individuals out of a common data set of 100k.

Materiality focuses on whether a pension scheme is fulfilling its legal duties ie is it paying people the correct amount on time?

Ian Colvin was thanked for his presentation. It was agreed that this should be circulated to members of the Board.

3. Chair’s Annual Report

The Chair introduced the draft annual report. Members suggested minor alterations and additions. Under the final bullet point on page 3 of 3 it was agreed that the sentence “Seeking to ensure that we are fulfilling our responsibilities” be added. Members requested that section 8 be linked more closely with item 2. This would allow a greater appreciation of how the Board is discharging its responsibilities. This too was agreed.

Alan Kidner emphasised the efforts made by Board members to understand their role. Studying and training has been undertaken to ensure that the Board is able to perform. This should be reflected in the report. This, the Chair agreed to do.

Members commented that in their view the Board had not been as challenging as it might be. There was a sense that whilst it had considered general progress reports, it had not been given the opportunity to immerse itself in the detail of the workings of the Pension Fund. The distinction between “doing” and “achieving” was emphasised.

Members approved the report subject to the changes requested being made.

4. Administration Update

Neil Buxton introduced and summarised the published report.

In response to a question regarding late-payers it was stated that the Council is establishing a process for monitoring and recording these. However there would be a reluctance to share the identities of employers that are late-payers. Concerns were expressed regarding academies. Nationally there is evidence that certain academies have a poor record for payments and that the data provided from them is often wanting. This can, in some instance, be attributed to the use of third party payroll providers. The position in Warwickshire was clarified by John Betts who stated that overall the funds relationship with academies is positive.

Collaboration with other local authorities over the production of annual benefits statements has resulted in significant savings through printing, digitalisation and postage.

Assurances were given to the Board regarding the threat of cybercrime (malware etc). The Council's systems have been tested and found to be secure.

The take up rate for the use of e-payslips was 400 out of a potential 11500. However, it was recognised that the system had only been operating for a few weeks.

5. Pooling Update

Following a brief introduction from the Chair, setting out the background to the pooling project, Mathew Dawson proceeded to update the Board.

Administration of the pool will be undertaken at an office in Leeds city centre. It has been possible to bring forward the launch of the pool by 10 weeks principally because the majority of its assets are internal.

Pooling of assets will in some instances lead to a loss of flexibility of investments. An example of this is property which is generally less fluid than other forms of investment.

With the majority of the 8 pools looking at a launch of April 2018 members asked whether the transition will have any impact on the market. It was acknowledged that this could be the case if it was not managed properly.

6. Local Pension Board Survey

The meeting was briefed on a recent LGA survey being completed by Local Pension Boards nationally. The Chair explained that he had attempted to complete the factual parts of the questionnaire but acknowledging the role of the Board members, requested their assistance in reviewing and contributing to it by considering the questions that called for some measure of judgement

In completing the survey sheets the exercise prompted a number of related issues to be raised.

Question 14 – Register of Breaches of the Law

The Board was informed that any breaches would be recorded on the Board's web page. In response to questions from members, Neil Buxton agreed to send a link to the Board's web page to the Board members along with their dedicated email addresses.

Question 17 (i) – The Constitution

Jane Pollard (Legal Services Manager) confirmed that the Board's terms of reference and the Constitution were combined. It was acknowledged that the Warwickshire Board's terms of reference follow the model previously set by the Scheme Advisory Board.

Question 17(iv) – Register of Breaches

The meeting was informed of a minor breach when the distribution of a number of benefits statements was delayed. This breach, however, was not required to be placed on the register.

Question 17 (v) – Risk Register

Members stated that they had not seen this. Neil Buxton agreed to email a link to the relevant web page to them.

The Board was informed that the risk register had been reviewed by the Pension Fund Investment Sub-Committee at its last meeting.

Answers requiring a score would be scored 10 except where indicated below

Question 17 (vi) – Knowledge and Understanding Programme

Score 9 on the basis that more can be done in this area.

Question 18 – Indemnity Insurance

Change "yes" to "don't know".

Question 21 – Where the Board is Working Well

Good communications.
Well supported
Good Chairing
Effective meetings

Question 22 – Improvements

More data/information/statistics required
More continuity of membership required (although it is recognised that the membership in Warwickshire is more stable than in other areas).

Question 23 (ii)–Pensions Committee and the Board

Score 7

Question 23 (iii) – Legal Requirements

Score 7

Question 23 (vi) – Communication between the committee and the Borad

Score 7

Question 23 (vii) – Knowledge and Understanding Programme

Score 9

Question 29 – Webpage

Members asked that the Board's terms of reference be added to the webpage. This was agreed.

Question 30 – Workplan

Members asked that consideration be given at the next meeting of the Board to the development of a workplan.

Question 34 – Budget

It was agreed that the Board's annual statement of accounts be made available.

Question 36 – Internal and External Audit Reports

It was agreed that the next meeting of the Board would receive the latest internal audit report, the risk register and the annual pension statement .

Board members expressed their concern over the quality of the survey and in particular the limited options for answers it provided. The Chair was asked to convey these concerns when returning the survey.

7. Review of the Minutes of the Pension Fund Investment Sub-Committee for 27 January 2017, 13 March 2017 and 12 June 2017

The Board reviewed the 3 sets of minutes. From that review the following points were made.

- A note from officers was requested on the governance arrangements for the pooled pensions.
- Prepayment of employer contributions has been shelved.
- It was agreed that an actuary be invited to the next Board meeting to present on the effect of increases to employer contributions.

- Regarding Markets in Financial Instruments Directive Presentation (MIFID 2) it was agreed that a report on this be brought to the next meeting of the Board

8. Any other business

Because business for the Board is growing, members asked that the next meeting be arranged for November 2017 with a possible further meeting in March 2018.

The board rose at 15.55.

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Chair