

**Minutes of the meeting of the
Local Pension Board of Warwickshire Pension Fund
held on 24 November 2017**

Present:

Members

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

Officers

Helen Barnsley, Democratic Services Officer
Gary Dalton, Employment Solicitor
Mathew Dawson, Treasury and Pension Fund Manager
Chris Norton, Strategic Finance Manager

Other invitees

Richard Warden – Hymans Robertson
Natalie Edelsten – Hymans Robertson

1. Introductions and General business

The Chair welcomed Gary Dalton, Employment Solicitor and Councillor Dave Parsons to the meeting

(1) Apologies

None

(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.

(3) Minutes of the meeting held on 11 July 2017

With regards the accuracy of the minutes, Alan Kidner noted that with regards to the Local Pensions Board (LPB) Survey (point 6, page 4) the minutes should read “a recent Scheme Advisory Board (SAB) survey”. This was duly amended.

Under matters arising, clarification was sought regarding the location of the Register of Breaches (page 5). It was agreed that Mathew Dawson will check and report back to the Board.

It was agreed that the Risk Register will be added to the agenda of the next meeting for review.

With regard to Indemnity Insurance, Gary Dalton was able to confirm that the Local Authority Insurance Company are proposing to indemnify any board members up to the value of £1million – including those who are not directly employed by Warwickshire County Council (WCC). Written confirmation of this will be provided to the Board and the subject will be added to the agenda for discussion at the next meeting.

Following a discussion about the location of the LPB’s webpage details, on the main WCC website, it was agreed that Mathew Dawson would look into this. It was noted by members that the main WCC website has recently been updated and that this may have led to the LPB’s website being re-located.

Finally, it was noted that the action from page 6 (Question 34) had not been completed. It was agreed that Chris Norton will follow this up.

With the alteration requested by Alan Kidner the minutes of the meeting of the Board held on 11 July 2017 were agreed as an accurate record for signing by the Chair.

2. Pension Annual Report

Keith Bray, Chair of the LPB, commented that the report was well written and interesting. It was agreed that any comments regarding any errors/typos would be sent directly to Neil Buxton. It was also noted that there would be an administration update at the next meeting which include any corrections.

With regard to the information on page 12 of the report - Staff, Advisors and Investment Managers – Alan Kidner requested to know how many investment managers have signed up to the SAB – the voluntary board of transparency on transactional data. Mathew Dawson was able to confirm that Legal & General have signed up. It was also noted that Boarder to Coast Pension Partnership (BCPP) will have to take into account whether an investment manager has signed up to SAB or not – transparency will have an effect on management costs.

It was confirmed that the Top Ten Holdings at 31 March 2017 (page 16 of the report) excluded pooled products.

Following a question from Alan Kidner regarding the safeguards in place for Stock Lending, it was confirmed that every transaction is reported with full access to view transactions. It was also noted that there is not as much stock lending as in previous years.

It was agreed that Mathew Dawson will send out the Fund Business Plan to all board members and that it will be added to the agenda for the next meeting.

There is a correction on page 66 of the report, with the exception of the Chair of the Board, members do not receive allowances. They receive expenses.

Following a discussion about the companies that review the report before it is published, it was agreed that Mathew Dawson will provide the consistency opinion from Grant Thornton to all members. It was noted that this information is available on the website.

The Chair thanked Alan Kidner for his constructive feedback and positive intervention.

3 Actuarial Update – Hymans Robertson

Richard Warden and Natalie Edelsten gave a presentation to the Board which provided an oversight of the process of valuation. Hymans Robertson act as a critical friend to the LPB. The last review was completed in 2016.

The presentation included the following points –

- Warwickshire LPB must comply with legislation; a review every three years.
- Each review is a “health check” on the funds
- Each review takes into account the experience of the last review (2013) and considers and manages the risk to funds.
- The ultimate objective of each review is that there is enough money to pay all the members of the fund. There are assets that work for the fund but it is also reliant on future contributions and future investment returns.

The Board noted that assumption setting is as objective as possible but with agreed assumptions as detailed on page 11 of the hand out. The RPI information is a market assumption which does take into account inflation.

With regard to the data required in order to complete a review it was noted by the Board that there is a vast amount of data. Following a question relating to the accuracy of the data, it was confirmed that incorrect data can have a big impact on liability figures. All data is checked by Hymans Robertson and WCC Officers.

Following a question regarding the differences in the reported Whole Fund Levels; the report shows 82% on page 18 and over 100% on page 19; it was confirmed that this was as a result of different sets of assumptions and approaches used by the four actuaries. The SAB has introduced a like-for-like set of assumptions that all funds use for comparison purposes.

4. Pooling – verbal update with presentation

Matthew Dawson, Treasury and Pension Fund Manager gave a presentation to the Board and provided a background and update to Pension Pooling.

Following a recommendation from the Hutton Report in 2011, Local Government Pension Schemes were advised to pool together in order to become more efficient.

WCC chose BCPP to manage their fund because they are FCA regulated and offer a 'shopping basket' of funds – meaning they will only buy what the organisation likes.

At the moment the Borders to Coast pool had over 900,000 members and over 2,000 employers.

The primary aims for the future are to increase scale and resources, improve performance, drive down costs and improve efficiency.

It was also noted by the Board that the tender for the third party adviser is due in early 2018.

It was also noted that consultants are available to offer training and support to the Pension Fund Investment Sub-Committee if needed. The focus for WCC will be what is BCPP doing with the fund? What are their return targets? Who is monitoring the BCPP?

There was a discussion regarding the possibility of inviting BCPP to a future meeting of the LPB.

5. MIFID II – verbal update with presentation

Matthew Dawson, Treasury and Pension Fund Manager gave a presentation to the Board confirming that MIFID II was a new E.U. Directive to protect investors. It introduces new systems and controls and avoids any conflicts of interest.

The main concern for the LPB is registering for Client Classification. If the registration process is not complete by 3 January 2018 then the fund will automatically be registered as a Retail Investor; this would mean that there is less choice of product/fund manager. Retail Investors are subject to unfavourable fees and no marketing.

A crucial area of concern regarding the registration process is that, if the registration process is not complete and the fund is registered as a Retail Investor then any manager that is already working for the fund, may no longer be able to.

Registering for Client Classification will be an ongoing process and funds have to register annually.

6. Review of the Minutes of the Pension Fund Investment Sub-Committee for 11 September 2017

The Board reviewed the minutes. There were no amendments or matters arising.

7. Any other business

None

The board rose at 15.15.

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Chair