

# Local Pension Board of Warwickshire Pension Fund

## Annual Report 2017-18

The Public Services Pensions Act 2013 requires the Administering Authority for each Local Authority Pension Scheme (LGPS) fund in England and Wales to establish a Local Pension Board

The role of local pension boards is to assist the Administering Authority to secure compliance with LGPS Scheme Regulations and other legislation relating to the governance and administration of the Fund, together with any requirements imposed by the Pensions Regulator. In short, the Board's role is to ensure the effective and efficient governance and administration of the Warwickshire Fund

The Regulations also require the membership of the Board to be made up of equal numbers of employer and employee representatives with a minimum of four members i.e. at least two employer representatives and two employee representatives. The employer representatives on the Board must be independent of the Fund - that is to say they must have no involvement with the day to day management of the Fund. The Warwickshire Board has three employee representatives and three employer representatives

The Warwickshire Board was established as required by the 2013 Act and met three times during 2017/18. The membership of the Board during 2017/18 has been as follows:-

### **Employer representatives**

Councillor Jill Simpson-Vince (Warwickshire County Council)

Mr Keith Francis (The Citizens Advice Bureaux Service)

Mr Jeff Carruthers (Warwickshire Police and West Mercia Police) until 26 February 2018

Mr Chris Blundell (Rugby District Council) from 26 February 2018

### **Employee Representatives**

Mr Andy Crump (Unison)

Mr Alan Kidner (Unison)

Councillor Matt Western (Warwickshire County Council) until 24 November 2017

Councillor Dave Parsons (Warwickshire County Council) from 24 November 2017

### **Independent Chairman (Non- voting)**

Mr Keith Bray (formerly Director of Financial Services at the City and County of Cardiff)

The Board met on three occasions during 2017/18

11 July 2017 – Mr Jeff Carruthers and Councillor Matt Weston tendered their apologies for their absence

24 November 2017 – Full attendance

26 February 2018 – Mr Andy Crump tendered his apologies for his absence

The Board will meet again on 10 July 2018

During the year the Board's work programme has covered the following areas to ensure the effective and efficient governance and administration of the Warwickshire Fund:-

- **The role of the Pensions Regulator**

At the July meeting the Board received a presentation from Mr Ian Colvin of Hymans Robertson the Fund's actuary.

- **Monitoring and review of administration of the Fund**

Seeking to ensure that they are fulfilling their responsibilities the members of the Board have received updates on the administration of the Fund including benchmarking results, complaints, breaches and collaboration with other funds.

Collaboration with other funds over the production of annual benefits statements has resulted in significant savings.

Board members also spent a considerable amount of time reviewing the Fund's Annual Report and other supporting documents and made suggestions for some amendments which were accepted.

- **Monitoring and review of the Pension Fund Investment Sub Committee meetings on**

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|-----------------|---|---|
| 27 January 2017 | ) | a) The Fund's officers were asked to provide details of the |
| 13 March 2017   | ) | governance arrangements for the Borders to Coast Pool       |
| 12 June 2017    | ) | b) It was noted that the proposed prepayment of employer    |
|                 | ) | contributions had been shelved.                             |
|                 | ) | c) It was agreed that the Fund's actuary be invited to      |
|                 | ) | present to the November Board meeting on the                |
|                 | ) | effect of increases in employer contributions               |
|                 | ) | d) It was agreed that a report on the Markets in Financial  |
|                 | ) | Instruments Directive (MIFID II) be brought to the          |
|                 | ) | November meeting  |

11 September 2017            There were no matters arising

18 December 2017           It was agreed that the Board would be kept informed of all training offered to Committee members

At the February meeting Mr Kidner raised concerns about the proposed takeover of GKN by Melrose PLC and asked that the Board advise the Committee to instruct the Fund's asset managers to vote against the takeover.

The Chair advised that the Board was not empowered to advise the Committee how to vote but it was agreed that the Board's majority view regarding concerns about the takeover would be communicated to the Committee.

- **Monitoring and Review of Progress with regard to the pooling of LGPS funds in England and Wales.**

During the year the Board has monitored the Fund's progress in this context and received regular reports on progress from the Fund's officer, Mr Mat Dawson. As previously reported the Fund has joined the Borders to Coast Pool. There are thirteen funds in this Pool with assets of more than £35bn, the Pool has more than 900,000 scheme members and more than 2000 employers.

The Pool had appointed a Chief Executive and other senior staff and has acquired a Head Quarters building in Leeds.

The Board will continue to monitor progress.

- **Monitoring and review of the triennial actuarial valuation conducted by Hymans Robertson.**

At the meeting on 24 November 2017 the Board received an update on progress with the valuation from Mr Richard Warden and Ms Natalie Edelstein of Hyman Robertson the Fund's actuary. It was noted that the Hymans Robertson Triennial Valuation Report recorded that as at 31 March 2016 the Fund was 82% funded i.e. the Fund's assets covered 82% of the Fund's liabilities as at 31 March 2016

It was also noted that if the different actuarial assumptions used by the Government Actuary's Department in comparing Local Government Pension Funds on a standard basis were used, the Warwickshire Fund was more than 100% funded

- **MIFID II – The Markets in Financial Instruments Directive**

This EU Directive is designed to protect investors. It has however created a significant challenge for local authority funds because under the terms of the Directive they are automatically classified as 'retail, rather than 'professional institutional' investors and their professional asset managers would not therefore be allowed to continue to make investments in certain categories of investment as has been the case for many years. The Fund therefore has been forced to follow a complex procedure to 'opt up' to professional status with each individual asset manager with whom it has a relationship

- The Board was pleased to note that, with assistance from the Local Authority Association's Scheme Advisory Board, the Fund has successfully 'opted up' with all its asset managers.

Finally the members of the Board would wish to express their thanks and appreciation to the officers of the Fund for the assistance they have provided during the year and in particular express their thanks to Mr Mat Dawson for his support and wish him well in his new role as Client Relationship Manager at the Borders to Coast Pool

Keith Bray

Independent Chairman

June 2018