

Warwickshire Local Pension Board

Date: Tuesday 31 January 2023
Time: 11.00 am
Venue: Committee Room 2, Shire Hall

Membership

Keith Bray (Chair)
Jeff Carruthers
Keith Francis
Alan Kidner
Sean McGovern
Councillor Ian Shenton
Mike Snow

Items on the agenda: -

(3) Minutes of the Previous Meeting

3 - 8

The minutes of the meeting held on 18 October 2022 were approved as an accurate record, subject to an amendment on page 3 to say LGA instead of LGPS.

Arising from the minutes and responding to a question raised by the Chair, Chris Norton (Strategy and Commissioning Manager – Treasury, Pension, Audit and Risk) said he was not aware of any changes to the capacity issues being experienced by auditors since the last meeting. He said Warwickshire's external audit had been reported to the Audit and Standards Committee the previous week and would go on to Council on the 7th February for approval. The audit report would be sent to members after the meeting, along with the climate change metrics report.

The Chair clarified comments he made at the previous meeting about the merits of having the same firm acting as advisor and actuary. He said he was in favour of this but only if there were other independent advisers involved, particularly in relation to investments. He was pleased to note this was the case with Warwickshire.

Monica Fogarty
Chief Executive

Warwickshire Local Pension Board

Tuesday 31 January 2023

Minutes

Attendance

Committee Members

Keith Bray (Chair)
Jeff Carruthers
Keith Francis
Councillor Ian Shenton
Mike Snow

Officers

Andrew Felton, Assistant Director - Finance
Andy Carswell, Democratic Services Officer
Liz Firmstone, Service Manager (Transformation)
Victoria Jenks, Pensions Admin Delivery Lead
Victoria Moffett, Pensions and Investments Manager
Chris Norton, Strategy and Commissioning Manager (Treasury, Pensions, Audit, Risk & Insurance)
Nichola Vine, Strategy and Commissioning Manager (Legal and Democratic)
Martin Griffiths, Technical Specialist Pensions Fund Policy and Governance

Others Present

Rob Bilton, Hymans Robertson

1. Introductions and General Business

The Chair welcomed Councillor Ian Shenton to his first meeting since being appointed as a member of the Board.

(1) Apologies

Apologies were received from Alan Kidner.

(2) Board Members' Disclosures of Interests

The Chair stated that he worked for the Local Authority Pension Fund Forum and also for a firm of American lawyers which had Pension Fund clients, although these did not include Warwickshire.

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2. 2022 Valuation

The update on the 2022 valuation was given by Rob Bilton of Hymans Robertson, who explained that although the valuation had yet to be fully completed it was appropriate for members to consider its contents. Members were reminded valuations were carried out on a triennial basis and the current valuation period was due to end on 31 March. New employer rates would then take effect from 1 April, lasting until 31 March 2026. Members were reminded of the purpose of the valuation, which included calculating employer contribution rates analysing actual experience against assumptions that had been made regarding each employer. It also ensured the Fund complied with legislation. Rob Bilton said the valuation would consider the balance of each employers' liabilities against its assets, and had to ensure future contributions and future investment returns would cover liabilities.

Rob Bilton said Hymans Robertson was reliant on the data received from the Fund being complete and up to date. He said the information received from the Warwickshire Fund was amongst the best that Hymans Robertson dealt with. The timeline for how the valuation was processed and completed, and what data sets were considered, was set out for members. Hymans Robertson had engaged with the Pension Fund Investment Sub Committee to work on agreeing strategic decisions and the assumptions that the valuation would be based on. Rob Bilton said there had been a good level of engagement and the detail supplied had been very helpful to Hymans Robertson. Engagement with employers had also been important in the valuation process.

Members were told the funding position had improved since the last valuation in 2019. The funding level had increased from 92 per cent to 104 per cent. Rob Bilton said this was due mainly to an investment return of nearly 30 per cent, which had offset the higher inflation expectations. Employer contribution rates had remained steady. The situation in Warwickshire was comparable with other LGPS Funds. Members were reminded that current markets were volatile and were liable to change on a daily basis.

The reclassification of colleges from private sector to public sector meant that the Department for Education was reviewing the need for a guarantee for colleges in the Fund, similar to that used for academies. Currently there is no guarantee in place. The Fund would revisit the risk factor associated to colleges once there was an update on this.

There had been no material changes to the contents of the funding strategy statement since the last valuation. Some of it had been simplified to make it more user friendly to employers. Its contents had been put out to consultation to scheme employer members, which was due to close the following day. Any comments would lead to any necessary amendments being made by the 31 March deadline.

Responding to a point raised by Keith Francis, Chris Norton said in any valuation there would be some employers that may struggle with their pension contributions, for a variety of reasons. The Fund would work with these employers to see what contributions they could afford, or what could be done to mitigate the risk to the Fund. A number of smaller organisations, including many charities, had left the Fund in recent years, and out of more than 200 employers with active members, significant challenges only remained over two of them. Fund officers were working with both employers to agree on a suitable contribution rate.

Responding to a question from Jeff Carruthers, Vicky Jenks (Pensions Admin Delivery Lead) said no concerns had been raised by employers in relation to the funding strategy. She noted that one of the Fund members was a Multi Academy Trust that also paid into two other Funds, and it had drawn comparisons with the other Funds. Vicky Jenks reminded members that it was a condition of a government White Paper that all schools needed to convert to academies by 2030. Schools were tending to join existing Trusts rather than creating new ones.

Mike Snow said Hymans Robertson had noted the quality of the data being provided by the Warwickshire Pension Fund, and said officers should be praised for their work.

Rob Bilton said councils were in a position to stabilise pension contributions as they had tax raising powers, and academies also had stabilised contributions due to a DFE guarantee. However this guarantee did not currently apply to colleges who had recently been reclassified.

Responding to a question from the Chair, Rob Bilton said the Fund's current funding level may be above the 104 per cent noted in the report as asset returns had been good and inflation expectations had gone back down. The Chair stated his belief that of the four actuaries that produced valuations for local authorities, Hymans Robertson was the most conservative with its forecasts and stated his belief the funding rate could be even higher. Rob Bilton said the final funding level would be included in the final report. Chris Norton said ownership of the assumptions laid with Pension Fund Committee officers and the Pension Fund Investment Sub Committee.

3. Pensions Administration Activity and Performance update

The item was introduced by Vicky Jenks, who drew members' attention to some of the highlights in the report. Use of the Member Self Service portal was continuing to increase gradually, with pensioners due to be contacted to encourage them to sign up. There would also be a targeted exercise after analysis of which demographic groups were using the portal and those that were not. New starters were encouraged to use the portal and it was hoped this would eventually become the norm, but it was accepted more work needed to be done to actively promote this.

The majority of the key performance indicators were on track to be met despite the additional work the team had taken on in relation to the valuation. The number of breaches had decreased as issues that had previously existed with a Multi Academy Trust's payroll provider had been resolved and information was now being supplied to the Fund on time. The Fund was anticipating receiving

guidance from the Education and Skills Funding Agency on schools having outsourced contract and how these could be impacted if the school converted to an academy.

Responding to a question from Councillor Shenton, Vicky Jenks said there was no longer a requirement for paper payslips to be sent out but they would be if one was requested if a pensioner was unable to use the portal. She added that P60 forms would continue to be paper based.

Vicky Jenks clarified green breaches were those that had occurred once and been noted, and amber breaches had been noted after more than one occurrence. Red breaches were significant in consequence and required reporting to the regulator.

Responding to points raised by the Chair, Vicky Jenks said there had been changes to the processes for handling letters detailing transfers and sending out an initial letter notifying of a member's death to improve efficiency. There had been a recent increase in the number of transfer letters being required, partly because the workforce was now more transient and a member was more likely to have been a member of more than one pension scheme previously.

4. Governance Report

The item was introduced by Martin Griffiths (Technical Specialist, Pension Funds Policy and Governance). He stated the training schedule would be updated depending on the needs of members of the Board and Staff and Pensions Committee, and there had been some input from Hymans Robertson on what training was required. He said extra training could be provided if members felt they needed it.

Martin Griffiths said there had been a couple of minor changes to the risk register. Some of these related to the greater relationship between the Pension Fund and Border to Coast.

The Admission and Termination Policy had been amended and approved at the 12 December meeting of the Staff and Pensions Committee. The Conflicts of Interest Policy had been updated to include officers as well as elected Members, and this would be published on the Council's website. Some changes were being made to the Corporate Governance Policy Statement due to the UK Stewardship Code.

It was noted that the Consumer Prices Index announced a 10.1 per cent rate of inflation. Rob Bilton said although this was a high rate, it would be offset by the value of the investments being made.

The Chair said he was in favour of a simplified version of the risk register being created, stating his belief that an information overload could be created if it was too complicated. Regarding training, the Chair said that a previous complaint he had made had now been rectified. He said that previously people taking training tests would be told their results, but not which questions they had answered incorrectly and so could not learn from them.

5. Pension Fund Business Plan Update

Chris Norton advised there were no significant issues to report. Some KPIs had changed rating to amber, and the report highlights which issues are outside of the Fund's control. Members were

reminded the accounts had had a red rating for the last update, but these had now been completed and were due to be considered by Full Council the following week.

Vicky Jenks said there was still no indication on when the results on the local government consultation on McCloud may be announced and the issue resolved. The most recent update had said there would be an announcement in the spring. However Vicky Jenks said the Fund would be in a good position to proceed once the final announcement was made, due to the amount of data collection work that had taken place.

6. Investment update

The item was introduced by Victoria Moffett (Lead Commissioner, Pensions and Investments), who said the funding level for the Fund remained above 100 per cent due to the falling long-term inflation expectation that had already been mentioned during the meeting, and because of a decrease in liabilities. The overall funding value had decreased slightly however, and net cashflow was broadly neutral. Victoria Moffett said there may be the possibility of negative cashflow in the future if inflation rates remained high, as this would increase the amount the Fund had to pay out. Members were told that the Pension Fund Investment Sub Committee had agreed to split the Fund's new private debt allocation into two separate funds to diversify the risks. This was done in the hope it would reduce the volatility of the Fund.

Members were informed that since the last meeting a new Chief Investment Officer had been appointed at Border to Coast. Victoria Moffett said Border to Coast had updated its responsible investment and climate change policies. The voting rights of the portfolio holders at Border to Coast, and also the holders at Legal and General, had been considered by the Investment Sub Committee. Responding to a point raised by the Chair, Victoria Moffett said 40 per cent of the Fund was handled by Border to Coast and an additional 40 per cent by Legal and General.

Victoria Moffett said the annual report and accounts remained in draft format as there had been delays due to external auditor capacity and delays in receiving guidance from central government. The Competition Markets Authority objectives had been signed off and submitted.

The Chair said the contents of the Fund's AGM had been excellent, but felt the room where it was held was not the most suitable.

7. Any Other Business

Members noted the contents of the minutes of the most recent meetings of the Staff and Pensions Committee and the Pension Fund Investment Sub Committee. The Chair said if members wished to raise any issues later then they should email Martin Griffiths and copy him in.

Members agreed that the next meeting should take place in-person, with a revised start time of 11am. Keith Francis stated he would not be available for the meeting and submitted apologies.

8. Reports Containing Exempt or Confidential Information

It was resolved unanimously to approve the motion to exclude the public from the remainder of the meeting.

9. Cyber Security

Members received a confidential update on cyber security.

The meeting rose at 12.55pm

A handwritten signature in black ink, appearing to be 'B. ...', written over a faint dotted line.

Chair

25.4.23