

Pension Fund Investment Sub-Committee

Date: Monday, 9 December 2019
Time: 10.00 am
Venue: Committee Room 2, Shire Hall

Membership

Councillor Richard Chattaway
Councillor Bill Gifford
Councillor John Horner
Councillor Wallace Redford
Councillor Bob Stevens

Items on the agenda: -

1. General

(1) Apologies

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

Members are required to register their disclosable pecuniary interests within 28 days of their election or appointment to the Council. A member attending a meeting where a matter arises in which s/he has a disclosable pecuniary interest must (unless s/he has a dispensation):

- Declare the interest if s/he has not already registered it
- Not participate in any discussion or vote
- Must leave the meeting room until the matter has been dealt with
- Give written notice of any unregistered interest to the Monitoring Officer within 28 days of the meeting

Non-pecuniary interests must still be declared in accordance with the Code of Conduct. These should be declared at the commencement of the meeting.

(3) Minutes of the previous meeting

2. Forward Plan

5 - 8

3.	i) Minutes of the Special Meeting of the Local Pension Board - 19 October 2019	9 - 12
	ii) Minutes of the Local Pension Board Meeting - 14 November 2019	13 - 18
4.	Reports Containing Confidential of Exempt Items	
	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’.	
5.	Exempt Minutes of the PFISC meeting - 9 September 2019	19 - 24
6.	Investment Performance	25 - 32
7.	Investment Fund Performance	33 - 42
8.	Border to Coast Pension Partnership	43 - 68
9.	Pooling Update	69 - 116
10.	Investment Strategy Review	117 - 148
11.	2019 Valuation Update	149 - 152
12.	Investment Benchmarking	153 - 294
13.	Setting Consultant Objectives	295 - 314
14.	Training Plan 2020	315 - 318

Disclaimers

Webcasting and permission to be filmed

Please note that this meeting will be filmed for live broadcast on the internet and can be viewed on line at warwickshire.public-i.tv. Generally, the public gallery is not filmed, but by entering the meeting room and using the public seating area you are consenting to being filmed. All recording will be undertaken in accordance with the Council's Standing Orders.

Public Speaking

Any member of the public who is resident or working in Warwickshire, or who is in receipt of services from the Council, may speak at the meeting for up to three minutes on any matter within the remit of the Committee. This can be in the form of a statement or a question. If you wish to speak please notify Democratic Services in writing at least two working days before the meeting. You should give your name and address and the subject upon which you wish to speak. Full details of the public speaking scheme are set out in the Council's Standing Orders.

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Pension Fund Investment Sub Committee

9 December 2019

Forward Plan

Recommendations

1. That the Sub Committee notes and comments on the forward plan.
2. That the committee considers the option to request attendance and presentations from fund managers on a planned and rolling basis.

1.0 Introduction

- 1.1 The purpose of this report is to provide an updated forward plan for the Pension Fund Investment Sub Committee rolled forward to cover the year ahead. The plan is set out at Appendix A.
- 1.2 The agenda remains dominated by pooling developments and the 2019 valuation.
- 1.3 Pooling has been and continues to be a high priority, but the Warwickshire Pension fund still holds the majority of its funding outside of the pool, and some funds will still exist outside of the pool for many years (e.g. alternatives) and potentially indefinitely (e.g. passive funds). It is recommended that presentation from time to time at the committee by existing fund managers outside of the pool is brought into the plan to ensure that all funds have enough oversight.
- 1.4 An addition to the forward plan is to provide a copy of the minutes of the Local Pension Board meetings for information. The Local Pension Board has resolved to increase the frequency of its meetings to quarterly so there will be updates at each sub-committee meeting.
- 1.5 It is proposed to make a review of the risk register a standing item in line with the expectations of the Pensions Regulator.

Background papers

None.

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Report Author	Chris Norton	chrisnorton@warwickshire.gov.uk 07767003428
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Strategic Director (Resources)	Rob Powell	01926 412564 robpowell@warwickshire.gov.uk
Portfolio Holder	Peter Butlin	cilrbutlin@warwickshire.gov.uk

The report was circulated to the following members prior to publication:

Local Member(s): none

Other members: none

March 2020	May 2020	June 2020	September 2020	December 2020
Investment Performance Report Fund Performance Report		Investment Performance Fund Performance Report	Investment Performance Fund Performance Report	Investment Performance Fund Performance Report
BCPP General Update BCPP Fund Transfers	Election of Chair and Vice Chair	BCPP General Update BCPP Fund Transfers	BCPP General Update BCPP Fund Transfers	BCPP General Update BCPP Fund Transfers
Forward Plan		Forward Plan	Forward Plan	Forward Plan
Fund Manager Presentation		Fund Manager Presentation	Fund Manager Presentation	Fund Manager Presentation
Local Pension Board minutes of meeting		Local Pension Board minutes of meeting	Local Pension Board minutes of meeting	Local Pension Board minutes of meeting
Investment Strategy Statement				Training Plan
2019 Actuarial Valuation Valuation Sign Off Funding Strategy Statement				
Business Plan				
Risk Review		Risk Register	Risk Register	Risk Register

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**Minutes of the Special Meeting of the
Local Pension Board of the Warwickshire Pension Fund
held on 19 September 2019**

Present:**Board Members**

Keith Bray (Chair)
David Buckland
Keith Francis
Alan Kidner
Councillor Dave Parsons

Officers

Helen Barnsley, Democratic Services Officer
Neil Buxton, Pensions Manager
Liz Firmstone, Service Manager, Transformation
Michael Nicolaou, Treasury and Pension Fund Manager
Chris Norton, Strategic Finance Manager
Jane Pollard, Legal Services Manager
Rob Powell, Strategic Director for Resources
Paul Williams, Democratic Services Team Leader

1. Introductions and General business**(1) Apologies**

Councillor Parminder Singh Birdi

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

None

2. Delays in Provision of Payroll Data

Following introductory comments, the Chair explained why the special meeting had been called. The issue had been raised in the last scheduled meeting of the board on 8 July 2019 with members questioning whether the potential breach of the law should be reported to The Pensions Regulator. On 22 July 2019, the assessment of the breach was confirmed as amber with details circulated to members of the board via a briefing note.

Keith Francis raised further questions in relation to the issues on 31 July 2019, asking if the problem was caused by the implementation of a new payroll system or a manual process and if there was any material impact on members who were seeking transfers.

Alan Kidner raised further questions regarding the breach via email on 18 August 2019 and suggested that it should be reported to the Pensions Regulator.

It was agreed on 19 August 2019 that a special meeting of the board would be held on 19 September 2019. The Chair thanked officers for, for the speed with which the special meeting was arranged. It was confirmed that the scope of the special meeting would be to discuss the breach.

Rob Powell, Strategic Director for Resources introduced the report and explained the assessment and classification process. He went on to confirm that a programme of work had been set in train to strengthen the administration of the fund since the breach was reported, setting out what had been done already and further planned activity.

He noted that:

- the breach was considered a serious matter that had been thoroughly and independently reviewed by both the Assistant Director of Finance and the Strategic Director for Resources in his capacity as Section 151 Officer;
- following an assessment against the Pensions Regulator's toolkit, it had been concluded that this was an amber breach, and officers remained confident this was the appropriate classification; and
- officers are continuing to focus on modernising the pension administration team as part of finance transformation programme, including a review of resourcing.

The board was given an explanation for each section of the report presented at the meeting and reasons why the breach had been categorised as amber following a detailed review against the Pensions Regulator's assessment toolkit. The criteria for a red breach classification were set out with an explanation of why they did not apply to the breach being discussed.

It was noted that the breach potentially affected 5,800 members of the fund (12%). In total 518 members were directly affected, specifically 27 transfers and 491 refunds. It was noted that there are approximately 50,000 members of the pension fund, so the number of fund members potentially impacted was small.

Board members expressed their concern at the slow pace at which issues were identified, escalated and resolved. Rob Powell confirmed that since his arrival he had instituted regular review meetings with officers in respect of pension fund activity and performance, and finance team met more regularly to identify issues more quickly to avoid such delays in the future. A review of all support service structures would be undertaken as part of the Council's transformation programme. Work was also underway to review the end to end process, identifying any staff training needs and automating some systems; e.g. introducing self-service systems for employers and members.

The meeting was informed that the cost of employing temporary staff to clear the backlog of work had been relatively low and had been covered within the existing pension administration budget. Following questions from both the Chair and Alan Kidner, Rob Powell confirmed the independent review would include consideration of administration costs, including the question of payroll costs, which has been raised by benchmarking figures. David Buckland asked whether it was appropriate for the agency staff costs to be charged to the fund.

Rob Powell indicated that these costs had been covered by vacancy savings and without increasing the original administration budget. He undertook to review the figures and report back to the Pension Board if they led to an overspend against the administration budget.

In response to a question from Alan Kidner, officers confirmed that the costs of additional short-term staffing to reduce the backlog had been met within the existing budget for pension fund administration and were not forecast to lead to any overspend against the fund administration budget.

Following a question from Keith Francis, it was confirmed that the breach had been reported internally.

Concerns were expressed about whether the report included enough detail.

The meeting was informed that two internal audit projects occur this year in respect of pension administration. One was requested as a result of the breach and the second is a routine audit planned for later in the year.

The issues were specific to the period following implementation of a new payroll system, iTrent, and the incremental roll-out with the pensions module following the core functionality. Following a discussion in relation to the implementation of iTrent, an integrated HR and payroll solution programme, it was confirmed that there are some outstanding issues where the administrators still need to undertake manual input while outstanding issues with automated reports are addressed. Monthly meetings are held with payroll service managers to identify any errors and the reports produced are being continually improved. Governance arrangements are in place that allow officers to identify problems and work quickly to resolve any manual entries that are required.

Alan Kidner queried if other authorities using iTrent had also experienced issues and if so, our issue should be reported to the pension regulator. Chris Norton, Strategic Finance Manager confirmed that the system is in widespread use across other local authorities but there is no information to suggest there are issues with it as a product. Rob Powell confirmed that the issues leading to the breach were not as a result of inherent flaws in the system itself but related to its implementation, and that outstanding reporting configuration issues were being addressed and short-term risks mitigated.

'In response to a question from Alan Kidner, officers confirmed that there was no link between the underlying causes of the breach under discussion and an earlier red breach reported in April 2019

Keith Francis requested reassurance that there was no significant financial impact to those members of the fund affected by the breach since there were a number of payroll runs where the same issue occurred. Rob Powell stated that he was confident that no members had experienced a financial loss as a result of the breach. One complaint had been made and fully resolved.

Alan Kidner stated that although he had concerns about the wider implications of the breach, officers' comments had reassured him that the incident was limited to Warwickshire County Council payroll and that the classification of the breach was correct.

David Buckland stated that Stratford-on-Avon District Council uses the Warwickshire County Council's payroll service and has experienced no problems with it.

It was noted that the fund has commissioned an independent expert (via CIPFA) to review the pension fund administration governance arrangements. Board members were invited to take the opportunity to talk to the expert during this process. The scope of the independent review will also consider the cost of the pension scheme. Payroll charges to the fund had been significantly reduced as a result of i-Trent implementation.

Following a question from the Chair it was confirmed that the review will be carried out by Ian Coleman, Chair of the Gwent Pension Fund and.

In summary, the Chair stated that the members of the board and officers from Warwickshire County Council agreed that there had been a breach and that it was appropriate to classify it as amber.

The administration side of any pension fund involves steep learning curves with the introduction of new systems and processes. Adding value to the fund is the key objective of the local pension board. The breach has been unfortunate, but lessons have been learned and the board will be more watchful moving forward, ensuring the focus of the board looks more at the administration side of the fund than in the past.

The following actions were agreed:

- A summary of the outcome of both internal audit reports will be reported to the Local Pension Board once they have been reported to the Audit and Standards Committee.
- A report will be presented at the next meeting of the Local Pension Board regarding fund administration costs.
- Ian Coleman will offer to meet with stakeholders and board members in relation to the topics of report presented at board meetings. Feedback from Ian will be shared with the Board.
- Going forward the overview report on the administration of the scheme presented at each scheduled board meeting will include more information in respect of activity, performance, risk and breaches.

The Chair thanked board members and officers for attending this special meeting.

The board rose at 3.20 pm

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Chair

Warwickshire Local Pension Board

Thursday, 14 November 2019

Minutes

Attendance

Committee Members

Keith Francis - Employer Representative
Keith Bray - Independent Chair
Alan Kidner - Scheme Member Representative
Councillor Parminder Singh Birdi
Councillor Dave Parsons

Officers

Neil Buxton, Pension Services Manager
Liz Firmstone, Service Manager (Transformation)
Michael Nicalaou, Treasury and Pension Fund Manager
Chris Norton, Strategy and Commissioning Manager (Treasury, Pension, Audit & Risk)
Jane Pollard, Legal Service Manager (Corporate)
Richard Ennis, Assistant Director - Finance
Rob Powell, Strategic Director for Resources
Sukhdev Singh, Principal Accountant
Aneeta Dhoot, Senior Finance Officer

Others Present

Ian Coleman – Independent Consultant
Robert Bilton – Actuary - Hymans Robertson

Due to bad weather and heavy traffic, the Chair was delayed and was not present for the start of the meeting. It was agreed that Jane Pollard, Legal Services Manager, would be acting Chair until Keith Bray arrived.

1. Introductions and General Business

(1) Apologies

David Buckland

(2) Board Members' Disclosures of Interests

The Chair stated that he was a member of the Local Authority Pension Fund Forum. In addition, he works for a firm of American lawyers which has Pension Fund clients but these did not include Warwickshire. Alan Kidner stated that his sister-in-law works for J.P. Morgan. It was acknowledged that these were unlikely to present any issues but still merited recording.

(3) Minutes of the meeting held on 8 July 2019

A series of amendments to the draft minutes were requested. It was agreed that these should be made and that the revised version of the minutes be circulated to Board members and officers for their approval prior to signing by the Chair and subsequent publication.

There were no matters arising

(4) Minutes of the Special Meeting held on 19 September 2019

Alan Kidner presented a series of proposed amendments to the minutes of the special meeting held on 19 September 2019. It was agreed that the board be given time to review the proposals before agreeing to the amendments and that the item be deferred until the next meeting of the Local Pension Board in March 2020

2. Governance Review

Rob Powell, Strategic Director – Resources, introduced the report which had been commissioned through CIPFA to assess the pension administration function and inform an action plan to improve the service. Ian Coleman, independent consultant carried out a complete review of the pension fund administration against The Pension Regulator's 46 requirements and 3 developing areas, based on documented evidence and interviews with key staff and representatives of the Board. Ian Coleman confirmed to the board that the RAG ratings in the report were based on his judgement against the Pension Regulator's standards.

The board reviewed the action plan, concentrating on red and amber ratings. During the discussion the following points were highlighted;

- i) There is a need for the board to undertake ongoing training as well as a training needs analysis for each member.
- ii) The board agreed to move to quarterly meetings.
- iii) A summary of audit reports will be presented to the Board after they have been to the Audit & Standards Committee.
- iv) The current figure for annual benefit statements distributed by the deadline is now 93%. There has been no response yet from the pension fund regulator in response to the breach regarding annual benefit statements.
- v) Rob Powell confirmed that the action plan requirements in relation to the interface with Warwickshire County Council's payroll are being implemented.

In response to a question from Keith Francis, it was confirmed that the document provides a summary and there is more evidence “behind the scenes” to support the work involved.

3. Pensions Fund Administration – Matters Arising Updates

Rob Powell, Strategic Director – Resources, introduced the report confirming that this was an extensive report and that it would be a standing item for all pension fund meetings moving forward. This signalled an intention to improve governance and transparency in line with Ian Coleman’s review, and Rob requested feedback on the usefulness of the report to the Board.

Liz Firmstone, Service Manager, Transformation stated that the report reviews all governance matters and provides details on all current activities and progress made.

The following updates were presented to the Board;

- i) With reference to payroll reports, the programme for the payroll reports has now been shared and consolidated into fewer reports. This has improved efficiency. The pension administration officers had input into the design of the reports.
- ii) Following a question from Alan Kidner, assurances were given in relation to the costs involved in the manual checks. It was confirmed that these manual checks were basic control checks which represent business as usual and so carry no additional cost. Rob Powell reminded the Board that the new payroll system has halved the associated costs to the pension fund.
- iii) The Starters and Changers backlog has now been cleared. 100% of changes for September have also been cleared.
- iv) With reference to the fund administration costs, it was agreed that they will need to be examined and this will form part of phase two of Ian Coleman’s independent review.
- v) With reference to data accuracy, the overall accuracy has increased from 98.4% to 98.5%. There is now a training log in place which will be regularly reviewed and assessed.

Following a question from Alan Kidner in relation to the payroll costs per pensioner, Rob Powell confirmed that Ian Coleman will be carrying out a deep dive review and that the results will be fed back to the Board once completed at its meeting in March 2020. It was agreed that a clearer explanation of the costs is required, given apparently anomalous historical figures.

4. LGPS Development Update

Neil Buxton, Pensions Manager updated the Board on recent and future LGPS developments. It was agreed that a link to the Scheme Advisory Board (SAB) would be sent out to all members of the Board.

With reference to the McCloud case it was confirmed to the Board that work is still ongoing. At this point it would be difficult to state what the likely impact would be as well as being difficult to assess with the final cost is likely to be. The Board will be kept updated as the case progresses.

The Hymans report is expected to be presented to the SAB on the 15 November 2019 and officers will send a link out to the members of the Board.

Officers drew attention to appendix A of the report – extracts from the Pensions Regulator Report which contains important information in relation to the pension regulator, governance and administration.

It was also noted that the Brexit issue is still causing some uncertainty for local government pension schemes.

5. Review of the papers of the Pension Fund Investment Sub Committee meeting held on 9 September 2019

The Board noted the papers of the Pension Fund Investment Sub Committee meeting held on 9 September 2019.

There were no matters arising.

6. Forward Plan

The Board noted and agreed the forward plan.

It was agreed that the dates for future meetings need to be discussed and clarified in view of the agreement to hold quarterly meetings. Consideration is to be given to the dates of the meetings for the Pension Fund Investment Sub Committee.

7. Any Other Business

- i) It was agreed that minutes of the meetings should be circulated as soon as possible to the Chair and Board members before they are published.
- ii) Any associated documents are to be shared with Board members as soon as possible. The Board is to be made aware of external publications, relevant to the Board as soon as possible.

- iii) Following a discussion, it was confirmed that more administration reports would be sent to the Staff and Pensions Committee. There was some confusion as to the difference between the classification of exempt documents for the Pension Fund Investment Sub Committee (PFISC) and the Local Pension Board, and risks to the ability of the Board to support that sub-committee arising from exempt reports.
- iv) Jane Pollard, Legal Services Manager, confirmed that the remit of each committee, including the Staff & Pensions committee, decided what was relevant and seen.

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 Part 1 of Schedule 12A of the Local Government Act 1972.

EXEMPT ITEMS FOR DISCUSSION IN PRIVATE (PURPLE PAPERS)

9. 2019 Valuation

Robert Bilton, Actuary - Hymans Robertson presented the report to the Board and the following points were noted by the Board;

- i) The valuation started approximately 12 months ago
- ii) The assumptions made in the valuation have all stood up to scrutiny and have been agreed and signed off.
- iii) All assumptions were evidence based.
- iv) Feedback from the valuation will be used to make decisions moving forward
- v) The valuation allows comfort and reassurance to be given that the governance process is up to scratch
- vi) The next steps in the process will be to communicate the results to employers and a communication plan has been put in place.

10. Pooling Update

Chris Norton, Strategic Finance Manager presented the report to the Board, highlighting the following key points;

- i) £300 million has been transferred to the Border to Coast (BCPP) Global Equity Fund
- ii) The Warwickshire Pension Fund has subscribed to the following BCPP alternatives sub-funds:
 - Private Equity
 - Infrastructure
 - Private Credit/Debt
- iii) There are currently two BCPP Non-Executive Director vacancies
- iv) A framework for complying with the Competition and Markets Authority Order will be presented to the Pension Fund Investment Sub-committee in December and an update will be provided to the Local Pension Board at the next meeting in March 2020.

The Board noted and commented on the report.

The Board rose at 12:28pm

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Chair

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of the Local Government Act 1972.

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