

Warwickshire Local Pension Board

Tuesday, 21 July 2020

Minutes

Attendance

Committee Members

Councillor Parminder Singh Birdi
Keith Bray (Chair)
Keith Francis
Alan Kidner
Councillor Dave Parsons
Mike Snow

Officers

Helen Barnsley, Democratic Services Officer
Neil Buxton, Technical Specialist - Pension Fund Policy and Governance
Aneeta Dhoot, Senior Finance Officer
Andrew Felton, Assistant Director - Finance
Liz Firmstone, Service Manager (Transformation)
Victoria Jenks, Pensions Admin Delivery Lead
Andrew Marson, Head of Pensions Administration
Chris Norton, Strategy and Commissioning Manager (Treasury, Pension, Audit & Risk)
Jane Pollard, Legal Service Manager (Corporate)

1. Introductions and General Business

(1) Apologies

Apologies had been received from Mr Keith Francis, however, the Board welcomed Mr Francis joining the meeting during consideration of item 6 (Pensions Administration and Performance Update).

(2) Board Members' Disclosures of Interests

None.

2. Forward Plan

The forward plan reflected a series of quarterly meetings, scheduled to follow executive committee meetings in order to better reflect and enable the role of the Local Pension Board in overseeing the fund's operations. In order to continue this cycle, it was proposed that the meeting on 26 November 2020 be brought forward and that meetings also take place in January and April 2021. The Board suggested meeting dates of 20 October 2020, 26 January 2021 and 13 April 2021 and

the Chair requested the Lead Commissioner for Pensions and Investment to consider these in the context of the wider cycle and either confirm their suitability or suggest more appropriate alternatives within seven days of the meeting.

It was further noted that the Board would receive a schedule of the policy reviews that would be presented to the relevant committee on an annual basis.

3. Business Plan Monitoring

Chris Norton, Strategy and Commissioning Manager (Treasury, Pension, Audit & Risk) presented the report to the Board, noting that this was the first monitoring report following a request by the Board in March 2020. The aim of the report was to go through the business plan with a simple RAG rating approach. It was highlighted that the majority of actions were on track and there were no actions with significant risk or that needed major governance input.

In response to a query regarding the absence of any 'red' ratings, it was noted that the governance action plan had been rated 'amber' as there was a lot of work to do on the plan, employer contributions had been of concern at the beginning of lockdown and one or two other ratings also remarked on Covid-19 as being a source of pressure. There was also a need to keep a check on employer covenants during the remainder of the year.

With regard to investments, the Board were advised that Border to Coast had maintained operations during lockdown and, whilst it had not been sensible for some funds to launch during the pandemic, the next planned fund launch was in 2021 when it was anticipated that markets would be more settled.

The Board were also advised that the review of contracts for services (point 31 of the plan), a list of contracts will be maintained designed to ensure that services are tendered for at the right time. Contracts include for example Hymans as Actuary, contracts with independent financial advisers and Heywoods for the pension fund system.

The Board indicated a desire to see the rolling programme of policy reviews (point 36 of the plan) in due course.

4. Risk Monitoring

Chris Norton, Strategy and Commissioning Manager (Treasury, Pension, Audit & Risk) presented the first quarterly report on Risk Monitoring activity, which followed the presentation of the annual report in March 2020. The risk register for 2020/21 had been drafted before the Covid-19 pandemic had escalated and did not refer to the pandemic. However, the pandemic and the issues and risks that it presented had since been identified and logged in a dedicated Covid-19 risk register. Covid-19 specific issues and risks were considered later in the meeting.

Risk monitoring reports had been taken to the Pension Fund Investment Sub-Committee and Staff and Pensions Committee in June 2020. Both committees had received the same risk register / actions update but the report commentary had been focused on investments and administration risks respectively. The focus of the reports had been on changes, developments, and management actions rather than repeating and updating the contents of the whole risk register.

The most significant change in position had been in respect of investment volatility so far, with concerns over the impact of Covid-19 on employer contributions in the longer term.

The Board cautioned against too much of a focus on Covid-19 and commented on the importance of other global risk factors such as Brexit and the China-United States trade dispute. Concern was also expressed about cyber security, particularly as more people were working from home, and it was acknowledged that consideration of the cyber security policy had been deferred a cycle due to the Covid-19 situation.

Reflecting on the challenges of lockdown, Chris Norton, Strategy and Commissioning Manager (Treasury, Pension, Audit & Risk), noted that the County Council had undertaken a test of home-working ahead of the formal lockdown and business critical functions had been maintained over the lockdown period. Andrew Felton, Assistant Director for Finance added that a lot of work was going on in the County to make buildings Covid-Secure and there was some ad-hoc access permitted. However, home working had been operating well for the last four months and was likely to continue for some months.

5. Pension Fund Covid-19 Report

Chris Norton, Strategy and Commissioning Manager (Treasury, Pension, Audit & Risk) presented the bespoke risk report to the Board which highlighted Covid-19 specific risks, with the most significant being investment volatility and cash flow management. He noted that employer contributions remained relatively normal and whilst some were past deadlines this was not at a higher level than usual. Further risk mitigation actions were already in place and further Covid updates would be taken to the next Pension Fund Investment Sub-Committee and Staff and Pensions Committee.

The Chair referred to the Annual Report later on the agenda and reflected on the foresight shown by Board Members at the meeting on 26 February when the likely effects of the pandemic were raised. Although it had been acknowledged that there would be both short and long term impacts, the extent to which the pandemic would interfere with human activity had not been fully realised at that time and this demonstrated that some risks could not be foreseen and it was important to be nimble-footed. He praised the “remarkable” response effort from Local Government and expressed his personal thanks for the commendable reaction to such an unprecedented situation.

6. Pensions Administration and Performance Update

Andrew Marson, Pensions Administration Delivery Lead, introduced the report. He expressed pride in the Team for the way they had responded to the circumstances of the Covid-19 Pandemic before drawing attention to the Governance Action Plan which continued to progress in a timely fashion.

Liz Firmstone, Service Manager (Transformation) was invited to report on the pensions costing exercise which had taken place and she advised that work had been undertaken on a review of pensions costs and close liaison had taken place with the CIPFA Benchmarking Club. The Board were informed that a review had also been carried out by the Benchmarking Club last year, led by Cheshire, and feedback was that members were struggling to follow the guidance and there were issues with comparability of data. Refreshed guidance would result in more comparability for 2019/20 statistics and a higher level of assurance. As a result, it was expected that the cost of

Warwickshire Pensions Administration would be shown as efficient when compared to the rest of the Group when 2019/10 figures were submitted and published. A further report would come to the next meeting. The Chair asked that this report incorporate information about how many funds were covered by the Benchmarking Club.

Andrew Marson, Pensions Administration Delivery Lead, also shared an update regarding Audit, Payroll, Workloads, Pensions Increases, End of Year Returns, Annual Benefits statements, recruitment, key performance indicators, breaches and IConnect as set out in the report.

He noted that the circumstances of Covid-19 had put a greater emphasis on wellbeing and that whilst people were generally prepared for an extended period of working from home, it was acknowledged that, for some individuals, their wellbeing and performance could be affected and supportive processes were in place to accommodate them.

The Board noted significant improvement in terms of transfers and that positive contact existed with the Regulator in terms of reported breaches.

Keith Francis joined the meeting at this point.

The Board discussed the Iconnect project which had full approval and was progressing well. Early engagement with employers' payroll teams/outsourced providers was required to give appropriate lead times. Many payroll providers already used the new digital platform with other employers and were keen to implement online submission and move away from the existing spreadsheet. Smaller employers already used an online submission form and, therefore, would not see a difference in approach. The Board asked for an update on the Iconnect Project at the next meeting.

The Board were pleased to hear that as part of the implementation work around new KPIs, there were improved mechanisms to capture data which had reduced the manual effort involved.

7. Local Pension Board of Warwickshire Pension Fund Annual Report 2019 - 2020

The Chair presented his report, noting that it had been an interesting year and the Board had dealt with a number of issues. There had been a marked improvement in resource, allocation and the way work had been done and this had been reflected in the report. It was noted that the attendance at the meeting on 26 February 2020 was incorrectly recorded and this would be updated to record the apologies of Councillor Parminder Singh and Mr Keith Francis.

The Board welcomed the report.

8. LGPS Development Update

Neil Buxton, Technical Specialist Pensions Fund Policy and Governance advised that this report set out the latest update on the McCloud case. The appendix referred to a consultation which had been issued on 17 July 2020 and the related papers would be circulated to Board Members, followed by any further commentary or updates from the advisory board or actuaries as received. It was acknowledged that the outcome of the case would potentially have a huge task impact for all Local Authority Pension Funds as it related to approximately 25% of fund members and resourcing would need to be identified to address the impacts. Meetings on planning for the impacts of

McCloud were due to commence following the meeting and it was proposed to update the Board regularly on how that was progressing.

It was also highlighted that the cost cap and limitation of payments to £95,000 had been further delayed.

9. Draft Annual Report and Accounts

Chris Norton, Strategy and Commissioning Manager (Treasury, Pension, Audit & Risk) presented the draft Annual Report including the draft annual accounts and confirmed the approval timeline to finalisation by Council in September 2020. The external audit of the accounts would be undertaken by Grant Thornton who would also be conducting a 'hot review' every few years. This meant that information would be shared with the Central Inspection Team, who would look at it from a different perspective, providing the benefit of additional scrutiny.

The Chair requested that the meeting consider high level comments only and any detailed comments or queries should be addressed by email to Chris Norton.

The Chair welcomed Rob Powell's recognition of the Board in his statement.

The Chair asked for clarification on the long-term funding target of 19 years which seemed to be reasonable in comparison to other authorities and, subject to Covid-19, the direction of travel was right. Chris Norton advised that 19 years was the funding horizon – so it was planned to move from the current position to fully funded in 19 years. Additionally, it was necessary to factor in the probability of reaching a fully funded position within 19 years. The Board had heard that the Pension Fund had provided for the potential costs of McCloud and this had been accommodated by building a higher probability of reaching a fully funded position into the actuarial review in relation to the funding horizon assumptions. In terms of cash, this did not mean there was now a pot of money, but that it would be factored into employer contributions valuation.

With regard to the actuarial funding level quoted, the pre-pandemic figure in around December was 93.2%; this had reduced to 82.5% at out-turn rising at the end of April to around 85%. The fund valuation went down significantly in the lockdown and had rebounded to some extent since but was not back to where it was. Some comfort was also drawn from the notion that the valuation assumptions are considered to be relatively conservative.

10. Local Pension Board Terms of Reference

Victoria Moffett, Lead Commissioner Pensions and Investment advised the Board that the Terms of Reference had been updated to reflect recent guidelines and would be presented to the next Pension Board for acceptance.

Comments were made as follows:

- An improved gender balance for the Board would be welcomed and it was agreed to consider the wording of paragraph 3.2 with the following wording being suggested: "Scheme Member Representatives shall either be scheme members or have capacity to represent scheme members of the Fund."

- Page 2 section 3 made reference to the “independent representative” and it was suggested this could be more easily read by using the word “Chair” instead, although it was noted that the Chair was not required to be the independent representative.
- Measurement of continuous improvement in performance could be measured through training logs; whilst SAB would issue guidance any comments on how to measure success would be welcomed.
- Alternative wording for item 7.5b was suggested: “having regard for the need to ensure the effective and efficient governance and administration of the scheme”;
- Alternative wording for item 7.5c was suggested: “having regard for the need to secure compliance with, requirements imposed by the Pensions Regulator, the LGPS regulations, and any other legislation relating to the governance and administration of the LGPS”;
- It was queried why 8.1 referenced the 2004 Pensions Act only and it was considered that a full stop should be added after “regulations” with no wording following. The Board felt that the expertise required in relation to pensions legislation was both broad and complex and it was acknowledged that training was targeted to issues relevant at the time. Officers would consider which legislation was relevant to the coming year and seek to incorporate this in the plan.
- Discussion took place on the timescale for publication of papers and a preference was expressed by the Board for this to be increased to 10 working days to give enough time for hard copy paperwork to arrive and be read. It was agreed that Officers would consider the feasibility of the request.
- Alternative wording for paragraph 10.2 was suggested: “e.g. County Councillors who are Pension Board members are expected to adhere to the County Council member's code of conduct”.

11. Review of the triennial valuation

Neil Buxton, Technical Specialist Pensions Fund Policy and Governance presented this report to the Board, highlighting the areas of improvement as set out in the report. The Board noted the content of the report.

12. Investments Update

Victoria Moffett introduced this report, noting that the investment strategy remained unchanged with no new fund launches this quarter. Officers were liaising with Border to Coast regarding the fund development. Reports to the Pension Fund Investment Sub-Committee now included updates on the fund’s voting record; all listed equities where the fund had voting rights were managed via Border to Coast who provided information on voting activity to the fund. Additional feedback was available when a vote had been cast against a motion.

13. Minutes of the Previous Meeting

The minutes of the meeting held on 26 February 2020 were agreed by the Board as a true and accurate record.

14. Summary of PFISC Papers

The Board noted the content of this report which comprised the agenda and draft Forward Plan considered at the meeting on 12 March 2020, together with a copy of the minutes of the meeting.

15. Review of the minutes of the Staff and Pensions Committee

The Local Pension Board noted the minutes of the Staff and Pensions Committee meeting held on 12 March 2020.

16. Summary of Actions

	Action	
1	Policy review list to be included in the forward plan report.	Chris Norton
2	Costs benchmarking report to come to the next Local Pension Board meeting.	Liz Firmstone
3	Further Covid updates to go to the September Pension Fund committees.	Victoria Moffett & Chris Norton
4	iConnect update to go to the next Local Pension Board meeting.	Liz Firmstone
5	Circulate a copy of the McCloud consultation to Local Pension Board.	Neil Buxton
6	Update Local Pension Board Terms of Reference for comments received.	Neil Buxton
7	Report Local Pension Board Terms of Reference to Council in October for approval.	Neil Buxton

The meeting rose at 1.01pm

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Chair