

# Warwickshire Local Pension Board

Tuesday 20 October 2020

## Minutes

### Attendance

#### Committee Members

Keith Bray (Chair)  
Councillor Parminder Singh Birdi  
Keith Francis  
Alan Kidner  
Sean McGovern  
Mike Snow

#### Officers

Neil Buxton, Technical Specialist  
John Cole, Trainee Democratic Services Officer  
Aneeta Dhoot, Senior Finance Officer  
Andrew Felton, Assistant Director – Finance  
Shawn Gladwin, Treasury and Pensions Investment Officer  
Vicky Jenks, Pensions Admin Delivery Lead  
Victoria Moffett, Pensions and Investment Manager  
Deborah Moseley, Senior Democratic Services Officer  
Chris Norton, Strategy and Commissioning Manager (Treasury, Pensions, Audit, Insurance, and Risk)  
Jane Pollard, Legal Services Manager (Corporate)  
Sukhdev Singh, Senior Accountant Pensions Investment

### 1. Introductions and General Business

The Chair opened the meeting and asked those present to take a few moments of silence to reflect on the passing of Councillor Bob Stevens who had been committed to the wellbeing of the Pension Fund and public service and would be greatly missed.

The Chair also went on to welcome Mr Sean McGovern as the Board's new Scheme Member Representative.

#### (17)Apologies

Councillor Dave Parsons

#### (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.

Alan Kidner stated that his sister-in-law worked for J.P. Morgan.

## **2. Forward Plan**

Victoria Moffett, Pensions and Investment Manager presented the Board with a one year rolling forward plan for the year ahead. It was not a rigid plan and could be amended at each meeting depending on the latest developments. It was also noted that provisional dates for 2021/22 were in the process of being scheduled 5-6 weeks after Pension Fund Investment Sub-Committee meetings and the Board asked to be consulted on the dates before they were finalised.

### **Resolved –**

1. The Board noted the forward plan.
2. That proposed dates for 2021/22 Board meetings be circulated to Members for comment.

## **3. Pensions Administration Activity and Performance Update**

This report, presented by Vicky Jenks, Pensions Admin Delivery Lead, provided an update on key developments affecting pensions administration and the performance of the Pension Administration Service. The report focussed on progress in implementing the Governance Action Plan, issue of Annual Benefit Statements, the Year End process, commencement of the GMP reconciliation process, key performance indicators, workloads, recorded breaches as set out in table 1 of the report, the outcomes of audit reports which had been submitted to Audit and Standards Committee, progress on the i-Connect project, planning to manage implementation of the McCloud/Sargeant Remedy, changes to exit payment regulations, and employers leaving and joining the fund.

The Board noted that the breaches log would be of greater benefit if improvements were made in the clarity of the entry date and for more consistent use of colour coding. It was agreed that this feedback would be used to amend and improve the log.

In response to a query regarding the number of deferred scheme members for which there was no address, Vicky Jenks, Pensions Admin Delivery Lead, advised that more work was being done to identify missing data, including use of a tracing service, and once an individual had been found, records were being updated and individuals reminded to keep their records up to date. There was some discussion as to whether the delay in the despatch of annual benefits statements for these people should be treated as a red breach and although there was some tentative agreement to this suggestion, further guidance would be sought.

Progress on the iConnect project was welcomed with further detail on the implementation process, including lists of the employers on board, was sought. The Board was advised that once phase 1 had been implemented, it would be possible to look at how much quicker information was being received to reduce the number of breaches.

With regard to a question on responsibility for the implementation of the McCloud / Sargeant Remedy, the Board were advised that it was intended to appoint a project manager, potentially

provided by an external company and a strategic board made up of key stakeholders. The Assistant Director – Finance had ultimate responsibility for the project and would ensure that resources were in place to deliver the project.

Some disappointment was expressed with regard to the changes to exit payment regulations, with concern expressed for the impact the changes could potentially have on public sector employees with long service and relatively low pay who were facing redundancy near to retirement age. It was noted that there had been strong representations nationally on the issue.

#### **Resolved –**

1. The Local Pension Board noted the latest developments in pensions administration and the progress made since the previous meeting.
2. The Local Pension Board noted the government consultation on the reform of exit payments in local government as set out in Section 13 of the report

#### **4. Review of Pension Administration Costs**

Chris Norton, Strategy and Commissioning Manager (Treasury, Pensions, Audit, Insurance, and Risk) presented this report which provided an update to the Board on assurance work that had taken place to ensure the quality and consistency of the 2019/20 CIPFA benchmarking data. Adjustments indicated that the overall unit cost of the service was considerably lower than the 2018/19 figure for Warwickshire, and would also be more in line with the average 2018/19 cost of the comparator group.

The Board welcomed the report.

#### **Resolved –**

The Local Pension Board noted the work that has been undertaken to reduce costs and ensure the accuracy and quality of CIPFA benchmarking data.

#### **5. Risk monitoring**

Victoria Moffett, Pensions and Investment Manager, presented this report to the Board, noting that it covered both the general risk register and the COVID-19 risk register and provided an update on the review of risk ratings which had been undertaken in September.

In respect of the general risk register, which was originally set before the pandemic impact, some risk assessment scores increased as set out in the report.

In respect of the Covid risk register which was originally set out after the pandemic impact had started, a number of risk assessment levels have reduced in light of experience.

In response to a query about the impact of the outcome of Brexit, the Board was advised that as UK Equities saw returns from overseas trading as well as the UK, Brexit should only impact a small part of the portfolio. Investment Managers had undertaken historical research and were trusted to make appropriate risk adjusted decisions based on their professional opinion. The UK Equity Alpha Fund comprised several underlying fund managers but Border to Coast was the Pool

Manager and had made an assessment of how each portfolio was positioned based on their expertise as an FCA regulated investment company. Discussions with Border to Coast and other partner funds regularly took place to ensure appropriate measurement was taking place. The investment strategy had been set on long term values and assumptions so impacts were assessed on whether they would be short term in nature or result in long term change. It was noted that there were a number of long- term pressures and that the Pension Fund Investment Sub Committee would review the strategy from time to time. It was agreed that for future meetings, a note of the actions taken by the Pension Fund Investment Sub Committee would be included alongside the minutes where actions are not confidential in nature.

In response to feedback on the content of the general risk register, Chris Norton, Strategy and Commissioning Manager (Treasury, Pensions, Audit, Insurance, and Risk) agreed to give consideration to the amount of detail in the Action column, whilst recognising that the document is intended to be strategic in nature, and to pick up any specific concerns that Board Members might have outside the meeting.

#### **Resolved –**

The Local Pension Board noted the report.

### **6. Business Plan Monitoring**

This report, introduced by Victoria Moffett, Pensions and Investment Manager, provided a quarterly update on progress made against the pension fund business plan previously approved at the March 2020 Pension

Fund Investment Subcommittee. Appendix 1 to the report set out business plan actions and position in respect of each one together with a RAG rating. The focus of the presentation was on the seven 'amber' rated actions: benefits statements issued, monitor employer contribution performance through the year, review employer covenants and risk management for non-statutory employers, implement and embed a commissioning/delivery approach to administration of the fund, and maintain a rolling programme of policy reviews.

In response to a query about some of the terminology used, Chris Norton, Strategy and Commissioning Manager (Treasury, Pensions, Audit, Insurance, and Risk) explained the background to the move towards becoming a commissioning organisation and how this was reflected across the whole of Warwickshire County Council. He explained how the line management split between commissioning and delivery was made and how this provided a focus on the future.

The Board also noted that previously the annual benefit statement had been RAG rated 'red' and the 'amber' rating reflected the work that had taken place.

#### **Resolved –**

The Local Pension Board noted the report.

## **7. Investments update**

This report, which provided an update on investment activity, was presented by Victoria Moffett, Pensions and Investment Manager. The report covered the overall funding level, growth assets update, income assets update, protection assets update, pooling, audit and voting record.

In response to a query regarding investment costs and cost transparency, Victoria Moffett, Pensions and Investment Manager explained that there were some nuances to the way that the information and associated detail could be presented and that what could be reported publicly would be reviewed. Chris Norton, Strategy and Commissioning Manager (Treasury, Pensions, Audit, Insurance, and Risk) noted Pension Fund Investment Sub Committee received more detail in this regard.

In response to a question regarding the overall funding level being approximately 83% as at 13 August 2020, and subsequent explanation from the Chair, Victoria Moffett, Pensions and Investment Manager offered to provide some further training on actuarial valuations to new Members.

In response to a query about the internal audit report categories, Chris Norton, Strategy and Commissioning Manager (Treasury, Pensions, Audit, Insurance, and Risk) confirmed that there were four levels of assurance: limited, moderate, substantial and full. The Board considered that it would be useful for them to receive audit reports which looked at any aspects of pensions, particularly the administration.

### **Resolved –**

1. The Local Pension Board noted the report.
2. The Local Pension Board requested further information about Investment Costs and Transparency and Audit reports relating to pensions.

## **8. External Audit of Pension Fund Accounts**

Chris Norton, Strategy and Commissioning Manager (Treasury, Pensions, Audit, Insurance, and Risk) presented this report which sought to inform the Board of the external audit of the accounts and highlighted key features of the accounts for 2019/20.

Responding to a question about the main challenges in getting the accounts prepared during the pandemic, Chris Norton, Strategy and Commissioning Manager (Treasury, Pensions, Audit, Insurance, and Risk) advised that from the pension fund perspective, all actions had been successfully achieved remotely. He noted that there were some challenges to the Auditors, for example over physical records but ultimately the accounts had been signed off by Council in good time.

### **Resolved –**

The Local Pension Board noted the report and welcomed the sign off of the accounts.

## **9. Minutes of Previous Meeting**

The minutes of the meeting held on 21 July 2020 were agreed by the Board as a true and accurate record.

In terms of matters arising, Chris Norton, Strategy and Commissioning Manager (Treasury, Pensions, Audit, Insurance, and Risk) highlighted that the County Council had now approved the Terms of Reference for the Board and would seek to update this on the website.

The quality of the minutes was welcomed and it was agreed that for subsequent meetings, once the Chair had had an opportunity to agree the draft of the minutes, he would circulate them to the Board to provide a preview ahead of their formal publication for the next meeting.

## **10.Minutes of the Pension Fund Investment Sub Committee**

The Local Pension Board noted the minutes of the Pension Fund Investment Sub Committee meetings held on 8 June and 23 July 2020.

## **11.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 8 June 2020.

## **12.Assessing Employer Covenant in the Pension Fund**

Neil Buxton, Technical Specialist introduced this report which set out the process for reviewing scheme employers with regard to any guarantees or security in place and the risks around each employer. An assessment of each covenant demonstrated good governance and the management of risk. An action plan of how the review would be taken forward was set out in Appendix 1 to the report.

In considering the report, the Local Pension Board requested that the review be a standing item on future agendas and it was agreed that officers would consider how best to achieve this.

### **Resolved –**

The Local Pension Board noted the report.

## **13.Pension Fund Cyber Security Policy**

Neil Buxton, Technical Specialist presented this report which set out proposals for the Fund to have its own Cyber Security Policy rather than rely upon the system provided by the County Council. The report also identified the approach to implementing the proposed policy which involved specific consultancy support.

In response to a query about the timescales involved for implementation, the Board were advised that there was not a technical reason but that it was important to be realistic about how long it would take to bring in expertise and what could be physically achieved in the given timescales.

Neil Buxton, Technical Specialist, confirmed that there had not been any cyber breaches to date and that the policy was being introduced following a request by the Pension Regulator.

## **Resolved –**

The Local Pension Board noted the report.

### **14. Schedule of Pension Fund Policies**

This report was presented by Neil Buxton, Technical Specialist who explained that the report set out all the policies in place to ensure the successful operation of the Fund and to meet Pension Regulator requirements together with proposed timescales for periodic review. It was also noted that some policies would need to be reviewed when there was a material change to circumstances such as changes in legislation which required a policy amendment.

There are a significant number of policies and the Fund will keep under review whether the revised capacity and arrangements to maintain and develop them are sufficient.

In response to a query about engaging with scheme employers to keep their policies up to date, Neil Buxton, Technical Specialist, noted that this was an area that funds had problems with and whilst it was acknowledged that good employers would provide their discretions policy statements, unfortunately a lot of smaller employers did not see the need. As part of the administration process, the Fund periodically reminded employers to have a policy in place and, on sending a copy of Warwickshire County Council's policy as an example template, it was sometimes the case that employers would respond to confirm that they had adopted a similar policy.

## **Resolved –**

The Local Pension Board noted the report.

### **17. Any Other Business**

Members were reminded of a training session taking place on 28 October 2020 and the Warwickshire Fund AGM on Monday 16 November 2020.

The Chair invited comments on the start time for future meetings and it was agreed that the next meeting would commence at 10.00am as the virtual environment allowed for an earlier start time. As part of the consultation on future dates, Members were invited to give their views on start time.

The Chair thanked officers for their support and welcomed the quality of the resource which was provided to the Board.

### **18. Summary of Actions**

	Action	
1	Consult with Board on proposed 2021/22 meeting dates	Democratic Services
2	Breaches information on the website to be updated and RAG rated	Vicky Jenks
3	Provide an update of employers onboarded to i-Connect	Vicky Jenks

4	Informal risk assessment meeting with all officers	Victoria Moffett
5	Future presentations of the Pension Fund Investment Sub Committee activity to include reference to any Strategic Asset Allocation review	Victoria Moffett
6	Consideration to be given to future investments updates including savings through pooling	Victoria Moffett / Chris Norton
7	New Member training on actuarial valuations/funding levels	Victoria Moffett
8	Review Board access to internal or external audit reports on pensions related functions	Chris Norton
9	Update Terms of Reference on website	Neil Buxton
10	The Chair will agree future draft minutes, and circulate them to Board members. They will then be attached to the next agenda in the usual way.	Democratic Services
11	Exception reporting on covenant review progress.	Neil Buxton
12	Time of next meeting to change to 10.00am.	Democratic Services