

Warwickshire Local Pension Board

Tuesday 26 January 2021

Minutes

Attendance

Committee Members

Keith Bray (Chair)
Keith Francis
Alan Kidner
Sean McGovern
Councillor Dave Parsons
Mike Snow

Officers

Neil Buxton, Technical Specialist - Pension Fund Policy and Governance
Aneeta Dhoot, Senior Finance Officer
Liz Firmstone, Service Manager (Transformation)
Deborah Moseley, Senior Democratic Services Officer
Jane Pollard, Legal Service Manager (Corporate)
Chris Norton, Strategy and Commissioning Manager (Treasury, Pension, Audit & Risk)
Sukhdev Singh, Principal Accountant
Andrew Felton, Assistant Director - Finance

1. Introductions and General Business

(1) Apologies

Councillor Parminder Singh Birdi

(11) 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

Neil Buxton, Technical Specialist 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. The plan included a schedule of policies for review on a rolling basis and a training schedule, with the first session covering climate modelling on 28 January 2021. Details of training would continue to be circulated and Members asked for a reminder of joining links/details to be sent through a day or so before any sessions taking place.

Resolved – that the Board noted the forward plan.

3. Business Plan

Chris Norton, Strategy and Commissioning Manager (Treasury, Pensions, Audit, Insurance, and Risk) presented this report which provided a quarterly progress update against the Business Plan approved for the period ending April 2021. The report provided progress against each business item using 'Red, Amber, Green' indicators, which highlighted that there were six areas where the plan objectives were amber: deliver a Pension Fund Annual General Meeting, monitor employer contribution performance

through the year, review employer covenants and risk management for non-statutory employers, continued growth of alternative asset classes towards their new strategic asset allocation, review of contracts for services provided to the Pension Fund, and implement and embed a commissioning/delivery approach to the administration of the Fund. The reasons for these six 'amber' ratings were set out in the report.

In response to a query on the implications of expired contracts, Chris Norton responded that there were no issues in terms of continuity of service, the potential for impacts comes from not reletting contracts in a timely manner. The purpose of reletting is to ensure value for money and that the services to the fund remain focussed on the Fund's needs. One of the findings of the governance review had been that there was not sufficient capacity to service all functions of the fund and capacity has been increased as a result. However in now doing the work to review contracts (and policies) the amount of resource required is more apparent and the Fund is looking at the resourcing issue. A recent example of a contract tender was the financial advice provided by Hymans which is overdue for re-tender but this has not yet happened due to the timing of LGPS pooling and limited officer capacity.

Responding to a query regarding employer contributions not received, Chris Norton advised that there are some issues with some employers but the level of activity was business-as-usual extent. Analysis took place on a monthly basis and no significant systematic change had been noted over the last year. For the small number of employers who did have ongoing difficulties, the pandemic was an additional issue to contend with. It was also noted that the online breaches log showed a discrepancy between the log and this report and officers agreed to look into the reasons for this.

Chris Norton also responded to a query regarding investment in infrastructure which was being driven by government, advising that on the whole Pension Funds had avoided being forced into investing to support national infrastructure investment objectives at the expense of Pension Fund objectives. The Fund had the option to invest through the pool which gives more advantages of scale but the pool was subject to the same challenges as any fund in terms of getting the right risk and return profile to meet the objectives of enough partner funds in order to get them to sign up. The Fund had signed up to more investment in Border to Coast's alternative funds and needs to keep a watch on cash flow and capital calls from alternative commitments, eg Harbour Vest, to make sure that the balance is not tipped more towards alternatives than had been intended.

Resolved – that the Board noted the report.

4. Risk Register

This report, presented by Chris Norton, Strategy and Commissioning Manager (Treasury, Pensions, Audit, Insurance, and Risk), provided an update on the risks to the Fund and actions taken to manage them. It covered both the general risk register and the COVID-19 risk register.

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

In respect of the Covid risk register which was originally set out after the pandemic impact had started, none of the risks levels had increased relative to expectations, and several had decreased in light of experience.

In response to a query regarding the impact of Brexit, Chris Norton noted that this was a risk that was on the radar and the Pension Fund was relatively heavily weighted to UK equities. Although Brexit was an issue causing volatility, Covid and international trade tensions were having a bigger impact.

In response to comments about the process of scoring and the mitigations in place around fraud, Chris Norton explained that scoring was undertaken by Fund Officers who reviewed the scores quarterly in accordance with the scoring matrix set out in the report. A review of the risk framework for the County Council itself had taken place which had resulted in a revised risk management framework and it was hoped to follow that model from next year. With respect to Fraud, there were numerous administrative checks in place as mitigation and no changes to the controls had been required as a result of the pandemic. In terms of risks with investment managers, custodian, brokers and within the administering authority (as detailed on page 23 of the pack) there were two drivers - controls not being strongly applied because of Covid impact on staffing and systems, and the potential for there to be more incentive or motivation to commit fraud if an individual's circumstances were more difficult or desperate. In terms of digital and wet signatures, this depended on the process. Sometimes wet signatures were needed but at other times DocuSign digital signatures could be used. It was difficult to comment on whether the risk of fraud was higher or lower but in terms of actual fraud, there had not been any instances identified on the investment or administration side. Vicky Jenks, Pension Administration Lead, commented that the Team were looking at online methods of ID verification to further mitigate against the risk of fraud.

In response to queries regarding the implications of the impact the pandemic was having on city and town centres and the associated value of commercial properties, Chris Norton advised that property investment fund managers had been foreseeing the reduction in the economy in the high street for some time and had been disinvesting in this area as a result, investing more in out of town warehouses and infrastructure for internet sales. In terms of supporting High Streets, the Fund could, for example invest up to 5% in local impact investing, but at the time of the meeting, the investment strategy was silent on that option. The issue for any investor and investee is to align the objectives of the Fund making the investment with the objectives of the entity seeking investment. If it was the County Council making the investment, it would be a simple task to align with its objectives with regard to the High Street (for example economic development) but the objective of the Pension Fund is to pay pensions when due so it was more complex to make a connection with those objectives. This topic will be explored during the next review of the investment strategy.

Resolved – that the Board noted the report.

5. 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 set out the current position with regard to the governance action plan, i-Connect, guaranteed minimum pension reconciliation, key performance indicators, workloads, breaches, tracing service, internal dispute resolution procedure, communication, and preparations for McCloud.

In response to questions regarding the implementation for McCloud, Vicky Jenks advised that there would be a period of data collection prior to the rectification process and there would be approximately one year to make sure all the data is in place in order to assess benefits prior to the regulation change in April 2022. With regard to funding for this project, Liz Firmstone advised that the work was split in two parts - work to manage the implementation of the LGPS and Fire Pension. The proportion relating to the LGPS scheme would be paid for from the Pension Fund and the Fire Service, , would benefit from resources agreed by the Corporate Board.

In terms of workloads, Vicky Jenks acknowledged that virtual training for new members of the team was difficult, sometimes took longer to learn in a digital environment, than to learn processes face to face. However, the team were adapting training methods and providing access to different tools – e.g documenting processes, peer support and mentoring, use of relevant software and online modules. The Board welcomed the personal approach to training.

The Tracing Service had gone through bronze and silver levels and some further analysis would take place before moving to the gold level. This would enable consideration of individual profiles to see if they were due benefits shortly and needed to be traced more urgently than younger members who could be part of a subsequent tracing exercise. Liz Firmstone added that consideration was being given to running tracing on a regular basis although an appropriate frequency needed to be agreed.

In response to comments on the presentation and content of the online breaches log, Vicky Jenks advised that work was taking place to bring this document up to date and improve the format so that it could be more easily updated on a monthly basis. Officers agreed to look into Members' feedback on the format and traffic light ratings to re-assess the entries to ensure they were properly reflected at the correct rating or escalated as necessary.

Resolved – that the Board noted the report

6. Investment Update

Chris Norton, Strategy and Commissioning Manager (Treasury, Pensions, Audit, Insurance, and Risk) presented this report which provided a governance-based overview of the Pension Fund's investment activities. He commented that the value of the Fund's assets had increased from £2.2bn as at 30 June 2020 to £2.3bn as at 30 September 2020, the Fund's cashflow position remained balanced, the National Knowledge Assessment had recently been undertaken by officers and members which would be used to inform training needs, the Fund had issued its compliance statement in accordance with the Competition and Markets Authority's requirement to have Investment Consultant Objectives in place and a procurement process had commenced for the reletting of contracts for Independent Financial Advisors. He particularly drew attention to section 3 of the report which dealt with asset allocation.

Resolved – that the Board noted the report

7. Internal Disputes Resolution Procedure

Neil Buxton, Technical Specialist presented this report which informed the Board that all pension schemes were required by the Pensions Act 1995 and the Pension Regulator to have in place a formal dispute resolution procedure. Similarly, the Local Government Pension Scheme Regulations required scheme employers and administering authorities to have formal procedures in place to address and resolve any grievances from scheme members and other interested parties in how their membership of the scheme or how their benefit entitlement was dealt with either by their employer or the administering authority. As the County Council had been reviewing its internal processes, the opportunity was taken to review the Fund's process in tandem. Following this meeting, the procedure would be presented to Staff and Pensions Committee for approval.

Resolved – that the Board noted the report

8. Review of the Minutes of the Pension Fund Investment Sub-Committee 14 September 2020

The Local Pension Board noted the minutes of the Pension Fund Investment Sub Committee meeting held on 14 September 2020.

9. Review of the Minutes of the Staff and Pensions Committee 14 September 2020

The Local Pension Board noted the minutes of the Staff and Pensions Committee meeting held on 14 September 2020.

10. Minutes of Previous Meeting

The minutes of the meeting held on 20 October 2020 were agreed by the Board as a true and accurate record. The Chair reminded the Board that he was now agreeing minutes in draft form ready for early circulation to the Board but that they would continue to be approved in formal meetings. The quality of the minutes was welcomed.

11. Summary of Key Actions

	Action	
1	Breaches information on the website to be revisited, updated and fully RAG rated/escalated where required	Vicky Jenks / Chris Norton
2	Consult with Board on 2021/22 meeting dates	Deborah Moseley
3	Change timing of the next meeting (14 April 2021) to a 10am start	Deborah Moseley

4	Update website for the updated LPB Terms of Reference	Neil Buxton
5	Provide an update on employers on-boarded to iConnect	Vicky Jenks

The meeting rose at 11.53am

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Chair