

Warwickshire Local Pension Board

Tuesday 9 July 2024

Minutes

Attendance

Committee Members

Keith Bray (Chair)
Sebastian Burch
Jeff Carruthers
Beverley Farmery
Sean McGovern
Councillor Ian Shenton
Mike Snow

Officers

Chris Norton, Head of Investments, Audit and Risk
Sarah Cowen, Senior Solicitor
Andy Carswell, Democratic Services Officer
Paul Higginbotham, Investment Analyst
Lisa Eglesfield, Team Lead Benefits
Rob Powell, Executive Director for Resources
Oladapo Shonola, Pensions Investment and Governance Manager
Alistair Wickens, Pensions Team Leader

1. Introductions and General Business

The Chair informed members that Purnima Kandula would be replacing Andy Felton as Director of Finance and Dapo Shonola had been appointed Interim Investment Manager. Rob Powell (Executive Director, Resources) said he would continue to attend the Board meetings and have responsibility for pensions until the end of the financial year, before completing the handover to Purnima Kandula. Board members were also introduced to Alistair Wickens, who was the new Policy and Governance Lead in place of Martin Griffiths. The Chair welcomed the new members to the meeting.

Members were advised there were two work experience students attending the meeting as observers. The Chair welcomed them to the meeting.

(1) Apologies

There were no apologies.

(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.

(3) Minutes of the Previous Meeting

The minutes of the meeting held on 16 April 2024 were approved as an accurate record, save for a small deletion of commentary relating to pooling on agenda item 5. Members were told the minutes of the previous month's Staff and Pensions Committee and Pension Fund Investment Sub Committee were not available and would be included on the agenda for the next meeting. They could also be circulated separately by email if members wanted.

2. Warwickshire Pension Fund Business Plan Report

The item was introduced by Chris Norton (Head of Investments, Audit and Risk). The action plan had been revised for the new financial year and slightly simplified, with the number of actions being reduced to 30. All action points had a green rating at the end of the first quarter as activities to ensure they would be met were taking place, or the action points were tasks that were being completed on a regular, ongoing basis throughout the year so were being met from a governance perspective.

Chris Norton highlighted the annual accounts had been published before the deadline, which was significant given challenges relating to resourcing and continuity of staff. Members agreed this was a good achievement and congratulated officers.

Responding to a question from Beverley Farmery regarding investment pooling, Chris Norton said it was his understanding there had been discussions between shadow ministers and incumbent ministers prior to the General Election to ensure a smooth transition. He said it was his understanding there were no plans to change the direction of the LGPS with the change in government and the LGPS would continue to make prudent investments.

Responding to a question from Beverley Farmery regarding communications with employers, Lisa Eglesfield (Pension Administration Service Manager) said communications were being sent out each month and meetings were taking place every quarter. Two meetings had taken place so far, which had both been well attended. Employers were being asked what topics they wanted to be covered in these meetings. Previous meetings had looked at pension discretions and admission agreements, and a future one would look at the valuation process. This would pinpoint specific people working within organisations, for whom valuations would be of more relevance.

Responding to a question from the Chair regarding action points that had previously been recorded as amber, Chris Norton said some of them had been removed from the action plan as they were no longer relevant, such as compliance with the 2020 UK Stewardship Code as this was taking place. There were some complaints that were in the process of being dealt with; additionally the complaints procedure had been revised, so from a business perspective this action point now had a green rating rather than an amber one. Some previous action points had been merged together. Rob Powell said there was not expected to be a great change in the direction of national policy on the pension fund, but it was likely there would be a stronger emphasis on growth from the new government. He said a paper on the Council's productivity plans would be presented to Cabinet the following week.

Beverley Farmery said there may be changes to employee contracts with the new government, and asked if the pension scheme could have this in mind in future. This was acknowledged by the Chair; however Chris Norton said it was difficult to anticipate how this would impact the LGPS. Sarah Cowen (Senior Solicitor) said the team of employment lawyers at the Council would be able to analyse any proposed changes if needed. She said any changes would be likely to expand workers' rights.

Members noted the contents of the report.

3. Pension Administration Activity and Performance Update

The item was introduced by Lisa Eglesfield. She said that usage and takeup of the Member Self-Service portal was continuing to slowly increase. Data showed members were performing administrative tasks themselves, freeing up staff to perform other duties.

Annual benefit statements for active and deferred members were due to be sent out within the next few weeks and would be released onto the portal. Members with an email address would be contacted to encourage them to access and sign up to the portal to view their statement. Annual benefit statements for live members would be issued by 31 August and this deadline was on target to be met.

The key performance indicators had changed for the new financial year and had increased in number. Currently there were five that were off target, of which two were new and processes relating to them were taking time to embed.

P60s had been sent out to all pension holders well before the deadline of 31 May.

Updated guidance received from the Scheme Advisory Board stated that annual reports should now include data on matters such as work in progress, phone calls and emails received, staff experiences, and number of vacancies. Processes had been set up that would enable this data to be compiled, which would also be used by the Council's internal reporting teams.

There had been a breach against 12 employers in February and March due to late iConnect reports. This issue was linked to a change in payroll provider. Lisa Eglesfield said the pensions team were continually looking at more ways to engage with our employers on the importance of informing them of payroll system changes so there would be no disruption to the return of information. Reminders were sent out in the monthly newsletter and at quarterly meetings.

There had been two Internal Dispute Resolution Procedure claims. One had been completed and there had been no change to the initial decision, and the other was still at the investigation stage.

Good progress was being made with the pensions dashboard project and the Fund was on track to meet the connection date of 31 October 2025. The date for the public to connect to the dashboard was still to be announced. Lisa Eglesfield said the Fund had an approved business case for the project, an action plan and project manager, and it was reaching the final stages of procurement of the integrated service provider to connect the Fund to the dashboard. A Norfolk framework was being used to facilitate the ISP procurement.

The McCloud project was drawing to a close and all future work would be calculated in line with the new regulations. The project team have now returned to their usual team positions and are working through the calculations performed during the remedy period to check for any rectification needed. Lisa Eglesfield said 14,000 in-scope people had been identified; out of those, 11,500 records had been completely finished. Work was being done in line with LGA guidance on prioritising the remaining 2,500 records. This had been updated on 4 July but further updates on areas such as divorce, debits and credit were expected later. Lisa Eglesfield said the team was well in advance of many other Funds nationally with its work on McCloud.

Responding to a question from Jeff Carruthers, Lisa Eglesfield said it was anticipated there would be a much bigger takeup for the Member Self-Service portal when the dashboard was launched. Although more people were signing up for the portal, this did not necessarily translate to a decrease in Fund staff's workload as some of those signing up were younger so did not need to ask any questions relating to their pension options at present. A demonstration had been given by the portal's system provider that showed the next version of the member self service system and its new functionality.

Responding to a question from Seb Burch, Lisa Eglesfield said it was possible to draw down data on which demographic groups were interacting most with the portal and see who was most likely to ask questions about certain topics, although this was not something was being actively collected yet. However the team had been trained to push and engage with every interaction with the portal.

Regarding breaches, Lisa Eglesfield said the latest reported breach was a different one to the employer that had previously had issues with a change of payroll provider which had led to a report to the regulator. The Fund would inform the regulator as to what had been identified, who had been affected and how they had been informed, and what steps were being taken to deal with it. There was also a mechanism for notifying the employer of a breach, although this tended to only apply to red or amber cases.

Responding to a question from Councillor Ian Shenton, Lisa Eglesfield said it was difficult to make a direct comparison between payment times of lump sums as the target times and percentages had changed. This is why the performance measure was shown as N/A within the report. She said she would check to see if there was a reason why the target timeframe had changed from 10 days to 15 and report back to members. It had been done on the recommendation of the Scheme Advisory Board.

Members noted the contents of the report.

4. Investment Update

The item was introduced by Paul Higginbotham (Investment Analyst). He said the Pension Fund was doing well, as equities held in private markets and assets were currently performing well, particularly those based domestically, and there was little volatility in bond markets. The outlook for equities was predicted to remain positive.

Private equity infrastructure and private debt made up around a third of the Fund's portfolio, which equated to around one billion pounds. Just over £600million of this had been allocated. The target cash balance of £50million, which was recommended by Hymans Robertson, was currently being met.

Members' attention was drawn to the voting that had been taking place amongst the investment funds that the Warwickshire Pension Fund had investments in. Paul Higginbotham said the report contained links to websites that would show the interactions the Fund was having with the companies it was investing in.

Paul Higginbotham said it had been recommended by Hymans Robertson to move some equity assets into bonds, and this was producing some good real yields and returns. Other equities had been transferred into lower carbon funds to help meet a pledge that was made and approved by the Pension Fund Investment Sub Committee earlier in the year. Assets had also been moved into the All World equity portfolio from funds relating to individual countries.

The Fund had pledged to join the Border to Coast UK real estate fund, again following a vote at the Pension Fund Investment Sub Committee. The process of transferring from the current portfolio manager was taking place but would take a couple of years to complete. Investments would also be made into Border to Coast's Climate Opportunities Fund, but the decision had been taken not to invest in the UK Opportunities Fund as it was felt there wasn't enough conviction in the UK market at the present time. However this decision could be reviewed over time.

Members were told Hymans Robertson had been confirmed as continuing in their role as the Fund's actuarial advisors.

Responding to a question from Councillor Ian Shenton, Paul Higginbotham said active participation in investment fund voting was encouraged but the Fund's managers were responsible for taking an active role in this. Votes were not always passed in the way the Fund wished them to go however because of the number of votes that were cast. Councillor Shenton suggested it may be helpful for future reports to contain a brief summary of some of the subjects that were being discussed and voted on, particularly those that the Fund were in opposition to.

Members noted the contents of the report.

5. Governance, Regulatory and Policy Update Report

The item was introduced by Dapo Shonola. He highlighted that some of the items on the Forward Plan had needed to be moved to different meetings for discussion.

Regarding risk monitoring, members' attention was drawn to the lack of change in relation to climate change. This was due to it presenting a high level of risk, but the Fund had little control over it. Dapo Shonola said steps were being taken to see what the Fund could do to try and limit the risk, but regardless it would remain as a red rating. Cyber security also remained as a red rating due to the amount of data that could potentially be stolen. However the risk ratings associated with long term asset values not meeting expectation and governance failure had both been lowered after being reviewed. The cyber security policy had been reviewed and had a significant update as a result. Minor changes had been made to the breaches policy and pension fund discretions policy. The retention policy and corruption policy had both been reviewed but there had been no material changes.

Members noted the contents of the report.

6. Warwickshire Local Pension Board Annual Report 2023/24

The Chair introduced the item and gave a brief summary of what was included within the report. Members said they were happy with the contents of the report if a few small typos were corrected. These related to Mike Snow being an employee of Warwick District Council and Andy Felton's former job title being Director of Finance. Mike Snow also suggested including Victoria Moffett among the list of officers who had assisted the Board and made a significant contribution.

7. Any Other Business

There were no additional items of business to discuss.

The meeting rose at 12.40pm

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Chair