

**Minutes of the meeting of the
Local Pension Board of the Warwickshire Pension Fund held
on 8 July 2019**

Present:

Board Members

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

Officers

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
Paul Williams, Democratic Services Team Leader

1. Introductions and General business

(1) Apologies

Councillor Parminder Singh Birdi
Keith Francis

(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 5 March 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.

A series of points were made under matters arising.

Keith Bray (Chair of the Board) observed that there continues to be a vacancy on the Board. This had continued for too long and needed to be resolved. It was noted that the Board's terms of reference state that the

composition should be three employer representatives and three Pension Fund member representatives. The Chair observed that if that level of membership could not be sustained then it may be necessary to review the terms of reference and reduce the membership to two and two.

The meeting was informed that enquiries aimed at finding a replacement on the Board for Alan Kidner following his retirement had identified one individual who whilst not a union member is a member of the Warwickshire Pension Fund. The Chair observed that it is preferable to have a volunteer join the Board. Unless the Board had legitimate reasons to reject such a person then their offer to join should be accepted. Concerning union membership, Alan Kidner noted that whilst not necessary, being in a union does increase a person's "capacity to represent" through the knowledge and contacts they are likely to have. The Chair asked that efforts are made to resolve this matter ahead of the November meeting of the Board.

It was agreed that it would be beneficial for the County Council Pension Fund Investment Sub-Committee (PFISC) to have sight of the minutes from the Local Pension Board. Chris Norton agreed to discuss this with the Chair of the PFISC.

Regarding section 3 (Pension Fund Administration Update) of the minutes of 5 March, Neil Buxton stated that the new pension website had received positive feedback. Alan Kidner was thanked for his suggestions regarding how the website could be further enhanced.

Neil Buxton (Pensions Manager) stated that from April 2018 the County Council has operated a new payroll system which with its reduced overheads promises to result in administrative savings for the Pension Fund. Board members were concerned that around £1m of the Pension Fund could potentially have been saved through greater efficiencies in administration. Benchmarking of administration costs is undertaken. The Chair asked that the Board be provided with figures indicating how Warwickshire compares with statistical neighbours. There was a sense that the fund's administrators should have been more forceful in requiring efficiencies to be made by the County Council's HR and Payroll section. Chris Norton (Strategic Finance Manager) informed the meeting that consideration is being given to how the relationship between the Pension Fund and Warwickshire County Council payroll can be placed on a more formal footing.

Regarding responsible investment and climate change, the Board was informed that a training session had been held for the PFISC. Regrettably some Board members had not been informed of that training session. It was agreed that the written material from the session should be disseminated to Board members. Officers offered to arrange for the training to be run again. Alternatively, a new session on a different topic could be arranged.

It was noted that a second training session for the PFISC has been arranged for 21 August 2019. Chris Norton agreed to send details of this session to Board members. Regarding a second dedicated training session for the Board it was agreed that a date should be agreed as soon as possible.

2. Review of the Papers of the Pension Fund Investment Sub-Committee meetings held on 13 March 2019 and 10 June 2019

PFISC Minutes 13 March 2019 – Concerning investment performance it was noted that as reported Threadneedle had significantly exceeded investment predictions. Members questioned why, having delivered such a high return in one quarter, Threadneedle was apparently dropped in the next. In response the Board was informed that the distortion was due to cash movements made as part of the migration into the new Border to Coast UK Equity Alpha Fund. The amount of income and interest earned over the quarter is based upon that generated by the whole fund available through the period, but the denominator is the closing balance of the fund at the end of the quarter after the transfer out, which was less than £1m.

Regarding the charts on page 10 of 24 it was observed that performance was being reported against a benchmark figure. It was suggested that a better indicator would be a defined target. Passive managers are normally expected to meet benchmarks but active managers should exceed them. By using targets, as opposed to benchmarks, a clearer indication of performance would be given. Chris Norton agreed to discuss a possible move to the use of targets with the Fund Advisors. In addition, it was agreed that the performance reports would benefit from greater use of commentary to aid interpretation of the data.

Regarding Appendix 4 on page 15 of 24 the Board was informed that the “Border to Coast Valuation Project” concerns the transfer of assets to the pool.

It was noted that the parent body of the PFISC is the Council’s Staff and Pensions Committee. The committee does not receive copies of the Local Pension Board papers and minutes and similarly the Board receives nothing from the Staff and Pensions Committee. The Chair acknowledged that there is a need to avoid any duplication of effort and recognised that it is not the role of the Board to provide advice on investments. Nevertheless, there was a sense that as the Staff and Pensions Committee considers matters of administration, regulation and employer members it is important that the Local Pension Board is aware of any concerns that the Staff and Pensions Committee may have. The Board agreed that any matters considered by the Staff and Pensions Committee that are likely to be of interest to the Board should be reported via the Pension Fund Administration update report.

3. Pension Fund Administration Update

Neil Buxton provided a summary of the published report.

Regarding GMP reconciliation the meeting was informed that the information required was still awaited.

Section 7.0, "Performance Indicators", was discussed. The Board was informed that the workflow system used makes recording of performance difficult and time consuming. Most recording is undertaken manually by officers onto spreadsheets. Neil Buxton agreed to contact colleagues in other areas to establish whether there are better approaches that could be adopted. Chris Norton suggested that for future reports it would be helpful to include more commentary on the significance of reported data. For example, the table in section 7.3 shows contribution levels at 92%. This information would benefit from being expanded on. Members of the Board welcomed this suggestion.

The Chair questioned the 42% performance in 2018/19 of "Retirements paid within 30 days of retirement", asking why this was so low. In response the Board was informed that this is largely a result of employers failing to notify the Pension Fund of departures. A more effective measure, it was suggested, is that concerning payments made with 10 days of the relevant paperwork being received. Under this indicator attention was drawn by officers to the performance figure of 82% which it was felt should be better and indeed had been in the past.

Regarding the reference to a pro-forma in the table associated with paragraph 7.3 (page 3 of 5) the meeting was informed that this is the monthly return. Employers are constantly being encouraged to pay their contributions by BACS. Some are slow to make their returns.

The Board was informed that the Pension Fund's largest employer (Warwickshire County Council) had potentially caused a breach of the code of practice for not providing information on over 6000 amendments (starters, leavers and changes) within a reasonable time i.e. within 30 days. It was reported that the reason behind this was difficulties in accessing relevant information following a change in the way in which the HR/Payroll systems relate to those of the Pension Fund. The matter has now been resolved and additional resources put in place to clear the backlog on work. David Buckland observed that given that the largest contributing employer is the County Council there may be a conflict with the role of the S151 officer and the County Council. Who, he questioned would be the arbiter in matters such as this?

The Chair observed that the Pensions Regulator is becoming increasingly interested in the Local Government Pension Scheme. The Regulator is also reviewing the work of Local Pension Boards to ensure that they are performing effectively.

It was noted that the Pensions Regulator has no authority over contributing employers being limited to control over pension schemes.

In Oxfordshire a breach had occurred when the pension fund had not issued annual statements on time. In that instance the fund had self-reported the breach. The Regulator had met with the fund's managers and an improvement plan agreed. The approach adopted by the Oxfordshire Fund had been seen in a positive way.

The Board recognised that scheme managers and Local Pension Boards have a duty to report breaches as soon as they are identified but acknowledged that it could not take a view on the matter of the possible breach without more information. It was agreed that officers should prepare a report to be circulated to the Board no later than Friday 19 July with a view to holding a special meeting on 24 July at 10am if deemed necessary.

4. Annual Report 2018-19

The Board welcomed the Chair's annual report. Alan Kidner requested that references to "Employee Representative" be changed to "Scheme Member". This was agreed.

5. Border to Coast – Pooling Update

Michael Nicolaou (Treasury and Pension Fund Manager) summarised the published report drawing particular attention to the BCPP Voting and Stewardship Policy in appendices 1 and 2.

Regarding the Funds overseas investments, the Board was informed that these help to diversify away from the small number of large cap global stocks within, and gain access to industries and sectors not well represented by, the UK All Share Index.

6. Valuation Update

Neil Buxton introduced the published report highlighting the reference in paragraph 3.4 to the additional agency staff employed to cover the backlog of notifications.

7. Draft Annual Report and Accounts

Chris Norton drew the Board's attention to page 3 of the Annual Report and Financial Statements on which the level of growth in membership of the Pension Fund was shown. The meeting was referred to page 68 of the document where relative changes (from 2017/18 to 2018/19) in assets were set out. These show the relationship between growth in membership and growth in investments.

Regarding the reference on page 16 of the document concerning consultation it was stated that those consulted include Hymans, Actuaries, Independent Advisers, Council officers and the PFISC.

Alan Kidner asked for sight of the Fund's annual ESG review. In response he was informed that this had been included in the Border to Coast Responsible Investment Policy.

It was confirmed that the AGM is attended by employers only. The next meeting is scheduled for 21 November 2019.

The Chair asked for an update on the funding level. He was informed that this is currently around 85%.

Jane Pollard explained the basis on which council papers can be deemed exempt or confidential.

Alan Kidner asked when the Board is likely to know when the full set up costs of the Border to Coast pool will have been paid off. In reply the Board was informed that the PFISC receives updates from Hymans on the pool running costs. Because the pool is so new there have been significant costs and little time to identify benefits of the pooling arrangement. It was recognised that pay back on the initial up-front costs will take a considerable time to be seen.

Alan Kidner offered to send minor typos identified in the draft report to Chris Norton.

8. LGPS Development Update

Following a brief introduction, the Board was informed that the government has been refused leave to appeal against the McCloud judgement (See para 3.2 of the report).

Regarding section 4.0 of the report it was noted that colleges of FE are now regarded as part of the private sector (para 4.1.4). Under the proposed amending regulations they will no longer have to offer new employees access to the LGPS.

Exit payments were discussed. It was considered that the new limit will penalise staff on lower incomes but with long service. (This is more of an issue for employers than the fund itself. It is nothing to do with the pension lump sum).

9. Any other business

The Chair asked that the results of the recent Pension Regulator survey be provided to the Board. In addition, the Board should be provided with a copy of the latest Scheme Advisory Board report.

10. Next Meeting

Thursday 14 November 2019 @ 10am (Committee Room 2, Shire Hall)

Reports Containing Confidential or Exempt Information

Resolved:

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)

11. Exempt Minutes of the meeting held on 5 March 2019

The Board agreed that the exempt minutes of the meeting held on 5 March 2019 be signed by the Chairman as a true and accurate record.

The board rose at 12.25 pm

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Chair