

Local Pension Board of Warwickshire Pension Fund

Annual Report 2020-21

The Public Services Pensions Act 2013 requires the Administering Authority for each Local Authority Pension Scheme (LGPS) fund in England and Wales to establish a Local Pension Board.

The role of local pension boards is to assist the Administering Authority to secure compliance with LGPS Scheme Regulations and other legislation relating to the governance and administration of the Fund, together with any requirements imposed by the Pensions Regulator. In short, the Board's role is to ensure the effective and efficient governance and administration of the Warwickshire Fund.

The Regulations also require the membership of the Board to be made up of equal numbers of employer and scheme member representatives with a minimum of four members i.e., at least two employer representatives and two scheme member representatives. The employer representatives on the Board must be independent of the Fund - that is to say they must have no involvement with the day-to-day management of the Fund. The Warwickshire Board has three scheme member representatives and three employer representatives.

The Warwickshire Board was established as required by the 2013 Act. The membership of the Board during the year has been as follows: -

Employer Representatives

Councillor Parminder Singh Birdi (Warwickshire County Council)

Mr Keith Francis (The Citizens Advice Bureaux Service)

Mr Mike Snow (Warwick District Council)

Scheme Member Representatives

Mr Alan Kidner (Unison)

Councillor Dave Parsons (Warwickshire County Council)

Sean McGovern (Coroner, Warwickshire and Coventry) from 20th October 2020

Independent Chairman (Non- voting)

Mr Keith Bray (formerly Director of Financial Services at the City and County of Cardiff)

The Board met on four occasions during 2020/21 and all meetings were held remotely via the Microsoft TEAMS platform due to the coroner virus pandemic.

Meetings held during 20/21

21 July 2020

Attendees – Councillor Parminder Singh, Keith Francis, Alan Kidner, Councillor Dave Parsons, Mike Snow, Keith Bray (Chair)

The Chair welcomed Mr Mike Snow as a new member of the Board.

The Board received and reviewed:-

- The Fund's Business Plan
- The first quarterly report on risk monitoring and a report on the specific risks arising from the pandemic
- An Administration and Performance Update
- The Board's Annual Report for 2019-20
- The Fund's draft Annual Report and Accounts 2019/20
- Updated Terms of Reference for the Board
- An LGPS development update
- A Review of the Triennial Actuarial Valuation
- An Investment Update
- The minutes of the Board meeting held on 26 February 2020
- The Pension Fund Investment Sub Committee (PFISC) papers and minutes relating to the meeting held on 12 March 2020
- The relevant papers and minutes of the Staff and Pensions Committee held on 12 March 2020

The Board asked to see the rolling programme of policy reviews as they became available and with regard to investments, cautioned that unavoidable focus on the problems caused by the pandemic should not detract from the need to remain alert to other global risk factors such as Brexit, the trade dispute between the United States and China, and cyber security

Improvements in administration performance and in maintaining positive contact with the Pensions Regulator were welcomed by the Board, as was the Strategic Director for Resources' reference to the significance of the Board's role in the Fund's Annual Report.

The Board were pleased to note that the Fund's actuarial funding level had made some recovery after falling following the introduction of the lockdown, and were further reassured by the fact that the valuation assumptions employed were considered to be relatively conservative.

20 October 2020

Attendees - Councillor Parminder Singh, Keith Francis, Alan Kidner, Sean McGovern, Mike Snow, Keith Bray (Chair)

The Board took a few moments of silence to reflect on the very sad and untimely passing of Councillor Bob Stevens the former Chair of the Pension Fund Investment Sub Committee, who will be greatly missed.

The Chair welcomed Mr Sean McGovern as a new member of the Board.

The Board received and reviewed;-

- The Fund's Forward Plan
- An Administration and Performance Update
- A Review of Pensions Administration Costs
- A Risk Monitoring Report
- A Business Plan Monitoring Report
- An Investment Update
- A report on the external audit of the pension fund accounts
- The minutes of the Board meeting held on 21 July 2020
- The Pension Fund Investment Sub Committee (PFISC) papers and minutes relating to the meeting held on 8 June and 23 July 2020
- The relevant papers and minutes of the Staff and Pensions Committee held on 8 June 2020
- A report on the funds approach for assessing employer covenants
- Cyber Security Policy
- A schedule of Pension Fund Policies

The Board noted that future Board meetings would be held 5-6 weeks after the Pension Fund Investment Sub Committee meetings.

With regard to administration activity and performance, the Board asked that the breaches log be improved by more use of colour coding and questioned whether the delay in the despatch of annual benefit statements should be treated as a red breach. It was agreed that further guidance would be sought. Progress on the iConnect project was welcomed, as was the intention to appoint a project manager to deal with the implementation of remedies arising from the McCloud/Sargeant Judgements. Concern was expressed regarding the proposed changes to the Exit Payment Regulations and it was noted that there had been strong representations nationally.

The Board welcomed the news that administration costs had been reduced and were now more in line with the comparator group and asked to receive any future audit reports dealing with the Fund, particularly with regard to administration.

With regard to investments, the Board was re-assured to hear that the effect of Brexit should be minimal due to the global nature of the Fund's portfolio.

The Board welcomed the fact that the Fund's accounts had been signed off by the auditors

26 January 2021

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

The Board received and reviewed:-

- The Fund's Forward Plan
- The Fund's Business Plan
- The Fund's Risk Register
- An Administration and Performance Update
- A report on the Internal Disputes Resolution Procedure
- An Investment Update
- A report on the external audit of the pension fund accounts
- The minutes of the Board meeting held on 20 October 2020
- The Pension Fund Investment Sub Committee (PFISC) papers and minutes relating to the meeting held on 14 September 2020
- The relevant papers and minutes of the Staff and Pensions Committee held on 14 September 2020

The Board asked for and were given more details regarding the process for renewing expired contracts to ensure value for money and that the services provided 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 the Fund's functions. Capacity had been increased as a result, and the resource requirement remained under review.

It was noted that there were some problems regarding the receipt of employers' contributions which had been exacerbated by the pandemic, and officers agreed to investigate an apparent discrepancy between the breaches log and the officers' report.

The Board noted that investment in infrastructure was being handled carefully to ensure the interests of the fund remained paramount. The advantage of scale

provided by investing with the Border to Coast was helpful, but the same challenges remained. Investment in alternative investments was monitored closely.

With regard to the risk register, some risk levels had increased due to the pandemic and while Brexit was causing volatility, Covid and International relations were having a bigger impact on the Fund.

It was noted that there had been no instances of actual fraud on the investment or administration sides of activity, despite the possibility of increased risks. The administration team were investigating online methods of ID verification to further mitigate against the risk of fraud.

Concern was expressed about the impact of the pandemic on high street property values. The Board was advised that the Fund's investment managers had been alert to falling values for some time and had been disinvesting from this area as a result. The subject of 'impact investing' was also discussed and will be explored further in the next investment strategy review.

When considering the administration performance update, in response to questions regarding the implementation of the McCloud Judgement, the Board was advised that there would be a period of data collection prior to the rectification process beginning.

Home working, and the 'virtual' training that was needed as a result, presented challenges but the Board welcomed the personal approach that was being taken to training, including peer support and mentoring.

Some concern was expressed regarding the presentation and content of the online breaches log and officers agreed to review this.

It was noted that officers and members had undertaken the knowledge assessment, and this would be used to inform training needs.

13 April 2021

Attendees – Keith Francis, Alan Kidner, Mike Snow, Keith Bray (Chair)

The Board received and reviewed:-

- The Fund's Forward Plan
- The Fund's Business Plan 2021/22
- A Risk Management Report 2021/22
- An Administration and Performance Update
- A Regulatory Update
- The Funding Strategy Statement
- Summary note of Scheme Advisory Board Meeting 8 February 2021

- Scheme Advisory Board Final Good Governance Report
- The Pensions Regulator Consultation on a New Code of Practice
- A General Investment Activity Update
- The minutes of the Board meeting held on 26 January 2021
- The Pension Fund Investment Sub Committee (PFISC) papers and minutes relating to the meeting held on 14 December 2020
- The relevant papers and minutes of the Staff and Pensions Committee held on 14 December 2020

Board members welcomed the inclusion of the training schedule in the Forward Plan.

When discussing the Business plan, it was confirmed that approximately one third of the funds value was now invested through the Border to Coast Pool and this was expected to increase to two thirds. The management and monitoring challenges arising from having a large number of managers was discussed. This was being simplified by the transfer of mandates to Border to Coast but due to their nature the management of alternative investments would stay with the fund for several years resulting in some overlap of managers.

The Fund's response to the declaration of a climate emergency was discussed in detail and it was accepted that there was a need to strike a balance with the Fund's fiduciary responsibilities. It was accepted that there could and should be congruence with the investment objectives of the Fund and the need to address the challenges of climate change. It was also noted that the potential representation of employers and fund members on the Pension Fund Investment Sub Committee was under consideration.

Board members welcomed the return to a single risk register and discussed how it was used.

In discussion of the Administration Update it was noted that the iConnect system would enable employers to use their existing payroll systems to upload their data via a portal. In reply to a question from a member it was confirmed that there had been no case where the exit payments cap had been exceeded so no adjustments had been necessary.

At the Chair's suggestion, the Board received an explanation of the proposal for the introduction of a national Pensions Dashboard.

The Board was reassured to hear that a failure to meet the performance indicator for deferred benefits was 'a blip' which was being addressed.

The members welcomed the simplification of the reporting of breaches and the fact that concerns raised at the previous meeting regarding an incorrect entry in the log had been investigated and rectified.

It was noted that the Regulatory Update acknowledged the Fund's future responsibilities with regard to the Task Force on Climate Related Financial

Disclosures (TCFD) and that this would be addressed as would the requirements of the Stewardship Code.

The Board accepted that the Fund's funding level of 91% and the 19-year time horizon for achieving 100% funding, as set out in the Funding Strategy Statement, was not unreasonable.

When considering the Investment Activity Report the Board expressed the view that the voting record of Border to Coast seemed sensible and welcomed the work that was being done with regard to climate change and the cost benefit of pooling, and looked forward to hearing more about these activities at future meetings

Finally, the Board members wish to acknowledge and thank the Fund's officers for their professionalism and hard work over recent months and we will continue to assist the Fund to the best of our ability during the undoubtedly challenging times that we will all still face during the months ahead.

Keith Bray

Independent Chairman

July 2021