

**Minutes of the Special Meeting of the
Local Pension Board of the Warwickshire Pension Fund
held on 19 September 2019**

Present:

Board Members

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

Officers

Helen Barnsley, Democratic Services Officer
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
Rob Powell, Strategic Director for Resources
Paul Williams, Democratic Services Team Leader

1. Introductions and General business

(1) Apologies

Councillor Parminder Singh Birdi

(2) Board Members' Disclosures of Pecuniary and Non-Pecuniary Interests

None

2. Delays in Provision of Payroll Data

Following introductory comments, the Chair explained why the special meeting had been called. The issue had been raised in the last scheduled meeting of the board on 8 July 2019 with members questioning whether the potential breach of the law should be reported to The Pensions Regulator. On 22 July 2019, the assessment of the breach was confirmed as amber with details circulated to members of the board via a briefing note.

Keith Francis raised further questions in relation to the issues on 31 July 2019, asking if the problem was caused by the implementation of a new payroll system or a manual process and if there was any material impact on members who were seeking transfers.

Alan Kidner raised further questions regarding the breach via email on 18 August 2019 and suggested that it should be reported to the Pensions Regulator.

It was agreed on 19 August 2019 that a special meeting of the board would be held on 19 September 2019. The Chair thanked officers for, for the speed with which the special meeting was arranged. It was confirmed that the scope of the special meeting would be to discuss the breach.

Rob Powell, Strategic Director for Resources introduced the report and explained the assessment and classification process. He went on to confirm that a programme of work had been set in train to strengthen the administration of the fund since the breach was reported, setting out what had been done already and further planned activity.

He noted that:

- the breach was considered a serious matter that had been thoroughly and independently reviewed by both the Assistant Director of Finance and the Strategic Director for Resources in his capacity as Section 151 Officer;
- following an assessment against the Pensions Regulator's toolkit, it had been concluded that this was an amber breach, and officers remained confident this was the appropriate classification; and
- officers are continuing to focus on modernising the pension administration team as part of finance transformation programme, including a review of resourcing.

The board was given an explanation for each section of the report presented at the meeting and reasons why the breach had been categorised as amber following a detailed review against the Pensions Regulator's assessment toolkit. The criteria for a red breach classification were set out with an explanation of why they did not apply to the breach being discussed.

It was noted that the breach potentially affected 5,800 members of the fund (12%). In total 518 members were directly affected, specifically 27 transfers and 491 refunds. It was noted that there are approximately 50,000 members of the pension fund, so the number of fund members potentially impacted was small.

Board members expressed their concern at the slow pace at which issues were identified, escalated and resolved. Rob Powell confirmed that since his arrival he had instituted regular review meetings with officers in respect of pension fund activity and performance, and finance team met more regularly to identify issues more quickly to avoid such delays in the future. A review of all support service structures would be undertaken as part of the Council's transformation programme. Work was also underway to review the end to end process, identifying any staff training needs and automating some systems; e.g. introducing self-service systems for employers and members.

The meeting was informed that the cost of employing temporary staff to clear the backlog of work had been relatively low and had been covered within the existing pension administration budget. Following questions from both the Chair and Alan Kidner, Rob Powell confirmed the independent review would include consideration of administration costs, including the question of payroll costs, which has been raised by benchmarking figures. David Buckland asked whether it was appropriate for the agency staff costs to be charged to the fund.

Rob Powell indicated that these costs had been covered by vacancy savings and without increasing the original administration budget. He undertook to review the figures and report back to the Pension Board if they led to an overspend against the administration budget.

In response to a question from Alan Kidner, officers confirmed that the costs of additional short-term staffing to reduce the backlog had been met within the existing budget for pension fund administration and were not forecast to lead to any overspend against the fund administration budget.

Following a question from Keith Francis, it was confirmed that the breach had been reported internally.

Concerns were expressed about whether the report included enough detail.

The meeting was informed that two internal audit projects occur this year in respect of pension administration. One was requested as a result of the breach and the second is a routine audit planned for later in the year.

The issues were specific to the period following implementation of a new payroll system, iTrent, and the incremental roll-out with the pensions module following the core functionality. Following a discussion in relation to the implementation of iTrent, an integrated HR and payroll solution programme, it was confirmed that there are some outstanding issues where the administrators still need to undertake manual input while outstanding issues with automated reports are addressed. Monthly meetings are held with payroll service managers to identify any errors and the reports produced are being continually improved. Governance arrangements are in place that allow officers to identify problems and work quickly to resolve any manual entries that are required.

Alan Kidner queried if other authorities using iTrent had also experienced issues and if so, our issue should be reported to the pension regulator. Chris Norton, Strategic Finance Manager confirmed that the system is in widespread use across other local authorities but there is no information to suggest there are issues with it as a product. Rob Powell confirmed that the issues leading to the breach were not as a result of inherent flaws in the system itself but related to its implementation, and that outstanding reporting configuration issues were being addressed and short-term risks mitigated.

'In response to a question from Alan Kidner, officers confirmed that there was no link between the underlying causes of the breach under discussion and an earlier red breach reported in April 2019

Keith Francis requested reassurance that there was no significant financial impact to those members of the fund affected by the breach since there were a number of payroll runs where the same issue occurred. Rob Powell stated that he was confident that no members had experienced a financial loss as a result of the breach. One complaint had been made and fully resolved.

Alan Kidner stated that although he had concerns about the wider implications of the breach, officers' comments had reassured him that the incident was limited to Warwickshire County Council payroll and that the classification of the breach was correct.

David Buckland stated that Stratford-on-Avon District Council uses the Warwickshire County Council's payroll service and has experienced no problems with it.

It was noted that the fund has commissioned an independent expert (via CIPFA) to review the pension fund administration governance arrangements. Board members were invited to take the opportunity to talk to the expert during this process. The scope of the independent review will also consider the cost of the pension scheme. Payroll charges to the fund had been significantly reduced as a result of i-Trent implementation.

Following a question from the Chair it was confirmed that the review will be carried out by Ian Coleman, Chair of the Gwent Pension Fund and.

In summary, the Chair stated that the members of the board and officers from Warwickshire County Council agreed that there had been a breach and that it was appropriate to classify it as amber.

The administration side of any pension fund involves steep learning curves with the introduction of new systems and processes. Adding value to the fund is the key objective of the local pension board. The breach has been unfortunate, but lessons have been learned and the board will be more watchful moving forward, ensuring the focus of the board looks more at the administration side of the fund than in the past.

The following actions were agreed:

- A summary of the outcome of both internal audit reports will be reported to the Local Pension Board once they have been reported to the Audit and Standards Committee.
- A report will be presented at the next meeting of the Local Pension Board regarding fund administration costs.
- Ian Coleman will offer to meet with stakeholders and board members in relation to the topics of report presented at board meetings. Feedback from Ian will be shared with the Board.
- Going forward the overview report on the administration of the scheme presented at each scheduled board meeting will include more information in respect of activity, performance, risk and breaches.

The Chair thanked board members and officers for attending this special meeting.

The board rose at 3.20 pm

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Chair