

Warwickshire Local Pension Board

Tuesday 20 July 2021

Minutes

Attendance

Committee Members

Keith Bray
Keith Francis
Alan Kidner
Sean McGovern
Mike Snow

Officers

Liz Firmstone, Service Manager (Transformation)
Victoria Jenks, Pensions Admin Delivery Lead
Ian Marriott (Legal and Democratic)
Victoria Moffett, Pensions and Investments Manager
Deborah Moseley, Senior Democratic Services Officer
Chris Norton, Strategy and Commissioning Manager (Treasury, Pension, Audit & Risk)

Also Present

Councillor Sarah Millar

1. Introductions and General Business

As the Chair was delayed on the rail network, Ian Marriott took the Chair until Mr Bray's arrival. The order of items on the agenda were adjusted to accommodate the late arrival.

(1) Apologies

Councillor Parminder Singh Birdi

(2) Board Members' Disclosures of Interests

Alan Kidner advised that his sister-in-law was employed by J P Morgan.

(3) Minutes of the Previous Meeting

The minutes of the meeting held on 13 April 2021 were agreed by the Board as a true and accurate record.

2. Annual Report and Accounts 2020/21

This report, introduced by Chris Norton, Strategy and Commissioning Manager (Treasury, Pensions, Audit, Insurance, and Risk), presented the draft Annual Report which included the draft annual accounts which had been published on the Council's website. Following the external audit of the accounts by Grant Thornton, they would be presented to the Audit & Standards Committee in September and then be submitted to Council for approval. The report set out some key highlights, Chris Norton explained for example that the Fund was 91% funded and that investment in the Border to Coast Pensions Partnership (BCPP) continued to grow, reaching circa one-third of the Fund.

In response to question from Mike Snow and Keith Francis regarding level 3 assets Chris Norton noted that these were illiquid assets which are more difficult to value, and therefore Fund Managers were required to give more information and clarity on their governance arrangements for valuing these assets. Fund officers had not gone into the detail of the the valuation assumptions made but had sought information and assurances around the governance of the valuation by fund managers, for example asking questions such as was there an investment panel and was RICS guidance used for valuations. The value of these assets was calculated at fair value using appropriate accounting standards (e.g. US GAAP International accounting standards and chartered surveyors valuation standards). It was anticipated that the auditors would consider the valuations and any queries would be responded to.

Chris Norton also explained that reference in the accounts to private debt was where money was lent to businesses on the private market, where it was more difficult to sell those assets on in comparison to for example buying bonds on public markets that could be sold on more easily.

The Local Pension Board noted the draft 2020/21 Annual Report and Accounts.

3. Minutes of the Pension Fund Investment Sub-committee

The Board noted the content of this report which comprised the agenda and draft Forward Plan considered at the meeting on 8 March 2021, together with a copy of the minutes of the public part of the meeting.

4. Review of the Minutes of the Staff and Pensions Committee 8th March 2021

The Board noted the abridged version of the minutes of the meeting which focussed on items relating to the Pension Fund.

Arising from the report, Keith Francis raised a query regarding the reporting of internal audit reports to the Local Pension Board and Chris Norton advised that he would check what had been agreed and that it had been actioned.

The meeting adjourned for 10 minutes at 11.20am to receive an update from Mr Bray on his anticipated arrival.

5. Admissions and Termination Policy

This report, presented by Vicky Jenks, Pensions Administration Manager, provided an update on proposed amendments to the Admissions and Terminations Policy of the Warwickshire scheme following an amendment to the Local Government Pension Scheme Regulations. The proposed amendments provided additional flexibilities in the making of exit payments and the policy had also been updated to refer to charges the Fund would pass on to employers seeking to join or exiting the Fund.

The Local Pension Board noted the amended Admissions and Termination Policy and highlighted typographical errors at paragraph 2.1.2 (which referred to a missing table at Part 4) and paragraph 2.3.2 (relating to sub-numbering values).

6. General Investment Activity Update

Victoria Moffett, Pensions and Investments Manager presented this report which provided an update on investment related activity, the drivers for the improved funding position over the quarter ending 31 March 2021 and activities that had taken place to ensure that the Fund was well-governed.

In response to a request from Alan Kidner, it was agreed some information from the employer engagement findings would be shared.

Responding to a question from Keith Francis regarding the investment strategy in light of the improved funding level, Victoria Moffett explained that a review would be undertaken over the following 6-9 months which would consider whether the risk profile had changed. Chris Norton, Strategy and Commissioning Manager (Treasury, Pensions, Audit, Insurance, and Risk), added that the funding level was monitored by the Pension Fund Investment Sub-Committee and, due to its volatility, a long-term view would be required to ensure that change was not a result of reacting to short-term impacts in the market. Mr Francis observed that he would have expected a policy change when funding hit the 100% level and Chris Norton explained that the funding level would be a consideration in the investment strategy review.

Mike Snow asked how far above 100% funding would employers see a benefit and be able to stop making extra contributions. Chris Norton commented that the funding strategy statement including a number of objectives, including to minimise contribution levels and to minimise volatility in contribution levels. He noted that minimising contributions creates a risk if there is then a swing in

circumstances. This aspect would need to be reviewed as part of the valuation that drives that investment strategy.

In response to a question from Keith Francis regarding the liabilities focused Independent Financial Advisor, Victoria Moffett advised that this would be a named individual who may be part of a wider organisation. The contract was for a 4-5 years.

The Local Pension Board noted the report.

Keith Bray arrived at 11.52am and took the Chair.

7. Forward Plan

Chris Norton, Strategy and Commissioning Manager (Treasury, Pensions, Audit, Insurance, and Risk) presented this report which provided an updated one year rolling forward plan. The plan was flexible to allow for amendment and updating on a rolling basis at each meeting and to take account of latest developments. A schedule of policy review activity at the Staff and Pensions Committee and Pension Fund Investment Sub-Committee was also included to provide a complete picture of policy activity.

It was noted that the Board's annual report had been brought forward to this meeting to remain in line with previous years and Chris Norton agreed to look into whether the audit of the accounts could be brought forward to October 2021, which would depend upon reporting deadlines.

The Local Pension Board noted the forward plan set out in appendix 1 to the report, subject to the comments above.

8. Business Plan Monitoring

This report, presented by Victoria Moffett, Pensions and Investments Manager, provided a quarterly progress update against the action plan. Many actions were on track to be delivered but there were some activities, highlighted in red within the report, that were subject to greater challenges. This was particularly the case with governance related actions, where a common underlying factor was resourcing, despite previous increases in capacity. Business cases for additional support were being put together for the areas of governance, accountancy and investment.

Mike Snow asked when resource was likely to be redirected and Victoria Moffett advised that the Business Case was being prepared and consideration was being given to known changes in staffing that would occur in the next 12 months due to retirement. Chris Norton, Strategy and Commissioning Manager (Treasury, Pensions, Audit, Insurance, and Risk), noted that there would be increasing expectations as a result of the good governance review and the requirements of The Pensions Regulator so it was essential that the service looked ahead to meet those challenges in a planned way and considered the profile of demand for the administration team.

The Chair initiated a discussion on the rating of some of the action points. Members were advised that additional resource for red rated actions would see them move to amber but the goal was to reach green status. The Board also considered that some actions eg, nos 40 (review of disaster recovery planning) and 28 (engagement on climate change) should be re-prioritised. Discussion

took place around targets for carbon zero, noting that Border to Coast were making a commitment to Net Zero in 2050 but that South Yorkshire Pension Fund had committed to 2030. Representing pension scheme members, board member Alan Kidner commented on the BCPP target saying that 29 years was not an appropriate response time when one was faced with an emergency. Referring to the record breaking heat waves in Canada at the end of June, and the current extreme rainfall and flooding in Germany, he expressed the view that the UN Climate Change Conference in Glasgow in November 2021 would announce that we needed to work harder and faster to mitigate change. He went on to encourage Warwickshire Pension Fund to follow the good example of South Yorkshire and adopt a 2030 target. Victoria Moffett advised that Warwickshire Pension Fund would be looking at metrics and targets and some training was planned to support understanding of the implications of a target before committing to one. The Pension Fund Investment Sub-Committee would be receiving a report on this topic in September 2021 which would specifically look to review passive equity allocation.

Councillor Sarah Millar was invited to address the Board on the Pension Fund Investment Sub-Committee's passionate approach to carbon-zero and she noted the Sub-Committee was looking forward to further discussion.

The Local Pension Board noted the report.

9. Risk Monitoring

Chris Norton, Strategy and Commissioning Manager (Treasury, Pensions, Audit, Insurance, and Risk), presented the risk register for the fund which set out the risks that the Fund was exposed to before and after mitigating actions. The risk register was monitored quarterly by the Investment Sub-Committee. The Board were advised that the Fund planned to develop a risk appetite to specify target risks for different activities and the Pension Fund Investment Sub-Committee was due to consider proposals in September 2021.

Mike Snow asked about the actions being taken to mitigate cyber security and climate change risks. Chris Norton advised that climate change was a high profile feature of the Investment Strategy review and regular meetings were taking place with colleagues in ICT to undertake a review of arrangements with regard to cyber security. The Fund relied on Warwickshire County Council cyber security policies and work was underway to check that this was a good fit for the Pension Fund. Third parties were being contacted to request their SSRA (system specific risk assessment) statements, and the bespoke cyber security policy for the Pension Fund which had been approved in the previous 12 months was being reviewed.

The Local Pension Board noted the report and risk register attached to the report.

10. Pensions Administration Activity and Performance Update

This report, presented by Vicky Jenks, Pensions Admin Delivery Lead, provided an update on the key developments affecting pensions administration and the performance of the Pensions Administration Service, including the i-Connect project, key performance indicators, workloads, breaches, the latest tracing exercise which had been conducted at gold level, progression of the McCloud project, an update on exit payments, commencement of the annual benefit statement project, project proposals for the implementation of member self service, new employers and exiting employers, the guaranteed

minimum pension (GMP) reconciliation exercise, CIPFA benchmarking, the use of the internal dispute resolution procedure (IDRP) for the quarter, and minor amendments to the Administration Strategy.

In response to a question from Keith Francis regarding the number of members covered by the i-Connect project, Vicky Jenks advised that there was fluctuation with membership numbers and, at the time of the meeting, there were around 1500 members that the scheme was not receiving electronic data for. This was not a static figure and the main contributor to this figure was a single employer of around 600 members. For some employers, there was a timing issue as they were changing payroll provider but they would be onboarded for September 2021. The vast majority of data had transferred.

In response to a question from Keith Francis Vicky Jenks advised that the data was monitored and this had shown no consistency or pattern and there were different reasons why some KPIs dipped during the year. Liz Firmstone added that reported workload levels did not refer to outstanding old tasks, there was a constant flow with no backlog of tasks.

Responding to a question from the Chair regarding CIPFA Benchmarking, Liz Firmstone noted that a detailed review of costs had been undertaken in summer 2020 and she was satisfied that the classifications were correct. With regard to the indirect costs appearing disproportionately high, further investigation was taking place. The unit costs which appeared in orange boxes in the report would similarly be reviewed with CIPFA. The Board commented that it hoped CIPFA could redouble its efforts to provide improved data but it was noted that some clubs were struggling to maintain participants due to the capacity needed to complete returns.

The Local Pension Board noted the report.

11. Policy Updates

This report, presented by Victoria Moffett, Pensions and Investments Manager, provided an update on the policies recently reviewed and agreed upon by the Pension Fund Investment Sub-Committee: the Responsible Investment Policy, the Climate Risk Policy and the Stewardship and Voting Policy. The report also set out the key changes to the policies, noting that there had been one material change to the Stewardship and Voting Policy as a result of the Fund no longer having any segregated mandates with investment managers and no material changes to the Responsible Investment Policy or Climate Risk Policy.

The Local Pension Board noted the report.

12. Local Pension Board Annual Report 2020/21

The Chair presented his report, noting that it had been an interesting year and the Board had dealt with a number of issues.

The Board Members welcomed the report, complimenting the format which demonstrated the contribution of the Board.

13. Any Other Business

The Board asked Officers to look into the arrangements for future meetings, in particular, the ability to resource a return to remote meetings to achieve greater efficiency support Covid-security and contribute less towards climate change.

14. Summary of Key Actions

	Action	
1	Check the position with regard to reporting of Internal Audit Reports	Chris Norton
2	Consideration of the investment strategy in the event 100% funding is reached	Chris Norton
3	Share employer engagement findings	Victoria Moffett
4	Investigate options to return to remote meetings	Ian Marriott / Deb Moseley

The meeting rose at 1.04pm

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Chair