

Warwickshire Local Pension Board

Wednesday 2 February 2022

Minutes

Attendance

Committee Members

Keith Bray (Chair)
Jeff Carruthers
Keith Francis
Sean McGovern

Officers

Neil Buxton, Technical Specialist - Pension Fund Policy and Governance
Andy Carswell, Democratic Services Officer
Andrew Felton, Assistant Director - Finance
Liz Firmstone, Service Manager (Transformation)
Ian Marriott, Delivery Lead - Commercial and Regulatory
Victoria Moffett, Pensions and Investments Manager
Chris Norton, Strategy and Commissioning Manager (Treasury, Pensions, Audit, Risk & Insurance)
Sarah Cowen, Senior Solicitor
Daniel Lynch, Senior Accountant Pensions Investment (Contractor)

Others Present

Martin Griffiths (Incoming Technical Specialist – currently with Staffordshire County Council)

1. Introductions and General Business

The Chair informed Members that Mike Snow would be unable to continue as a member of the Board as he would be leaving his position at Stratford District Council, which meant he was no longer qualified to be a scheme employer representative. The Chair asked Jeff Carruthers if he would be willing to swap roles with Mike Snow in order to allow him to remain as a Board member as a scheme member representative. Jeff Carruthers said he would be willing to do this. Members were informed that all employers would need to be informed of the proposal in case anyone else was proposed to join the Board, then a report would need to go to Full Council to formally ratify the decision. This course of action was unanimously agreed by Members.

Members stated they had either received their hard copies of the papers very late, and so had not had chance to go through the contents in great detail, or had not received them at all. It was agreed that this would be investigated internally, and the possibility of bringing forward timelines to enable paperwork to be sent out in a more timely manner would be investigated.

(1) Apologies

Apologies were received from Alan Kidner, Mike Snow and Councillor Parminder Singh Birdi.

(2) Board Members' Disclosures of Interests

The Chair stated that he worked for the Local Authority Pension Fund Forum and also for Barrack, Rodos and Bacine, a firm of American lawyers which had Pension Fund clients, although these did not include Warwickshire.

(3) Minutes of the Previous Meeting

It was confirmed that the internal audit referenced in the minutes of the previous meeting had been completed and circulated out to Members. It was agreed that it could be sent out again to anyone who may have missed it.

Regarding the training policy, Keith Francis said he had recently received an email from Aspire informing him his training requirements were classified as 'delinquent' as he had not completed certain sections, but he was not sure what this entailed. Neil Buxton said he had received a similar email. This training related to the build-up before the National Knowledge Assessment to take place in September 2022, and Members were welcome to do the training when they could. Members had also been asked to undertake a separate knowledge assessment through Hymans. The Chair said he had received an email informing him that the deadline for this was January 31; however he had successfully sought an extension from Hymans. Jeff Carruthers stated his belief that although the content of the training courses was very good and informative, the amount of training required may be off-putting to potential new Board members.

Neil Buxton said the Chair's Report was on the Forward Plan and was due to be on the agenda for the July meeting.

The minutes of the meeting held on 20 October 2021 were agreed by the Board as a true and accurate record.

2. Review of the Minutes of the Pension Fund Investment Sub-Committee meeting of 14th September 2021

Members noted the contents of the minutes.

3. Business Plan update

Chris Norton, Strategy and Commissioning Manager, introduced the report and drew Members' attention to the summary of the business plan. He said the number of completed actions had increased by four; the number of action points with an amber rating had decreased from 14 to 11; and there were no action points that had a red rating. Some of the completed actions were 'business as usual' items that took place throughout the year; however Chris Norton highlighted that the review of objectives had been completed by the deadline. Members were told that issues relating to the capacity of the internal team had been identified as a risk and discussed at the last Investment Sub Committee as a result. Creating job posts for an investment analyst and for a trainee accountant had both been approved.

Chris Norton said the business plan for 2022/23 was now being worked on and it would be discussed at the next Investment Sub Committee meeting in March. He said the next business plan would have more of an emphasis on noting the achievement of objectives rather than being seen as a tick box exercise for ongoing items that were monitored each month. Monitoring issues might include things such as looking to see if any of the Pension Fund's investments were experiencing any volatility.

Jeff Carruthers noted that the action point relating to the maintenance of the contract register had gone to amber, but it had previously been recommended that it stayed red. Chris Norton said it had been a judgement call as to how to record this action point. He said however that since the last time the Board had reviewed the business plan an independent financial advisor had been appointed and more resources had been allocated to the investments team. It was therefore felt the right steps were being taken to address the risks that had been identified.

Jeff Carruthers asked if there was a possible conflict between different pension funds having different commitments to achieving net zero carbon emissions. Chris Norton said the County Council had pledged to meet net zero by 2030 but there had not yet been a firm pledge from the pension fund and this was noteworthy. He said there was a reluctance to sign up to anything without having a full understanding of the implications on investments based on climate change strategies. The Chair said it was wise not to make a commitment at this stage as it may not end up being a meaningful one if there was no evidence to substantiate the reasoning behind it.

Members were told that Anthony Fletcher had been appointed as an independent financial advisor. He had experience working within the LGPS and across all aspects of investments. The Chair said he had experience of working with Anthony Fletcher and said he was an excellent choice.

The Chair asked which of the amber-rated action points were of greatest concern. Chris Norton said the biggest risks related to employer covenants and employer risks. The development of new funds, such as those relating to Border to Coast, were deemed those closest to going red and required careful monitoring.

4. Risk Monitoring

Chris Norton introduced the report and informed Members that it had been considered by the Investment Sub Committee. He said the long-term market risk had increased in terms of likelihood due to inflation. Administration issues caused by Covid now had a lesser likelihood of occurring, in response to the risks associated with Omicron having deemed to have passed. Chris Norton drew Members' attention to the appendix, which highlighted the updates that had been made to the risk register. He said fewer changes were made to the register as the year progressed. Since the time of compiling the register an appointment had been made in relation to the independent specialist tender following a lengthy process. Chris Norton said it was due to Victoria Moffett that it had been possible to make the appointment. The business case for accounting and investment capability had also been approved since the time of the register being compiled.

Members were told an audit was due to take place in relation to cyber security to test systems. Jeff Carruthers said it was important to have an item on cyber security on the risk register, stating his employer had recently stepped up its testing to check for any potential breaches.

The Chair thanked Chris Norton for the report, stating that the quality of information that was available had improved markedly.

5. Pensions Administration Activity and Performance Update

Liz Firmstone, Service Manager, Transformation, introduced the item and summarised the main points of the report. She said the implementation of the member self service scheme was going well and the rollout was to be extended on a gradual basis, in order for any issues to be identified and resolved. The increase in the number of requests for transfers or information about transfers had continued. Staff were busy working through these but were also having to manage the incoming changes to legislation governing pension funds. However Members were reminded that administration of the Fire Service pensions were being outsourced, which would help free up resources to manage the administration of the Warwickshire Pension Fund. Liz Firmstone reported that Staff and Pensions Committee have approved a move to using e-payslips for pensioners. She advised that the majority of funds have already gone paperless and although Warwickshire would be doing the same, members will continue to have the option to opt out of this and request paper versions of their payslips. Going paperless would help support the commitment of achieving net zero carbon emissions.

There were some key performance indicators that had missed their targets, and these are being addressed. Key performance indicator monitoring processes were having the desired effect of allowing staff to analyse the data that was available and see where resources needed to be redirected.

There had been one red breach in respect of an employer failing to submit member data on time. This had been reported to the Pensions Regulator, who were satisfied with the actions that had been taken to rectify this. The data had now been submitted and the employer was being set up onto iConnect. There had been some green breaches reported, many of which related to one payroll provider that managed the payrolls of several employers.

Regarding McCloud, there had been a steering group meeting the day before and it was felt that everything was on track. Liz Firmstone told Members that the quality of data held in relation to McCloud was very good.

There were currently one complaint and two IDRP, which are being dealt with.

Liz Firmstone drew Members' attention to the fact eight employers had joined the pension scheme and one had left, which she said reflected the ongoing increase in the level of demand in the service.

Responding to questions from Jeff Carruthers, Liz Firmstone said although there had been an increase in demand for the service no backlog in work had built up. Additionally the number of breaches had been discussed at a recent meeting and it was not felt it was a potential cause for concern. She said although some employers may miss a deadline by a day or two, and this may not have a drastic impact on the Fund's work, it was not something that staff wanted to become a habit and actions were being taken to address this.

Sean McGovern said it was right that service users should be encouraged to go online to access their records, but felt it was important the option to have paper copies should remain. Liz Firmstone confirmed that this would remain open to service users.

6. Regulatory and Policy Update

Neil Buxton, Technical Specialist – Pension Fund, introduced the item and advised Members that the cyber security policy had been updated. The new policy had been externally reviewed in a benchmark test and been assessed as being a good policy compared to other Local Authorities. The policy would be reviewed internally and externally to ensure ongoing quality.

Neil Buxton said the Unions were in the process of taking McCloud through a judicial review, due to the costs associated with it stopping many of the planned improvements. This was going through the courts and updates would be provided in due course.

It had been confirmed that the CPI rate would increase by 3.1 per cent, as had been anticipated. Pension pot rates would increase by the same amount.

It was expected there would be an announcement on a single code of practice for pension regulators at some point in the summer.

7. Investments update

Victoria Moffett, Pensions and Investment Manager, informed the Board that the funding level at the end of September had increased to 106 per cent as a result of investment values increasing, particularly in relation to equities and property gains. This had taken the fund to its highest value to date, which was £2.7billion. However the value of investment contributions was less than the value of the benefits paid out for the second successive quarter, meaning there was a slight negative cashflow situation. The cashflow modelling was being looked at to assess this. Victoria Moffett advised that the negative figures referenced in the appendix related to new private market investments that were going through the J-curve of investing in these asset classes. The transfer to the multi asset credit fund had successfully gone through in November. Members were informed that cash balances made up 2.8 per cent of the Fund and overall the Fund was in a good position.

Victoria Moffett said the annual report and accounts had been published ahead of the required deadline but needed an update as the sign-off from Council had taken place after the deadline date. The external audit had showed there were no material issues. Victoria Moffett said attendance at the AGM in November had been low. It was unclear if this was a one-off, and whether there may be more participation this year as it will be a valuation year, but suggestions on how to improve engagement were welcomed.

Members were told the chief investment officer and head of real estate at Border to Coast had both resigned, which was concerning as property funds had not yet been released. Work was taking place to ensure the funds were launched and a replacement found for the chief investment officer.

The draft version of the Stewardship Code was ready to be reviewed, with a submission deadline for comments of April 30. Once this was done the next major piece of legislation to come forward

would be the Taskforce on Climate -related Financial Disclosures, although it was anticipated the regulations required for that would not take effect until 2023.

Members were told that Martin Griffiths would be taking over from Neil Buxton at the end of March. Martin Griffiths introduced himself to Members and said he was looking forward to joining the Warwickshire Fund.

Responding to a question from Keith Francis, Victoria Moffett confirmed that the figure of 106 per cent was based on a set of assumptions from the 2019 valuation, it had come from actuaries. She said she would be happy to answer outside of the meeting any additional questions Members may have.

8. Forward Plan

Neil Buxton advised Members that an item on business continuity, which tied in to the issues relating to cyber security, would be going to the March Staff and Pensions Committee meeting for comments before coming back to the next Board meeting. It was intended to then go back to the Committee for ratification in June.

9. Review of the minutes of the Staff and Pensions Committee of 13th September 2021

There were no comments from Members on the contents of the minutes and no other items of business.

Members were reminded that this was Neil Buxton’s final Board meeting before his retirement. Members thanked him for all of his help and advice over the years and said they would miss his expertise.

Members confirmed they wanted the next meeting to be held on Teams, with the following meeting to take place in-person.

10. Summary of Key Actions

	Action	
1.	Write report to go to Full Council to formally ratify switching Board member roles of Mike Snow and Jeff Carruthers	Chris Norton
2.	Discuss ways of ensuring prompt delivery of paper agendas	Chris Norton/Vicky Jenks/Victoria Moffett
3.	Item on business continuity to come back to Board	Chris Norton/Vicky Jenks/Victoria Moffett

The meeting rose at 11.35am

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Chair