

Warwickshire Local Pension Board

Tuesday 26 April 2022

Minutes

Attendance

Committee Members

Keith Bray (Chair)

Jeff Carruthers

Keith Francis

Alan Kidner

Mike Snow

Officers

Andy Carswell, Democratic Services Officer

Andrew Felton, Assistant Director - Finance

Liz Firmstone, Service Manager (Transformation)

Victoria Jenks, Pensions Admin Delivery Lead

Victoria Moffett, Pensions and Investments Manager

Chris Norton, Strategy and Commissioning Manager (Treasury, Pensions, Audit, Risk & Insurance)

Nichola Vine, Strategy and Commissioning Manager (Legal and Democratic)

Martin Griffiths, Technical Specialist Pensions Fund Policy and Governance

1. Introductions and General Business

(1) Apologies

Apologies were received from 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 a firm of American lawyers which had Pension Fund clients although these did not include Warwickshire.

Alan Kidner stated that his sister-in-law worked for JP Morgan.

(3) Minutes of the Previous Meeting

Liz Firmstone (Service Manager, Transformation) said the full audit report would be circulated to members once it had been agreed by the Audit and Standards Committee.

The Chair noted a reference to Russia, and how there had been reports in the press that Russia now posed an increased cyber security risk as a result of the Ukraine conflict, and the

Fund should be wary of this. Regarding members going paperless, the Board were advised that following the passing of a motion at Full Council the presumption was members would receive electronic versions of agendas unless they opted in to receiving paper copies. Members said they wanted to continue receiving paper versions of agendas, but the Chair asked if they could be made aware if the Board became an outlier in terms of the number of members not using electronic copies.

Members confirmed they would like to have the next meeting in person, if restrictions permitted it.

The minutes of the meeting held on 2 February 2022 were agreed by the Board as a true and accurate record.

2. Minutes of the Pension Fund Investment Sub-Committee

Victoria Moffett (Pensions and Investment Manager) advised members that since the last Investment Sub-Committee meeting, the number of UK equities had been reduced.

Members noted the contents of the minutes.

3. Minutes of the Staff and Pensions Committee of 13 December 2021

The Chair said he was pleased to see good progress was being made on the rollout of the member self service scheme.

Members noted the contents of the minutes.

4. Forward Plan

Referring to the Hymans knowledge and skills test members had undertaken, the Chair said he had received his results and been told which questions had been answered correctly and incorrectly. However he had not been told the correct answers to questions that he had answered incorrectly, and the Chair felt it would be useful in improving understanding to be told the right answers. He also said it would be useful to have all of the members' results together to see if there were any knowledge gaps that could be covered on the training programme. The Chair noted however that all members had done well, particularly as some of the questions had required a detailed amount of knowledge to answer them. Members were reminded that a training schedule had been agreed.

Keith Francis said he had taken several hours to complete all of the training. Following discussions it appeared he had taken more than the mandatory levels of training and had taken additional courses. It was agreed that in future members would be advised as to which sections of training were of greater importance. Members said it was helpful they had different specialisms to spread across all of the different areas of required knowledge.

Mike Snow said he was likely to need a new login to the Hymans system as he had changed roles as a Board member. Victoria Moffett said this could be facilitated.

Members noted the contents of the forward plan.

5. Business plan

Liz Firmstone (Finance Service Manager – Transformation) introduced the item and advised this was the final update report for the 2021/22 business plan. Of the 49 listed actions, 39 were either completed or on track and the remaining ten were off track but being managed. There were no actions listed as being red. Liz Firmstone said the main reason for the ten items being off track were as a result of a lack of staff capacity. A number of staff members had been off sick due to Covid and this had had an impact on resources. Additionally there had been an increased demand for services. Liz Firmstone said she wished to acknowledge the work of the team to ensure the progress that had been made.

Mike Snow asked for clarification on what was happening to verify employer data in respect of the McCloud project. Liz Firmstone said the position was improving following the imposition of the iConnect system, and data was coming in on a more regular basis. There was a disclaimer that employers were content for the Fund staff to use the data they already held, or had been supplied with. Vicky Jenks (Pensions Admin Lead) said some checks were still required and many of these were being done retrospectively. If needed, information was being sent back to employers for further investigation and resolution.

Jeff Carruthers noted the indicator relating to employer contribution performance stated it was due to be resolved by the end of April. Victoria Moffett said this had largely been rectified and its resolution was a priority task for the team. It had been completed sufficiently that it would pass an audit report.

Responding to a question from the Chair, Liz Firmstone said there weren't any areas she was concerned would dip to a red rating due to not being met.

Members noted the contents of the business plan.

6. Risk register

Victoria Moffett introduced the report. She advised that the scores for some risks had not been updated in the report as they were felt to be appropriate, but actions from a management action plan running alongside it had been taken. These actions included increasing capacity for medium-term resourcing, investing in systems development and improving communications with the Border to Coast fund. The full details were in appendix 4 of the report, with new items being shown in red and those shown in green were actions to have been taken since the last quarter.

Regarding resources and staffing capacities, Jeff Carruthers said he had noticed issues with recruitment, particularly for some specialist roles, and asked if this was the same through the Local Government Pension Scheme. Vicky Jenks said the Local Government Association had recently released a survey asking for members to report and describe any recruitment issues they had been having, as it was acknowledged there had been problems in this area. She said resourcing issues tended to relate to major projects such as preparation for McCloud, which required specialist knowledge, rather than day to day items. Victoria Moffett said Martin Griffiths had recently been appointed to the role of Technical Specialist as he was very experienced. There was an advertisement out for a junior accountancy role and there had been applications for the post, and it was hoped an offer could be made to an applicant. Andy Felton (Assistant Director, Finance)

said solutions were being sought to fill vacancies. Some posts had been filled by contractors but this was costly so steps were being taken to try to avoid this.

Mike Snow asked what steps were being taken to assess the impact of increased inflation rates, noting the report stated inflation was at six per cent in relation to CPI and eight per cent in relation to RPI. Victoria Moffett said this had been discussed at the Investment Sub Committee, with members asking if the increased rates were transient or likely to be more longer-lasting. Independent advisors had provided with Fund with knowledge on issues relating to inflation. Victoria Moffett said there had been an increase in benefits payments. Consideration was being given to how protection assets looked in terms of their interest rate and inflation hedging abilities. Andy Felton said modelling by Hymans had suggested the increased inflation rates could last for two or three years rather than a matter of months; however he advised that some assets were inflation protected.

Responding to a question from the Chair, Victoria Moffett advised the register was discussed on a quarterly basis some weeks prior to Staff and Pensions Committee and Investment Sub Committee meetings. The register would be looked at on a line-by-line basis. Andy Felton added that the Pension Fund team would review risks on a day-to-day basis.

Members noted the contents of the report and risk register.

7. Pensions administration activity and performance update

Vicky Jenks introduced the item and explained the report outlined what the administration team had been working on. A lot of work had been taking place preparing and testing the new member self-service, which would allow members to access their annual benefit statements online. Much of this entailed setting up account profile details for members. Vicky Jenks drew members' attention to the key performance indicators listed in the report, which explained why some of them were off target. The report also noted recorded breaches, progress being made in relation to McCloud, and the guaranteed minimum pension reconciliation exercise.

Members said it would have been beneficial if the pages containing the key performance indicators and breaches had been printed in colour, as it was harder to tell which were rated as red, amber or green. Vicky Jenks said there had been an increase in the number of green breaches reported in January. She explained however that this related to one payroll provider that was responsible for the payrolls in a large number of schools; although the increase looked as though it was a significant issue, it had been caused by a single provider and had been relatively straightforward to combat.

Responding to a question from Jeff Carruthers regarding communication about the self-service scheme, Vicky Jenks said a plan was being developed and would be rolled out to all employers in due course. Priority for the rollout was being given to deferred members as they tended to receive their annual benefit statements first. Jeff Carruthers said he would like to have any communications sent out so it could be sent round staff at his employer.

Responding to a point raised by the Chair in relation to the guaranteed minimum pension reconciliation scheme, Vicky Jenks said it was anticipated more users would get back in touch with the Fund as they approached pensionable age. The introduction of the pensions dashboard had been helpful in reuniting members with their pensions. The next phase of the project would be to

communicate to members how they could access the self-service portal to deal with their queries. The Chair raised the point that some users may have more than one pension pot under multiple schemes, and said the dashboard was a useful tool to help people with any questions they had and would prevent staff at the Pension Fund from becoming overwhelmed dealing with queries.

Mike Snow noted that some overpayments were due to be written off during the reconciliation process and asked for details on what values were involved. Vicky Jenks said there had been around 800 overpayments totalling approximately £2million. Approval for writing off the overpayments was being sought from the Leader of the Council. Liz Firmstone added that the recommendation given to all local authorities was not to try and recover overpayments. Vicky Jenks said some of the overpayments for pensions had come about because the information held by the Pension Fund and HMRC did not match up, which the Fund members would not have known about and would not have been expected to have acted upon. This was a situation affecting a large number of local authority pension schemes. Additionally, a large percentage of the overpayments had been for relatively small amounts. The Chair said he accepted this position, although if an individual had been overpaid by a significant amount and was aware of it then they should be pursued to try and recoup the overpayments. Nic Vine (Strategy and Commissioning Manager, Legal and Democratic) said that in many cases pursuing claims against individuals would cost the Fund money as the amount it cost to take action was more than the amount that would be reclaimed, and there was no culpability on the Fund members.

Responding to a question from Alan Kidner, Vicky Jenks said the reconciliation process had started in 2016 and it had taken time for the various Funds to work through it as they received information from HMRC. The final set of data files to reconcile had been supplied in 2019. Alan Kidner suggested the length of time taken to supply the information could have meant that some overpayments had been taking place over a longer period of time than necessary, and the situation could have been rectified if the information had been provided by HMRC sooner. Andy Felton said the exercise would mean overpayments would not be an ongoing issue.

Responding to a question from Mike Snow, Vicky Jenks said the number of underpayments was significantly lower than the number of overpayments. These had now been corrected and arrears paid back to members, and information on this would be available at the next meeting.

Members noted the content of the report and thanked officers for compiling a substantial amount of information.

8. Regulatory and Policy Update

Victoria Moffett introduced the item and advised there were very few updates to report on in this quarter. There was one ongoing dispute, which was referred to in the report, and the cash management mechanism remained under review. Victoria Moffett advised that because there was a focus on McCloud and other areas requiring expertise and input from officers, it was possible that the pensions dashboard may not be ready to go live until 2024/25. Vicky Jenks said the same issues affected all Pension Funds and this was not unique to Warwickshire.

Victoria Moffett said the single code of practice from the Pensions Regulator was subject to an additional consultation due to take place in the summer, so it was unclear if the final version of the code would be formulated and released before the end of the year.

Members were told that the Public Service Pensions and Judicial Offices Bill – also known as the Boycott, Divestment and Sanctions Bill – had set out that administering authorities were advised to make investment decisions in line with the UK’s foreign and defence policy. However this was only guidance and was more generic than when foreign policy had been considered in relation to investments previously. Members recalled a similar issue previously in relation to investments based in Palestine. The Chair asked for the Board to be kept updated on this issue. He stated that although Pension Funds should remain politically neutral, it was right on occasions to take into account political concerns and how these could impact negatively on the Fund.

Members noted the contents of the report.

9. Investment update

Victoria Moffett introduced the item, explaining the report provided an update up to the quarter ending on 31 December 2021. A statement had been issued from the Investment Sub Committee following their meeting in March which strongly condemned the Russian invasion of Ukraine and supported the use of sanctions on Russian investments. This statement had been passed on to investment managers. Victoria Moffett advised that staff recruitment and retention at Border to Coast remained a concern and the Fund had offered support and assistance in filling the vacant roles. She said other Pension Pools and Funds had had similar issues, as staff reassessed work/life balance and quality of life in the fallout from Covid, and this position was not something unique to Border to Coast. Andy Felton said it was not felt that performance standards in relation to asset management had dropped at Border to Coast as a result of the staff shortage issues, even though this remained a matter of concern. Some positions had been filled through the use of agency staff.

Responding to a question from the Chair, Andy Felton said section 151 issues relating to pensions had been devolved to him with the agreement of Rob Powell.

Members noted the contents of the report.

10. Governance Review Update

Liz Firmstone introduced the item and explained a response to the review by the Department for Levelling Up, Housing and Communities was still awaited. However the Warwickshire Fund had been preparing for the outcome of the review as much as possible so it would be in a good position to respond.

Responding to a point raised by the Chair, Liz Firmstone said the appendix referred to the MHCLG instead of DLUCH as it was this department that initially issued the review, so the original recommendation wording had been included.

Members noted the contents of the report.

11. Draft Business Continuity Policy

Vicky Jenks introduced the item, explaining this represented the first draft of the business continuity plan. She said it had been demonstrated throughout the Covid pandemic that the Fund was able to cope through working through an unforeseen event; however it was important for this

policy to be formally set out. It was hoped that the final draft of the policy would be available for members to view at the next meeting. Liz Firmstone advised that the local authorities for Coventry, Warwickshire and Solihull had a joint resilience team that enabled each authority to provide support to another. An incident would be reported to the resilience team regardless of the severity of its impact so events could be looked at as a whole. Serious incidents would be referred to the critical services plan.

Alan Kidner noted that some of the numbering in the report did not follow a consistent pattern, and it was agreed this would be amended for the final report.

Members noted the contents of the draft policy, stating they were impressed with what they had seen.

At this point Keith Bray had to leave the meeting. Jeff Carruthers took over the role of Chair.

12. Draft Fraud Policy

Liz Firmstone informed members that the draft policy had been reviewed by the Staff and Pensions Committee for comments. Once the comments had been collated and reviewed, the draft policy would be updated with a view to being approved by the Staff and Pensions Committee.

Alan Kidner noted the report stated that suspected fraud ought to be independently reported straight to the Pensions Regulator, but another section of the report stated it may also be appropriate to refer potential breaches of the law to the Pension Fund. Liz Firmstone said the correct cross reference checks would be referred to in the final version of the policy report.

Members noted the contents of the policy.

13. Review of Pension Fund Discretions for Warwickshire Pension Fund

Vicky Jenks introduced the item and explained that the Pension Fund discretions policy had been agreed and signed off by the Staff and Pensions Committee. There had been a small number of changes to the policy and these were highlighted in the report. This was the first full review of the policy since it was implemented in 2016. Vicky Jenks said these would be reviewed on a regular basis in future.

Responding to a question from Jeff Carruthers, Vicky Jenks said an employer would be entitled to make its own decisions based on its circumstances regarding which of the Fund's policies to follow. Although there were several mandatory discretions there were also a number of discretionary ones that an employer could choose to follow. Information and support on this was available online. Vicky Jenks said the Fund was planning to do more work in the next few months to engage with employers about the discretions that were available, how to make decisions on which to apply and how they would affect an employer's policy. The Board agreed to have an action point on assessing the level of discretionary policy compliance amongst Fund members.

Regarding the 85-year rule referenced in the report, it was clarified following a question from Alan Kidner that the legislation stated the default position was it would be switched off; employers however had the ability to switch it on. Alan Kidner noted that the Council had proposed a policy of switching it off, when this was already the default position. He spoke of his experience when the

position was changed to switching off, and he would not be able to retire at 60 with 25 years' service pension, as he had previously been led to believe. Alan Kidner stated his belief that this was unfair. Vicky Jenks said some discretions would be in place and in certain circumstances no reductions would be applied. However there would be cost implications for the Fund and this needed to be taken into consideration. Alan Kidner stated his belief that in situations where an employer with a policy of leaving the 85-year rule switched on became defunct and administration of pensions passed to the authority, then the authority should leave the policy switched on. Vicky Jenks said the intention was to have a blanket policy rather than having a separate one for defunct employers.

Following a request made by Keith Francis, it was agreed that future training sessions would include a section relating to discretions.

There were no other items of business to discuss.

The date of the next meeting was confirmed as 12 July. It was hoped this could be held in-person rather than online.

14. Summary of Key Actions

	Action	
1	Mike Snow to be given new Hymans login	Victoria Moffett to facilitate
2	Future training sessions to include a section on discretions	
3	Assessment on the level of discretionary policy compliance amongst Fund members	

The meeting rose at 11.56am

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Chair