

Local Pension Board of Warwickshire Pension Fund Annual Report 2021-22

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) until 2 February 2022

Mr Jeff Carruthers (Warwickshire Police) from 26 April 2022

Scheme Member Representatives

Mr Alan Kidner (Unison)

Councillor Dave Parsons (Warwickshire County Council) until 20 July 2021

Mr Sean McGovern (Coroner, Warwickshire and Coventry)

Mr Jeff Carruthers (Warwickshire Police) 2 February 2022 until 26 April 2022

Mr Mike Snow (Formerly Warwickshire District Council) from 26 April 2022

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 2021-22. The meeting on 20 July 2021 was held at Shire Hall Warwick and all other meetings were held remotely via the Microsoft Teams platform due to the coronavirus pandemic.

Meetings held during 2021/22

20 July 2021

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

Apologies – Councillor Parminder Singh Birdi

The Board received and reviewed reports on the following:-

- Minutes of the previous Board meeting held on 13 April 2021
- Forward Plan
- Business plan monitoring
- Risk Monitoring
- Pensions Administration Activity and Performance Update
- Admissions and Termination Policy
- General Investment Activity Update
- Policy Updates
- The Local Pension Board Annual Report 2020/21
- Annual Report and Accounts 2020/21
- The minutes of the Pension Fund Investment Sub-committee (PFISC) held on 8 March 2021
- The minutes of the Staff and Pensions Sub-committee held on 8 March 2021

The Board noted that the Forward Plan was flexible to allow for amendment and updating at each meeting to take account of latest developments. With regard to the Business plan monitoring, the fact that a case was being prepared to increase and redirect resources within the next twelve months was welcomed. The Board also expressed the view that some items within the Plan, in particular the review of disaster recovery planning and engagement on climate change related issues, should be given higher priority.

There was discussion relating to the targets for achieving a carbon net zero profile and the Board questioned whether the 2050 target date was appropriate or should a shorter time frame target be adopted? The Board welcomed the fact that this would be the subject of further training for both the Board and the Pension Fund Investment Sub Committee (PFISC) during the year and would be kept under review. Members emphasised the risks associated with climate change. Also, in response to questions about cyber security the

Board was informed that the bespoke cyber security policy for the Pension Fund which had been approved during the previous 12 months was being reviewed.

The Board noted that there were indications of improved performance with regard to the calculation and payment of benefits and administration issues generally and that this would continue to be closely monitored. Some concerns remained about the reliability of aspects of the CIPFA benchmarking data and the Board expressed the view that this should be improved while recognising that this presented resource challenges for some funds.

The Fund's 91% funding level, as recorded in the Annual Report, was noted. Questions were raised about the implications for employers' contributions in the event that the funding level surpassed 100%. This would be reviewed with the Fund's actuary and advisers during the valuation process. The importance of minimising volatility was emphasised.

The Board asked officers to investigate the arrangements for future meetings. While the value of meeting in person at least once each year was recognised, the benefits of remote meetings instigated as a result of the pandemic, namely a lower carbon footprint due to less travelling and the resultant cost saving and greater efficiency, should not be overlooked.

20 October 2021

Attendees –Keith Francis, Alan Kidner, Sean McGovern, Mike Snow, Keith Bray (Chair) and Jeff Carruthers (Prospective Board Member – as an observer)

Apologies – Councillor Parminder Singh Birdi

- The Board received and reviewed reports on the following:-
- Minutes of the previous Board meeting held on 20 July 2021
- Forward Plan
- Business Plan Update
- Risk Monitoring
- Pensions Administration Activity and Performance Update
- Conflict of Interests Policy
- Training Policy
- Investments Update
- Regulatory Update
- The Pension Fund Investment Sub Committee (PFISC) papers and minutes relating to the meeting held on 14 June 2021
- The relevant papers and minutes of the Staff and Pensions Committee held on 14 June 2021

In response to the Chairman's request for an update on key actions to be taken, it was agreed that internal audit reports could be circulated to the Board once finalised and approved. It was also agreed that the investment strategy would consider the implications for employer contributions as the funding level reached 100%.

The environmental and efficiency benefits of holding meeting remotely was discussed again and further consideration will be given to future arrangements but it was recognised that it might be helpful to meet in person at least once a year.

During consideration of the Business Plan, which was broken down into a total of 49 RAG rated actions the Board noted that most were on track and welcomed the fact that business cases were being prepared to address capacity and resources issues – particularly in the areas of governance and investment. It was also noted that the late publication of the Final Accounts was due to capacity problems at the external auditors.

The board welcomed the Risk Monitoring Report and noted the improved customer satisfaction rating. More work was needed on customer feedback and the implementation of the Member Self Service system would allow this to happen in a more efficient and effective way. The risk register and risk appetite statement were accepted.

When considering the Pensions Administration Activity and Performance Update particular attention was paid to the issue of Annual Benefits Statements, the implementation of Member Self Service, achievement of key performance indicators (KPIs), team workloads, management of breaches, the ongoing impact of the McCloud judgement, new admission agreements and the internal disputes resolution procedure. The Chairman noted that efforts were being made nationally to address problems arising with some Multi Academy Trust Contracts.

The Board noted that the Conflicts of Interest Policy focussed on pecuniary interests but emphasised that a wider range of interests should be encapsulated when necessary.

The Training Policy and the availability of the training portal provided by Hymans Robertson was welcomed. Board members asked for links to recorded sessions to be shared. It was recognised that the sessions attended by both Board Members and Committee members offered the opportunity for beneficial discussion. A schedule of the training offered to Board members during the year is attached as an appendix to this report.

It was noted that the investment strategy had resulted in the funding level reaching 101% over the quarter ending 30 June 2021 and that the issue of climate change would be high on the agenda when considering future strategies. It was recognised that there were divergent views when considering the benefits of divestment from, as opposed to engagement with, investee companies.

2 February 2022

Attendees – Keith Francis, Sean McGovern, Jeff Carruthers, Keith Bray (Chair)

Apologies – Councillor Parminder Singh Birdi, Alan Kidner, Mike Snow.

The Board received and reviewed reports on the following:-

- The minutes of the Board meeting held on 20 October 2021
- The Pension Fund Investment Sub Committee (PFISC) papers and minutes relating to the meeting held on 14 September 2021
- Business Plan Update
- Risk Monitoring
- Pensions Administration Activity and Performance Update
- Regulatory and Policy Update
- Investments Update
- Pension Board Forward Plan
- The relevant papers and minutes of the Staff and Pensions Committee held on 13 September 2021

It was unanimously agreed by the Board that, due to his impending retirement from his post as Head of Finance at Warwick District Council, it would be appropriate for the Administering Authority to ratify that Mike Snow should swap roles with Jeff Carruthers -- Jeff becoming an employer representative and Mike a scheme member representative. This would hopefully be confirmed before the next meeting on 26 April 2022

Members discussed both the 'in person' and online training being offered and noted their performance in the assessment of their knowledge and skills undertaken by Hyman Robertson. This would be helpful in guiding future training programmes.

Positive developments and progress with the Business Plan were noted and more emphasis was to be placed on noting the achievement of objectives with a view to avoiding it being seen just as a 'tick box' exercise. The appointment of a new Independent Financial Adviser was welcomed. In response to questions from the Board it was noted that on the administrative side there were particular risks associated with employer covenants and on the investment side new funds being offered by Border to Coast required careful monitoring.

The Board welcomed the quality of the information now included on the risk register. It was noted that risks had increased due to rising inflationary pressures and Board members also emphasised the increased risks with regard to cyber security.

On the administrative side, positive progress with the member self-service scheme was welcomed as was the fact that more resource would become available due to the outsourcing of the administration of the fire service pension scheme. It was noted that the fund was going paperless as far as possible but the fact that members were being allowed to opt out and still receive paper payslips was welcomed. Key performance indicators were closely monitored and one red breach regarding the failure of an employer to submit data on time had been reported to the Pensions Regulator who was satisfied with the action taken. Progress remained on track in dealing with the fallout from the McCloud judgement.

The Fund value now stood at an all time high of £2.7bn but there was a slightly negative cashflow. Cashflow modelling was being looked at to assess this. The Annual Report and

Accounts had been published on time, but needed an update as 'sign off' by the County Council, as administering authority had been after the deadline. The external auditors had raised no material issues

It was concerning that the Chief Investment Officer and Head of Real Estate at Border to Coast had both resigned, particularly as the property funds had not yet been released. Work was in hand to ensure the funds were launched and a new chief investment officer appointed.

The draft version of the Stewardship Code application was ready for review – the regulations for the Taskforce on Climate Related Financial Disclosure (TCFD) were not expected until 2023.

Members were advised that an item on business continuity would be brought to the next meeting.

This was Mr Neil Buxton's final meeting prior to his retirement from his post as the Fund's technical specialist on policy and governance. Board members thanked him for all the help and advice he had provided over the years and wished him well.

26 April 2022

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

Apologies – Councillor Parminder Singh Birdi, Sean McGovern.

The Board received and reviewed reports on the following:-

- The minutes of the Board meeting held on 2 February 2022
- The Pension Fund Investment Sub Committee (PFISC) papers and minutes relating to the meeting held on 13 December 2021
- The relevant papers and minutes of the Staff and Pensions Committee held on 13 December 2021
- Forward Plan
- Business Plan 2021/22
- Risk Register
- Pensions administration activity and performance update
- Regulatory and policy update
- Investment update
- Governance review update
- Draft Business Continuity Policy
- Draft Fraud Policy

- Review of Pension Fund Discretions for Warwickshire Pension Fund

The Administering Authority had accepted the Board's recommendation regarding the respective roles of Mike Snow and Jeff Carruthers so that Jeff now represented the Fund's employers and Mike represented scheme members.

In discussing the forward plan, the Board considered their training needs. It was noted that the Board had performed quite well overall in the Hymans Robertson knowledge and skills, test and that collectively they provided a good mix of skills and specialisms. Given the significant amount of training now offered, guidance will be provided as to the relative importance and value of the various training opportunities. A schedule of training opportunities offered to Board members during the past year is attached as an appendix to this report.

The Board welcomed the fact that 39 of the 49 actions listed in the Business Plan were on track and the remaining 10 were being managed. There were no actions listed, or expected to be listed as red. It was noted that the introduction of the iConnect system had led to improvement in the data supplied by employers generally and this was helpful in handling the workload flowing from the McCloud decision

The Risk Register was considered and there was discussion about the challenges recruiting experienced and qualified staff and staffing generally. A new, very experienced, technical specialist had been appointed and an additional junior accountancy assistant was in the process of being appointed. The Assistant Director of Finance confirmed that staffing levels and workloads were being closely monitored – where necessary contractors are being used but this is expensive and steps are being taken to minimise this.

Attention was drawn to the Russian invasion of Ukraine and the Investment risks that flowed from this and the increased risk of cyber-attacks from Russia.

The recent increase in inflationary pressures is a major concern and is expected to last for two or three years. Benefit payments will increase, so consideration is being given to the inflation protection/hedging aspect of the assets held by the Fund

It was confirmed that the risk register is formally reviewed quarterly on a line-by-line basis and specific risks are reviewed on a day-to-day basis as and when necessary.

The Board received an encouraging, and detailed, administration activity and performance update report regarding key performance indicators and discussed the latest position with regard to the guaranteed minimum pension reconciliation exercise with HMRC. Members were pleased to hear that those overpayments and underpayments that had been identified were being dealt with sensitively and pragmatically.

In the Regulatory and Policy update the Board was advised that the Pensions Dashboard might not be ready to go live until 2024/25 for LGPS Funds generally and that the Pensions Regulator's Single Code of Practice was subject to additional consultation and may not be released before the end of the year. It was also noted that the Public Service Pensions and Judicial Offices Bill – also known as the Boycott, Divestment and Sanctions Bill proposed that LGPS funds' investment decisions should be in line with the UK Government's foreign and defence policies. The Board accepted that, on occasions it was right to take account of political concerns where these could impact negatively on the Fund but stressed that the Fund should remain politically neutral.

It was noted that the response to the governance review by the Department for Levelling Up, Housing and Communities was awaited and that the Fund was prepared and well placed to respond.

The Board welcomed the draft Business Continuity Policy report and was informed that a joint resilience team with neighbouring authorities had been set up. The draft Fraud Policy was noted.

A report on Pension Fund Discretions was noted and it was confirmed that although there were several mandatory decisions there were also a number of discretionary ones. It is for employers to choose whether or not to follow these. The Board requested that more detailed clarification of the discretions available should be included in future training sessions.

Acknowledgement

On behalf of the Board, the Chairman wishes to thank the members of the officer team for the quality of their reports and for their support during the year.

Keith Bray

Independent Chairman

June 2022