

Warwickshire Local Pension Board

Tuesday 12 July 2022

Minutes

Attendance

Committee Members

Keith Bray (Chair)
Jeff Carruthers
Keith Francis
Alan Kidner
Sean McGovern
Mike Snow

Officers

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)
Sarah Cowen, Senior Solicitor
Andy Carswell, Democratic Services Officer
Martin Griffiths, Technical Specialist Pensions Fund Policy and Governance

1. Introductions and General Business

The Chair started the meeting by noting the recent death of Councillor John Horner. The Chair said Councillor Horner was an excellent chairman of the Investment Sub Committee and would be a sad loss. The Chair asked for a moment's silence in memory of Councillor Horner.

The Chair welcomed Martin Griffiths to his first meeting since being appointed as the new Technical Specialist for Pensions Fund Policy and Governance.

(1) Apologies

None.

(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 noted the Fund no longer invested in JP Morgan so he was not required to note his usual declaration of interest.

(3) Minutes of the Previous Meeting

The minutes of the meeting held on 26 April 2022 were approved as an accurate record.

2. Pensions administration activity and Performance update

The report was introduced by Vicky Jenks, Pensions Admin Delivery Lead. She said the biggest project that had been worked on in the last quarter was the member self-service portal. Information had been sent out initially to deferred members, who were not currently contributing but held benefits in the pension scheme, as these were the first members to have their accounts on the portal activated. So far there had been a ten per cent uptake from deferred members. There had been a slight delay in the rollout of activations of employee members, but letters were due to go out to active members within the next few weeks and promotional material would be sent to employers so it could be circulated amongst staff. Annual benefit statements would be published to the self-service portal by 31 August.

Vicky Jenks said there were no major issues with the key performance indicators. There had been a promising increase in the amount of work that had been completed regarding transfers. This was partly due to increased staff capacity to work on this project. As from 1 April the Fund was no longer responsible for administering the Fire Pension Scheme.

Members were told there had been a relatively high number of amber breaches in March and a red breach was recorded in February. The red breach was caused by a Multi Academy Trust taking its payroll in-house and subsequently struggling to provide pensions data on time. Vicky Jenks said the Trust had stopped using iConnect after taking its service in-house, although this was due to be reinstated. The Pension Fund had been working with the Trust to help it meet its statutory deadlines.

Vicky Jenks said there had been a further delay in the publication of the anticipated governance consultation document from the Department for Levelling Up Housing and Communities and this was now not expected until autumn at the earliest. This meant the Fund would be delayed in progressing with anticipated workloads arising from the consultation

The guaranteed minimum pension reconciliation exercise had been completed by the deadline of 31 March and underpayments and overpayments had been corrected. Vicky Jenks said she had attended the PLSA Conference along with Chris Norton (Strategy and Commissioning Manager – Treasury, Pension, Audit and Risk) and the Chair.

Responding to a question from Jeff Carruthers, Vicky Jenks said annual benefit statements would be published online but members were able to opt out of this and continue to receive paper copies if they wished.

Responding to a question from the Chair, Vicky Jenks said something equating to a life certificate would be sent out to pensioners living overseas. The Fund also had access to the DWP's Tell Us Once service and was a member of the National Fraud initiative, which allowed staff to confirm details of a notification of a member death.

Vicky Jenks confirmed the red breach was related to the receipt of February data and was reported by the Fund in March. The number of breaches reported in April and May had dropped significantly compared to March. This was likely due to March being financial year end when many employers and members were busy.

Vicky Jenks confirmed the overpayments referred to in the report relating to the guaranteed minimum pension reconciliation related specifically to Warwickshire. She confirmed that in one case there had been an overpayment of £28,000 to an individual. However, it had been agreed to write this and the other overpayments off, as there was no suggestion of culpability on the part of the individual pensioners in knowing they were being overpaid.

The Chair noted that administration of the Fire Service Pension Fund had been transferred to the West Yorkshire Pension Fund. He said this was an efficient organisation used by several LGPS funds.. Vicky Jenks said there had been some initial issues after the transfer was first made but overall things were working well.

The Chair informed the Board he had attended the PLSA Conference and had noted during a presentation given by Teresa Clay regarding the delayed consultation referred to earlier that seven items were likely to be proposed. One of these related to funds investing up to 5% of assets to support levelling up. The Chair said she had clarified that while Funds would be expected to invest up to five per cent into levelling up; if there was already investment in this area then this could be included in the 5% target. There would also be a greater requirement to report on climate risks; strengthening in training and expertise; greater transparency in annual reports; and acceleration in ensuring money was paid into the pools .Ms Clay had also indicated that the consultation would set the direction for greater scale and collaboration between pools.The Chair said it had been suggested by some that consideration should be given to some of the pools being merged to assist with the levelling up process, with some suggesting that only one pool would be needed.

Members noted the contents of the report.

3. Risk Monitoring

The item was introduced by Martin Griffiths, who reminded members that new risks that had been added to the register were listed in red and future actions that had become active were shown in green. The overall risk score had remained the same since the last update; however it had been agreed to remove Covid-specific items from the register. Martin Griffiths said area 6 of the register would be removed and non Covid-related items would be moved to other areas of the register.

Members noted the contents of the register.

4. Minutes of Investment Sub Committee

The Chair asked for clarification on what was meant by the “term investor’ capital deployment”, as this, along with negative interest rates, inflation and geopolitics, had been identified as an area that presented a risk to UK Pension Funds. Victoria Moffett (Lead Commissioner, Pensions and Investments) said this referred to private markets investments that were committed by Fund managers to specific projects. The rate at which the capital was deployed was dependent on the

rate at which Fund managers could find projects to invest in. Additionally it could take time for the money to be drawn down into the investment opportunities.

Alan Kidner noted page 37 of the agenda referred to protecting the interests of the Pension Fund, and also made a reference to investing in China. He said he had concerns about investments made in China due to the persecution of the Uyghur people, and had been distressed at seeing leaked photos. The Chair concurred with Alan Kidner's concerns about investing in China, saying he had recently heard a radio broadcast featuring the heads of the UK and US security services raising concerns about China and the potential geopolitical threat it posed.

The Chair said the current level of funding being above 100% was reassuring, but expressed his concern at the long term risks posed to the Fund by geopolitics and climate change.

Jeff Carruthers noted employees' rates had frozen or reduced over the last three years, and asked if this was likely to continue or plateau off. He said if there were going to be any increases to rates he would prefer to see it done at smaller incremental rates over a longer period of time in order to improve stability. Victoria Moffett advised that the next set of evaluation results would depend on the economic circumstances and funding level at that point in time. The Fund had a 70 per cent prudence level, which was used to assess whether it was advisable to lower, freeze or increase employers' rates.

Alan Kidner noted that Councillor Bill Gifford had raised the topic of efficiency of pooling and asked if his question had been answered. Andy Felton (Assistant Director – Finance) told members that the advice the Fund had been given said some risk diversification was required over a short-term period while the investments matured. Because of this it had been decided to make modest investments into two areas, outside the Pool with a longer-term aim of merging them into the Border to Coast funds. The Chair reminded members that at the last meeting it had been noted Border to Coast's chief investment officer had resigned. The Chair said John Harrison, who was well known to LGPS funds and was a former Chief Investment Officer of UBS, had been appointed on an interim basis

The Board noted the contents of the minutes.

5. Minutes of Staff and Pensions Committee

Vicky Jenks told members that two training sessions for fund employers relating to discretions had been planned. The first would be in September and another was planned to take place in October. Vicky Jenks said work was still ongoing to establish a record of all employers' discretion policies. At the training sessions employers would be asked to submit these, to allow Fund staff to follow up and contact employers who had not submitted their policy.

Members noted the contents of the minutes.

6. Information on Pension Scams

The item was introduced by Vicky Jenks, who explained the Fund had processes in place to protect members from falling victim to scams. They primarily focused on members not currently contributing to the scheme, who might be subject to scam inducements to transfer out to a different

scheme. Information on combatting scams had been issued by the DWP and the Pensions Regulator, and this had been incorporated into the Warwickshire Pension Fund's guidance.

The Chair asked if any Fund officers had been approached by someone pretending to be a pensioner. He said a friend of his had had his email account hacked and 'scam' emails had been sent to those on his contact list purporting to come from him. Vicky Jenks said member signatures were required to authorise the release of information, so when requests were made paperwork would be sent out in the post for the pensioner to sign. She said it was the Fund's policy to only send information directly to the member and not to any third parties, including financial advisors. She said the Fund was aware of a pension company that was transferring scanned versions of signatures on pension transfer forms.

Members said the information was clear and easy to understand and noted the contents of the report.

7. Forward Plan

The item was introduced by Martin Griffiths, who informed members the report showed the one-year rolling forward plan and how it stood currently.

The Chair asked if the items on risk monitoring and business plan monitoring could be grouped together and the admin and performance update and investment update grouped together. Although there would be an update each quarter, only one aspect of each group would be looked at in detail at each meeting. For example the risk monitoring report would be considered at one meeting and the business plan monitoring report considered at the following quarterly meeting. Similarly the Admin and Performance Update could be considered in detail at one meeting and the Investment Update at the following meeting. The Chair suggested this could help reduce officers' workloads and allow for more detailed discussion at each meeting and asked the Board members to consider if they wanted to give any further consideration to this approach. Martin Griffiths said the next item on the agenda pulled together all the issues relating to governance into one paper and said he was willing to listen to members' views on the suggestion to merge reports together.

Members noted the contents of the forward plan.

8. Governance, Policy and Training

The item was introduced by Martin Griffiths, who explained there had been updated advice received from central government. However there had been no updates on investments in Russia, and an ongoing issue on whether or not the LGPS would be allowed to make prepayments of contributions instead of making regular monthly payments. The LGPS had received legal advice that this would be an acceptable course of action. Mandatory scheme payment deadlines had been extended.

New statutory guidance had been published in relation to severance payments, although it would be down to individual employers to decide what they wanted to do and inform the Fund what action they would take.

Martin Griffiths said there had been issues relating to the pensions dashboard, with many public sector schemes indicating they would be unlikely to meet the deadline to roll it out by 2023. It was

likely to be delayed until 2024 instead.

Members were told 'stronger nudge' guidance had been issued, in respect of when pensioners may wish to receive their benefits.

Regarding the governance update, Martin Griffiths said it was not felt that any changes needed to be made to the voting and stewardship policies. An amendment had been made to the communication policy and this was set out in the report appendices. Martin Griffiths also informed members that the Fund had launched a new website and reminded the Board about the launch of the self-service platform. Martin Griffiths said the Investment Strategy Statement had been reviewed by Hymans Robertson before going to the Investment Sub Committee. Members' attention was drawn to the training schedule, particularly as the next session was planned for 18 July.

Alan Kidner asked for clarification on the Ukraine conflict and how this impacted on investments into Russian assets. Victoria Moffett said Russian markets were currently closed, meaning it was not possible to withdraw money from the Russian funds but also there was no value to those assets. She added there was only a very small proportion of the Fund's assets had been invested into Russia. However Fund managers were choosing not to vote on what to do with Russian assets.

Jeff Carruthers noted the threshold for scheme payments had been frozen at £40,000 until 2026, but there was potential for this to be affected by inflation. He asked if this would have an impact on the Fund's workload, and if there was staffing capacity to meet this. Vicky Jenks said the Fund was proactively looking at members who were getting close to the £40,000 threshold and send information out to them, as there was a requirement to issue pension savings statements to members who had exceeded the threshold. The number reaching the threshold had been increasing for some time.

Regarding the communications policy, Alan Kidner said he had noticed some typos. He also asked for the report to clarify what was meant by the term 'deliverables'. Martin Griffiths said corrections would be made to the final policy document, and asked for members to contact him if there was anything specific they felt needed changing.

Members noted the contents of the report.

9. Local Pension Board Annual Report 2021/22

Members noted the contents of the report. The Chair expressed his thanks to officers for the quality of the reports that had been provided and the level of detail given, and for the clarity and conciseness of the oral presentations that were given during the meetings.

10. Investment update

The item was introduced by Victoria Moffett, who told members that the funding position remained above 100 per cent. She drew members' attention to the fact cashflow was being monitored to ensure there were sufficient liquid assets available to make benefit payments, without having to liquidate assets at stress points. In relation to the strategic asset allocation, there had been an agreed reduction of allocation to equities and increase in allocation to income investments. The

Investment Sub Committee had looked at the equity portfolio in greater detail, particularly in relation to the geographic allocation of funds and also the split between those that were actively and passively managed.

Victoria Moffett said there were now four climate risk metrics to be reviewed on an annual basis. The Fund had asked for as much information as possible from all the investment funds in relation to weighted average carbon intensity; total carbon emissions; percentage of the portfolio and green revenues; and the percentage of the portfolio with ties to fossil fuels.

Regarding stewardship, Victoria Moffett said assurances were made that fund managers engaged on behalf of the Fund and took part in voting. She said the Fund was a member of the LAPFF and there had not been any conflicts between its representatives regarding voting matters.

Members noted the contents of the report.

11. Any Other Business

There were no other items of business to discuss.

12 Action Points

	Action	
1	Typos to be corrected in Communications Policy	Martin Griffiths
2	Amendments to Communications Policy to be suggested	All Members

The meeting rose at 12.34pm

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Chair