Warwickshire Local Pension Board

Tuesday 18 October 2022

Minutes

Attendance

Committee Members
Jeff Carruthers
Keith Bray (Chair)
Keith Francis
Alan Kidner
Mike Snow

Officers
Andrew Felton, Assistant Director - Finance
Victoria Jenks, Pensions Admin Delivery Lead
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

(1) Apologies

Apologies were received from Sean McGovern and Victoria Moffett.

(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.

(3) Minutes of the Previous Meeting

The minutes of the meeting held on 12 July 2022 were approved as an accurate record.

Arising from the minutes, the Chair raised a query regarding scheme payments being frozen at £40,000. Vicky Jenks (Pensions Admin Delivery Lead) explained that the value of a particular pension would be calculated at the start and end of each financial year and the difference would be multiplied by 16. If it was greater than £40,000 then the annual allowance had been exceeded.

Regarding the metrics relating to climate change, Chris Norton (Strategy and Commissioning

Manager – Treasury, Pension, Audit and Risk) said these were in place to check against the risks associated with greenwashing; that is, deceptively marketing a product as being environmentally friendly when the opposite was true.

2. Pensions Administration Activity and Performance Update

The item was introduced by Vicky Jenks, who provided members with an update on the work of the administration team. The main project being worked on was the member self-service portal. This year's pension statements had been provided digitally, except for cases where the member had opted in to continue receiving paper copies. All deferred annual benefit statements had now been released; there had been errors in a small number that had not been picked up on, meaning not all of the statements were ready by the deadline. Vicky Jenks said 98 per cent of the active annual benefit statements had been released by 6 August. There were issues with 354 statements as there were queries with the data provided by the employer. Overall there had been a reduction in the number of queries at year's end. The introduction of the iConnect system was credited with helping this. Responding to a point raised by the Chair, Vicky Jenks said takeup to member self service had been quite good. If anyone contacted the Fund with a query they would be directed to the portal and asked to set up an account. Steps were also being taken to promote the portal amongst employers. At the time of the report being published 24 per cent of eligible scheme members had signed up, and it was expected this figure had increased since. It was noted that awareness on pensions was increasing nationally, and a campaign was due to start at the end of the month. Vicky Jenks said the data was being checked on a more regular basis by an increased number of people from different companies, such as the actuary, and it was hoped this would improve the quality of the data.

Responding to a point raised by the Chair, Vicky Jenks said not all of the key performance indicators were on target to be met due to workload priorities. For example the Fund had undergone a valuation this year and resources had needed to be reallocated to this as a priority. However the performance of a number of KPIs were improving and processes were being looked at to see if efficiency could be improved further. Vicky Jenks said the timescales for the KPIs would be available in the annual report. The Chair expressed his concern at the low level of letters being sent that notified dependents of pensionable amounts, which was KPI 9 on the chart in the report appendix.

Regarding breaches, Vicky Jenks said there had been an ongoing control issue with the Birmingham Diocese Academy Trust. This was because it had not been possible to get the required information from them in a timely manner following a change of payroll provider. It was eventually progressed following a conversation with the Trust's chief financial officer. Although six breaches were listed, these were all from the one employer. The Trust was now using iConnect and it was not anticipated there would be any issues in the future. Vicky Jenks said the use of iConnect had also been a contributory factor in the number of amber warnings reducing. The amber warnings would also generally be cleared at the end of each financial year once employers had completed any outstanding financial issues. However there would be some breaches in cases where it was difficult to find a member of staff at the employer to complete the work. There were no specific patterns to the breaches taking place that had been identified.

Regarding McCloud, Vicky Jenks said the response to the government consultation was still awaited. It was expected to be announced before Christmas. New draft regulations were expected to be in place by October 2023. Extra staff had been taken on to enable the Warwickshire Pension

Fund to undertake the required checks to see how many people would be affected by the proposals. Pensioners who would be affected would be contacted, although Martin Griffiths (Technical Specialist, Pension Fund Policy and Governance) said the LGA had indicated for Funds not to contact pension holders unless they really had to.

Members were told there were no outstanding disputes. Responses to two stage one cases had been issued; one was referred to the Ombudsman but was deemed to be out of time for the disputes process. The Fund had not heard anything about the other case. Both cases related to outgoing transfers, which had taken place in 2015.

Vicky Jenks said the team had worked hard to provide the actuary with all of the information needed for the valuation by the end of July, and the feedback showed that the actuary was impressed with the quality of the data. There had been a catchup meeting on this on 4 October, and there were due to be further discussions at the AGM on 4 November.

Members were told that it was now anticipated that the DWP's pensions dashboard would go live for Warwickshire in September 2024. This would enable pensioners to view all of their pensions in one place. Work was being undertaken by the Warwickshire Pension Fund to ensure the information going forward for inclusion on the dashboard was correct. The dashboard would be rolled out on a gradual basis, with some Pension Funds going live from April 2023. Warwickshire had asked to push back its planned roll-out from April 2024 due to the amount of data to go through.

Alan Kidner asked if the information relating to PAS and payroll should be shared with members, so they could have a clearer picture of what was happening as this had been outsourced. Andy Felton said he was not sure if the Fund had the ability to do this, as payroll for the Warwickshire Pension Fund encompassed more than 200 employers. Vicky Jenks said the payroll team met on a quarterly basis.

Keith Francis said he was comfortable with the report, and the officers had made its contents very clear.

Members thanked officers and noted the contents of the report.

3. Governance Report

Martin Griffiths advised that the report encompassed a number of reports that had previously been considered on an individual basis, such as the risk register and the forward plan. It was noted that the forward plan said Hymans Robertson would be present at the next Board meeting to provide a presentation on the valuation process. There had been no need to update the training schedule since the previous meeting. However places were still available on Hymans Robertson-run knowledge and skills assessment courses if members required them. The Chair said that although the courses were useful, members did not know which questions they were answering incorrectly and how they could further improve their knowledge and understanding.

Martin Griffiths said the risk register had been updated to reflect recent changes in market volatility and lack of control. However there were three items on the register whose risk level had decreased following the successful implementation of mitigation measures. Risks associated with climate change had increased, as the Fund only had a limited influence of global factors affecting climate change. More robust policies had been introduced in relation to governance.

Responding to a query raised by Alan Kidner, Chris Norton said the key performance indicators were reviewed by officers to ensure clarity that the actions were having the desired effect. Members asked if the key performance indicators could be sent to them via email ahead of the next meeting, in addition to a paper copy being provided.

Members noted the contents of the report.

4. Business Plan Report

Chris Norton informed the Board that the business plan consisted of 38 actions for the year, which would relate to the annual pensions report. The majority were on track to be met but some actions had a red or amber rating, and the reasons for these ratings were outlined in the report. It was noted the red ratings related to publication of the Pension Fund accounts. Chris Norton said there were capacity issues with external auditors, who were having difficulty recruiting and retaining staff. He said Warwickshire was not the only Pension Fund affected and this was a national issue. Andy Felton said this would not cause risks to individual pension holders, and when the audits were completed they would remain at a high standard. However it was anticipated that delays to external auditing would remain for a number of years.

The Chair asked if the Board could have sight of an external audit report next time one became available. He said the views and feedback of the Board could be of assistance to the Pension Fund Sub Committee. Andy Felton said these could be shared once they were made public, otherwise they would have to be treated as an exempt item.

Members noted the contents of the report.

5. Investment update

Chris Norton introduced the item by stating there were issues with market volatility at the moment. The funding level had increased over the quarter ending 30 June from 104 per cent to 122 per cent, due to volatility relating to inflation and interest rates. Despite this, operational cashflows were broadly neutral and there was little stress being put on investments. Longer-term investments continued to remain better than the benchmark, remaining at between 0.5 and one per cent.

Regarding stewardship, members were advised that the Pension Fund Investment Sub Committee had agreed to award two private mandates to two different fund managers. The investment structure would be looked at by the Committee at its December meeting. The cashflow amounts were noted, with uncertainty over whether any cash would be taken out of any of the funds – and if it was, to what extent – being highlighted as a risk. Greater cashflow could be generated if more was invested into private markets, but there was a struggle to do this. Climate change continued to be the most significant risk affecting investments and the work of the Pension Fund.

Chris Norton said the Fund was looking to recruit a new investment analyst to the investment and governance team, as well as a senior accountant. Chris Norton said Dev Singh would be leaving the Fund and thanked him for all of his work.

Responding to a question from Jeff Carruthers, Chris Norton said the Fund was in a position to be able to manage short-term issues. If inflation was going to continue to remain a longer-term risk, then this would be more difficult to manage and plan for. The same issues were not anticipated in the private sector, but the Fund had never hedged significant amounts in these markets.

The Chair noted that Hymans were used as both actuary and investment advisor and said there had been some debate as to whether there should be a degree of separation between actuary and advisor, although he stated his belief it was beneficial to have the same firm in both roles. Chris Norton said representatives of Hymans received all the paperwork relating to the various pensions committees and would attend special interest meetings. Regarding the use of two different firms in relation to stewardship, the Chair said it was important they both voted in the same way as this would benefit the Pension Fund.

Members noted the contents of the report.

6. Any Other Business

Members noted the contents of the minutes of the most recent meetings of the Pension Fund Investment Sub Committee and the Staff and Pensions Committee, which had been circulated after publication of the meeting agenda. There were no comments made on their contents. The Chair noted that the Sub Committee would often have exempt papers, and stated that other Pension Boards would also have access to them although others would not. He suggested consideration be given to whether it would be appropriate for the Board to have access to the exempt papers.

The Chair stated he had been sent a three-page paper from Hymans Robertson about its investment strategy. He said it was a well written report and advised members to try reading it if possible.

The meeting rose at 1.00pm

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Chair