

Local Pension Board of Warwickshire Pension Fund

Annual Report 2022/23

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 CC) until 18 October 2022

Councillor Ian Shenton (Warwickshire CC) from 31 January 2023

Mr Keith Francis (The Citizens Advice Bureaux Service)

Mr Jeff Carruthers (Warwickshire Police)

Scheme Member Representatives

Mr Alan Kidner (Unison) until 1 April 2023

Mr Sean McGovern (Coroner, Warwickshire and Coventry)

Mr Mike Snow (Formerly Warwickshire District Council)

Independent Chairman (Non- voting)

Mr Keith Bray (formerly Director of Financial Services at the City and County of Cardiff)

SUMMARY

The Board met on four occasions during 2022-23. The meeting on 12 July 2022 was held remotely via the Microsoft Teams platform due to the coronavirus pandemic. All other meetings were held in person at Shire Hall Warwick

The Investment performance of the Fund has been good, and the Board noted and approved the ongoing appointment of two independent advisers (Anthony Fletcher and Bob Swarup) to work alongside Hymans Robertson as advisers. The cashflow of the Fund is being monitored closely.

The key performance indicators regarding the administration of the Fund - i.e. the calculation and payment of benefits and communication with fund members - have improved, and administration is now at a very high standard and continuing to improve.

The quality and presentation of the reports presented to the Board has improved considerably over recent years and this improvement is being maintained. All members of the officer team gave excellent service to the Board during the year and this was aided by the invaluable strong support given by the senior finance staff.

Meetings held during 2022/23

12 JULY 2022

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

Apologies – Councillor Parminder Singh Birdi

The Board held a moment's silence in memory of Councillor John Horner, the Chair of the Investment Sub Committee, who will be greatly missed.

The Board received the minutes of the previous Board meeting held on 26 April 2022 and reviewed reports on the following: -

Pensions Administration Activity and Performance Update

It was noted that progress was being made with the introduction of the member self-service portal and that annual benefit statements would be available on the portal by 31 August, but paper copies would also still be available. The Board was pleased to hear that there were no major issues with the key performance indicators for administration. A Multi Academy Trust had failed to deliver pensions data on time following a decision to take its payroll in-house, and this had been reported to the Pensions Regulator as a red breach. The Trust had re-instated the use of the iConnect System and was working with the Fund to resolve these issues.

The guaranteed minimum (GMP) reconciliation exercise had been completed with HMRC by the 31 March deadline.

The Board was informed that there had been a further delay with the publication of the anticipated governance consultation document expected from the Department for Levelling Up, Housing and Communities (DLUHC).

Risk Monitoring

The overall risk score had remained the same since the last update and the COVID specific heading would now be removed.

The minutes of the Pension Fund Investment Sub-committee (PFISC) held on 13 June 2022

Board members expressed concern about investment in China in view of geopolitical and human rights issues. Questions were also asked about the efficiency of Pooling. Officers informed the Board that modest investments had been made in two areas outside the Pool to secure some additional risk diversity with a long term-aim of merging them with the Fund's Pool investments. A Board member stressed the need for long term stability when setting employers' contribution rates and this view was supported by all.

The minutes of the Staff and Pensions Sub-committee held on 13 June 2022

The Board noted that two training sessions were planned for employers dealing with employer discretions.

Information on Pension Scams

Guidance had been issued to Fund members not currently contributing to the scheme to alert them to the risk arising from scam inducements to transfer out to another scheme

Forward Plan

This was noted by the Board

Governance Policy and Training

This dealt with a wide range of issues including investments in Russia, severance payments, the introduction of the Pensions Dashboard, voting and stewardship policies, communications and future training of Board and Committee members.

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The report was noted and accepted. The Chairman expressed his thanks to the officers for the quality, clarity, and conciseness of the written and oral reports throughout the year,

Investment Update

The Board was pleased to hear that the Fund's funding level remained above 100% and that it was still cash positive. The allocation to bonds and other income earning investments was being increased and the allocation to equities reduced. There were now four climate risk metrics which were to be reviewed annually. As much information as possible was being gathered about the weighted average carbon

intensity, total carbon emissions, 'green' revenues and the percentage of portfolio ties to fossil fuels. Regarding stewardship, the fund's investment managers engaged and voted on behalf of the Fund and the Fund was a member of the Local Authority Pension Fund Forum (LAPFF)

18 October 2022

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

Apologies – Sean McGovern

The Board received the minutes of the previous Board meeting held on 12 July 2022 and reviewed reports on the following:

Pensions Administration Activity and Performance Update

The report covered a wide range of activities including progress with the introduction of the self-service portal, annual benefits statements, key performance indicators (KPIs) breaches, the ongoing implications of the McCloud judgement, the resolution of internal disputes, progress with the actuarial valuation and the DWP's Pension Dashboard.

Board members were pleased to note that 24% of scheme members had signed up to the portal. Some KPIs were not on target due to the reallocation of staff to the workload arising from the actuarial valuation but they were now improving, and processes were being introduced to make more improvements in this context.

There were breaches caused by the failure of one employer to provide information in a timely manner, but the Board was reassured to hear that this was being addressed by the employer adopting the iConnect payroll system which had proved to be very beneficial for other employers. Extra staff had been recruited to deal with the workload arising from the McCloud judgement, and board members were pleased to hear that there were no outstanding internal disputes. It is now anticipated that the Pensions Dashboard will go live for Warwickshire in the autumn of 2024

Governance Report

This helpfully brought together several reports that had previously been considered on an individual basis including the Risk Register, Forward Plan and training schedule. Risks associated with issues such as recent global market volatility and climate change were beyond the Fund's control, but more robust policies had been introduced in relation to such risks so as to mitigate their impact upon the Fund as far as possible.

Business Plan Report

The Plan consists of 38 actions for the year, and these are monitored closely. There was concern about delays in the publication of the final accounts due to capacity issues with external auditors which is a national issue. This presented no risks to the Fund's beneficiaries

Investment Update

Despite market volatility the estimated funding level had increased from 104% to 122% over the quarter. Board members expressed concern about short and long-term risks arising from higher inflation. It was noted that Hymans Roberson acted as both actuary and investment adviser to the Fund. The Chairman expressed the view that this was acceptable in view of the fact that the Fund also had two independent investment advisers.

31 January 2023

Attendees – Councillor Ian Shenton, Keith Francis, Mike Snow, Jeff Carruthers, Keith Bray (Chair)

Apologies – Sean McGovern, Alan Kidner

The Board received the minutes of the previous Board meeting held on 18 October 2022 and reviewed reports on the following:

The 2022 Actuarial Valuation

This was introduced by Rob Bilton of Hymans Robertson. The funding level had increased from 92% in 2019 to 104% as at 31 March 2022. This was comparable with other LGPS funds. The purpose of the valuation is to ensure that the funding strategy statement is still sound and to assist the calculation of the level of the contributions required from the various employers. Generally, the position was stable and the fund officers were working with just two employers where there were significant challenges. Mr Bilton reported that there had been a good level of engagement with the Fund's officers and that the information received from Warwickshire was among the best received by Hymans from the LGPS Community. Board members congratulated the officers for their excellent work.

Pensions Administration Activity and Performance Update

It was noted that use of the Member Self Service Portal was increasing gradually. New members were being encouraged to sign up and it was anticipated that this would become the norm. After an analysis of which demographic groups were not using the Portal there would be a targeted exercise to encourage use more widely.

Key performance indicators were on track despite the extra work caused by the actuarial valuation, and the number of breaches had decreased, as issues that had previously existed with a multi academy trusts payroll provider had been resolved.

Investment Update.

The overall funding level had reduced but was still estimated to be above 100%. Cash flow remained neutral but there was a possibility of negative cash flow if inflation remained high. The Border to Coast Pool now managed 40% of the Fund's investments.

The Chair complimented the officers on the quality and presentation of the reports at the AGM but expressed concern about the suitability of the venue used for the event. It was agreed that a new venue would be used for the 2023 AGM.

Governance Report

The training schedule was being updated in the light of the survey of members' knowledge and skills conducted by Hymans Robertson, the structure of which had been improved following comments from the Board Chair. There had been some minor changes to the risk register and in future the register would be presented to both Board and Committee members in a more meaningful and useable way.

The Admission and Termination Policy, the Conflicts of Interest Policy and the Corporate Governance Policy Statement had all been updated - the latter in the light of the requirements of the Stewardship Code.

Business Plan Report

The Fund's Final Accounts had been completed and were therefore no longer rated red in the Business Plan. The result of the McCloud survey conducted by the Department of Levelling Up, Housing and Communities was still awaited.

25 April 2023

Attendees – Councillor Ian Shenton, Keith Francis, Mike Snow, Jeff Carruthers, Sean McGovern, Keith Bray (Chair)

Alan Kidner had resigned from the Board for personal reasons with effect from 31 March. Alan had been an original and very active member of the Board from the outset. He had made an invaluable contribution and will be greatly missed. The Board sent him their best wishes

The Board received the minutes of the previous Board meeting held on 31 January 2023 and reviewed reports on the following:

Minutes from the March Pension Committee Meetings

These were noted.

Pensions Administration Activity and Performance Update

Use of the Member Self Service Portal had increased to 16.4% There had been 2,500 requests to sign up to the Portal after 9,500 letters had been sent to all current pensioners informing them that paper payslips would no longer be sent unless specifically requested. P60's would be continued to be sent in paper form. A Board member who had used the Portal said that he had found it to be very helpful. Monitoring of the demographic nature of users would continue. Emails of family members could be used where appropriate and where power of attorney existed the holder of that power could act on behalf of the beneficiary. The deaths of beneficiaries were picked up via the 'tell us once' service used by registrars. Beneficiaries living overseas had to submit life certificates to continue to receive benefits.

Key Performance Indicators were on target and there were no red breaches. The actuarial valuation had been completed and the Funding Strategy Statement had been signed off. There were no outstanding cases under the Internal Disputes

Resolution Process. (IDPR). The Pensions Dashboard Scheme had been delayed - new timescales were awaited. It was noted that the low uptake of the additional voluntary contributions scheme (AVC) might be due to a lack of awareness by members, but there could also be an affordability issue in view of the current national economic position.

Governance and Policy Update

The risk management, training, bribery and fraud policies, and the Internal Dispute Resolution Procedure had all been reviewed. The Single Code of Practice from the Pensions Regulator was awaited. The process to identify and appoint a new Board member following Alan Kidner's resignation was underway, and thought was being given to the Board's diversity in this context.

The net zero targets of the companies in which the Fund invested were being monitored.

Business Plan Report.

The management of the Fund was becoming ever more complex as the membership and number of employers increased. The recruitment and retention of staff could be challenging but the core function remained - to pay benefits accurately and on time. As at 31 March 2023 the value of the fund stood at £2.65bn.

General Investment Update

The value of the fund had increased by 1.7% during the last quarter. Cashflow was being monitored closely due to increased pressure arising from the national economic situation and the high level of inflation. Equity portfolios were under review with a view to improving cashflow. With regard to the approach taken by investee companies to the challenges of climate change, there was general agreement that engagement was preferable to divestment.

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

July 2023