

Pension Fund Investment Sub-Committee

Monday 6 March 2023

Minutes

Attendance

Committee Members

Councillor Christopher Kettle (Chair)
Councillor Bill Gifford (Vice-Chair)
Councillor Brian Hammersley
Councillor Sarah Millar
Councillor Mandy Tromans

Officers

John Cole, Senior Democratic Services Officer
Jan Cumming, Senior Solicitor and Team Leader, Commercial and Contracts
Andy Felton, Assistant Director, Finance
Paul Higginbotham, Investment Analyst (Pensions and Investment)
Victoria Moffett, Lead Commissioner – Pensions and Investment
Chris Norton, Strategy and Commissioning Manager (Treasury, Pension, Audit and Risk)

Others Present

Rob Bilton, Hymans Robertson
Anthony Fletcher, Independent Advisor
James Glasgow, Hymans Robertson
Philip Pearson, Hymans Robertson
Bob Swarup, Independent Advisor

1. General

(1) Apologies

There were no apologies.

(2) Members' Disclosures of Pecuniary and Non-Pecuniary Interests

There was none.

(3) Minutes of the Previous Meeting

Resolved:

That the minutes of the meeting held on 3 February 2023 be approved as a correct record and signed by the Chair.

There were no matters arising.

2. Review of the Minutes of the Warwickshire Local Pension Board Meeting of 18 October 2022

Resolved:

That the Pension Fund Investment Sub-Committee notes the minutes of the Local Pension Board meeting of 18 October 2022.

3. Governance Report

Victoria Moffett (Lead Commissioner – Pensions and Investment) introduced the report which provided updated governance information relating to Warwickshire Pension Fund's forward plan, risk monitoring, training, and policy. She highlighted the changes that had been made to risk ratings including the key high-risk areas of climate change, cyber security, and long-term market risk. She advised that, at the recent quarterly risk meeting, there had been discussion of the effect on the Fund's cashflow of the recent 10.1% CPI rise which could potentially lead to higher pension payments. There had also been discussion of the risks arising from increased costs of living which could increase the likelihood of attempted scams targeted at pensioners.

Victoria Moffett reported that the results of the Hymans Robertson 'Knowledge and Skills Assessment' had been released. Take up of the Assessment by Warwickshire Pension Fund was lower than levels for pension funds elsewhere. She stated that councillors' feedback would be welcomed to ensure that the Training Programme could be as effective as possible.

Councillor Gifford stated that it was sensible to maintain an awareness of long-term market risk. However, he highlighted the economic pressures that had been experienced in recent years; the Fund had continued to perform well during this period, demonstrating that the investment policy was working effectively.

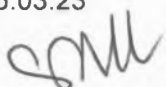
Councillor Millar highlighted the intersectionality of cyber security and the increased risk of scams targeted at pensioners. She welcomed the enhanced focus on these areas.

In response to the Chair, members agreed to approve the recommendations of the report.

Resolved:

That the Pension Fund Investment Sub-Committee:

1. Notes the items contained within the Governance Paper, and
2. Approves the new Risk Policy.



4. Funding Strategy Statement and Valuation Report

Victoria Moffett (Lead Commissioner – Pensions and Investment) introduced the report. She thanked Hymans Robertson personnel for their work to develop the Funding Strategy Statement (FSS), for which approval was sought from the Sub-Committee.

Rob Bilton (Hymans Robertson) introduced the FSS, stating that a valuation of the Pension Fund was undertaken every three years to review the financial position of the Fund and set employer contribution rates. The FSS had been reviewed in detail as part of the valuation. He highlighted the scale of the valuation exercise which required engagement with Fund employers over an 18-month period. This process had run smoothly, and he thanked Fund officers for their support. There had been no material changes to the funding strategy following the valuation. However, he highlighted a slight change to arrangements for academies to introduce further stability to their funding strategy. This was an appropriate course of action given that the employers have a guarantee from central government to provide cover for any LGPS liabilities which could arise in the event of closure of an academy trust.

Rob Bilton advised that the layout of the FSS had been refreshed to make it easier to navigate. The main body of the Statement provided a high-level summary; where detail was needed around specific policies, these were included as appendices. He advised that employers had been consulted on the draft FSS. During the consultation, a comment had been raised by an Academy Trust relating to the assumptions and mechanisms used for dealing with pass-through arrangements – for example, when an employer outsourced a service. He advised that there was no perfect solution in these circumstances; however, engagement with the Academy Trust had led to an improvement.

Rob Bilton advised that the FSS was not significantly different from the initial draft provided to the Sub-Committee in December 2022. Once finalised, the FSS would be published on the Fund's website.

Councillor Hammersley stated that the FSS was thorough and comprehensive. He commented that, by taking a prudent long-term view to secure long-term solvency, the Strategy was focused on the right areas.

In response to the Chair, Rob Bilton advised that a stabilised approach was a prudent longer-term strategy for the Fund's local authorities. The size of an employer was an important factor when determining the stability of contribution rates, including where there was a high level of confidence that an employer would be able to fund benefits. In respect of Nuneaton & Bedworth Borough Council and Stratford-on-Avon District Council being designated as mature authorities, he advised that several factors were taken into consideration to determine maturity, including the sensitivity of the contribution rate to movement in assets and liabilities, and the ratio of liabilities against payroll. The review of the Strategy in March 2022 had focused on the robustness of arrangements for contribution rates. Modelling had been undertaken leading to confidence that the right approach was in place. He stated that a material change in liabilities would prompt further analysis. The Strategy was regularly reviewed.

In response to the Chair, Rob Bilton advised that mechanisms were in place to respond to circumstances when an outsourced service provider went out of business or became insolvent. However, this occurred very rarely. The strain that would be placed on the Fund in these

circumstances had been assessed. There were no recent cases of non-payment of strain costs by an employer.

Councillor Hammersley highlighted the complexity of modelling work to project outcomes against different economic scenarios. This provided a good level of confidence that robust measures were in place to safeguard the Fund against future economic conditions.

In response to the Chair, members agreed to approve the recommendation of the report.

Resolved:

That the Pension Fund Investment Sub Committee approves the final version of the Funding Strategy Statement, as attached at Appendix 1 of the Report.

5. Reports Containing Exempt or Confidential Information

Resolved:

That members of the public be excluded from the meeting for the items mentioned below on the grounds that their presence would involve the disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

6. Climate Risk Policy and Update

The Sub-Committee held a confidential discussion.

7. Q3 Investment Monitoring Report

The Sub-Committee held a confidential discussion.

8. Alternatives Commitments

The Sub-Committee held a confidential discussion.

9. General Activity Update

The Sub-Committee held a confidential discussion.

10. Exempt Minutes of the Previous Meeting

Jan Cumming (Senior Solicitor and Team Leader, Commercial and Contracts) commented that she had been listed as an attendee for the exempt part of the meeting on 3 February 2023. As she had not been present for this part of the meeting, she requested that the attendance list be amended. Subject to this amendment, the minutes were approved as an accurate record of the meeting.



Resolved:

That the exempt minutes of the meeting held on 3 February 2023 be approved as a correct record and signed by the Chair.

There were no matters arising.

The meeting rose at 13:01.

A handwritten signature in black ink, consisting of a large initial 'J' followed by several loops and a final flourish.

Chair

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