Warwickshire Local Pension Board

Tuesday 24 October 2023

Minutes

Attendance

Committee Members
Keith Bray (Chair)
Sean McGovern
Councillor Ian Shenton
Mike Snow

Officers
Andrew Felton, Director of Finance
Liz Firmstone, Head of Finance Transformation and Transactions
Andy Carswell, Democratic Services Officer
Victoria Jenks, Pensions Admin Delivery Lead
Victoria Moffett, Pensions and Investments Manager
Chris Norton, Head of Investments, Audit and Risk
Sarah Cowen, Senior Solicitor
Martin Griffiths, Technical Specialist Pensions Fund Policy and Governance
Paul Higginbotham, Investment Analyst

1. Introductions and General Business

(1) Apologies

Apologies were received from Jeff Carruthers and Keith Francis.

(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 18 July 2023 were agreed as an accurate record.

Arising from the minutes, it was agreed there would be an item relating to investments and climate change at the next meeting. Chris Norton (Head of Investments, Audit, Insurance, and Risk) said the draft accounts had now been published and were in the process of being audited externally. A report was being prepared for the Audit and Standards Committee. The publication meant the risk rating for the accounts had changed from red to amber. Regarding pooling, Chris Norton said there would be a section in the Annual Report that would refer to cost transparency associated with pooling and a chart showing the savings made over time. He added that as Warwickshire was a comparatively small fund, there was greater scope for savings to be made. Andy Felton (Director of Finance) said the government was keen not to create a market so there was competition between pools.

2. Governance, Policy and Regulatory Update

The item was introduced by Martin Griffiths (Technical Specialist). No changes had been made to the positions of the items on the risk register, although there was to be a check made on the risk scores relating to resourcing and workforce planning after this was highlighted as a potential area of concern by the Scheme Advisory Board during their governance review. This was due to be done next year. The Responsible Investment Policy and Administration Strategy had been reviewed but no changes were required. Some minor updates had been made to the Admissions and Terminations Policy and Funding Strategy Statement.

The report noted a training session had taken place earlier in the month. Martin Griffiths said feedback on the training was welcomed. Members were reminded the AGM was taking place next month and they were welcome to attend.

The public sector exit payment scheme remained a government commitment but there was no indication when the consultation would take place. Martin Griffiths said there were no immediate plans to remove the current upper age limit of 75 for death grants. However there was the possibility of a legal challenge and this had been raised with the relevant Minister. A consultation on equalising survivor benefits paid to male spouses or civil partners of female members with the benefits paid to same sex spouses or civil partners was expected to be launched soon. This would be backdated to 5 December 2005, to reflect the earliest date that a couple could have entered a same sex civil partnership. Members were told the McCloud regulations had now been released.

Responding to a point raised by the Chair regarding staff recruitment, Martin Griffiths said this would be covered in the workforce strategy. Work was taking place with external organisations.

Regarding the upper age limit of death grants, Vicky Jenks (Pensions Admin Delivery Lead) said the policy was age discriminatory, as there were a number of pensioners working past 65 and this would affect their entitlement. Some schemes had already removed the limit, and the Chair of the Scheme Advisory Board had been pushing for the government to use legislation to remove it. It was believed the Minister was not minded to change it.

Members noted the contents of the report.

3. Pensions Administration Activity and Performance Update

The item was introduced by Vicky Jenks. She told members that the number of users of the member self serve portal was continuing to increase. A reminder on registering for the portal would be included in a communication to be sent out regarding the McCloud regulations. Queries relating to e-payslips, and requests to continue receiving them, had fallen. Most of the queries were from people asking for a paper payslip for a one-off reason.

Of the fourteen key performance indicators, eight were being met and levels of performance were improving in the six KPIs that were not currently meeting their target. KPI 1 was not meeting its target as there had been a delay in the team receiving the required information to perform calculations from the Government Actuarial Department. The McCloud regulations had taken effect from 1 October and a full review of these was ongoing. Members' attention was drawn to the table in the report that showed the volume of cases per KPI and the context for their performance.

There had been two new red breaches, relating to a Multi Academy Trust that had changed payroll provider and subsequently failed to provide the required information in time. Vicky Jenks indicated this was close to being resolved, but the case would need to be reported to the Pensions Regulator.

Annual benefit statements had been published by 31 August and these had been published on the member self service portal.

Regarding McCloud, retrospective checks were being made to see if any recalculation of member benefits were required for anyone leaving the pensions scheme between 1 April 2014 and 31 March 2022. Staff were working full time on making sure the new regulations were implemented correctly for all work going forward, and the piece of work on the retrospective checks was anticipated to be completed by March 2024. Vicky Jenks said a backlog of transfers in from public sector schemes would be dealt with by the team as a business as usual item, rather than a separate project.

Regarding members being within scope, or getting an underpin, Vicky Jenks said there were likely to only be a handful of people affected. She said this had come into effect when the CARE scheme was created in 2014.

Responding to a question from Councillor Ian Shenton regarding the number of red breaches, Vicky Jenks said these related to the same Multi Academy Trust that encompassed a large number of schools. She confirmed these had been reported to the regulator.

Regarding historical BAU cases being looked at, Vicky Jenks said there shouldn't be anything older than six months being worked on. However there had been instances where attempts had been made to contact a pensioner but there had been no response, which could mean certain cases would be older than six months.

Members noted the contents of the report.

4. Pension Fund Business Plan Update

Chris Norton introduced the item and advised there were 37 items in the Business Plan. Of these, four had an amber rating, five had been completed and the rest had a green rating. Potential issues relating to workforce planning had been identified. Chris Norton said there had been some leavers from the team; one of the posts had been filled by an agency worker but vacancies remained. He added that new recruits would then need a year's experience to learn the cycle of an annual set of accounts.

Responding to a question from the Chair, Chris Norton clarified that the TCFD referred to in the appendix stood for Task Force on Climate-Related Financial Disclosures.

Members noted the contents of the report.

5. Investment Update Report

The item was introduced by Paul Higginbotham (Investment Analyst). He said there had been little change, with an £8million difference to the Fund between March and June 2023, out of a total fund of £2.8billion. Interest rates had calmed down after a period of high volatility. The total portfolio was performing at a rate of 7.85 per cent since inception. Private funds accounted for 70 per cent of the total investment. The strategic asset management allocation was on target to be delivered and treasury investments were also on target. The cash position was lower than the target.

Regarding voting, Paul Higginbotham said the votes cast were in line with the Fund's policy of sourcing responsible investments.

Investment exposure to water companies and bonds and equities associated with companies in Russia was extremely low.

Members were told a yield trigger had been reached, following work with Hymans Roberts. Bonds were now considered good value and work was taking place to identify appropriate bonds to invest in.

The most recent set of accounts had been sent to the external auditors and were publicly available to view, but had not yet been formally signed off.

In light of the Levelling Up White Paper, there was an ambition to allocate up to five per cent of investments locally. There had also been a request to invest a further ten per cent of the fund into private equities based in the UK. Paul Higginbotham said the wording of these requests was unclear and clarification was being sought. Victoria Moffett (Lead Commissioner, Pensions and Investment) said it was understood this could include equities and private market investments that were based in the UK, but drew earnings from overseas investments.

Responding to a question from the Chair, Victoria Moffett said £550million had been invested into three areas that encompassed alternatives markets. This included those that received private market investments, but were governed by different risk return parameters. These investments typically lasted for between eight and ten years. The number of IPOs was reducing, and larger organisations were choosing to stay outside of listed markets. It was suggested this could form the basis of a future training session.

Members were advised that Border to Coast had outperformed its benchmark by two per cent since inception.

The Chair stated his belief the information contained in Appendix 1 was not clear. He said it did not show the length of time certain investments had been in place for; for example, an investment that appeared to be performing poorly may only have been in place for a year.

Members noted the contents of the report.

6. Minutes from the September Pension Fund Committees

Members noted the contents of both sets of minutes. Arising from the minutes, it was confirmed that policies relating to working from home were reviewed to see if they remained aligned to the work of the Pension Fund. The General Code of Practice relating to Pension Funds was due to be implemented next year, but no date had been set.

Responding to a question from Councillor Ian Shenton, Chris Norton said he was not aware of any issues regarding possible Section 114 notices relating to the Council.

7. Any Other Business

The Chair said interviews to fill the vacancy on the Board had taken place, and an offer had been made to Beverley Farmery to join. She worked for a Multi Academy Trust and was experienced with interacting with the Pension Fund. The Chair said first refusal for any other vacancies arising had been given to a second candidate. Beverley Farmery's appointment was subject to ratification by Full Council.

Members agreed that the January meeting should be held virtually rather than in person.

Members were told that Vicky Jenks and Andy Felton were both leaving Warwickshire County Council. Members thanked them both for all of their work in assisting the Board and said they would be sorely missed.

The meeting rose at 1.00pm

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Chair