

Warwickshire Local Pension Board

Tuesday 18 July 2023

Minutes

Attendance

Committee Members

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

Officers

Victoria Jenks, Pensions Admin Delivery Lead
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
Andy Carswell, Democratic Services Officer

1. Introductions and General Business

The Chair welcomed Paul Higginbotham (Investment Analyst) to his first Pension Board meeting.

(1) Apologies

Apologies were received from Sean McGovern. Members were told Andy Felton and Victoria Moffett were attending a Border to Coast meeting in Leeds and were unavailable.

(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 25 April 2023 were agreed as an accurate record. There were no matters arising from the minutes.

2. Governance, Regulatory and Policy Update

The item was introduced by Martin Griffiths (Technical Specialist, Pension Fund Policy and Governance), who outlined the governance issues affecting the Fund.

Regarding risk monitoring, the items that had previously been marked as red and therefore representing a high risk remained the same. These were climate change, cyber security, and long-term market risks.

Various policies had been reviewed since the last update. Some minor changes had been made to the Investment Strategy Statement by Hymans Robertson, and these were outlined in the report. The Voting and Stewardship Policy and Breaches and Communication Policy had been reviewed but no changes were considered necessary. A new Data Retention Policy had been created. Martin Griffiths explained that this outlined work that had been taking place already but without having been formally encapsulated in a policy in its own right.

Martin Griffiths said the revised General Code of Practice had been due for announcement in June, but the document had still to be released. He said as soon as it was made available the Board members would be informed, and the Fund would ensure it was complying with the updated requirements.

Regarding McCloud, Martin Griffiths said the consultation period had now ended and Warwickshire County Council had agreed with the views submitted by the Local Government Association. It was hoped the new regulations would become law on 1 October. The Fund was continuing to work to ensure it was ready to comply with the new regulations ahead of the anticipated start date.

Members were informed the Extension of Automatic Enrolment had been passed, which meant the age for automatic enrolment onto a pension scheme was lowered from the current age of 22 to 18. The changes would allow young people and low earners to start contributing to their pension earlier and without threshold limitations. This had been introduced as there were concerns many people were under saving for their retirement.

Members' attention was drawn to the training schedule. Particular attention was drawn to the training that was due to take place on 18 September, covering the role of Committee and Board members and current governance issues. This would be followed in the afternoon by an update on the Border to Coast partnership from the company's CEO. Members were also reminded of the Fund's AGM on 24 November at Warwick Racecourse.

Martin Griffiths said there was a vacancy for membership of the Board. There had been some applications and expressions of interest ahead of the deadline of 21 July.

Noting the contents of the Forward Plan, the Chair suggested at some meetings certain topics could be considered more in-depth. He suggested the regular update topics did not necessarily need to be considered every quarter.

Responding to a question from Councillor Ian Shenton, Chris Norton (Strategy and Commissioning Manager - Treasury, Pensions, Audit, Risk & Insurance) said the Fund was moving slightly from growth assets to protection assets and continuing to increase its holdings in private markets. This was being done strategically when there were favourable market conditions and opportunities. There was also a desire to invest in assets that sought to mitigate the impacts of climate change. The Fund would use its voting rights at Border to Coast to lobby for companies to tackle climate change. Regarding cyber security, Chris Norton said the main issues related to staff clicking on links by mistake or falling for phishing scams, and where third parties held the Fund's data. He

said the Pension Fund had its own cyber security policy but relied on the County Council's procedures and ICT. Regular meetings would take place with staff and ICT, particularly if there were any recurring national issues that staff needed to be aware of.

Keith Francis said he would like more detail on what specifically the Fund was doing in respect of climate change. Chris Norton said some specifics could be given to members. He said the Fund is considering moving some assets into carbon tilted funds. Martin Griffiths confirmed that additional information would be available to members and covered at the next Board meeting.

Vicky Jenks (Pensions Administration Delivery Lead) said it was expected draft regulations in respect of McCloud would be available in September. It was possible there may be delays in processing rectification cases if the final regulations were not in place on 1 October. However the number of people who would be affected was likely to be low. Vicky Jenks gave an example of a pension fund with a membership of 70,000, of which only 41 had required rectification.

Keith Francis said he was unable to attend any of the training sessions. Martin Griffiths said members could attend virtually, and the sessions would be recorded.

Members noted the contents of the report.

3. Pensions Administration Activity and Performance Update

The item was introduced by Vicky Jenks, who outlined the work that had been undertaken by the Pensions Administration Service and provided updates.

The number of people signing up to the Member Self Service portal was continuing to increase. There had been a particularly good uptake by people in the 51-65 age range, although there were fewer younger people registering for the portal. A targeted exercise to encourage those aged 41-45 to sign up had been proposed, to help people prepare for their retirement. Employers were continuing to be encouraged to tell people about the benefits of using the system. Vicky Jenks told members that June was the first month that pensioner payslips had defaulted to being sent electronically. She said 66 per cent of pensioners were now receiving e-payslips. There remained a significant number of pensioners who had not contacted the Fund about their payslips, and work was continuing to encourage greater sign-up. Vicky Jenks said however that if any changes were made to the value of a pension, the pensioner would be informed by letter.

Members were told that six of the 14 key performance indicators were meeting their target. Vicky Jenks said officers were looking at the processes associated with the KPIs not meeting their targets to see if they were still fit for purpose. The majority not meeting the target were at least 80 per cent or more.

There were a higher than normal number of green breaches recorded in April. This was attributed partly to the breaches being caused by Multi Academy Trusts using the same payroll provider, coupled with a higher than usual number of school holidays scheduled for April and May and schools missing the deadline. There were no current IDRPs cases.

The timescale for implementation of the Pensions Dashboard scheme had been pushed back to 31 October 2026, following a statement from the Minister for Pensions. Vicky Jenks said there was still plenty of work to do to ensure the dashboard could be launched in time, particularly relating to

data quality around personal details that would enable a person's information to be found. Work was also taking place to ensure data was up to date for cases affected by McCloud that would require rectification.

Responding to a point raised by Mike Snow in relation to signing up to the MSS portal, Vicky Jenks said employees of schools and academies were the biggest group of members that had not yet signed up. Officers from the Pension Fund would be making visits to give presentations to some employers to encourage sign-up.

The Chair asked for the acronym SCAPE to be explained in future reports. Vicky Jenks said it stood for superannuation contributions adjusted for past experience and helped to calculate future benefit payment rates.

Responding to a point raised by the Chair, Vicky Jenks said calculating and notifying of deferred benefits was the source of the Fund's biggest volume of work. If the Fund was notified of an intention to defer at the end of the month, officers would often have to wait another month before final pay was posted to the member's record and any action could be taken. Although there was a backlog of cases, Vicky Jenks advised that Warwickshire had the smallest backlog out of all the Funds in the Border to Coast partnership.

Regarding breaches, Vicky Jenks said there was a trend for a spike in cases in April as data tended to be received late from academies. There was a belief this was a low priority for academies at a time when they would be busy, and work needed to be done to communicate the importance of the data being submitted on time. It was noted there were also a number of breaches in September and June, which were also around the time of school holidays. However the numbers involved were lower than in April.

Members noted the contents of the report.

4. Pension Fund Business Plan Update Report

The item was introduced by Chris Norton, who reminded members there were 37 items included on the business plan. The final four of these had been put together into a new grouping for items relating to sustainability.

Chris Norton said there was one item with a red rating, relating to the production of the statement of accounts. These had not been produced by the target date at the beginning of June, which was due to difficulties with staff resourcing and turnover. There had been unsuccessful attempts to appoint a new accountant on either a permanent or interim basis. There had now been a permanent appointment to the role, and the accounts were being prioritised. However a date for producing them had not been set. Chris Norton said the failure to produce the accounts would be flagged with the pensions regulator as it was a breach. He said the normal expectation would be for the accounts to be published by 1 June and finalised at the beginning of December. In the last few years the draft had been ready by the deadline but not had final approval due to issues with external auditing capacity. Chris Norton said non-publication created a reputational risk, but added that the number of organisations not being able to publish their accounts on time had been increasing year on year.

Of the remaining items on the business plan, 26 were green and 10 had an amber rating. A high proportion of these were due to an issue of requirements not being released, or the Fund not being in receipt of it.

Members noted the contents of the business plan.

5. General Investment Activity Report

The item was introduced by Paul Higginbotham, who summarised the investment activity. Performance levels were either on track or slightly ahead, and value was being added by the Fund investing in good fund managers. There was an increased focus on investment in alternatives holdings, with five per cent of investments being made in private equities.

The amount of capital received was expected to increase over time; additionally, income was being generated by other investments. Two thirds of the capital had been invested, the majority of which was in existing assets. Members were told the cash balance stood at £55.8million, which was 2.1 per cent of the Fund's value. This was split between a treasury account and another that handled capital movements. The CEM benchmarking for the Fund indicated that it had generated £23million in additional profit.

Paul Higginbotham said Funds were being encouraged to pool their assets, in light of imminent new legislation. The Warwickshire Pension Fund was already doing this by being part of the Border to Coast partnership and talks aimed at increasing the amount of pooling were taking place. This was being done to make further cost saving efficiencies. Councillor Ian Shenton noted the consultation in relation to pooling LGPS funds, stating that different local authorities and their associated pension funds would have different appetites for risk. Chris Norton said one of the main issues was it was unclear if Funds would have to further increase the amounts they had invested to support levelling up; for example, if a Fund had already invested five per cent into a certain asset viewed as supporting levelling up, it was unclear if they would be obliged to invest a further five per cent. Additionally no deadlines had yet been set for making those investments. Responding to Mike Snow, Chris Norton said there was evidence of cost savings being made by pooling.

The Chair said in the past there had been concerns about the politics associated with investments. He said some Funds had held off from making investments in companies with a presence or interest in Israel.

The Chair said the table at Appendix A would be more useful if the investments were listed in chronological order from the inception date. Newer investments could have lower figures associated with them, but this would be less concerning compared to a longer term investment that had lost value.

Members noted the contents of the report.

6. Warwickshire Pension Board Annual Report Paper

The Chair said the report provided a summary of the work undertaken by the Board over the last year, and hoped members' views were reflected in it.

Members agreed to approve the contents of the report, and there were no additional comments.

7. Report containing the minutes from the June Pension Committees

Members noted the contents of the minutes of the meetings of the Pension Fund Investment Sub Committee and Staff and Pensions Committee held on 12 June 2023. It was confirmed that Kate Sullivan was an officer overseeing Warwickshire County Council as a whole, and not just the Pension Fund.

8. Any Other Business

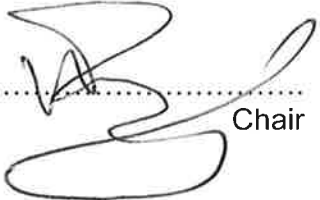
There were no additional items of business to discuss.

ACTION POINTS

For an item on climate change to be on the agenda for the next meeting, possibly in the form of a presentation.

For Board members to be informed of any issues arising when the Revised Code of Practice was released.

The meeting rose at 1.00pm



Chair