Warwickshire Local Pension Board

Tuesday 22 October 2024

Minutes

Attendance

Committee Members
Keith Bray (Chair)
Sebastian Burch
Sean McGovern
Mike Snow

Officers
Andy Carswell, Democratic Services Officer
Sarah Cowen, Senior Solicitor
Lisa Eglesfield, Pensions Administration Service Manager
Paul Higginbotham, Investment Analyst
Purnima Kandula, Director of Finance
Chris Norton, Head of Investments, Audit and Risk
Rob Powell, Executive Director for Resources
Steve Robbins, Head of Finance Transformation and Transactions
Oladapo Shonola, Pensions Investment and Governance Manager
Alistair Wickens, Technical Specialist Pensions Fund Policy and Governance
Rebecca Yip, Trainee Solicitor

Others Present

Councillor Brian Hammersley
Jennie Green (AON)
Daniel Kanaris (AON)

1. Introductions and General Business

Members were told the meeting was being attended by Jennie Green and Daniel Kanaris from AON, who were conducting a review of the Pension Fund's governance arrangements. They introduced themselves to the Board and said they were attending the meeting as observers, having also attended the Staff and Pensions Committee and the Pension Fund Investment Sub Committee.

(1) Apologies

Apologies were received from Jeff Carruthers, Beverly Farmery, and Councillor Ian Shenton.

(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 9 July 2024 were agreed as an accurate record.

2. WPF Climate Change Policy & Net Zero Strategy

The item was introduced by Dapo Shonola (Pensions Investment and Governance Manager). He drew members' attention to the Fund's key goals that would make it more resilient to risks associated with climate change, and informed members there was a focus on making investments in companies that had shown a commitment to reducing climate change and had shown good stewardship of other funds. He reminded members of the Fund's target to be net zero by 2050 and the interim targets that had been put in place since the 2022 baseline. Progress would be reviewed and measured on an annual basis, and would be presented to the Pension Fund Investment Sub Committee as well as the Pension Board.

Responding to a question from Seb Burch, Dapo Shonola said most of the Fund's investments were placed through Border to Coast rather than being dealt with by Fund officers themselves due to a lack of capacity. A company had also been commissioned to take part in votes on the Fund's behalf. This company also worked on behalf of other organisations that aligned with the Fund's values.

Regarding engagement versus divestment, the Chair drew the Board's attention to the fact the Fund was also a member of the LAPFF Forum. Although it did not give advice to Funds on how to invest, the Forum was able to facilitate engagement between Funds that had made investments in the same companies, and engagement with the Chairs of those companies.

Responding to a question from Mike Snow about targets relating to climate change, Dapo Shonola said the Fund's policy was not to be in the first or last five per cent of Funds making any transitions. The rationale was the Fund didn't want to take undue risks by being first, but also did not want to lag behind others by being too slow to enact any changes. The policies set out there was a desire to be in the upper quartiles. However, they would be reviewed on an annual basis. Officers from the Fund would liaise with the Council to summarise and promote each other's climate strategies, and this would be promoted at the forthcoming AGM. Chris Norton (Head of Investments, Audit and Risk) said there had been a deliberate delay not to rush into making any commitments relating to climate change so any proposals could be studied in greater detail before a firm commitment was made. There were other Funds that had made rash decisions relating to climate targets. Rob Powell (Executive Director of Resources) said there were other factors that would impact the Council's moving targets, such as the forthcoming American elections that could impact on the performance of companies the Fund had made investments into.

Members noted the contents of the report.

3. Draft Statement of Accounts Warwickshire Pension Fund

The item was introduced by Chris Norton, who confirmed the draft accounts had been completed and published by the statutory deadline in May. They were in the process of being audited by Grant Thornton and it was hoped the process would be finalised in time for the November meeting of the Audit and Standards Committee, and then approved at the December Full Council.

Chris Norton informed members that the Fund's assets had increased by £250million, due to good performance of investments. Around three quarters of this was in pools. Operating cashflow was neutral, meaning money derived from good investments was not needed to make up any shortfalls.

Responding to a point regarding assumptions raised by Mike Snow, Chris Norton said a government actuarial evaluation had taken place to standardise all pension funds. It was therefore down to each Fund to decide on its assumptions instead of the auditor, as had been the case in the past.

Responding to a question from Councillor Brian Hammersley, Chris Norton said it was difficult to predict if people were planning on leaving the Pension Fund early. There had been some communications sent out explaining the benefits of the LGPS to encourage pension holders to stay in.

Members noted the contents of the report.

4. WPF Voting Policy

The item was introduced by Dapo Shonola, who said the revised policy was designed to be more aligned with that of Border to Coast whilst taking into account good stewardship. Members' attention was drawn to the appendix of the report that outlined the differences between the old and new policies. The new policy set out how managers of companies the Fund invested in would be expected to vote on particular issues. Dapo Shonola said this policy alignment meant it was possible to keep track of the votes that had been cast.

Members noted the contents of the report.

5. Governance, Regulatory and Policy Update Report

The item was introduced by Alistair Wickens (Technical Specialist, Pensions Fund Policy and Governance). The Forward Plan was included, which outlined future training for members and showed the results of the governance review would be included on the agenda for the next meeting. The deadline for submissions to the Hymans Robertson skills and knowledge assessment questionnaire was the following week.

The risk scoring method had changed very slightly to bring it in line with the Warwickshire County Council approach to risk management. The resulting changes were outlined in the report. Alistair Wickens said the rating associated with governance failure had been increased to reflect the increased governance requirements placed on pension funds following the introduction of the single code of practice. The rating for failure to meet demand had also changed slightly to reflect the challenges with recruitment and retention.

The administration strategy had been recently reviewed and some small changes had been made to the wording to reflect the Fund's increasing use of i-Connect. A revised admissions and terminations policy has been drafted by Hymans Robertson and was due to be presented in December, following a deliberate delay to align it with the funding strategy statement.

Two Board members had expressed an interest in attending the LGPS governance conference in January. Other members were welcome to attend if they wished.

Members' attention was drawn to the government's announcement of a pension review, looking at unlocking the LGPS investment potential. The terms of reference for this had been published by the Treasury.

The Chair stated his belief that use of artificial intelligence might be something that could be taken into consideration for the risk register.

Members noted the contents of the report.

6. Pension Administration activity and performance update

The item was introduced by Lisa Eglesfield (Pensions Administration Service Manager). Take up of the Member Self-Service Portal was slowly increasing for active and deferred members. The Fund had issued active and deferred annual benefit statements through the portal in August, and all active and deferred benefit members that had a known email address had been contacted to advise of this. There had been identified usage of the portal based on age, and targeted communications had been issued to members as a result. The software provider for the portal have said the system will be turned off on 31 January 2026, so a project team to deliver a new system had been created. The aim was to have this in place by 1 April 2025 as this would tie in with the national roll out of the pensions dashboard and the Fund's triannual valuation.

Lisa Eglesfield said 98.5 per cent of active members had received their annual benefit statement numbers. There were 256 that could not be issued, mostly relating to queries outstanding with employers.

Members' attention was drawn to the summary of the key performance indicators. Lisa Eglesfield stated her belief the failure to meet the 95 per cent target in the B3 indicator did not accurately reflect the standard of service being offered by the Fund, as pension holders were still receiving a good level of service. Officers were also working to improve performance in two other areas relating to new KPIs.

Staff workloads and payroll had both been positive.

There were no red breaches but one amber one, relating to three Academy schools that had changed Academy Trust. Legal paperwork that was needed by the Fund was still outstanding. There was also one IDRP that was still to be resolved.

Regarding the McCloud project, checks had been completed on more than 14,000 members. Underpins had been identified in 75 pensioner cases, 210 deferred cases, and 263 active cases.

Work was taking place to ensure they were true underpins and not generated by any incorrect data.

Members noted the contents of the report.

7. Warwickshire Pension Fund Business Plan Report

Alistair Wickens told members that all actions in the 2024/25 business plan were currently on track to be met, with four having already been completed. These were outlined in the report and some had been discussed in the meeting already. Alistair Wickens said in response to a question from Mike Snow there were no identified issues with the Fund's ability to meet any of the targets, although there was scope for this to change later in the year.

Members noted the contents of the report.

8. Investment Update

The item was introduced by Paul Higginbotham (Investment Analyst). He informed members the portfolio value was just under £3billion and there had been growth of 0.48 per cent in the previous quarter. For the year June 2023 to June 2024, this represented a ten per cent increase. Paul Higginbotham said this was mainly due to the ongoing resilience of global equity markets. He drew members' attention to the section of the report that outlined where investments had been made, and the summary of the Fund's cashflow requirements. This was guided by the Strategic Asset Allocation model and advice from Hymans Robertson. The target cash limit of £50million was currently being exceeded and it was nearer £60million.

Details of votes that had taken place on the Fund's behalf were outlined in the report.

Paul Higginbotham said 17.5 per cent of the Fund's assets had been invested into lower risk income assets, with a longer term target of 25 per cent. There had been a recent commitment to investing with Border to Coast's new UK real estate fund, which would be funded by the Fund's existing holdings. A total of £4.43million had been invested into the new Border to Coast Climate Opportunities Fund, which came under the category of infrastructure and private equity and further demonstrated the Fund's desire to pursue responsible investment.

Responding to a question from Mike Snow, Paul Higginbotham said that although there had been a negative impact on the bond market following a spike in inflation, the Fund's longer term liabilities had not been too seriously affected. This was mainly due to global liquidity. He added the portfolio had recovered well following that spike. Chris Norton said the portfolio would be badly hit if the Fund had been forced to sell more volatile assets out of distress. However there were failsafes in place to prevent this happening and the situation was being managed.

Members noted the contents of the report.

9. Minutes from the June 2024 Pension Fund Committees

Members noted the contents of the minutes for the two meetings.

Chris Norton advised members that Anthony Kerr had been covering for Bob Swarup as he recovered from illness, but going forward the advisor to the Committees would be Douglas Sharp.

10. Any Other Business

The Chair reminded members they had received an email from Chris Norton regarding the pension fund review call for evidence. The Fund had three weeks in which to respond to the call for evidence. Chris Norton said the Fund had sent in a written submission outlining the work that had been done, and staff had participated in a meeting with Treasury and MHCLG representatives. He said feedback had been good, and he stated his belief the initial response, particularly in relation to pooling and consolidation of the LGPS funds, still stood up even though time had elapsed. He added it would be a huge risk to invest in emerging funds, and it was not yet completely clear what the government's thinking was in relation to this. There were concerns this type of investment could be mandated.

The meeting rose at 12.40pm

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Chair