

Local Pension Board of Warwickshire Pension Fund

Annual Report

2019-20

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 County Council)

Mr Keith Francis (The Citizens Advice Bureaux Service)

Mr David Buckland (Stratford-on-Avon District Council)

Scheme Member Representatives

Mr Alan Kidner (Unison)

Councillor Dave Parsons (Warwickshire County Council)

VACANCY

The Administering Authority continues to make strenuous efforts to fill this vacancy.

Independent Chairman (Non-voting)

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

The Board met on four occasions during 2019/2020. However, before reporting on these meetings it must be noted at the outset that, since the most recent meeting of the Board held on 26 February 2019, the whole world has been devastated by the Coronavirus pandemic and as a result the day-to-day practices and procedures involved with the management and administration of the Pension Fund have,

necessarily, been subject to very significant changes. As readers will be aware, there has been unprecedented use of the word “unprecedented” by commentators worldwide in describing the pandemic and its impact on all aspects of human activity. This and the impact on stock markets worldwide has certainly presented the Fund’s Administering Authority with unprecedented challenges in both the management of its investments and in the administration of the collection of contributions and payment of benefits.

In this context, Board Members received detailed interim update reports from the Fund’s Administrators in early April, and again in mid June, setting out how the impact of the pandemic is being handled. This most challenging situation will be the subject of further report and discussion when the Board next meets on 21 July 2020.

Meetings held during 2019/20

8 July 2019

Attendees - David Buckland; Alan Kidner; Cllr Dave Parsons; Keith Bray (Chair)

The Board received and reviewed;-

- The Pension Fund Investment Sub Committee (PFISC) papers relating to the meetings held on 13 March 2019 and 10 June 2019
- An administration update
- The Board’s Annual Report 2018/19
- A Border to Coast Pooling update
- A valuation update
- The Fund’s Annual Report and accounts 2018/19
- An LGPS development update

The Board expressed concern about payroll administration costs and requested further details of these costs and also requested that any reports or information presented to the Staff and Pensions Committee that related to the Pension Fund should be reported to the Board, together with any related decisions of that Committee.

The question of the Fund’s approach to responsible investment and climate change was raised and it was agreed that a training day dedicated to consideration of these issues would be arranged with the Local Authority Pension Fund Forum (LAPFF)

The Board was informed that the Fund’s current funding level was around 85%.

During consideration of administration performance indicators it emerged that there had been a potential breach of the Pensions Regulators Code of Practice regarding delays in the provision of pension information by an employer. The Board recognised that scheme managers and local pension boards have a duty to ensure that breaches are recorded and, when necessary, reported to the Regulator as soon as they are identified. The Board was concerned by this revelation but acknowledged

that it could not take a view on the matter without more information. It was therefore agreed that officers should prepare a report for urgent circulation to the Board with a view to holding a special meeting, if deemed necessary

The Board requested that its minutes should be reported regularly to the PFISC as a matter of course.

19 September 2019 (Special Meeting)

Attendees :David Buckland; Keith Francis; Alan Kidner; Cllr Dave Parsons; Keith Bray (Chair)

Following the concerns referred to above about a potential breach of regulations relating to delays by an employer in providing critical information to the Fund about scheme members, a detailed report by the Fund's officers setting out the background to the breach was emailed to Board members on July 22 categorising the breach as AMBER under the Pensions Regulator's RAG "traffic light" system.

There are three RAG categories :-

GREEN recordable by the scheme manager;

AMBER – recordable and **may be considered** to be reportable to the Regulator;

RED – **must** be reported to the Regulator.

There was however a difference of opinion among Board members about the categorisation as AMBER. In view of these differences of opinion the Board Chair convened a Special Meeting of the Board to facilitate further briefing by the officers and further consideration of the issue by the Board. This was held on September 19th – the earliest date when all relevant parties were available.

During detailed consideration and discussion, it was noted that, in the light of this development, the Fund had commissioned an independent expert (via CIPFA) to review the Pension Fund administration and governance arrangements. Board members were invited to take the opportunity to talk to the expert during this process.

The scope of the independent review also considered the operating costs of the Pension Fund. Payroll charges to the Fund had been significantly reduced as a result of the implementation of the iTrent payroll system. In summary, the Chair stated that the members of the Board and officers from Warwickshire County Council agreed that there had been a breach and that it was appropriate to classify it as AMBER. and recordable but not necessarily reportable. The administration side of any pension fund involves steep learning curves with the introduction of new systems and processes. Adding value to the fund is the key objective of the local pension board. The breach has been unfortunate, but lessons have been learned

The following actions were agreed

- A summary of the outcome of internal audit reports will be reported to the Local Pension Board once they have been reported to the Audit and Standards Committee.
- A report will be presented at the next meeting of the Local Pension Board regarding Fund administration costs.
- The CPFA consultant will offer to meet with stakeholders and Board Members. Feedback will be shared with the Board.
- In future the overview report on the administration of the scheme presented at each scheduled Board meeting will include more information in respect of activity, performance, risk and breaches.

14 November 2019

Attendees: Keith Francis; Alan Kidner; Cllr Parminder Singh Birdi; Cllr Dave Parsons; Keith Bray (Chair)

The Board considered and reviewed the administration and governance review referred to above.

The Strategic Director – Resources, introduced the review which had been commissioned through CIPFA to assess the pension administration function and inform an action plan to improve the service. Ian Coleman, (CIPFA independent consultant) carried out a complete review of the pension fund administration against The Pension Regulator's 46 requirements and 3 developing areas, based on documented evidence and interviews with key staff and representatives of the Board. Ian Coleman confirmed to the Board that the RAG ratings in the report were based on his judgement against the Pension Regulator's standards.

The Board reviewed the action plan, concentrating on red and amber ratings. During the discussion the following points were highlighted;

- There is a need for the board to continue ongoing training as well as maintaining a training needs analysis for each member.
- The board agreed to move to quarterly meetings.
- A summary of audit reports will be presented to the Board after they have been to the Audit & Standards Committee.

The current figure for annual benefit statements distributed by the deadline was 89%.

It was confirmed that the action plan requirements in relation to the interface with Warwickshire County Council's payroll are being implemented.

The Pension Fund Administration Update was presented by the Strategic Director . This was an extensive report and would be a standing item for all Pension Fund meetings in future. This signalled an intention to improve governance and

transparency in line with Ian Coleman's review. The report reviewed all governance matters and provided details of all current activities and progress made.

The Pensions Manager updated the Board on recent and future LGPS developments. It was agreed that a link to the Scheme Advisory Board (SAB) would be sent out to all members of the Board.

With reference to the McCloud case it was confirmed to the Board that work is still ongoing. It was difficult to state what the likely impact or final cost would be.

The Board noted the papers of the Pension Fund Investment Sub Committee meeting held on 9 September 2019 and agreed the Board's Forward Plan.

The Board received and noted a confidential presentation on the 2019 valuation from the Fund's actuary, and a confidential Pooling Update report from the Strategic Finance Manager.

26 February 2020

Attendees: David Buckland; Keith Francis; Alan Kidner; Cllr Parminder Singh Birdi; Cllr Dave Parsons; Keith Bray (Chair)

The Finance Service Manager (Transformation) presented the report to the Board highlighting the key developments in the administration of the pension fund.

The Board was pleased to hear that 94% of annual benefit statements have now been issued. Those outstanding include those with no contact for members. It was confirmed that a tracing agency will now be used, and a further update will reflect this at the next meeting. It was confirmed that there are 344 which have not been issued because data issues remain outstanding, but work is in progress to work with employers to rectify this. The Board acknowledged that it may not be possible to find everyone the fund has lost contact with.

An update was provided in relation to WCC payroll; reports are now being used to improve the quality of data and monthly monitoring is now in place to ensure that issues are quickly resolved.

With reference to the current membership of the Board - The vacancy for a member representative remains open. If the post remains unfilled then the administering authority will need to refer to the terms of reference and potentially update them. The Chair said that this now had to be dealt with as soon as possible.

Actions in response to the audit report were presented to the Board, who noted that out of 54 actions, 27 are now complete. Nine actions are due to be completed by the end of March 2020. The Chair and the Board congratulated the officer team on the obvious hard work being done and the progress made so far.

The Finance Service Manager (Transformation) confirmed that as agreed at the November 2019 meeting, independent consultant, Ian Coleman had completed the review of administration costs review.

The main conclusion from his report is that the current costs associated with the Warwickshire Pension Fund are suitable for a fund of this size, although they are above the average. It was noted that there are variations that need to be reviewed. The Board thanked officers for the encouraging report and stated that they looked forward to further updates.

The Strategy and Commissioning Manager (Treasury, Pension, Audit & Risk) presented the draft administration strategy to the Board highlighting that the document sets out the responsibility between the Fund and employers; in particular, what the fund can do if the employers do not meet their responsibilities.

He also presented the risk register report to the Board, highlighting each of the summary tables which included the high level of risks, likely impact of risks and impact of risks.

It was agreed that quarterly information will be presented at all meetings with summary reports for members.

Although this was a month before the 'lock down', in response to a foresighted question from a Board member the Strategy and Commissioning Manager acknowledged that the coronavirus; was likely to have both a short term and long-term impact. Little did the Board realise the extent to which this would be the case.

He also presented the Fund's Business Plan highlighting that it had two overall objectives;

- to ensure payments are made when they are due
- to ensure that payments are accurate.

The report highlighted the change in demand on the fund's administration team due to the growth of the fund, as well as the increased focus on data accuracy and quality.

The Board reviewed and noted the minutes of the Pension Fund Investment Sub Committee held on 9 December 2019 and the Staff and Pension Committee also held on 9 December 2019. With regard to the latter the Board Chair noted that the comment at the Committee in relation to members not being fully aware of the value of their pensions was a valid point. However, there were difficulties in how best to achieve more publicity on this matter without adding confusion.

The Board received and commented on confidential reports on the 2019 valuation; the Fund's Climate Change, Environmental Social and Governance (ESG) and Responsible Investment (RI) Policy

The Board also received and noted a confidential investment update.

The Board agreed the agenda reflected good work and indicated that it was moving in the right direction. After a challenging year during which there had been some difficult meetings both the Board and the Fund's officers agreed this had been a positive meeting.

After this meeting and following his appointment as Chief Executive at Stratford on Avon, David Buckland stood down from the Board. The Board thanks him for his invaluable contribution and wishes him well for the future. Mike Snow, Head of Finance and Section 151 Officer at Warwick District Council has joined the Board. We look forward to welcoming Mike to our first post pandemic 'virtual' meeting on 21 July 2020

Finally we thank the Fund's officers for their hard work over recent months and we will continue to assist the Fund to the best of our ability during the undoubtedly challenging times that we will all face during the months ahead.

Keith Bray

Independent Chairman

July 2020