

Warwickshire Local Pension Board

Date: Tuesday 25 April 2023
Time: 11.00 am
Venue: Committee Room 2, Shire Hall

Membership

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

Items on the agenda: -

(3) Minutes of the Previous Meeting

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The minutes of the meeting held on 31 January 2023 were approved as an accurate record.

Monica Fogarty
Chief Executive
Warwickshire County Council
Shire Hall, Warwick

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Warwickshire Local Pension Board

Tuesday 25 April 2023

Minutes

Attendance

Committee Members

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

Officers

Andy Felton, Assistant Director - Finance
Andy Carswell, Democratic Services Officer
Liz Firmstone, Service Manager (Transformation)
Victoria Jenks, Pensions Admin Delivery Lead
Victoria Moffett, Pensions and Investments Manager
Chris Norton, Strategy and Commissioning Manager (Treasury, Pensions, Audit, Risk & Insurance)
Sarah Cowen, Delivery Lead - Corporate (Legal Services)
Martin Griffiths, Technical Specialist Pensions Fund Policy and Governance

1. Introductions and General Business

(1) Apologies

Apologies were received from Keith Francis.

The Chair reminded members that Alan Kidner had decided to stand down as a member of the Board. The Chair thanked him for the valuable contributions he had made during his time as a Board member.

(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 31 January 2023 were approved as an accurate record.

2. Minutes from March Pension Committees

The contents of the minutes of the meetings of the Staff and Pensions Committee and Pension Fund Investment Sub Committee held on 6 March 2023 were noted by members.

Regarding a point raised by Councillor Shenton about the maturity of Stratford-on-Avon District Council referenced in the minutes of the Pension Fund Investment Sub Committee, it was confirmed this related to the age profile of members and the fact there was a greater number of deferred pensioners than active.

3. Pensions Administration and Performance Update

The item was introduced by Vicky Jenks (Pensions Admin Delivery Lead), who outlined the work that had been undertaken by the Pensions team and provided updates.

The number of pensioners using the member self-service portal had increased and 16.4 per cent of pensioners had registered. The portal was updated on a monthly basis, so users could be confident the information provided on the portal was up to date. There had been 2,500 requests to sign up to the portal after 9,500 letters were sent out to all current pensioners to inform them paper payslips would no longer be sent out from May with a view to improving admin efficiency and achieving environmental benefits, unless members opted in to continue receiving them. Vicky Jenks said it was anticipated that more queries about paper payslips would be received from June onwards, and more communication work was planned to inform pension holders of the change. It would be assumed that if a pension holder did not contact the Fund, they did not require a paper payslip. However they could continue to contact the Fund to request one. P60 forms would continue to be sent out as a paper copy however.

Councillor Shenton said it would be interesting to see the demographic breakdown of the 16.4 per cent of pensioners using MSS. Vicky Jenks said there was a desire to do age profiling of the Fund's entire membership, to see if certain age groups either weren't interested in engaging or could not access the portal.

Responding to a point raised by Jeff Carruthers, Vicky Jenks said pension holders who did not personally have access to a computer were allowed to use an email address of a family member so they could receive information on their account. This particularly applied in cases where a family member had registered power of attorney.

Sean McGovern asked how the Fund knew when a pension holder died. Vicky Jenks said the majority of cases were reported through a 'tell us once' service used by registrars that automatically informed any pension scheme or benefit provider when a death had been registered by a family member. Alternatively family members contacted the scheme directly, or the Fund would identify them through the National Fraud Initiative. Overseas pension holders had to submit life certificates to the Fund to continue receiving payments.

Regarding Key Performance Indicators, Vicky Jenks said the majority were on target and performance had been improving in the areas that had not reached their targets. More information outlining the work being done to improve the performance of KPIs that were not reaching their targets would be presented at the next meeting, which would include the numbers involved rather

than just a percentage. The KPI that was performing least well related to letters detailing transfer in quotes. Vicky Jenks explained that in many cases people held pensions with more than one scheme and liaising with them all to get the requested information was a time consuming exercise.

It was noted there were no red breaches, and the issues relating to an Academy that had been causing a red breach previously in the year had now been resolved. Vicky Jenks said all employers in the scheme had now signed up to iConnect, which had helped reduce the number of breaches. Responding to a question from Councillor Shenton, Vicky Jenks said employers that did not engage with the Fund on key issues would have breaches escalated more quickly to a red breach, and the employer would be warned of this. A breach would usually be escalated to red after four months where there was engagement but no sign of a resolution. There were however also examples where an employer would be shown some leniency if they had not resolved their issue after three months, but had demonstrated they were actively trying to take steps to solve it and resolution was anticipated in the near future. In the example of the parish council referenced in the main report, this was because of staff capacity and resource issues that had delayed the submission of data.

The valuation had been completed and the Funding Strategy Statement formally signed off. There were outstanding queries on three employers regarding their rates and membership of the Fund.

There were no outstanding IDRPs. Three complaints had been received, which had all received official responses and there had been no follow up required to any of them.

The pensions dashboard scheme had been delayed, and new timescales were expected to be released before the summer.

Jeff Carruthers noted there had been a low take-up regarding shared cost additional voluntary contributions (AVC). Vicky Jenks said this was likely to be due to a lack of awareness by members for options to top up their pensions, and the additional benefits they gave to employers. Andy Felton (Assistant Director, Finance) observed that general affordability for some people could be a natural barrier to people choosing not to access an AVC arrangement.

4. Governance 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 the risk register there were three issues that had been identified as presenting a severe level of risk. These were climate change, long-term market risk, and cyber security. The Fund was doing as much work as it could to mitigate against each of these identified risks, whilst acknowledging that climate change was a global issue.

Martin Griffiths said there was a revised climate risk policy, which had been created by Hymans Robertson. The risk management, training, and bribery and fraud policies, as well as the internal dispute resolution procedure, had all been reviewed and the Funding Strategy Statement had been made available to view online. Results from the Hymans Robertson knowledge and skills assessment had been released. The training schedule had been updated accordingly and Board members would be kept informed of upcoming training events.

Members were told there had been a delay to the Single Code of Practice and an update was unlikely to be available until early June. Martin Griffiths said officers were working to fill the vacancy on the Board following Alan Kidner's resignation. Martin Griffiths echoed the Chair's earlier comments thanking Alan Kidner for his years of service on the Board. Jeff Carruthers said he would be willing to switch back to being a Scheme Member representative if this helped facilitate filling the vacancy. Andy Felton said consideration was being given to increasing the Board's diversity as part of the recruitment process.

Responding to a question raised by Councillor Shenton regarding reducing greenhouse gas emissions, Victoria Moffett (Lead Commissioner, Pensions and Investment) said the Fund was working with a firm called GHGSat to monitor emissions being made by companies with which the Fund held investments. Companies needed to state what their plans were to get to net zero carbon emissions by 2050, although it was accepted that in some instances there may be a spike in emissions before they started to reduce. The Fund and others that had stewardship responsibilities, such as Border to Coast, could, as a last resort, divest from companies that were not demonstrating their commitment to reducing emissions. However engagement with such companies was viewed as a preferred option.

Martin Griffiths said online scams were the most likely cyber security risk that the Fund would be presented with, as this could potentially lead to ransomware demands. This had affected other local authorities but it was not clear how these issues had been resolved.

5. Warwickshire Pension Fund Business Plan Report

The item was introduced by Chris Norton (Strategy and Commissioning Manager - Treasury, Pension, Audit and Risk), who said membership of the Fund and the number of employers continued to grow. This had led to the management of the Fund becoming increasingly complex, although this had been the case for some time. The core objective remained to pay pensions accurately and on time, and to have the funds available to do this. A lot of work was taking place regarding workforce planning, as there were difficulties in recruiting and retaining staff. Sustainability had been added as a new category in the list of actions.

It was confirmed that as of March 2023 the value of the Fund was £2.65billion.

6. General Investment Update

The item was introduced by Victoria Moffett, who highlighted the value of the Fund had increased by 1.7 per cent over the last quarter and the Fund value remained on an upward trajectory. However the Fund was cashflow negative as the value of contributions being made by members and employers was less than that of the value of the benefits being paid out. Officers were aware of this and cashflow management was a high priority. The cash balance represented two per cent of the Fund's value, which was in line with the previous year.

Members were told that Border to Coast had appointed a new chief investment officer. It was expected that he would attend the Pension Fund Investment Sub Committee meeting in September. Victoria Moffett said that concerns had been raised regarding the performance of the Equity Alpha Fund, and conversations relating to this had taken place with the relevant investment portfolio managers. It was felt that appropriate action was being taken, and the situation was

attributable partially to current market circumstances. Members' attention was drawn to voting activity relating to equity funds that had been taking place.

Responding to questions from members about cashflow, Victoria Moffett said the current situation was attributable to the ten per cent rate of inflation and a deterioration in the economic environment. This, along with the maturity of the Fund, was leading to an increase in the amount of benefits being paid out. Contribution rates had remained stable. Equities portfolios were being looked at with a view to improving cashflow, as there was a risk the Fund could become cashflow negative.

The Chair referred to the issue of divesting from certain portfolios for environmental or social reasons, but stated that if the Fund were to do this then there was the possibility of the ownership transferring to less responsible shareholders. During these discussions the Chair referred to BP; Andy Felton stated that when BP had announced its intention to draw back from its transition plan in relation to greenhouse gas emissions its share price had rallied, demonstrating why maintaining a strong policy of influencing high carbon companies through shareholder rights was a potentially more sustainable strategy to achieve climate ambitions than divesting.

7. Any Other Business

There were no other items of business to discuss.

8. Reports Containing Exempt or Confidential Information

It was resolved unanimously to approve the motion to exclude the public from the remainder of the meeting.


9. Exempt Minutes of the Previous Meeting

The exempt minutes of the meeting held on 31 January 2023 were approved as an accurate record.

ACTION POINTS

1. Board members to be kept informed of upcoming training events.

The meeting rose at xxx


Chair
12.7.23

