Pension Fund Investment Board

18 February 2013

Agenda

The Pension Fund Investment Board will meet at **Shire Hall, Warwick** on **18 February 2013** at **10:00am**

1. General

(1) Apologies

(2) Members' Disclosures of Pecuniary and Non-Pecuniary Interests

Members are required to register their disclosable pecuniary interests within 28 days of their election of appointment to the Council. A member attending a meeting where a matter arises in which s/he has a disclosable pecuniary interest must (unless s/he has a dispensation):

- Declare the interest if s/he has not already registered it
- Not participate in any discussion or vote
- Must leave the meeting room until the matter has been dealt with (Standing Order 42).
- Give written notice of any unregistered interest to the Monitoring Officer within 28 days of the meeting

Non-pecuniary interests must still be declared in accordance with the new Code of Conduct. These should be declared at the commencement of the meeting.

(3) Minutes of the previous meeting and matters arising

2. Investment Performance for Q3

3. Outcome of the Absolute Return Transition

4. Revision to Active UK Equity Mandate

5. ComPASS Modelling Report

6. Chancellors Autumn Statement

7. Councillors Pensions - Withdrawal of Eligibility

8. LGPS Draft Regulations for the LGPS 2014 Scheme

9. Automatic Enrolment Update

10. Stewardship Code Statement

11. Academies Update

12. Police and Crime Commissioners Update

13. Community Meals Admission Agreement

14. Any Urgent Items

JIM GRAHAM
Chief Executive
Shire Hall
Warwick

Membership of the Pension Fund in Investment Board
Councillors John Appleton, Chris Davis (Chair), Jim Foster, Brian Moss, and David Wright

For general enquiries please contact Dave Abbott:
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Email: daveabbott@warwickshire.gov.uk

Minutes of the Pension Fund Investment Board held on 12 November 2012

Present:
Members
Councillors John Appleton, Chris Davis, Jim Foster, and Bob Hicks

Officers
Dave Abbott, Democratic Services Officer
Neil Buxton, Pensions Services Manager
Mathew Dawson, Acting Treasury and Pensions Group Manager
John Galbraith, Senior Solicitor, Employment Team
Christine Gough, Senior Accountancy Assistant

Invitees
Peter Jones, Independent Advisor
Richard Warden, Advisor, Hymans Robertson
Alison Murray, Advisor, Hymans Robertson
Nathan Hargreaves, Fund Manager, Threadneedle Investments
Moira Gorman, Relationships Manager, Threadneedle Investments

No members of the public attended the meeting.

1. General

(1) Apologies
Councillor Brian Moss who was replaced by Councillor Bob Hicks
Councillor Robin Hazelton

(2) Members' Disclosures of Pecuniary and Non-Pecuniary Interests
None.

(3) Minutes of the previous meeting
The minutes of the meeting of the Pension Fund Investment Board meeting held on 30 July 2012 were agreed as a true record and were signed by the Chair.

Matters Arising:

Item 2. Presentation from Manifest – The Proxy Voting Agency
Councillors noted that the Warwickshire Local Government Pension Scheme (LGPS) voting record is out of date on WCC's website. An update report will be presented to the Board in February 2013.

Item 4. Investment Performance
An error was discovered in a benchmarking figure from the Bank of New York Mellon. Hymans Robertson had been working with the bank to resolve the issue. Councillors requested that a letter was written from the Board to the Bank of New York Mellon asking for an audit trail report.

Item 11. WCC Direct Payment Services: Penderels Trust
John Galbraith informed the Board that the Penderels Trust were no longer in negotiations to join the Warwickshire LGPS.

2. Investment Performance

Mathew Dawson, Acting Treasury and Pensions Group Manager, presented the report and informed the Board that the value of the fund at 30 September 2012 was £1,223.9m which represented an increase of 3.8% over the previous quarter.

Equity markets had a good quarter and fund manager performance was ahead of the benchmarks, with overall performance reported to be positive.

Resolved
The Pension Fund Investment Board noted the fund value and investment performance for the second quarter in 2012/13 to 30 September 2012.

3. Pension Fund Cash Flow

Mathew Dawson, Acting Treasury and Pensions Group Manager, presented the report that proposed drawing down some income from investments in order to pay pensions.

Income will be drawn initially from L&G and Threadneedle (UK Equities). L&G are readily set up for this drawdown process through their notional income facility and this will be implemented by officers as will the process for drawing down the income from Threadneedle. Income would be available on a monthly basis from L&G, and on a quarterly basis from Threadneedle.

In the event of a large cash surplus building up in the funds current account, there would be the option to instruct fund managers to suspend the distribution of income.

Resolved
The Pensions Fund Investment Board approved the proposal set out in paragraph 4.1 of the report.

3.5 Property Presentation from Threadneedle Investments

Moira Gorman, Relationships Manager, and Nathan Hargreaves, Fund Manager, at Threadneedle Investments gave a short presentation to the Pension Fund Investment Board about property investments.

The Chair thanked the representatives from Threadneedle for their presentation.

4. Absolute Return Managers

Matthew Dawson, Acting Pensions and Treasury Manager, presented the report and informed the Board that the report considered the implementation of new investment arrangements following the appointment of Barings to manage a multi-asset absolute return mandate, and JP Morgan to manage an absolute return bond mandate.

At the board meeting on 21 May 2012, the Pension Fund Investment Board decided that the 5% allocation to the new Multi-Asset Absolute Return mandate should be funded from equities and that the 5% allocation to the new Absolute Return Bond mandate should be funded equally from equities and government bonds.

In Hymans Robertson's subsequent review of investment strategy, it was recommended that the relative allocations between UK and overseas equities should move from a ratio of 50:50 towards 40:60, reflecting the concentrated nature of the UK equity market and the benefits of a better diversified portfolio. It was intended that the full private equity allocation of 5% will be built up over the next few years.

Resolved
The Pension Fund Investment Board approved the current position with regard to the on-going fund manager appointment process.

5. Employer Modelling 2013 Valuation

Mathew Dawson, Acting Pensions and Treasury Manager, presented the report and informed members that, ComPASS, a modelling tool developed by Hymans Robertson, could be used to 'stress test' the fund against a number of different funding and investment strategies.

The primary aim of the tool was to introduce a contribution stabilisation mechanism for employers that are long term and secure to avoid surprises, improve budgeting and make contributions more affordable.

If WCC were to pay for modelling of the whole fund, employers would have access to the overall data and then would have the option to buy their own modelling profile. The fees for Warwickshire County Council would be £12,500, then £7,500 for each subsequent employer.

Resolved
The Pension Fund Investment Board authorised the Strategic Director for Resources to take the following actions:

1. That a modelling exercise for the whole fund is carried out with results presented at the February 2013 board meeting.
2. In the summer of 2013, further analytical work should be considered on an employer by employer basis.

6. 2013 Valuation Planning

Mathew Dawson, Acting Pensions and Treasury Manager, presented the report and informed the Board that the report presented options for paying retirement strain costs. The policy for charging strain costs to employers is set out in LGPS Regulations giving the Fund complete discretion.

Resolved
The Pension Fund Investment Board chose option A as the preferred option for the 2013 actuarial valuation but agreed that both option A and B should be offered to employers.

7. Kingsbury Parish Council

Neil Buxton, Pensions Services Manager, presented the report and informed the Board that Kingsbury Parish Council (the Council) had passed a resolution for the Parish clerk to have access to the Warwickshire LGPS.

Resolved
The Pension Fund Investment Board noted that Kingsbury Parish Council had passed a resolution to become a scheduled body member of the Warwickshire Pension Fund.

12. Any Urgent Items

The Board rose at 12.40pm

…………………………………………
Chair

Item 2

Pension Fund Investment Board 18 February 2013

Investment Performance

Report of the Head of Finance

Recommendation

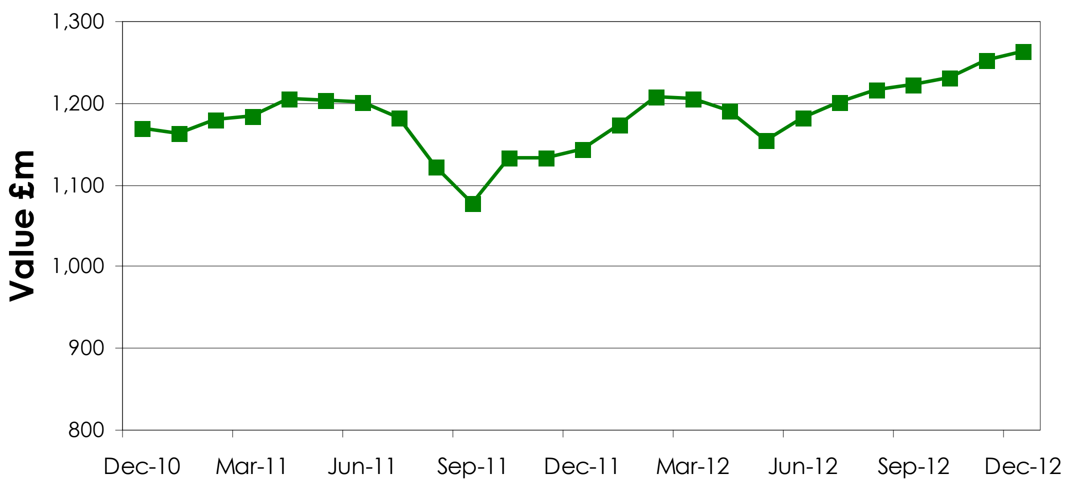
(1) That the Investment Board note the fund value and investment performance for the third quarter in 2012/13 to 31 December 2012.

1. Fund Value at 31 December 2012

1.1 The report to the Board's meeting on 11 November 2012 gave the fund position of £1,223.9m at 30 September 2012.

1.2 The fund value was £1,263.7m at 31 December 2012.

Figure 1. Total Fund Value Since December 2010



2. Fund Asset Allocation

2.1 The performance of the Fund against its asset class benchmarks for the quarter ending 31 December 2012 is shown in Table 1.

Table 1: Fund Asset Allocation

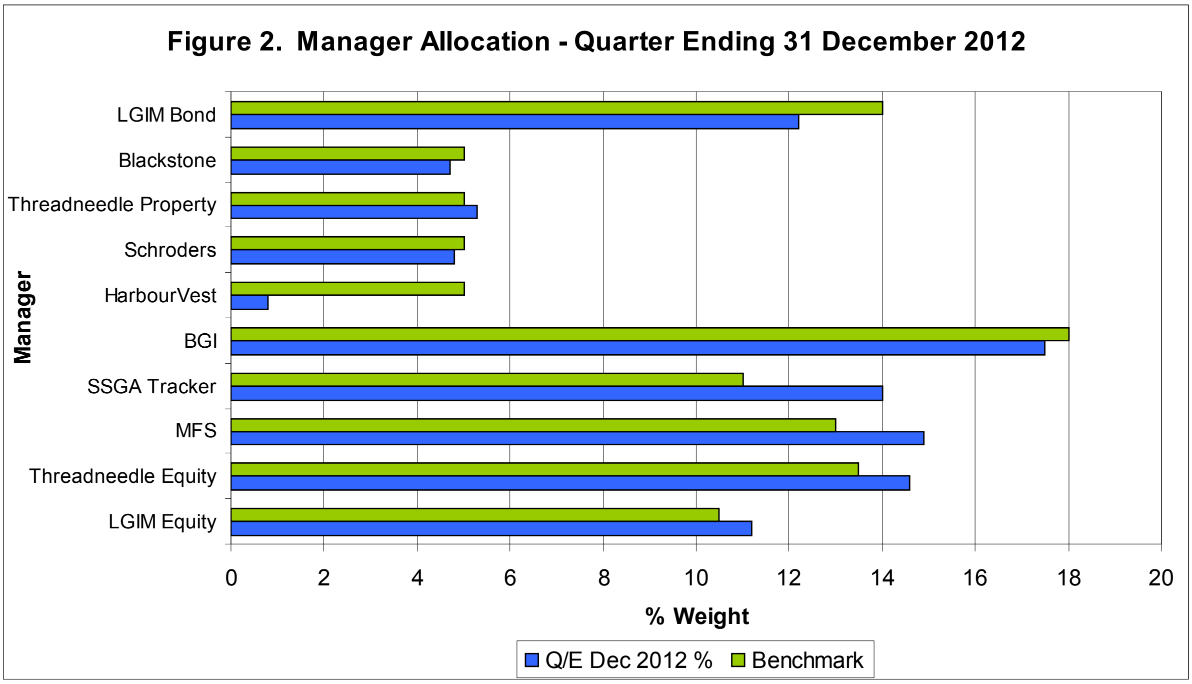
Asset Class		Q/E Dec 2012 %	Fund policy %	Over/under weight %
Equity		**65.30**	**60.00**	**5.30**
	UK	35.00	30.30	4.70
	Europe (ex UK)	12.60	11.70	0.90
	North America	11.90	9.00	2.90
	Far East/Emerging Markets	5.80	9.00	-3.20
Fixed Income		**19.00**	**20.00**	**-1.00**
	UK corporate bonds	8.40	10.00	-1.60
	UK government bonds	5.50	5.00	0.50
	UK index linked bonds	5.10	5.00	0.10
Hedge Funds		**4.70**	**5.00**	**-0.30**
Private Equity		**0.80**	**5.00**	**-4.20**
Property		**9.80**	**10.00**	**-0.20**
Cash		**0.40**	**0.00**	**0.40**
Total		**100.00**	**100.00**	**0.00**

2.2 The fund managers' asset allocation against the benchmark for the quarter ending 30 December 2012 is shown in Table 2.

Table 2: Fund Asset Allocation by Manager

Manager	Benchmark	Q/E Dec 2012 %	Variance
LGIM Equity	10.5	11.2	0.7
Threadneedle Equity	13.5	14.6	1.1
MFS	13.0	14.9	1.9
SSGA Tracker	11.0	14.0	3.0
BGI	18.0	17.5	-0.5
HarbourVest	5.0	0.8	-4.2
Schroders	5.0	4.8	-0.2
Threadneedle Property	5.0	5.3	0.3
Blackstone	5.0	4.7	-0.3
LGIM Bond	14.0	12.2	-1.8
Total	100.0	100.0	0.0

2.3 Fund asset allocation against each manager is shown in Figure 2.



3. Fund Performance

3.1 Overall the fund out-performed its overall benchmark by 0.12%. The performances of managers against their benchmarks for the quarter ending 31 December 2012 were:

Table 3: Performance by Fund Manager

Manager	Benchmark Measure	Q/E Dec 2012 %	Benchmark %	Variance %
BlackRock Global Investors		4.35		-0.27
	BlackRock Benchmark		4.62	
MFS		5.34		1.84
	Global Equity Benchmark		3.50	
State Street Tracker		3.83		0.01
	FTSE All-Share		3.82	
Threadneedle		3.21		-0.61
	FTSE All-Share		3.82	
Legal and General (Global Equities)		3.99		0.21
	LGIM Benchmark		3.78	
Legal and General (Fixed Interest)		1.57		0.76
	LGIM Benchmark		0.81	
Threadneedle Property		1.05		-1.98
	Threadneedle Property Benchmark		3.03	
Schroders Property		0.63		0.78
	Schroders Property Benchmark		-0.15	
Blackstone Hedge		1.79		0.25
	Blackstone Hedge Benchmark		1.54	
Total		**3.36**		**0.12**
	WCC Total Fund Benchmark		**3.24**	

Source: BNY Mellon

3.2 Twelve months data on the performance of the managers is available. The performance of managers against their benchmark over this period is shown below.

Table 4: Fund Manager Performance to Date

Manager	Variance Q/E Mar 12 %	Variance Q/E Jun 12 %	Variance Q/E Sep 12 %	Variance Q/E Dec 12 %
BlackRock Global Investors	-0.25	0.00	-0.72	-0.27
MFS	2.36	0.87	1.16	1.84
State Street	0.04	0.00	0.03	0.01
Threadneedle	2.58	-0.08	0.82	-0.61
Legal and General (Global Equities)	0.08	-0.27	0.48	0.21
Legal and General (Fixed Interest)	0.61	-0.36	0.68	0.76
Threadneedle Property	-2.41	-0.25	-0.38	-1.98
Schroders Property	-2.67	-0.27	-0.46	0.78
Blackstone Hedge	1.70	-2.34	1.61	0.25
Total	0.58	-0.24	0.17	0.12

Source: BNY Mellon

3.3 Annualised return for the fund managers to 31 December 2012 is summarised in Figure 3. The three year annualised return is summarised in Figure 4.

Figure 3. Fund Manager Performance for the Year Ending 31 December 2012

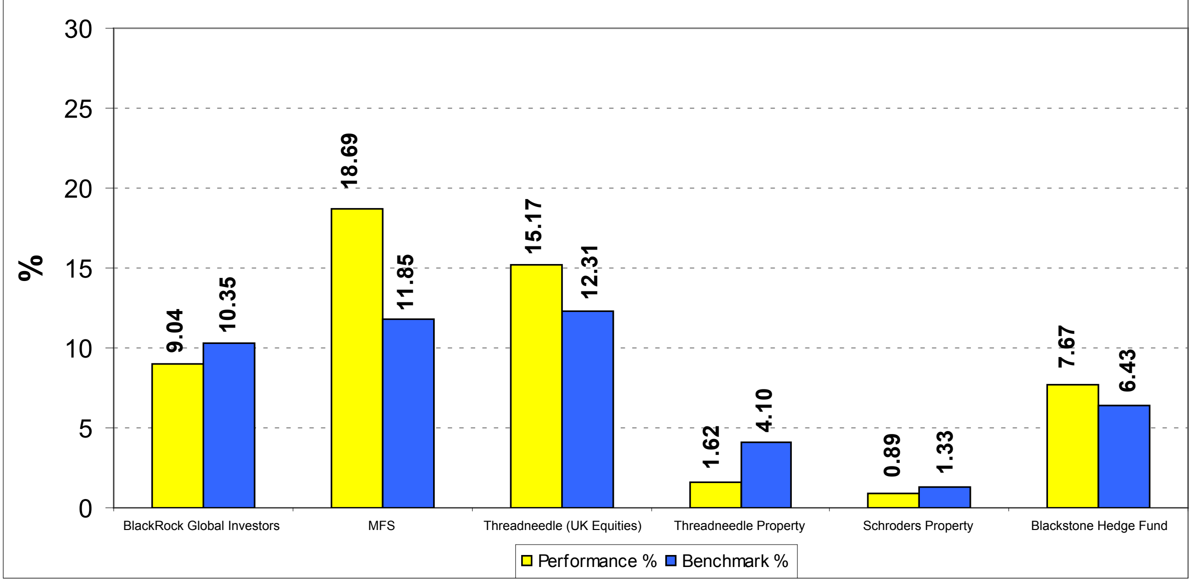
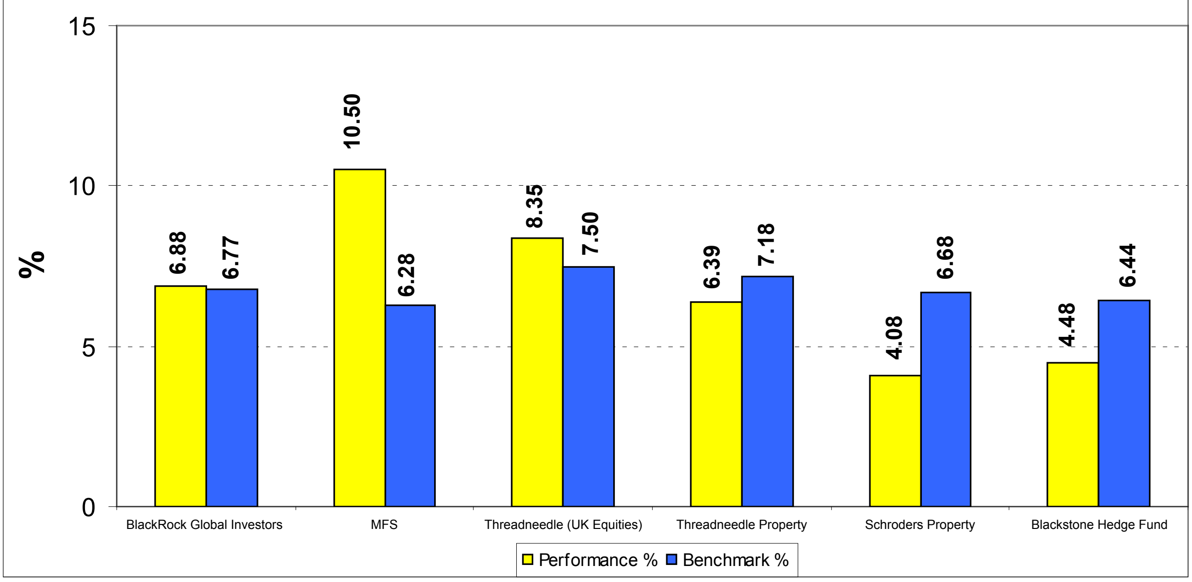


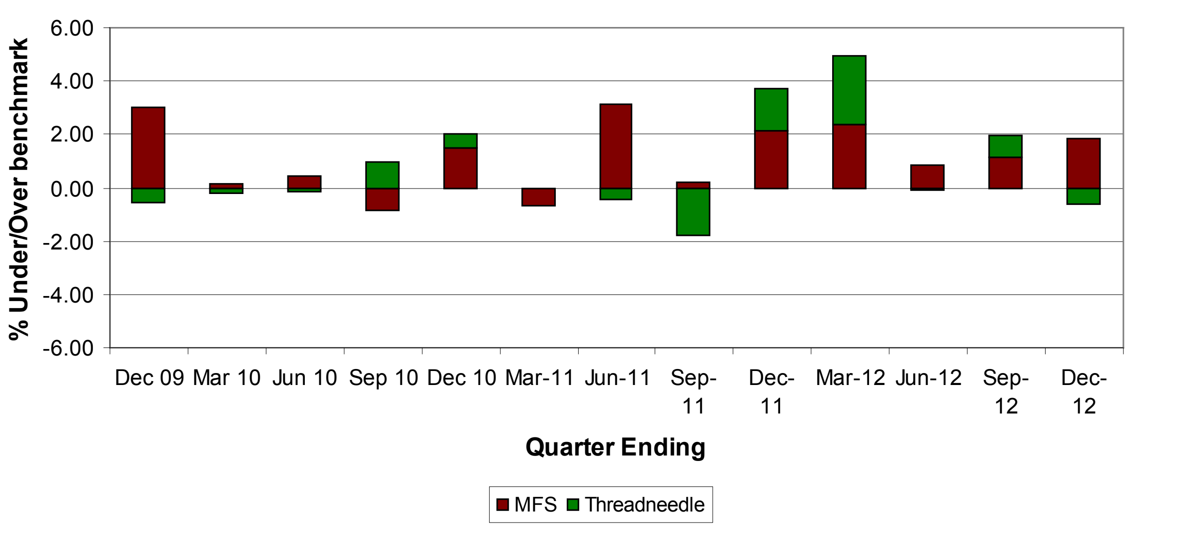
Figure 4. Fund Manager Performance for Three Years Ending 30 December 2012



Source: BNY Mellon

3.4 Equity Manager performances against their benchmarks are summarised in Figures 5.

Figure 5. Fund Manager Out/Under Performance Against Their Benchmark Since December 2009 - Equity Managers



Source: BNY Mellon

	Name	Contact Information
Report Author	Mathew Dawson, Acting Group Manager Treasury and Pensions	mathewdawson@warwickshire.gov.uk
Head of Service	John Betts Head of Finance	johnbetts@warwickshire.gov.uk
Strategic Director	David Carter, Strategic Director	davidcarter@warwickshire.gov.uk
Chair	Cllr Chris Davis	cllrdavis@warwickshire.gov.uk

Pension Fund Investment Board

12 November 2012

Absolute Return Managers – Transition Outcome

Recommendation

(1) That the Board approve the current position.

1 Introduction

1.1 At its meeting on 11 November 2012, the Investment Board decided to transfer assets from two existing passive managers to two newly appointed managers.

1.2 This report details the processes that were completed in order to achieve a smooth transition at minimal cost to the fund.

2 Legacy and Target Allocations

2.1 The legacy and target pooled fund allocations are summarised in the table below. Total legacy assets were valued at approximately £120 million and consisted of pooled fund holdings with Legal & General Investment Management and State Street Global Advisors. Proceeds from these disinvestments were split equally to fund JP Morgan Asset Management and Barings Asset Management pooled fund mandates.

Table 1 Fund Allocations

Fund Manager	**Legacy Value £m**	**Target Value £m**	**Trade Date**
Legal and General	30		09/01/2013
State Street	90		08/01/2013
J P Morgan		60	09/01/2013
Barings		60	08/01/2013
Total	**120**	**120**	

2.2 Potential efficiencies that could be gained from redeeming the legacy pooled funds via in-specie were considered. However, given the target managers' benchmarks and preference to receive cash, there were no significant cost savings from potential retention between the legacy and target portfolios. In addition, due to the low spread costs for these pooled fund cash disinvestments and investments, as well as the speed with which these could be carried out, an in-specie redemption and subsequent liquidation by the transition manager would not have been the most efficient option.

2.3 Due to each of the pooled funds having different dealing frequencies, pricing points and settlement cycles, the timing of the transactions needed to be carefully considered to help mitigate any out of market exposure and avoid unnecessary overdraft costs. The disinvestments from the Legal and General and State Street funds were priced as at the close of business on 8th January, which coincided with the pricing point of the investment into the Barings fund. As the J P Morgan fund is priced at mid-day on trade date it was agreed that the transition manager would proceed with the investment on the 9th January in order to avoid the fund being over-exposed during this period (half a day) whilst also limiting out of market exposure.

3 Transition Costs

3.1 The table below summarises the spread costs incurred from each of the cash redemptions and subscriptions.

Table 2 Cost Of Transition

Fund Manager	Value £m	Spread Cost (bps)	Spread Cost £
Legal and General	30,000,000	0	0
State Street	90,000,000	17	151,170
J P Morgan	60,000,000	30	180,000
Barings	60,000,000	0	0
Total	**120,000,000**		**331,170**

3.2 The Barings and Legal and General pooled funds were not subject to any explicit spread cost or dilution levy. The redemption from State Street and subscription into J PMorgan, however, incurred spread costs of 17 basis points and 30 basis points respectively.

3.3 The funds transition manager, BlackRock, charged a fee for this restructure was calculated as 5bps of the value of assets entering transition (£120m), which therefore resulted in a final fee of £60,000.

	Name	Contact Information
Report Author	Mathew Dawson, Acting Group Manager, Treasury and Pensions	2861
Head of Service	John Betts, Head of Corporate Finance	2441
Strategic Director	David Carter, Strategic Director, Resources Group	2564
Portfolio Holder	Chris Davis	

Item 4

Pension Fund Investment Board

18 February 2013

Revision to Active UK Equity Mandate

Recommendation
That the Board approves the proposals set out in 3.1 and 3.2

1 Introduction

1.1 The funds active UK equity manager (Threadneedle) has requested that the current restrictions on stock and sector weightings are amended.

2 Rationale

2.1 The key advantage is that as part of these proposals, the fund can expect a higher return, and as part of these proposals the fund managers out-performance target will increase from1.5% p.a. (gross) over rolling three year periods to 2% p.a.

2.2 The proposal is more aligned with the restrictions and out-performance targets for Threadneedle's core UK equity strategy and would mean that the fund manager will no longer hold shares in a company where they have a negative view or where they feel the security is not attractively valued. To be forced to hold these stocks, as is currently the case, adds unintended stock specific risk to the portfolio.

2.3 The FTSE All Share Index contains some very large global businesses which represent meaningful proportions of the index. At 30 September 2012, for example, Shell, HSBC and Vodafone represented 8.0%, 6.1% and 5.0% respectively of the index. The largest 10 companies represent over 40% of the index, meaning less flexibility for the manager to implement their view when there are restrictions that require some of these large stocks in the index to be held in the portfolio.

3 Proposals

3.1 The out-performance target on the mandate is increased from 1.5%p.a. (gross) over rolling three year periods to 2% p.a.

3.2 The restrictions in the mandates stock and sector positions are loosened relative to the benchmark, (FTSE All Share Index) as follows:

- Removal of individual stock weightings (currently +/-3% from index weightings

- Exposure to any one sector should not exceed +/-8% (currently 6%)

- Cash held should be between -5% to 5% of market value

Report Author: Mathew Dawson, Acting Group Manager (Treasury and Pensions)

Head of Service: John Betts, Head of Finance

Strategic Director: David Carter, Strategic Director, Resources Group

Chair: Chris Davis

Item 5

Pension Fund Investment Board

18 February 2013

ComPASS Modelling Whole Fund and County Council

Recommendation

That the Board note the report

1 Introduction

1.1 Following the board meeting on 12 November 2012 the fund actuary has completed a modelling exercise at whole fund level for presentation at this meeting.

1.2 In conjunction with this work the actuary will be briefing scheduled bodies following the board meeting with a view to offering further employer focused analytical work in the summer of 2013.

1.3 The ComPASS report is shown in **Appendix A**.

	Name	**Contact Information**
Report Author	Mathew Dawson, Acting Group Manager, Treasury and Pensions	2861
Head of Service	John Betts, Head of Finance	2441
Strategic Director	David Carter, Strategic Director, Resources Group	2564
Chair	Chris Davis	

Warwickshire County Council Pension Fund
Managing Employer Contribution Rates

Modelling results: Whole Fund and WCC

- Richard Warden
- Fund Actuary
- 18 February 2013

PUBLIC SECTOR

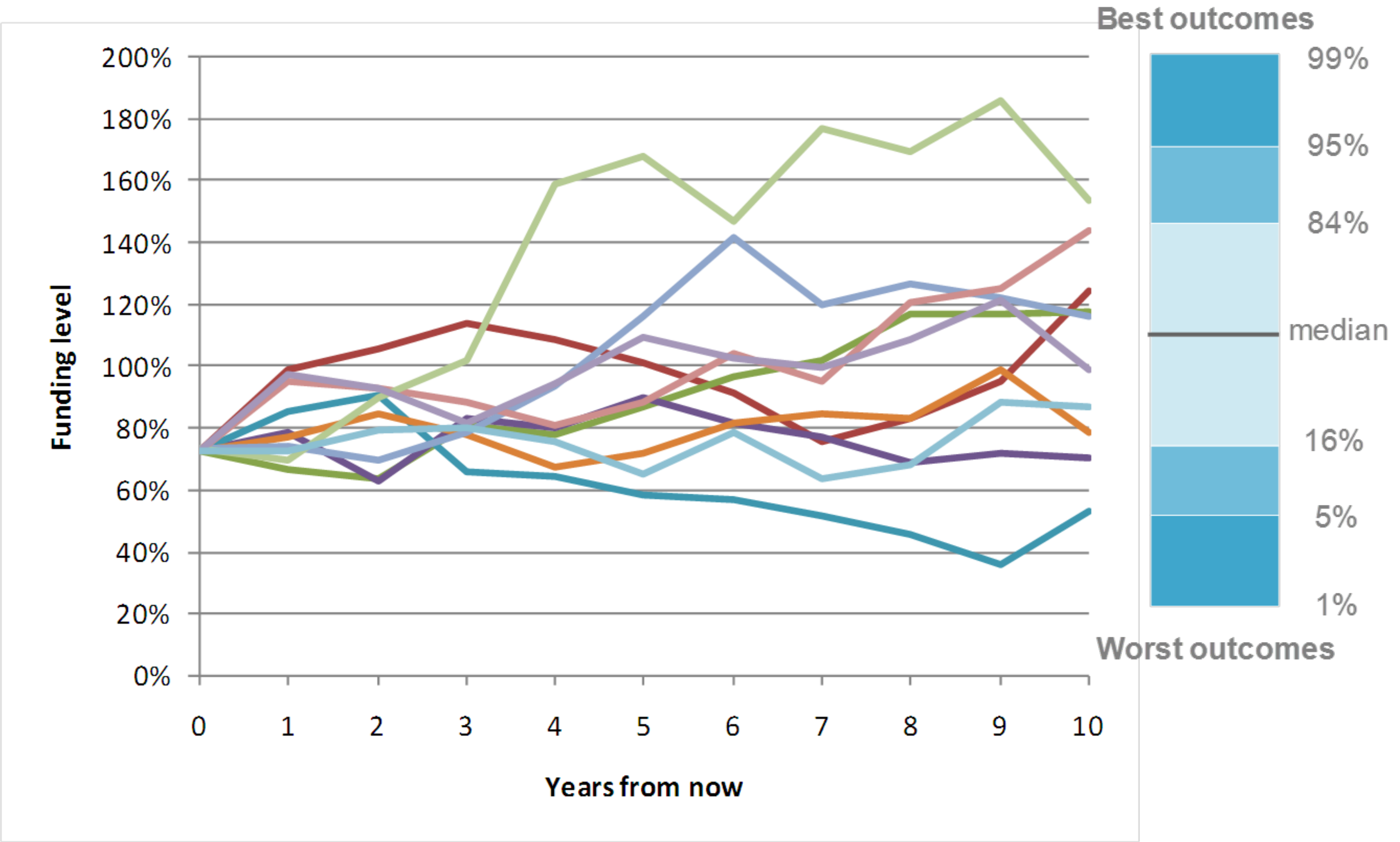
Contents

Modelling results

comPASS modelling

- For each outcome (5,000 per scenario) we calculate the position under each scenario at each of the eight valuations during the 21-year period of our projections, using cashflows and a starting point of 31 March 2012.
- We then rank the outcomes from best to worst at each valuation point and we plot the outcomes graphically (as shown in the following page).
- We can then compare the range of outcomes with other scenarios.
- Please note the following probabilities adopted for each graph (please see the key on the following page for further details)
  - Lightest coloured ranges represent middle 2/3rds of the outcomes
  - The range above and below this shows 1 in 6 outcomes
  - This range is further split into 1 in 10 for the next lightest range and 1 in 20 for the darkest range of outcomes
  - The best and worst 1% of outcomes are not shown on the graphs

comPASS modelling



Assess the likelihood of different outcomes

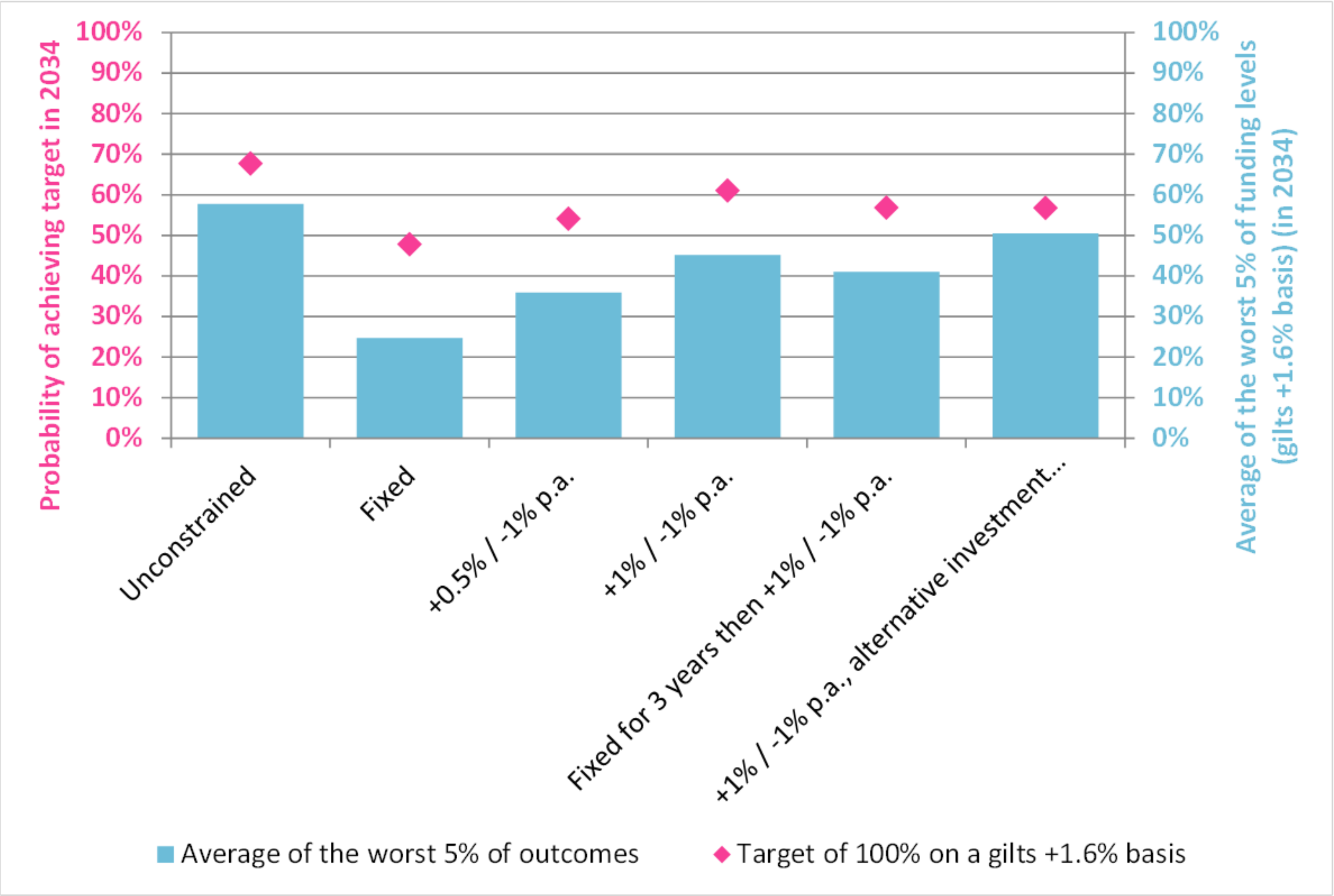
Scenarios tested

Scenario	Short term restriction			Long term stabilisation parameters	Contribution cap (% of pay)
	Whole Fund Rate	WCC Rate	until		
1 - Current	17.6%	16.0%	31/3/2014	Theoretical rate from 2014	No cap
2 - Frozen	17.6%	16.0%	31/3/2034	Contribution rates frozen at the current level	No cap
3	17.6%	16.0%	31/3/2014	+0.5% / -1% from April 2014	No cap
4	17.6%	16.0%	31/3/2014	+1% / -1% from April 2014	No cap
5	17.6%	16.0%	31/3/2017	Frozen rate until 31 March 2017 then +1% / -1%	No cap
6- Alternative Investment Strategy	17.6%	16.0%	31/3/2014	+1% / -1% from April 2014	No cap

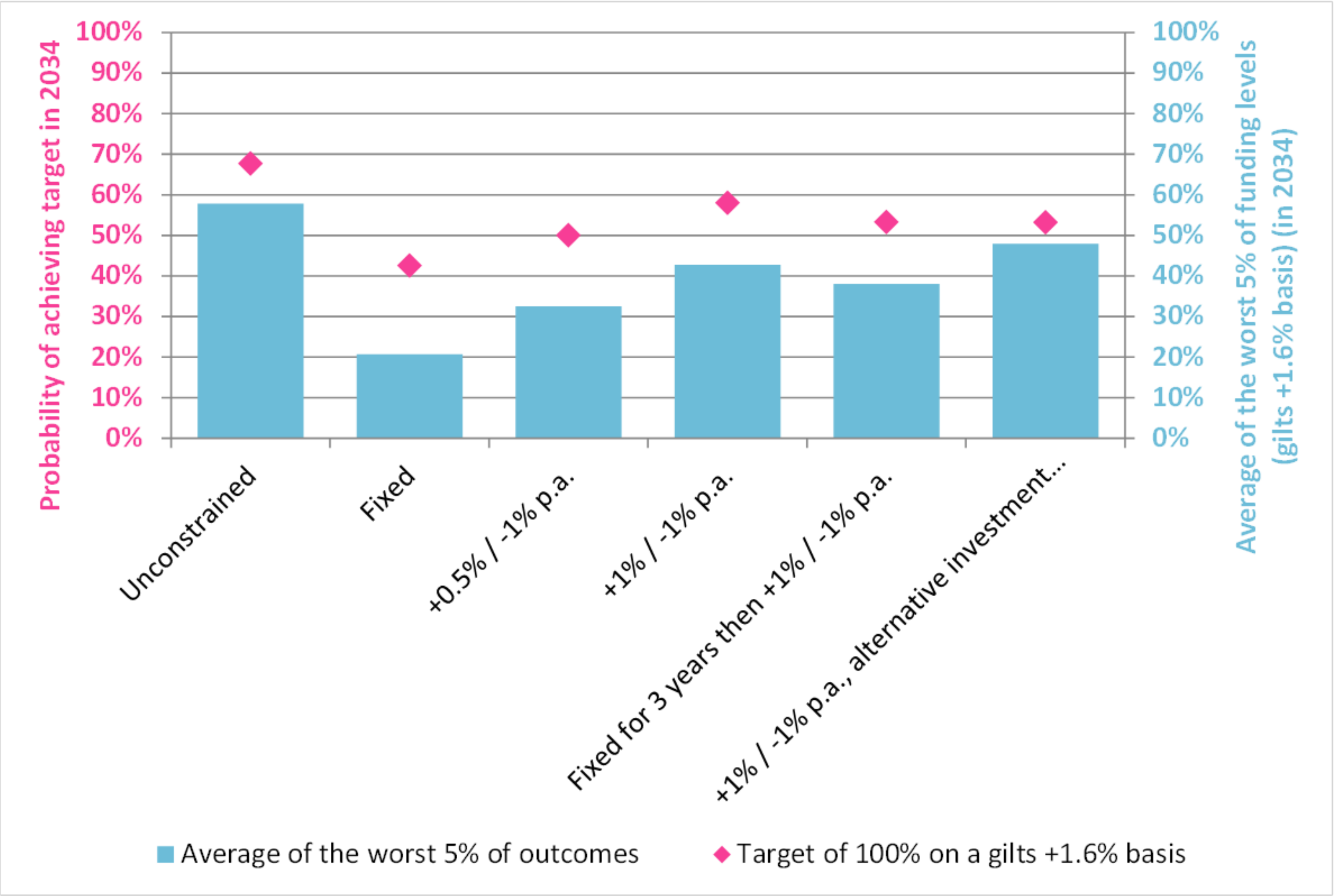
Notes:

- Current strategic benchmark investment strategy for Scenarios 1 to 5 (57% equities / 23% bonds / 10% property / 10% alternatives)
- Alternative Investment Strategy for Scenario 6 (45% equities / 43% bonds / 5% property / 7% alternatives)
- 19 year deficit recovery spread period assumed under all scenarios

Whole Fund
Prudence- Risk v Probability of Success in 2034

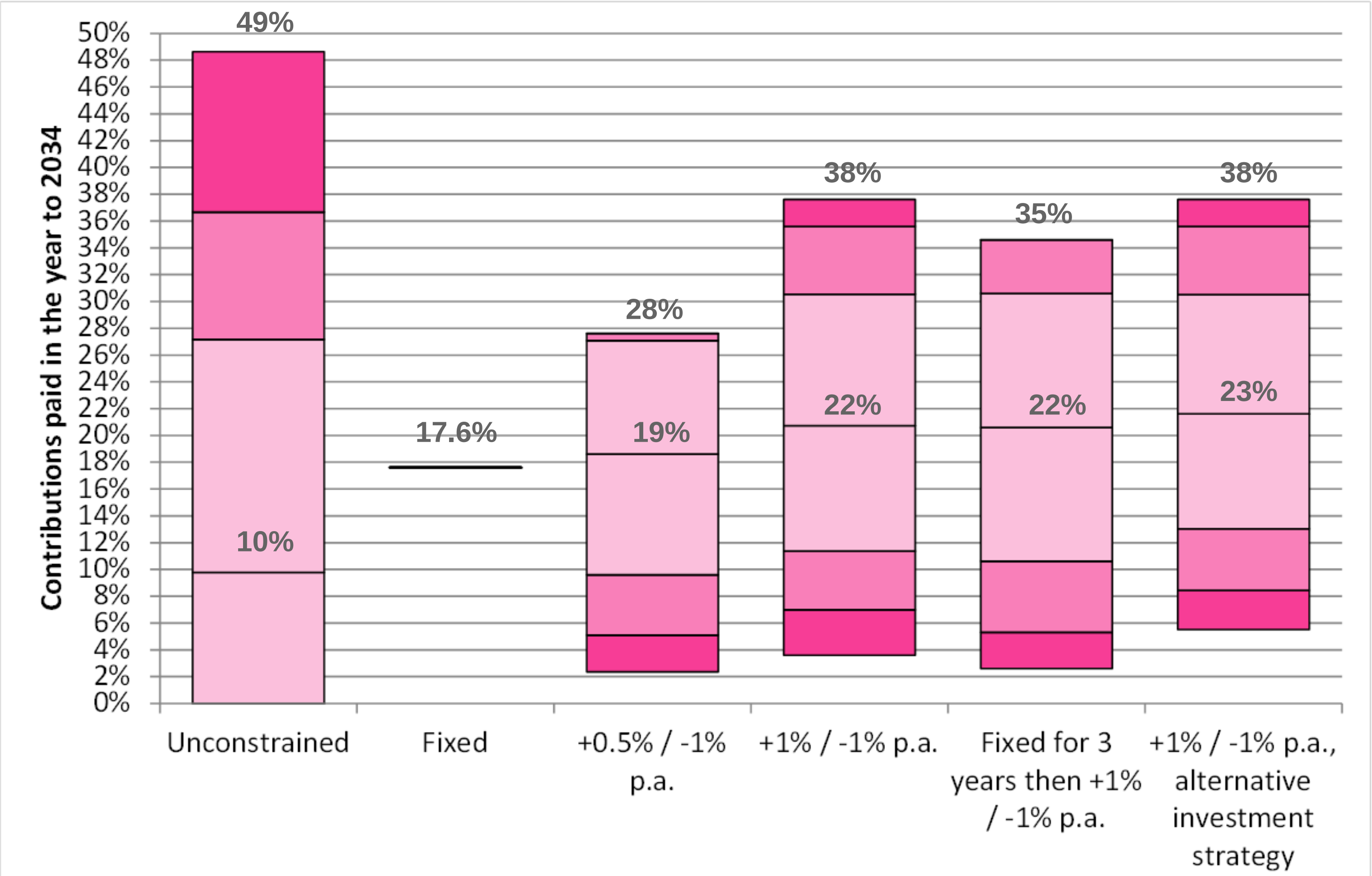


Warwickshire County Council
Prudence- Risk v Probability of Success in 2034



Whole Fund
Affordability summary – long term outlook

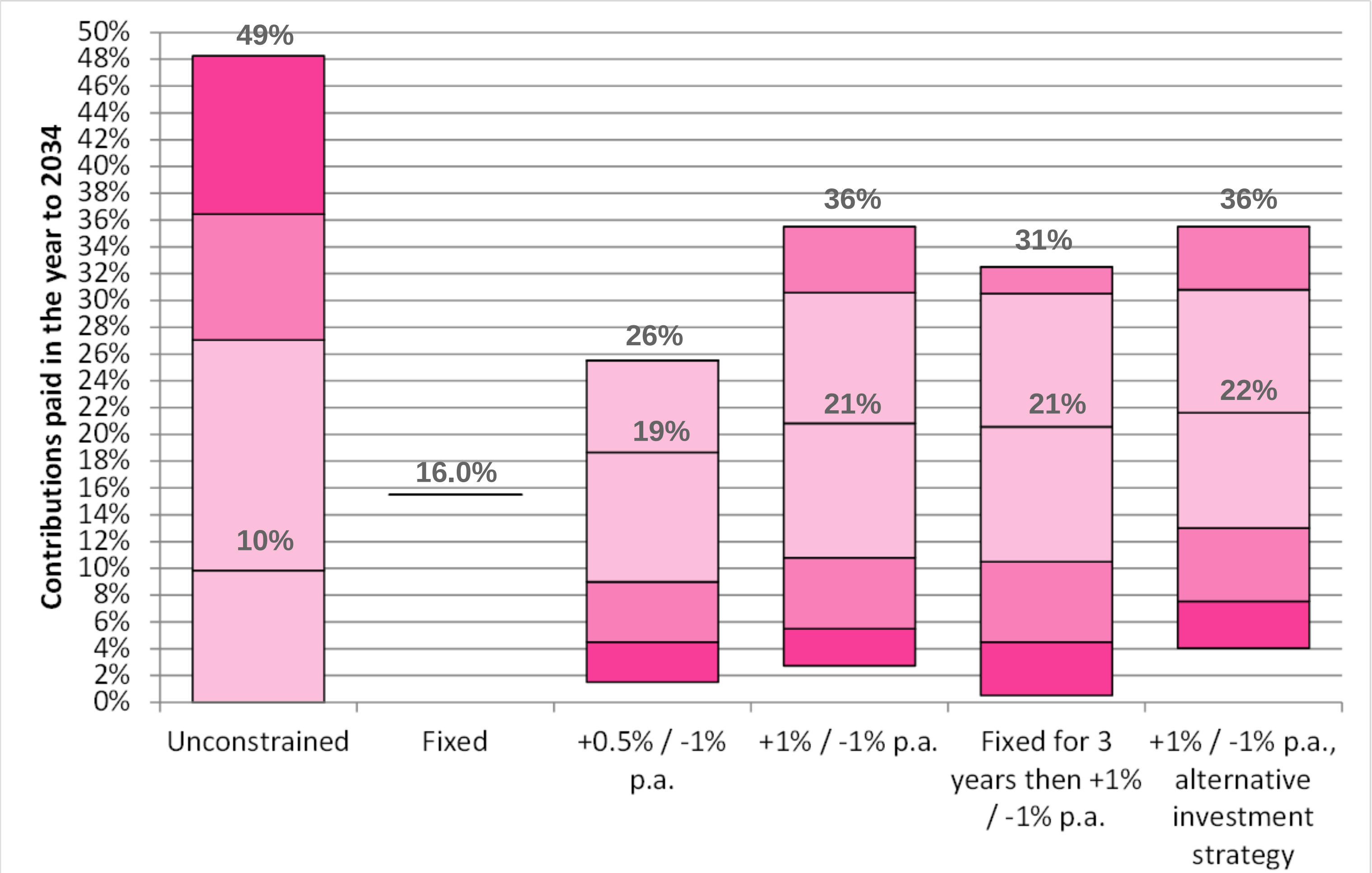
Contribution rates in 2034



*Median and maximum contribution rates shown including 0.6% allowance for expenses

Warwickshire County Council
Affordability summary – long term outlook

Contribution rates in 2034

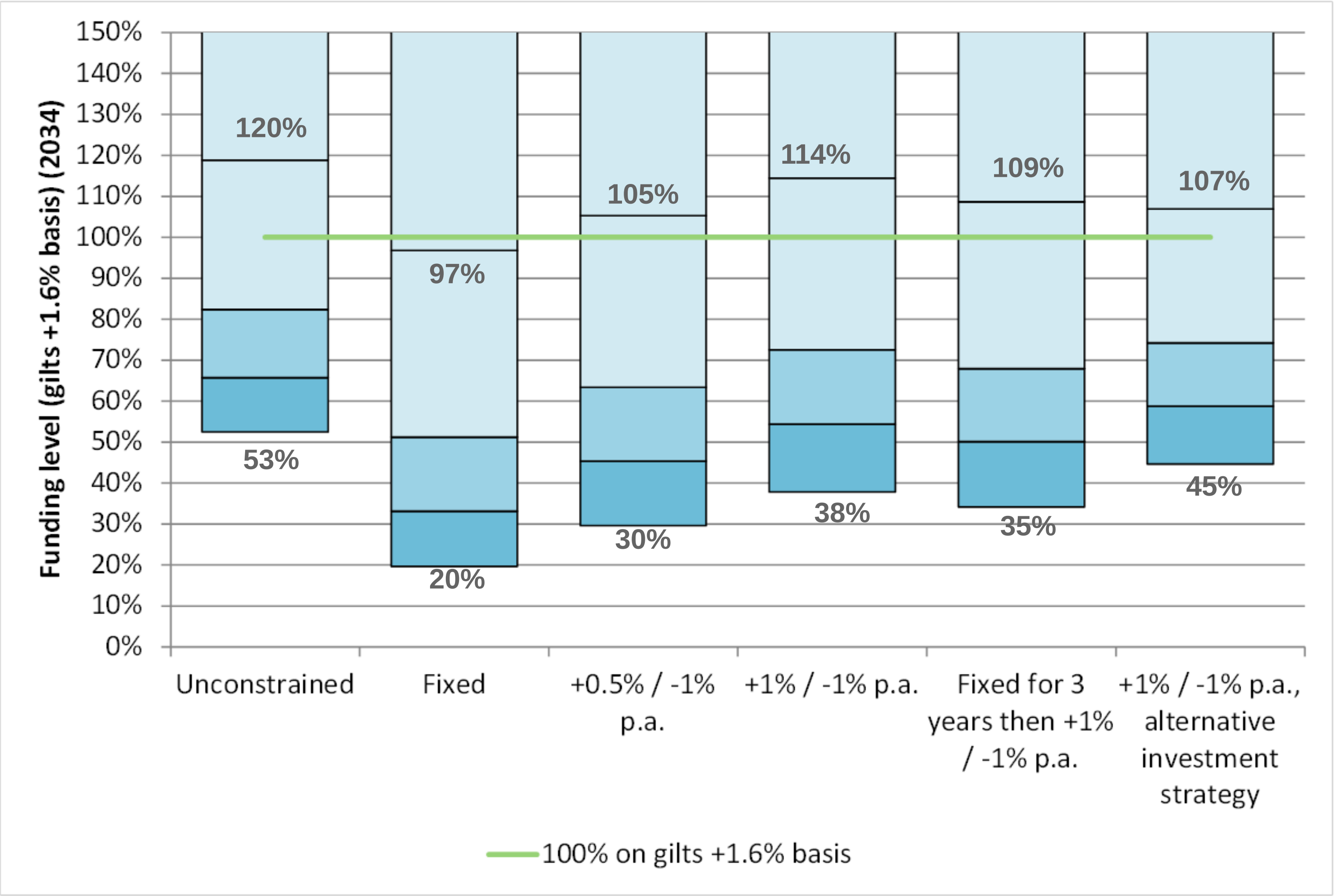


*Median and maximum contribution rates shown including 0.6 % allowance for expenses

Whole Fund
Stewardship summary – long term outlook

HYMANS ROBERTSON
The Spirit of Independence

Funding level in 2034



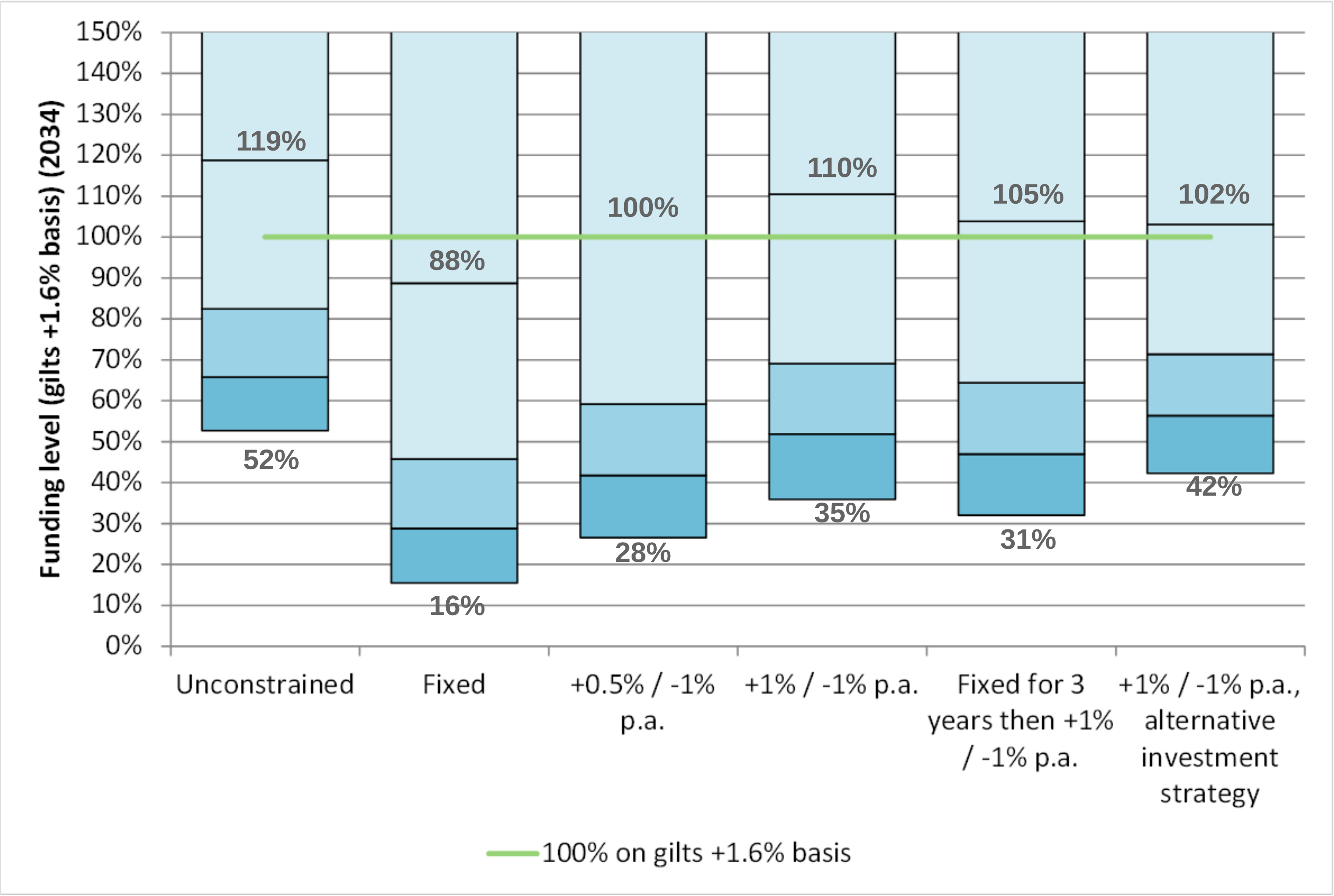
*Median and minimum funding levels shown

Warwickshire County Council

Stewardship summary – long term outlook

HYMANS ROBERTSON
The Spirit of Independence

Funding level in 2034



*Median and minimum funding levels shown

High level overview of charts

- Unconstrained contribution rates provide security for the Fund but are likely to be unaffordable by employers in the short term. However maintaining rates at their current levels is not prudent over the longer term. There will be upwards pressure on rates at the 2013 valuation and a balance needs to be struck between security for the Fund and contribution affordability.
- Scenarios 3, 4 and 5 covers possible contribution stability policies. Scenario 3 (+0.5%/-1% pa from April 2014) leaves little margin for future adverse experience. Scenarios 4 and 5 provide a larger margin and have less downside risk than scenario 3. Scenario 5, which is the same as Scenario 4 except that rates are frozen at their current level for 3 years, reduces the median long term funding level by 5%.
- Moving to a less risky investment strategy (Scenario 6) reduces the median funding level in the long term but lessens downside risk.
- In broad terms, the output for the Whole Fund is similar to that of WCC. The long terms funding levels and downside risks for the Whole Fund look slightly better than for WCC due to the Whole Fund having a higher starting contribution rate. The liability profiles of the two bodies are very similar.

HYMANS ROBERTSON
The Spirit of Independence

Next Steps for the Committee

- Based on recent market conditions, we believe that it would be safe in the long term for the Fund to adopt some form of contribution stabilisation rule for its major employers (including WCC).

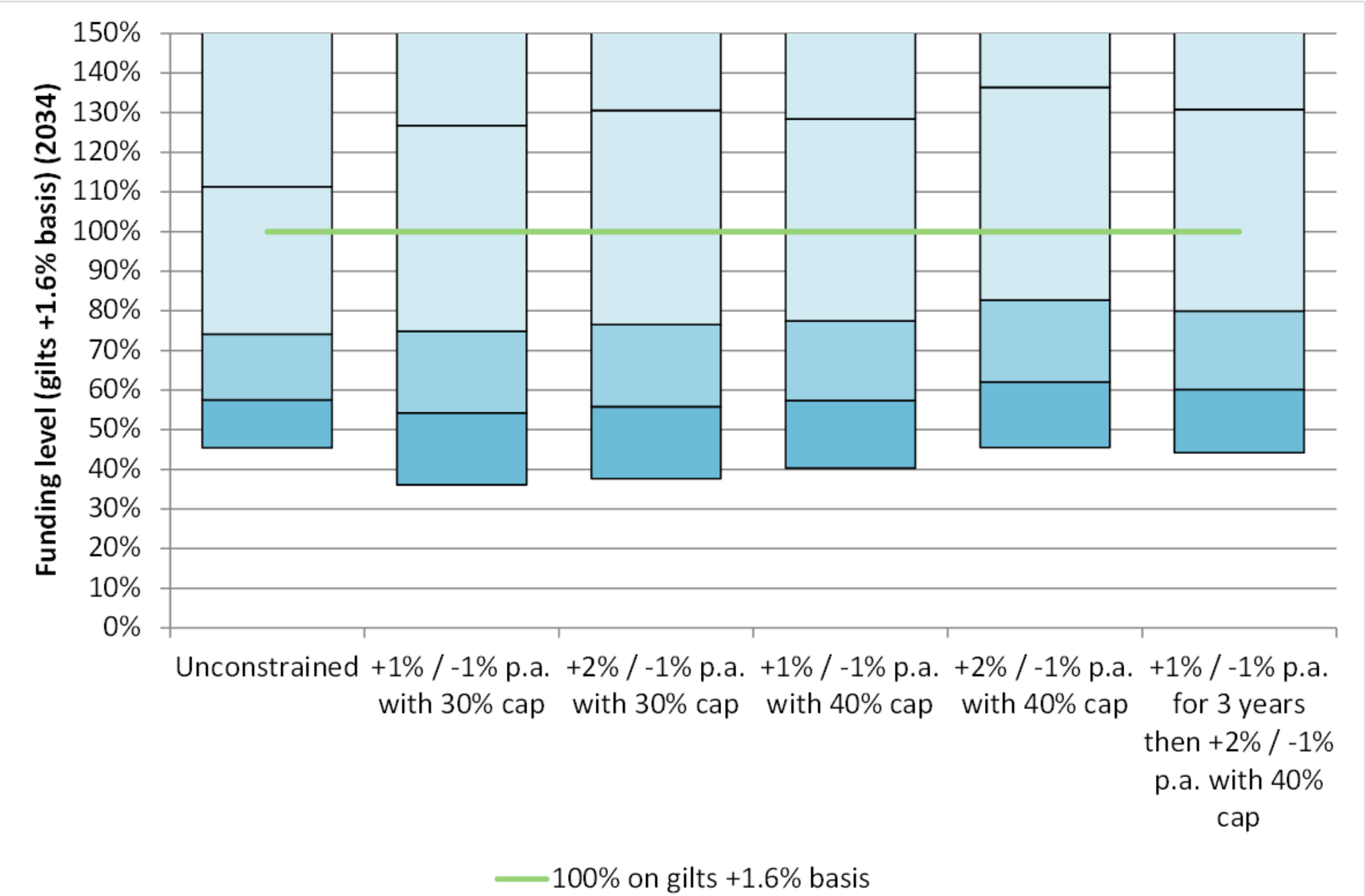
- If the Committee agrees with this approach then we would like to discuss further:
  - which particular stabilisation parameter may be the most appropriate; and
  - the length of any commitment to a stabilisation rule for contribution rates – we would suggest 6 years with 3 years' notice of changes to the stabilisation rule.

Reliances and limitations

- Technical Actuarial Standards (TASs) are issued by the Board for Actuarial Standards and they set the standard for certain items of actuarial work, in terms of the type of information provided and the way it is communicated. As your actuary, we must comply with these standards when presenting the results of the triennial valuation.
- The following Technical Actuarial Standards are applicable in relation to this report and have been complied with in a material and proportionate manner except where specifically stated:
  - TAS R – Reporting;
  - TAS D – Data;
  - TAS M – Modelling; and
  - Pensions TAS
- **Please refer to the full reports for the Whole Fund and Warwickshire County Council that were provided to the officers on 29 January 2013 for details of the method, assumptions and reliances and limitations relating to the comPASS modelling.**

Appendices

Sample County Council stewardship chart

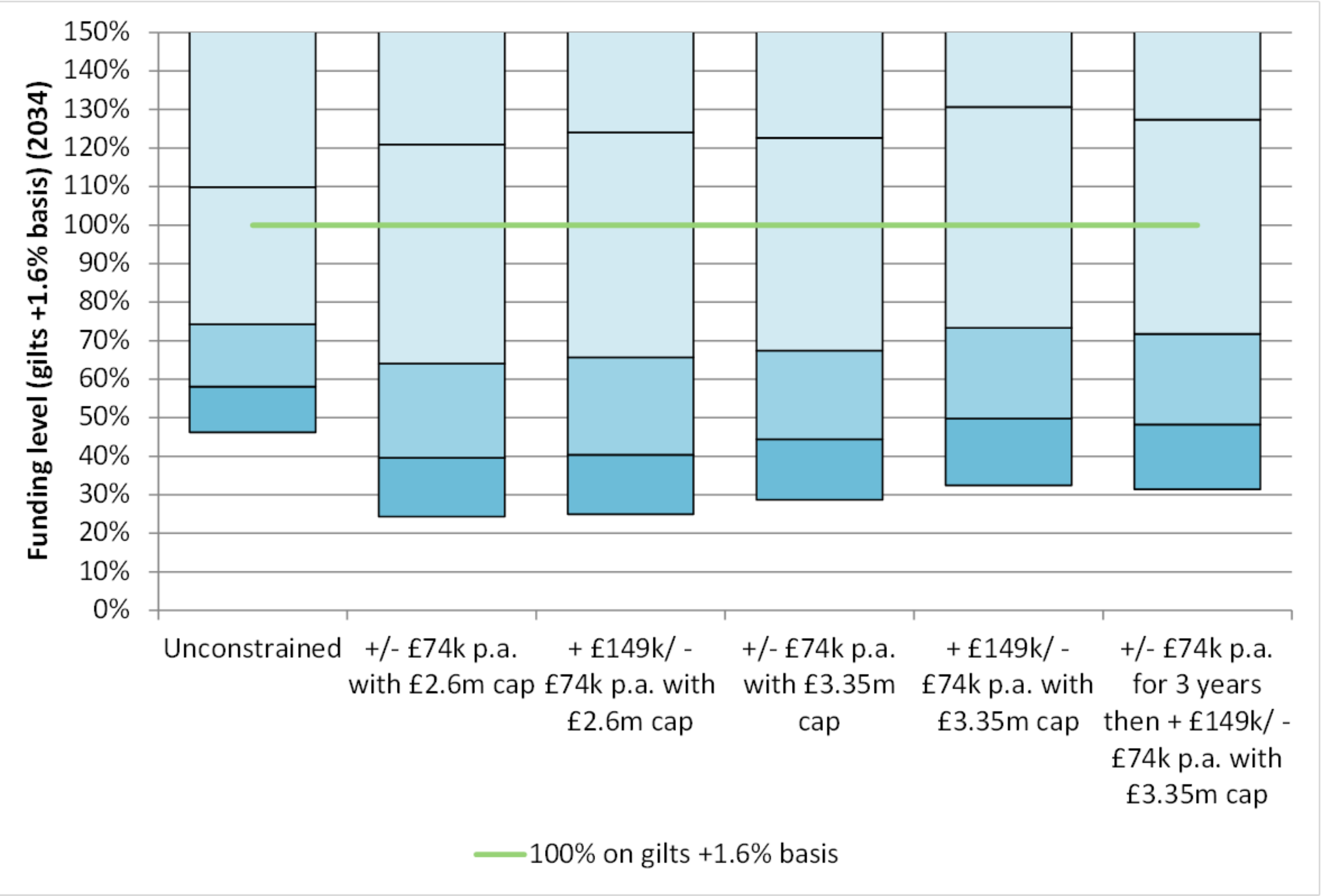


% of Liabilities

Active	39%
Deferred	16%
Pensioner	45%

* Source – sample LGPS fund

Sample mature employer stewardship chart



% of Liabilities

Active	27%
Deferred	15%
Pensioner	58%

Item 6

Pension Fund Investment Board

18 February 2013

Chancellor's Autumn Statement - Reduction to Lifetime Allowance and Annual Allowance

Recommendations

(1) This report is to keep members informed of the reduction to the Lifetime Allowance and Annual Allowance announced by the Chancellor in his Autumn statement.

1.0 Background

1.1 The Lifetime Allowance is the maximum amount of pension savings a person can build up over their working life that benefits from tax relief. If a persons pension savings are worth more than the lifetime allowance there will be a tax charge on the excess.

1.2 The Annual Allowance is the maximum amount of an individual can save towards their pension each year and receive tax relief. If the growth in pension exceeds the annual allowance there will be a tax charge on the excess.

2.0 The Chancellors Autumn Statement

2.1 The Chancellor gave his statement on 5 December 2012 which included details of a reduction to the lifetime allowance and annual allowance from the 2014/15 tax year.

2.2 The lifetime allowance is being reduced from £1.5m to £1.25m and the annual allowance from £50,000 to £40,000.

2.3 For those affected by the reduction to the lifetime allowance, further fixed protection (yet to be consulted on) will be available from April 2014.

3.0 Communications

3.1 Information concerning the above reductions are included in the latest edition of our newsletter.

3.2 Although the lifetime allowance and annual allowance may only affect the higher paid scheme members the reductions will impact on more senior and middle level managers. Therefore, although this is a personal tax issue for the individual, Treasury and Pensions has commissioned an article from

Hymans giving a more detailed explanation with graphs as to who may be affected. This will made available on our website.

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Pension Fund Investment Board

18 February 2013

Councillors' Pensions

Recommendations

(1) This report is to keep members informed of the government proposal to remove access to the Local Government Pension Scheme for Elected Members.

1.0 Background

1.1 In September 2001 the then government announced plans for councillors to have access to the Local Government Pension Scheme (LGPS). The proposals came into force in April 2003.

1.2 Subject to the approval of the local remuneration panel councillors could have access to the LGPS and from 20 May 2003, elected members for WCC were eligible to join the scheme.

2.0 Written Ministerial Statement

2.1 On 19 December 2012, the Parliamentary Under-Secretary of State for Communities and Local Government, Mr Brandon Lewis issued a written statement in respect of councillors' pensions.

2.2 The statement outlined that the current government do not agree with the provision of the LGPS for councillors. Brandon Lewis MP said "we do not believe that an occupational pension scheme intended for employees, and paid for by taxpayers, is an appropriate vehicle for councillors".

2.3 The statement goes on to outline that, subject to consultation, it is proposed to remove access to the LGPS for councillors from 1 April 2014 with no further accrual from this date and protection for accrued rights for those councillors who are already members of the scheme.

3.0 WCC Pension Fund

3.1 There are currently 65 councillors who are active members of the LGPS in the Warwickshire Pension Fund.

3.2 Membership is spread over the County Council and four of the District Councils, Stratford on Avon DC being the only authority not to approve membership for its' councillors.

3.3 In view of the ministerial statement consideration is being given to recommending to authorities in Warwickshire for the withdrawal of access to the scheme.

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Item 8

Pension Fund Investment Board

18 February 2013

Local Government Pension Scheme: Draft regulations on membership, contributions and benefits

Recommendations

(1) This report is to advise members that the draft regulations on membership, contributions and benefits for the Local Government Pension Scheme 2014 have been issued for consultation.

1.0 Background

1.1 Members will recall from my report of 30 July 2012, that Government were awaiting a favourable outcome to the main proposals LGPS 2014 from employers, funds and Unions.

1.2 Following a positive response from all parties, except the Fire Brigade Unions, the Department for Communities and Local Government takes the view that there is a clear mandate to take forward the proposed scheme design as the basis for this statutory consultation exercise.

1.3 In view of the favourable outcome to the informal consultation held by the Local Government Association and trades unions in the Summer and the target of introducing the core elements of the new Scheme in the Spring in time for the 2013 valuation exercise, Ministers have agreed to a consultation period of 7 weeks. Responses by 8 February 2013.

2.0 Core elements of LGPS 2014

2.1 The main parameters forming the basis of the statutory consultation are set out below:

- A start date of April 2014 with core elements of the new scheme regulations in place by Spring 2013.
- A pension scheme design based on career average and actual pay.
- An accrual rate of $1/49^{th}$ of pensionable earnings each year.
- Revaluation of active members' benefits in line with a price index (currently Consumer Prices Index – CPI)
- A Normal Pension Age (NPA) equal to State Pension Age (SPA), which applies both to active members and deferred members (new scheme

service only). If a member's SPA rises, then NPA will do so too for all post-2014 service.
- A low cost optional arrangement allowing 50% of main benefits to be accrued on a 50% contribution rate.
- Pensions in payment to increase in line with a price index (currently CPI)
- Benefits to increase in any period of deferment in line with a price index (currently CPI).
- Average member contribution yield of 6.5%, with tiered contributions
- Optional lump sum commutation at a rate of £12 of lump sum for every £1 per annum of pension foregone in accordance with HMRC limits and regulations.
- Early / late retirement factors from age 55 on an actuarially neutral basis.
- A vesting period of two years.
- Spouse and partner pensions to continue to be based on an accrual rate of 1/160th and three times (pay) death in service benefit.
- Ill-health retirement pensions to be based on the current ill-health retirement arrangements.

There will be transitional protection in respect of:

- All accrued rights are protected and those past benefits will be linked to final salary when members leave the scheme.
- Protection underpin for members age 57 to 59.
- Rule of 85 protection as in the current scheme.

3.0 Related Proposals

3.1 **Councillor's pensions;** the removal of access for councillors to the LGPS. DCLG will issue a separate consultation paper at the earliest opportunity as part of the planned consultation on the wider reform of the LGPS.

3.2 **Fair Deal;** discussions are taking place on the implementation of Fair Deal equivalent arrangements for the LGPS. As the Chief Secretary to the Treasury has stated, all staff whose employment is compulsorily transferred from the public service under TUPE, including subsequent transfers, to independent providers of public services will retain membership of their current employer's pension arrangements.

3.3 **Cost control;** following constructive and helpful discussions with the LGA and local government trades unions on proposals to manage future cost risks, a paper has been agreed as the basis for future discussions on the detail of the new arrangement. A second set of draft regulations will include provisions to take forward this arrangement. Comments will be invited at that stage.

3.4 **Governance;** Ministers are fully committed to establishing a National Advisory Board for the LGPS which, amongst other things, will allow employers, trades unions and other scheme interests to effectively manage the ongoing costs of the scheme design via the agreed **cost control** arrangement. Discussions about the precise role, composition and scope of the proposed Board are ongoing. It is the intention of DCLG to issue further details followed by a consultation on draft regulations, as soon as possible in the New Year.

4.0 Administration/Communication Issues

4.1 A copy of the consultation paper has been sent to all employers in the Fund for their attention.

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Item 9

Pension Fund Investment Board

18 February 2013

Automatic Enrolment

Recommendations

(1) This report is to keep members informed of the administration issues raised by the automatic enrolment of employees to the Local Government Pension Scheme.

1.0 Background

1.1 Government introduced legislation that all job holders aged between 22 and state pension age and earn above £8105 per year (this figure is reviewed annually) have access to a qualifying pension scheme and are automatically enrolled into the qualifying scheme. For job holders aged between 16 and 22, and state pension age and 75 with earnings above £5,564 per year may opt to join a qualifying pension scheme.

1.2 Members of the Board will recall that the majority of employees of scheduled bodies (e.g. WCC, academies etc) of the Pension Fund are already automatically brought into the LGPS whilst employees of designated bodies (e.g. Parish Councils) are designated for membership and employees of admission bodies (e.g. private contractors) are restricted for membership depending on the terms of the admission agreement.

1.3 Employees retain the right to opt out of the LGPS and the current experience for WCC is 76% retain membership of the pension scheme.

2.0 Staging Dates

2.1 Each employer will have a staging date from which employers must comply with the new duties.

2.2 Employers with at least 120,000 employees will have to comply from the earliest date of 1 October 2012. Employers with between 800 and 119,999 employees are required to comply by 1 October 2013 and employers with less than 800 employees will have a staging date before October 2017.

2.3 The Staging Date is determined with reference to the number of employees employed by the employer as at 31 March 2012. The Pension Regulator will write to all employers and notify them of their Staging Date.

2.4 Employers may apply to defer implementation of the Staging Date for existing employees for three years but if they choose to do this membership of the qualifying scheme must still be offered for new employees and for job holders who qualify for membership during the deferral period. The legislation also allows for postponement of the Staging Date by up to three months.

2.5 Treasury and Pensions understands that WCC has postponed the implementation of the Staging Date from March 2013 until 1 May 2013 for ease of administration over the end of the tax year.

2.6 Automatic Enrolment is applied to existing employees every three years. Therefore, WCC will enrol all job holders on 1 May 2013 and then repeat the exercise on 1 May 2016.

3.0 Support for employers

3.1 It is important to note that automatic enrolment is the sole responsibility of the employer and there is only so much support the administrator of a pension scheme can provide. For example, as the pension scheme administrator, Treasury and Pensions will not have access (and nor should it have) to an employers pay records for determining who is a job holder for automatic enrolment from an employer's Staging Date.

3.2 That said, however, Treasury and Pensions continues to provide as much support as possible for employers:

- A representative from The Pension Regulator spoke at the Administration Forum in January 2012.
- A representative from the Local Government Pensions Committee (part of the Local Government Association) will be presenting at this years' Forum meeting in February.
- A comprehensive guide produced by the LGPC for local government employers is available on the WCC Pension Fund's website.
- Relevant briefing notes and articles are forwarded to employers and made available on the Fund's website.
- Members of Treasury and Pensions are available to assist employers with the administration of the LGPS in general and automatic enrolment either over the 'phone or by way of personal visits.

4.0 Administration Issues

4.1 A requirement of automatic enrolment is that employers cannot provide the means for the job holder or new employee to opt out of the qualifying pension scheme. This is to stop any form of cohersion by the employer to prevent membership of the pension scheme.

4.2 To physically opt out of the LGPS the employee must obtain the relevant form from the pension scheme administrator. Treasury and Pensions has therefore, been reviewing our processes to ensure that the form is available online.

4.3 The online provision of the form has raised some data protection issues and Treasury and Pensions are investigating with ICT the provision of a secure portal to be available for employers.

4.4 Automatic enrolment requires that for an employee to receive a refund of contributions on opting out, the relevant form must be submitted to the employer within a month of deductions having been made. The LGPS regulations however, allow a further two months (three months in all). This will mean that Treasury and Pensions are likely to see an increase in the number of refunds made to employees opting out of the LGPS.

4.5 The administrator will also be required to keep details of employees who have opted out of the LGPS to satisfy the reporting requirements of The Pensions Regulator. This process has been implemented and details are being kept on our administration system.

4.6 It is difficult to anticipate at this stage the likely impact of automatic enrolment on membership of the LGPS. The pensions press is reporting a default opt in rate of 40% and if this experience is repeated with WCC there could be an extra 520 members of the LGPS in May 2013.

5.0 Communications

5.1 Treasury and Pensions continues to provide articles in our "Pensions Update" newsletter about automatic enrolment and how this may (or may not) affect non-scheme members and scheme members alike. Where there is an article about automatic enrolment, the newsletter is made available for all eligible employees.

5.2 A representative of Treasury and Pensions is assisting WCC with their communications exercise and these articles are shared with all employers for them to edit for their own use.

6.0 Future considerations

6.1 There continues to be a question about the eligibility of casual employees where there is no mutual obligation to offer work or for work to be accepted as to whether they are eligible for membership of the LGPS. If not, the employer may have to offer an alternative qualifying pension scheme.

6.2 There is a government backed scheme NEST (National Employment Savings Trust) which employers may wish to use. If an employer wishes to use NEST as an alternative scheme for employees who are not eligible for the LGPS they would need to contact them direct.

6.3 Treasury and Pensions will keep the Board updated on future developments.

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Item 9

Pension Fund Investment Board

18 February 2013

The Stewardship Code Statement

Recommendation
The board approve the proposal in 3.1

1 Introduction

1.1 Introduced in 2010, The UK Stewardship Code aims to enhance the quality of engagement between institutional investors and companies to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities. The Code set out good practice on engagement with investee companies to which the Financial Reporting Council (FRC) believes institutional investors should aspire and operates on a 'comply or explain' basis. The Financial Services Authority (FSA) requires UK authorised asset managers to report on whether or not they apply the Code.

2 The Stewardship Code Principles

Principle 1 – Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.

2.1 The fund has a long-standing commitment to responsible share ownership. Stewardship is an integral part of share ownership and therefore of the investment code, and requires the same commitment from fund managers. The practical application of the fund's policy is achieved through a combination of activities including, but not limited to: directly voting our shares, dialogue and liaison with fund managers on key issues and through our membership of the Local Authority Pension Fund Forum (LAPFF). In addition to this Stewardship Code Statement, the fund maintains a Statement of Investment Principles (SIP) which explains investment beliefs in more detail.

Principle 2 - Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.

2.2 The fund encourages fund managers to have effective policies addressing potential conflicts of interest. In respect of conflicts of interest within the fund, Investment Board members are required to make declarations of interest prior to each quarterly meeting.

Principle 3 - Institutional investors should monitor their investee companies.

2.3 Day-to-day responsibility for managing our equity holdings is delegated to our appointed fund managers. The fund expects them to monitor companies, intervene where necessary, and report back regularly on activity undertaken. In addition, the fund actively votes all its equity holdings directly and liaises with the fund managers as necessary.

Principle 4 - Institutional investors should establish clear guidelines on when and how they will escalate their stewardship activities.

2.4 Responsibility for day-to-day interaction with companies is delegated to the fund's fund managers, including the escalation of engagement when necessary. We expect fund managers to disclose their policies and procedures for escalation in their own Stewardship Code statements

Principle 5 - Institutional investors should be willing to act collectively with other investors where appropriate.

2.5 The fund seeks to work collaboratively with like-minded institutional shareholders in order to maximise the influence that it can have on individual companies. This is achieved in a variety of ways including through our membership of the LAPFF and ad-hoc initiatives proposed by our fund managers or other advisors.

Principle 6 - Institutional investors should have a clear policy on voting and disclosure of voting activity.

2.6 The fund directly exercises all votes attached to its global equity holdings. The voting policy is a custom policy based on global and local market best practice principles. All voting decisions are made by Fund officers using a variety of inputs including, but not limited to, specialist proxy research. The policy is reviewed at least annually in order to take account of regulatory developments.

Principle 7 - Institutional investors should report periodically on their stewardship and voting activities.

2.7 The fund reports annually on stewardship activity undertaken during the year in the report and accounts and a presentation is given to members who have the opportunity to ask questions about the fund's stewardship activities.

3 Proposals

3.1 The board approve the above principles and sign the Stewardship Code.

Report Author: Mathew Dawson, Acting Group Manager (Treasury and Pensions)

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Strategic Director: David Carter, Strategic Director, Resources Group

Chair: Chris Davis

Item 11

Pension Fund Investment Board

18 February 2013

Academies

Recommendations

(1) This report is to keep members informed of the number of maintained schools converting to academy.

1.0 Background

1.1 The Academies Act 2010 enabled schools to apply for academy status to become independent from local authority control and funding. Academies are charitable trusts, set up as companies limited by guarantee and defined by a contractual relationship with the Secretary of State for Education through a funding agreement.

1.2 The funding for academies is made direct from central government and the ceding authority loses a comparable level of funding.

2.0 Current Position Statement

2.1 Appendix A, attached, is the current position document issued by Law and Governance and shows the current state of play of maintained schools converting to academy status.

2.2 In summary, 29 maintained schools and one free school have been admitted to the pension fund as academies. There are a further eight conversions scheduled for April and one proposed for September 2013. There are a further five schools yet to confirm a conversion date.

2.3 There are currently in excess of 1200 active LGPS members employed by academies.

2.4 The Treasury and Pensions Group continue to receive enquiries from maintained schools wanting further information on pension funding requirements should they convert to academy status.

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Appendix A

Current Position Statement on Status of Warwickshire Schools – 10th December 2012

1. Secondary Schools

	School	Type	Sponsor / Partner	Consulting	Application submitted to DfE	Academy Order Issued	Proposed Date of Conversion (if known)	Actual Date of Conversion
1.	The Nuneaton Academy	Academy	Part of Midland Academies Trust	✓	✓	✓		Opened 1st September 2010
2.	Polesworth School	Academy		✓	✓	✓		Opened 1st February 2011
3.	Alcester Grammar School	Academy		✓	✓	✓		Opened 1st April 2011
4.	Ashlawn School	Academy		✓	✓	✓		Opened 1st April 2011
5.	Rugby High School	Academy		✓	✓	✓		Opened 1st April 2011
6.	Studley High School	Academy		✓	✓	✓		Opened 1st June 2011
7.	Myton School	Academy		✓	✓	✓		Opened 1st July 2011
8.	Alcester High School	Academy	Caludon Castle School, Coventry	✓	✓	✓		Opened 1st August 2011
9.	Henley High School	Academy	Alcester Grammar School	✓	✓	✓		Opened 1st August 2011
10.	Stratford Girls' Grammar School	Academy		✓	✓	✓		Opened 1st August 2011

	School	Type	Sponsor / Partner	Consulting	Application submitted to DfE	Academy Order Issued	Proposed Date of Conversion (if known)	Actual Date of Conversion
11.	Stratford High School	Academy		✓	✓	✓		Opened 1st August 2011
12.	The Coleshill School	Academy		✓	✓	✓		Opened 1st August 2011
13.	King Edward VI School	Academy		✓	✓	✓		Opened 17th August 2011
14.	George Eliot School	Academy	Part of Midland Academies Trust	✓	✓	✓		Opened 1st September 2011
15.	Bilton School	Academy		✓	✓	✓		Opened 1st December 2011
16.	Campion School	Academy		✓	✓	✓		Opened 1st January 2012
17.	Aylesford School	Academy		✓	✓	✓		Opened 1st January 2012
18.	Etone College	Academy		✓	✓	✓		Opened 1st January 2012
19.	Ash Green School	Academy	Creative Education Trust	✓	✓	✓		Opened 1st January 2012
20.	Higham Lane School	Academy		✓	✓	✓		Opened 1st January 2012
21.	Hartshill School	Academy	Part of Midland Academies Trust	✓	✓	✓		Opened 1st September 2012

	School	Type	Sponsor / Partner	Consulting	Application submitted to DfE	Academy Order Issued	Proposed Date of Conversion (if known)	Actual Date of Conversion
22.	Shipston High School	Academy		✓	✓	✓		Opened 1st September 2012
23.	Southam College	Community		✓	✓	✓	1st April 2013	

2. Primary Schools

	School	Type	Sponsor / Partner	Consulting	Application submitted to DfE	Academy Order Issued	Proposed Date of Conversion (if known)	Actual Date of Conversion
1.	Henry Hinde Infant School	Academy		✓	✓	✓		Opened 1st April 2012
2.	Race Leys Junior School	Academy	The Griffin Trust		✓	✓		Opened 1st September 2012
3.	Birchwood Primary School	Academy	The Polesworth Academy / Dordon Primary School	✓	✓	✓		Opened 1st November 2012
4.	Dordon Primary School	Academy	The Polesworth Academy / Birchwood Primary School	✓	✓	✓		Opened 1st November 2012

	School	Type	Sponsor / Partner	Consulting	Application submitted to DfE	Academy Order Issued	Proposed Date of Conversion (if known)	Actual Date of Conversion
5.	Newbold Riverside Primary School	Academy	REAch2		✓	✓		Opened 1st November 2012
6.	Oakfield Primary School	Academy	REAch2		✓	✓		Opened 1st November 2012
7.	Tanworth-in-Arden C of E Primary School	Academy		✓	✓	✓		Opened 1st November 2012
8.	St. Nicholas C of E Primary School, Alcester	Voluntary Controlled		✓	✓	✓	1st April 2013	
9.	Austrey C of E Primary School	Voluntary Controlled	Birmingham CE Diocese		✓	✓	1st April 2013	
10.	Newton Regis C of E Primary School	Voluntary Controlled	Birmingham CE Diocese		✓	✓	1st April 2013	
11.	Warton Nethersole C of E Primary School	Voluntary Controlled	Birmingham CE Diocese		✓	✓	1st April 2013	
12.	Woodside C of E Primary School	Voluntary Controlled	Birmingham CE Diocese		✓	✓	1st April 2013	
13.	Acorns Primary School	Community	(Part of Stour Federation)	✓	✓	✓	13th April 2013	
14.	Shipston Primary School	Foundation	(Part of Stour Federation)	✓	✓	✓	13th April 2013	
15.	Cawston Grange Primary School	Community		✓	✓		Tbc	
16.	Henley-in-Arden C of E Primary School	Voluntary Aided			✓	✓	Tbc	
17.	The Nethersole C of E Primary School	Voluntary Controlled	Birmingham CE Diocese	✓	✓	✓	Tbc	

	School	Type	Sponsor / Partner	Consulting	Application submitted to DfE	Academy Order Issued	Proposed Date of Conversion (if known)	Actual Date of Conversion
18.	St. Nicolas C of E Primary School, Nuneaton	Voluntary Aided			✓	✓	Tbc	
19.	St. Andrew's Benn C of E Primary School	Voluntary Aided			✓		Tbc	

3. Special Schools

	School	Type	Sponsor / Partner	Consulting	Application submitted to DfE	Converted	Proposed Date of Conversion (if known)	Actual Date of Conversion
1.	Oak Wood Primary and Secondary School	Special		✓			Tbc	

4. Free Schools

	School	Type	Sponsor / Partner	Consulting	Application submitted to DfE	Converted	Proposed Date of Conversion (if known)	Actual Date of Conversion
1.	The Priors School	Free School		✓	✓	✓		Opened September 2011

Item 12

Pension Fund Investment Board

18 February 2013

Police and Crime Commissioners: Police Civilian Staff Pension Arrangements

Recommendations

(1) This report is to keep members informed of the pension arrangements for civilian staff as a consequence of the creation of the Police and Crime Commissioners.

1.0 Background

1.1 The Police Reform and Social Responsibility Act 2011 contained provisions to abolish police authorities and replace them with directly elected Police and Crime Commissioners for each police force.

2.0 Police Civilian Staff Pension Arrangements

2.1 In November 2012, the Department for Communities and Local Government issued guidance from the Home Office regarding the pension implications arising from the transition from Police Authorities to Police and Crime Commissioners (PCC) and Chief Constables.

2.2 The Home Office letter outlines the 2 stages involved in achieving full implementation of this new model. At stage 1 from 22 November 2012:

- PCC and Chief Constables become participating employers in the LGPS.
- Police and Crime *Commissioner* to be eligible for membership of the LGPS.
- All civilian staff of the police authority continue as employees of the PCC.
- All pension liabilities (including those for deferred and pensioner members) will become the responsibility of the PCC.

2.3 Stage 2 will involve local negotiations between the PCC and the Chief Constable with a possible transfer of staff eligible for membership of the LGPS. At this point it is possible that there will be two distinct employers.

2.4 Treasury and Pensions understands that Stage 2 is to be completed before April 2014.

2.5 There are currently 642 active members of the PCC.

3.0 Actuarial Considerations

3.1 Treasury and Pensions has received advice from Hymans concerning the impact of these arrangements. It is not anticipated that there will be any funding implications created by Stage 1 of these arrangements.

3.2 Stage 2 of the arrangements may be significant as it will involve the shifting of some members from the PCC to the Chief Constable.

3.3 It is not anticipated any problems for the Fund providing the following points are dealt with by the PCC and the Chief Constable leading up to the transfer:

- Both bodies will need advice on the allocation of deferred and pensioner PCC members, and appreciation of the funding implications of any given allocation;
- The intention is that contributions to the Fund will be pooled across the two bodies, so that the Fund will in essence treat the two bodies as a single entity for funding purposes. However, the split of contributions payable by the PCC & CC will depend on the relative ratios of active to non-active members, the allocation of assets, and whether contributions are expressed as percentage of pay or with some monetary element too;
- If this arrangement is ever unwound by future Government direction or legislation, this may cause cessation debt calculation issues for one or both bodies;
- There will be IAS19 accounting issues, which should be resolved by the formal allocation of deferreds, pensioners and assets (or an agreement between the two bodies on how these are notionally treated for accounting purposes).

4.0 Future Considerations

4.1 Treasury and Pensions will keep the Board appraised of any future developments.

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Item 13

Pension Fund Investment Board

18 February 2013

Community Meals

Recommendations

(1) Consideration is to be given whether an admission agreement should be entered into if an application is made by the contractor.

1.0 Background

1.1 Treasury and Pensions has been approached by WCC, People Group regarding the TUPE of the Community Meals contract (Meals on Wheels).

2.0 Community Meals

2.1 Nottinghamshire County Council has been providing the service since April 2010 but this will cease until 31 March 2013.

2.2 Prior to Nottinghamshire the service was provided by Women's Royal Voluntary Service staffed by volunteers.

2.3 Since April 2010, staff have been treated as employees of Nottinghamshire County Council and fourteen employees are currently members of the LGPS with the Nottinghamshire Pension Fund.

2.4 Treasury and Pensions understands that the contract is for 2 years 10 months.

3.0 Pensionable status of current employees on transfer

3.1 Treasury and Pensions has taken legal advice as to the pensionable status of the employees on the cessation of the current contract and whether their pension rights should be protected on transfer.

3.2 Briefly, the legal view is that because the employees were not originally employed by WCC when the contract was first transferred they are not protected and do not have an automatic right to membership of the LGPS by way of an admission agreement with the subsequent contractor

3.3. However, the contractor may wish to make an application for membership of the WCC Pension Fund and the Board will need to consider whether they will agree to an application.

3.4 The current acceptance criteria for an admission agreement is:

- That the body has ten or more potential scheme members;
- That the body receives direct funding from Warwickshire County Council or another local authority within Warwickshire;
- That the body is guaranteed by a sponsoring local authority or directorate (in the case of WCC) who will underwrite any pension fund liabilities should the body foreclose.

3.5 Treasury and Pensions has contacted Hymans for a contribution rate for the employer and for the level of Bond needed to safeguard the Fund and sponsoring employer in case of premature closure of the employer before the contract is fulfilled.

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