Pension Fund Investment Board

8 April 2013

Agenda

The Pension Fund Investment Board will meet at **Shire Hall, Warwick** on **8 April 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. Pension Fund Income

3. UK Rating Downgrade

4. Pension Fund Business Plan 2013/14

5. Revision to the Statement of Investment Principles

6. Introducing Infrastructure

7. Amendment to LGPS Administering Authority Policy

8. Admission: Complex Needs Service

9. Admission: Special Schools Catering Contract

10. 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, Robin Hazelton, and Brian Moss

For general enquiries please contact Dave Abbott:
Tel: 01926 412323
Email: daveabbott@warwickshire.gov.uk

Minutes of the Pension Fund Investment Board held on 18 February 2013

Present:
Members of the Board
Councillors John Appleton, Chris Davis (Chair), Jim Foster, Robin Hazelton, and Brian Moss

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
Christie Gough, Senior Accountancy Assistant
Andrew Lovegrove, Head of Corporate Financial Services

Invitees
Peter Jones, Independent Advisor
Paul Potter, Advisor, Hymans Robertson
Richard Warden, Advisor, Hymans Robertson
Simon Brazier, Head of UK Equities, Threadneedle Investments
Moira Gorman, Client Director, Threadneedle Investments

1. General

(1) Apologies
None.

(2) Disclosures
Councillors Robin Hazelton, Chris Davis, and John Appleton declared non-pecuniary interests as members of the Local Government Pension Scheme.

(3) Minutes of the previous meeting

Accuracy

The advisor from Hymans Robertson was Alison Galbraith not Allison Murray.

With the correction above the minutes were agreed as a true record and were signed by the Chair.

Matters Arising

Page 1 of 4 - Investment Performance
Hymans Robertson had investigated the issue but were still not satisfied that the benchmarking figures from BNYM were correct.

The Board agreed to communicate with BNYM to express their disappointment with the accuracy of this information. It was important that the issue was resolved swiftly because the figures affect performance assessments.

2. Investment Performance

Mathew Dawson, Acting Treasury and Pensions Group Manager, presented the report and informed members that performance had been positive over the previous quarter. Although not included in the report, the performance figures for January 2013 showed even better performance.

Paul Potter, Hymans Robertson Advisor, informed the Board that in Figure 3.3, the Threadneedle property benchmark figure of 4.10 was incorrect – the actual figure was around 1.3.

Councillor Brian Moss asked what the funding level of the total fund was. Officers responded that it was around 75% funded.

Peter Jones, Independent Advisor, asked what the outcome of decisions about automatic rebalancing had been.
Paul Potter responded that actuaries were currently drafting the documentation to restart automatic rebalancing of the fund.

Resolved
That the Pension Fund Investment Board note the fund value and investment performance for the third quarter in 2012/13 to 31 December 2012.

(Councillor John Appleton entered the room)

3. Absolute Return Managers – Transition Outcome

Mathew Dawson, Acting Treasury and Pensions Group Manager, presented the report and informed members that, following the previous decision of the Board to transfer assets from two existing passive managers to two newly appointed managers, Officers and Advisors had postponed the investment from December until January. This strategy ensured a smooth transition at minimal cost to the fund.

Officers noted that the transfer illustrated the value of BlackRock, the appointed transition manager. The spread costs incurred were just 0.25%, or £331,170 on investments of £120m.

Resolved
That the Pension Fund Investment Board approve the current position.

4. Revision to Active UK Equity Mandate

Moira Gorman, Client Director at Threadneedle Investments and Simon Brazier, Head of UK Equities at Threadneedle Investments gave a presentation to the Board.

Simon Brazier addressed the Board and made the following points:

- Threadneedle have delivered more than the outperformance target and hope to continue this over a 3 year period.
- Threadneedle believe that markets are inefficient and there was significant opportunity to add value above the benchmark.
- Detailed valuations were at the heart of their investment process.
- Threadneedle construct diversified portfolios that were able to deliver consistent risk adjusted returns.

Portfolio Strategy

Simon Brazier informed members that he believed the portfolio was constrained by the current strategy. He requested that the current restrictions on stock and sector weightings were amended to allow Threadneedle more flexibility to manage the fund. The proposal would allow Threadneedle to deliver better performance.

Paul Potter informed members that most of the portfolios Threadneedle managed had the same proposal in place and agreed that it was an appropriate approach for the fund. Peter Jones also approved of the proposal and noted that it brought Threadneedle in line with changes made to the MFS strategy around one year ago.

Resolved
That the Pension Fund Investment Board approves the proposal set out in 3.1 and 3.2 of the report.

5. ComPASS Modelling Whole Fund and County Council

Richard Warden, Hymans Robertson Advisor, presented the report and made the following points:

- The modelling in the report allowed a longer term view of different funding strategies and risk profiles.
- The modelling only applies to the larger, long-term, secure employers in the fund (e.g. the Police).
- The scenarios in the report show the probability of various funding strategies succeeding, allowing Officers and Advisors to use the models to feed into the strategic choices that the fund makes.

From the modelling presented in the report, Scenarios 4 and 5 (Page 6) were considered the most prudent options. Hymans Robertson recommended Scenario 4 as the most appropriate option and asked members for their thoughts.

Councillors supported Scenarios 4 or 5 in principle but requested that the final decision waited until the valuation.

Resolved
That the Pension Fund Investment Board note the report.

6. Chancellor’s Autumn Statement – Reduction to Lifetime Allowance and Annual Allowance

Neil Buxton, Pensions Services Manager, presented the report and informed members that the Autumn Statement included reductions in the lifetime and annual pensions allowance effective from April 2014. In principle this was a personal tax issue for individuals, but Officers had identified around 50 - 60 individuals in the fund that could breach that limit. Communications will be posted to ensure LGPS members are aware of the issue.

7. Councillors’ Pensions

Neil Buxton, Pensions Services Manager, presented the report and made the following points:

- It was proposed that Councillors’ access to the LGPS was removed from 1 April 2014.
- Councillors currently in receipt of their pension would not be affected.
- Only around 65 members were contributing to the pension scheme.
- The proposal was going to consultation shortly and may change depending on the strength of the responses.
- Councillors would be contacted for their views when the consultation comes out.

Some Councillors believed that the proposal would not save very much money and would make recruitment of Councillor more difficult.

Councillor Jim Foster supported the proposals to remove Councillors from the LGPS.

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

Neil Buxton, Pensions Services Manager, presented the report and updated the Board on the final regulations that had gone out to consultation. The information on cost control was still outstanding.

A copy of the consultation paper had been sent to all employers in the Fund.

9. Automatic Enrolment

Neil Buxton, Pensions Services Manager, presented the report and informed members that the measure could add a significant number of employees to the fund although there was no indication of how many at this stage. The number partly depended on the earnings limit with respect to casual staff (whose earnings are different month to month).

Officers agreed to update members on future developments.

10. The Stewardship Code Statement

Mathew Dawson, Acting Treasury and Pensions Group Manager, presented the report and informed the Board that the report was an update to the Stewardship Code proposals already approved by members. The service fulfilled all of the principles required except for Global Voting, in which the fund would be compliant shortly. The revised statement of investment principles due before the Board on the 8th of April 2013 would include the Stewardship Code principles.

Resolved
That the Pension Fund Investment Board approve the principles and sign the Stewardship Code.

11. Academies

Neil Buxton, Pensions Services Manager, presented the report and informed members of the current position statement on the status of Academy schools in Warwickshire.

12. Police and Crime Commissioners: Police Civilian Staff Pension Arrangements

Neil Buxton, Pensions Services Manager, presented the report and informed members of the pension arrangements for civilian staff as a consequence of the creation of the Police and Crime Commissioners. The arrangements could affect around 600 civilian staff and Officers agreed to keep the Board informed of future developments.

13. Community Meals

Neil Buxton, Pensions Services Manager, presented the report and informed members that the Treasury and Pensions was approached by the People Group regarding the TUPE of the Community Meals contract. Nottingham

County Council had been providing the service since April 2010 but this would cease on 31 March 2013.

Legal officers took the view that because the employees were not originally employed by WCC when the contract was first transferred they are not have an automatic right to membership of the LGPS.

John Galbraith, Senior Solicitor, advised members that the group had not officially approached the Local Authority yet and members agreed to defer the decision until that happened.

14. Any other business

Andrew Lovegrove, Head of Corporate Financial Services, informed the Board that Grant Thornton had been appointed as the new auditor following the decommissioning of the Audit Commission. As a result of this new arrangement the audit fee had been reduced by40%. The Pension Fund was due to be audited in July 2013.

The Board rose at 13:10pm

…………………………………………
Chair

Item 2

Pension Fund Investment Board
8 April 2013

Pension Fund Income

1.0 Introduction

1.1 At the meeting of 12 November 2012 the board approved the proposal to draw income from mandates held by Legal and General and Threadneedle (UK Equity). This decision was taken to plan ahead for future periods of cash flow negativity as a more sustainable alternative to selling passive units in order to cover benefit payments in the short term.

2.0 Fund Managers

Legal and General

2.1 As from March 2013 the fund now receives a sum of income into the funds custodian account as a cash sum. This is an automated process that will run until the fund manager is instructed differently. The first sum was received on 5 March 2013 for £475K.

Threadneedle

2.2 The revised arrangement for drawing down dividend income is now in place with the active UK equity mandate. However this process will not be automated as in 2.1. Officers will be notified on receipt of dividends and given the option to take the income as cash into the custodian account if needed.

3 Income Received from April to December 2012

3.1 Table 1 summarises the actual amount of income received in the financial year to 31 December 2012, this income would have been reinvested by the managers.

Table 1: Manager Income Q1, Q2, and Q3 2012/13

Manager	Income Received (£m)
Threadneedle	**5.3**
MFS	**3.4**
Schroders	**2.1**
Total	**10.8**

3.2 Income will not be generated at an even rate throughout the year.

Report Author	Mathew Dawson	mathewdawson@warwickshire.gov.uk

Head of Service	John Betts	johnbetts@warwickshire.gov.uk
Strategic Director	David Carter	davidcarter@warwickshire.gov.uk
Portfolio Holder	Cllr David Wright	cllrwright@warwickshire.gov.uk

Item 3

Pension Fund Investment Board
8 April 2013

UK Credit Rating Downgrade

Recommendation

Despite the downgrading it is recommended that no amendments are made to the asset allocation at this time.

1.0 Introduction

1.1 Rating agency Moody's downgraded the UK's **Aaa** top credit rating to **Aa1** at the end of February 2013. Moody's now expects that economic growth will be 'sluggish' into the second half of the decade, and this lack of growth makes it more difficult for the Government to reduce its budget deficit. This, in turn, leads to a deterioration in the 'shock-absorption' capacity of the government's balance sheet.

2.0 The Downgrading

2.1 Moody's had moved the outlook for the Aaa credit rating from stable to negative almost exactly a year ago. Moody's judge the UK outlook to be 'stable' – no further movement is anticipated in the next 12-18 months.

2.2 Moody's definition of the UK's new rating is *'very high economic, institutional or government financial strength and no material medium-term repayment concern'*

2.3 There was little volatility in bond and equity markets following the move, with long-dated gilt yields barely changed on the day after the announcement. There was also no real reaction in domestic UK equity markets. Any concerns about the UK's creditworthiness would be likely to affect yields on both conventional and index-linked gilts.

2.4 However, foreign exchanges did react, and sterling's trade-weighted index fell to its lowest level since July 2011. However, Sterling had been losing its safe-haven status for some time, and this depreciation has not been concerning the MPC.

	Name	**Contact Information**
Report Author	Mathew Dawson	mathewdawson@warwickshire.gov.uk
Head of Service	John Betts	johnbetts@warwickshire.gov.uk
Strategic Director	David Carter	davidcarter@warwickshire.gov.uk
Portfolio Holder	Cllr David Wright	cllrwright@warwickshire.gov.uk

Item 4

Pension Fund Investment Board
8 April 2013

Pension Fund Business Plan 2013/14

Recommendation

That the Board approve the Warwickshire County Council Pension Fund Business Plan for 2013/14 as set out in **Appendix A**.

1. Introduction

1.1 Local Authority pension funds are recommended by best practice principles to compile an annual business plan. This report sets out the annual business plan for 2013/14.

2. Business Plan 2013/14

2.1 **Appendix A** sets out a draft recommended business plan for the 2013/14 financial year. The plan lists the investment and pension administration tasks, which should be carried out during 2013/14, the target date when these should be achieved, and the responsible officer.

2.2 This document will reconcile with the Treasury and Pensions Group's Business Plan 2013-2014 currently being compiled for the Resources Group Finance Service.

	Name	**Contact Information**
Report Author	Mathew Dawson	mathewdawson@warwickshire.gov.uk
Head of Service	John Betts	johnbetts@warwickshire.gov.uk
Strategic Director	David Carter	davidcarter@warwickshire.gov.uk
Portfolio Holder	Cllr David Wright	cllrwright@warwickshire.gov.uk

Appendix A

Warwickshire County Council Pension Fund

Business Plan and Actions for 2013/14

Administration			
Objective(s) - to ensure scheme is run in accordance with the rules; in accordance with agreed service standards; and compliantly - to deal with and rectify any errors and complaints in a timely way			
Action	**Description**	**Timescale**	**Primary Responsibility**
1	Head of Finance, Resources to receive service plan report on a quarterly basis	Ongoing with reports due end Mar, Jun, Sep and Dec	Andrew Lovegrove
2	Board to receive the Pension Fund Annual Report	By 30 September 2013	Mathew Dawson
3	Review of any complaints and how they have been dealt with by Director of Resources	Ongoing	Mathew Dawson/Neil Buxton
4	Further pension fund website development (in line with Group business plan)	Ongoing	Neil Buxton
5	Contribute to the Corporate Customer Service Excellence status	Summer 2013	Neil Buxton
6	Prepare groundwork for new LGPS 2014 Scheme	Ongoing	Mathew Dawson/Neil Buxton
7	Support employers in auto-enrolment	Ongoing	Mathew Dawson/Neil Buxton

Communication

Objective(s)

- to convey the security of the Scheme
- to ensure members understand and appreciate the value of their benefits

Action	Description	Timescale	Primary Responsibility
1	Timely production of minimum one annual pensioners' newsletter	At least one per annum	Neil Buxton
2	Timely production of benefit statements	Active members 30 Sep 2013 Preserved members 31 Aug 2013 Councillors 31 May 2013	Neil Buxton
3	Review communication material in last 12 months and compare with good practice	Annually	Neil Buxton
4	Communication on a timely basis of the new LGPS scheme to Investment Board, employer bodies and members	As information becomes available	Mathew Dawson/Neil Buxton
5	Prepare and implement Pension Fund Annual Meeting (Nov) and Employers' Forum (as and when deemed necessary)	At least one each per annum	Mathew Dawson /Neil Buxton

Actuarial/Funding

Objective(s)

- to monitor the funding level of the Scheme including formal valuation every 3 years
- to monitor contribution payments to the Scheme by the contributors
- to understand legislative changes which will impact on funding

Action	Description	Timescale	Primary Responsibility
1	Prepare for 2013 actuarial valuation	31 March 2014	Andrew Lovegrove/Mathew Dawson
2	Receive feedback and agreement from employers (scheduled and admitted bodies) in run up to valuation	31 December 2013	Andrew Lovegrove/Mathew Dawson
3	Receive annual funding updates (ongoing and IAS19)	Ongoing	Mathew Dawson
4	Receive contribution monitoring schedule from Treasury Team and monitor	Ongoing	Mathew Dawson
5	Member training covering funding issues	Ongoing	Andrew Lovegrove/Mathew Dawson

Pension Fund Investment Board Members			
Objective(s) - to train and develop all members to enable them to perform duties effectively - to meet quarterly and to include investment advisor and independent advisors as required - to run meetings efficiently and to ensure decisions are made clearly and effectively			
Action	**Description**	**Timescale**	**Primary Responsibility**
1	Review decision making process to ensure decisions are made effectively	Ongoing 2013/14	Board Members
2	Review member training requirements and implement training plan as appropriate	Ongoing 2013/14	Andrew Lovegrove/Mathew Dawson/Chairman
3	Rollout of the Knowledge and Skills Toolkit	Ongoing 2013/14	Mathew Dawson
4	Ensure that meeting papers are issued at least seven days prior to meeting	Ongoing 2013/14	Mathew Dawson
5	Review Pension Fund Investment Board meeting structure	Ongoing 2013/14	Andrew Lovegrove/Mathew Dawson/Chairman
6	Respond to forthcoming changes in legislation	Ongoing 2013/14	Andrew Lovegrove/Mathew Dawson

Financial & Risk Management			
Objective(s) - To properly record financial transactions to and from the Scheme and produce annual accounts within 6 months of year end - Manage advisers fees against budgets - Assess the risk associated with the management of the Scheme			
Action	**Description**	**Timescale**	**Primary Responsibility**
1	Monitor pension fund expenses for next financial year	Ongoing 2013/14	Mathew Dawson
2	Produce Draft Statement of Accounts	30 June 2013	Mathew Dawson
3	Produce Pension Fund Annual Report	30 September 2013	Mathew Dawson
4	Carry out risk assessment of scheme	Ongoing 2013/14	Andrew Lovegrove
5	To implement a system of disaster recovery/business continuity in the event of major disaster	Ongoing 2013/14	Andrew Lovegrove/Mathew Dawson

Investment			
Objective(s) - Periodically review investment strategy and benchmarks - Monitor performance against benchmarks - Meet with investment managers to discuss performance			
Action	**Description**	**Timescale**	**Primary Responsibility**
1	Ongoing consideration of best practice	Ongoing 2013/14	Andrew Lovegrove
2	Review of investment manager arrangements	Ongoing 2013/14	Mathew Dawson
3	Review asset allocation and possible further diversification in partnership with consultant and independent advisor	Ongoing 2013/14	Andrew Lovegrove/Mathew Dawson
4	Discuss/meet with all investment managers	Quarterly 2013/14	Mathew Dawson
5	Review SIP	31 March 2014	Mathew Dawson
6	Investment Board to receive quarterly monitoring reports	Quarterly 2013/14	Mathew Dawson

Item 5

Pension Fund Investment Board
8 April 2013

Revision to the Statement of Investment Principles

Recommendation

That the new SIP be adopted.

1 Introduction

1.1 Following the appointment of J P Morgan and Barings to run Absolute Return portfolios, further work is required to update the Fund's documentation. The Statement of Investment Principles has been amended to reflect the change in asset allocation.

1.2 Board reports discussed on 18 February 2013 included a revision to UK Equity stock restrictions and new Governance arrangements. The SIP has been further revised with these changed accordingly.

2 Revised Edition of the Statement of Investment Principles

2.1 The revised SIP is shown in **Appendix A**.

	Name	Contact Information
Report Author	Mathew Dawson	mathewdawson@warwickshire.gov.uk
Head of Service	John Betts	johnbetts@warwickshire.gov.uk
Strategic Director	David Carter	davidcarter@warwickshire.gov.uk
Portfolio Holder	Cllr David Wright	cllrwright@warwickshire.gov.uk

Warwickshire Pension Fund

Statement of Investment Principles

1 Introduction

Warwickshire County Council (the “Authority”) has drawn up this Statement of Investment Principles (the “Statement”) to comply with the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The Authority has consulted with such persons as it considers appropriate including obtaining advice from its consultants in preparing this Statement.

Overall investment policy falls into two parts: strategic management and day-to-day management. The strategic management of the assets is fundamentally the responsibility of the Authority (acting on advice as it deems appropriate) and is driven by its investment objectives as set out in Section 3 below. The remaining elements of policy are part of the day-to-day management of the assets, which is delegated to the investment managers and described in Section 4.

Annex 1 shows how the Warwickshire Pension Fund currently complies with the Principles for Investment Decision Making in accordance with the CIPFA guidance published in 2009 and in accordance with SI 3093 (2009).

Annex 2 sets out the role of the investment consultant.

Annex 3 sets out the day to day investment management arrangements.

2 Overall Responsibility

Warwickshire County Council is the designated statutory body responsible for the administration of the Warwickshire County Council Pension Fund on behalf of its constituent scheduled and admitted body employers. The responsibility for the Fund is delegated through the Regulatory Committee to the Pension Fund Investment Board.

The Pension Fund Investment Board consists of five County Councillors who are advised by the Council’s investment consultant (Hymans Robertson), its independent consultant (Peter Jones) and officers of the County Council. The Board is responsible for:

- Setting investment policy;
- Appointing suitable investment managers to implement the investment policy;
- Reviewing and monitoring investment performance.

The day-to-day monitoring of investment managers is delegated to the Strategic Director, Resources. The Strategic Director, Resources also has a statutory duty to ensure that proper financial arrangements are in place to manage the Fund. The Pension Board Investment Board meets four times a year or more frequently as necessary. The active investment managers will attend these Board meetings on a regular basis.

The Pension Fund Investment Board takes account of the views of stakeholders through a Consultative Panel consisting of elected members and officer representatives from the district / borough councils, unions and a pensioner representative. The Consultative Panel meets with the Pension Fund Investment Board at the start of the spring and autumn meetings.

3 Investment Objectives and Risk

3.1 Investment Objectives

The Authority has set the objective to be at or above a 100% funding level in order that it is able to meet its current and future liabilities. It also has an objective to maintain a stable employer contribution rate that is as low as possible. In order to meet these objectives, a number of secondary objectives have been agreed as follows:

(i) Seek returns that are consistently strong and outperform or match those available in the major investment markets and are comparable with other institutional investors.

(ii) Emphasise investment in markets that over time are likely to give better returns relative to the liabilities.

(iii) Acknowledge the risks of investing and have regard to best practice in managing these risks.

(iv) Have sufficiently liquid resources available to meet the Fund's current liabilities as they fall due.

(v) For the assets of the Fund, in aggregate to outperform the benchmark set out in 3.3.

3.2 Risk

The Fund is exposed to a number of risks which pose a threat to the Fund meeting its objectives. The principal risks affecting the Fund are

Funding Risks

(i) Financial mismatch – 1. The risk that Fund assets fail to grow in line with the developing cost of meeting liabilities. 2. The risk that unexpected inflation increases the pension and benefit payments and the Fund assets do not grow fast enough to meet the increased cost.

(ii) Changing demographics –The risk that longevity improves and other demographic factors change increasing the cost of benefits.

(iii) Systemic risk - The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the liabilities.

The Authority measures and manages financial mismatch in two ways. As indicated above, it has set a strategic asset allocation benchmark for the Fund. It assesses risk relative to that benchmark by monitoring the Fund's asset allocation and investment returns relative to the benchmark. It also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

The Authority keeps under review mortality and other demographic assumptions which could influence the cost of the benefits. These assumptions are considered formally at the triennial valuation.

The Authority seeks to mitigate systemic risk through a diversified portfolio but it is not possible to make specific provision for all possible eventualities that may arise under this heading.

Asset risks

- Concentration - The risk that significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.

- Illiquidity - The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets.

- Manager underperformance - The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates

The Authority manages asset risks as follows. It provides a practical constraint on Fund investments deviating greatly from the intended approach by setting itself diversification guidelines and by investing in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, constrain risk within the Authority's expected parameters. By investing across a range of assets, including quoted equities and bonds, the Authority has recognised the need for some access to liquidity in the short term. In appointing several investment managers, the Authority has considered the risk of underperformance by any single investment manager.

Other provider risk

- Transition risk - The risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the Authority takes professional advice and considers the appointment of specialist transition managers.

- Custody risk - The risk of losing economic rights to Fund assets, when held in custody or when being traded.

- Credit default - The possibility of default of a counterparty in meeting its obligations.

The Authority monitors and manages risks in these areas through a process of regular scrutiny of its providers and audit of the operations they conduct for the Fund.

.

3.3 Investment Strategy

The Authority sets a long-term investment strategy (the mix of asset types) to have regard to the Fund's liability structure and the investment objectives above. This is reviewed at least every three years, after each actuarial valuation. The Authority believes that the following investment strategy is currently appropriate for controlling the risks identified in 3.2, given the liability profile of the Fund and its financial position.

Asset Class	Index-Trackers	UK Equity Specialists	Global Equity Specialists	Alternative Assets	Total (%)
UK Equities	8.00	13.50	1.00		22.50
Overseas Equities	18.00		12.00		30.00
European	*7.90*		*2.10*		*10.00*
North American	*3.80*		*6.20*		*10.00*
Far East/Emerging Markets	*6.30*		*3.70*		*10.00*
Property				10.00	10.00
Hedge Funds				5.00	5.00
Multi-Asset absolute Return				5.00	5.00
Private Equity				5.00	5.00
UK Corporate Bonds	10.00				10.00
UK Fixed Interest	2.50				2.50
UK Index-Linked	5.00				5.00
Absolute Return Bonds				5.00	5.00
Total	43.50	13.50	13.00	30.00	100.00

4 Management of the Assets

Further information on the detail of the benchmark and the management of Fund assets are provided in Annex 3.

4. 1 Investment Restrictions

The investment managers are required to comply with LGPS investment regulations. All investment managers are permitted to utilise derivatives in the efficient management of portfolios.

The investment managers' investment decisions are further constrained by a maximum 5% limit on any single investment.

4.2 Realisation of Investments

In general, the Fund's investment managers have discretion in the timing of realisations of investments and in considerations relating to the liquidity of those investments. The majority of the Fund's investments may be realised quickly if required. Some of the alternative investments and property may be difficult to realise quickly. However, in aggregate, the combined weight of illiquid assets is less than 15% of Fund assets. Further, the Fund has adequate cash flow including investment income to cover benefits without the need to realise assets.

4.3 Expected Return

The strategic benchmark is expected to produce a return in excess of the rate of return assumed in the Actuarial valuation.

4.4 Monitoring and Review

The performance of the Fund's investment managers is independently measured by BNY Mellon Asset Servicing, a subsidiary of the Authority's global custodian, on a quarterly and annual basis. They provide quarterly and annual performance reports to the Authority.

In addition, the Authority meets the main active investment managers at least once a year to review their actions together with the reasons for the background behind the investment performance. The investment managers also provide monthly and quarterly reports and give additional presentations to the Authority as appropriate.

Hymans Robertson is retained as investment consultant to assist the Authority in fulfilling its responsibility for monitoring the investment managers. A review of the consultants' roles and performance is undertaken annually.

The Authority reviews the Fund's asset allocation between the managers on a quarterly basis.

The Authority also monitors the transactions costs of the investment activity of the fund managers.

5 Social, Environmental and Ethically Responsible Investment

.

- The Authority believes that environmental, social and corporate governance (ESG) issues can have a material impact on the long term performance of its investments. The Authority believes that its primary concern is its responsibility to safeguard the best financial interests of beneficiaries.
- The Authority is a signatory to the FRC's Stewardship Code, and as such expects its investment managers to take account of ESG considerations as part of their investment analysis and decision making process.
- The Authority will monitor its investment managers in this regard and as part of the regular monitoring process will hold its managers to account.

6 Exercise of voting rights

The Authority will be an active owner and will exercise its ownership rights in order to protect the long term interests of the Fund. This will be achieved by exercising voting rights and regular monitoring of the engagement activity of their investment managers.

7 Stocklending

The Authority's policy on stock lending reflects the nature of the mandates awarded to investment managers, which include both pooled and segregated mandates.

Within segregated mandates, the Authority has absolute discretion over whether stock lending is permitted. The Authority permits stock lending in their active mandates (MFS and Threadneedle).

The manager(s) of pooled funds may undertake a certain amount of stock lending on behalf of unitholders in the fund. If a pooled fund engages in this activity, the extent to which it does so is disclosed by the manager. The Authority has no direct control over stock lending in pooled funds. The Authority is comfortable that the extent and nature of this activity is appropriate to the circumstances of the Fund.

8 Fee Structures

8.1 Rationale for Fee Structure

The investment managers and investment consultant submitted fee structures for the Authority's consideration. The Authority has reviewed the nature of these fee structures and is satisfied that they are appropriate.

8.2 Investment Consultant Fees

Hymans Robertson fees are either based on fixed quotes for particular projects or, more normally, on a time cost basis.

8.3 **Manager Fees**

Manager fees are based on a percentage of assets managed. (In the case of private equity and hedge fund investments there is a performance-related fee element).

9 Compliance with this Statement

The Authority will monitor compliance with this Statement annually. In particular, it will obtain written confirmation from the investment managers that they exercised their powers of investment with a view to giving effect to the principles contained in the Statement so far as is reasonably practicable. The Authority undertakes to advise the investment managers promptly and in writing of any material change to this Statement.

10 Review of this Statement

The Authority will review this Statement in response to any material changes to any aspects of the Fund, its liabilities, finances and its attitude to risk, which it judges to have a bearing on the stated Investment Policy. This review will occur no less frequently than every three years to coincide with the actuarial valuation.

Annex 1

PRINCIPLES FOR INVESTMENT DECISION MAKING

The Myners report on Institutional Investment in the UK was published in 2001, and included ten principles of good investment practice. The Local Government (Management and Investment of Funds) Regulations 2002 required Administering Authorities to publish the extent to which they complied with these principles.
In 2007 a review was conducted, and the outcome was that the ten principles were updated to reflect the findings of the review.
Six (modified) principles replaced the original ten and the LGPS regulations 2009 require the Administering Authority to publish the extent to which they comply with these six principles.

Principle 1: Effective Decision-Making

Trustees should ensure that decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to take them effectively and monitor their implementation.

Trustees should have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.

Best Principle Guidance

- The board has appropriate skills for, and is run in a way that facilitates, effective decision making.
- There are sufficient internal resources and access to external resources for trustees and boards to make effective decisions.
- It is good practice to have an investment sub-committee, to provide the appropriate focus and skills on investment decision-making.
- There is an investment business plan and progress is regularly evaluated.
- Consider remuneration of trustees.
- Pay particular attention to managing and contracting with external advisers (including advice on strategic asset allocation, investment management and actuarial issues).

Evaluation of Compliance

- **Full compliance. The Fund has a dedicated Investment Board that is supported by suitably experienced officers and an independent adviser. All members of the Panel are offered training and are required to comply or explain. A formal forward looking business plan is published annually following the April Panel. This includes a timetabled programme of tasks concerning the investment advice and actuarial processes for the Fund.**

Principle 2: Clear Objectives

Trustees should set out an overall investment objective(s) for the fund that takes account of the scheme’s liabilities, the strength of the sponsor covenant and the attitude to risk of both the trustees and the sponsor, and clearly communicate these to advisers and investment managers.

Best Practice Guidance

- Benchmarks and objectives are in place for the funding and investment of the scheme.
- Fund managers have clear written mandates covering scheme expectations, which include clear time horizons for performance measurement and evaluation.
- Trustees consider as appropriate, given the size of fund, a range of asset classes, active or passive management styles and the impact of investment management costs when formulating objectives and mandates.
- Consider the strength of the sponsor covenant.

Evaluation of Compliance

- **Full compliance. Fund objectives are set out in the Statement of Investment Principles. Fund managers operate to detailed written mandates that give clear investment objectives and timescales for measurement (rolling three years). A customised benchmark has been adopted based on asset/liability studies undertaken by the Fund's actuary. Control ranges are in place consistent with performance targets to which the fund managers should work. Management styles and the impact of investment management costs are considered at the time of the regular procurement exercises.**

Principle 3: Risk and Liabilities

In setting and reviewing their investment strategy, trustees should take account of the form and structure of liabilities. These include the strength of the sponsor covenant, the risk of sponsor default and longevity risk.

Best Practice Guidance

- Trustees have a clear policy on willingness to accept under-performance due to market conditions.
- Trustees take into account the risks associated with their liabilities' valuation and management.
- Trustees analyse factors affecting long-term performance and receive advice on how these impact on the scheme and its liabilities.
- Trustees have a legal requirement to establish and operate internal controls.
- Trustees consider whether the investment strategy is consistent with the scheme sponsor's objectives and ability to pay.

Evaluation of Compliance

- **Full compliance. Asset allocation forms part of the customised benchmark proposed by the Fund's investment advisor following an asset/liability study and consulted on by the Fund's actuary and independent advisor, and then recommended to the Investment Board. Fund managers have discretion to position their portfolios around their agreed benchmark within ranges set out in the SIP, consistent with the performance objectives of the fund. Whilst the Fund's aspiration is that the active managers will outperform their benchmarks at all times, allowance is made for the managers to have periods of underperformance, while delivering good performance over the long term.**

Principle 4: Performance Assessment

Trustees should arrange for the formal measurement of the performance of the investments, investment managers and advisors. Trustees should also periodically make a formal policy assessment of their own effectiveness as a decision-making body and report on this to scheme members.

Best Practice Guidance

- There is a formal policy and process for assessing individual performance of trustees and managers.
- Trustees can demonstrate an effective contribution and commitment to the role (for example measured by participation at meetings).
- The chairman addresses the results of the performance evaluation.
- State how performance evaluations have been conducted.
- When selecting external advisers take into account relevant factors, including past performance and price.

Evaluation of Compliance

- **Full compliance. Performance of the Fund, and Fund's investment managers, is monitored quarterly. Monitoring of past performance and price of all external service providers and advisers is undertaken annually. A review of the advisor's role and performance is undertaken annually.**

Principle 5: Responsible Ownership

Trustees should adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee (ISC) Statement of Principles on the responsibilities of shareholders and agents. A statement of the scheme's policy on responsible ownership should be included in the Statement of Investment Principles. Trustees should report periodically to members on the discharge of such responsibilities.

Best Practice Guidance

- Policies regarding responsible ownership are disclosed to scheme members in the annual report and accounts or in the Statement of Investment Principles.
- Trustees consider the potential for engagement to add value when formulating investment strategy and selecting investment managers.
- Trustees ensure that investment managers have an explicit strategy, setting out the circumstances in which they will intervene in a company.
- Trustees ensure that investment consultants adopt the ISC's Statement of Practice relating to consultants.

Evaluation of Compliance

- **The Fund has signed up to the Financial Reporting Council's Stewardship Code, and a statement is on the Fund's website.**
- **All of the Fund's investment managers (with the exception of the private equity and hedge fund managers) are signatories to the Stewardship Code**
- **The Fund has appointed Manifest Voting Agency to undertake voting services.**
- **The Investment Board has already adopted the Institutional Shareholders' Committee Statement of Principles.**

Principle 6: Transparency and Reporting

Trustees should act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives.
Trustees should provide regular communication to members in the form they consider most appropriate.

Best Practice Guidance:

- Reporting ensures that the scheme operates transparently and enhances accountability to scheme members and best practice provides a basis for the continuing improvement of governance standards.

Evaluation of Compliance

- **Full compliance. Details of the Fund's communication policy is published on the Pension Fund website, together with the actuarial valuation, annual report of the fund, funding strategy statement, governance compliance statement, governance policy statement, statement of investment principles and Myners compliance statement. A summary of the annual report is sent to all members of the Fund.**

Role of Investment Consultant

Hymans Robertson Investment Consulting are employed as Investment Consultants to the Fund. The Investment Consultant provides advice to the Authority but does not have responsibility for decision making in any areas. The role encompasses, but is not limited to, the following areas:

i. assistance in helping the Authority formulate investment objectives;

ii. advice on Investment Strategy;

iii. advice on devising an appropriate investment manager structure;

iv. assistance in selecting and monitoring of investment managers.

Investment Management Structure

Having taken advice from its investment consultant, the Authority decided to implement a specialist manager structure. The approach allows the selection of "best in class" managers in each region or asset class, which should lead to superior performance. A specialist structure is less exposed to the performance of any one manager and hence reduces the probability that a poor manager selection detracts from overall performance. A further advantage of this approach is that the investment managers have been selected so that they are unlikely to apply the same investment themes or process and so this provides an additional level of diversification.

Main Assets

The Authority invests the main assets of the Fund in portfolios operated by external investment managers. The Authority is satisfied that the spread of assets by type and the investment managers' policies on investing in individual securities within each type provides adequate diversification of investments. The investment managers are required to comply with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The managers appointed are listed below.

Manager	Role	Target
BlackRock Global Investors ("BGI")	Passive Multi-Asset Portfolio	17.5%
State Street Global Advisors ("SSGA")	Passive UK Equity Portfolio	3.5%
Threadneedle Investments ("Threadneedle")	Active UK Equity Portfolio	13.5%
MFS Investment Management ("MFS")	Active Global Equity Portfolio	13%
Legal and General Investment Management ("LGIM")	Passive Multi- Asset Portfolio	22.5 %
Schroder Investment Management ("Schroder")	Active Property (Multi-Manager) Portfolio	5%
Threadneedle Investments ("Threadneedle")	Active Property Portfolio	5%
Blackstone Alternative Asset Management ("Blackstone")	Active Fund of Hedge Funds Portfolio	5%
HarbourVest	Private Equity	5%
J P Morgan Asset Management (UK)	Absolute Return Bonds	5%
Barings Asset Management ("Barings")	Multi Asset Absolute Return	5%

(The State Street UK Equity target is currently set at 6%, and will reduce to 3.5% over time as the private equity mandate with HarbourVest is gradually established).

The investment managers’ mandates are as follows:

BlackRock : Passive Multi-Asset mandate

The details of the multi-asset passive mandate are as follows:

	Benchmark (%)	Index
UK Equities	22.0	FTSE All-Share Index
European (ex UK) Equities	15.0	FTSE AW Developed Europe (ex UK) Index
North American Equities	4.0 *	FTSE AW USA Index FTSE AW Canada Index
Japanese Equities	9.0	FTSE AW Developed Japan Index
Pacific Basin (ex Japan) Equities	8.0	FTSE AW Developed Asia Pacific (ex Japan) Index
Emerging Markets Equities	3.0	S&P IFC Investable Composite Index (ex Malaysia)
UK Corporate Bonds	9.0	iBoxx Sterling Non Gilts All Stocks Index
UK Fixed Interest Gilts	3.0	FTSE UK Gilt All Stocks Index
UK Index Linked Gilts	27.0	FTSE UK Index Linked All Stocks Index
Total	**100.0**	

* split between the US and Canada in proportion with the FTSE AW Developed North America Index

State Street Global Advisors: Passive UK equity mandate

	Benchmark (%)	Allowable Range (%)	Index
UK Equities	100.0	+/- 5.0	FTSE All-Share Index
Cash	0.0	+/- 5.0	

The performance target for the State Street mandate is to match the FTSE All Share Index (gross of fees) over one-year rolling periods.

Threadneedle Investments: Active UK equity mandate

	Benchmark (%)	Allowable Range (%)	Index
UK Equities	100.0	+/- 5.0	FTSE All-Share Index
Cash	0.0	+/- 5.0	

The performance target for the Threadneedle UK equity mandate is FTSE All Share Index +2.0% per annum (gross of fees) over rolling three-year periods.

LGIM: Passive Global Multi-Asset mandate

The details of the global multi asset mandate are:

	Benchmark (%)	Allowable Range (%)	Index
UK Equities	3.3	+/- 2.25	FTSE All Share
European (ex UK) Equities	24.0	+/- 2.25	FTSE AW Europe Developed (ex UK) Index
North American Equities	13.6	+/- 2.25	FTSE AW Developed North America Index
Pacific Basin (ex Japan) Equities	1.8	+/- 1.00	FTSE Asia Pacific Developed Pacific (ex Japan) Index
Japan Equities	2.7	+/- 2.5	FTSE AW Japan Index
Emerging Markets Equities	8.0	+/- 2.5	FTSE AW All Emerging Index
UK Index-Linked Gilts	1.1	+/- 1.0	FTSE A Index Linked All Stocks
UK Corporate Bonds	36.7	+/- 2.5	iBoxx Sterling Non-Gilts All Stocks Index
UK Fixed Interest Gilts	8.9	+/- 2.5	FTSE A UK Gilts All Stocks
Total	**100.00**		

Totals affected by rounding

Within each class of assets, LGIM will be expected to track the relevant benchmark index within agreed tolerance limits.

In addition, LGIM will be expected to maintain the overall Fund benchmark, excluding the proportion of the assets invested in ‘alternative assets’, by rebalancing its assets under management, i.e., LGIM will act as a “Swing Manager” on behalf of the Fund. Therefore, the above mandate will only apply initially and the ongoing asset allocation will vary. Due to the nature of the Fund’s investment in alternative assets, the allocations to Schroder, Threadneedle (Property), Blackstone, JP Morgan, Barings and HarbourVest are monitored separately.

MFS: Active Global Equities

The details of the global equity mandate are:

	Benchmark (%)	Allowable Range (%)	Index
Global Equities	100.00	+/- 10.0	MSCI AC World Index
Cash	0.00	+/- 5.0	
Total	**100.00**		

The out-performance target for the global equity mandate is 1.5% per annum (gross of fees) over rolling three-year periods above the return of the index weighted by the benchmark allocation.

Schroders: Multi-manager Property

The details of the multi-manager property mandate are:

	Benchmark (%)	Index
Property Multi-Manager	100.0	AREF/IPD UK Pooled Funds Index – All Balanced Funds Weighted Average
Total	**100.0**	

The out-performance target for the property mandate is 1.0% per annum (net of fees) over rolling three-year periods above the index return. Schroder has the discretion to invest in European property up to 20% value of the portfolio.

Schroder has the discretion to use derivatives in the management of the fund.

Threadneedle: Property

The details of the property mandate are:

	Benchmark (%)	Index
Property	100.0	CAPS Pooled Property Median
Total	**100.0**	

The out-performance target for the property mandate is 1.0% per annum (net of fees) over rolling three-year periods above the index return.

Threadneedle has the discretion to invest in European property as part of this mandate.

Blackstone: Fund of Hedge Funds

The details of the fund of hedge funds mandate are:

	Benchmark (%)	Index
Fund of hedge funds	100.0	UK LIBID 7 Day Notice
Total	**100.0**	

The out-performance target for the fund of hedge funds mandate is 6% per annum (net of fees, in Sterling terms) over rolling three-year periods above the index return.

HarbourVest: Fund of Private Equity Funds

The details of the fund of private equity funds mandate are:

	Benchmark (%)	Index
Fund of private equity funds	100.0	MSCI World Index
Total	**100.0**	

The out-performance target for the fund of private equity funds mandate is 5% per annum (net of fees) over the life on the contract.

JP Morgan: Absolute Return Bonds

The details of the absolute return bond mandate are:

	Benchmark (%)	Index
Strategic Bond Fund	100.0	LIBOR
Total	**100.0**	

The performance target for the absolute return bond mandate is +3% p.a. (gross of fees) over a rolling 3 year period

Barings: Multi Asset Absolute Return

The details of the multi asset absolute return mandate are:

	Benchmark (%)	Index
Dynamic Asset Allocation Fund	100.0	LIBOR
Total	**100.0**	

The performance target for the multi asset absolute return mandate is + 4% p.a. (net of fees) over a rolling 3 year period.

Item 6

Pension Fund Investment Board
8 April 2013

Introducing Infrastructure

Recommendation

That the board approve Hymans to prepare a scheme focussed training session and suggested approaches of initial investment into the asset class at the board meeting on 29 July 2013.

1.0 Background

1.1 The principle of local authority pension funds investing more heavily in UK infrastructure projects has been discussed widely within the media and has assumed a higher political profile in recent months at local authority funds across the country.

1.2 Discussion has been focused on funds making investments at a UK-wide level and also specifically within local projects.

1.3 Hymans will be presenting a discussion paper at this meeting and will offer further training and investment solutions.

2.0 Rationale

2.1 Over the last two decades there has been an increase in the level of private sector capital being invested in infrastructure, an area which in the past has seen the majority of its capital being provided by the state. In the UK, the majority of pension fund exposure has been through Private Finance Initiatives (PFI), also known as Public Private Partnerships (PPPs). These are vehicles used to finance and build government-sponsored infrastructure projects, such as hospitals, schools and roads, in partnership with the private sector. More recently, managers have been raising funds to invest in infrastructure on a global basis.

2.2 In principle, funds can now consider potential investment in infrastructure at the following levels:-

- Investing in individual assets or projects.
- Investing in one or more single (primary) funds which might each contain in the region of 10-15 assets at most.
- Investing via a fund-of-funds arrangement.

2.3 One of the key advantages of investing in infrastructure lies with the diversification benefits that it offers. In particular, the financial characteristics of these types of projects differ from those of investments in quoted equities and bonds. The most important difference, and one of the most attractive features for pension scheme investors, is the relative lack of sensitivity of projects to changes in financial conditions (i.e. equity market rises and falls, etc.). The value of infrastructure investments is not directly affected by economic and geo-political events, at least in the near to medium term, resulting in added diversification benefits.

	Name	**Contact Information**
Report Author	Mathew Dawson	mathewdawson@warwickshire.gov.uk
Head of Service	John Betts	johnbetts@warwickshire.gov.uk
Strategic Director	David Carter	davidcarter@warwickshire.gov.uk
Portfolio Holder	David Wright	cllrwright@warwickshire.gov.uk

Item 7

Pension Fund Investment Board
8 April 2013

Local Government Pension Scheme Regulation - Amendment to policies of the Administering Authority

Recommendation

That the Board approves the proposed amendments to the policies set out in 2.3, 3.3 and 4.3.

1.0 Background

1.1 The Local Government Pension Scheme (Benefit, Membership and Contributions) Regulations 2007 (the Benefit Regulations) and the Local Government Pension Scheme (Administration) Regulations 2008 (the Administration Regulations) require that the Administering Authority maintain and review policies on discretions in the above regulations.

2.0 Regulation 42 of the Administration Regulations.

2.1 The above regulation requires that an employing authority shall pay to the administering authority all amounts deducted from its' employees and employer contributions at the required percentage rate as determined by the Fund Actuary.

2.2 The Administering Authority is seeking to clarify to employers that all employee and employer contributions are paid no later than the 19th of the month following the deduction from pay. This deadline is in accordance with guidance issued by the Pension Regulator.

2.3 The proposed policy is:

"The employing authority shall pay to the administering authority all (employee and employer) contributions due in respect of their employees (or former employees) by the 19th of the month following the end of the month in which the amount was deducted from pay".

3.0 Regulations 23, 32 and 35 of the Benefit Regulations.

3.1 The Benefit Regulations require that where a death grant is payable in respect of a member (active, deferred or pensioner) the administering authority at their absolute discretion may make payments in respect of the death grant to or for the benefit of the member's nominee or personal representatives, or any person appearing to the authority to have been his relative or dependant at any time.

3.2 Experience at other administering authorities and recent rulings by the Pensions Ombudsman has identified the need for a review of this policy to ensure that reasonable steps are taken to gather relevant information of possible beneficiaries before the distribution of funds take place.

3.3 The existing policy has therefore been amended to include the wording that is underlined below:

"That <u>*Treasury and Pensions*</u> make payment to the nominee unless it is apparent that the nomination may no longer be valid (i.e. that the nominee may have separated or divorced since the nomination was made or other exceptional circumstances). If no nomination has been made or the nomination is no longer valid payment is made as follows, <u>*(in this order of priority)*</u>*:*

- to the spouse or partner upon production of evidence of marriage or partnership or,
- any person appearing to the authority to have been his (her) relative or dependant at any time or,
- to their personal representatives or,
- if there is no evidence of marriage or partnership or of any persons appearing to be a relative or a personal representative, payment will be made to the Estate.

If the nominee is a minor, payment is made to a trust fund in respect of the nominee.

<u>*"In the event of a potential dispute, the Administering Authority will gather relevant information to present to the Director of Resources to make an informed decision regarding the distribution of the amount due".*</u>

4.0 Regulations 30 of the Benefit Regulations.

4.1 The Local Government Pension Scheme (Miscellaneous) Regulations 2012, introduced a requirement for administering authorities to have a policy to decide whether to release benefits to a deferred member who wishes to draw their pension between the ages of 55 and 60 where the former employer authority has ceased to be a scheme employer.

4.2 An employing authority will be required to have a policy about applications for the early release of deferred pensions under Regulation 30 of the Benefit Regulations. The need for a similar policy for the administering authority was introduced because of "orphaned deferred members" where their former employing authority no longer exists as an "employing authority" under the scheme regulations. For example, the transfer of the Magistrates Courts Service to the Ministry of Justice left a number of "orphaned deferred members" within the Fund.

4.3 The proposed policy is:

"The Administering Authority will not normally consider allowing the release of benefits for a deferred member where there is a cost to the Fund for the release of those of benefits; an actuarial strain".
"Consideration will be given to waive the actuarial reduction to the benefits where the former member has had to give up work to provide for a chronically ill spouse or partner".

	Name	**Contact Information**
Report Author	Neil Buxton	neilbuxton@warwickshire.gov.uk
Head of Service	John Betts	johnbetts@warwickshire.gov.uk
Strategic Director	David Carter	davidcarter@warwickshire.gov.uk
Portfolio Holder	Cllr David Wright	cllrwright@warwickshire.gov.uk

Item 8

Pension Fund Investment Board
8 April 2013

Complex Needs Service

Recommendation

This report is to confirm to the Board the admission agreement for the outsourcing of the Complex Needs Service.

1.0 Background

1.1 The Treasury and Pensions Group has been informed by People Group of the transfer of approximately 82 members of the Local Government Pension Scheme (LGPS) to Turning Point.

1.2 The transfer is due to take place on 1 June 2013.

2.0 Turning Point

2.1 People Group has confirmed the Turning Point wishes to have an admission agreement with the Warwickshire Pension Fund in respect of the members of the LGPS affected by the transfer.

2.2 The admission agreement will be closed to members of the LGPS at the point of transfer and with restricted access to employees who are not members of the LGPS at the date of transfer.

2.3 People Group will have carried out a robust assessment of the contractor to ensure that the terms of the contract can be fulfilled. The assessment will have included a financial assessment to ensure that the contractor is financially stable.

2.4 Turning Point is a national provider of health and social care in the UK. Treasury and Pensions is aware that Turning Point has admission agreements with other local authority pension funds.

3.0 Actuarial Assessment

3.1 The Pension Fund's Actuary has assessed an employer contribution rate of 16.3% and a Bond of £944,000.00.

3.2 Legal Services are in the process of finalising the admission agreement with Turning Point.

	Name	Contact Information
Report Author	Neil Buxton	neilbuxton@warwickshire.gov.uk
Head of Service	John Betts	johnbetts@warwickshire.gov.uk
Strategic Director	David Carter	davidcarter@warwickshire.gov.uk
Portfolio Holder	Cllr David Wright	cllrwright@warwickshire.gov.uk

Pension Fund Investment Board
8 April 2013

Special Schools Catering Contract

Recommendations

That the Pension Fund Investment Board note the admission of Taylor Shaw Catering Ltd to the Warwickshire Pension Fund in respect of these two contracts.

1.0 Background

1.1 The Treasury and Pensions Group has been informed that two special schools in the Warwickshire entered into a contract framework organised by the Eastern Shires Purchasing Organisation (ESPO) which led to the appointment of Taylor Shaw Catering Ltd as the catering provider to the schools.

2.0 Special Schools

2.1 The application arises because three Special schools (Ridgeway, Brooke and Oak Wood) outsourced their catering contracts from 1 April 2013.

2.2 Members of the Board should note that Oak Wood will have converted to an academy and an admission agreement will not be possible in respect of any members of the LGPS at this school.

2.3 To facilitate the procurement of an alternative catering provider, the schools availed themselves of a tendering framework provided ESPO and the schools decided to appoint Taylor Shaw Catering as their provider.

2.4 The transfer of staff will involve 3 members of the LGPS.

3.0 Taylor Shaw Catering Ltd.

3.1 Treasury and Pensions has been contacted by representatives of Taylor Shaw Catering regarding the admission to the Warwickshire Pension Fund in respect of these two contracts.

3.2 Because the contracts are initially for three years and the number of staff involved at each school is no more than 3 members, the application by Taylor Shaw Catering satisfies paragraphs 2.11 to 2.16 of the Admissions and Termination policy (Transfer Bodies Grouping).

3.3 Taylor Shaw Catering will contribute the same contribution rate as the transferring employer (WCC, currently 16%), for the duration of the contract.

3.4 The County Council, as the transferring employer, will act as guarantor should the admission body foreclose before the end of the contract.

3.5 Members will recall that Taylor Shaw Catering Ltd already has an admission agreement with the Pension Fund in respect of a contract in the Warwick area.

3.6 Treasury and Pensions has instructed Legal Services to draw up admission agreements with Taylor Shaw Catering Ltd in respect of these contracts.

	Name	**Contact Information**
Report Author	Neil Buxton	neilbuxton@warwickshire.gov.uk
Head of Service	John Betts	johnbetts@warwickshire.gov.uk
Strategic Director	David Carter	davidcarter@warwickshire.gov.uk
Portfolio Holder	Cllr David Wright	cllrwright@warwickshire.gov.uk