

Warwickshire Local Pension Board

Date: Tuesday 20 October 2020
Time: 11.00 am
Venue: Microsoft Teams

Membership

Keith Bray (Chair)
Councillor Parminder Singh Birdi
Keith Francis
Alan Kidner
Sean McGovern
Councillor Dave Parsons
Mike Snow

Items on the agenda: -

1. Introductions and General Business

(1) Apologies

(2) Board Members' Disclosures of Interests

(as stipulated by the Public Sector Pensions Act 2013 and set out in Annex A of the Board Terms of Reference).

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Monica Fogarty
Chief Executive
Warwickshire County Council
Shire Hall, Warwick

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The public reports referred to are available on the Warwickshire Web

<https://democracy.warwickshire.gov.uk/uuCoverPage.aspx?bcr=1>

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Local Pension Board**20th October 2020****Forward Plan****Recommendation**

1. That the Board notes and comments on the forward plan.
2. That the Board identifies any areas of interest or activity to add to the forward plan.

1.0 Introduction

1.1 This report provides an updated one year rolling forward plan for the Local Pension Board looking forward one year.

1.2 This is not intended to be rigid or definitive, the intention is that it can be updated and amended on a rolling basis at each meeting, and be informed by the latest developments.

1.3 Elsewhere on the agenda a report is presented setting out a schedule of Pension Fund policy reviews. Policies are generally approved by the executive pension Fund committees however they may also be presented to the Local Pension Board for scrutiny/review or comment where appropriate.

2 Plan Updates

2.1 The table below sets out the current schedule of meetings.

Pension Fund Meeting Dates

	2020/21 Q4	2021/22 Q1	2021/22 Q2	2021/22 Q3
Pension Investment Sub Committee	14 th December 2020	8 th March 2021	June 2021	September 2021
Staff and Pensions Committee	14 th December 2020	8 th March 2021	June 2021	September 2021
Local Pension Board	26 th January 2021	Propose April 2020 (Currently 4 th March)	July 2021	October 2021

3 Financial Implications

None

4 Environmental Implications

None

Background papers

None.

	Name	Contact Information
Report Author	Chris Norton	chrisnorton@warwickshire.gov.uk 07767003428
Interim Assistant Director Finance	Andy Felton	01926 4124 andrewfelton@warwickshire.gov.uk
Strategic Director for Resources	Rob Powell	01926 412045 robpowell@warwickshire.gov.uk
Portfolio Holder	Peter Butlin	cllrbutlin@warwickshire.gov.uk 01788 816488

The report was circulated to the following members prior to publication:

Local Member(s): None

Other members: Councillors Warwick, Singh Birdi, Boad, O'Rourke and Falp

Forward Plan Items

Q3 January 2021	Q4 April 2021	Q1 July 2021	Q2 October 2021
Standing Items			
Administration Activity and Performance Update	Administration Activity and Performance Update	Administration Activity and Performance Update	Administration Activity and Performance Update
Risk Monitoring	Risk Register	Risk Monitoring	Risk Monitoring
Business Plan Monitoring	Business Plan	Business Plan Monitoring	Business Plan Monitoring
Investment Update	Investment Update	Investment Update	Investment Update
Review of the reports and minutes of the Pension Fund Investment Sub Committee and Staff and Pensions Committee	Review of the reports and minutes of the Pension Fund Investment Sub Committee and Staff and Pensions Committee	Review of the reports and minutes of the Pension Fund Investment Sub Committee and Staff and Pensions Committee	Review of the reports and minutes of the Pension Fund Investment Sub Committee and Staff and Pensions Committee
Forward Plan	Forward Plan	Forward Plan	Forward Plan
Bespoke Items			
		Chairs Annual Report	External Audit of Accounts
		Draft Annual Report (provisional)	

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Warwickshire Local Pension Board

Pensions Administration Activity and Performance Update

20 October 2020

1. Recommendation(s)

- 1.1. The Local Pension Board is asked to:
 1. Note and comment on the latest developments in pensions administration and note the progress made since the last meeting.
 2. Consider the government consultation on the reform of exit payments in local government (Section 13 of this report) and provide comments.

2. Executive Summary

- 2.1. This report updates the Pension Board on key developments affecting pensions administration and the performance of the Pension Administration Service.

3. Governance Action Plan

- 3.1. Significant progress continues to be made in implementing the Governance Action Plan, with 50 actions out of 54 now completed. An updated summary is included at Appendix 1.

4. Annual Benefit Statements

- 4.1. There is a regulatory requirement for the Pensions Administration Service (PAS) to issue all members with an Annual Benefit Statement by 31st August each year.
- 4.2. For deferred members Annual Benefit Statements have already been issued; this is significantly ahead of the deadline. There are 3000 deferred members for whom we do not hold a current home address. A tracing service has been procured which will seek to provide up-to-date addresses for these members. Once addresses have been updated statements will be sent out.
- 4.3. The Service completed all of the work necessary to issue statements to all active scheme members ahead of the statutory deadline of 31st August. On 10th September the PAS identified that the supplier commissioned to print and

issue these statements had, in error, not sent out 4,989 of these statements. The supplier was contacted immediately and the outstanding statements were issued one day later on 11th September. The supplier has conducted an investigation and has provided WCC with an investigation report, which sets out the cause of the error and the mitigations they are putting in place to ensure this situation does not occur again. The PAS has reported this breach to the Pensions Regulator, who has responded to confirm that no further action is required.

5. Year End

- 5.1. Annual Returns from employers have been completed. The process generated validation queries that have been referred back to and resolved by the employers. (See Section 8).

6. GMP Reconciliation

- 6.1. GMP reconciliation is the process used to ensure that LGPS scheme records agree with those of the National Insurance Contribution Office (NICO, part of HMRC). This enables a scheme to consider its data as clean and reliable.
- 6.2. After some delay, HMRC has now sent final data to Funds to start the reconciliation process with their own records. A project is being established to ensure that data held by HMRC matches that held in both the Pensions and Payroll systems. The results of this exercise will be presented to a future meeting.

7. Key Performance Indicators (KPIs)

- 7.1. At its meeting in June, the Committee approved a new set of KPIs to bring the service in line with industry standard measures and to reflect those listed in the Administration Strategy. Appendix 2 sets out performance against these measures at 31st July 2020.
- 7.2. Where the PAS have not met 95% these will be for KPI's where there is no payment due. KPIs where payments are due are treated as priority. 90% was achieved for payment of all death grants. In May there was only 1 case where this was not paid within the KPI target and this has skewed the figures for this because we do not process a large volume of these cases.

8. Workloads

- 8.1 The PAS has been monitoring the tasks outstanding and completed by the service since 1 March 2020. The chart at Appendix 3 shows the volume of outstanding work across the service and indicates that the service reduced this figure to just 2542 tasks as at the 7 June 2020. This has increased since

deferred members' annual benefit statements were issued, and end of year returns were actioned, as a result of queries generated. The figure is now starting to reduce again, but we are expecting an increase in the volume in excess of 500 queries again as a result of active members' annual benefit statements being issued. Appendix 3 shows the total of outstanding tasks up to 21 September 2020, and tasks completed compared to tasks created.

9. Breaches

- 9.1 In 2019 the Service reported a breach to The Pensions Regulator (tPR) relating to the failure to meet the regulatory deadline for issuing Annual Benefit Statements to members. Following close collaboration with tPR on resolution of this breach, it has now been confirmed that this can be closed.
- 9.2 All recorded breaches except for one this year relate to the late submission of data or contributions by employers. Where an employer submits more than one week late on more than three occasions in one year, or more than five weeks late on one occasion, then a Green breach is escalated to Amber. Table 1 below summarises the number of employer breaches to 28 August 2020 for 2020/21:

Table 1: Breaches 2020/21	Red	Amber	Green	No Breach	Total
Number of Employers	0	104	20	70	194

- 9.3 In accordance with the Breaches Policy, any Amber breach results in direct contact with the employer to resolve the issue, and further escalation if required.
- 9.4 With the implementation of the new i-Connect system it is anticipated that the number of breaches will reduce significantly.
- 9.5 One further breach, occurring after the 28th August, has been identified which has been discussed in section 4 above, relating to Annual Benefit Statements.

10. Audit Reports

- 10.1 The outcomes of the first 2019/20 internal audit of Pensions Administration, carried out in November 2019 was included in the Internal Audit Annual Report 2019/20, presented to WCC's Audit and Standards Committee on 20th July 2020. This audit received an opinion of Limited Assurance. The recommendations from this audit were incorporated into the Pensions Governance Action Plan, and the majority have now been implemented.

Alongside this, service performance have been reported regularly to LPB since this audit was conducted, to provide assurances that continuous improvement is being made.

- 10.2 The draft opinion on a second audit, was reported to the same Audit and Standards Committee, and gave an improved Moderate Assurance. Recommendations from this audit are being proactively implemented and managed.
- 10.3 The first audit report is available to LPB members on request. The second audit report will be available on request as soon as it has been reported as a final version.

11.i-Connect

- 11.1 The i-Connect project will provide a digital platform for employers to submit monthly member data on-line. This is an automated process, and should therefore remove the issue of late submissions, which is a key cause of employer breaches.
- 11.2 The project is progressing well, with governance arrangements in place, a contract with i-Connect for the provision of the software nearing completion, and an employer communication and engagement plan in place. Rollout to the first tranche of employers is expected to start in the third quarter of the financial year.

12. McCloud / Sargeant Remedy

- 12.1 The Courts determined that the protections afforded to some members of the Local Government Pension Scheme (LGPS) and other public service pension schemes, following the review by Lord Hutton and introduced in 2014 (for the LGPS and 2015 for other schemes), were age discriminatory and unlawful.
- 12.2 The Government accepted the findings of the Court and has issued a consultation as to how best to amend the LGPS regulations. Appendix 4 sets out the questions asked by the consultation. A response to the consultation has been drafted and will be submitted for Portfolio Holder approval on 28 September 2020.
- 12.3 Whilst the final remedies are subject to the outcomes of the consultation, their implementation will be a significant piece of work for the PAS, with an estimated 25% of members being in scope. Planning is underway to manage this project which will involve the following:
 - Identification of members of LGPS who are in scope;
 - Obtaining member data from employers;
 - Calculation of retrospective underpin;
 - Communication with scheme members;

- Payment of backdated benefits; and
- Rectification planning.

12.4 Further reports will be brought back to the Board as work progresses.

13. Changes to Exit Payment Regulations

- 13.1 The government published a consultation on 10 April 2019 seeking views on reforms to implement a £95,000 cap on exit payments in the public sector. Following consideration of the responses, the Restriction of Public Sector Exit Payments Regulations 2020 have been published in draft and were expected to take effect from January 2021, however they were in fact passed by the House of Lords on 23rd September 2020 and now await the Ministers signature. They will take effect 21 days after they have been signed.
- 13.2 In addition to placing a cap of £95,000 on exit payments, the Regulations include provision whereby any LGPS member retiring on redundancy grounds with unreduced benefits will receive no discretionary redundancy payment and will have to pay the fund a sum equal to their statutory redundancy payment. To all intents and purposes they receive no redundancy pay. This is the case regardless of pay and the value of the redundancy package, and will therefore impact on all redundancies affecting workers aged 55 and over.
- 13.3 A further round of consultation was issued on 7 September 2020 seeking views on the effects that the proposals for reform will have on the Local Government Pension Scheme (LGPS) Regulations 2013. In their current form the LGPS Regulations conflict with the proposed Exit Payments Regulations and local authorities would be forced into non-compliance with one or the other.
- 13.4 WCC will be providing a response to this consultation both as an Employer and as Scheme Manager. The consultation document can be found [here](#).

14. Employers Leaving and Joining the Fund

- 13.5 An academy is automatically a Scheme Employer on the basis that it meets the criteria of paragraph 20 of Part 1 of Schedule 2 of the Local Government Pension Scheme Regulations 2013 i.e. it is a 'scheduled body'.
- 13.6 The following schools have applied to become an Academy and as such enter the Pension scheme as an employer in their own right:
- Arden Fields (MacIntyre Academy Trust, 1 September 2020)
 - Studley High (becoming Lead Academy in new Multi Academy Trust, 1 September 2020)
 - Lillington School (Converting to Academy status, 1 November 2020)
 - Trinity Catholic School (Our Lady Lourdes Academy Trust, 1 January 2021)

- All Saints C of E junior School (Coventry Diocese Multi Academy Trust, 1 January 2021)
- Wellesbourne and Tysoe (Converting to joint Academy Trust, April 2021)
- Kingsway Community Primary School (Converting to Academy status, 1 November 2020)

15. Financial Implications

None

16. Environmental Implications

None

17. Supporting Information

None

18. Timescales associated with the decision and next steps

- 18.1 The deadline for responses to the MHCLG consultation on the reform of exit payments in local government is 9 November 2020.

Appendices

Appendix 1 – Governance Action Plan Summary, updated 7th August 2020

Appendix 2 – Key Performance Indicators at 31st July 2020

Appendix 3 – Outstanding Workloads

Background Papers

No background papers

	Name	Contact Information
Report Author	Liz Firmstone	lizfirmstone@warwickshire.gov.uk
Assistant Director	Andy Felton, Assistant Director-Finance	andrewfelton@warwickshire.gov.uk
Lead Director	Strategic Director for Resources	robpowell@warwickshire.gov.uk
Lead Member	Portfolio Holder for Finance and Property	peterbutlin@warwickshire.gov.uk

The report was circulated to the following members prior to publication:

Local Member(s): None

Other members: Councillors Warwick, Singh Birdi, Boad, O'Rourke and Falp

Appendix 1: Governance Action Plan Summary, Updated 7th August 2020

The Pensions Regulator Code of Practice 14	Complete	Red	Amber	Green	Notes
Knowledge & Understanding	7	0	0	0	Training arrangements now in place and ongoing management being picked up as Business As Usual.
Conflicts of Interest	1	0	0	0	LPB Policy approved at SPC March 2020.
Publishing Information	2	0	0	0	LPB Terms of Reference ESG Policy now approved.
Managing Risks	6	0	0	1	Risk register now being reviewed at each LPB meeting. Audit reports are being made available once approved by Audit & Standards Committee. Cyber Security Policy going to LPB for comment October 2020, and to Staff and Pensions Committee in December 2020 for approval.
Record Keeping	13	0	3	0	Administration Strategy approved and subsequent training for Employers completed. I-Connect project underway. Pensions Admin KPIs monitored and managed continuously.
Maintaining Contributions	11	0	0	0	Historical performance issues with WCC Payroll are resolved. New Admin Strategy has been approved and communicated, setting out employer obligations, roles and responsibilities.
Providing Information to Members	0	0	0	0	Governance requirements being met.
Internal Dispute Resolution	0	0	0	0	Governance requirements being met.
Reporting Breaches	8	0	0	0	Breaches Policy in place and breaches log maintained and reviewed regularly. Training completed for Pensions Admin Staff. Employers have been reminded of their responsibilities regarding breaches via new Admin Strategy and related training.
Developing Areas	2	0	0	0	RI/ESG/Climate Change policy approved at PIFSC March 2020
	50	0	3	1	
Total Actions	54				

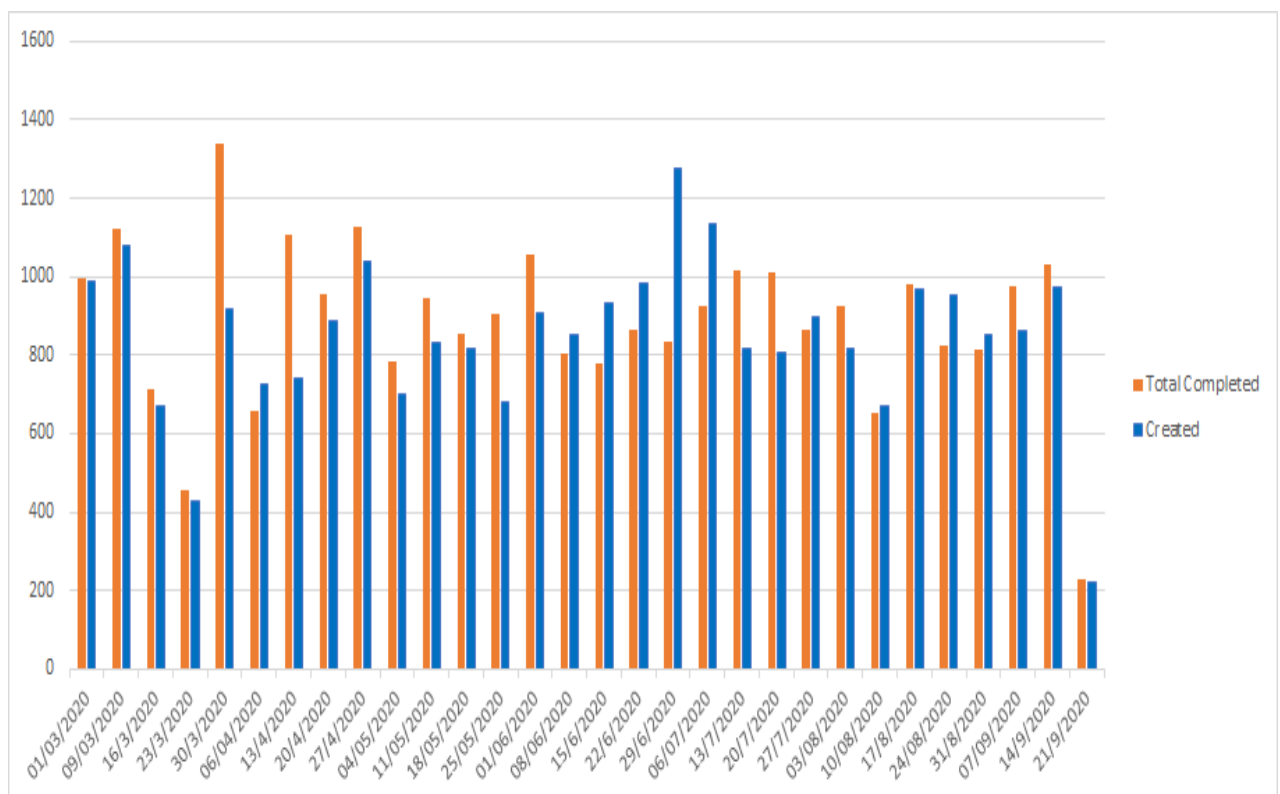
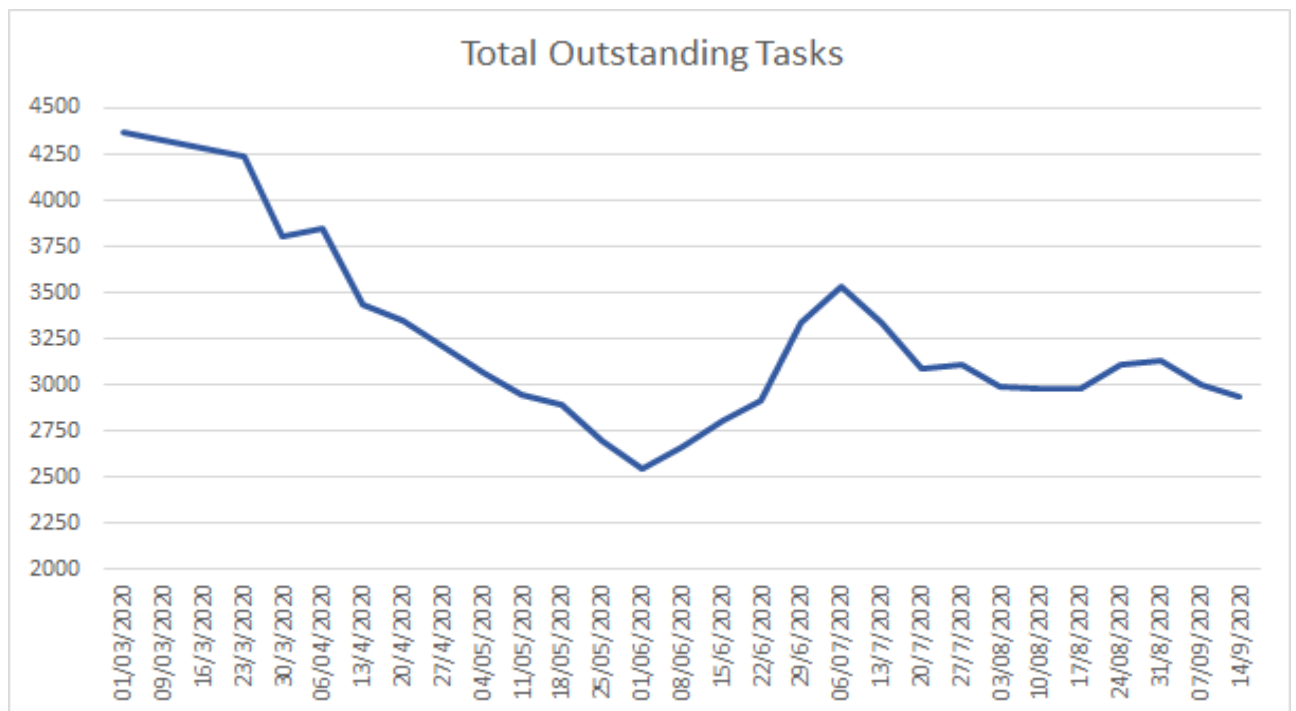
Appendix 2: Key Performance Indicators at August 2020

Key Performance Indicator	Fund Target (95%)	May 2020	June 2020	July 2020	August 2020	Cumulative
Letter detailing transfer in quote	10 days	94%	88%	27%	90%	75%
Letter detailing transfer out quote	10 days	91%	89%	71%	91%	85%
Process and pay a refund	10 days	89%	97%	79%	92	89%
Letter notifying estimate of retirement benefits (Active)	15 days	97%	94%	95%	93%	95%
Letter notifying actual retirement benefits (Active)	15 days	95%	100%	100%	100%	99%
Process and pay lump sum (Active)	10 days	95%	95%	100%	100%	97%
Process and pay death grant	10 Days	80%	100%	91%	100%	93%
Initial letter notifying death of a member	5 days	91%	83%	90%	100%	91%
Letter notifying amount of dependents benefits	10 days	88%	89%	71%	93%	85%
Divorce quote letter	45 days	100%	100%	100%	100%	100%
Divorce settlement letter	15 days	No cases	No Cases	No Cases	No Cases	No Cases
Send notification of joining scheme to member	40 days	99%	99%	98%	96%	98%
Deferred benefits into payment	15 days	99%	98%	98%	97%	98%
Calculate and notify deferred benefits.	30 days	91%	98%	63%	88%	87%
Average days from retirement to payment of lump sum.	Measure of member experience	39 Days	34 Days	34 days	55 days	40.5 Days

Notes:

1. Days are working days only.
2. Payments relate to sending payment, not receipt in member account.
3. Service Levels commence when PAS have full and accurate information to process the case.

Appendix 3: Workloads – Outstanding tasks



Appendix 4: McCloud / Sargeant Consultation

Ministry of Housing, Communities and Local Government Local Government Pension Scheme (England and Wales) Amendments to the statutory underpin July 2020

This document summarises the McCloud consultation questions in respect of the Local Government Pension Scheme. The full consultation document can be found via this [link](#).

Question 1 – Do you agree with our proposal to remove the discrimination found in the McCloud and Sargeant cases by extending the underpin to younger scheme members?

Question 2 – Do you agree that the underpin period should end in March 2022?

Question 3 – Do you agree that the revised regulations should apply retrospectively to 1st April 2014?

Question 4 – Do the draft regulations implement the revised underpin which we describe in this paper?

Question 5 – Do the draft regulations provide for a framework of protection which would work effectively for members, employers and administrators?

Question 6 – Do you have other comments on technical matters related to the draft regulations?

Question 7 – Do you agree that members should not need to have an immediate entitlement to a pension at the date they leave the scheme for underpin protection to apply?

Question 8 – Are there any other comments regarding the proposed underpin qualifying criteria you would like to make?

Question 9 – Do you agree that members should meet the underpin qualifying criteria in a single scheme membership for underpin protection to apply?

Question 10 – Do you agree with our proposal that certain active and deferred members should have an additional 12-month period to decide to aggregate previous LGPS benefits as a consequence of the proposed changes?

Question 11 – Do you consider that the proposals outlined in paragraphs 50 to 52 would have 'significant adverse effects' in relation to the pension payable to or in respect of affected members, as described in section 23 of the Public Service Pensions Act 2013?

Question 12 – Do you have any comments on the proposed amendments described in paragraphs 56 to 59?

Question 13 – Do you agree with the two-stage underpin process proposed?

Question 14 – Do you have any comments regarding the proposed approaches outlined above?

Question 15 – Do you consider there to be any notable omissions in our proposals on the changes to the underpin?

Question 16 – Do you agree that annual benefit statements should include information about a qualifying member's underpin protection?

Question 17 – Do you have any comments regarding how the underpin should be presented on annual benefit statements?

Question 18 – Do you have any comments on the potential issue identified in paragraph 110?

Question 19 – Do the proposals contained in this consultation adequately address the discrimination found in the 'McCloud' and 'Sargeant' cases?

Question 20 – Do you agree with our equalities impact assessment?

Question 21 - Are you aware of additional data sets that would help assess the potential impacts of the proposed changes on the LGPS membership, in particular for the protected characteristics not covered by the GAD analysis (age and sex)?

Question 22 – Are there other comments or observations on equalities impacts you would wish to make?

Question 23 – What principles should be adopted to help members and employers understand the implications of the proposals outlined in this paper?

Question 24 – Do you have any comments to make on the administrative impacts of the proposals outlined in this paper?

Question 25 – What principles should be adopted in determining how to prioritise cases?

Question 26 – Are there material ways in which the proposals could be simplified to ease the impacts on employers, software systems and scheme administrators

Question 27 – What issues should be covered in administrative guidance issued by the Scheme Advisory Board, in particular regarding the potential additional data requirements that would apply to employers?

Question 28 – On what matters should there be a consistent approach to implementation of the changes proposed?

Question 29 – Do you have any comments regarding the potential costs of McCloud remedy, and steps that should be taken to prevent increased costs being passed to local taxpayers?

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Warwickshire Local Pension Board**Review of Pension Administration Costs**

20 October 2020

Recommendation(s)

1. To note the work that has been undertaken to ensure the accuracy and quality of CIPFA benchmarking data.

1. Executive Summary

- 1.1 The LPB has previously expressed concerns about Pension Administration costs in general, and specifically, about WCC payroll costs charged to the Fund.
- 1.2 Findings reported to the LPB in February 2020 concluded that although the total service cost per member was broadly in line with that of the CIPFA statistical comparator group for a Fund of its size, there were wide variations in the component elements.
- 1.3 Further assurance work has now been completed on the quality of the 2019/20 CIPFA benchmarking data, to ensure it is consistent with the comparator group. The adjustments now made indicate that the overall unit cost of the service is considerably lower than the 2018/19 figure for Warwickshire, and would also be more in line with the average 2018/19 cost of the comparator group.

2. CIPFA Benchmarking Exercise

- 2.1 The CIPFA Benchmarking exercise analyses the cost of Pensions Administration per member by its component parts. Work has now been completed to ensure that the correct costs are being included in each element of the cost per member. Figure 1 below summarises the costs included under each element:

LGPS Admin Cost Per Member

Direct Costs

**Indirect
Costs**
Organisation
overheads

Income

**Benefits
Processing**

Estimates,
payments, asset
transfers

**Employer
Engagement**

Data and
contribution
collection

IT / Systems

Systems devtpt,
contracts,
software

Pensioner Payroll

Payment of
monthly pensions
and payslip
distribution

**Membership
Engagement**

Benefits
statements,
newsletters

- 2.2 Following the 2018/19 benchmarking exercise, the CIPFA benchmarking club conducted a review of the guidance to member authorities and as a result has developed new guidance that will apply to the 2019/20 return. The club's review was commissioned in recognition that there were disparities between members in the way unit costs were being calculated. It is likely that there will be a second review when the 2019/20 report has been published to further refine the integrity of the data. It is therefore worth noting that data consistency has been a club-wide and not just a Warwickshire issue.
- 2.3 The intention is that the new guidance will drive greater consistency across the member Funds' returns and give greater assurance regarding the reliability of comparisons between authorities. The club-wide review undertaken to date is expected to shift the average unit costs in the 2019/20 returns, and Warwickshire's comparative position will therefore change. It is anticipated that Warwickshire's cost per member will be more in line with the average as a result.
- 2.4 The re-categorisation of costs to the component parts of the benchmarking exercise has been checked with a sample of other members of the benchmarking club, to ensure that Warwickshire is taking a consistent approach and that future data will be comparable and reliable.

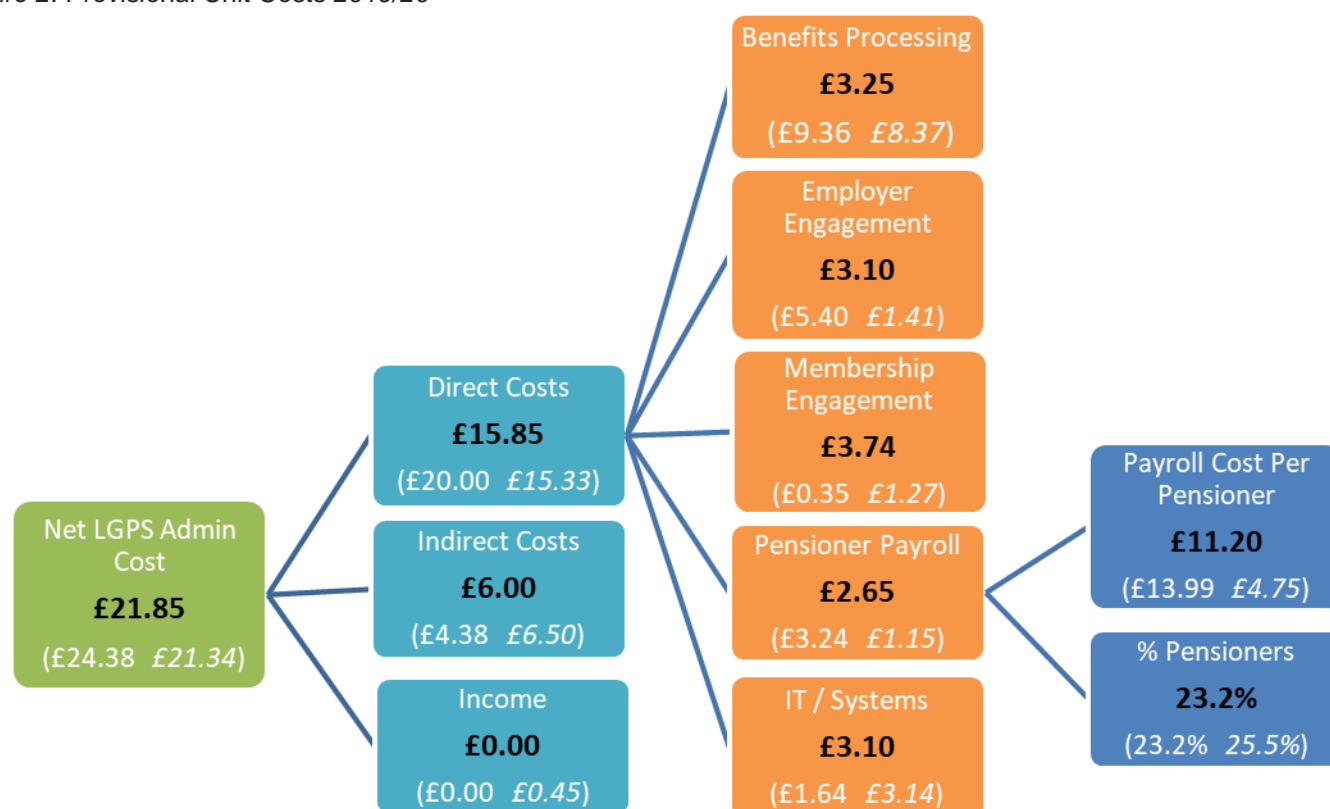
3. Review of Warwickshire Benchmarking Data

- 3.1 As a result of the review of Warwickshire's data alongside the Benchmarking Club's exercise, a number of changes have been made to the way Warwickshire Pension Fund's costs are recorded. The key changes are:
- Realignment of costs between service components to reflect changes in team structure and consistency with the benchmarking group;
 - Re-calculation of pensioner payroll costs from first principles, to reflect the actual staffing, system software licence expenses and overheads that are incurred (note that this change will not take effect until 2020/21);

- Removal of actuarial valuation costs. For 2019/20 this will result in the exclusion of £360k from the total costs that would previously have been included. This is therefore a significant factor in the overall reduction in the unit cost of the service;
- Updated rationale for the apportionment of central overhead charges to the Pensions Administration Team in the indirect element of the cost components.
(note that this change will not take effect until 2020/21).

3.2 As a result of these changes, and based on 2019/20 costs, provisional benchmarking data is as set out in figure 2 (figures in brackets are Warwickshire's 2018/19 reported costs, and 2018/19 group average costs are in italics).

Figure 2: Provisional Unit Costs 2019/20



- 3.3 It should be noted that the figures submitted are subject to a verification and moderation process conducted by CIPFA and are still subject to change.
- 3.4 Whilst it is not possible to say categorically that the unit cost per member of £21.85 will be significantly lower than the average in 2019/20, because of potential changes in the comparator group, the figures do show that overall, Warwickshire's Pensions Administration Service is more efficient than indicated by the 2018/19 figures.
- 3.5 On the face of it, the split between the three key elements of Pensions Administration work (Benefit Processing, Employer Engagement and Membership Engagement) still looks quite different from the 2018/19 comparator group. However, discussions with the Benchmarking Club Review Lead indicate this is simply a reflection of the way

work is organised differently in different Funds. Warwickshire is content that the figures shown are an accurate reflection of the split of work within its service.

- 3.6 Charges from WCC Payroll relating to the i-Trent payroll system have been recategorized as an IT/Systems cost. The payroll cost per pensioner of £11.20 therefore now excludes the IT element, but in aggregate the Unit Cost Per Member reflects the actual cost of £176k that was charged by WCC Payroll to the Pension Fund in 2019/20. This is the same charge as in 2018/19. For the purposes of the benchmarking return we have to reflect what was recorded in the 2019/20 accounts.
- 3.7 Based on the “first principles” review working with WCC’s Payroll team, the true cost of undertaking the pensioner payroll function has been re-calculated at £88k, including payroll system costs. In addition, the Pensions Administration Team undertakes work specifically related to Payroll, and this has been costed at £13k. At the revised total payroll cost of £101k the net admin cost per member would be £20.21 compared to £21.87 that will need to be submitted, and the Payroll Cost per Pensioner would be £4.25.
- 3.8 Previously, indirect costs have been recharged to the Pension Fund based on a corporate allocation model. The model used has been reviewed and costs recalculated based on more up-to-date data. The revised methodology apportions the gross cost of central services to Pensions Administration based on either headcount or budget, as appropriate. This will take effect from 2020/21.
- 3.9 On this basis, indirect costs have been calculated for 2019/20 at £6.00 per member. From 2020/21, using the new apportionment basis, the indirect cost per member would be £6.67. The increase reflects the fact that the overhead charge had remained the same for at least three years.

4. Financial Implications

- 4.1 Financial implications are as set out in the body of this report.

5. Environmental Implications

- 5.1 None

6. Supporting Information

- 6.1 CIPFA Benchmarking Report 2018/19

7. Timescales associated with the decision and next steps

- 7.1 The 2019/20 CIPFA Benchmarking dashboard is expected to be published on 6th November 2020 and the results will be brought to the first available meeting of LPB.

Appendices

1. None

Background Papers

1. None

	Name	Contact Information
Report Author	Liz Firmstone, Victoria Jenks	lizfirmstone@warwickshire.gov.uk, vickyjenks@warwickshire.gov.uk
Assistant Director	Andy Felton, Assistant Director, Finance	andrewfelton@warwickshire.gov.uk
Lead Director	Strategic Director for Resources	robpowell@warwickshire.gov.uk
Lead Member	Portfolio Holder for Finance and Property	peterbutlin@warwickshire.gov.uk

The report was circulated to the following members prior to publication:

Local Member(s): None

Other members: Councillors Warwick, Singh Birdi, Boad, O'Rourke and Falp

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Warwickshire LGPS Local Pension Board**Risk monitoring**

20 October 2020

Recommendation

1. That the Local Pension Board notes and comments on the report.

1. Executive Summary

- 1.1 The Fund needs to be aware of risks that could impact on its ability to function as intended. This report provides an update on the risks to the Fund and actions taken to manage them. It covers both the general risk register and the COVID-19 risk register.
- 1.2 The 'Warwickshire Pension Fund (WPF) risk register' has the February 2020 risk assessment as its anchoring point. The Fund has a separate risk register relating to COVID-19 due to the multi-faceted and unique nature of the pandemic as a risk event. This takes March 2020 as its anchor point.
- 1.3 Risk monitoring reports have been taken to the Pension Fund Investment Sub Committee and Staff and Pensions Committee in June and September 2020. Both committees received the same risk register / actions update but the report commentary was focused in investments and administration risks respectively.
- 1.4 In September a review of risk ratings was undertaken and revised risk assessment scores created. Table 1 below summarises the 'WPF risk register' and compares how risks have changed since the original assessment in February.

Ref	Description	Original Risk Assessment		Change		August 2020 Risk Assessment		Commentary of Direction of Travel From Pre-Lockdown Original Annual Risk Assessment to Quarter 2
		Gross Risk	Net Risk	Gross Risk	Net Risk	Gross Risk	Net Risk	
1	Long term returns fail to be in line with assumptions	6	3	6	3	12	6	Covid impact on markets
2	Short term falls in asset values	6	4	3	2	9	6	Covid impact on markets
3	Cashflow requirements cannot be met	12	6	-3	0	9	6	Cashflow plan is in place and experience to date is positive. Significant employer contribution prepayments are now much less likely.
4	Poor performance of actively managed funds	6	4	3	2	9	6	Covid impact on markets
5	Failure to realise pooling benefits	6	4	0	0	6	4	
6	Fraud	6	3	3	3	9	6	Covid impact on controls and on incentives to commit fraud
7	Liabilities increase further than assumptions	6	2	3	2	9	4	Very low risk free rates of return due to Covid impact on markets and economies will increase the valuation of long term liabilities Impact of McCloud
8	Inadequate data quality	16	9	-4	-3	12	6	Successful delivery of 2019 valuation data set Implementation of governance action plan
9	Employer contributions not being paid	12	9	0	0	12	9	No systematic problem yet presenting from employers but risk is still considered to be high so no change to scores
10	Fund reputation is harmed	9	6	0	0	9	6	
11	Loss of service provision due to disruption	4	3	0	0	4	3	
12	Lack of skills and knowledge	9	4	0	0	9	4	
13	Failure to meet governance standards	12	8	-3	-2	9	6	Implementation of governance action plan

Key: Low Moderate Significant

1.5 This indicates that the risk areas with net increases are:

1.5.1 Risk 1 – Long term asset values – while these have rebounded in comparison to the end of March values, there is much uncertainty around the outlook for global markets. COVID-19, trade disputes (US-China as well as Brexit), and a changing geopolitical landscape may have longer term impacts on asset values. The Fund will continue to try and limit the impact through an investment strategy that mitigates risk and takes a long-term view.

1.5.2 Risk 2 – Short term asset values - This risk has materialised - there have been significant short-term reductions in asset values and high

volatility in certain asset classes. These losses have not generally crystallised to date. The financial position and cash management strategy of the Fund means there has been no need to sell volatile assets under distress.

1.5.3 Risk 4 – Active management – active managers may find it more difficult to add value through skill due to the unprecedented economic climate created by global responses to COVID-19. Equally, this may be an instance in which active managers have an increased ability to add value. The range of outcomes from displaying judgement are likely to have increased.

1.5.4 Risk 6 – Fraud – Pension fund members are at higher risk of fraud from those seeking to take advantage of the uncertainty and worry of the Covid-19 pandemic.

1.5.5 Risk 7 – Liabilities increase – the prospect of lower long-term government bonds (which indicate the 'risk free rate of return' used in valuation assumptions) means that the valuation of the Fund's liabilities may increase. To a certain extent this is a theoretical increase if members' longevity and benefit payments remain unchanged. However, it may impact on the Fund's funding strategy.

The government consultation on altering benefits in the period 2015 – 2022 following the recent McCloud judgement is under consultation. If enacted this will marginally increase the Fund's expected liabilities.

- 1.6 Table 2 below sets out the risks considered in the 'WPF COVID-19 risk register' and shows how the assessment has changed since March 2020.

Ref	Description	Original Risk Assessment (March 2020)		Change		August 2020 Risk Assessment		Commentary of Direction of Travel From Original Covid Assessment to Quarter 2
		Gross Risk	Net Risk	Gross Risk	Net Risk	Gross Risk	Net Risk	
1	Cashflow - Delayed Employer Contributions	12	12	-3	-3	9	9	Experience to date has not presented any systematic issues with employer contributions
2	Cashflow - Investments Impact	16	12	-4	-3	12	9	Cashflow has remained relatively neutral and the cashflow strategy is working positively
3	Losses in Investment Values and Returns	16	12	-4	0	12	12	Risk remains high however the funding strategy does not assume high risk/return on investments
4	Governance Disruption	12	9	-6	-3	6	6	Implementation of governance review actions
5	Health and Safety of Members	12	6	0	0	12	6	Experience has been positive to date but no change in risk assessment. Uncertainty about the seasonal impact on mortality.
6	Health and Safety of Staff	16	9	-4	0	12	9	Likelihood of an issue is lower given experience to date, however potential impact remains high and net risk remains the same
7	Loss of continuity working with advisers, partners, fund managers, and Border to Coast	9	6	0	-2	9	4	Experience to date is that partners and external advisers have proved to be resilient
8	Administration Service Disruption	16	9	-4	-3	12	6	Implementation of governance review actions
9	Inability to Recover	9	6	0	0	9	6	Critical operations continue effectively, and this reduces the reliance upon recovery

- 1.7 Based on information experienced over the past few months, the Fund's view is that none of the risks considered have increased relative to expectations, and several have decreased. However, there remains significant uncertainty surrounding the nature of these risks, and many risks continue to be 'significant' or 'moderate'.

Management Actions

- 1.8 The risk registers include management actions currently in place to mitigate risks. Appendix 1 and Appendix 2 set out the additional management actions identified alongside an update on progress. Most actions are progressing broadly to plan, with a small number delayed or deferred.

- 1.9 Risks have been discussed quarterly at both executive pension committees.

2. Financial Implications

- 2.1 The actions identified will assist in mitigating financial and administrative risks to the fund.

3. Environmental Implications

- 3.1 Climate change presents risks to the fund and these manifest in places in the risk register – for example having the potential to cause an impact on long term returns and an impact on the reputation of the fund.

4. Supporting Information

- 4.1 The risk register scores set out above are based on the following convention:

- Gross risk – risk before mitigating actions
- Net risk – risk after mitigating actions

- 4.2 Risk probability and impact are classified into 4 categories as follows:

		Likelihood			
		Unlikely 1	Possible 2	Likely 3	Very Likely 4
Impact	Very High 4	4	8	12	16
	High 3	3	6	9	12
	Medium 2	2	4	6	8
	Low 4	1	2	3	4

- 4.3 Risk impact and likelihood are multiplied together to provide an overall risk score. Red risks are those with scores of 10 or higher, green risks have scores of 3 or lower, and the remainder are amber.

5. Timescales and Next Steps

- 5.1 The risk register will continue to be monitored quarterly through the year.

Appendices

Appendix 1 – WPF risk register

Appendix 2 – WPF COVID-19 risk register

Background Papers

None.

	Name	Contact Information
Report Author	Victoria Moffett	victoriamoffett@warwickshire.gov.uk
Assistant Director	Andrew Felton	andrewfelton@warwickshire.gov.uk
Lead Director	Strategic Director for Resources	robpowell@warwickshire.gov.uk
Lead Member	Portfolio Holder for Finance and Property	peterbutlin@warwickshire.gov.uk

The report was circulated to the following members prior to publication:

Local Member(s): None

Other members: Councillors Warwick, Singh Birdi, Boad, O'Rourke and Falp

Ref	Risk	Cause	Effect	Risk Owner	Gross Risk		Risk Level	Existing Actions(in place or completed)	NET Risk		Risk Level	Further Risk Actions		
					Likelihood	Impact			Likelihood	Impact		Description (actions must be referenced to objectives in business unit plans or service plans)	Action Owner	Review Date
1	Long term returns fail to be in line with assumptions	Inappropriate investment strategy Inflation levels exceed asset returns Climate change (e.g. causing stranded assets, causing conflicts impacting on trade, etc)	Lower funding levels than planned at future valuations Higher employer contribution rates required at future fund valuations Higher risk investment strategies required in future	Pension Investments Manager	3	4	12	Use of relatively prudent investment strategy assumptions including inflation and market performance Triennial valuations and investment strategy reviews, with more frequent investment strategy reviews when circumstances require. Use of retained actuaries and fund advisers providing an independent view on the strategy. Quarterly investment performance reports to pension fund investment sub committee Use of independent financial advisers and other specialist advisers as required. Investment in real assets to offer protect against inflation risk in the medium to long term Introduction of a climate change policy. Design of a new ISS driven by the 2019 valuation	2	3	6	Implementation of a new ISS in a timely way Liaison with Border to Coast to ensure appropriate investment vehicles are available	Pension Investments Manager	Ongoing
2	Short term falls in asset values	Natural volatility in some asset classes, e.g. equities.	Exposure to risk of selling assets under distress at unfavourable values Pressure to introduce volatility into employer contributions to match market fluctuations	Pension Investments Manager	3	3	9	Diversification of growth assets to provide exposure to growth whilst reducing exposure to a single market risk (e.g. listed stock market investments) Diversification between growth and income assets to mitigate the risk/need to have to sell growth assets under distress Quarterly review of fund assets to ensure appropriate exposure to risk Performance monitoring over rolling medium term time horizons to reduce exposure to short term decision making on asset sales Long term approach to employer contribution rates including stabilisation mechanisms and long term valuation periods Ensure actual asset allocations remain within tolerances to ensure exposure to risk is as planned	3	2	6	Consider asset protection strategies (e.g. equity protection, currency protection, diversification, etc) when appropriate for meeting specific short term objectives	Pension Investments Manager	Ongoing

Ref	Risk	Cause	Effect	Risk Owner	Gross Risk		Risk Level	Existing Actions(in place or completed)	NET Risk		Risk Level	Further Risk Actions		
					Likelihood	Impact			Likelihood	Impact		Description (actions must be referenced to objectives in business unit plans or service plans)	Action Owner	Review Date
3	Cashflow requirements cannot be met	Changing profile of membership over time moving the fund towards a cashflow negative position The probability of large early payments of pension fund contributions has reduced, and this simplifies cash management. Pooling reducing the liquidity of some assets in comparison to non pooled assets	Sale of volatile assets under distress at low prices Sale of illiquid assets under distress and low prices and high cost Being unable to meet payment deadlines and incurring further costs or reputational damage	Pension Investments Manager	3	3	9	Design of a new ISS driven by the 2019 valuation Strategic cashflow review by fund officers and financial advisers. Provision of information to precepting authorities who may make early pension payments, ensuring appropriate notice is provided to the fund.	2	3	6			
4	Poor performance of actively managed funds	making inappropriate decisions, or taking inappropriate risks Failure to hold managers to account Higher fees of active management hinder the potential to make a positive net return Over-reliance of the fund on fund managers simply meeting or beating a benchmark instead of delivering the target return	Long and / or short term losses in asset values Returns exceed benchmarks but miss targets	Pension Investments Manager	3	3	9		3	2	6	Embedding of appropriate monitoring of funds managed by the Border to Coast Pension Partnership	Pension Investments Manager	1/9/20
5	Failure to realise pooling benefits	Inappropriate investment vehicles designed and offered by the pool Inappropriate investments made in the pool Inadequate governance arrangements for the pool Making late decisions to join new funds increasing the costs	Missed opportunities to save costs or improve risk adjusted returns Higher costs than necessary High transition costs Lack of long term cost savings	Pension Investments Manager	2	3	6	Implementation of a new ISS in a timely way	2	2	4	Review of mechanisms for monitoring cost savings to ensure maximum transparency	Pension Investments Manager	1/12/20

Ref	Risk	Cause	Effect	Risk Owner	Gross Risk		Risk Level	Existing Actions(in place or completed)	NET Risk		Risk Level	Further Risk Actions		
					Likelihood	Impact			Likelihood	Impact		Description (actions must be referenced to objectives in business unit plans or service plans)	Action Owner	Review Date
6	Fraud	Fraud by investment managers, custodian, or brokers Fraud within the administrating authority	Loss of assets and inability to recover them	Strategy and Commissioning Manager	3	3	9		2	3	6	Implement any recommendations arising from the 2019/20 routine internal audit of Pension Administration	Pensions Administration Delivery Lead	31/3/2021
7	Liabilities increase further than assumptions	Fall in risk free returns leading to rise in present value of liabilities Life expectancy of membership increases Changes to regulations and benefits set by Government e.g. cost cap adjustment or McCloud remedy	Reduction in long term valuation position Increase in long term contributions required by employers Increase in risks required to be taken with investments Mismatch of asses and liabilities	Strategy and Commissioning Manager	3	3	9	Liaison with Border to Coast to ensure appropriate investment vehicles are available	2	2	4			

Ref	Risk	Cause	Effect	Risk Owner	Gross Risk		Risk Level	Existing Actions(in place or completed)	NET Risk		Risk Level	Further Risk Actions		
					Likelihood	Impact			Likelihood	Impact		Description (actions must be referenced to objectives in business unit plans or service plans)	Action Owner	Review Date
8	Inadequate data quality	Employers not aware of data provision responsibilities Employers not having the capacity or expertise to manage and provide their data Fund not supporting employers Fund not escalating data issues Fund systems or processes allowing or creating errors	Inaccurate assessment of liabilities Inaccurate setting of contribution rates requiring later correction Inaccurate setting of employer asset shares Reputational damage	Pensions Administration Delivery Lead	3	4	12	Monthly monitoring of actual and potential breaches activity Embed new protocols for co-ordination with Warwickshire County Council payroll Implementation of iConnect Implementation of Member Self Service Review/debrief of lessons learned form 2019 Valuation	2	3	6			
9	Employer contributions not being paid	Financial challenges to employer organisations Poor processes and procedures in employer organisations Lack of clarity from the Fund about expectations Lack of escalation by the fund Lack of mechanisms available to the Fund to enforce payment Significant changes in employer funding levels	Shortfalls in employer contributions Reputational risk to the Fund Risk of pension fund liabilities causing a risk to the viability of employers	Pensions Administration Delivery Lead	4	3	12	Introduction of a climate change policy. Updated and revised Administration Strategy including the facility to charge costs for late payment New staffing structure with more dedicated capacity for policy development and employer liaison	3	3	9	Covenant review of high risk employers where appropriate	Pensions Administration Delivery Lead	Dec-20
10	Fund reputation is harmed	Poor service provided to members or employers Adverse audit reports Persistently poor investment returns compared to benchmarks Breaches of the law Data breaches Lack of regard for climate change, carbon footprint, or ESG issues	Lack of confidence in the fund Additional costs incurred to review and fix perceived or actual issues	Strategy and Commissioning Manager	3	3	9	Restructure of the service increasing capacity to meet delivery and governance requirements Maintenance of a fund website for member and employer communications Action plans in respect of audit recommendations Transparent reporting to pension committees and the Local Pension Board	2	3	6	New data improvement plan stemming from review of 2019 valuation	Pensions Administration Delivery Lead	1/12/20

Ref	Risk	Cause	Effect	Risk Owner	Gross Risk		Risk Level	Existing Actions(in place or completed)	NET Risk		Risk Level	Further Risk Actions		
					Likelihood	Impact			Likelihood	Impact		Description (actions must be referenced to objectives in business unit plans or service plans)	Action Owner	Review Date
11	Loss of service provision due to disruption	Fire Flood National event/emergency Cyber Crime Systems Failure	Inability to pay pensioners Inability to make payments into investment funds that are called by fund managers Inability to collect employer contributions Inability to keep data up to date leading to data inaccuracy and data backlogs	Pension Investments Manager	1	4	4	Data back ups stored off site Use of scheme administrator disaster planning processes Digital imaging of records Investment data is held online by the fund's custodian Access to the scheme administrator's systems security facilities Creation of a cyber security policy	1	3	3	Review and update of disaster recovery plan	Pension Investments Manager	1/11/20
12	Lack of skills and knowledge	Insufficient availability of external contract service providers Inability to recruit two permanent posts Conflicting and competing priorities and were close in respect of the scheme administrator functions Increasing demand and complexity within the scheme Pressure to maximise efficiency and minimise	Deterioration in data quality Inability to make decisions Inability to make decisions in a timely way Workload backlogs Inability to meet service objectives and deadlines Reputational damage	Strategy and Commissioning Manager	3	3	9	Use of procurement processes to maximise contracting choices Training for new staff Documentation of procedures and practices Implementation of the new staffing structure and recruitment to new posts The implementation of a new training and development regime for staff Pro-active talent mapping and succession planning for internal staff	2	2	4	The introduction of longer term workforce planning Budget setting informed by cost drivers not cash limits	Strategy and Commissioning Manager and Transformation Manager	Mar-21
13	Failure to meet governance standards	Inadequate reporting to pension fund committees or the Local Pension Board Lack of training Out of date policies Not following and responding to external developments Lack of capacity to focus on planning and governance	Breaches of the law Decisions taken without appropriate authority Poor decisions taken based on inadequate information or insufficiently skilled boards, officers, or advisers	Strategy and Commissioning Manager	3	3	9	Training plans for pension fund investment sub committee and Local Pension Board members Quarterly committee and board meetings Comprehensive governance arrangements for the Border to Coast Pension Partnership including a Joint Committee Review of Terms of Reference of the Local Pension Board Governance review by an independent expert Pensions administration action plan Rolling forward plan of fund policy reviews Structural separation of governance and policy from deliver Active quarterly monitoring of fund risks by the Local Pension	2	3	6	Review of terms of reference of pension fund committees	Strategy and Commissioning Manager	Mar-21

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Ref	Risk	Cause	Effect	Gross Risk		Risk Level	Existing Actions(in place or completed)	NET Risk		Risk Level	Further Risk Actions
				Likelihood	Impact			Likelihood	Impact		Description
1	Cashflow - Delayed Employer Contributions	Employers choose to delay contributions to protect their cash position. Employers cannot pay their contributions because of business continuity failure, for example systems do not work remotely, or key staff off sick. Government directives to pension funds to support employer cashflow	Negative impact on fund cashflow Fund may need to sell assets in unfavourable circumstances in order to service cashflow needs Asset weightings may move significantly out of balance, changing the risks the Fund is exposed to	3	3	9	Investments and cash reserves available to cover a period of delays in contributions Ensure cashflow management is prioritised	3	3	9	Review employer base and mitigating approaches for different employer types, prioritising employers and employer groups with weak covenants or that are more heavily impacted by covid Review securities and guarantees from employer, and guarantor arrangements Consider longer term maximisation of contributions not short term maximisation Review options to reduce or delay contributions in certain circumstances Engage with employers on options and to understand their plans and position
2	Cashflow - Investments Impact	Significant losses in asset values Companies choosing to stop issuing dividends to protect the company cash position Government directing companies to stop paying dividends to protect company viability Reduction in yields from income generating assets as safer assets are more in demand Gating of funds at risk of mass withdrawals	Refer to Risk 1	3	4	12	Cash reserves available to cover a period of time Focus on cashflow initially Holding higher cash balances Other related actions as per Risk 3	3	3	9	
3	Losses in Investment Values and Returns	Economic shock / slowdown Volatility in financial markets Losses in economic supply and demand and productivity / GDP globally	Funding level worsens materially Investment weightings move outside of tolerance levels Current Investment Strategy is no longer suitable Fire sale of assets	4	3	12	Maintain close liaison with Investment Consultant, Fund Managers, and Border to Coast Maintain existing strategy and asset classes unless there are very good reasons for deviating. Cashflow strategy recently reviewed Prioritisation of cashflow management in the immediate term	4	3	12	

Ref	Risk	Cause	Effect	Gross Risk		Risk Level	Existing Actions(in place or completed)	NET Risk		Risk Level	Further Risk Actions
				Likelihood	Impact			Likelihood	Impact		Description
4	Governance Disruption	Loss of existing means of governance meetings Lack of appropriate remote working hardware or software The potential need to make significant decisions very quickly	Inability to make significant decisions quickly enough - losing money or opportunities in the process Decisions being made without adequate oversight and governance Sub optimal decisions being made	2	3	6	Issue remotely of of joint briefing notes to the two pension committees and the local pension board to maintain communications and transparency/assurance around pension fund activity and the response to the Covid issue Signing/authority of decisions and transactions remotely using Surface Pro tablets instead of physical wet signatures on paper where this is possible Engage with committees and boards to understand priorities Review of arrangements to be able to run boards and committees remotely	2	3	6	Review of options to delegate decision making to facilitate quick decisions where necessary (e.g. to s151 or to an emergency response group, etc) Review and rephase project work Continue the implementation of governance review actions but review prioritisation where necessary
5	Health and Safety of Members	Inability to pay pensions to pensioners Paper based systems Lack of informaiton available to members about the impact on their pension	Pensioners not able to buy essentials if pensions are not paid Paper based systems causing infection transmission risk Mentail health risk if members are worrying about pensions	3	4	12	Post updates on website regarding pension payments Administration actions in Risk 8	2	3	6	Review and update any communications and documentation for members Administration actions in Risk 8
6	Health and Safety of Staff	Lack of adequate remote working facilities Paper based systems Pressure to deliver business as usual whilst dealing with the crisis Lack of contact with colleagues	Paper based systems causing infection transmission risk Mental health impact Delivery of key priorities	3	4	12	Mandatory working from home unless exceptional reason to go to office Microsoft 356, Surface Pros and ability to work from home Council flexible working policy Rapid capture and sharing of lessons learned about effective remote working	3	3	9	
7	Loss of continuity working with advisers, partners, fund managers, and Border to Coast	Inability to operate remotely Loss of business continuity	Delays in investment operations Delays in fund launches Delays in closure of accounts	3	3	9	Liaison and meetings with external agencies have largely continued remotely, e.g. through Microsoft Teams and webex seminars Maintaining close liaison with key organisations, in particular Border to Coast, Hymans Robertson, and Bank of New York Mellon	2	2	4	Continue to engage with BCPP, fund managers, and custodian about their continuity plans

Ref	Risk	Cause	Effect	Gross Risk		Risk Level	Existing Actions(in place or completed)	NET Risk		Risk Level	Further Risk Actions
				Likelihood	Impact			Likelihood	Impact		Description
8	Administration Service Disruption	Lack of remote working facilities Staff lost to sickness Disruption to employer admin and payroll funcitons Disruption to systems and system suppliers Disruption to actuary service provision	Reduction in performance against KPIs that impact adversely on fund members and sustainability Incorrect or missing pensioner payments Data quality deterioration Delays to administration improvemetns e.g. iConnect	3	4	12	Remote working facilitites have been set up with amost all work done from home Use of video conferencing Prepared to move resources around the team to protect the payment of pensions now Review priorities for KPIs and ensure protection of those that support the most vulnerable Engage with key contacts to plan how we work Expediting the use of IT to replace paper pased systems	2	3	6	Review activities, procedures, signatories, etc. Cross train staff
9	Inability to Recover	Loss of continuity in staff Loss of systems Significant gaps in data or data quality develop during the crisis Significant backlogs in data submissions develop	Poor data quality for a significant period of time Significant costs to get data back to acceptable standards Inability to review and update investments for the new circumstances, and so missing opportunities	3	3	9	Regular review of the situation, instigating a recovery group when circumstances permit Keeping recovery in mind when taking actions during the crisis	2	3	6	

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Warwickshire Local Pension Board

Business Plan Monitoring

20 October 2020

Recommendation

1. That the Local Pension Board notes and comments on the report.

1. Executive Summary

- 1.1 The pension fund business plan was approved at the March 2020 Pension Fund Investment Subcommittee. This report provides a quarterly update on progress against the plan and issues arising.
- 1.2 The most significant development since the plan was approved was the acceleration of the Covid-19 pandemic. Therefore, actions in respect of managing the impact of the pandemic on the Fund are not a feature of the Business Plan. However, a specific risk assessment and action plan is in place in respect of Covid-19 and is reported elsewhere on the agenda.
- 1.3 Appendix 1 sets out business plan actions and the current position in respect of them.

2. Financial Implications

- 2.1 Many aspects of the business plan have financial implications. Financial implications are reported and managed appropriately for each issue and are not listed / repeated here. For example, the Pension Fund Investment Sub Committee receive information on the impact of Covid-19 on investments.

3. Environmental Implications

- 3.1 There will be environmental implications for some aspects of the Fund's activities. The Fund has a Climate Risk strategy and Environmental, Social, and Governance Policy which guides its approach to environmental issues.

4. Supporting Information

- 4.1 The monitoring report in Appendix 1 uses a simple RAG rating as follows:

- Green – on track.
- Amber – off track but it is possible to get back on track or revise the plan without significant adverse consequences to the fund.
- Red – off track with significant governance input required to get back on track and/or significant potential consequences being likely.

4.2 The position is summarised below:

RAG Rating	Number
Green	29
Amber	7
Red	0
Total	36

5. Timescales associated with the decision and next steps

5.1 Monitoring against the business plan will be reported quarterly to the Local Pension Board.

Appendices

1. Appendix 1 – Business Plan Monitoring

Background Papers

None

	Name	Contact Information
Report Author	Victoria Moffett, Chris Norton	victoriamoffett@warwickshire.gov.uk, chrishnorton@warwickshire.gov.uk
Assistant Director	Andrew Felton	andrewfelton@warwickshire.gov.uk
Lead Director	Strategic Director for Resources	robpowell@warwickshire.gov.uk
Lead Member	Portfolio Holder for Finance and Property	peterbutlin@warwickshire.gov.uk

The report was circulated to the following members prior to publication:

Local Member(s): None

Other members: Councillors Warwick, Singh Birdi, Boad, O'Rourke and Falp

Annex 1

Ensuring a high-quality administration service

	Action	Timescale	RAG	Update
1	Deliver a Pension Fund Annual General Meeting. <i>Updating fund stakeholders on investment and governance developments.</i>	November 2020	Green	This is planned to go ahead virtually on the 16 th November 2020. Activity is under way to make arrangements.
2	Deliver a Pension Fund Employers Meeting. <i>Updating employers on developments relating to the administration of the scheme.</i>	November or December 2020	Green	This is planned to go ahead virtually on the 25 th November. The team is assessing which information is best delivered on the day and what may be better delivered in separate sessions.
3	Regular review of complaints. Ensuring specific and systematic issues are identified and actioned.	Quarterly	Green	A monthly meeting of pension fund managers includes a standing item to review complaints and compliments.
4	Begin implementation of i-Connect Complete implementation	September 2020 March 2021	Green	The project is in progress and running approximately to time. Heywood have delivered training on how to use the system.
5	Review lessons learned from 2019 Valuation	October 2020	Green	Fund officers met with fund actuaries in June to review the valuation process.
6	Annual pensions newsletter issued	April-June 2021	Green	

	Action	Timescale	RAG	Update
7	Benefit statements issued	May-August 2020	Amber	Most Annual Benefit Statements were released on time. The Fund notified The Pensions Regulator (TPR) about a breach due to external printing issues. TPR are comfortable with the resolution.
8	Report administration performance KPIs to the Local Pension Board	Quarterly	Green	Reported elsewhere on the agenda. A revised set of KPIs was reported to and approved by the Staff and Pension Committee in September.
9	Keep the new pension fund web site up to date with developments	Quarterly	Green	The website has been updated with revised policies as they have been approved. Updates to the website have been made to refer members to relevant content regarding pension fund developments.
10	Complete actions identified in the governance review	December 2020	Green	Significant progress has been made, 50 out of 54 actions completed.
11	Implement monthly officer monitoring meetings to formally review activity and performance	April 2020	Green	Officer meetings in respect of investment and administration activity have continued.

	Action	Timescale	RAG	Update
12	Maintain a liaison meeting with the Warwickshire County Council payroll function	Monthly	Amber	<p>Monthly meetings with WCC Payroll continue, and the general Administration Strategy is in place.</p> <p>A Service Level Agreement is being progressed, and this item is tagged as amber until the SLA is agreed.</p>
13	Maintain regular officer monitoring and management of breaches activity	Monthly	Green	Monthly meetings focused on breaches continue. This is now a business as usual activity.

Actuarial Activities

	Action	Timescale	RAG	Update
14	Support a review of 2019 valuation lessons learned	October 2020	Green	Completed.
15	Monitor employer contribution performance through the year	Monthly	Amber	Monitoring is in place but further work required to embed this in business as usual activity.
16	Review employer covenants and risk management for non-statutory employers	July 2020	Amber	A separate report covers a planned employer covenant review. The work will be delivered but later than originally planned.

Maximising Investment Benefits

	Action	Timescale	RAG	Update
17	Make decisions regarding new Border to Coast fund launches	As new funds launch	Green	Continuing to input into fund selection and structure discussions.
18	Implement Border to Coast fund transfers where approved	As funds launch	Green	
19	Ensure the fund remains MIFID2 compliant	Annual	Green	
20	Continued growth of alternative asset classes towards their new strategic asset allocation	Annual	Green	
21	Meet with directly commissioned active fund managers	Annual	Green	This has resumed.
22	Investment monitoring reports provided to the investment sub-committee.	Quarterly	Green	
23	Plan cashflow strategy in order to avoid the need to sell assets under time pressure	Annual	Green	Cashflow strategy / approach reported to Investment Sub Committee in June. Pension payroll and investment capital calls on cash have all been met.
24	Hold officer monitoring meetings to formally review activity and performance	Monthly	Green	Officer meetings have resumed. Iterative changes are taking place to improve this.

	Action	Timescale	RAG	Update
25	Ensure the Fund meets the requirements of the UK Stewardship Code	Annual	Green	A project is underway to ensure submission of the final stewardship report to the FRC by 31 March 2021.
26	Review ways of improving the measurement and reporting of the Fund's climate risks and exposures	Annual	Green	The Fund has a Climate Risk policy. Hymans produced a paper for the PFISC on methods for monitoring ESG, including climate change.

Ensuring Good Governance

	Action	Timescale	RAG	Update
27	Production of draft statement of accounts	May 2020	Green	Completed
28	Publication of Annual Pension Fund Report	November 2020	Green	Awaiting final sign-off
29	Ensure a risk register is maintained	Quarterly	Green	
30	To ensure employers join and leave the fund in accordance with LGPS and Warwickshire Pension Fund policies	When employers join or leave the fund	Green	Movements are being reported to Staff and Pensions Committee as required.
31	Review of contracts for services provided to the Pension Fund	September 2020	Amber	<p>Almost all contracts are now on In-Tend (the contracts database).</p> <p>Those that have expired or are due to expire before the end of 2020 are being reviewed. Other contracts will be reviewed subsequently.</p> <p>Contract management requires significant capacity – there is a risk that capacity is not enough to keep up with the activity required. This will be kept under review.</p>
32	Support governing committees and boards in the delivery of their responsibilities through the provision of appropriate information, advice, and training:	Quarterly	Green	Committees continue to meet despite Covid-19. Some agenda items have been taken off agendas to ensure a focus on the top priorities.

	Action	Timescale	RAG	Update
	<ul style="list-style-type: none"> Pension and Investments Sub-Committee Local Pension Board Staff and Pensions Committee 			Training plans will be run for committee and board members during the year.
33	Complete the implementation of actions related to the governance review	September 2020	Green	50 out of 54 actions completed. Detail reported elsewhere on the agenda.
34	Maintain a one year rolling forward plan of agenda items for all pension fund boards and committees	Quarterly	Green	
35	Implement and embed a commissioning/delivery approach to the administration of the fund	May 2020	Amber	A draft commissioning/delivery approach has been completed. Further work is required to specify an approach to planning for 2021/22.
36	Maintain a rolling programme of policy reviews to ensure all pension fund policies are reviewed with the correct timing and frequency	Quarterly	Amber	<p>A schedule of policies and provisional dates for review is reported specifically elsewhere on the agenda.</p> <p>There are a significant number of policies and the Fund will review the capacity required to service a timely schedule of policy reviews.</p>

Warwickshire LGPS Local Pension Board

Investments update

20 October 2020

Recommendation

1. That the Board notes and comments on the report.

1. Executive Summary

- 1.1 This report provides an update on investment activity for note and comment.
- 1.2 The following is covered in the report:
 - Overall funding level
 - Growth assets update
 - Income assets update
 - Protection assets update
 - Pooling
 - Audit
 - Voting record

2. Overall funding level

- 2.1 As at 13 August 2020 this was approximately 83%. The fall since the 31 March 2019 triennial valuation was primarily driven by the fall in gilt yields.
- 2.2 Asset values have recovered significantly since the initial phase of COVID-19.

3. Growth assets update

- 3.1 There were no investments or disinvestments in the quarter ending 30 June 2020.
- 3.2 The Fund continues to be invested in a mixture of:
 - UK and Global equities;
 - active and passive managers; and
 - market capitalisation and multi-factor indices.

4. Income assets update

- 4.1 There were no strategic changes in the quarter ending 30 June 2020.
- 4.2 The Fund made several capital calls and received distributions.
- 4.3 The property funds remained gated during the quarter due to a Material Uncertainty Clause from lack of valuation data. The gate on one property fund has since been lifted.
- 4.4 The private equity, private debt and infrastructure managers consider their portfolios to be robust against the impact of COVID-19, as well as other market influences, at present.

5. Protection assets update

- 5.1 There were no investments or disinvestments in the quarter ending 30 June 2020.
- 5.2 The Fund continues to be invested in a mixture of:
 - Investment grade credit;
 - Passive corporate bonds;
 - Index-linked bonds;
 - Absolute return bonds; and
 - Cash.
- 5.3 The cash buffer is sufficiently robust to manage the Fund's expected cashflow requirements, even if there are short-term issues with receiving contributions.

6. Pooling

- 6.1 The Fund's officers and advisors continue to work closely with their pooled fund – Border to Coast Pensions Partnership (BCPP) – to manage the strategic development of new investment options and policies.
- 6.2 The Investment Sub-Committee receive an update on the benefits realised through pooling each quarter.

7. Audit

- 7.1 An internal audit of pension fund investments was completed in April 2019, providing limited assurance and generating an agreed action plan. A subsequent audit completed in August 2020 provided an improved (moderate) assurance opinion and a further action plan which is currently being implemented by officers. Both audit opinions have been reported to

the Audit and Standards Committee.

- 7.2 The external audit of the Pension Fund accounts has been completed at the time of writing and reported to the Audit and Standards Committee. This is reported in more detail elsewhere on the agenda.

8. Voting record

- 8.1 Reports to the Investment Sub-Committee include an update on the Fund's voting record.

9. Financial Implications

- 9.1 None for this Board.

10. Environmental Implications

None

11. Supporting Information

None

12. Timescales associated with the decision and next steps

None

Appendices

None

Background Papers

None

	Name	Contact Information
Report Author	Victoria Moffett	+44 7554 330163 victoriamoffett@warwickshire.gov.uk
Assistant Director	Andrew Felton	01926 412441 Andrewfelton@warwickshire.gov.uk
Lead Director	Rob Powell	01926 412564 robpowell@warwickshire.gov.uk
Lead Member	Cllr. Peter Butlin	01788 816488 cllrbutlin@warwickshire.gov.uk

The report was circulated to the following members prior to publication:

Local Member(s): None

Other members: Councillors Warwick, Singh Birdi, Boad, O'Rourke and Falp

Warwickshire LGPS Local Pension Board**External Audit of Pension Fund Accounts**

20th October 2020

Recommendation(s)

1. That the Local Pension Board notes and comments on the report.

1. Executive Summary

- 1.1 The Warwickshire Pension Fund is required to publish its accounts annually, in order to provide standardised and transparent information about the financial position of the fund to its direct stakeholders and the wider public.
- 1.2 The Pension Fund operates a range of internal controls in order to be able to record and report appropriately. In addition to this, external auditors pursue a programme of work to provide additional independent assurance on the accounts.
- 1.3 The purpose of this report is to inform the Local Pension Board of the external audit of the accounts, and to highlight key features of the accounts for 2019/20.
- 1.4 The external audit plan in respect of the Fund accounts was presented to and approved by the Audit and Standards Committee in July. The draft accounts were published and provided to the external auditors in August. Having regard to feedback from the auditors, an updated set of draft accounts was reported to the Audit and Standards Committee in September, and the final version of the accounts are to be presented to the County Council on 13 October for approval. Officers will provide a verbal update on these proceedings at the Local Pension Board meeting.
- 1.5 Key headlines from the production of the accounts are highlighted below:
 - Covid impacted on the way in which the accounts were produced and audited, with work being conducted on a remote basis.
 - No issues have been identified that require adjustments to the financial statements of the Pension Fund.
 - The anticipated audit opinion, at the time of writing of this report, is unqualified.

- The accounts set out a material uncertainty declaration in respect of 2 property funds as a result of the impact of Covid on the availability of information to support valuations. However more recent available valuations available since the close of the last financial year are not materially different to the valuations that were used at the year end.
- Future risks and issues are noted in the accounts including the potential impact of McCloud and the potential impact of a tribunal decision relating to survivors of female members of the Teachers Pension Scheme (entitled the “Goodwin” case) that may have a knock on impact on the LGPS.
- The instances of breaches in 2019/20 that were reported to the Pension Regulator have no impact on the accounts.
- One event after the reporting date was reported – the merger of the Northumberland Pension Fund and Tyne and Wear Pension Fund, which reduces the number of partners in the Border to Coast Pension Partnership from 12 to 11, which in turn changes the contributions required from the remaining partners including the Warwickshire Pension Fund.
- The accounts are presented as a true and fair and are presented on a going concern basis.

2. Financial Implications

2.1 None.

3. Environmental Implications

3.1 None

4. Supporting Information

4.1 None.

5. Timescales associated with the decision and next steps

5.1 The accounts will be published by the end of November.

Appendices

1. None.

Background Papers

1. Item 3 and Item 5 of the 28th September Audit and Standards Committee.

[Link to Audit and Standards Committee Agenda 28th September 2020](#)

	Name	Contact Information
Report Author	Victoria Moffett, Chris Norton, Sukhdev Singh	victoriamoffett@warwickshire.gov.uk, chrisnorton@warwickshire.gov.uk, sukhdevsingh@warwickshire.gov.uk
Assistant Director	Andrew Felton	andrewfelton@warwickshire.gov.uk
Lead Director	Strategic Director for Resources	robpowell@warwickshire.gov.uk
Lead Member	Portfolio Holder for Finance and Property	peterbutlin@warwickshire.gov.uk

The report was circulated to the following members prior to publication:

Local Member(s): None

Other members: Councillors Warwick, Singh Birdi, Boad, O'Rourke and Falp

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Warwickshire Local Pension Board

Tuesday, 21 July 2020

Minutes

Attendance

Committee Members

Councillor Parminder Singh Birdi
Keith Bray (Chair)
Keith Francis
Alan Kidner
Councillor Dave Parsons
Mike Snow

Officers

Helen Barnsley, Democratic Services Officer
Neil Buxton, Technical Specialist - Pension Fund Policy and Governance
Aneeta Dhoot, Senior Finance Officer
Andrew Felton, Assistant Director - Finance
Liz Firmstone, Service Manager (Transformation)
Victoria Jenks, Pensions Admin Delivery Lead
Andrew Marson, Head of Pensions Administration
Chris Norton, Strategy and Commissioning Manager (Treasury, Pension, Audit & Risk)
Jane Pollard, Legal Service Manager (Corporate)

1. Introductions and General Business

(1) Apologies

Apologies had been received from Mr Keith Francis, however, the Board welcomed Mr Francis joining the meeting during consideration of item 6 (Pensions Administration and Performance Update).

(2) Board Members' Disclosures of Interests

None.

2. Forward Plan

The forward plan reflected a series of quarterly meetings, scheduled to follow executive committee meetings in order to better reflect and enable the role of the Local Pension Board in overseeing the fund's operations. In order to continue this cycle, it was proposed that the meeting on 26 November 2020 be brought forward and that meetings also take place in January and April 2021. The Board suggested meeting dates of 20 October 2020, 26 January 2021 and 13 April 2021 and

the Chair requested the Lead Commissioner for Pensions and Investment to consider these in the context of the wider cycle and either confirm their suitability or suggest more appropriate alternatives within seven days of the meeting.

It was further noted that the Board would receive a schedule of the policy reviews that would be presented to the relevant committee on an annual basis.

3. Business Plan Monitoring

Chris Norton, Strategy and Commissioning Manager (Treasury, Pension, Audit & Risk) presented the report to the Board, noting that this was the first monitoring report following a request by the Board in March 2020. The aim of the report was to go through the business plan with a simple RAG rating approach. It was highlighted that the majority of actions were on track and there were no actions with significant risk or that needed major governance input.

In response to a query regarding the absence of any 'red' ratings, it was noted that the governance action plan had been rated 'amber' as there was a lot of work to do on the plan, employer contributions had been of concern at the beginning of lockdown and one or two other ratings also remarked on Covid-19 as being a source of pressure. There was also a need to keep a check on employer covenants during the remainder of the year.

With regard to investments, the Board were advised that Border to Coast had maintained operations during lockdown and, whilst it had not been sensible for some funds to launch during the pandemic, the next planned fund launch was in 2021 when it was anticipated that markets would be more settled.

The Board were also advised that the review of contracts for services (point 31 of the plan), a list of contracts will be maintained designed to ensure that services are tendered for at the right time. Contracts include for example Hymans as Actuary, contracts with independent financial advisers and Heywoods for the pension fund system.

The Board indicated a desire to see the rolling programme of policy reviews (point 36 of the plan) in due course.

4. Risk Monitoring

Chris Norton, Strategy and Commissioning Manager (Treasury, Pension, Audit & Risk) presented the first quarterly report on Risk Monitoring activity, which followed the presentation of the annual report in March 2020. The risk register for 2020/21 had been drafted before the Covid-19 pandemic had escalated and did not refer to the pandemic. However, the pandemic and the issues and risks that it presented had since been identified and logged in a dedicated Covid-19 risk register. Covid-19 specific issues and risks were considered later in the meeting.

Risk monitoring reports had been taken to the Pension Fund Investment Sub-Committee and Staff and Pensions Committee in June 2020. Both committees had received the same risk register / actions update but the report commentary had been focused on investments and administration risks respectively. The focus of the reports had been on changes, developments, and management actions rather than repeating and updating the contents of the whole risk register.

The most significant change in position had been in respect of investment volatility so far, with concerns over the impact of Covid-19 on employer contributions in the longer term.

The Board cautioned against too much of a focus on Covid-19 and commented on the importance of other global risk factors such as Brexit and the China-United States trade dispute. Concern was also expressed about cyber security, particularly as more people were working from home, and it was acknowledged that consideration of the cyber security policy had been deferred a cycle due to the Covid-19 situation.

Reflecting on the challenges of lockdown, Chris Norton, Strategy and Commissioning Manager (Treasury, Pension, Audit & Risk), noted that the County Council had undertaken a test of home-working ahead of the formal lockdown and business critical functions had been maintained over the lockdown period. Andrew Felton, Assistant Director for Finance added that a lot of work was going on in the County to make buildings Covid-Secure and there was some ad-hoc access permitted. However, home working had been operating well for the last four months and was likely to continue for some months.

5. Pension Fund Covid-19 Report

Chris Norton, Strategy and Commissioning Manager (Treasury, Pension, Audit & Risk) presented the bespoke risk report to the Board which highlighted Covid-19 specific risks, with the most significant being investment volatility and cash flow management. He noted that employer contributions remained relatively normal and whilst some were past deadlines this was not at a higher level than usual. Further risk mitigation actions were already in place and further Covid updates would be taken to the next Pension Fund Investment Sub-Committee and Staff and Pensions Committee.

The Chair referred to the Annual Report later on the agenda and reflected on the foresight shown by Board Members at the meeting on 26 February when the likely effects of the pandemic were raised. Although it had been acknowledged that there would be both short and long term impacts, the extent to which the pandemic would interfere with human activity had not been fully realised at that time and this demonstrated that some risks could not be foreseen and it was important to be nimble-footed. He praised the “remarkable” response effort from Local Government and expressed his personal thanks for the commendable reaction to such an unprecedented situation.

6. Pensions Administration and Performance Update

Andrew Marson, Pensions Administration Delivery Lead, introduced the report. He expressed pride in the Team for the way they had responded to the circumstances of the Covid-19 Pandemic before drawing attention to the Governance Action Plan which continued to progress in a timely fashion.

Liz Firmstone, Service Manager (Transformation) was invited to report on the pensions costing exercise which had taken place and she advised that work had been undertaken on a review of pensions costs and close liaison had taken place with the CIPFA Benchmarking Club. The Board were informed that a review had also been carried out by the Benchmarking Club last year, led by Cheshire, and feedback was that members were struggling to follow the guidance and there were issues with comparability of data. Refreshed guidance would result in more comparability for 2019/20 statistics and a higher level of assurance. As a result, it was expected that the cost of

Warwickshire Pensions Administration would be shown as efficient when compared to the rest of the Group when 2019/10 figures were submitted and published. A further report would come to the next meeting. The Chair asked that this report incorporate information about how many funds were covered by the Benchmarking Club.

Andrew Marson, Pensions Administration Delivery Lead, also shared an update regarding Audit, Payroll, Workloads, Pensions Increases, End of Year Returns, Annual Benefits statements, recruitment, key performance indicators, breaches and IConnect as set out in the report.

He noted that the circumstances of Covid-19 had put a greater emphasis on wellbeing and that whilst people were generally prepared for an extended period of working from home, it was acknowledged that, for some individuals, their wellbeing and performance could be affected and supportive processes were in place to accommodate them.

The Board noted significant improvement in terms of transfers and that positive contact existed with the Regulator in terms of reported breaches.

Keith Francis joined the meeting at this point.

The Board discussed the Iconnect project which had full approval and was progressing well. Early engagement with employers' payroll teams/outsourced providers was required to give appropriate lead times. Many payroll providers already used the new digital platform with other employers and were keen to implement online submission and move away from the existing spreadsheet. Smaller employers already used an online submission form and, therefore, would not see a difference in approach. The Board asked for an update on the Iconnect Project at the next meeting.

The Board were pleased to hear that as part of the implementation work around new KPIs, there were improved mechanisms to capture data which had reduced the manual effort involved.

7. Local Pension Board of Warwickshire Pension Fund Annual Report 2019 - 2020

The Chair presented his report, noting that it had been an interesting year and the Board had dealt with a number of issues. There had been a marked improvement in resource, allocation and the way work had been done and this had been reflected in the report. It was noted that the attendance at the meeting on 26 February 2020 was incorrectly recorded and this would be updated to record the apologies of Councillor Parminder Singh and Mr Keith Francis.

The Board welcomed the report.

8. LGPS Development Update

Neil Buxton, Technical Specialist Pensions Fund Policy and Governance advised that this report set out the latest update on the McCloud case. The appendix referred to a consultation which had been issued on 17 July 2020 and the related papers would be circulated to Board Members, followed by any further commentary or updates from the advisory board or actuaries as received. It was acknowledged that the outcome of the case would potentially have a huge task impact for all Local Authority Pension Funds as it related to approximately 25% of fund members and resourcing would need to be identified to address the impacts. Meetings on planning for the impacts of

McCloud were due to commence following the meeting and it was proposed to update the Board regularly on how that was progressing.

It was also highlighted that the cost cap and limitation of payments to £95,000 had been further delayed.

9. Draft Annual Report and Accounts

Chris Norton, Strategy and Commissioning Manager (Treasury, Pension, Audit & Risk) presented the draft Annual Report including the draft annual accounts and confirmed the approval timeline to finalisation by Council in September 2020. The external audit of the accounts would be undertaken by Grant Thornton who would also be conducting a 'hot review' every few years. This meant that information would be shared with the Central Inspection Team, who would look at it from a different perspective, providing the benefit of additional scrutiny.

The Chair requested that the meeting consider high level comments only and any detailed comments or queries should be addressed by email to Chris Norton.

The Chair welcomed Rob Powell's recognition of the Board in his statement.

The Chair asked for clarification on the long-term funding target of 19 years which seemed to be reasonable in comparison to other authorities and, subject to Covid-19, the direction of travel was right. Chris Norton advised that 19 years was the funding horizon – so it was planned to move from the current position to fully funded in 19 years. Additionally, it was necessary to factor in the probability of reaching a fully funded position within 19 years. The Board had heard that the Pension Fund had provided for the potential costs of McCloud and this had been accommodated by building a higher probability of reaching a fully funded position into the actuarial review in relation to the funding horizon assumptions. In terms of cash, this did not mean there was now a pot of money, but that it would be factored into employer contributions valuation.

With regard to the actuarial funding level quoted, the pre-pandemic figure in around December was 93.2%; this had reduced to 82.5% at out-turn rising at the end of April to around 85%. The fund valuation went down significantly in the lockdown and had rebounded to some extent since but was not back to where it was. Some comfort was also drawn from the notion that the valuation assumptions are considered to be relatively conservative.

10. Local Pension Board Terms of Reference

Victoria Moffett, Lead Commissioner Pensions and Investment advised the Board that the Terms of Reference had been updated to reflect recent guidelines and would be presented to the next Pension Board for acceptance.

Comments were made as follows:

- An improved gender balance for the Board would be welcomed and it was agreed to consider the wording of paragraph 3.2 with the following wording being suggested: "Scheme Member Representatives shall either be scheme members or have capacity to represent scheme members of the Fund."

- Page 2 section 3 made reference to the “independent representative” and it was suggested this could be more easily read by using the word “Chair” instead, although it was noted that the Chair was not required to be the independent representative.
- Measurement of continuous improvement in performance could be measured through training logs; whilst SAB would issue guidance any comments on how to measure success would be welcomed.
- Alternative wording for item 7.5b was suggested: “having regard for the need to ensure the effective and efficient governance and administration of the scheme”;
- Alternative wording for item 7.5c was suggested: “having regard for the need to secure compliance with, requirements imposed by the Pensions Regulator, the LGPS regulations, and any other legislation relating to the governance and administration of the LGPS”;
- It was queried why 8.1 referenced the 2004 Pensions Act only and it was considered that a full stop should be added after “regulations” with no wording following. The Board felt that the expertise required in relation to pensions legislation was both broad and complex and it was acknowledged that training was targeted to issues relevant at the time. Officers would consider which legislation was relevant to the coming year and seek to incorporate this in the plan.
- Discussion took place on the timescale for publication of papers and a preference was expressed by the Board for this to be increased to 10 working days to give enough time for hard copy paperwork to arrive and be read. It was agreed that Officers would consider the feasibility of the request.
- Alternative wording for paragraph 10.2 was suggested: “e.g. County Councillors who are Pension Board members are expected to adhere to the County Council member's code of conduct”.

11. Review of the triennial valuation

Neil Buxton, Technical Specialist Pensions Fund Policy and Governance presented this report to the Board, highlighting the areas of improvement as set out in the report. The Board noted the content of the report.

12. Investments Update

Victoria Moffett introduced this report, noting that the investment strategy remained unchanged with no new fund launches this quarter. Officers were liaising with Border to Coast regarding the fund development. Reports to the Pension Fund Investment Sub-Committee now included updates on the fund's voting record; all listed equities where the fund had voting rights were managed via Border to Coast who provided information on voting activity to the fund. Additional feedback was available when a vote had been cast against a motion.

13. Minutes of the Previous Meeting

The minutes of the meeting held on 26 February 2020 were agreed by the Board as a true and accurate record.

14. Summary of PFISC Papers

The Board noted the content of this report which comprised the agenda and draft Forward Plan considered at the meeting on 12 March 2020, together with a copy of the minutes of the meeting.

Page 6

Warwickshire Local Pension Board

21.07.20

15. Review of the minutes of the Staff and Pensions Committee

The Local Pension Board noted the minutes of the Staff and Pensions Committee meeting held on 12 March 2020.

16. Summary of Actions

	Action	
1	Policy review list to be included in the forward plan report.	Chris Norton
2	Costs benchmarking report to come to the next Local Pension Board meeting.	Liz Firmstone
3	Further Covid updates to go to the September Pension Fund committees.	Victoria Moffett & Chris Norton
4	iConnect update to go to the next Local Pension Board meeting.	Liz Firmstone
5	Circulate a copy of the McCloud consultation to Local Pension Board.	Neil Buxton
6	Update Local Pension Board Terms of Reference for comments received.	Neil Buxton
7	Report Local Pension Board Terms of Reference to Council in October for approval.	Neil Buxton

The meeting rose at 1.01pm

.....
Chair

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Warwickshire Local Pension Board

Minutes of the Pension Fund Investment Sub Committee

20th October 2020

Recommendation(s)

That the Board note and comment on the contents of this Report.

1. Executive Summary

- 1.1 This report introduces the Pension Fund Investment Sub-Committee (PFISC) public papers for note and comment.
- 1.2 These papers are in relation to the PFISC meetings held on the 8th June 2020 and the 23rd July 2020.
- 1.3 The report covers:
 - Agenda Front Sheet of the public meeting for 8th June 2020 (Appendix 1).
 - June 2020 Forward Plan (Appendix 2).
 - Minutes of the public meeting of the 8th June 2020 (Appendix 3).
 - Agenda Front Sheet of the public meeting for 23rd July 2020 (Appendix 4).
 - Minutes of the public meeting of the 23rd July 2020 (Appendix 5).

2. Financial Implications

- 2.1 None

3. Environmental Implications

- 3.1 None

4. Supporting Information

- 4.1 None

5. Timescales associated with the decision and next steps

- 5.1 None

Appendices

1. Appendix 1 to 5

Background Papers

1. None

	Name	Contact Information
Report Author	Sukhdev Singh	01926 412686 sukhdevsingh@warwickshire.gov.uk
Assistant Director	Andrew Felton	01926 412441 Andrewfelton@warwickshire.gov.uk
Lead Director	Rob Powell	01926 412564 robpowell@warwickshire.gov.uk
Lead Member	Cllr. Peter Butlin	01788 816488 cllrbutlin@warwickshire.gov.uk

The report was circulated to the following members prior to publication:

Local Member(s): None

Other members: Councillor John Horner

Pension Fund Investment Sub-Committee

Date: Monday, 8 June 2020
Time: 10.00 am
Venue: Committee Room 2, Shire Hall

Membership

Councillor Bob Stevens (Chair)
Councillor Neil Dirveiks
Councillor Bill Gifford
Councillor John Horner
Councillor Wallace Redford

Items on the agenda: -

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 or 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
- 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 Code of Conduct. These should be declared at the commencement of the meeting.

(3) Minutes of the previous meeting

5 - 10

2. Forward Plan

11 - 12

3. PFISC Training Plan	13 - 26
4. Funding Strategy Statement	27 - 74
5. Pension Fund Risk Monitoring	75 - 80
6. Reports Containing Confidential of Exempt Items To consider passing the following resolution: 'That members of the public be excluded from the meeting for the items mentioned below on the grounds that their presence would involve the disclosure of exempt information as defined in paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972'.	
7. Investment Performance Report	81 - 92
8. PFISC Quarterly Funding and Performance Report	93 - 104
9. Border to Coast Update	105 - 126
10. Covid-19 Investments and Funding Impact and Actions	127 - 140
11. PFISC Cash and Cashflow Management	141 - 158
12. Exempt Minutes of the previous meeting 12.03.2020	159 - 164

Monica Fogarty
Chief Executive
Warwickshire County Council
Shire Hall, Warwick

To download papers for this meeting scan here with your camera



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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
- 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 Code of Conduct.

These should be declared at the commencement of the meeting

The public reports referred to are available on the Warwickshire Web

<https://democracy.warwickshire.gov.uk/uuCoverPage.aspx?bcr=1>

Public Speaking

Any member of the public who is resident or working in Warwickshire, or who is in receipt of services from the Council, may speak at the meeting for up to three minutes on any matter within the remit of the Committee. This can be in the form of a statement or a question. If you wish to speak please notify Democratic Services in writing at least two working days before the meeting. You should give your name and address and the subject upon which you wish to speak. Full details of the public speaking scheme are set out in the Council's Standing Orders.

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Pension Fund Investment Sub Committee

8th June 2020

Forward Plan

Recommendation

1. That the Sub Committee notes and comments on the forward plan.

1.0 Introduction

- 1.1 The purpose of this report is to provide an updated forward plan for the Pension Fund Investment Sub Committee rolled forward to cover the year ahead. The plan is set out at Appendix A. The presentation has been updated to highlight standing items and items that are specific to particular meetings.
- 1.2 The Border to Coast activity will include Border to Coast attendance / presentation as a standing item, alongside officer reports on general pooling activity and any fund launches.
- 1.3 Other fund manager presentations are proposed to continue although the June presentation has been taken off the agenda to allow more time to cope with responding to the Covid 19 pandemic.

Background papers

1. None.

	Name	Contact Information
Report Author	Chris Norton	chrisnorton@warwickshire.gov.uk 07767003428
Assistant Director Finance	Andy Felton	07867721702 andrewfelton@warwickshire.gov.uk
Strategic Director for Resources	Rob Powell	01926 412564 robpowell@warwickshire.gov.uk
Portfolio Holder	Peter Butlin	cllrbutlin@warwickshire.gov.uk

The report was circulated to the following members prior to publication:

Local Member(s):

Other members:

Standing Items

September 2020	December 2020	March 2021	June 2021
Investment Performance			
Fund Performance Report			
LGPS Pooling <ul style="list-style-type: none"> • Border to Coast Attendance/Presentation <ul style="list-style-type: none"> • General Activity Update • Fund Transfers 			
Forward Plan			
Fund Manager Presentation			
Local Pension Board minutes of meeting			
Policy Reviews			

Specific Items

September 2020	December 2020	March 2021	June 2021
Risk Monitoring	Risk Monitoring	Risk Review	Risk Monitoring
Covid-19 Impact and Actions	Training Plan	Business Plan	
LGPS Pooling - Benefits Realisation Review			

Pension Fund Investment Sub-Committee

Monday, 8 June 2020

Minutes

Attendance

Committee Members

Councillor Bob Stevens (Chair)
Councillor Neil Dirveiks
Councillor Bill Gifford
Councillor John Horner
Councillor Wallace Redford

Officers

Helen Barnsley, Democratic Services Officer
Neil Buxton, Technical Specialist - Pension Fund Policy and Governance
Aneeta Dhoot, Senior Finance Officer
Michael Nicolaou, Interim Treasury and Pension Fund Manager
Chris Norton, Strategy and Commissioning Manager (Treasury, Pension, Audit & Risk)
Jane Pollard, Legal Service Manager (Corporate)
Andrew Felton, Assistant Director - Finance
Shawn Gladwin, Senior Finance Officer Pensions Investment
Victoria Moffett, Pensions and Investments Manager
Sukhdev Singh, Principal Accountant

Others Present

Emma Garrett (Hymans Robertson)
Peter Jones (Independent Advisor)
Mark Lyons (Border to Coast)
Paul Potter (Hymans Robertson)
Karen Shackleton (Independent Investment Adviser)
Andrew Stone (Border to Coast)

1. General

(1) Apologies

None

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

None

(3) Minutes of the previous meeting

The minutes of the previous meeting were agreed as a true and accurate record. There were no matters arising.

2. Forward Plan

Chris Norton, Strategy and Commissioning Manager (Treasury, Pension, Audit & Risk), presented the report which sets out the planned agenda items for the next twelve months for the Sub-Committee.

Confirmation was given that risk monitoring would be a standing item on agendas moving forward and would be reviewed quarterly.

It was also noted that there is a dedicated Covid related report included in the forward plan for at least one further Committee meeting. The Committee acknowledged that the situation was ever changing and welcomed the addition of the new report.

Resolved

The Pension Fund Investment Sub-Committee notes and comments on the forward plan.

3. PFISC Training Plan

Michael Nicalaou, Interim Treasury and Pension Fund Manager presented the training plan to the Committee, confirming that the subject options were consistent with the needs of the members.

It was confirmed that the training plan will be updated annually and that the plan includes two dedicated training days during the year.

The Committee noted that Karen Shackleton, Independent Investment Adviser confirmed that she was able to offer some training sessions virtually and had held successful virtual sessions since the lockdown period due to Covid-19 had started.

Paul Potter, Hymans Robertson welcomed the addition of climate change training and suggested to the Committee that it would be timely to review the timetable of training in view of the current and changing circumstances.

Following a question from Councillor John Horner, it was confirmed that information would be requested as to the possibility of adding completed pension training to an individual's Your HR record.

Resolved

The Pension Fund Investment Sub-committee notes the proposed training plan and options.

4. Funding Strategy Statement

Neil Buxton, Technical Specialist, Governance and Commissioning presented the report to the Committee confirming that the Funding Strategy Statement (FSS) focuses on how employer liabilities are measured, the pace at which these liabilities are funded, and how employers pay for their own liabilities.

The Committee noted that following an amendment to the Local Government Pension Scheme Regulations, the FSS (approved by the Sub-Committee at its meeting of 12 March 2020) requires amendment, to have appropriate regard to the issue of exit credits. The amendment will ensure that exit credits are managed and present a minimal risk to the Pension Fund.

Resolved

The Sub-Committee approves the amended Funding Strategy Statement (FSS) as attached at Appendix 1.

5. Pension Fund Risk Monitoring

Chris Norton, Strategy and Commissioning Manager (Treasury, Pension, Audit & Risk), presented the report to the Committee confirming that a copy would also be presented at the Staff and Pensions Committee meeting (held on 08/06/2020). It was noted that the report presented to members of the Pension Fund Investment Sub-Committee focuses on investment risk; and the report presented to Staff and Pensions will focus on the administration risk (to the fund).

The Committee noted that the impact of Covid-19 has been identified in the report, however there is a separate report dedicated to the impact of Covid-19 under item 10 of the agenda.

Following a question from Councillor Neil Dirvieks in relation to the Cyber Security Policy, it was confirmed that this item was due to be presented at the Staff and Pension Committee later today. However, in view of time constraints at the meeting driven by the new remote meeting arrangements, priority items had remained on the agenda and the decision was taken to move the Cyber Security Policy to a future meeting.

Following a suggestion from Peter Jones, Independent Advisor, the Committee agreed to remove the word “significantly” from item 9, (table 1 (Risk Assessment Update)).

In relation to item 4, (table 1 (Risk Assessment Update)), Karen Shackleton, Independent Advisor suggested that the risk level be increased due to the increased volatility in markets due to the current situation.

Resolved

That the Pension Fund Investment Sub Committee notes and comments on the report.

6. Reports Containing Confidential of Exempt Items

Resolved

That members of the public be excluded from the meeting for the items mentioned below on the grounds that their presence would involve the disclosure of exempt information as defined in paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972.

7. Investment Performance Report

Resolved

That the Pension Fund Investment Sub-committee ("Sub-committee") note the Warwickshire Pension Fund's value and investment performance for the fourth quarter of 2019/20 to 31st March 2020.

That the Sub-committee note the Warwickshire Pension Fund's voting activity for the quarter to 31st December 2019.

8. PFISC Quarterly Funding and Performance Report

Resolved

That the Pension Fund Investment Sub-committee (PFISC) notes and comments on the update.

9. Border to Coast Update

Resolved

That the Pension Fund Investment Sub-committee ("Sub-committee") notes and comments on the update on Border to Coast Pensions Partnership (BCPP) developments overall.

That the Sub-committee notes and comments on the BCPP alternative assets updated.

That the Sub-committee notes and comments on the BCPP Investment Grade Credit transition.

That the Sub-committee notes and comments on the update on the BCPP alternative sub-funds.

That the Sub-committee notes and comments on the update on the BCPP UK and Global Equity Alpha Funds performance.

10. Covid-19 Investments and Funding Impact and Actions

Resolved

That the Pension Fund Investment Sub Committee notes and comments on the report.

11. PFISC Cash and Cashflow Management

Resolved

That the Pension Fund Investment Sub-committee (the “Sub- committee”) notes and comments on the Warwickshire Pension Funds (the “Fund”) cash management approach to the market volatility induced by the coronavirus pandemic.

That the Sub-committee notes and comments on the Hymans strategic cashflow management proposal for the Fund.

12. Exempt Minutes of the previous meeting 12.03.2020

The exempt minutes of the previous meeting were agreed as a true and accurate record. There were no matters arising.

The meeting rose at 12:30

.....
Chair

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Pension Fund Investment Sub-Committee

Date: Thursday, 23 July 2020
Time: 12.10 pm or on rising of Council whichever is the sooner
Venue: On Line

Membership

To be appointed by the Staff & Pensions Committee on 23 July 2020

Items on the agenda: -

1. General

(1) Apologies

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

2. Appointment of Chair

3. Appointment of Vice Chair

Monica Fogarty
Chief Executive
Warwickshire County Council
Shire Hall, Warwick

To download papers for this meeting scan here with your camera



Disclaimers

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
- 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 Code of Conduct. These should be declared at the commencement of the meeting

The public reports referred to are available on the Warwickshire Web

<https://democracy.warwickshire.gov.uk/uuCoverPage.aspx?bcr=1>

Pension Fund Investment Sub-Committee

Thursday, 23 July 2020

Minutes

Attendance

Committee Members

Councillor Bob Stevens (Chair)
Councillor Neil Dirveiks
Councillor Bill Gifford
Councillor John Horner
Councillor Wallace Redford

The Chair of Council opened the meeting.

1. General

(1) Apologies

None.

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

None.

2. Appointment of Chair

Councillor Bill Gifford proposed that Councillor Bob Stevens be Chair of the Sub-Committee and was seconded by Councillor John Horner.

There were no other nominations.

Resolved

That Councillor Bob Stevens be elected Chair of the Pension Fund Investment Sub-Committee.

3. Appointment of Vice Chair

Councillor Bob Stevens proposed that Councillor Bill Gifford be Vice-Chair of the Sub-Committee and was seconded by Councillor John Horner.

There were no other nominations.

Resolved

That Councillor Bill Gifford be elected Chair of the Pension Fund Investment Sub-Committee.

.....
Chair

Warwickshire Local Pension Board**Review of the minutes of the Staff and Pensions Committee**

20 October 2020

Recommendation(s)

The Local Pension Board notes and comments on the report.

1. Executive Summary

- 1.1 The Local Pension Board has a responsibility to assist the Scheme Manager in the management of the pension fund. In order to fulfil this role it is important for the Local Pension Board to be sighted on relevant pension fund activity.
- 1.2 Set out at Appendix A are the minutes of the Staff and Pensions Committee (8 June 2020) for information. The Staff and Pensions Committee considers pension fund matters and also other matters specific to Warwickshire County Council as an employer. The minutes provided in this report are an abridged version for the Local Pension Board, only showing items relating to the pension fund.

2. Financial Implications

- 2.1 None.

3. Environmental Implications

- 3.1 None.

4. Supporting Information

- 4.1 The full agenda and reports for the Staff and Pensions Committee are available on the County Council's website.

5. Timescales associated with the decision and next steps

5.1 None.

Appendices

1. Staff and Pensions 8 June 2020 minutes (Edited Version)

Background Papers

1. None

	Name	Contact Information
Report Author	Neil Buxton	neilbuxton@warwickshire.gov.uk
Assistant Director	Andy Felton	andyfelton@warwickshire.gov.uk
Lead Director	Rob Powell	robpowell@warwickshire.gov.uk
Lead Member	Portfolio Holder for Finance and Property	peterbutlin@warwickshire.gov.uk

The report was circulated to the following members prior to publication:

Local Member(s):

Other members:

Staff & Pensions Committee

Monday, 8 June 2020

Minutes

Edited version for the Local Pension Board

Attendance

Committee Members

Councillor Kam Kaur (Chair)
Councillor Neil Dirveiks
Councillor Bill Gifford
Councillor John Horner
Councillor Bhagwant Singh Pandher
Councillor Bob Stevens

Officers

Sally Brandrick, Corporate Health, Safety and Wellbeing Manager
Ben Brook, Assistant Chief Fire Officer
Neil Buxton, Technical Specialist Pensions Fund Policy and Governance
Sarah Duxbury, Assistant Director (Governance & Policy)
Andrew Felton, Assistant Director (Finance)
Liz Firmstone, Service Manager (Transformation)
Victoria Moffett, Lead Commissioner Pensions and Investment
Isabelle Moorhouse, Trainee Democratic Services Officer
Chris Norton Strategy and Commissioning Manager (Treasury, Pension, Audit & Risk)
Neville Robinson, Team Lead - Health, Safety and Wellbeing
Rich Thomas Strategy and Commissioning Manager (HROD)
Nichola Vine, Strategy and Commissioning Manager (Legal and Democratic)

1. General

(1) Apologies

None.

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

None.

(3) Minutes of previous meeting

The minutes of the meeting held on 12 March 2020 were considered and agreed as a true and accurate record for signing by the Chair.

2. Covid-19 Administration Impact and Actions

Chris Norton, Strategy and Commissioning Manager (Treasury, Pension, Audit & Risk), presented the report. The Covid-19 pension report provided updates on Covid-19 regarding the running of the pensions fund and included the investment and administration side of the fund. He continued that this report focused on the administration side as the investment side was reviewed in the Pensions Fund Investment Sub-Committee.

The report provided a summary of the risk register for the fund itself which included the volatility of the markets, the impact on investments during the Covid-19 period and risks of employer contributions not being paid. Chris Norton continued that employer contributions are as much administration issue as an investments issue, and this is an where risk is significantly higher.

He concluded that the funds had been able to continue critical operations and physically continue to run. The fund itself had finished its restructure and new officer positions had been filled, including a pension administrator manager.

The Chair commended the fund team's ability to carry on working as usual.

Resolved

That the Staff and Pensions Committee notes and comments on the report.

6. Administration Activity and Performance Report

Liz Firmstone, Service Manager (Transformation), presented the report. In 2019 a governance review was carried out on the Pension Administration Service (PAS) to improve its management.⁵⁴ actions on how to improve the service were produced from this with 36 being completed and four more actions will be finished by early July 2020; some of the outstanding actions are not due yet.

Liz Firmstone stated that they are currently finalising the results of the internal audits that were carried out over the last year. She continued that the team have successfully reduced outstanding queries by half despite the current circumstances and that the indexation increases to pensions were all implemented on time. The team are currently obtaining information from the employers for the year end so that annual benefit statements can be issues to the scheme members. Statements have already been issued to deferred members.

Liz Firmstone continued that at the beginning of 2019-2020 there were a lot of vacancies and the PAS went through a service redesign which had increased capacity within the team. The service has reviewed its Key Performance Indicators (KPIs) and has proposed a revised set for adoption from 2020/21, consistent with industry standards for approval by the committee.

It was clarified that if a deadline is missed for data being submitted by an employer, then this is classified as a breach. If employers repeatedly miss deadlines these cases are escalated, and employers are contacted to identify issues and offer assistance; PAS is keeping under review the impact Covid-19 is having on employer performance.

Liz Firmstone concluded that the PAS has a new I-Connect project which allows the service to obtain information straight from their employer's payroll into the pension system which is effective at resolving issues and improves data quality. It will be distributed in three to four phases starting in

the autumn of 2020.

The Chair endorsed the work of the PAS for reducing their high volume of queries.

Following a query from Councillor Stevens, Liz Firmstone stated that 100% is a statutory target for the KPIs and some of these are unreachable; for example the “Retirements Lump Sums”, the service cannot make payments until notified by the employer that the employee has retired but the service is not normally informed until after the employee had left. Liz Firmstone reiterated that 2019/2020 was when the service had many vacancies and the numbers had improved for the 2020/2021 year as posts have been filled. She stated that they could now achieve the local targets set out as shown in Appendix 2.

Andrew Felton, Assistant Director (Finance), added that the trending performance had improved; for example, for one of the KPIs 89% had been achieved in the last four months although the overall annual performance was 69% due to lower performance earlier in the year, and the extra staff capacity will push this higher.

In response to Councillor Horner, Liz Firmstone said that the service should be able to achieve near 100% of the KPI targets by 2021-2022. The PAS have prioritised the areas which impact on payments to members, so they do not lose out financially.

Resolved

That the Staff and Pensions Committee:

1. Notes the report.
2. Approves the adoption of the amended key performance indicators set out at Appendix 2.

7. Admissions and Termination Policy

Neil Buxton, Technical Specialist Pensions Fund Policy and Governance, presented the report. This report was generated due to changes of government policy in March 2020 which allowed the fund discretion when resolving exit credits. When an employer leaves the fund, the fund will apply the updated policy to determine whether there is an amount of money due to the employer that is exiting. Neil Buxton concluded that the report contained improvements for the admissions policy.

Resolved:

That the Staff and Pensions Committee approves the amended Admissions and Termination Policy.

8. Administration Strategy

Neil Buxton presented the report. The committee approved a draft administration strategy for consultation in March's Staff and Pensions meeting, following this the strategy went to employers for comments. He continued that amendments to the KPIs will be fed into the strategy and this will be published online when approved.

Andrew Felton reiterated that the strategy allows the fund to have more power over employers who are late with information; I-connect will aid this too.

Resolved:

That the Staff and Pensions Committee approves the Administration Strategy at Appendix A.

The meeting rose at 15:10

.....
Chair

Warwickshire LGPS Local Pension Board**Assessing Employer Covenant in the Pension Fund**

20 October 2020

Recommendation(s)

The Local Pension Board are asked to review and comment on the Fund's approach to assessing the covenant of employers in the Pension Fund.

1. Executive Summary

- 1.1 The Pension Fund should have a considered approach to the viability of scheme employers. The wide ranging and significant impact of Covid on employer organisations raises the profile of this requirement.
- 1.2 Appendix 1 identifies the different categories of scheme employers in the Pension Fund and how the potential exposure and risk to the Pension Fund can be reduced.

2. Financial Implications

- 2.1 The failure of a scheme employer to meet its financial commitments to the Pension Fund could have an impact on the liabilities for other scheme employers.

3. Environmental Implications

- 3.1 None

4. Supporting Information

- 4.1 The benefits of employer covenant assessment are:
 - Demonstrating good governance and risk assessment;
 - Providing management information to prioritise and engage with higher risk employers;
 - An action plan to ensure employer covenants are in place and fit for purpose;

- Allowing increased engagement with employers and helping the Pension Fund understand issues faced by employers;
- Increasing knowledge of Fund employers; and
- Reducing the financial risk exposure of other scheme employers.

5. Timescales associated with the decision and next steps

- 5.1 The review includes an action plan which schedules activity over the next 9 months.
- 5.2 The Covenant review will be submitted to the December meeting of the Staff and Pensions Committee for ratification.

Appendices

1. Appendix 1, Assessing Employer Covenant

Background Papers

1. None

	Name	Contact Information
Report Author	Neil Buxton	neilbuxton@warwickshire.gov.uk
Assistant Director	Andrew Felton	andyfelton@warwickshire.gov.uk
Lead Director	Rob Powell	robpowell@warwickshire.gov.uk
Lead Member	Portfolio Holder for Finance and Property	peterbutlin@warwickshire.gov.uk

The report was circulated to the following members prior to publication:

Local Member(s): None

Other members: Councillors Warwick, Singh Birdi, Boad, O'Rourke and Falp

Appendix 1

Warwickshire Pension Fund Employer Covenant Policy

1. Assessing employer covenants in the Warwickshire Pension Fund

There are a number of types of employers participating in the Local Government Pension Scheme (LGPS) administered by the Warwickshire Pension Fund (WPF). As the number of employers increases and becomes more diverse over time and as challenges such as austerity and Covid present themselves, assessing employer covenants is important in order to manage and mitigate risk to the Fund.

The recent valuation gives the opportunity to review the scheme employers in the WPF with regard to any guarantees or security in place and the risks around each employer. An assessment of each covenant demonstrates good governance and the management of risk.

2. Types of scheme employer

The types of scheme employers in the WPF are diverse, ranging from the County Council as the largest employer down to a cleaning contractor at a small academy. Each employer will pose a different level of risk to the pension fund.

Scheme Employers can be categorised in accordance with the Local Government Pension Scheme regulations (LGPSR) and some employers can be sub-categorised depending on the level of risk they may pose to the WPF.

Scheduled Bodies:

Scheduled Bodies are defined in parts 1 and 2 of Schedule 2 of the LGPSR and employees of these bodies automatically have the right to be members of the LGPS

- County and District / Borough councils
- Academies
- Colleges
- Police Authority and Force

Designated Bodies (also known as resolution bodies)

These are bodies (employers) which can nominate employees for access to the LGPS. Designating Bodies include, among others:

- Parish and Town councils
- Local Authority owned companies

Community Admission Bodies (CABs)

These are usually bodies / employers that provide a public service other than for the purpose of gain. They will have links to a local authority which will sponsor their membership of the LGPS.

- Charities
- Bodies providing a service to the community and sponsored by a local authority

Transfer Admission Bodies (TABs)

These are usually contractors providing a service to a scheme employer under a contract of service. Employees transferred from the scheme employer and new employees specified under the admission agreement have access to the LGPS.

- Contractors providing a function on behalf of a sponsoring employer
-

Former / Defunct Bodies

- Bodies which have terminated membership and are paying a cessation payment

3. Employer commitment to the Fund

All employers have a commitment to the WPF whether that is to pay the assessed primary and secondary rate of contribution or to provide ongoing membership to the Fund for current and (where applicable*) future employees.

The payment of employee and employer contributions is a statutory requirement and failure to do this is a breach of the law and has to be reported to the Pension Regulator, as is the provision of access to the Fund where the regulations require this.

** Some employers will have 'closed' agreements where membership is restricted to current scheme members either by way of an admission agreement or a planned exit from the Fund.*

4. Benefit of employer covenant assessment

- Demonstrates good governance and risk management;
- Provides management information to prioritise and engage with riskier employers;
- Identifies those employers where the Fund may require additional security;
- Allows increased engagement with employers and helps the Fund understand issues faced by the employer;
- Increases knowledge of the Fund employers to inform and develop a bespoke funding strategy; and
- Reduces the financial risk exposure for other scheme employers.

5. Assessing employers

The first step is to decide a level of risk or exposure to risk for groups of employers. The Fund may take the view that scheduled bodies (local authorities, academies, etc) are a low risk to the Fund, whereas Colleges (which were previously guaranteed by a government department) present a potential high risk because of the lack of a guarantee for potential liabilities on closure.

The Fund may wish to take into account any sponsors, guarantees, bonds that are in place for employers, whether an employer is open or closed for future membership and whether an employer has a limited time horizon for continued membership.

The Fund may take a more detailed view on specific employers which could involve a financial and non-financial rating by a reputable rating agency.

6. Reducing Risk

The Fund mitigates its exposure to potential risk in respect of employer covenant with the following actions:

- **Community Admission Bodies (CAB)** – In 2017 an exercise was undertaken to support a small number of CABs to cease future membership of the WPF. This action prevented those organisations, who were reviewing their participation in the Fund, continuing to accrue liabilities which were unaffordable to them.
- **Pooling** – The Fund pools Parish and Town Councils and although these are a low risk group pooling helps to offset any unexpected liabilities an individual council may face.
- **Passthrough** – The Fund has a policy to offer a passthrough agreement as the preferred admission route for all new transfer bodies (TABs) whereby the contractor contributes the same primary contribution rate as the ceding employer. At the end of the admission agreement all liabilities (and members) pass back to the original employer.
- **Bonds** – Where possible the Fund will insist on a Bond being put in place for all non-passthrough agreements.
- **Guarantor / Sponsor** – Long standing employers without bond agreements should seek guarantees from their sponsoring local authority.
- **Security** – The Fund should seek additional security for high risk employers to offset any potential unfunded liabilities or for employers exiting the Fund who wish to spread cessation payments.
- **Contributions Stability** – one of the objectives of the Funding Strategy is to maintain stable employer contribution rates, this helps employers to plan financially, and reduces the risk of financial shocks that put the financial positions of employers at higher risk.

- **Escalation** – where an employer does get into difficulty it is important for the issue to be escalated in a timely way in order to minimise the size of the problem that needs to be solved and to maximise the time and opportunities available to solve it.

7. Next Steps

Title	Actions	Completion Date
Admission Agreements	Check all employers have an admission agreement in place.	December 2020
	Identify admission agreements that are not fit for purpose	June 2021
	Check that arrangements are in place to ensure employers are aware of their admission agreements and understand the requirements of them	March 2021
Security	Review existing bond and security arrangements provided by employers	June 2021
Covenants	Specify and procure a provider of employer covenant reviews who can then be called upon to provide this service when required.	March 2021
	Undertake a high-level assessment of the ability of employers to pay pension fund contributions, identifying employers who may benefit from targeted support.	February 2021
	Implement targeted support for employers where required, for example undertaking a formal employer covenant review, negotiating bonds, security, or sponsor guarantees, or planning cessation.	Schedule to be determined arising from the action above

An important part of the approach will be to objectively identify issues and support the resolution of them. The fund will seek to avoid approaches to Covenant reviews that by their nature may encourage or precipitate the problems they are seeking to manage.

8. Covid

The Covid pandemic has had significant implications for all employers. The impact of Covid on employers is not yet fully understood and scheme employers, who have previously been considered low risk, may become higher risk. The action plan identified above will encompass having regard to Covid and any other circumstances affecting the ability of employers to pay their contributions.

**Warwickshire LGPS Local Pension Board
Cyber Security Policy**

20 October 2020

Recommendation(s)

The Local Pension Board are invited to comment on the draft Cyber Security Policy in Appendix 1 and the associated Action Plan in Appendix 2.

1. Executive Summary

- 1.1 Pension schemes are now required by the Pension Regulator to publish and maintain a Cyber Security Policy (the Policy). A copy of the proposed Policy is attached as Appendix 1 for comment.
- 1.2 The increasing reliance of pension funds upon systems means that scheme managers, executive committees and pension boards should increase the priority of data security and ensure arrangements remain fit for purpose and mitigate risks.

2. Financial Implications

- 2.1 Financial losses are possible if cyber fraud attempts are successful and costs in the form of fines can be imposed if personal / confidential information is accessed by unauthorised individuals.

3. Environmental Implications

- 3.1 None

4. Supporting Information

- 4.1 Pension Schemes hold large amounts of personal data and assets which can make them vulnerable to significant risks if an error occurs.
- 4.2 To put this into context the Warwickshire Pension Fund holds personal information for in excess of 50,000 members and over £2bn in assets.
- 4.3 It is essential therefore that the Fund and its partners have robust systems and policies in place to ensure that this information and data is held securely.

5. Timescales associated with the decision and next steps

- 5.1 Appendix 2 details the approach and timescales associated with implementing and reviewing the policy.
- 5.2 The policy is to be reported to and approved by the Staff and Pensions Committee in December 2020.

Appendices

Appendix 1 Cyber Security Policy
Appendix 2 Action Plan

Background Papers

None

	Name	Contact Information
Report Author	Neil Buxton	neilbuxton@warwickshire.gov.uk
Assistant Director	Andrew Felton	andrewfelton@warwickshire.gov.uk
Lead Director	Rob Powell	robpowell@warwickshire.gov.uk
Lead Member	Peter Butlin	peterbutlin@warwickshire.gov.uk

The report was circulated to the following members prior to publication:

Local Member(s): None

Other members: Councillors Warwick, Singh Birdi, Boad, O'Rourke and Falp

Warwickshire Local Pension Board**Schedule of Pension Fund Policies**

20 October 2020

Recommendation(s)

The Local Pension Board are asked to review and comment on the attached schedule of Pension Fund policies.

1. Executive Summary

- 1.1 The Pension Fund is required to have in place a number of policies to ensure the successful operation of the Fund and to meet Pension Regulator requirements.
- 1.2 Policies should be reviewed periodically, usually annually or when there is a material change to circumstances such as changes in legislation which would require an amendment.
- 1.3 Appendix A is a schedule of Fund policies setting out when each was last reviewed and the current plan for when each is next reviewed. This is being used to generate a forward plan of policy activity.
- 1.4 Policy reviews could be in-depth or light touch depending on the circumstances. Policies may change significantly or not change at all as a result of a review. The important point however is that reviews are undertaken and that no policy is left to drift over time, becoming inappropriate for the Fund and its circumstances.
- 1.5 The amount of time being put to ensuring policies are kept up to date is increasing significantly. The new structure has some regard to this however Officers will keep under review capacity to maintain policies and will look to schedule reviews to be as efficient as possible, by distributing them throughout the year.

2. Financial Implications

None at present but policy review workload and capacity will be kept under review.

3. Environmental Implications

- 3.1 None

4. Supporting Information

4.1 None

5. Timescales associated with the decision and next steps

5.1 The schedule is due to be presented to the December meeting of the Staff and Pensions Committee.

Appendices

1. Appendix A - schedule of pension fund policies.

Background Papers

1. None

	Name	Contact Information
Report Author	Neil Buxton	neilbuxton@warwickshire.gov.uk
Assistant Director	Andrew Felton	andyfelton@warwickshire.gov.uk
Lead Director	Rob Powell	robpowell@warwickshire.gov.uk
Lead Member	Portfolio Holder for Finance and Property	peterbutlin@warwickshire.gov.uk

The report was circulated to the following members prior to publication:

Local Member(s): None

Other members: Councillors Warwick, Singh Birdi, Boad, O'Rourke and Falp

Policy	Description	Forum for Approval	Last Review Date	Frequency of Review	Next Review Date	Notes
Administration Strategy	This policy sets out the respective responsibilities of employers and the Fund in the delivery of the administration of the pension fund. This statement seeks to promote good working relationships and ensure agreed standards of quality in the delivery of the pension administration service.	Staff and Pensions Committee	June 2020	Annual	June 2021	
Admissions and Termination Policy	This policy sets out the basis upon which employers may join and leave the pension fund, having regard to the Regulations and the discretion afforded under them.	Staff and Pensions Committee	June 2020	Annual	December 2020	Annual review ordinarily, but next review is less than a year due to amendments to Local Government Pension Scheme Regulations
Breaches Policy	This policy sets out the approach taken to reporting breaches of the law.	Policy	December 2019	Annual	December 2020	
Communications Policy	This policy sets out how Fund communicates with stakeholders.	Staff and Pensions Committee	November 2018	Annual	March 2021	Update required – last updated in 2018 when reported to the Local Pensions Board
Conflicts of Interest Policy	This policy ensures conflicts of interest are managed appropriately in respect of Pension Fund affairs.	Staff and Pensions Committee	March 2020	Annual	March 2021	
Cyber Security Policy	This is a new requirement expected by The Pension Regulator, required to provide assurance that the Fund is protecting members' records and pension fund assets.	Staff and Pensions Committee	n/a	Annual	December 2020	New policy to be approved in December 2020
ESG, Climate Change and Responsible Investment Policy	The policy sets out the Fund's on Responsible Investment and Environmental, Social, and Governance aims. A specific climate change policy is a new requirement from the Pension Regulator.	Pension Fund Investment Sub Committee	March 2020	Annual	March 2021	
Funding Strategy Statement	This policy sets out the fund's approach to meeting its liabilities.	Pension Fund Investment Sub Committee	June 2020	Annual	December 2020	Annual review ordinarily, but next review is less than a year due to amendments to Local Government Pension Scheme Regulations
Governance Statement	This statement sets out how the administration of the Fund is governed, considering best practice principles issued by The Department of Communities and Local Government.	Staff and Pensions Committee	tba	tba	Estimate March 2021	A new requirement pending Government guidance
Investment Strategy	This strategy sets out how the fund manages its investments.	Pension Fund Investment Sub Committee	March 2020	Annual	March 2021	
Risk Register	The risk register is a tool used to effectively identify, prioritise, manage and monitor risks associated with the Fund.	Pension Fund Investment Sub Committee and Staff and Pensions Committee	March 2020	Annual	March 2021	
Voting Policy	This policy sets out the approach to exercising our voting rights in respect of investments where the Fund has voting rights.	Pension Fund Investment Sub Committee	September 2019	Annual	March 2021	
Business Plan	The Fund sets out a business plan each year summarising high level business objectives.	Staff and Pensions Committee	March 2020	Annual	March 2021	
Accounting Policies	The Fund is required to adopt accounting policies in line with appropriate accounting standards.	County Council	July 2019	Annual	October 2020	As set out in the annual accounts. The accounts for 2019/20 are signed off later than the previous year due to Covid.
Fund Discretions	All scheme employers are required to maintain a policy document on the discretions under the Local Government Pension Scheme Regulations. For defunct employers the Fund acts as a scheme employer.	Staff and Pensions Committee	tba	tba	tba	
Local Pension Board Terms of Reference	This document sets out the objectives and operations of the Local Pension Board and how the Board operates in order to deliver them.	County Council	2015	As Required	2020	Revised terms being approved at Council in October 2020

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