

Pension Fund Investment Sub-Committee

Date: Monday 8 March 2021
Time: 10.00 am
Venue: Microsoft Teams

Membership

Councillor John Horner (Chair)
Councillor Bill Gifford (Vice-Chair)
Councillor Neil Dirveiks
Councillor Andy Jenns
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 - 8

2. Forward Plan

9 - 12

3. Risk Management 2021/22	13 - 22
4. Business Plan 2021/22	23 - 42
5. Reports Containing Exempt or Confidential Information 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'.	
6. Exempt Minutes of the Previous Meeting	43 - 46
7. Investment Strategy Statement Update	47 - 70
8. General Investment Activity Update	71 - 78
9. Funding and Investment Performance	79 - 92
10. Pooling Update	93 - 96
11. Pooled Fund Manager Presentation - BCPP	97 - 118
12. Allocations to Alternatives 2021/22	119 - 128

Monica Fogarty
Chief Executive
Warwickshire County Council
Shire Hall, Warwick

To download papers for this meeting scan here with your camera



Disclaimers

Webcasting and permission to be filmed

Please note that this meeting will be filmed for live broadcast on the internet and can be viewed on line at warwickshire.public-i.tv. Generally, the public gallery is not filmed, but by entering the meeting room and using the public seating area you are consenting to being filmed. All recording will be undertaken in accordance with the Council's Standing Orders.

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.

This page is intentionally left blank

Pension Fund Investment Sub-Committee

Monday 14 December 2020

Minutes

Attendance

Committee Members

Councillor John Horner (Chair)
Councillor Bill Gifford (Vice-Chair)
Councillor Neil Dirveiks
Councillor Andy Jenns
Councillor Wallace Redford

Officers

Neil Buxton, Technical Specialist - Pension Fund Policy and Governance
Kudzai Chengeta, Pensions Assistant
Aneeta Dhoot, Senior Finance Officer
Andrew Felton, Assistant Director – Finance
Liz Firmstone, Finance Service Manager - Transformation
Shawn Gladwin, Senior Finance Officer Pensions Investment
Victoria Moffett, Pensions and Investments Manager
Deborah Moseley, Senior Democratic Services Officer
Chris Norton, Strategy and Commissioning Manager (Treasury, Pension, Audit & Risk)
Jane Pollard, Legal Service Manager (Corporate)
Sukhdev Singh, Principal Accountant

Others Present

Robert Bilton (Hymans Robertson)
Ryan Boothroyd (Border to Coast)
Jim Caulkett (BNY Mellon)
Emma Garrett (Hymans Robertson)
Peter Jones (Independent Advisor)
Karen Shackleton (Independent Investment Adviser)
Andrew Stone (Border to Coast)
Richard Warden (Hymans Robertson)
Calvin Whear (BNY Mellon)

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 this report which provided an updated forward plan for the Pension Fund Investment Sub Committee, rolled forward to cover the year ahead. The content of the plan was being gradually improved and the plan was now a more sophisticated document that included a schedule of fund manager presentations and policy reviews.

Members commented that they would welcome the inclusion of a training programme and it was agreed that in future the plan would include training dates and that a broad invite to attend training sessions would continue to be extended to Members sitting on Staff and Pensions Committee and the Local Pension Board.

Karen Shackleton commented that the plan suggested an item on Environmental, Social and Governance / Responsible Investment / Climate Risk in June 2021 and it would be likely that a consultation on the Task Force for Climate Related Financial Disclosures (TCFD) would be taking place around that time. Ms Shackleton felt that it would be helpful to note this against the item and consider a review of how existing managers were aligned to the TCFD recommendations in advance of or alongside the consultation.

Resolved

That the Pension Fund Investment Sub-Committee noted the report.

3. Risk Monitoring

Victoria Moffett, Lead Commissioner Pensions and Investments presented this report which provided an update on the risks to the Fund and actions taken to manage them. It covered both the general risk register and the COVID-19 risk register with a focus on changes, developments, and management actions. The report included a summary of the two risk registers and comparison of how risks had changed since the original assessments in February and March.

Councillor Bill Gifford sought clarity on the assertion that cyber crime had not materially affected the fund and was advised that whilst members of the team had received some phishing emails, and on the limited occasions links had been clicked on, Warwickshire County Council's ICT Team had stepped in and no breaches had occurred as a result.

Reflecting on the RAG rating system applied to the register, Sub-Committee members were pleased to see some significant (red) risks had reduced to a moderate level (orange) and felt that,

in light of the pandemic, the assessment of risk was as expected. The Pensions Team were congratulated on their efforts to keep business as usual as far as possible and for reducing the effects of some of the challenges posed by the pandemic.

Resolved

That the Pension Fund Investment Sub-Committee noted the report.

4. Reports Containing Exempt or Confidential Information

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.

5. General Activity Update

Resolved

1. That the Pension Fund Investment Sub-Committee noted the report;
2. That the Pension Fund Investment Sub-Committee agreed the Competition and Markets Authority's wording that the Fund has investment consultant objectives in place (Appendix 2 to the report); and
3. That the Pension Fund Investment Sub-Committee formally approved the updated Scheme of Delegation (Appendix 3 to the report)

6. Investment and Fund Performance

Resolved

1. That the Pension Fund Investment Sub-Committee noted the presentations.
2. That the Pension Fund Investment Sub-Committee continued to provisionally allocate 10% of the Fund's portfolio to Border to Coast Pension Partnership's ("BCPP") Multi-Asset Credit Fund ("MAC").
3. That the Pension Fund Investment Sub-Committee approved the recommendation to allocate 2.5% of the Fund's portfolio to the PIMCO Diversified Income Fund ("DIF"), in January 2021 in advance of the transition to BCPP's MAC (earliest likely transition is July 2021).
4. That the Pension Fund Investment Sub-Committee delegated authority to authorise the transition of 2.5% of assets to the PIMCO DIF to the Strategic Director for Resources.

7. LGPS Pooling

Resolved

1. That the Pension Fund Investment Sub-committee noted the report.
2. That the Pension Fund Investment Sub-committee noted the performance issues with the Global Equity Alpha Fund.

8. Border to Coast Presentation

Resolved

That the Pension Fund Investment Sub-Committee noted the presentation.

9. Custodian Presentation - Bank of New York Mellon

Resolved

That the Pension Fund Investment Sub-Committee noted the presentation.

10. Exempt Minutes of the Previous Meeting

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

The meeting rose at 1.04pm

.....
Chair

Pension Fund Investment Sub Committee

8th March 2021

Forward Plan

Recommendation

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

1.2 Members of the Investment Subcommittee and Local Pension Board participated in the National Knowledge Assessment in November 2020 and this has provided some feedback to steer future training plans.

2 Training

2.1 Engagement (participation levels) in the National Knowledge Assessment (NKA) was strong. The results of the assessment however highlight a number of areas where levels of knowledge are not as high as they are on average with other funds. The table below summarises areas of proposed training (much of which overlaps with Local Pension Board requirements):

Pension Fund Investment Subcommittee	Local Pension Board
<ul style="list-style-type: none"> • Procurement and relationship management 	<ul style="list-style-type: none"> • Investment performance
<ul style="list-style-type: none"> • The impact of Covid 19 on the fund • Actuarial methods and the Section 13 GAD Report • Good Governance • McCloud and Cost Transparency • Pensions Administration - Best Practice • Pensions governance • Valuation training (purpose, role, outcomes, etc) 	

2.2 In addition to the above which were identified through the NKA work, two other highly topical issues may be the focus of training over the next six months:

- Climate change and ESG - driven by the increasing importance of this issue.

- Property funds - driven by the current work with the pool to develop property funds.

3 Environmental Implications

3.1 None

4 Financial Implications

4.1 None.

Background papers

1. None.

	Name	Contact Information
Report Author	Chris Norton	chrisnorton@warwickshire.gov.uk 07767003428
Interim Assistant Director Finance	Andy Felton	01926 412441 andyfelton@warwickshire.gov.uk
Strategic Director (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): None

Other members: Councillors Horner and Gifford

Standing Items

June 2021	September 2021	December 2021	March 2022
Forward Plan			
Risk Monitoring			
General Investment Activity Update (including fund transfers)			
Investment and Fund Performance			
LGPS Pooling			
Local Pension Board minutes of meeting			

Specific Items

June 2021	September 2021	December 2021	March 2022
Multi Asset Credit Transfer – Update		Training Plan	
		UK Stewardship Code	

Manager Presentations

June 2021	September 2021	December 2021	March 2022
Border to Coast Pension Partnership			
Threadneedle	LGIM	SL Capital	Schroders

Policy Reviews

June 2021	September 2021	December 2021	March 2022
Voting policy			Business Plan
Environmental, Social and Governance / Responsible Investment / Climate Risk			Investment Strategy Statement

This page is intentionally left blank

Pension Fund Investment Subcommittee

8 March 2021

Risk Management 2012/22

Recommendations

1. That the subcommittee notes and comments on the attached risk register and action plan.
2. That, subject to any amendments, the subcommittee approves the attached risk register and action plan.
3. That the subcommittee comments on the draft Risk Appetite and whether to take work forward to formalise a risk appetite statement for approval.

1 Executive Summary

- 1.1 The pension fund maintains a risk register and action plan in order to manage the risks facing the Fund.
- 1.2 For the first time, during 2020/21, risk monitoring was reported quarterly to the Pension Fund Investment Subcommittee and the LGPS Local Pension Board as part of a wider set of actions to improve governance of the fund.
- 1.3 The risk register for 2020/21 was set in February 2020, prior to the seriousness of Covid becoming apparent within the UK. A separate and specialist risk register was created in March, designed to focus on Covid related risks and actions.
- 1.4 A number of risks transpired during 2020/21, including the impact of Covid presenting challenges to business operations and business continuity, significant volatility in financial markets, and challenging governmental developments for example in respect of the McCloud remedy and the £95k cap on public sector exit payments.
- 1.5 For the coming year, the following changes and updates are proposed to the risk register:
 - **Consolidate to a single risk register** covering all risks, including Covid, in order to provide the Fund with clarity around strategic risks as a whole in order to remain aware of and proactive about Covid issues, but at the same time be prepared for the broad spectrum of risk events. Covid appears as a distinct risk/line and also appears as a driver/cause of other risks.

- The set of strategic risks has been **reviewed fundamentally** rather than rolled on incrementally, to avoid risk management becoming habitual.
- The Fund is setting a **single action plan** for 2021/22, with all strategic actions located in one place. The single action plan is appended to the business plan (reported elsewhere on the agenda). Therefore in the risk register, although further actions are bulleted, to ensure risks are covered, no further details are recorded here. Rather, all actions have been housed either within the Single Action Plan, or business as usual measurement.
- The document is **designed to assess strategic risks**, and to ensure that appropriate high level actions are in place to mitigate them. The risk register is not intended to be a detailed document in order to avoid it missing the big picture.
- The assessment of risk uses **a new model that includes five categories of likelihood and five categories of impact**. This will provide slightly more granularity, and in particular will be helpful when considering how residual risks change during the year.
- Likelihood and impact **scores are backed by definitions and examples**.
- A **draft assessment of a Risk Appetite** is set out for the Fund.

1.6 When monitoring risk the fund will continue to look out for emerging and changing risks.

2. Draft Risk Appetite

2.1 At present, the fund maintains a risk register which sets out the risks that the fund is exposed to before and after mitigating actions. A risk appetite assists an entity in managing risk by articulating the levels of risk within which an entity aims to operate. This can be used to help to manage risk by focusing an entity on ensuring it avoids risks it does not have the appetite for, and at the same time that it does take risks that it does have the appetite for (in order to access the opportunities associated with taking those risks). This is summarised below:

Description	Purpose
Risk Appetite	The level of risk within which an entity <i>aims</i> to operate.
Risk Tolerance	The level of risk within which an entity is <i>willing</i> to operate if necessary.
Inherent Risk Score	Empirical estimate of the risks facing an entity, before having regard to any actions that the entity might take to mitigate them (also called “gross” risk).
Residual Risk Score	Empirical estimate of the risks facing an entity after having regard to any actions the entity has taken to mitigate them (also called “net” risk).

2.2 The table below sets out a draft risk appetite classification based upon a widely used (for example similar examples are set out in the Treasury Orange

Risk Appetite	Risk Appetite Description
Averse	Avoidance of risk and uncertainty is a key organisational objective
Minimalist	Uncertainty is to be avoided unless essential; only prepared to accept the possibility of very limited financial loss
Cautious	Tolerance for risk taking is limited to events where there is little chance of significant downside impact
Open	Tolerance for decisions with potential for significant risk, but with appropriate steps to minimise exposure
Hungry	Eager to pursue options offering potentially higher rewards despite greater inherent risk

Book guidance on risk management):

- 2.3 The table below sets out a draft risk appetite at a high level. This is intended to illustrate risk appetite and promote discussion, it is not a definitive or an approved statement of risk appetite for the Fund.

Risk Category	Description	Risk Appetite
Administration - Member Services	Risk of failure to pay benefits or failure to maintain complete and correct data	Averse
Administration - Employer Services	Risk of failure to collect appropriate data or contributions from employers, or failure to have appropriate governance in place, for example having admission agreements in place and appropriate contribution rates calculated	Averse
Cashflow	Risk of inability to pay benefits due to members and other amounts due to third parties (e.g. capital calls)	Minimalist
Investment - Income and Protection Assets	Risk of failure to manage operating cashflows and failure to ensure assets match liabilities	Cautious
Investment - Growth Assets	Risk of failure to generate enough returns to meet future liabilities whilst minimising employer contributions	Open
Long term funding assumptions	Risk of failure to correctly estimate and therefore provide for future liabilities	Cautious
Governance	Risk of governance failure	Averse
Climate Change	The risk of causing an adverse effect on the environment	Cautious

- 2.4 The fund will only choose to take risks that are expected to be appropriately rewarded, and to mitigate or avoid risks where this is not the case.
- 2.5 This draft sets out certain categories within which to consider risk appetite (risk appetite should be categorised in relation to appetite for risk, not in relation to risk experience), therefore the headings would not necessarily align

with the risk register.

- 2.6 If a Fund risk appetite is developed and approved, it could then be used to assess more formally whether the assessed residual risk levels are acceptable.
- 2.7 With respect to investment management and funding strategy, the fund does remark on attitude to risk, and this informs Fund activity including actuarial assumptions and investment risk. However, the fund does not currently consider risk appetite as such, and does not consider risk appetite across all of its activities including administration.
- 2.8 Elsewhere on the agenda is a review of the Investment Strategy Statement, which includes a significant update in respect of the detailing of investment risks.
- 2.9 The subcommittee are invited to comment on the question of whether to explore risk appetite further and develop a formal risk appetite statement for approval.

3 Risk Register

- 3.1 Risks are now assessed on a five-point scale across likelihood and impact, with impact weighted more than it was previously, as follows:

$$\text{Total Risk} = (\text{Likelihood} \times \text{Impact}) + \text{Impact}$$

- 3.2 Risks with a high impact / low probability should be prioritised because over a long time span low probability events are more likely to occur eventually.
- 3.3 The most important issue is that the risk register broadly captures the most significant strategic risks, it is less important that each score is completely accurate. There is an element of subjectivity to scoring because risk is, by its nature, to do with uncertainty. Likelihood definitions are set out below.

Score	Description		Likelihood of Occurrence
1	Highly Unlikely	The event may occur in only rare circumstances (remote chance)	1 in 8 + years
2	Unlikely	The event may occur in certain circumstances (unlikely chance)	1 in 4-7 years
3	Possible	The event may occur (realistic chance)	1 in 2-3 years
4	Probable	The event will probably occur (significant chance)	1 in 1-2 years
5	Very Likely	The event is expected to occur or occurs regularly	Up to 1 in every year

- 3.4 Appendix A sets out definitions for impact scores, including examples. These result in a scoring matrix as follows, which illustrates the increased emphasis

on impact compared to likelihood:

Impact	Catastrophic	10	15	20	25	30
	Major	8	12	16	20	24
	Moderate	6	9	12	15	18
	Minor	4	6	8	10	12
	Insignificant	2	3	4	5	6
		Highly Unlikely	Unlikely	Possible	Probable	Very Likely
		Likelihood				

3.5 Appendix B sets out the new risk register (if printed on paper, this is designed to be printed on A3 paper). The headline risks and scores are summarised below:

Risk Identification		Inherent Risk Scoring			Residual Risk Scoring		
Risk No.	Risk Description	Likelihood	Impact	Risk Score	Likelihood	Impact	Risk Score
1	Long term asset values do not meet expectations	3.00	5.00	20.00	2.00	4.00	12.00
2	Short term asset values do not meet expectations	5.00	4.00	24.00	3.00	3.00	12.00
3	Liabilities cannot be met	2.00	4.00	12.00	1.00	4.00	8.00
4	Employer contributions not paid	4.00	3.00	15.00	3.00	3.00	12.00
5	Pooling objectives not met	3.00	3.00	12.00	2.00	3.00	9.00
6	Covid-19	5.00	5.00	30.00	3.00	4.00	16.00
7	Inability to meet demand for activity	5.00	3.00	18.00	4.00	3.00	15.00
8	Business interruption	4.00	4.00	20.00	3.00	3.00	12.00
9	Cyber Security	3.00	4.00	16.00	3.00	3.00	12.00
10	Climate Change	4.00	5.00	25.00	3.00	3.00	12.00
11	Customer satisfaction	3.00	3.00	12.00	3.00	2.00	8.00
12	Fraud	3.00	3.00	12.00	2.00	3.00	9.00
13	Governance Failure	3.00	4.00	16.00	2.00	4.00	12.00

3.6 Although the risk register is intended to be strategic, it still contains a lot of information. It is important for the Fund to ensure a focus on the most important risks, and the Sub Committee are invited to comment on key risks which should receive particular attention over the next year. For example the effect of inflation and macroeconomic factors on the financial position of the Fund may be an example.

4 Financial Implications

4.1 A number of risks include financial risks and implications, where this is the case these are addressed and reported on in specific reports as appropriate.

5 Environmental Implications

5.1 Climate risk is a key issue facing the fund in the longer term, and this is featured within the risk register.

6 Supporting Information

6.1 None.

7 Timescales Associated with Next Steps

- 7.1 The risk register will be reported to the Local Pension Board.
- 7.2 Risk monitoring will be reported quarterly to both the Pension Fund Investment Subcommittee, and the Local Pension Board.
- 7.3 Subject to discussion and approval, the Fund may do further work on developing a formal Risk Appetite for approval.

Appendices

Appendix A - Definitions for Impact Scores

Appendix B - Risk Register

Background Papers

None

	Name	Contact Information
Report Author	Chris Norton	chrisnorton@warwickshire.gov.uk
Assistant Director	Andy Felton	andrewfelton@warwickshire.gov.uk
Lead Director	Rob Powell	robpowell@warwickshire.gov.uk
Lead Member	Peter Butlin	cllrbutlin@warwickshire.gov.uk

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

Local Member(s): None

Other members: Councillors Horner & Gifford

Definitions for Impact Scores

Appendix A

Score	Description	Members and Employers	Investments and Funding	Administration
1	Insignificant	<p>Negligible impact - not noticeable by members or employers, no complaints or issues likely to be raised by members or employers.</p> <p>Example - Member or employer communication newsletter issued a few days later than planned.</p>	<p>Negligible impact - of a level that would not register for investment action.</p> <p>Example - Normal volatility levels being experienced in the investment portfolio.</p>	<p>Negligible impact - low level administrative issues resolved internally with no impact on key performance indicators</p> <p>Example - A manageable backlog of data to be uploaded to the administration system that has no impact on actual member payments.</p>
2	Minor	<p>Minor impact on members and/or employers which may cause correspondence about issues that can be resolved at source.</p> <p>Example - A member not being given the correct information first time when corresponding with the Fund and this having to be corrected, but having no impact on benefits paid</p>	<p>Minor impact on investment operations requiring monitoring and attention but not requiring anything other than business as usual actions.</p> <p>Example - minor adverse fund investment event, such as a credit default within a private credit portfolio which is of a business as usual nature.</p>	<p>Minor impact on administration performance requiring action within business as usual parameters.</p> <p>Example - an employer experiencing persist difficulty in providing correct data resulting in the need for extra training/support/correspondence to resolve</p>
3	Moderate	<p>Material adverse impact on members or employers that is of cause for concern to them and the Fund and requires escalation for non-business as usual resolutions</p> <p>More likely to be isolated issues but could have some scale.</p> <p>Example - Inability to finalise and sign off an admission agreement with a new employer resulting in escalation.</p>	<p>Material impact requiring bespoke corrective action, but manageable within the existing Investmetn Strategy</p> <p>Examples - Significant drift or step change in actual in asset allocation taking the Fund risk profile out of tolerances, or significant slippage in the implementation of a significant Fund transfer</p>	<p>Material impact on administration performance, but manageable within approved policies and procedures.</p> <p>Examples - Inability to agree a transfer of membership and liabilities from another fund, requiring arbitration by a third party, or disappointing data quality scores resulting in a need for an improvement plan.</p>
4	Major	<p>Significant adverse impact on members or employers that result in a direct impact on benefits paid or contributions due or member or employer satisfaction with Fund performance. Likely to result in complaints.</p> <p>More likely to be systemic issues.</p> <p>Examples - A significant delay in the issue of member annual benefit statements, or persistently charging an employer an incorrect contribution rate.</p>	<p>Major impact requiring significant corrective action and a change in Investmet Strategy or Funding Strategy, or the significant sale of assets under distress. May result in noticeable changes to employer contributions.</p> <p>Examples - Major change in the world economic outlook, or in the present value of future liabilities requiring a change in strategy, or inability to implement a significant Fund launch.</p>	<p>Major failure of administration function, likely to be systematic in nature, of a high profile nature to members and employers.</p> <p>Example - Widespread and persistent failure to meet key performance indicators such as dealing with certain types of administration query or action within deadlines, and receipt of significant numbers of complaints from members.</p>
5	Catastrophic	<p>Serious and systematic errors in benefits payments or administration KPIs, or significant volatility or increase in employer contributions.</p> <p>Significant breaches of the law</p> <p>Serious complaints and reputational harm caused</p> <p>Example - Systematic failure to monitor employer contributions resulting in subsequent identification of a large number of contribution deficits that employers cannot then catch up with.</p>	<p>Resulting in significant volatility or increase in employer contributions, inability to pay member benefits, or a need to significantly increase investment risk exposure.</p> <p>Significant failure to meet legal or regulatory requirements.</p> <p>Serious reputaitonal harm caused</p> <p>Example - Catastrophic deterioration in the ability or employers to pay contributions resulting in a need for emergency investment and cashflow measures in order to keep paying benefits.</p>	<p>Catastrophic failure of administration function leading to inability to pay benefits accurately or at all on a large scale.</p> <p>Significant breaches of the law</p> <p>Serious complaints and reputational harm caused</p> <p>Example - Wholesale failure of the pension payroll fuction resulting in no member payments being made.</p>

Risk No.	Risk Description	Risk Identification		Inherent Risk Scoring			Existing Risk Controls	Residual Risk Scoring			Further Risk Controls
		Risk Causes	Risk Consequences (Effect)	Likelihood	Impact	Risk Score		Likelihood	Impact	Risk Score	
1	Long term asset values do not meet expectations	<ul style="list-style-type: none"> Inappropriate strategic asset allocation Inability to implement strategic asset allocation Poor fund manager performance Fundamental long term events e.g. climate change, systemic risk Covid-19 Inappropriate products developed by the Border to Coast Pension Partnership Inappropriate (too high) expectations 	<ul style="list-style-type: none"> Employer contributions forced to increase above expectations or by a large amount at short notice Investment risk is forced to increase Future benefits cannot be paid by the Fund out of existing assets 	3.00	5.00	20.00	<ul style="list-style-type: none"> BAU policy and governance arrangements including the setting of an appropriate investment strategy and funding strategy, the use of professional staff, consultants, and advisers, quarterly reporting to committee, appropriate asset allocation. Engagement with Border to Coast - developing funds and monitoring fund performance. Appropriate monitoring of investment behaviour and performance. Introduction of a climate risk policy in 2020/21. 	2.00	4.00	12.00	<ul style="list-style-type: none"> Review climate risk and responsible investment policy and evaluate exposure to climate risk and other Environmental, Social and Governance factors. Regular review of Strategic Asset Allocation.
2	Short term asset values do not meet expectations	<ul style="list-style-type: none"> Significant reductions in asset values Rapid changes in the economic environment Inappropriate asset allocation Poor fund manager performance Covid-19 Global political and trade tensions Brexit Asset bubbles Poor fund development and procurement Natural fund and market volatility 	<ul style="list-style-type: none"> Cashflow requirements cannot be met efficiently or effectively Being unable to meet payment deadlines Being forced to sell assets under distress Being unable to pay benefits to members due to liquidity constraints Introducing volatility to employer contributions or those employers close to exit 	5.00	4.00	24.00	<ul style="list-style-type: none"> Diversification of assets Regular committee and officer monitoring of investment asset allocations and fund manager performance. Cashflow planning to avoid selling assets under distress Maintain sufficient allocation to liquid assets. Long term approach to employer contributions, promoting their stability Rotation of fund manager presentations to the investment subcommittee. 	3.00	3.00	12.00	<ul style="list-style-type: none"> Regular review of Strategic Asset Allocation.
3	Liabilities cannot be met	<ul style="list-style-type: none"> Inadequate contributions asked of employers Employers do not pay contributions required Investment returns lower than expected Inflation risk Inappropriate funding assumptions used Actual membership experience materially different from expectations Incorrect membership or cashflow data used to determine funding strategy 	<ul style="list-style-type: none"> Funding level deteriorates Higher investment risks being taken Employer contributions increasing Being unable to pay benefits to members out of fund assets 	2.00	4.00	12.00	<ul style="list-style-type: none"> Fund valuation process driving an updated Investment Strategy and Funding Strategy on a periodic basis. 6-monthly reporting on funding evolution to committee. Annual monitoring of longevity risk via Club Vita participation. Use of professional advisors to support setting of appropriate funding assumptions. 	1.00	4.00	8.00	<ul style="list-style-type: none"> 2022 revaluation preparedness review during 2021/22 Annual data quality review
4	Employer contributions not paid	<ul style="list-style-type: none"> Covid-19 General economic / financial pressure on employers Deterioration in employer financial positions Deterioration in quality of employer administration function Inadequate support from the Fund to employers Inadequate monitoring of employers by the Fund Admissions agreements inadequate or not agreed 	<ul style="list-style-type: none"> Increased administration costs Reputational damage to the Fund and to employers Paying employers having to pick up costs of non paying employers Liabilities falling back to underwriting employers 	4.00	3.00	15.00	<ul style="list-style-type: none"> Employer covenant review Breaches monitoring Employer training day Fund AGM Admissions and Terminations Policy Cashflow planning to provide cashflow resilience if contributions reduce 	3.00	3.00	12.00	<ul style="list-style-type: none"> Review and enhance breaches monitoring
5	Pooling objectives not met	<ul style="list-style-type: none"> Failure to monitor the delivery of pooling benefits. Failure to assess benefits when making pooling decisions. Not getting involved in and influencing fund design discussions Partner funds not collectively holding the pool to account Pool fails to deliver on objectives 	<ul style="list-style-type: none"> Lack of appropriate products for the Fund to invest in Investment in products that do not meet the objectives of the Fund Persistent and unaddressed fund performance issues 	3.00	3.00	12.00	<ul style="list-style-type: none"> Engagement at Joint Committee, Section 151 meetings, and operational officer groups Exercising shareholder rights and responsibilities Engaging with other partner funds in the pool Pooling decisions made by Investment Sub Committee Border to Coast attendance at and performance reporting to investment sub committee meetings Independent due diligence of funds offered, and ongoing monitoring of the Pool 	2.00	3.00	9.00	<ul style="list-style-type: none"> Input into the development of new products - in particular property and products having regard to RI and climate change
6	Covid-19	<ul style="list-style-type: none"> Covid-19 pandemic (financial pressure on individuals and institutions, and more transactions being made online) Further restrictive lockdowns Staffing capacity impacted by both short and long term health implications of infection 	<ul style="list-style-type: none"> Members do not receive a high quality service Business interruption High costs in order to maintain service resilience Impact on asset values and investment risks Staff health, wellbeing and productivity Impairment of the financial situation of employers Inability to make quick decisions in an emergency 	5.00	5.00	30.00	<ul style="list-style-type: none"> Office presence for processes that require it (e.g. physical post) IT systems supporting remote and flexible working Flexible working policies for staff Health and safety protocols for staff Fund policies that account for the scenario experienced Higher profile for cashflow management, and retain cash buffer to mitigate liquidity risk Maintain diversified portfolio of assets, and regularly monitor performance of assets and wider market 	3.00	4.00	16.00	<ul style="list-style-type: none"> Use of extraordinary committee or board meetings where necessary Continue to develop flexible and remote working practices Review electronic signatory processes
7	Inability to meet demand for activity	<ul style="list-style-type: none"> Growth in membership numbers Growth in employer numbers Growth in complexity and difficulty of employer issues New and complex LGPS regulations (e.g. McCloud, £95k exit cap) Increasing value of fund investments Increasing complexity of fund investments Erosion of staff capacity/resilience due to long term remote working Inability to recruit / retain appropriately skilled staff Inability of the Fund officers to keep up with demand (capacity or skills) 	<ul style="list-style-type: none"> Quality of services reduces Governance failures Key administration performance measures not met Sub optimal investment decisions made 	5.00	3.00	18.00	<ul style="list-style-type: none"> Medium term forecasting of demand and planning for the capacity and resources required Investing in quality and productivity of staff through training and development Investing in systems development Use of management information to monitor and manage performance Succession planning Procuring appropriate services through contracts 	4.00	3.00	15.00	<ul style="list-style-type: none"> McCloud project (already commenced) 2022 Revaluation preparedness review during 2021/22 Introduction of medium term resource planning

intentionally blank

Risk Identification				Inherent Risk Scoring			Existing Risk Controls	Residual Risk Scoring			Further Risk Controls
Risk No.	Risk Description	Risk Causes	Risk Consequences (Effect)	Likelihood	Impact	Risk Score		Likelihood	Impact	Risk Score	
8	Business interruption	<ul style="list-style-type: none"> • Covid-19 • Small specialist teams with single person risks • Significant changes in adviser and consultant personnel • Further high impact Covid events (e.g. infection waves, lockdowns) • Systems failure • Covid impact on Fund staff • Disaster event - fire, flood, etc • Lack of remote working facilities 	<ul style="list-style-type: none"> • Delays in decisions or their implementation • Failure to meet performance targets • Reputational damage • Data quality deterioration • Workload backlogs • Significant restoration costs • Asset allocation drifts off target • Fund investment risks and performance cannot be monitored 	4.00	4.00	20.00	<ul style="list-style-type: none"> • Building resilience requirements into service contracts • Digital record keeping • Storing data back ups off site • Custodian holding investment data • Maintaining close links with advisers, consultants, and external organisations. • Use of IT systems to work remotely 	3.00	3.00	12.00	<ul style="list-style-type: none"> • Implementation of Cyber Security policy • Review and update disaster recovery plan • Completion of documentation of investment practices
9	Cyber Security	<ul style="list-style-type: none"> • Systemic cybersecurity events (e.g. taking down financial trading institutions globally) • Local cyber security events (e.g. targeting the Council) • Personal cyber security events (e.g. phishing emails targeting staff) • Inadequate system security • Inadequate staff training and staff vigilance 	<ul style="list-style-type: none"> • Loss of data and/or data disruption • Reputational damage • Breaches of the law • Fines • Costs of fixing issues • Business interruption 	3.00	4.00	16.00	<ul style="list-style-type: none"> • Use of scheme administrator systems and system security • Staff training • Bespoke Fund cyber security policy 	3.00	3.00	12.00	<ul style="list-style-type: none"> • Implementation of Cyber security policy
10	Climate Change	<ul style="list-style-type: none"> • Net global carbon production in excess of Paris Agreement 2 degree target • Lack of action globally and nationally to combat climate change or to build resilience to it • Fund actions or inactions exacerbating climate change and its impact 	<ul style="list-style-type: none"> • Impact on the value of assets held, for example stranded/obsolete assets, or impact on the productivity and profitability of certain sectors, companies, etc • Impact on future quality of life and life experience (e.g. longevity) of members • Impact on future inflation and value of benefits paid to members 	4.00	5.00	25.00	<ul style="list-style-type: none"> • Climate Risk Strategy • ESG Policy • Regular training on Climate Risk and mitigation actions 	3.00	3.00	12.00	<ul style="list-style-type: none"> • Review and update climate risk policy • Review 2020 US Stewardship Code requirements and take steps to become a signatory • Develop Fund actions and response to Task Force on Climate Related Financial Disclosures (TCFD) requirements • Develop robust reporting metrics and set targets for driving change.
11	Customer satisfaction	<ul style="list-style-type: none"> • £95k exit cap impact • McCloud impact • Persistently increasing customer service expectations • Covid impact on member health and wellbeing - increasing the adverse impact of any problems with pensions • Member benefits paid incorrectly • Employer contributions higher than deemed affordable or thought necessary 	<ul style="list-style-type: none"> • Inadequate data quality • Inadequate administration systems and processes • Poor data provided by employers • Unpopular government decisions impacting on LGPS • Inadequate payroll services • Overly cautious investment strategy requiring higher employer contributions 	3.00	3.00	12.00	<ul style="list-style-type: none"> • Administration governance review actions and maintenance of those standards • Responding to government consultations • SLA with Council payroll service • Maintenance of Fund website • Funding Strategy having appropriate regard to risk and the meeting of Fund objectives • Data quality scores and reviews • Staff training • Performance monitoring of employer data quality • Performance monitoring of administration team KPIs 	3.00	2.00	8.00	<ul style="list-style-type: none"> • UK Stewardship Code 2020 • iConnect project (already under way) • Member Self Service project • Light review of compliance with Code of Practice 14
12	Fraud	<ul style="list-style-type: none"> • Covid-19 impact on the application of controls in the Fund or with employers • Increased financial pressure on individuals due to Covid-19 and its impact on the economy and jobs • The passing of time since any previous targeted review of Fraud risk • Fraud instigated by any Fund stakeholders, e.g. members, private financial advisers (scams), officers, fund managers, custodian, and employers. 	<ul style="list-style-type: none"> • Members lose benefits to fraudsters • Fraudulent members gain benefits they are not entitled to • Fund incurs costs to recover losses • Investment assets lost to fraud or irregularity • Investment losses not reported if covered up 	3.00	3.00	12.00	<ul style="list-style-type: none"> • Application of Administering Authority code of conduct to fund officers, fraud strategy, and whistleblowing policy • Application of division of duties and signatory processes for financial transactions • Periodic independent internal audit reviews of administration and investment activity and controls • Annual external audit reviews • Financial industry regulatory regimes governing fund manager conduct and processes 	2.00	3.00	9.00	<ul style="list-style-type: none"> • Fraud risk review in 2021/22
13	Governance Failure	<ul style="list-style-type: none"> • Lack of capacity to service governance requirements • Lack of training • Lack of continuity in staffing, advisers, or committee / board members • Inadequate checking/review of standards compared to requirements and best practice • Complacency in light of recent governance improvements • Out of date policies and contracts • Local government elections impact on committee continuity • Covid-19 - impact on officer, adviser, and committee/board personnel health and availability • Uncertainty around overall governance structure and responsibility for decision making and actions 	<ul style="list-style-type: none"> • Adverse impact on Fund reputation • Exposure to unplanned risks or poor administration and investment performance • Breaches of the law • Poor decisions • Decisions that are not appropriately authorised 	3.00	4.00	16.00	<ul style="list-style-type: none"> • Training plans for committees, Board, and staff • Quarterly committee and Board meeting cycles • Training needs analysis • All training provision to be made available to all committee and Board members • Management of a Contracts register • Management of a Fund policy schedule • Quarterly risk monitoring at committee and board • Quarterly monitoring of Business Plan delivery at board • Use of digital technology - remote working and remote meetings 	2.00	4.00	12.00	<ul style="list-style-type: none"> • Signing up to UK Stewardship Code 2020 • Light review of compliance with Code of Practice 14 • Use of National Knowledge Assessment to inform training plan • Simplification of governance to a single action plan and single risk register • Review of committee arrangements and Terms of Reference • Review capacity to support Fund Governance requirements

Pension Fund Investment Sub Committee

8th March 2021

Business Plan

1 Recommendations

- 1.1 That the Pension Fund Investment Sub Committee comments on and approves the Business Plan attached at Appendix 1.

2 Executive Summary

- 2.1 It is best practice for local authority pension funds to operate a formal and documented Business Plan for their operations. This report sets out a recommended Business Plan for 2021/22.

3 Financial Implications

- 3.1 The fund has an investment strategy and funding strategy designed to manage the financial position of the fund. The business plan is designed to ensure that these two strategies are updated and implemented appropriately.

4 Environmental Implications

- 4.1 The fund has a climate risk policy designed to minimise the fund's contribution towards climate change and minimise the fund's exposure to risk driven by climate change.

5 Supporting Information

- 5.1 None.

6 Timescales and Next Steps

- 6.1 None.

Appendices

Appendix 1 – Draft Business Plan

Background Papers

None.

	Name	Contact Information
Report Author	Chris Norton	chrisnorton@warwickshire.gov.uk
Assistant Director	Andrew Felton	robpowell@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:

WARWICKSHIRE

pension fund

Business Plan

2021/2022

Contents

1	Introduction
2	Activity
3	Long-Term Objectives
4	Key Performance Measures
5	Key Business Plan Items
6	Actions

Appendices

A	Administration Performance Measures
B	Investment Performance Measures
C	Single Action Plan

1. Introduction

This document sets out the business plan for the Warwickshire Pension Fund for 2021/22, including objectives, strategic priorities, and an action plan to achieve them.

Warwickshire County Council (WCC) is the Administering Authority of the Warwickshire Pension Fund ('the Fund') administering both the Local Government and Firefighter Pension Schemes. This business plan relates to the Local Government Pension Scheme only.

The Warwickshire Pension Fund is administered by the Director for Resources on behalf of Warwickshire County Council (the scheme manager), five district councils and other scheduled and admitted public service organisations and their contractors.

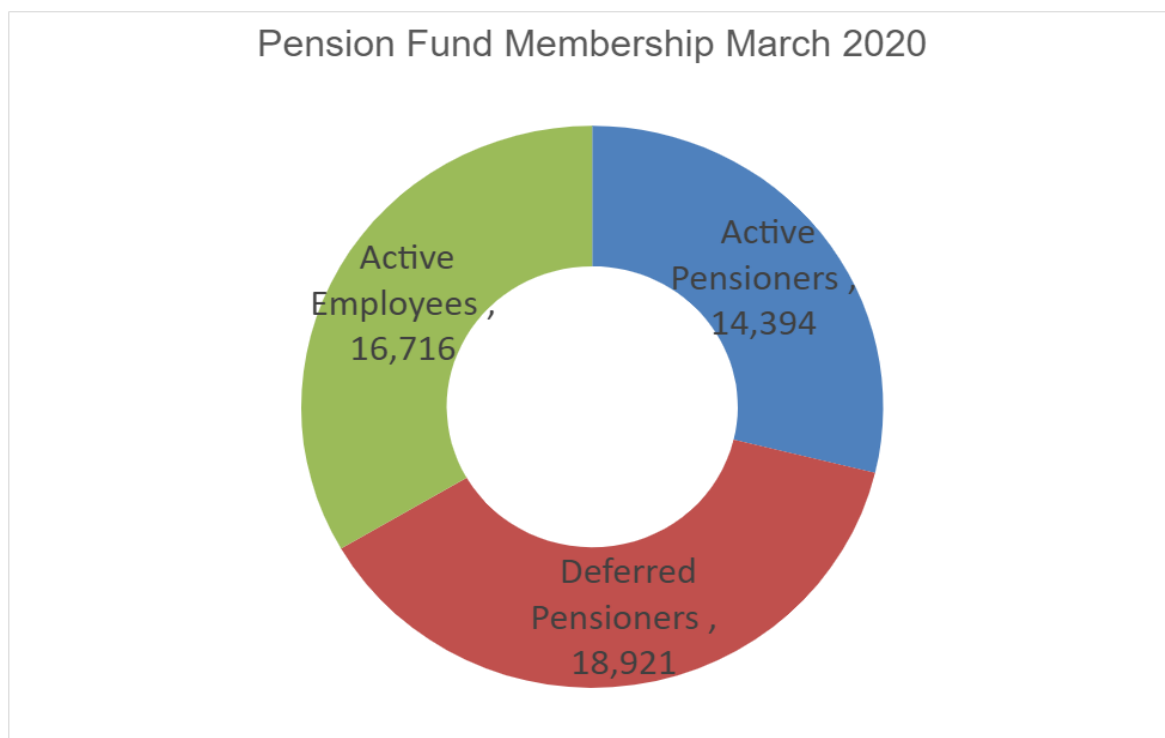
The administration of the fund is carried out through Warwickshire County Council's Staff and Pensions Committee, the Pension Fund Investment Sub Committee, and the Local Pension Board.

The committees are comprised of elected County Council members whilst the Board is an equal mix of representatives of employers and scheme members with an independent chair.

2. Activity

2.1 Membership Activity

At March 2020, the total membership of the fund stood at 50,031 (including 1711 dependants).

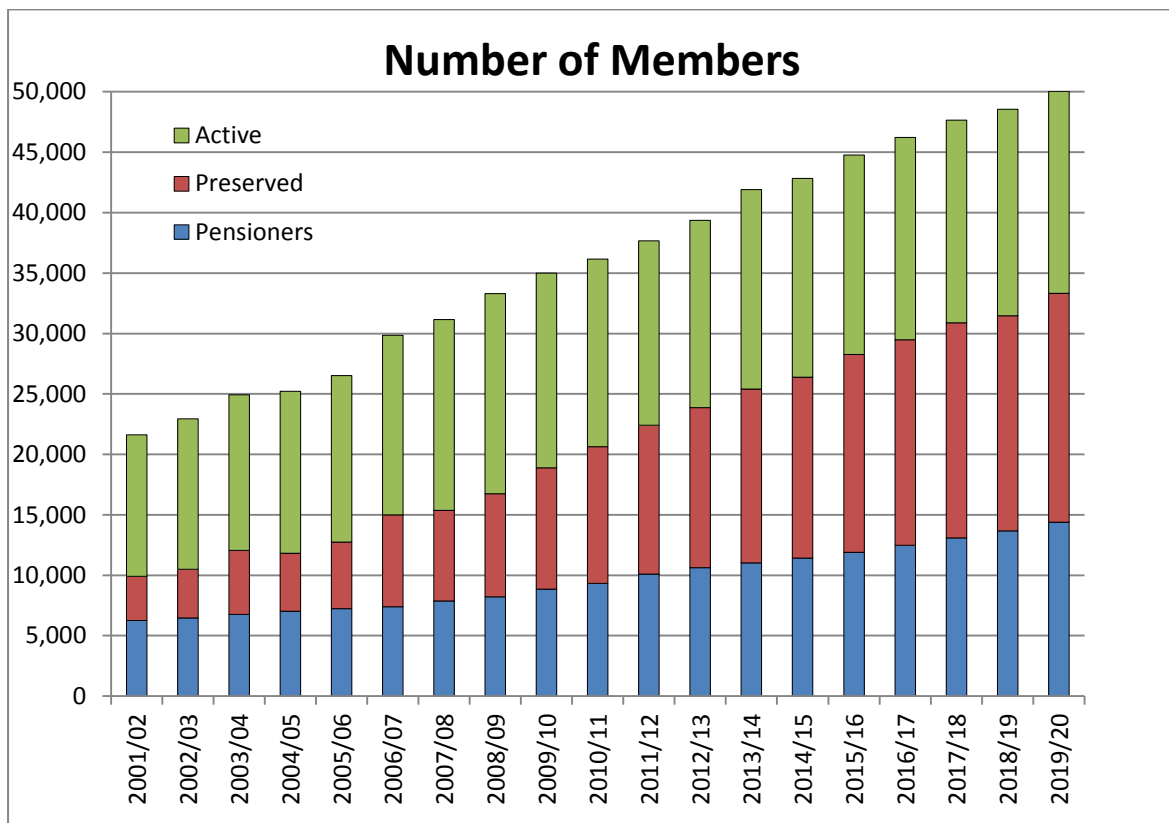


Of the total membership, 16,716 are active members currently contributing to the fund, 14,394 are members with a preserved benefit and 18,921 retired or dependant members are in receipt of a pension.

All local government employees (except temporary and casual employees) are automatically entered into the scheme and must opt out if they do not wish to remain a member.

Temporary and casual employees must make an election to join the scheme. Temporary employees on a contract of less than three months duration are not eligible for membership

Pension fund membership has increased over the long-term and this increase places increasing demands upon the service. The chart below illustrates this trend.



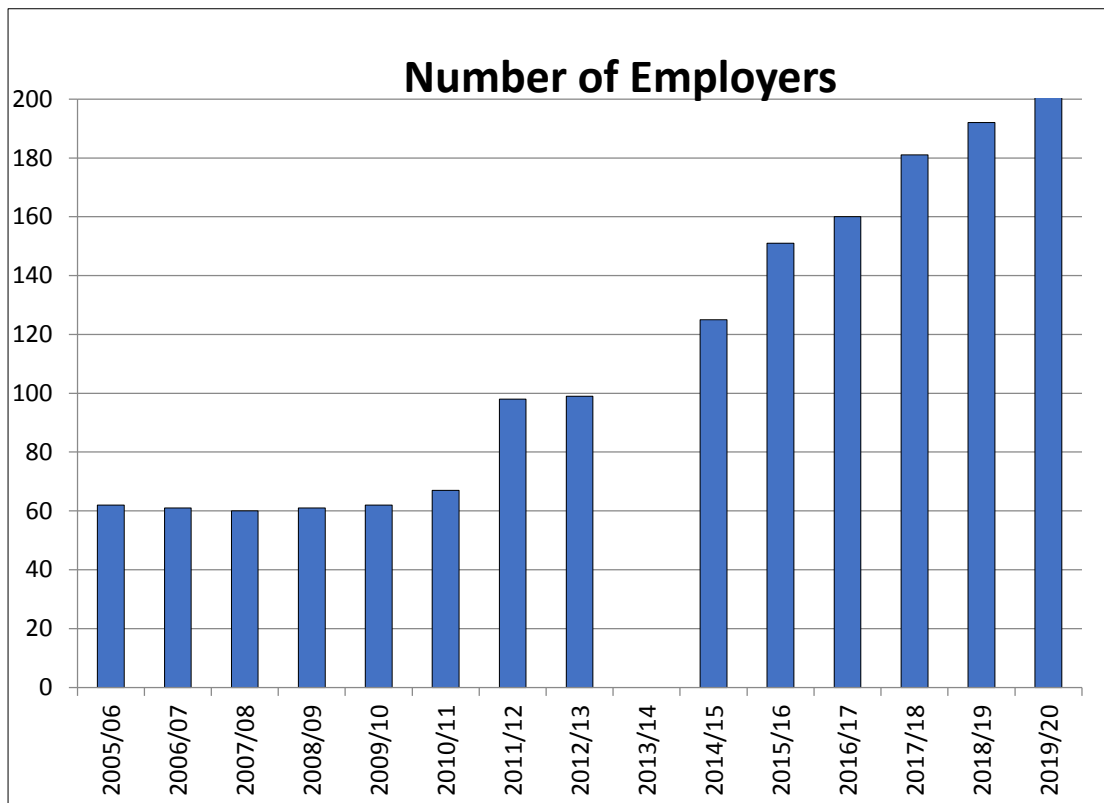
The following figures show the average annual change in activity over the last 5 years:

- Active Employees +4.7% p.a.
- Deferred Members +4.3% p.a.
- Pensioners +0.3% p.a.

This increase is expected to continue due to automatic enrolment and increased public awareness of pensions.

2.2 Employer Activity

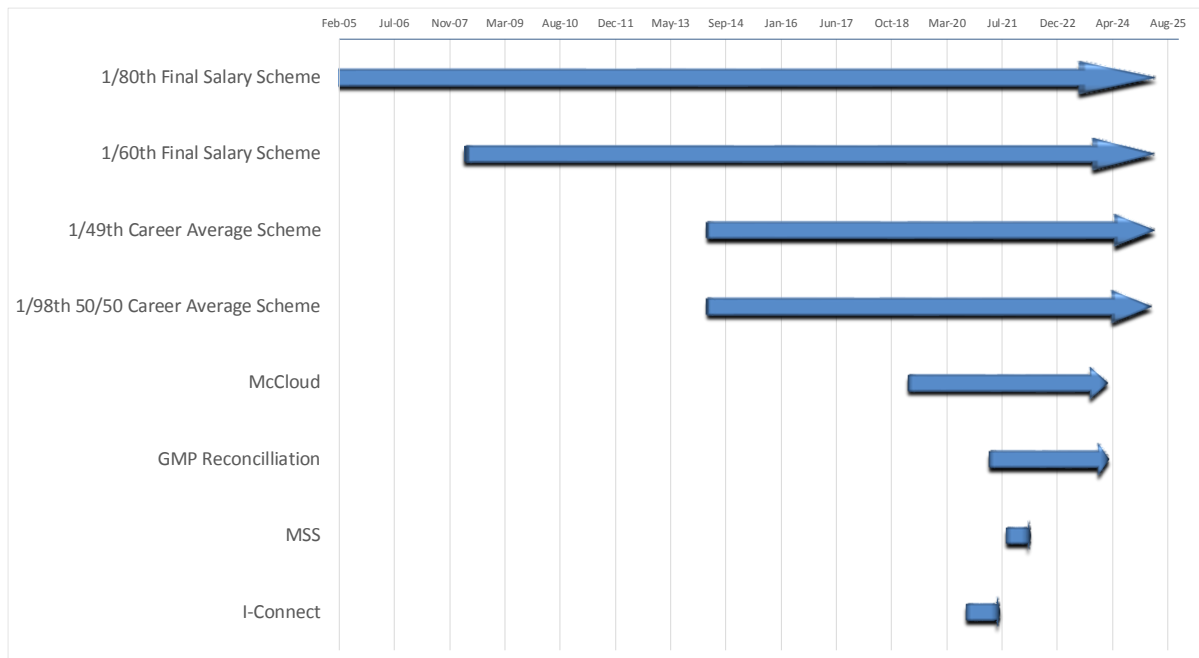
In addition to increases in membership, the number of employers is also increasing as illustrated in the chart below (driven largely by academisation of schools and the contracting out of services).



**2013/2014 data not available*

2.3 Administration Complexity

The LGPS is increasing in complexity over time as regulations evolve. The pictorial below illustrates this change over time:

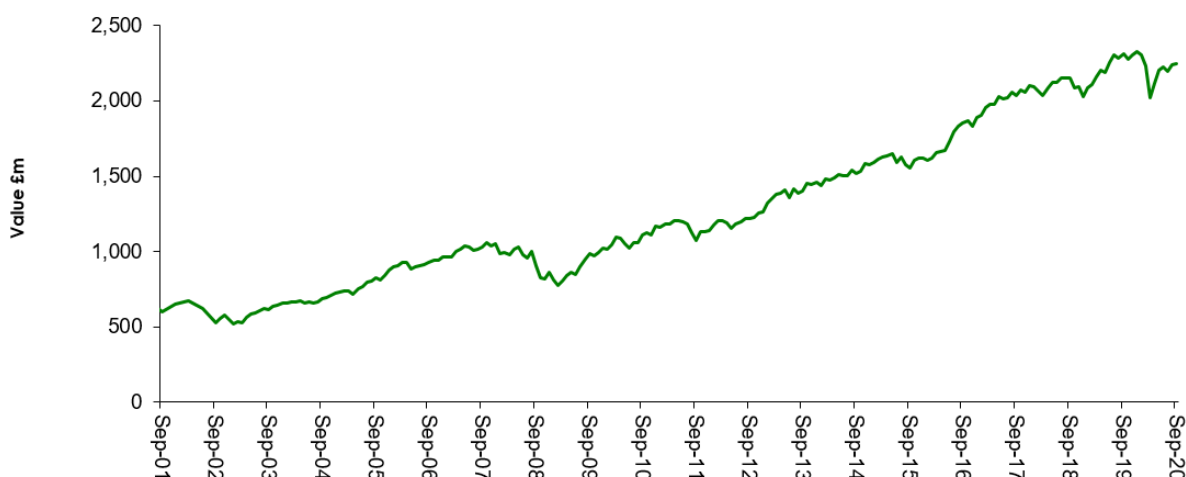


The introduction of the McCloud remedy to prepare for, and the complexity of the remedy will need to be administrated for many years into the future as affected members retire.

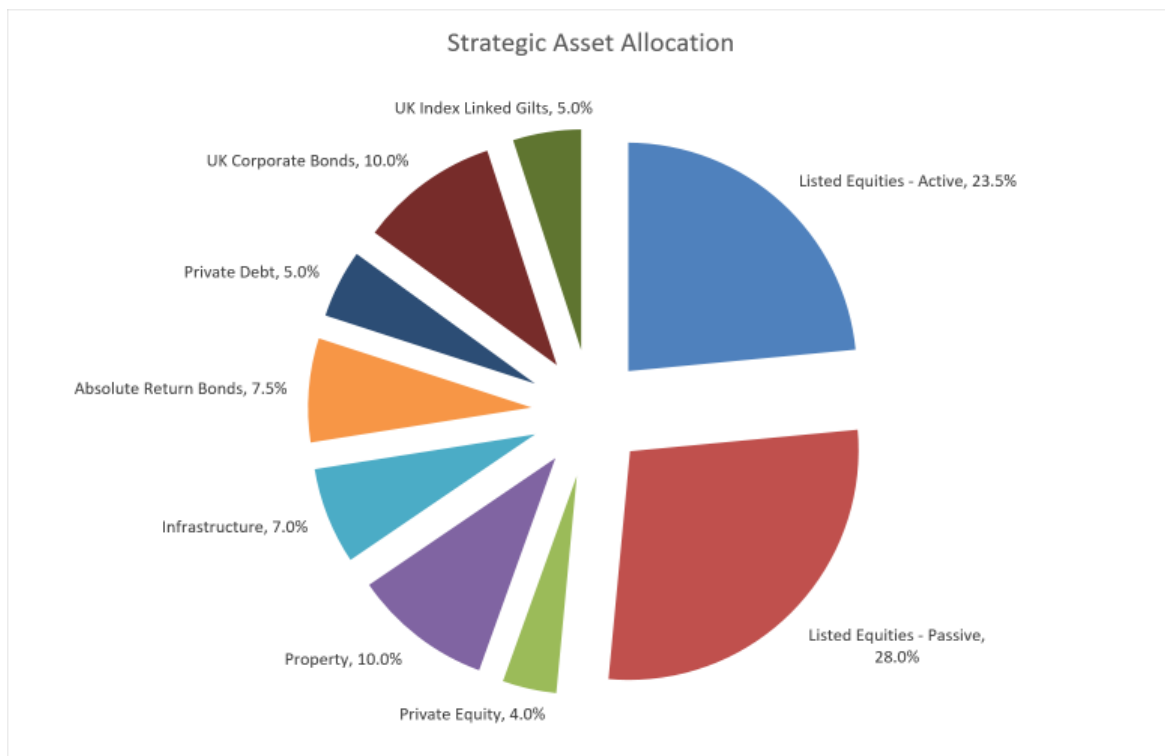
2.4 Investment Activity

Fund investments stand at over £2bn, with the fund value continuing to increase over the long term.

Growth of Total Fund Value (since 30 September 2001)

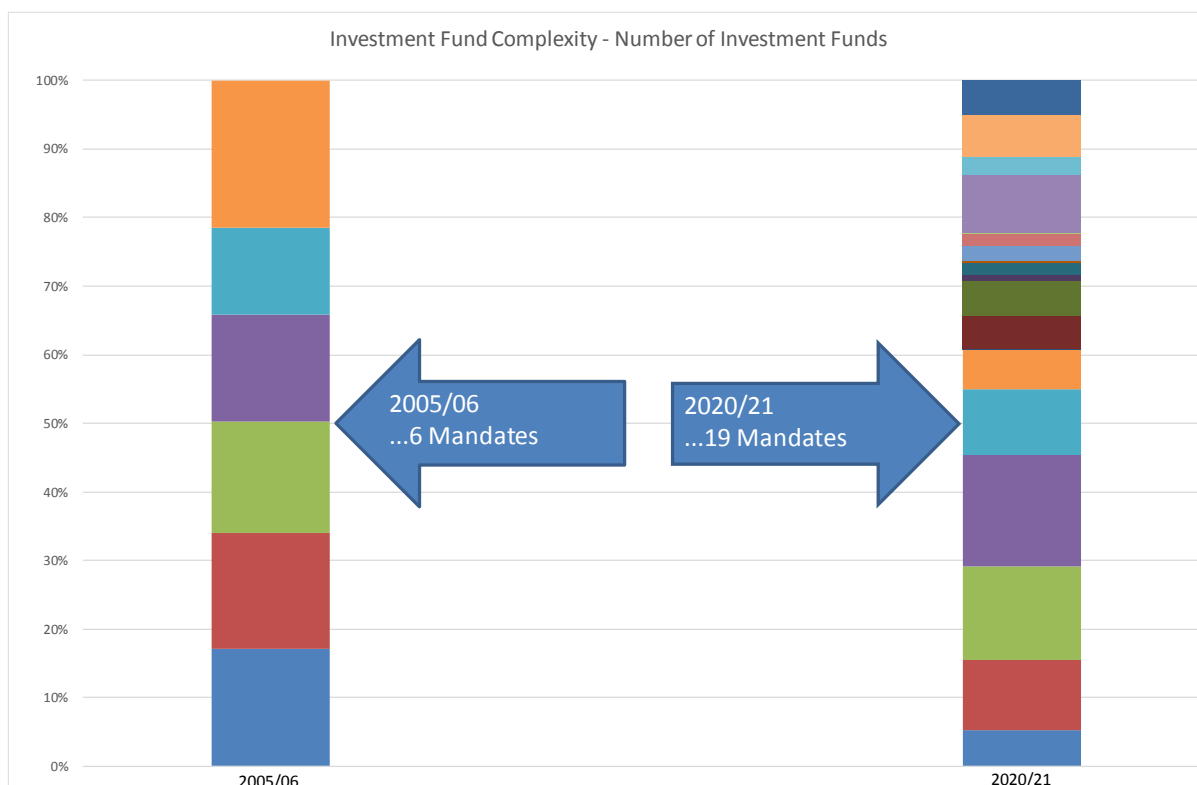


The Fund has a strategic asset allocation primarily weighted towards growth; this is in line with the revised Investment Strategy that was approved in March 2020. The shape of the strategic asset allocation has changed, and the exposure to growth assets is reducing driven by the funding level increasing.



The complexity of investment activity has steadily increased over time. The introduction of a variety of “alternatives” funds being introduced over time, and more recently the implementation of pooling means that, temporarily at least, investments have become significantly more complex.

The chart below shows how the fund’s assets were allocated between 6 mandates in 2005/06, compared with 19 mandates in 2020/21.



In the longer term, pooling will reduce the amount of fund managers that the Fund commissions directly, however the increased complexity in terms of the number of different mandates invested in is likely to remain.

2.5 Governance Activity

The governance of the Fund was reviewed in 2019, in particular a review was undertaken against the Pension Regulator's Code of Practice 14. An action plan was created and has been delivered. Some of the actions arising included a higher level of activity in respect of the review and maintenance of fund policies and contracts for services provided to the fund. This is an area of very significant increase in activity.

The Fund will also take stock of recent and emerging good governance guidance from the Scheme Advisory Board.

3. Long term objectives

The Funds fundamental objectives are:

- That pension benefits are paid to members accurately and on time.
- That the funds are available to pay benefits when they are due.

To do this we will:

- Ensure the governance arrangements of the Pension Fund allow officers, employers, Pension Fund Committee and Pension Board members to discharge their responsibilities efficiently and effectively.
- Deliver a high-quality benefit administration service, working effectively with scheme employers and maintaining a constant focus on data quality and customer service.
- Ensure the financial sustainability of the Fund through effective forecasting of long-term liabilities, determination and collection of appropriate contributions and generation of an appropriate risk adjusted return of the fund's investments

4. Key Performance Measures

Key performance indicators for the Fund are organised into the categories of administration, investment, and governance.

4.1 Administration

Administration service indicators have been developed to track workflow of the administration team and monitor performance, and the indicators used are set out at Appendix A. Monitoring against these indicators will be undertaken through the year,

and reported quarterly to the Local Pension Board and Staff and Pensions Committee.

Particularly high profile measures for the next year relate to:

- Annual Benefits Statements. These enable members to effectively plan and make decisions about retirement. The statements are planned to be issued by 31 August every year (excluding members for whom a current address is not held).
- Breaches Reporting. This ensures that transparency around the performance and governance of the fund, highlighting where regulations have not been met.

4.2 Investments

The Fund needs to ultimately focus on ensuring that the rates of return required by the valuation are achieved and that enough income is generated to cover any shortfall between contributions, benefits and expenses.

To support this aim, investment targets have been set and two key aspects of this are ensuring the allocation of the right amounts to the right investments (the Strategic Asset Allocation), and that within each investment fund a target risk/return profile is delivered over the appropriate timeframe (performance is usually measured over the medium/long term). The asset allocation and investment fund performance targets are set out in Appendix B.

4.3 Governance/Management

In addition to the above, the following performance measures will be monitored:

- Cash flow is managed such that it is not necessary to sell assets inappropriately under distress.
- The pension fund accounts are prepared and published on time, without qualification by external audit.
- A plan for contract review is set and resourced for the year and implemented.
- A plan for policy reviews is set and resourced for the year and implemented.
- All planned quarterly pension committee and Local Pension Board meetings are delivered.
- Deliver a light touch self-assessment Code of Practice 14 governance review.
- Deliver a “Revaluation Preparedness” review, seeking to identify and action any issues that will assist in promoting a smooth revaluation in 2022.
- Risks will continue to be monitored quarterly but using an updated approach as set out at the March 2021 Pension Fund Investment Subcommittee.
- Completion of the employer covenant work and review of the arrangements for the monitoring of employers

5. Key Business Plan Items

5.1 Ensuring Adequate Capacity

A continuing challenge for the fund is to ensure that capacity is appropriate

to meet demand. The fund will ensure a focus on predicting longer term trends in demand and planning to ensure capacity is actively managed to match demand rather than reacting to it.

5.2 Ensuring Appropriate Governance

The Fund will seek to continue to proactively monitor governance to maintain the standards that have been reached. Review of activity against the Code of Practice 14, and a Revaluation Preparedness review will assist in this.

The Fund will review the outcomes of the Scheme Advisory Board Good Governance project and take steps to implement any new arrangements that are required.

The fund will also continue its approach of proactively maintaining a register of policies and contracts, alongside a schedule for their review.

5.3 Developing Improved Systems

The implementation of new systems functionality has been an intention for some time. The implementation of i-Connect, a system to automate the transfer and integrity checking of data from employers should be completed by June 2021 and will provide a more efficient way of collecting and recording member data from fund employers.

Once the i-Connect project is completed, we will then look to start the implementation of an online portal for members, where members can access their pension information, update their personal details and run their own pension estimates. This will be known as Member Self Service (MSS). Subject to formal approval, it is hoped that this will start in September 2021.

5.4 Active Use of Management Information

The fund will continue to make more use of management information to assist in the management of services, and use predictive information and forecasting to foresee and manage potential risks and issues.

The Fund's breaches policy has been shared with employers to remind them of their responsibilities regarding the provision of data to the pensions team.

The breaches log will be regularly reviewed and there is an escalation process for raising concerns with employers. The Fund will support employers as much as possible including offering training or assistance where appropriate.

5.5 Collaboration

As one of over 80 LGPS administering authorities, there is plenty of opportunity to learn from others and share good ideas and to look at best practice elsewhere and share our best practice too.

We will do this in several ways:

- CIPFA Benchmarking
- Regional Pension Fund Managers group
- Joint communications working group
- Pooling administration management group
- Software provider user groups

5.6 Strong Investment Management

The 2019 valuation presented a significantly improved funding level, however the impact of Covid on investments, and upon the calculation of liabilities has been significant. The fund intends to review the Strategic Asset Allocation in light of this. The Fund will also consider whether to review the Funding Strategy as part of the revaluation preparedness work and if this is undertaken it can be co-ordinated with the investments review.

Significant amounts of the fund's investments remain outside of the pool. The fund will ensure it retains strong links with fund managers outside of the pool to exercise appropriate stewardship of all its assets.

5.7 Pooling

The Border to Coast Pension Partnership will be launching the Multi Asset Credit offering during 2021/22. The Warwickshire Pension Fund plans to join this fund, and will also continue to work with Border to Coast in the development of future offerings, for example a property fund.

5.8 Investing in Employer Liaison

The fund will continue to work closely with employers, providing information, support, signposting, and training to help employers to meet their responsibilities. Covid has increased certain employer risks, and government regulations are changing how employers and Funds interact. A covenant review will help to manage these new risks.

5.9 Review of Cashflow Requirements

Cash flow management will remain a high priority. Underlying cash flows from employer contributions and member payments remains relatively balanced (i.e. the fund is currently broadly cashflow neutral excluding investment cashflows), however asset value volatility remains a risk and therefore cash flow management remains a high priority to ensure that there is no need to sell assets under distress. Officers will continue to monitor cash balances in order to be able to meet operating and investment cashflow requirements.

5.10 Climate Change / ESG Policy

Climate change continues to increase in seriousness, the fund now has a Climate Risk Strategy, and will seek to update this and identify specific actions that may be pursued to express it.

The fund is aware there are opportunities to consider social impact investing and will take steps to further understand the opportunities that could be taken forward.

The Fund will continue to develop and enhance its approach to ESG related risks and opportunities.

6. Actions

Appendix C sets out a summary of the actions planned for the coming year. Actions are grouped into the following categories:

- Ensuring a high-quality administration service
- Actuarial activities
- Maximising Investment Benefits
- Ensuring Good Governance

Appendix A – Administration Performance Measures

Key Performance Indicator	Fund Target (95%)
Letter detailing transfer in quote	10 days
Letter detailing transfer out quote	10 days
Process and pay a refund	10 days
Letter notifying estimate of retirement benefits (Active)	15 days
Letter notifying actual retirement benefits (Active)	15 days
Process and pay lump sum (Active)	10 days
Process and pay death grant	10 Days
Initial letter notifying death of a member	5 days
Letter notifying amount of dependents benefits	10 days
Divorce quote letter	45 days
Divorce settlement letter	15 days
Send notification of joining scheme to member	40 days
Deferred benefits into payment	15 days
Calculate and notify deferred benefits.	30 days
Average days from retirement to payment of lump sum.	Measure of member experience

Appendix B - Investment Performance Measures

B1 – Strategic Asset Allocation

Asset class	Current Target Asset Allocation (%)	Asset Allocation Range (%)	Long term Target Asset Allocation (%)
UK equities	16.0	+/-2.5	13.0
Overseas equities	25.5	+/-2.5	21.5
Fundamental global equity*	10.0	+/-2.5	10.0
Private equity	4.0	n/a	4.0
Total Growth	55.5		48.5
Property	10.0	n/a	12.5
Infrastructure	7.0	n/a	7.0
Private debt	5.0	n/a	7.0
Alternative credit	7.5	n/a	10.0
Total Income	29.5		36.5
UK corporate bonds	10.0	+/-1.5	10.0
UK index linked bonds	5.0	+/-0.5	5.0
Total Protection	15.0		15.0
Total	100.0		100.0

*Refers to passive global equities invested in line with the RAFI All World 3000 index, which weights underlying constituents by fundamental factors as opposed to traditional market capitalisation weightings.

B2 – Fund Performance Benchmarks and Targets

Fund	Mandate	Benchmark (note 1)	Target (note 2)
BCPP	UK Equity Alpha	FTSE All-Share GBP	Benchmark +2% over rolling 3 year period (net)
BCPP	Global Equity Alpha	MSCI ACWI ND	Benchmark +2% over rolling 3 year period (net)
BCPP	Investment Grade Credit	iboxx Non-Gilts All Maturities GBP	Benchmark +60bps pa rolling 5 years (net)
L&G	UK Equity	UK Equity Index	Benchmark
	Global Equity	North America Equity Index	
		Europe (ex UK) Equity Index	
		Japan Equity Index	
		Asia Pac exJap Dev Eqty Index	
		World Emerging Markets Equ Ind	
Fundamental Global Equity	RAFI AW 3000		
L&G	Passive Corporate Bonds	Invnt Grade Cp Bnd All Stks Ind	Benchmark
	Index Linked Bonds	All Stocks Index-Linked Gilts	
Threadneedle	Property	MSCI All Balanced Property Fund Index Weighted Average Month	Benchmark +1% over rolling 3 year period
Schroders	Property	AREF/MSCI UK Quarterly Property Fund Index Median	Benchmark +1% over rolling 3 year period
JP Morgan	Absolute Return Bond	ICE LIBOR GBP 1 Month	Benchmark +3% over rolling 3 year period
Partners	Infrastructure	None	Absolute return 7%
SL Capital	Infrastructure	None	Absolute return 7%
BCPP	Infrastructure	None	Absolute return 7%
Partners	Private Debt	None	Absolute return 5%
Alcentra	Private Debt	None	Absolute return 5%
Harbourvest	Private Equity	MSCI World Index	None
BCPP	Private Equity	MSCI World Index	None
Aberdeen Standard	Infrastructure	None	Absolute return 7%

Overall Anticipated Discount Rate (Investment Return)	3.70%
---	-------

Note 1 - Benchmark - this describes the investment benchmark that the performance of the mandate is associated with.

Note 2 - Target - this describes the target return that the mandate is expected to make. The return could simply be to match a benchmark, or to exceed a benchmark. Absolute returns are target returns that are independent of any benchmark.

Appendix C – Single Action Plan

C1. Ensuring a high quality administration service

Ref	Action	Timescale
1	Annual Pensioners Newsletter issued	April-June 2021
2	Annual benefit statements issued	By 31 August 2021
3	Completion of i-Connect implementation	June 2021
4	Begin implementation of Member Self Service	September 2021
5	Annual Allowance statements issued	By 5 th October 2021
6	Employer Engagement/training event	November 2021
7	Monitoring meeting of Pensions administration activity and performance	Monthly
8	Liaison meeting with Warwickshire County Council Payroll	Monthly
9	Breaches monitoring and reporting (process to be reviewed and updated)	Monthly
10	Administration performance - KPIs reported to Local Pensions Board	Quarterly
11	Review of Pension Fund website	Quarterly
12	Review of complaints received	Quarterly
13	McCloud Project	April 2021 to April 2023
14	Data quality review	Annual

C2. Actuarial Activities

Ref	Action	Timescale
15	Monitor employer contribution performance through the year	Monthly
16	Review employer covenants and risk management for non-statutory employers and review of employer monitoring arrangements	July 2021
17	2022 Revaluation Preparedness Review (this may potentially include a funding review)	September 2021

C3. Optimising Investment Risk and Return

Ref	Action	Timescale
18	Implement transfer to the Border to Coast Multi Asset Credit fund.	July 2021
19	Support the development of new Border to Coast fund products, for example the property fund.	As funds launch
20	Ensure the fund remains MIFID2 compliant	Annual
21	Continue the growth of alternative asset classes towards their new strategic asset allocation	Annual
22	Undertake a light review of the Fund's Strategic Asset Allocation	September
23	Appropriate engagement with the governance of Border to Coast via the Joint Committee, Operational Officers Group, and Section 151 Meetings, and through the exercising of shareholder voting rights.	Annual
24	Further develop the Fund's Climate Risk Strategy and the Fund's approach ESG, including the development of goals and milestones	Annual
25	Plan cashflow strategy to avoid the need to sell assets under time pressure	Annual
26	Become a signatory to the 2020 UK Stewardship Code	September 2021
27	Review of TCFD disclosure requirements	December 2021
28	Engage with pooling partner funds and Border to Coast on climate change and RI developments	Quarterly

C4. Ensuring Good Governance

Ref	Action	Timescale
29	Pension Fund Annual General Meeting	November
30	Production of statement of accounts	May-21
31	Publication of Annual Pension Fund Report	Nov-21
32	Ensure Fund risks are reviewed annually, and investigate formalising a risk appetite for the Fund	Annual
33	Ensure a risk register is maintained and monitored	Quarterly
34	Maintenance of a contracts register and a schedule for contract reviews	Quarterly
35	Maintenance of a Policy Register and a schedule for policy review.	Quarterly
36	Light touch internal governance review against Code of Practice 14 requirements and any new/emerging SAB Good Governance guidance	September 2021
37	First review of the operation of the cyber security policy	March 2022
38	Completion of the documentation of investment practices	March 2022
39	Review long term trends in activity and demand for pension fund services in administration, investments, and governance and ensure appropriate medium term resource planning.	September 2021
40	Review of disaster recovery planning	March 2022
41	Review electronic signatory/approval processes	December 2021
42	Implement training plan arising from the National Knowledge Assessment feedback	March 2022

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank