Pension Fund Investment Sub-Committee

Date: Monday 14 June 2021
Time: 10.00 am
Venue: Shire Hall, Warwick - Shire Hall

Membership
Councillor John Horner (Chair)
Councillor Bill Gifford (Vice-Chair)
Councillor Christopher Kettle
Councillor Sarah Millar
Councillor Jill Simpson-Vince

Items on the agenda: -

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’.

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. Any changes to matters registered or new matters that require to be registered must be notified to the Monitoring Officer as soon as practicable after they arise.

A member attending a meeting where a matter arises in which they have a disclosable pecuniary interest must (unless they have a dispensation):

- Declare the interest if they have not already registered it
- Not participate in any discussion or vote
- 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 relevant to the agenda 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

This page is intentionally left blank

Pension Fund Investment Sub-Committee

Monday 8 March 2021

Minutes

Attendance

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

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

Others Present
Daniel Booth (Border to Coast)
Jim Caulkett (BNY Mellon)
Emma Garrett (Hymans Robertson)
Philip Pearson (Hymans Robertson)
Jamie Roberts (Border to Coast)
Tim Sankey (Border to Coast)
Richard Warden (Hymans Robertson)

1. General

(1) Apologies

None.

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

Councillor John Horner advised that his son-in-law now worked for Schroders Property Fund.

(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

Neil Buxton, Technical Specialist - Pension Fund Policy and Governance, presented this report which provided an updated forward plan for the Pension Fund Investment Sub Committee, rolled forward to cover the year ahead. Members of this Sub Committee and Local Pension Board had participated in the National Knowledge Assessment (NKA) in November 2020 and this had provided some feedback to steer future training plans.

Chris Norton, Strategy and Commissioning Manager (Treasury, Pension, Audit & Risk) noted that the Local Pension Board had requested that only approved minutes of its meetings be presented to the Sub Committee and suggested that, depending on the weight of meeting agendas, these could be circulated for noting. Members agreed this approach.

Members noted that the NKA had shown that knowledge levels were below those of other funds and were advised that the relative inexperience of members was a factor in this result. Officers were working on an induction pack for new members to assist with knowledge in the future. Chris Norton, Strategy and Commissioning Manager (Treasury, Pension, Audit & Risk) pointed out that training needs would change over time as new topics were brought forward and it was also hoped to be able to make annual use of the NKA if it remained available. New Members to the Board noted that the training support they had received from the Pensions Team was of an excellent standard and thanked Officers for the assistance they had received.

Resolved
That the Pension Fund Investment Sub-Committee noted the report and the training plan.

3. Risk Management 2021/22

Chris Norton, Strategy and Commissioning Manager (Treasury, Pension, Audit & Risk) presented this report which provided an update on the risks to the Fund and actions taken to manage them. To simplify the management of the registers, the general risk register and the COVID-19 risk register had been consolidated into one document with Covid-19 featuring in its own right. It did not provide a detailed action plan and where further actions were noted, these were recorded in the Single Action Plan appended to the business plan.

The report also floated the idea of introducing a risk appetite for the Fund and the potential to develop a draft assessment in this regard. The Sub Committee felt that due to the nature of the Fund (i.e. paying pensions) it was important to be low risk in many regards and welcomed proposals to a future meeting.

In response to a comment from Councillor Neil Dirveiks, it was agreed that the risk register would be adjusted to include two lines for Covid, one relating to working assets and one for investment assets.

Bob Swarup, Independent Advisor, offered advice in terms of deciding what type of risk would result in reward as opposed to those that would not and draft an assessment from that starting point. He also suggested that in terms of monitoring risk, the Sub Committee could maximise its impact by proactively focusing on one or two key risks as well as having a good sense of emerging risks.

Resolved
1. That the Pension Fund Investment Sub Committee noted the risk register and action plan attached to the report.
2. That the Pension Fund Investment Sub Committee approved the risk register and action plan attached to the report subject to the Covid risks being split in terms of working assets and investment assets.
3. That the Pension Fund Investment Sub Committee welcomed the draft Risk Appetite and supported work being undertaken to formalise a risk appetite statement for approval at a future meeting.

4. Business Plan 2021/22

Chris Norton, Strategy and Commissioning Manager (Treasury, Pension, Audit & Risk) presented this report which recommended a Business Plan for 2021/22. The Plan comprehensively detailed Fund objectives, strategic priorities, and an action plan to achieve them. In particular, attention was drawn to Appendix C which summarised the actions planned for the coming year, grouped into four categories as detailed in the report.

Members welcomed this issue of the Plan, noting that the style and presentation was much improved from previous versions.

In response to a question from Councillor Andy Jenns around the numbers of employees opting out and how this could be limited, Neil Buxton, Technical Specialist - Pension Fund Policy and Governance, advised that work was ongoing with the County Council's Communications Team to promote the scheme with eligible employees. Attempts were being made to identify those groups of staff who were not scheme members and target them with some tailored communications.

Councillor Jenns also noted that there was no data for employer activity in 2013/14 (paragraph 2.2). Apologies for the omission were extended, due to the data being missing from main research sources and the limited time to rectify the data gap before publication of the report.

In response to a comment from Councillor Andy Jenns welcoming the implementation of an online portal for members, Chris Norton, Strategy and Commissioning Manager (Treasury, Pension, Audit & Risk) acknowledged that other authorities had introduced this facility much earlier but for Warwickshire the priority had been to complete the iConnect project and clean up data sufficiently to be in a position to launch member self-service.

Councillor Neil Dirveiks sought further information on the revocation of the exit cap and, although this was an area that would be considered by Staff and Pensions Committee, this was agreed by the Chair and Officers.

Resolved

That the Pension Fund Investment Sub Committee approved the business plan attached at appendix 1 to the report.

5. 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.

6. 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.

7. Investment Strategy Statement Update

Resolved
1.That the Pension Fund Investment Sub Committee noted the Investment Strategy Statement attached at Appendix 1 to the report.
2 That the Pension Fund Investment Sub Committee approved the Investment Strategy Statement.

8. General Investment Activity Update

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

9. Funding and Investment Performance

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

10. Pooling Update

Resolved
1. That the Pension Fund Investment Sub Committee noted the report
2. That the Pension Fund Investment Sub Committee supported in principle the exploration of an ESG tilted or focused product individually, rather than awaiting the potential development of a pooled product, but that this activity be scheduled to follow the setting of climate/ESG related goals for the Fund.
3. That the Pension Fund Investment Sub Committee noted the issue of local impact investing.

11. Pooled Fund Manager Presentation – BCPP

Representatives from Border to Coast Pensions Partnership joined the meeting for this item: Daniel Booth, Tim Sankey and Jamie Roberts.

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

12. Allocations to Alternatives 2021/22

Resolved

1. That the Pension Fund Investment Sub Committee noted and commented on the report and recommendations in Appendix 1 in respect of allocations to alternatives funds in 2021/22.
2. That the Pension Fund Investment Subcommittee delegates to the Strategic Director for Resources approval to implement up to the following allocations to Border to Coast alternative funds, subject to suitable due diligence being carried out as set out in Appendix 1 to the report.
3. That the Strategic Director for Resources consults the Chair of the Sub Committee on the exact value of the transactions with Border to Coast Pensions Partnership Ltd following further due diligence on the underlying funds by Hymans Robertson.

13. Closing Comments

The Chair noted that this was the final meeting of the Sub Committee before the end of the municipal year, and thanked Officers and Members for their support and contributions.

The meeting rose at 1.07pm

……………………………

Chair

This page is intentionally left blank

Pension Fund Investment Sub-Committee

Tuesday 25 May 2021

Minutes

Attendance

Committee Members
Councillor John Horner (Chair)
Councillor Bill Gifford (Vice-Chair)
Councillor Christopher Kettle
Councillor Sarah Millar
Councillor Jill Simpson-Vince

The Chair of Council opened the meeting.

1. General

(1) Apologies

None.

(2) Disclosures of Pecuniary and Non-Pecuniary Interests

None.

2. Appointment of Chair

Councillor Jill Simpson-Vince proposed that Councillor John Horner be Chair of the Sub-Committee and was seconded by Councillor Christopher Kettle.

There were no other nominations.

Resolved

That Councillor John Horner be elected Chair of the Pension Fund Investment Sub-Committee.

3. Appointment of Vice Chair

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

There were no other nominations.

Resolved

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

Meeting rose at 11.10am

…………………………….
Chair

Pension Fund Investment Sub-Committee

Review of the Minutes of the Local Pension Board meeting 26 January 2021

14 June 2021

Recommendation(s)

1. The Pension Fund Investment Sub-Committee notes the minutes of the Local Pension Board meeting.

1. Executive Summary

1.1 Set out at Appendix 1 are the minutes of the Local Pension Board meeting of 26 January 2021 for information.

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 Local Pension Board minutes 26 January 2021.

Background Papers

1. None.

	Name	Contact Information
Report Author	Neil Buxton	neilbuxton@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 Fire & Rescue and Community Safety	Peterbutlin@warwickshire.gov.uk

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

Local Member(s):
Other members:

Warwickshire Local Pension Board

Tuesday 26 January 2021

Minutes

Attendance

Committee Members
Keith Bray (Chair)
Keith Francis
Alan Kidner
Sean McGovern
Councillor Dave Parsons
Mike Snow

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

1. Introductions and General Business

(1) Apologies

Councillor Parminder Singh Birdi

(11)Board Members' Disclosures of Interests

The Chair stated that he worked for the Local Authority Pension Fund Forum and also for a firm of American lawyers which had Pension Fund clients although these did not include Warwickshire.

Alan Kidner stated that his sister-in-law worked for J.P. Morgan.

2. Forward Plan

Neil Buxton, Technical Specialist presented the Board with a one year rolling forward plan for the year ahead. It was not a rigid plan and could be amended at each meeting depending on the latest developments. The plan included a schedule of policies for review on a rolling basis and a training schedule, with the first session covering climate modelling on 28 January 2021. Details of training would continue to be circulated and Members asked for a reminder of joining links/details to be sent through a day or so before any sessions taking place.

Resolved – that the Board noted the forward plan.

3. Business Plan

Chris Norton, Strategy and Commissioning Manager (Treasury, Pensions, Audit, Insurance, and Risk) presented this report which provided a quarterly progress update against the Business Plan approved for the period ending April 2021. The report provided progress against each business item using 'Red, Amber, Green' indicators, which highlighted that there were six areas where the plan objectives were amber: deliver a Pension Fund Annual General Meeting, monitor employer contribution performance
through the year, review employer covenants and risk management for non-statutory employers, continued growth of alternative asset classes towards their new strategic asset allocation, review of contracts for services provided to the Pension Fund, and implement and embed a commissioning/delivery approach to the administration of the Fund. The reasons for these six 'amber' ratings were set out in the report.

In response to a query on the implications of expired contracts, Chris Norton responded that there were no issues in terms of continuity of service, the potential for impacts comes from not reletting contracts in a timely manner. The purpose of reletting is to ensure value for money and that the services to the fund remain focussed on the Fund's needs. One of the findings of the governance review had been that there was not sufficient capacity to service all functions of the fund and capacity has been increased as a result. However, in now doing the work to review contracts (and policies) the amount of resource required is more apparent and the Fund is looking at the resourcing issue. A recent example of a contract tender was the financial advice provided by Hymans which is overdue for re-tender but this has not yet happened due to the timing of LGPS pooling and limited officer capacity.

Responding to a query regarding employer contributions not received, Chris Norton advised that there are some issues with some employers, but the level of activity was business-as-usual extent. Analysis took place on a monthly basis and no significant systematic change had been noted over the last year. For the small number of employers who did have ongoing difficulties, the pandemic was an additional issue to contend with. It was also noted that the online breaches log showed a discrepancy between the log and this report and officers agreed to look into the reasons for this.

Chris Norton also responded to a query regarding investment in infrastructure which was being driven by government, advising that on the whole Pension Funds had avoided being forced into investing to support national infrastructure investment objectives at the expense of Pension Fund objectives. The Fund had the option to invest through the pool which gives more advantages of scale but the pool was subject to the same challenges as any fund in terms of getting the right risk and return profile to meet the objectives of enough partner funds in order to get them to sign up. The Fund had signed up to more investment in Border to Coast's alternative funds and needs to keep a watch on cash flow and capital calls from alternative commitments, e.g. Harbour Vest, to make sure that the balance is not tipped more towards alternatives than had been intended.

Resolved – that the Board noted the report.

4. Risk Register

This report, presented by Chris Norton, Strategy and Commissioning Manager (Treasury, Pensions, Audit, Insurance, and Risk), 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.
In respect of the general risk register, which was originally set before the pandemic impact, some risk assessment scores had increased as detailed in the report.
In respect of the Covid risk register which was originally set out after the pandemic impact had started, none of the risk's levels had increased relative to expectations, and several had decreased in light of experience.

In response to a query regarding the impact of Brexit, Chris Norton noted that this was a risk that was on the radar and the Pension Fund was relatively heavily weighted to UK equities. Although Brexit was an issue causing volatility, Covid and international trade tensions were having a bigger impact.

In response to comments about the process of scoring and the mitigations in place around fraud, Chris Norton explained that scoring was undertaken by Fund Officers who reviewed the scores quarterly in accordance with the scoring matrix set out in the report. A review of the risk framework for the County Council itself had taken place which had resulted in a revised risk management framework and it was hoped to follow that model from next year. With respect to Fraud, there were numerous administrative checks in place as mitigation and no changes to the controls had been required as a result of the pandemic. In terms of risks with investment managers, custodian, brokers and within the administering authority (as detailed on page 23 of the pack) there were two drivers - controls not being strongly applied because of Covid impact on staffing and systems, and the potential for there to be more incentive or motivation to commit fraud if an individual's circumstances were more difficult or desperate. In terms of digital and wet signatures, this depended on the process. Sometimes wet signatures were need but at other times DocuSign digital signatures could be used. It was difficult to comment on whether the risk of fraud was higher or lower but in terms of actual fraud, there had not been any instances identified on the investment or administration side. Vicky Jenks, Pension Administration Lead, commented that the Team were looking at online methods of ID verification to further mitigate against the risk of fraud.

In response to queries regarding the implications of the impact the pandemic was having on city and town centres and the associated value of commercial properties, Chris Norton advised that property investment fund managers had been foreseeing the reduction in the economy in the high street for some time and had been disinvesting in this area as a result, investing more in out of town warehouses and infrastructure for internet sales. In terms of supporting High Streets, the Fund could, for example invest up to 5% in local impact investing, but at the time of the meeting, the investment strategy was silent on that option. The issue for any investor and investee is to align the objectives of the Fund making the investment with the objectives of the entity seeking investment. If it was the County Council making the investment, it would be a simple task to align with its objectives with regard to the High Street (for example economic development) but the objective of the Pension Fund is to pay pensions when due so it was more complex to make a connection with those objectives. This topic will be explored during the next review of the investment strategy.

Resolved – that the Board noted the report.

5. Pensions Administration Activity and Performance Update

This report, presented by Vicky Jenks, Pensions Admin Delivery Lead, provided an update on key developments affecting pensions administration and the performance of the Pension Administration Service. The report set out the current position with regard to the governance action plan, i-Connect, guaranteed minimum pension reconciliation, key performance indicators, workloads, breaches, tracing service, internal dispute resolution procedure, communication, and preparations for McCloud.

In response to questions regarding the implementation for McCloud, Vicky Jenks advised that there would be a period of data collection prior to the rectification process and there would be approximately one year to make sure all the data is in place in order to assess benefits prior to the regulation change in April 2022. With regard to funding for this project, Liz Firmstone advised that the work was split in two parts - work to manage the implementation of the LGPS and Fire Pension. The proportion relating to the LGPS scheme would be paid for from the Pension Fund and the Fire Service,, would benefit from resources agreed by the Corporate Board.

In terms of workloads, Vicky Jenks acknowledged that virtual training for new members of the team was difficult, sometimes took longer to learn in a digital environment, than to learn processes face to face. However, the team were adapting training methods and providing access to different tools – e.g. documenting processes, peer support and mentoring, use of relevant software and online modules. The Board welcomed the personal approach to training.

The Tracing Service had gone through bronze and silver levels and some further analysis would take place before moving to the gold level. This would enable consideration of individual profiles to see if they were due benefits shortly and needed to be traced more urgently than younger members who could be part of a subsequent tracing exercise. Liz Firmstone added that consideration was being given to running tracing on a regular basis although an appropriate frequency needed to be agreed.

In response to comments on the presentation and content of the online breaches log, Vicky Jenks advised that work was taking place to bring this document up to date and improve the format so that it could be more easily updated on a monthly basis. Officers agreed to look into Members' feedback on the format and traffic light ratings to re-assess the entries to ensure they were properly reflected at the correct rating or escalated as necessary.

Resolved – that the Board noted the report

6. Investment Update

Chris Norton, Strategy and Commissioning Manager (Treasury, Pensions, Audit, Insurance, and Risk) presented this report which provided a governance-based overview of the Pension Fund's investment activities. He commented that the value of the Fund's assets had increased from £2.2bn as at 30 June 2020 to £2.3bn as at 30 September 2020, the Fund's cashflow position remained balanced, the National Knowledge Assessment had recently been undertaken by officers and members which would be used to inform training needs, the Fund had issued its compliance statement in accordance with the Competition and Markets Authority's requirement to have Investment Consultant Objectives in place and a procurement process had commenced for the reletting of contracts for Independent Financial Advisors. He particularly drew attention to section 3 of the report which dealt with asset allocation.

Resolved – that the Board noted the report

7. Internal Disputes Resolution Procedure

Neil Buxton, Technical Specialist presented this report which informed the Board that all pension schemes were required by the Pensions Act 1995 and the Pension Regulator to have in place a formal dispute resolution procedure. Similarly, the Local Government Pension Scheme Regulations required scheme employers and administering authorities to have formal procedures in place to address and resolve any grievances from scheme members and other interested parties in how their membership of the scheme or how their benefit entitlement was dealt with either by their employer or the administering authority. As the County Council had been reviewing its internal processes, the opportunity was taken to review the Fund's process in tandem. Following this meeting, the procedure would be presented to Staff and Pensions Committee for approval.

Resolved – that the Board noted the report

8. Review of the Minutes of the Pension Fund Investment Sub-Committee 14 September 2020

The Local Pension Board noted the minutes of the Pension Fund Investment Sub Committee meeting held on 14 September 2020.

9. Review of the Minutes of the Staff and Pensions Committee 14 September 2020

The Local Pension Board noted the minutes of the Staff and Pensions Committee meeting held on 14 September 2020.

10. Minutes of Previous Meeting

The minutes of the meeting held on 20 October 2020 were agreed by the Board as a true and accurate record. The Chair reminded the Board that he was now agreeing minutes in draft form ready for early circulation to the Board but that they would continue to be approved in formal meetings. The quality of the minutes was welcomed.

11. Summary of Key Actions

	Action	
1	Breaches information on the website to be revisited, updated and fully RAG rated/escalated where required	Vicky Jenks / Chris Norton
2	Consult with Board on 2021/22 meeting dates	Deborah Moseley
3	Change timing of the next meeting (14 April 2021) to a 10am start	Deborah Moseley

4	Update website for the updated LPB Terms of Reference	Neil Buxton
5	Provide an update on employers on-boarded to I Connect	Vicky Jenks

The meeting rose at 11.53am

…………………………
Chair

Pension Fund Investment Sub-Committee

Forward Plan

14 June 2021

Recommendation(s)

1. That the Sub-Committee notes and comments on the Forward Plan.

1. Executive Summary

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 1.

1.2 In order to provide a complete picture of policy activity, a schedule of policy review activity at the Staff and Pensions Committee is also provided for in the appendix.

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 The Forward Plan

Background Papers

1. Background paper 1 None.

	Name	Contact Information
Report Author	Neil Buxton	neilbuxton@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):
Other members:

Pension Fund Investment Sub-committee **Appendix 1**

Forward Plan

Standing Items

September 2021	December 2021	March 2022	June 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

September 2021	December 2021	March 2022	June 2022
	Training Plan		
	UK Stewardship Code		

Manager Presentations

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

Policy Reviews

September 2021	December 2021	March 2022	June 2022
	Voting Policy	Business Plan	
		Investment Strategy Statement	

		ESG, Climate Change and Responsible Investment	
		Risk Register	
		Funding Strategy Statement	

Policies for review by the Staff and Pensions Committee

September 2021	December 2021	March 2022	June 2022
Administration Strategy	Cyber Security	Communications	
Admissions and Termination	Business Plan	Risk Register	
Governance Compliance Statement	Knowledge and Skills		
Fund Discretions			

Training

September 2021	December 2021	March 2022	June 2022
Admin best practice / governance / Section 13 (June / July 2021) Actuarial Methods and liabilities (August / September 2021) Procurement and relationship management (September / October 2021)	McCloud and cost transparency (November 2021) Property funds / Liability hedging (December 2021)	Valuation training sessions – purpose, role, outcomes etc (February 2022)	

Pension Fund Investment Sub-Committee

Risk monitoring

14 June 2021

Recommendation

1. That the Investment Sub-Committee notes and comments on the attached risk register.

2. That the Investment Sub-Committee notes and comments on the attached risk appetite statement.

1. Executive Summary

1.1 The Pension Fund maintains a risk register to manage the risks facing the Fund. This sets out the risks that the Fund is exposed to before and after mitigating actions.

1.2 The risk register is monitored quarterly by the Investment Sub-Committee and Local Pension Board.

1.3 The Fund updated its risk register ahead of the March 2021 Investment Sub-Committee to reflect the initial risk management position for business year 2021/22.

1.4 The document is designed to assess strategic risks, and to ensure that appropriate high-level actions are in place to mitigate them. Further actions relating to risks in the register are housed either within the Business Plan's Single Action Plan, or business as usual activities.

1.5 The assessment of risk uses a model that includes five categories of likelihood and five categories of impact backed by definitions and examples. This will be helpful when considering how residual risks change during the year.

2. Risk appetite

2.1 Risk Appetite 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).

2.2 The Fund had planned to conduct a risk workshop in April/May to undertake training on risk and to discuss and develop a risk appetite statement. Unfortunately, the event did not go ahead and the intention is to rearrange it during June or July. The commentary below provides a summary at a high level of risk appetite and an updated draft statement that will be used to help to inform the discussion and development of an approved statement.

2.3 The table below sets out a draft risk appetite classification based upon a widely used approach (for example similar examples are set out in the Treasury Orange Book guidance on risk management):

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

2.4 The table below sets out an updated draft risk appetite at a high level. As this is in the early stages of development, it is not a definitive or an approved statement of risk appetite for the Fund.

Risk Category	Description	Risk Appetite
Liability profile	Risk that actual benefit costs are higher than expected leading to increased contributions or investment risk to make up the shortfall. This includes higher inflation, increased longevity and changes to the composition of membership i.e. maturing fund	Minimalist
Governance	Actuarial, legal or investment advice is not sought, or is not heeded, or proves to be insufficient in some way. This includes Committee and officer skills, the decision-making structure and operational abilities.	Minimalist
Climate risk	Climate change affects liabilities (increased mortality), operational processes (physical disruption), and investment returns (pricing into company returns and covenant).	Cautious
Data	Administering Authority holds incorrect data so the Fund collects incorrect contributions and/or sets an inappropriate funding plan. This could impact the funding level.	Averse
Financial - Matching Assets (strategic)	Requirement to manage operating cashflows and ensure assets meet liabilities over the lifetime of the Scheme.	Cautious
Financial - Non-matching Assets	Requirement to generate enough returns to meet future liabilities whilst minimising employer contributions.	Open

(implementation)		
Regulatory	Changes by Government to LGPS rules e.g. employer participation, altered requirements. Also includes direct intervention. Could impact on funding and/or investment strategies	Averse
Administration	Pensions Act/GDPR or other breaches as a result of process risks around holding data, in particular member data.	Averse

3. Risk register

3.1 The Pension Fund maintains a risk register to manage the risks facing the Fund. This sets out the risks that the Fund is exposed to before and after mitigating actions.

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

Total Risk = (Likelihood x Impact) + Impact

3.3 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.

3.4 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

3.5 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:

3.6 Appendix B sets out the 2021/22 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	3.00	18.00	3.00	2.00	8.00
3	Liabilities cannot be met	2.00	5.00	15.00	1.00	5.00	10.00
4	Employer contributions not paid	3.00	3.00	12.00	2.00	2.00	6.00
5	Pooling objectives not met	3.00	3.00	12.00	2.00	3.00	9.00
6a	Covid-19 - Inv	5.00	5.00	30.00	4.00	3.00	15.00
6b	Covid-19 - Admin	5.00	5.00	30.00	4.00	3.00	15.00
7	Inability to meet demand for activity	5.00	3.00	18.00	4.00	3.00	15.00
8	Business interruption	3.00	4.00	16.00	2.00	3.00	9.00
9	Cyber Security	4.00	5.00	25.00	3.00	4.00	16.00
10	Climate Change	5.00	5.00	30.00	4.00	4.00	20.00
11	Data Quality	3.00	3.00	12.00	2.00	2.00	6.00
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	3.00	9.00

3.7 Risk scores and actions have been reviewed and some scores have been changed since Quarter 1. No individual impact or likelihood score has moved more than one point in either direction. Appendix B details each risk, and changes in commentary are highlighted in red font in the appendix. Key changes are summarised below:

- **Short term asset values** – slightly lower impact scores. The Fund has experience of managing Covid related cashflow risk and has not experienced any need to sell assets under distress.

- **Liabilities cannot be met** – refined (increased) impact score.

- **Employer contributions not paid** – refined (reduced) scores in light of experience to date since the Covid pandemic started.

- **Covid 19** – this risk is now split into 2 risks – investment related and administration/people related. Net risks adjusted – likelihood being higher (Covid is happening) and impact being lower (in light of experience to date with regard to managing Covid impacts).

- **Business Interruption** – reduced likelihood in light of experience of dealing with Covid.

- **Cyber Security** – risk scores increased - this is considered a key Fund risk and the score has been refined to this end.

- **Climate Change** - risk scores increased - this is considered a key Fund risk and the score has been refined to this end.

- **Data Quality** (re-titled – was previously Customer Satisfaction) – title changed to better reflect the risks this relates to. Customer satisfaction is still flagged but now as a consequence of data quality and governance risks. Net risk assessment is lower risk as Fund activities do reduce the likelihood of an issue and the previous register did not capture this in the scores.

- **Governance Failure –** risk score reduced – activities to mitigate this risk should mitigate impact and this was not captured in the previous scores.

3.8 The fact that the scores have been reviewed in some detail is a positive sign, illustrating how consideration of risk is an increasingly high-profile aspect of the management of the fund. However, the most important issue is to ensure that key risks are broadly captured and that management actions to deal with risks are appropriate.

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 the decision and next steps

7.1 Risk monitoring (risk register and risk appetite statement) will continue to be reported quarterly to both the Pension Fund Investment Sub-Committee and the Local Pension Board

Appendices

Appendix A - Definitions for Impact Scores
Appendix B - Risk Register

Background Papers

None

	Name	Contact Information
Report Author	Chris Norton Victoria Moffett	chrisnorton@warwickshire.gov.uk victoriamoffett@warwickshire.gov.uk
Assistant Director	Andy Felton	andrewfelton@warwickshire.gov.uk
Strategic Director for Resources	Rob Powell	robpowell@warwickshire.gov.uk
Portfolio Holder for Finance and Resources	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	Negligible impact - not noticeable by members or employers, no complaints or issues likely to be raised by members or employers. Example - Member or employer communication newsletter issued a few days later than planned.	Negligible impact - of a level that would not register for investment action. Example - Normal volatility levels being experienced in the investment portfolio.	Negligible impact - low level administrative ussues resolved internally with no impact on key performance indicators Example - A manageable backlog of data to be uploaded to the administration system that has no impact on actual member payments.
2	Minor	Minor impact on members and/or employers which may cause correspondence about issues that can be resolved at source. 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	Minor impact on investment operations requiring monitoring and attention but not requiring anything other than business as usual actions. Example - minor adverse fund investment event, such as a credit default within a private credit portfolio which is of a business as usual nature.	Minor impact on administration performance requiring action within business as usual parameters. Example - an employer experiencing persist difficulty in providing correct data resulting in the need for extra training/support/correspondence to resolve
3	Moderate	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 More likely to be isolated issues but could have some scale. Example - Inability to finalise and sign off an admission agreement with a new employer resulting in escalation.	Material impact requiring bespoke corrective action, but manageable within the existing Investmetn Strategy 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	Material impact on administration performance, but manageable within approved policies and procedures. 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.
4	Major	Significant adverse impact on members or employers that result in a direct impact on benefits paid or contributions due or member or emnployer satisfaction with Fund performance. Likely to result in complaints. More likely to be systemic issues. Examples - A significant delay in the issue of member annual benefit statements, or persistently charging an employer an incorrect contribution rate.	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. 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 lauch.	Major failure of administration function, likely to be systematic in nature, of a high profile nature to members and employers. Example - Widespread and persistent failure to meet key performance indicators such as dealing with certain types of administration query or action within deadlines, and reciept of significant numbers of complaints from members.
5	Catastrophic	Serious and systematic errors in benefits payments or administration KPIs, or significant volatility or increase in employer contributions. Significant breaches of the law Serious complaints and reputational harm caused 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.	Resulting in significant volatility or increase in employer contributions, inabilty to pay member benefits, or a need to significantly increase investment risk exposure. Significant failure to meet legal or regulatory requirements. Serious reputaitonal harm caused 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.	Catastrophic failure of administration function leading to inability to pay benefits accurately or at all on a large scale. Significant breaches of the law Serious complaints and reputational harm caused Example - Wholesale failure of the pension payroll funciton resulting in no member payments being made.

This page is intentionally left blank

WPF Risk Register Appendix 2

Risk Identification					Inherent Risk Scoring			Existing Risk Controls	Residual Risk Scoring			Further Risk Controls
Risk No.	Risk Description	Risk appetite	Risk Causes	Risk Consequences (Effect)	Likelihood	Impact	Risk Score		Likelihood	Impact	Risk Score	
1	Long term market risk	Minimalist	• Inappropriate strategic asset allocation • Inability to impliment strategic asset allocation • Poor fund manager performance • Fundamental long term events e.g. climate change, sytemic risk • Covid-19 • Inappropriate products developed by the Border to Coast Pension Partnership • Inappropriate (too high) expectations	• Asset values do not meet expectations • 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	• 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. • Only anticipate long-term returns on a relatively prudent basis to reduce risk of under-performing • 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	• 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 market risk	Open	• Significant reductions in asset values • Active management • 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	• Asset values do not meet expectations • Cashflow requirements cannot be bet 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	3.00	18.00	• Diversification of assets • Regular committee and officer monitoring of investment asset allocations and fund manager performance relative to benchmarks and absolute. • Cashflow planning to avoid selling assets under distress • Maintain sufficient allocation to liquid assets. • Long term approach to employer contributions, promoting their stability • Rota of fund manager presentations to the investment subcommittee.	3.00	2.00	8.00	• Regular review of Strategic Asset Allocation.
3	Financial mismatch	Averse	• Fund assets fail to grow in line with the developing cost of meeting liabilities • 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	• Funding level deteriorates • Higher investment risks being taken • Employer contributions increasing • Being unable to pay benefits to members out of fund assets	2.00	5.00	15.00	• Fund valuation process driving an updated Investment Strategy and Funding Strategy on a periodic basis. • Triennial valuations for all employers • 6-monthly reporting on funding evolution to Committee, using rolled-forward liablities. • Annual monitoring of longevity risk via Club Vita participation. • Use of professional advisors to support setting of appropriate funding assumptions. • Asset liability modelling focuses on probability of success and level of downside risk	1.00	5.00	10.00	• 2022 revaluation preparedness review during 2021/22 • Understand the assumptions used in any analysis and modelling. Compare these with own views and risk levels. • Annual data quality review
4	Employer risk	Averse	• Orphaned employers • 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 Employer contribution rates higher than deemed affordable	• Employers cannot pay the required contributions because contribution requirements increase too quickly or too far • Employers cannot pay the required contributions because employer financial viability reduces • 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 Overly cautious investment strategy requiring higher contribution rates	3.00	3.00	12.00	• Cessation debt or security/guarantor • Spread pro-rata among all employers • Employer covenant review • Stabilisation mechanism to limit sudden increases in contributions • Breaches monitoring • Employer training day • Fund AGM • Admissions and Terminations Policy • Cashflow planning to provide cashflow resilience if contributions reduce FSS having appropriate regard to risk and meeting the Funds objectives	2.00	2.00	6.00	• Review and enhance breaches monitoring
5	Pooling objectives not met	Minimalist	• 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	• Lack of appropriate products for the Fund to invest in • Investment in priducts that do not meet the objectives of the Fund • Persistent and unaddressed fund performance issues	3.00	3.00	12.00	• Engagement at Joint Committee, Section 151 meetings, and operational officer groups • Exercising shareholder rights and responsiiblities • Engaging with other partner funds in the pool • Pooling decisions made by Investmetn 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	• Input into the development of new products - in particular property and products having regard to RI and climate change
6a	Covid Pandemic (Investment Related)	Averse	• 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	• Business interruption • High costs in order to maintain service resilience • Impact on asset values and investment risks • Impairment of the financial situation of employers	5.00	5.00	30.00	• IT systems supporting remote and flexible working • 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	4.00	3.00	15.00	• Use of extraordinary committee or board meetings where necessary • Continue to develop flexible and remote working practices • Review electronic signatory processes
6b	Covid Pandemic (Administration and People Related)	Averse	• 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	• Members do not receive a high quality service • Business interruption • High costs in order to maintain service resilience • 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	• 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	4.00	3.00	15.00	• 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	Averse	• 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) persistently increasing customer expectations Unpopular government decisions impacting on LGPS	• Quality of services reduces • Governance failures • Key administration performance measures not met • Sub optimal investment decisions made	5.00	3.00	18.00	• 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 KPI and workload monitoring for administration team staff training Data quality reviewed annually Maintenance of governance arrangements and actions Responding to Government consultations	4.00	3.00	15.00	• McCloud project (already commenced) 2022 Revaluation preparedness review during 2021/22 • Introduction of medium term resource planning Implementation of Member Self Service (MSS)

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	Averse	•Covid-19 •Industrial action '•Small specialist teams with single person risks • Significant changes in adviser and consultant personnel • Further high impact Covid events (e.g. infection waves, lockdowns) •Lack of systems maintenance •Systems failure • Covid impact on Fund staff • Disaster event - fire, flood, etc • Lack of remote working facilities	• 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	3.00	4.00	16.00	• 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	2.00	3.00	9.00	• Implementation of Cyber Security policy • Review and update disaster recovery plan • Completion of documentation of investment practices
9	Cyber Security	Averse	• 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 vigilence	• Loss of data and/or data disruption • Reputational damage • Breaches of the law • Fines • Costs of fixing issues • Business interruption	4.00	5.00	25.00	• Use of scheme adminstrator systems and system security • Staff training • Bespoke Fund cyber security policy	3.00	4.00	16.00	• Implementation of Cyber security policy
10	Climate Change	Cautious	• Net global carbon production in excess of Paris Agreement 2 degree target •Policy responses and actions globally and nationally to combat climate change or to build resilience to it • Fund actions or inactions exacerbating climate change and its impact	• Expected transition to a low-carbon economy • Impact on the value of assets held, for example stranded/obselete 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	5.00	5.00	30.00	• Fund considers this when allocating assets and appointing Fund Managers • Global, national and industry regulations • Climate Risk Strategy • ESG Policy • Regular training on Climate Risk and mitigation actions	4.00	4.00	20.00	• Review and update climate risk policy • Review 2020 UK 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. BCPP sign up to net nil carbon by 2050
11	Data Quality	Averse	• 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 '• Inadequate data quality • Inadequate administration systems and processes • Poor data provided by employers	• Inadequate payroll services • Overly cautious investment strategy requiring higher employer contributions Incorrect benefit payments to scheme members Complaints and disputes from scheme members Negative reputational impact	3.00	3.00	12.00	• Administration governance review actions and maintenance of those standards • 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	2.00	2.00	6.00	• UK Stewardship Code 2020 • iConnect project (already under way) • Member Self Service project • Light review of compliance with Code of Practice 14
12	Fraud	Averse	• 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.	• Members lose benefits to fraudsters • Reputational risk • Time spent unpicking the fraud • Fradulent 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	• 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 and administration •Periodic independent internal audit reviews of administration and investmet activity and controls •Annual external audit reviews •Financial industry regulatory regimes governing fund manager conduct and processes	2.00	3.00	9.00	• Fraud risk review in 2021/22 • Test payments to ensure that the bank details provided are appropriate
13	Governance Failure	Averse	• 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 responsbility for decision making and actions '• Unpopular government decisions impacting on LGPS	• 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 Customer dissatisfaction	3.00	4.00	16.00	• 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 •Responding to government consultations	2.00	3.00	9.00	• 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

Agenda Item 5

Pension Fund Investment Subcommittee

14 June 2021

Voting Policy

Recommendations

1. That the Pension Fund Investment Sub-Committee (PFISC) notes and comments on the report

2. That the PFISC approves The Warwickshire Pension Fund Stewardship & Voting Policy.

3. That the PFISC approves the Border to Coast Pensions Partnership Corporate Governance and Voting Guidelines

1 Executive Summary

1.1 The purpose of this report is to provide an updated Voting and Stewardship Policy that continues to align with that of Border to Coast Pensions Partnership (BCPP).

1.2 At the point that assets are transferred to a BCPP sub-fund BCPP undertake all share voting, however there is still a requirement for all BCPP partner funds to produce a policy as the ultimate asset owner.

1.3 As BCPP invests a considerable proportion of Warwickshire Pension Fund's assets ("the Fund"), it is important that there is alignment in voting and stewardship policies.

1.4 The appendices include a tracked changes copy of the Fund's Voting and Stewardship Policy (appendix A) along with BCPP's Corporate Governance and Voting Guidelines (appendix B).

1.5 The key tracked change is that the Fund no longer has any segregated mandates with investment managers. A segregated mandate is where the Fund wholly and singularly owns the stocks and therefore has direct voting rights. A pooled (or non-segregated) mandate is where equity funds are held in pooled vehicles where the Fund owns a share of the pool and does not directly and singularly own any individual shares. The Fund therefore has ceased its contract with an external proxy voting agency as that service (direct voting) is no longer necessary.

1.6 Legal and General Investment Management invests the Fund's passive equity holdings, their Investment Stewardship policies are published here: https://www.lgim.com/uk/en/capabilities/investment-stewardship/

2 The Fund Voting Policy and the Border to Coast Pensions Partnership Voting Guidelines

2.1 It is a requirement for the Fund and asset pool to produce individual voting policies and these policies will continue to be the responsibility of the respective entities.

2.2 There are no material contradictions between the Fund's policy and the Border to Coast document approved by the Joint Committee in November 2020, however the PFISC may wish to note the following:

- Border to Coast's Voting Guidelines have been written for a large asset pool where the Chief Investment Officer has a higher degree of autonomy than officers at individual pension funds
- Border to Coast will be expected to engage with companies as a larger shareholder and a professional asset manager
- Border to Coast will have the overall say on how votes are cast as the guidelines are based on a harmonisation of the eleven member funds' policies

3 Financial Implications

None

4 Environmental Implications

BCPP have updated some of their Voting Guidelines with respect to votes on environmental matters since the 2019 edition. The Transition Pathway Initiative ('TPI') toolkit forms the basis for this, and BCPP will vote against the Chair of the Board where progress is insufficient.

5 Supporting Information

None.

6 Timescales Associated with Next Steps

None.

Appendices

Appendix A – WPF Stewardship and Voting Guidelines
Appendix B – Border to Coast Pensions Partnership Corporate Governance and Voting Guidelines

Background Papers

None

	Name	Contact Information
Report Author	Chris Norton, Victoria Moffett	chrisnorton@warwickshire.gov.uk, Victoriamoffett@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: Horner and Gifford

This page is intentionally left blank

The Warwickshire Pension Fund Stewardship & Voting Policy

Table of Contents

ABOUT THIS DOCUMENT

This document is an executive summary of Warwickshire Pension Fund's approach to investor stewardship and in particular its policies on key governance and corporate sustainability issues. These issues include: capital and board structure; board evaluation and diversity; director remuneration, audit and accountability, and narrative reporting matters.

The Fund's voting guidelines are consistent with the underlying principles adopted by its pooling manager, Border to Coast Pensions Partnership (BCPP). Assets the Fund has invested via BCPP are therefore subject to similar corporate governance and voting guidelines and can be found at:

https://www.bordertocoast.org.uk/sustainability/

Although we recognise that local market standards may vary, our objective is to hold management accountable to the highest possible standards on a consistent basis. The only exception will be where local laws contradict. Smaller companies should seek to emulate best practice.

2 SHAREHOLDER RIGHTS & RESPONSIBILITIES

2.1 One Share- One Vote

The Fund fully supports the concept of "One share- One Vote" and is not supportive of the creation of share capital with differential voting rights. Companies should therefore disclose the share structure, voting rights and any other rights or limitations attached to each class of shares.

2.2 Shareholder Engagement & Wider Stewardship Activities

The Fund is a signatory to the 2012 Stewardship Code and is also a member of the Local Authority Pension Fund Forum (LAPFF).

While our fund managers undertake voting on behalf of our pooled fund holding, we expect them to include stewardship considerations as part of their investment strategy.

As a Code signatory we believe that proper disclosure of our voting records helps companies and other stakeholders including Fund members understand our approach. The records from when the Fund held segregated mandates and decided on its voting arrangements were updated on a quarterly basis and can be found at https://www.warwickshirepensionfund.org.uk/. Since the Fund no longer holds segregated mandates, the Fund reviews the voting records of its pooled fund managers quarterly.

Companies should engage with their shareholders on a regular basis throughout the year, not just in the period leading up to the AGM. The results of any shareholder meeting should be promptly disclosed and should include a statement detailing how the Company intends to engage with shareholders in order to understand the reasons for dissent. The steps taken to resolve any concerns should be detailed in the following year's annual report.

3 THE BOARD OF DIRECTORS

3.1 Board Composition, Diversity & Succession

When assessing the quality of investee company boards, WPF takes a balanced approach to understanding board composition which takes account of overall board size; directors' skills, background and experience.

Diversity brings substantial benefits to companies in terms of skills and competencies. The Corporate Governance Report should include details of the Company's diversity policies, including professional, international and gender diversity, as well as measurable objectives set for policy implementation and the progress against such objectives.

Diversity is more than simply gender; while not supporting specific gender quotas, we encourage boards to voluntarily achieve a target of at least 1/3rd women on the board and in senior positions and to provide clear explanations of how they are achieving diversity goals.

All companies should have a succession plan. Explanations for the re-election of long serving non-executive directors should be made in the context of the succession plan and particular attention should be paid to the Chair and CEO.

Insufficient detail in disclosure or lack of improvement in practice may result in a vote against the Chairman or the Chairman of the nomination committee.

3.2 Director Independence & Commitment

Director independence is generally assessed against the standards set by the UK Corporate Governance Code ('the Code'), however there are times when a case-by-case approach is required.

Independence on its own is not a sufficient characteristic for a successful appointee, directors should be able to devote the necessary time to the company's affairs. We therefore expect to see full disclosure of directors' other outside appointments together with a record of attendance together with explanations of non-attendance, which will be considered on a case-by-case basis.

Length of tenure will be considered on a case-by-case basis taking into account the Board's succession plans, the length of service of other Board members, evidence of the director's independent conduct and whether the director has served for more than nine years concurrently with an executive director.

The boards of large companies (excluding the chair) should consist of a majority of non-executive directors.

3.3 Board Evaluation

Boards should undertake a formal evaluation of its members performance annually with an external evaluation at least every three years under the guidance of an external, independent facilitator. The annual evaluation should consider the composition and the effectiveness of board members working together.

3.4 Chair/CEO

We support the separation of the roles of Chairman and Chief Executive.

Except in rare circumstances, former Chief Executives should not be appointed to the position of Chair. We would expect to see a clear explanation of the reasons and what time horizon the company is looking to for a replacement. The position may be temporary, due to unexpected circumstances such as illness, for example. Where possible, evidence that external search consultants have been engaged should be provided.

We support the principle that the chair should be independent on appointment.

3.5 Lead Independent Director

A Lead Independent Director should be identified, especially where the Chairman of the Company is not independent.

The Lead Independent Director should be a key contact for shareholders where the normal communication avenues through the Chairman or CEO have failed or are inappropriate.

3.6 Director Re-election

Directors are expected to submit themselves for re-election on a regular basis and boards should not insulate individual candidates. We are supportive of annual re-elections.

3.7 Directors’ Service Contracts

Companies should fully disclose directors’ service contracts or terms of appointment; all contracts should include a notice period of no longer than one year and any exit payments should be clearly disclosed. In particular:

- Severance payments relating to poor corporate performance should not extend beyond basic salary. There should be no entitlement to discretionary payments in these circumstances.

- Contracts should not provide for pensionable performance related pay

- The duty to mitigate should be made a specific contract provision and remuneration committees should consider phased payments in order to fulfil compensation commitments on early termination.

4 SHAREHOLDERS’ CAPITAL

Pre-emption rights are a basic shareholder right which can be easily eroded without careful monitoring. We support the principles of the UK’s Pre-Emption Group guidelines on dilution which permit up to 10% of share capital to be offered for cash rather than on a rights basis (5% additional authority to be used only in connection with an acquisition or specified capital investment). Existing shareholders should be offered the right of first refusal when a company issues shares exceeding 5% of the existing shares in issue or exceeding a 7.5% threshold in any three-year rolling period (excluding issues in connection with a specific acquisition or capital investment), as set out in the Pre-Emption Group's document "Disapplying Pre-Emption Rights: A Statement of Principles", issued in 2015.

Companies should provide explicit assurance that share buybacks will only be exercised in the best interests of all shareholders. This is particularly important where incentive pay may be linked to Earnings Per Share performance – a statement that EPS will be normalised would be welcome

A clear dividend policy should be disclosed and separate approval from shareholders should be sought for the payment of the final dividend. Where a scrip dividend or equivalent is offered, there should always be a cash alternative in place.

5 AUDIT & ACCOUNTABILITY

5.1 Audit & Accountability

Sound audit and reporting standards are an essential investor protection. Clear presentation of material risks to the business and how they are mitigated is a core requirement. Explanations in relation to changes to accounting practices, restatements or matters of emphasis must be prominent and transparent.

5.2 Audit Committee

Boards should ensure that the relationship with the auditor is appropriately focussed on the protection of the company and not of management. The audit committee, which should be composed of suitably qualified individuals, with a least one having a relevant audit or financial background, is responsible for ensuring that the auditors offer independent and effective services. The committee should be comprised of entirely independent directors.

5.3 Non-audit Services

Non-audit related work should be minimised to avoid unnecessary conflicts of interest but any conflict should be disclosed in any event. The reappointment of auditors will not usually be supported where non-audit work fees are considerably in excess of audit fees in the year under review, and on an aggregate three-year basis, unless a sufficient and acceptable explanation is given.

5.4 Internal Controls

Oversight and management of risk can be enhanced by the use of an internal audit function. Financial institutions should operate a separate risk committee.

5.5 Risk Management

Reporting of risk should be dynamic and subject to continual refinement and refreshment. Companies should communicate how risks are managed and details of the changes that have occurred in relation to risks identified during the year. The Company should also report on its response to actualised risks.

5.6 Audit Partner, Audit Firm Rotation

FTSE350 companies should tender for audit every 10 years. Reappointment of the audit partner at the same firm will not be considered as sufficient.

Retendering alone is unlikely to safeguard auditor independence. We do not support “Big 4 only” restrictions in tenders or any such requirements by lenders.

6 DIRECTOR REMUNERATION

6.1 Remuneration Committee

The UK Corporate Governance Code provisions on the role and composition of remuneration committees, serves as a benchmark for our approach to committee composition for our UK and global holdings. Remuneration committees should have access to their own independent advice which is not connected with any other services provided to management e.g. audit, HR, board evaluation etc. Non-executive fees and any associated policies, including share ownership policies should also be disclosed.

In their reporting to shareholders, committees are encouraged to explain their approach to the discretionary powers they exercise over the various components of executive pay. Blanket discretion is not supported.

6.2 Remuneration Policy & Disclosure

Remuneration policies should be clear and straightforward so as to facilitate understanding of how management is incentivised to achieve long term shareholder value and support the success of the company. Remuneration policies must be put to the vote on a triennial basis.

• Remuneration Packages

The size of the overall remuneration package should be considered in relation to average employee remuneration as well as the performance and growth of the Company. Pay increases should not be in excess of inflation or those awarded to the rest of the workforce without sufficient explanation.

• Pay for Performance

We expect to see a significant proportion of executive pay linked to corporate performance which is clearly and meaningfully aligned with strategy and positive shareholder value. Financial metrics and ratios such as Earnings per Share (EPS) or Total Shareholder Return (TSR) on their own are unlikely to be sufficient measures of strategy.

• Variable or Performance-Related Pay

Companies should clearly disclose the performance targets used in any variable pay plans (Annual Bonus, Short-Term Incentives or Long-term Incentives). Where commercial sensitivity prevents forward disclosures, we expect to see retrospective disclosure. Bonuses should be set at an appropriate level of base pay and should be capped. There should also be provision to forfeit any bonus where the company has experienced a significant negative event. The technical analysis of variable pay schemes should take account of global and market best practices.

• Share Ownership Policy

Executives should make a material long-term investment in shares. Companies should consider requiring executives to continue to hold such material holdings post-retirement or resignation. Non Executive Directors should not be granted performance-related pay and only in exceptional circumstances should they be allowed to join any long-term incentive plan and then any award should be minimal.

• Recruitment Payments

We recognise that companies may need flexibility in order to be able to recruit new directors. We expect to see clear disclosure relating to the maximum variable pay which can be paid to incoming directors. Such payments should exclude compensation for variable pay forgone at the previous employer. Transaction-related payments should be subject to demanding performance conditions.

• Change of Control

There should be no automatic waiving of performance conditions for either change of control or capital reorganisations. Any consequential early vesting should be time pro-rated.

• Dilution

Share-based remuneration plans have the potential to dilute shareholders. For this reason share plans should not exceed 10% of the ordinary issued share capital in any rolling 10 year period.

• Clawbacks and Malus

Clawback and malus provisions should be in place for all incentive plans and should be described clearly within the remuneration policy. The remuneration committee should have sufficient flexibility to operate the policy rather than simply tying clawback to specific events such as financial restatements, for example.

7 SUSTAINABILITY REPORTING

7.1 Responsibility & Disclosure

There is strong evidence that demonstrates that companies with a long-term sustainable approach to their management outperform their peers. We therefore encourage companies to describe their approach to sustainability in the widest possible sense and explain how their policies align with long-term corporate strategy. The board of directors should be directly responsible for sustainability considerations.

7.2 Sustainability Risk Reporting

We strongly support transparent and understandable sustainability risk reporting in the context of how relevant and material risks impact their business strategy.

7.3 Employment, Health and Safety

Poor employment practices present significant operational and investment risks for companies. We expect management to develop good employment practices across their organisation.

7.4 Political Donations

Companies should disclose all political donations and demonstrate where they intend to spend the money and that this is in the interests of the company and shareholders. Political donations will be opposed where these conditions are not met.

8 INVESTMENT TRUSTS

We apply to investment trusts the same expectations around board composition, audit, and director independence as to other companies. We believe there should be independence between the board of an investment trust and its investment managers.

For further information, please contact:

Chris Norton

Strategic Finance Manager, Corporate Financial Services

Warwickshire County Council

chrisnorton@warwickshire.gov.uk

This page is intentionally left blank

Corporate Governance & Voting Guidelines

Border to Coast Pensions Partnership

November 2020

1. Introduction

Border to Coast Pensions Partnership believes that companies operating to higher standards of corporate governance along with environmental and social best practice have greater potential to protect and enhance investment returns. As an active owner Border to Coast will engage with companies on environmental, social and governance (ESG) issues and exercise its voting rights at company meetings. When used together, voting and engagement can give greater results.

An investment in a company not only brings rights but also responsibilities. The shareholders' role includes appointing the directors and auditors and to be assured that appropriate governance structures are in place. Good governance is about ensuring that a company's policies and practices are robust and effective. It defines the extent to which a company operates responsibly in relation to its customers, shareholders, employees, and the wider community. Corporate governance goes hand-in-hand with responsible investment and stewardship. Border to Coast considers the UK Corporate Governance Code and other best practice global guidelines in formulating and delivering its policy and guidelines.

2. Voting procedure

These broad guidelines should be read in conjunction with the Responsible Investment Policy. They provide the framework within which the voting guidelines are administered and assessed on a case-by-case basis. A degree of flexibility will be required when interpreting the guidelines to reflect specific company and meeting circumstances. Voting decisions are reviewed with the portfolio managers. Where there are areas of contention the decision on voting will ultimately be made by the Chief Investment Officer. A specialist proxy voting advisor is employed to ensure that votes are executed in accordance with the policy.

Where a decision has been made not to support a resolution at a company meeting, Border to Coast will, where able, engage with the company prior to the vote being cast. In some instances, attendance at AGMs may be required.

Border to Coast discloses its voting activity on its website and to Partner Funds on a quarterly basis.

We will support incumbent management wherever possible but recognise that the neglect of corporate governance and corporate responsibility issues could lead to reduced shareholder returns.

We will vote **For**, **Abstain** or **Oppose** on the following basis:

- We will support management that acts in the long-term interests of all shareholders, where a resolution is aligned with these guidelines and considered to be in line with best practice.
- We will abstain when a resolution fails the best practice test but is not considered to be serious enough to vote against.
- We will vote against a resolution where corporate behaviour falls short of best practice or these guidelines, or where the directors have failed to provide sufficient information to support the proposal.

3. Voting Guidelines

Company Boards

The composition and effectiveness of the board is crucial to determining corporate performance, as it oversees the running of a company by its managers and is accountable to shareholders. Company behaviour has implications for shareholders and other stakeholders. The structure and composition of the board may vary between different countries; however, we believe that the following main governance criteria are valid across the globe.

Composition and independence

The board should have a balance of executive and non-executive directors so that no individual or small group of individuals can control the board's decision making. They should possess a suitable range of skills, experience and knowledge to ensure the company can meet its objectives. Boards do not need to be of a standard size: different companies need different board structures, and no simple model can be adopted by all companies.

The board of large cap companies, excluding the Chair, should consist of a majority of independent non-executive directors although local market practices shall be taken into account. Controlled companies should have a majority of independent non-executive directors, or at least one-third independent directors on the board. As non-executive directors have a fiduciary duty to represent and act in the best interests of shareholders and to be objective and impartial when considering company matters, the board must be able to demonstrate their independence. Non-executive directors who have been on the board for a significant length of time, from nine to twelve years (depending on market practice) have been associated with the company for long enough to be presumed to have a close relationship with the business or fellow directors. We aspire for a maximum tenure of nine years but will review resolutions on a case-by-case basis where the local corporate governance code recommends a maximum tenure between nine and twelve years.

The nomination process of a company should therefore ensure that potential risks are restricted by having the right skills mix, competencies and independence at both the supervisory and executive board level. It is essential for boards to achieve an appropriate balance between tenure and experience, whilst not compromising the overall independence of the board. The re-nomination of board members with longer tenures should be balanced out by the nomination of members able to bring fresh perspectives. It is recognised that excessive length of tenure can be an issue in some markets, for example the US where it is common to have a retirement age limit in place rather than length of tenure. In such cases it is of even greater importance to have a process to robustly assess the independence of long tenured directors. Where it is believed an individual can make a valuable and independent contribution, tenure greater than nine years will be assessed on a case-by-case basis.

The company should, therefore, have a policy on tenure which is referenced in its annual report and accounts. There should also be sufficient disclosure of biographical details so that shareholders can make informed decisions. There are a number of factors which could affect independence, which includes but is not restricted to:

- Representing a significant shareholder.
- Serving on the board for over nine years.
- Having had a material business relationship with the company in the last three years.

- Having been a former employee within the last five years.
- Family relationships with directors, senior employees or advisors.
- Cross directorships with other board members.
- Having received or receiving additional remuneration from the company in addition to a director's fee, participating in the company's share option or performance-related pay schemes, or being a member of the company's pension scheme.

Leadership

The role of the Chair is distinct from that of other board members and should be seen as such. The Chair should be independent upon appointment and should not have previously been the CEO. The Chair should also take the lead in communicating with shareholders and the media. However, the Chair should not be responsible for the day to day management of the business: that responsibility rests with the Chief Executive. The role of Chair and CEO should not be combined as different skills and experience are required. There should be a distinct separation of duties to ensure that no one director has unfettered decision making power.

However, Border to Coast recognises that in many markets it is still common to find these positions combined. Any company intending to combine these roles must justify its position and satisfy shareholders in advance as to how the dangers inherent in such a combination are to be avoided; best practice advocates a separation of the roles. A senior independent non-executive director should be appointed, in-line with local corporate governance best practice, if roles are combined to provide shareholders and directors with a meaningful channel of communication, to provide a sounding board for the chair and to serve as an intermediary for the other directors and shareholders. Led by the senior independent director, the non-executive directors should meet without the chair present at least annually to appraise the chair’s performance.

Non-executive Directors

The role of non-executive directors is to challenge and scrutinise the performance of management in relation to company strategy and performance. To do this effectively they need to be independent; free from connections and situations which could impact their judgement. They must commit sufficient time to their role to be able to carry out their responsibilities. A senior independent non-executive director should be appointed to act as liaison between the other non-executives, the Chair and other directors where necessary.

Diversity

Board members should be recruited from as broad a range of backgrounds and experiences as possible. A diversity of directors will improve the representation and accountability of boards, bringing new dimensions to board discussions and decision making. Companies should broaden the search to recruit non-executives to include open advertising and the process for board appointments should be transparent and formalised in a board nomination policy. Companies should have a diversity policy which references gender, ethnicity, age, skills and experience and how this is considered in the formulation of the board. The policy should give insight into how diversity is being addressed not only at board level but throughout the company, it should reflect the demographic/ethnic makeup of the countries a company is active in and be disclosed in the Annual Report.

We support the government-backed Davies report, Hampton Alexander and Parker reviews, which set goals for UK companies regarding the representation of women and ethnic minorities on boards, executive teams and senior management. Therefore, in developed markets without relevant legal requirements, we expect boards to be composed of at least 30% female directors. Where relevant, this threshold will be rounded down to account for board size. Recognising varying market practices, we generally expect emerging market and Japanese companies to have at least one female on the board. We will vote against the chair of the nomination committee where this is not the case.

Succession planning

We expect the board to disclose its policy on succession planning, the factors considered and where decision-making responsibilities lie. A succession policy should form part of the terms of reference for a formal nomination committee, comprised solely of independent directors and headed by the Chair or Senior Independent Non-executive Director except when it is appointing the Chair's successor. External advisors may also be employed.

Directors' availability and attendance

It is important that directors have sufficient time to devote to the company's affairs; therefore, full time executives should not hold more than one non-executive position in a FTSE 100 company, or similar size company in other regions; nor the chairmanship of such a company. In the remaining instances, directors working as full-time executives should serve on a maximum of two publicly listed company boards.

With regard to non-executive directors, there can be no hard and fast rule on the number of positions that are acceptable: much depends upon the nature of the post and the capabilities of the individual. Shareholders need to be assured that no individual director has taken on too many positions. Full disclosure should be made in the annual report of directors' other commitments and attendance records at formal board and committee meetings. A director should attend a minimum of 75% of applicable board and committee meetings to ensure commitment to responsibilities at board level.

Re-election

For a board to be successful it needs to ensure that it is suitably diverse with a range of skills, experience and knowledge. There is a requirement for non-executive directors to be independent to appropriately challenge management. To achieve this, boards need to be regularly refreshed to deal with issues such as stagnant skill sets, lack of diversity and excessive tenure; therefore, all directors should be subject to re-election annually, or in-line with local best practice. As representatives of shareholders, directors should preferably be elected using a majority voting standard. In cases where an uncontested election uses the plurality[1] voting standard without a resignation policy, we will hold the relevant Governance Committee accountable by voting against the Chair of this committee.

Board evaluation

A requisite of good governance is that boards have effective processes in place to evaluate their performance and appraise directors at least once a year. The annual evaluation should

[11] A plurality vote means that the winning candidate only needs to get more votes than a competing candidate. If a director runs unopposed, he or she only needs one vote to be elected.

consider its composition, diversity and how effectively members work together to achieve objectives. As part of the evaluation, boards should consider whether directors possess the necessary expertise to address and challenge management on key strategic topics. These strategic issues and important areas of expertise should be clearly outlined in reporting on the evaluation. The board should disclose the process for evaluation and, as far as reasonably possible, any material issues of relevance arising from the conclusions and any action taken as a consequence. Individual director evaluation should demonstrate the effective contribution of each director. An internal evaluation should take place annually with an external evaluation required at least every three years.

Stakeholder engagement

Companies should take into account the interests of and feedback from stakeholders which includes the workforce. Taking into account the differences in best practice across markets, companies should have an appropriate system in place to engage with employees.

Engagement and dialogue with shareholders on a regular basis are key for companies; being a way to discuss governance, strategy, and other significant issues. Companies should engage with shareholders ahead of the AGM in order that high votes against resolutions can be avoided where possible.

Where a company with a single share class structure has received 20% votes against a proposal at a previous AGM, a comprehensive shareholder and stakeholder consultation should be initiated. A case-by-case approach will be taken for companies with a dual class structure where a significant vote against has been received. Engagement efforts and findings, as well as company responses, should be clearly reported on and lead to tangible improvement. Where companies fail to do so, the relevant board committees or members will be held to account.

Directors' remuneration

Shareholders at UK companies have two votes in relation to pay; the annual advisory vote on remuneration implementation which is non-binding, and the triennial vote on forward-looking pay policy which is binding. If a company does not receive a majority of shareholder support for the pay policy, it is required to table a resolution with a revised policy at the next annual meeting.

It must be noted that remuneration structures are varied, with not one model being suitable for all companies; however, there are concerns over excessive remuneration and the overall quantum of pay. Research shows that high executive pay does not systematically lead to better company performance. Excessive rewards for poor performance are not in the best interests of a company or its shareholders. Remuneration levels should be sufficient to attract, motivate and retain quality management but should not be excessive compared to salary levels within the organisation and with peer group companies. There is a clear conflict of interest when directors set their own remuneration in terms of their duty to the company, accountability to shareholders and their own self-interest. It is therefore essential that the remuneration committee is comprised solely of non-executive directors and complies with the market independence requirement.

Remuneration has serious implications for corporate performance in terms of providing the right incentives to senior management, in setting performance targets, and its effect on the morale and motivation of employees. Corporate reputation is also at risk. Remuneration policy should be sensitive to pay and employee conditions elsewhere in the company, especially when determining annual salary increases.

Where companies are potentially subject to high levels of environmental and societal risk as part of its business, the remuneration committee should also consider linking relevant metrics and targets to remuneration to focus management on these issues. The selection of these metrics should be based on a materiality assessment that also guides the company's overall sustainability strategy. If environmental or social topics are incorporated in variable pay plans, the targets should set stretch goals for improved ESG performance, address achievements under management's control, and avoid rewarding management for basic expected behaviour. Where relevant, minimum ESG standards should instead be incorporated as underpins or gateways for incentive pay. If the remuneration committee determines that the inclusion of environmental or social metrics would not be appropriate, a clear rationale for this decision should be provided in the remuneration report.

The compensation provided to non-executive directors should reflect the role and responsibility. It should be structured in a manner that does not compromise independence, enhancing objectivity and alignment with shareholders' interests. Non-executive directors should, therefore, not be granted performance-based pay. Although we would not expect participation in Long-term Incentive Plans (LTIPs), we are conscious that in some exceptional instances Non-executives may be awarded stock, however the proportion of pay granted in stock should be minimal to avoid conflicts of interest.

To ensure accountability there should be a full and transparent disclosure of directors' remuneration with the policy published in the annual report and accounts. The valuation of benefits received during the year, including share options, other conditional awards and pension benefits, should be provided. Companies should also be transparent about the ratio of their CEO's pay compared to the median, lower and upper quartiles of their employees.

• **Annual bonus**

Bonuses should reflect individual and corporate performance targets which are sufficiently challenging, ambitious and linked to delivering the strategy of the business and performance over the longer-term. Bonuses should be set at an appropriate level of base salary and should be capped. Provisions should be in place to reduce or forfeit the annual bonus where the company has experienced a significant negative event. For large cap issuers, we expect the annual bonus to include deferral of a portion of short-term payments into long-term equity scheme or equivalent. We will also encourage other companies to take this approach.

• **Long-term incentives**

Remuneration policies have over time become more and more complex making them difficult for shareholders to adequately assess. Border to Coast therefore encourages companies to simplify remuneration policies.

Performance-related remuneration schemes should be created in such a way to reward performance that has made a significant contribution to shareholder value. The introduction of incentive schemes to all employees within a firm is encouraged and supported as this helps all employees understand the concept of shareholder value. However, poorly structured schemes can result in senior management receiving unmerited rewards for substandard performance. This is unacceptable and could adversely affect the motivation of other employees.

Incentives are linked to performance over the longer-term in order to create shareholder value. If restricted stock units are awarded under the plan, the vesting period should be at least three years to ensure that the interests of both management and shareholders are aligned in the long-term. Employee incentive plans should include both financial and non-financial metrics and targets that are sufficiently ambitious and challenging. Remuneration should be specifically linked to stated business objectives and performance indicators should be fully disclosed in the annual report.

The performance basis of all such incentive schemes under which benefits are potentially payable should be clearly set out each year, together with the actual performance achieved against the same targets. We expect clawback or malus provisions to be in place for all components of variable compensation. We encourage Executive Directors to build a significant shareholding in the company to ensure alignment with the objectives of shareholders. These shares should be held for at least two years post exit.

Directors' contracts

Directors' service contracts are also a fundamental part of corporate governance considerations. Therefore, all executive directors are expected to have contracts that are based upon no more than twelve months' salary. Retirement benefit policies of directors should not be excessive, and no element of variable pay should be pensionable. The main terms of the directors' contracts including notice periods on both sides, and any loans or third-party contractual arrangements such as the provision of housing or removal expenses, should be declared within the annual report. Termination benefits should be aligned with market best practice.

Corporate reporting

Companies are expected to report regularly to shareholders in an integrated manner that allows them to understand the company's strategic objectives. Companies should be as transparent as possible in disclosures within the Report and Accounts. As well as reporting financial performance, business strategy and the key risks facing the business, companies should provide additional information on ESG issues that also reflect the directors' stewardship of the company. These could include, for example, information on a company's human capital management policies, its charitable and community initiatives and on its impact on the environment in which it operates.

Every annual report should include an environmental section, which identifies key quantitative data relating to energy and water consumption, emissions and waste etc., explains any contentious issues and outlines reporting and evaluation criteria. It is important that the risk areas reported upon should not be limited to financial risks.

We will encourage companies to report and disclose in line with the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) recommendations, and the Workforce Disclosure Initiative in relation to human capital reporting.

Audit

The audit process must be objective, rigorous and independent if it is to provide assurance to users of accounts and maintain the confidence of the capital markets. To ensure that the audit committee can fulfil its fiduciary role, it should be established as an appropriate committee composition with at least three members who are all independent non-executive directors and have at least one director with a relevant audit or financial background. Any material links between the audit firm and the client need to be highlighted, with the audit committee report being the most appropriate place for such disclosures. Audited financial statements should be published in a timely manner ahead of votes being cast at annual general meetings.

FTSE 350 companies should tender the external audit contract at least every ten years. Reappointment of the same firm with rotation of the audit partner, will not be considered as sufficient. If an auditor has been in place for more than ten fiscal years, their appointment will not be supported. For the wider market, the external audit contract should be put out to tender at least every ten years. Where an auditor has resigned, an explanation should be given. If the accounts have been qualified or there has been non-compliance with legal or regulatory requirements, this should be drawn to shareholders' attention in the main body of the annual report. If the appropriate disclosures are not made, the re-appointment of the audit firm will not be supported.

Non-Audit Fees

There is concern over the potential conflict of interest between audit and non-audit work when conducted by the same firm for a client. Companies must therefore make a full disclosure where such a conflict arises. There can be legitimate reasons for employing the same firm to do both types of work, but these need to be identified. As a rule, the re-appointment of auditors will not be supported where non-audit fees are considerably in excess of audit fees in the year under review, and on a three-year aggregate basis, unless sufficient explanation is given in the accounts.

Political donations

There are concerns over the reputational risks and democratic implications of companies becoming involved in funding political processes, both at home and abroad. Companies should disclose all political donations, demonstrate where they intend to spend the money and that it is the interest of the company and shareholders. Where these conditions are not met, or there is insufficient disclosure that the money is not being used for political party donations, political donations will be opposed. Any proposals concerning political donations will be opposed.

Lobbying

A company should be transparent and publicly disclose direct lobbying, and any indirect lobbying through its membership of trade associations. We will assess shareholder proposals regarding lobbying on a case-by-case basis; however, we will generally support resolutions requesting greater disclosure of trade association and industry body memberships, any payments and contributions made, and requiring alignment of company and trade association values.

Shareholder rights

As a shareowner, Border to Coast is entitled to certain shareholder rights in the companies in which it invests (Companies Act 2006). Boards are expected to protect such ownership rights.

- **Dividends**

Shareholders should have the chance to approve a company's dividend policy and this is considered best practice. The resolution should be separate from the resolution to receive the report and accounts. Failure to seek approval would elicit opposition to other resolutions as appropriate unless there is a clearly disclosed capital management and allocation strategy in public reporting.

- **Voting rights**

Voting at company meetings is the main way in which shareholders can influence a company's governance arrangements and its behaviour. Shareholders should have voting rights in equal proportion to their economic interest in a company (one share, one vote). Dual share structures which have differential voting rights are disadvantageous to many shareholders and should be abolished. We will not support measures or proposals which will dilute or restrict our rights.

- **Authority to issue shares**

Companies have the right to issue new shares in order to raise capital but are required by law to seek shareholders' authority. Such issuances should be limited to what is necessary to sustain the company and not be in excess of relevant market norms.

- **Disapplication of Pre-emption Rights**

Border to Coast supports the pre-emption rights principle and considers it acceptable that directors have authority to allot shares on this basis. Resolutions seeking the authority to issue shares with and without pre-emption rights should be separate and should specify the amounts involved, the time periods covered and whether there is any intention to utilise the authority.

Share Repurchases

Border to Coast does not necessarily oppose a company re-purchasing its own shares but it recognises the effect such buy backs might have on incentive schemes where earnings per share measures are a condition of the scheme. The impact of such measures should be reported on. It is important that the directors provide a full justification to demonstrate that a share repurchase is the best use of company resources, including setting out the criteria for calculating the buyback price to ensure that it benefits long-term shareholders.

Memorandum and Articles of Association

Proposals to change a company's memorandum and articles of association should be supported if they are in the interests of Border to Coast, presented as separate resolutions for each change, and the reasons for each change provided.

Mergers and acquisitions

Border to Coast will normally support management if the terms of the deal will create rather than destroy shareholder value and makes sense strategically. Each individual case will be considered on its merits. Seldom will compliance with corporate governance best practice be the sole determinant when evaluating the merits of merger and acquisition activity, but full information must be provided to shareholders on governance issues when they are asked to approve such transactions. Recommendations regarding takeovers should be approved by the full board.

Articles of Association and adopting the report and accounts

It is unlikely that Border to Coast will oppose a vote to adopt the report and accounts simply because it objects to them per se; however, there may be occasions when we might vote against them to lodge dissatisfaction with other points raised within this policy statement. Although it is a blunt tool to use, it can be an effective one especially if the appropriate Chair or senior director is not standing for election.

If proposals to adopt new articles or amend existing articles might result in shareholders' interests being adversely affected, we will oppose the changes.

Virtual Shareholder General Meetings

Many companies are considering using electronic means to reach a greater number of their shareholders. An example of this is via a virtual annual general meeting of shareholders where a meeting takes place exclusively using online technology, without a corresponding in-person meeting. There are some advantages to virtual only meetings as they can increase shareholder accessibility and participation; however, they can also remove the one opportunity shareholders have to meet face to face with the Board to ensure they are held to account. We would expect an electronic meeting to be held in tandem with a physical meeting. If extraordinary circumstances rule out a physical meeting, we expect the company to clearly outline how shareholders' rights to participate by asking questions and voting during the meeting are protected. Any amendment to a company's Articles to allow virtual only meetings without these safeguards will not be supported.

Shareholder Proposals

We will assess shareholder proposals on a case by case basis. Consideration will be given as to whether the proposal reflects Border to Coast's Responsible Investment policy, is balanced and worded appropriately, and supports the long-term economic interests of shareholders.

Shareholder proposals are an important tool to improve transparency. Therefore, we will, when considered appropriate, support resolutions requesting additional reporting on material business risk, ESG topics, climate risk and lobbying.

Climate change

We expect companies with high emissions or in high emitting sectors to have a climate change policy in place, which at minimum includes greenhouse gas emission reduction targets and disclosure of Scope 1 and 2 emissions. We use the Transition Pathway Initiative (TPI)[2] toolkit to assess our listed equities investments. TPI enables assessment of how companies are managing climate change, the related business risk and the progress being made. Where a company in a high emitting sector receives a score of zero or one by the TPI, or fails to meet the expectations above, we will vote against the Chair of the board if we consider the company is not making progress.

Investment trusts

Border to Coast acknowledges that issues faced by the boards of investment companies are often different to those of other listed companies. The same corporate governance guidelines do not necessarily apply to them; for example, investment companies can operate with smaller boards. However, the conventions applying to audit, board composition and director independence do apply.

The election of any representative of an incumbent investment manager onto the board of a trust managed or advised by that manager will not be supported. Independence of the board from the investment manager is key, therefore management contracts should not exceed one year and should be reviewed every year. In broad terms, the same requirements for independence, diversity and competence apply to boards of investment trusts as they do to any other quoted companies.

We may oppose the adoption of the report and accounts of an investment trust where there is no commitment that the trust exercises its own votes, and there is no explanation of the voting policy.

[2] The Transition Pathway Initiative ('TPI') is a global initiative led by asset owners and supported by asset managers. Aimed at investors, it is a free-to-use tool that assesses how prepared companies are for the low carbon transition.

Agenda Item 6

Pension Fund Investment Sub-Committee

Responsible Investment policy

14 June 2021

Recommendations

1. That the Pension Fund Investment Sub-Committee notes, comments on and approves the Responsible Investment Policy

2. That the Pension Fund Investment Sub-Committee notes, comments on and approves the Climate Risk Policy

1. Executive Summary

1.1 In line with best practice, the Fund has both a Responsible Investment Policy and a Climate Risk Policy. These set out how the Fund runs its investment strategy and stewardship of assets.

1.2 These policies were originally written by the Fund's investment consultant (Hymans Robertson) and have been reviewed by officers. There are no material changes proposed, but these policies are expected to develop with further input from the Investment Sub-Committee.

1.3 Although the climate risk statement has not materially changed there are significant developments in respect of climate related activity in respect of pension investments. The Fund will be reviewing its strategy this year and climate change will have an increasingly high profile in that review.

2. Financial Implications

2.1 None

3. Environmental Implications

3.1 These policies cover the Fund's approach to environmental issues, though do not in themselves force any changes to the current approach.

4. Supporting Information

4.1 None

5. Timescales associated with the decision and next steps

5.1 Annual review – next review is due in June 2022.

Appendices

1. Appendix 1 – Responsible Investment Policy
2. Appendix 2 – Climate Risk Policy

Background Papers

1. None

	Name	Contact Information
Report Author	Neil Buxton, Victoria Moffett, Chris Norton	neilbuxton@warwickshire.gov.uk, victoriamoffett@warwickshire.gov.uk, chrisnorton@warwickshire.gov.uk
Assistant Director	Andy Felton	Andyfelton@warwickshire.gov.uk
Strategic Director for Resources	Rob Powell	robpowell@warwickshire.gov.uk
Portfolio Holder for Finance and Property	Peter Butlin	peterbutlin@warwickshire.gov.uk

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

Local Member(s): None
Other members: Councillors Horner and Gifford

Warwickshire Pension Fund
Responsible Investment Policy

May 2021

Objectives

The Committee recognise that the primary goal of the Fund is to be a long-term investor that aims to deliver a sustainable pension fund to its members. This goal should ensure that it is affordable and delivers financially to meet the objectives of the Fund employers.

The Committee recognise that responsible investment and Environmental, Social and Governance considerations ("ESG") pose a financially material risk as well as an opportunity to the Fund. These considerations are relevant when it comes to the manner in which the assets are invested and in exercising of stewardship responsibilities.

As part of the 2019 investment strategy review, the Committee agreed a set of responsible investment principles which have been added to the Committee's broader investment principles in the Fund's Investment Strategy Statement. These principles strengthened the Committee's position in regard to ESG factors and provide a framework for their engagement with their Fund managers and for investment decision making (these principles are detailed in full in the appendix).

The Committee considers the Fund's approach to responsible investment in two key areas:

1. **Sustainable investment / ESG factors** – considering the financial impact of environmental, social and governance factors on its investments.

2. **Effective Stewardship** – acting as responsible and active investors/owners, through considered voting of shares, and engaging with investee company management as part of the investment process.

The Committee expect the Fund's investment managers including the Border to Coast Pensions Partnership ("BCPP") to embed ESG factors into their investment process and decision making, with a focus on long-term sustainable returns.

The Committee has reviewed BCPP's responsible investment policies in relation to its own views and has satisfied itself that the principles underlying both are similar. The Committee will regularly monitor BCPP's responsible investment policies and actively engage with the pool to facilitate change as required.

Integration

The Committee recognise that Responsible Investment ("RI") considerations can be integrated into all stages of the investment decision-making process and have the potential to significantly affect long term investment performance and the ability to achieve long-term sustainable returns.

The Fund's Investment managers will be expected to act as responsible and active owners through considered voting of shares, and engagement with company management when required. Engagement by its investment managers with investee companies on ESG issues to positively influence company behaviour and enhance shareholder value is strongly encouraged.

The Committee will consider opportunities arising from a greater understanding of RI factors when setting its investment structure. However, these opportunities will be assessed with regard to the risk/return requirements of the Fund.

The Fund will incorporate RI and ESG considerations into its selection process for new investment managers. Potential managers' approaches to responsible investment and the extent to which they incorporate ESG issues into their investment processes will be a factor in the Committee's decision making.

The Committee will undertake regular formal training sessions that will include focused responsible investment training. This training will be sought from the Committee's investment advisors, investment managers, the Border to Coast Pensions Partnership, external specialists and/or other engaged pension funds to provide exposure to a range of opinions and approaches to effective governance.

The Committee recognises that climate change represents a risk which warrants more detailed scrutiny given the wide range of impacts on financial, economic and demographic outcomes and thus has drafted a separate Climate Risk policy.

Engagement

The Committee recognise that they can influence the behaviour and practices of their investment managers with regard to stewardship through engagement, even where assets are invested through pooled funds such as those offered by Border to Coast Pensions Partnership. The Committee believe that all engagements should have a clearly defined objective.

The Fund aims to achieve engagement through regular meetings with investment managers, with managers expected to address RI matters as part of these meetings. Managers will be challenged on their approach where this is not aligned to the Fund's RI and Climate Risk policies.

The Committee believe that successful engagement with its investment managers is preferable to divestment. The Committee is supportive of collaboration to achieve better engagement, as evidenced by the Fund's membership of the Local Authority Pension Fund Forum ("LAPFF"), through which it collectively exercises a voice across a range of corporate governance issues. Where, over a considered period, there is no evidence of a company responding to engagement, divestment may be considered.

The Committee consider its investment managers to be best placed to engage with investee company management. This is due to the Fund being constrained in what decisions are available to them within pooled funds, as well as the resources and existing relationships with investee companies that are available to the Fund's investment managers.

However, the Committee acknowledges that it can work with other Local Government Pension Scheme Funds within Border to Coast to enhance the level of engagement both with external managers and the underlying companies in which it invests.

The Committee expects passive and active managers to actively engage with companies and be signatories to the Financial Regulatory Council's UK Stewardship Code.

The Committee believe that their investment managers should be able to demonstrate the reasoning behind any engagement activity, the objectives of the engagement activity, the approach taken to achieve the objectives, the timeframe over which the engagement is expected to take place and the consequences should engagement be unsuccessful.

Monitoring

The Fund expects its investment managers to incorporate RI issues into their regular reporting. This will include information on voting and engagement, as well as any actions they are taking in assessing and managing ESG-related risks in relation to their mandates.

The Fund expects investment managers to provide them with regular statements on their corporate governance and voting policy.

The Fund will continue to monitor its investment managers, including BCPP, commitments and policies in this area to ensure that their investment process aligns with the Fund's RI and Climate Risk polices.

The Fund's investment managers are expected to report on the objectives of engagement activities, along with the consequent success or failure of any actions taken on, at least, an annual basis.

The Committee expects its investment consultant to provide input and analysis to assist the Committee in assessing their managers' performance on engagement activities.

The Committee will monitor the investment managers compliance with the UK Stewardship Code.

Disclosure

The Fund will report on its Stewardship and Governance activities, including voting and engagement undertaken on behalf of the Fund.

Both this policy and the Fund's Climate Risk Policy will be reviewed and updated regularly.

The Fund is committed to being transparent and accountable in terms of its responsible investment performance. As such the Fund will publish its RI and Climate Risk Policies online.

Appendix
ESG investment principles

- As the Fund invests for the long-term, environmental, social and governance ("ESG") factors are expected to have a bearing on the Fund's expected levels of risk and return. The Fund's investment managers are therefore to be expected to embed ESG factors into their investment process and decision making
- The Committee should focus on meeting its financial obligations to pay benefits to members.
- Long-term sustainable investment returns are an important consideration, even to the extent that the sustainability of returns extends beyond the expected investment horizon of the Committee.
- The Committee believes there will be opportunities for investments which support and benefit from the transition to a low carbon economy, and will seek out these opportunities for the Fund.
- The Committee believe that, in relation to ESG risks, ongoing engagement with investee companies is preferable to divestment. This engagement is via our managers or alongside other investors (e.g. LAPFF).
- Where, over a considered period, however, there is no evidence of a company making visible progress towards carbon reduction, we believe that divestment should be actively considered.
- The Fund's Investment managers' approaches to RI, including the integration of ESG into investment decision making and the use of engagement, must be assessed and monitored. This includes ongoing monitoring of the BCPP.
- Responsible ownership benefits long term asset owners. Asset owners, fund managers, and companies with clear responsible investment policies are expected to outperform companies without responsible investment policies, over the longer term.
- The Fund's Investment managers should act as responsible and active owners through considered voting of shares, and engagement with company management when required. Engagement by its investment managers with investee companies on ESG issues to positively influence company behaviour and enhance shareholder value is strongly encouraged.
- Passive and active managers should actively engage with companies and comply with the Financial Reporting Council's Stewardship Code.
- Climate change and the expected transition to a low carbon economy is a long-term financial risk to Fund outcomes and is considered to be part of our fiduciary duty.

Warwickshire Pension Fund
Climate Risk Policy

May 2021

The Committee considers that climate change represents a materially financial risk to the Fund with the potential to disrupt economic, financial and social systems. However, the potential impact on the Fund is unknown given policy uncertainty and the unknown physical feedbacks from environmental systems.

Risks to the Fund arising from climate change include, but are not limited to:

- Economic risks: risks that the assumptions made in valuing the liabilities are inappropriate;
- Demographic risks: risks that demographic experience is different to that assumed as a consequence of climate related impacts;
- Asset risks: risks that the performance of the Fund's assets is lower than assumed due to investments being affected by physical impacts from climate change or the transition to a lower carbon economy.

This policy sets out the Committee's approach to addressing climate related risks within the Fund.

Climate change and the expected transition to a low carbon economy is a long-term financial risk to Fund outcomes and is considered to be part of the Committee's fiduciary duty.

The Committee will assess its portfolios on climate change risk where it is practical to do so and incorporate this into its investment decision making process. The Committee will monitor and review its fund managers in relation to their climate change approach and policies.

The Committee will participate in collective initiatives collaborating with other investors including other pools and groups such as LAPFF on climate risk related issues.

The Committee recognise that all companies have some level of exposure to climate-related risks, particularly transition risks, but that price, policy uncertainty and investment timeframes are determinants of risk exposure.

Where, over a considered period, there is no evidence of a company making visible progress towards carbon reduction or to address climate associated risks, divestment may be considered.

Implementation

The Committee will actively support engagement activity that seeks to achieve:

- Increased disclosure of information on the climate related risks that could affect the value of an investment;
- Transparency of an investment's carbon exposure and how such companies are adjusting for the transition to a low carbon economy.

Monitoring/Reporting

The Committee recognise that the monitoring and assessment of exposure to climate-related risks is developing and the metrics and tools available to the Committee may evolve.

The Committee will monitor changes in market practice to ensure that they are aware of changing best practice.

The Committee will commence monitoring the exposure to climate related risks within its portfolio, this could include, measuring exposure to carbon reserves, overall carbon intensity and alignment with future climate scenarios.

The Committee will consider climate-related risks when agreeing employer funding strategies at each formal actuarial valuation. Climate change has the potential to affect long term funding outcomes due to its impact on economic variables, such as inflation, and on longevity. These risks can be built into the asset liability modelling that underpins the funding strategies.

Transparency

The Committee will publish details of their activity in relation to climate-related risks in accordance with their Responsible Investment Policy.

Agenda Item 7

Pension Fund Investment Sub-Committee

14 June 2021

General Investment Activity Update

Recommendations

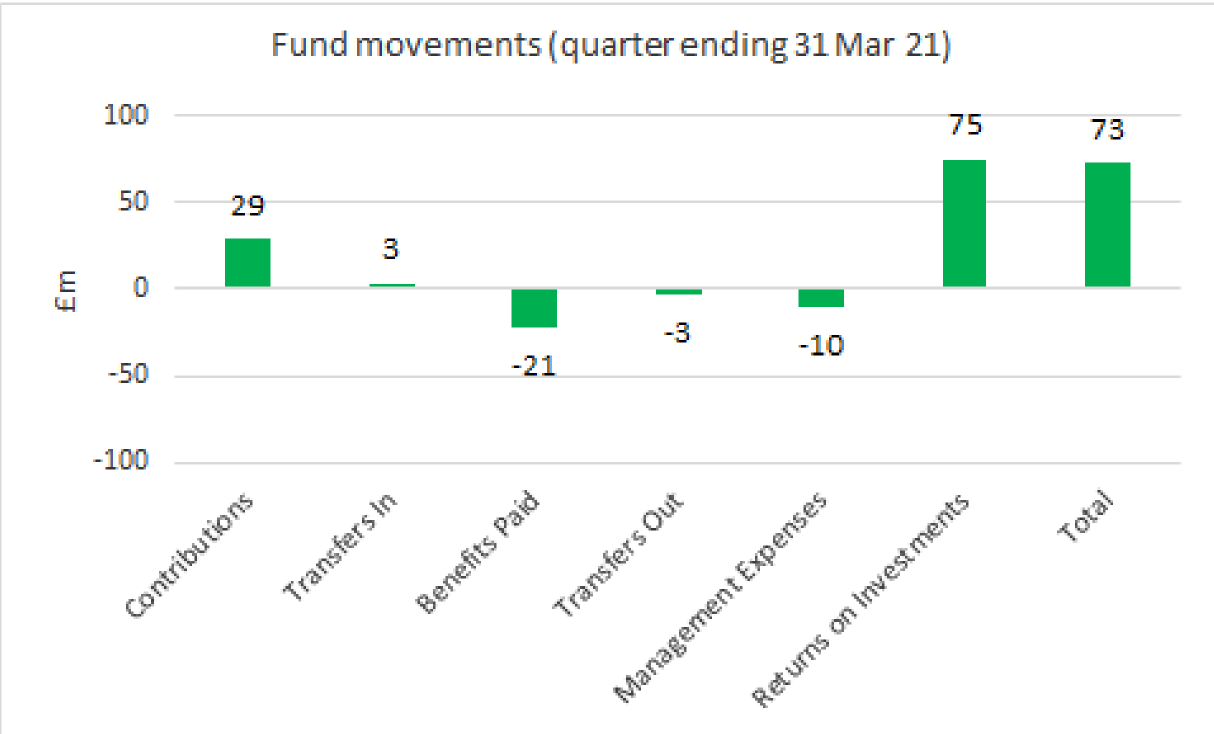
That the Pension Fund Investment Sub-Committee (PFISC) notes and comments on this report.

1 Executive Summary

1.1 This report provides a general update on investment related activity, and is complimentary to the investment and funding performance report elsewhere on the agenda which is focused particularly on asset allocation compared to target, and the performance of fund managers. The standalone funding report also provides additional detail on how the Fund is performing with respect to its liabilities.

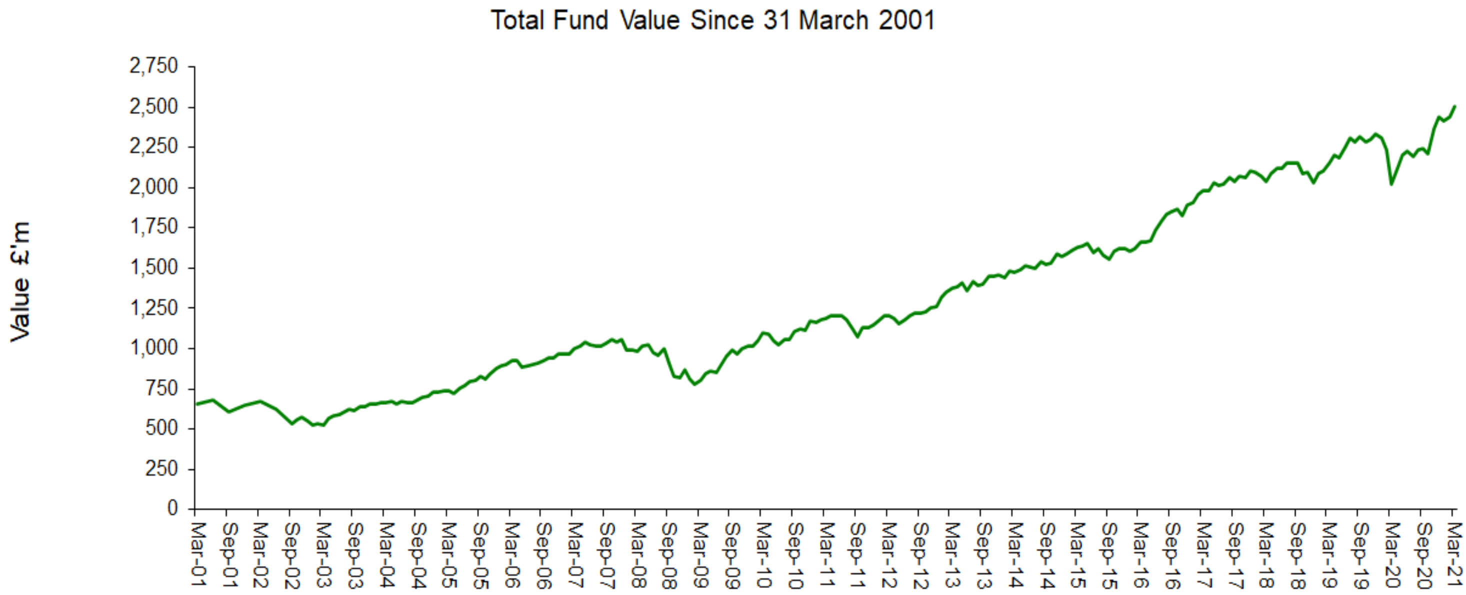
2. Fund Update

2.1 The total value of the Fund's assets increased by 2.8% over the quarter ending 31 March 2021.



2.2 This increase was driven by equity gains. The chart above summarises the main cash flow changes.

2.3 The value of the Fund stood at £2.50bn (its highest absolute value since inception) as shown in the long-term chart below.



2.4 More detailed analysis of investment performance and a summary of the overall funding level are set out in a separate report in the meeting agenda.

3 Long Term Performance

3.1 Appendix 1 shows performance since inception vs target for all funds currently invested in. This is helps to provide a long-term view.

4 Portfolio Commentary

Alternatives

4.1 A key issue for the Fund remains building up investments in alternatives, this continues to occur and the current overall picture for alternatives allocations is that 44.5% of the total amount committed has been called by investment managers to date. Appendix 2 illustrates the breakdown of this between the different funds.

Alternatives	Amount invested by fund managers (£m)	Amount still to be called (£m)	Total
£'m	292	364	656
% of Total	44.5%	55.5%	100%

Cash

4.2 Cash balances as at the end of March were £59.8m. £42.4m is held in the custodian investment account (Blackrock – this account is used to meet capital calls and take investment distributions), and £17.4m is held in the Fund's operating account (Lloyds - to manage transactions such as receiving employer contributions and paying member benefits). The total balance remains high (2.4% of the Fund) due to the intention to protect the Fund from the risk of having to sell assets under distress to service cash flow, and in anticipation of the move to the Border to Coast Multi-Asset Credit Fund.

Multi Asset Credit Fund Transfer

4.3 In February, the Fund transferred £61m (2.5% at the time) from the Border to Coast Global Equity Alpha Fund (fully crossed with the Lincolnshire Pension Fund to minimise transaction costs) to the PIMCO Diversified Income Fund.

4.4 The PIMCO Diversified Income Fund is very similar to the core sleeve that will be run by PIMCO in the Border to Coast Multi Asset Credit Fund.

4.5 Once the Border to Coast Multi Asset Credit Fund is ready to launch the intention is to transfer as follows:

Fund	**£m**	**% of Fund**
PIMCO Diversified Income Fund	£60.4	2.4%
JP Morgan Unconstrained Bond Fund	£114.6	4.6%
Additional (source to be confirmed)	£75.5	3.0%
Total MAC transfer	£250.4	10.0%

5 Voting

5.1 The Fund holds actively managed equities through funds within the Border to Coast Pensions Partnership, and passive equities managed through funds held with LGIM. These equities carry voting rights.

5.2 The table below summarises voting activity in the previous quarter in respect of funds held with Border to Coast:

Border to Coast equity funds

Voting direction	Vote count		% of Total	
	UK Alpha	Global Alpha	UK Alpha	Global Alpha
For	379	307	90%	94%
Against	41	19	10%	6%
Other	1	2	0%	1%
Total	421	328	100%	100%

5.3 Border to Coast provide published reports on their website in respect of voting (and engagement) activity, and the link is included here: https://www.bordertocoast.org.uk/our-investments/

5.4 The table below summarises voting activity in the previous quarter in respect of funds held with LGIM:

5.5

LGIM equity funds

Voting direction	Vote count		% of Total	
	UK	Global	UK	Global
For	97	241	66%	33%
Against/ Withhold/ Abstain	50	491	34%	67%
Total	147	732	100%	100%

5.6 LGIM's Investment Stewardship team direct the assets managed on our behalf. Their ESG Impact Report sets out voting (and engagement) activity, and the link is included here: https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/esg-impact-report-q1-2021.pdf

6 Independent Financial Advisers

6.1 Officers are reviewing the specification of the Lot 2 (liabilities focus) contract for a second Independent Financial Adivser with a view to running a new tendering process later this year.

7 UK Stewardship Code

7.1 Fund officers continue to work alongside colleagues from partner funds within the Border to Coast Pension Partnership to collaboratively progress the creation of a template for adoption by partner funds to be able to sign up to the Code. When the final template is ready, each fund may tailor aspects of it as appropriate.

7.2 The first draft of each principle is ready, and it is now with officers to tailor this to their own Fund's requirements.

7.3 The plan remains to have a draft report ready by September 2021.

8 Climate Change

8.1 Signing up to the UK stewardship code will assist in promoting activity and transparency around climate change, and once that priority has been addressed, it is intended for the Fund to look at the requirements relating to the Task Force on Climate Related Financial Disclosures (TCFD).

9 Training

9.1 Due to Council elections, there has been no formal training since January's Climate change scenario testing by Hymans.

9.2 In addition to the identification of appropriate training, it is important to ensure that all training is logged and recorded. This assists with ensuring that training is not duplicated and is also necessary in order to provide evidence in submissions to fund managers when the Fund opts up to investor status. The Fund has created 'logs' which can be used by each member (either PFISC or Local Pension Board) to maintain their records.

10 Employer Engagement

10.1 The Pension Fund asked employers at the 29th April Employer Engagement Day for their views on some aspects of Responsible Investment and Climate Risk. The results of these polls are attached as Appendix 3.

10.2 11 out of 56 attendees at the Employer Engagement Day responded to polling questions. This reflects relatively low engagement from employers including with respect to climate risk and responsible investment. However, this was the first instance of gathering views, and we hope to identify further methods of engagement over time.

10.3 Those that did respond prioritised high funding levels with relatively low downside worst case scenarios. Respondents were broadly comfortable with changes (increases) to in contribution values that this approach would entail.

10.4 There was also some importance placed on climate change and social impact, alongside the 5-year investment return.

11 Financial Implications

11.1 Further detailed information about the financial implications of the last quarter's investment performance is detailed in a report elsewhere on the agenda entitled "Investment and Fund Performance".

12 Environmental Implications

12.1 Climate risk is a key issue facing the Fund in the longer term. This has been a feature of recent training and a set of actions which are being converted into a plan for 2021/22.

13 Supporting Information

13.1 None.

14 Timescales Associated with Next Steps

14.1 None.

Appendices

- Appendix 1 – Performance since inception
- Appendix 2 – Alternatives Funds Commitments
- Appendix 3 – Poll results

Background Papers

None

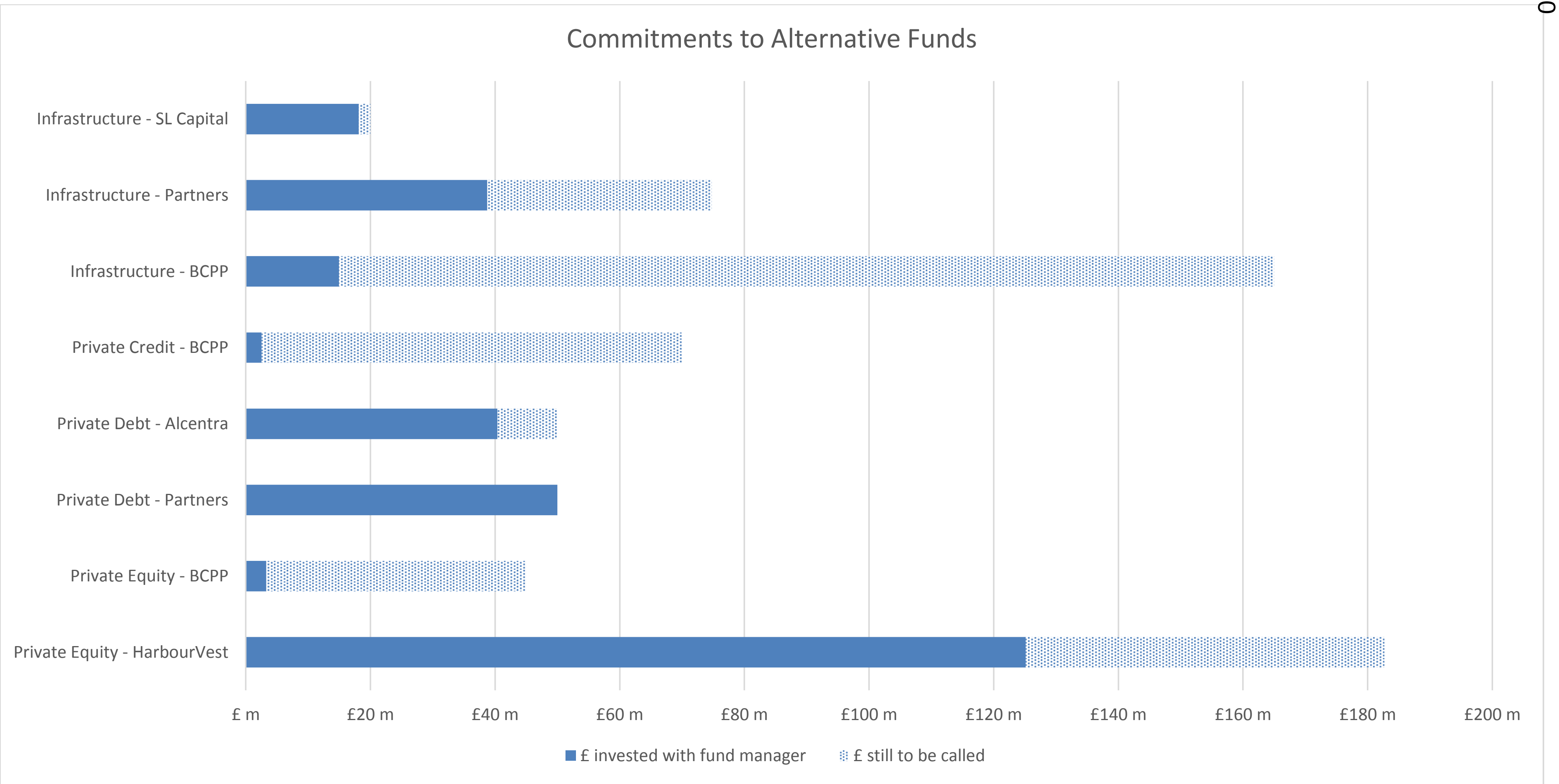
	Name	**Contact Information**
Report Author	Chris Norton, Victoria Moffett	chrisnorton@warwickshire.gov.uk, Victoriamoffett@warwickshire.gov.uk
Assistant Director	Andy Felton	andrewfelton@warwickshire.gov.uk
Lead Director	Rob Powell	robpowell@warwickshire.gov.uk
Lead Member	Peter Butlin	cllrbutlin@warwickshire.gov.uk

The report was circulated to the following members prior to publication:
Local Member(s): None
Other members: Horner and Gifford

Appendix 1

Structure	Inception to 31/3/21	Inception Date
Alcentra	9.52	01-Nov-18
Alcentra BM	5	01-Nov-18
BCPP UK EQ RK	6.92	01-Dec-18
BCPP UK EQUITY BENCHMARK	3.69	01-Dec-18
BCPP UK EQUITY + 2%	5.77	01-Dec-18
Harbour Vest	11.03	01-Apr-11
Harbour Vest Benchmark	12.16	01-Apr-11
JP Morgan	2.85	01-Feb-13
JP Morgan Benchmark	0.46	01-Feb-13
JP Morgan Benchmark + 3%		01-Feb-13
LGIM Bond	6.41	01-Nov-08
LGIM Bonds	6	01-Nov-08
LGIM Equity	10.79	01-Nov-08
LGIM Equity BM	10.82	01-Nov-08
Partners Group	7.31	01-Jan-16
Partners Group BM	7	01-Jan-16
Partners Group II	4.35	01-Apr-18
Partners Group II BM	5	01-Apr-18
Schroders Property	2.75	01-Apr-07
Schroders Property BM	2.72	01-Apr-07
SL Capital	7.21	01-Jun-15
SL Capital	7.01	01-Jun-15
Threadneedle Property	3.99	01-Apr-07
Threadneedle Property BM	3.45	01-Apr-07
WARKS - PIMCO DIF	-1.01	01-Mar-21
WARKS-BCPP GE	12.45	01-Oct-19
BCPP GE Benchmark	11.86	01-Oct-19
BCPP GE + 2%	13.8	01-Oct-19
WARKS-BCPP IG CR	2.27	01-Feb-20
BCPP IG CR Benchmark	0.54	01-Feb-20
WARKS-BCPP INFRA	-16.38	01-Oct-19
BCPP INFRA Benchmark	7	01-Oct-19
WARKS-BCPP PE	2.94	01-Jul-19
BCPP PE Benchmark	12.81	01-Jul-19
WARKS-BCPP PR CR	-2.82	01-May-20
BCPP PR CR Benchmark	4.57	01-May-20

Alternatives Funds Commitments **Appendix 2**



Note that this chart only shows the extent to which capital has been invested, it does not show the planned investment profile and therefore is not an indicator of the performance of fund managers in getting capital invested.

Poll Type	Poll Question	Poll Option	Count
Multiple choice (Single answer)	What is your favoured probability of the Fund having sufficient monies to pay members' benefits?	50%	0
		67%	1
		75%	1
		85%	2
		100%	6
Multiple choice (Single answer)	To what extent do you value smooth contributions? (range of increases or decreases is limited to this value at each triennial review)	Greatly (+/- 0.75%)	3
		Moderately (+/- 2%)	5
		Somewhat (+/- 5%)	2
		Not at all (could be more than +/- 5% change)	0
Multiple choice (Single answer)	What worst case scenario is acceptable? (as measured by the likelihood of a fall in the funding level of more than x% in the next 3 years)	25% (highest volatility)	1
		15% funding level	4
		5% (lowest volatility)	4
Multiple choice (Single answer)	What is your preferred method of repairing any future emerging funding deficits?	Pay a one-off lump sum, no change to the investment strategy	1
		Increased regular contributions, no change to the investment strategy	2
		Increased investment risk, no change to current contributions but accept higher likelihood of future increases	1
		Mixture of additional contributions and increased investment risk	6
Multiple choice (Multiple answer)	Should the Fund have any preferences for regional investments, in addition to targeting investment returns? (multiple choices allowed)	Inclusion of Warwickshire-based investments	2
		UK	3
		None	4
Ranking	Rank the following in order of importance for you when considering investments	Investment return over 5-year horizon	10
		Investment risk over 5-year horizon	10
		Climate change impact	10
		Social impact	10
		Liquidity	9
Multiple choice (Multiple answer)	Under what circumstances would you be willing to pay active management fees?” (multiple choices allowed)	Yes, if only way of accessing asset class	3
		Yes, if strong record of outperformance	7
		Yes, if provides diversification	3
		Neutral	2
		None	0
Ranking	What reasons for holding cash seem reasonable to you?	Awaiting alternatives managers finding opportunities	3
		Store before making an investment	2
		Additional cash buffer for benefit payments	5
		Don't, hold liquid assets other than cash	5
Ranking	Where would you like the Pension Fund to sit in relation to Responsible Investments	Core (meet current regulation and engage with investment managers on RI matters)	5
		Active (Core + taking additional proactive decisions around analysis and reporting, as well as supporting broader industry initiatives)	10
		Leader (Active + stand out from the crowd by integrating RI across all investment decisions and actively engaging with investee companies and other investors)	5

This page is intentionally left blank

Pension Fund Investment Sub-Committee

Funding Strategy Statement

14 June 2021

Recommendation(s)

1. The Pension Fund Investment Sub-committee notes and comments on the report.

1. Executive Summary

1.1 Following an amendment to the Local Government Pension Scheme Regulations, a review was undertaken of the Funding Strategy Statement and subsequent amendments are recommended which will provide additional flexibilities to manage the financial impact of certain pension fund issues on employers such as flexibilities in the making of exit payments and the facility to amend contribution in between valuations.

1.2 The new flexibilities become options for employers, but the Fund retains discretion over their use in any given case and the Fund will consider the risks and benefits in determining their use on a case by case basis.

2. Financial Implications

2.1 The review of employer contributions allows the Fund to manage and mitigate risk for an employer which has experienced a significant change to their liabilities or covenant. Whilst the spreading of exit payments and deferred debt arrangements for exiting employers enables the Fund and the employer to manage a cessation payment.

3. Environmental Implications

3.1 None.

4. Supporting Information

4.1 The Funding Strategy Statement has been amended to reflect changes to the Local Government Pension Scheme Regulations. Briefly, these amendments (highlighted in yellow in Appendix 1, note j; pages 17, 18, 19 and 20) are:

- The amended regulations enable the administering authority to enter into a deferred debt arrangement with an employer that is leaving the Pension Fund.
- The amended regulations enable an administering authority to spread payment of an exit credit for an employer leaving the Pension Fund. This may be of use where the administering authority does not consider that

granting deferred employer status is in the interests of the Fund or other Scheme Employers.

4.2 The ability for an employer to apply to the administering authority for a review of the contribution rate part way through the valuation cycle is also permitted by the amending regulations to cover the following situations: (highlighted in Appendix 1, note f; pages 14 and 15)

- Where it appears likely to the administering authority that the Scheme Employer's liabilities have changed significantly since the previous valuation,
- Where it appears likely to the administering authority that there has been a significant change in a Scheme Employer's ability to meet their statutory obligations (e.g. payment of employer contributions), or
- Where a Scheme Employer has requested a review and undertaken to meet the costs of that review.

4.3 There is no requirement on an administering authority to use any of the new powers. The amendment regulations require that an authority may do so only where is has set out its policy in its Funding Strategy Statement. This is to ensure transparency.

4.4 A review of policies impacted by the amendment to the regulations is underway.

4.5 The revised Funding Strategy Statement has been commented upon by Hymans Robertson, the Fund's actuary, the Local Pension Board and has been circulated to all Scheme Employers as part of the consultation process.

5. Timescales associated with the decision and next steps

5.1 Subject to approval, following this meeting the Funding Strategy Statement will be adopted and uploaded to the Pension Fund's website.

Appendices

1. Appendix 1 The Funding Strategy Statement (amended June 2021).

Background Papers

1. Background paper 1 None

	Name	Contact Information
Report Author	Neil Buxton	neilbuxton@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):
Other members:

This page is intentionally left blank

HYMANS ROBERTSON

Warwickshire Pension Fund

Funding Strategy Statement

June 2021

PUBLIC SECTOR

Contents

1 Introduction

1.1 What is this document?

This is the Funding Strategy Statement (FSS) of the Warwickshire Pension Fund ("the Fund"), which is administered by Warwickshire County Council, ("the Administering Authority").

It has been prepared by the Administering Authority in collaboration with the Fund's actuary, Hymans Robertson LLP, and after consultation with the Fund's employers and investment adviser. It is effective from 14 June 2021. This FSS superseded the FSS that had been in place since June 2020..

1.2 What is the Warwickshire Pension Fund?

The Fund is part of the national Local Government Pension Scheme (LGPS). The LGPS was set up by the UK Government to provide retirement and death benefits for local government employees, and those employed in similar or related bodies, across the whole of the UK. The Administering Authority runs the Fund, in effect the LGPS for the Warwickshire area, to make sure it:

- receives the proper amount of contributions from employees and employers, and any transfer payments;
- invests the contributions appropriately, with the aim that the Fund's assets grow over time with investment income and capital growth; and
- uses the assets to pay Fund benefits to the members (as and when they retire, for the rest of their lives), and to their dependants (as and when members die), as defined in the LGPS Regulations. Assets are also used to pay transfer values and administration costs.

The roles and responsibilities of the key parties involved in the management of the Fund are summarised in Appendix B.

1.3 Why does the Fund need a Funding Strategy Statement?

Employees' benefits are guaranteed by the LGPS Regulations, and do not change with market values or employer contributions. Investment returns will help pay for some of the benefits, but probably not all, and certainly with no guarantee. Employees' contributions are fixed in those Regulations also, at a level which covers only part of the cost of the benefits.

Therefore, employers need to pay the balance of the cost of delivering the benefits to members and their dependants.

The FSS focuses on how employer liabilities are measured, the pace at which these liabilities are funded, and how employers or pools of employers pay for their own liabilities. This statement sets out how the Administering Authority has balanced the conflicting aims of:

- affordability of employer contributions,
- transparency of processes,
- stability of employers' contributions, and
- prudence in the funding basis.

There are also regulatory requirements for an FSS, as given in Appendix A.

The FSS is a summary of the Fund's approach to funding its liabilities, and this includes reference to the Fund's other policies; it is not an exhaustive statement of policy on all issues. The FSS forms part of a framework which includes:

- the LGPS Regulations;
- the Rates and Adjustments Certificate (confirming employer contribution rates for the next three years) which can be found in an appendix to the formal valuation report;
- the Fund's policies on admissions, cessations and bulk transfers;
- actuarial factors for valuing individual transfers, early retirement costs and the costs of buying added service; and
- the Fund's Investment Strategy Statement (see Section 4)

1.4 How does the Fund and this FSS affect me?

This depends on who you are:

- a member of the Fund, i.e. a current or former employee, or a dependant: the Fund needs to be sure it is collecting and holding enough money so that your benefits are always paid in full;
- an employer in the Fund (or which is considering joining the Fund): you will want to know how your contributions are calculated from time to time, that these are fair by comparison to other employers in the Fund, in what circumstances you might need to pay more and what happens if you cease to be an employer in the Fund. Note that the FSS applies to all employers participating in the Fund;
- an Elected Member whose council participates in the Fund: you will want to be sure that the council balances the need to hold prudent reserves for members' retirement and death benefits, with the other competing demands for council money;
- a Council Tax payer: your council seeks to strike the balance above, and also to minimise cross-subsidies between different generations of taxpayers.

1.5 What does the FSS aim to do?

The FSS sets out the objectives of the Fund's funding strategy, such as:

- to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (**NB** this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

1.6 How do I find my way around this document?

In Section 2 there is a brief introduction to some of the main principles behind funding, i.e. deciding how much an employer should contribute to the Fund from time to time.

In Section 3 we outline how the Fund calculates the contributions payable by different employers in different situations.

In Section 4 we show how the funding strategy is linked with the Fund's investment strategy.

In the Appendices we cover various issues in more detail if you are interested:

A. the regulatory background, including how and when the FSS is reviewed,

B. who is responsible for what,

C. what issues the Fund needs to monitor, and how it manages its risks,

D. some more details about the actuarial calculations required,

E. the assumptions which the Fund actuary currently makes about the future,

F. a glossary explaining the technical terms occasionally used here.

If you have any queries please contact Neil Buxton in the first instance at wpfinvestments@warwickshire.gov.uk

2 Basic Funding issues

(More detailed and extensive descriptions are given in Appendix D).

2.1 How does the actuary calculate the required contribution rate?

In essence this is a three-step process:

1. Calculate the funding target for that employer, i.e. the estimated amount of assets it should hold in order to be able to pay all its members' benefits. See Appendix E for more details of what assumptions we make to determine that funding target;

2. Determine the time horizon over which the employer should aim to achieve that funding target. See the table in 3.3 and Note (c) for more details;

3. Calculate the employer contribution rate such that it has at least a given likelihood of achieving that funding target over that time horizon, allowing for various possible economic outcomes over that time horizon. See 2.3 below, and the table in 3.3 Note (e) for more details.

2.2 What is each employer's contribution rate?

This is described in more detail in Appendix D. Employer contributions are normally made up of two elements:

a) the estimated cost of benefits being built up each year, after deducting the members' own contributions and including an allowance for administration expenses. This is referred to as the "*Primary rate*", and is expressed as a percentage of members' pensionable pay; plus

b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "*Secondary rate*". In broad terms, payment of the Secondary rate is in respect of benefits already accrued at the valuation date. The Secondary rate may be expressed as a percentage of pay and/or a monetary amount in each year.

The rates for all employers are shown in the Fund's Rates and Adjustments Certificate, which forms part of the formal Actuarial Valuation Report. Employers' contributions are expressed as minima, with employers able to pay contributions at a higher rate. Account of any higher rate will be taken by the Fund actuary at subsequent valuations, i.e. will be reflected as a credit when next calculating the employer's contributions.

2.3 What different types of employer participate in the Fund?

Historically the LGPS was intended for local authority employees only. However over the years, with the diversification and changes to delivery of local services, many more types and numbers of employers now participate. There are currently more employers in the Fund than ever before, a significant part of this being due to new academies.

In essence, participation in the LGPS is open to public sector employers providing some form of service to the local community. Whilst the majority of members will be local authority employees (and ex-employees), the majority of participating employers are those providing services in place of (or alongside) local authority services: academy schools, contractors, housing associations, charities, etc.

The LGPS Regulations define various types of employer as follows:

Scheduled bodies - councils, and other specified employers such as academies and further education establishments. These must provide access to the LGPS in respect of their employees who are not eligible to join another public sector scheme (such as the Teachers Scheme). These employers are so-called because they are specified in a schedule to the LGPS Regulations.

It is now possible for Local Education Authority schools to convert to academy status, and for other forms of school (such as Free Schools) to be established under the academies legislation. All such **academies (or Multi Academy Trusts)**, as employers of non-teaching staff, become separate new employers in the Fund. As academies are defined in the LGPS Regulations as "Scheduled Bodies", the Administering Authority has no discretion over whether to admit them to the Fund, and the academy has no discretion whether to continue to allow its non-teaching staff to join the Fund. There has also been guidance issued by the MHCLG regarding the terms of academies' membership in LGPS Funds.

Designating employers - employers such as town and parish councils are able to participate in the LGPS via resolution (and the Fund cannot refuse them entry where the resolution is passed). These employers can designate which of their employees are eligible to join the scheme.

Other employers are able to participate in the Fund via an admission agreement, and are referred to as 'admission bodies'. These employers are generally those with a "community of interest" with another scheme employer – **community admission bodies** ("CAB") or those providing a service on behalf of a scheme employer – **transferee admission bodies** ("TAB"). CABs will include housing associations and charities, TABs will generally be contractors. The Fund is able to set its criteria for participation by these employers and can refuse entry if the requirements as set out in the Fund's admissions policy are not met. (NB The terminology CAB and TAB has been dropped from recent LGPS Regulations, which instead combine both under the single term 'admission bodies'; however, we have retained the old terminology here as we consider it to be helpful in setting funding strategies for these different employers).

2.4 How does the calculated contribution rate vary for different employers?

All three steps above are considered when setting contributions (more details are given in Section 3 and Appendix D).

1. The **funding target** is based on a set of assumptions about the future, (e.g. investment returns, inflation, pensioners' life expectancies). If an employer is approaching the end of its participation in the Fund then its funding target may be set on a more prudent basis, so that its liabilities are less likely to be spread among other employers after its cessation;

2. The **time horizon** required is the period over which the funding target is achieved. A shorter period will lead to higher contributions, and vice versa (all other things being equal). Employers may be given a lower time horizon if they have a less permanent anticipated membership, or do not have tax-raising powers to increase contributions if investment returns under-perform; and

3. The **likelihood of achieving** the funding target over that time horizon will be dependent on the Fund's view of the strength of employer covenant and its funding profile. Where an employer is considered to be weaker then the required likelihood will be set higher, which in turn will increase the required contributions (and vice versa).

For some employers it may be agreed to pool contributions, see 3.4.

Any costs of non ill-health early retirements must be paid by the employer, see 3.6.

Costs of ill-health early retirements are covered in 3.7 and 3.8.

.

2.5 How is a funding level calculated?

An employer's "funding level" is defined as the ratio of:

- the market value of the employer's share of assets (see Appendix D, section D5, for further details of how this is calculated), to
- the value placed by the actuary on the benefits built up to date for the employer's employees and ex-employees (the "liabilities"). The Fund actuary agrees with the Administering Authority the assumptions to be used in calculating this value.

If this is less than 100% then it means the employer has a shortfall, which is the employer's "deficit"; if it is more than 100% then the employer is said to be in "surplus". The amount of deficit or shortfall is the difference between the asset value and the liabilities value.

It is important to note that the funding level and deficit/surplus are only measurements at a particular point in time, on a particular set of assumptions about the future. Whilst we recognise that various parties will take an interest in these measures, for most employers the key issue is how likely it is that their contributions will be sufficient to pay for their members' benefits (when added to their existing asset share and anticipated investment returns).

In short, funding levels and deficits are short term measures, whereas contribution-setting is a longer term issue.

2.6 How does the Fund recognise that contribution levels can affect council and employer service provision, and council tax?

The Administering Authority and the Fund actuary are acutely aware that, all other things being equal, a higher contribution required to be paid to the Fund will mean less cash available for the employer to spend on the provision of services. For instance:

- Higher Pension Fund contributions may result in reduced council spending, which in turn could affect the resources available for council services, and/or greater pressure on council tax levels;
- Contributions which Academies pay to the Fund will therefore not be available to pay for providing education; and
- Other employers will provide various services to the local community, perhaps through housing associations, charitable work, or contracting council services. If they are required to pay more in pension contributions to the LGPS then this may affect their ability to provide the local services at a reasonable cost.

Whilst all this is true, it should also be borne in mind that:

- The Fund provides invaluable financial security to local families, whether to those who formerly worked in the service of the local community who have now retired, or to their families after their death;
- The Fund must have the assets available to meet these retirement and death benefits, which in turn means that the various employers must each pay their own way. Lower contributions today will mean higher contributions tomorrow: deferring payments does not alter the employer's ultimate obligation to the Fund in respect of its current and former employees;
- Each employer will generally only pay for its own employees and ex-employees (and their dependants), not for those of other employers in the Fund;

- The Fund strives to maintain reasonably stable employer contribution rates where appropriate and possible. However, a recent shift in regulatory focus means that solvency within each generation is considered by the Government to be a higher priority than stability of contribution rates;
- The Fund wishes to avoid the situation where an employer falls so far behind in managing its funding shortfall that its deficit becomes unmanageable in practice: such a situation may lead to employer insolvency and the resulting deficit falling on the other Fund employers. In that situation, those employers' services would in turn suffer as a result;
- Council contributions to the Fund should be at a suitable level, to protect the interests of different generations of council tax payers. For instance, underpayment of contributions for some years will need to be balanced by overpayment in other years; the council will wish to minimise the extent to which council tax payers in one period are in effect benefitting at the expense of those paying in a different period.

Overall, therefore, there is clearly a balance to be struck between the Fund's need for maintaining prudent funding levels, and the employers' need to allocate their resources appropriately. The Fund achieves this through various techniques which affect contribution increases to various degrees (see 3.1). In deciding which of these techniques to apply to any given employer, the Fund will make a risk based judgement of the employer. This judgement will have regard to the type of employer, its membership profile and funding position, any guarantors or other security provision, material changes anticipated, etc. This helps the Fund to establish a picture of the financial standing of the employer, i.e. its ability to meet its long term Fund commitments.

For instance, where the Administering Authority has reasonable confidence that an employer will be able to meet its funding commitments, then the Fund will permit options such as stabilisation (see 3.3 Note (b)), a longer time horizon relative to other employers, and/or a lower likelihood of achieving their funding target. Such options will temporarily produce lower contribution levels than would otherwise have applied. This is permitted in the expectation that the employer will still be able to meet its obligations for many years to come.

On the other hand, where there is doubt that an employer will be able to meet its funding commitments or withstand a significant change in its commitments, then a higher funding target, and/or a shorter time horizon relative to other employers, and/or a higher likelihood of achieving the target may be required.

The Fund actively seeks employer input, including to its funding arrangements, through various means: see Appendix A.

2.7 What approach has the Fund taken to dealing with uncertainty arising from the McCloud court case and its potential impact on the LGPS benefit structure?

The LGPS benefit structure from 1 April 2014 is currently under review following the Government's loss of the right to appeal the McCloud and other similar court cases. The courts have ruled that the 'transitional protections' awarded to some members of public service pension schemes when the schemes were reformed (on 1 April 2014 in the case of the LGPS) were unlawful on the grounds of age discrimination. At the time of writing, the Ministry of Housing, Communities and Local Government (MHCLG) has not provided any details of changes as a result of the case. However it is expected that benefits changes will be required and they will likely increase the value of liabilities. At present, the scale and nature of any increase in liabilities are unknown, which limits the ability of the Fund to make an accurate allowance.

The LGPS Scheme Advisory Board (SAB) issued advice to LGPS funds in May 2019. As there was no finalised outcome of the McCloud case by 31 August 2019, the Fund Actuary has acted in line with SAB's advice and valued all member benefits in line with the current LGPS Regulations.

The Fund, in line with the advice in the SAB's note, has considered how to allow for this risk in the setting of employer contribution rates. The Fund has increased the prudence in employer funding plans by increasing the likelihood of success for all employers.

Once the outcome of the McCloud case is known, the Fund may revisit the contribution rates set to ensure they remain appropriate.

The Fund has also considered the McCloud judgement in its approach to cessation valuations. Please see note (j) to table 3.3 for further information.

2.8 When will the next actuarial valuation be?

On 8 May 2019 MHCLG issued a consultation seeking views on (among other things) proposals to amend the LGPS valuation cycle in England and Wales from a three year (triennial) valuation cycle to a four year (quadrennial) valuation cycle.

On 7 October 2019 MHCLG confirmed the next LGPS valuation cycle in England and Wales will be 31 March 2022, regardless of the ongoing consultation. The Fund therefore instructed the Fund Actuary to certify contribution rates for employers for the period 1 April 2020 to 31 March 2023 as part of the 2019 valuation of the Fund.

3 Calculating contributions for individual Employers

3.1 General comments

A key challenge for the Administering Authority is to balance the need for stable, affordable employer contributions with the requirement to take a prudent, longer-term view of funding and ensure the solvency of the Fund. With this in mind, the Fund's three-step process identifies the key issues:

1. What is a suitably (but not overly) prudent funding target?
2. How long should the employer be permitted to reach that target? This should be realistic but not so long that the funding target is in danger of never actually being achieved.
3. What likelihood is required to reach that funding target? This will always be less than 100% as we cannot be certain of the future . Higher likelihood "bars" can be used for employers where the Fund wishes to reduce the risk that the employer ceases leaving a deficit to be picked up by other employers.

These and associated issues are covered in this Section.

The Administering Authority recognises that there may occasionally be particular circumstances affecting individual employers that are not easily managed within the rules and policies set out in the Funding Strategy Statement. Therefore the Administering Authority reserves the right to direct the actuary to adopt alternative funding approaches on a case by case basis for specific employers.

3.2 The effect of paying lower contributions

In limited circumstances the Administering Authority may permit employers to pay contributions at a lower level than is assessed for the employer using the three step process above. At their absolute discretion the Administering Authority may:

- extend the time horizon for targeting full funding;
- adjust the required likelihood of meeting the funding target;
- permit an employer to participate in the Fund's stabilisation mechanisms;
- permit extended phasing in of contribution rises or reductions;
- pool contributions amongst employers with similar characteristics; and/or
- accept some form of security or guarantee in lieu of a higher contribution rate than would otherwise be the case.

Employers which are permitted to use one or more of the above methods will often be paying, for a time, contributions less than required to meet their funding target, over the appropriate time horizon with the required likelihood of success. Such employers should appreciate that:

- their true long term liability (i.e. the actual eventual cost of benefits payable to their employees and ex-employees) is not affected by the pace of paying contributions;
- lower contributions in the short term will result in a lower level of future investment returns on the employer's asset share. Thus, deferring a certain amount of contribution may lead to higher contributions in the long-term; and
- it may take longer to reach their funding target, all other things being equal.

Overleaf (3.3) is a summary of how the main funding policies differ for different types of employer, followed by more detailed notes where necessary.

Section 3.4 onwards deals with various other funding issues which apply to all employers.

3.3 The different approaches used for different employers

Type of employer	Scheduled Bodies			Community Admission Bodies and Designating Employers		Transferee Admission Bodies*
Sub-type	**Local Authorities and Police**	**Colleges and other FE establishments**	**Academies**	**Open to new entrants**	**Closed to new entrants**	**(all)**
Funding Target Basis used	Ongoing participation basis, assumes long-term Fund participation (see Appendix E)			Ongoing participation basis, but may move to "gilts exit basis" - see Note (a)		Contractor exit basis, assumes fixed contract term in the Fund (see Appendix E)
Primary rate approach	(see Appendix D – D.2)					
Stabilised contribution rate?	Yes - see Note (b)	No	No	No	No	No
Maximum time horizon – Note (c)	19 years	19 years	19 years	19 years	Future Working Lifetime, subject to 19 years maximum	Outstanding contract term
Secondary rate – Note (d)	Monetary	Monetary	% of payroll	Monetary	Monetary	Monetary
Treatment of surplus	Covered by stabilisation arrangement	Preferred approach: contributions kept at Primary rate. Reductions may be permitted by the Admin. Authority				Reduce contributions by spreading the surplus over the remaining contract term
Likelihood of achieving target – Note (e)	70%	80%	70%	80%	80%	70%
Phasing of contribution changes	Covered by stabilisation arrangement	None	None	None	None	None
Review of rates – Note (f)	Administering Authority reserves the right to review contribution rates and amounts, and the level of security provided, at regular intervals between valuations					Particularly reviewed in last 3 years of contract
New employer	n/a	n/a	Note (g)	Note (h)		Notes (h) & (i)
Cessation of participation: exit debt/credit payable	Cessation is assumed not to occur, as Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (machinery of Government changes for example), the cessation debt principles applied would be as per Note (j).			Can be ceased subject to terms of admission agreement. Exit debt/credit will be calculated on a basis appropriate to the circumstances of cessation – see Note (j).		Participation is assumed to expire at the end of the contract. Exit debt/surplus calculated on the contractor exit basis. Letting employer will be liable for future deficits and contributions arising. See Note (j) for further details.

* Where the Administering Authority recognises a fixed contribution rate agreement between a letting authority and a contractor, the certified employer contribution rate will be derived in line with the methodology specified in the risk sharing agreement. Additionally, in these cases, upon cessation the contractor's assets and liabilities will transfer back to the letting employer with no crystallisation of any deficit or surplus. Further detail on fixed contribution rate agreements is set out in note (i).

Note (a) (Gilts exit basis for CABs and Designating Employers closed to new entrants)

In the circumstances where:

- the employer is a Designating Employer, or an Admission Body but not a Transferee Admission Body, and
- the employer has no guarantor, and
- the admission agreement is likely to terminate, or the employer is likely to lose its last active member, within a timeframe considered appropriate by the Administering Authority to prompt a change in funding,

the Administering Authority may set a higher funding target (e.g. based on the return from long-term gilt yields) by the time the agreement terminates or the last active member leaves, in order to protect other employers in the Fund. This policy will increase regular contributions and reduce, but not entirely eliminate, the possibility of a final deficit payment being required from the employer when a cessation valuation is carried out.

The Administering Authority also reserves the right to adopt the above approach in respect of those Designating Employers and Admission Bodies with no guarantor, where the strength of covenant is considered to be weak but there is no immediate expectation that the admission agreement will cease or the Designating Employer alters its designation.

Note (b) (Stabilisation)

Stabilisation is a mechanism where employer contribution rate variations from year to year are kept within a pre-determined range, thus allowing those employers' rates to be relatively stable. In the interests of stability and affordability of employer contributions, the Administering Authority, on the advice of the Fund Actuary, believes that stabilising contributions can still be viewed as a prudent longer-term approach. However, employers whose contribution rates have been "stabilised" (and may therefore be paying less than their theoretical contribution rate) should be aware of the risks of this approach and should consider making additional payments to the Fund if possible.

This stabilisation mechanism allows short term investment market volatility to be managed so as not to cause volatility in employer contribution rates, on the basis that a long term view can be taken on net cash inflow, investment returns and strength of employer covenant.

The current stabilisation mechanism applies if:

- the employer satisfies the eligibility criteria set by the Administering Authority (see below) and;
- there are no material events which cause the employer to become ineligible, e.g. significant reductions in active membership (due to outsourcing or redundancies), or changes in the nature of the employer (perhaps due to Government restructuring), or changes in the security of the employer.

On the basis of extensive modelling carried out for the 2019 valuation exercise (see Section 4), the stabilised details are as follows:

Type of employer	"Standard" Council	"Mature" Council
Max cont increase	+0.75% of pay p.a.	+2.0% of pay p.a.
Max cont decrease	-0.75% of pay p.a.	-1.0% of pay p.a.

The stabilisation criteria and limits will be reviewed at the next formal valuation. However the Administering Authority reserves the right to review the stabilisation criteria and limits at any time before then, on the basis of membership and/or employer changes as described above.

The Administering Authority may review an employer's eligibility for stabilisation at any time in the event of significant changes in the employer's membership (due for example to redundancies or outsourcing) or if there is a significant change in the Administering Authority's assessment of an employer's security.

Note (c) (Maximum time horizon)

The maximum time horizon starts at the commencement of the revised contribution rate (1 April 2020 for the 2019 valuation). The Administering Authority would normally expect the same period to be used at successive triennial valuations, but would reserve the right to propose alternative time horizons, for example where there were no new entrants.

Note (d) (Secondary rate)

The Secondary contribution for each employer covering the three year period until the next valuation will be collected as a monetary amount except for Academy Schools where it will be set as a percentage of pay.

Note (e) (Likelihood of achieving funding target)

Each employer has its funding target calculated, and a relevant time horizon over which to reach that target. Contributions are set such that, combined with the employer's current asset share and anticipated market movements over the time horizon, the funding target is achieved with a given minimum likelihood. A higher required likelihood bar will give rise to higher required contributions, and vice versa.

The way in which contributions are set using these three steps, and relevant economic projections, is described in further detail in Appendix D.

Different likelihoods are set for different employers depending on their nature and circumstances: in broad terms, a higher likelihood will apply due to one or more of the following:

- the Fund believes the employer poses a greater funding risk than other employers,
- the employer does not have tax-raising powers;
- the employer does not have a guarantor or other sufficient security backing its funding position; and/or
- the employer is likely to cease participation in the Fund in the short or medium term.

The Administering Authority may review an employer's likelihood at any time in the event of significant changes in the Administering Authority's assessment of an employer's security.

Note (f) (Regular Reviews)

Under the Regulations the Fund may amend contribution rates between valuations where there has been "significant change" to the liabilities or covenant of an employer. The Fund would consider the following circumstances as a potential trigger for review:

- in the opinion of the Administering Authority there are circumstances which make it likely that an employer (including an admission body) will become an exiting employer sooner than anticipated at the last valuation;
- an employer is approaching exit from the scheme within the next two years and before completion of the next valuation;

- an employer agrees to pay increased contributions to meet the cost of an award of additional pension, under Regulation 31(3) of the Regulations;
- there are changes to the benefit structure set out in the LGPS Regulations including the outcomes of the McCloud case and cost sharing mechanisms (if permitted in Regulation at that time) which have not been allowed for at the last valuation;
- it appears likely to the Administering Authority that the amount of the liabilities arising or likely to arise for an employer or employers has changed significantly since the last valuation;
- it appears likely to the Administering Authority that there has been a significant change in the ability of an employer or employers to meet their obligations (i.e. a material change in employer covenant);
- it appears to the Administering Authority that the membership of the employer has changed materially due to events such as bulk transfers, significant reductions to payroll or large-scale restructuring; or
- where an employer has failed to pay contributions or has not arranged appropriate security as required by the Administering Authority.

The Administering Authority will also consider a request from any employer to review contributions where the employer has undertaken to meet the costs of that review and sets out the reasoning for the review (which would be expected to fall into one of the above categories, such as a belief that their covenant has changed materially or they are going through a significant restructuring impacting their membership).

Except in circumstances such as an employer nearing cessation, the Administering Authority will not consider market volatility or changes to asset values as a basis for a change in contributions outside a formal valuation.

It should be noted that any review may require increased contributions.

Note (g) (New Academy conversions)

At the time of writing, the Fund's policies on academies' funding issues are as follows:

i. The new academy will be regarded as a separate employer in its own right and will not be pooled with other employers in the Fund. The only exception is where the academy is part of a Multi Academy Trust (MAT) in which case the academy's figures will be calculated as below but can be combined with, for the purpose of setting contribution rates, those of the other academies in the MAT;

ii. The new academy's past service liabilities on conversion will be calculated based on its active Fund members on the day before conversion. For the avoidance of doubt, these liabilities will include all past service of those members, but will exclude the liabilities relating to any ex-employees of the school who have deferred or pensioner status;

iii. The new academy will be allocated an initial asset share from the ceding council's assets in the Fund. This asset share will be calculated using the estimated funding position of the ceding council at the date of academy conversion. The share will be based on the active members' funding level, having first allocated assets in the council's share to fully fund deferred and pensioner members. The assets allocated to the academy will be limited if necessary so that its initial funding level is subject to a maximum of 100%. The asset allocation will be based on market conditions and the academy's active Fund membership on the day prior to conversion;

iv. The new academy's calculated contribution rate will be based on the time horizon and likelihood of achieving funding target outlined for Academies in the table in Section 3.3 above;

v. As an alternative to (iv), the academy will have the option to elect to pay contributions over the period to 31 March 2023 in line with the contribution rates detailed in the table below:

Year	Contribution rate (% of pay)
2020/21	23.2
2021/22	23.2

2022/23	23.2

vi. It is possible for an academy to leave one MAT and join another. If this occurs, all active, deferred and pensioner members of the academy transfer to the new MAT.

The Fund's policies on academies are subject to change in the light of any amendments to MHCLG and/or DfE guidance (or removal of the formal guarantee currently provided to academies by the DfE). Any changes will be notified to academies, and will be reflected in a subsequent version of this FSS. In particular, policies (iii), (iv) and (v) above will be reconsidered at each valuation.

Note (h) (New Admission Bodies)

With effect from 1 October 2012, the LGPS 2012 Miscellaneous Regulations introduced mandatory new requirements for all Admission Bodies brought into the Fund from that date. Under these Regulations, all new Admission Bodies will be required to provide some form of security, such as a guarantee from the letting employer, an indemnity or a bond. The security is required to cover some or all of the following:

- the strain cost of any redundancy early retirements resulting from the premature termination of the contract;
- allowance for the risk of asset underperformance;
- allowance for the risk of a greater than expected rise in liabilities;
- allowance for the possible non-payment of employer and member contributions to the Fund; and/or
- the current deficit.

Transferee Admission Bodies: For all TABs, the security must be to the satisfaction of the Administering Authority as well as the letting employer, and will be reassessed on an annual basis. See also Note (i) below.

Community Admission Bodies: The Administering Authority will only consider requests from CABs (or other similar bodies, such as section 75 NHS partnerships) to join the Fund if they are sponsored by a Scheduled Body with tax raising powers, guaranteeing their liabilities and also providing a form of security as above.

The above approaches reduce the risk, to other employers in the Fund, of potentially having to pick up any shortfall in respect of Admission Bodies ceasing with an unpaid deficit.

Note (i) (New Transferee Admission Bodies)

A new TAB usually joins the Fund as a result of the letting/outsourcing of some services from an existing employer (normally a Scheduled Body such as a council or academy) to another organisation (a "contractor"). This involves the TUPE transfer of some staff from the letting employer to the contractor. Consequently, for the duration of the contract, the contractor is a new participating employer in the Fund so that the transferring employees maintain their eligibility for LGPS membership. At the end of the contract the employees revert to the letting employer or to a replacement contractor.

Ordinarily, the TAB would be set up in the Fund as a new employer with responsibility for all the accrued benefits of the transferring employees; in this case, the contractor would usually be assigned an initial asset allocation equal to the past service liability value of the employees' Fund benefits. The quid pro quo is that the contractor is then expected to ensure that its share of the Fund is also fully funded at the end of the contract: see Note (j).

Employers which "outsource" have flexibility in the way that they can deal with the pension risk potentially taken on by the contractor. In particular there are three different routes that such employers may wish to adopt.

i) Pooling

Under this option the contractor is pooled with the letting employer. In this case, the contractor pays the same rate as the letting employer, which may be under a stabilisation approach.

ii) Letting employer retains pre-contract risks

Under this option the letting employer would retain responsibility for assets and liabilities in respect of service accrued prior to the contract commencement date. The contractor would be responsible for the future liabilities that accrue in respect of transferred staff. The contractor's contribution rate could vary from one valuation to the next. It would be liable for any deficit (or entitled to any surplus) at the end of the contract term in respect of assets and liabilities attributable to service accrued during the contract term.

iii) Fixed contribution rate agreed

Under this option the contractor pays a fixed contribution rate throughout its participation in the Fund and on cessation does not pay any deficit or receive an exit credit. In other words, the pension risks "pass through" to the letting employer.

The Administering Authority's default approach is that a new TAB will participate in the Fund via a fixed contribution rate arrangement with the letting employer. The certified employer contribution rate will be set equal to the fixed contribution rate agreed between the letting authority and the contractor. The fixed rate that will be paid is at the discretion of the letting authority and contractor subject to a minimum of the letting authority's primary rate on the contract start date. Upon cessation the contractor's assets and liabilities will transfer back to the letting authority with no crystallisation of any deficit or surplus.

In order to avoid the Administering Authority becoming involved in any disputes relating to risk sharing and to protect the other participating employers, the Fund will not be party to any risk sharing agreement between any letting employer and a contractor. Accordingly any such arrangements will not be detailed in the admission agreement and the admission body will be required to follow the principles of the agreement as if no such risk sharing was in place. It is at the sole discretion of the Administering Authority as to whether any risk sharing agreement is recognised in the certified employer contribution rate. If the risk arrangement is not recognised, then the letting employer and the contractor will need to put in place separate steps to allow the risk sharing to be implemented (e.g. via the contract payments). Accordingly the contractor will be required to pay the certified employer contribution rate to the Fund and any other contributions required e.g. early retirement strain costs, regardless of the risk sharing arrangement in place.

Any risk sharing agreement should ensure that some element of risk transfers to the contractor where it relates to their decisions and it is unfair to burden the letting employer with that risk. For example the contractor should typically be responsible for pension costs that arise from:

- above average pay increases, including the effect in respect of service prior to contract commencement even if the letting employer takes on responsibility for the latter under (ii) above; and
- redundancy and early retirement decisions.

Note (j) (Admission Bodies Exiting the Fund)

Notwithstanding the provisions of the Admission Agreement, the Administering Authority may consider any of the following as triggers for the cessation of an admission agreement with any type of body:

- Last active member ceasing participation in the Fund (NB recent LGPS Regulation changes mean that the Administering Authority has the discretion to defer taking action for up to three years, so that if the employer acquires one or more active Fund members during that period then cessation is not triggered. The current Fund policy is that this is left as a discretion and may or may not be applied in any given case);
- The insolvency, winding up or liquidation of the Admission Body;
- Any breach by the Admission Body of any of its obligations under the Agreement that they have failed to remedy to the satisfaction of the Fund;
- A failure by the Admission Body to pay any sums due to the Fund within the period required by the Fund;
- The failure by the Admission Body to renew or adjust the level of the bond or indemnity, or to confirm an appropriate alternative guarantor, as required by the Fund; or –
- On termination of a Deferred Debt Arrangement

On cessation, the Administering Authority will instruct the Fund actuary to carry out a cessation valuation to determine whether there is any deficit or surplus. The Administering Authority reserves the right to put in place a Deferred Debt Agreement (as described in Regulation 64 (7A)). This is covered in further detail on page X21 / 22.

Where there is a deficit, payment of this amount in full would normally be sought from the Admission Body. The Fund's normal policy is that this cessation debt is paid in full in a single lump sum within 28 days of the employer being notified. However, in line with the Regulations and when in the best interests of all parties, the Fund may agree for this payment to be spread over an agreed period, however, such agreement would only be permitted at the Fund's discretion, where payment of the debt in a single immediate lump sum could be shown to be materially detrimental to the employer's normal operations. In cases where payment is spread, the Fund reserves the right to require that

1. the ceasing employer provides some form of security (such as a charge over assets, bond indemnity or guarantee) relating to the unpaid amount of debt at any given time.
2. the arrangement is covered by a legally-binding agreement.
3. at any point during the spreading period, any outstanding exit payment is paid immediately in full.

In circumstances where there is a surplus, following the LGPS (Amendment) Regulations 2018 which came into effect on 14th May 2018, this will normally result in an exit credit payment to the Admission Body. If a risk-sharing agreement has been put in place (please see note (i) above) no cessation debt or exit credit may be payable, depending on the terms of the agreement.

As discussed in Section 2.7, the LGPS benefit structure from 1 April 2014 is currently under review following the Government's loss of the right to appeal the McCloud and other similar court cases. The Fund has considered how it will reflect the current uncertainty regarding the outcome of this judgement in its approach to cessation valuations. For cessation valuations that are carried out before any changes to the LGPS benefit structure (from 1 April 2014) are confirmed, the Fund's policy is that the actuary will apply a 1% loading to the ceasing employer's post 2014 benefit accrual value, as an estimate of the possible impact of resulting benefit changes.

The Fund Actuary charges a fee for carrying out an employer's cessation valuation, which the Fund will recharge to the employer. For the purposes of the cessation valuation, this fee will be treated as an expense incurred by the employer and will be deducted from the employer's cessation surplus or added to the employer's cessation deficit, as appropriate. This process improves administrative efficiency as it reduces the number of transactions required to be made between the employer and the Fund following an employer's cessation.

For non-Transferee Admission Bodies whose participation is voluntarily ended either by themselves or the Fund, or where a cessation event has been triggered, the Administering Authority must look to protect the interests of other ongoing employers. The actuary will therefore adopt an approach which, to the extent reasonably practicable, protects the other employers from the likelihood of any material loss emerging in future:

(a) Where a guarantor does not exist then, in order to protect other employers in the Fund, the cessation liabilities and final deficit/surplus will normally be calculated using a "gilts exit basis", which is more prudent than the ongoing participation basis. This has no allowance for potential future investment outperformance above gilt yields, and has added allowance for future improvements in life expectancy. This could give rise to significant cessation debts being required.

(b) Where there is a guarantor for future deficits and contributions, the details of the guarantee will be considered prior to the cessation valuation being carried out. In some cases the guarantor is simply guarantor of last resort and therefore the cessation valuation will be carried out consistently with the approach taken had there been no guarantor in place. Alternatively, where the guarantor is not simply guarantor of last resort, the cessation may be calculated using the ongoing participation basis or contractor exit basis as described in Appendix E;

(c) Again, depending on the nature of the guarantee, it may be possible to simply transfer the former Admission Body's liabilities and assets to the guarantor, without needing to crystallise any deficit or surplus. This approach may be adopted where the employer cannot pay the contributions due, and this is within the terms of the guarantee.

Under (a) and (b), any shortfall would usually be levied on the departing Admission Body as a single lump sum payment. If this is not possible then the Fund may spread the payment subject to there being some security in place for the employer such as a bond indemnity or guarantee.

In the event that the Fund is not able to recover the required payment in full, then the unpaid amounts fall to be shared amongst all of the other employers in the Fund. This may require an immediate revision to the Rates and Adjustments Certificate affecting other employers in the Fund, or instead be reflected in the contribution rates set at the next formal valuation following the cessation date.

As an alternative, where the ceasing Admission Body is continuing in business, Administering Authority may enter into a written agreement with the Admission Body to defer their obligations to make an exit payment and continue to make Secondary contributions (a 'Deferred Debt Agreement' as described in Regulation 64 (7A)). The Admission Body must meet all requirements on Scheme employers and pay the Secondary rate of contributions as determined by the Fund Actuary until the termination of the Deferred Debt Agreement.
The Administering Authority will consider Deferred Debt Agreements in the following circumstances:

- The Admission Body requests the Fund consider a Deferred Debt Agreement;
- The Admission Body is expected to have a deficit when the cessation valuation is carried out;
- The Admission Body is expected to be a going concern; and
- The covenant of the Admission Body is considered sufficient by the Administering Authority.

The Administering Authority will normally require:

- Security be put in place covering the Admission Body's deficit on their cessation basis;
- Regular monitoring of the contribution requirements and security requirements;
- The agreement to be formalised in a legally-binding written document;
- All costs of the arrangement to be met by the Admission Body, such as the cost of advice to the Fund, ongoing monitoring or the arrangement and correspondence on any ongoing contribution and security requirements.

A Deferred Debt Agreement will normally terminate on the first date on which one of the following events occurs:

- the Admission Body enrols new active Fund members;
- the period specified, or as varied, under the Deferred Debt Agreement elapses;
- the take-over, amalgamation, insolvency, winding up or liquidation of the Admission Body;

- the Administering Authority serves a notice on the Admission Body that the Administering Authority is reasonably satisfied that the Admission Body’s ability to meet the contributions payable under the Deferred Debt Arrangement has weakened materially or is likely to weaken materially in the next 12 months;
- the Admission Body defaults on any payment due under the agreement;
- the Fund actuary assesses that the Admission Body has paid sufficient secondary contributions to cover all (or almost all) of the exit payment due if the employer becomes an exiting employer on the calculation date (i.e. Admission Body is now largely fully funded on their cessation basis); or
- The Admission Body requests early termination of the agreement and settles the exit payment in full as calculated by the Fund actuary on the calculation date (i.e. the Admission Body pays their outstanding cessation debt on their cessation basis).

On the termination of a Deferred Debt Agreement, the Admission Body will become an exiting employer and a cessation valuation will be completed in line with this FSS.

Pooled contributions

From time to time, with the advice of the Actuary, the Administering Authority may set up pools for employers with similar or complementary characteristics. This will always be in line with its broader funding strategy.

The intention of the pool is to minimise contribution rate volatility which would otherwise occur when members join, leave, take early retirement, receive pay rises markedly different from expectations, etc. Such events can cause large changes in contribution rates for very small employers in particular, unless these are smoothed out for instance by pooling across a number of employers.

On the other hand it should be noted that the employers in the pool will still have their own individual funding positions tracked by the Actuary, so that some employers will be much better funded, and others much more poorly funded, than the pool average. This therefore means that if any given employer was funding on a stand-alone basis, as opposed to being in the pool, then its contribution rate could be much higher or lower than the pool contribution rate.

It should also be noted that, if an employer is considering ceasing from the Fund, its required contributions would be based on its own funding position (rather than the pool average), and the cessation terms would also apply: this would mean potentially very different (and in particular possibly much higher) contributions would be required from the employer in that situation.

With the advice of the Actuary the Administering Authority allows smaller employers of similar types to pool their contributions as a way of sharing experience and smoothing out the effects of costly but relatively rare events such as ill-health retirements or deaths in service.

Community Admission Bodies that are deemed by the Administering Authority to have closed to new entrants are not usually permitted to participate in a pool. Transferee Admission Bodies are usually also ineligible for pooling.

Smaller admitted bodies may be pooled with the letting employer, provided all parties (particularly the letting employer) agree.

Employers who are permitted to enter (or remain in) a pool at the 2019 valuation will not normally be advised of their individual contribution rate unless agreed by the Administering Authority.

Those employers which have been pooled are identified in the Rates and Adjustments Certificate.

3.4 Additional flexibility in return for added security

The Administering Authority may permit greater flexibility to the employer’s contributions if the employer provides added security to the satisfaction of the Administering Authority.

Such flexibility includes a reduced rate of contribution, an extended time horizon, or permission to join a pool with another body (e.g. the Local Authority).

Such security may include, but is not limited to, a suitable bond, a legally-binding guarantee from an appropriate third party, or security over an employer asset of sufficient value.

The degree of flexibility given may take into account factors such as:

- the extent of the employer's deficit;
- the amount and quality of the security offered;
- the employer's financial security and business plan; and
- whether the admission agreement is likely to be open or closed to new entrants.

3.5 Non ill health early retirement costs

It is assumed that members' benefits are payable from the earliest age that the employee could retire without incurring a reduction to their benefit (and without requiring their employer's consent to retire). (**NB** the relevant age may be different for different periods of service, following the benefit changes from April 2008 and April 2014).

Employers are required to pay additional contributions ('strain') wherever an employee retires before attaining this age. The actuary's funding basis makes no allowance for premature retirement except on grounds of ill-health.

With the agreement of the Administering Authority the payment can be spread as follows:

Major Employing bodies	- up to 5 years
Community Admission Bodies and Designating Employers	- payable immediately
Colleges and other FE establishments	- payable immediately
Academies	- payable immediately
Transferee Admission Bodies	- payable immediately

3.6 Ill health early retirement costs

If a member retires early due to ill-health, an additional funding strain will usually arise, which can be very large. Such strain costs are the responsibility of the member's employer to pay.

To mitigate this risk, individual employers may elect to use external insurance (see 3.7 below).

Admitted Bodies will usually have an 'ill health allowance'; Scheduled Bodies may have this also, depending on their agreement terms with the Administering Authority. The Fund may monitor each employer's ill health experience on an ongoing basis. If the cumulative cost of ill health retirement in any financial year exceeds the allowance at the previous valuation, the employer may be charged additional contributions on the same basis as apply for non ill-health cases. Details will be included in each separate Admission Agreement.

3.7 External Ill health insurance

If an employer provides satisfactory evidence to the Administering Authority of a current external insurance policy covering ill health early retirement strains, then:

- the employer's contribution to the Fund each year is reduced by the amount of that year's insurance premium, so that the total contribution is unchanged, and
- there is no need for monitoring of allowances.

The employer must keep the Administering Authority notified of any changes in the insurance policy's coverage or premium terms, or if the policy is ceased.

3.8 Employers with no remaining active members

In general an employer ceasing in the Fund, due to the departure of the last active member, will pay a cessation debt or receive an exit credit on an appropriate basis (see 3.3, Note (j)) and consequently have no further obligation to the Fund. Thereafter it is expected that one of two situations will eventually arise:

a) The employer's asset share runs out before all its ex-employees' benefits have been paid. In this situation the other Fund employers will be required to contribute to pay all remaining benefits: this will be done by the Fund actuary apportioning the remaining liabilities on a pro-rata basis at successive formal valuations;

b) The last ex-employee or dependant dies before the employer's asset share has been fully utilised. In this situation the remaining assets would be apportioned pro-rata by the Fund's actuary to the other Fund employers.

In exceptional circumstances the Fund may permit an employer with no remaining active members and a cessation deficit to continue contributing to the Fund. This would require the provision of a suitable security or guarantee, as well as a written ongoing commitment to fund the remainder of the employer's obligations over an appropriate period. The Fund would reserve the right to invoke the cessation requirements in the future, however. The Administering Authority may need to seek legal advice in such cases, as the employer would have no contributing members.

3.9 Policies on bulk transfers

Each case will be treated on its own merits, but in general:

- The Fund will not pay bulk transfers greater than the lesser of (a) the asset share of the transferring employer in the Fund, and (b) the value of the past service liabilities of the transferring members;
- The Fund will not grant added benefits to members bringing in entitlements from another Fund unless the asset transfer is sufficient to meet the added liabilities; and
- The Fund may permit shortfalls to arise on bulk transfers if the Fund employer has suitable strength of covenant and commits to meeting that shortfall in an appropriate period. This may require the employer's Fund contributions to increase between valuations.

4 Funding strategy and links to investment strategy

4.1 What is the Fund's investment strategy?

The Fund has built up assets over the years, and continues to receive contribution and other income. All of this must be invested in a suitable manner, which is the investment strategy.

Investment strategy is set by the Administering Authority, after consultation with the employers and after taking investment advice. The precise mix, manager make up and target returns are set out in the Investment Strategy Statement, which is available to members and employers.

The investment strategy is set for the long-term, but is reviewed from time to time. Normally a full review is carried out as part of each actuarial valuation, and is kept under review annually between actuarial valuations to ensure that it remains appropriate to the Fund's liability profile.

The same investment strategy is currently followed for all employers.

4.2 What is the link between funding strategy and investment strategy?

The Fund must be able to meet all benefit payments as and when they fall due. These payments will be met by contributions (resulting from the funding strategy) or asset returns and income (resulting from the investment strategy). To the extent that investment returns or income fall short, then higher cash contributions are required from employers, and vice versa

Therefore, the funding and investment strategies are inextricably linked.

4.3 How does the funding strategy reflect the Fund's investment strategy?

In the opinion of the Fund actuary, the current funding policy is consistent with the current investment strategy of the Fund. The actuary's assumptions for future investment returns (described further in Appendix E) are based on the current benchmark investment strategy of the Fund. The future investment return assumptions underlying each of the Fund's three funding bases include a margin for prudence, and are therefore also considered to be consistent with the requirement to take a "prudent longer-term view" of the funding of liabilities as required by the UK Government (see Appendix A1).

In the short term – such as the three yearly assessments at formal valuations – there is the scope for considerable volatility in asset values. However, the actuary takes a long term view when assessing employer contribution rates and the contribution rate setting methodology takes into account this potential variability.

The Fund does not hold a contingency reserve to protect it against the volatility of equity investments.

4.4 Does the Fund monitor its overall funding position?

The Administering Authority monitors the relative funding position, i.e. changes in the relationship between asset values and the liabilities value, quarterly. It reports this to the regular Pensions Committee meetings, and also to employers through newsletters and the Annual General Meeting.

5 Statutory reporting and comparison to other LGPS Funds

5.1 Purpose

Under Section 13(4)(c) of the Public Service Pensions Act 2013 ("Section 13"), the Government Actuary's Department must, following each triennial actuarial valuation, report to the Ministry of Housing, Communities & Local Government (MHCLG) on each of the LGPS Funds in England & Wales. This report will cover whether, for each Fund, the rate of employer contributions are set at an appropriate level to ensure both the solvency and the long term cost efficiency of the Fund.

This additional MHCLG oversight may have an impact on the strategy for setting contribution rates at future valuations.

5.2 Solvency

For the purposes of Section 13, the rate of employer contributions shall be deemed to have been set at an appropriate level to ensure solvency if:

(a) the rate of employer contributions is set to target a funding level for the Fund of 100%, over an appropriate time period and using appropriate actuarial assumptions (where appropriateness is considered in both absolute and relative terms in comparison with other funds); and either

(b) employers collectively have the financial capacity to increase employer contributions, and/or the Fund is able to realise contingent assets should future circumstances require, in order to continue to target a funding level of 100%; or

(c) there is an appropriate plan in place should there be, or if there is expected in future to be, a material reduction in the capacity of fund employers to increase contributions as might be needed.

5.3 Long Term Cost Efficiency

The rate of employer contributions shall be deemed to have been set at an appropriate level to ensure long term cost efficiency if:

i. the rate of employer contributions is sufficient to make provision for the cost of current benefit accrual,

ii. with an appropriate adjustment to that rate for any surplus or deficit in the Fund.

In assessing whether the above condition is met, MHCLG may have regard to various absolute and relative considerations. A relative consideration is primarily concerned with comparing LGPS pension funds with other LGPS pension funds. An absolute consideration is primarily concerned with comparing Funds with a given objective benchmark.

Relative considerations include:

1. the implied deficit recovery period; and
2. the investment return required to achieve full funding after 20 years.

Absolute considerations include:

1. the extent to which the contributions payable are sufficient to cover the cost of current benefit accrual and the interest cost on any deficit;
2. how the required investment return under “relative considerations” above compares to the estimated future return being targeted by the Fund’s current investment strategy;
3. the extent to which contributions actually paid have been in line with the expected contributions based on the extant rates and adjustment certificate; and
4. the extent to which any new deficit recovery plan can be directly reconciled with, and can be demonstrated to be a continuation of, any previous deficit recovery plan, after allowing for actual Fund experience.

MHCLG may assess and compare these metrics on a suitable standardised market-related basis, for example where the local funds’ actuarial bases do not make comparisons straightforward.

Appendix A – Regulatory framework

A1 Why does the Fund need an FSS?

The Ministry of Housing, Communities and Local Government (MHCLG) has stated that the purpose of the FSS is:

- *"to establish a **clear and transparent fund-specific strategy** which will identify how employers' pension liabilities are best met going forward;*
- *to support the regulatory framework to maintain **as nearly constant employer contribution rates as possible**; and*
- *to take a **prudent longer-term view** of funding those liabilities."*

These objectives are desirable individually, but may be mutually conflicting.

The requirement to maintain and publish a FSS is contained in LGPS Regulations which are updated from time to time. In publishing the FSS the Administering Authority has to have regard to any guidance published by Chartered Institute of Public Finance and Accountancy (CIPFA) (most recently in 2016) and to its Statement of Investment Principles / Investment Strategy Statement.

This is the framework within which the Fund's actuary carries out triennial valuations to set employers' contributions and provides recommendations to the Administering Authority when other funding decisions are required, such as when employers join or leave the Fund. The FSS applies to all employers participating in the Fund.

A2 Does the Administering Authority consult anyone on the FSS?

Yes. This is required by LGPS Regulations. It is covered in more detail by the most recent CIPFA guidance, which states that the FSS must first be subject to "consultation with such persons as the authority considers appropriate", and should include "a meaningful dialogue at officer and elected member level with council tax raising authorities and with corresponding representatives of other participating employers".

In practice, for the Fund, the consultation process for this FSS was as follows:

a) A draft version of the FSS was issued to all participating employers in April / May 2021 for comment;

b) Comments were requested within 30 days;

c) Following the end of the consultation period the FSS was updated where required and then published, in June 2021.

A3 How is the FSS published?

The FSS is made available through the following routes:

Published on the website, at www.warwickshirepensionfund.org.uk ;

A copy sent by e-mail to each participating employer in the Fund;

A copy sent to the Local Pension Board;

A full copy included in the annual report and accounts of the Fund;

Copies made available on request.

A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the triennial valuation (which may move to every four years in future – see Section 2.8). This version is expected to remain unaltered until it is consulted upon as part of the formal process for the next valuation.

It is possible that (usually slight) amendments may be needed within the three year period. These would be needed to reflect any regulatory changes, or alterations to the way the Fund operates (e.g. to accommodate a new class of employer). Any such amendments would be consulted upon as appropriate:

- trivial amendments would be simply notified at the next round of employer communications,
- amendments affecting only one class of employer would be consulted with those employers,
- other more significant amendments would be subject to full consultation.

In any event, changes to the FSS would need agreement by the Investment Sub-Committee and would be included in the relevant Committee Meeting minutes.

A5 How does the FSS fit into other Fund documents?

The FSS is a summary of the Fund's approach to funding liabilities. It is not an exhaustive statement of policy on all issues, for example there are a number of separate statements published by the Fund including the Investment Strategy Statement, Governance Strategy and Communications Strategy. In addition, the Fund publishes an Annual Report and Accounts with up to date information on the Fund.

These documents can be found on the web at www.warwickshirepensionfund.org.uk

Appendix B – Responsibilities of key parties

The efficient and effective operation of the Fund needs various parties to each play their part.

B1 The Administering Authority should:-

1. operate the Fund as per the LGPS Regulations;
2. effectively manage any potential conflicts of interest arising from its dual role as Administering Authority and a Fund employer;
3. collect employer and employee contributions, and investment income and other amounts due to the Fund;
4. ensure that cash is available to meet benefit payments as and when they fall due;
5. pay from the Fund the relevant benefits and entitlements that are due;
6. invest surplus monies (i.e. contributions and other income which are not immediately needed to pay benefits) in accordance with the Fund's Investment Strategy Statement (ISS) and LGPS Regulations;
7. communicate appropriately with employers so that they fully understand their obligations to the Fund;
8. take appropriate measures to safeguard the Fund against the consequences of employer default;
9. manage the valuation process in consultation with the Fund's actuary;
10. provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see Section 5);
11. prepare and maintain a FSS and an ISS, after consultation;
12. notify the Fund's actuary of material changes which could affect funding (this is covered in a separate agreement with the actuary); and
13. monitor all aspects of the fund's performance and funding and amend the FSS and ISS as necessary and appropriate.

B2 The Individual Employer should:-

1. deduct contributions from employees' pay correctly;
2. pay all contributions, including their own as determined by the actuary, promptly by the due date;
3. have a policy and exercise discretions within the regulatory framework;
4. make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain; and
5. notify the Administering Authority promptly of all changes to its circumstances, prospects or membership, which could affect future funding.
6. In accordance with the Fund's Administration strategy, scheme employers should pay due costs / charges imposed by the fund.

B3 The Fund Actuary should:-

1. prepare valuations, including the setting of employers' contribution rates. This will involve agreeing assumptions with the Administering Authority, having regard to the FSS and LGPS Regulations, and targeting each employer's solvency appropriately;
2. provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see Section 5);

3. provide advice relating to new employers in the Fund, including the level and type of bonds or other forms of security (and the monitoring of these);
4. prepare advice and calculations in connection with bulk transfers and individual benefit-related matters;
5. assist the Administering Authority in considering possible changes to employer contributions between formal valuations, where circumstances suggest this may be necessary;
6. advise on the termination of employers' participation in the Fund; and
7. fully reflect actuarial professional guidance and requirements in the advice given to the Administering Authority.

B4 Other parties:-

1. investment advisers (either internal or external) should ensure the Fund's ISS remains appropriate, and consistent with this FSS;
2. investment managers, custodians and bankers should all play their part in the effective investment (and dis-investment) of Fund assets, in line with the ISS;
3. auditors should comply with their auditing standards, ensure Fund compliance with all requirements, monitor and advise on fraud detection, and sign off annual reports and financial statements as required;
4. governance advisers may be appointed to advise the Administering Authority on efficient processes and working methods in managing the Fund;
5. legal advisers (either internal or external) should ensure the Fund's operation and management remains fully compliant with all regulations and broader local government requirements, including the Administering Authority's own procedures;
6. MHCLG (assisted by the Government Actuary's Department) and the Scheme Advisory Board, should work with LGPS Funds to meet Section 13 requirements.

Appendix C – Key risks and controls

C1 Types of risk

The Administering Authority has an active risk management programme in place. The measures that it has in place to control key risks are summarised below under the following headings:

financial;

demographic;

regulatory; and

governance.

C2 Financial risks

Risk	Summary of Control Mechanisms
Fund assets fail to deliver returns in line with the anticipated returns underpinning the valuation of liabilities and contribution rates over the long-term.	Only anticipate long-term returns on a relatively prudent basis to reduce risk of under-performing. Assets invested on the basis of specialist advice, in a suitably diversified manner across asset classes, geographies, managers, etc. Analyse progress at three yearly valuations for all employers. Inter-valuation roll-forward of liabilities between valuations at whole Fund level.
Inappropriate long-term investment strategy.	Overall investment strategy options considered as an integral part of the funding strategy. Used asset liability modelling to measure 4 key outcomes. Chosen option considered to provide the best balance.
Active investment manager under-performance relative to benchmark.	Quarterly investment monitoring analyses market performance and active managers relative to their index benchmark.
Pay and price inflation significantly more than anticipated.	The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases. Inter-valuation monitoring, as above, gives early warning. Some investment in bonds also helps to mitigate this risk. Employers pay for their own salary awards and should be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.

Risk	Summary of Control Mechanisms
Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies	An explicit stabilisation mechanism has been agreed as part of the funding strategy. Other measures are also in place to limit sudden increases in contributions.
Orphaned employers give rise to added costs for the Fund	The Fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future. If it occurs, the Actuary calculates the added cost spread pro-rata among all employers – (see 3.9).
Effect of possible asset underperformance as a result of climate change	The Fund actively considers this risk when allocating assets and appointing Fund Managers.

C3 Demographic risks

Risk	Summary of Control Mechanisms
Pensioners living longer, thus increasing cost to Fund.	Set mortality assumptions with some allowance for future increases in life expectancy. The Fund Actuary has direct access to the experience of over 50 LGPS funds which allows early identification of changes in life expectancy that might in turn affect the assumptions underpinning the valuation.
Maturing Fund – i.e. proportion of actively contributing employees declines relative to retired employees.	Continue to monitor at each valuation, consider seeking monetary amounts rather than % of pay and consider alternative investment strategies.
Deteriorating patterns of early retirements	Employers are charged the extra cost of non ill-health retirements following each individual decision. Employer ill health retirement experience is monitored, and insurance is an option.
Reductions in payroll causing insufficient deficit recovery payments	In many cases this may not be sufficient cause for concern, and will in effect be caught at the next formal valuation. However, there are protections where there is concern, as follows: Employers in the stabilisation mechanism may be brought out of that mechanism to permit appropriate contribution increases (see Note (b) to 3.3). For other employers, review of contributions is permitted in general between valuations (see Note (f) to 3.3).

C4 Regulatory risks

Risk	Summary of Control Mechanisms
Changes to national pension requirements and/or HMRC rules e.g. changes arising from public sector pensions reform.	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. The Administering Authority is monitoring the progress on the McCloud court case and will consider an interim valuation or other appropriate action once more information is known. The government's long term preferred solution to GMP indexation and equalisation - conversion of GMPs to scheme benefits - was built into the 2019 valuation.
Time, cost and/or reputational risks associated with any MHCLG intervention triggered by the Section 13 analysis (see Section 5).	Take advice from Fund Actuary on position of Fund as at prior valuation, and consideration of proposed valuation approach relative to anticipated Section 13 analysis.
Changes by Government to particular employer participation in LGPS Funds, leading to impacts on funding and/or investment strategies.	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. Take advice from Fund Actuary on impact of changes on the Fund and amend strategy as appropriate.

C5 Governance risks

Risk	Summary of Control Mechanisms
Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements) or not advised of an employer closing to new entrants.	The Administering Authority has a close relationship with employing bodies and communicates required standards e.g. for submission of data. The Actuary may revise the rates and Adjustments certificate to increase an employer's contributions between triennial valuations Deficit contributions are expressed as monetary amounts.
Actuarial or investment advice is not sought, or is not heeded, or proves to be insufficient in some way	The Administering Authority maintains close contact with its specialist advisers. Advice is delivered via formal meetings involving Elected Members, and recorded appropriately.

Risk	Summary of Control Mechanisms
	Actuarial advice is subject to professional requirements such as peer review.
Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body.	The Administering Authority requires employers with Best Value contractors to inform it of forthcoming changes. Community Admission Bodies' memberships are monitored and, if active membership decreases, steps will be taken.
An employer ceasing to exist with insufficient funding or adequacy of a bond.	The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure. The risk is mitigated by: Seeking a funding guarantee from another scheme employer, or external body, where-ever possible (see Notes (h) and (j) to 3.3). Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice. Vetting prospective employers before admission. Where permitted under the regulations requiring a bond to protect the Fund from various risks. Requiring new Community Admission Bodies to have a guarantor. Reviewing bond or guarantor arrangements at regular intervals (see Note (f) to 3.3). Reviewing contributions well ahead of cessation if thought appropriate (see Note (a) to 3.3).
An employer ceasing to exist resulting in an exit credit being payable	The Administering Authority regularly monitors admission bodies coming up to cessation The Administering Authority invests in liquid assets to ensure that exit credits can be paid when required.

Appendix D – The calculation of Employer contributions

In Section 2 there was a broad description of the way in which contribution rates are calculated. This Appendix considers these calculations in much more detail.

As discussed in Section 2, the actuary calculates the required contribution rate for each employer using a three-step process:

1. Calculate the funding target for that employer, i.e. the estimated amount of assets it should hold in order to be able to pay all its members' benefits. See Appendix E for more details of what assumptions we make to determine that funding target;
2. Determine the time horizon over which the employer should aim to achieve that funding target. See the table in 3.3 and Note (c) for more details;
3. Calculate the employer contribution rate such that it has at least a given likelihood of achieving that funding target over that time horizon, allowing for various possible economic outcomes over that time horizon. See the table in 3.3 Note (e) for more details.

The calculations involve actuarial assumptions about future experience, and these are described in detail in Appendix E.

D1 What is the difference between calculations across the whole Fund and calculations for an individual employer?

Employer contributions are normally made up of two elements:

a) the estimated cost of ongoing benefits being accrued, referred to as the "Primary contribution rate" (see D2 below); plus

b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "Secondary contribution rate" (see D3 below).

The contribution rate for each employer is measured as above, appropriate for each employer's assets, liabilities and membership. The whole Fund position, including that used in reporting to MHCLG (see section 5), is calculated in effect as the sum of all the individual employer rates. MHCLG currently only regulates at whole Fund level, without monitoring individual employer positions.

D2 How is the Primary contribution rate calculated?

The Primary element of the employer contribution rate is calculated with the aim that these contributions will meet benefit payments in respect of members' **future** service in the Fund. This is based upon the cost (in excess of members' contributions) of the benefits which employee members earn from their service each year.

The Primary rate is calculated separately for all the employers, although employers within a pool will pay the contribution rate applicable to the pool as a whole. The Primary rate is calculated such that it is projected to:

1. meet the required funding target for all future years' accrual of benefits*, excluding any accrued assets,
2. within the determined time horizon (see note 3.3 Note (c) for further details),
3. with a sufficiently high likelihood, as set by the Fund's strategy for the category of employer (see 3.3 Note (e) for further details).

* The projection is for the current active membership where the employer no longer admits new entrants, or additionally allows for new entrants where this is appropriate.

The projections are carried out using an economic modeller (the "Economic Scenario Service") developed by the Fund's actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. Further information about this model is included in Appendix E. The measured contributions are calculated such that the proportion of outcomes meeting the employer's funding target (at the end of the time horizon) is equal to the required likelihood.

The approach includes expenses of administration to the extent that they are borne by the Fund, and includes allowances for benefits payable on death in service and on ill health retirement.

D3 How is the Secondary contribution rate calculated?

The Fund aims for the employer to have assets sufficient to meet 100% of its accrued liabilities at the end of its funding time horizon based on the employer's funding target assumptions (see Appendix E).

The Secondary rate is calculated as the balance over and above the Primary rate, such that the total contribution rate is projected to:

1. meet the required funding target relating to combined past and future service benefit accrual, including accrued asset share (see D5 below)
2. at the end of the determined time horizon (see 3.3 Note (c) for further details)
3. with a sufficiently high likelihood, as set by the Fund's strategy for the category of employer (see 3.3 Note (e) for further details).

The projections are carried out using an economic modeller (the "Economic Scenario Service") developed by the Fund Actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. Further information about this model is included in Appendix E. The measured contributions are calculated such that the proportion of outcomes meeting the employer's funding target at the end of the time horizon is equal to the required likelihood.

D4 What affects a given employer's valuation results?

The results of these calculations for a given individual employer will be affected by:

1. past contributions relative to the cost of accruals of benefits;
2. different liability profiles of employers (e.g. mix of members by age, gender, service vs. salary);
3. the effect of any differences in the funding target, i.e. the valuation basis used to value the employer's liabilities at the end of the time horizon;
4. any different time horizons;
5. the difference between actual and assumed rises in pensionable pay;
6. the difference between actual and assumed increases to pensions in payment and deferred pensions;
7. the difference between actual and assumed retirements on grounds of ill-health from active status;
8. the difference between actual and assumed amounts of pension ceasing on death;
9. the additional costs of any non ill-health retirements relative to any extra payments made; and/or

10. differences in the required likelihood of achieving the funding target.

D5 How is each employer's asset share calculated?

The Administering Authority does not operate separate bank accounts or investment mandates for each employer. Therefore it cannot account for each employer's assets separately. Instead, the Fund Actuary must apportion the assets of the whole Fund between the individual employers. There are broadly two ways to do this:

1. A technique known as "analysis of surplus" in which the Fund actuary estimates the surplus/deficit of an employer at the current valuation date by analysing movements in the surplus/deficit from the previous actuarial valuation date. The estimated surplus/deficit is compared to the employer's liability value to calculate the employer's asset value. The actuary will quantify the impact of investment, membership and other experience to analyse the movement in the surplus/deficit. This technique makes a number of simplifying assumptions due to the unavailability of certain items of information. This leads to a balancing, or miscellaneous, item in the analysis of surplus, which is split between employers in proportion to their asset shares.

2. A 'cashflow approach' in which an employer's assets are tracked over time allowing for cashflows paid in (contributions, transfers in etc.), cashflows paid out (benefit payments, transfers out etc.) and investment returns on the employer's assets.

Until 31 March [2016] the Administering Authority used the 'analysis of surplus' approach to apportion the Fund's assets between individual employers.

Since then, the Fund has adopted a cashflow approach for tracking individual employer assets.

The Fund Actuary uses the Hymans Robertson's proprietary "HEAT" system to track employer assets on a monthly basis. Starting with each employer's assets from the previous month end, cashflows paid in/out and investment returns achieved on the Fund's assets over the course of the month are added to calculate an asset value at the month end.

The Fund is satisfied that this new approach provides the most accurate asset allocations between employers that is reasonably possible at present.

D6 How does the Fund adjust employer asset shares when an individual member moves from one employer in the Fund to another?

Under the cashflow approach for tracking employer asset shares, the Fund has allowed for any individual members transferring from one employer in the Fund to another, via the transfer of a sum from the ceding employer's asset share to the receiving employer's asset share. This sum is equal to the member's Cash Equivalent Transfer Value (CETV) as advised by the Fund's administrators.

Appendix E – Actuarial assumptions

E1 What are the actuarial assumptions used to calculate employer contribution rates?

These are expectations of future experience used to place a value on future benefit payments ("the liabilities") and future asset values. Assumptions are made about the amount of benefit payable to members (the financial assumptions) and the likelihood or timing of payments (the demographic assumptions). For example, financial assumptions include investment returns, salary growth and pension increases; demographic assumptions include life expectancy, probabilities of ill-health early retirement, and proportions of member deaths giving rise to dependants' benefits.

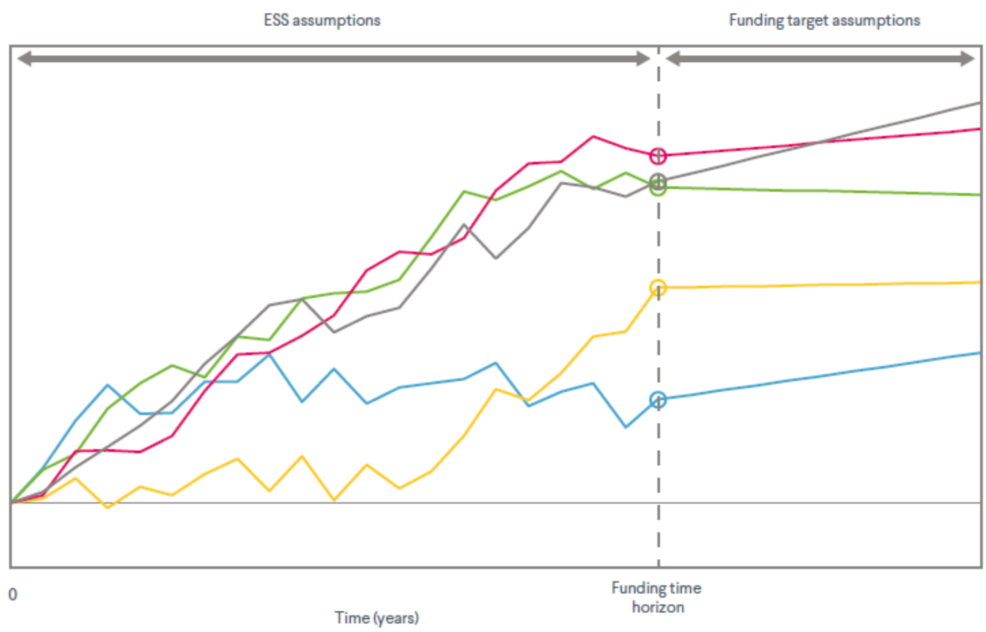
Changes in assumptions will affect the funding target and required contribution rate. However, different assumptions will not of course affect the actual benefits payable by the Fund in future.

The actuary's approach to calculating employer contribution rates involves the projection of each employer's future benefit payments, contributions and investment returns into the future under 5,000 possible economic scenarios. Future inflation (and therefore benefit payments) and investment returns for each asset class (and therefore employer asset values) are variables in the projections. By projecting the evolution of an employer's assets and benefit payments 5,000 times, a contribution rate can be set that results in a sufficient number of these future projections (determined by the employer's required likelihood) being successful at the end of the employer's time horizon. In this context, a successful contribution rate is one which results in the employer having met its funding target at the end of the time horizon.

Setting employer contribution rates therefore requires two types of assumptions to be made about the future:

1. Assumptions to project the employer's assets, benefits and cashflows to the end of the funding time horizon. For this purpose the actuary uses Hymans Robertson's proprietary stochastic economic model - the Economic Scenario Service ("ESS").

2. Assumptions to assess whether, for a given projection, the funding target is satisfied at the end of the time horizon. For this purpose, the Fund has three different funding bases.



Details on the ESS assumptions and funding target assumptions are included below (in E2 and E3 respectively).

E2 What assumptions are used in the ESS?

The actuary uses Hymans Robertson's ESS model to project a range of possible outcomes for the future behaviour of asset returns and economic variables. With this type of modelling, there is no single figure for an assumption about future inflation or investment returns. Instead, there is a range of what future inflation or returns will be which leads to likelihoods of the assumption being higher or lower than a certain value.

The ESS is a complex model to reflect the interactions and correlations between different asset classes and wider economic variables. The table below shows the calibration of the model as at 31 March 2019. All returns are shown net of fees and are the annualised total returns over 5, 10 and 20 years, except for the yields which refer to the simulated yields at that time horizon.

		Annualised total returns									
		Cash	Index Linked Gilts (medium)	Fixed Interest Gilts (medium)	UK Equity	Overseas Equity	Property	A rated corporate bonds (medium)	RPI inflation expectation	17 year real govt bond yield	17 year govt bond yield
5 years	16th %'ile	-0.4%	-2.3%	-2.9%	-4.1%	-4.1%	-3.5%	-2.7%	1.9%	-2.5%	0.8%
	50th %'ile	0.7%	0.5%	0.3%	4.0%	4.1%	2.4%	0.8%	3.3%	-1.7%	2.1%
	84th %'ile	2.0%	3.3%	3.4%	12.7%	12.5%	8.8%	4.0%	4.9%	-0.8%	3.6%
10 years	16th %'ile	-0.2%	-1.8%	-1.3%	-1.5%	-1.4%	-1.5%	-0.9%	1.9%	-2.0%	1.2%
	50th %'ile	1.3%	0.0%	0.2%	4.6%	4.7%	3.1%	0.8%	3.3%	-0.8%	2.8%
	84th %'ile	2.9%	1.9%	1.7%	10.9%	10.8%	7.8%	2.5%	4.9%	0.4%	4.8%
20 years	16th %'ile	0.7%	-1.1%	0.1%	1.2%	1.3%	0.6%	0.7%	2.0%	-0.7%	2.2%
	50th %'ile	2.4%	0.3%	1.0%	5.7%	5.8%	4.3%	1.9%	3.2%	0.8%	4.0%
	84th %'ile	4.5%	2.0%	2.0%	10.3%	10.4%	8.1%	3.0%	4.7%	2.2%	6.3%
	Volatility (Disp) (1 yr)	1%	7%	10%	17%	17%	14%	11%	1%		

E3 What assumptions are used in the funding target?

At the end of an employer's funding time horizon, an assessment will be made – for each of the 5,000 projections – of how the assets held compare to the value of assets required to meet the future benefit payments (the funding target). Valuing the cost of future benefits requires the actuary to make assumptions about the following financial factors:

- Benefit increases and CARE revaluation
- Salary growth
- Investment returns (the "discount rate")

Each of the 5,000 projections represents a different prevailing economic environment at the end of the funding time horizon and so a single, fixed value for each assumption is unlikely to be appropriate for every projection. For example, a high assumed future investment return (discount rate) would not be prudent in projections with a weak outlook for economic growth. Therefore, instead of using a fixed value for each assumption, the actuary references economic indicators to ensure the assumptions remain appropriate for the prevailing economic environment in each projection. The economic indicators the actuary uses are: future inflation expectations and the prevailing risk free rate of return (the yield on long term UK government bonds is used as a proxy for this rate).

The Fund has three funding bases which will apply to different employers depending on their type. Each funding basis has a different assumption for future investment returns when determining the employer's funding target.

Funding basis	Ongoing participation basis	Contractor exit basis	Low risk exit basis
Employer type	All employers except Transferee Admission Bodies and closed Community Admission Bodies	Transferee Admission Bodies	Community Admission Bodies that are closed to new entrants
Investment return assumption underlying the employer's funding target (at the end of its time horizon)	Long term government bond yields plus an asset outperformance assumption (AOA) of 1.6% p.a.	Long term government bond yields plus an AOA equal to the AOA used to allocate assets to the employer on joining the Fund	Long term government bond yields with no allowance for outperformance on the Fund's assets

E4 What other assumptions apply?

The following assumptions are those of the most significance used in both the projection of the assets, benefits and cashflows and in the funding target.

a) Salary growth

The salary increase assumption at the 2019 valuation has been set to be a blended rate combined of:

1. 2% p.a. until 31 March 2021, followed by
2. 1.0% above the Consumer Prices Index (CPI) per annum p.a. thereafter.

This gives a single "blended" assumption of CPI plus 0.8%. This is a change from the previous valuation, which assumed a blended assumption of CPI plus 0.6% per annum. The change has led to an increase in the funding target (all other things being equal).

b) Pension increases

Since 2011 the consumer prices index (CPI), rather than RPI, has been the basis for increases to public sector pensions in deferment and in payment. Note that the basis of such increases is set by the Government, and is not under the control of the Fund or any employers.

At this valuation, we have continued to assume that CPI inflation is 1.0% per annum lower than RPI inflation. (Note that the reduction is applied in a geometric, not arithmetic, basis).

c) Life expectancy

The demographic assumptions are intended to be best estimates of future experience in the Fund based on past experience of LGPS funds which participate in Club Vita, the longevity analytics service used by the Fund, and endorsed by the actuary.

The longevity assumptions that have been adopted at this valuation are a bespoke set of "VitaCurves", produced by the Club Vita's detailed analysis, which are specifically tailored to fit the membership profile of the Fund. These curves are based on the data provided by the Fund for the purposes of this valuation.

Allowance has been made in the ongoing valuation basis for future improvements in line with the 2018 version of the Continuous Mortality Investigation model published by the Actuarial Profession and a 1.25% per annum minimum underpin to future reductions in mortality rates. This updated allowance for future improvements will generally result in lower life expectancy assumptions and hence a reduced funding target (all other things being equal).

The approach taken is considered reasonable in light of the long term nature of the Fund and the assumed level of security underpinning members' benefits.

d) General

The same financial assumptions are adopted for most employers (on the ongoing participation basis identified above), in deriving the funding target underpinning the Primary and Secondary rates: as described in (3.3), these calculated figures are translated in different ways into employer contributions, depending on the employer's circumstances.

The demographic assumptions, in particular the life expectancy assumption, in effect vary by type of member and so reflect the different membership profiles of employers.

Appendix F – Glossary

Funding basis	The combined set of assumptions made by the actuary, regarding the future, to calculate the value of the funding target at the end of the employer's time horizon. The main assumptions will relate to the level of future investment returns, salary growth, pension increases and longevity. More prudent assumptions will give a higher funding target, whereas more optimistic assumptions will give a lower funding target.
Administering Authority	The council with statutory responsibility for running the Fund, in effect the Fund's "trustees".
Admission Bodies	Employers where there is an Admission Agreement setting out the employer's obligations. These can be Community Admission Bodies or Transferee Admission Bodies. For more details (see 2.3).
Covenant	The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term.
Designating Employer	Employers such as town and parish councils that are able to participate in the LGPS via resolution. These employers can designate which of their employees are eligible to join the Fund.
Employer	An individual participating body in the Fund, which employs (or used to employ) **members** of the Fund. Normally the assets and **funding target** values for each employer are individually tracked, together with its **Primary rate** at each **valuation**.
Gilt	A UK Government bond, ie a promise by the Government to pay interest and capital as per the terms of that particular gilt, in return for an initial payment of capital by the purchaser. Gilts can be "fixed interest", where the interest payments are level throughout the gilt's term, or "index-linked" where the interest payments vary each year in line with a specified index (usually RPI). Gilts can be bought as assets by the Fund, but are also used in funding as an objective measure of a risk-free rate of return.
Guarantee / guarantor	A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's **covenant** to be as strong as its guarantor's.
Letting employer	An employer which outsources or transfers a part of its services and workforce to another employer (usually a contractor). The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer. A letting employer will usually be a local authority, but can sometimes be another type of employer such as an Academy.
LGPS	The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These

	Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into 100 Funds which map the UK. Each LGPS Fund is autonomous to the extent not dictated by Regulations, e.g. regarding investment strategy, employer contributions and choice of advisers.
Maturity	A general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.
Members	The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).
Primary contribution rate	The employer contribution rate required to pay for ongoing accrual of active members' benefits (including an allowance for administrative expenses). See Appendix D for further details.
Profile	The profile of an employer's membership or liability reflects various measurements of that employer's **members**, ie current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc. A membership (or liability) profile might be measured for its **maturity** also.
Rates and Adjustments Certificate	A formal document required by the LGPS Regulations, which must be updated at the conclusion of the formal **valuation**. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the period until the next valuation is completed.
Scheduled Bodies	Types of employer explicitly defined in the LGPS Regulations, whose employees must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, academies, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).
Secondary contribution rate	The difference between the employer's actual and **Primary contribution rates**. See Appendix D for further details.
Stabilisation	Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund.
Valuation	A risk management exercise to review the **Primary and Secondary contribution rates,** and other statutory information, for a Fund, and usually individual employers too.

Agenda Item 10

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

Agenda Item 11

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

Agenda Item 12

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

Document is Restricted

This page is intentionally left blank

Agenda Item 13

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

Document is Restricted

This page is intentionally left blank

Agenda Item 14

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

Agenda Item 15

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

Document is Restricted

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

Agenda Item 16

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