

# Pension Fund Investment Sub-Committee

Date: Monday 13 December 2021  
Time: 10.00 am  
Venue: Committee Room 2, 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: -

### 1. General

#### (1) Apologies

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

#### (3) Minutes of the previous meeting

To confirm the minutes of the meeting held on 13 September 2021.

5 - 10

### 2. Review of the Minutes of the Local Pension Board Meeting of 20 July 2021

11 - 20

### 3. Forward Plan

21 - 24

### 4. Risk Monitoring

25 - 32

### 5. Reports Containing Exempt or Confidential Information

To consider passing the following resolution:

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

<b>6. General Activity Update</b>	33 - 42
<b>7. Team Resourcing</b>	43 - 58
<b>8. Funding Update Quarter 2 2021/22</b>	59 - 68
<b>9. Investment Monitoring Report Quarter 2 2021/22</b>	69 - 96
<b>10. LGPS Pooling Update</b>	97 - 128
<b>11. Border to Coast Pension Partnership - Presentation</b>	129 - 152
<b>12. Valuation Assumptions</b>	153 - 154
<b>13. Private Markets Update</b>	155 - 214
<b>14. Exempt Minutes of the Previous Meeting</b>	215 - 220
To confirm the exempt minutes of the meeting held on 13 September 2021.	

**Monica Fogarty**  
Chief Executive  
Warwickshire County Council  
Shire Hall, Warwick

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- 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.

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

### COVID-19 Pandemic

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# Pension Fund Investment Sub-Committee

Monday 13 September 2021

## Minutes

### Attendance

#### Committee Members

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

#### Officers

Neil Buxton, Technical Specialist - Pension Fund Policy and Governance  
Andrew Felton, Assistant Director - Finance  
Shawn Gladwin, Senior Finance Officer Pensions Investment  
Victoria Moffett, Pensions and Investments Manager  
Deborah Moseley, Senior Democratic Services Officer  
Chris Norton, Strategy and Commissioning Manager (Treasury, Pension, Audit & Risk)  
Nichola Vine, Strategy & Commissioning Manager

#### Others Present

Philip Pearson, Hymans Robertson  
Andy Stone, Border to Coast Pensions Partnership (for minute no. 12)  
Tim Sankey, Border to Coast Pensions Partnership (for minute no. 12)  
Bob Swarup, Independent Advisor  
Richard Warden, Hymans Robertson

### 1. General

#### (1) Apologies

None.

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

None.

### **(3) Minutes of the previous meeting**

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

## **2. Review of the Minutes of the Warwickshire Local Pension Board meeting of 13 April 2021**

The minutes of the Local Pension Board meeting of 13 April 2021 were noted.

### **3. 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 suggested that scheduled training be included in future editions.

#### **Resolved**

That the Pension Fund Investment Sub-Committee noted the forward plan.

### **4. Macroeconomic Update**

This was a new report presented by Bob Swarup, Independent Advisor to the Sub-Committee, which sought to set the scene on the Pension Fund's greatest influences and encourage discussion of wider issues throughout the remainder of the agenda. The report focussed on four key areas: the continuing impact of Covid-19 and government reactions, inflation (including supply chain issues), negative real interest rates in the UK, and investors' capital deployment.

In response to questions regarding inflation, Dr Swarup indicated that he felt the position was still somewhat transient with an element of short term demand and the economy was still stop/start and this needed to stabilise so that companies would invest. He felt that capacity issues had not been fully factored in. Noting High Street closures, he pointed out that this created less capacity for demand which resulted in greater pricing power for anyone left in the market. He also pointed to record job openings balanced by significant demand for wage increases (eg in the haulage industry) which would eventually show in prices. He considered that the central banks were in a difficult position and would be looking for inflation to come back down.

Dr Swarup noted that wages had been low for 10-15 years and this pent up wage demand, decrease in natural resources, increase in energy costs, rising costs of carriage (through an under investment in shipping) and the huge shortages in supply chain created a risk of spikes but ultimately the rise in inflation would mute, and energy prices would come down. The concern was that certain parts of the supply chain like wages and conductors would stabilise at a higher level.

Dr Swarup indicated that if the Bank of England decided inflation would not return to target, they would write to the Chancellor. He noted that the Federal Reserve had changed to an average inflation target and that was one option, but the government would be thinking more long term and seek to maintain credibility with the public.

In response to a question regarding reinvigoration of the high streets, Dr Swarup noted that some investors had not allowed property prices to rise too much. There had been a lower yield for warehouses and property owners were not willing to write down the value, preferring fewer tenants than lower rates. If the market was hollowed out, there could be ramifications which were destructive to the balance sheet in the short term.

Regarding questions in relation to private debt capital overhang, Dr Swarup responded that it was significant that the chart included in the slide presentation (slide 14) showed some overhang. He noted that over the last three years there was a lot of money raised that did not need to be deployed immediately. There was a danger that too much capital left on the balance sheet would result in poor quality purchases and a good cash management strategy was required. Philip Pearson added that strong growth was being seen in capital committed to private debt, with a significant portion due to growth in private lending and a decline in lending by the commercial banks and this required some careful monitoring as the inevitable consequence was that returns would be low going forward.

The Sub-Committee welcomed Dr Swarup's realistic assessment.

### **Resolved**

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

## **5. Risk Monitoring**

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. The report also detailed the proposed risk appetite for adoption.

In response to questions from the Chair regarding the Covid-19 risk assessment, Chris Norton advised that there had been a transient impact in terms of investment but pensions had continued to be paid and the Team had risen to the challenges presented by the pandemic thus far. In terms of the annual accounts, the external auditors were struggling to complete their work and, therefore, these would be signed off by Council later than usual.

Members considered that it would be helpful if the risk register included the rating from the previous period and any changes made, so that any fluctuation could be more easily noted.

### **Resolved**

1. That the Pension Fund Investment Sub Committee noted the risk register attached to the report at Appendix B.
2. That the Pension Fund Investment Sub Committee noted and approved the Risk Appetite statement at paragraph 2.3 of the report.

## **6. Investment Beliefs**

Members had previously undertaken training on investment beliefs and had subsequently been asked to complete a questionnaire which sought to align their views to a set of statements across purpose, strategy and structure, implementation and governance. Discussion and debate on the questionnaire results in a recent workshop setting had resulted in the drafting of an updated set of

Investment Beliefs which had been circulated to the Sub-Committee Members prior to this meeting.

Some suggestions for changes to the wording of the statement had been received by email from Andrew Felton, Assistant Director – Finance particularly regarding the phrasing of belief 19 which implied that a passive option was required to be adopted before active management could be considered. Philip Pearson explained that there was a grey area between passive and active management with passive management relating to investment in the index and active management requiring decisions about which stocks to invest in and the weights that applied. The Committee also considered that it would be useful to define Responsible Investment prior to its first usage in the document and it was further suggested that the document should reference the UNPRI six principles for responsible investment.

Victoria Moffett confirmed that the investment beliefs should be reviewed before each investment strategy review.

### **Resolved**

1. That the Pension Fund Investment Sub Committee noted the tabled beliefs.
2. That the Pension Fund Investment Sub Committee approved the updated Investment Beliefs subject to inclusion of the suggested changes (appended to these minutes).

## **7. Training Policy**

Neil Buxton, Technical Specialist - Pension Fund Policy and Governance, presented the draft training policy to which was appended the training strategy for members of the pension fund committees, the local pension board and for senior council officers involved in the management of Warwickshire Pension Fund.

Chris Norton, Strategy and Commissioning Manager (Treasury, Pension, Audit & Risk) added that it was planned to undertake the National Knowledge Assessment on an annual basis to inform training needs and that the plan was flexible enough to include topical issues.

In response to a question regarding provision for online training, Richard Warden noted that functionality was being added to the online portal which included videos and links to library documents.

The Chair noted that the current training programme provided for much higher level discussion and Chris Norton, Strategy and Commissioning Manager (Treasury, Pension, Audit & Risk), explained that there were more workshop sessions taking place outside the formal meeting setting to provide the Sub-Committee with more time to consider key issues and enable the business of the formal meetings to progress more smoothly.

Suggestions were received and noted for training on private markets (quarter 4) and climate change.

### **Resolved**

That the Pension Fund Investment Sub Committee approved the Training Policy for the Warwickshire Pension Fund attached to the report at Appendix 1



## **8. 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.

## **9. Investment Consultant Quarterly Report**

### **Resolved**

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

## **10. General Investment Activity Update**

### **Resolved**

1. That the Pension Fund Investment Sub-Committee noted the report.
2. That the Pension Fund Investment Sub-Committee reiterated the decision to allocate 10% of the Pension Fund to MAC once it became available, subject to the MAC sub-fund meeting certain “necessary conditions” as outlined in paragraph 3.7 of the report.

## **11. Pooling Update**

### **Resolved**

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

## **12. Pooled Fund Manager (BCPP) Presentation**

### **Resolved**

1. That the Pension Fund Investment Sub-Committee noted the presentation by Border to Coast Pensions Partnership.
2. That the Pension Fund Investment Sub Committee supports the contribution of £500,000 by Warwickshire Pension Fund towards the completion of Phases 2 and 3 of the Border to Coast Real Estate programme, and asks the section 151 Officer in making the decision regarding the contribution to put forward to Border to Coast Pensions Partnership the Committee's comments regarding the business case for the fund and the risks to be considered.

## **13. Exempt Minutes of the Previous Meeting**

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

The meeting rose at 1.56pm

.....  
Chair

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## **Pension Fund Investment Sub-Committee**

### **Review of the Minutes of the Warwickshire Local Pension Board meeting of 20<sup>th</sup> July 2021**

13 December 2021

#### **Recommendation(s)**

1. That 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 20<sup>th</sup> July 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 20<sup>th</sup> July 2021

#### **Background Papers**

1. None.

	<b>Name</b>	<b>Contact Information</b>
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The report was circulated to the following members prior to publication:

Local Member(s): n/a

Other members: n/a

# Warwickshire Local Pension Board

Tuesday 20 July 2021

## Minutes

### Attendance

#### Committee Members

Keith Bray  
Keith Francis  
Alan Kidner  
Sean McGovern  
Mike Snow

#### Officers

Liz Firmstone, Service Manager (Transformation)  
Victoria Jenks, Pensions Admin Delivery Lead  
Ian Marriott (Legal and Democratic)  
Victoria Moffett, Pensions and Investments Manager  
Deborah Moseley, Senior Democratic Services Officer  
Chris Norton, Strategy and Commissioning Manager (Treasury, Pension, Audit & Risk)

#### Also Present

Councillor Sarah Millar

### 1. Introductions and General Business

As the Chair was delayed on the rail network, Ian Marriott took the Chair until Mr Bray's arrival. The order of items on the agenda were adjusted to accommodate the late arrival.

#### (1) Apologies

Councillor Parminder Singh Birdi

#### (2) Board Members' Disclosures of Interests

Alan Kidner advised that his sister-in-law was employed by J P Morgan.

#### (3) Minutes of the Previous Meeting

The minutes of the meeting held on 13 April 2021 were agreed by the Board as a true and accurate record.

### 2. Annual Report and Accounts 2020/21

This report, introduced by Chris Norton, Strategy and Commissioning Manager (Treasury, Pensions, Audit, Insurance, and Risk), presented the draft Annual Report which included the draft annual accounts which had been published on the Council's website. Following the external audit of the accounts by Grant Thornton, they would be presented to the Audit & Standards Committee in September and then be submitted to Council for approval. The report set out some key highlights, Chris Norton explained for example that the Fund was 91% funded and that investment in the Border to Coast Pensions Partnership (BCPP) continued to grow, reaching circa one-third of the Fund.

In response to question from Mike Snow and Keith Francis regarding level 3 assets Chris Norton noted that these were illiquid assets which are more difficult to value, and therefore Fund Managers were required to give more information and clarity on their governance arrangements for valuing these assets. Fund officers had not gone into the detail of the the valuation assumptions made but had sought information and assurances around the governance of the valuation by fund managers, for example asking questions such as was there an investment panel and was RICS guidance used for valuations. The value of these assets was calculated at fair value using appropriate accounting standards (e.g. US GAAP International accounting standards and chartered surveyors valuation standards). It was anticipated that the auditors would consider the valuations and any queries would be responded to.

Chris Norton also explained that reference in the accounts to private debt was where money was lent to businesses on the private market, where it was more difficult to sell those assets on in comparison to for example buying bonds on public markets that could be sold on more easily.

The Local Pension Board noted the draft 2020/21 Annual Report and Accounts.

### **3. Minutes of the Pension Fund Investment Sub-committee**

The Board noted the content of this report which comprised the agenda and draft Forward Plan considered at the meeting on 8 March 2021, together with a copy of the minutes of the public part of the meeting.

#### **4. Review of the Minutes of the Staff and Pensions Committee 8th March 2021**

The Board noted the abridged version of the minutes of the meeting which focussed on items relating to the Pension Fund.

Arising from the report, Keith Francis raised a query regarding the reporting of internal audit reports to the Local Pension Board and Chris Norton advised that he would check what had been agreed and that it had been actioned.

*The meeting adjourned for 10 minutes at 11.20am to receive an update from Mr Bray on his anticipated arrival.*

#### **5. Admissions and Termination Policy**

This report, presented by Vicky Jenks, Pensions Administration Manager, provided an update on proposed amendments to the Admissions and Terminations Policy of the Warwickshire scheme following an amendment to the Local Government Pension Scheme Regulations. The proposed amendments provided additional flexibilities in the making of exit payments and the policy had also been updated to refer to charges the Fund would pass on to employers seeking to join or exiting the Fund.

The Local Pension Board noted the amended Admissions and Termination Policy and highlighted typographical errors at paragraph 2.1.2 (which referred to a missing table at Part 4) and paragraph 2.3.2 (relating to sub-numbering values).

#### **6. General Investment Activity Update**

Victoria Moffett, Pensions and Investments Manager presented this report which provided an update on investment related activity, the drivers for the improved funding position over the quarter ending 31 March 2021 and activities that had taken place to ensure that the Fund was well-governed.

In response to a request from Alan Kidner, it was agreed some information from the employer engagement findings would be shared.

Responding to a question from Keith Francis regarding the investment strategy in light of the improved funding level, Victoria Moffett explained that a review would be undertaken over the following 6-9 months which would consider whether the risk profile had changed. Chris Norton, Strategy and Commissioning Manager (Treasury, Pensions, Audit, Insurance, and Risk), added that the funding level was monitored by the Pension Fund Investment Sub-Committee and, due to its volatility, a long-term view would be required to ensure that change was not a result of reacting to short-term impacts in the market. Mr Francis observed that he would have expected a policy change when funding hit the 100% level and Chris Norton explained that the funding level would be a consideration in the investment strategy review.

Mike Snow asked how far above 100% funding would employers see a benefit and be able to stop making extra contributions. Chris Norton commented that the funding strategy statement including a number of objectives, including to minimise contribution levels and to minimise volatility in contribution levels. He noted that minimising contributions creates a risk if there is then a swing in

circumstances. This aspect would need to be reviewed as part of the valuation that drives that investment strategy.

In response to a question from Keith Francis regarding the liabilities focused Independent Financial Advisor, Victoria Moffett advised that this would be a named individual who may be part of a wider organisation. The contract was for a 4-5 years.

The Local Pension Board noted the report.

*Keith Bray arrived at 11.52am and took the Chair.*

## **7. Forward Plan**

Chris Norton, Strategy and Commissioning Manager (Treasury, Pensions, Audit, Insurance, and Risk) presented this report which provided an updated one year rolling forward plan. The plan was flexible to allow for amendment and updating on a rolling basis at each meeting and to take account of latest developments. A schedule of policy review activity at the Staff and Pensions Committee and Pension Fund Investment Sub-Committee was also included to provide a complete picture of policy activity.

It was noted that the Board's annual report had been brought forward to this meeting to remain in line with previous years and Chris Norton agreed to look into whether the audit of the accounts could be brought forward to October 2021, which would depend upon reporting deadlines.

The Local Pension Board noted the forward plan set out in appendix 1 to the report, subject to the comments above.

## **8. Business Plan Monitoring**

This report, presented by Victoria Moffett, Pensions and Investments Manager, provided a quarterly progress update against the action plan. Many actions were on track to be delivered but there were some activities, highlighted in red within the report, that were subject to greater challenges. This was particularly the case with governance related actions, where a common underlying factor was resourcing, despite previous increases in capacity. Business cases for additional support were being put together for the areas of governance, accountancy and investment.

Mike Snow asked when resource was likely to be redirected and Victoria Moffett advised that the Business Case was being prepared and consideration was being given to known changes in staffing that would occur in the next 12 months due to retirement. Chris Norton, Strategy and Commissioning Manager (Treasury, Pensions, Audit, Insurance, and Risk), noted that there would be increasing expectations as a result of the good governance review and the requirements of The Pensions Regulator so it was essential that the service looked ahead to meet those challenges in a planned way and considered the profile of demand for the administration team.

The Chair initiated a discussion on the rating of some of the action points. Members were advised that additional resource for red rated actions would see them move to amber but the goal was to reach green status. The Board also considered that some actions eg, nos 40 (review of disaster recovery planning) and 28 (engagement on climate change) should be re-prioritised. Discussion



took place around targets for carbon zero, noting that Border to Coast were making a commitment to Net Zero in 2050 but that South Yorkshire Pension Fund had committed to 2030. Representing pension scheme members, board member Alan Kidner commented on the BCPP target saying that 29 years was not an appropriate response time when one was faced with an emergency. Referring to the record breaking heat waves in Canada at the end of June, and the current extreme rainfall and flooding in Germany, he expressed the view that the UN Climate Change Conference in Glasgow in November 2021 would announce that we needed to work harder and faster to mitigate change. He went on to encourage Warwickshire Pension Fund to follow the good example of South Yorkshire and adopt a 2030 target. Victoria Moffett advised that Warwickshire Pension Fund would be looking at metrics and targets and some training was planned to support understanding of the implications of a target before committing to one. The Pension Fund Investment Sub-Committee would be receiving a report on this topic in September 2021 which would specifically look to review passive equity allocation.

Councillor Sarah Millar was invited to address the Board on the Pension Fund Investment Sub-Committee's passionate approach to carbon-zero and she noted the Sub-Committee was looking forward to further discussion.

The Local Pension Board noted the report.

## **9. Risk Monitoring**

Chris Norton, Strategy and Commissioning Manager (Treasury, Pensions, Audit, Insurance, and Risk), presented the risk register for the fund which set out the risks that the Fund was exposed to before and after mitigating actions. The risk register was monitored quarterly by the Investment Sub-Committee. The Board were advised that the Fund planned to develop a risk appetite to specify target risks for different activities and the Pension Fund Investment Sub-Committee was due to consider proposals in September 2021.

Mike Snow asked about the actions being taken to mitigate cyber security and climate change risks. Chris Norton advised that climate change was a high profile feature of the Investment Strategy review and regular meetings were taking place with colleagues in ICT to undertake a review of arrangements with regard to cyber security. The Fund relied on Warwickshire County Council cyber security policies and work was underway to check that this was a good fit for the Pension Fund. Third parties were being contacted to request their SSRA (system specific risk assessment) statements, and the bespoke cyber security policy for the Pension Fund which had been approved in the previous 12 months was being reviewed.

The Local Pension Board noted the report and risk register attached to the report.

## **10. Pensions Administration Activity and Performance Update**

This report, presented by Vicky Jenks, Pensions Admin Delivery Lead, provided an update on the key developments affecting pensions administration and the performance of the Pensions Administration Service, including the i-Connect project, key performance indicators, workloads, breaches, the latest tracing exercise which had been conducted at gold level, progression of the McCloud project, an update on exit payments, commencement of the annual benefit statement project, project proposals for the implementation of member self service, new employers and exiting employers, the guaranteed

minimum pension (GMP) reconciliation exercise, CIPFA benchmarking, the use of the internal dispute resolution procedure (IDRP) for the quarter, and minor amendments to the Administration Strategy.

In response to a question from Keith Francis regarding the number of members covered by the i-Connect project, Vicky Jenks advised that there was fluctuation with membership numbers and, at the time of the meeting, there were around 1500 members that the scheme was not receiving electronic data for. This was not a static figure and the main contributor to this figure was a single employer of around 600 members. For some employers, there was a timing issue as they were changing payroll provider but they would be onboarded for September 2021. The vast majority of data had transferred.

In response to a question from Keith Francis Vicky Jenks advised that the data was monitored and this had shown no consistency or pattern and there were different reasons why some KPIs dipped during the year. Liz Firmstone added that reported workload levels did not refer to outstanding old tasks, there was a constant flow with no backlog of tasks.

Responding to a question from the Chair regarding CIPFA Benchmarking, Liz Firmstone noted that a detailed review of costs had been undertaken in summer 2020 and she was satisfied that the classifications were correct. With regard to the indirect costs appearing disproportionately high, further investigation was taking place. The unit costs which appeared in orange boxes in the report would similarly be reviewed with CIPFA. The Board commented that it hoped CIPFA could redouble its efforts to provide improved data but it was noted that some clubs were struggling to maintain participants due to the capacity needed to complete returns.

The Local Pension Board noted the report.

## **11. Policy Updates**

This report, presented by Victoria Moffett, Pensions and Investments Manager, provided an update on the policies recently reviewed and agreed upon by the Pension Fund Investment Sub-Committee: the Responsible Investment Policy, the Climate Risk Policy and the Stewardship and Voting Policy. The report also set out the key changes to the policies, noting that there had been one material change to the Stewardship and Voting Policy as a result of the Fund no longer having any segregated mandates with investment managers and no material changes to the Responsible Investment Policy or Climate Risk Policy.

The Local Pension Board noted the report.

## **12. Local Pension Board Annual Report 2020/21**

The Chair presented his report, noting that it had been an interesting year and the Board had dealt with a number of issues.

The Board Members welcomed the report, complimenting the format which demonstrated the contribution of the Board.

## **13. Any Other Business**

The Board asked Officers to look into the arrangements for future meetings, in particular, the ability to resource a return to remote meetings to achieve greater efficiency support Covid-security and contribute less towards climate change.

#### 14. Summary of Key Actions

	Action	
1	Check the position with regard to reporting of Internal Audit Reports	Chris Norton
2	Consideration of the investment strategy in the event 100% funding is reached	Chris Norton
3	Share employer engagement findings	Victoria Moffett
4	Investigate options to return to remote meetings	Ian Marriott / Deb Moseley

The meeting rose at 1.04pm

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Chair

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## **Pension Fund Investment Sub-Committee**

### **Forward Plan**

13 December 2021

### **Recommendation(s)**

1. That the Pension Fund Investment Sub-Committee considers and comments on the Forward Plan.

### **1. Executive Summary**

- 1.1 The purpose of this report is to provide a 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 Committee members should note the intention to undertake a knowledge assessment review. The assessment review will be available from mid-December until the end of January 2022 and members are encouraged to undertake this assessment.
- 4.2 The assessment will help officers to assess specific areas of training for the committee, the local pension board, and senior officers for the coming year from April 2022.

- 4.3 The National Knowledge Assessment will take place in September 2022. This exercise will benchmark the knowledge of committee, board members and senior officers against other local authority pension funds.

## 5. Timescales associated with the decision and next steps

- 5.1 None.

## Appendices

1. Appendix 1 The Forward Plan.

## Background Papers

None.

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Portfolio Holder	Portfolio Holder for Finance and Property	<a href="mailto:peterbutlin@warwickshire.gov.uk">peterbutlin@warwickshire.gov.uk</a>

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

Local Member(s): n/a

Other members: n/a

## Pension Fund Investment Sub-Committee

## Appendix 1.

## Forward Plan

## Standing Items

7 March 2022	13 June 2022	12 September 2022	12 December 2022
Forward Plan			
Risk Monitoring			
General Investment Activity Update			
Investment and Fund Performance			
LGPS Pooling			
Local Pension Board minutes of meeting			

## Specific Items

7 March 2022	13 June 2022	12 September 2022	12 December 2022
Knowledge progress assessment (January 2022) UK Stewardship Code	Training Plan	National Knowledge Assessment	

## Manager Presentations

7 March 2022	13 June 2022	12 September 2022	12 December 2022
Border to Coast Pension Partnership			
Schroders	Tbc	Tbc	Tbc

## Policy Reviews

7 March 2022	13 June 2022	12 September 2022	12 December 2022
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Business Plan	Voting Policy	ESG, Climate Change and Responsible Investment Policy	
Risk Management Review	Funding Strategy Statement		
	Investment Strategy Statement		

#### Policy Reviews by the Staff and Pensions Committee

7 March 2022	13 June 2022	12 September 2022	12 December 2022
Communications Policy	Breaches Policy	Administration Strategy	Cyber Security Policy
Fraud Prevention Strategy		Admissions and Termination Policy	Governance Statement

#### Training

7 March 2022	13 June 2022	12 September 2022	12 December 2022
Valuation Training Sessions – purpose, role, outcomes etc (February 2022)	Tbc	Tbc	Tbc



## **Pension Fund Investment Sub-Committee**

### **Risk Monitoring**

13 December 2021

### **Recommendation**

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

#### **1. Executive Summary**

- 1.1 This report provides an update on the risks facing the fund and management actions to address them.
- 1.2 At the last meeting of the Sub-Committee, a risk appetite was agreed for the fund, this is reproduced for reference at Appendix 1. In summary the Fund has a relatively higher appetite for risk in respect of certain investment objectives where exposure to risk is required in order to access exposure to certain investment outcomes, and has a lower appetite for risk for example in terms of regulatory, data, and administration matters.
- 1.3 Fund officers have reviewed the risks facing the fund, and have updated the risk register with actions and revisions as appropriate. Appendix 2 and 3 reproduce the criteria for scoring risks, Appendix 4 provides an updated risk register. Any updates to the commentary in the risk register since the previous report to the Sub-Committee are presented in red font.
- 1.4 The net risks facing the Fund after having regard to existing management actions are summarised in a new pictorial format in Chart 1 on the following page. This follows feedback received on the Quarter 1 risk report. Comments are invited on this format.
- 1.5 The arrows highlight where risk scores have been amended since the previous report. The changes are:
  - 1.5.1 Long term investment risk likelihood is higher due to developments and uncertainties around inflation.
  - 1.5.2 Covid administration and people risk is lower in light of experience of managing Covid.

Chart 1 – Net Risk Summary

Impact	Catastrophic	3. Financial mismatch				
	Major		9. Cyber security	1. Long term market risk 10. Climate change		
	Moderate	5. Pooling objectives not met 8 Business interruption 12. Fraud	6b. Covid (administration and people related) 13. Governance failure	6a. Covid (investment related) 7. Inability to meet demand for activity		
	Minor	11. Data quality	2. Short term market risk 4. Employer risk			
	Insignificant					
		Highly Unlikely	Unlikely	Possible	Probable	Very Likely
		Likelihood				

## 1.6 Management action updates include:

1.6.1 Activities to increase capacity: tendering for the second independent investment advisor contract and progressing a business case regarding internal investment and accountancy capacity.

1.6.2 Activities relating to cyber security: testing our systems and planning audit activity.

1.6.3 Recruiting to the Local Pension Board vacancy.

## 2. Financial Implications

2.1 None.

## 3. Environmental Implications

3.1 Climate risk is identified as a key risk (Risk 10).

## 4. Supporting Information

4.1 None.

## 5. Timescales associated with the decision and next steps

5.1 This iteration of the risk register will also be reported to the next Local Pension Board for review.

## Appendices

1. Appendix 1 – Risk Appetite
2. Appendix 2 – Risk Scoring Convention and Likelihood Definitions
3. Appendix 3 – Risk Impact Definitions
4. Appendix 4 – Risk Register

## Background Papers

1. None.

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

Local Member(s):

Other members:

**Risk Appetite****Appendix 1**

<b>Risk Category</b>	<b>Description</b>	<b>Risk Appetite</b>
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 (implementation)	Requirement to generate enough returns to meet future liabilities whilst minimising employer contributions.	Open
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 because of process risks around holding data, in particular member data, but also asset administration and the Pension /Fund's payroll.	Averse

<b>Risk Appetite</b>	<b>Risk Appetite Description</b>
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

**Scoring Definitions****Appendix 2**

## Risk Scoring Convention and Likelihood Definitions

## Appendix 2

### Scoring Convention

Risks are assessed on a five-point scale across likelihood and impact, with impact weighted as follows:

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

Risks with a high impact / low probability are therefore more highly prioritised because over a long time span low probability events are more likely to occur eventually.

### Likelihood Definitions

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

## Impact Score Definitions

## Appendix 3

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 issues 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 Investment 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 employer 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 Investment 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 launch.	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 receipt 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, inability to pay member benefits, or a need to significantly increase investment risk exposure.  Significant failure to meet legal or regulatory requirements.  Serious reputational harm caused  Example - Catastrophic deterioration in the ability of 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 function resulting in no member payments being made.

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	
1	Long term market risk	<ul style="list-style-type: none"><li>Inappropriate strategic asset allocation</li><li>Inability to implement strategic asset allocation</li><li>Poor fund manager performance</li><li>Fundamental long term events e.g. climate change, systemic risk, <b>inflation</b></li><li>Covid-19</li><li>Inappropriate products developed by the Border to Coast Pension Partnership</li><li>Inappropriate (too high) expectations</li></ul>	<ul style="list-style-type: none"><li>Asset values do not meet expectations</li><li>Employer contributions forced to increase above expectations or by a large amount at short notice</li><li>Investment risk is forced to increase</li><li>Future benefits cannot be paid by the Fund out of existing assets</li><li>- <b>positive inflation would increase liabilities and potentially asset values</b></li></ul>	4.00	5.00	25.00	<ul style="list-style-type: none"><li>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.</li><li>Only anticipate long-term returns on a relatively prudent basis to reduce risk of under-performing</li><li>Engagement with Border to Coast - developing funds and monitoring fund performance.</li><li>Appropriate monitoring of investment behaviour and performance.</li><li>Introduction of a climate risk policy in 2020/21</li><li>- <b>Inflation is a key feature of investment strategy review and monthly monitoring of the portfolio</b></li></ul>	4.00	4.00	20.00	<ul style="list-style-type: none"><li>Review climate risk and responsible investment policy and evaluate exposure to climate risk and other Environmental, Social and Governance factors.</li><li>Regular review of Strategic Asset Allocation</li></ul>
2	Short term market risk	<ul style="list-style-type: none"><li>Significant reductions in asset values</li><li>Active management</li><li>Rapid changes in the economic environment</li><li>Inappropriate asset allocation</li><li>Poor fund manager performance</li><li>Covid-19</li><li>Global political and trade tensions</li><li>Brexit</li><li>Asset bubbles</li><li>Poor fund development and procurement</li><li>Natural fund and market volatility</li></ul>	<ul style="list-style-type: none"><li>Asset values do not meet expectations</li><li>Cashflow requirements cannot be met efficiently or effectively</li><li>Being unable to meet payment deadlines</li><li>Being forced to sell assets under distress</li><li>Being unable to pay benefits to members due to liquidity constraints</li><li>Introducing volatility to employer contributions or those employers close to exit</li></ul>	5.00	3.00	18.00	<ul style="list-style-type: none"><li>Diversification of assets</li><li>Regular committee and officer monitoring of investment asset allocations and fund manager performance relative to benchmarks and absolute.</li><li>Cashflow planning to avoid selling assets under distress</li><li>Maintain sufficient allocation to liquid assets.</li><li>Long term approach to employer contributions, promoting their stability</li><li>Rota of fund manager presentations to the investment subcommittee.</li></ul>	3.00	2.00	8.00	<ul style="list-style-type: none"><li>Regular review of Strategic Asset Allocation.</li></ul>
3	Financial mismatch	<ul style="list-style-type: none"><li>Fund assets fail to grow in line with the developing cost of meeting liabilities</li><li>Inadequate contributions asked of employers</li><li>Employers do not pay contributions required</li><li>Investment returns lower than expected</li><li>Inflation risk</li><li>Inappropriate funding assumptions used</li><li>Actual membership experience materially different from expectations</li><li>Incorrect membership or cashflow data used to determine funding strategy</li></ul>	<ul style="list-style-type: none"><li>Funding level deteriorates</li><li>Higher investment risks being taken</li><li>Employer contributions increasing</li><li>Being unable to pay benefits to members out of fund assets</li></ul>	2.00	5.00	15.00	<ul style="list-style-type: none"><li>Fund valuation process driving an updated Investment Strategy and Funding Strategy on a periodic basis.</li><li>Triennial valuations for all employers</li><li>6-monthly reporting on funding evolution to Committee, using rolled-forward liabilities.</li><li>Annual monitoring of longevity risk via Club Vita participation.</li><li>Use of professional advisors to support setting of appropriate funding assumptions.</li><li>Asset liability modelling focuses on probability of success and level of downside risk</li></ul>	1.00	5.00	10.00	<ul style="list-style-type: none"><li>2022 revaluation preparedness review during 2021/22</li><li>Understand the assumptions used in any analysis and modelling. Compare these with own views and risk levels.</li><li>Annual data quality review</li></ul>
4	Employer risk	<ul style="list-style-type: none"><li>Orphaned employers</li><li>Covid-19</li><li>General economic / financial pressure on employers</li><li>Deterioration in employer financial positions</li><li>Deterioration in quality of employer administration function</li><li>Inadequate support from the Fund to employers</li><li>Inadequate monitoring of employers by the Fund</li><li>Admissions agreements inadequate or not agreed</li></ul> Employer contribution rates higher than deemed affordable Some significant changes in employer base (e.g. large staff transfers between employers, and a large number of further academy conversions expected in the next year)	<ul style="list-style-type: none"><li>Employers cannot pay the required contributions because contribution requirements increase too quickly or too far</li><li>Employers cannot pay the required contributions because employer financial viability reduces</li><li>Increased administration costs</li><li>Reputational damage to the Fund and to employers</li><li>Paying employers having to pick up costs of non paying employers</li><li>Liabilities falling back to underwriting employers</li><li>Overly cautious investment strategy requiring higher contribution rates</li></ul>	3.00	3.00	12.00	<ul style="list-style-type: none"><li>Cessation debt or security/guarantor</li><li>Spread pro-rata among all employers</li><li>Employer covenant review</li><li>Stabilisation mechanism to limit sudden increases in contributions</li><li>Breaches monitoring</li><li>Employer training day</li><li>Fund AGM</li><li>Admissions and Terminations Policy</li><li>Cashflow planning to provide cashflow resilience if contributions reduce FSS having appropriate regard to risk and meeting the Funds objectives</li></ul>	3.00	2.00	8.00	<ul style="list-style-type: none"><li>Review and enhance breaches monitoring</li><li>Additional liaison with known future employers on pension fund matters</li></ul>
5	Pooling objectives not met	<ul style="list-style-type: none"><li>Failure to monitor the delivery of pooling benefits.</li><li>Failure to assess benefits when making pooling decisions.</li><li>Failure to influence fund design discussions</li><li>Partner funds not collectively holding the pool to account</li><li>Pool fails to deliver on objectives</li></ul> Pool does not deliver further alternatives products at pace or implement existing commitments at pace	<ul style="list-style-type: none"><li>Lack of appropriate products for the Fund to invest in</li><li>Investment in products that do not meet the objectives of the Fund</li><li>Persistent and unaddressed fund performance issues</li></ul>	3.00	3.00	12.00	<ul style="list-style-type: none"><li>Engagement at Joint Committee, Section 151 meetings, and operational officer groups</li><li>Exercising shareholder rights and responsibilities</li><li>Engaging with other partner funds in the pool</li><li>Pooling decisions made by Investment Sub Committee</li><li>Border to Coast attendance at and performance reporting to investment sub committee meetings</li><li>Independent due diligence of funds offered, and ongoing monitoring of the Pool</li></ul>	2.00	3.00	9.00	<ul style="list-style-type: none"><li>Input into the development of new products - in particular property, alternatives, and products having regard to RI and climate change</li></ul>
6a	Covid (Investment Related)	<ul style="list-style-type: none"><li>Covid-19 pandemic (financial pressure on individuals and institutions, and more transactions being made online)</li><li>Further restrictive lockdowns</li><li>Staffing capacity impacted by both short and long term health implications of infection</li></ul>	<ul style="list-style-type: none"><li>Business interruption</li><li>High costs in order to maintain service resilience</li><li>Impact on asset values and investment risks</li><li>Impairment of the financial situation of employers</li></ul>	5.00	5.00	30.00	<ul style="list-style-type: none"><li>IT systems supporting remote and flexible working</li><li>Fund policies that account for the scenario experienced</li><li>Higher profile for cashflow management, and retain cash buffer to mitigate liquidity risk</li><li>Maintain diversified portfolio of assets, and regularly monitor performance of assets and wider market</li></ul>	4.00	3.00	15.00	<ul style="list-style-type: none"><li>Use of extraordinary committee or board meetings where necessary</li><li>Continue to develop flexible and remote working practices</li><li>Review electronic signatory processes</li></ul>
6b	Covid (Administration and People Related)	<ul style="list-style-type: none"><li>Covid-19 pandemic (financial pressure on individuals and institutions, and more transactions being made online)</li><li>Further restrictive lockdowns</li><li>Staffing capacity impacted by both short and long term health implications of infection</li></ul> Risk of differing views (at the level of individuals and organisations) about how to manage risks post-lockdown, for example whether to hold physical or virtual meetings	<ul style="list-style-type: none"><li>Members do not receive a high quality service</li><li>Business interruption</li><li>High costs in order to maintain service resilience</li><li>Staff health, wellbeing and productivity</li><li>Impairment of the financial situation of employers</li><li>Inability to make quick decisions in an emergency</li></ul>	5.00	5.00	30.00	<ul style="list-style-type: none"><li>Office presence for processes that require it (e.g. physical post)</li><li>IT systems supporting remote and flexible working</li><li>Flexible working policies for staff</li><li>Health and safety protocols for staff</li><li>Fund policies that account for the scenario experienced</li></ul>	3.00	3.00	12.00	<ul style="list-style-type: none"><li>Use of extraordinary committee or board meetings where necessary</li><li>Continue to develop flexible and remote working practices</li><li>Review electronic signatory processes</li></ul>

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	
7	Inability to meet demand for activity	<ul style="list-style-type: none"><li>• Growth in membership numbers</li><li>• Growth in employer numbers</li><li>• Growth in complexity and difficulty of employer issues</li><li>• New and complex LGPS regulations (e.g. McCloud, £95k exit cap)</li><li>• Increasing value of fund investments</li><li>• Increasing complexity of fund investments</li><li>• Erosion of staff capacity/resilience due to long term remote working</li><li>• Inability to recruit / retain appropriately skilled staff</li><li>• Inability of the Fund officers to keep up with demand (capacity or skills) persistently increasing customer expectations</li><li>Unpopular government decisions impacting on LGPS</li><li>Inability to secure agreement to increasing resources</li><li>- Capacity at contract / service providers</li></ul>	<ul style="list-style-type: none"><li>• Quality of services reduces</li><li>• Governance failures</li><li>• Key administration performance measures not met</li><li>• Sub optimal investment decisions made</li></ul>	5.00	3.00	18.00	<ul style="list-style-type: none"><li>• Medium term forecasting of demand and planning for the capacity and resources required</li><li>• Investing in quality and productivity of staff through training and development</li><li>• Investing in systems development</li><li>• Use of management information to monitor and manage performance</li><li>• Succession planning</li><li>• Procuring appropriate services through contracts</li><li>KPI and workload monitoring for administration team</li><li>staff training</li><li>Data quality reviewed annually</li><li>Maintenance of governance arrangements and actions</li><li>Responding to Government consultations</li></ul>	4.00	3.00	15.00	<ul style="list-style-type: none"><li>• McCloud project (already commenced)</li><li>2022 Revaluation preparedness review during 2021/22</li><li>• Introduction of medium term resource planning</li><li>- Implementation of Member Self Service (MSS)</li><li>- Independent Pensions Specialist tender being progressed</li><li>- Governance Officer recruitment activity</li><li>- Business case for investment and accountancy capacity</li></ul>
8	Business interruption	<ul style="list-style-type: none"><li>• Covid-19</li><li>• Industrial action</li><li>• Small specialist teams with single person risks</li><li>• Significant changes in adviser and consultant personnel</li><li>• Further high impact Covid events (e.g. infection waves, lockdowns)</li><li>• Lack of systems maintenance</li><li>• Systems failure</li><li>• Covid impact on Fund staff</li><li>• Disaster event - fire, flood, etc</li><li>• Lack of remote working facilities</li></ul>	<ul style="list-style-type: none"><li>• Delays in decisions or their implementation</li><li>• Failure to meet performance targets</li><li>• Reputational damage</li><li>• Data quality deterioration</li><li>• Workload backlogs</li><li>• Significant restoration costs</li><li>• Asset allocation drifts off target</li><li>• Fund investment risks and performance cannot be monitored</li></ul>	3.00	4.00	16.00	<ul style="list-style-type: none"><li>• Building resilience requirements into service contracts</li><li>• Digital record keeping</li><li>• Storing data back ups off site</li><li>• Custodian holding investment data</li><li>• Maintaining close links with advisers, consultants, and external organisations.</li><li>• Use of IT systems to work remotely</li></ul>	2.00	3.00	9.00	<ul style="list-style-type: none"><li>• Implementation of Cyber Security policy</li><li>• Review and update disaster recovery plan</li><li>• Completion of documentation of investment practices</li><li>- Business continuity planning session with consultants</li></ul>
9	Cyber Security	<ul style="list-style-type: none"><li>• Systemic cybersecurity events (e.g. taking down financial trading institutions globally)</li><li>• Local cyber security events (e.g. targeting the Council)</li><li>• Personal cyber security events (e.g. phishing emails targeting staff)</li><li>• Inadequate system security</li><li>• Inadequate staff training and staff vigilance</li></ul>	<ul style="list-style-type: none"><li>• Loss of data and/or data disruption</li><li>• Reputational damage</li><li>• Breaches of the law</li><li>• Fines</li><li>• Costs of fixing issues</li><li>• Business interruption</li></ul>	4.00	5.00	25.00	<ul style="list-style-type: none"><li>• Use of scheme administrator systems and system security</li><li>• Staff training</li><li>• Bespoke Fund cyber security policy</li></ul>	3.00	4.00	16.00	<ul style="list-style-type: none"><li>• Implementation of Cyber security policy</li><li>- Arrange for IT to test our systems</li><li>- Arrange for an audit once Member Self Service is live</li></ul>
10	Climate Change	<ul style="list-style-type: none"><li>• Net global carbon production in excess of Paris Agreement 2 degree target</li><li>• Policy responses and actions globally and nationally to combat climate change or to build resilience to it</li><li>• Fund actions or inactions exacerbating climate change and its impact</li></ul>	<ul style="list-style-type: none"><li>• Expected transition to a low-carbon economy</li><li>• Impact on the value of assets held, for example stranded/obsolete assets, or impact on the productivity and profitability of certain sectors, companies, etc</li><li>• Impact on future quality of life and life experience (e.g. longevity) of members</li><li>• Impact on future inflation and value of benefits paid to members</li></ul>	5.00	5.00	30.00	<ul style="list-style-type: none"><li>• Fund considers this when allocating assets and appointing Fund Managers</li><li>• Global, national and industry regulations</li><li>• Climate Risk Strategy</li><li>• ESG Policy</li><li>• Regular training on Climate Risk and mitigation actions</li></ul>	4.00	4.00	20.00	<ul style="list-style-type: none"><li>• Review and update climate risk policy</li><li>• Review 2020 UK Stewardship Code requirements and take steps to become a signatory</li><li>• Develop Fund actions and response to Task Force on Climate Related Financial Disclosures (TCFD) requirements</li><li>• Develop robust reporting metrics and set targets for driving change.</li><li>BCPP sign up to net zero carbon by 2050</li></ul>
11	Data Quality	<ul style="list-style-type: none"><li>• McCloud impact</li><li>• Persistently increasing customer service expectations</li><li>• Covid impact on member health and wellbeing - increasing the adverse impact of any problems with pensions</li><li>• Member benefits paid incorrectly</li><li>• Employer contributions higher than deemed affordable or thought necessary</li><li>• Inadequate data quality</li><li>• Inadequate administration systems and processes</li><li>• Poor data provided by employers</li></ul>	<ul style="list-style-type: none"><li>• Inadequate payroll services</li><li>• Overly cautious investment strategy requiring higher employer contributions</li><li>Incorrect benefit payments to scheme members</li><li>Complaints and disputes from scheme members</li><li>Negative reputational impact</li></ul>	3.00	3.00	12.00	<ul style="list-style-type: none"><li>• Administration governance review actions and maintenance of those standards</li><li>• SLA with Council payroll service</li><li>• Maintenance of Fund website</li><li>• Funding Strategy having appropriate regard to risk and the meeting of Fund objectives</li><li>• Data quality scores and reviews</li><li>• Staff training</li><li>• Performance monitoring of employer data quality</li><li>• Performance monitoring of administration team KPIs</li></ul>	2.00	2.00	6.00	<ul style="list-style-type: none"><li>• UK Stewardship Code 2020</li><li>• iConnect project (substantively completed)</li><li>• Member Self Service project</li><li>• Light review of compliance with Code of Practice 14</li></ul>
12	Fraud	<ul style="list-style-type: none"><li>• Covid-19 impact on the application of controls in the Fund or with employers</li><li>• Increased financial pressure on individuals due to Covid-19 and its impact on the economy and jobs</li><li>• The passing of time since any previous targeted review of Fraud risk</li><li>• Fraud instigated by any Fund stakeholders, e.g. members, private financial advisers (scams), officers, fund managers, custodian, and employers.</li></ul>	<ul style="list-style-type: none"><li>• Members lose benefits to fraudsters</li><li>• Reputational risk</li><li>• Time spent unpicking the fraud</li><li>• Fraudulent members gain benefits they are not entitled to</li><li>• Fund incurs costs to recover losses</li><li>• Investment assets lost to fraud or irregularity</li><li>• Investment losses not reported if covered up</li></ul>	3.00	3.00	12.00	<ul style="list-style-type: none"><li>• Application of Administering Authority code of conduct to fund officers, fraud strategy, and whistleblowing policy</li><li>• Application of division of duties and signatory processes for financial transactions and administration</li><li>• Periodic independent internal audit reviews of administration and investmet activity and controls</li><li>• Annual external audit reviews</li><li>• Financial industry regulatory regimes governing fund manager conduct and processes</li><li>- Fraud, Bribery and Corruption Framework</li><li>- Employer's fines</li></ul>	2.00	3.00	9.00	<ul style="list-style-type: none"><li>• Internal audit of fraud arrangements</li><li>Fraud risk review in 2021/22</li><li>• Test payments to ensure that the bank details provided are appropriate</li></ul>
13	Governance Failure	<ul style="list-style-type: none"><li>• Lack of capacity to service governance requirements</li><li>• Lack of training</li><li>• Lack of continuity in staffing, advisers, or committee / board members</li><li>• Inadequate checking/review of standards compared to requirements and best practice</li><li>• Complacency in light of recent governance improvements</li><li>• Out of date policies and contracts</li><li>• Local government elections impact on committee continuity</li><li>• Covid-19 - impact on officer, adviser, and committee/board personnel health and availability</li><li>• Uncertainty around overall governance structure and responsibility for decision making and actions</li><li>• Unpopular government decisions impacting on LGPS</li><li>Inability to sign off pension fund accounts</li></ul>	<ul style="list-style-type: none"><li>• Adverse impact on Fund reputation</li><li>• Exposure to unplanned risks or poor administration and investment performance</li><li>• Breaches of the law</li><li>• Poor decisions</li><li>• Decisions that are not appropriately authorised</li><li>Customer dissatisfaction</li></ul>	3.00	4.00	16.00	<ul style="list-style-type: none"><li>• Training plans for committees, Board, and staff</li><li>• Quarterly committee and Board meeting cycles</li><li>• Training needs analysis</li><li>• All training provision to be made available to all committee and Board members</li><li>• Management of a Contracts register</li><li>• Management of a Fund policy schedule</li><li>• Quarterly risk monitoring at committee and board</li><li>• Quarterly monitoring of Business Plan delivery at board</li><li>• Use of digital technology - remote working and remote meetings</li><li>• Responding to government consultations</li></ul>	3.00	3.00	12.00	<ul style="list-style-type: none"><li>• Signing up to UK Stewardship Code 2020</li><li>• Light review of compliance with Code of Practice 14</li><li>• Use of National Knowledge Assessment to inform training plan</li><li>• Simplification of governance to a single action plan and single risk register</li><li>• Review of committee arrangements and Terms of Reference</li><li>• Review capacity to support Fund Governance requirements</li><li>- Review account reporting timescales</li><li>- Recruitment to Local Pension Board vacancy</li></ul>



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