

Warwickshire Local Pension Board

Date: Wednesday 20 October 2021
Time: 10.00 am
Venue: Microsoft Teams

Membership

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

Items on the agenda: -

- 1. Introductions and General Business**
 - (1) Apologies**
 - (2) Board Members' Disclosures of Interests**
(as stipulated by the Public Sector Pensions Act 2013 and set out in Annex A of the Board Terms of Reference).
 - (3) Minutes of the Previous Meeting** 5 - 12
- 2. Forward Plan** 13 - 16
- 3. Business Plan Update** 17 - 24
- 4. Risk Monitoring** 25 - 36
- 5. Pensions Administration Activity and Performance Update** 37 - 46
- 6. Conflicts of Interest Policy** 47 - 50
- 7. Training Policy** 51 - 64
- 8. Investments Update** 65 - 72
- 9. Regulatory Update** 73 - 78
- 10. Minutes of the Pension Fund Investment Sub-Committee** 79 - 88

**11. Review of the Minutes of the Staff and Pensions Committee 14th
June 2021**

89 - 96

Monica Fogarty
Chief Executive
Warwickshire County Council
Shire Hall, Warwick

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Disclaimers

Disclosures of Pecuniary and Non-Pecuniary Interests

Members are required to register their disclosable pecuniary interests within 28 days of their election of appointment to the Council. 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>

Observing the Meeting

Scheme members who wish to observe the meeting should contact Democratic Services by email (democraticservices@warwickshire.gov.uk) to request a joining link.

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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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Warwickshire Local Pension Board

Forward Plan

20 October 2021

Recommendation(s)

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

1. Executive Summary

- 1.1 This report provides an updated one year rolling forward plan for the Local Pension Board looking forward one year.
- 1.2 This is not intended to be rigid or definitive, the intention is that it can be updated and amended on a rolling basis at each meeting and be informed by the latest developments.
- 1.3 In order to provide a complete picture of policy activity, a schedule of policy review activity at the Staff and Pensions Committee and Pension Fund Investment Sub-Committee is also provided for in the appendix.

2. Financial Implications

None.

3. Environmental Implications

None.

4. Supporting Information

None.

5. Timescales associated with the decision and next steps

- 5.1 Please refer to Appendix 1.

Appendices

1. Appendix 1 the Forward Plan for the Local Pension Board.

Background Papers

1. None.

	Name	Contact Information
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The report was circulated to the following members prior to publication:

Local Member(s): n/a

Other members: n/a

Forward Plan items

Local Pension Board

Q3 2 nd February 2022	Q4 26 th April 2022	Q1 12 th July 2022 (tbc)	Q2 18 th October 2022 (tbc)
Standing Items			
Administration Activity and Performance update	Administration Activity and Performance update	Administration Activity and Performance update	Administration Activity and Performance update
Risk Monitoring	Risk Monitoring	Risk Monitoring	Risk Monitoring
Business Plan monitoring	Business Plan monitoring	Business Plan monitoring	Business Plan monitoring
Investment Update	Investment Update	Investment Update	Investment Update
Review of the reports and minutes of the Pension Fund Investment Sub-Committee and Staff and Pensions Committee	Review of the reports and minutes of the Pension Fund Investment Sub-Committee and Staff and Pensions Committee	Review of the reports and minutes of the Pension Fund Investment Sub-Committee and Staff and Pensions Committee	Review of the reports and minutes of the Pension Fund Investment Sub-Committee and Staff and Pensions Committee
Forward Plan	Forward Plan	Forward Plan	Forward Plan
Bespoke items			
External Audit of Accounts	National Knowledge Assessment / Training Plan		
Policies			
<ul style="list-style-type: none"> • Disaster Recovery / Business Continuity • Cyber Security • Fund Discretions • Knowledge and Skills / Training Plan 	<ul style="list-style-type: none"> • Communications • Investment Strategy Statement • Risk Register • Business Plan 	<ul style="list-style-type: none"> • Breaches policy • ESG, Climate Change and Responsible Investment Policy • Funding Strategy Statement • Voting policy 	<ul style="list-style-type: none"> • Administration Strategy • Admissions and Termination policy • Governance Statement
Training			
McCloud and cost transparency (November 2021) (Aon) Property Funds / Liability hedging (December 2021) (B2C /			

Schroders – property; Mercer liability hedging) Valuation Training – purpose roles outcomes etc (February 2022) (Hymans)			
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Policies for review by the Pension Fund Investment Sub-Committee

December 2021	March 2022	June 2022	September 2022
	<ul style="list-style-type: none"> Investment Strategy Statement Risk Register 	<ul style="list-style-type: none"> ESG, Climate Change and Responsible Investment Policy Funding Strategy Statement Voting Policy 	

Policies for review by the Staff and Pensions Committee

December 2021	March 2022	June 2022	September 2022
<ul style="list-style-type: none"> Cyber Security Disaster Recovery / Business Continuity Fund Discretions Knowledge and Skills / Training Plan 	<ul style="list-style-type: none"> Communications policy Business Plan 	<ul style="list-style-type: none"> Breaches policy 	<ul style="list-style-type: none"> Administration Strategy Admissions and Termination policy Governance Statement

Warwickshire Local Pension Board

20 October 2021

Business Plan monitoring

Recommendation

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

1. Executive Summary

- 1.1 The Fund Business Plan for the year ending April 2022 was approved by the Pension Fund Investment Sub-Committee in March. This report provides a quarterly progress update against the action plan.
- 1.2 Appendix 1 breaks down the Business Plan into the 42 actions identified in the original plan. 7 further actions have been added making 49 in total. These additional actions are tagged with new reference numbers so that it is clear which actions are from the original plan and which are new. All original plan items retain their original reference number.
- 1.3 Actions are RAG rated as follows:

Rating	Description
Blue	Completed
Green	Action ok or materially ok.
Amber	Action materially off track but can be managed back on track or the objective can be revised without need for escalation outside of the team
Red	Action is materially off track and cannot be resolved without escalation, or requires escalation outside of the team by its nature, even if a resolution is in place

- 1.4 The summary RAG rating assessment is as follows:

Rating	C1 Admin	C2 Actuarial	C3 Investments	C4 Governance	Total
Blue	6	0	0	1	7
Green	8	2	10	7	27
Amber	4	1	2	7	14
Red	0	0	1	0	1
Total	18	3	13	15	49

- 1.5 The majority of actions are on track but there are a number of activities where there are challenges and one significant challenge flagged as red. The items which were red last quarter or continue to be red are as follows:
- Item C3+1 relates to the CMA Order requiring LGPS pension committee members to set strategic objectives for providers of investment consultancy services. At present, there are objectives in place for Hymans Robertson (the Fund's investment consultant) which could be refreshed. While the contract with the Fund's independent investment adviser, Bob Swarup of Camdor Global Advisors, sets out the Fund's expectations of work, it would be best practice to formalise the objectives. There is a plan in place to agree objectives and how they will be measured with him before the end of October.
 - Item 34 – Maintenance of a contracts register and a schedule for contract reviews – has progressed from red to amber. This is because all known contracts are on the Council's contract management system with a schedule of review dates, and it is anticipated that the plan to re-tender expired contracts could get back on track. It is still likely to take several months before the current contracts are all expected to be up-to-date or rolled over.
 - Last quarter the LPB requested officers focus on Item 40 – a review of disaster recovery and business continuity planning. This action has moved from red to amber as officers have organised a training session for the Fund on this topic, and drafted a plan based on the County Council's plan. There is further work to be done tailoring the plan to meet the Pension Fund's specific needs.
- 1.6 In 2019/20 there were 36 actions. There are more actions this year because there has been an intentional consolidation down to a single action plan for the Fund in order to have all significant activity in one place and because there is more activity across all fronts driven by the last governance review.
- 1.7 Increases in capacity have helped to deliver this additional activity (for example clearing the administration backlog, implementing iConnect, having a schedule and plan for policy reviews, and more pro-active reporting to the Staff and Pensions Committee) but at the same time these lines of work have shone a light on further activity that has been identified as necessary and alongside this new requirements driven externally by entities such as the Scheme Advisory Board and the Pensions Regulator require further activity to manage, for example the Good Governance review.
- 1.8 There are a greater proportion of Ambers and Reds in respect of governance and investments and a common underlying factor is resourcing. In particular the need/demand for activity has grown by a greater margin than the increases in capacity that were put in place in the last reorganisation.
- 1.9 Officers are reviewing the specific capacity that is required and preparing business cases to present the rationale for where additional capacity is required. There are three areas under consideration:

- Governance - to be able to manage the governance agenda overall, to be able to review the effectiveness of policies and update policies, and to meet the additional requirements driven by the Good Governance review.
- Accountancy - to support financial and management reporting, provide more team resilience, and free up some capacity to focus more on investments.
- Investment – internal investment capacity to assist in investment management and strategy/development (this would potentially facilitate reductions in external investment costs).

1.10 The business case relating to investment and accountancy support has been completed, and the business case in relation to governance should be completed by November (as the inputs are being worked on and depend upon external inputs).

2. Financial Implications

2.1 If any additional capacity is in due course determined and approved, then any costs associated with supporting the pension fund will be a cost to the pension fund, not to be County Council.

3. Environmental Implications

3.1 The activity around the reviewing of the investment strategy will have regard to climate risk.

4. Supporting Information

4.1 None.

5. Timescales associated with the decision and next steps

5.1 Officers will continue to monitor activity against the business plan regularly, and activity will be reported quarterly to the Local Pension Board.

Appendices

1. Appendix 1 – Quarter 2 Business Plan Monitoring

Background Papers

1. None

	Name	Contact Information
Report Author	Victoria Moffett, Chris Norton	victoriamoffett@warwickshire.gov.uk, chrishnorton@warwickshire.gov.uk
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Portfolio Holder	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:

				Appendix 1	
Ref	Action	Timescale	RAG Rating	Notes	
C1. Ensuring a high quality administration service	1	Annual Pensioners Newsletter issued	April-June 2021	Blue	Completed
	2	Annual benefit statements issued	By 31 August 2021	Blue	Completed
	3	Completion of i-Connect implementation	Jun-21	Blue	Completed
	4	Begin implementation of Member Self Service	Sep-21	Green	Full Business Case signed off and implementation studies under way
	5	Annual Allowance statements issued	By 5 th October 2021	Blue	Completed
	6	Employer Engagement/training event	Quarterly	Blue	Training for Academies on 30th September completed. Next event scheduled for December
	7	Monitoring meeting of Pensions administration activity and performance	Monthly	Green	Activity and performance is regularly reviewed by the administration team with any issues escalated. GMP reconciliation work is receiving additional resourcing and is underway.
	8	Liaison meeting with Warwickshire County Council Payroll	Quarterly	Green	Regular meetings held with Warwickshire County Council. Service Level Agreement has been agreed and signed.
	9	Breaches monitoring and reporting (process to be reviewed and updated)	Monthly	Green	Regular review meetings with cases discussed. Now reporting all breaches more effectively with an updated approach.
	10	Administration performance - KPIs reported to the Local Pension Board	Quarterly	Green	KPIs are being reported quarterly. Looking at reviewing the customer experience.
	11	Improve member and employer communications	Quarterly	Amber	Work on review of website will be started when Member Self Service is implemented as there will be crossover in this area. This will mean a longer elapsed time before review but is an efficient approach
	12	Review of complaints received	Quarterly	Green	No outstanding IDRPs cases.
	13	McCloud Project	April 2021 to April 2023	Amber	Employers now being chased for their data. All workstreams are now operational.
	14	Data quality review	Annual	Green	Work is ongoing. Valuation preparation meetings diarised, and work on data queries has started.
C1+1	Pensions Dashboard	Sept 2021 start	Green	Provision for one LGPS portal rather than underlying local LGPS portals. Aquila Heywood - the system we use - are one of the seven major pension providers signed up to the Alpha Pensions Dashboards Programme test phase.	
C1+2	CIPFA benchmarking results	Jul-21	Blue	Results relayed to the July Local Pension Board. Questionnaire for 2020/21 has been completed.	
C1+3	Collection of contributions by Direct Debit	September	Amber	Project plan and communications being developed. Looking to progress now that i-Connect is completed.	
C1+4	Additional Voluntary Contributions Review		Amber	A review of the additional voluntary contributions offer is being progressed by Hymans. The Fund is waiting for the results of this review.	
Ref	Action	Timescale	RAG Rating	Notes	
C2. Actuarial Activities	15	Monitor employer contribution performance through the year	Monthly	Green	Monitoring is ongoing through breaches monitoring and aged debt analysis.
	16	Review employer covenants and risk management for non-statutory employers and review of employer monitoring arrangements	Jul-21	Amber	Officers have met to action the covenant review plan. A report assessing employers and recommending targeted actions has been drafted. Experiencing some issues with employers wanting contractors to take on pension fund risk when this is not necessarily good business.
	17	2022 valuation Preparedness Review (this may potentially include a funding review)	Sep-21	Green	Officers have met with Hymans to plan for this and work will be ongoing through the remainder of the year.
Ref	Action	Timescale	RAG Rating	Notes	
	18	Implement transfer to the Border to Coast Multi Asset Credit fund.	Sep-21	Amber	Implementation started in October with no issues to note at present.
	19	Support the development of new Border to Coast fund products, for example the property fund.	As funds launch	Green	Officers have worked with the pool on property funds and have also attended a Fund Design workshop to discuss the Alternatives Series 2 funds.
	20	Ensure the fund remains MIFID2 compliant	Annual	Green	The Fund remains MIFID 2 compliant
	21	Continue the growth of alternative asset classes towards their new strategic asset allocation	Annual	Green	Ongoing. Capital calls continue to be serviced.
	22	Undertake a light review of the Fund's Strategic Asset Allocation	September	Green	A Strategy Review Framework was presented by Hymans to the June Pension Fund Investment Sub-Committee. The action plan has been refined and approved and will be progressed through the remainder of 2021/22.

C3. Optimising Investment Risk and Return	23	Appropriate engagement with the governance of Border to Coast via the Joint Committee, Operational Officers Group, and Section 151 Meetings, and through the exercising of shareholder voting rights.	Monthly	Green	Meetings attended and votes cast.
	24	Further develop the Fund's Climate Risk Strategy and the Fund's approach ESG, including the development of goals and milestones	Annual	Green	The Strategy Review Framework (Action 22) includes climate risk and responsible investment. Investment beliefs have been updated following a workshop.
	25	Plan cashflow strategy to avoid the need to sell assets under time pressure	Annual	Green	The Fund maintains a high cash position due to Covid and due to the imminent launch of the pooled Multi Asset Credit fund. Looking at putting Cash in a Money Market Fund.
	26	Become a signatory to the 2020 UK Stewardship Code	Mar-22	Green	Officers have worked with pool partners to develop a template response and this is now being tailored to be specific to the Warwickshire Pension Fund
	27	Review of TCFD disclosure requirements	Dec-21	Amber	Project plan not yet in place. Intention to look at this once work on the 2020 UK Stewardship Code is completed.
	28	Engage with pooling partner funds and Border to Coast on climate change and RI developments	Quarterly	Green	Border to Coast are making a commitment to Net Zero 2050. Warwickshire Pension Fund had a training session on metrics and targets but is mindful of the need to understand the implications of a target before committing to one.
	C3+1	Setting and reviewing investment consultant objectives	annual	Red	Not yet in place for 2021. 2020 objectives are rolled forward for the investment consultant but not for independent financial advisers. Priority is to recruit the second independent financial adviser position and then review targets
	C3+2	Fund monitoring	monthly	Green	Fund monitoring is continually developing. Officers review the position monthly and regularly meet fund managers.
	Ref	Action	Timescale	RAG Rating	Notes
C4. Ensuring Good Governance	29	Pension Fund Annual General Meeting	November	Green	Save the date issued for 26 November. Employer survey showed a preference for meeting virtually this year.
	30	Production of statement of accounts	May-21	Amber	In progress. Working with Grant Thornton to meet external regulatory deadlines.
	31	Publication of Annual Pension Fund Report	Nov-21	Amber	Due 1st December. Draft has been created and is being checked by Officers. Depends on production of the Statement of Accounts.
	32	Ensure Fund risks are reviewed annually, and investigate formalising a risk appetite for the Fund	Annual	Green	New risk reporting approach in place, workshop in July developed a Fund risk appetite, which has been approved by the PFISC.
	33	Ensure a risk register is maintained and monitored	Quarterly	Green	Risk register in place and being monitored monthly by officers and quarterly by the Local Pension Board and Pension Fund Investment Sub-Committee.
	34	Maintenance of a contracts register and a schedule for contract reviews	Quarterly	Amber	Independent Financial Adviser procurement started. List of contracts has been created with dates for review. Main contracts are held on InTend. Capacity to review and re-tender all contracts in the timescales preferred is not currently sufficient.
	35	Maintenance of a Policy Register and a schedule for policy review.	Quarterly	Green	Policies on forward plan and work being done on policies due for review. Waiting for information on Good governance review.
	36	Light touch internal governance review against any new/emerging SAB Good Governance guidance/TRP Singular Code (replacing Code 14)	Sep-21	Amber	Likely to to have done this by March 2022, but the depth of review will be dependent upon capacity and the new requirements, some of which are onerous. There is also a need to review the terms of reference of the pension committees to ensure they are up to date and that policy and practice are aligned.
	37	First review of the operation of the cyber security policy	Mar-22	Amber	Officers have regular meetings with IT colleagues. These are to ensure the policy is enacted or its requirements have been identified.
	38	Completion of the documentation of investment practices	Mar-22	Green	Final checks to be undertaken and bringing into one folder (currently a series of documents).
	39	Review long term trends in activity and demand for pension fund services in administration, investments, and governance and ensure appropriate medium term resource planning.	Sep-21	Amber	The administration team have been working on cost drivers based on membership and employer numbers to inform future budget pressures work. This will be reported internally in advance of the budget being set for 2022/23. Implementation of new reporting system within Pensions admin software will allow for reports to provide better information on workload and KPIs.
	40	Review of disaster recovery planning / business continuity	Mar-22	Amber	This has been flagged as a priority by the LPB. There is an initial Fund-wide training session on 13th October.
	41	Review electronic signatory/approval processes	Dec-21	Blue	Completed

42	Implement training plan arising from the National Knowledge Assessment feedback	Mar-22	Green	Training plan approved by the PFISC in September. Training sessions have been arranged. Waiting for LOLA contract to be signed which will give access to further training modules.
C4+1	Business Plan Monitoring by officers and Local Pension Board	Monthly (Officers) Quarterly (Board)	Green	Ongoing

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Warwickshire Local Pension Board

Risk monitoring

20 October 2021

Recommendation(s)

1. That the Local Pension Board notes and comments on the attached risk register.
2. That the Local Pension Board notes and comments on the risk appetite statement at Section 2.3.

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 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.
- 1.4 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 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 table below sets out the 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.

2.3 The Fund ran a risk workshop on 15 July which covered risk management, risk principles, and a discussion of the draft risk appetite. The discussion led to the proposed risk appetite below. It is proposed that this statement is adopted by the Fund, and that the statements are used in future to assess that the Fund is taking the right risks in relation to its different activities.

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 set 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 risks around holding data, in particular member data, but also asset administration and the Pension Fund's payroll.	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:

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

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 competently 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 the 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 an update to 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	2.00	5.00	15.00	1.00	5.00	10.00

	be met						
4	Employer contributions cannot be met	3.00	3.00	12.00	3.00	2.00	8.00
5	Pooling objectives not met	3.00	3.00	12.00	2.00	3.00	9.00
6a	Covid 19 – Investments	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	Customer satisfaction	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	3.00	3.00	12.00

3.7 Risk scores and actions have had a light-touch review and a couple of scores have been changed since quarter 2. 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:

- **(4) Employer contributions not paid** – this score has increased slightly in likelihood due to experience to date.
- **(5) Governance failure** – slightly higher risk likelihood score due to activities that require third party input and therefore the Fund has less control over e.g., external audit.

3 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.

4 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.

5 Supporting Information

None.

6 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

1. Appendix A Definitions for Impact Scores
2. Appendix B Risk Register

Background Papers

1. None

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

Local Member(s): None

Other members: n/a

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Appendix A – Definitions for Impact Scores

Score	Description	Members and Employers	Investments and Funding	Administration
1	Insignificant	<p>Negligible Impact – not noticeable by members or employers, no complaints, or issues likely to be raised by members or employers</p> <p>Example – Member or employer communication newsletter issued a few days later than planned.</p>	<p>Negligible impact – of a level that would not register for investment action.</p> <p>Example – Normal volatility levels being experienced in the investment portfolio</p>	<p>Negligible impact – low level administration issues resolved internally with no impact on key performance indicators</p> <p>Example – A manageable backlog of data to be uploaded to the administration system that has no impact on actual member payments</p>
2	Minor	<p>Minor impact on members and or employers which may cause correspondence about issues that can be resolved at source.</p> <p>Example – A member not being given the correct information first time when corresponding with the Fund and this having to be corrected but having no impact on benefits paid.</p>	<p>Minor impact on investment operations requiring monitoring and attention but not requiring anything other than business as usual.</p> <p>Example – minor adverse fund investment event, such as a credit default within a private credit portfolio which is of a business-as-usual nature.</p>	<p>Minor impact on administration performance, requiring action within business-as-usual parameters.</p> <p>Example – an employer experiencing persistent difficulty in providing correct data resulting in the need for extra training / support / correspondence to resolve.</p>
3	Moderate	<p>Material adverse impact on members or employers that is of cause for concern to them and the Fund and requires escalation for non-business as usual resolutions.</p> <p>More likely to be isolated issues but could have some scale.</p>	<p>Material impact requiring bespoke corrective action, but manageable within the existing Investment Strategy</p> <p>Examples - Significant drift or step change in actual in asset allocation taking the Fund risk profile out of tolerances, or significant slippage in the implementation of a significant Fund transfer</p>	<p>Material impact on administration performance, but manageable within approved policies and procedures.</p> <p>Examples - Inability to agree a transfer of membership and liabilities from another fund, requiring arbitration by a third party, or disappointing data quality scores resulting in a need for an improvement plan.</p>

		Example – inability to finalise and sign off an admission agreement with a new employer resulting in escalation.		
4	Major	<p>Significant adverse impact on members or employers that result in a direct impact on benefits paid or contributions due or member or employer satisfaction with Fund performance. Likely to result in complaints.</p> <p>More likely to be systemic issues</p> <p>Examples - A significant delay in the issue of member annual benefit statements, or persistently charging an employer an incorrect contribution rate.</p>	<p>Major impact requiring significant corrective action and a change in Investment Strategy or Funding Strategy, or the significant sale of assets under distress. May result in noticeable changes to employer contributions.</p> <p>Examples - Major change in the world economic outlook, or in the present value of future liabilities requiring a change in strategy, or inability to implement a significant Fund launch</p>	<p>Major failure of administration function, likely to be systematic in nature, of a high-profile nature to members and employers.</p> <p>Example - Widespread and persistent failure to meet key performance indicators such as dealing with certain types of administration query or action within deadlines, and receipt of significant numbers of complaints from members.</p>
5	Catastrophic	<p>Serious and systematic errors in benefits payments or administration KPIs, or significant volatility or increase in employer contributions.</p> <p>Significant breaches of the law</p> <p>Serious complaints and reputational harm caused</p> <p>Example - Systematic failure to monitor employer contributions resulting in subsequent identification of a large number of contribution deficits that employers cannot then catch up with.</p>	<p>Resulting in significant volatility or increase in employer contributions, inability to pay member benefits, or a need to significantly increase investment risk exposure.</p> <p>Significant failure to meet legal or regulatory requirements</p> <p>Serious reputational harm caused</p> <p>Example - Catastrophic deterioration in the ability or employers to pay contributions resulting in a need for emergency investment and cashflow</p>	<p>Catastrophic failure of administration function leading to inability to pay benefits accurately or at all on a large scale.</p> <p>Significant breaches of the law</p> <p>Serious complaints and reputational harm caused</p> <p>Example – wholesale failure of the pension payroll function resulting in no member payments being made.</p>

			measures in order to keep paying benefits.	
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Risk No.	Risk Description	Risk Identification		Inherent Risk Scoring			Existing Risk Controls	Residual Risk Scoring			Further Risk Controls
		Risk Causes	Risk Consequences (Effect)	Likelihood	Impact	Risk Score		Likelihood	Impact	Risk Score	
1	Long term market risk	<ul style="list-style-type: none"> Inappropriate strategic asset allocation Inability to implement strategic asset allocation Poor fund manager performance Fundamental long term events e.g. climate change, systemic risk Covid-19 Inappropriate products developed by the Border to Coast Pension Partnership Inappropriate (too high) expectations 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> BAU policy and governance arrangements including the setting of an appropriate investment strategy and funding strategy, the use of professional staff, consultants, and advisers, quarterly reporting to committee, appropriate asset allocation. 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	<ul style="list-style-type: none"> Review climate risk and responsible investment policy and evaluate exposure to climate risk and other Environmental, Social and Governance factors. Regular review of Strategic Asset Allocation.
2	Short term market risk	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Asset values do not meet expectations Cashflow requirements cannot be met efficiently or effectively Being unable to meet payment deadlines Being forced to sell assets under distress Being unable to pay benefits to members due to liquidity constraints Introducing volatility to employer contributions or those employers close to exit 	5.00	3.00	18.00	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Regular review of Strategic Asset Allocation.
3	Financial mismatch	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Funding level deteriorates Higher investment risks being taken Employer contributions increasing Being unable to pay benefits to members out of fund assets 	2.00	5.00	15.00	<ul style="list-style-type: none"> 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 liabilities. 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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 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"> 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	<ul style="list-style-type: none"> 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 	3.00	2.00	8.00	<ul style="list-style-type: none"> Review and enhance breaches monitoring Additional liaison with known future employers on pension fund matters
5	Pooling objectives not met	<ul style="list-style-type: none"> Failure to monitor the delivery of pooling benefits. Failure to assess benefits when making pooling decisions. Failure to influence fund design discussions Partner funds not collectively holding the pool to account Pool fails to deliver on objectives Pool does not deliver further alternatives products at pace or implement existing commitments at pace 	<ul style="list-style-type: none"> Lack of appropriate products for the Fund to invest in Investment in products that do not meet the objectives of the Fund Persistent and unaddressed fund performance issues 	3.00	3.00	12.00	<ul style="list-style-type: none"> Engagement at Joint Committee, Section 151 meetings, and operational officer groups Exercising shareholder rights and responsibilities Engaging with other partner funds in the pool Pooling decisions made by Investment Sub Committee Border to Coast attendance at and performance reporting to investment sub committee meetings Independent due diligence of funds offered, and ongoing monitoring of the Pool 	2.00	3.00	9.00	<ul style="list-style-type: none"> Input into the development of new products - in particular property, alternatives, and products having regard to RI and climate change
6a	Covid Pandemic (Investment Related)	<ul style="list-style-type: none"> Covid-19 pandemic (financial pressure on individuals and institutions, and more transactions being made online) Further restrictive lockdowns Staffing capacity impacted by both short and long term health implications of infection 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Use of extraordinary committee or board meetings where necessary Continue to develop flexible and remote working practices Review electronic signatory processes
6b	Covid Pandemic (Administration and People Related)	<ul style="list-style-type: none"> Covid-19 pandemic (financial pressure on individuals and institutions, and more transactions being made online) Further restrictive lockdowns Staffing capacity impacted by both short and long term health implications of infection 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"> 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	<ul style="list-style-type: none"> Office presence for processes that require it (e.g. physical post) IT systems supporting remote and flexible working Flexible working policies for staff Health and safety protocols for staff Fund policies that account for the scenario experienced 	4.00	3.00	15.00	<ul style="list-style-type: none"> Use of extraordinary committee or board meetings where necessary Continue to develop flexible and remote working practices Review electronic signatory processes
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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"> 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 Inability to secure agreement to increasing resources 	<ul style="list-style-type: none"> Quality of services reduces Governance failures Key administration performance measures not met Sub optimal investment decisions made 	5.00	3.00	18.00	<ul style="list-style-type: none"> Medium term forecasting of demand and planning for the capacity and resources required Investing in quality and productivity of staff through training and development Investing in systems development Use of management information to monitor and manage performance Succession planning Procuring appropriate services through contracts 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	<ul style="list-style-type: none"> McCloud project (already commenced) 2022 Revaluation preparedness review during 2021/22 Introduction of medium term resource planning Implementation of Member Self Service (MSS) 		
8	Business interruption	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Delays in decisions or their implementation Failure to meet performance targets Reputational damage Data quality deterioration Workload backlogs Significant restoration costs Asset allocation drifts off target Fund investment risks and performance cannot be monitored 	3.00	4.00	16.00	<ul style="list-style-type: none"> Building resilience requirements into service contracts Digital record keeping Storing data back ups off site Custodian holding investment data Maintaining close links with advisers, consultants, and external organisations. Use of IT systems to work remotely 	2.00	3.00	9.00	<ul style="list-style-type: none"> Implementation of Cyber Security policy Review and update disaster recovery plan Completion of documentation of investment practices 		
9	Cyber Security	<ul style="list-style-type: none"> Systemic cybersecurity events (e.g. taking down financial trading institutions globally) Local cyber security events (e.g. targeting the Council) Personal cyber security events (e.g. phishing emails targeting staff) Inadequate system security Inadequate staff training and staff vigilance 	<ul style="list-style-type: none"> Loss of data and/or data disruption Reputational damage Breaches of the law Fines Costs of fixing issues Business interruption 	4.00	5.00	25.00	<ul style="list-style-type: none"> Use of scheme administrator systems and system security Staff training Bespoke Fund cyber security policy 	3.00	4.00	16.00	<ul style="list-style-type: none"> Implementation of Cyber security policy 		
10	Climate Change	<ul style="list-style-type: none"> Net global carbon production in excess of Paris Agreement 2 degree target 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 	<ul style="list-style-type: none"> Expected transition to a low-carbon economy Impact on the value of assets held, for example stranded/obsolete assets, or impact on the productivity and profitability of certain sectors, companies, etc Impact on future quality of life and life experience (e.g. longevity) of members Impact on future inflation and value of benefits paid to members 	5.00	5.00	30.00	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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 zero carbon by 2050 		
11	Data Quality	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> UK Stewardship Code 2020 iConnect project (substantively completed) Member Self Service project Light review of compliance with Code of Practice 14 		
12	Fraud	<ul style="list-style-type: none"> Covid-19 impact on the application of controls in the Fund or with employers Increased financial pressure on individuals due to Covid-19 and its impact on the economy and jobs The passing of time since any previous targeted review of Fraud risk Fraud instigated by any Fund stakeholders, e.g. members, private financial advisers (scams), officers, fund managers, custodian, and employers. 	<ul style="list-style-type: none"> Members lose benefits to fraudsters Reputational risk Time spent unpicking the fraud Fraudulent members gain benefits they are not entitled to Fund incurs costs to recover losses Investment assets lost to fraud or irregularity Investment losses not reported if covered up 	3.00	3.00	12.00	<ul style="list-style-type: none"> Application of Administering Authority code of conduct to fund officers, fraud strategy, and whistleblowing policy Application of division of duties and signatory processes for financial transactions 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	<ul style="list-style-type: none"> Internal audit of fraud arrangements Fraud risk review in 2021/22 Test payments to ensure that the bank details provided are appropriate 		
13	Governance Failure	<ul style="list-style-type: none"> Lack of capacity to service governance requirements Lack of training Lack of continuity in staffing, advisers, or committee / board members Inadequate checking/review of standards compared to requirements and best practice Complacency in light of recent governance improvements Out of date policies and contracts Local government elections impact on committee continuity Covid-19 - impact on officer, adviser, and committee/board personnel health and availability Uncertainty around overall governance structure and responsibility for decision making and actions Unpopular government decisions impacting on LGPS Inability to sign off pension fund accounts 	<ul style="list-style-type: none"> Adverse impact on Fund reputation Exposure to unplanned risks or poor administration and investment performance Breaches of the law Poor decisions Decisions that are not appropriately authorised Customer dissatisfaction 	3.00	4.00	16.00	<ul style="list-style-type: none"> Training plans for committees, Board, and staff Quarterly committee and Board meeting cycles Training needs analysis All training provision to be made available to all committee and Board members Management of a Contracts register Management of a Fund policy schedule Quarterly risk monitoring at committee and board Quarterly monitoring of Business Plan delivery at board Use of digital technology - remote working and remote meetings Responding to government consultations 	3.00	3.00	12.00	<ul style="list-style-type: none"> Signing up to UK Stewardship Code 2020 Light review of compliance with Code of Practice 14 Use of National Knowledge Assessment to inform training plan Simplification of governance to a single action plan and single risk register Review of committee arrangements and Terms of Reference Review capacity to support Fund Governance requirements Review account reporting timescales 		

Warwickshire Local Pension Board

Pension's administration activity and performance update

20 October 2021

Recommendation(s)

1. The Local Pension Board note and comment on this report.

1. Executive Summary

- 1.1 This report updates the Board on the key developments affecting pensions administration and the performance of the Pensions Administration Service (PAS).

2. Financial Implications

- 2.1 All financial implications are dealt with in the body of this report.

3. Environmental Implications

- 3.1 None

4. Annual Benefit Statements

- 4.1 The total number of statements sent out by 31st August was 33,422, this equates to 99.25% of statements. 319 statements were not sent out by the deadline due to outstanding queries relating to information supplied by employers. 129 active statements have been issued to members in September. A further 189 outstanding statements will be issued by the end of October.
- 4.2 As the number that were not issued by 31st August was so small, and we will have issued over 95% of statements by the statutory deadline this will not need to be reported as a breach to the Pensions Regulator.
- 4.3 Next year the intention is that all statements will be issued on-line via Member self-service.

5. Member self service

- 5.1 The Pensions Administration Team currently spends 16% of its time responding to queries from members of the Local Government Pension Scheme (LGPS). This reduces capacity to deal with more complex or urgent cases, can create workload backlogs, and impacts progress to deliver other significant areas of work, such as ensuring good governance and scheme compliance, and implementation of legislative and regulatory changes.
- 5.2 Member Self-Service (MSS) provides internet and intranet facilities to enable all employees, past and present, to access their individual information, update data, view documents and carry out “What if...” modelling.

Functionality includes:

- Full support for multiple devices, such as tablets and mobile phones, delivered in a modern looking, clean, and responsive design
- Full integration with the existing Pensions Administration system, ensuring the member has access to their current membership data.
- Online benefit calculations for members
- Online benefit statements
- General scheme documentation can be uploaded for members to access along with system-generated documents
- Members can view and update personal details such as address, benefit nominations and bank details. The updates can write straight back to the system database, start a workflow, or notify administrators via e-mail
- Strict security controls. Members register and manage their own passwords and security questions and answers
- Option to combine the existing static Warwickshire content website with Member Self-Service
- Option for Social media integration

The accurate calculation and payment of pensions is dependent on holding accurate member data. MSS improves data quality as members are able to view and update their details 24/7, reducing reliance on the Pensions Administration Team to identify and correct errors.

- 5.3 The implementation of MSS has begun; the PAS are working with our software suppliers and internal ICT teams to deliver this project. The project has a ‘go live’ date of 1st April 2022.
- 5.4 Under disclosure requirements, members have been notified twice of the funds intention to move to digital communications.
- 5.5 A communication will be sent out to all members via their employers, which will provide instruction on how to create an account on MSS. There will be an option to opt out of receiving digital communications if a member cannot access MSS.
- 5.5 To coincide with the move to digital communications for members approval will be sought from Staff and Pensions Committee to cease sending paper

payslips to our pensioner members. Currently 9,097 pensioners out of approx. 15,000 still receive a paper payslip. This costs the fund over £70K a year.

- 5.6 Pensioners will be able to view payslips online and for anyone requiring a paper payslip they can contact the pensions team to request one.

6. Key Performance indicators (KPIs)

- 6.1 Appendix 1 shows the KPIs for the period 1st May 2020 to 31st August 2021.

- 6.2 KPIs where a payment is to be made are treated as highest priority.

- 6.3 From the chart it shows there are 9 out of 14 targets being consistently achieved. This has slipped from 10 out of 14 in the last period.

- 6.4 For KPIs that are not being achieved:

KPI 1 - providing transfer information, this is showing improvement, even though we have seen an increase in the number of transfers being requested. This is because we are seeing members wishing to request more than one transfer due to a change in the way people work. Previously employees tendered to stay in one job and retire, we are now seeing people move employment more frequently. We have increased support in this area and when the Fire Pensions administration transfers to a new provider with effect from 1st April 2022, we will have more resource available.

- 6.5 KPI 4 - relating to estimates, we received a large number of requests in August following the release of Annual Benefit Statements and we also had members of the team on leave. Of 22 cases 4 were processed outside of time. Once MSS goes live, members will be able to run their own pension estimates.

- 6.6 KPI 7 – in August we processed 10 cases and 1 was not completed within the set time. This was delayed due to dealing with other priority and complex cases.

- 6.7 KPI 9- relating to the notification of benefits sent out to dependants, there were 9 cases and 5 were processed out of time. These 5 were complex cases where additional work had to be completed before information could be sent out to the member. Training has been provided to the team to ensure that an improvement can be made.

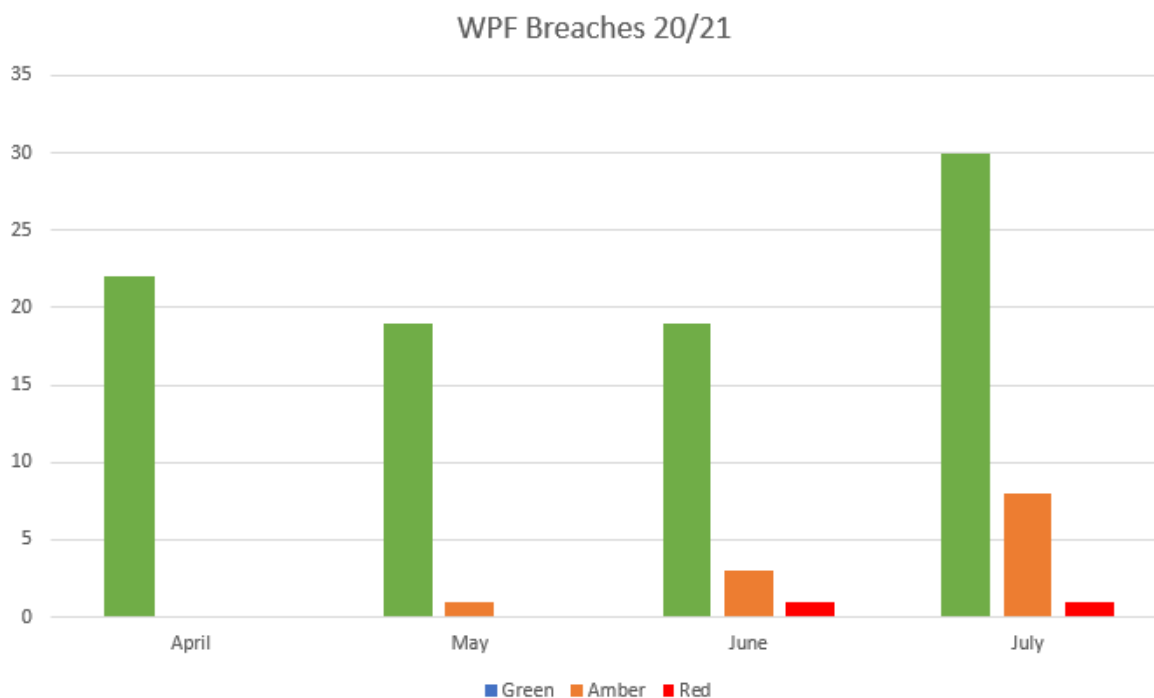
- 6.8 KPI 10 – in August we processed 6 cases and 2 were not processed with in the set time.

7. Workloads

- 7.1 The PAS has been monitoring the tasks outstanding and completed by the service since the 1 April 2020. The chart at appendix 2 shows the volume of outstanding work across the service and indicates that the service had 2858 tasks as at the 31st August 2021.
- 7.2 Although in the short- term work coming in slightly exceeds work completed, this is due to a smoothing out of demand over the year following the introduction of I-Connect, rather than peaks of work being created at year end. The team has a number of new staff whose productivity is increasing with experience, and together with outsourcing of firefighter pensions administration and the introduction of Member Self-Service, we expect capacity to be created to manage workloads going forward.
- 7.3 Its anticipated that with the introduction of “Insights”, a new reporting tool will be available in the new calendar year, and this will allow us to report more granular information to the board regarding workloads and KPIs.

8. Breaches

- 8.1 In accordance with the Breaches Policy, any Amber breach results in direct contact with the employer to resolve the issue, and further escalation if required.



- 8.2 Through regular reviews of the breaches being logged we have identified an issue with admissions for contracts being let by Academies for catering and

cleaning. Issues include delays in signing of the admission agreement, late payment of contributions and monthly data submissions.

- 8.3 Through discussion with both our Border to Coast Pension Administration Group and our regional pension managers group, the issue has been raised via Local Pension Board Chairs to the Scheme Advisory Board. The PAS have arranged an employer engagement event with Academies in the fund to provide information and guidance regarding the letting of contracts and their responsibilities for payment of pension liabilities and employees affected by the transfer.
- 8.4 The fund has had an issue with a Multi Academy Trust (MAT) who let a contract for cleaning services back in 2019. Due to a dispute between the MAT and the contractor over the rate for pension liabilities an admission agreement is not in place for the employees who transferred. A letter was sent to the Contractor, The School, and the MAT, which highlighted that no pension cover was being provided for employees whilst the admission agreement is outstanding and that the fund could choose not to back date the agreement. We have now been contacted by both the contractor and the MAT and expect an admission agreement to be in place by the end of October.

9. McCloud project

- 9.1 The McCloud project is continuing, and information is beginning to be received from employers. There is a growing risk that data from employers may not be provided within set timescales, and this has been recorded in the project risk register and highlighted to the project management group.
- 9.2 Work is starting to identify where our processes will require changes to accommodate the additional checks that will need to be done for members affected by the underpin.
- 9.3 The pensions software provider has also shared the indicative costs the fund may have to pay to cover the development of the software required.
- 9.5 There are enquiries underway as to whether central funding can be granted to pay for this to help administrators cover the cost.

10. New employers joining and leaving the fund

- 10.1 The fund has received applications from the listed employers below to be admitted into the Warwickshire Pension Fund:

- | | |
|---------------|--|
| New Academies | <ul style="list-style-type: none">• Brailes C of E Primary School (1st August 2021) |
| New Employers | <ul style="list-style-type: none">• Sodexo (1st August 2021)• Prime Facilities Services (8th June 2021) |

Internal Dispute Resolution Procedure (IDRP)

11.1 The Fund has received one IDRP at stage one, which was not upheld.

11. Timescales associated with the decision and next steps

None

Appendices

None

Background Papers

https://lgpslibrary.org/assets/minutes/20210702_DSG_draft%20response.pdf

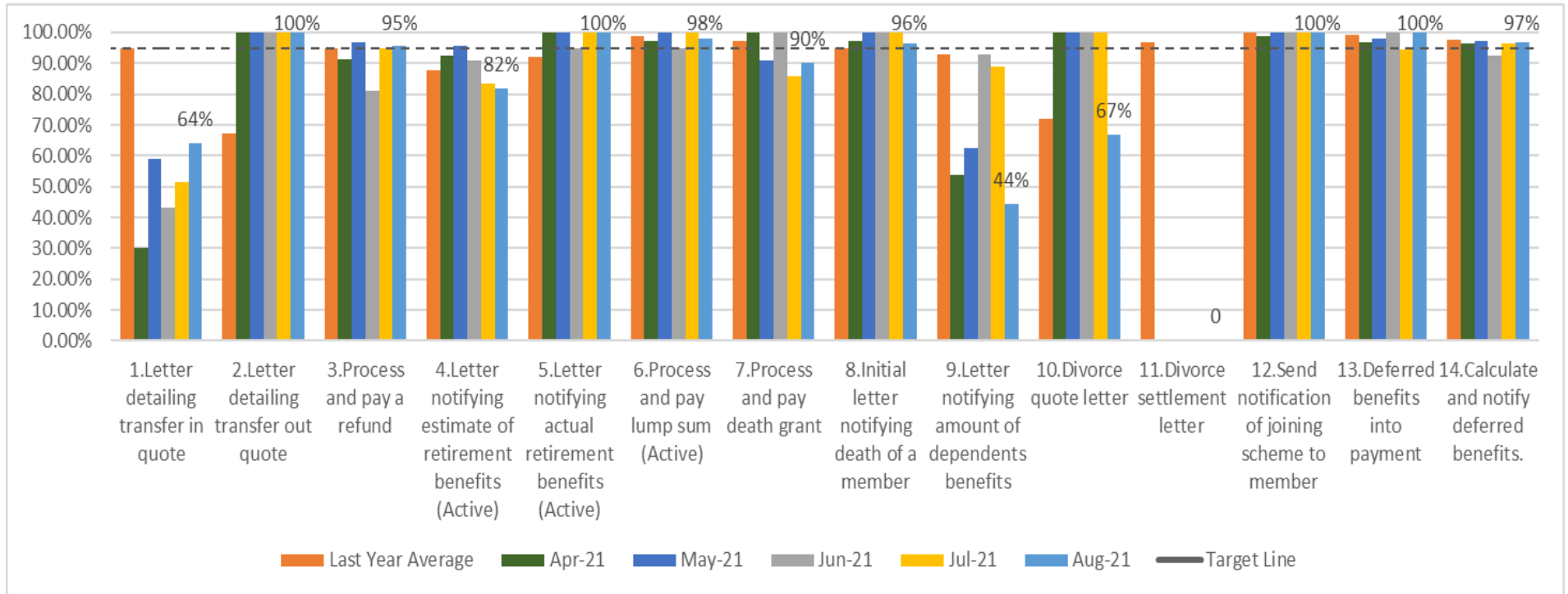
	Name	Contact Information
Report Author	Liz Firmstone, Victoria Jenks, Chris Norton	lizfirmstone@warwickshire.gov.uk, vickyjenks@warwickshire.gov.uk, chrisnorton@warwickshire.gov.uk
Assistant Director	Andrew Felton	andrewfelton@warwickshire.gov.uk
Strategic Director	Strategic Director for Resources	Robpowell@warwickshire.gov.uk
Portfolio Holder	Portfolio Holder for Finance and Property	peterbutlin@warwickshire.gov.uk

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

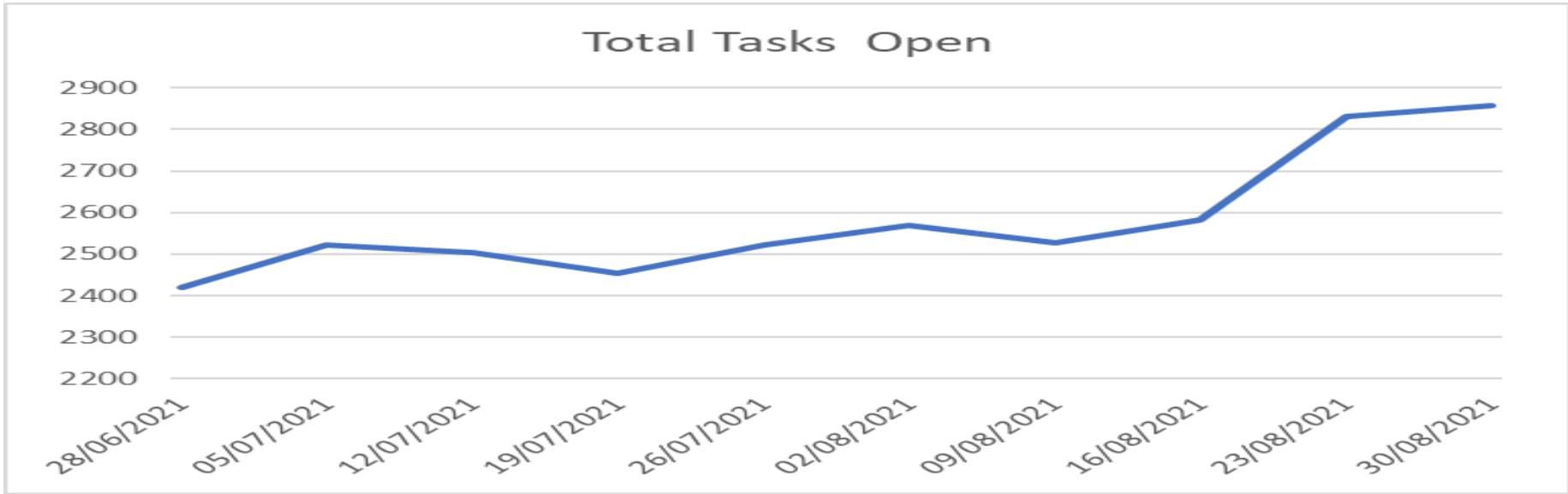
Local Member(s): Cllr Andy Jenns

Other members: n/a

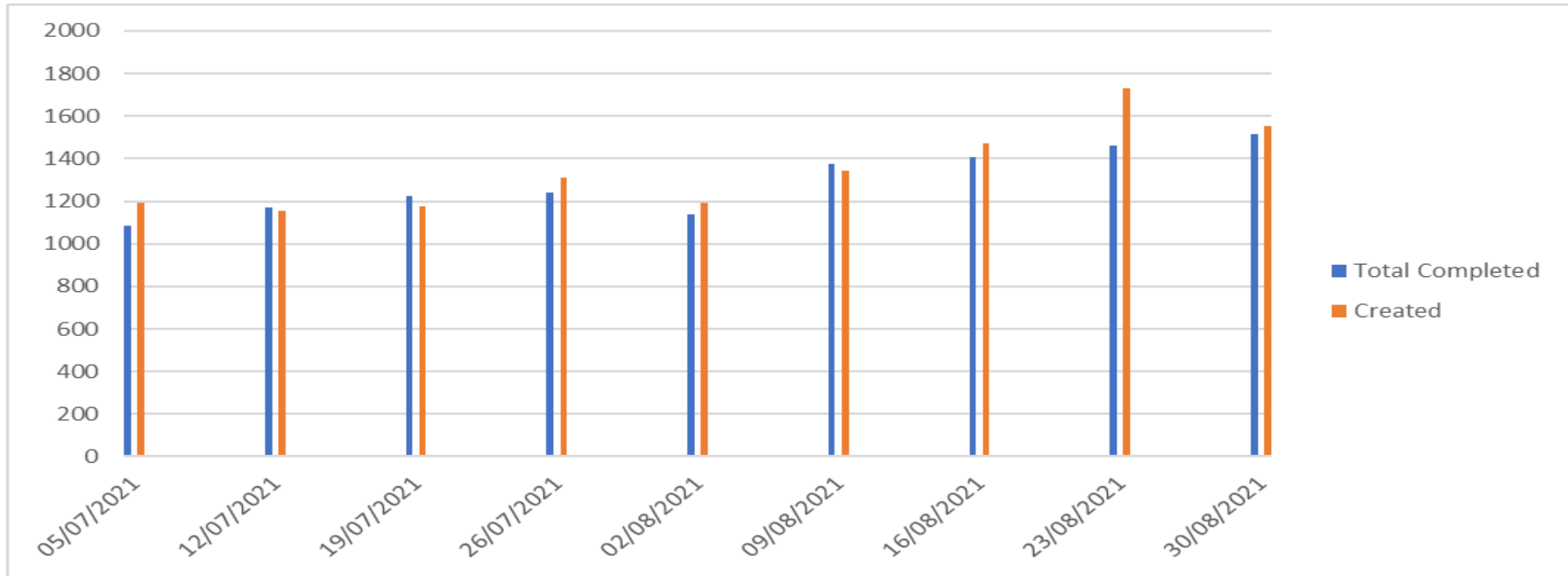
Appendix 1 Key Performance Indicators



Appendix 2 total outstanding work



Appendix 3 Comparison of work created to work completed



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Warwickshire Local Pension Board

Conflicts of Interest Policy

20 October 2021

Recommendation(s)

1. That the Board note and comment on the report.

1. Executive Summary

- 1.1 Member of the Local Pension Board are required to adhere to the Conflicts of Interest Policy (Appendix 1).
- 1.2 Whilst completing an annual review of the policy officers identified that members should complete a declaration of pecuniary interests.
- 1.3 Officers will ensure that this statement will be provided to members of the Board annually for signature.

2. Financial Implications

None.

3. Environmental Implications

None.

4. Supporting Information

None.

5. Timescales associated with the decision and next steps

- 5.1 The statement of pecuniary interests will be added to the Forward Plan.

Appendices

1. Appendix 1 Conflicts of Interest policy'

Background Papers

None.

	Name	Contact Information
Report Author	Neil Buxton	neilbuxton@warwickshire.gov.uk
Assistant Director	Andrew Felton	andrewfelton@warwickshire.gov.uk
Strategic Director	Strategic Director for Resources	robpowell@warwickshire.gov.uk
Portfolio Holder	Portfolio Holder for Finance and Property	peterbutlin@warwickshire.gov.uk

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

Local Member(s): None

Other members: n/a

Annex A to Terms of Reference for the Local Pension Board for the Warwickshire Pension Fund

Conflicts of Interest Policy

Introduction

The Public Sector Pensions Act 2013 requires that members of the Local Pension Board (the Board) do not have conflicts of interests. As such all Board Members (Members) will be required to declare

any interests and any potential conflicts of interests in line with legal requirements in the Act and the Pension Regulator's code. These declarations are required as part of the appointment process, as well as regular intervals throughout a Member's tenure to the Scheme Manager's satisfaction.

Conflict of Interests – General Principles

A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Board. The basic principle in relation to conflicts of interest can be found in the High Court case of *Re Thompson's Settlement* [1986] where the Court held that:

'...a man must not put himself in a position where duty and [personal] interest conflict or where his duty to one conflicts with his duty to another unless expressly authorised'

Conflicts of interest may arise for Members and their advisers. This simply reflects the fact that individual Members and their advisers will have a variety of other roles and responsibilities outside the Board.

Members and their advisers must be able to identify potential conflicts of interest and have procedures in place to manage them. This document outlines the procedure the Members have adopted to do this.

Procedure

For this procedure to work the Members have agreed that they must:

- declare any actual or potential conflict of interest they may have;
- be open with each other on any conflicts of interest they may have;
- provide information reasonably requested to assess whether there is any actual or potential conflict of interest;
- adopt practical solutions; and
- plan ahead and agree on how they will manage any conflicts of interest which arise.

With these objectives in mind the Members have adopted the following procedure:

1. Maintaining a register of Members' interests which could give rise to a conflict.
2. Maintaining a register of interests which could give rise to a conflict covering the Members' advisers.
3. Each Member and adviser will sign an annual return confirming that their information contained in the register of interests is correct. The updated register will then be circulated to all Members and the Scheme Manager. These two events will be added to the Members' calendar of events distributed with each set of Member meeting papers.

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4. The Board's Administration Manager is to identify any potential or actual conflicts of interest and to advise the Chair. The Chair in conjunction with the Scheme Manager is to decide on the action required and to advise the Members of any actions taken.
5. Any Member who feels that they, another Member or adviser has a conflict of interest must seek early advice from the Administration Manager.
6. Any member or advisor must withdraw from a Board meeting if they have a conflict of interest. The conflict of interest and the action taken must be recorded in the minutes.
7. If a conflict is identified outside of a Board meeting the Chair shall consult with the other Members prior to making a decision. The conflict of interest and the action taken must be recorded.

Management of Confidential Information

With regard to Members sharing confidential information received by them in their capacity as a Board Member with other parties, it is important to remember that each Member has a fundamental responsibility to act on behalf of the Board and this duty should not be compromised by acting on behalf of other groups.

Advisors

There may be circumstances where advisors are asked to give advice to the Board but this can only happen where there is no conflict of interest. All of the Board's advisors have a professional responsibility to advise the Members if any circumstances arise in which they feel they are conflicted. These responsibilities and guidelines for dealing with actual or potential conflicts of interest are covered by rules of their respective professional bodies.

Warwickshire Local Pension Board

Training Policy

20 October 2021

Recommendation(s)

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

1. Executive Summary

- 1.1 The Pension Regulator requires that pension committee members, members of the local pension board and senior officers with a responsibility for investment matters and the administration of a public sector pension scheme receive the appropriate level of training to fulfil their role.

2. Financial Implications

None.

3. Environmental Implications

None.

4. Supporting Information

- 4.1 The training policy (Appendix 1) was approved by the Pension Fund Investment Sub-Committee at its meeting on 13 September 2021.
- 4.2 The policy details 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.
- 4.3 Members of the pension committees, the local pension board and senior council officers have a responsibility to ensure they maintain a suitable level of knowledge to satisfy the requirements of their role and it is the intention of the training policy to support them in this by identifying areas of training suitable for their needs.
- 4.4 An annual assessment will be undertaken to identify specific areas for training and this assessment will be used in creating an annual training plan. The training plan (Appendix 2) will be monitored throughout the year and updated

to reflect additional training requirements as they arise. The training plan will be updated and made available throughout the year.

- 4.5 Members of the pension committees, local pension board and senior officers are encouraged to identify and attend appropriate training, conferences etc not necessarily identified in the annual plan.
- 4.6 It is important that all training undertaken is logged on the online portal. This will be monitored by officers and made available to the Pension Regulator if requested.

5. Timescales associated with the decision and next steps

None.

Appendices

1. Appendix 1 Training Policy
2. Appendix 2 Training Plan for 2021 / 2022

Background Papers

None.

	Name	Contact Information
Report Author	Neil Buxton	neilbuxton@warwickshire.gov.uk
Assistant Director	Andrew Felton	andrewfelton@warwickshire.gov.uk
Strategic Director	Strategic Director for Resources	robpowell@warwickshire.gov.uk
Portfolio Holder	Portfolio Holder for Finance and Property	peterbutlin@warwickshire.gov.uk

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

Local Member(s): None

Other members: n/a

Warwickshire Pension Fund

Training Policy

WARWICKSHIRE

pension fund



September 2021



Introduction

This is the Training Policy of the Warwickshire Pension Fund. Warwickshire County Council is the Administering Authority for the Warwickshire Pension Fund under the provisions of the Local Government Pension Scheme Regulations.

The training policy details the training strategy for members of the pension fund committees, the Local Pension Board (LPB) and senior council officers involved with the management of the Warwickshire Pension Fund. This is to ensure compliance with pension legislation, regulation, and best practice. Staff involved with the day-to-day administration of the Warwickshire Pension Fund will have individual training plans agreed with their line manager.

The training policy will aid Committee Members, Members of the Pension Board, and senior officers in performing their roles and developing personal skills and knowledge so that individuals will have the relevant knowledge and skills to manage the Warwickshire Pension Fund.

Aims and Objectives

Warwickshire County Council recognises the importance of its role as the Administering Authority for the Warwickshire Pension Fund on behalf of the Fund's stakeholders which include:

- Over 50,000 scheme members,
- Over 200 Scheme Employers
- Local taxpayers

The training policy objectives are to ensure that those persons:

- Dealing with the financial management and decision making of the Fund are fully equipped with the knowledge and skills required to discharge the duties and responsibilities allocated to them; and
- Responsible for providing Fund governance and assurance have sufficient expertise to challenge advice they receive to sure their decisions are robust and soundly based, and to manage any potential conflicts of interest.

All Committee, LPB Members and senior officers to whom this policy applies shall demonstrate their personal commitment to training to meet these objectives.

Policy Application

The training policy applies to all members of the pension fund committees, the Local Pension Board and senior council officers involved with the management of the Warwickshire Pension Fund. This is to ensure compliance with pension legislation, regulation, and best practice.

Staff involved with the day-to-day administration of the Warwickshire Pension Fund will have individual training plans agreed with their line manager.

Advisers to the Warwickshire Pension Fund will meet the objectives of this policy.

Officers of Scheme Employers with responsibility for LGPS matters are encouraged to maintain a high level of knowledge and understanding. The Pension Fund will provide information and appropriate training for them.

Knowledge Frameworks

The Warwickshire Pension Fund adopts the principles contained in the CIPFA Knowledge and Skills Framework and the Pension Regulators Code of Practice, see Appendix 1.

The Pension Fund will work closely with external partners in the assessment of the Knowledge and Skills Framework.

Current legislation means that Local Pension Board members have a personal responsibility to have an appropriate level of knowledge and understanding for the purposes of enabling them to exercise properly their functions as a member of the Local Pension Board.

For Committee members, there is a collective responsibility to have appropriate knowledge and understanding. The Scheme Advisory Board's 'Good Governance' review recommends that Committee members have the same individual responsibility for knowledge and understanding as LPB members. The training policy and plan reflects the Good Governance review's recommendations.

The Training Plan

The Fund recognises the importance of training in ensuring Committee, LPB and senior officers attain and maintain the relevant knowledge and skills.

The Fund's approach to training will be supportive and provide Committee, LPB members and senior officers with regular sessions that will contribute to and advance their level of skills and knowledge.

Training needs analysis

Committee, LPB and senior officers will complete the Hymans Knowledge and Skills Assessment (NKA) analysis annually to identify ongoing training needs and plan appropriate training.

Completion of the NKA will take place each December so that the training plan is ready to commence from 1 April.

For new members of the Committees or LPB, completion of the NKA will take place as soon as practicable following appointment.

Training Delivery

The completion of the annual NKA assessment will be used to create a detailed training plan for the coming year.

There is a cycle of key LGPS events, such as the triennial valuation and annual investment strategy reviews and training for these will be included on a rolling basis

in the annual plan. The plan will be flexible to enable the inclusion of current and topical issues such as changes in legislation, new emerging issues etc.

The plan will cover the areas of highest collective training needs and individual training requirements.

In addition to training events, there is an expectation that those to which the Policy applies will maintain a reasonable knowledge and understanding through additional reading and online training.

Training will be delivered through a variety of methods including:

- In-house training delivered by Fund officers and / or external providers
- Provision of an online training portal.
- Shared training with other LGPS funds
- External training events such as those organised by the Local Government Association, CIPFA, Pension and Lifetime Savings Association
- Training events organised by Border to Coast Pensions Partnership Ltd (the jointly owned investment pooling company)
- Attendance at seminars and conferences offered by industry wide pension bodies. These events may either be in person or online.
- Circulation of reading material including committee reports and minutes from seminars and conferences
- Circulation of regular briefings by officers
- Events arranged by the Fund's advisors and managers
- Links to online training resources such as that provided by The Pensions Regulator
- Information available on the Fund's website

Training Logs

Committee, LPB members and senior officers will have access to an online training log where they will be expected to maintain a record of the training they have undertaken. Training attendance will be reported in the annual report and provided to The Pensions Regulator as part of the Fund's annual return.

Costs

The Fund will meet all training costs.

Contacts for training support:

Neil Buxton, Technical Specialist Pension Fund Policy and Governance

neilbuxton@warwickshire.gov.uk

01926 412195

Victoria Moffett, Lead Commissioner Pensions and

Investments Victoriamoffett@warwickshire.gov.uk

[07554330163](tel:07554330163)

Appendix 1

CIPFA Knowledge and Skills Framework and Code of Practice

CIPFA has developed a Knowledge and Skills Framework for Committee members, senior officers, and Local Pension Board members. This framework sets out the skills required by those responsible for pension scheme financial management and decision making in the public sector

The Framework identifies core knowledge and skills requirements as:

- Pensions legislation
- Pensions governance*
- Pensions administration
- Pension accounting and auditing standards
- Pensions services procurement and relationship development
- Investment performance and risk management
- Financial markets and products knowledge
- Actuarial methods, standards, and practice

* The framework was published before the introduction of pooling. The Fund will ensure the training plan covers this area

The Pension Regulator's Code of Practice

The Public Service Pensions Act 2013 requires Pension Board members to:

- Be conversant with the rules of the LGPS and any document recording policy about administration of the LGPS and
- Have knowledge and understanding of the law relating to pensions and other matters which are prescribed in regulations

These requirements have been incorporated and expanded on with tPR's Code of Practice 14 *Governance and administration of public service pension schemes* effective from April 2015

The Training Plan

Will be updated for any changes in the requirements of CIPFA Framework to tPR Code of Practice.

Training Plan for Committee / Board members / Senior officers

9th September 2021

July 2021			
w/c 5 th July	w/c 12 th July	w/c 19 th July (LPB 20 July)	w/c 26 th July
	12 th July 3pm to 4pm ESG Risk Aon webinar		29 th July 10am to 12pm ish Admin best practice, Governance and Sect 13 AON
	15 th July Risk 9:30am to 11:30am Lynn Todman and Bob Swarup		

August 2021			
w/c 2 nd August	w/c 9 th August	w/c 16 th August	w/c 23 rd August
4 th August Hymans Keeping in Touch webinar 10:30 to 11:00am		17 th August Training session: Strategy Framework & Responsible Investments Hymans & BCPP	
5 th August Actuarial methods and liabilities and longevity 10am to 11:30am Hymans			

September 2021			
w/c 6 th September	w/c 13 th September (PFISC S&P 13 Sept)	w/c 20 th September	w/c 27 th September (full council 28/9)
6 th September ESG Passive Global Equities Manager Selection 9:30am to 11:30am (Members of PFISC and selected officers only)		20 th September High Level Strategic Asset Allocation Hymans 10am to 1pm	BCPP conference 30 th September and 1 st October

October 2021			
w/c 4 th October	11 th October	18 th October (LPB 20 Oct)	w/c 25 th October
(Provisional) Business Continuity and Disaster Recovery 7 th October 10am to 12pm TBC			

November 2021			
w/c 1 st November	w/c 8 th November	w/c 15 th November (Managers conference)	w/c 22 nd November Pension Fund AGM 26 th November
			McCloud AON 25 th November time tbc

December 2021			
w/c 6 th December	w/c 13 th December (PFISC S&P 13 Dec)	Christmas holiday period	Christmas holiday period

January 2022			
New Year holiday period	w/c 10 th January	w/c 17 th January (Governance conference 20 / 21)	w/c 24 th January (LPB 2 Feb)

February 2022			
w/c 7 th February	w/c 14 th February	w/c 21 st February	w/c 28 th February

March 2022			
w/c 7 th March (PFISC S&P 7 Mar)	w/c 14 th March	w/c 21 st March	w/c 28 th March

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Local Pension Board

20 October 2021

Investment Update

Recommendations

That the Local Pension Board (LPB) notes and comments on this report.

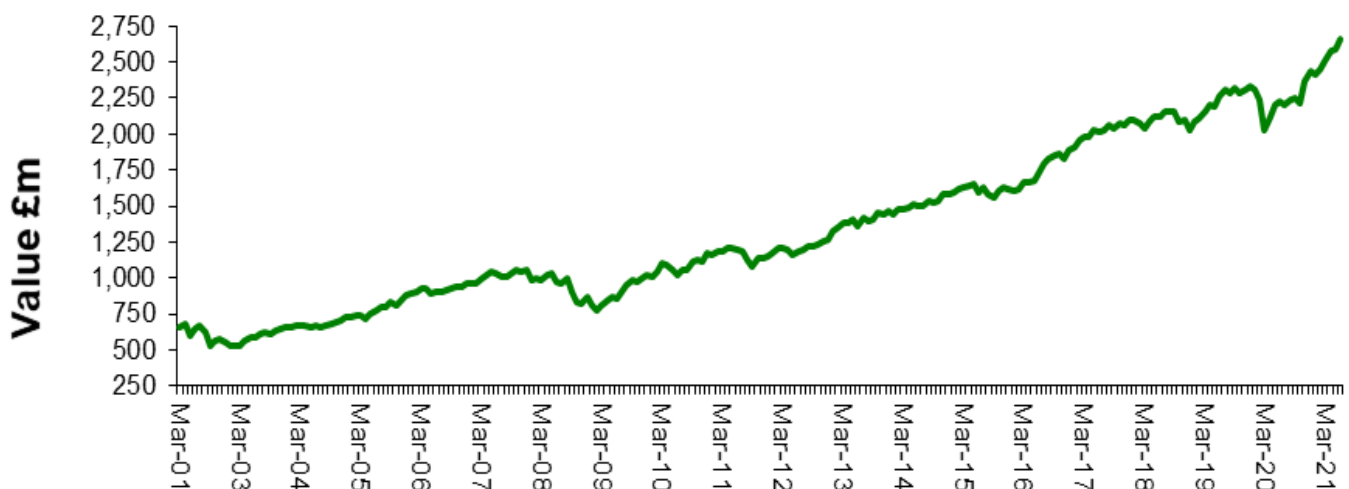
1 Executive Summary

- 1.1 This report provides a general update on investment related activity.
- 1.2 The funding level improved over the quarter ending 30 June 2021. The main drivers of underlying asset and liability movements are described.
- 1.3 The report also summarises activities that have taken place over this quarter to ensure that the Fund is well-governed.

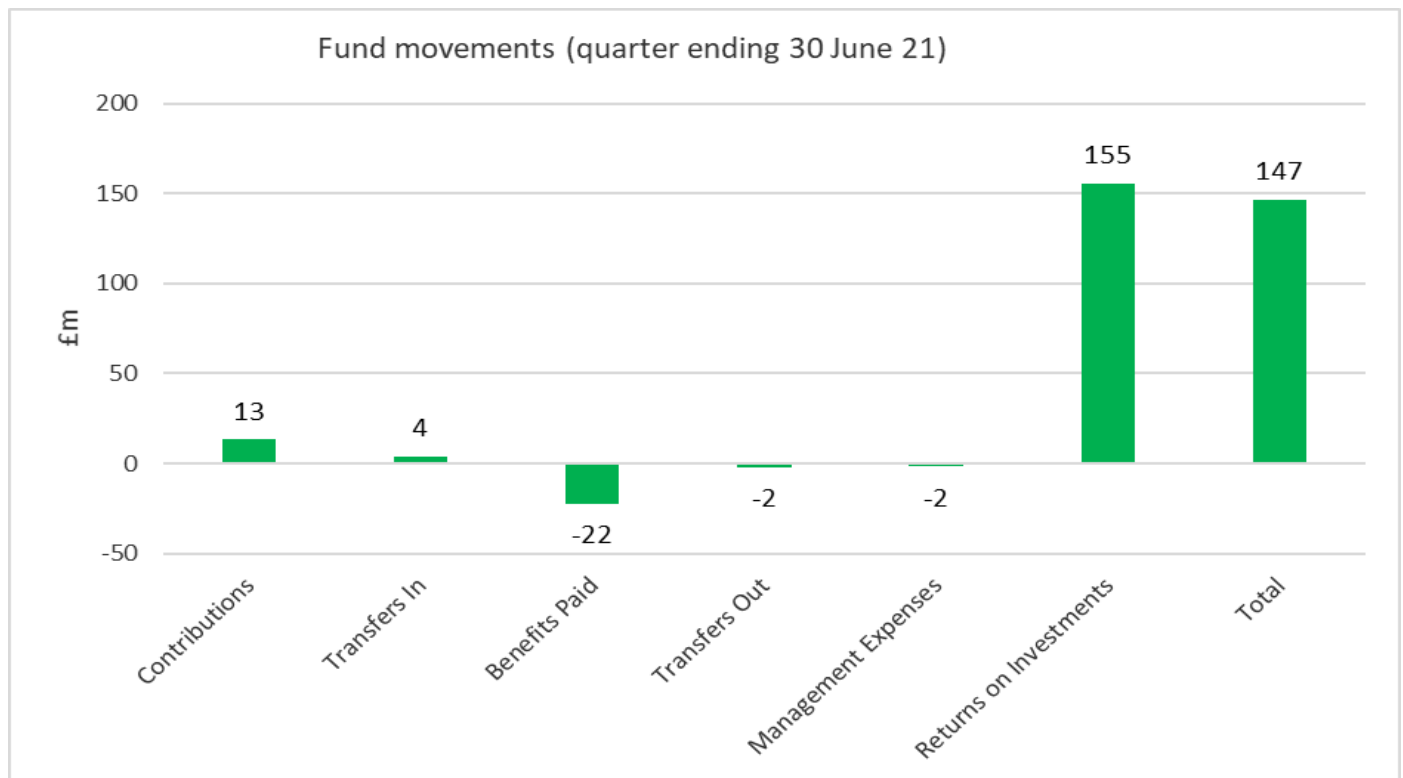
2. Fund Update

- 2.1 As at 30 June 2021, the funding level was c.101%.
- 2.2 The value of the Fund's assets increased by 6.1% over the quarter and stood at £2.7bn (its highest absolute value since inception) at quarter end.

Total Fund Value Since 31 March 2001



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



2.4 Over the quarter under review the value of benefits paid out exceeded the value of contributions paid in (by £9m).

3 Long Term Performance

3.1 Appendix 1 shows performance since inception vs target for all funds currently invested in. This 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 46% of the total amount committed has been called by investment managers to date. Appendix 2 illustrates the breakdown of this between the different funds.

Alternative s	Amount invested by fund managers (£m)	Amount still to be called (£m)	Total
£'m	300	352	652

% of Total	46%	54%	100%
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Cash

- 4.2 Cash balances as at the end of June were £72.4m. £56.8m is held in the custodian investment account (Blackrock – this account is used to meet capital calls and take investment distributions), and £15.6m 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 (2.7% 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 the June PFISC, the PFISC decided to remove the overweight to overseas equities. The PFISC decided to invest the holdings released from this to PIMCO’s Diversified Income Fund (DIF).
- 4.4 In July 2021, the Fund transferred £20,500k from Border to Coast’s Global Equity Alpha Fund and £24,126k from LGIM’s regional overseas equity funds (in proportion to their current holdings). The proceeds from these transfers (£44,626k) were invested in PIMCO’s DIF.
- 4.5 The PIMCO DIF is very similar to the core sleeve that will be run by PIMCO in the Border to Coast Multi Asset Credit Fund (MAC). As the core sub-fund in the MAC, PIMCO’s fund will make up c.40% of the total MAC.
- 4.6 In the December 2019 PFISC the decision was made to allocate 10% of the Pension Fund to MAC once it became available, subject to the MAC sub-fund meeting certain “necessary” and additional conditions. These conditions have since been met, and so the Fund is progressing with the transfer of assets to MAC
- 4.7 The intention is to transfer as follows (figures as at 31 July 2021):

Fund	£m	% of Fund
PIMCO Diversified Income Fund	£106.3	4.0
JP Morgan Unconstrained Bond Fund	£115.3	4.3
Additional (source to be confirmed)	£45.2	1.7
Total MAC transfer	£266.8	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	UK Alpha	Global Alpha	UK Alpha	Global Alpha
	Vote Count		% of Total	
For	1776	1636	92%	89%
Against	153	177	8%	10%
Other	3	16	0%	1%
Total	1932	1829	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:

LGIM equity funds

Voting Direction	UK	Rest of World	UK	Rest of World
	Vote Count	Vote Count	% of Total	% of Total
For	5,114	30,975	93%	78%
Against	413	7,150	7%	18%
Other	0	1,473	0%	4%
Total	5,527	39,598	100%	100%

- 5.5 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/esg/q2-2021_esg-impact-report-uk_europe-final.pdf

6 Independent Advisers

- 6.1 Officers are reviewing the specification of the Lot 2 (liabilities focused) contract for a second Independent Adviser. The tendering process is starting soon with a view to having the Adviser in place before the next PFISC (December).

7 UK Stewardship Code

- 7.1 Fund officers continue to work on drafting this report. The intention is for this to pass through the upcoming 31 October 2021 – 30 April 2022 application window.

8 Climate Change

- 8.1 Signing up to the 2020 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 The Training Policy was approved by the PFISC in September's meeting.
- 9.2 Since June, Committee members, Board members and officers have had access to several tailored workshops:
- Risk management (15 July)
 - Administration best practice, Governance and Section 13 (29 July)
 - Actuarial methods and liabilities, including longevity (5 August)
 - Strategy framework and responsible investments (17 August)
 - High-level strategic asset allocation (20 September)
- 9.3 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 as evidence 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 Financial Implications

- 10.1 None

11 Environmental Implications

- 11.1 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.

12 Supporting Information

12.1 None.

13 Timescales Associated with Next Steps

13.1 None.

Appendices

- Appendix 1 – Performance since inception
- Appendix 2 – Alternatives Funds Commitments

Background Papers

None

	Name	Contact Information
Report Author	Chris Norton, Victoria Moffett	chrisnorton@warwickshire.gov.uk, Victoriamoffett@warwickshire.gov.uk
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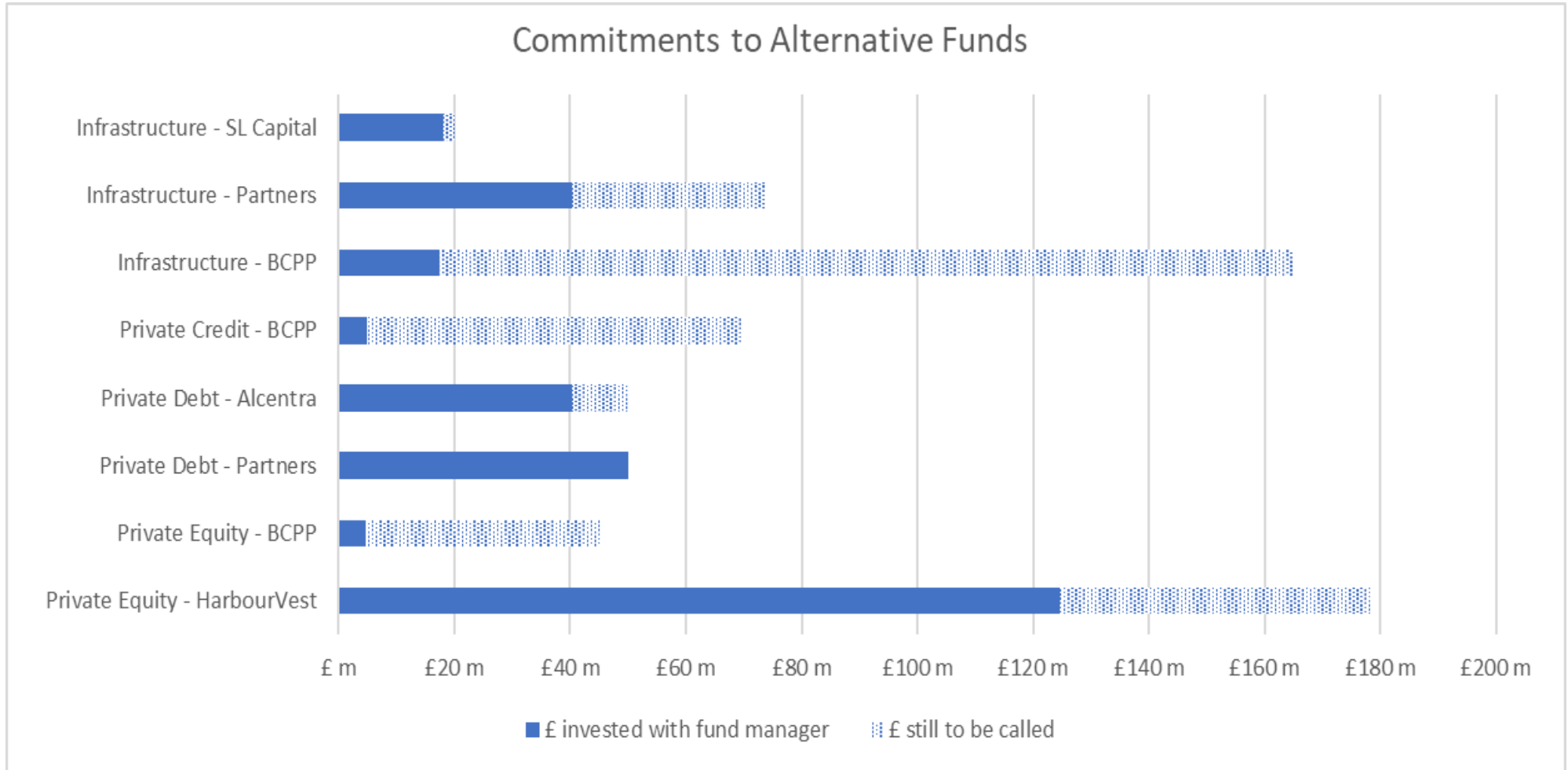
The report was circulated to the following members prior to publication:

Local Member(s): n/a

Other members: n/a

Appendix 1

Structure	Inception to 30/6/21	Inception Date
Total Consolidation	8.55	01/Jul/04
WWS - Reflex BM Total Fund		01/Jul/04
Alcentra	9.33	01/Nov/18
Alcentra BM	5.00	01/Nov/18
BCPP UK EQ RK	7.83	01/Dec/18
BCPP UK EQUITY BENCHMARK	5.54	01/Dec/18
BCPP UK EQUITY + 2%	7.58	01/Dec/18
Harbour Vest	14.29	01/Apr/11
Harbour Vest Benchmark	12.67	01/Apr/11
JP Morgan	2.94	01/Feb/13
JP Morgan Benchmark	0.44	01/Feb/13
JP Morgan Benchmark + 3%		01/Feb/13
LGIM Bond	6.53	01/Nov/08
LGIM Bonds	6.12	01/Nov/08
LGIM Equity	11.05	01/Nov/08
LGIM Equity BM	10.98	01/Nov/08
Partners Group	7.77	01/Jan/16
Partners Group BM	7.00	01/Jan/16
Partners Group II	4.33	01/Apr/18
Partners Group II BM	5.00	01/Apr/18
Schroders Property	2.95	01/Apr/07
Schroders Property BM	2.95	01/Apr/07
SL Capital	6.95	01/Jun/15
SL Capital	7.01	01/Jun/15
Threadneedle Property	4.24	01/Apr/07
Threadneedle Property BM	3.66	01/Apr/07
WARKS - PIMCO DIF	1.76	01/Mar/21
WARKS-BCPP GE	14.99	01/Oct/19
BCPP GE Benchmark	14.58	01/Oct/19
BCPP GE + 2%	16.59	01/Oct/19
WARKS-BCPP IG CR	3.28	01/Feb/20
BCPP IG CR Benchmark	1.66	01/Feb/20
WARKS-BCPP INFRA	-9.61	01/Oct/19
BCPP INFRA Benchmark	7.00	01/Oct/19
WARKS-BCPP PE	12.91	01/Jul/19
BCPP PE Benchmark	15.35	01/Jul/19
WARKS-BCPP PR CR	2.55	01/May/20
BCPP PR CR Benchmark	5.00	01/May/20



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.

Warwickshire Local Pension Board**Regulatory Update**

20 October 2021

Recommendation(s)

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

1. Executive Summary

- 1.1 This report seeks to update the Board on relevant regulatory developments in the pension arena.

2. Financial Implications

None.

3. Environmental Implications

None.

4. Supporting Information**Consultation on Special Severance Payments**

- 4.1 The Ministry for Housing, Communities, and Local Government (MHCLG) issued a consultation on draft statutory guidance on the making and disclosure of Special Severance Payments (SSP) by local authorities.
- 4.2 The purpose of the draft guidance is to limit the use of SSP, noting the government's view that these payments do not represent value for money and should be considered in truly exceptional circumstances.
- 4.3 Special Severance Payments are stated as being payments to employees, officeholders, workers, contractors, and others outside of normal statutory or contractual requirements when leaving employment in public service. Examples include payments reached under settlement agreement, paid special leave such as gardening leave and payments for retraining.
- 4.4 Statutory and contractual redundancy payments do not constitute SSP, nor payments made to compensate for ill-health, injury, or death. However, pay or compensation in lieu of notice and pension strain payments arising from employer discretions to enhance pension benefits may be a SSP.

- 4.5 This means there could be implications where employers exercise their discretion to waive early retirement reductions on voluntary retirement (e.g., compassionate grounds), flexible retirement etc.
- 4.6 The proposals state that if an SSP is made employers should consider lower cost alternatives, public perception of the payment and the setting of possible precedents. They should also consider the impact of SSP including legal advice on the prospect of defending a claim at tribunal, so that payments are justified..
- 4.7 The proposals also recommend that if an SSP is made it requires that the personal approval and sign off of the Chief Executive Officer is documented with a clear record of the Leader's approval, and the guidance makes it clear that the Section 151 Officer and Monitoring Officer must be able to justify such payments. This is an issue that has been picked up by the LGA in its response as staffing arrangements are a council side function under legislation and cannot be dealt with by a member of the Executive.
- 4.8 Warwickshire County Council contributed to the response on that consultation submitted by West Midlands Employers.

Public Sector Exit Payments

- 4.9 Members of the Board will recall that regulations capping the amount payable to members retiring early were revoked earlier in the year.
- 4.10 Officers are aware that the Government continue to review these payments and expect further information to be issued at some time.

Cost Management Mechanism

- 4.11 The Cost Management Mechanism (the mechanism) was introduced following the Hutton review with the aim of providing protection to taxpayers and employees against unexpected changes (expected to be increases) in pension costs.
- 4.12 This would ensure that the anticipated risks of the rising cost of pensions would be fairly shared between employers and employees. The mechanism not only introduced a ceiling but also a floor so that if costs reduced then changes would be required to increase costs back to a fixed cost.
- 4.13 So, in 2016 when the mechanism was first utilised contrary to what was expected it was the floor that was breached and not the ceiling, resulting in improved benefits.
- 4.14 The recommendations were:
- Removal of tier 3 ill-health benefits, with tier 2 the minimum,
 - Introduction of a minimum death in service entitlement of £75,000

- Enhanced early retirement factors
 - Recommendation around changes to employee contribution bands
- 4.15 These recommendations were placed on-hold pending an assessment of the cost of the McCloud settlement.
- 4.16 HM Treasury (HMT) asked the Government Actuary's Department (GAD) to review the mechanism to determine if it is working as intended.
- 4.17 GAD concluded the mechanism failed to meet several key objectives and that it can lead to "intergenerational unfairness and result in perverse outcomes such as an increase in benefits to members whilst at the same time having to increase employer contribution rates," and made several recommendations to HMT.
- 4.18 HMT has in turn released a consultation on changes to the mechanism in which they propose to take effect from the 2020 cost management valuations:
- To remove any allowance for the legacy schemes (i.e., final salary) in the mechanism (although it proposed to include past service of the 2014 / 2015 schemes in the mechanism).
 - To widen the corridor beyond which a breach occurs from 2% of pay to 3% of pay.
 - Add an economic check so that changes will only be implemented to the benefits if the breach of the corridor would still have occurred had the changes in economic assumptions been considered.
- 4.19 Officers will keep the Board apprised of any developments.

The Pension Regulator's new Code of Practice

- 4.20 Members of the Board will recall that the Pension Regulator (TPR) issued a consultation document about a new combined code of practice.
- 4.21 The period of consultation has now ended and TPR has received over 100 responses. TPR feels that it is essential they give themselves the necessary time to consider these responses. This means TPR do not expect their full response and laying the new Code before Parliament until 2022 and the new Code to become effective in Summer 2022.
- 4.22 Officers will keep the Board informed of developments.

Update on the Government Actuary's Department Section 13 report

- 4.23 As required under Section 13 of the Public Services Pensions Act 2013, The Government Actuary's Department (GAD) has now concluded its review of the 2019 LGPS valuations and circulated a draft version of their report to the Fund Actuaries for comment. Although Hymans are not able to issue the draft report, they have provided headlines for each of the four tests undertaken by GAD.

Compliance

- There are no issues around compliance of the valuation

Consistency

- There were no issues raised about any specific fund under this measure.
- General comments (Hymans):
 - GAD still believe there is room for improvement around consistency of assumptions in the LGPS. We are seeking to ascertain whether that means GAD think a common funding basis should be used for the LGPS (something we believe would be a backward step leaving us unable to reflect local circumstances, local investment strategies and your membership profile) or if there should be further consistency around how assumptions are set. Given the process that the fund undertook to discuss and agree the funding assumptions for the 2019 valuation, this ensured that local considerations were taken into account and reflected, along with the fund's membership profile.
 - GAD also believe that further investigations should be undertaken to see if there is merit in putting in place a consistent approach to allocating assets to Academy schools upon conversion. As was our position when this recommendation was made in 2019, we believe that this should remain a local fund decision (so it can align with the fund's approach to other new employers). Furthermore, it would now be difficult to mandate a potentially different approach on funds given the large number of Academy schools that have already converted.

Solvency

- GAD carry out a series of tests on each fund to check (in their view) whether the solvency criteria is met
 - The fund received a 'white flag' under the measure of asset shock. A white flag is one where the result of GAD's test triggered an amber warning, however, upon review of the flag, GAD have deemed that the measure is no cause for action (it would have remained amber if GAD had broader concerns). The asset shock tests the required change in the average employer contribution rate as a percentage of core spending power if return-seeking assets fell by 15%. This is a relatively blunt test as it assumes that any fall would be sustained (i.e., there would be no bounce back) and ignores that in such situation the fund could change in the investment strategy instead of having to increase contribution rates. GAD estimate the increase in rate for your fund would be 3.0%, equal to the amber threshold of 3.0%. For the avoidance of doubt, we do not believe this flag should require you to have any concern over the robustness of your funding and investment strategies.

Long -term cost efficiency

- GAD carry out a series of tests on each fund to check (in their view) whether the long-term cost efficiency criteria is met
- The fund received a green flag in every test.

5. Timescales associated with the decision and next steps

5.1 None

Appendices

None

Background Papers

None

	Name	Contact Information
Report Author	Neil Buxton	neilbuxton@warwickshire.gov.uk
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Strategic Director	Strategic Director for Resources	robpowell@warwickshire.gov.uk
Portfolio Holder	Portfolio Holder for Finance and Property	peterbutlin@warwickshire.gov.uk

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

Local Member(s): None

Other members: n/a

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Warwickshire Local Pension Board

Minutes of the Pension Fund Investment Sub-Committee

20 October 2021

Recommendation(s)

1. That the Board note and comment on the contents of this report.

1. Executive Summary

- 1.1 This report introduces the Pension Fund Investment Sub-Committee (PFISC) public papers for note and comment.
- 1.2 These papers are in relation to the PFISC meeting held on 14th June 2021.
- 1.3 This report includes:
 - Minutes of the public meeting of the 14th June 2021 (Appendix 1).
 - June 2021 Forward Plan (Appendix 2).

2. Financial Implications

None.

3. Environmental Implications

None.

4. Supporting Information

None.

5. Timescales associated with the decision and next steps

None.

Appendices

1. Appendix 1 Minutes of the public meeting of the 14th June 2021.
2. Appendix 2 June 2021 Forward Plan.

Background Papers

None.

	Name	Contact Information
Report Author	Neil Buxton, Sukhdev Singh	neilbuxton@warwickshire.gov.uk, sukhdevsingh@warwickshire.gov.uk
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Portfolio Holder	Portfolio Holder for Finance and Property	peterbutlin@warwickshire.gov.uk

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

Local Member(s): None

Other members: Members of the Pension Fund Investment Sub-Committee

Pension Fund Investment Sub-Committee

Monday 14 June 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
Aneeta Dhoot, Senior Finance Officer
Andrew Felton, Assistant Director - Finance
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)
Andrew Felton, Assistant Director - Finance
Nichola Vine, Strategy & Commissioning Manager

Others Present

Moira Gorman, Columbia Threadneedle (for minute no. 13)
Robin Jones, Columbia Threadneedle (for minute no. 13)
Mark Lyon, Border to Coast Pensions Partnership (for minute no. 15)
Philip Pearson, Hymans Robertson
Andy Stone, Border to Coast Pensions Partnership (for minute no. 15)
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 Meetings

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 Local Pension Board meeting 26 January 2021

The minutes of the Local Pension Board meeting of 26 January 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. A schedule of policy review and activity at the Staff and Pensions Committee was provided to provide a complete picture of policy activity.

Reflecting on the included training plan, Councillor Gifford suggested that items scheduled for December 2021 be brought forward and this was agreed. It was noted that the training plan had been based on the National Knowledge Assessment.

Resolved

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

4. 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. Further actions relating to risks in the register were housed either within the Business Plan's Single Action Plan, or business as usual activities. A draft risk appetite classification was included in the report and it was noted that a risk workshop in June/July would provide training to support the establishment of a risk appetite going forward.

Members discussed the format and content of the register, in particular seeking clarification on the expectations of the Sub-Committee in terms of setting the risk appetite, and the benefits of a single risk register. Members welcomed the inclusion of cyber security.

Chris Norton confirmed that further discussion was planned on the risk appetite including a workshop for Members. He also noted that the risk register had previously been separated into Covid Risks and General Risks but it had been agreed that it was strategically more beneficial to have a single register. The register was also presented to Staff and Pensions Committee and he recommended that the current holistic approach was retained over a compartmentalisation of the fund's business.

The Sub-Committee's independent advisors also offered some guidance on risk appetite, noting that the planned session would provide an opportunity to explore risk management in a strategic

sense and provide challenge on the relative importance of risks and narrow the focus on more sensitive risks, for example, in relation to inflation, longevity of investments, or cyber security and other key operational matters.

In response to a question from Councillor Kettle regarding the impact of Brexit, Victoria Moffett advised that the risks were low due to the low exposure to UK equity funds and how they were constituted. Philip Pearson (Hymans Robertson) advised that the Fund was somewhat overweight to UK equity relative to global markets, and whilst over the years the allocation to UK equity had been reduced and was set to continue to reduce, further changes would be subject to the outcome of the strategy review that would lead into the following year's valuation. He expressed the view that the known risks of Brexit were reflected in asset prices which were reflected in the long term returns expected from UK equities. This was reviewed quarterly and a further two to three reviews would be undertaken before the new strategy was approved. It was noted that more discussion of risk factors would take place over the coming months as part of the investment strategy review.

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 the Risk Appetite statement attached to the report at Appendix A.

5. Voting Policy

Victoria Moffett, Pensions and Investments Manager presented this report which provided an updated Voting and Stewardship Policy that continued to align with that of Border to Coast Pensions Partnership (BCPP). A tracked change copy of the Fund's Voting and Stewardship Policy was included at appendix A and it was highlighted that a key change was that the Fund no longer had any segregated mandates with investment managers, all portfolios were indirectly managed by BCPP or Legal and General Investment Management.

Councillor Bill Gifford commented on the strength of the BCPP Voting Policy in comparison to that of the Warwickshire Pension Fund and particularly highlighted recent voting decisions rooted in climate change policy which he had been pleased to note.

Resolved

1. That the Pension Fund Investment Sub-Committee noted the report
2. That the Pension Fund Investment Sub-Committee approved The Warwickshire Pension Fund Stewardship & Voting Policy
3. That the Pension Fund Investment Sub-Committee approved the Border to Coast Pensions Partnership Corporate Governance and Voting Guidelines

6. Responsible Investment Policy

Victoria Moffett, Pensions and Investments Manager introduced this report which set out the Responsible Investment Policy and a Climate Risk Policy, as originally drafted by the Fund's investment consultant, Hymans Robertson. No material changes were proposed but the policies were expected to develop with input from the Sub-Committee. Philip Pearson noted that the policies should be reviewed during the strategy review and one of the areas of focus should be on

whether or not the Fund should adopt any goals on climate change and the management of associated risks.

Resolved

1. That the Pension Fund Investment Sub-Committee noted and approved the Responsible Investment Policy
2. That the Pension Fund Investment Sub-Committee noted and approved the Climate Risk Policy

7. General Investment Activity Update

Victoria Moffett, Pensions and Investments Manager, presented this report which provided a general update on investment related activity, and was complimentary to the investment and funding performance report also considered at the meeting.

In response to a question from the Chair regarding employer engagement, Victoria Moffett advised that the scheme consisted of just over 200 employers in total, a figure which fluctuated as employers joined and left the scheme. She was not aware of which employers had attended the engagement day and noted the response rate to the polls. Chris Norton, Strategy and Commissioning Manager (Treasury, Pension, Audit & Risk) noted that a key feature of the scheme was the small number of large employers that had joined.

Resolved

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

8. Funding Strategy Statement

Neil Buxton, Technical Specialist - Pension Fund Policy and Governance presented this report, explaining that following an amendment to the Local Government Pension Scheme Regulations, a review had been undertaken of the Funding Strategy Statement and subsequent amendments were recommended to 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. Whilst the flexibilities were optional for employers, the Fund retained discretion over their use. Since publication of the report, information had been received about the outcome of a court case which involved the challenge of a scheme manager's approach to a funding strategy statement and the Local Government Association had recommended all Funds review the wording of their statements going forward.

Members noted that the changes were not significant and, in response to questions, Neil Buxton advised that the funding strategy statement needed to be reviewed annually and that deferment would occur when there were triggers for leaving the scheme, for instance a contractor at the end of their contract or a community organisation with no members.

Resolved

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

9. 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.

The meeting was adjourned at 10.52am and reconvened at 11.08am.

10. Funding and Investment Performance

Resolved

1. That the Pension Fund Investment Sub-Committee noted the report.
2. That the Pension Fund Investment Sub-Committee agreed to de-risking the portfolio by removing the overweight to overseas equities.
3. That the Pension Fund Investment Sub-Committee agreed to delegate authority to the Strategic Director for Resources to make final changes regarding investing the holdings that were released from resolution 2 in PIMCO DIF.

11. Strategy Framework

Resolved

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

12. Funding Update

Resolved

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

13. Columbia Threadneedle Property Manager Presentation

Resolved

That the Pension Fund Investment Sub Committee noted the presentation.

14. LGPS Pooling Update

Resolved

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

15. Pooled Fund Manager Presentation

Resolved

That the Pension Fund Investment Sub Committee noted the presentation.

16. 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 1.19pm

.....
Chair

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Pension Fund Investment Sub-committee

Appendix 2

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)	

Warwickshire Local Pension Board

**Review of the Minutes of the Staff and Pensions Committee 14th
June 2021**

20 October 2021

Recommendation(s)

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

1. Executive Summary

- 1.1 The Local Pension Board has a responsibility to assist the Scheme Manager in the management of the pension fund. In order to fulfil this role, it is important for the Local Pension Board to be sighted on the relevant pension fund activity.
- 1.2 Set out at Appendix 1 are the minutes of the Staff and Pensions Committee (14th June 2021) for information. The Staff and Pensions Committee considers pension fund matters and other matters specific to Warwickshire County Council as an employer. The minutes provided in this report are an abridged version for the Local Pension Board only showing items relating to the pension fund.

2. Financial Implications

None.

3. Environmental Implications

None.

4. Supporting Information

None.

5. Timescales associated with the decision and next steps

None.

Appendices

1. Appendix 1 Staff and Pensions Minutes 14th June 2021.

Background Papers

None.

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Report Author	Neil Buxton	neilbuxton@warwickshire.gov.uk
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The report was circulated to the following members prior to publication:

Local Member(s): None.

Other members: Members of the Staff and Pensions Committee

Staff and Pensions Committee

Monday 14 June 2021

Minutes

Edited for the Local Pension Board

Attendance

Committee Members

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

Officers

Neil Buxton, Technical Specialist - Pension Fund Policy and Governance
Sarah Duxbury, Assistant Director - Governance & Policy
Andrew Felton, Assistant Director - Finance
Victoria Jenks, Pensions Admin Delivery Lead
Trish Kinsella, Lead Commissioner - Strategic People Improvement
Isabelle Moorhouse, Trainee Democratic Services Officer
Chris Norton, Strategy and Commissioning Manager (Treasury, Pension, Audit & Risk)
Rich Thomas, Strategy and Commissioning Manager (HROD)

1. General

The Chair welcomed new members to the committee and informed it that some officers would leave after presenting their item to reduce room capacity.

(1) Apologies

None.

(2) Disclosures of Pecuniary and Non-Pecuniary Interests

None.

(3) Minutes of previous meeting

(i) 8th March 2021

The minutes were approved as a true and correct record.

(ii) 25th May 2021

The minutes were approved as a true and correct record.

3. Scheme Advisory Board Final Good Governance Report

Chris Norton (Strategy and Commissioning Manager (Treasury, Pension, Audit & Risk) clarified that the pension fund needed to revise their governance report and the report itself received the officer's support. The report was to make sure that the pension fund had the resources in place for senior LGPS officers. One of the recommendations around representation stated that each administering authority must publish a policy on how scheme members and non-administering authority employers were represented on pension committees. Chris Norton added that there were time scales with governance KPIs (key performance indicators) to make sure everything was done correctly. The recommendations themselves were starting points for things that needed to be worked on.

Resolved:

The Staff and Pensions Committee note and comment on the report.

4. Revised Terms of Reference for the Warwickshire Fire and Rescue Local Pension Board

Chris Norton stated that the terms of reference needed to be considered and approved by Full Council but asked that the committee consider and comment in advance of consideration by Council. Chris Norton commented that the Local Government Pension Scheme (LGPS) local pension board was already in place.

There were no specific comments made by committee members who confirmed that they were content to endorse the terms of reference for consideration by Council.

Resolved:

The Staff and Pensions Committee to reviewed and commented on the updated Terms of Reference for the Warwickshire Fire and Rescue Local Pension Board before forwarding to the Council for approval.

5. Review of the Pension Fund's Breaches Policy

Neil Buxton (Technical Specialist Pensions Fund Policy and Governance) informed the committee that all pension schemes were required to have a breaches policy in place, for example, if an employer did not pay contributions deducted from members of the pension scheme. The policy itself gave clarity in relation to breaches and what action is required to be taken. It was noted that some consequential changes to the Administration Strategy were highlighted in the appendix. Neil Buxton concluded that the administration Strategy had also been updated to reflect the new *I-connect* data portal that deals with the automatic transfer of data from scheme employers to the pension fund.

In response to Councillor Simpson-Vince, Vicky Jenks (Pensions Administration Lead) confirmed that all breaches were recorded by the pensions team and most breaches that were received were late information arrivals. Employers can report themselves or the pension board can report in the case of such breaches. It was added that breaches had decreased since the implementation of the new I-Connect system.

Councillor Gifford praised the work of the pension board in relation to historical breaches and queried if small-scale employers found compliance more challenging i.e. new academies. Vicky Jenks clarified that academies tend to join multiple academy trusts with other academies so they jointly send all their information to the pension team together; this was beneficial as it helped speed things up. Chris Norton added that the experience had not changed with breaches as the Chair of the local pension board gets involved with all of them.

In response to Councillor Sarah Millar's query regarding the interface between the whistleblowing policy and wider governance related policies, Andrew Felton stated that there is inevitably some overlap at times, but that consideration would always be given as to the most appropriate policy to follow depending on the circumstances. .

Following a question from Councillor Kettle, Vicky Jenks clarified that the role of the Staff & Pensions Committee is to be assured that breaches are reported as necessary in line with our arrangements and acted on properly; all reported and unreported breaches are shared with the Committee and Local Pension Board and the expectation is that the Pensions Board would wish to share this information with the committee.

Resolved:

That the Staff and Pensions Committee note and comment on the report.

6. Regulatory Update

Neil Buxton stated that the report provided an insight to developments in the LGPS and the wider pension arena that impact on the LGPS. The introduction of a national pension dashboard by central government could conceivably ensure that all information about an individual's pension rights would be available to that person online. The new 2021 Pension Act will allow schemes to block transfers out of the LGPS where specified conditions are not met. This should help limit the number of members. The Act will also introduce a climate change governance taskforce to force schemes to ensure that there will be effective governance in respect of climate change. Information from the LGA (Local Government Association) is expected at the end of 2021 regarding these changes. Neil Buxton added that the pension age where a member can receive their pension under their own volition will increase from 55 to 57 in April 2028. It was clarified that employees who were part of a pension fund before 12th February 2021 (the date of the consultation document) would be able to continue to retire at age 55 pension, even if they transfer to a new job where the employer is a LGPS member. The Pension Regulator is issuing a new code of practice which consolidates many of the existing codes and removes code 14 that applies to public service pension schemes. Further guidance on the impact on the LGPS is expected to be issued by the Regulator and MHCLG later in the year.

In response to Councillor Millar, Neil Buxton said that the County Council could respond to central government's changes independently, but more weight would be gained commenting through the LGA.

Resolved:

That the Staff and Pensions Committee note and comment on the report.

7. Pensions administration activity and performance update

Vicky Jenks clarified that the report provided updates of key developments within the pension team. The report focused on the success on the I-connect project which is due to complete by 30th June 2021. I-Connect is used to transfer data from scheme employers to the member pension scheme records via an electronic portal. The use of I-Connect has reduced the number of breaches being recorded by the Pensions team. There were other ongoing projects for example, the application of pensions increase of 0.5% in April to all pensions in payment. The report also documents key performance indicators; where a payment is to be made, these are treated as the highest priority.

A review of the breaches policy had recently been undertaken and the process for recording breaches updated. In April 2021 there were 21 green breaches compared to April 2020 when 81 breaches were recorded. The new reporting procedure and I-Connect will improve the breaches procedure.

Vicky Jenks stated there was a recent red breach with a total of 6 dependants being overpaid. Even though the number of members that were affected was small compared to the number in the scheme, the value of the overpayments was deemed to be significant, and it was rated as red breach and reported to the Pensions Regulator. The Pension Regulator stated that they were content with Warwickshire County Council's processes that have been implemented to address this issue and reduce the risk of this occurring again. This breach was resolved appropriately. The fund and employers work together to prevent further breaches.

Other ongoing projects included the pension dashboard and implementing arrangements to address the consequences of the age discrimination case of McCloud.

Councillors Millar and Gifford praised the I-Connect rollout and improved administration within the pension team. Chris Norton stated that a few years ago a governance review was undertaken to help improve the administration service and steps have been taken to implement best practice recommended and these now form part of business as usual.

Resolved:

Staff and Pensions Committee note this report.

8. Employers leaving and Joining the Pension Fund

Vicky Jenks informed the Committee that they needed to be notified whenever an employer leaves or joins the fund. Academies have automatic rights of entry to the scheme. The importance of keeping on top of leavers was acknowledged to make sure that any employers who leave the fund have their liabilities assessed to ensure any deficit or credit is identified. Neil Buxton added that employers exiting the scheme could negotiate with the fund regarding the payment of a deficit or credit. Andrew Felton noted that if an employer leaves the scheme without its liabilities resolved then it falls to Warwickshire County Council to pick up, so it is important that all issues are resolved beforehand.

In response to Councillor Simpson-Vince, Vicky Jenks clarified that employers leave the scheme when no active members are left. This may occur when an employer who has a 'closed' arrangement, which only allows those transferring employees to have access to the scheme and is not open to new joiners. This normally happens as a result of a TUPE transfer arrangement. When the employee leaves the employer then they cease to be in the pension scheme and the employer ceases to have any active member in the scheme. If

employers have an 'open' scheme with the fund, then any employees for the employer can join and leave the fund.

Resolved:

That the committee note employers who have left the fund as they have no active members left in the scheme.

- Vinshires Plumbing and Heating (ceased 1st December 2020)
- Westfield Community Development Association (ceased 30th April 2020)
- Nuneaton Mencap Joint Hostel (People in Action) (31st October 2020)

The meeting rose at 14:51

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Chair

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