

# Warwickshire Local Pension Board

Date: Wednesday 2 February 2022  
Time: 10.00 am  
Venue: Microsoft Teams

## Membership

Jeff Carruthers  
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

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2. Review of the Minutes of the Pension Fund Investment Sub-Committee meeting of 14th September 2021	9 - 18
3. Business Plan update	19 - 24
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7. Investments update	51 - 58
8. Warwickshire Local Pension Board, Forward Plan	59 - 62
9. Review of the minutes of the Staff and Pensions Committee of 13th September 2021	63 - 68

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

To download papers for this meeting scan here with your camera



## Disclaimers

### Disclosures of Pecuniary and Non-Pecuniary Interests

Members are required to register their disclosable pecuniary interests within 28 days of their election of appointment to the Council. 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](mailto:democraticservices@warwickshire.gov.uk)) to request a joining link.

# Warwickshire Local Pension Board

Wednesday 20 October 2021

## Minutes

### Attendance

#### Committee Members

Keith Bray  
Keith Francis  
Alan Kidner  
Sean McGovern  
Mike Snow

#### Officers

Neil Buxton, Technical Specialist - Pension Fund Policy and Governance  
Andrew Felton, Assistant Director - Finance  
Liz Firmstone, Service Manager (Transformation)  
Victoria Jenks, Pensions Admin Delivery Lead  
Ian Marriott (Legal and Democratic)  
Deborah Moseley, Senior Democratic Services Officer  
Chris Norton, Strategy and Commissioning Manager (Treasury, Pensions, Audit, Risk, & Insurance)

#### Also Present

Jeff Carruthers, prospective Board Member.

### 1. Introductions and General Business

The Chair welcomed Jeff Carruthers as an observer to the meeting. Mr Carruthers had come forward as a new board member, following the departure of Councillor Dave Parsons. The Board extended their thanks to Councillor Parsons for his previous contribution and noted that the appointment of Mr Carruthers would need to be ratified by the next meeting of the County Council.

#### (1) Apologies

Councillor Parminder Singh Birdi

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

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

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

It was noted that since the draft minutes had originally been circulated to the Board, Alan Kidner had requested the addition of his comments regarding Business Plan Monitoring and the Chair had agreed their inclusion. The minutes in the report pack, therefore, reflected Mr Kidner's comments with regard to BCPP's net zero targets and encouragement for Warwickshire Pension Fund to follow the good example of South Yorkshire and adopt a 2030 target.

The Chair asked for an update on the summary of key actions and was advised that:

1. A note had been circulated regarding the position on the reporting of internal audit reports relating to the pension fund. It was confirmed that the reports were not written for public consumption but could be circulated to the Board once finalised and approved.
2. The investment strategy would include consideration of what happened in the event 100% funding was reached.
3. Chris Norton would check if the Employer Engagement findings were shared.
4. Investigation of options for remote meetings had resulted in this meeting being hosted on Teams with a notice on the website for scheme members and scheme employers to contact Democratic Services if they wished to observe. The Board agreed that the circumstances around Covid-19 warranted the next meeting being held remotely. The Chair suggested that the position be reviewed in February 2022 and considered that it would be helpful to meet at least once per year in person.

The minutes of the meeting held on 20 July 2021 were agreed by the Board as a true and accurate record.

## **2. Forward Plan**

Neil Buxton, Technical Specialist - Pension Fund Policy and Governance presented this report which provided an updated one year rolling forward plan. The forward plan included a schedule of policy reviews and a training plan for the forthcoming year.

The Local Pension Board noted the forward plan set out in appendix 1 to the report, subject to the inclusion of the Chair's annual report to the Board in July 2022.

## **3. Business Plan Update**

This report was presented by Chris Norton, Strategy and Commissioning Manager (Treasury, Pension, Audit & Risk) who explained that the report provided a quarterly progress update against the action plan which had been previously agreed by the Pension Fund Investment Sub-Committee.

Appendix 1 to the report provided a breakdown of the Business Plan into a total of 49 actions. The actions were RAG rated, and the majority were on track but a number of activities were subject to challenges identified in the report at paragraphs 1.5 to 1.10. Chris Norton highlighted capacity issues and the preparation of business cases to seek to address this in the areas of governance and investment.

It was mentioned that the late finalisation and publication of the accounts was due to external audit capacity.

It was confirmed that the intention was to hold the Pension Fund Annual General Meeting remotely (with a test run in advance to eliminate any technical problems).

With regard to questions about the accounts, Chris Norton advised that there would be an adjustment to the figures in relation to the Harbourvest Private Equity Fund. This was not an uncommon position in the national landscape and a comment would be made in the accounts to explain that the correct values were reflected at the balance sheet date but that due to market factors the investments were subsequently worth more.

Keith Francis suggested that action point 34 regarding the plan to tender expired contracts may need to remain red (rather than move to amber) as it could take several months before they were all completed.

With regard to paragraph 1.5, Chris Norton confirmed that reference to “CMA” referred to the Competition and Markets Authority and it was noted that acronyms needed to be explained in future reports.

The Board also discussed the use of colour in the report and whether or not there might be a better way to provide the content in an accessible format.

The Local Pension Board noted the report.

#### **4. Risk Monitoring**

Chris Norton, Strategy and Commissioning Manager (Treasury, Pension, Audit & Risk) explained that this report presented the risk register for the Fund which set out the risks that the Fund was exposed to before and after mitigating actions. The Board were advised that the internal audit on fraud had been completed and a business continuity workshop had taken place focussing on cyber security.

In terms of the rating for the ‘employer contributions cannot be met’ risk score (risk number 4), Chris Norton advised that the risk register reflected the management of risk and the likelihood of occurrence matrix provided an appropriate weighting to the impact score and the level of risk that was indicated for this in the report.

In response to a question regarding the improved customer satisfaction rating, Vicky Jenks, Pensions Admin Delivery Lead, advised that this had been achieved by looking at feedback from surveys and registering compliments and complaints. More work was needed on customer feedback and the implementation of Member Self Service would allow this to happen in a more efficient way.

The Local Pension Board noted the risk register appended to the report and the risk appetite statement at section 2.3 of the report.

*Alan Kidner joined the meeting at this point (10.46am).*

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

Vicky Jenks, Pensions Admin Delivery Lead, presented this report which provided an update on the key developments affecting pensions administration and the performance of the Pensions Administration Service, including the issue of Annual Benefit Statements, the implementation of Member Self Service, achievement of key performance indicators, workloads in the team, management of breaches, the continuation of the McCloud project, new employers seeking admission to the Fund, and the internal dispute resolution procedure.

Regarding the small number of statements not sent out due to outstanding queries, Keith Francis asked if this related to a small number of employers and was advised that there were a couple of employers where further information had been sought and it had been identified that the issue was that they were not registered on the iConnect system but once they had been onboarded the problem would cease.

With regard to a query from Mike Snow, Vicky Jenks noted that an issue had been identified whereby some employers did not collect marital status through their payroll and, upon transfer of the data, the system recorded a blank marital status as 'single'. Whilst this had not been anticipated, it was not a material breach and could be easily rectified for the future to ensure that information on spousal benefits was included. There had been no bearing on the content of the annual benefit statements. Vicky Jenks also confirmed that the issue of the annual benefit statements generally resulted in an influx of queries; whilst there were notes that sat alongside the statements, generally people did not want a lot of complicated information. Nationally there was some discussion about the level of information being included in the statements and about increasing awareness. The key factor was to make members aware of their pensions and the introduction of a pensions dashboard in 2023 would be beneficial as this would allow people to see all their pension pots together.

Keith Francis asked about the assertion in the report (KPI11) that when the Fire Pensions administration transferred to a new provider more resource would be available. Vicky Jenks advised that the current focus was on making sure fire records were as up to date as possible in readiness for the transfer. One member of the team was therefore spending more time in this area than would normally be required. Once the administration had transferred, that person would be available to pick up other areas of work. The statement therefore related to targeted resource rather than there being additional resource.

Noting issues regarding Multi Academy Trust contracts, the Chair pointed out that there was pressure nationally to address the issues raised.

The Local Pension Board noted the report.

## **6. Conflicts of Interest Policy**

Neil Buxton, Technical Specialist - Pension Fund Policy and Governance explained that the annual review of the Conflicts of Interest Policy had identified that members of the Board were required to complete a declaration of pecuniary interests. A standard proforma had been issued and members would be asked to update it annually.

Alan Kidner noted that the focus on pecuniary interests was very narrow and that a wider range of interests should be encapsulated when relevant. Chris Norton, Strategy and Commissioning Manager (Treasury, Pension, Audit & Risk) agreed with this principle and the need to provide an adequate level of transparency in respect of any conflict of interest. The Chair noted that members had the opportunity to declare interests at the commencement of each meeting

The Local Pension Board noted the report.

## **7. Training Policy**

Neil Buxton, Technical Specialist - Pension Fund Policy and Governance summarised this report, noting that The Pensions Regulator required appropriate training to be provided for 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. The Pension Fund Investment Sub-Committee had approved the training policy appended to the report in September 2021. Neil Buxton issued a schedule of training opportunities at regular intervals and a system was being implemented in conjunction with Hymans Robertson to provide a portal for members to register training received. An overview of the system would be provided in due course. The National Knowledge Assessment would be used to formulate the plan going forward and it was anticipated that the assessment would next take place in January or February 2022.

Members asked for links to recorded training sessions to be shared so that those unable to attend at the allotted time could still appraise themselves of the detail. The Chair indicated that he intended to list training sessions offered to the Board in his next annual report; this would spark discussion on how the training was received and where knowledge gaps existed.

Chris Norton, Strategy and Commissioning Manager (Treasury, Pension, Audit & Risk) noted that a lot of sessions were taking place outside the formal Committee setting which provided not only opportunities for training but also to engage in discussion of key issues in an attempt to maximise the productivity of formal committee and board meeting time.

The Local Pension Board noted the report and training policy.

## **8. Investments Update**

Chris Norton, Strategy and Commissioning Manager (Treasury, Pension, Audit & Risk) introduced this report which provided a general update on investment related activity. He highlighted that the funding level had improved to 101% over the quarter ending 30 June 2021, the Multi Asset Credit Fund transfer had taken place, and the tendering process for a second Independent Adviser with a liabilities focus would commence shortly.

In response to the Board's questions on climate change Chris Norton advised that there had been a meeting arranged by a local climate interest group and whilst he did not have full details of attendance, he was aware that Councillors John Horner and Bill Gifford had attended and engaged with the meeting. It was clear that climate change was a serious issue but there was some divergence of views in terms of divesting or engaging. It would be essential that clear communication was issued on the approach being taken.

In response to a query about the minus figure entry in Appendix 1 to the report in relation to “WORKS-BCPP INFRA”, Chris Norton agreed to look into this and provide an explanation.

The Local Pension Board noted the report.

### 9. Regulatory Update

This report, presented by Neil Buxton, Technical Specialist - Pension Fund Policy and Governance, provided an update on the Ministry for Housing, Communities and Local Government’s (subsequently known as the Department for Levelling Up, Housing and Communities) consultation on draft statutory guidance on the making and disclosure of Special Severance Payments by local authorities.

The Local Pension Board noted the report.

### 10. Minutes of the Pension Fund Investment Sub-Committee

The Board noted the content of this report which comprised a copy of the minutes of the public part of the meeting held on 14 June 2021 and the draft forward plan.

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

The Board noted the abridged version of the minutes of the meeting which Neil Buxton, Technical Specialist - Pension Fund Policy and Governance explained focussed on items relating to the Pension Fund.

### 12. Summary of Key Actions

	Action	
1	Add the Chair’s Annual Report to the Board to the Forward Plan	Neil Buxton
2	Share links to recorded training sessions	Neil Buxton
3	Provide an explanation of the “WORKS-BCPP INFRA” minus figure in Appendix 1 of the Investment Update Report	Chris Norton
4	To advise how many annual benefit statements had been affected by the marital status issue	Liz Firmstone/Vicky Jenks

The meeting rose at 11.47am.

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Chair



## Warwickshire Local Pension Board

2 February 2022

### Review of the Minutes of the Pension Fund Investment Sub-Committee meeting of 14th September 2021

#### Recommendation(s)

That the Local Pension Board notes and comments 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 The papers are in relation to the PFISC meeting held on 14<sup>th</sup> September 2021.

1.3 The report includes:

- Minutes of the public meeting of the 14<sup>th</sup> September 2021 (Appendix 1).
- September 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 14<sup>th</sup> September 2021.
2. Appendix 2 September 2021 Forward Plan.

## Background Papers

None

	<b>Name</b>	<b>Contact Information</b>
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Strategic Director	Strategic Director for Resources	<a href="mailto:robpowell@warwickshire.gov.uk">robpowell@warwickshire.gov.uk</a>
Portfolio Holder	Portfolio Holder for Finance and Property	<a href="mailto:peterbutlin@warwickshire.gov.uk">peterbutlin@warwickshire.gov.uk</a>

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

Local Member(s): None.

Other members: n/a

# Pension Fund Investment Sub-Committee

Monday 13 September 2021

## Minutes

### Attendance

#### Committee Members

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

#### Officers

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

#### Others Present

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

### 1. General

#### (1) Apologies

None.

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

None.

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

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

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

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

### **3. Forward Plan**

Neil Buxton, Technical Specialist - Pension Fund Policy and Governance, presented this report which provided an updated forward plan for the Pension Fund Investment Sub Committee, rolled forward to cover the year ahead. Members suggested that scheduled training be included in future editions.

#### **Resolved**

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

### **4. Macroeconomic Update**

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

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

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

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

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

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

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

### **Resolved**

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

## **5. Risk Monitoring**

Chris Norton, Strategy and Commissioning Manager (Treasury, Pension, Audit & Risk) presented this report which provided an update on the risks to the Fund and actions taken to manage them. The report also detailed the proposed risk appetite for adoption.

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

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

### **Resolved**

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

## **6. Investment Beliefs**

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

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

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

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

### **Resolved**

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

## **7. Training Policy**

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

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

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

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

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

### **Resolved**

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

## **8. Reports Containing Exempt or Confidential Information**

### **Resolved**

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

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

### **Resolved**

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

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

### **Resolved**

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

## **11. Pooling Update**

### **Resolved**

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

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

### **Resolved**

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

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

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

The meeting rose at 1.56pm

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Chair

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## Pension Fund Investment Sub-Committee

## Appendix 1

## Forward Plan

## Standing Items

December 2021	March 2022	June 2022	September 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

December 2021	March 2022	June 2022	September 2022
	National Knowledge Assessment (January 2022)	Training Plan (April 2022)	
UK Stewardship Code			

## Manager Presentations

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

## Policy Reviews

December 2021	March 2022	June 2022	September 2022
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	Investment Strategy Statement	ESG, Climate Change and Responsible Investment Policy	
	Risk Management Review	Funding Strategy Statement	
	Business Plan	Voting Policy	

### Policy Review by the Staff and Pensions Committee

December 2021	March 2022	June 2022	September 2022
Cyber Security Policy	Communications Policy	Breaches Policy	Administration Strategy
Fund Discretions			Admissions and Termination Policy
			Governance Statement

### Training

December 2021	March 2022	June 2022	September 2022
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

2 February 2022

### Business Plan update

#### 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 2021. 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	5	0	1	5	11
Green	8	2	10	7	27
Amber	5	1	2	3	11
Red	0	0	0	0	0
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 flagged as amber. There was one item flagged as red last quarter which has resolved to green as follows:

1.5.1 Item C3+1 relates to the Competition Markets Authority (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 both Hymans Robertson (the Fund's investment consultant) and the Fund's independent investment adviser, Bob Swarup of Camdor Global Advisors. Officers conducted a member survey of views and also internally measured performance against the objectives. The Fund was compliant with the CMA Order and responded in line with the 7 January 2022 deadline.

- 1.6 Capacity to deliver the business plan has been a feature of risk reporting and The Pension Fund Investment Sub-Committee has agreed to a resourcing request put forward by officers to increase the Pension Investments team staffing by one investment analyst and a trainee accountant.

## **2. Financial Implications**

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

## **3. Environmental Implications**

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

## **4. Supporting Information**

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**

Appendix 1 – Quarter 3 Business Plan Monitoring

## **Background Papers**

None

	<b>Name</b>	<b>Contact Information</b>
Report Author	Victoria Moffett, Chris Norton	victoriamoffett@warwickshire.gov.uk, chrisnorton@warwickshire.gov.uk
Assistant Director	Andrew Felton	andrewfelton@warwickshire.gov.uk
Strategic Director	Strategic Director for Resources	<a href="mailto:robpowell@warwickshire.gov.uk">robpowell@warwickshire.gov.uk</a>
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): n/a

Other members: n/a

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## 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	Implementation of Member Self Service	Mar-22	Green	Implementation in progress
	5	Annual Allowance statements issued	By 5 <sup>th</sup> October 2021	Blue	Completed
	6	Employer Engagement/training event	Quarterly	Green	December event delivered. The next event is in January. Changed from blue to green as this is ongoing rather than completed
	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.
	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.
	11	Improve member and employer communications	Quarterly	Amber	Work on the website is starting in January 2022. Further work will occur as part of the Member Self Service roll out.
	12	Review of complaints received	Quarterly	Green	IDRPs are being managed to deadlines. Currently 2 stage 1 IDRPs and one formal complaint with the potential to become an IDRPs.
	13	McCloud Project	April 2021 to April 2023	Amber	McCloud delivery is substantively complete for approximately three quarters of employers, with the remainder not being able to verify their employee data.  There is also a delay in decisions by the Government in respect of McCloud that cause uncertainties for the project.
	14	Data quality review	Annual	Green	Valuation work is currently on track.
C1+1	Pensions Dashboard	Sept 2021 start	Amber	Changed from green to amber as some preparation work is required for the dashboard and resourcing this appropriately.	
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	This will be moved into the business plan for 2022/23. This will be beneficial but other higher priorities require more focus for the remainder of this year.  Flagged as amber not red as this is not business critical	
C1+4	Additional Voluntary Contributions Review		Amber	Hymans have completed a review and officers are considering the findings and recommendations.	
C2. Actuarial Activities	Ref	Action	Timescale	RAG Rating	
	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	Some activities in respect of specific employers are being pursued.  Covenant reviews of higher risk employers will be considered within the 2022 valuation project
	17	2022 valuation Preparedness Review (this may potentially include a funding review)	Sep-21	Green	Valuation work is currently on track.
etern	Ref	Action	Timescale	RAG Rating	
	18	Implement transfer to the Border to Coast Multi Asset Credit fund.	Sep-21	Blue	Fund launch completed
	19	Support the development of new Border to Coast fund products, for example the property fund.	As funds launch	Amber	Amended from green to amber. Property funds unlikely to launch prior to March 2022. The Fund has engaged formally with BCPP regarding alternatives products and their suitability for the Fund.
	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	Growth of alternatives investment levels is continuing and this is a high profile component of investment monitoring
22	Undertake a light review of the Fund's Strategic Asset Allocation	September	Green	A dedicated workshop was undertaken with the Investment Sub-Committee and Hymans Robertson looking at the investment strategy and asset allocation. A paper looking at private market allocations was also presented to the Investment Sub-Committee in December.	

C3. Optimising Investment Risk and R	Ref	Action	Timescale	RAG Rating	
	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	Joint Committee meeting in November was not quorate due to 4 Partner Funds not having a physical presence at the meeting. Options to improve the resilience of the meeting are being reviewed by the Joint Committee.
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 Fund is still awaiting guidance on requirements from TCFD, FCA, and DLUHC	
25	Plan cashflow strategy to avoid the need to sell assets under time pressure	Annual	Green	The last 2 quarters have seen benefit payments exceed contributions but cashflow management remains on track	
26	Become a signatory to the 2020 UK Stewardship Code	Mar-22	Green	A first draft is planned to be completed in January 2022	
27	Review of TCFD disclosure requirements	Dec-21	Amber	Project plan not yet in place. Intention is to look at this once work on the 2020 UK Stewardship Code is completed. No regulatory requirement at present.  This will be carried forward to the 2022/23 business plan.	
28	Engage with pooling partner funds and Border to Coast on climate change and RI developments	Quarterly	Green	Border to Coast have signed up to net zero by 2050 and have run further workshops on climate risk / reporting.	
C3+1	Setting and reviewing investment consultant objectives	annual	Green	Objectives supported by Investment Sub-Committee to be approved by the Section 151 officer. A review of investment consultant delivery against objectives has been completed.	
C3+2	Fund monitoring	monthly	Green	Monthly investment monitoring by officers is in place.	
C4. Ensuring Good Governance	Ref	Action	Timescale	RAG Rating	
29	Pension Fund Annual General Meeting	November	Blue	AGM delivered in November. The event proceeded online for the second year.	
30	Production of statement of accounts	May-21	Blue	Accounts signed off at Council in December. Accounts were finalised late due to external audit resourcing challenges.	
31	Publication of Annual Pension Fund Report	Nov-21	Blue	Annual Report published with final accounts in December. The report was published late due to external audit resourcing challenges resulting in the accounts being published late.	
32	Ensure Fund risks are reviewed annually, and investigate formalising a risk appetite for the Fund	Annual	Blue	The new risk reporting approach is now embedded as business-as-usual practice	
33	Ensure a risk register is maintained and monitored	Quarterly	Green	The new risk reporting approach is now embedded as business-as-usual practice	
34	Maintenance of a contracts register and a schedule for contract reviews	Quarterly	Amber	Independent Financial Adviser procurement is progressing. A 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 but approval to increase officer resources has been given and will be implemented.	
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. The Fund is waiting for further developments from the Good Governance Review.	
36	Light touch internal governance review against any new/emerging SAB Good Governance guidance/TPR Singular Code (replacing Code 14)	Mar-22	Amber	The deadline for this has changed due to the delay in TPR's Singular Code. It is unlikely that this will be done by March 2022. The review will be dependent upon capacity and the new requirements, some of which are onerous.	
37	First review of the operation of the cyber security policy	Mar-22	Green	A recent review of the cyber security policy identified no shortcomings.	
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	A paper was taken to the Investment Sub-Committee in December recommending additional resources in internal investment and accounting capacity to enable demand to be met and was approved.	
40	Review of disaster recovery planning / business continuity	Mar-22	Green	Activity is under way to document a disaster recovery plan, following the workshop.	
41	Review electronic signatory/approval processes	Dec-21	Blue	Completed	
42	Implement training plan arising from the National Knowledge Assessment feedback	Mar-22	Green	Committee and Board members are expected to do an assessment by the end of January to inform the training plan.	
C4+1	Business Plan Monitoring by officers and Local Pension Board	Monthly (Officers) Quarterly (Board)	Green	The plan is being monitored monthly by officers and reported quarterly to the Local Pension Board	



## Warwickshire Local Pension Board

2 February 2022

### Risk Monitoring

#### Recommendation(s)

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

#### 1. Executive Summary

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

Chart 1 – Net Risk Summary

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

1.6 Management action updates include:

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

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

1.6.3 Completed recruiting to the Local Pension Board vacancy.

## 2. Financial Implications

2.1 None.

## 3. Environmental Implications

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

## 4. Supporting Information

4.1 None.

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

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

### Appendices

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

### Background Papers

1. None.

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

Local Member(s): n/a

Other members: n/a

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## Risk Appetite

## Appendix 1

Risk Category	Description	Risk Appetite
Liability profile	Risk that actual benefit costs are higher than expected leading to increased contributions or investment risk to make up the shortfall. This includes higher inflation, increased longevity and changes to the composition of membership i.e. maturing fund	Minimalist
Governance	Actuarial, legal or investment advice is not sought, or is not heeded, or proves to be insufficient in some way. This includes Committee and officer skills, the decision-making structure and operational abilities.	Minimalist
Climate risk	Climate change affects liabilities (increased mortality), operational processes (physical disruption), and investment returns (pricing into company returns and covenant).	Cautious
Data	Administering Authority holds incorrect data so the Fund collects incorrect contributions and/or sets an inappropriate funding plan. This could impact the funding level.	Averse
Financial - Matching Assets (strategic)	Requirement to manage operating cashflows and ensure assets meet liabilities over the lifetime of the Scheme.	Cautious
Financial - Non-matching Assets (implementation)	Requirement to generate enough returns to meet future liabilities whilst minimising employer contributions.	Open
Regulatory	Changes by Government to LGPS rules e.g. employer participation, altered requirements. Also includes direct intervention. Could impact on funding and/or investment strategies	Averse
Administration	Pensions Act/GDPR or other breaches because of process risks around holding data, in particular member data, but also asset administration and the Pension /Fund's payroll.	Averse

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

## Risk Scoring Convention and Likelihood Definitions

## Appendix 2

### Scoring Convention

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

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

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

### Likelihood Definitions

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

## Impact Score Definitions

## Appendix 3

Score	Description	Members and Employers	Investments and Funding	Administration
1	Insignificant	<p>Negligible impact - not noticeable by members or employers, no complaints or issues likely to be raised by members or employers.</p> <p>Example - Member or employer communication newsletter issued a few days later than planned.</p>	<p>Negligible impact - of a level that would not register for investment action.</p> <p>Example - Normal volatility levels being experienced in the investment portfolio.</p>	<p>Negligible impact - low level administrative issues resolved internally with no impact on key performance indicators</p> <p>Example - A manageable backlog of data to be uploaded to the administration system that has no impact on actual member payments.</p>
2	Minor	<p>Minor impact on members and/or employers which may cause correspondence about issues that can be resolved at source.</p> <p>Example - A member not being given the correct information first time when corresponding with the Fund and this having to be corrected, but having no impact on benefits paid</p>	<p>Minor impact on investment operations requiring monitoring and attention but not requiring anything other than business as usual actions.</p> <p>Example - minor adverse fund investment event, such as a credit default within a private credit portfolio which is of a business as usual nature.</p>	<p>Minor impact on administration performance requiring action within business as usual parameters.</p> <p>Example - an employer experiencing persist difficulty in providing correct data resulting in the need for extra training/support/correspondence to resolve</p>
3	Moderate	<p>Material adverse impact on members or employers that is of cause for concern to them and the Fund and requires escalation for non-business as usual resolutions</p> <p>More likely to be isolated issues but could have some scale.</p> <p>Example - Inability to finalise and sign off an admission agreement with a new employer resulting in escalation.</p>	<p>Material impact requiring bespoke corrective action, but manageable within the existing 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>
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 of employers to pay contributions resulting in a need for emergency investment and cashflow measures in order to keep paying benefits.</p>	<p>Catastrophic failure of administration function leading to inability to pay benefits accurately or at all on a large scale.</p> <p>Significant breaches of the law</p> <p>Serious complaints and reputational harm caused</p> <p>Example - Wholesale failure of the pension payroll function resulting in no member payments being made.</p>

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

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

## Warwickshire Local Pension Board

2 February 2022

### Pensions Administration Activity and Performance Update

#### Recommendation

That the Committee 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. Member Self Service (MSS)

- 4.1 The implementation of MSS has begun. The PAS are working with software suppliers and internal ICT teams to deliver this project.
- 4.2 Testing of the system has been undertaken. An employer of the fund has been selected in order to do a 'soft launch' so that we can receive feedback from this and ensure that when MSS is rolled out, we can provide quick responses to any queries raised. We will look to provide easy to follow instructions for logging on and sign-posting to our website so that members can look there first to answer general questions regarding the pension scheme. We do anticipate receiving more enquiries during the launch period; however, we will look to complete the roll out in phases so that we can manage the additional queries we expect from members.

## 5. Key Performance indicators (KPIs)

5.1 Appendix 1 shows the KPIs for the period 01<sup>st</sup> April 21 to 30<sup>th</sup> November 2021.

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

5.3 For KPIs that are not being achieved:

5.3.1 KPI 1 - providing transfer information: 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 tended 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 1<sup>st</sup> April 2022, this will free up resource which can assist with this work.

5.3.2 KPI 2 - relating to transfers out: The number of cases being processed on time has reduced. Legislation regarding the number of checks for due diligence the PAS have to complete has increased the work needed to complete these cases. Updated guidance and template documents are being provided by the Local Government Association which will help to ensure we are documenting all the checks being undertaken correctly.

5.3.3 KPI 3 - Paying a refund: 39 refunds were processed in November of which 31 were paid within 10 days. This is the most we have paid since October 2020. For the financial year we are paying 89% of refunds within 10 days which is higher (88.36%) than last year.

5.3.4 KPI 4 – Letter notifying estimate of benefits: – there were 31 cases and this KPI was missed in 2 cases due to queries looked at during the checking process.

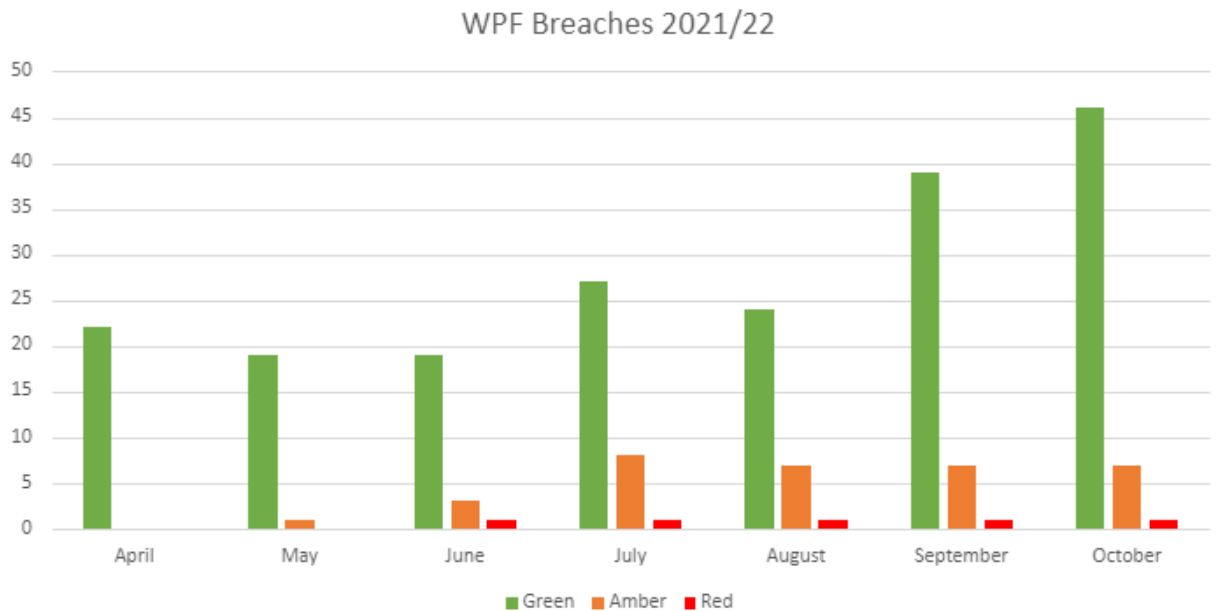
5.3.5 KPI 9 - relating to the notification of benefits sent out to dependants, there were 17 cases and 2 were processed out of time. These were cases which required retrieval of the file from storage.

## 6. Workloads

6.1 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 2223 live tasks as at 6 December 2021. The overall volume of work is being managed effectively in spite of increases in demand in some areas.

## 7. Breaches

7.1 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.



7.2 The fund has escalated an employer to red breach status for failing to provide financial and member data for the first six months of the 2021/22 financial year. The breach has been reported to the Pensions Regulator (tPR), who is being kept informed of the actions being taken to resolve the issue. The employer has now sent the outstanding contribution reconciliation sheets while working to build an i-Connect submission and will be charged for the additional work required from the Fund.

7.3 The increase in green breaches is down to late submissions by a multiple payroll provider. This means that one provider submits data for a number of fund employers. A notification has been sent to the employers and payroll provider to ensure payments are received by 19<sup>th</sup> of each month going forward.

7.4 As part of the monthly breaches review, we have also identified that a reminder to employers that is automatically sent out via the I-Connect system is sent out at the beginning of each month. We are speaking with our software provider to ask if this reminder can be generated either slightly later or a second reminder issued to prompt the payroll provider. This will remind them to submit their I-connect data but also to make payment for the outstanding pension contributions before 19<sup>th</sup> of each month.

## **8. McCloud Project**

- 8.1 The McCloud project is continuing. The data collection exercise has been completed in part with the majority of employers either providing information regarding changes for their employees or signing a disclaimer to confirm they agree that the data held on the pension's administration record is correct.
- 8.2 The PAS will now look to move on to the next phase of work which is benefit rectification and the updating of our work processes to include the check for the underpin protection for members in scope.
- 8.3 The government response to the consultation is now expected in Spring 2022, with draft legislation for the changes required expected to be released in April 2022 for consultation. These are intended to be implemented by April 2023 but will be retrospective.
- 8.4 Other legislation that is required to remedy discrimination is contained within the Public Service Pensions and Judicial Offices Bill, which will have retrospective effect from 1 April 2015. The Finance Bill 2021-22 and supporting regulations will also contain technical changes to ensure that the pensions taxation framework can operate as intended following the McCloud reforms, and these changes are expected to clarify the actions the Pension Fund can take if, for example, an individual would receive a tax charge as a result of the recalculation of their benefits. Work has commenced in identifying where our processes will require changes to accommodate the additional checks that will need to be done for members who are affected by the underpin.
- 8.5 The Fund's actuary, Hymans, has completed an analysis of all fund employers to assess the individual impact and letters have been sent out to confirm this.
- 8.6 The pensions software provider has notified officers of the indicative costs the Fund may have to pay to cover the development of the software required. There are enquiries underway as to whether central funding can be granted to pay for this to help administrators cover the cost.

## **9. Internal Dispute Resolution Procedure (IDRP)**

- 9.1 The Fund has 2 outstanding IDRP cases, both at Stage 1.
- 9.2 The Fund has also received one complaint.

## **10. Guaranteed Minimum Pension (GMP) reconciliation exercise**

- 10.1 The work to complete the GMP reconciliation and rectification continues, and targeted resources have been in place since August 2021. Priority is being given to members already in receipt of their pension where the amount they are receiving needs to be amended.
- 10.2 The total number of outstanding cases was 2,618. The number of cases that have been rectified up until 30 November 2021 is 1075, of which 698 overpayments and 41 underpayments have been identified. For all overpayments a letter has been sent out to the member to confirm that the pension in payment needs to be amended. If there is a significant change to the value, we work with the member to ensure that the reduction does not create any financial hardship.
- 10.3 For underpayments the payment is adjusted for the next available payment to the member, and this will include any arrears that are due.
- 10.4 336 cases have resulted in a change to the GMP information held on the member record but have not affected the pension in payment as the member has not yet reached state pension age.
- 10.5 There is one case where a significant overpayment has been uncovered, which relates to an incorrect GMP being held on the member record, as well as an incorrect value to be paid to the member being set up when the pension commenced in 2009. The PAS is working with the member to put the correct value of pension into payment.

## **11. New employers leaving and joining the fund**

### 11.1 New Academies:

- Brailes C of E Primary School (Part of The Stour Federation) 01/08/2021
- Houlton School (Part of Transforming Lives Educational Trust) 01/09/2021
- The Warwickshire Academy (Part of Thrive Education Partnership) 01/01/2022

### 11.2 New Employers:

- Premier Active 01/09/2021 (Coventry Diocese)
- Miquill Catering Limited 01/09/2021 (The Stour Federation)
- Prime Facilities Services 06/09/2021 (Evergreen School)
- NSL – Marston’s Holdings 01/11/2021 (new contract) (Warwickshire County Council)
- Caterlink 22/07/2021 (Coventry Diocese)

### 11.3 The employers who have left the fund as they have no active members left in the scheme:

- Rugby First Ltd on 01/08/2021

## **12. Introduction of e-payslips for Local Government Pension Scheme (LGPS) pensioners**

- 12.1 Until January 2018 the PAS issued monthly paper payslips to all members of the Warwickshire Pension Fund. Since that date, newly retired members of the scheme have received their payslips by email unless they have chosen to opt out, and so receive a paper payslip, while existing pensioners have continued to receive paper payslips by post.
- 12.2 9,061 paper payslips are sent out each month (108,732 per annum), representing 65.80% of pensioner scheme members. 4,710 pensioners, which represents 34.2%, already receive their payslips by email.
- 12.3 The current cost of issuing paper payslips is £70,000 per year. This is the cost of printing and postage, which are contracted out to a third party.
- 12.4 There is clearly an environmental benefit from reducing the number of paper payslips sent out each month. A reduction in paper payslips would contribute to the Council's target of becoming "net zero" by 2030. It is estimated that one tonne of Co2 per annum is currently produced by sending out paper payslips.
- 12.5 The majority of other LGPS Pension Funds have already adopted e-payslips as their primary method. Most funds will only send out a payslip when the value of the pension payment varies by £5 or more. The majority have made e-payslips the default, but a member can opt out and still request to receive a paper payslip. For funds that haven't yet moved to e-payslips it is on their plans to do so in the near future.
- 12.6 Staff and Pensions Committee have agreed to the recommendation to adopt the use of e-payslips for all LGPS pensioners as the default position, with the option to opt out remaining available. Work will now begin on giving effect to that recommendation.

## **13. Timescales associated with the decision and next steps**

None

### **Appendices**

Appendix 1 KPI Chart

Appendix 2 Work received compared to work completed chart

Appendix 2 Total work outstanding

### **Background Papers**



None

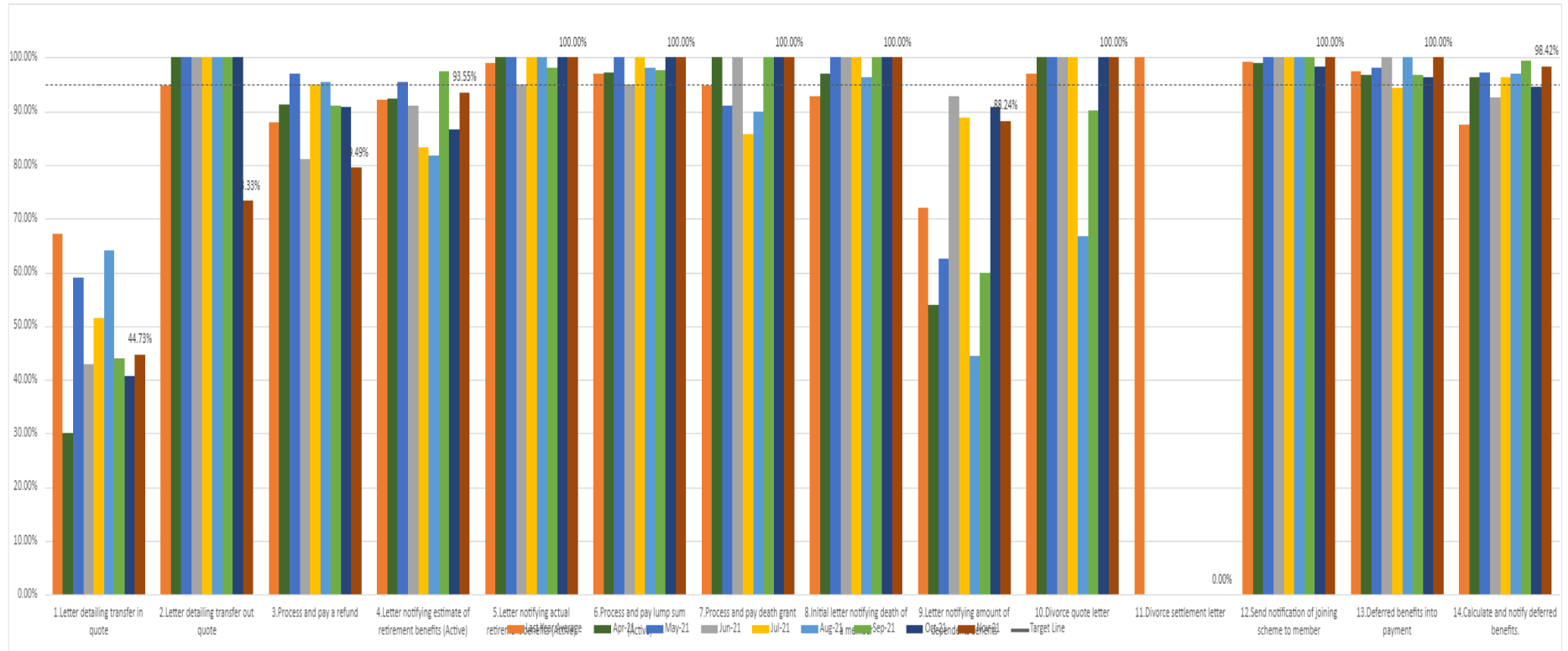
	<b>Name</b>	<b>Contact Information</b>
Report Author	Liz Firmstone, Victoria Jenks, Chris Norton	lizfirmstone@warwickshire.gov.uk, vickyjenks@warwickshire.gov.uk, chrisnorton@warwickshire.gov.uk
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The report was circulated to the following members prior to publication:

Local Member(s): Cllr Andy Jenns

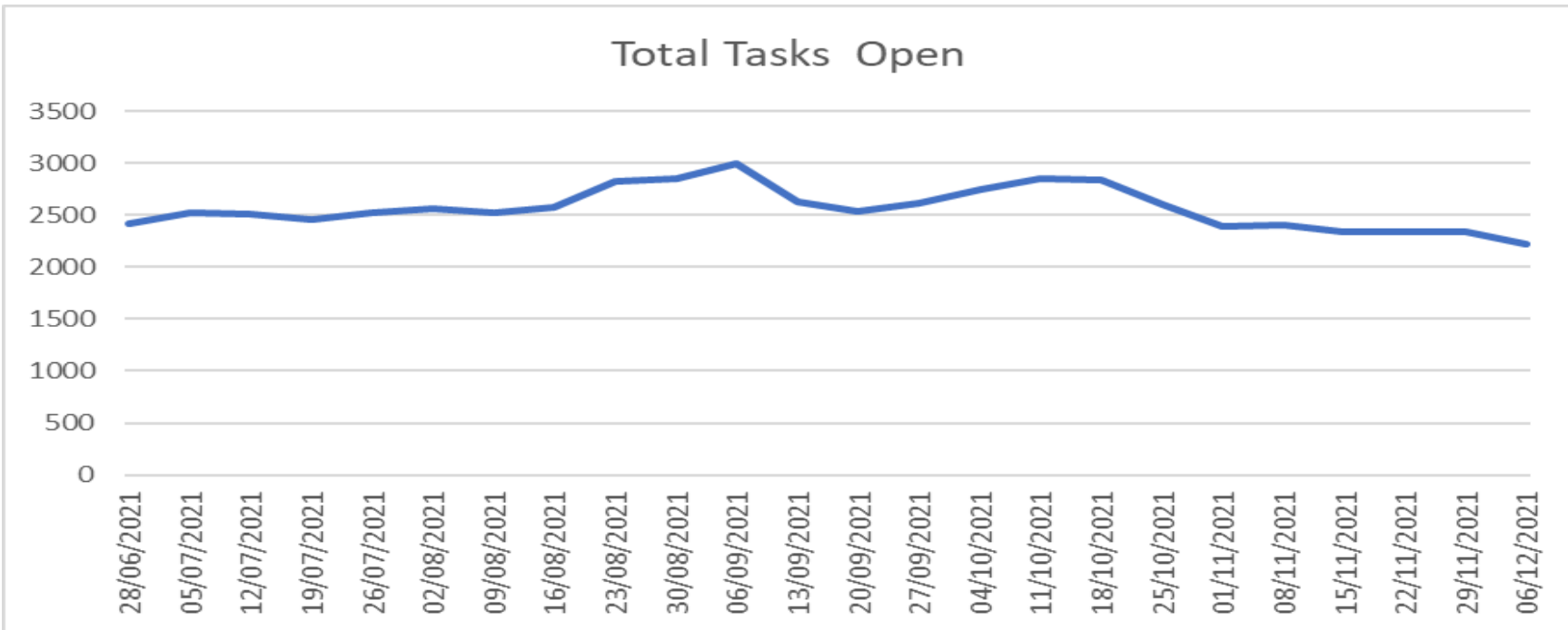
Other members: n/a

Appendix 1 - KPI chart



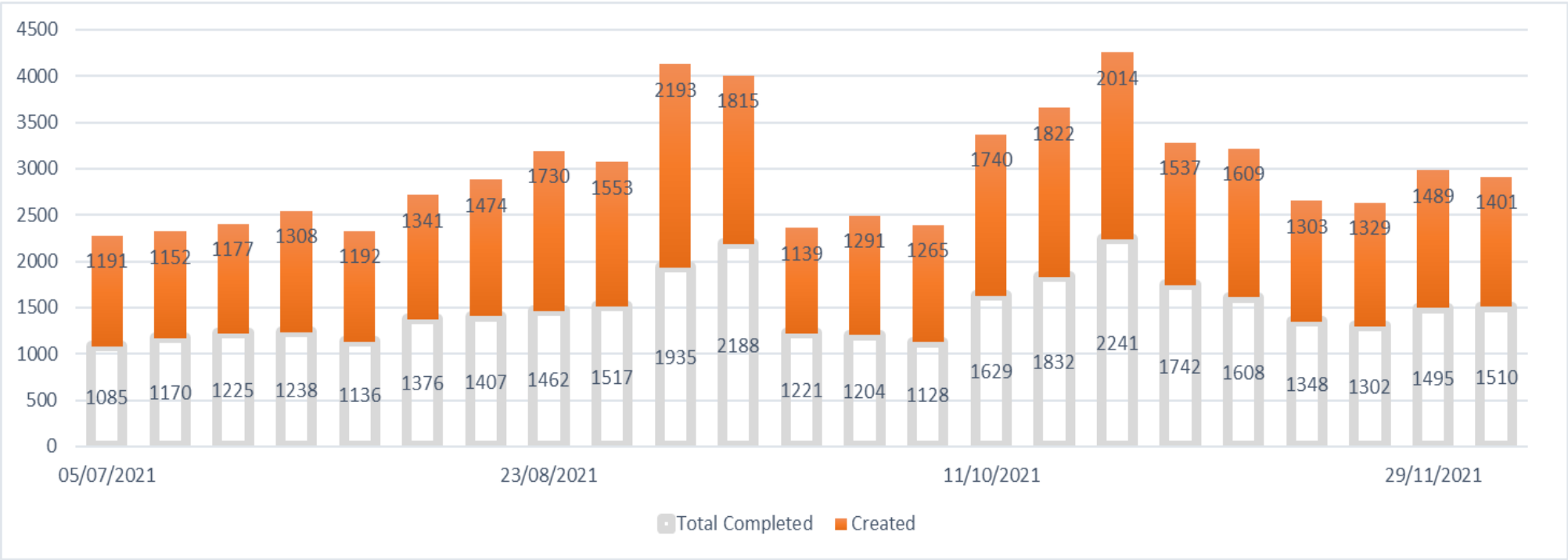
The chart may be difficult to read if you receive a black and white paper copy. This chart will be shared on screen in colour during the meeting

Appendix 2 - Total work outstanding



Appendix 3 – Comparison of incoming and completed tasks

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## Warwickshire Local Pension Board

2 February 2022

### Regulatory and Policy Update

#### Recommendation(s)

That the Local Pension Board notes and comments on the content of the report.

#### 1. Executive Summary

- 1.1 This report sets out the policies reviewed either as part of an annual review or where there have been minor amendments required in year.
- 1.2 The report also updates the Board on regulatory developments in the pension arena.

#### 2. Financial Implications

None.

#### 3. Environmental Implications

None.

#### 4. Supporting Information

##### Cyber Security Policy

- 4.1 Officers have reviewed the Cyber Security Policy and are content that it does not require any amendments.
- 4.2 Officers continue to liaise with colleagues in ICT to ensure that the Pension Fund's ICT infrastructure remains robust. This will include future penetration testing exercises and an audit of the safeguards in place.
- 4.3 The Pension Fund has also contacted all its external consultants and contractors where data is shared requiring the completion of System Specific Risk Assessment pro-formas to receive assurance that their systems comply to the standard expected by and for the County Council.

#### 5. Regulatory Update

## **Cost Management Mechanism**

- 5.1 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.
- 5.2 The Local Government Pension Scheme is subject to two cost management processes which are designed to manage some of the LGPS costs and risks to employers.
- 5.3 These processes can result in changes to the scheme benefit structure and/or scheme members contributions where the costs are found to be either higher or lower than the scheme's target cost set at the time of the implementation of the 2014 Scheme.
- 5.4 The change in cost is measured by the Government Actuary's Department every four years; one relating to a process managed by HM Treasury and an additional one, specific for the LGPS, managed by the Scheme Advisory Board.
- 5.5 Members will recall that the 2016 cost management process (which resulted in enhancement in the benefit structure and possible reductions in contributions for scheme members) was paused due to the McCloud judgement.
- 5.6 Following amendments issued by HM Treasury Directions on 7 October 21, confirming that costs resulting from the McCloud remedy should be treated as scheme member costs within the cost management process, the Scheme Advisory Board has now concluded its 2016 process.
- 5.7 Despite recording a slight reduction in LGPS costs the Scheme Advisory Board has recommended no benefit/contribution changes to the LGPS minister noting "the unwelcome impact of having to backdate any changes to April 2019 would have on already hard-pressed administration teams."
- 5.8 The Scheme Advisory Board, however, remains determined to revisit the third-tier ill health provision (a temporary pension awarded for a maximum of three years) and contributions for the lowest paid members. Recommendations in these areas will be made separately to the cost management process.
- 5.9 It is anticipated that the Government Actuary's Department will now finalise the 2016 valuation for HM Treasury's cost management process. This is not expected to lead to any changes to the LGPS.
- 5.10 Finally, it is understood that the trade unions plan to bring a Judicial Review challenging the legality of the Government's decision to allocate the costs arising from McCloud as costs to scheme members.



5.11 Officers will keep the Board apprised of any future developments.

### **Pension Fund Accounts (Form SF3 data published)**

5.12 Each year all local authority pension funds in England and Wales are required to submit data on the administration and fund management to the Department for Levelling Up, Housing and Communities who in turn will produce national statistics for the LGPS. The highlights are:

- Total expenditure of £13.4 billion
- Total income of £17.2 billion, an increase of 7.5% on 2019/20
- Employer contributions increased by 32.46% on 2019/20 to £10.2 billion. (This increase is due to the number of employers paying contributions 'up-front').
- Employee contributions of £2.4 billion.
- The market value of LGPS funds in England and Wales on 31 March 2021 was £332 billion, an increase of 22.4%.
- There were 6.1 million scheme members on 31 March 2021: 2 million active members, 1.8 million pensioners, 2.2 million deferred members
- There were 82,567 retirements in 2020/21, a decrease of 6.4% compared to 2019/20.

### **September 2021 CPI rate announced**

5.13 The Office for National Statistics announced the Consumer Price Index (CPI) rate for September 2021 as 3.1%. This rate is higher than the rate assumed at the 2019 triennial valuation of 2.3% CPI, although the rate of CPI applicable for increases to pensions in April 2020 was 0.5%. Officers and their advisors will need to consider a rate of CPI for the forthcoming triennial valuation.

5.14 In recent years the Government has used this rate to base increases under the Pensions Increase Act 1971 and revaluation of pension accounts under section 9 of the Public Service Pensions Act 2013 on the rate of CPI in September of the previous year.

5.15 Local Authority pension funds await confirmation that this is the rate of increase applicable to all pensions in payment and the rate of revaluation for active member pension accounts and deferred pensions.

## **6. Timescales associated with the decision and next steps**

None.

## **Appendices**

None

## Background Papers

None

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

Local Member(s): None.

Other members: n/a

## Local Pension Board

2 February 2022

### Investment Update

#### Recommendation

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

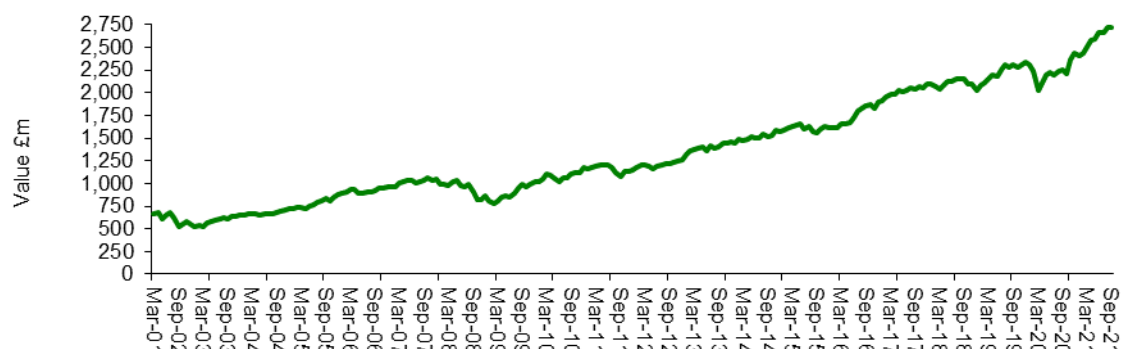
#### 1 Executive Summary

- 1.1 This report provides a general update on investment related activity.
- 1.2 The funding level improved over the quarter ending 30 September 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

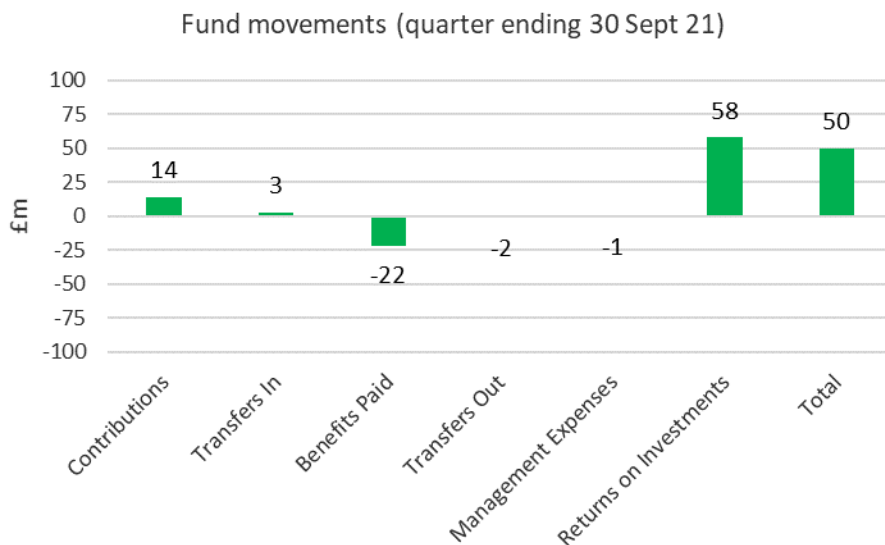
- 2.1 The funding level improved over the quarter ending 30 September 2021 to c106%.
- 2.2 As at 30 September 2021, the value of the Fund stood at £2.7bn (its highest absolute value since inception) as shown in the long-term chart below.

Total Fund Value Since 31 March 2001



- 2.3 The total value of the Fund's assets increased by 2.1% over the quarter ending 30 September 2021.

- 2.4 This increase was driven by equity and property gains. The chart below summarises the main cashflow changes.



- 2.5 Over the quarter under review the value of benefits paid out exceeded the value of contributions paid in (by £8m) for the second quarter.
- 2.6 More detailed analysis of investment performance and a summary of the overall funding level are set out in a separate report in the meeting agenda.

### 3 Long Term Performance

- 3.1 Appendix 1 shows performance since inception vs target for all funds currently invested in. This 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 49% of the total amount committed has been called by investment managers to date. Appendix 2 illustrates the breakdown of this between the different funds.

Alternatives	Amount invested by fund managers (£m)	Amount still to be called (£m)	Total
£'m	321	340	661
% of Total	49%	51%	100%

## Cash

- 4.2 Cash balances as at the end of September were £75.8m. £60.3m is held in the custodian investment account (Blackrock – this account is used to meet capital calls and take investment distributions), and £15.5m 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 (2.8% 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, which happened after quarter end.

## Multi-Asset Credit Fund Transfer

- 4.3 In the December 2019 PFISC the decision was made to allocate 10% of the Pension Fund to the Multi-Asset Credit Fund (MAC) once it became available.
- 4.4 The transfer of assets from legacy managers and cash took place between 14 October and 12 November 2021.

## 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 Legal and General Investment Management (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	500	197	90%	90%
Against	57	23	10%	10%
Other	0	0	0%	0%
Total	557	220	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	2,495	4,075	94%	79%
Against	154	1,007	6%	19%
Other	0	90	0%	2%
Total	2,649	5,172	100%	100%

- 5.5 LGIM's Investment Stewardship team direct the assets managed on our behalf. Their Environment, Social and Governance (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](https://www.lgim.com/landg-assets/lgim/document-library/esg/q2-2021_esg-impact-report-uk_europe-final.pdf)

## 6 Annual Report and Accounts

- 6.1 The Pension Fund's Accounts were signed off at Council on 14 December.
- 6.2 The [Annual Report and Financial Statements 2020-2021](#) is available on the Warwickshire Pension Fund [website](#), and was published ahead of the 1 December required publication deadline. This document was updated and republished once the Accounts were signed off.
- 6.3 The external audit concluded with no material issues, however there are a few areas which officers will update for next year.

## 7 Annual General Meeting

- 7.1 The Fund's Annual General Meeting took place virtually on 26 November. The initial attendance report indicated limited Employer participation. The content is available as a recording should people wish to watch at a more convenient time.

## 8 Advisers

- 8.1 The tendering process for a second Independent Pensions Specialist Adviser has completed. The post will be in place ahead of the March Pension Fund Investment Sub-Committee.
- 8.2 The Fund conducted a survey gathering feedback on Hymans Robertson as an Investment Consultant and Camdor's Bob Swarup as an Independent Adviser ahead of completing the Competition and Markets Authority (CMA) Investment Consultant Objectives Compliance Statement.

## **9 Border to Coast Pensions Partnership**

- 9.1 The Chief Investment Officer (CIO), Daniel Booth, and the Head of Real Estate, Tim Sankey, handed in their notice toward the end of 2021. John Harrison is going to be the Interim-CIO before a replacement is found.

## **10 UK Stewardship Code**

- 10.1 The first draft of this report is now ready, and the expectation is that the Fund's application will be ready for the next submission deadline (30 April 2022).

## **11 Climate Change**

- 11.1 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).

## **12 Training**

- 12.1 Since September, Committee members, Board members and officers have had access to several tailored workshops, all of which are available as recordings:
- Investment Beliefs and Objectives (6 September)
  - High-Level Strategic Asset Allocation Training (20 September)
  - Business Continuity Training (13 October)
- 12.2 In addition to the identification of appropriate training, it is important to ensure that all training is logged and recorded. This assists with ensuring that training is not duplicated and is also necessary in order to provide evidence in submissions to fund managers when the Fund opts up to investor status. The Fund has created 'logs' which can be used by each member (either PFISC or Local Pension Board) to maintain their records. Please do let the Governance Officer (Neil Buxton/Martin Griffiths) know if you have attended additional external training.
- 12.3 The Fund has also provided Committee members, Board members and officers with access to Hymans' LGPS Online Learning portal.

## **13 Financial Implications**

- 13.1 None for this Board

## **14 Environmental Implications**

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

## 15 Supporting Information

15.1 None.

## 16 Timescales Associated with Next Steps

16.1 None.

## Appendices

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

## Background Papers

None

	<b>Name</b>	<b>Contact Information</b>
Report Author	Chris Norton, Victoria Moffett	chrisnorton@warwickshire.gov.uk, Victoriamoffett@warwickshire.gov.uk
Assistant Director	Andy Felton	andrewfelton@warwickshire.gov.uk
Lead Director	Rob Powell	<a href="mailto:robpowell@warwickshire.gov.uk">robpowell@warwickshire.gov.uk</a>
Lead Member	Peter Butlin	<a href="mailto:cllrbutlin@warwickshire.gov.uk">cllrbutlin@warwickshire.gov.uk</a>

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

Local Member(s): None

Other members:



## Appendix 1

Structure	Inception to 30/9/21	Inception Date
Total Consolidation	8.56	01/Jul/04
WWS - Reflex BM Total Fund		01/Jul/04
Alcentra	9.55	01/Nov/18
Alcentra BM	5.00	01/Nov/18
BCPP UK EQ RK	8.14	01/Dec/18
BCPP UK EQUITY BENCHMARK	5.85	01/Dec/18
BCPP UK EQUITY + 2%	7.90	01/Dec/18
Harbour Vest	15.38	01/Apr/11
Harbour Vest Benchmark	12.62	01/Apr/11
JP Morgan	2.90	01/Feb/13
JP Morgan Benchmark	0.43	01/Feb/13
JP Morgan Benchmark + 3%		01/Feb/13
LGIM Bond	6.50	01/Nov/08
LGIM Bonds	6.10	01/Nov/08
LGIM Equity	10.91	01/Nov/08
LGIM Equity BM	10.85	01/Nov/08
Partners Group	8.83	01/Jan/16
Partners Group BM	7.00	01/Jan/16
Partners Group II	4.54	01/Apr/18
Partners Group II BM	5.00	01/Apr/18
Schroders Property	3.05	01/Apr/07
Schroders Property BM	3.18	01/Apr/07
SL Capital	7.10	01/Jun/15
SL Capital	7.01	01/Jun/15
Threadneedle Property	4.50	01/Apr/07
Threadneedle Property BM	3.91	01/Apr/07
WARKS - PIMCO DIF	1.58	01/Mar/21
WARKS-BCPP GE	13.44	01/Oct/19
BCPP GE Benchmark	13.42	01/Oct/19
BCPP GE + 2%	15.42	01/Oct/19
WARKS-BCPP IG CR	2.30	01/Feb/20
BCPP IG CR Benchmark	0.81	01/Feb/20
WARKS-BCPP INFRA	-7.63	01/Oct/19
BCPP INFRA Benchmark	7.00	01/Oct/19
WARKS-BCPP PE	12.63	01/Jul/19
BCPP PE Benchmark	14.81	01/Jul/19
WARKS-BCPP PR CR	3.63	01/May/20
BCPP PR CR Benchmark	5.00	01/May/20

Alternatives Funds Commitments

Appendix 2



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

## Warwickshire Local Pension Board

### Warwickshire Local Pension Board, Forward Plan

2 February 2022

#### **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

None.

	<b>Name</b>	<b>Contact Information</b>
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Strategic Director	Strategic Director for Resources	<a href="mailto:robpowell@warwickshire.gov.uk">robpowell@warwickshire.gov.uk</a>
Portfolio Holder	Portfolio Holder for Finance and Property	<a href="mailto:peterbutlin@warwickshire.gov.uk">peterbutlin@warwickshire.gov.uk</a>

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

Local Member(s): None.

Other members: n/a

## Forward Plan

Q4 26 <sup>th</sup> April 2022	Q1 12 <sup>th</sup> July 2022	Q2 18 <sup>th</sup> October 2022	Q3 31 January 2023
<b>Standing Items</b>			
Administration and Performance update	Administration and Performance update	Administration and Performance update	Administration and Performance update
Risk Monitoring	Risk Monitoring	Risk Monitoring	Risk Monitoring
Business Plan	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
	Chair's Annual Report		
<b>Bespoke Items</b>			
Training Plan		National Knowledge Assessment	Knowledge Progress Assessment
<b>Policies</b>			
Communications Risk Register Business Plan	Breaches Policy Funding Strategy Statement Voting Policy Fund Discretions	Investment Strategy Statement ESG, Climate Change and Responsible Investment Policy Conflicts of Interest and Statement of Pecuniary Interests	Cyber Security Governance Statement
<b>Training</b>			
Tbc	Tbc	Tbc	tbc

**Policies for review by the Pension Fund Investment Sub-Committee**

<b>March 2022</b>	<b>June 2022</b>	<b>September 2022</b>	<b>December 2022</b>
Business Plan Risk Management	Voting Policy Funding Strategy Statement Investment Strategy Statement	ESG, Climate Change and Responsible Investment Policy	

**Policies for review by the Staff and Pensions Committee**

<b>March 2022</b>	<b>June 2022</b>	<b>September 2022</b>	<b>December 2022</b>
Communication Policy Fraud Strategy Fund Discretions	Breaches Policy	Administration Strategy Admissions and Termination Policy	Cyber Security Policy Governance Statement Additional Voluntary Contributions Review

## Warwickshire Local Pension Board

2 February 2022

### Review of the minutes of the Staff and Pensions Committee of 13th September 2021

#### Recommendation(s)

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 (13<sup>th</sup> September 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 13<sup>th</sup> September 2021.

## Background Papers

None.

	<b>Name</b>	<b>Contact Information</b>
Report Author	Neil Buxton	neilbuxton@warwickshire.gov.uk
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Portfolio Holder	Portfolio Holder for Finance and Property	<a href="mailto:peterbutlin@warwickshire.gov.uk">peterbutlin@warwickshire.gov.uk</a>

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

Local Member(s): None.

Other members: n/a



# Staff and Pensions Committee

Monday 13 September 2021

## Minutes

**Edited for the Local Pension Board**

### Attendance

#### Committee Members

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

#### Officers

Barnaby Briggs, Deputy Chief Fire Officer  
Neil Buxton, Technical Specialist - Pension Fund Policy and Governance  
Sarah Duxbury, Assistant Director - Governance & Policy  
Andrew Felton, Assistant Director - Finance  
Liz Firmstone, Service Manager (Transformation)  
Victoria Jenks, Pensions Admin Delivery Lead  
Isabelle Moorhouse, Democratic Services Officer  
Chris Norton, Strategy and Commissioning Manager (Treasury, Pension, Audit & Risk)  
Keira Rounsley, Senior EDI Practitioner  
Kate Sullivan, Lead Commissioner - Culture, Leadership and Performance  
Gary Summerfield, Health, Safety & Wellbeing Technical Specialist

### 1. General

The Chair updated the committee on Councillor Jenns' recovery.

#### (1) Apologies

Councillor Andy Jenns was substituted by Councillor Kam Kaur

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

None

#### (3) Minutes of previous meeting

Councillor Christopher Kettle notes that it should say 'officers' instead of 'officer' on page one.

The rest of the minutes were approved as a true and correct record.

## **7. Pensions Administration Activity and Performance**

Vicky Jenks (Pensions Admin Delivery Lead) informed the Committee that the I-Connect project was completed with 179 employers and 16,909 employees on the system. Five employers were not on the system yet due to changes in their payroll providers and one struggling with the I-Connect system. Support was being provided with this. Vicky Jenks thanked the pension, payroll, and ICT teams for their help with the I-Connect roll out.

10 out of 14 KPIs (key performance indicators) were being achieved and the four not achieved were being addressed. Due to the additional work created by the annual benefit statements project some KPIs were missed. Resources have been moved around to clear any work building up.

I-Connect has reduced the number of breaches due to a better engagement and escalation policy with fund employers.

The McCloud Project (age discrimination remedy) is progressing and further information regarding changes to the local government pension scheme is expected towards the end of the year.

Further legislation regarding exit payments is also expected towards the end of the year.

Annual benefit statements have been produced during the summer; however, 189 statements were not produced at the time of the meeting due to employers needing to correct data submitted. However, 99% of statements were sent out on time. Due to the small number not sent out, this was not deemed of material significance and will not need to be reported to the Pensions Regulator.

There was one stage 1 appeal under the internal dispute's resolution procedure (IDRP), but this was not upheld.

The Chair praised the progress on the I-Connect system and the benefits of it. Vicky Jenks stated that they were consulting with the software supplier of I-Connect to initiate member self-service and allow people to view their pension records, update their personal details and run their own estimates.

### **Resolved:**

Staff and Pensions Committee note and comment on this report.

## **10. Policy and Regulatory update**

Neil Buxton noted that there had been an amendment to the admissions and terminations policy and funding strategy statement (FSS) to reflect changes to legislation that enabled the fund to accept an application to amend employers' contribution rates and more flexibility on how to deal with cessation payments for employers leaving the pension fund. It was noted that there had as a result been a minor amendment to the admissions and terminations policy reflecting that change.

There is an ongoing governance review nationally with the Scheme Advisory Board and the Pension Regulator (TPR) is reviewing its Code of Practice. The consultation by TPR of the code of practice is delayed and the new legislation for this should be implemented in Spring 2022. Officers will, however, start to review policies and practices in anticipation of expected changes from the governance review and code of practice.

There is a consultation on special severance payments (non-statutory payments such as garden leave etc) where the government expects greater transparency and sign-off by local authorities

for such payments. Although there is no change to statutory redundancy payments the Government is continuing its review of exit payments.

HM Treasury asked the Government Actuary's Department (GAD) to review the cost management mechanism (where LGPS costs can be shared more equally between employers and members); costs were expected to rise but in fact, the cost of benefits was reduced. Several recommendations were made following this review including a minimum death in service benefit, reduced early retirement factors (that would have meant higher benefits payable on retirement, etc), and possible changes to the contribution rates. These amendments were put on hold because of the potential costs caused by the McLoud settlement. The consultation by GAD has proposed changes to the process of review and includes an amendment to the ceiling and floor before a review takes place from 2% to 3% and greater emphasis on current market conditions. It is unknown if the suggested amendments from the last review (the benefit improvement mentioned above) will be implemented.

**Resolved:**

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

**11. Employers joining and leaving the Warwickshire Pension Fund**

Vicky Jenks presented the report and referred to the recommendations.

In response to Councillor Kettle, Vicky Jenks clarified that Sodexo was the firm that applied to the fund and that checks would be made to ensure the firms full company name would be listed on the admission agreement.

**Resolved:**

That the Staff and Pensions Committee delegates authority to the Strategic Director for Resources to approve applications from the listed employers subject to the applications meeting the criteria set out in the Local Government Pensions Scheme Regulations 2013.

1. New Academies

- Brailes C of E Primary School (1<sup>st</sup> August 2021)

2. New Employers

- Sodexo (1<sup>st</sup> August 2021)
- Prime Facilities Services (8<sup>th</sup> June 2021)

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