

Warwickshire Local Pension Board

Date: Tuesday 18 October 2022
Time: 11.00 am
Venue: Committee Room 2, Shire Hall

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. Pensions Administration Activity and Performance Update

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3. Governance Report

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4. Business Plan Report

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5. Investment update

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6. Any Other Business

Monica Fogarty
Chief Executive
Warwickshire County Council
Shire Hall, Warwick

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Disclaimers

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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

The meeting will not be streamed live. Scheme members who wish to observe the meeting should contact Democratic Services by email (democraticservices@warwickshire.gov.uk).

Warwickshire Local Pension Board

Tuesday 12 July 2022

Minutes

Attendance

Committee Members

Keith Bray (Chair)
Jeff Carruthers
Keith Francis
Alan Kidner
Sean McGovern
Mike Snow

Officers

Andrew Felton, Assistant Director - Finance
Liz Firmstone, Service Manager (Transformation)
Victoria Jenks, Pensions Admin Delivery Lead
Victoria Moffett, Pensions and Investments Manager
Chris Norton, Strategy and Commissioning Manager (Treasury, Pensions, Audit, Risk & Insurance)
Sarah Cowen, Senior Solicitor
Andy Carswell, Democratic Services Officer
Martin Griffiths, Technical Specialist Pensions Fund Policy and Governance

1. Introductions and General Business

The Chair started the meeting by noting the recent death of Councillor John Horner. The Chair said Councillor Horner was an excellent chairman of the Investment Sub Committee and would be a sad loss. The Chair asked for a moment's silence in memory of Councillor Horner.

The Chair welcomed Martin Griffiths to his first meeting since being appointed as the new Technical Specialist for Pensions Fund Policy and Governance.

(1) Apologies

None.

(2) Board Members' Disclosures of Interests

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

Alan Kidner noted the Fund no longer invested in JP Morgan so he was not required to note his usual declaration of interest.

(3) Minutes of the Previous Meeting

The minutes of the meeting held on 26 April 2022 were approved as an accurate record.

2. Pensions administration activity and Performance update

The report was introduced by Vicky Jenks, Pensions Admin Delivery Lead. She said the biggest project that had been worked on in the last quarter was the member self-service portal. Information had been sent out initially to deferred members, who were not currently contributing but held benefits in the pension scheme, as these were the first members to have their accounts on the portal activated. So far there had been a ten per cent uptake from deferred members. There had been a slight delay in the rollout of activations of employee members, but letters were due to go out to active members within the next few weeks and promotional material would be sent to employers so it could be circulated amongst staff. Annual benefit statements would be published to the self-service portal by 31 August.

Vicky Jenks said there were no major issues with the key performance indicators. There had been a promising increase in the amount of work that had been completed regarding transfers. This was partly due to increased staff capacity to work on this project. As from 1 April the Fund was no longer responsible for administering the Fire Pension Scheme.

Members were told there had been a relatively high number of amber breaches in March and a red breach was recorded in February. The red breach was caused by a Multi Academy Trust taking its payroll in-house and subsequently struggling to provide pensions data on time. Vicky Jenks said the Trust had stopped using iConnect after taking its service in-house, although this was due to be reinstated. The Pension Fund had been working with the Trust to help it meet its statutory deadlines.

Vicky Jenks said there had been a further delay in the publication of the anticipated governance consultation document from the Department for Levelling Up Housing and Communities and this was now not expected until autumn at the earliest. This meant the Fund would be delayed in progressing with anticipated workloads arising from the consultation

The guaranteed minimum pension reconciliation exercise had been completed by the deadline of 31 March and underpayments and overpayments had been corrected. Vicky Jenks said she had attended the PLSA Conference along with Chris Norton (Strategy and Commissioning Manager – Treasury, Pension, Audit and Risk) and the Chair.

Responding to a question from Jeff Carruthers, Vicky Jenks said annual benefit statements would be published online but members were able to opt out of this and continue to receive paper copies if they wished.

Responding to a question from the Chair, Vicky Jenks said something equating to a life certificate would be sent out to pensioners living overseas. The Fund also had access to the DWP's Tell Us Once service and was a member of the National Fraud initiative, which allowed staff to confirm details of a notification of a member death.

Vicky Jenks confirmed the red breach was related to the receipt of February data and was reported by the Fund in March. The number of breaches reported in April and May had dropped significantly compared to March. This was likely due to March being financial year end when many employers and members were busy.

Vicky Jenks confirmed the overpayments referred to in the report relating to the guaranteed minimum pension reconciliation related specifically to Warwickshire. She confirmed that in one case there had been an overpayment of £28,000 to an individual. However, it had been agreed to write this and the other overpayments off, as there was no suggestion of culpability on the part of the individual pensioners in knowing they were being overpaid.

The Chair noted that administration of the Fire Service Pension Fund had been transferred to the West Yorkshire Pension Fund. He said this was an efficient organisation used by several LGPS funds.. Vicky Jenks said there had been some initial issues after the transfer was first made but overall things were working well.

The Chair informed the Board he had attended the PLSA Conference and had noted during a presentation given by Teresa Clay regarding the delayed consultation referred to earlier that seven items were likely to be proposed. One of these related to funds investing up to 5% of assets to support levelling up. The Chair said she had clarified that while Funds would be expected to invest up to five per cent into levelling up; if there was already investment in this area then this could be included in the 5% target. There would also be a greater requirement to report on climate risks; strengthening in training and expertise; greater transparency in annual reports; and acceleration in ensuring money was paid into the pools .Ms Clay had also indicated that the consultation would set the direction for greater scale and collaboration between pools.The Chair said it had been suggested by some that consideration should be given to some of the pools being merged to assist with the levelling up process, with some suggesting that only one pool would be needed.

Members noted the contents of the report.

3. Risk Monitoring

The item was introduced by Martin Griffiths, who reminded members that new risks that had been added to the register were listed in red and future actions that had become active were shown in green. The overall risk score had remained the same since the last update; however it had been agreed to remove Covid-specific items from the register. Martin Griffiths said area 6 of the register would be removed and non Covid-related items would be moved to other areas of the register.

Members noted the contents of the register.

4. Minutes of Investment Sub Committee

The Chair asked for clarification on what was meant by the “term investor’ capital deployment”, as this, along with negative interest rates, inflation and geopolitics, had been identified as an area that presented a risk to UK Pension Funds. Victoria Moffett (Lead Commissioner, Pensions and Investments) said this referred to private markets investments that were committed by Fund managers to specific projects. The rate at which the capital was deployed was dependent on the

rate at which Fund managers could find projects to invest in. Additionally it could take time for the money to be drawn down into the investment opportunities.

Alan Kidner noted page 37 of the agenda referred to protecting the interests of the Pension Fund, and also made a reference to investing in China. He said he had concerns about investments made in China due to the persecution of the Uyghur people, and had been distressed at seeing leaked photos. The Chair concurred with Alan Kidner's concerns about investing in China, saying he had recently heard a radio broadcast featuring the heads of the UK and US security services raising concerns about China and the potential geopolitical threat it posed.

The Chair said the current level of funding being above 100% was reassuring, but expressed his concern at the long term risks posed to the Fund by geopolitics and climate change.

Jeff Carruthers noted employees' rates had frozen or reduced over the last three years, and asked if this was likely to continue or plateau off. He said if there were going to be any increases to rates he would prefer to see it done at smaller incremental rates over a longer period of time in order to improve stability. Victoria Moffett advised that the next set of evaluation results would depend on the economic circumstances and funding level at that point in time. The Fund had a 70 per cent prudence level, which was used to assess whether it was advisable to lower, freeze or increase employers' rates.

Alan Kidner noted that Councillor Bill Gifford had raised the topic of efficiency of pooling and asked if his question had been answered. Andy Felton (Assistant Director – Finance) told members that the advice the Fund had been given said some risk diversification was required over a short-term period while the investments matured. Because of this it had been decided to make modest investments into two areas, outside the Pool with a longer-term aim of merging them into the Border to Coast funds. The Chair reminded members that at the last meeting it had been noted Border to Coast's chief investment officer had resigned. The Chair said John Harrison, who was well known to LGPS funds and was a former Chief Investment Officer of UBS, had been appointed on an interim basis

The Board noted the contents of the minutes.

5. Minutes of Staff and Pensions Committee

Vicky Jenks told members that two training sessions for fund employers relating to discretions had been planned. The first would be in September and another was planned to take place in October. Vicky Jenks said work was still ongoing to establish a record of all employers' discretion policies. At the training sessions employers would be asked to submit these, to allow Fund staff to follow up and contact employers who had not submitted their policy.

Members noted the contents of the minutes.

6. Information on Pension Scams

The item was introduced by Vicky Jenks, who explained the Fund had processes in place to protect members from falling victim to scams. They primarily focused on members not currently contributing to the scheme, who might be subject to scam inducements to transfer out to a different

scheme. Information on combatting scams had been issued by the DWP and the Pensions Regulator, and this had been incorporated into the Warwickshire Pension Fund's guidance.

The Chair asked if any Fund officers had been approached by someone pretending to be a pensioner. He said a friend of his had had his email account hacked and 'scam' emails had been sent to those on his contact list purporting to come from him. Vicky Jenks said member signatures were required to authorise the release of information, so when requests were made paperwork would be sent out in the post for the pensioner to sign. She said it was the Fund's policy to only send information directly to the member and not to any third parties, including financial advisors. She said the Fund was aware of a pension company that was transferring scanned versions of signatures on pension transfer forms.

Members said the information was clear and easy to understand and noted the contents of the report.

7. Forward Plan

The item was introduced by Martin Griffiths, who informed members the report showed the one-year rolling forward plan and how it stood currently.

The Chair asked if the items on risk monitoring and business plan monitoring could be grouped together and the admin and performance update and investment update grouped together. Although there would be an update each quarter, only one aspect of each group would be looked at in detail at each meeting. For example the risk monitoring report would be considered at one meeting and the business plan monitoring report considered at the following quarterly meeting. Similarly the Admin and Performance Update could be considered in detail at one meeting and the Investment Update at the following meeting. The Chair suggested this could help reduce officers' workloads and allow for more detailed discussion at each meeting and asked the Board members to consider if they wanted to give any further consideration to this approach. Martin Griffiths said the next item on the agenda pulled together all the issues relating to governance into one paper and said he was willing to listen to members' views on the suggestion to merge reports together.

Members noted the contents of the forward plan.

8. Governance, Policy and Training

The item was introduced by Martin Griffiths, who explained there had been updated advice received from central government. However there had been no updates on investments in Russia, and an ongoing issue on whether or not the LGPS would be allowed to make prepayments of contributions instead of making regular monthly payments. The LGPS had received legal advice that this would be an acceptable course of action. Mandatory scheme payment deadlines had been extended.

New statutory guidance had been published in relation to severance payments, although it would be down to individual employers to decide what they wanted to do and inform the Fund what action they would take.

Martin Griffiths said there had been issues relating to the pensions dashboard, with many public sector schemes indicating they would be unlikely to meet the deadline to roll it out by 2023. It was

likely to be delayed until 2024 instead.

Members were told 'stronger nudge' guidance had been issued, in respect of when pensioners may wish to receive their benefits.

Regarding the governance update, Martin Griffiths said it was not felt that any changes needed to be made to the voting and stewardship policies. An amendment had been made to the communication policy and this was set out in the report appendices. Martin Griffiths also informed members that the Fund had launched a new website and reminded the Board about the launch of the self-service platform. Martin Griffiths said the Investment Strategy Statement had been reviewed by Hymans Robertson before going to the Investment Sub Committee. Members' attention was drawn to the training schedule, particularly as the next session was planned for 18 July.

Alan Kidner asked for clarification on the Ukraine conflict and how this impacted on investments into Russian assets. Victoria Moffett said Russian markets were currently closed, meaning it was not possible to withdraw money from the Russian funds but also there was no value to those assets. She added there was only a very small proportion of the Fund's assets had been invested into Russia. However Fund managers were choosing not to vote on what to do with Russian assets.

Jeff Carruthers noted the threshold for scheme payments had been frozen at £40,000 until 2026, but there was potential for this to be affected by inflation. He asked if this would have an impact on the Fund's workload, and if there was staffing capacity to meet this. Vicky Jenks said the Fund was proactively looking at members who were getting close to the £40,000 threshold and send information out to them, as there was a requirement to issue pension savings statements to members who had exceeded the threshold. The number reaching the threshold had been increasing for some time.

Regarding the communications policy, Alan Kidner said he had noticed some typos. He also asked for the report to clarify what was meant by the term 'deliverables'. Martin Griffiths said corrections would be made to the final policy document, and asked for members to contact him if there was anything specific they felt needed changing.

Members noted the contents of the report.

9. Local Pension Board Annual Report 2021/22

Members noted the contents of the report. The Chair expressed his thanks to officers for the quality of the reports that had been provided and the level of detail given, and for the clarity and conciseness of the oral presentations that were given during the meetings.

10. Investment update

The item was introduced by Victoria Moffett, who told members that the funding position remained above 100 per cent. She drew members' attention to the fact cashflow was being monitored to ensure there were sufficient liquid assets available to make benefit payments, without having to liquidate assets at stress points. In relation to the strategic asset allocation, there had been an agreed reduction of allocation to equities and increase in allocation to income investments. The

Investment Sub Committee had looked at the equity portfolio in greater detail, particularly in relation to the geographic allocation of funds and also the split between those that were actively and passively managed.

Victoria Moffett said there were now four climate risk metrics to be reviewed on an annual basis. The Fund had asked for as much information as possible from all the investment funds in relation to weighted average carbon intensity; total carbon emissions; percentage of the portfolio and green revenues; and the percentage of the portfolio with ties to fossil fuels.

Regarding stewardship, Victoria Moffett said assurances were made that fund managers engaged on behalf of the Fund and took part in voting. She said the Fund was a member of the LAPFF and there had not been any conflicts between its representatives regarding voting matters.

Members noted the contents of the report.

11. Any Other Business

There were no other items of business to discuss.

12 Action Points

	Action	
1	Typos to be corrected in Communications Policy	Martin Griffiths
2	Amendments to Communications Policy to be suggested	All Members

The meeting rose at 12.34pm

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Chair

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Warwickshire Local Pension Board

18 October 2022

Pensions Administration Activity and Performance Update Staff and Pensions Committee

Recommendation

That the Board notes and comments on the 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

None

4. Member Self Service (MSS) and Annual Benefit Statements

- 4.1 MSS went live in April and Annual Benefit Statements have been made available via MSS, rather than sending paper statements out. Any member who cannot access MSS can opt to receive a paper copy. Making the statements available online will also help with the Council's target for reducing its carbon footprint.
- 4.2 Currently 24% of eligible scheme members both active and deferred have signed up, Pensioner roll out will commence alongside the move to e-payslips later in the year.
- 4.3 99.94% of Deferred Annual benefit statements (27 had errors which need to be investigated) and 98% Active Annual benefit statements were sent out to members by 6th August 2022. There were approximately 354 statements that

were not produced because of issues with the data supplied by the member's employer. This is in comparison with approx. 600 errors that were picked up last year and over 3,000 that were picked up the year before. The reduction in queries has been led by the use of I-connect and data quality work that the team are completing.

- 4.4 The move to MSS has meant that we were able to produce and publish the statements to a much shorter timescale this year, as we have not produced paper statements. However, members can request a paper statement if they are unable to access MSS.

5. Key Performance Indicators (KPIs)

- 5.1 Appendix 1 shows the KPI performance for the period 1 April 2022 to 31st August 2022. 9 out of 14 KPIs are meeting their targets and 4 of the remaining 5 are close to meeting their targets. KPIs where a payment is to be made are treated as highest priority.

- 5.2 For KPIs that are not being achieved:

- 5.3 KPI 1 – Letter detailing transfer in quote – this is currently 64.29%. This has increased from 60.45% since the last report and is up from 52.56% in 21/22. More resource has been allocated to deal with transfers and this is helping to improve the number of cases dealt within the KPI timescale. However, at the same time we are seeing an increase in the number of transfers being requested.

- 5.4 KPI 2 – Letter detailing transfer out quote – this is currently 87.94% which is slightly lower than last year's 91.89%. This is largely due to the need for a more thorough check of the company the benefits may be transferred to before a request to transfer out can be processed. New processes have been established since the changes to regulations which brought in these checks last November, but in some cases a review by the Team leader is required if a Red or Amber flag is triggered and this will add to the time taken for that request.

- 5.5 KPI 4 – Letter notifying estimate of retirement benefits – currently 89.5%, this is up from 88.64% from 21/22. These cases can involve a full review of a members file as we are calculating the whole pension value. In the instance of an error in the data on the file then it can delay the calculation and the case.

- 5.6 KPI 8 – Initial letter notifying death of a member - currently 93.15%, this has fallen since last year's 98.21%, due to the impact of unexpected staff absence through the summer. We are working to improve this KPI and would expect it to go up in the next report.

- 5.7 KPI 9 – Letter notifying amount of dependents benefits – currently 84.92%, this has increased from 78.72% last year. These are some of the most

complex cases that we calculate and very often are based on historic regulations. The files for members who have retired are currently held in offsite storage so this can create delays for any queries when these have to be retrieved. The team are investigating the possibility of scanning all member files held in storage.

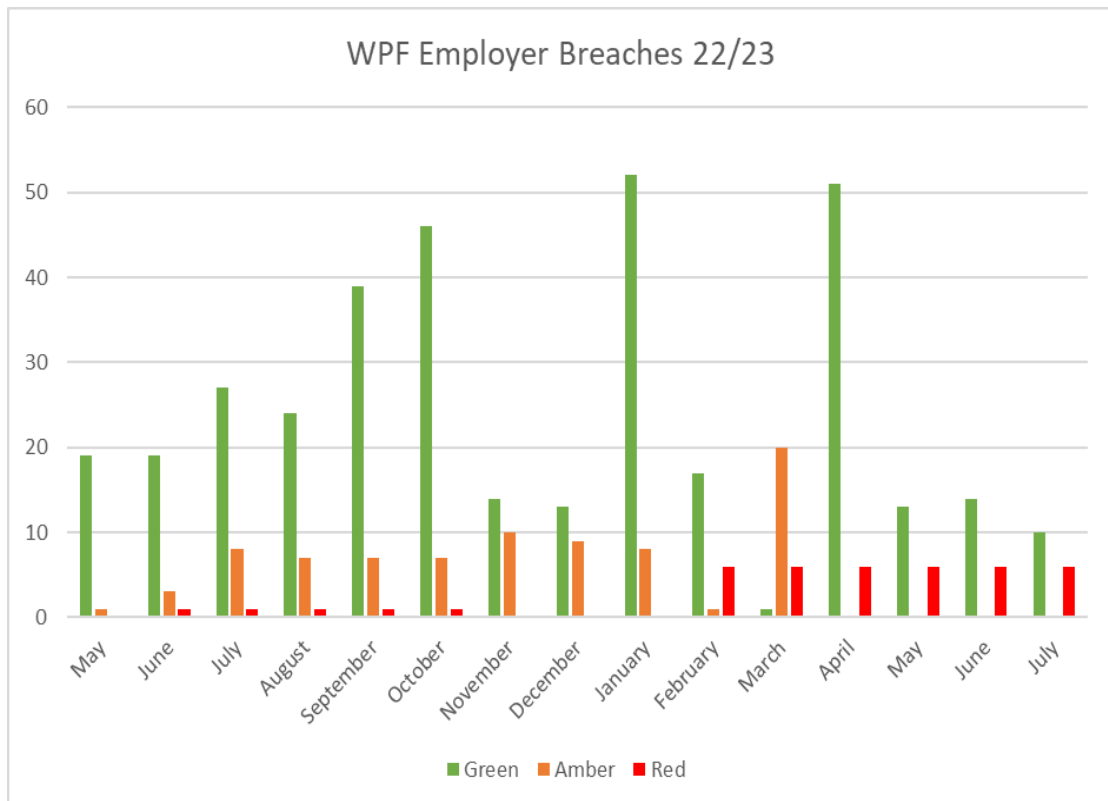
- 5.8 The introduction of i-Connect has introduced efficiencies for the team, however, through the summer the team have been working on implementing Member Self Service (MSS) as well as additional work for the Valuation and issuing Annual Benefit Statements, therefore we have had to prioritise and direct resources to complete this work.

6. Workloads

- 6.1 From April 2022 we are using a different tool for reporting. This provides data by calendar year rather than financial year.
- 6.2 In the eight months to 31st August 2022 the team had completed 24,860 tasks. This compares to 18,806 completed cases in 2020 and 23,872 in 2021 for the period 1st January to 31st August.

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 Work continues with the Birmingham Diocese Multi Academy Trust (BDMAT) to complete the fund's outstanding data requirements. 21/22 member data has been provided, and Annual Benefit Statements were issued for the BDMAT scheme members on 31st August. Monthly returns for April to August 2022 were still outstanding. BDMAT have been reported earlier in the year to The Pensions Regulator (tPR) for providing information late. In September all outstanding information for BDMAT was received together with payment of outstanding contributions. Future returns will be provided via I-Connect.

8. McCloud Project

- 8.1 The McCloud Project is continuing, however the Government's response to the consultation for the Local Government Scheme has now been delayed further until the beginning of next year.
- 8.2 The LGA have provided the following information with regard to timescales:

Alongside the Government response, we intend to publish an updated version of the draft regulations implementing the McCloud remedy. The updated draft regulations will reflect the new powers in [Chapter 3 of Part 1](#) the 2022 Act governing the statutory underpin, as well as technical feedback we received at the 2020 consultation and any changes in policy. To ensure the updated draft regulations are accurate in light of the changes made, they will be subject to a further period of consultation early in 2023. At that time, we will also consult on other aspects of the McCloud remedy which did not feature in our original

*consultation (for example, compensation and rates of interest). **The regulations will be made later in 2023 and will come into force on 1st October 2023.** We intend to issue statutory guidance on the implementation of McCloud in 2023 following a period of consultation.*

This approach will ensure that the regulations, when made, will reflect all aspects of the remedy and have been appropriately scrutinised. We would encourage LGPS administrators to begin taking steps towards the implementation of McCloud remedy following the publication of the Government response and will shortly be holding a meeting with software suppliers to discuss the implementation of the McCloud remedy to this timetable.

- 8.3 The PAS is continuing to prepare for the implementation of the McCloud remedy in accordance with the LGA's advice.
- 8.4 The Pensions Ombudsman (TPO) has a factsheet that sets out its views on what affected members and schemes can do now and TPO's present approach to dealing with McCloud complaints.
- 8.5 TPO's general starting position is that it would not investigate McCloud complaints. This is because it acknowledges that the Government is taking steps to address the discrimination with retrospective effect. TPO will, however, carefully look at the facts of each case before deciding whether to investigate. The factsheet sets out examples where TPO may decide to investigate a McCloud complaint now.

9. Internal Dispute Resolution Procedure (IDRP)

- 9.1 The Fund currently has no outstanding IDRP cases.
- 9.2 Responses to two stage 1 cases have been issued and 1 case has been referred to the Pensions Ombudsman as it was deemed out of time for the IDRP process. This case relates to a transfer out.
- 9.3 The LGA has issued information that can be used to assist IDRP cases relating to transfers out of the Fund. A timeline for documentation that has been available since 2015 and should have been shared with members to ensure the correct checks and due diligence has been completed is now available.

10. Valuation

- 10.1 2022 is a valuation year for The Local Government Pension Scheme. Both the PAS and Pensions Investment teams have been working to improve data quality ready for this year's valuation. The introduction of I-Connect and improved processes have helped to improve our data quality and reduce the number of queries that have been returned by Hymans, the Fund's actuary.

- 10.2 The Fund has collated all membership, cashflow and investment data and submitted this to Hymans in July. Hymans have commenced their assessment and the initial results for the fund were received in September. At the beginning of October, Fund Officers met with Hymans to look at individual Employer rates that have been calculated; this information will be shared with Employers and there will be an opportunity to talk through the results, with Hymans, following the AGM.

11. Pensions Dashboards Programme

- 11.1 Pensions dashboards will enable individuals to access their pensions information online, securely, and all in one place, thereby supporting better planning for retirement.
- 11.2 The scheduled go live date for the public sector schemes has been deferred from April 2024 to September 2024 to mitigate the impact of the McCloud remedy implementation.
- 11.3 The PAS are considering the potential increase in contact from members once the dashboard goes live and how this will be resourced. The PAS is identifying issues that can help to reduce the number of queries and addressing these in preparation before the go live date. There will also be costs relating to the IT technical architecture that will be required to connect member information held by Warwickshire to the dashboards. It is anticipated that these costs will need to be met from the pension fund.
- 11.4 The government’s Pensions Dashboard programme released a consultation regarding, standards, specifications, and technical requirements, which closed on 30th August 2022. The Fund has not responded on an individual basis as it supports the responses from both the LGA and pensions software provider, Heywood.

12. Timescales associated with the decision and next steps

None

Appendices

Appendix 1 – KPI chart 01/04/22 – 30/06/22

Background Papers

- 1. <https://www.pensions-ombudsman.org.uk/sites/default/files/publication/files/Mcloud%20factsheet%20July%202022%20v3.pdf>

	Name	Contact Information
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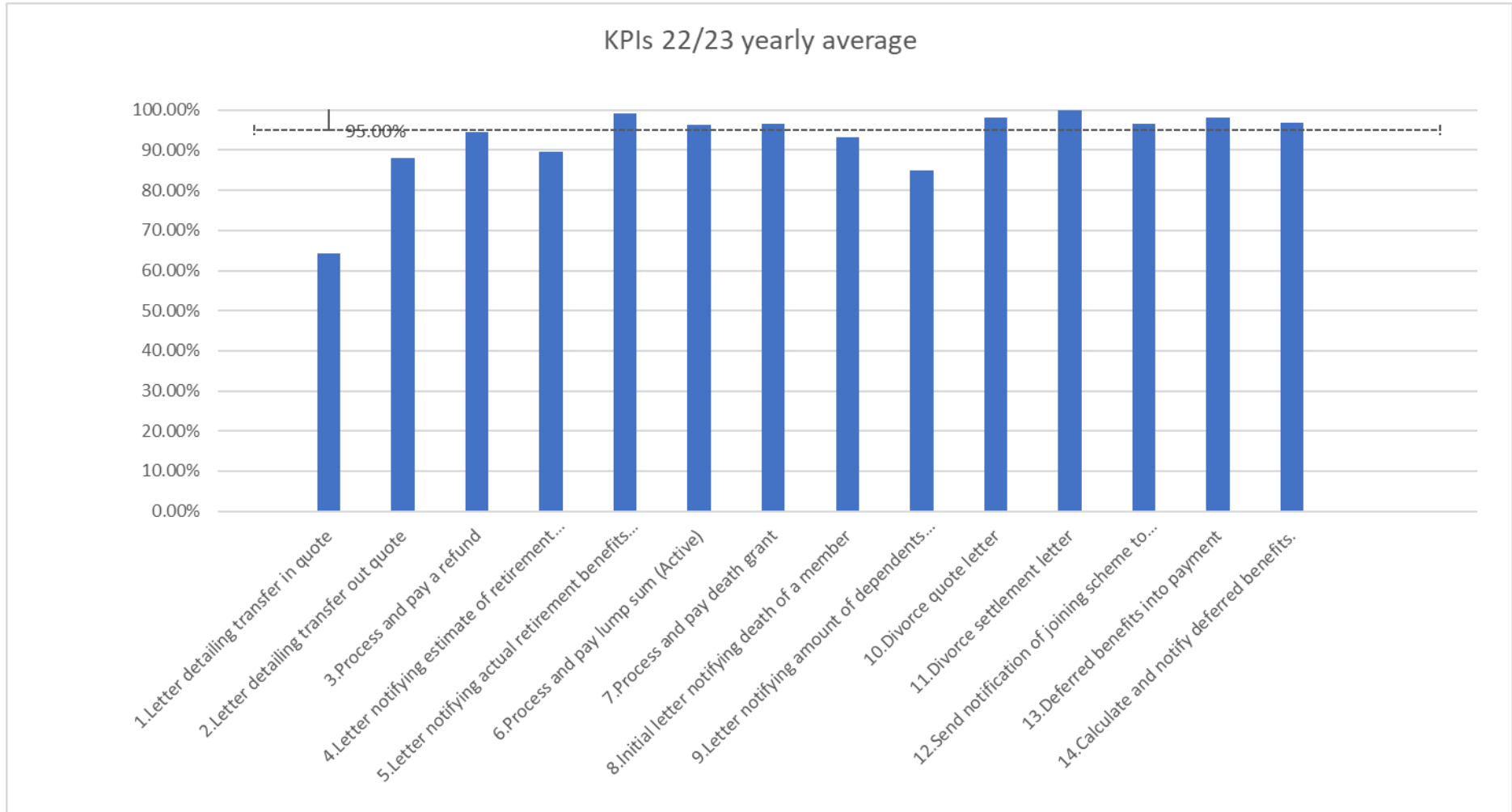
Report Author	Lisa Eglesfield, Liz Firmstone, Victoria Jenks, Ian Morris, Nina Parekh, Alistair Wickens	lisaeglesfield@warwickshire.gov.uk, lizfirmstone@warwickshire.gov.uk, vickyjenks@warwickshire.gov.uk, ianmorris@warwickshire.gov.uk, ninaparekh@warwickshire.gov.uk, alistairwickens@warwickshire.gov.uk
Assistant Director	Andrew Felton Assistant Director Finance	andrewfelton@warwickshire.gov.uk
Strategic Director	Rob Powell Strategic Director for Resources	robpowell@warwickshire.gov.uk
Portfolio Holder	Councillor Peter Butlin, Portfolio Holder for Finance and Property	peterbutlin@warwickshire.gov.uk

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

Local Member(s): none

Other members: Cllrs Peter Butlin, Bill Gifford, and Andy Jenns

Appendix 1 – KPI chart 01/04/22 – 31/08/22



Warwickshire Local Pension Board

18 October 2022

Governance Report

Recommendations

That the Local Pension Board

1. notes and comments on the Forward Plan and Training Schedule.
2. considers the current Risk Register
3. notes the pension policies that have been and are being reviewed.
4. notes the current issues impacting on the Local Government Pension Scheme.

1. Executive Summary

- 1.1 This Report provides the Local Pension Board with details of how the Fund is dealing with its governance requirements.

2. Financial Implications

None

3. Environmental Implications

None

4. Supporting Information

- 4.1 This report provides an updated one year rolling Forward Plan for the Local Pension Board looking forward one year.
- 4.2 This is not intended to be rigid or definitive, and the intention is that it can be updated and amended on a rolling basis at each meeting and be informed by the latest developments.
- 4.3 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 on the plan. The Forward Plan can be seen in Appendix 1.

- 4.4 The Training Schedule has also been attached in Appendix 2. In addition to this the Local Pension Board are reminded that 'LoOLA' the Hymans online training portal is still available.
- 4.5 The next Knowledge and Skills Assessment will also be issued in the Autumn, and we encourage the Local Pension Board to complete and submit this assessment.
- 4.6 Fund Officers continue to monitor the risks facing the Fund and the latest Risk Register can be found in Appendix 3. Please note we have amended the following risks:
- (2) Short Term Market risk has increased to reflect the lack of WPF control over risks materialising. Any changes to the Market in the short term can have a material impact on the WPF potentially affecting the results of the valuation and the funding level of our employers.
 - (3) Financial Mismatching risk has decreased to reflect the successful mitigation of some risks' impact.
 - (6) Inability to meet demand for activity risk has reduced due to the implementation of new systems and growing team experience.
 - (9) Climate Change risk has increased as the Fund on its own can have limited impact on what happens globally, although we do work in conjunction with others to try and make a difference. The Fund must acknowledge that Climate Change is moving at an accelerating rate, much quicker than was originally expected. This is affecting geo-politics, the world's changing energy supplies and rising inflation, which in turn affect WPF's ability to maintain a stable funding level.
 - (12) Governance Failure risk has decreased because of the introduction of more robust practices within the Team, these include greater traceability through our management co-ordination meetings reviewing of contracts and policies and overall, more driven approaches.
- 4.7 Please also note the specific Covid related risk items have now been removed, as any residual Covid risk forms part of the other risks covered.
- 4.8 The Fund has continued to review its Policies. Following a workshop with the Fund, Hymans Robertson have made some proposed changes to the Responsible Investment Policy and these will be presented to the Investment Sub Committee in the Autumn (Date to be confirmed) for comment. Hymans are also going to be working on our Climate Policy and an updated version should be available for the December Pension Fund Investment Sub-Committee.
- 4.9 The Administration Strategy was reviewed and some minor changes were made. These were technical updates to reflect the use of I-Connect, changes to procedures following the change in the receipt of member data from

employers and to reference Member Self -Service (MSS) which is now available to members.

- 4.10 Officers are currently working with the legal team to create a new Conflict of Interests policy that covers members, Officers, and the Local Pension Board in one document. We expect to bring this document back to Fund Investment Sub-Committee in December.
- 4.11 The Governance Statement requires updating to ensure it complies with the most recent requirements of the UK Stewardship Code. Additional information on the governance arrangements of the Border to Coast Pension Partnership, and Fund Training will be included. In addition, the delegation of functions will be reviewed to ensure that this continues to reflect the latest constitutional delegations. The Statement will be presented to the Committee in December, once it has been approved by the Strategic Director for Resources (in consultation with appropriate persons).
- 4.12 The Admission and Termination policy has been reviewed by Hymans, who have made some suggested changes. However, Hymans are also in the process of restructuring the Funding Strategy Statement (FSS) with some supporting 'satellite policies'. It is therefore recommended that changes to the Admission and Termination Policy are more appropriate to consider and implement later in the year as part of the wider FSS review.
- 4.13 A monthly summary is provided to the Board of the main LGPS and regulatory issues:
- The Chancellor of the Exchequer has confirmed that the state pension triple lock will be reinstated from next April.
 - The SAB has introduced a new sub-committee called the Compliance and Reporting Committee. This new committee replaces the CIPFA Pensions Panel and will report to both SAB and Chartered Institute of Public Finance and Accounting (CIPFA).
 - The Pension Regulator's (TPR) Single Code of Practice, has no go live date as yet but, following TPR's interim response to the consultation outcome, it is expected to be laid before Parliament and implemented by the autumn. The new Code seeks to rationalise 10 out of the 15 existing codes of practice, and capture changes implemented by the Governance Regulations 2018.

5. Timescales associated with the decision and next steps

5.1 None

Appendices

Appendix 1 The Forward Plan

Appendix 2 The Training Plan

Appendix 3 The Risk Register

Background Papers

	Name	Contact Information
Report Author	Martin Griffiths, Victoria Jenks, Victoria Moffett	martingriffiths@warwickshire.gov.uk, vickyjenks@warwickshire.gov.uk, victoriamoffett@warwickshire.gov.uk
Assistant Director	Andy Felton Assistant Director Finance	andyfelton@warwickshire.gov.uk
Strategic Director	Rob Powell Strategic Director for Resources	robpowell@warwickshire.gov.uk
Portfolio Holder	Councillor Peter Butlin Portfolio Holder for Finance and Property	peterbutlin@warwickshire.gov.uk

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

Local Member(s): not applicable – county wide paper

Other members:

Warwickshire Local Pension Board Appendix 1

Forward Plan

Standing Items

Q2 18 October 2022	Q3 21 January	Q4 TBC	Q1 TBC
Administration and Performance update	Administration and Performance update	Administration and Performance update	Administration and Performance update
Risk Monitoring (Governance)	Risk Monitoring (Governance)	Risk Monitoring (Governance)	Risk Monitoring (Governance)
Business Plan monitoring	Business Plan monitoring	Business Plan monitoring	Business Plan monitoring
Investment Update	Investment Update	Investment Update	Investment Update
Review of the reports and minutes of the Pension Fund Investment Sub-Committee and Staff and Pensions Committee	Review of the reports and minutes of the Pension Fund Investment Sub-Committee and Staff and Pensions Committee	Review of the reports and minutes of the Pension Fund Investment Sub-Committee and Staff and Pensions Committee	Review of the reports and minutes of the Pension Fund Investment Sub-Committee and Staff and Pensions Committee
Forward Plan (Governance)	Forward Plan (Governance)	Forward Plan (Governance)	Forward Plan (Governance)
			Chair's Annual Report

Bespoke Items

Knowledge & Skills Assessment (Sept / Oct)	Knowledge & Skills Assessment	Knowledge & Skills Assessment	Knowledge & Skills Assessment
		Training Plan	

Policies

Investment Strategy Statement	Cyber Security	Risk Register	Breaches Policy
ESG, Climate Change (and Responsible Investment Policy	Governance Statement	Business Plan	Voting Policy
Conflicts of Interest and Statement of Pecuniary Interests Policy	Funding Strategy Statement	Governance Review	Communications Policy
		Regulatory Update	Investment Strategy Statement
		Fund discretions Policy	
		Fraud Strategy	

Policies for review by the Pension Fund Investment Sub-Committee

September 2022	December 2022	2023	2023
ESG, Climate Change and Responsible Investment Policy	Funding Strategy Statement	Business Plan Risk Management	Voting Policy Investment Strategy Statement

Policies for review by the Staff and Pensions Committee

September 2022	December 2022	2023	2023
Administration Strategy Admissions and Termination Policy Conflicts of Interest	Cyber Security Policy Governance Statement	Fraud Strategy Fund Discretions Policy	Breaches Policy Communications Policy

Month of Delivery
Apr-22
May-22
Jun-22
Jul-22
Aug-22
Sep-22
Oct-22
Nov-22
Dec-22
Jan-23
Feb-23
Mar-23

Training Plan for Warwickshire Pension Fun

Title of Training & Date of Delivery

Pension Administration - 6th May (Completed)

Equities and carbon Workshop - 6th June (Completed)

Valuation and Section 13 - 18 July (Completed)

Property Workshop - 9th August (Completed)

Investment Performance & Risk Management - 17 October

Pensions Accounting and Audit Standards (TBC)

Good Governance and the Regulators Code of Practice (TBC)

id for 2022-2023

Delivered to:
Committee / Board / Officers
Committee / Board / Officers
Committee / Board/ Officers
Committee / Board/ Officers
Committee / Board / Officers
Committee / Board / Officers
Committee / Board / Officers

Deliveted by:
Vicky Jenks / Martin Griffiths
Hymans Robertson
Hymans Robertson
Hymans Robertson
Covered by the Investment Advisors
Covered by Investment Team and Audit Colleagues

Reason for Training
Identified by Knowledge and Skills Assessment Proposed changes to the Fund's equity portfolio
Outcome of valuation Proposed changes to property portfolio
Identified in Knowledge and Skills Assessment Identified in Knowledge and Skills Assessment
Identified in Knowledge and Skills Assessment

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Risk No.	Risk Description	Risk appetite	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	Minimalist	<ul style="list-style-type: none"> Inappropriate strategic asset allocation Inability to implement strategic asset allocation Poor fund manager performance Fundamental long term events e.g. climate change, systemic risk, inflation, geopolitics Inappropriate products developed by the Border to Coast Pension Partnership Inappropriate (too high) expectations 	<ul style="list-style-type: none"> Asset values do not meet expectations Employer contributions forced to increase above expectations or by a large amount at short notice Investment risk is forced to increase Future benefits cannot be paid by the Fund out of existing assets Positive inflation would increase liabilities and potentially decrease asset values 	4.00	5.00	25.00	<ul style="list-style-type: none"> BAU policy and governance arrangements including the setting of an appropriate investment strategy and funding strategy, including climate risk, the use of professional staff, consultants, and advisers, quarterly reporting to committee, appropriate asset allocation. Only anticipate long-term returns on a relatively prudent basis to reduce risk of under-performing Engagement with Border to Coast - developing funds and monitoring fund performance. Appropriate monitoring of investment behaviour and performance. Inflation is a key feature of investment strategy review and monthly monitoring of the portfolio Regular review of Strategic Asset Allocation 	4.00	4.00	20.00	<ul style="list-style-type: none"> Review of investment strategy in light of climate risk and responsible investment policy and evaluate exposure to climate risk and other Environmental, Social and Governance factors.
2	Short term market risk	Open	<ul style="list-style-type: none"> Significant reductions in asset values Active management (BCPP) Rapid changes in the economic environment e.g. interest rate rises and inflation Inappropriate asset allocation Poor fund manager performance Global events e.g. pandemics Global political and trade tensions, including regulatory risk Brexit Asset bubbles Poor fund development and procurement Natural fund and market volatility Possibility of market values reducing to the long term average 	<ul style="list-style-type: none"> Asset values do not meet expectations Cashflow requirements cannot be met efficiently or effectively Being unable to meet payment deadlines Being forced to sell assets under distress Being unable to pay benefits to members due to liquidity constraints Introducing volatility to employer contributions or those employers close to exit 	5.00	3.00	18.00	<ul style="list-style-type: none"> Diversification of assets Regular committee and officer monitoring of investment asset allocations and fund manager performance relative to benchmarks and absolute. Cashflow planning to avoid selling assets under distress Maintain sufficient allocation to liquid assets. Long term approach to employer contributions, promoting their stability Rota of fund manager presentations to the investment sub-committee. Regular review of Strategic Asset Allocation. 	5.00	2.00	12.00	
3	Financial mismatch	Averse	<ul style="list-style-type: none"> Fund assets fail to grow in line with the developing cost of meeting liabilities Inadequate contributions asked of employers Employers do not pay contributions required Investment returns lower than expected Inflation risk Inappropriate funding assumptions used Actual membership experience materially different from expectations Incorrect membership or cashflow data used to determine funding strategy Cashflow negative 	<ul style="list-style-type: none"> Funding level deteriorates Higher investment risks being taken Employer contributions increasing Being unable to pay benefits to members out of fund assets 	2.00	5.00	15.00	<ul style="list-style-type: none"> Fund valuation process driving an updated Investment Strategy and Funding Strategy on a periodic basis. Triennial valuations for all employers 6-monthly reporting on funding evolution to Committee, using rolled-forward liabilities. Annual monitoring of longevity risk via Club Vita participation. Use of professional advisors to support setting of appropriate funding assumptions. Asset liability modelling focuses on probability of success and level of downside risk Annual cashflow review Ongoing data quality review Understand the assumptions used in any analysis and modelling. Compare these with own views and risk levels 	1.00	4.00	8.00	<ul style="list-style-type: none"> Review of individual employer covenants, including consideration of their specific risk factors
4	Employer risk	Averse	<ul style="list-style-type: none"> Orphaned employers General economic / financial pressure on employers Deterioration in employer financial positions Deterioration in quality of employer administration function Inadequate support from the Fund to employers Inadequate monitoring of employers by the Fund Admissions agreements inadequate or not agreed Employer contribution rates higher than deemed affordable Some significant changes in employer base (e.g. large staff transfers between employers, and a large number of further academy conversions expected in the next year) 	<ul style="list-style-type: none"> Employers cannot pay the required contributions because contribution requirements increase too quickly or too far Employers cannot pay the required contributions because employer financial viability reduces Increased administration costs Reputational damage to the Fund and to employers Paying employers having to pick up costs of non paying employers Liabilities falling back to underwriting employers Overly cautious investment strategy requiring higher contribution rates 	3.00	3.00	12.00	<ul style="list-style-type: none"> Cessation debt or security/guarantor Spread pro-rata among all employers Employer covenant review Stabilisation mechanism to limit sudden increases in contributions Breaches monitoring Employer training day Fund AGM Admissions and Terminations Policy Cashflow planning to provide cashflow resilience if contributions reduce FSS having appropriate regard to risk and meeting the Funds objectives iConnect Enhance breaches monitoring, regularly reviewed 	3.00	2.00	8.00	<ul style="list-style-type: none"> Additional liaison with known future employers on pension fund matters
5	Pooling objectives not met	Minimalist	<ul style="list-style-type: none"> Failure to monitor the delivery of pooling benefits. Failure to assess benefits when making pooling decisions. Failure to influence fund design discussions Partner funds not collectively holding the pool to account Pool fails to deliver on objectives Pool does not deliver further alternatives products at pace or implement existing commitments at pace Staff turnover and recruitment challenges Regulatory risk as pooling may evolve 	<ul style="list-style-type: none"> Lack of appropriate products for the Fund to invest in Investment in products that do not meet the objectives of the Fund Persistent and unaddressed fund performance issues 	3.00	3.00	12.00	<ul style="list-style-type: none"> Engagement at Joint Committee, Section 151 meetings, and operational officer groups Exercising shareholder rights and responsibilities Engaging with other partner funds in the pool Pooling decisions made by Investment Sub-Committee Border to Coast attendance at and performance reporting to investment sub committee meetings Independent due diligence of funds offered, and ongoing monitoring of the Pool 	3.00	3.00	12.00	<ul style="list-style-type: none"> Input into the development of new products in particular property, alternatives, and products having regard to climate risk and levelling up (through local investment) Documentation of the Fund's position on product developments
6	Inability to meet demand for activity	Averse	<ul style="list-style-type: none"> Growth in membership numbers Growth in employer numbers Growth in complexity and difficulty of employer issues New and complex LGPS regulations (e.g. McCloud, £95k exit cap) Increasing value of fund investments Increasing complexity of fund investments Erosion of staff capacity/resilience due to long term remote working Inability to recruit / retain appropriately skilled staff Inability of the Fund officers to keep up with demand (capacity or skills) Persistently increasing customer expectations Unpopular government decisions impacting on LGPS Inability to secure agreement to increasing resources Capacity at contract / service providers 	<ul style="list-style-type: none"> Quality of services reduces Governance failures Key administration performance measures not met Sub-optimal investment decisions made Reputational risk 	4.00	3.00	15.00	<ul style="list-style-type: none"> Medium term forecasting of demand and planning for the capacity and resources required Investing in quality and productivity of staff through training and development Investing in systems development Use of management information to monitor and manage performance Succession planning Procuring appropriate services through contracts KPI and workload monitoring for administration team Staff training Data quality reviewed continuously Maintenance of governance arrangements and actions Responding to Government consultations Independent Pensions Specialist tender being progressed - Post now filled Introduction of medium term resource planning (Admin and investment) Member Self Service (MSS) 	3.00	3.00	12.00	<ul style="list-style-type: none"> Investing in systems development and systems thinking

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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	
7	Business interruption	Averse	<ul style="list-style-type: none"> • Pandemics • Industrial action • Small specialist teams with single person risks • Significant changes in adviser and consultant personnel • Lack of systems maintenance • Systems failure • Disaster event - fire, flood, etc • Lack of remote working facilities 	<ul style="list-style-type: none"> • Delays in decisions or their implementation • Failure to meet performance targets • Reputational damage • Data quality deterioration • Workload backlogs • Significant restoration costs • Asset allocation drifts off target • Fund investment risks and performance cannot be monitored • Stakeholder dissatisfaction 	3.00	4.00	16.00	<ul style="list-style-type: none"> • Building resilience requirements into service contracts • Digital record keeping • Storing data back-ups off site • Custodian holding investment data • Maintaining close links with advisers, consultants, and external organisations. • Use of IT systems to work remotely • Business continuity and disaster recovery planning session with consultants 	2.00	3.00	9.00	<ul style="list-style-type: none"> • Implementation of Cyber Security policy, including staff training • Completion of documentation of investment practices
8	Cyber Security	Averse	<ul style="list-style-type: none"> • Systemic cybersecurity events (e.g. taking down financial trading institutions globally) • Local cyber security events (e.g. targeting the Council) • Personal cyber security events (e.g. phishing emails targeting staff) • Inadequate system security, including threats to core systems • Inadequate staff training and staff vigilance 	<ul style="list-style-type: none"> • Loss of data and/or data disruption • Reputational damage • Breaches of the law • Fines • Costs of fixing issues • Business interruption 	4.00	5.00	25.00	<ul style="list-style-type: none"> • Use of scheme administrator systems and system security • Staff training • Bespoke Fund cyber security policy • Implementation of Cyber security policy 	3.00	4.00	16.00	<ul style="list-style-type: none"> • Arrange for systems testing • Arrange for an audit once Member Self Service is live
9	Climate Change	Cautious	<ul style="list-style-type: none"> • Net global carbon production in excess of Paris Agreement's 2 degree target • Policy responses and actions globally and nationally to combat climate change or to build resilience to it, may not materialise, or may have negative financial or demographic consequences • Fund actions or inactions exacerbating climate change and its impact 	<ul style="list-style-type: none"> • Expected transition to a low-carbon economy • Impact on the value of assets held, for example stranded/obsolete assets, or impact on the productivity and profitability of certain sectors, companies, etc • Impact on future quality of life and life experience (e.g. longevity) of members • Impact on future inflation and value of benefits paid to members 	5.00	5.00	30.00	<ul style="list-style-type: none"> • Fund considers this when allocating assets and appointing Fund Managers • Global, national and industry regulations • Climate Risk Strategy • Responsible Investment Policy • Regular training on Climate Risk and mitigation actions • BCPP sign up to net zero carbon by 2050 • Agreed climate risk reporting metrics and an annual review of these 	5.00	4.00	24.00	<ul style="list-style-type: none"> • Review and update climate risk policy • Review 2020 UK Stewardship Code requirements and take steps to become a signatory • Develop Fund actions and response to Task Force on Climate Related Financial Disclosures (TCFD) requirements
10	Data Quality	Averse	<ul style="list-style-type: none"> • McCloud impact • Persistently increasing customer service expectations • Covid impact on member health and wellbeing - increasing the adverse impact of any problems with pensions • Member benefits paid incorrectly • Employer contributions higher than deemed affordable or thought necessary • Inadequate data quality • Inadequate administration systems and processes • Poor data provided by employers or payroll providers 	<ul style="list-style-type: none"> • Overly cautious investment strategy requiring higher employer contributions • Incorrect benefit payments to scheme members • Complaints and disputes from scheme members • Negative reputational impact 	3.00	3.00	12.00	<ul style="list-style-type: none"> • Administration governance review actions and maintenance of those standards • SLA with Council payroll service • Maintenance of Fund website • Funding Strategy having appropriate regard to risk and the meeting of Fund objectives • Data quality scores and reviews • Staff training • Performance monitoring of employer data quality • Performance monitoring of administration team KPIs • iConnect implemented • Member Self Service • Light review of compliance with Code of Practice 14 	2.00	2.00	6.00	<ul style="list-style-type: none"> • UK Stewardship Code 2020 • Regular liaison with Scheme Employers
11	Fraud	Averse	<ul style="list-style-type: none"> • Increased financial pressure on individuals • The passing of time since any previous targeted review of Fraud risk • Fraud instigated by any Fund stakeholders, e.g. members, officers, fund managers, custodian, and employers. • Scams carried out by fraudsters e.g. masquerading as private financial advisers 	<ul style="list-style-type: none"> • Members lose benefits to fraudsters • Reputational risk • Time spent unpicking the fraud • Fraudulent members gain benefits they are not entitled to • Fund incurs costs to recover losses • Investment assets lost to fraud or irregularity • Investment losses not reported if covered up 	3.00	3.00	12.00	<ul style="list-style-type: none"> • Application of Administering Authority code of conduct to fund officers, fraud strategy, and whistleblowing policy • Application of division of duties and signatory processes for financial transactions and administration • Periodic independent internal audit reviews of administration and investment activity and controls • Annual external audit reviews • Financial industry regulatory regimes governing fund manager conduct and processes • Fraud, Bribery and Corruption Framework • Employer's fines • Fraud risk review in 2021/22, and ongoing review of fraud management 	2.00	3.00	9.00	<ul style="list-style-type: none"> • Provide ongoing training to staff
12	Governance Failure	Averse	<ul style="list-style-type: none"> • Lack of capacity to service governance requirements • Lack of training • Lack of continuity in staffing, advisers, or committee / board members • Inadequate checking/review of standards compared to requirements and best practice • Complacency in light of recent governance improvements • Out of date policies and contracts • Local government elections impact on committee continuity • Uncertainty around overall governance structure and responsibility for decision making and actions • Unpopular government decisions impacting on LGPS • Inability to sign off pension fund accounts • Lack of attendance at meetings 	<ul style="list-style-type: none"> • Adverse impact on Fund's reputation • Exposure to unplanned risks or poor administration and investment performance • Breaches of the law • Poor decisions • Decisions that are not appropriately authorised • Customer dissatisfaction 	3.00	4.00	16.00	<ul style="list-style-type: none"> • Training plans for committees, Board, and staff • Quarterly committee and Board meeting cycles • Training needs analysis • All training provision to be made available to all committee and Board members • Management of a Contracts register • Management of a Fund policy schedule • Quarterly risk monitoring at committee and board • Quarterly monitoring of Business Plan delivery at board • Use of digital technology - remote working and remote meetings • Responding to government consultations • Light review of compliance with Code of Practice 14 	2.00	3.00	9.00	<ul style="list-style-type: none"> • Signing up to UK Stewardship Code 2020 • Use of National Knowledge Assessment to inform training plan • Review of committee arrangements and Terms of Reference • Review account reporting timescales

Warwickshire Local Pension Board

18 October 2022

Business Plan Report

Recommendation

That the Local Pension Board notes and comments on the latest progress update against the Business Plan (Q2) attached at Appendix 1

1. Executive Summary

- 1.1 It is best practice for local authority pension funds to operate a formal and documented Business Plan for their operations. This report sets out the current position in respect of the actions in the Business Plan for 2022/23.
- 1.2 The plan contains 38 actions, and the position on each action is RAG rated as follows:
- Blue – complete
 - Green – on track or materially on track
 - Amber – not on track but the activity can be managed appropriately and does not require escalation outside the pension fund managers co-ordination group.
 - Red – not on track, the implications are or would be material, and the issue cannot be resolved without escalation.
- 1.3 The table below summarises the current position:

Category	Number	%
Blue or Green	29	76%
Amber	7	18%
Red	2	5%
Total	38	100%

2. Financial Implications

None

3. Environmental Implications

None

4. Supporting Information

- 4.1 The Business Plan sets out how the Fund intends to manage and develop its services, and specifically identifies the Fund's principal responsibilities, business objectives and future priorities. It also focuses on Fund management in terms of investment and administration.
- 4.2 The majority of activities are on track, but the commentary below summarises the amber and red items on the plan:

Amber

(9) McCloud Project – The Fund has undertaken the actions that it can do so and cannot proceed further until new legislation comes into effect. Data collection has already been completed and the team have plans in place to deal with next steps once legislation is in place.

(12) Pension Dashboards – The rating recognises that the Fund is aware that once launched this is likely to lead to additional work for the Pensions Administration team. However, it is difficult to assess accurately the volume of work this will create at this stage. Additional software will also need to be purchased to deal with the secure collection and transfer of data.

(16) Employer Covenants – As part of the valuation process the Fund has identified employers by type ready for risk assessment. Further work will be done on higher risk employers over the remainder of 2022/23

(25) Stewardship Code – Work is ongoing to complete this work. The recruitment of a new investment analyst who is due to be in post by November, will assist in completing this. It is intended that the Code will be taken to Pension Fund Investment Sub Committee in December for comment and approval.

(35-37) Government Responses – Information is awaited from central government in respect of the Good Governance Review, TPR Single Code of Practice and Levelling up agenda.

Red

(29 & 30) Pension Fund Accounts – Both of these items relate to issues with capacity within the external auditor arrangements (as was the case last year). This is a national pressure and is being experienced by many LGPS Funds and local authorities.

5. Timescales associated with the decision and next steps

5.1 None

Appendices

1. Appendix 1 Business Plan Monitoring

Background Papers

	Name	Contact Information
Report Author	Martin Griffiths, Victoria Moffett	martingriffiths@warwickshire.gov.uk, victoriamoffett@warwickshire.gov.uk
Assistant Director	Andy Felton Assistant Director Finance	andyfelton@warwickshire.gov.uk
Strategic Director	Strategic Director for Resources	robpowell@warwickshire.gov.uk
Portfolio Holder	Portfolio Holder for Finance and Property	peterbutlin@warwickshire.gov.uk

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

Local Member(s):

Other members:

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Ref	Action	Timescale	RAG Rating	Comments
1	Annual Pensioners Newsletter issued	April-June 2022	Blue	Completed and sent out in May 2022
2	Annual benefit statements issued	By 31 August 2022	Blue	ABS numbers issued by 31 st Aug deadline - Active 97.99% 354 not sent out - errors with pay data, Deferred 99.94% 27 not sent out due to errors, all errors being worked through and Statements being issued
3	Implementation of Member Self Service	Apr-22	Blue	Completed - MSS has now gone live
4	Annual Allowance statements issued	By 5 th October 2022	Green	On track - working on reports and updating letters for members for 5 Oct 2022
5 Pages 37	Employer Engagement/training event	Nov-22	Green	Sessions booked with Hymans for Discretions training and dates to be confirmed and shared with employers
	Administration performance - KPIs reported to Local Pensions Board	Quarterly	Green	KPIs monitored and reported back to board and committee, no current concerns
	7	Review of Pension Fund website	Quarterly	Green
8	Review of complaints received	Quarterly	Green	No outstanding IDRPs.
9	McCloud Project	April 2022 - April 2023	Amber	There has been a further delay within government but no change to implementation date.

10	Data quality review	Annual	Green	Data quality work is now part of business as usual, data quality scores to be run in October ready for the Pensions Regulator scheme returns. Positive feedback from Hymans as part of valuation on ongoing improvements.
11	Clear communications to employers regarding the 2022 valuation	Ongoing	Green	Communications to employers continuing to be issued through employer newsletter. Employer forum booked in with Hymans 04/11. There is a pensions awareness week in September.
12	Develop pension dashboards	Sep-24	Amber	September is the new go live date but this is also when we will start to get additional work coming through from member queries. Before that we will need to establish a connection between our data and the dashboards via an ISP - this will need to be purchased. We will also need to assess whether additional resource will be needed to cope with the additional queries, potential member matches, requests for information regarding pension, transfers out/refunds. A key action now is to identify project management resources and put a project management structure in place. Liaising with other funds to understand how they are progressing matters.
13	Review pension scam protocols	Ongoing	Green	These have been recently reviewed following new regulations that came into force from June 2022
14	Monitor employer contribution performance through the year including the use of direct debits	Monthly	Green	The number of breaches has reduced, one multi-academy trust continues to presenting with significant issues with monthly returns and payment of contributions. Officers are considering options for the potential use of penalties. A direct debit process is being rolled out by end of the year with a phased approach - smaller employers who have indicated they would like to use direct debits will be used as Test group towards end of the year

15	Review, investigate, and mitigate potential sources of funding risk	Apr-22	Green	The Funding Strategy Statement review is a part of this and is a key consideration in the valuation process.
16	Review employer covenants and risk management for non-statutory employers and review of employer monitoring arrangements	Jul-22	Amber	The Fund is looking at this as part of the valuation process, we have identified employers by type ready for risk assessment. Further work will be done on higher risk employers over the remainder of 2022/23
17	Review employer funding strategies and provisional employer valuation results	October / November 2022	Green	Part of the valuation process/Funding Strategy Statement being assessed ready for December committee. Provisional fund level results have been reviewed and employer level results are being considered by officers on the 4th October.
Page 39 19	Run employer consultation on updated Funding Strategy Statement (FSS) and new employer contribution rates	November / December 2022	Green	Employer workshops and email updates will be provided giving the opportunity for employers to comment. Planned for November.
	Sign off the 2022 Valuation and final FSS	Mar-23	Green	On track
20	Support the development of new Border to Coast fund products, for example the property fund.	As funds launch	Green	Meetings in October with property managers and our advisors to feed back on our comments
21	Continue the growth of alternative asset classes towards their new strategic asset allocation	Ongoing	Green	Allocations to the Border to Coast Pension Partnership (BCPP) are assisting in pace, and the recent allocations to non BCPP private market managers should also increase the pace of allocations. Recommendations on Managers for private debt were reported to the Pension Fund Investment Sub Committee in September 2022 and infrastructure will be reported in December 2022.

22	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.	Ongoing	Green	The Fund is engaging with BCPP through all of the appropriate forums and mechanisms
23	Further develop the Fund's Climate Risk Strategy and the Fund's approach ESG, including the development of goals and milestones	Ongoing	Green	The Responsible Investment Strategy went to the Pension Fund Investment Sub Committee for approval in September 2022. The Climate risk policy will be reported in December 2022.
24	Pro-active management of cashflow to ensure payments can be made and to ensure efficient cash management	Ongoing	Green	Considering pre-payments of contributions. Proposals will go to Employers in October 2022 so that they know how much their pre-payment would be should they choose this route.
Page 40	Ensure compliance with the 2020 UK Stewardship Code submission	Ongoing	Amber	Continues to be a challenge to resource this, it is planned to be completed over coming months. The new investment analyst post should be in place by November which can assist in completing this. Intend to take to December Investment Sub Committee
26	Review of TCFD disclosure requirements	Mar-23	Green	The consultation has been released on LGPS TCFD. The Fund is looking at a response.
27	Engage with pooling partner funds and Border to Coast on climate change and RI developments	Quarterly	Green	The Fund is engaging with BCPP through all of the appropriate forums and mechanisms.
28	Pension Fund Annual General Meeting	Nov-22	Green	A date has been set in the diary (4th November) and presenters and employers have been informed of the date. The AGM is planned to be a physical meeting.

29	Production of statement of accounts	May-22	Red	External auditors cannot meet the planned deadlines due to resourcing issues, the same as was the case last year. Revised dates have been set and the Council's Audit and Standards Committee are aware of the position.
30	Publication of Annual Pension Fund Report	Nov-22	Red	The annual report depends on the accounts being ready on time. The plan is to publish a draft in time (by the 1 st December) and replace it with a final version when ready.
31	Ensure Fund risks are reviewed regularly	Annual	Green	Regular officer meetings to review risks.
Page 41 33	Maintenance of a contracts register and a schedule for contract reviews	Quarterly	Green	Officers have met recently to review the Fund contracts list.
	Maintenance of a Policy Register and a schedule for policy review.	Quarterly	Green	Officers have met recently to review the Fund policy list.
34	Maintenance of Business Continuity plan	Mar-23	Green	Officers are discussing next steps for testing the plan, the plan has been shared with ICT regarding back up/recovery processes
35	Respond to the Scheme Advisory Board Good Governance Review	Dependent on issue of requirements	Amber	The Fund is still awaiting finalisation of the requirements and timescales from Scheme Advisory Board.

36	Respond to the tPR Single Code of Practice	Dependent on issue of requirements	Amber	The Fund is still awaiting finalisation of the requirements and timescales from tPR.
37	Review the implications of the Government's levelling up agenda	Dependent on issue of requirements	Amber	The Fund is awaiting results of the consultation and potentially further developments driven by the election of a new leader of the Conservative party.
38	Testing of cyber security arrangements	Sep-22	Green	Business continuity plan has been shared with IT for comment, and IT leads have been engaged in regular meetings with pension fund managers to identify and progress cyber security actions. Some overlap with business continuity planning.

Warwickshire Local Pension Board

18 October 2022

Investment update

Recommendation

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

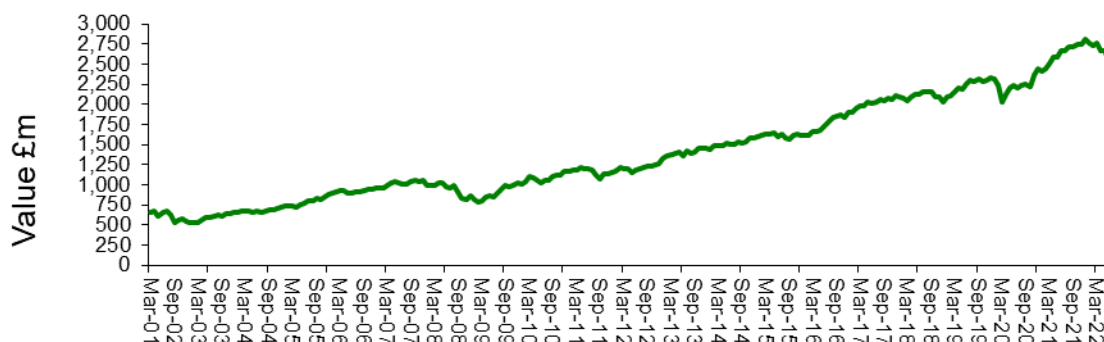
1. Executive Summary

- 1.1 This report provides a general update on investment related activity.
- 1.2 The funding level increased significantly over the quarter ending 30 June 2022, from c.104% to c.122%. This is due to falling long-term inflation expectations and rising interest rate expectations.
- 1.3 The report also summarises activities that have taken place over this quarter to ensure that the Fund is well-governed.

2. Fund Update

- 2.1 As at 30 June 2022, the value of the Fund stood at £2.6bn. The value of the Fund since inception is shown in the long-term chart below.

Total Fund Value Since March 2001

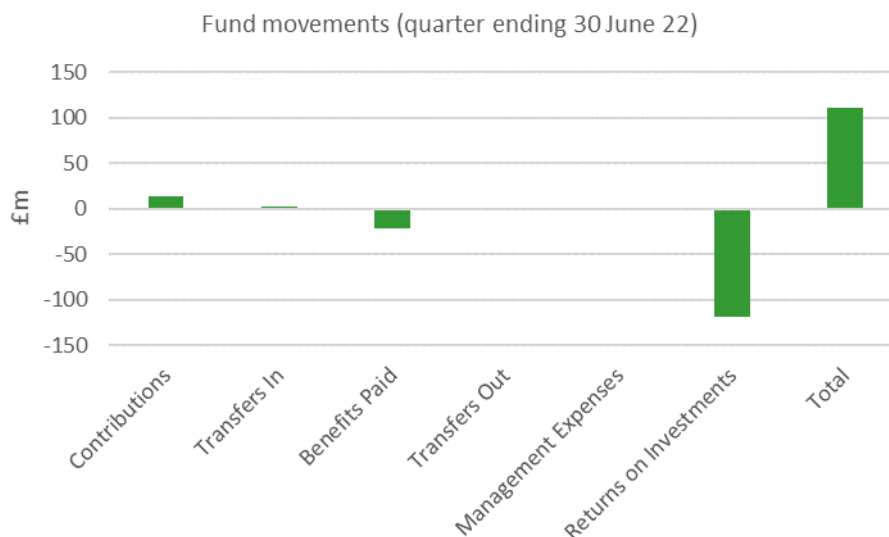


- 2.2 The total value of the Fund's assets decreased by 4.4% over the quarter ending 30 June 2022.

- 2.3 This decrease was driven by equity market falls, affected by events such as the war in Ukraine, and bond market falls, affected by increasing short-term inflation and interest rate expectations.

Cashflow

- 2.4 The chart below summarises the main cashflow changes. It indicates that the value of contributions in (£14m) exceeded the benefits paid out (£22m) and therefore the Fund was cashflow positive.



Performance

- 2.5 Detailed analysis of investment performance and the funding level were set out in the PFISC's private meeting agenda.
- 2.6 Appendix 1 shows performance since inception (8.0%p.a.) versus targets for all funds in which Warwickshire currently invests (7.5% p.a.). This helps to provide a long-term view.

3. Portfolio Commentary

- 3.1 At the June PFISC, the Committee agreed to restructure the Fund's equity portfolio in line with advice from the Fund's Investment Consultant, Hymans Robertson. Part of this recommendation was to delegate implementation to Officers, with the PFISC to have oversight of how the process is being carried out.
- 3.2 The LGIM RA Fundamental Index to BCPP Investment Grade Credit Fund rebalancing took place in early August. This was agreed to at the June PFISC, for a value of 1.5% of the Fund.
- 3.3 Cash balances as at the end of June 2022 were £50.4m. This total represents 1.9% of the Fund's value. (£16.2m Lloyds – to manage transactions such as receiving employer contributions and paying member benefits and £34.2m

BlackRock – this account is used to meet capital movements). The PFISC agreed a Cashflow Management approach at the June PFISC and implementing this has been taken forward by Officers since.

4. Voting and Stewardship

- 4.1 The PFISC received voting information on its active and passive equity portfolios which are managed by Border to Coast Pensions Partnership and Legal and General Investment Management respectively. These equities carry voting rights and are voted in line with each manager's voting (and engagement) policy.

5. Accounting

- 5.1 The main audit is being carried out by Grant Thornton, and the team has serviced requests to date.
- 5.2 The draft Annual Report and Accounts has been prepared – many thanks to the Team for their hard work with this.

6. Other activities

- 6.1 The Fund's Annual General Meeting is scheduled for the morning of 4th November 2022. The intention is to hold it in-person at Northgate House.

7. Team

- 7.1 The pensions and investment team wish to thank Sukhdev Singh for his hard work and commitment as the Senior Pension Fund Accountant, and Senior Finance Officer before that. We wish him the best in his next endeavour.

8. Financial Implications

- 8.1 None for this Board.

9. Environmental Implications

- 9.1 Climate risk is a key issue facing the Fund in the longer term. Appropriate governance of this risk is managed through the annual climate risk report, as well as through the risk register.

10. Supporting Information

- 10.1 None

11. Timescales associated with the decision and next steps

11.1 None

Appendices

1. Appendix 1 – Performance since inception

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

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

Local Member(s): None

Other members:

Appendix 1

Structure	Inception to 30/6/22	Inception Date
Total Consolidation	7.99	01/Jul/04
WWS - Reflex BM Total Fund	7.52	01/Oct/04
Alcentra	8.50	01/Nov/18
Alcentra BM	5.00	01/Nov/18
BCPP UK EQ RK	2.07	01/Dec/18
BCPP UK EQUITY + 2%	6.47	01/Dec/18
Harbour Vest	14.82	01/Apr/11
Harbour Vest Benchmark	11.27	01/Apr/11
LGIM Bond	4.76	01/Nov/08
LGIM Bonds	4.40	01/Nov/08
LGIM Equity	9.99	01/Nov/08
LGIM Equity BM	9.80	01/Nov/08
Partners Group	10.29	01/Jan/16
Partners Group BM	7.00	01/Jan/16
Partners Group II	4.97	01/Apr/18
Partners Group II BM	5.00	01/Apr/18
Schroders Property	4.00	01/Apr/07
Schroders Property BM	3.96	01/Apr/07
SL Capital	6.94	01/Jun/15
SL Capital	7.00	01/Jun/15
Threadneedle Property	5.51	01/Apr/07
Threadneedle Property BM	4.84	01/Apr/07
WARKS-BCPP GE	6.09	01/Oct/19
BCPP GE + 2%	9.39	01/Oct/19
WARKS-BCPP IG CR	-3.58	01/Feb/20
BCPP IG CR Benchmark	-4.74	01/Feb/20
WARKS-BCPP INFRA 1A	6.34	01/Apr/22
BCPP INFRA Benchmark	7.00	01/Oct/19
WARKS-BCPP INFRA 1B	4.27	01/Apr/22
BCPP INFRA Benchmark	7.00	01/Oct/19
WARKS-BCPP INFRA 1C	7.61	01/Apr/22
BCPP INFRA Benchmark	7.00	01/Oct/19
WARKS-BCPP MA CR	-12.39	01/Oct/21
WARKS-BCPP MA CR BM	0.33	01/Oct/21
WARKS-BCPP PE 1A	3.84	01/Apr/22
BCPP PE Benchmark	9.21	01/Jul/19
WARKS-BCPP PE 1B	6.19	01/Apr/22
BCPP PE Benchmark	9.21	01/Jul/19
WARKS-BCPP PE 1C	17.62	01/Apr/22
BCPP PE Benchmark	9.21	01/Jul/19
WARKS-BCPP PR CR 1A	7.01	01/Apr/22
BCPP PR CR Bmk	5.00	01/May/20
WARKS-BCPP PR CR 1C	6.71	01/Apr/22
BCPP PR CR Bmk	5.00	01/May/20

