Warwickshire Local Pension Board

Date: Tuesday 31 January 2023
Time: 11.00 am
Venue: Committee Room 2, Shire Hall

Membership
Keith Bray (Chair)
Jeff Carruthers
Keith Francis
Alan Kidner
Sean McGovern
Councillor Ian Shenton
Mike Snow

Items on the agenda: -

‘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.	**Cyber Security**	157 - 166

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
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) in advance to express an interest in attending.

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Warwickshire Local Pension Board

Tuesday 18 October 2022

Minutes

Attendance

Committee Members
Jeff Carruthers
Keith Bray (Chair)
Keith Francis
Alan Kidner
Mike Snow

Officers
Andy Felton, Assistant Director - Finance
Victoria Jenks, Pensions Admin Delivery Lead
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

(1) Apologies

Apologies were received from Sean McGovern and Victoria Moffett.

(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.

(3) Minutes of the Previous Meeting

The minutes of the meeting held on 12 July 2022 were approved as an accurate record.

Arising from the minutes, the Chair raised a query regarding annual allowances and the value of scheme benefits reaching £40,000. Vicky Jenks (Pensions Admin Delivery Lead) explained that the value of a particular pension would be calculated at the start and end of each financial year and the difference would be multiplied by 16. If it was greater than £40,000 then the annual allowance had been exceeded.

Regarding the metrics relating to climate change, Chris Norton (Strategy and Commissioning Manager – Treasury, Pension, Audit and Risk) said that if chosen correctly, these could be

used to check against the risks associated with greenwashing; that is, a product being marketed as environmentally friendly when it was not.

2. Pensions Administration Activity and Performance Update

The item was introduced by Vicky Jenks, who provided members with an update on the work of the administration team. The main project being worked on was the member self-service portal. This year's pension statements had been provided digitally, except for cases where the member had opted in to continue receiving paper copies. All deferred annual benefit statements had now been released; there had been errors in a small number , meaning not all of the statements were ready by the deadline, as these were still being worked on. Vicky Jenks said 98 per cent of the active annual benefit statements had been released by 6 August. There were issues with 354 statements as there were queries with the data provided by the employer. Overall there had been a reduction in the number of queries at year end. The introduction of the iConnect system was credited with helping this. Responding to a point raised by the Chair, Vicky Jenks said takeup to member self service had been quite good. If anyone contacted the Fund with a query they would be directed to the portal and asked to set up an account. Steps were also being taken to promote the portal amongst employers. At the time of the report being published 24 per cent of eligible scheme members had signed up, and it was expected this figure had increased since. It was noted that awareness on pensions was increasing nationally, and a campaign was due to start at the end of the month. Vicky Jenks said the data was being checked on a more regular basis by the pensions team and the funds actuary and it it had been noted thatdata quality had improved..

Responding to a point raised by the Chair, Vicky Jenks said not all of the key performance indicators were on target to be met due to workload priorities. For example the Fund had undergone a valuation this year and resources had needed to be allocated to this as a priority. However the performance of a number of KPIs were improving and processes were being looked at to see if efficiency could be improved further. Vicky Jenks said the timescales for the KPIs would be available in the annual report. The Chair expressed his concern at the low level of letters being sent that notified dependents of pensionable amounts, which was KPI 9 on the chart in the report appendix.

Regarding breaches, Vicky Jenks said there had been an ongoing issue with the Birmingham Diocese Academy Trust. This was because it had not been possible to get the required information from them in a timely manner following a change of payroll provider. It was eventually progressed following a conversation with the Trust's chief financial officer. Although six breaches were listed, these were all from the one employer who have 6 schools with in their Trust.. The Trust was now using iConnect and it was not anticipated there would be any issues in the future. Vicky Jenks said the use of iConnect had also been a contributory factor in the number of amber warnings reducing. The amber warnings would also generally be cleared at the end of each financial year once employers had completed their year end returns. However some breaches were being caused by the employer only having one employee responsilbe for submitting data to the fund and that person being unavailable.. There were no specific patterns to the breaches taking place that had been identified.

Regarding McCloud, Vicky Jenks said the response to the government consultation was still awaited. It was expected to be announced before Christmas. New draft regulations were expected to be in place by October 2023. Extra staff had been taken on to enable the Warwickshire Pension Fund to undertake the required checks to see how many people would be affected by the

proposals. Pensioners who would be affected would be contacted, although Martin Griffiths (Technical Specialist, Pension Fund Policy and Governance) said the LGPS had indicated for Funds not to contact individuals who are not affected by McCloud.

Members were told there were no outstanding Internal disputes. Responses to two stage one cases had been issued; one has been referred to the Ombudsman as it was deemed to be out of time for the disputes process. Both cases related to outgoing transfers, which had taken place in 2015.

Vicky Jenks said the team had worked hard to provide the actuary with all of the information needed for the valuation by the end of July, and the feedback showed that the actuary was impressed with the quality of the data. There had been a catchup meeting on this on 4 October, and there were due to be further discussions at the AGM on 4 November.

Members were told that it was now anticipated that the DWP's pensions dashboard would go live for Warwickshire in September 2024. This would enable members to view all of their pensions in one place. Work was being undertaken by the Warwickshire Pension Fund to ensure the information going forward for inclusion on the dashboard was correct. The dashboard would be go live for all pension schemes from April 2024.

Alan Kidner asked if the information relating to PAS and the pensioner payroll should be shared with members, so they could have a clearer picture of what was happening . Andy Felton said he was not sure if the Fund had the ability to do this, as payroll for the Warwickshire Pension Fund is a service provided by WCC as a third party provider. Vicky Jenks said the pensions and payroll team met on a quarterly basis to discuss any service issues.

Keith Francis said he was comfortable with the report, and the officers had made its contents very clear.

Members thanked officers and noted the contents of the report.

3. Governance Report

Martin Griffiths advised that the report encompassed a number of reports that had previously been considered on an individual basis, such as the risk register and the forward plan. It was noted that the forward plan said Hymans Robertson would be present at the next Board meeting to provide a presentation on the valuation process. There had been no need to update the training schedule since the previous meeting. However places were still available on Hymans Robertson-run knowledge and skills assessment courses if members required them. The Chair said that although the courses were useful, members did not know which questions they were answering incorrectly and how they could further improve their knowledge and understanding.

Martin Griffiths said the risk register had been updated to reflect recent changes in market volatility and the Fund could not control this. However there were three items on the register whose risk level had decreased following the successful implementation of mitigation measures. Risks associated with climate change had increased, as the Fund only has a limited influence of global factors affecting climate change. More robust policies had been introduced in relation to governance.

Responding to a query raised by Alan Kidner, Chris Norton said the key performance indicators were reviewed by officers to ensure clarity that the actions were having the desired effect. Members asked if the key performance indicators could be sent to them via email ahead of the next meeting, in addition to a paper copy being provided.

Members noted the contents of the report.

4. Business Plan Report

Chris Norton informed the Board that the business plan consisted of 38 actions for the year, which would relate to the annual pensions report. The majority were on track to be met but some actions had a red or amber rating, and the reasons for these ratings were outlined in the report. It was noted the red ratings related to publication of the Pension Fund accounts. Chris Norton said there were capacity issues with external auditors, who were having difficulty recruiting and retaining staff. He said Warwickshire was not the only Pension Fund affected and this was a national issue. Andy Felton said this would not cause risks to individual pension holders, and when the audits were completed they would remain at a high standard. However it was anticipated that delays to external auditing may persist for a number of years.

The Chair asked if the Board could have sight of an external audit report next time one became available. He said the views and feedback of the Board could be of assistance to the Pension Fund Sub Committee. Andy Felton said these could be shared once they were made public, otherwise they would have to be treated as an exempt item.

Members noted the contents of the report.

5. Investment update

Chris Norton introduced the item by stating there were issues with market volatility at the moment. The funding level had increased over the quarter ending 30 June from 104 per cent to 122 per cent, due to volatility relating to inflation and interest rates. Despite this, operational cashflows were broadly neutral and there was little stress being put on investments. Longer-term investments continued to remain better than the benchmark.

Regarding stewardship, members were advised that the Pension Fund Investment Sub Committee had agreed to award two private mandates to two different fund managers. The investment structure would be looked at by the Committee at its December meeting. The cashflow amounts were noted, with uncertainty over whether the timing of when cash would be drawn by private market funds being highlighted as a risk. Climate change continued to be the a significant challenge affecting investments and the work of the Pension Fund.

Chris Norton said the Fund was looking to recruit a new investment analyst to the investment and governance team, as well as a senior accountant. Chris Norton said Sukhdev Singh would be leaving the Fund and thanked him for all of his hard work supporting the Fund.

Responding to a question from Jeff Carruthers, Chris Norton said the Fund was in a position to be able to manage short-term issues. If inflation was going to continue to remain a longer-term risk, then this would be more difficult to manage and plan for.

The Chair noted that Hymans were used as both actuary and investment advisor and said there had been some debate as to whether there should be a degree of separation between actuary and advisor, although he stated his belief it could be beneficial to have the same firm in both roles. He added it would be for the Fund to decide which course of action to take. Chris Norton said representatives of Hymans received the appropriate paperwork relating to the various pensions committees and would attend special interest meetings. Regarding the use of two different firms in relation to stewardship, the Chair said it was important they both voted in the same way as this would benefit the Pension Fund.

Members noted the contents of the report.

6. Any Other Business

Members noted the contents of the minutes of the most recent meetings of the Pension Fund Investment Sub Committee and the Staff and Pensions Committee, which had been circulated after publication of the meeting agenda. There were no comments made on their contents. The Chair noted that the Sub Committee would often have exempt papers, and stated that other Pension Boards would also have access to them although others would not. He suggested consideration be given to whether it would be appropriate for the Board to have access to the exempt papers.

The Chair stated he had been sent a three-page paper from Hymans Robertson about its investment strategy. He said it was a well written report and advised members to try reading it if possible.

The meeting rose at 1.00pm

…….
Chair

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Warwickshire Local Pension Board

31 January 2023

2022 Valuation

Recommendation(s)

1. That the Local Pension Board notes and comments on the briefing in respect of the 2022 Valuation and the Funding Strategy Statement.

1. Executive Summary

1.1 The Fund undertakes a triennial valuation to review the financial position of the Fund and the outlook for its liabilities and how they are funded. This informs key outcomes including the Funding Strategy Statement and the contribution rates required of employers.

1.2 The purpose of this agenda item is to brief the Board on the 2022 valuation process and to provide the opportunity to see and comment on the draft Funding Strategy Statement.

1.3 A briefing on the valuation is provided at Appendix 1 and the draft Funding Strategy Statement is provide at Appendix 2.

2. Financial Implications

2.1 The Valuation process and Funding Strategy Statement are designed to manage financial risk to the Fund and find an appropriate balance between investment risk and return and employer contribution levels and volatility.

2.2 The broad outcome is that for the majority of employers, contribution levels will not change significantly.

3. Environmental Implications

3.1 None.

4. Supporting Information

4.1 None.

5. Timescales associated with the decision and next steps

5.1 The Funding Strategy Statement will be finalised for approval at the March Pension Fund Investment Sub Committee.

5.2 The Fund Actuary will sign off the 2022 valuation report by 31 March 2023 at the latest. This will include an updated Rates and Adjustments certificate showing the new contribution rates payable by employers with effect from 1 April 2023.

Appendices

1. Appendix 1 – 2022 Valuation Briefing (Hymans Robertson)
2. Appendix 2 – Draft Funding Strategy Statement

Background Papers

1. None

	Name	Contact Information
Report Author	Martin Griffiths, Victoria Moffett, Chris Norton	martingriffiths@warwickshire.gov.uk, victoriamoffett@warwickshire.gov.uk, chrisnorton@warwickshire.gov.uk
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Portfolio Holder for Finance and Property	Peter Butlin	peterbutlin@warwickshire.gov.uk

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

Local Member(s):
Other members:

HYMANS ROBERTSON

Warwickshire Pension Fund

Overview of the 2022 valuation

Robert Bilton and Viktoria Bachtler

31 January 2023

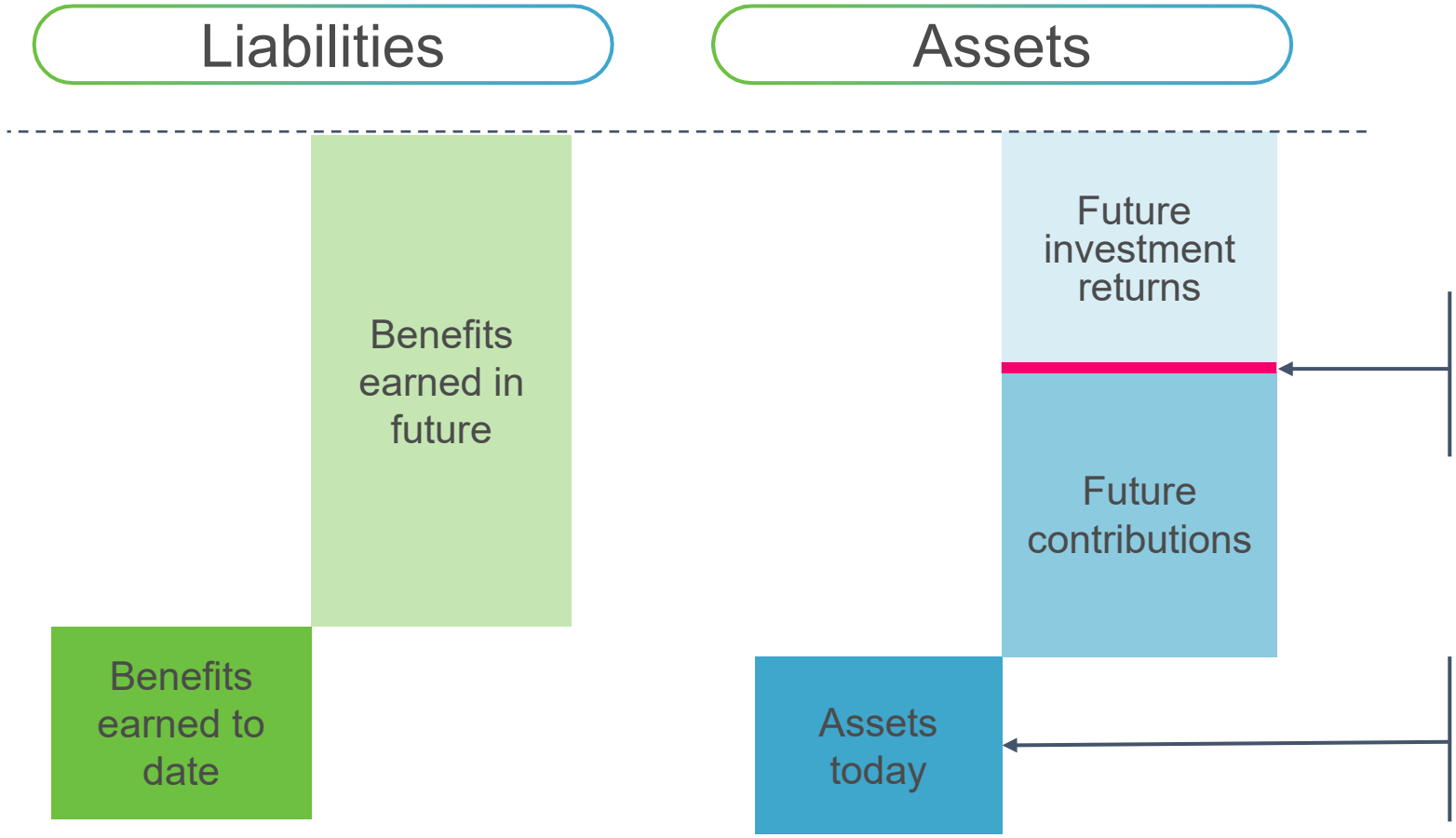
1. Actuarial valuation: refresher

Why we do a valuation?

- Calculate employer contribution rates
- Compliance with legislation
- Analyse actual experience vs assumptions
- Review Funding Strategy Statement
- Part of continual ‘health check’ on fund solvency

The triennial valuation is a key risk management exercise for the Fund

Outputs of the valuation



Contribution rates

To pay for both future benefits and any shortfall in relation to accrued benefits

Strike a balance between investment returns and contribution rates

Funding level

Comparison of ‘assets today’ vs. ‘benefits earned to date’

Balance sheet snapshot of Fund at valuation date

2. Governance and process

2022 valuation timetable

Q4 2021 – Q1 2022
Pre-valuation work:
- Planning
- Data cleansing
- Review of assumptions
- Review of funding & investment strategy
- Review of stabilisation mechanism
- Investigating climate change risk

Q3 2022
Initial results & discussions with Officers

Q1 2023
Funding strategy statement finalised
Final valuation report signed off by 31 March 2023

Q2 2022
Data cleansed and submitted to actuary

Q4 2022
Employer results issued to employers
Fund's AGM & consultation period
Funding Strategy Statement consultation

1 April 2023
New employer contributions start to be paid

How we process the valuation

Inputs

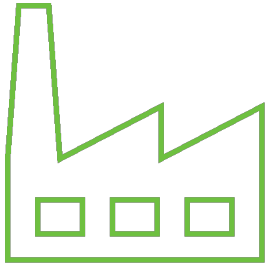
Data for each member

Financial and demographic assumptions

Funding and investment strategy

LGPS benefit structure

Actuary's models



Primary outputs

Individual employer results schedule

Updated Funding Strategy Statement

Final valuation report

Key engagement with WPF Officers

8 July 2021
Valuation planning meeting

26 Jan 2022
Rates for precepting bodies, and training on contribution rate modelling

23 June 2022
Valuation data, employer covenant, ill health management

27 July 2022
Map out updates to FSS/ other policies

4 Oct 2022
Individual employer results

4 Nov 2022
AGM

3 December 2021
Setting assumptions

16 May 2022
Risk management call

24 June 2022
'Early warning' results for closed employers

24 August 2022
Whole Fund results

21 Oct 2022
Updated FSS and policies

Regular monthly progress calls also held

Key engagement with PFISC

6 Dec 2021
Training - assumptions

4 Feb 2022
Training – contribution rate modelling

13 June 2022
Funding position estimate at 31/3/22

14 Oct 2022
Approval of Whole Fund results

13 Dec 2021
Approval of 2022 assumptions

7 March 2022
Approval of rates for precepting bodies

18 July 2022
Training – valuation process incl section 13

12 Dec 2022
Approval of draft FSS

Frequent engagement during the process

3. Key outcomes at 2022

2022 Whole Fund funding position

- Funding position has improved since 2019
- Important to remember limitations with funding level
  - It only considers past service
  - It is a snapshot on one particular day, it will fluctuate

Valuation Date	31 March 2022	31 March 2019
Past Service Liabilities	**(£m)**	**(£m)**
Employees	917	809
Deferred Pensioners	616	503
Pensioners	1,147	1,033
Total Liabilities	**2,680**	**2,346**
Assets	**2,782**	**2,166**
Surplus/(Deficit)	**101**	**(180)**
Funding Level	**104%**	**92%**

Numbers may not add up due to rounding

Funding level improvement comparable to LGPS peers*

* 2022 valuation results - early insights - Hymans Robertson

Employer funding strategies – overview

2022 valuation funding strategy

Employer type	Funding target	Time horizon	Likelihood of success	Stabilised contributions
Councils	Ongoing	Long	70%	Yes
Academies	Ongoing	Long	70%	**Yes**
Colleges	Ongoing	Long	80%	No
Transferee Admission Bodies	Ongoing	Short	70%	No
Community Admission Bodies	Cessation	Medium/Short	80%	No

Continuity in long-term strategy and funding plans

Funding Strategy Statement review

- No material changes in funding strategy at 2022 valuation
- Used the opportunity to review structure and layout of the FSS
- Improve accessibility and navigation for stakeholders
- Updated FSS was issued for consultation to all employers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Warwickshire Pension Fund

Funding Strategy Statement

June 2021

PUBLIC SECTOR

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See Appendix 2 of the covering report

Thank you

HYMANS ROBERTSON

WARWICKSHIRE pension fund

Warwickshire Pension Fund
Funding Strategy Statement
November 2022

Contents

1 Welcome to Warwickshire Pension Fund's funding strategy statement

This document sets out the funding strategy statement (FSS) for Warwickshire Pension Fund.

The Warwickshire Pension Fund is administered by Warwickshire County Council, known as the administering authority. Warwickshire County Council worked with the fund's actuary, Hymans Robertson, to prepare this FSS which is effective from [DATE POST CONSULTATION].

There's a regulatory requirement for Warwickshire County Council to prepare an FSS. You can find out more about the regulatory framework in Appendix A. If you have any queries about the FSS, contact wpfinvestments@warwickshire.gov.uk

1.1 What is the Warwickshire Pension Fund?

The Warwickshire Pension Fund is part of the Local Government Pension Scheme (LGPS). You can find more information about the LGPS at www.lgpsmember.org. The administering authority runs the fund on behalf of participating employers, their employees and current and future pensioners. You can find out more about roles and responsibilities in Appendix B.

1.2 What are the funding strategy objectives?

The funding strategy objectives are to:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency
- where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

1.3 Who is the FSS for?

The FSS is mainly for employers participating in the fund, because it sets out how money will be collected from them to meet the fund's obligations to pay members' benefits.

Different types of employers participate in the fund:

Scheduled bodies

Employers who are specified in a schedule to the LGPS regulations, including councils and employers like academies and further education establishments. Scheduled bodies must give employees access to the LGPS if they can't accrue benefits in another pension scheme, such as another public service pension scheme.

Designating employers

Employers like town and parish councils can join the LGPS through a resolution. If a resolution is passed, the fund can't refuse entry. The employer then decides which employees can join the scheme.

Admission bodies

Other employers can join through an admission agreement. The fund can set participation criteria for them and can refuse entry if the requirements aren't met. This type of employer includes contractors providing outsourced services like cleaning or catering to a scheduled body.

Some existing employers may be referred to as **community admission bodies** (CABs). CABs are employers with a community of interest with another scheme employer. Others may be called **transferee admission bodies** (TABs), that provide services for scheme employers. These terms aren't defined under current regulations but remain in common use from previous regulations.

1.4 How does the funding strategy link to the investment strategy?

The funding strategy sets out how money will be collected from employers to meet the fund's obligations. Contributions, assets and other income are then invested according to an investment strategy set by the administering authority. You can find the investment strategy statement at https://warwickshirepensionfund.org.uk/investments

The funding and investment strategies are closely linked. The fund must be able to pay benefits when they are due – those payments are met from a combination of contributions (through the funding strategy) and asset returns and income (through the investment strategy). If investment returns or income fall short the fund won't be able to pay benefits, so higher contributions would be required from employers.

1.5 Does the funding strategy reflect the investment strategy?

The funding policy is consistent with the investment strategy. Future investment return expectations are set with reference to the investment strategy, including a margin for prudence which is consistent with the regulatory requirement that funds take a 'prudent longer-term view' of funding liabilities (see Appendix A)

1.6 How is the funding strategy specific to the Warwickshire pension fund?

The funding strategy reflects the specific characteristics of the fund employers and its own investment strategy.

2 How does the fund calculate employer contributions?

2.1 Calculating contribution rates

Employee contribution rates are set by the LGPS regulations.

Employer contributions are made up of two elements:

- **the primary contribution rate** – contributions payable towards future benefits
- **the secondary contribution rate** – the difference between the primary rate and the total employer contribution

The primary rate also includes an allowance for the fund's expenses.

The fund actuary uses a model to project each employer's asset share over a range of future economic scenarios. The contribution rate takes each employer's assets into account as well as the projected benefits due to their members. The value of the projected benefits is worked out using employer membership data and the assumptions in Appendix D.

The total contribution rate for each employer is then based on:

- **the funding target** – how much money the fund aims to hold for each employer
- **the time horizon** – the time over which the employer aims to achieve the funding target
- **the likelihood of success** – the proportion of modelled scenarios where the funding target is met.

This approach takes into account the maturing profile of the membership when setting employer contribution rates.

2.2 The contribution rate calculation

Table 1: contribution rate calculation for individual or pooled employers

Type of employer	Scheduled bodies			Designating employers	CABs		TABs*
Sub-type	**Local authorities, police**	**Academies**	**Colleges**	**Parish & town councils**	**Open to new entrants**	**Closed to new entrants**	**(all)**
Funding target**	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing, but may move to low-risk exit basis		Contractor exit basis, assuming fixed-term contract in the fund
Minimum likelihood of success	70%	67.5%	80%	70%	80%	80%	70%
Maximum time horizon	19 years	19 years	19 years	19 years	19 years	19 years or average future working	Outstanding contract term

Type of employer	Scheduled bodies			Designating employers	CABs		TABs*
Sub-type	**Local authorities, police**	**Academies**	**Colleges**	**Parish & town councils**	**Open to new entrants**	**Closed to new entrants**	**(all)**
						lifetime, if less	
Primary rate approach	The contributions must be sufficient to meet the cost of benefits earned in the future with the required likelihood of success at the end of the time horizon						
Secondary rate	Monetary amount	% of payroll	Monetary amount	% of payroll	Monetary amount	Monetary amount	% of payroll or monetary amount
Stabilised contribution rate?	Yes	Yes	No	No	No	No	No
Treatment of surplus	Covered by stabilisation arrangement		Contributions kept at primary rate	Contributions kept at primary rate	Preferred approach: contributions kept at primary rate. Reductions may be permitted by the administering authority		Reduce contributions by spreading the surplus over the remaining contract term
Phasing of contribution changes	Covered by stabilisation arrangement		None	None	None	None	None

** Employers participating in the fund under a pass-through agreement will pay a contribution rate as agreed between the contractor and letting authority*

*** See Appendix D for further information on funding targets.*

2.3 Making contribution rates stable

Making employer contribution rates reasonably stable is an important funding objective. Where appropriate, contributions are set with this objective in mind. The fund may adopt a stabilised approach to setting contributions for individual employers, which either

- keeps contribution variations within a pre-determined range from year-to-year, or
- dampens contribution rate volatility over time by operating a corridor approach for the likelihood of success

After taking advice from the fund actuary, the administering authority believes a stabilised approach is a prudent longer-term strategy for the fund's local authorities and police body and academy schools. For authorities and police, the fund sets pre-determined ranges for contribution variations.

Table 2: contribution variations for authorities and police

Type of employer	"Standard" authority & police	"Mature" authority
Maximum contribution increase per year	+0.75% of pay	+2.0% of pay
Maximum contribution decrease per year	-0.75% of pay	-1.0% of pay

Currently, mature authorities are Nuneaton & Bedworth Borough Council and Stratford-upon-Avon District Council.

For academy schools, the fund operates a corridor approach for the likelihood of success. When setting contributions, if the likelihood of success for an academy school's current contribution rate is within +/-2.5% of 70% (ie between 67.5% and 72.5%) then the contribution rate will remain unchanged. If the likelihood of success is outside the corridor then the rate will be adjusted.

Table 3: corridor approach for academy schools

Likelihood of success of current rate	Impact on contribution rate
Between 67.5% and 72.5%	No change
Below 67.5%	Increased to rate with a 67.5% likelihood of succees
Above 72.5%	Decreased to rate with a 72.5% likelihood of success

Stabilisation criteria, authority classification and limits are reviewed during the valuation process. The administering authority may review them between valuations to respond to membership or employer changes.

2.4 Reviewing contributions between valuations

The fund may amend contribution rates between formal valuations, in line with its policy on contribution reviews. The fund's policy is available in Appendix E. The purpose of any review is to establish the most appropriate contributions. A review may lead to an increase or decrease in contributions.

2.5 What is pooling?

The administering authority operates contribution rate pools for similar types of employers. Contribution rates can be volatile for smaller employers that are more sensitive to individual membership changes – pooling across a group of employers minimises this. In a contribution rate pool, contributions are set to target full funding for the pool as a whole, rather than for individual employers.

Employers in a pool maintain their individual funding positions, tracked by the fund actuary. That means some employers may be better funded or more poorly funded than the pool average. If pooled employers used stand-alone funding rather than pooling, their contribution rates could be higher or lower than the pool rate. Setting contributions in this way means that while the fund receives the contributions required, the risk that employers develop a surplus or deficit increases.

Pooled employers are identified in the rates and adjustments certificate and only have their pooled contributions certified. Individual contribution rates aren't disclosed to pooled employers, unless agreed by the administering authority.

CABs that are closed to new entrants aren't usually allowed to enter a pool.

If an employer leaves the fund, the required contributions are usually based on their own funding position rather than the pool average. Cessation terms also usually apply, which means higher contributions may be required at that point.

2.6 What are the current contribution pools?

- **Schools** – generally pooled with Warwickshire County Council, although there may be exceptions for specialist or independent schools.

- **Small WCC-related contractors** – where deemed appropriate, generally pooled with Warwickshire County Council.
- **Parish and town councils** – all parish and town councils
- **Multi-academy trusts** – all individual academies within the same multi-academy trust are pooled for contribution rate setting purposes.
- **Smaller TABs** – may be pooled with the letting employer.

2.7 Administering authority discretion

Individual employers may be affected by circumstances not easily managed within the FSS rules and policies. If this happens, the administering authority may adopt alternative funding approaches on a case-by-case basis.

Additionally, the administering authority may allow greater flexibility to the employer's contributions if added security is provided. Flexibility could include things like a reduced contribution rate, extended time horizon, or permission to join a pool. Added security may include a suitable bond, a legally binding guarantee from an appropriate third party, or security over an asset.

The fund permits the prepayment of employer contributions in specific circumstances. Further details are set out in the fund's prepayment policy detailed in Appendix F.

3 What additional contributions may be payable?

3.1 Pension costs – awarding additional pension and early retirement on non ill-health grounds

If an employer awards additional pension as an annual benefit amount, they pay an additional contribution to the fund as a single lump sum. The amount is set by guidance issued by the Government Actuary's Department and updated from time to time.

If an employee retires before their normal retirement age on unreduced benefits, employers may be asked to pay additional contributions called strain payments.

Employers typically make strain payments as a single lump sum, though strain payments may be spread if the administering authority agrees:

Precepting employers	- up to 5 years
All other employers	- payable immediately

3.2 Pension costs – early retirement on ill-health grounds

If a member retires early because of ill-health, this may result in a funding strain, which could be a large sum. Employer contribution rates include an allowance for potential ill health funding strain but this may be insufficient to cover the actual strain cost. This is more likely to be the case for smaller employers in the fund (eg academies and admission bodies) due to the size of their payroll compared to the magnitude of strain costs.

The administering authority does not offer any arrangement to mitigate this. Individual employers should make their own arrangements if they are concerned about the risk of unmanageable ill-health strain costs.

4 How does the fund calculate assets and liabilities?

4.1 How are employer asset shares calculated?

The fund adopts a cashflow approach to track individual employer assets.

Each fund employer has a notional share of the fund's assets, which is assessed annually by the actuary. The actuary starts with assets from the previous year-end, adding cashflows paid in/out and investment returns to give a new year-end asset value. The fund actuary makes a simplifying assumption, that all cashflow and investment returns have been paid uniformly over the year. This assumption means that the sum of all employers' asset values is slightly different from the whole fund asset total over time. This minimal difference is split between employers in proportion to their asset shares at each valuation.

If an employee moves one from one employer to another within the fund, assets equal to the cash equivalent transfer value (CETV) will move from the original employer to the receiving employer's asset share.

Alternatively, if employees move when a new academy is formed or an outsourced contract begins, the fund actuary will calculate assets linked to the value of the liabilities transferring (see Section 5).

4.2 How are employer liabilities calculated?

The fund holds membership data for all active, deferred and pensioner members. Based on this data and the assumptions in Appendix D, the fund actuary projects the expected benefits for all members into the future. This is expressed as a single value – the liabilities – by allowing for expected future investment returns.

Each employer's liabilities reflect the experience of their own employees and ex-employees.

4.3 What is a funding level?

An employer's funding level is the ratio of the market value of asset share against liabilities. If this is less than 100%, the employer has a shortfall: the employer's deficit. If it is more than 100%, the employer is in surplus. The amount of deficit or surplus is the difference between the asset value and the liabilities value.

Funding levels and deficit/surplus values measure a particular point in time, based on a particular set of future assumptions. While this measure is of interest, for most employers the main issue is the level of contributions payable. The funding level does not directly drive contribution rates. See Section 2 for further information on rates.

5 What happens when an employer joins the fund?

5.1 When can an employer join the fund

Employers can join the fund if they are a new scheduled body or a new admission body. New designated employers may also join the fund if they pass a designation to do so.

On joining, the fund will determine the assets and liabilities for that employer within the fund. The calculation will depend on the type of employer and the circumstances of joining.

A contribution rate will also be set. This will be set in accordance with the calculation set out in Section 2, unless alternative arrangements apply (for example, the employer has agreed a pass-through arrangement). More details on this are in Section 5.4 below.

5.2 New academies

New academies (including free schools) join the fund as separate scheduled employers. Only active members of former council schools transfer to new academies. Free schools do not transfer active members from a converting school but must allow new active members to transfer in any eligible service.

Liabilities for transferring active members will be calculated (on the ongoing basis) by the fund actuary on the day before conversion to an academy. Liabilities relating to the converting school's former employees (ie members with deferred or pensioner status) remain with the ceding council.

New academies will be allocated an asset share based on the estimated funding level of the ceding council's active members, having first allocated the council's assets to fully fund their deferred and pensioner members. This funding level will then be applied to the transferring liabilities to calculate the academy's initial asset share, capped at a maximum of 100%.

The council's estimated funding level will be based on market conditions on the day before conversion. The fund treats new academies as separate employers in their own right, who are responsible for their allocated assets and liabilities. The contribution rate payable by the new academy will depend on whether the academy is part of a multi-academy trust (MAT) that already participates in the fund.

If an academy leaves one MAT and joins another, all active, deferred and pensioner members transfer to the new MAT.

The fund's policies on academies may change based on updates to guidance from the Department for Levelling Up, Housing and Communities or the Department for Education. Any changes will be communicated and reflected in future funding strategy statements.

The Fund's full policy on academy participation is detailed in Appendix G.

5.3 New admission bodies as a results of outsourcing services

New admission bodies usually join the fund because an existing employer (usually a scheduled body like a council or academy) outsources a service to another organisation (a contractor). This involves TUPE transfers of staff from the letting employer to the contractor. The contractor becomes a new participating fund employer for the duration of the contract and transferring employees remain eligible for LGPS membership. At the end of the contract, employees typically revert to the letting employer or a replacement contractor.

Liabilities for transferring active members will be calculated by the fund actuary on the day before the outsourcing occurs.

New contractors will be allocated an asset share equal to the value of the transferring liabilities. The admission agreement may set a different initial asset allocation, depending on contract-specific circumstances.

There is flexibility for outsourcing employers when it comes to pension risk potentially taken on by the contractor. However, the Fund's policy is to require all new admission bodies to be set up with a pass-through arrangement. The Fund's policy on pass-through is detailed in Appendix H.

5.4 Other new employers

There may be other circumstances that lead to a new admission body entering the fund, eg set up of a wholly owned subsidiary company by a Local Authority. Calculation of assets and liabilities on joining and a contribution rate will be carried out allowing for the circumstances of the new employer.

New designated employers may also join the fund. These are usually parish and town councils. Contribution rates will be set using the same approach as other designated employers in the fund. For parish and town councils the contribution rate will be set in line with the Parish and Town Council pool rate.

5.5 Risk assessment for new admission bodies

Under the LGPS regulations, a new admission body must assess the risks it poses to the fund if the admission agreement ends early, for example if the admission body becomes insolvent or goes out of business. In practice, the fund actuary assesses this because the assessment must be carried out to the administering authority's satisfaction.

After considering the assessment, the administering authority may decide the admission body must provide security, such as a guarantee from the letting employer, an indemnity or a bond.

This must cover some or all of the:

- strain costs of any early retirements, if employees are made redundant when a contract ends prematurely
- allowance for the risk of assets performing less well than expected
- allowance for the risk of liabilities being greater than expected
- allowance for the possible non-payment of employer and member contributions
- admission body's existing deficit.

For further information on new admissions, please refer to the fund's admissions and terminations policy at https://warwickshirepensionfund.org.uk/employers

6 What happens if an employer has a bulk transfer of staff?

Bulk transfer cases will be looked at individually, but generally:

- the fund won't pay bulk transfers greater in value than either the asset share of the transferring employer in the fund, or the value of the liabilities of the transferring members, whichever is lower
- the fund won't grant added benefits to members bringing in entitlements from another fund, unless the asset transfer is enough to meet the added liabilities
- the fund may permit shortfalls on bulk transfers if the employer has a suitable covenant and commits to meeting the shortfall in an appropriate period, which may require increased contributions between valuations.

The bulk transfer policy is in Appendix I.

7 What happens when an employer leaves the fund?

7.1 What is a cessation event?

Triggers for considering cessation from the fund are:

- the last active member stops participation in the fund. The administering authority, at their discretion, can defer acting for up to three years by issuing a suspension notice. That means cessation won't be triggered if the employer takes on one or more active members during the agreed time
- insolvency, winding up or liquidation of the admission body
- a breach of the admission agreement that isn't remedied to the fund's satisfaction
- failure to pay any sums due within the period required
- failure to renew or adjust the level of a bond or indemnity, or to confirm an appropriate alternative guarantor
- termination of a deferred debt arrangement (DDA).

If no DDA exists, the administering authority will instruct the fund actuary to carry out a cessation valuation to calculate if there is a surplus or a deficit when the employer leaves the scheme.

7.2 What happens on cessation?

The administering authority must protect the interests of the remaining fund employers when an employer leaves the scheme. The actuary aims to protect remaining employers from the risk of future loss. The funding target adopted for the cessation calculation is below. These are defined in Appendix D.

(a) Where there is no guarantor, cessation liabilities and a final surplus/deficit will usually be calculated using a low-risk basis, which is more prudent than the ongoing participation basis. The low-risk exit basis is defined in Appendix D.

(b) Where there is a guarantor, the guarantee will be considered before the cessation valuation. Where the guarantor is a guarantor of last resort, this will have no effect on the cessation valuation. If this isn't the case, cessation may be calculated using the same basis that was used to calculate liabilities (and the corresponding asset share) on joining the fund.

(c) Depending on the guarantee, it may be possible to transfer the employer's liabilities and assets to the guarantor without crystallising deficits or surplus. This may happen if an employer can't pay the contributions due and the approach is within guarantee terms or the employer is participating under a pass-through agreement.

If the fund can't recover the required payment in full, unpaid amounts will be paid by the related letting authority (in the case of a ceased admission body) or shared between the other fund employers. This may require an immediate revision to the rates and adjustments certificate or be reflected in the contribution rates set at the next formal valuation.

The fund will recharge costs of administering cessations including actuary and other cessation expenses as appropriate. Fees and expenses are at the employer's expense and are deducted from the cessation surplus or added to the cessation deficit. This improves efficiency by reducing transactions between employer and fund. Costs will be charged even if the cessation does not go ahead.

The cessation policy is in Appendix J.

7.3 What happens if there is a surplus?

If the cessation valuation shows the exiting employer has more assets than liabilities – an exit credit – the administering authority can decide how much will be paid back to the employer based on:

- the surplus amount
- the proportion of the surplus due to the employer's contributions
- any representations (like risk sharing agreements or guarantees) made by the exiting employer and any employer providing a guarantee or some other form of employer assistance/support
- any other relevant factors.

The fund's approach to exit credits is detailed in the cessation policy in Appendix J.

7.4 How do employers repay cessation debts?

If there is a deficit, full payment will usually be expected in a single lump sum or:

- spread over an agreed period, if the employer enters into a deferred spreading arrangement (DSA)
- if an exiting employer enters into a deferred debt agreement, it stays in the fund and pays contributions until the cessation debt is repaid. Payments are reassessed at each formal valuation.

The fund's approach to employer flexibility on exit is detailed in the cessation policy in Appendix J.

7.5 What if an employer has no active members?

When employers leave the fund because their last active member has left, they may pay a cessation debt, receive an exit credit or enter a DDA/DSA. Beyond this they have no further obligation to the fund and either:

a) their asset share runs out before all ex-employees' benefits have been paid. The other fund employers may be required to contribute to the remaining benefits. The fund actuary will portion the liabilities on a pro-rata basis at successive formal valuations.

b) the last ex-employee or dependant dies before the employer's asset share is fully run down. The fund actuary will apportion the remaining assets to the other fund employers on a pro-rata basis.

8 What are the statutory reporting requirements?

8.1 Reporting regulations

The Public Service Pensions Act 2013 requires the Government Actuary's Department to report on LGPS funds in England and Wales after every three-year valuation, in what's usually called a section 13 report. The report should include confirmation that employer contributions are set at the right level to ensure the fund's solvency and long-term cost efficiency.

8.2 Solvency

Employer contributions are set at an appropriate solvency level if the rate of contribution targets a funding level of 100% over an appropriate time, using appropriate assumptions compared to other funds. Either:

(a) employers collectively can increase their contributions, or the fund can realise contingencies to target a 100% funding level

or

(b) there is an appropriate plan in place if there is, or is expected to be, a reduction in employers' ability to increase contributions as needed.

8.3 Long-term cost efficiency

Employer contributions are set at an appropriate long-term cost efficiency level if the contribution rate makes provision for the cost of current benefit accrual, with an appropriate adjustment for any surplus or deficit.

To assess this, the administering authority may consider absolute and relative factors.

Relative factors include:

1. comparing LGPS funds with each other
2. the implied deficit recovery period
3. the investment return required to achieve full funding after 20 years.

Absolute factors include:

1. comparing funds with an objective benchmark
2. the extent to which contributions will cover the cost of current benefit accrual and interest on any deficit
3. how the required investment return under relative considerations compares to the estimated future return targeted by the investment strategy
4. the extent to which contributions paid are in line with expected contributions, based on the rates and adjustment certificate
5. how any new deficit recovery plan reconciles with, and can be a continuation of, any previous deficit recovery plan, allowing for fund experience.

These metrics may be assessed by GAD on a standardised market-related basis where the fund's actuarial bases don't offer straightforward comparisons.

Appendices

Appendix A – The regulatory framework

A1 Why do funds need a funding strategy statement?

The Local Government Pension Scheme (LGPS) regulations require funds to maintain and publish a funding strategy statement (FSS). According to the Department for Levelling Up, Housing and Communities (DLUHC) the purpose of the FSS is to document the processes the administering authority uses to:

- *establish a **clear and transparent fund-specific strategy** identifying how employers' pension liabilities are best met going forward*
- *support the regulatory framework to maintain **as nearly constant employer contribution rates as possible***
- *ensure the fund meets its **solvency and long-term cost efficiency** objectives*
- *take a **prudent longer-term view** of funding those liabilities.*

To prepare this FSS, the administering authority has used guidance by the Chartered Institute of Public Finance and Accountancy (CIPFA).

A2 Consultation

Both the LGPS regulations and most recent CIPFA guidance state the FSS should be prepared in consultation with "*persons the authority considers appropriate*". This should include '*meaningful dialogue… with council tax raising authorities and representatives of other participating employers*'.

The consultation process included issuing a draft version to participating employers and discussing key aspects. Any policy changes from the previous versions of the FSS were highlighted to employers during this process.

A3 How is the FSS published?

The FSS is emailed to participating employers, Investment Sub-Committee members, Fund advisors and Local Pension Board who have employee and pensioner representatives. Copies are freely available on request and also on the fund's website.

The FSS is published at https://warwickshirepensionfund.org.uk/scheme/scheme-1/7

A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the valuation. Amendments may be made before then if there are regulatory or operational changes. Any material amendments will be consulted on, agreed by the fund's Investment Sub-Committee and included in the Committee meeting minutes.

A5 How does the FSS fit into the overall fund documentation?

The FSS is a summary of the fund's approach to funding liabilities. It isn't exhaustive – the fund publishes other statements like the investment strategy statement, governance strategy and communications strategy. The fund's annual report and accounts also includes up-to-date fund information.

You can see all fund documentation at https://warwickshirepensionfund.org.uk/scheme/scheme-1/7

Appendix B – Roles and responsibilities

B1 The administering authority:

1 operates the fund and follows all Local Government Pension Scheme (LGPS) regulations

2 manages any conflicts of interest from its dual role as administering authority and a fund employer

3 collects employer and employee contributions, investment income and other amounts due

4 ensures cash is available to meet benefit payments when due

5 pays all benefits and entitlements

6 invests surplus money like contributions and income which isn't needed to pay immediate benefits, in line with regulation and the investment strategy

7 communicates with employers so they understand their obligations

8 safeguards the fund against employer default

9 works with the fund actuary to manage the valuation process

10 provides information to the Government Actuary's Department so they can carry out their statutory obligations

11 consults on, prepares and maintains the funding and investment strategy statements

12 tells the actuary about changes which could affect funding

13 monitors the fund's performance and funding, amending the strategy statements as necessary

14 enables the local pension board to review the valuation process.

B2 Individual employers:

1 deduct the correct contributions from employees' pay

2 pay all contributions by the due date

3 have appropriate policies in place to work within the regulatory framework

4 make additional contributions as agreed, for example to augment scheme benefits or early retirement strain

5 tell the administering authority promptly about any changes to circumstances, prospects or membership which could affect future funding.

6 make any required exit payments when leaving the fund.

B3 The fund actuary:

1 prepares valuations, including setting employers' contribution rates, agreeing assumptions, working within FSS and LGPS regulations and appropriately targeting fund solvency and long-term cost efficiency

2 provides information to the Government Actuary Department so they can carry out their statutory obligations

3 advises on fund employers, including giving advice about and monitoring bonds or other security

4 prepares advice and calculations around bulk transfers and individual benefits

5 assists the administering authority to consider changes to employer contributions between formal valuations

6 advises on terminating employers' participation in the fund

7 fully reflects actuarial professional guidance and requirements in all advice.

B4 Other parties:

1 internal and external investment advisers ensure the investment strategy statement (ISS) is consistent with the funding strategy statement

2 investment managers, custodians and bankers play their part in the effective investment and dis-investment of fund assets in line with the ISS

3 auditors comply with standards, ensure fund compliance with requirements, monitor and advise on fraud detection, and sign-off annual reports and financial statements

4 governance advisers may be asked to advise the administering authority on processes and working methods

5 internal and external legal advisers ensure the fund complies with all regulations and broader local government requirements, including the administering authority's own procedures

6 the Department for Levelling Up, Housing and Communities, assisted by the Government Actuary's Department and the Scheme Advisory Board, work with LGPS funds to meet Section 13 requirements.

Appendix C – Risks and controls

C1 Managing risks

The administering authority has a risk management programme to identify and control financial, demographic, regulatory and governance risks.

The role of the local pension board is set out in the board terms of reference available at https://warwickshirepensionfund.org.uk/scheme/scheme-1/6

Details of the key fund-specific risks and controls are set out in the risk register at https://warwickshirepensionfund.org.uk/scheme/scheme-1/6

C2 Employer covenant assessment and monitoring

Many of the employers participating in the fund, such as admitted bodies (including TABs and CABs), have no local tax-raising powers. The fund assesses and monitors the long-term financial health of these employers to assess an appropriate level of risk for each employer's funding strategy.

Type of employer	Assessment	Monitoring
Local Authorities, Police, Parish and Town councils	Tax-raising or government-backed, no individual assessment required	n/a
Academies	Government-backed, covered by DfE guarantee in event of MAT failure	Check that DfE guarantee continues after regular scheduled DfE review
Colleges & Universities	Assessments may be commissioned by specialists as appropriate or carried out by Fund Officers	The Fund will review employers periodically or when a significant event occurs
Admission bodies (including TABs & CABs)	Assessments may be commissioned by specialists as appropriate or carried out by Fund Officers	The Fund will review employers periodically or when a significant event occurs

C3 Climate risk and TCFD reporting

The fund has considered climate-related risks when setting the funding strategy. To consider the resilience of the strategy the fund has included climate scenario stress testing in the contribution modelling exercise for the precepting employers at the 2022 valuation. The modelling results under the stress tests were slightly worse than the core results but were still within risk tolerance levels, particularly given the severity of the stresses applied. The results provide assurance that the modelling approach does not significantly underestimate the potential impact of climate change and that the funding strategy is resilient to climate risks. The results of these stress tests may be used in future to assist with disclosures prepared in line with Task Force on Climate-Related Financial Disclosures (TCFD) principles.

The same stress tests were not applied to the funding strategy modelling for smaller employers. However, given that the same underlying model is used for all employers and that the local authority employers make up the vast majority of the fund's assets and liabilities, applying the stress tests to all employers was not deemed proportionate at this stage and would not be expected to result in any changes to the agreed contribution plans.

The Fund has a Responsible Investment Policy Framework and a separate Climate Risk Policy, both of which were last agreed by the Pension Fund Investment Sub-Committee in 2021.

Appendix D – Actuarial assumptions

The fund's actuary uses a set of assumptions to determine the strategy, and so assumptions are a fundamental part of the funding strategy statement.

D1 What are assumptions?

Assumptions are used to estimate the benefits due to be paid to members. Financial assumptions determine the amount of benefit to be paid to each member, and the expected investment return on the assets held to meet those benefits. Demographic assumptions are used to work out when benefit payments are made and for how long.

The funding target is the money the fund aims to hold to meet the benefits earned to date.

Any change in the assumptions will affect the funding target and contribution rate, but different assumptions don't affect the actual benefits the fund will pay in future.

D2 What assumptions are used to set the contribution rate?

The fund doesn't rely on a single set of assumptions when setting contribution rates, instead using Hymans Robertson's Economic Scenario Service (ESS) to project each employer's assets, benefits and cashflows to the end of the funding time horizon.

ESS projects future benefit payments, contributions and investment returns under 5,000 possible economic scenarios, using variables for future inflation and investment returns for each asset class, rather than a single fixed value.

For any projection, the fund actuary can assess if the funding target is satisfied at the end of the time horizon.

Summary of assumptions underlying the ESS, 31 March 2022

		Annualised total returns												
		Index Linked Gilts (long)	UK Equity	Private Equity	Property	Emerging Markets Equity	Unlisted Infra-structure Equity	Absolute Return Bonds (inv grade)	All World ex UK Equity in GBP Unhedged	Direct Lending (private debt) GBP Hedged	Corp Medium A	Inflation (CPI)	17 year real yield (CPI)	17 year yield
10 years	16th %'ile	-3.1%	-0.4%	-1.2%	-0.6%	-2.5%	0.7%	0.9%	-0.4%	2.7%	-0.1%	1.6%	-1.7%	1.1%
	50th %'ile	-0.7%	5.7%	9.4%	4.4%	5.8%	5.9%	2.3%	5.8%	6.0%	1.6%	3.3%	-0.5%	2.5%
	84th %'ile	2.0%	11.6%	20.1%	9.5%	14.4%	11.2%	3.7%	11.9%	9.2%	3.2%	4.9%	0.7%	4.3%
20 years	16th %'ile	-2.6%	1.7%	2.4%	1.4%	0.1%	2.6%	1.4%	1.8%	4.3%	1.1%	1.2%	-0.7%	1.3%
	50th %'ile	-0.9%	6.2%	10.0%	5.0%	6.3%	6.5%	2.9%	6.3%	6.8%	2.1%	2.7%	1.1%	3.2%
	84th %'ile	0.8%	10.6%	17.6%	8.9%	12.8%	10.6%	4.6%	11.1%	9.2%	3.2%	4.3%	2.7%	5.7%
40 years	16th %'ile	-1.1%	3.2%	4.7%	2.6%	2.1%	3.9%	1.6%	3.4%	5.5%	2.0%	0.9%	-0.6%	1.1%
	50th %'ile	0.3%	6.7%	10.3%	5.5%	6.8%	7.0%	3.3%	6.8%	7.7%	3.1%	2.2%	1.3%	3.3%
	84th %'ile	1.9%	10.2%	16.1%	8.8%	11.7%	10.3%	5.4%	10.4%	10.0%	4.4%	3.7%	3.2%	6.1%
	Volatility (Disp) (5 yr)	9%	18%	30%	15%	26%	15%	3%	18%	10%	7%	3%		

ESS assumptions are calibrated at each month end. Contribution rate assessments carried out after 31 March 2022 will use the most up to date calibration of the ESS at the date the employer joins the fund.

D3 What financial assumptions were used?

Future investment returns and discount rate

The fund uses a risk-based approach to generate assumptions about future investment returns over the funding time horizon, based on the investment strategy.

The discount rate is the annual rate of future investment return assumed to be earned on assets after the end of the funding time horizon. The discount rate assumption is set as a margin above the risk-free rate.

Assumptions for future investment returns depend on the funding objective.

	Employer type	Margin above risk-free rate
Ongoing basis	All employers except transferee admission bodies and closed community admission bodies	1.7%
Low-risk exit basis	Community admission bodies closed to new entrants	0%
Contractor exit basis	Transferee admission bodies	Equal to the margin used to allocate assets to the employer on joining the fund

Discount rate (for funding level calculation as at 31 March 2022 only)

For the purpose of calculating a funding level at the 2022 valuation, a discount rate of 4.0% applies. This is based on a prudent estimate of investment returns, specifically, that there is a 75% likelihood that the fund's assets will achieve future investment returns of 4.0% over the 19 years following the 2022 valuation date.

Pension increases and CARE revaluation

Deferment and payment increases to pensions and revaluation of CARE benefits are in line with the Consumer Price Index (CPI) and determined by the regulations.

The CPI assumption is based on Hymans Robertson's ESS model. The median value of CPI inflation from the ESS was 2.7% pa on 31 March 2022.

Salary growth

The salary increase assumption at the latest valuation has been set to 1.0% above CPI pa plus a promotional salary scale.

D4 What demographic assumptions were used?

Demographic assumptions are best estimates of future experience. The fund uses advice from Club Vita to set demographic assumptions, as well as analysis and judgement based on the fund's experience.

Demographic assumptions vary by type of member, so each employer's own membership profile is reflected in their results.

Life expectancy

The longevity assumptions are a bespoke set of VitaCurves produced by detailed analysis and tailored to fit the fund's membership profile.

Allowance has been made for future improvements to mortality, in line with the 2021 version of the continuous mortality investigation (CMI) published by the actuarial profession. The starting point has been adjusted by +0.25% to reflect the difference between the population-wide data used in the CMI and LGPS membership. A long-term rate of mortality improvements of 1.5% pa applies.

The smoothing parameter used in the CMI model is 7.0. There is little evidence currently available on the long-term effect of Covid-19 on life expectancies. To avoid an undue impact from recent mortality experience on long-term assumptions, no weighting has been placed on data from 2020 and 2021 in the CMI.

Other demographic assumptions

Retirement in normal health	Members are assumed to retire at the earliest age possible with no pension reduction.
Promotional salary increases	Sample increases below
Death in service	Sample rates below
Withdrawals	Sample rates below
Retirement in ill health	Sample rates below
Family details	A varying proportion of members are assumed to have a dependant partner at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. Beyond retirement the proportion is adjusted for assumed dependant mortality. Males are assumed to be 3 years older than females, and partner dependants are assumed to be opposite sex to members.
Commutation	65% of maximum tax-free cash
50:50 option	1.0% of members will choose the 50:50 option.

Males

Incidence per 1000 active members per year								
Age	Salary scale	Death before retirement	Withdrawals		Ill-health tier 1		Ill-health tier 2	
		FT &PT	FT	PT	FT	PT	FT	PT
20	105	0.17	404.31	813.01	0	0	0	0
25	117	0.17	267.06	537.03	0	0	0	0
30	131	0.2	189.49	380.97	0	0	0	0
35	144	0.24	148.05	297.63	0.1	0.07	0.02	0.01
40	150	0.41	119.2	239.55	0.16	0.12	0.03	0.02
45	157	0.68	111.96	224.96	0.35	0.27	0.07	0.05
50	162	1.09	92.29	185.23	0.9	0.68	0.23	0.17
55	162	1.7	72.68	145.94	3.54	2.65	0.51	0.38
60	162	3.06	64.78	130.02	6.23	4.67	0.44	0.33
65	162	5.1	0	0	11.83	8.87	0	0

Females

Incidence per 1000 active members per year								
Age	Salary scale	Death before retirement	Withdrawals		Ill-health tier 1		Ill-health tier 2	
		FT &PT	FT	PT	FT	PT	FT	PT
20	105	0.1	352.42	467.37	0	0	0	0
25	117	0.1	237.14	314.44	0.1	0.07	0.02	0.01
30	131	0.14	198.78	263.54	0.13	0.1	0.03	0.02
35	144	0.24	171.57	227.38	0.26	0.19	0.05	0.04
40	150	0.38	142.79	189.18	0.39	0.29	0.08	0.06
45	157	0.62	133.25	176.51	0.52	0.39	0.1	0.08
50	162	0.9	112.34	148.65	0.97	0.73	0.24	0.18
55	162	1.19	83.83	111.03	3.59	2.69	0.52	0.39
60	162	1.52	67.55	89.37	5.71	4.28	0.54	0.4
65	162	1.95	0	0	10.26	7.69	0	0

D5 What assumptions apply in a cessation valuation following an employer's exit from the fund?

Employers with no guarantor

Where there is no suitable guarantor or risk-sharing arrangement, the low-risk exit basis will apply.

The financial and demographic assumptions underlying the low-risk exit basis are explained below:

- The discount rate is set equal to the annualised yield on long dated government bonds at the cessation date, with no further outperformance margin. This yield was 1.7% pa on 31 March 2022.
- The CPI assumption is based on the weighted average of CPI for the next 20 years from Hymans Robertson's ESS model. The median value of CPI inflation from the ESS was 2.7% pa on 31 March 2022.
- Life expectancy assumptions are those used to set contribution rates, with one adjustment. A higher long-term rate of mortality improvements of 1.75% pa is assumed.

Employers with a guarantor

Where there is a guarantor (eg in the case of contractors where the local authority guarantees the contractor's admission in the fund), the funding basis used to calculate contribution rates will apply to derive financial and demographic assumptions (typically either contractor exit basis or the ongoing basis).

If the cessation event is trigged by the admission agreement being terminated early by the contractor, then the low-risk exit basis will apply.

Appendix E – Policy on contribution reviews

Effective date of policy	TBC
Date approved	TBC
Version	1.0
Next review	No later than 31 March 2026

Introduction

The purpose of this policy is to set out the administering authority's approach to reviewing contribution rates between triennial valuations.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

E1 Aims and objectives

The administering authority's aims and objectives related to this policy are as follows:

- To provide employers with clarity around the circumstances where contribution rates may be reviewed between valuations.
- To outline specific circumstances where contribution rates will not be reviewed.

E2 Background

The Fund may amend contribution rates between valuations for 'significant change' to the liabilities or covenant of an employer.

Such reviews may be instigated by the fund or at the request of a participating employer.

Any review may lead to a change in the required contributions from the employer.

E3 Guidance and regulatory framework

Regulation 64 of the Local Government Pension Scheme Regulations 2013 (as amended) sets out the way in which LGPS funds should determine employer contributions, including the following;

- Regulation 64(4) – allows the administering authority to review the contribution rate if it becomes likely that an employer will cease participation in the fund, with a view to ensuring that the employer is fully funded at the expected exit date.
- Regulation 64A - sets out specific circumstances where the administering authority may revise contributions between valuations (including where a review is requested by one or more employers).

This policy also reflects statutory guidance from the Department for Levelling Up, Housing and Communities on preparing and maintaining policies relating to the review of employer contributions. Interested parties may want to refer to an accompanying guide that has been produced by the Scheme Advisory Board.

E4 Statement of principles

This statement of principles covers review of contributions between valuations. Each case will be treated on its own merits, but in general:

- The administering authority reserves the right to review contributions in line with the provisions set out in the LGPS Regulations.
- The decision to make a change to contribution rates rests with the administering authority, subject to consultation with employers during the review period.
- Full justification for any change in contribution rates will be provided to employers.
- Advice will be taken from the fund actuary in respect of any review of contribution rates.
- Any revision to contribution rates will be reflected in the Rates & Adjustments certificate.

E5 Policy

E5.1 Circumstances for review

The fund would consider the following circumstances as a potential trigger for review:

- in the opinion of an administering authority there are circumstances which make it likely that an employer (including an admission body) will become an exiting employer sooner than anticipated at the last valuation;
- an employer is approaching exit from the fund within the next two years or before completion of the next triennial valuation;
- there are changes to the benefit structure set out in the LGPS Regulations which have not been allowed for at the last valuation;
- it appears likely to the administering authority that the amount of the liabilities arising or likely to arise for an employer or employers has changed significantly since the last valuation;
- it appears likely to the administering authority that there has been a significant change in the ability of an employer or employers to meet their obligations (e.g. a material change in employer covenant, or provision of additional security);
- it appears to the administering authority that the membership of the employer has changed materially such as bulk transfers, significant reductions to payroll or large-scale restructuring; or
- where an employer has failed to pay contributions or has not arranged appropriate security as required by the administering authority.

E5.2 Employer requests

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

The administering authority will require additional information to support a contribution review made at the employer's request. The specific requirements will be confirmed following any request and this is likely to include the following:

- a copy of the latest accounts;
- details of any additional security being offered (which may include insurance certificates);
- budget forecasts; and/or
- information relating to sources of funding.

The costs incurred by the administering authority in carrying out a contribution review (at the employer's request) will be met by the employer. These will be confirmed upfront to the employer prior to the review taking place.

E5.3 Other employers

When undertaking any review of contributions, the administering authority will also consider the impact of a change to contribution rates on other fund employers. This will include the following factors:

- The existence of a guarantor.
- The amount of any other security held.
- The size of the employer's liabilities relative to the whole fund.

The administering authority will consult with other fund employers as necessary.

E5.4 Effect of market volatility

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

E5.5 Documentation

Where revisions to contribution rates are necessary, the fund will provide the employer with a note of the information used to determine these, including:

- Explanation of the key factors leading to the need for a review of the contribution rates, including, if appropriate, the updated funding position.
- A note of the new contribution rates and effective date of these.
- Date of next review.
- Details of any processes in place to monitor any change in the employer's circumstances (if appropriate), including information required by the administering authority to carry out this monitoring.

The Rates & Adjustments certificate will be updated to reflect the revised contribution rates.

E6 Related Policies

The fund's approach to setting employer contribution rates is set out in the Funding Strategy Statement, specifically "Section 2 – How does the fund calculate employer contributions?".

Appendix F – Policy on prepayment of contributions

Effective date of policy	TBC
Date approved	TBC
Version	1.0
Next review	No later than 31 March 2026

Introduction

The purpose of this policy is to set out the administering authority's approach to the prepayment of regular contributions due by participating employers.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

F1 Aims and objectives

The administering authority's aims and objectives related to this policy are as follows:

- To provide employers with clarity around the circumstances where prepayment of contributions will be permitted.
- To outline the key principles followed when calculating prepayment amounts.
- To outline the approach taken to assess the suitability of a prepayment as sufficient to meet the required contributions.

F2 Background

In recent years, some LGPS employers have requested to pre-pay regular contributions that were otherwise due to be paid to the fund in future. Employer contributions include the 'Primary Rate' – which is expressed as a percentage of payroll and reflects the employer's share of the cost of future service benefits, and the 'Secondary Rate' – which can be expressed as a percentage of payroll or a monetary amount and is an additional contribution designed to ensure that the total contributions payable by the Employer meet the funding objective.

On 22 March 2022, following a request from the LGPS Scheme Advisory Board, James Goudie QC provided an Opinion on the legal status of prepayments. This Opinion found that the prepayment of employee and employer contributions was not illegal, subject to the basis for determining the prepayment amount being reasonable, proportionate and prudent. Further, the Opinion set out specific requirements around the presentation of prepayments.

F3 Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013 (as amended) set out the way in which LGPS funds should determine employer contributions and contain relevant provisions regarding the payment of these, including the following:

- Regulation 67 – sets out the requirement for employers to pay contributions in line with the Rates and Adjustments (R&A) certificate and specifies that primary contributions be expressed as a percentage of pensionable pay of active members.
- Regulation 62 - sets the requirement for an administering authority to prepare an R&A certificate.
- Regulation 9 – outlines the contribution rates payable by active members

F4 Statement of principles

This statement of principles covers the prepayment of regular employer contributions to the fund. Each case will be treated on its own merits, but in general:

- The administering authority will permit the prepayment of employer contributions.
- Prepaying contributions expressed as a percentage of pay introduces the risk that the prepayment amount will be insufficient to meet the scheduled contribution (as a result of differences between expected and actual payroll). Prepaying contributions is therefore only permissible in the case of secure, long-term employers (e.g. local authorities).
- The prepayment of employee contributions is not permitted.
- A discount will be applied where employer contributions are prepaid, to reflect the investment return that is assumed to be generated by the fund over the period of prepayment. The rate of discount rate will be confirmed by the fund actuary.
- The fund actuary will determine the prepayment amount, which may require assumptions to be made about payroll over the period which the scheduled contribution is due.
- Where contributions expressed as a percentage of pay have been prepaid, the administering authority will carry out an annual check (and additional contributions may be required by the employer) to make sure that the actual amounts paid are sufficient to meet the contribution requirements set out in the R&A certificate.
- Prepayment agreements will be documented by way of correspondence between the administering authority and the employer.
- The R&A certificate will be updated on an annual basis to reflect any prepayment agreements in place.
- Employers are responsible for ensuring that any prepayment agreement is treated appropriately when accounting for pensions costs.
- Prepayment agreements can cover any annual period of the R&A (or a consecutive number of annual periods).

F5 Policy

F5.1 Eligibility and periods covered

The fund is happy to consider requests from any employers to pre-pay certified primary and secondary contributions. However, in general, the prepayment of contributions is only appropriate for large, secure employers with stable active memberships. Employer contributions over the period of the existing R&A certificate (and, where a draft R&A certificate is being prepared following the triennial valuation, the draft R&A certificate) may be pre-paid by employers.

Prepayment of contributions due after the end of the existing (or draft) R&A certificate is not permitted, i.e. it would not be possible to prepay employer contributions due in the 2026/27 year until the results of the 2025 valuation are known and a draft R&A certificate covering the 2026 to 2029 period has been prepared.

F5.2 Request and timing

Prior to making any prepayment, employers are required to inform the fund in writing of their wish to prepay employer contributions and to request details of the amount required by the fund to meet the scheduled future contribution.

This request should be received by the fund no later than 2 months of the start of the period for which the prepayment is in respect of.

The fund will then provide the employer with a note of the prepayment amount and the date by which this should be paid. In general, the prepayment should be made prior to the beginning of the appropriate R&A period.

Failure to pay the prepayment amount by the specified date may lead to the need for an additional and immediate payment from the employer to ensure that the amount paid is sufficient to meet the certified amount set out in the R&A certificate.

F5.3 Calculation

The fund actuary will determine the prepayment amount required.

Where the prepayment is in respect of contributions expressed as a percentage of pay:

- The fund actuary will determine the discounted value of scheduled contributions based on an estimate of payroll over the period (using the information available and assumptions set at the previous valuation) and the discount rate set for the purpose of the previous actuarial valuation (as specified in the previous actuarial valuation report).
- A sufficiency check will be required at the end of the period (see section F5.4)

Where the prepayment is in respect of contributions expressed as a monetary amount:

- The fund actuary will determine the discounted value of scheduled contributions based on the discount rate set for the purpose of the previous actuarial valuation (as specified in the previous actuarial valuation report).
- No sufficiency check will be required

Employers may pay more than the prepayment amount determined by the fund actuary.

No allowance for expected outsourcing of services and/or expected academy conversions will be made in the fund actuary's estimation of payroll for the prepayment period.

F5.4 Sufficiency check

Where contributions expressed as a percentage of pay are being prepaid, the fund actuary will carry out an **annual** assessment to check that sufficient contributions have been paid in respect of that period. Specifically, this will review the prepayment calculation based on actual payroll of the employer's active members over the period and this may lead to a top-up payment being required from the employer.

If this sufficiency check reveals that the prepayment amount was higher than that which would have been required based on actual payroll (i.e. if actual payroll over the period is less than was assumed), this will not lead to a refund of contributions to the employer. It may however be used to offset against any future top-up payments required. This will be at the discretion of the administering authority.

The sufficiency check will not compare the assumed investment return (i.e. the discount rate) with actual returns generated over the period. i.e. the check considers payroll only. Any shortfall arising due to actual investment returns being lower than that assumed will form part of the regular contribution assessment at the next valuation (as per the normal course of events).

The administering authority will notify the employer of any top-up amount payable following this annual sufficiency check and the date by which any top-up payment should be made.

F5.5 Documentation and auditor approval

The fund will provide the employer with a note of the information used to determine the prepayment amount, including:

- Discount rate used in the calculations
- The estimate of payroll (where applicable)
- The effective date of the calculation (and the date by which payment should be made)
- The scheduled regular payments which the prepayment amount covers.

The prepayment agreement will be reflected in the R&A certificate as follows:

- The unadjusted employer regular contribution rate payable over the period of the certificate
- As a note to the contribution rate table, information relating to the prepayment amount and the discount applied, for each employer where a prepayment agreement exists.

The R&A certificate will be updated on an annual basis to reflect any prepayment agreements in place.

Employers should discuss the prepayment agreement with their auditor prior to making payment and agree the accounting treatment of this. The fund will not accept any responsibility for the accounting implications of any prepayment agreement.

F5.6 Costs

Employers entering into a prepayment agreement may be required to meet the cost of administering such an arrangement, which includes (but is not limited to) the actuarial fees incurred by the administering authority.

F5.7 Risks

Employers enter into prepayment agreements on the expectation that the fund will be able to generate higher returns than they can over the prepayment period. Employers should be aware that future returns are not guaranteed, and it is possible that the returns generated on prepayment amounts may generate a lower return than that which can be generated by the employer. It is also possible that negative returns will lead to the value of any prepayment being less than that which was scheduled to be paid. In such circumstances, a top-up payment would not be required (as the sufficiency check only considers the effect of actual payroll being different to that assumed in the prepayment calculation), however the employer's asset share would be lower than it would have been if contributions were paid as scheduled. This would be considered by the fund actuary at the next triennial valuation (as per the normal course of events).

F6 Related Policies

The fund's approach to setting regular employer contribution rates is set out in the Funding Strategy Statement, specifically "Section 2 – How does the fund calculate employer contributions?".

Appendix G – Policy on academy funding

Effective date of policy	TBC
Date approved	TBC
Version	1.0
Next review	No later than 31 March 2026

Introduction

The purpose of this policy is to set out the administering authority's funding principles relating to academies and Multi-Academy Trusts (MATs).

G1 Aims and Objectives

The administering authority's objectives related to this policy are as follows:

- to state the approach for the treatment and valuation of academy liabilities and asset shares on conversion from a local maintained school, if establishing as a new academy or when joining or leaving a MAT
- to state the approach for setting contribution rates for MATs
- to outline the responsibilities of academies seeking to consolidate
- to outline the responsibilities of academies when outsourcing

G2 Background

As described in Section 5.2 of the Funding Strategy Statement (FSS), new academies join the fund on conversion from a local authority school or on creation (eg newly established academies, Free Schools, etc). Upon joining the fund, for funding purposes, academies may become stand-alone employers or may join an existing MAT.

Funding policy relating to academies and MATs is largely at the fund's discretion, however guidance on how the fund will apply this discretion is set out within this policy.

G3 Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013 (as amended) contains general guidance on Scheme employers' participation within the fund which may be relevant but is not specific to academies.

There is currently a written ministerial guarantee of academy LGPS liabilities, which was reviewed in 2022.

Academy guidance from the Department for Education and the Department for Levelling Up, Housing and Communities may also be relevant.

G4 Statement of Principles

This Statement of Principles covers the fund's approach to funding academies and MATs. Each case will be treated on its own merits but in general:

- the fund will seek to apply a consistent approach to funding academies that achieves fairness to the ceding council, MATs and individual academies.
- Where the academy is part of a MAT that participates in the fund, the academy's assets and liabilities will be calculated individually but will, for the purposes of setting contribution rates, be combined with those of the other academies in the MAT.

- academies must consult with the fund prior to carrying out any outsourcing activity.
- the fund will generally not consider receiving additional academies into the fund as part of a consolidation exercise.

G5 Policies

G5.1 Admission to the fund

As set out in section 5.2 of the FSS:

Asset allocation on conversion

New academies will be allocated an asset share based on the estimated funding level of the ceding council's active members, having first allocated the council's assets to fully fund its deferred and pensioner members. This funding level will then be applied to the transferring liabilities to calculate the academy's initial asset share, capped at a maximum of 100%.

Contribution rate

The contribution rate payable by the new academy will depend on whether the academy is part of a multi-academy trust (MAT) that already participates in the fund.

Academy status	Contribution rate payable
Single academy trust	• Based on academy's membership and funding strategy set out in section 2 of the FSS OR • Rate equal to the average academy rate for the fund (details below)
Part of an existing MAT	As per the MAT's certified rate (subject to any necessary adjustment – see G5.2 below)

The average academy rate for the fund is

- 2023/24: TBC% of pay
- 2024/25: TBC% of pay
- 2025/26: TBC% of pay

G5.2 Multi-academy trusts

Asset tracking

The Fund's current policy is to individually track the asset shares of each academy within the fund. Where a MAT exists, the individual asset shares may be pooled together to provide a pooled funding level or for setting a pooled contribution rate.

Contribution rate

Typically, the fund will calculate a contribution for the MAT pool (which is effectively an average rate of all the underlying individual academies in the MAT). This pooled rate will then be paid by all academies within the MAT.

If an academy is joining an existing pooled MAT (within the fund), in general, the transferring academy will pay the certified contribution rate of the MAT it is joining. At the discretion of the fund, a new contribution rate may be calculated by the fund actuary to allow for impact of the transferring academy joining the MAT.

Academies leaving a MAT

As set out in section 5.2 of the FSS, if an academy leaves one MAT and joins another, all active, deferred and pensioner members transfer to the new MAT. The asset share of that academy (as tracked individually) will be transferred to the new MAT in full, noting that this may be more (or less) than 100% of the transferring liabilities.

G5.3 Merging of MATs (contribution rates)

If two MATs merge during the period between formal valuations, the new merged MAT will usually pay the higher of the two certified individual MAT rates until the rates are reassessed at the next formal valuation.

Alternatively, as set out in the fund's contribution review policy in Appendix E and as per Regulation 64 A (1)(b)(iii) the MAT may request that a contribution review is carried out. The MAT would be liable for the costs of this review.

G5.4 Cessations of academies and multi-academy trusts

A cessation event will occur if a current academy or MAT ceases to exist as an entity or an employer in the fund.

The cessation treatment will depend on the circumstances:

- If the cessation event occurs due to an academy or MAT merging with another academy or MAT within the fund, all assets and liabilities from each of the merging entities will be combined and will become the responsibility of the new merged entity. No cessation assessment or payment will be required.
- If the MAT is split into more than one new or existing employers within the fund, the actuary will calculate a split of the assets and liabilities to be transferred from the exiting employer to the new employers as described in G5.2 above.
- In all other circumstances a cessation valuation will occur as set out in section 7 of the FSS and, following payment of any cessation debt or settlement of any exit credit, section 7.5 of the FSS would then apply going forward.

G5.5 Academy consolidations

If an academy or MAT is seeking to merge with another MAT outside of the fund they would need to seek approval from the secretary of state to consolidate their liabilities (and assets) into one LGPS fund.

Where a direction has been granted the fund does not generally accept academy consolidations into the fund. The fund will provide the necessary administrative assistance to academies seeking to consolidate into another LGPS fund, however the academy (or MAT) will be fully liable for all actuarial, professional and administrative costs.

G5.6 Outsourcing

An academy (or MAT) may outsource or transfer a part of its services and workforce via an admission agreement to another organisation (usually a contractor). The contractor becomes a new participating fund employer for the duration of the contract and transferring employees remain eligible for LGPS membership.

The contractor will pay towards the LGPS benefits accrued by the transferring members for the duration of the contract, but ultimately the obligation to pay for these benefits will revert to the academy (or MAT) at the end of the contract.

It is critical for any academy (or MAT) considering any outsourcing to contact the fund initially to fully understand the administrative and funding implications. The academy should also read and fully understand the fund's admissions and pass-through policy.

In some cases, it is necessary to seek approval from Department for Education before completing an outsourcing (including seeking confirmation that the guarantee provided to academies will remain in place for the transferring members).

Where a local authority school outsources to another organisation and subsequently converts to an academy (or joins a MAT), any outsourced contracts at the point of conversion will be treated by the fund as having been let by the academy. The obligation to pay for transferring members benefits will revert to the academy (or MAT) at the end of the contract.

G5.7 Accounting

Academies (or MATs) may choose to prepare combined FRS102 disclosures (eg for all academies within a MAT). Any pooling arrangements for accounting purposes may be independent of the funding arrangements (eg academies may be pooled for contribution or funding risks but prepare individual disclosures, or vice versa).

G6 Related Policies

The fund's approach to admitting new academies into the fund is set out in the Funding Strategy Statement, specifically "Section 5 – What happens when an employer joins the fund?". Other policies that apply are the:

- Contribution review policy (Appendix E)
- Bulk transfer policy (Appendix I)
- Cessation policy (Appendix J)

Appendix H – Policy on pass-through

Effective date of policy	TBC
Date approved	TBC
Version	1.0
Next review	No later than 31 March 2026

Introduction

The purpose of this policy is to set out the administering authority's approach to admitting new contractors into the fund on a pass-through basis. In addition, and subject to review on a case-by-case basis, the fund may be willing to apply its passthrough principles to other admission bodies where liabilities are covered by a guarantor within the fund.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

H1 Aims and objectives

The administering authority's aims and objectives related to this policy are as follows:

- To set out the fund's approach to admitting new contractors / admission bodies, including the calculation of contribution rates and how risks are shared under the pass-through arrangement.
- To outline the process for admitting new contractors / admission bodies into the fund.

H2 Background

Employees outsourced from local authorities, police authorities or from academy schools (regulated by the Department for Education) must be offered pension benefits that are the same, better than, or count as being broadly comparable to, the Local Government Pension Scheme (as per the Best Value Authorities Staff Transfer (Pensions) Direction 2007). This is typically achieved by employees remaining in the LGPS and the new employer becoming an admitted body to the fund and making the requisite employer contributions.

Pass-through is an arrangement whereby the letting authority (the local authority or the academy school) retains the main risks of fluctuations in the employer contribution rate during the life of the contract, and the risk that the employer's assets may be insufficient to meet the employees' pension benefits at the end of the contract.

H3 Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013 (as amended) set out the way in which LGPS funds should determine employer contributions and contain relevant provisions regarding the payment of these, including the following:

- Schedule 2 Part 3 sets out the entities eligible to join the fund as an admitted body, their key responsibilities as an admitted body and the requirements of the admission agreement.
- Regulation 67 – sets out the requirement for employers to pay contributions in line with the Rates and Adjustments (R&A) certificate and provides a definition of the primary rate.
- Regulation 64 - covers the requirements for a cessation valuation following the exit of a participating employer from the fund.

H4 Statement of principles

This statement of principles covers the admission of new contractors to the fund on a pass-through basis. Each case will be treated on its own merits, but in general:

- Pass-through is the default approach for the admission of all new contractors to the fund from the effective date of this policy. For the avoidance of doubt, this would apply to contracts established by councils, police authorities, and academy schools ("the letting authority").
- The contractor's pension contribution rate is set equal to the primary contribution rate payable by the letting authority. This will change from time to time in line with changes to the letting authority's primary contribution rate (i.e. following future actuarial valuations).
- The letting authority retains responsibility for variations in funding level, for instance due to investment performance, changes in market conditions, longevity, and salary experience under its pass-through arrangement, irrespective of the size of the outsourcing.
- The contractor will meet the cost of additional liabilities arising from (non-ill health) early retirements and augmentations.
- Ill health experience will be pooled with the letting authority and no additional strain payments will be levied on the contractor in respect of ill health retirements.
- The contractor will not be required to obtain an indemnity bond.
- There will be no notional transfer of assets to the contractor within the Fund. This means that all assets and liabilities relating to the contractor's staff will remain the responsibility of the letting authority during the period of participation.
- At the end of the contract (or when there are no longer any active members participating in the fund, for whatever reason), the admission agreement will cease and no further payment will be required from the contractor (or the letting authority) to the fund, save for any outstanding regular contributions and/or invoices relating to the cost of early retirement strains and/or augmentations. Likewise, no "exit credit" payment will be required from the fund to the contractor (or letting authority).
- The terms of the pass-through agreement will be documented by way of the admission agreement between the administering authority, the letting authority, and the contractor.
- All existing admission agreements are unaffected by this policy.

The principles outlined above are the default principles which will apply; however, the letting authority may request the specific details of a particular agreement to differ from the principles outlined above. The administering authority is not obliged to agree to a departure from the principles set out in this policy but will consider such requests and engage with the letting authority to reach agreement.

H5 Policy and process

H5.1 Compliance

Adherence to this policy is the responsibility of the relevant responsible service manager for any given outsourcing.

The administering authority must always be notified that an outsourcing has taken place, regardless of the number of members involved.

H5.2 Contribution rates

The contribution rate payable by the contractor over the period of participation will be set equal to the primary rate payable by the letting authority from time to time. This means that the contractor's contribution rate will change once every three years, following the triennial actuarial valuation, but not between those times. Even then, this would always be in line with changes in the letting authority future service primary rate, and not affected by the (generally more volatile) changes in past service funding level.

H5.3 Risk sharing and cessation valuation

The letting authority will retain the risk of the contractor becoming insolvent during the period of admission and so no indemnity bond will be required from contractors participating in the Fund on a pass-through basis. The letting authority is effectively guaranteeing the contractor's participation in the fund.

A cessation valuation is required when a contractor no longer has any active members in the fund. This could be due to a contract coming to its natural end, insolvency of a contractor or the last active member leaving employment or opting out of the LGPS.

Where a pass-through arrangement is in place, the fund assets and liabilities associated with outsourced employees are retained by the letting authority. At the end of the admission, the cessation valuation will therefore record nil assets and liabilities for the ceasing employer and that no cessation debt or exit credit is payable to or from the fund.

The contractor will be required to pay any outstanding regular contributions and/or unpaid invoices relating to the cost of (non-ill health) early retirement strains and/or augmentations at the end of the contract.

However, in some circumstances, the winning bidder will be liable for additional pension costs that arise due to items over which it exerts control. The risk allocation is agreed between the letting authority and the contractor, and typically is as follows:

Risks	**Letting authority**	**Contractor/ Admitted body**
Surplus/deficit prior to the transfer date	✓	
Interest on surplus/deficit	✓	
Investment performance of assets held by the Fund	✓	
Changes to the discount rate that affect past service liabilities	✓	
Changes to the discount rate that affect future service accrual *		✓
Change in longevity assumptions that affect past service liabilities	✓	
Changes to longevity that affect future accrual *		✓
Price inflation affects past service liabilities	✓	
Price inflation / pension increases that affect future accrual *		✓
Exchange of pension for tax free cash	✓	
Ill health retirement experience	✓	
Strain costs attributable to granting early retirements (not due to ill health (e.g. redundancy, efficiency, waiving actuarial reductions on voluntary early retirements)		✓
Greater/lesser level of withdrawals	✓	
Rise in average age of contractor's employee membership	✓	
Changes to LGPS benefit package *		✓
Excess liabilities attributable to the contractor granting pay rises that exceed those assumed in the last formal actuarial valuation of the Fund	✓	
Award of additional pension or augmentation		✓

** These elements would be picked up at the next triennial valuation, if the contractor is still active in the fund at that time, and would feed through into the letting authority's primary contribution rate and hence the contractor's contribution rate.*

H5.4 Accounting valuations

Accounting for pensions costs is a responsibility for individual employers.

It is the administering authority's understanding that contractors may be able to account for such pass-through admissions on a defined contribution basis and therefore no formal FRS102 / IAS19 report may be required (contractors are effectively paying a fixed rate and are largely indemnified from the risks inherent in providing defined benefit pensions).

As the letting authority retains most of the pension fund risk relating to contractors, it is the administering authority's understanding that these liabilities (and assets) should be included in the letting authority's FRS102 / IAS19 disclosures.

The administering authority expect employers to seek approval to the treatment of pension costs from their auditor.

H5.5 Application

Letting authorities may request terms which differ from those set out in this policy and any such request will be considered by the administering authority (but is under no obligation to accept the request).

All existing admission agreements (i.e. which commenced prior to the effective date of this policy) are unaffected by this policy.

H5.6 Process

The procurement department at each letting authority that has responsibility for staff/service outsourcing should be aware of this policy. The process detailed below must be adhered to by the letting authority and (where applicable) the winning bidder.

- **Tender Notification** - The letting authority must publicise this pass-through policy as part of its tender process to bidders. This should confirm that the winning bidder will not be responsible for ensuring that the liabilities of outsourced employees are fully funded at the end of the contract, and that the winning bidder will only be responsible for paying contributions to the fund during the period of participation and meeting the cost of (non-ill health) early retirement strains and the cost of benefit augmentations (assuming the terms of this policy are adhered to). It should also advise the employer contribution rate as detailed in section H5.2.

- **Initial notification to Pension Team** – The letting authority must contact the administering authority when a tender (or re-tender) of an outsourcing contract is taking place and staff (or former staff) are impacted. The administering authority must be advised prior to the start of the tender and the letting authority must also confirm that the terms of this policy have been adhered to.

- **Confirmation of winning bidder** – The letting authority must immediately advise the administering authority of the winning bidder.

- **Request for winning bidder to become an admitted body** – The winning bidder (in combination with the letting authority), should request to the administering authority that it wishes to become an admitted body within the Fund.

- **Template admission agreement** – a template pass-through admission agreement will be used for admissions under this policy. It will set out all agreed points relating to employer contribution rate, employer funding responsibilities, and exit conditions. Only in exceptional circumstances, and only with the prior agreement of the Administering authority, will the wording within the template agreement be changed. All admission agreements must be reviewed (including any changes) by the administering authority and - its legal advisors.

- **Signed admission agreement** - Signing of the admission agreement can then take place between an appropriate representative of the winning bidder, the lead finance officer of the letting authority, and the administering authority. It is at this point the fund can start to receive contributions from the contractor and its employee members (backdated if necessary).

- **Admitted body status** – The letting authority will advise the contractor of its requirements and responsibilities within the Fund.

H5.7 Costs

The letting authority will be required to meet the costs associated with administering the implementation of a pass-through admission agreement, which includes (but is not limited to) the actuarial fees incurred by the administering authority.

H6 Related Policies

The fund's approach to setting regular employer contribution rates is set out in the Funding Strategy Statement, specifically "Section 2 – How does the fund calculate employer contributions?".

The treatment of new employers joining the fund is set out in the in the Funding Strategy Statement, specifically "Section 5 – What happens when an employer joins the fund?"

The treatment of employers exiting the fund is set out in the in the Funding Strategy Statement, specifically "Section 7 – What happens when an employer leaves the fund?"

Other policies that apply are the:

- Cessation policy (Appendix J)

Appendix I – Policy on bulk transfers

Effective date of policy	TBC
Date approved	TBC
Version	1.0
Next review	No later than 31 March 2026

Introduction

The purpose of this policy is to set out the administering authority's approach to dealing with the bulk transfer of scheme member pension rights into and out of the fund in prescribed circumstances.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

I1 Aims and Objectives

The administering authority's aims and objectives related to this policy are as follows:

- Bulk transfers out of the fund do not allow a deficit to remain behind unless a scheme employer is committed to repaying? this; and
- Bulk transfers received by the fund must be sufficient to pay for the added benefits being awarded to the members, again with the scheme employer making good any shortfall where necessary.

Bulk transfer requests will be considered on a case-by-case basis.

I2 Background

Bulk transfers into and out of the fund can occur for a variety of reasons, such as:

- where an outsourcing arrangement is entered into and active fund members join another LGPS fund, or leave the LGPS to join a broadly comparable scheme;
- where an outsourcing arrangement ceases and active scheme members re-join the Fund from another LGPS fund or a broadly comparable scheme;
- where there is a reorganisation of central government operations (transfers in from, or out to, other government sponsored schemes);
- where there is a reorganisation or consolidation of local operations (brought about by, for example, local government shared services, college mergers or multi-academy trust consolidations); or
- a national restructuring resulting in the admission of an employer whose employees have LGPS service in another LGPS fund, or vice versa.

Unlike bulk transfers out of the LGPS, there is no specific provision to allow for bulk transfers into the LGPS. As a result, any transfer value received into the LGPS, whether on the voluntary movement of an individual or the compulsory transfer of a number of employees, must be treated the same way as individual transfers.

I3 Guidance and regulatory framework

I3.1 Local Government Pension Scheme Regulations

When considering any circumstances involving bulk transfer provisions, the administering authority will always ensure adherence to any overriding requirements set out in the Local Government Pension Scheme Regulations 2013 (as amended), including:

- Regulation 98 – applies on transfer out to non-LGPS schemes. It allows for the payment of a bulk transfer value where at least two active members of the LGPS cease scheme membership and join another approved pension arrangement.
- Regulation 99 - gives the LGPS actuary discretion as to the choice of method of calculation used to calculate the bulk transfer value.
- Regulation 100 – allows an individual who holds relevant pension rights under a previous employer to request to be admitted for past service into the LGPS. Members wishing to transfer in accrued rights from a Club scheme (that is schemes with benefits broadly similar to those of the LGPS), who request to do so within 12 months of joining their new LGPS employment, must be granted their request. For members with "non-Club" accrued rights the LGPS fund does not have to grant the request. Any request must be received in writing from the individual within 12 months of active employment commencing or longer at the discretion of the employer and the administering authority.
- Regulation 103 - states that any transfer between one LGPS fund and another LGPS fund (in England and Wales) where 10 or more members elect to transfer will trigger bulk transfer negotiations between Fund actuaries.

I3.2 Best Value authorities

The Best Value Authorities Staff Transfers (Pensions) Direction 2007, which came into force on 1 October 2007, applies to all "Best Value Authorities" in England. Best Value Authorities include all county, district and borough councils in England, together with police and fire and rescue authorities, National Park Authorities and waste disposal authorities. The Direction:

- requires the contractor to secure pension protection for each transferring employee through the provision of pension rights that are the same as or are broadly comparable to or better than those they had as an employee of the authority, and
- provides that the provision of pension protection is enforceable by the employee.

The Direction also requires similar pension protection in relation to those former employees of an authority, who were transferred under TUPE to a contractor, in respect of any re-tendering of a contract for the provision of services (i.e. second and subsequent rounds of outsourcing).

I3.3 Academies and multi-academy trusts

New Fair Deal guidance, introduced in October 2013, applies to academies and multi-academy trusts. It requires that, where they outsource services, they ensure pension protection for non-teaching staff transferred is achieved via continued access to the LGPS. As a result the fund would not expect to have any bulk transfers out of the LGPS in respect of outsourcings from academies or multi-academy trusts.

I3.4 Other employers

For all scheme employers that do not fall under the definition of a Best Value Authority or are not an academy (i.e. town and parish councils, arms-length organisations, further and higher education establishments, charities and other admitted bodies), and who are not subject to the requirements of the Best Value Direction or new Fair Deal guidance, there is no explicit requirement to provide pension protection on the outsourcing or insourcing of services. However, any successful contractor is free to seek admission body status in the fund, subject to complying with the administering authority's requirements (e.g. having a bond or guarantor in place).

The old Fair Deal guidance may still apply to a specific staff transfer if permitted by the new Fair Deal guidance or if outside the coverage of the new Fair Deal guidance. (If the individual remains in their original scheme then their past service rights are automatically protected). In the absence of a bulk transfer agreement the administering authority would not expect to pay out more than individual Cash Equivalent Transfer Value (CETV) amounts, in accordance with appropriate Government Actuary's Department (GAD) guidance.

I4 Statement of principles

This statement of principles covers bulk transfer payments into and out of the fund. Each case will be treated on its own merits alongside appropriate actuarial advice, but in general:

- Where a group of active scheme members joins (or leaves) the fund, the administering authority's objective is to ensure that sufficient assets are received (or paid out) to meet the cost of providing those benefits.
- Ordinarily the administering authority's default approach for bulk transfers out (or in) will be to propose (or accept) that the transfer value is calculated using ongoing assumptions based on the employer's share of fund assets (capped at 100% of the value of the liabilities). The fund will retain the discretion to amend the bulk transfer basis to reflect the specific circumstances of each transfer – including (but not restricted to):
    - the use of cessation assumptions where unsecured liabilities are being left behind;
    - where a subset of an employer's membership is transferring (in or out), the fund may consider an approach of calculating the bulk transfer payment as the sum of CETVs for the members concerned; or
    - where transfer terms are subject to commercial factors.
- Where an entire employer is transferring in or out of the fund the bulk transfer should equal the asset share of the employer in the transferring fund regardless of whether this is greater or lesser than the value of past service liabilities for members.
- There may be situations where the fund accepts a transfer in amount which is less than required to fully fund the transferred in benefits on the fund's ongoing basis (e.g. where the employer has suitable strength of covenant and commits to meeting that shortfall over an appropriate period). In such cases the administering authority reserves the right to require the receiving employer to fund this shortfall (either by lump sum or by increases in ongoing employer contributions) ahead of the next formal valuation.
- Any shortfall between the bulk transfer payable by the fund and that which the receiving scheme is prepared to accept must be dealt with outside of the fund, for example by a top up from the employer to the receiving scheme or through higher ongoing contributions to that scheme.
- Service credits granted to transferring scheme members should fully reflect the value of the benefits being transferred, irrespective of the size of the transfer value paid or received.

I5 Policy

The following summarises the various scenarios for bulk transfers in or out of the fund, together with the Administering Authority's associated policies.

I5.1 Inter-fund transfer (transfer between the fund and another LGPS fund)

Scenario	Bulk transfer mechanism	Policy	Methodology
In	< 10 members – GAD guidance	CETVs in accordance with GAD guidance.	On receipt of a transfer value (calculated in line with the CETV transfer out formulae), the Fund will award the member a pension credit on a day-for-day basis.
	10 or more members – Regulation 103 of the Local Government Pension Scheme Regulations 2013	Where agreement can be reached, the Fund and the transferring fund (and their two actuaries) may agree to a negotiated bulk transfer arrangement. However, where agreement cannot be reached: **Actives only transferring:** CETVs in accordance with GAD guidance using transferring fund's actual fund returns for roll up to date of payment (rather than the interest applied for standard CETV's). **All members transferring (i.e. all actives, deferred and pensioners):** Receive all assets attributable to the membership within the transferring scheme.	The Fund's default policy is to accept a transfer value that is at least equal to the total of the individual CETVs calculated using the Club transfer-out formulae. The Fund will consult with the scheme employer whose funding position will be impacted by the transfer before agreeing to a negotiated bulk transfer arrangement. Pension credits will be awarded to the transferring members on a day-for-day basis.
Out	< 10 members – GAD guidance	CETVs in accordance with GAD guidance.	The transfer value paid to the receiving fund will be calculated in line with the CETV transfer-out formulae.
	10 or more members – Regulation 103 of the Local Government Pension Scheme Regulations 2013	Where agreement can be reached, the Fund and the receiving fund (and their two actuaries) may agree to a negotiated bulk transfer arrangement. However, where agreement cannot be reached: **Actives only transferring (i.e. remaining members left behind):** CETV in accordance with GAD guidance using the Fund's actual returns for roll-up to date of payment (rather than the interest applied for standard CETV's). **All actives transferring (i.e. deferred and pensioner members left behind):** Assets will be retained by the Fund to cover the liabilities of the deferred and pensioner members calculated using the Fund's low-risk exit assumptions. The residual assets will then be transferred to the receiving scheme.	The Fund's default policy is to offer the receiving scheme transfers out calculated using ongoing assumptions based on the ceding employer's share of fund assets (capped at 100% of the liability value). The Fund will consult with the scheme employer whose funding position will be impacted by the transfer before agreeing to a negotiated bulk transfer arrangement. Discretion exists to amend this to reflect specific circumstances of the situation.

		All members transferring (i.e. all actives, deferred and pensioners): Transfer all assets attributable to the membership to the receiving scheme.	

I5.2 Club Scheme

Scenario	Bulk transfer mechanism	Policy	Methodology
In	Club Memorandum	The Club mechanism ensures the pension credit in the Fund provides actuarially equivalent benefits.	The pension credit awarded to members transferring in will be calculated in line with the Club transfer-in formulae.
Out	Regulation 98 of the Local Government Pension Scheme Regulations 2013 or Club Memorandum	Where agreement can be reached, the Fund and the receiving scheme (and their two actuaries) may agree to a negotiated bulk transfer arrangement. Or Where agreement cannot be reached, revert to the Club transfer out formulae in accordance with GAD guidance.	The Fund's default policy is to offer the receiving scheme transfers out calculated using ongoing assumptions based on the ceding employer's share of fund assets (capped at 100% of the liability value). Discretion exists to amend this to reflect specific circumstances of the situation.

I5.3 Broadly Comparable Scheme or non-Club scheme

Scenario	Bulk transfer mechanism	Policy	Methodology
In	GAD guidance	Non-Club transfer in formulae in accordance with GAD guidance	The pension credit awarded to members transferring in will be calculated in line with the non-Club transfer in formulae.
Out	1 member only – GAD guidance	CETV in accordance with GAD guidance	The transfer value paid to the receiving scheme will be calculated in line with the CETV transfer-out formulae.
	2 or more members – Regulation 98 of the Local Government Pension Scheme Regulations 2013	Where agreement can be reached, the fund and the receiving scheme (and their two actuaries) may agree to a negotiated bulk transfer arrangement. Or Where agreement cannot be reached, revert to cash equivalent transfer values under GAD guidance	The Fund's default policy is to offer the receiving scheme transfers out calculated using ongoing assumptions based on the ceding employer's share of fund assets (capped at 100% of the liability value). Discretion exists to amend this to reflect specific circumstances of the situation.

I6 Practicalities and process

I6.1 Format of transfer payment

Ordinarily payment will be in cash.

A deduction from the bulk transfer will be made for any administration, legal and transaction costs incurred by the fund as a result of having to disinvest any assets to meet the form of payment that suits the receiving scheme.

I6.2 Impact on transferring employer

Any transfer out or in of pension rights may have an effect on the valuation position of the employer and consequently their individual contribution rate.

The fund will agree with the transferring employer how this change is dealt with. Though it is likely this will be through adjustments to its employer contribution rate, the fund may require a lump sum payment or instalments of lump sums to cover any relative deterioration in funding, for example where the deterioration in funding is a large proportion of its total notional assets and liabilities. Where the transfer is small relative to the employer's share of the fund, any adjustment may be deferred to the next valuation.

I6.3 Consent

Where required within the Regulations, for any bulk transfer the administering authority will ensure the necessary consent is obtained from each individual eligible to be part of the transfer.

I6.4 Approval process

The fund will normally agree to bulk transfers into or out of the fund where this policy is adhered to.

I6.5 Non-negotiable

It should be noted that, as far as possible, the fund's preferred terms on bulk transfers are non-negotiable. Any differences between the value the fund is prepared to pay (or receive) and that which the other scheme involved is prepared to accept (or pay) should be dealt with by the employers concerned outside the Fund.

I6.6 Costs

Actuarial and other professional costs will be recharged in full to the employer.

I7 Related Policies

None

Appendix J – Policy on cessations

Effective date of policy	TBC
Date approved	TBC
Version	1.0
Next review	No later than 31 March 2026

Introduction

The purpose of this policy is to set out the administering authority's approach to dealing with circumstances where a scheme employer leaves the fund and becomes an exiting employer (a cessation event).

It should be noted that this policy is not exhaustive. Each cessation will be treated on a case-by-case basis, however certain principles will apply as governed by the regulatory framework (see below) and the fund's discretionary policies (as described in section J5).

J1 Aims and Objectives

The administering authority's aims and objectives related to this policy are as follows:

- To confirm the approach for the treatment and valuation of liabilities for employers leaving the fund.
- To provide information about how the fund may apply its discretionary powers when managing employer cessations.
- To outline the responsibilities of (and flexibilities for) exiting employers, the administering authority, the actuary and, where relevant, the original ceding scheme employer (usually a letting authority).

J2 Background

As described in Section 7 of the Funding Strategy Statement (FSS), a scheme employer may become an exiting employer when a cessation event is triggered e.g. when the last active member stops participating in the fund. On cessation from the fund, the administering authority will instruct the fund actuary to carry out a valuation of assets and liabilities for the exiting employer to determine whether a deficit or surplus exists. The fund has full discretion over the repayment terms of any deficit, and the extent to which any surplus results in the payment of an exit credit.

J3 Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013 (as amended) contain relevant provisions regarding employers leaving the fund (Regulation 64) and include the following:

- Regulation 64 (1) – this regulation states that, where an employing authority ceases to be a scheme employer, the administering authority is required to obtain an actuarial valuation of the liabilities of current and former employees as at the termination date. Further, it requires the Rates & Adjustments Certificate to be amended to show the revised contributions due from the exiting employer
- Regulation 64 (2) – where an employing authority ceases to be a scheme employer, the administering authority is required to obtain an actuarial valuation of the liabilities of current and former employees as at the exit date. Further, it requires the Rates & Adjustments Certificate to be amended to show the exit payment due from the exiting employer or the excess of assets over the liabilities in the fund.
- Regulation 64 (2ZAB) – the administering authority must determine the amount of an exit credit, which may be zero, taking into account the factors specified in paragraph (2ZC) and must:

a) Notify its intention to make a determination to-
   (i) The exiting employer and any other body that has provided a guarantee to the Exiting Employer
   (ii) The scheme employer, where the exiting employer is a body that participated in the Scheme as a result of an admission agreement
b) Pay the amount determined to that exiting employer within six months of the exit date, or such longer time as the administering authority and the exiting employer agree.

- Regulation 64 (2ZC) – In exercising its discretion to determine the amount of any exit credit, the administering authority must have regard to the following factors-
  a) The extent to which there is an excess of assets in the fund relating to that employer in paragraph (2)(a)
  b) The proportion of this excess of assets which has arisen because of the value of the employer's contributions
  c) Any representations to the administering authority made by the exiting employer and, where that employer participates in the scheme by virtue of an admission agreement, any body listed in paragraphs (8)(a) to (d)(iii) of Part 3 to Schedule 2 of the Regulations: and
  d) Any other relevant factors

- Regulation 64 (2A) & (2B) – the administering authority, at its discretion, may issue a suspension notice to suspend payment of an exit amount for up to three years, where it reasonably believes the exiting employer is to have one or more active members contributing to the fund within the period specified in the suspension notice.

- Regulation 64 (3) – in instances where it is not possible to obtain additional contributions from the employer leaving the Fund or from the bond/indemnity or guarantor, the contribution rate(s) for the appropriate scheme employer or remaining fund employers may be amended.

- Regulation 64 (4) – where it is believed a scheme employer may cease at some point in the future, the administering authority may obtain a certificate from the fund actuary revising the contributions for that employer, with a view to ensuring that the assets are expected to be broadly equivalent to the exit payment that will be due.

- Regulation 64 (5) – following the payment of an exit payment to the Fund, no further payments are due to the fund from the exiting employer.

- Regulation 64 (7A-7G) – the administering authority may enter into a written deferred debt agreement, allowing the employer to have deferred employer status and to delay crystallisation of debt despite having no active members.

- Regulation 64B (1) – the administering authority may set out a policy on spreading exit payments.

In addition to the 2013 Regulations summarised above, Regulation 25A of the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 ("the Transitional Regulations") give the fund the ability to levy a cessation debt on employers who have ceased participation in the fund (under the previous regulations) but for whom a cessation valuation was not carried out at the time. This policy document describes how the fund expects to deal with any such cases.

This policy also reflects statutory guidance from the Department for Levelling Up, Housing and Communities on preparing and maintaining policies relating to employer exits. Interested parties may want to refer to an accompanying guide that has been produced by the Scheme Advisory Board.

These regulations relate to all employers in the fund.

J4 Statement of Principles

This Statement of Principles covers the fund's approach to exiting employers. Each case will be treated on its own merits but in general:

- it is the fund's policy that the determination of any surplus or deficit on exit should aim to minimise, as far as is practicable, the risk that the remaining, unconnected employers in the Fund have to make contributions in future towards meeting the past service liabilities of current and former employees of employers leaving the fund.
- the fund's preferred approach is to request the full payment of any exit debt (an exit payment), which is calculated by the actuary on the appropriate basis (as per Section 7 of the FSS and Section J5.1 below). This would extinguish any liability to the fund by the exiting employer.
- the fund's key objective is to protect the interests of the fund, which is aligned to protecting the interests of the remaining employers. A secondary objective is to consider the circumstances of the exiting employer in determining arrangements for the recovery of the exit debt.

J5 Policies

On cessation, the administering authority will instruct the fund actuary to carry out a cessation valuation to determine whether there is any deficit or surplus as defined in Section 4.3 of the FSS.

Where there is a deficit, payment of this amount in full would normally be sought from the exiting employer. The fund's normal policy is that this cessation debt is paid in full in a single lump sum within 28 days of the employer being notified.

However, the fund will consider written requests from employers to spread the payment over an agreed period, in the exceptional circumstance where payment of the debt in a single immediate lump sum could be shown by the employer to be materially detrimental to the employer's financial situation (see section J5.2 below).

In circumstances where there is a surplus, the administering authority will determine, at its sole discretion, the amount of exit credit (if any) to be paid to the exiting employer (see section J5.3 below).

J5.1 Approach to cessation calculations

Cessation valuations are carried out on a case-by-case basis at the sole discretion of the fund depending on the exiting employer's circumstances. However, in general the following broad principles and assumptions may apply, as described in Section 7.2 of the FSS and summarised below:

Type of employer	Cessation exit basis	Responsible parties for unpaid or future deficit emerging
Local Authorities, Police	Low risk basis[1]	Shared between other fund employers
Colleges	Low risk basis	Shared between other fund employers

Type of employer	Cessation exit basis	Responsible parties for unpaid or future deficit emerging
Academies[2]	Low risk basis	DfE guarantee may apply, otherwise see below
Admission bodies (TABs)	Ongoing basis / contractor exit basis[3]	Letting authority (where applicable), otherwise shared between other fund employers
Admission bodies (CABs)	Low risk basis	Shared between other fund employers (if no guarantor exists)
Designating employers	Low risk basis[4]	Shared between other fund employers (if no guarantor exists)

[1] Cessation is assumed not to be generally possible, as Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (e.g. machinery of Government changes), these cessation principles would apply.

[2] Further details about academy cessations are set out in the fund's policy on academies (see Appendix G).

[3] Where a TAB has taken, in the view of the administering authority, action that has been deliberately designed to bring about a cessation event (e.g. stopping future accrual of LGPS benefits), then the cessation valuation will be carried out on a low-risk basis.

[4] Typically, the fund will not levy a cessation exit payment on Parish or Town Councils (if in deficit). Given this approach, the fund would not pay out an exit credit if such an employer was in surplus at cessation.

J5.2 Repayment flexibility on exit payments

Deferred spreading arrangement (DSA)

The fund will consider written requests from exiting employers to spread an exit payment over an agreed period in the exceptional circumstance where payment of the debt in a single immediate lump sum could be shown by the employer to be materially detrimental to the employer's financial situation.

In this exceptional case, the fund's policy is:

- The agreed spread period is no more than three years, but the fund could use its discretion to extend this period in extreme circumstances.
- The fund may consider factors such as the size of the exit payment and the financial covenant of the exiting employer in determining an appropriate spreading period.
- The exiting employer may be asked to provide the administering authority with relevant financial information such as a copy of its latest accounts, sources of funding, budget forecasts, credit rating (if any) etc. to help in this determination.
- Payments due under the DSA may be subject to an interest charge. The rate of interest will be set by the administering authority having taken advice from the fund actuary.
- The fund will only consider written requests within 28 days of the employer receiving confirmation of the amount of exit payment due. The exiting employer would be required to provide the fund with detailed financial information to support its request.

- The fund would take into account the amount of any security offered and seek actuarial, covenant and/or legal advice in all cases.
- The fund proposes a legal document, setting out the terms of the exit payment agreement, would be prepared by the fund and signed by all relevant parties prior to the payment agreement commencing.
- The terms of the legal document should include reference to the spreading period, the annual payments due, interest rates applicable, other costs payable and the responsibilities of the exiting employer during the exit spreading period.
- Any breach of the agreed payment plan would require payment of the outstanding cessation amount immediately.

Deferred debt agreement (DDA)

The fund's preferred policy is for the spreading of payments, as detailed above, to be followed in the exceptional circumstances where an exiting employer is unable to pay the required cessation payment as a lump sum in full. However, in the event that spreading of payments will create a high risk of bankruptcy for the exiting employer, the fund may exercise its discretion to set up a deferred debt agreement as described in Regulation 64 (7A)).

The employer must meet all requirements on Scheme employers and pay the secondary rate of contributions as determined by the fund actuary until the termination of the DDA.

The Administering Authority may consider a DDA in the following circumstances:

- The employer requests the fund consider a DDA.
- The employer is expected to have a deficit if a cessation valuation was carried out.
- The employer is expected to be a going concern.
- The covenant of the employer is considered sufficient by the administering authority.

The administering authority will normally require:

- A legal document to be prepared, setting out the terms of the DDA and signed by all relevant parties prior to the arrangement commencing (including details of the time period of the DDA, the annual payments due, the frequency of review and the responsibilities of the employer during the period).
- Relevant financial information for the employer such as a copy of its latest accounts, sources of funding, budget forecasts, credit rating (if any) to support its covenant assessment.
- Security be put in place covering the employer's deficit on their cessation basis and the fund will seek actuarial, covenant and/or legal advice in all cases.
- Regular monitoring of the contribution requirements and security requirements
- All costs of the arrangement are met by the employer, such as the cost of advice to the fund, ongoing monitoring or the arrangement and correspondence on any ongoing contribution and security requirements.

A DDA will normally terminate on the first date on which one of the following events occurs:

- The employer enrols new active fund members.
- The period specified, or as varied, under the DDA elapses.
- The take-over, amalgamation, insolvency, winding up or liquidation of the employer.

- The administering authority serves a notice on the employer that the Administering Authority is reasonably satisfied that the employer's ability to meet the contributions payable under the DDA has weakened materially or is likely to weaken materially in the next 12 months.
- The Fund actuary assesses that the employer has paid sufficient secondary contributions to cover all (or almost all) of the exit payment due if the employer becomes an exiting employer on the calculation date (i.e. employer is now largely fully funded on their low risk basis).
- The Fund actuary assesses that the employer's value of liabilities has fallen below an agreed *de minimis* level and the employer becomes an exiting employer on the calculation date.
- The employer requests early termination of the agreement and settles the exit payment in full as calculated by the fund actuary on the calculation date (i.e. the employer pays their outstanding cessation debt on their cessation basis).

On the termination of a DDA, the employer will become an exiting employer and a cessation valuation will be completed in line with this policy.

J5.3 Exit credits

The administering authority's entitlement to determine whether exit credits are payable in accordance with these provisions shall apply to all employers ceasing their participation in the fund after 14 May 2018. This provision therefore is retrospectively effective to the same extent as provisions of the Local Government Pension Scheme (Amendment) Regulations 2020.

The administering authority may determine the amount of exit credit payable to be zero, however, in making a determination, the Administering Authority will take into account the following factors.

a) the extent to which there is an excess of assets in the fund relating to the employer over and above the liabilities specified.

b) the proportion of the excess of assets which has arisen because of the value of the employer's contributions.

c) any representations to the administering authority made by the exiting employer, guarantor, ceding scheme employer (usually the Letting Authority) or by a body which owns, funds or controls the exiting employer; or in some cases, the Secretary of State.

d) any other relevant factors

Admitted bodies

i. No exit credit will normally be payable in respect of admissions who joined the Fund before 14 May 2018 unless it is subject to a risk sharing arrangement as per paragraph iii) below. Prior to this date, the payment of an exit credit was not permitted under the Regulations and this will have been reflected in the commercial terms agreed between the admission body and the letting authority/awarding authority/ceding employer. This will also apply to any pre-14 May 2018 admission which has been extended or 'rolled over' beyond the initial expiry date and on the same terms that applied on joining the fund.

ii. No exit credit will normally be payable to any admission body who participates in the fund via the mandated pass-through approach. For the avoidance of doubt, whether an exit credit is payable to any admission body who participates in the fund via the "Letting employer retains pre-contract risks" route is subject to its risk sharing arrangement, as per paragraph iii) below.

iii. The fund will make an exit credit payment in line with any contractual or risk sharing agreements which specifically covers the ownership of exit credits/cessation surpluses or if the admission body and letting authority have agreed any alternative approach (which is consistent with the Regulations and any other legal obligations). This information, which will include which party is responsible for which funding risk, must be presented to the fund in a clear and unambiguous document with the agreement of both the admission body and the letting authority/awarding authority/ceding employer and within one month (or such longer time as may be agreed with the administering authority) of the admission body ceasing participation in the Fund.

iv. In the absence of this information or if there is any dispute from either party with regards interpretation of contractual or risk sharing agreements as outlined in c), the fund will withhold payment of the exit credit until such disputes are resolved and the information is provided to the administering authority.

v. Where a guarantor arrangement is in place, but no formal risk-sharing arrangement exists, the fund will consider how the approach to setting contribution rates payable by the admission body during its participation in the fund reflects which party is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.

vi. If the admission agreement ends early, the fund will consider the reason for the early termination, and whether that should have any relevance on the fund's determination of the value of any exit credit payment. In these cases, the fund will consider the differential between employers' contributions paid (including investment returns earned on these monies) and the size of any cessation surplus.

vii. If an admitted body leaves on a low risk basis (because no guarantor is in place), then any exit credit will normally be paid in full to the employer.

viii. The decision of the fund is final in interpreting how any arrangement described under iii), v), vi) and vii) applies to the value of an exit credit payment.

Scheduled bodies and designating bodies

i. Where a guarantor arrangement is in place, but no formal risk-sharing arrangement exists, the fund will consider how the approach to setting contribution rates payable by the employer during its participation in the fund reflects which party is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.

ii. Where no formal guarantor or risk-sharing arrangement exists, the fund will consider how the approach to setting contribution rates payable by the employer during its participation in the fund reflects the extent to which it is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.

iii. The decision of the fund is final in interpreting how any arrangement described under i) and ii) applies to the value of an exit credit payment.

iv. If a scheduled body or designating body becomes an exiting employer due to a reorganisation, merger or take-over, then no exit credit will be paid.

v. If a scheduled body or resolution body leaves on a low-risk basis (because no guarantor is in place), then any exit credit will normally be paid in full to the employer.

General

i. The fund will advise the exiting employer as well as the letting authority and/or other relevant scheme employers of its decision to make an exit credit determination under Regulation 64.

ii. Subject to any risk sharing or other arrangements and factors discussed above, when determining the cessation funding position the fund will generally make an assessment based on the value of contributions paid by the employer during their participation, the assets allocated when they joined the fund and the respective investment returns earned on both.

iii. The fund will also factor in if any contributions due or monies owed to the fund remain unpaid by the employer at the cessation date. If this is the case, the fund's default position will be to deduct these from any exit credit payment.

iv. The final decision will be made by the administering authority, in conjunction with advice from the fund's actuary and/or legal advisors where necessary, in consideration of the points held within this policy.

v. The fund accepts that there may be some situations that are bespoke in nature and do not fall into any of the categories above. In these situations the fund will discuss its approach to determining an exit credit with all affected parties. The decision of the fund in these instances is final.

vi. The guidelines above at point v) in the 'Admitted bodies' section, and at points i) and ii) in the 'Scheduled bodies and designating bodies' section, make reference to the Fund 'considering the approach to setting contribution rates during the employer's participation'. The different funding approaches, including the parameters used and how these can vary based on employer type, are covered in detail in Table 2 (section 2.2) in the FSS. Considering the approach taken when setting contribution rates of the exiting employer may help the fund to understand the extent to which the employer is responsible for funding the underlying liabilities on exit. For example, if contribution rates have always been based on ongoing assumptions then this may suggest that these are also appropriate assumptions for exit credit purposes (subject to the other considerations outlined within this policy). Equally, a shorter than usual funding time horizon or lower than usual probability of success parameter may reflect underlying commercial terms about how responsibility for pension risks is split between the employer and its guarantor. For the avoidance of doubt, each exiting employer will be considered in the round alongside the other factors mentioned above.

vii. None of the above should be considered as fettering the fund's discretionary decision, instead it is an indication of how decisions are likely to be made. However it is important to bear in mind that each and every potential exit credit case will be considered by the administering authority on its own merits, and the administering authority will make its discretionary decision on that basis.

Disputes

In the event of any dispute or disagreement on the amount of any exit credit paid and the process by which that has been considered, the appeals and adjudication provisions contained in Regulations 74-78 of the LGPS Regulations 2013 would apply.

J6 Practicalities and process

J6.1 Responsibilities of ceasing employers

An employer which is aware that its participation in the fund is likely to come to an end must:

- advise the fund, in writing, of the likely ending of its participation (either within the terms of the admission agreement in respect of an admission body (as much notice as possible is required and at least 3 months notice is required) or otherwise as required by the Regulations for all other scheme employers). It should be noted that this includes closed employers where the last employee member is leaving (whether due to retirement, death or otherwise leaving employment).
- provide any relevant information on the reason for leaving the fund and, where appropriate, contact information in the case of a take-over, merger or insolvency.
- provide all other information and data requirements as requested by the administering authority which are relevant, including in particular any changes to the membership which could affect the liabilities (e.g. salary increases and early retirements) and an indication of what will happen to current employee members on cessation (e.g. will they transfer to another fund employer, will they cease to accrue benefits within the fund, etc.).

J6.2 Responsibilities of the administering authority

The administering authority will:

- gather information as required, including, but not limited to, the following:
    - details of the cessation - the reason the employer is leaving the fund (i.e. end of contract, insolvency, merger, machinery of government changes, etc.) and any supporting documentation that may have an effect on the cessation.
    - complete membership data for the outgoing employer and identify changes since the previous formal valuation.
    - the likely outcome for any remaining employee members (e.g. will they be transferred to a new employer, or will they cease to accrue liabilities in the Fund).
- identify the party that will be responsible for the employer's deficit on cessation (i.e. the employer itself, an insurance company, a receiver, another fund employer, guarantor, etc.).
- commission the fund actuary to carry out a cessation valuation under the appropriate regulation.
- where applicable, discuss with the employer the possibility of paying adjusted contribution rates that target a 100% funding level by the date of cessation through increased contributions in the case of a deficit on the cessation basis or reduced contributions in respect of a surplus.
- where applicable, liaise with the original ceding employer or guarantor and ensure it is aware of its responsibilities, in particular for any residual liabilities or risk associated with the outgoing employer's membership.
- having taken actuarial advice, notify the employer and other relevant parties in writing of the payment required in respect of any deficit on cessation and pursue payment.

J6.3 Payment of an exit credit

- If the actuary determines that there is an excess of assets over the liabilities at the cessation date, the administering authority will act in accordance with the exit credit policy above. If payment is required, the administering authority will advise the exiting employer of the amount due to be repaid and seek to make payment within six months of the exit date. However, in order to meet the six month timeframe, the administering authority requires prompt notification of an employers' exit and all data requested to be provided in a timely manner. The administering authority is unable to make any exit credit payment until it has received all data requested.
- At the time this policy was produced, the fund has been informed by HMRC that exit credits are not subject to tax, however all exiting employers must seek their own advice on the tax and accounting treatment of any exit credit.

J6.4 Responsibilities of the fund actuary

Following commission of a cessation valuation by the administering authority, the fund actuary will:

- calculate the surplus or deficit attributable to the outgoing employer on an appropriate basis, taking into account the principles set out in this policy.
- provide actuarial advice to the administering authority on how any cessation deficit should be recovered, giving consideration to the circumstances of the employer and any information collected to date in respect to the cessation.
- where appropriate, advise on the implications of the employer leaving on the remaining fund employers, including any residual effects to be considered as part of triennial valuations.

J7 Related Policies

The fund's approach to exiting employers is set out in the FSS, specifically "Section 7 – What happens when an employer leaves the fund?"

The approach taken to set the actuarial assumptions for cessation valuations is set out in Appendix D of the FSS.

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Warwickshire Local Pension Board

31 January 2023

Pensions Administration Activity and Performance update

Recommendation

That the Warwickshire Local Pension Board (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

3.1 None.

4. Member Self Service - MSS

4.1 We continue to promote the use of MSS with our pension scheme membership and currently have 8,192 (27%) of eligible members signed up to use the online facility. This is up 3% from the last time we reported to the Board.

4.2 We are about to commence a project to contact our Pensioner members to introduce the facility to them. Pensioners will be able to see the current value of their pension in payment and update their personal details. The updates to personal details such as address, and email contact will then be downloaded from the Altair administration system and uploaded into the payroll system so that the member only has to do one update for both systems. This will also ensure both systems match.

4.3 We have been informing Pensioners that the removal of paper payslips will happen on 30 May 2023. This date has been chosen as it is the first month pensioners will receive a full month of pensions increase due from 10th April 2023. The amount paid in this month is generally what should be paid for the rest of the financial year, unless there are any tax code changes or other changes for which we would write and confirm with the member. It is hoped that by introducing MSS to Pensioners, they will be encouraged to sign up so that we then have an email address to which their e-payslip can be sent out. E-payslips are password protected.

4.4 We will use the following platforms to promote the service: Working for Warwickshire, digital newsletter, Employer newsletter, banner on team members' email signature and individual member correspondence by letter, email, or telephone. We aim to analyse the sign up to MSS and identify any gaps where we can target promotion and encourage members to sign up if they haven't already.

5. Key Performance Indicators (KPIs)

5.1 Appendix 1 shows the KPI performance for the period 1 April 2022 to 31 December 2022. The KPIs and target timescales are listed in Appendix 2. 8 out of 14 KPIs are meeting their target and the remaining 6 have all seen improvements in the total number of cases being completed within the KPI deadline., There is only 1 KPI which is below 85%.

5.2 The Chair of the Board noted at the last meeting that the PAS should pay particular attention to the KPI relating to providing information and payment to dependants following the death of a member. The team have reviewed this and have redesigned the workflow procedure. Previously the procedure incorporated two different processes: money due to the estate/overpayment of member pension, and creation of dependant benefits. Very often the processing of money due to the Estate involves waiting for Probate which can take several weeks. However, this process does not have to be completed before a dependant's pensions can be set up and paid. Two separate procedures have now been created to reflect the split of these two processes.

5.3 For KPIs that are not being achieved:

KPI 1 - Letter detailing transfer in quote
A review of the process for these tasks has been undertaken and a redesign is being implemented. This should help to improve the percentage of cases processed with the KPI timescale

KPI 2 - Letter detailing transfer out quote
This KPI is at 87.93% and the PAS will continue to work to bring this up to the 95% target.

KPI 3 - Process and pay a refund
This KPI has increased to 90.96% this year from 87.93% last year and work continues in order to improve performance.

KPI 4 - Letter notifying estimate of retirement benefits (Active)
With the implementation of MSS more members are now processing quotations themselves. This is creating queries that the PAS is dealing with. One member of the team is currently seconded to the McCloud project leaving a temporary vacancy and therefore slightly reduced capacity to process estimates. Workload is being monitored and managed in order to increase the number of cases processed on time.

KPI 8 & 9 - Initial letter notifying death of a member
The team has been reminded on the importance of covering colleagues' work as this KPI requires the shortest turnaround time.

5.4 A redesign of the workflow processes used for both these KPIs has been implemented and it is anticipated that there will be an improvement on the KPIs in the coming months.

6. Workloads

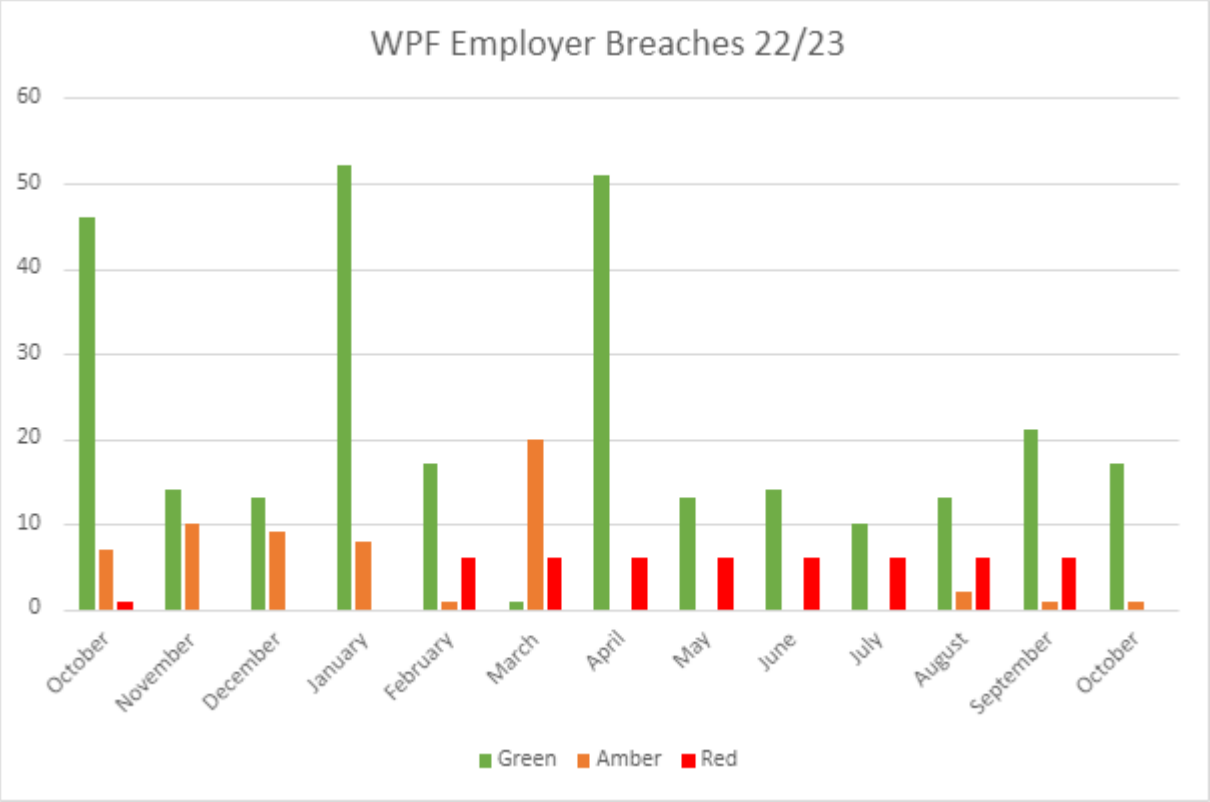
6.1 The PAS continues to monitor work being received by the team and ensure we have the resources to manage the work.

6.2 Appendix 3 shows on a monthly basis, the amount of work received, and the amount of work being completed.

7. Breaches

7.1 In accordance with the Fund's Breaches Policy, any amber breach results in direct contact with the employer responsible to resolve the issue. If this does not result in the necessary action required, further escalation can be used.

7.2 The table below indicates the number of breaches the Fund has recorded for the period 1st April 2022 to 30 November 2022:



7.3 The red breaches relating to one Multi Academy Trust with 6 schools have now been resolved and removed from the breaches list.

7.4 It is worth noting that the greatest number of employers in the fund are Academies. In respect of these employers, we have noticed that green breaches tend to increase at the beginning of a new term, January, April (new financial year) and September/October. These are extremely busy times for schools. However, it is pleasing to see that the number of green breaches due to late returns in September/October 2022 was significantly lower than the previous year, which can be attributed to the implementation of i-Connect for electronic submissions.

7.5 We are also noticing that if an employer changes payroll provider, this can create a gap in the submission of data via i-Connect. This can be because priority is given to making sure employees get paid. We have included an article in the Fund's monthly employer newsletter to highlight the need to make sure that in any payroll specification, attention is given to the need to provide information to the Fund, and that this must be achieved from the Go Live date with the new payroll provider.

8. Valuation

8.1 All rates and adjustment draft certificates were shared with employers in November and the Fund has received minimal queries. The new rates are applicable from 1st April 2023.

8.2 A number of the precepting employers may choose to use the pre-payment option and pay contributions up-front.

9. Internal Dispute Resolution Procedure (IDRP)

9.1 The Fund has no outstanding IDRP cases.

9.2 Earlier in the year, we received two stage 1 cases relating to members who had transferred their Local Government Pension Scheme benefit to another pension provider. Both cases were deemed to be outside of the 6-month window to raise an IDRP, and one has since been referred to the Pensions Ombudsman.

10. Pensioner Payroll Key Performance Indicators

10.1 Pensioner payroll for Warwickshire Pension Fund is administered by Warwickshire County Council payroll team.

10.2 The payroll team administers 39 payrolls for internal and external services.

10.3 Each month there are 39,000 payments made, of which 14,398 are for pensioners in the Warwickshire Pension Fund. This equates to 37%.

10.4 The PAS and payroll teams meet on a quarterly basis to discuss issues regarding the service provided. The main focus of these meetings is the supply of data for active members of the fund. However, a standing agenda item has now been added for the service's KPIs for the pensioner payroll. We have also requested that there is a dedicated pensioner option for members who want to provide feedback about the service, so that pensioner comments can be identified and addressed specifically.

10.5 The PAS receive very few queries or complaints from pensioners regarding the payment of their pension, but we continue to monitor this and will raise any issues directly with the payroll team as and when they occur.

10.6 The table below provides information on the pensioner payroll service KPIs, priority is given to ensuring payments are made by the agreed payment dates. Please note the customer care indicator is only recorded for formal complaints.

Indicator	Description	Measure	Q1	Q2	Q3	Q4
Customer Care	We will respond to any queries about service delivery within 5 days. (Formal complaints)	95% of queries will be responded to within 5 days.	NIL	NIL		
Accuracy	Paying people accurately.	99% of all requested staff payments will be paid accurately.	100%	100%		
Assurance	Paying people on time.	100% of input submitted onto Your HR before deadline will be paid on the relevant scheduled pay day.	100%	100%		
Statutory returns	We will make all statutory returns by the required deadlines.	100% of third party payments and statutory returns will be submitted on or before the deadline.	100%	100%		
Satisfaction with service	We will achieve constantly high levels of customer satisfaction	Traded wide net promoter score will be 8.8 or more.	9.3	9.2		

11. Outsourcing – Schools who convert to Academies

11.1 When a school outsources a contract, and the contractor is granted admission into Warwickshire Pension Fund, the contractor is not covered by the Department for Education (DFE) guarantee.

11.2 The DFE guarantee provides assurance that if an Academy fails, the pension liabilities for the Academy would be covered.

11.3 Academies are asked to obtain approval from the Education and Skills Funding Agency (ESFA) if they are looking to outsource a service in all cases and Funds should ask for proof of this when processing a request for such new admissions.

11.4 If approval is not obtained, this presents a risk to the Fund for these admissions if they are allowed to join using a passthrough arrangement. If the contractor fails the Academy would pick up the pensions bill, but If the Academy then fails the DFE would not step in to cover the liabilities.

11.5 The ESFA is currently reviewing this policy and may look to alter the position due to the fact that certain individuals who were originally employed by the school are not being protected.

11.6 The Fund has identified that there are a small number of contractors for which ESFA approval is required and has not been obtained by the Academy. The Fund will be contacting these Academies to request that the approval is

retrospectively requested. The majority of the contracts cover fewer than 10 members of staff. In total we estimate this affects approximately 60 members.

11.7 ESFA approval will be required before allowing a contractor to enter the Fund on a passthrough agreement. If it is not obtained the Fund will assess whether a bespoke arrangement will need to be put in place.

11.8 A communication will be forwarded to all schools/Academy procurement teams to bring this to their attention.

Appendices

Appendix 1 – Key Performance chart
Appendix 2 – Key Performance indicators

Background Papers

None

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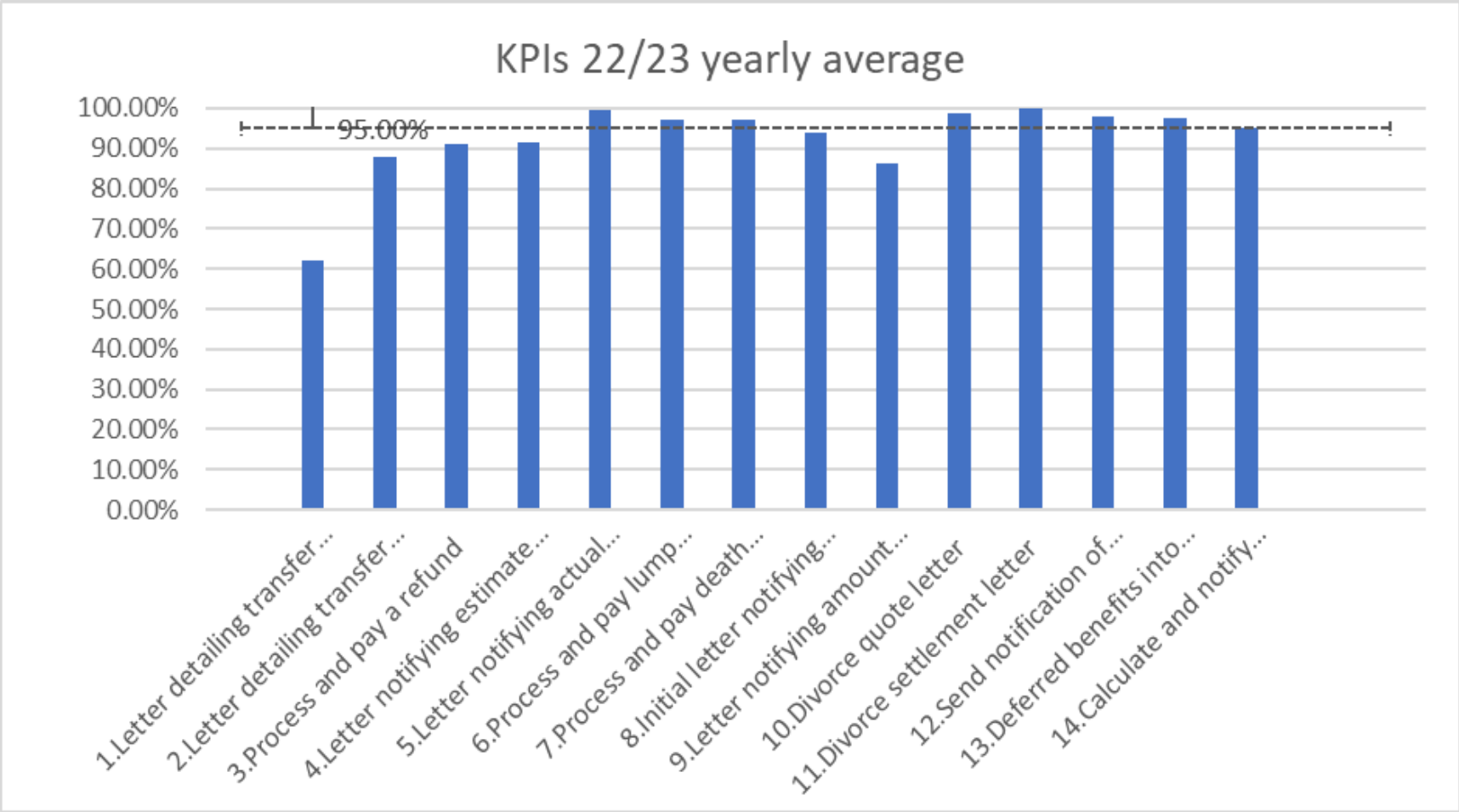
The report was circulated to the following members prior to publication:

Local Member(s):
Other members: Cllrs Peter Butlin, Bill Gifford and Andy Jenns

Appendix 1


KPIs 22/23 yearly average
100.00%
90.00%
80.00%
70.00%
60.00%
50.00%
40.00%
30.00%
20.00%
10.00%
0.00%
95.00%
1.Letter detailing transfer ...
2.Letter detailing transfer ...
3.Process and pay a refund
4.Letter notifying estimate...
5.Letter notifying actual...
6.Process and pay lump...
7.Process and pay death...
8.Initial letter notifying...
9.Letter notifying amount...
10.Divorce quote letter
11.Divorce settlement letter
12.Send notification of...
13.Deferred benefits into...
14.Calculate and notify...

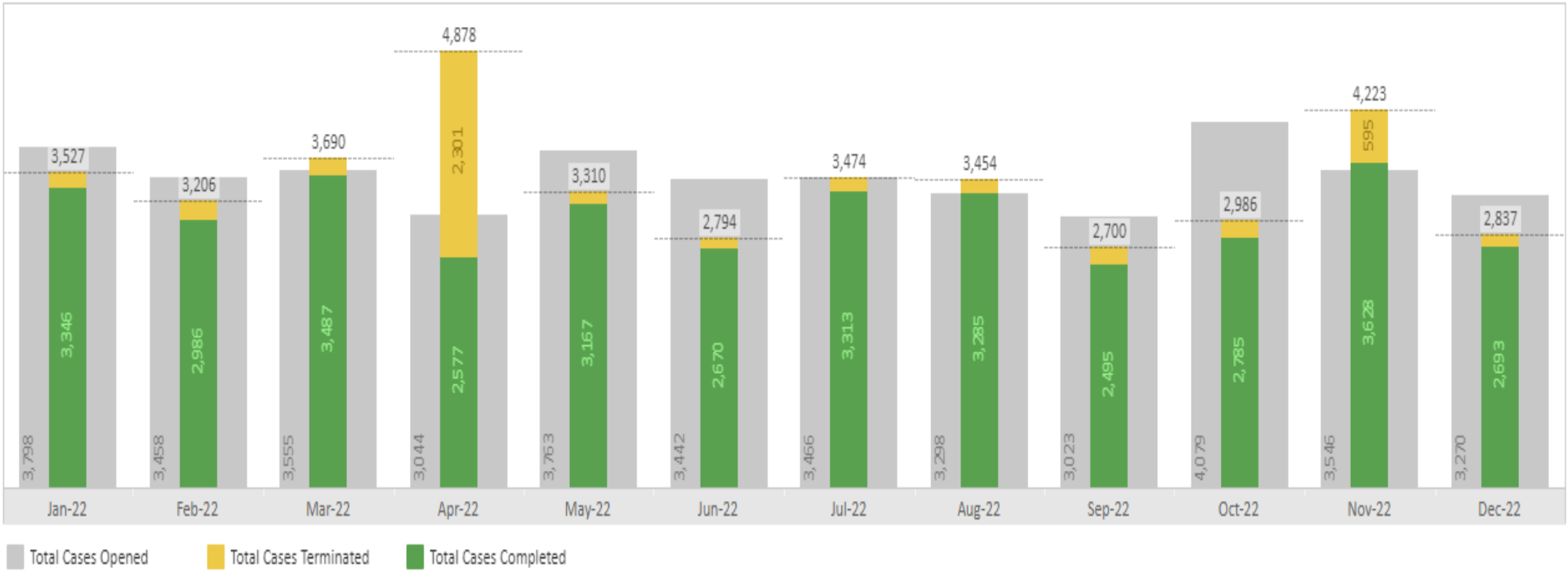
Appendix 2

Key Performance Indicator	Fund Target
Target performance	95%
1.Letter detailing transfer in quote	10 days
2.Letter detailing transfer out quote	10 days
3.Process and pay a refund	10 days
4.Letter notifying estimate of retirement benefits (Active)	15 days
5.Letter notifying actual retirement benefits (Active)	15 days
6.Process and pay lump sum (Active)	10 days
7.Process and pay death grant	10 Days
8.Initial letter notifying death of a member	5 days
9.Letter notifying amount of dependents benefits	10 days
10.Divorce quote letter	45 days
11.Divorce settlement letter	15 days
12.Send notification of joining scheme to member	40 days
13.Deferred benefits into payment	15 days
14.Calculate and notify deferred benefits.	30 days

Appendix 3

Total Cases Opened & Total Closed Per Period

Total closed cases are broken down to show volume completed and volume terminated



Agenda Item 4

Warwickshire Local Pension Board

31 January 2023

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 Warwickshire Pension Fund (the Fund) is dealing with its governance requirements.

2. Financial Implications

2.1 None arising directly from this report.

3. Environmental Implications

3.1 None arising directly from this report.

4. Supporting Information

4.1 This report provides an updated Forward Plan for the Local Pension Board looking forward one year on a rolling basis.

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 pertinent to the Fund.

4.3 In order to provide a complete picture of policy activity, a schedule of policy review activity at both the Staff and Pensions Committee and the 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 the items listed in the Appendix, the Local Pension Board members are reminded that 'Lola' the Hymans online training portal is available to them.

4.5 The Knowledge and Skills Assessment was issued in the Autumn, and we would like to thank all the members of the Local Pension Board who completed and submitted this assessment.

4.6 At the point at which this Report was written the results have now been published by Hymans Robertson and the Fund will use the information provided from the Assessment to arrange appropriate training for the Local Pension Board and Committee, going forward.

4.7 Fund Officers continue to monitor the risks facing the Fund and the latest Risk Register can be found in Appendix 3

The Risk Register was reviewed with one of the Fund's Investment Advisers in the last quarter. A couple of minor changes were made.

- A decrease in the likelihood of our pooling objectives not being met as a result of ongoing beneficial engagement with the Border to Coast Pension Partnership; and
- The Climate Change residual impact score has been increased after discussion, about the reality of the risks emerging, although both Officers and our adviser do accept that Fund is engaging further with organisations around the fund's Responsible Investment and Climate risk objectives.

Officers are currently looking at alternative ways to present this information to both the Committee and Local Pension Board. This is to ensure it is clear and provides the relevant amount of explanation and content.

4.8 Officers, Advisers and Legal have reviewed the following Policies for the Fund:

Admission and Termination Policy (Appendix 4)

A report was brought to the Staff and Pensions Committee meeting of [date] setting out proposed changes to the Admission and Termination Policy. These changes were awaiting review by Hymans Robertson, the Fund's actuary. That review has now taken place and the changes have been adopted. The new policy is in place and can be viewed at [link?].

No major changes were made to the policy but the linkages between the Policy and the revised Funding Strategy Statement have been strengthened.

Conflicts of Interest Policy (Appendix 5)

The Conflicts of Interest Policy was reviewed by Fund Officers. The previous policy held by the Fund only referred to the Local Pension Board, with the Council's corporate policies covering elected Members and Officers. It is expected that one of the recommendations of the Scheme Advisory Board 'Good Governance Review' will be that each Fund should have its own Fund specific policy document, covering all relevant governance bodies, and the Fund has chosen to adopt that approach early. A copy of the Policy can be viewed at [ ]

Care has been taken with appropriate internal advice sought to ensure that the proposed revised Conflicts of Interest Policy for the Fund does not conflict with those already in place for the Council.

Corporate Governance Policy Statement (Appendix 6)

The Fund's Corporate Governance Policy Statement has been updated following its scheduled annual review and appropriate internal advice has been taken on the proposed changes. The key changes are:

i.) Amendments have been made to ensure that the Statement is fully compliant with the requirements of the UK Stewardship Code moving forward.

ii.) Additional information on the governance arrangements of Border to Coast Pension Partnership and Fund Training have been added and

iii.) The delegation of functions has been reviewed to ensure that they reflect current constitutional delegations.

The Statement will be approved by the Strategic Director for Resources (in consultation with appropriate persons) following the approval of the Pension Fund Investment Sub Committee- to the proposed changes.

The Committee was asked to note that this Statement may require further changes once the Scheme Advisory Board (SAB) releases the results of their Good Governance Review.

4.9 The main regulatory and LGPS updates for the last quarter include:

CPI Rate – 10.1%

On 19 October 2022 the Office for National Statistics announced the Consumer Prices Index (CPI) rate of inflation for September 2022 was 10.1%. It was also confirmed in the Autumn Statement that the State Pension will be uprated by inflation, in line with the commitment to the Triple Lock.

2021/22 Annual Reports

The Scheme Advisory Board has indicated that it is aware that some pension fund audits are likely to be delayed again this year, largely due to issues with auditing the host authority's accounts. There is a statutory duty under regulation 57 of the LGPS Regulations 2013 for administering authorities to publish an annual report 'on or before 1 December'.

The Scheme Advisory Board has written to the minister with proposals to help improve the timely completion of audit. In the meantime, it is urging administering authorities to publish their 2021/22 annual reports based on the best data available to them by the statutory deadline.

Ideally, the annual report would be based on audited data. However, the SAB has indicated that if waiting for audited data is likely to result in a significant delay funds should produce and publish reports based on unaudited data (labelled as draft) and then re-publish an amended annual report with the external auditor's opinion and revised data after audit.

Warwickshire Pension Fund published a draft version of its annual report on its website before the 1 December 2022. A final version will be available when the accounts are formally approved. Members will be updated verbally at the meeting as to the latest position.

Further education reclassification

The Office for National Statistics (ONS) announced on 31 May that it was reviewing the sector classification of Further Education (FE) bodies. Administering authorities in England such as Warwickshire County Council were subsequently asked to submit data on colleges to the Government Actuary's Department (GAD), who have been commissioned by the Department for Education (DfE) to explore the possibility of providing English colleges a pension funding guarantee, similar to that currently provided to academy schools.

The DfE have now announced that FE colleges, sixth form colleges and designated institutions (together with their subsidiaries) have been reclassified into the central government sector. They were previously classified as part of the private sector.

The position in relation to pensions is only mentioned at the foot of the announcement, which states "*The reclassification of the FE sector does not require any action for colleges with regards to the local government pension scheme*". This suggests that the reclassification does not change the access that these bodies have to the LGPS and that. they will therefore continue to participate as open Scheduled Bodies. Officers will keep the situation under review and advise on any subsequent changes to this position.

<u>Impact on the 2022 valuation results</u>

The DfE announcement is silent on the question of a pension funding guarantee. Hymans Robertson understand that this remains under discussion on the back of the data submission to GAD.

In the meantime anduntil a decision is reached, Pension Funds are being advised that t 2022 funding strategies agreed so far for FE bodies (which ignore any guarantee) remain valid and are not affected by this reclassification.

Warwickshire Pension Fund will continue to keep the situation under review and will discuss with Hymans Robertson what, if any, future steps need to be considered.

5. Appendices and Background Papers

Appendices

1. Appendix 1 Forward Plan
2. Appendix 2 Training Schedule.
3. Appendix 3 Risk Register
4. Appendix 4 Funding Strategy Statement
5. Appendix 5 Admission and Termination Policy
6. Appendix 6 Conflicts of Interest Policy
7. Appendix 7 Cyber Security Policy
8. Appendix 8 Corporate Governance Policy Statement

Background Papers

None

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

Local Member(s):
Other members:

Warwickshire Local Pension Board Appendix 1

Forward Plan

Standing Items

Q3 31 January 2023	Q4 25 April 2023	Q1 18 July 2023	Q2 24 October 2023
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 (inc. Fire Pension Board)	Review of the reports and minutes of the Pension Fund Investment Sub-Committee and Staff and Pensions Committee (inc. Fire Pension Board)	Review of the reports and minutes of the Pension Fund Investment Sub-Committee and Staff and Pensions Committee (inc. Fire Pension Board)	Review of the reports and minutes of the Pension Fund Investment Sub-Committee and Staff and Pensions Committee (inc. Fire Pension Board)
Forward Plan (Governance)	Forward Plan (Governance)	Forward Plan (Governance)	Forward Plan (Governance)
Policy & Regulation Update (Governance)	Policy & Regulation Update (Governance)	Policy & Regulation Update (Governance)	Policy & Regulation Update (Governance)
Training Plan (Governance)	Training Plan (Governance)	Training Plan (Governance)	Training Plan (Governance)
		Chair's Annual Report	

Bespoke Items

Knowledge & Skills Assessment (Sept / Oct)	Knowledge & Skills Assessment	Knowledge & Skills Assessment	Knowledge & Skills Assessment
Hymans Valuation Presentation	Training Plan	Training Plan	Training Plan

Policies

Cyber Security Policy (S&P)	Risk Register & Policy (PFISC)	Investment Strategy Statement (PFISC)	Responsible Investment Policy (PFISC)
Conflicts of Interest Policy (S&P)	Climate Policy (PFISC)	Voting and Stewardship Policy (PFISC)	Conflicts of Interest Policy (S&P)
Admission & Termination Policy (S&P)	Training Policy (PFISC)	Communication Policy (S&P)	Governance Review (S&P)
Governance Compliance Statement (S&P)	Fund Discretions Policy (S&P)	Breaches Policy (S&P)	Data Retention Policy (S&P)
Funding Strategy Statement (PFISC)	Business Plan (S&P)	Data Retention Policy (S&P)	Administration Strategy (S&P)
	Fraud Policy (S&P)		
	Data Retention Policy (S&P)		
	Business Continuity Plan (S&P)		
	IDRP Review (S&P)		

Policies for review by the Pension Fund Investment Sub-Committee

(PFISC)

Policies for review by the Staff and Pensions Committee

(S&P)

Training Pl

Month of Delivery	Title of Training & Date of Delivery
Apr-22	
May-22	Pension Administration - 6th May (Completed)
Jun-22	Equities and carbon Workshop - 6th June (Completed)
Jul-22	Valuation and Section 13 - 18 July (Completed)
Aug-22	Property Workshop - 9th August (Completed)
Sep-22	
Oct-22	
Nov-22	Annual Meeting - 4th November (Completed) BCPP Fixed Income Products (Completed)
Dec-22	Protection Portfolio Workshop- 1st December (Completed)
Jan-23	General LGPS Overview (In person) - 31st January
Feb-23	
Mar-23	Pensions Accounting and Audit Standards (TBC)
Apr-23	Good Governance and Regulators Code of Practice (TBC)
May-23	
Jun-23	

lan for Warwickshire Pension Fund und 2022-2024

Delivered to:	Deliveted by:
Committee / Board / Officers	Vicky Jenks / Martin Griffiths
Committee / Board / Officers	Hymans Robertson
Committee / Board/ Officers	Hymans Robertson
Committee / Board/ Officers	Hymans Robertson
Committee / Board / Officers	Hymans Robertson / Border to Coast / Officers
Committee/ Board/ Officers	Border to Coast
Committee/ Board/ Officers	Hymans Robertson
Committee / Board / Officers	
Committee / Board / Officers	Covered by Investment Team and Audit Colleagues
Committee / Board/ Officers	

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
General Update Pre Meeting - Update General Update
Identified in Knowledge and Skills Assessment Identified in Knowledge and Skills Assessment
Identified in Knowledge and Skills Assessment

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WPF Risk Register

Appendix 5

Risk Identification					Inherent Risk Scoring			Existing Risk Controls	Residual Risk Scoring			Further Risk Controls
Risk No.	Risk Description	Risk appetite	Risk Causes	Risk Consequences (Effect)	Likelihood	Impact	Risk Score		Likelihood	Impact	Risk Score	
Risk No.	Risk Description		Risk Causes	Risk Consequences (Effect)	Likelihood	Impact	Risk Score		Likelihood	Impact	Risk Score	
9	Climate Change	Cautious	• 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	• Expected transition to a low-carbon economy • Impact on the value of assets held, for example stranded/obselete assets, or impact on the productivity and profitability of certain sectors, companies, etc • Impact on future quality of life and life experience (e.g. longevity) of members • Impact on future inflation and value of benefits paid to members	5.00	5.00	30.00	• Fund considers this when allocating assets and appointing Fund Managers • Global, national and industry regulations • Climate Risk Strategy • 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	5.00	30.00	• Review and update climate risk policy • Review 2020 UK Stewardship Code requirements and take steps to become a signatory • Develop Fund actions and response to Task Force on Climate Related Financial Disclosures (TCFD) requirements • Engage further with organisations around the Fund's Responsible Investment, including Climate Risk, objectives
1	Long term market risk	Minimalist	• 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	• 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	• 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	• 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.
8	Cyber Security	Averse	• Systemic cybersecurity events (e.g. taking down financial trading institutions globally) • Local cyber security events (e.g. targeting the Council) • Personal cyber security events (e.g. phishing emails targeting staff) • Inadequate system security, including threats to core systems • Inadequate staff training and staff vigilence	• Loss of data and/or data disruption • Reputational damage • Breaches of the law • Fines • Costs of fixing issues • Business interruption	4.00	5.00	25.00	• Use of scheme adminstrator systems and system security • Staff training • Bespoke Fund cyber security policy • Business continuity and disaster recovery planning session with consultants • Implementation of Cyber security policy	3.00	4.00	16.00	• Arrange for systems testing • Arrange for an audit once Member Self Service is live • Regular meetings with WCC's Cyber Security team
2	Short term market risk	Open	• 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	• Asset values do not meet expectations • Cashflow requirements cannot be bet efficiently or effectively • Being unable to meet payment deadlines • Being forced to sell assets under distress • Being unable to pay benefits to members due to liquidity constraints • Introducing volatility to employer contributions or those employers close to exit	5.00	3.00	18.00	• Diversification of assets • Regular committee and officer monitoring of investment asset allocations and fund manager performance relative to benchmarks and absolute. • Cashflow planning to avoid selling assets under distress • Maintain sufficient allocation to liquid assets. • Long term approach to employer contributions, promoting their stability • Rota of fund manager presentations to the investment sub-committee. • Regular review of Strategic Asset Allocation.	5.00	2.00	12.00	
6	Inability to meet demand for activity	Averse	• Growth in membership numbers • Growth in employer numbers • Growth in complexity and difficulty of employer issues • New and complex LGPS regulations (e.g. McCloud, £95k exit cap) • Increasing value of fund investments • Increasing complexity of fund investments • Erosion of staff capacity/resilience due to long term remote working • Inability to recruit / retain appropriately skilled staff • Inability of the Fund officers to keep up with demand (capacity or skills) • Persistently increasing customer expectations • Unpopular government decisions impacting on LGPS • Inability to secure agreement to increasing resources • Capacity at contract / service providers	• 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	• 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	• Investing in systems development and systems thinking

7					3.00			• Building resilience requirements into service contracts • Digital record keeping • Storing data back-ups off site • Custodian holding investment data • Maintaining close links with advisers, consultants, and external organisations. • Use of IT systems to work remotely • Business continuity and disaster recovery planning session with consultants	2.00			• Implementation of Cyber Security policy, including staff training • Completion of documentation of investment practices
11	Fraud	Averse	• 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 or as members	• Members lose benefits to fraudsters • Reputational risk • Time spent unpicking the fraud • Fradulent members gain benefits they are not entitled to • Fund incurs costs to recover losses • Investment assets lost to fraud or irregularity • Investment losses not reported if covered up	3.00	3.00	12.00	• Application of Administering Authority code of conduct to fund officers, fraud strategy, and whistleblowing policy • Application of division of duties and signatory processes for financial transactions and administration •Periodic independent internal audit reviews of administration and 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	• Provide ongoing training to staff and awareness of the pensions industry being targeted by potential scams
12	Governance Failure	Averse	• Lack of capacity to service governance requirements • Lack of training • Lack of continuity in staffing, advisers, or committee / board members • Inadequate checking/review of standards compared to requirements and best practice • Complacency in light of recent governance improvements • Out of date policies and contracts • Local government elections impact on committee continuity • Uncertainty around overall governance structure and responsbility for decision making and actions '• Unpopular government decisions impacting on LGPS • Inability to sign off pension fund accounts • Lack of attendance at meetings	• 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	• 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	• 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
3	Financial mismatch	Averse	• Fund assets fail to grow in line with the developing cost of meeting liabilities • Inadequate contributions asked of employers • Employers do not pay contributions required • Investment returns lower than expected • Inflation risk • Inappropriate funding assumptions used • Actual membership experience materially different from expectations • Incorrect membership or cashflow data used to determine funding strategy • Cashflow negative	• Funding level deteriorates • Higher investment risks being taken • Employer contributions increasing • Being unable to pay benefits to members out of fund assets	2.00	5.00	15.00	• Fund valuation process driving an updated Investment Strategy and Funding Strategy on a periodic basis. • Triennial valuations for all employers • 6-monthly reporting on funding evolution to Committee, using rolled-forward liablities. • Annual monitoring of longevity risk via Club Vita participation. • Use of professional advisors to support setting of appropriate funding assumptions. • Asset liability modelling focuses on probability of success and level of downside risk • 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	• Review of individual employer covenants, including consideration of their specific risk factors
4	Employer risk	Averse	• 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)	• Employers cannot pay the required contributions because contribution requirements increase too quickly or too far • Employers cannot pay the required contributions because employer financial viability reduces • Increased administration costs • Reputational damage to the Fund and to employers • Paying employers having to pick up costs of non paying employers • Liabilities falling back to underwriting employers • Overly cautious investment strategy requiring higher contribution rates	3.00	3.00	12.00	• Cessation debt or security/guarantor • Spread pro-rata among all employers • Employer covenant review • Stabilisation mechanism to limit sudden increases in contributions • Breaches monitoring • Employer training day • Fund AGM • Admissions and Terminations Policy • Cashflow planning to provide cashflow resilience if contributions reduce • FSS having appropriate regard to risk and meeting the Funds objectives • iConnect • Enhance breaches monitoring, regularly reviewed	3.00	2.00	8.00	• Additional liaison with known future employers on pension fund matters • FSS being reviewed as part of the valuation process
10	Data Quality	Averse	• McCloud impact • Persistently increasing customer service expectations • Covid impact on member health and wellbeing - increasing the adverse impact of any problems with pensions • Member benefits paid incorrectly • Employer contributions higher than deemed affordable or thought necessary '• Inadequate data quality • Inadequate administration systems and processes • Poor data provided by employers or payroll providers	• Overly cautious investment strategy requiring higher employer contributions • Incorrect benefit payments to scheme members • Complaints and disputes from scheme members • Negative reputational impact	3.00	3.00	12.00	• Administration governance review actions and maintenance of those standards • SLA with Council payroll service • Maintenance of Fund website • Funding Strategy having appropriate regard to risk and the meeting of Fund objectives • Data quality scores and reviews • Staff training • Performance monitoring of employer data quality • Performance monitoring of administration team KPIs • iConnect implemented • Member Self Service • Light review of compliance with Code of Practice 14	2.00	2.00	6.00	• UK Stewardship Code 2020 • Regular liaison with Scheme Employers • Implementation of Member Self Service

Warwickshire Pension Fund

Admissions and Termination Policy

WARWICKSHIRE
pension fund

Version: 3
Date Issue: October 2022
Reference: WPF-ATP
Team: Warwickshire Pension Fund
Protective Marking: Public

WLS
Warwickshire Legal Services

Warwickshire County Council

Working for Warwickshire

1 Introduction

1.1 Warwickshire County Council is the administering authority for the Warwickshire LGPS Pension Fund (the "Pension Fund").

1.2 The administering authority is responsible for determining who may be admitted as a 'scheme employer' in the Pension Fund.

1.3 The Pension Fund is governed by legislation, mainly the Local Government Pension Scheme Regulations 2013, as amended from time to time (the "Regulations"). The Regulations set out criteria for admission to the Local Government Pension Scheme, which also afford the Pension Fund some discretion.

1.4 This policy seeks to clarify the basis on which the Pension Fund allows admission and may reject, withdraw, or terminate admission, having regard to the Regulations and the discretion afforded under them.

1.5 This policy seeks to clarify where charges will be applied for work undertaken by the Actuary and or Fund for new admissions and terminations

2 Scheme Employers

2.1 Scheduled Bodies

2.1.1 The Regulations set out certain employers who have an automatic right to participate as 'scheme employers' within the Pension Fund. These bodies will still need to make an application to the administering authority but provided the requirements of the Regulations are met, the body will be admitted, and their employees will have an automatic right to join. The administering authority refers to these as "Scheduled Bodies".

2.1.2 Those bodies are listed in Schedule 2 of the Regulations within Parts 1, 2 and the second column of the table in Part 4, which are reproduced at Annex A of this policy.

2.1.3 Without prejudice to paragraph 2.1.1, the administering authority may ask a Scheduled Body for evidence of their internal authority to join the Pension Fund, for example, any resolution that has been passed in relation to LGPS membership or minutes of a meeting granting approval (if applicable).

2.2 Admission Bodies

2.2.1 In addition to those bodies listed in the Regulations, the administering authority may make an admission agreement with other bodies who meet certain criteria. These criteria are set out in Paragraph 1 of Part 3 of Schedule 2 of the Regulations and are reproduced in Annex B of this policy.

2.2.2 These bodies must make an application for admission to the Pension Fund, which will be determined in accordance with this policy. If the application is accepted, then the body will be admitted to the Pension Fund and must enter into an admission agreement to formalise the terms on which they are entitled to participate within the Pension Fund.

2.2.3 Admission bodies are subject to the requirements of the Regulations and must follow them in order to participate in the Pension Fund.

2.3 Community Bodies

2.3.1 The bodies that meet the criteria as set out in (a), (b), (c) and (e) of Paragraph 1 of Part 3 to Schedule 2 are referred to by the administering authority as “Community Bodies”. The administering authority does not have to accept an application from a Community Body, even if they meet the criteria within the Regulations, although it will normally seek to do so provided that such admission does not pose a risk to the Pension Fund.

2.3.2 In addition to the legislative requirements, the following matters will be considered by the Staff and Pension Committee, following advice from the Head of Pensions in relation to whether or not a Community Body will be admitted:

1. How many potential scheme members there will be – the administering authority will normally expect there to be at least 10 potential members
2. Whether the body will receive direct funding from a Scheduled Body and what limitations on that funding there may be
3. Whether there is a Scheduled Body or other appropriate form of guarantor that is sponsoring the prospective Community Body – the administering authority would normally expect a Scheduled Body to sponsor the application and to guarantee in writing the pension liabilities of the prospective Community Body should they be admitted, although the Fund may consider alternative guarantors where it is believed to be justified in relation to the risk faced by the Fund. The financial viability of the prospective Community Body – the administering authority may reject an application if it considers that admitting the body may pose financial risk to the Pension Fund

2.4 Transferee Bodies

2.4.1 Those bodies that meet the criteria set out in (d) of Paragraph 1 are referred to by the administering authority as “Transferee Bodies”. These are bodies that are providing or will provide a service or assets in connection with the exercise of a function of a Scheduled Body as a result of the transfer of the service or assets by means of a contract or other arrangement.

2.4.2 For the purposes of this paragraph 2.4.2, the administering authority considers that it will normally be the “relevant administering authority” where the Scheduled Body that the Transferee Body is performing the function on behalf of (the “Letting Employer”) is located within Warwickshire. Where the administering authority is the relevant administering authority it must accept an application from a Transferee Body where that body has undertaken to comply with the Regulations.

2.4.3 There are specific requirements within the Regulations that apply to Transferee Bodies only, including the following:

1. The Letting Employer must be a party to the admission agreement; and
2. If the Transferee Body is performing more than one contract, then the Transferee Body must enter into an admission agreement for each one.

2.4.4 It is also a requirement of the Regulations that an admission agreement with a Transferee Body includes the following provisions:

1. That only employees that are employed in connection with the service for the Letting Employer are entitled to be members of the Pension Fund
2. The details of the contract with the Letting Employer
3. An agreement that the Letting Employer may set off against any sums due to the Transferee Body, any sums due to the Pension Fund under the Regulations
4. A requirement that the Transferee Body keeps under review, to the satisfaction of the administering authority and the Letting Employer, its assessment of the level of risk
5. A requirement that copies of notifications that are due to be provided to the administering authority are provided to the Letting Employer also
6. That a copy of the admission agreement be available for inspection at the Letting Employer's office

2.4.5 The administering authority expects to be advised of transfers well in advance of the transfer taking place and where possible, be provided with an accurate list of those employees transferring.

2.5 Risk assessment for new admission bodies

2.5.1 An admission body must carry out, to the satisfaction of the administering authority and, in the case of transferee admission bodies, the Letting Employer, an assessment of the level of risk arising on premature termination. In practice, the fund actuary assesses this because the assessment must be carried out to the administering authority's satisfaction.

2.5.2 After considering the assessment, the administering authority may decide the admission body must provide security, such as a guarantee from the letting employer, an indemnity or a bond.

2.5.3 This must cover some or all of the:

1. strain costs of any early retirements, if employees are made redundant when a contract ends prematurely

2. allowance for the risk of assets performing less well than expected

3. allowance for the risk of liabilities being greater than expected

4. allowance for the possible non-payment of employer and member contributions

5. admission body's existing deficit.

2.5.4 Unless there are exceptional circumstances, the administering authority will always expect there to be a bond or guarantee in place.

3 The Application Process

3.1 A body that wishes to be admitted to the Pension Fund must provide all information requested by the administering authority in order for its application to be considered fully.

3.2 Officers on behalf of the administering authority will then prepare a report for consideration by the relevant committee at its next available meeting based on the information provided. It is the responsibility of the applicant body (and/or the Letting Employer in relation to a contract transfer) to ensure that the application is considered prior to the date admission is required and therefore those bodies should liaise with the administering authority in relation to upcoming meeting dates when considering submitting an application.

3.3 The applicant body (and the Letting Employer in the case of a Transferee Body) will be informed of the outcome of the application after the meeting where the decision is made.

3.4 Where the application is successful, the admission body (and/or the Letting Employer in the case of a Transferee Body) shall be responsible for providing the administering authority with a list of those employees that are to be admitted to the Pension Fund. The administering authority will specify the level of information required for administration of the process. This information will need to be provided within sufficient time for the Pension Fund's actuary to calculate the opening position, contribution rate and bond amount prior to admission. The cost of the actuary's report will be charged to the Letting Employer, in the case of a Transferee Body or the admission body/Scheduled Body, as appropriate, in other cases.

3.5 The administering authority will expect the admission body to pay the contribution rate and secure any bond amount as determined by the actuary. In the case of Transferee Bodies, the administering authority may consider risk sharing arrangements between the Transferee Body and the relevant Letting Employer provided that the Pension Fund's interests are protected. The administering authority shall have final determination over the level of bond or guarantee required.

3.6 The administering authority may consider proposals to pool employers for actuarial purposes. If an applicant body or existing admission body wishes to join an existing pool or create a new pool with similar employers, then it should notify the administering authority. Prior to agreeing to any proposals, the administering authority will seek actuarial advice. In the event that such proposals are agreed, the contribution rates for those employers will be set at the same level (if expressed as a percentage of pay) based on their aggregated notional fund assets and liabilities. For information on the fund's pooling arrangements please see section 2.5 of the Funding Strategy Statement.

4 The Admission Agreement

4.1 The administering authority has a standard form of admission agreement that it will expect admission bodies to enter into prior to being admitted to the Pension Fund (the current draft agreements are available on the pension fund's website as appropriate). This standard form incorporates the requirements within the Regulations in relation to matters that should be included in admission agreements (including those that specifically relate to Transferee Bodies as referred to at 2.4.4 above where applicable).

4.2 Any bond agreement should normally be entered into at the same time as the

admission agreement; however, there may be exceptional circumstances whereby the administering authority will permit the bond agreement to be entered into after the transfer date provided that the admission agreement is clear that a bond must be entered into.

4.3 In the event that the actuary has been unable to calculate the contribution rate (e.g. as a result of information not being provided in time), the admission agreement will not normally be entered into until the rate has been calculated.

4.4 While the Regulations enable an admission agreement to take effect on a date prior to the date it was actually executed, in circumstances where the employer contribution rate has not been confirmed by the actuary or where the admission agreement has not been entered into for any other reason, the admission body will not be entitled to participate in the Pension Fund until everything that is required to enable the admission agreement to be signed is in place. Once the admission agreement is in place then a retrospective effective date can be applied, and the admission body required to remit to the fund the necessary arears of employee and employer pension contributions and provide the necessary membership data required by the administering authority.

4.4 *Please note, the Admission Agreement templates are available on the pension funds website

5 Participation in the Pension Fund

5.1 It is a condition of admission to the Pension Fund that scheme employers operate in a manner that respects their obligations in relation to pension liabilities, including but not limited to, paying contributions in accordance with the Pension Fund's actuary's assessment.

5.2 In accordance with the Regulations, the actuary on behalf of the Pension Fund will carry out an assessment every 3 years and will set the level of contributions required by each scheme employer. Those contributions may be set as a percentage of pay or combination of a percentage of pay and a cash sum. Whilst the administering authority may consider representations made by any scheme employer in relation to the amount of their contributions, the administering authority's decision as to the amount (based on actuarial advice) is final.

5.3 In the event that a scheme employer disputes the level of contributions required, the administering authority will endeavour to resolve the dispute informally, however, where such resolution is not possible, the administering authority will refer such matters to the relevant regulator (as appropriate), in order to protect the interests of members and other scheme employers within the Pension Fund.

5.4 The principles, approach and methodology for setting employer contribution rates is detailed in the Fund's Funding Strategy Statement (FSS). Section 2 of the FSS provides information on the funding strategy adopted for each employer group in the fund and how rates are determined, whilst Section 5 specifically considers how contribution rates are derived for new employers admitted to the Fund. It is important any new employers and Letting Employers read these sections carefully.

5.5 Actuarial Fees

The assessment of a contribution rate, bond (where applicable) and opening position for a new scheme employer all incur actuarial fees. The Fund is not liable for these fees and will invoice the employer letting the contract for any fees incurred. If the employer has an agreement with the contractor to pay fees this is between the employer and the contractor.

For new academies, parish and town councils and community admission bodies actuarial fees will be invoiced direct to the new scheme employer.

A schedule of fees is available from the administering authority.

6 Termination

6.1 The admission agreement will normally specify the circumstances by which an admission body may exit (or be required to exit) the Pension Fund and become an "exiting employer". Without prejudice to such terms, an administering authority may determine that an admission body has ceased to be a scheme employer within the Pension Fund where it no longer meets the criteria on which it was originally admitted.

6.2 It is advantageous to both the Pension Fund and the exiting employer to be able to plan for any proposed exit in order to prevent a large exit payment or exit credit (or ideally any exit payment or exit credit). If the exiting employer gives advanced notice of its participation in the Pension Fund ceasing, the administering authority will consider (in conjunction with the relevant Letting Employer if it is a Transferee Body or any Scheduled Body or alternative guarantor if it is a Community Body) whether it is appropriate to obtain a revised assessment from its actuary to adjust the exiting employer's contributions with the aim of there being no surplus or deficit by the point at which the exiting employer exits, where pass through has not been adopted in the case of a Transferee Body.

6.3 Without prejudice to paragraph 6.2, upon exiting the Pension Fund, in accordance with regulation 64 of the Regulations, the scheme employer may be liable to pay an exit payment to the Pension Fund or may be entitled to receive an exit credit. In determining the level of any funding shortfall or surplus, and therefore the amount of any exit payment or exit credit due, the administering authority will request an actuarial assessment.

6.3.1 The fund will recharge costs of administering cessations including actuary and other cessation expenses as appropriate. Fees and expenses are at the employer's expense and are deducted from the cessation surplus or added to the cessation deficit. This improves efficiency by reducing transactions between employer and fund. Costs will be charged even if the cessation does not go ahead.

6.4 The principles, approach and methodology for the actuarial assessment is detailed in the Fund's Funding Strategy Statement (FSS). Section 7 and Appendix J specifically consider how terminations are assessed and managed by the Fund. It is important any new employers and Letting Employers read these sections carefully.

6.5 If the actuarial assessment identifies a funding shortfall, the administering authority has discretion over the payment of an exit credit. In applying this discretion, the administering authority will consider a number of factors including:

1. the extent of any surplus,
2. the proportion of surplus arising as a result of the Admission Body's employer

contributions,

3. any representations (such as risk sharing agreements or guarantees) made by the Admission Body and any employer providing a guarantee or some other form of employer assistance/support and
4. any other factors the Administering Authority deems relevant.

6.6 There are some circumstances, however, in which it may not be appropriate to pay an exit credit, although each case will be considered on its own merits. Circumstances where payment may not be appropriate are as follows:

6.6.1 Where the body was admitted prior to 14 May 2018;

6.6.2 Where the admission body has entered into risk sharing arrangements (see paragraph 3.5 above), including pass-through arrangements, and the terms of those arrangements do not reflect an exit credit being payable to the admission body; and

6.6.3 Where the administering authority has been asked by the Letting Employer to withhold payment of the exit credit under the terms of its contract with the admission body, for the purposes of setting off any amounts due to the Letting Employer.

6.7 In the event that an employer owes any outstanding monies to the Pension Fund upon exit, the administering authority reserves the right to deduct such sums owed from any exit credit due.

6.8 If the actuarial assessment identifies a funding shortfall, payment of this amount in full would normally be sought from the Admission Body. The Fund's normal policy is that this cessation debt is paid in full in a single lump sum within 28 days of the employer being notified. The Administering Authority may agree for this payment to be spread over an agreed period via a Deferred Spreading Arrangement. However, such agreement would only be permitted at the Administering Authority's discretion, where payment of the debt in a single immediate lump sum could be shown to be materially detrimental to the employer's financial situation. Such discretion would be exercised by the Pension Committee, following advice from the Head of Pensions. In cases where payment is spread, the Fund reserves the right to require that:

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

Further detail is set out in Appendix J5.2 of the Funding Strategy Statement.

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

The Administering Authority will consider Deferred Debt Agreements in the following circumstances:

- The Admission Body requests the Fund consider a Deferred Debt Agreement;

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

The Administering Authority will normally require:

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

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

- the Admission Body enrols new active Fund members;
- the period specified, or as varied, under the Deferred Debt Agreement elapses;
- the take-over, amalgamation, insolvency, winding up or liquidation of the Admission Body;
- the Administering Authority serves a notice on the Admission Body that the Administering Authority is reasonably satisfied that the Admission Body's ability to meet the contributions payable under the Deferred Debt Arrangement has weakened materially or is likely to weaken materially in the next 12 months;
- the Admission Body defaults on any payment due under the agreement;
- the Fund actuary assesses that the Admission Body has paid sufficient secondary contributions to cover all (or almost all) of the exit payment due if the employer becomes an exiting employer on the calculation date (i.e. the Admission Body is now largely fully funded on their cessation basis);
- the Fund actuary assesses that the Admission Body's value of liabilities has fallen below an agreed de minimis level and the employer becomes an exiting employer on the calculation date; or
- The Admission Body requests early termination of the agreement and settles the exit payment in full as calculated by the Fund actuary on the calculation date (i.e. the Admission Body pays their outstanding cessation debt on their cessation basis).

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

Further detail is set out in Appendix J5.2 of the Funding Strategy Statement.

6.10 Scheduled Bodies may exit the Pension Fund in accordance with the circumstances set out in the regulations.

Annex A – Scheduled Bodies *(List current as at the date of this policy – check the legislation for updates)*

Schedule 2 – Part 1

1. In England, a county council, a district council, a London borough council, the Greater London Authority, the Common Council of the City of London and the Council of the Isles of Scilly.

2. In Wales, a county council, or a county borough council.

3. A joint board, body or committee appointed under any Act or statutory order or statutory scheme, of which all the constituent authorities are councils of a description in paragraph 1 or 2 or a combination of such councils.

4. A Mayoral development corporation within the meaning of section 198 of the Localism Act 2011.

5. A fire and rescue authority within the meaning of the Fire and Rescue Services Act 2004.

6. A police and crime commissioner.

7. A chief constable within the meaning of section 2 of the Police Reform and Social Responsibility Act 2011.

8. The Commission for Local Administration in England.

9. A probation trust established under section 5 of the Offender Management Act 2007 or a National Probation Service local board.

10. The Chichester Harbour Conservancy.

11. The Lee Valley Regional Park Authority.

12. An integrated transport authority within the meaning of Part 5 of the Local Transport Act 2008.

13. The Broads Authority.

14. A further education corporation, a sixth form college corporation or a higher education corporation within the meaning of section 90 of the Further and Higher Education Act 1992.

15. The London Pensions Fund Authority.

16. The South Yorkshire Pensions Authority.

17. The Environment Agency.

18. A National Park Authority established under Part 3 of the Environment Act 1995.

19. An Education Action Forum within the meaning of section 11 of the School Standards and Framework Act 1998.

20. A proprietor of an Academy within the meaning of section 579 (general interpretation) of the Education Act 1996 who has entered into Academy arrangements within the meaning of section 1 (academy arrangements) of the Academies Act 2010.

21. A body set up by a local housing authority as a housing management company to exercise management functions of the authority under an agreement approved by the appropriate minister under section 27 of the Housing Act 1985.

22. The Valuation Tribunal Service established under section 105 of the Local Government Act 2003 and the Valuation Tribunal for Wales established under regulation 4 of the Valuation Tribunal for Wales Regulations 2010.

23. A conservation board established under section 86 of the Countryside and Rights of Way Act 2000.

24. A combined authority established by an order under section 103(1) of the Local Democracy, Economic Development and Construction Act 2009.

25. The Barnsley, Doncaster, Rotherham and Sheffield Combined Authority established by the Barnsley, Doncaster, Rotherham and Sheffield Combined Authority Order 2014.

<u>Schedule 2 – Part 2</u>

1. The Board of Governors of the Museum of London.

2. A body (other than a body listed in Part 1 of this Schedule) which is—

    a. a precepting authority within the meaning of section 69 of the Local Government Finance Act 1992 (interpretation),

    b. a levying body within the meaning of section 74 of the Local Government Finance Act 1988 (levies), or

    c. a body to which section 75 of that Act (special levies) applies.

3. A passenger transport executive.

4. An institution designated by an order under section 129 of the Education Reform Act 1988.

5. An entity connected with a local authority listed in paragraphs 1 to 5 of Part 1 of this Schedule where “connected with” has the same meaning as in section 212(6) of the Local Government and Public Involvement in Health Act 2007.

6. A company under the control of a body listed in paragraphs 6 to 24 of Part 1 of this Schedule

    where “under the control” has the same meaning as in section 68 or, as the case may be, 73 of the Local Government and Housing Act 1989 (except that any direction given by the Secretary of State must be disregarded, and any references to a local authority treated as references to such a body).

7. The Public Services Ombudsman for Wales.

8. The Serious Organised Crime Agency.

9. Transport for London.

10. The London Transport Users' Committee.

11. The Cultural Strategy Group for London.

12. The Children and Family Court Advisory and Support Service.

13. An urban development corporation.

14. The Secretary of State, in respect of persons specified in regulation 3A (1) (civil servants engaged in probation provision).

<u>Schedule 2 – Part 4</u>

15. A local authority that has, with the consent of the governing body, designated an employee or a class of employees of a governing body of a voluntary school as being eligible for membership

16. A local authority that has, with the consent of the governing body, designated an employee or a class of employees of a governing body of a foundation school or foundation special school as being eligible for membership

17. A local authority that has, with the consent of the governing body, designated an employee or a class of employees of a governing body of a technical institute or other similar institution which is for the time being assisted by the local authority under the Education Act 1996 as being eligible for membership

18. A local authority that has, with the consent of the governing body, designated an employee or a class of employees of a federated school as being eligible for membership

19. The London Pension Authority

20. An authority appointing a coroner

21. A police and crime commissioner

22. The Commission for Local Administration in England

23. The passenger transport executive

24. The Housing Ombudsman

Annex B – Admission Bodies *(List current as at the date of this policy – check the legislation for updates)*

1. Schedule 2 – Part 3, Paragraph 1The following bodies are admission bodies with whom an administering authority may make an admission agreement—

   (a) a body which provides a public service in the United Kingdom which operates otherwise than for the purposes of gain and has sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest (whether because the operations of the body are dependent on the operations of the Scheme employer or otherwise);

   (b) a body, to the funds of which a Scheme employer contributes;

   (c) a body representative of—

   (i) any Scheme employers, or

   (ii) local authorities or officers of local authorities;

   (d) a body that is providing or will provide a service or assets in connection with the exercise of a function of a Scheme employer as a result of—

   (i) the transfer of the service or assets by means of a contract or other arrangement,

   (ii) a direction made under section 15 of the Local Government Act 1999 1 (Secretary of State's powers),

   (iii) directions made under section 497A of the Education Act 1996 2;

   (e) a body which provides a public service in the United Kingdom and is approved in writing by the Secretary of State for the purpose of admission to the Scheme.

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Conflicts of Interest Policy

WARWICKSHIRE

pension fund

December 2022

Introduction

This is the Conflicts of Interest Policy of the Warwickshire Pension Fund (**Fund**), which is managed by Warwickshire County Council as the Administering Authority or 'Scheme Manager'.

The Policy details how actual and potential conflicts of interest are identified and managed by those involved in the management and governance of the Fund, whether directly, or in an advisory capacity.

For the purposes of this policy, references to the Scheme Manager should be read as references to the Strategic Director for Resources, who may nominate a person to act on his or her behalf.

Objectives

This Conflicts of Interest Policy is established to guide members of the Staff and Pensions Committee, Pension Fund Investment Sub-Committee, Local Pension Board, officers and advisers to the Fund. Alongside the Council's constitution and various Codes of Conduct, this policy aims to ensure that those individuals do not act improperly or create a perception that they may have acted improperly. It is an aid to good governance, encouraging transparency and minimising the risk of any matter prejudicing decision making or management of the Fund otherwise.

The governance objectives in relation to the Fund are are:

- to meet the highest standards of Governance and demonstrate key principles of transparency and accountability in the management of the Fund through clear responsibilities and reporting.
- to have an appropriate Investment Strategy, which balances risk and reward and is consistent with the Funding Strategy Statement.
- to ensure that sufficient funds are available to meet the pension liabilities, as they fall due for payment.
- to ensure robust governance arrangements are in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies.
- to ensure the Fund is managed and its services delivered by those who have appropriate knowledge and expertise.
- to act with integrity and be accountable to stakeholders for all decisions, ensuring they are robust, soundly based and do not unreasonably favour one group of stakeholders over another to comply with the appropriate legislation and statutory guidance, and act in the spirit of other relevant guidelines and best practice guidance.
- to clearly articulate the Fund's objectives and how those objectives will be achieved through business planning, and continually measure and monitor success against those objectives; and
- to deliver an efficient and effective pensions and financial administration service, which provides excellent value for money.

The identification and management of potential and actual conflicts of interest is integral to achieving these governance objectives.

Scope of this Policy

This Policy and the issue of conflicts of interest in general must be considered in light of each individual's role, whether this is a management, advisory or assisting role.

This Conflicts of Interest Policy applies to:

- all members of the Staff and Pensions Committee, the Pension Fund Investment Sub Committee and the Local Pension Board, including scheme member and employer representatives, whether voting members or not.
- all employees of Warwickshire County Council involved in the management, administration and governance of the Fund.
- all advisers and suppliers to the Fund, whether advising the Local Pension Board, the Staff and Pensions Committee, the Pension Fund Investment Sub Committee or Fund officers, in relation to their role in advising or supplying the Fund.

The Scheme Manager will monitor potential conflicts for officers involved in the daily management of the Pension Fund and highlight this Policy to them as he or she considers appropriate.

In this Policy, reference to "advisers" includes all advisers, suppliers and other parties providing advice and services to Warwickshire Pension Fund in relation to Pension Fund matters. This includes but is not limited to actuaries, investment consultants, independent advisers, benefits consultants, third party administrators, fund managers, lawyers, custodians and AVC providers.

Where an advisory appointment is with a firm rather than an individual, reference to "advisers" is to the lead adviser(s) responsible for the delivery of advice and services to Warwickshire Pension Fund rather than the firm as a whole.

In accepting any role covered by this Policy, individuals agree that they must:

- acknowledge any potential conflict of interest they may have;
- be open with Warwickshire Pension Fund on any conflicts of interest they may have;
- adopt practical solutions to managing those conflicts; and
- plan ahead and agree with Warwickshire Pension Fund how they will manage any conflicts of interest which arise in future.

The procedures outlined later in this Policy provide a framework for individuals to meet these requirements.

Specific Requirements

<u>Staff and Pensions Committee and Pension Fund Investment Sub-Committee Members</u>

In addition to the requirements of this Policy, Committee members are required to adhere to the Warwickshire County Council Members' Code of Conduct which includes requirements in relation to disclosable pecuniary interests.

Local Pension Board Members

In addition to the requirements of this Policy, Local Pensions Board members are required to adhere to Part 8 of the Terms of Reference of the Local Pensions Board which includes declaring any interests that may lead to a conflict situation together with the Local Pension Board's conflicts of interest policy. In the event of any conflict between this Policy ad the Terms of Reference, the Terms of Reference will prevail.

Employees

In addition to the requirements of this Policy, officers of Warwickshire County Council are required to adhere to their own contracts of employment and the Warwickshire County Council's Employer and Employee Responsibilities policy which includes requirements in relation to disclosable pecuniary interests. All staff are required to complete an annual register of interests return.

Advisers and Suppliers

Warwickshire Pension Fund appoints its own advisers and suppliers. How conflicts of interest will be identified and managed should be addressed within its contractual agreements with those advisers and suppliers.

Many advisers will be required to meet professional standards relating to the management of conflicts of interest, for example, the Fund Actuary will be bound by the requirements of the Institute and Faculty of Actuaries and Solicitors by the SRA Code of Conduct. Any protocol or other document entered into between an adviser and the Administering Authority in relation to conflicts of interest, whether as a requirement of a professional body or otherwise, should be read in conjunction with this policy.

An adviser may only continue to advise Warwickshire Pension Fund and another party where there is no conflict of interest in doing so. For example, a conflict of interest may arise where:

- Warwickshire Pension Fund's advisers are asked to give advice to the Council or other scheme Employer, or to scheme members or member representatives such as the Trades Unions, in relation to pension matters; or
- an adviser is also appointed to another Local Government Pension Fund, which is involved in a transaction involving Warwickshire Pension Fund and on which advice is required.

Where the Local Pensions Board decides to appoint an adviser, this can be the same person as is appointed to advise the Fund, the Staff and Pensions Committee or the Pension Fund Investment Sub-Committee, as long as there is no conflict of interest between the two roles.

What is a Conflict or Potential Conflict and how will they be managed?

A conflict of interest may arise when an individual has a responsibility or duty in relation to the management of or advice for Warwickshire Pension Fund, and at the same time has a separate personal interest (financial or otherwise) or another responsibility which prejudices their ability to discharge their duty in the interests of the Fund.

An interest could arise due to a family member or close colleague having a specific responsibility or interest in a matter.

A person will not be considered to have a financial interest merely by virtue of membership of the Fund.

Warwickshire Pension Fund will encourage a culture of openness and transparency and will encourage individuals to be vigilant; have a clear understanding of their role and the circumstances in which they may find themselves in a position of conflict of interest, and of how potential conflicts should be managed. Warwickshire Pension Fund will evaluate the nature of any dual interests or responsibilities that are highlighted and assess the impact on Pension Fund operations and good governance, should an actual conflict of interest materialise.

Provided that Warwickshire Pension Fund (having taken any professional advice deemed to be required) is satisfied that a potential conflict of interest can be properly managed, it shall endeavour to avoid the need for an individual to have to resign. However, where the potential conflict is considered to be so fundamental that it cannot be effectively managed the individual will be required to resign from the Committee, Board or appointment.

In relation to the Local Pension Board in particular, the administering authority must be satisfied that upon appointment, no members of the Board have a conflict of interest upon their appointment and from time to time thereafter. Members (and prospective members) of the board are therefore required to provide the administering authority with such information as is reasonably required to make this assessment.

There are a number of ways in which potential conflicts of interest may be managed, for example:

- the individual concerned may abstaining from discussion, decision-making or providing advice relating to the relevant issue
- the individual concerned being excluded from the meeting and any related correspondence or material in connection with the relevant issue
- where constitutional requirements permit, a working group or sub-committee may be established, excluding the individual concerned, to consider the matter outside of the formal meeting.

Conduct at Meetings

There may be circumstances where a representative of an Employer or a Scheme Member wishes to provide a specific point of view on behalf of an Employer (or group of Employers) or Member (or group of Members). Warwickshire Pension Fund requires that any individual wishing to speak from an Employer's or Member's viewpoint must state this clearly, e.g. at a Local Pensions Board or Committee meeting, and that this will be recorded in the minutes.

Gifts

Warwickshire County Council employees and elected members are required to comply with Warwickshire County Council's existing policies and codes of conduct concerning gifts, which can be found here: https://api.warwickshire.gov.uk/documents/WCCC-575-3582

Members of the Local Pensions Board are expected to adhere to the same principles.

Advisers are expected to comply with their employing organisation's anti-bribery, gits and hospitality policies.

Operational procedure for Officers, Pensions Committee members and Local Pensions Board members

What is required	How this will be done
Step 1 - Initial identification of interests which do or could give rise to a conflict.	On appointment to their role or on the commencement of this Policy if later, all individuals will be provided with a copy of this Policy (and any other relevant policy, terms of reference or code of conduct) and be required to complete a Declaration of Interest The Scheme Manager will assess the extent to which any declarations are relevant to the individual's role in relation to the Fund. Each individual is responsible for maintaining their declaration of interest on a continuous basis.

Step 2 - Ongoing notification and management of potential or actual conflicts of interest	At the commencement of any Committee, Local Pension Board or other formal meeting where Fund matters are to be discussed, the Chair will ask all those present to declare any interests. All interests declared will be detailed in the record of the meeting. Any individual who considers that they have a potential or actual conflict of interest which relates to an item of business at a meeting, must advise the Chair and the Scheme Manager prior to the meeting, where possible, or state this clearly at the meeting at the earliest possible opportunity. The Chair, in consultation with the Scheme Manager, will seek advice as necessary and will advise the individual whether they need to leave the meeting during the discussion on the relevant matter or to withdraw from voting on the matter. If such a conflict is identified outside of a meeting the individual must complete an updated Declaration of interest. The Scheme Manager will consider any necessary action to manage the potential or actual conflict.
Step 3 - Periodic review of potential and actual conflicts	All individuals will be required complete a declaration of interest at least once every 12 months.

Operational procedures for Advisers

The operational procedures outlined above are not expected to apply to advisers. Instead all advisers must:

- be provided with a copy of this Policy on appointment and whenever it is updated;
- adhere to the principles of this Policy as it applies to them;
- provide, on request, information to the Scheme Manager in relation to how they will manage actual or potential conflicts of interest relating to the provision of advice or services concerning the Warwickshire Pension Fund; and
- notify the Scheme Manager immediately should a potential or actual conflict of interest arise.

Monitoring and Reporting

The Scheme Manager will maintain a register of interests relating to the Pension Fund which may be viewed by any interested party at any point in time upon request.

In order to identify whether the objectives of this Policy are being met, Warwickshire Pension Fund will review the Register of Interests periodically and consider whether any additional steps to manage conflicts of interest should be undertaken.

Costs

All costs related to the operation and implementation of this Policy will be met directly by the Fund. However, no payments will be made to any individuals in relation to any time spent or expenses incurred in the disclosure or management of any potential or actual conflicts of interest they may have under this Policy.

Review

This Policy will be formally reviewed and updated at least every three years, or sooner if the conflict management arrangements or other matters included within it merit reconsideration, including if there are any changes to the LGPS Regulations or other relevant Regulations or Guidance which need to be considered.

Corporate Governance Policy Statement

WARWICKSHIRE
pension fund

December 2022

Introduction

Warwickshire County Council (the Council) is the administering authority for the Warwickshire Pension Fund (the Fund).

This statement has been prepared to set out the governance arrangements for the Fund as required by Part 2 (Administration) Regulation 55 and Part 3 (Governance) Regulation 106 of LGPS Regulations 2013.

This statement has been prepared having regard to relevant statutory guidance. References in this document to the constitution are references to the constitution of the Council:

https://www.warwickshire.gov.uk/democracy/constitution-corporate-governance

Purpose of this Governance Statement

Administering authorities are required, after consultation with such persons as they consider appropriate, to prepare, maintain and publish a written statement setting out:

- whether it delegates its functions, or part of its functions, in relation to maintaining a pension fund to a committee, sub-committee or officer of the authority.
- The terms of reference, structure, and operational procedures of the delegation.
- The frequency of any committee/sub-committee meetings.
- Whether the committee/sub-committee includes representatives of employing authorities (including non-scheme employers) or scheme members and, if there are such representatives, whether they have voting rights.
- The extent to which delegation, or the absence of a delegation, complies with guidance by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying.
- Details of the terms, structure and operational procedures relating to the Local Pension Board.

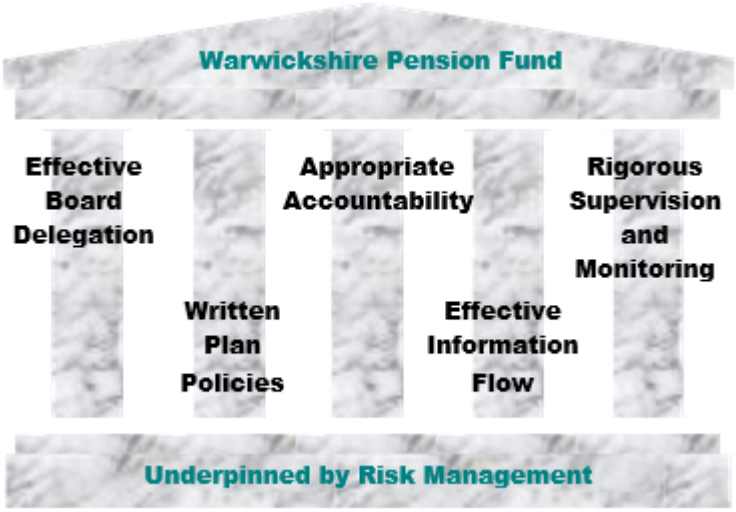
Governance of the Fund

Overall responsibility for managing the Fund lies with the Council in its role as administering authority.

Under the constitution, delegations for the management, administration and investment of the Fund are made to the Staff and Pensions Committee (which has delegated functions to the Pension Fund Investment Sub-Committee (PFISC)) and the Strategic Director for Resources (the Council's s151 Officer), their Deputy and their staff.

In all areas of the governance structure, the seven principles of public life (the Nolan Principles) are widely acknowledged and practiced, both within the decision-making framework and within day-to-day activities.

The Council, with its advisers, has identified the following key areas (the “five principles”) to support its overall governance framework.



The governance framework focuses on:

- The effectiveness of the Staff and Pensions Committee, PFISC and officers to which delegated function has been passed, including areas such as decision-making processes, knowledge and competencies.
- Whether policies are established and to what degree they are recorded.
- Clarity of areas of responsibility between officers and Committee members.
- The ability of the Staff and Pensions Committee, PFISC and officers to communicate clearly and regularly with all stakeholders.
- The ability of the Staff and Pensions Committee, PFISC and officers to ask for the appropriate information and advice and to interpret that information in their supervision and monitoring of the Fund in all areas.
- The management of risks and internal controls to underpin the framework.

Staff and Pensions Committee

Under the terms of the constitution, the functions of the Council as administering authority of the Pension Fund are delegated to the Staff and Pensions Committee.

The Role of the Staff and Pensions Committee with regard to the Fund is:

- Establishing the Pension Fund Investment Sub-Committee.

- Approving the admission of employing organisations to the Fund where there is discretion to do so
- Approving the Fund's pension discretions policy
- Dealing with any other administrative and governance matters arising about local government pensions

The Staff and Pensions Committee is made up of six councillors appointed proportionately to the representation of groups and individual members on the Council.

The rules of procedure of the Staff and Pensions Committee are set out in Warwickshire County Council's Standing Orders which are contained in Part 3 of the constitution.

Pension Fund Investment Sub-Committee (PFISC)

The terms of reference of PFISC are to oversee pension fund investments, management of the Fund, in particular:

- Setting of the appropriate funding target
- Maintaining the Funding Strategy Statement
- setting of an appropriate investment strategy
- selection of investment managers
- setting of performance benchmarks and regular monitoring of performance
- maintaining the Statement of Investment Principles.
- maintaining the Communications Policy
- maintaining the Risk Register
- reporting on annual accounts to full Council

Membership of the PFISC is five councillors allocated proportionately to the representation of groups and individual members on the Council.

The rules of procedure of the PFISC are set out in Warwickshire County Council's Standing Orders which are contained in Part 3 of the constitution.

Local Pension Board

Warwickshire County Council has established a Local Pension Board (LPB). The LPB is responsible for assisting the administering authority in securing compliance with all relevant legislation and directions, and the Pension Regulator's codes of practice.

The full terms of reference of the Local Pension Board can be found here.

Membership of the LPB is seven members to include:

- Three pension scheme member representatives
- Three employer representatives

- One independent representative, who chairs the LPB.

The Strategic Director for Resources

The Strategic Director for Resources and his staff are responsible for all matters of Fund administration, including:

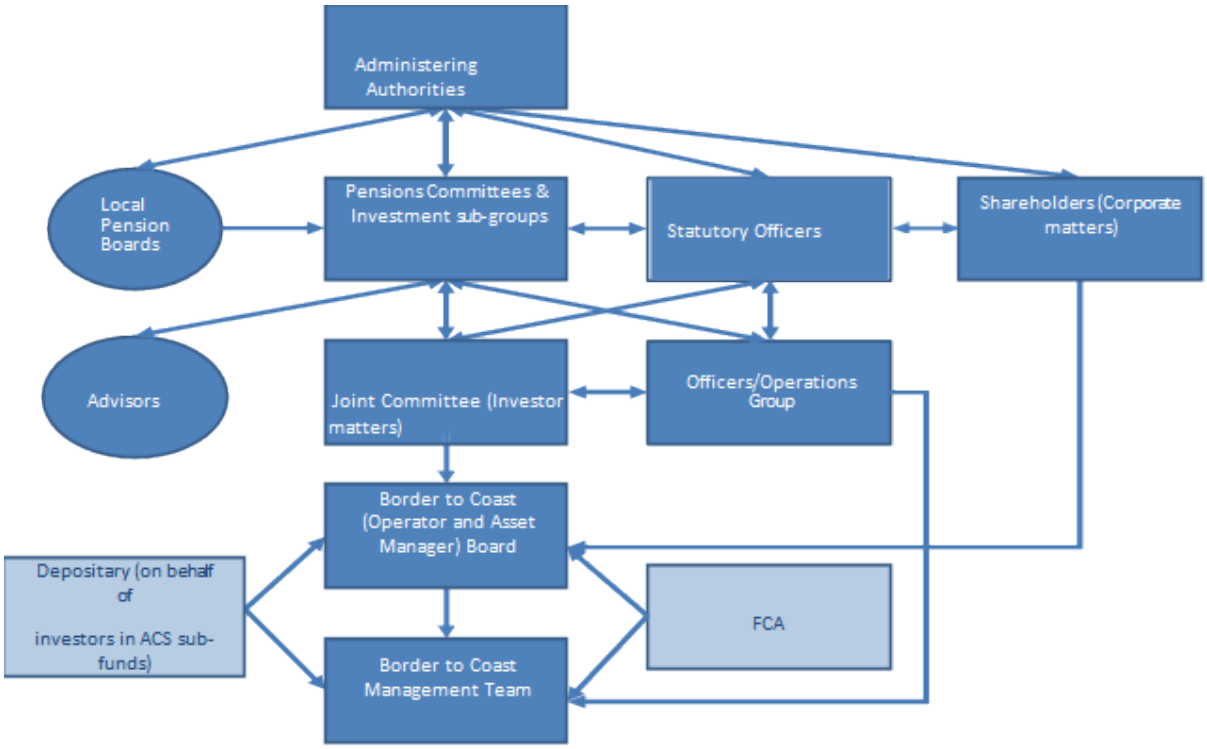
- Implementing decisions of the Staff and Pensions Committee and PFISC
- recording each member's years of service and calculating benefits
- maintaining of appropriate contracts with advisers and service
- providers
- making payments out of the Fund
- communicating with members and stakeholders e.g. issuing benefit statements, annual newsletters, maintaining the Fund's website
- provision of membership data for actuarial valuation purposes.
- reconciliation and investment of contributions
- Implementation of investment strategy
- preparation of annual accounts

Asset Pooling (Border to Coast Pension Partnership)

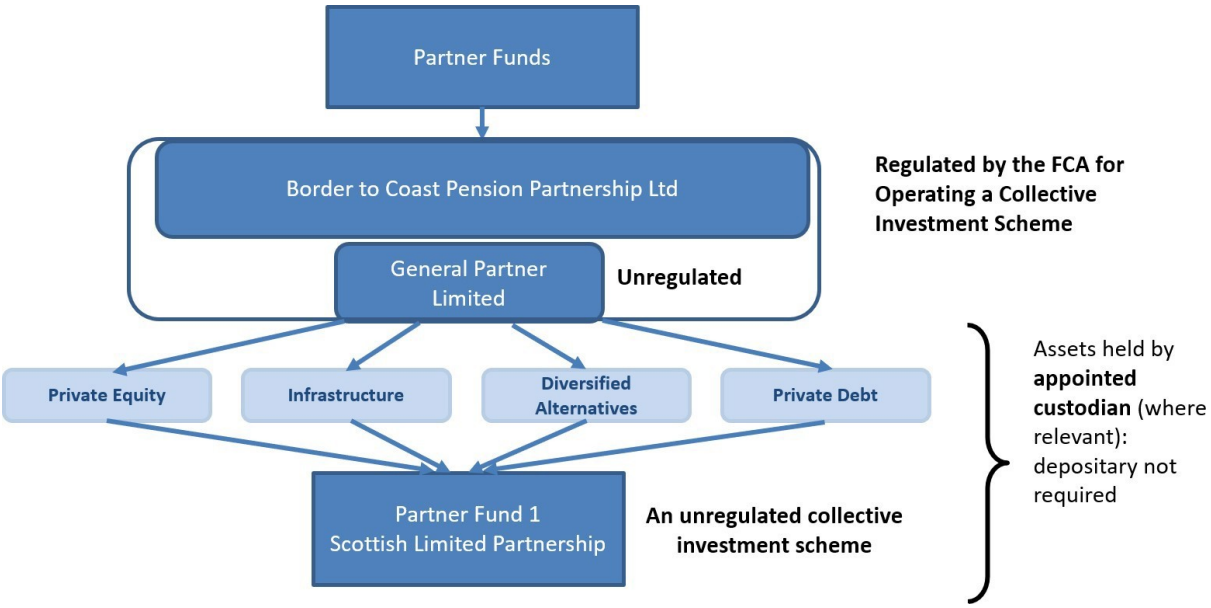
The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 formally introduced the concept of asset pooling. The Fund has joined with other LGPS funds across the country (partner funds) to form an asset pool, known as the Border to Coast Pension Partnership.

Border to Coast Pension Partnership is the company formed by the partner funds, which is authorised by the Financial Conduct Authority (FCA), as the operator of the Authorised Contractual Scheme (ACS) to provide investment services to the partner funds. The Company is therefore subject to the FCA's conduct of business rules and has established its internal governance framework to ensure strict adherence both to its regulatory obligations and with the Companies' Acts.

The councils of each of the partner funds retain their core duties and responsibilities as the administering authorities of their respective LGPS funds. Asset allocation decisions remain with the partner funds. Manager selection for assets transitioned into the ACS and for assets managed under discretionary agreements by the operator is the responsibility of the Boarder to Coast Investment Partnership. Manager selection for the remainder of the pool's assets currently remains with the partner funds. The operator is responsible for selecting the custodian for the assets in the ACS; the partner funds are responsible for selecting the custodian for the remaining assets.
The following diagram shows the governance structure in place to ensure that appropriate oversight of Border to Coast Investment Partnership is carried out both from a shareholder (the partner funds) and an investor perspective.



Oversight of the Border to Coast private market structure differs from that of the Border to Coast Authorised Contractual Scheme ("ACS") as set out in the diagram below (we have chosen to show one of the GP/LP structures for simplicity, in reality each Partner Fund investing in private market via Border to Coast has its own GP/LP structure)



Training

The Fund recognises the importance of ensuring that all staff and members charged with financial management and decision making concerning the Pension Scheme are equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them. The Fund's training policy is available to the Policy Page of our website.

Officers regularly review the Fund's training policy to ensure that all stakeholders are well equipped to carry out their duties as effectively and efficiently as possible.
The training policy applies to:

• Pension fund officers and managers
• Members of the Staff and Pensions Committee and PFISC
• Members of the Local Pension Board

New members are offered training upon induction and there is an annual training cycle. The Fund provides training to the Staff and Pensions Committee and PFISC during committee meetings including presentations on topical issues, such as hedge funds, private equity, actuarial valuations, infrastructure etc.

Governance Compliance Statement

Principle	Explanation of Approach	Compliance
A - Structure		
The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	As detailed above, the overall responsibility for matters relating to local government pensions is clearly delegated to the Staff and Pensions Committee which delegates certain matters to the PFISC	Full
That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	The executive committees are populated by elected members and a high priority part of their role is to have regard to members' interests. The Local Pension Board has scheme employer and member representatives and has access to the public papers of the committees	Please refer to the explanation of approach
That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	All of the membership of PFISC (except the Chair) are members of the Staff and Pensions Committee. Both Committees meet quarterly. The public papers of both Committees are	Full

	presented to the Local Pension Board.	
That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	See above	Full
B Representation		
That all key stakeholders are afforded the opportunity to be represented. within the main or secondary committee structure. These include :- • employing authorities (including non-scheme employers, eg, admitted bodies); • scheme members (including deferred and pensioner scheme members), • where appropriate, independent professional observers, and • expert advisors (on an ad-hoc basis).	Two independent financial advisers sit on the PFISC. Representatives from the financial consultancy firm attends PFISC. Actuaries and other experts attend committee meetings as required.	Partial Please refer to the explanation of approach under 'Structure' above.
That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision-making process, with or without voting rights.	Formal committees do not include lay members. Such interests are represented on the Local Pension Board. A training plan has regard to the training needs of the committees and Local Pension Board. All members have access to this training once needs are identified.	Full

C Selection and role of lay members		
That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	The elected members are aware of their status, role and function which are set out in the constitution, and which are covered as part of the induction training.	Full
That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda	This forms part of every meeting agenda.	Full
D Voting		
The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Members of the Staff and Pensions Committee and PFISC have full and equal voting rights. The Local Pension Board is expected to operate on a consensus basis but where a vote is necessary, each member other than the independent member has equal voting rights.	Full
E Training/Facility Time/Expenses		
That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Training is referred to above. This falls within the Council's normal approach to member expenses.	Full

That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	The policies apply equally to all members.	Full
F Meetings		
That an administering authority's main committee or committees meet at least quarterly.	The Staff and Pensions Committee meets quarterly	Full
That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	The PFISC meets quarterly Where possible the Staff and Pensions Committee and PFISC meets on the same day. The Local Pension Board meets quarterly (usually six weeks after the committee meetings)	Full
That an administering authority who does not include lay members in their formal governance arrangements, must provide a forum outside of those arrangements by which the interests of key stakeholders can be represented	Such interests are represented on the Local Pension Board	Full
G Access		
That subject to any rules in the councils constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	Members of the Staff and Pensions Committee and PFISC have full and equal access.	Full
H Scope		
That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	Updates concerning wider issues affecting pensions schemes form part of the information that is reported to committees. A monthly update is also emailed to committee and LPB members as well as senior officers	Full

I Publicity		
That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	All public papers are published online. Where there are vacancies on the Local Pension Board, the Fund will contact scheme employers and publish vacant positions within the member newsletters. The work of the Local Pension Board is advertised on the Fund's website and all meetings are open to the public.	Full

Review

This Policy Statement will be reviewed on an annual basis, considering any alterations to the Committees and changes to national LGPS guidelines.

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Warwickshire Local Pension Board

31 January 2023

Pension Fund Business Plan Update

Recommendation

That the Local Pension Board notes and comments on the progress that has been made implementing the Business Plan of the Warwickshire Pension Fund.

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. There are 38 actions in the business plan and the current position in respect of each action is summarised below.

	Number	%
Blue (complete) or Green (on track or materially on track)	31	82%
Amber (not on track but can be managed without significant escalation)	7	18%
Red (not on track, material implications, requires escalation)	0	0%
Total	38	100%

1.2 There are 7 amber items , however none of them highlight significant causes for concern in terms of the governance or performance of the Fund.

2. Financial Implications

2.1 None

3. Environmental Implications

3.1 None

4. Supporting Information

4.1 Two amber items relate to initiatives or policy changes where the Fund is waiting for guidance or regulation and this presents challenges to the Fund in how to respond to those agendas namely McCloud (item 9) and the Government's Levelling Up agenda (item 37).

4.2 Two amber items, item 29 (Accounts) and item 30 (Annual Report) were delayed for external reasons beyond the control of the Fund, but the accounts are now scheduled to be considered for approval at Council in February.

4.3 Three amber items relate to activities that are within the control of the Fund and are summarised below:

- Item 16 (employer covenants) – due to a need to prioritise other tasks and objectives, the review of processes around covenants has not progressed. However, the administration team are making progress with reviewing the position of employers on a case-by-case basis and the 2022 valuation process has by its nature also highlighted employer issues that are being managed through the Funding Strategy.

- Item 23 (climate risk) – The Fund has reviewed the climate risk policy, but final consideration of the policy will now take place at the Pension Fund Investment Sub Committee meeting in March 2023 instead of the December 2022 meeting as originally planned.

- Item 25 (UK 2020 Stewardship Code) – The Fund does intend to sign up to this code, however as this is not a statutory or regulatory requirement, other matters have been given priority over this period.

4.4 Two items have changed RAG status. These are:

- Item 12 (pension dashboards) – This has changed from amber to green. This activity will remain a challenge but at present the work required to deliver this activity is going as planned and there is confidence it can be achieved in line with the business plan.

- Item 23 (RI and climate risk policies) – This has changed from green to amber. The climate risk report will be considered at the Pension Fund Investment Sub-committee meeting in March 2023, rather than December 2022 as originally planned. Despite this short delay the Fund has reviewed climate risk issues and has made significant progress on considering climate risk this year.

- Item 29 (Accounts) and 30 (Annual Report) – changed from Red to Amber. The accounts are now scheduled to go to Audit and Standards Committee in January and to Council in February for approval.

- Items 35 (SAB Good Governance Review) and 36 (tPR Single Code of Practice) – Changed from Amber to Green as the delays are due to external reasons and it is not clear that the delays will cause issues for the Fund. The Fund would expect the timing of any requirements to have regard to the timing of the issue of guidance and regulation.

Appendices

Appendix 1 – Business Plan Action List

Background Papers

None

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

Other members:

Appendix 1

Business Plan Actions

	Ref	Action	Timescale	RAG Rating	Comments
C1 - Ensuring a high quality administration service	1	Annual Pensioners Newsletter issued	April-June 2022	Blue	Completed
	2	Annual benefit statements issued	By 31 August 2022	Blue	Completed
	3	Implementation of Member Self Service	Apr-22	Green	The system has been implemented, we are now progressing the onboarding of members
	4	Annual Allowance statements issued	By 5th October 2022	Blue	Completed
	5	Employer Engagement/training event	Nov-22	Blue	Completed
	6	Administration performance - KPIs reported to Local Pensions Board	Quarterly	Green	KPIs are being monitored and reported to Board and Committee, no concerns
	7	Review of Pension Fund website	Quarterly	Green	Website content is being updated and is now under monthly review
	8	Review of complaints received	Quarterly	Green	No new complaints received. 2 current IDRP complaints are now out of time. One complaint currently with the Pensions Ombudsman and the Fund is awaiting a response.
	9	McCloud Project	April 2022 - April 2023	Amber	There have been continued delays from government but no change to the implementation date. We expect new announcements after Christmas.
	10	Data quality review	Annual	Green	Data scores have improved from the previous year. Feedback from Fund actuaries that the data feeding into the valuation is good quality.
	11	Clear communications to employers regarding the 2022 valuation	Ongoing	Green	The Funding Strategy Statement consultation is in progress with employers. No significant feedback has been received at the time of writing.
	12	Develop pension dashboards	Sep-24	Green	Work to scope out the resources required is under way, and a business case will be developed in early 2023
	13	Review pension scam protocols	Ongoing	Green	These have been recently reviewed following new regulations that came into force from June 2022. Additional communications have been produced around this.

	Ref	Action	Timescale	RAG Rating	Comments
C2 Actuarial activities	14	Monitor employer contribution performance through the year including the use of direct debits	Monthly	Green	Monitoring is showing no significant issues currently
	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 2022 valuation process.
	16	Review employer covenants and risk management for non-statutory employers and review of employer monitoring arrangements	Jul-22	Amber	Work on reviewing covenants processes has not progressed due to other priorities, however on a case by case basis the position reviewing employers is improving over time. The valuation process has also assisted in identifying employers with challenges.
	17	Review employer funding strategies and provisional employer valuation results	October / November 2022	Green	This is progressing as part of the valuation process. Employer results have been communicated to employers.
	18	Run employer consultation on updated Funding Strategy Statement (FSS) and new employer contribution rates	November / December 2022	Green	At the time of writing the consultation is in progress and on time.
	19	Sign off the 2022 Valuation and final FSS	Mar-23	Green	The 2022 valuation process is currently on track.

	Ref	Action	Timescale	RAG Rating	Comments
C3 Optimising investment risk and return	20	Support the development of new Border to Coast fund products, for example the property fund.	As funds launch	Green	There are some dome delays in product launches at the pool, however the Fund is engaging as it needs to in the development of products.
	21	Continue the growth of alternative asset classes towards their new strategic asset allocation	Ongoing	Green	Two further private debt mandates have been procured (outside of the pool) and a further infrasture mandate is being considered early in 2023.
	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 theh pool 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	Amber	The Responsible Investment policy was updated and approved in September, The Climate Risk policy has been reviewed and is to be considered at the March 2023 committee (deferred from December)
	24	Pro-active management of cashflow to ensure payments can be made and to ensure efficient cash management	Ongoing	Green	Liquidity review to PFISC in early 2023, and internal discussions regarding a new process are under way. If there are significant early paymetrns of contributions that will create dadditional cashflow work requiremetns which are being planned for.
	25	Ensure compliance with the 2020 UK Stewardship Code submission	Ongoing	Amber	The Fund still intends to sign up to this code however it is not statutory. The Fund will prioritise completing the 2022 valuation and then take stock of priorities including this task.
	26	Review of TCFD disclosure requirements	Mar-23	Green	Expected to result in requiremetns for pension funds from 2024, with regulations being issued in 2023. Partner Funds in Border to Coast are considering procuring a scnario analysis provider to assist in actioning this.
	27	Engage with pooling partner funds and Border to Coast on climate change and RI developments	Quarterly	Green	The Fund has been engaging with the pool on these issues

	Ref	Action	Timescale	RAG Rating	Comments
C4 Ensuring Good Governance	28	Pension Fund Annual General Meeting	Nov-22	Green	Complete. Positive feedback received on the content, however the feedback on the venue was that there are areas for improvement
	29	Production of statement of accounts	May-22	Amber	Further delays have been casued by the delay in guidance from the government in respect of valuing infrastructure. This has further delayed the County Council's accounts and the Pension Fund's accounts. However the accounts will now be presented to the January Audit and Standards Committee and February Council for approval.
	30	Publication of Annual Pension Fund Report	Nov-22	Amber	Delayed for the same reason as the accounts above. However a draft has been published on the Fund website, and a final version will be published online after Council approves the accounts in February.
	31	Ensure Fund risks are reviewed regularly	Annual	Green	Regular officer meetings have been undertaken to review risks.
	32	Maintenance of a contracts register and a schedule for contract reviews	Quarterly	Green	The contract list has been reviewed and in-Tend system updated
	33	Maintenance of a Policy Register and a schedule for policy review.	Quarterly	Green	Policies are being reviewed to plan. A challenge this is presenting is in the workload and the volume of paperwork presented to committees and the time being taken in committees in respect of these. Where a policy does not need to change this is highlighted by officers but the policy still needs ratification.
	34	Maintenance of Business Continuity plan	Mar-23	Green	Significant activity has been under taken in respect of business continuity planning including testing (the plan is not published for security reasons)
	35	Respond to the Scheme Advisory Board Good Governance Review	Dependent on issue of requirements	Green	The Fund is still awaiting finalisation of the requirements and timescales from Scheme Advisory Board. Developments are expected in early 2023.
	36	Respond to the tPR Single Code of Practice	Dependent on issue of requirements	Green	The Fund is still awaiting finalisation of the requiremetns 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 changes in leadership within the Conservative party.
	38	Testing of cyber security arrangements	Sep-22	Green	The Cyber Security policy was updated and approved in December 2022 (it is not published for security reasons)

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Local Pension Board

31 January 2022

General Activity Update

Recommendation

That the Local Pension Board 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 remains high, driven by falling long term inflation expectations and higher expected future asset returns.

2. Fund Update

2.1 As at 30 September 2022, the value of the Fund stood at £2.5bn, the total value of the Fund's assets decreased by 1.2% over the quarter ending 30 September 2022. This decrease was driven by equity market and bond market falls, affected by increasing inflation rate expectations and rising interest rates.

2.2 The value of contributions in (£22.5m) was broadly in line with the benefits paid out (£23.0m) and therefore the Fund's operating cashflows remain neutral.

3. Portfolio Commentary

3.1 During the quarter, the fund was rebalanced with the Overseas Fundamental Equity allocation trimmed and invested in corporate bonds to bring this closer to target.

3.2 Asset values in total fell; however, the Fund performed better than its composite target for the quarter, and over the long term the Fund remains ahead of the required return benchmark of 4%. 4% is the updated benchmark reflecting the strategy, but it will take some time to implement the transactions required to fully express the new strategy, for example moving some funds from growth assets to protection assets and moving more capital into private markets.

3.3 Following the private debt fund manager selection exercise, the Fund has onboarded funds with ICG's Senior Debt Partners 5 and Barings' Global Private Loan Fund 4. Commitments of £52.5m have been made to each manager.

3.4 Cash balances as at the end of September 2022 were £44.0m (1.7% of the Fund's value), and the Fund has been able to service all capital calls and operational cashflows.

3.5 At the June Pension Fund Investment Sub Committee meeting, 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. Following conversations with advisors, implementing this change has been postponed until markets become less volatile.

4. Border to Coast Pensions Partnership

4.1 The Border to Coast Pensions Partnership (BCPP) has recruited a new Chief Investment Officer, Joe McDonnell, who will join the company in January.

4.2 The restructure of the Global Equity Alpha Fund took place in line with expectations.

4.3 BCPP have updated their Responsible Investment policy, Climate Change Policy and Corporate Governance and Voting Policy. These have been agreed by the Joint Committee which is attended by the Chair of the Warwickshire Pension Fund Investment Sub Committee.

5. Voting

5.1 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.

6. Accounting

6.1 The draft Annual Report and Accounts has been prepared, however final approval and publication is on hold due to delays in the Government issuing guidance on how to treat infrastructure assets. This has delayed the finalisation of the County Council's accounts, and the delay then also affects the pension fund accounts which are considered alongside the Council's.

7. Other activities

7.1 The Fund's AGM was held on Friday 4th November 2022, at Northgate House, Warwick. This was a hybrid meeting and received positive feedback from attendees regarding the content.

8. Competition Markets Authority

The Fund is required by the Competition Markets Authority (CMA) to set objectives for its investment consultant and advisors. Officers and Councillors have fed back on the performance of these roles and a response has been submitted to the CMA confirming that the requirement has been fulfilled.

9. Additional Committee Meeting

9.1 A number of agenda items from the December Pension Fund Investment Sub Committee were deferred, these were in relation to private markets infrastructure fund manager selection, liability benchmark, a review of the Fund's Additional Voluntary Contributions arrangements, and the selection of a liquidity fund. An additional meeting has been arranged in February to consider these items in order to ensure that the March Committee meeting has the time to properly consider the business due at that time, which will include the sign off of the 2022 valuation.

10. Financial Implications

10.1 None.

11. Environmental Implications

11.1 Climate risk is a key issue facing the Fund in the longer term and is considered by the Fund's climate risk and responsibly investment policies.

12. Supporting Information

12.1 None

13. Timescales associated with the decision and next steps

13.1 None.

Appendices

None

Background Papers

None

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Report Author	Victoria Moffett, Chris Norton	victoriamoffett@warwickshire.gov.uk, chrisnorton@warwickshire.gov.uk
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Portfolio Holder for Finance and Property	Peter Butlin	peterbutlin@warwickshire.gov.uk

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

Local members: not applicable
Other members: Cllrs Kettle and Gifford

Agenda Item 9

By virtue of paragraph(s) 7 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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