

Warwickshire Local Pension Board

Date: Tuesday 25 April 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: -

- 1. Introductions and General Business**
 - (1) Apologies**
 - (2) Board Members' Disclosures of Interests**
(as stipulated by the Public Sector Pensions Act 2013 and set out in Annex A of the Board Terms of Reference).
 - (3) Minutes of the Previous Meeting** 5 - 10
- 2. Minutes from March Pension Committees** 11 - 24
- 3. Pensions Administration and Performance Update** 25 - 34
- 4. Governance and Policy Update** 35 - 54
- 5. Warwickshire Pension Fund Business Plan Report** 55 - 68
- 6. General Investment Update** 69 - 74
- 7. Any Other Business**
- 8. Reports Containing Exempt or Confidential Information**
To consider passing the following resolution:

'That members of the public be excluded from the meeting for the items

mentioned below on the grounds that their presence would involve the disclosure of exempt information as defined in paragraph 7 of Schedule 12A of Part 1 of the Local Government Act 1972'.

9. Exempt Minutes of the Previous Meeting

75 - 76

Monica Fogarty
Chief Executive
Warwickshire County Council
Shire Hall, Warwick

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Disclaimers

Disclosures of Pecuniary and Non-Pecuniary Interests

Members are required to register their disclosable pecuniary interests within 28 days of their election of appointment to the Council. Any changes to matters registered or new matters that require to be registered must be notified to the Monitoring Officer as soon as practicable after they arise.

A member attending a meeting where a matter arises in which they have a disclosable pecuniary interest must (unless they have a dispensation):

- Declare the interest if they have not already registered it
- Not participate in any discussion or vote
- Leave the meeting room until the matter has been dealt with
- Give written notice of any unregistered interest to the Monitoring Officer within 28 days of the meeting

Non-pecuniary interests relevant to the agenda should be declared at the commencement of the meeting.

The public reports referred to are available on the Warwickshire Web
<https://democracy.warwickshire.gov.uk/uuCoverPage.aspx?bcr=1>

Observing the Meeting

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

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Warwickshire Local Pension Board

Tuesday 31 January 2023

Minutes

Attendance

Committee Members

Keith Bray (Chair)
Jeff Carruthers
Keith Francis
Councillor Ian Shenton
Mike Snow

Officers

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

Others Present

Rob Bilton, Hymans Robertson

1. Introductions and General Business

The Chair welcomed Councillor Ian Shenton to his first meeting since being appointed as a member of the Board.

(1) Apologies

Apologies were received from Alan Kidner.

(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 18 October 2022 were approved as an accurate record,

subject to an amendment on page 3 to say LGA instead of LGPS.

Arising from the minutes and responding to a question raised by the Chair, Chris Norton (Strategy and Commissioning Manager – Treasury, Pension, Audit and Risk) said he was not aware of any changes to the capacity issues being experienced by auditors since the last meeting. He said Warwickshire's external audit had been reported to the Audit and Standards Committee the previous week and would go on to Council on the 7th February for approval. The audit report would be sent to members after the meeting, along with the climate change metrics report.

The Chair clarified comments he made at the previous meeting about the merits of having the same firm acting as advisor and actuary. He said he was in favour of this but only if there were other independent advisers involved, particularly in relation to investments. He was pleased to note this was the case with Warwickshire.

2. 2022 Valuation

The update on the 2022 valuation was given by Rob Bilton of Hymans Robertson, who explained that although the valuation had yet to be fully completed it was appropriate for members to consider its contents. Members were reminded valuations were carried out on a triennial basis and the current valuation period was due to end on 31 March. New employer rates would then take effect from 1 April, lasting until 31 March 2026. Members were reminded of the purpose of the valuation, which included calculating employer contribution rates analysing actual experience against assumptions that had been made regarding each employer. It also ensured the Fund complied with legislation. Rob Bilton said the valuation would consider the balance of each employers' liabilities against its assets, and had to ensure future contributions and future investment returns would cover liabilities.

Rob Bilton said Hymans Robertson was reliant on the data received from the Fund being complete and up to date. He said the information received from the Warwickshire Fund was amongst the best that Hymans Robertson dealt with. The timeline for how the valuation was processed and completed, and what data sets were considered, was set out for members. Hymans Robertson had engaged with the Pension Fund Investment Sub Committee to work on agreeing strategic decisions and the assumptions that the valuation would be based on. Rob Bilton said there had been a good level of engagement and the detail supplied had been very helpful to Hymans Robertson. Engagement with employers had also been important in the valuation process.

Members were told the funding position had improved since the last valuation in 2019. The funding level had increased from 92 per cent to 104 per cent. Rob Bilton said this was due mainly to an investment return of nearly 30 per cent, which had offset the higher inflation expectations. Employer contribution rates had remained steady. The situation in Warwickshire was comparable with other LGPS Funds. Members were reminded that current markets were volatile and were liable to change on a daily basis.

The reclassification of colleges from private sector to public sector meant that the Department for Education was reviewing the need for a guarantee for colleges in the Fund, similar to that used for academies. Currently there is no guarantee in place. The Fund would revisit the risk factor associated to colleges once there was an update on this.

There had been no material changes to the contents of the funding strategy statement since the last valuation. Some of it had been simplified to make it more user friendly to employers. Its contents had been put out to consultation to scheme employer members, which was due to close the following day. Any comments would lead to any necessary amendments being made by the 31 March deadline.

Responding to a point raised by Keith Francis, Chris Norton said in any valuation there would be some employers that may struggle with their pension contributions, for a variety of reasons. The Fund would work with these employers to see what contributions they could afford, or what could be done to mitigate the risk to the Fund. A number of smaller organisations, including many charities, had left the Fund in recent years, and out of more than 200 employers with active members, significant challenges only remained over two of them. Fund officers were working with both employers to agree on a suitable contribution rate.

Responding to a question from Jeff Carruthers, Vicky Jenks (Pensions Admin Delivery Lead) said no concerns had been raised by employers in relation to the funding strategy. She noted that one of the Fund members was a Multi Academy Trust that also paid into two other Funds, and it had drawn comparisons with the other Funds. Vicky Jenks reminded members that it was a condition of a government White Paper that all schools needed to convert to academies by 2030. Schools were tending to join existing Trusts rather than creating new ones.

Mike Snow said Hymans Robertson had noted the quality of the data being provided by the Warwickshire Pension Fund, and said officers should be praised for their work.

Rob Bilton said councils were in a position to stabilise pension contributions as they had tax raising powers, and academies also had stabilised contributions due to a DFE guarantee. However this guarantee did not currently apply to colleges who had recently been reclassified.

Responding to a question from the Chair, Rob Bilton said the Fund's current funding level may be above the 104 per cent noted in the report as asset returns had been good and inflation expectations had gone back down. The Chair stated his belief that of the four actuaries that produced valuations for local authorities, Hymans Robertson was the most conservative with its forecasts and stated his belief the funding rate could be even higher. Rob Bilton said the final funding level would be included in the final report. Chris Norton said ownership of the assumptions laid with Pension Fund Committee officers and the Pension Fund Investment Sub Committee.

3. Pensions Administration Activity and Performance update

The item was introduced by Vicky Jenks, who drew members' attention to some of the highlights in the report. Use of the Member Self Service portal was continuing to increase gradually, with pensioners due to be contacted to encourage them to sign up. There would also be a targeted exercise after analysis of which demographic groups were using the portal and those that were not. New starters were encouraged to use the portal and it was hoped this would eventually become the norm, but it was accepted more work needed to be done to actively promote this.

The majority of the key performance indicators were on track to be met despite the additional work the team had taken on in relation to the valuation. The number of breaches had decreased as issues that had previously existed with a Multi Academy Trust's payroll provider had been resolved and information was now being supplied to the Fund on time. The Fund was anticipating receiving

guidance from the Education and Skills Funding Agency on schools having outsourced contracts, and how these could be impacted if the school converted to an academy.

Responding to a question from Councillor Shenton, Vicky Jenks said there was no longer a requirement for paper payslips to be sent out but they would be if one was requested if a pensioner was unable to use the portal. She added that P60 forms would continue to be paper based.

Vicky Jenks clarified green breaches were those that had occurred once and been noted, and amber breaches had been noted after more than one occurrence. Red breaches were significant in consequence and required reporting to the regulator.

Responding to points raised by the Chair, Vicky Jenks said there had been changes to the processes for handling letters detailing transfers and sending out an initial letter notifying of a member's death to improve efficiency. There had been a recent increase in the number of transfer letters being required, partly because the workforce was now more transient and a member was more likely to have been a member of more than one pension scheme previously.

4. Governance Report

The item was introduced by Martin Griffiths (Technical Specialist, Pension Funds Policy and Governance). He stated the training schedule would be updated depending on the needs of members of the Board and Staff and Pensions Committee, and there had been some input from Hymans Robertson on what training was required. He said extra training could be provided if members felt they needed it.

Martin Griffiths said there had been a couple of minor changes to the risk register. Some of these related to the greater relationship between the Pension Fund and Border to Coast.

The Admission and Termination Policy had been amended and approved at the 12 December meeting of the Staff and Pensions Committee. The Conflicts of Interest Policy had been updated to include officers as well as elected Members, and this would be published on the Council's website. Some changes were being made to the Corporate Governance Policy Statement due to the UK Stewardship Code.

It was noted that the Consumer Prices Index announced a 10.1 per cent rate of inflation. Rob Bilton said although this was a high rate, it would be offset by the value of the investments being made.

The Chair said he was in favour of a simplified version of the risk register being created, stating his belief that an information overload could be created if it was too complicated. Regarding training, the Chair said that a previous complaint he had made had now been rectified. He said that previously people taking training tests would be told their results, but not which questions they had answered incorrectly and so could not learn from them.

5. Pension Fund Business Plan Update

Chris Norton advised there were no significant issues to report. Some KPIs had changed rating to amber, and the report highlights which issues are outside of the Fund's control. Members were

reminded the accounts had had a red rating for the last update, but these had now been completed and were due to be considered by Full Council the following week.

Vicky Jenks said there was still no indication on when the results on the local government consultation on McCloud may be announced and the issue resolved. The most recent update had said there would be an announcement in the spring. However Vicky Jenks said the Fund would be in a good position to proceed once the final announcement was made, due to the amount of data collection work that had taken place.

6. Investment update

The item was introduced by Victoria Moffett (Lead Commissioner, Pensions and Investments), who said the funding level for the Fund remained above 100 per cent due to the falling long-term inflation expectation that had already been mentioned during the meeting, and because of a decrease in liabilities. The overall funding value had decreased slightly however, and net cashflow was broadly neutral. Victoria Moffett said there may be the possibility of negative cashflow in the future if inflation rates remained high, as this would increase the amount the Fund had to pay out. Members were told that the Pension Fund Investment Sub Committee had agreed to split the Fund's new private debt allocation into two separate funds to diversify the risks. This was done in the hope it would reduce the volatility of the Fund.

Members were informed that since the last meeting a new Chief Investment Officer had been appointed at Border to Coast. Victoria Moffett said Border to Coast had updated its responsible investment and climate change policies. The voting rights of the portfolio holders at Border to Coast, and also the holders at Legal and General, had been considered by the Investment Sub Committee. Responding to a point raised by the Chair, Victoria Moffett said 40 per cent of the Fund was handled by Border to Coast and an additional 40 per cent by Legal and General.

Victoria Moffett said the annual report and accounts remained in draft format as there had been delays due to external auditor capacity and delays in receiving guidance from central government. The Competition Markets Authority objectives had been signed off and submitted.

The Chair said the contents of the Fund's AGM had been excellent, but felt the room where it was held was not the most suitable.

7. Any Other Business

Members noted the contents of the minutes of the most recent meetings of the Staff and Pensions Committee and the Pension Fund Investment Sub Committee. The Chair said if members wished to raise any issues later then they should email Martin Griffiths and copy him in.

Members agreed that the next meeting should take place in-person, with a revised start time of 11am. Keith Francis stated he would not be available for the meeting and submitted apologies.

8. Reports Containing Exempt or Confidential Information

It was resolved unanimously to approve the motion to exclude the public from the remainder of the meeting.

9. Cyber Security

Members received a confidential update on cyber security.

The meeting rose at 12.55pm

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Chair

Warwickshire Local Pension Board

25 April 2023

Minutes from March Pension Committees

Recommendation

That the Local Pension Board considers and comments on the draft minutes from the March Pension Fund Investment Sub-Committee and Staff and Pension Committee.

1. Executive Summary

The attached minutes provide a detailed summary of the matters discussed by the two Committees.

2. Financial Implications

2.1 These have been detailed as appropriate in each set of minutes.

3. Environmental Implications

3.1 These have been detailed as appropriate in each set of minutes.

4. Timescales associated with the decision and next steps

4.1 None

Appendices

1. Appendix 1 Draft Staff and Pensions Committee Minutes from March 2023
2. Appendix 2 Draft Pension Fund Investment Sub- Committee Minutes from March 2023

In both cases exempt minutes have not been included.

| | Name | Contact Information |
|--------------------|--|--|
| Report Author | Martin Griffiths Chris Norton | martingriffiths@warwickshire.gov.uk chrisnorton@warwickshire.gov.uk |
| Assistant Director | Andrew Felton | andrewfelton@warwickshire.gov.uk |
| Strategic Director | Strategic Director for Resources | robpowell@warwickshire.gov.uk |
| Portfolio Holder | Portfolio Holder for Finance and Property | peterbutlin@warwickshire.gov.uk |

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

Local Member(s): N.A

Other members: N.A

Staff and Pensions Committee

Monday 6 March 2023

Minutes

Attendance

Committee Members

Councillor Andy Jenns (Chair)
Councillor Bill Gifford (Vice-Chair)
Councillor Brian Hammersley
Councillor Christopher Kettle
Councillor Sarah Millar
Councillor Mandy Tromans

Officers

Barnaby Briggs, Assistant Chief Fire Officer
John Cole, Senior Democratic Services Officer
Sarah Duxbury, Assistant Director, Governance and Policy
Andy Felton, Assistant Director, Finance
Liz Firmstone, Service Manager – Transformation
Bal Jacob, Strategic and Commissioning Manager (HROD)
Vicky Jenks, Pensions Administration Delivery Lead
Victoria Moffett, Lead Commissioner – Pensions and Investment
Chris Norton, Strategy and Commissioning Manager – Treasury, Pension, Audit and Risk
Kate Sullivan, Lead Commissioner – Culture, Leadership and Performance

1. General

On behalf of the Committee, the Chair welcomed Bal Jacob, who had recently joined the organisation as Strategic and Commissioning Manager (HROD).

(1) Apologies

There were no apologies.

(2) Disclosures of Pecuniary and Non-Pecuniary Interests

There was none.

(3) Minutes of the Previous Meeting

Resolved:

That the minutes of the meeting held on 12 December 2022 be approved as a correct record

and signed by the Chair.

There were no matters arising.

2. Our People Strategy Annual Review

Kate Sullivan (Lead Commissioner – Culture, Leadership and Performance) introduced the report, stating that the refreshed Our People Strategy 2020 – 2025 had been endorsed by the Staff & Pensions Committee and Resources and Fire & Rescue Overview and Scrutiny Committee in December 2020. Since then, the Strategy had been presented annually to both committees for review and to seek endorsement for plans for the year ahead. She directed members' attention to the Our People Annual Review for 2022/23 and Year 3 (2023/25) Plan which showcased activities and performance against organisational priorities for 2022/23 and provided an overview of performance data and key priorities for the coming year. She advised that it was proposed to focus on five priority areas in 2023/24: Recruitment and Retention, Pay and Reward, Strategic Workforce Planning, Equality, Diversity and Inclusion, and Employee Engagement.

Councillor Gifford expressed support for the objectives of the Strategy. He noted that 'Safe to be Authentic Self' would be introduced as a measure of success for 2023/24. He queried how this could be tracked by the organisation.

Kate Sullivan advised that it was proposed to monitor 'Safe to be Authentic Self' as a measure of success by means of responses to the Your Say Survey. A baseline of 79% had been calculated by combining relevant responses from the most recent Your Say Survey.

In response to Councillor Millar, Kate Sullivan advised that the Your Say Survey had highlighted concerns relating to rising costs of living. Data from the survey was being analysed to determine an appropriate response.

Sarah Duxbury (Assistant Director, Governance and Policy) highlighted that the Council was bound by the national negotiating framework for pay. However, there were additional ways that the organisation could reward its staff. The benefits of working for Warwickshire County Council were now being more prominently promoted, including within adverts for job vacancies.

In response to Councillor Hammersley, Kate Sullivan advised that temporary agency contracts were required for certain key areas of service delivery, such as social work. However, measures were in place to achieve the right balance without relying unnecessarily on agency staff.

In response to Councillor Millar, Kate Sullivan advised that the trial of the Vivup Highfive platform had shown the advantages of enabling peer to peer recognition. However, take up of the offer was not high. Subsequently, it had been resolved to make use of Microsoft applications which provided a similar functionality at no additional cost to the organisation. The STAR Awards continued to provide opportunities to praise colleagues, enabling individuals and teams to be recognised for making an outstanding contribution.

In response to the Chair, Kate Sullivan advised that the Council had been awarded the Silver Thrive at Work accreditation in Summer 2021 for a period of three years. Work was underway to gather evidence to secure accreditation for an additional three years.

Councillor Millar moved that the recommendation be accepted and was seconded by Councillor Kettle. This was supported unanimously by the Committee.

Resolved:

That the Staff and Pensions Committee notes the activity as set out in the 2022/23 Annual Review of Our People Strategy and endorses the 2023/24 Our People Strategy Delivery Plan.

3. Business Plan Report

Chris Norton (Strategy and Commissioning Manager – Treasury, Pension, Audit and Risk) introduced this report which set out Warwickshire Pension Fund’s Business Plan for 2023/24, including details of governance arrangements and actuarial activities. He highlighted the addition of ‘Sustainability’ as a theme of the Action Plan for 2023/24, recognising the focus on climate risk. He advised that the Fund’s membership had continued to increase. This trend was projected to continue. The number of employers had also increased. He highlighted the additional demand that this placed on the Fund.

Chris Norton highlighted coverage in the report of key activities including the Member Self Service (MSS) scheme and Pensions Dashboard initiative. He advised that Workforce Planning continued to occupy an important part of the Business Plan to promote staff retention and maintain resilience. He highlighted the 38 actions listed within Appendix C of the report. A quarterly update of progress against these priorities would be provided to the Local Pension Board during the year ahead.

In response to Councillor Hammersley, Chris Norton advised that i-Connect had proved to be an asset for academies joining the Fund, particularly those that did not have a large back-office staff.

In response to the Chair, members agreed to approve the recommendation of the report.

Resolved:

That the Staff and Pensions Committee notes and approves the Business Plan for 2023/24 as attached at Appendix 1 of the report.

4. Pensions Administration Activity and Performance Update

Vicky Jenks (Pensions Administration Delivery Lead) introduced the report which outlined key developments affecting pensions administration and the performance of the Pensions Administration Service (PAS). She reported that work to promote the Member Self Service (MSS) platform was ongoing. Take up of MSS had increased since the last update to the Committee and efforts were being made to further encourage members of the pension scheme to make use of the system. The report provided a commentary of performance against Key Performance Indicators (KPIs), improvements had been made against KPIs that were below target. She advised that workloads for the PAS had increased. It was proposed to make use of automation for basic tasks which would alleviate pressure on the team.

Vicky Jenks advised that use of the i-Connect system had helped to reduce the number of breaches. Employers had demonstrated a good record of supplying information in a timely way. Where breaches had occurred, it had been possible to resolve issues without difficulty. She

reported that employers had been notified of changes to contribution rates which would come into effect from 1 April 2023. A consultation on the Funding Strategy Statement (FSS) had also been completed. She highlighted commentary in the report relating to engagement with academies to clarify the Fund's expectations in circumstances when academies outsourced contracts. She advised that due to technical considerations, the Department for Work and Pensions had resolved to postpone the deadline for local government pension schemes to connect to the national Pensions Dashboard. This would provide additional time to complete the work that was required.

In response to Councillor Hammersley, Vicky Jenks advised that pensioners had been notified that paper payslips would be discontinued on 30 May 2023. After this point, if there was a change to the amount being paid or a change to the tax code, a letter would be sent to notify the individual. It was hoped that more pensioners would choose to opt into the MSS scheme to allow e-payslips to be issued. She highlighted the environmental and cost-saving benefits of MSS. It was acknowledged that some pensioners would not be able to access their payslip electronically. Requests to receive a paper payslip would be assessed on a case-by-case basis.

In response to Councillor Millar, Vicky Jenks advised that work was ongoing to identify the barriers to take up of MSS and ways to increase engagement.

In response to Councillor Kettle, Vicky Jenks advised that the PAS continued to monitor workloads to ensure that it was adequately resourced to respond to increased demand. She advised that most new employers joining the Fund were academies. This was a relatively straightforward process. However, handling arrangements for academy's contractors was more resource intensive.

Resolved:

That the Staff and Pensions Committee notes the content of the report.

5. Regulatory and Policy Update

Vicky Jenks (Pensions Administration Delivery Lead) introduced this report which provided a summary of recently reviewed Pension Fund policies and gave an update on regulatory developments in the pensions arena. She advised that the Fund had reviewed its Bribery and Fraud Policy, it was not considered that any amendments were currently required. The Fund was in the process of reviewing its Internal Dispute Resolution Procedure as part of the planned review cycle. No material changes were anticipated. She advised that it had been resolved to postpone the proposed review of governance processes until after the Scheme Advisory Board (SAB) has released the findings of its Good Governance Review. However, preparatory work had been undertaken.

In response to Councillor Hammersley, Vicky Jenks advised that the Bribery and Fraud policy would continue to be monitored.

Resolved:

That the Staff and Pensions Committee notes the updates contained within the Report.

6. Employers Joining and Leaving the Warwickshire Pension Fund

Resolved:

That the Staff and Pensions Committee delegates authority to the Strategic Director for Resources to approve applications from the listed employers subject to the applications meeting the criteria required for admission:

- Newbold And Treddington CofE Primary School, which entered the Fosse Multi-Academy Trust on 1 November 2022.

7. Review of the Minutes of the Warwickshire Local Fire Pension Board Meeting of 7 November 2022

The minutes of the Warwickshire Fire and Rescue Local Pension Board of the Firefighters' Pension Scheme meeting of 7 November 2022 were noted.

8. Reports Containing Exempt or Confidential Information

Resolved:

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

9. Warwickshire Pension Fund Business Continuity Plan

The Committee held a confidential discussion.

10. Exempt Minutes of the Previous Meeting

Resolved:

That the exempt minutes of the meeting held on 12 December 2022 be approved as a correct record and signed by the Chair.

There were no matters arising.

11. Future Meeting Dates

Members noted the dates of future meetings.

The meeting rose at 14:48.

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Chair

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Pension Fund Investment Sub-Committee

Monday 6 March 2023

Minutes

Attendance

Committee Members

Councillor Christopher Kettle (Chair)
Councillor Bill Gifford (Vice-Chair)
Councillor Brian Hammersley
Councillor Sarah Millar
Councillor Mandy Tromans

Officers

John Cole, Senior Democratic Services Officer
Jan Cumming, Senior Solicitor and Team Leader, Commercial and Contracts
Andy Felton, Assistant Director, Finance
Paul Higginbotham, Investment Analyst (Pensions and Investment)
Victoria Moffett, Lead Commissioner – Pensions and Investment
Chris Norton, Strategy and Commissioning Manager (Treasury, Pension, Audit and Risk)

Others Present

Rob Bilton, Hymans Robertson
Anthony Fletcher, Independent Advisor
James Glasgow, Hymans Robertson
Philip Pearson, Hymans Robertson
Bob Swarup, Independent Advisor

1. General

(1) Apologies

There were no apologies.

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

There was none.

(3) Minutes of the Previous Meeting

Resolved:

That the minutes of the meeting held on 3 February 2023 be approved as a correct record and signed by the Chair.

There were no matters arising.

2. Review of the Minutes of the Warwickshire Local Pension Board Meeting of 18 October 2022

Resolved:

That the Pension Fund Investment Sub-Committee notes the minutes of the Local Pension Board meeting of 18 October 2022.

3. Governance Report

Victoria Moffett (Lead Commissioner – Pensions and Investment) introduced the report which provided updated governance information relating to Warwickshire Pension Fund's forward plan, risk monitoring, training, and policy. She highlighted the changes that had been made to risk ratings including the key high-risk areas of climate change, cyber security, and long-term market risk. She advised that, at the recent quarterly risk meeting, there had been discussion of the effect on the Fund's cashflow of the recent 10.1% CPI rise which could potentially lead to higher pension payments. There had also been discussion of the risks arising from increased costs of living which could increase the likelihood of attempted scams targeted at pensioners.

Victoria Moffett reported that the results of the Hymans Robertson 'Knowledge and Skills Assessment' had been released. Take up of the Assessment by Warwickshire Pension Fund was lower than levels for pension funds elsewhere. She stated that councillors' feedback would be welcomed to ensure that the Training Programme could be as effective as possible.

Councillor Gifford stated that it was sensible to maintain an awareness of long-term market risk. However, he highlighted the economic pressures that had been experienced in recent years; the Fund had continued to perform well during this period, demonstrating that the investment policy was working effectively.

Councillor Millar highlighted the intersectionality of cyber security and the increased risk of scams targeted at pensioners. She welcomed the enhanced focus on these areas.

In response to the Chair, members agreed to approve the recommendations of the report.

Resolved:

That the Pension Fund Investment Sub-Committee:

1. Notes the items contained within the Governance Paper, and
2. Approves the new Risk Policy.

4. Funding Strategy Statement and Valuation Report

Victoria Moffett (Lead Commissioner – Pensions and Investment) introduced the report. She thanked Hymans Robertson personnel for their work to develop the Funding Strategy Statement (FSS), for which approval was sought from the Sub-Committee.

Rob Bilton (Hymans Robertson) introduced the FSS, stating that a valuation of the Pension Fund was undertaken every three years to review the financial position of the Fund and set employer contribution rates. The FSS had been reviewed in detail as part of the valuation. He highlighted the scale of the valuation exercise which required engagement with Fund employers over an 18-month period. This process had run smoothly, and he thanked Fund officers for their support. There had been no material changes to the funding strategy following the valuation. However, he highlighted a slight change to arrangements for academies to introduce further stability to their funding strategy. This was an appropriate course of action given that the employers have a guarantee from central government to provide cover for any LGPS liabilities which could arise in the event of closure of an academy trust.

Rob Bilton advised that the layout of the FSS had been refreshed to make it easier to navigate. The main body of the Statement provided a high-level summary; where detail was needed around specific policies, these were included as appendices. He advised that employers had been consulted on the draft FSS. During the consultation, a comment had been raised by an Academy Trust relating to the assumptions and mechanisms used for dealing with pass-through arrangements – for example, when an employer outsourced a service. He advised that there was no perfect solution in these circumstances; however, engagement with the Academy Trust had led to an improvement.

Rob Bilton advised that the FSS was not significantly different from the initial draft provided to the Sub-Committee in December 2022. Once finalised, the FSS would be published on the Fund's website.

Councillor Hammersley stated that the FSS was thorough and comprehensive. He commented that, by taking a prudent long-term view to secure long-term solvency, the Strategy was focused on the right areas.

In response to the Chair, Rob Bilton advised that a stabilised approach was a prudent longer-term strategy for the Fund's local authorities. The size of an employer was an important factor when determining the stability of contribution rates, including where there was a high level of confidence that an employer would be able to fund benefits. In respect of Nuneaton & Bedworth Borough Council and Stratford-on-Avon District Council being designated as mature authorities, he advised that several factors were taken into consideration to determine maturity, including the sensitivity of the contribution rate to movement in assets and liabilities, and the ratio of liabilities against payroll. The review of the Strategy in March 2022 had focused on the robustness of arrangements for contribution rates. Modelling had been undertaken leading to confidence that the right approach was in place. He stated that a material change in liabilities would prompt further analysis. The Strategy was regularly reviewed.

In response to the Chair, Rob Bilton advised that mechanisms were in place to respond to circumstances when an outsourced service provider went out of business or became insolvent. However, this occurred very rarely. The strain that would be placed on the Fund in these

circumstances had been assessed. There were no recent cases of non-payment of strain costs by an employer.

Councillor Hammersley highlighted the complexity of modelling work to project outcomes against different economic scenarios. This provided a good level of confidence that robust measures were in place to safeguard the Fund against future economic conditions.

In response to the Chair, members agreed to approve the recommendation of the report.

Resolved:

That the Pension Fund Investment Sub Committee approves the final version of the Funding Strategy Statement, as attached at Appendix 1 of the Report.

5. Reports Containing Exempt or Confidential Information

Resolved:

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

6. Climate Risk Policy and Update

The Sub-Committee held a confidential discussion.

7. Q3 Investment Monitoring Report

The Sub-Committee held a confidential discussion.

8. Alternatives Commitments

The Sub-Committee held a confidential discussion.

9. General Activity Update

The Sub-Committee held a confidential discussion.

10. Exempt Minutes of the Previous Meeting

Jan Cumming (Senior Solicitor and Team Leader, Commercial and Contracts) commented that she had been listed as an attendee for the exempt part of the meeting on 3 February 2023. As she had not been present for this part of the meeting, she requested that the attendance list be amended. Subject to this amendment, the minutes were approved as an accurate record of the meeting.

Resolved:

That the exempt minutes of the meeting held on 3 February 2023 be approved as a correct record and signed by the Chair.

There were no matters arising.

The meeting rose at 13:01.

.....
Chair

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Warwickshire Local Pension Board

25 April 2023

Pensions Administration Activity and Performance Update

Recommendation

That the Board notes and comments on the content of 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 arising directly from the content of this report.

4. Member Self Service - MSS

- 4.1 We continue to promote the use of MSS with our pension scheme membership.
- 4.2 Letters have now been sent out to 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 The take up split by our different types of members is as follows:

| | |
|-----------|---------------|
| Active | 4,911 (31.1%) |
| Deferred | 3,933 (22.2%) |
| Pensioner | 2,269 (16.4%) |

4.4 Work will begin in 2023/24 to review the take-up of MSS so that the PAS can target its promotion of the scheme to those members where take-up is lowest.

5. E-payslips

5.1 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 implemented by the PAS team. If such changes occur, we will write and confirm those 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 sent out to the members email account and are password protected.

5.2 We have had a particularly good response from our pensioner members regarding the removal of paper payslips and the sign up for MSS and e-payslips. So far, we have received 2500 requests to sign up from 9500 letters issued. We have also received confirmation from 100 that they will not be able to access the service and wish to opt out of digital communications. For these, a letter will be sent out each April to confirm the increase that has been applied to their pension. They can also have a paper payslip on request; however, these will not be sent out every month.

5.3 There are some lessons learnt from the way we have completed this exercise. Feedback received from members include that the letter sent out was not sufficiently clear that members could opt out of digital communications.

5.4 There were some initial issues with the telephone number people had been advised to call, but these were rectified quickly. The PAS plans to move to a new telephony system, which will allow us to set up helpline numbers and calls groups, record calls for training and monitoring purposes and provide data on call volumes. This will help improve services for customers, using functionality which is currently not available.

6. Key Performance Indicators (KPIs)

6.1 Appendix 1 shows the KPI performance for the period 1 April 2022 to 31 March 2023. The KPIs and target timescales are listed in Appendix 2.

- 6.2** 9 out of 14 KPIs are meeting their target and the remaining 5 have all seen improvements in the total number of cases being completed within the KPI deadline.

7. Pensioner Payroll Key Performance Indicators

- 7.1 Pensioner payroll for Warwickshire Pension Fund is administered by Warwickshire County Council's payroll team.
- 7.2 14,398 payments for pensioners are paid each month.
- 7.3 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. Nil indicates no complaints have been received

A table that depicts the Key Performance Indicators for the payroll service

| 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 | NIL | |
| Accuracy | Paying people accurately. | 99% of all requested staff payments will be paid accurately. | 100% | 100% | 99.99% | |
| 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% | 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% | 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 | 9.1 | |

8. Workloads

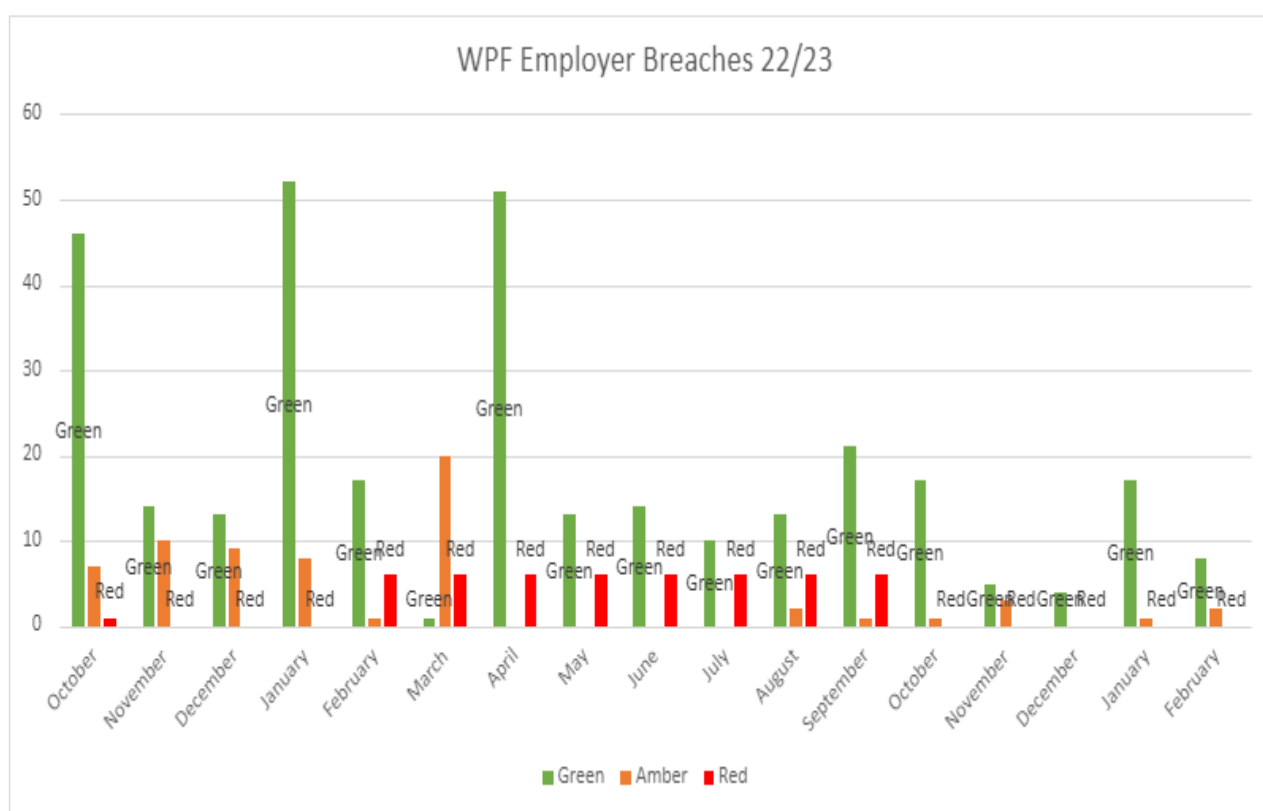
- 8.1 The PAS continues to monitor work being received by the team and ensure we have the resources to manage the workload.
- 8.2 Appendix 3 shows on a monthly basis, the amount of work received, and the amount of work being completed. From the 1st January 2023 to 31st March

2023 there have been 10,347 cases created and 11008 completed, this compares to 10,807 created and 9,816 completed in the same period last year. There are currently 3,165 open cases across the section

9. Breaches

9.1 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.

9.2 The table below indicates the number of breaches the Fund has recorded for the period 1st April 2022 to 28 February 2023:



A table depicting the number of breaches through the year

What constitutes a breach?

Breaches can occur in relation to a wide variety of the tasks normally associated with the administrative function of a Scheme such as keeping records, internal controls, calculating benefits and making investment or investment-related decisions.

Example 1 - Green Breach

An employer is late in paying over employee and employer contributions. It is contacted by officers from the administering authority, it immediately pays the

contributions that are overdue, and it improves its procedures so that in future contributions are paid over on time.

In this instance there has been a breach, but members have not been adversely affected and the employer has changed its processes regarding future payments.

The breach is therefore not material to the Regulator and need not be reported.

Example 2 - Amber Breach

A pension overpayment is discovered, the administering authority has failed to pay the right amount to the right person at the right time. A breach has therefore occurred.

The overpayment is however for a modest amount and the pensioner could not have known that they were being overpaid. The overpayment is therefore waived.

In this case there is no need to report the breach as it is not material.

Example 3 - Red Breach

An employer is late in submitting its statutory year-end return of pay and contributions in respect of each of its active members and as such it is in breach. Despite repeated reminders it still does not supply its year-end return. Because the administering authority does not have the year-end data it is unable to supply, by 31 August, annual benefit statements to the employer's members.

Further information can be found in the Fund's Breaches Policy:

<https://api.warwickshire.gov.uk/documents/WCCC-67491560-1272>

- 9.3 Two amber breaches have been recorded for February 2023. One is for a Parish Council who have submitted data through i-Connect late for 3 months. in a row. The second is for an academy who are late paying Additional Voluntary Contribution payments to Standard Life.

10. Valuation

- 10.1 All rates and adjustment draft certificates were shared with employers in November and the Fund has received minimal queries. A consultation on the Fund's Funding Strategy Statement (FSS) was also held.
- 10.2 The new rates are applicable from 1 April 2023 to 31 March 2026.
- 10.3 The Fund has been in consultation with three employers regarding their revised rates and their ongoing membership of the Fund.

11. Internal Dispute Resolution Procedure (IDRP)

- 11.1 The Fund has no outstanding IDRPs cases, which is a positive reflection for the Fund.
- 11.2 The Fund has received 3 complaints, 1 relating to an ill health pension and 2 relating to the introduction of e-payslips. All 3 have received official responses from the Pensions Administration Delivery Lead. No further action or follow on from members has been received.

12. Pensions Dashboards

- 12.1 The Department of Works and Pensions (DWP) are running the Dashboards Programme where all pension schemes will need to be able to connect to Dashboards. On 2 March 2023, the DWP made a written ministerial statement outlining the changes to the mandatory connection deadlines for pension schemes.
- 12.2 The statement explains that the Pensions Dashboard Programme will be unable to meet the connection deadlines set out in the legislation, and the timeline will need to be revised.
- 12.3 Although much of the work on the central digital architecture has been delivered there is more to do, and this is the main cause of the delay.
- 12.4 The PAS will continue to look at the work needed to be ready for dashboards, focusing on data quality, once the new timetable is released, we will develop a plan to deliver this project.

Appendices

- Appendix 1 – Key Performance chart
- Appendix 2 – Key Performance indicators
- Appendix 3 – Workflow chart

Background Papers

None

| | Name | Contact Information |
|--------------------|--|---|
| Report Author | Lisa Eglesfield, Victoria Jenks, Ian Morris, Alistair Wickens | lisaeglesfield@warwickshire.gov.uk, vickyjenks@warwickshire.gov.uk, ianmorris@warwickshire.gov.uk, alistairwickens@warwickshire.gov.uk |
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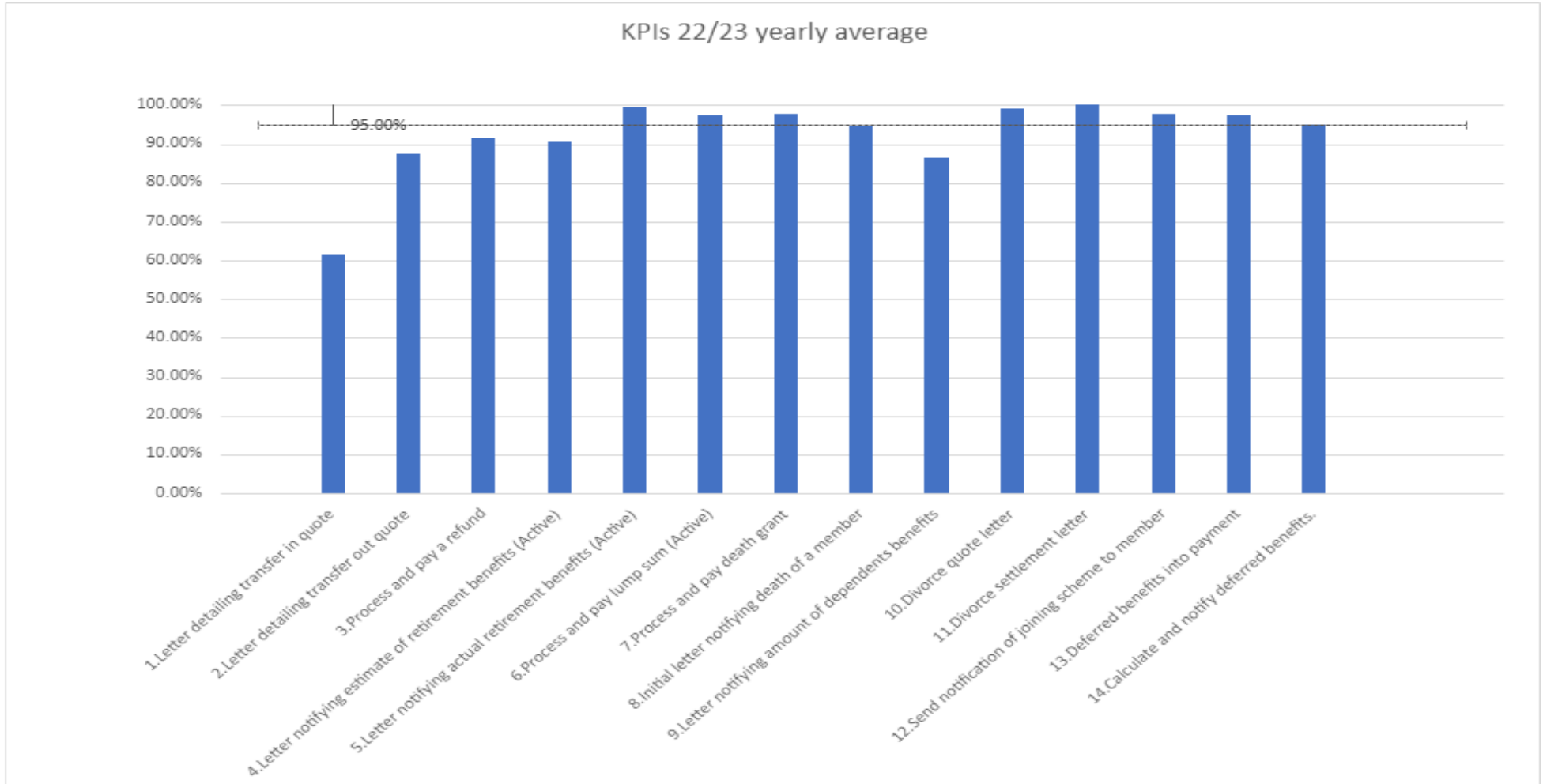
| | | |
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The report was circulated to the following members prior to publication:

Local Member(s): Not applicable

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

Appendix 1: A table that shows the 14 KPIs and the level of achievement marked against a target of 95%



Appendix 2: A table that shows the fund target dates for each KPI

| Key Performance Indicator | Fund Target |
|---|-------------|
| Target performance | |
| 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 |

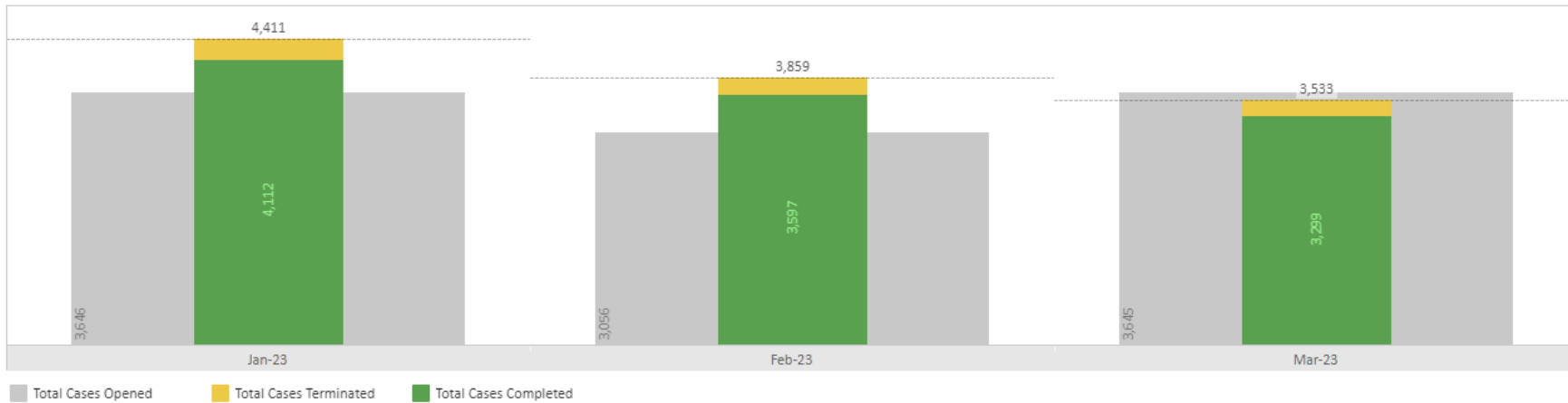
Appendix 3: A bar chart that shows the number of workflow cases created and completed per month

(Shows total volume of cases opened and total volume of cases closed over the period)

| | | | | | |
|---------------|-----------------|------------------|--|--|--------------------|
| 10,347 | 11,008 | 795 | 11,803 | -1,456 | 114.1% |
| Cases Opened | Cases Completed | Cases Terminated | Total Closed (Completed + Terminated) | Opened to Closed Variance (Less cases were opened than were closed over the period) | Opened to Closed % |

Total Cases Opened & Total Closed Per Period

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



Warwickshire Local Pension Board

25 April 2023

Governance and Policy Update

Recommendation

That the Local Pension Board considers and comments on the items within this Governance Paper that were presented to the Pension Fund Investment Sub-Committee and Staff and Pensions Committee.

1. Executive Summary

- 1.1 This report summarises the main governance issues currently affecting the Warwickshire Pension Fund. These areas include the Forward Plan, Risk Monitoring, updated Polices, Regulations and Training.

2. Financial Implications

- 2.1 There are no financial implications arising directly from this report. Where changes to policies are recommended, any implications arising from those changes are covered in the body of the report.

3. Environmental Implications

- 3.1 As stated in previous Governance Reports, Climate Risk is still a key risk on the Fund's Risk Register and is considered regularly by the Fund.

4. Supporting Information

Forward Plan

- 4.1 The purpose of including the Forward Plan in this report is to provide an updated position for the Local Pension Board rolled forward to cover the year ahead. The Plan is set out in Appendix 1 and the Local Pension Board's comments are welcomed.

Risk Monitoring

- 4.2 This section provides an update on the key risks facing the Fund and the management actions necessary to address them. The full risk register will be provided every June to the Pension Fund Investment Sub-Committee going forward. At our most recent review we considered that additional notes needed to be added to the register and that one risk (that of Cyber Security) needed to be increased. The Fund considered that the ‘likelihood’ score given to the risk should increase given the changing landscape and an increased global risk in relation to cyber-attacks. There have not been any specific fund attacks or security incidents leading to this change. The Fund is simply being prudent in reflecting the possibility of unlawful cyber activity.
- 4.3 The chart below sets out the RAG rating of risks on a five-by-five scale with commentary following on each risk heading.

| | | | | | | |
|--------|---|---|-----------------|---|---|---|
| | 5 | | | | 9. Climate Change | |
| | 4 | 3. Liabilities cannot be met | | 8. Cyber Security | 1. Long term asset values do not meet expectations | |
| Impact | 3 | 7. Business interruption 11. Fraud 12. Governance Failure | | 5. Pooling objectives not met 6. Inability to meet demand for activity | | |
| | 2 | | 10 Data Quality | 4. Employer contributions not paid | 2. Short term asset values do not meet expectations | |
| | 1 | | | | | |
| | | 1 | 2 | 3 | 4 | 5 |
| | | Likelihood | | | | |

Climate Change - Greater progress is now being made in engagement, with further resources within the Fund allocated. However, the risk is a global issue and whilst we continue to discuss this area in greater detail with the managers who implement our Climate Risk Policy, there remains significant work required to deal with the issue. There is also growing activism on this issue and more sources / commentators are suggesting not enough is being done still to stop the 1.5% temperature rise that will trigger major climate issues.

Long Term Market Risk – This area remains as a high risk despite actions taken to mitigate it. It is important to note that the Fund anticipates long-term risk on a relatively prudent basis to reduce the risk of underperforming. Mitigation actions

are considered and remain in place, and the Fund regularly reviews its Strategic Asset Allocation and monitors changes with managers at regular meetings.

Cyber Security – This has become a new red risk, following the most recent review. The Fund does, however, have a dedicated Policy, regular training and reviews this issue at regular management meetings. Our IT Team also ensures that our systems can thwart cyber crime. The risk rating was increased though, not because we anticipate that there will be an issue but to reflect the global cyber risk and how it continues to grow and adapt.

- 4.4 In addition to discussing the 'Red' risks, the quarterly risk meeting also discussed the risk of higher pension payments due to the recent 10.1% CPI rise affecting the Fund's cashflow. It was felt that this risk has been mitigated through additional cashflow analysis and monitoring and that consequently no change needed to be made to the risk register.
- 4.5 Other risks discussed included those arising from the increased costs of living. It is possible that this may increase the prevalence of scams targeting pensioners. This has been tackled through additional warnings on the Fund website as well as providing training to relevant pensions colleagues to ensure precautions are taken.
- 4.6 As discussed in the February 2023 PFISC, interest rates are expected to continue to rise in the near term, with inflation expectations falling. This may lead to real interest rates (those that include inflation) stabilising towards the end of 2023.

Policies

- 4.7 A revised Climate Risk Policy has been created by Hymans Robertson for the Fund following a workshop and discussion with members and officers. This can be seen in Appendix 2.
- 4.8 Our new Risk Management Policy in Appendix 3 explains how the Fund approaches risk and was brought to the Pension Fund Investment Sub-Committee for approval on at the March 2023 meeting.
- 4.9 The Training Policy has been reviewed by Officers and no changes were required to this document.
- 4.10 The final version of the Funding Strategy Statement was prepared by Hymans Robertson following a full consultation with our Stakeholders. This is now available on the Fund's [website](#).
- 4.11 The Fund has reviewed its Bribery and Fraud Policy and considers that no amendments are currently required.
- 4.12 The Fund reviewed its Internal Dispute Resolution Procedure as part of the planned review cycle and no material changes were required.
- 4.13 The Fund has postponed the review of the Governance Process until the Scheme Advisory Board (SAB) has released the findings of their Good Governance Review

which will impact on the approach and guidance.

- 4.14 Officers have also reviewed the Fund Business Plan. This has been covered in an additional Paper being brought to this meeting.

Training

- 4.15 The results of the Hymans Robertson 'Knowledge and Skills Assessment' have now been released and shared with both the Committees and the Local Pension Board.
- 4.16 The results from this Assessment form the basis of our Training Plan for the next twelve months.
- 4.17 The number of completed assessments returned to Hymans Robertson was less than hoped for as some Funds obtained a 100% return from both the Local Pension Board and relevant Committees.
- 4.18 Following the publication of the Scheme Advisory Board Good Governance Review later this year it is expected that completion of such assessments and the attendance at specified training sessions may be made mandatory. Fund Officers in the meantime would ask the Board members to prioritise attending training sessions and completing the Knowledge and Skills Assessment and Hymans Robertson online training.
- 4.19 Any suggestions for future training topics and how best to deliver such training would be welcomed. The current Training Plan can be found in Appendix 4. This illustrates the training currently planned up until June 2023.

Regulatory Updates since January 2023

- 4.20 The Single Code of Practice, which will be renamed as the General Code of Practice was expected to have been laid before Parliament by the end of January 2023. The lead officer at The Pensions Regulator (TPR) has however confirmed that there will be a short delay and that it is intended that the DWP will lay it before Parliament by the end of February 2023. At the time of writing this report we have not received any further information.
- 4.21 The LGA will be publishing a special bulletin about the annual revaluation date change when DLUHC respond to the consultation and will confirm disclosure requirements in that. They are not sure if the change will be classed as a material change under the Disclosure Regulations 2013 – at present the commentary suggests not.
- 4.22 On 9 March 2023, the Department for Levelling Up, Housing and Communities (DLUHC) laid the LGPS (Amendment) Regulations 2023 ('the regulations'). The regulations move the annual revaluation date from 1 April to 6 April and are effective from 31 March 2023. The change in the annual revaluation date removes the impact of inflation on the annual allowance calculation for all members. From the tax year 2023/24 onwards, the inflationary increase used in the AA calculation

and the annual revaluation will both use the same CPI figure. For the tax year 2023/24 this will be 10.1 per cent. The Scheme year is not changing, it remains 1 April to 31 March. The revaluation that applies on 6 April applies on the CARE balance at 31 March in the previous Scheme year.

Vacancy on the Warwickshire Local Pension Board

- 4.23 Following the recent resignation of Alan Kidner from the Local Pension Board, officers are working to recruit a replacement member representative. The County Council, Fund and Local Pension Board would like to take this opportunity to thank Alan greatly for his contribution over the years.

5. Timescales associated with the decision and next steps

- 5.1 None

Appendices

Appendix 1 Forward Plan

Appendix 2 Climate Risk Policy

Appendix 3 Risk Management Policy

Appendix 4 Training Plan

| | Name | Contact Information |
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| Strategic Director | Rob Powell, Strategic Director for Resources | robpowell@warwickshire.gov.uk |
| Portfolio Holder | Councillor Peter Butlin, Portfolio Holder for Finance and Property | peterbutlin@warwickshire.gov.uk |

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

Local Member(s): n/a

Other members: n/a

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Warwickshire Local Pension Board Appendix 1

Forward Plan

Standing Items

| Q4 25 April 2023 | Q1 18 July 2023 | Q2 24 October 2023 | Q3 January 2024 |
|---|---|---|---|
| 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 | Knowledge & Skills Assessment | Knowledge & Skills Assessment | Knowledge & Skills Assessment |
| Training Plan | Training Plan | Training Plan | Training Plan |

Policies

| | | | |
|--------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| Risk Register & Policy (PFISC) | Investment Strategy Statement (PFISC) | Responsible Investment Policy (PFISC) | Cyber Security 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) | Administration Strategy (S&P) | Funding Strategy Statement (PFISC) |
| Business Plan (S&P) | Data Retention Policy (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)

Warwickshire Pension Fund Climate Risk Policy

Aim and scope

The Pension Fund Investment Sub-Committee (the “Committee”) has agreed a set of principles that guide the Fund’s investment policies and decision making, four relate to climate change:

- The Fund invests for the long-term, so Environmental, Social and Governance (“ESG”) factors [including climate change] are expected to have a material impact on investment outcomes.
- The Committee believes that climate change and the expected transition to a low carbon economy will have a significant long-term impact on the Fund and considers managing the associated financial risks to be part of its fiduciary duty.
- The Committee believes that the transition to a low carbon economy will create investment opportunities and will mandate the Fund’s investment managers to seek out these opportunities.
- The Committee believes that a Responsible Investment (“RI”) approach will enhance long-term investment outcomes as well as benefiting the economies and societies in which the Fund invests and is therefore consistent with the Fund’s primary purpose [of providing pension benefits to members].

The Committee considers that climate change has the potential to disrupt economic, financial and social systems and therefore represents financially material risks to the Fund. The Committee also believes that decarbonisation will create significant investment opportunities. However, the potential impact on the Fund is unknown given uncertainties around the physical response of environmental systems to climate change and society’s policy, technological and economic response to it.

Risks to the Fund arising from climate change include, but are not limited to:

Economic risks: risks that the assumptions made in valuing the liabilities are inappropriate;

Demographic risks: risks that demographic experience is different to that assumed as a consequence of climate related impacts;

Asset risks: risks that the performance of the Fund’s assets is lower than assumed due to investments being affected by physical impacts from climate change (“physical risks”) or the impacts of policy, economic, societal, technological, or other changes relating to the transition to a lower carbon economy (“transition risks”).

Climate change and the transition to a low carbon economy is a long-term financial risk to Fund outcomes and is considered to be part of the Committee’s fiduciary duty.

The committee recognises a RI approach to climate change will necessitate purposeful decarbonisation of its current investments over time.

This policy sets out the Committee’s approach to addressing climate-related risks and opportunities within the Fund.

Implementation

The Committee has overall responsibility for the management of climate-related risks and opportunities and takes these issues into consideration in setting investment strategy, making new investments and monitoring portfolio performance.

Climate-related risks are monitored through the Fund’s overall risk management process and the Committee regularly reviews the level of exposure and the actions being taken to mitigate the risks. The Fund monitors the

level of exposure to climate-related risks and opportunities on an annual basis. Current metrics used include the level and intensity of Greenhouse Gas (“GHG”) emissions, exposure to fossil fuel reserves and the level of investment in companies providing decarbonisation solutions.

The Committee considers climate-related risks and opportunities in setting the Fund’s investment strategy. This includes testing the resilience of the strategy to different climate-related scenarios, noting the uncertainty in the future path of climate change.

The Committee also considers climate-related risks when agreeing employer funding strategies at each formal actuarial valuation. Climate change has the potential to affect long term funding outcomes due to its impact on economic variables, such as inflation, and on longevity.

The Fund delegates management of climate-related risks and opportunities relating to individual investments to its investment managers, including Border to Coast (“BTC”). The Committee has reviewed and approved the climate risk policies of BTC [and the Fund’s third-party investment managers]. The Committee monitors the implementation of these policies, supported by BTC which provides oversight of selected third-party managers regarding their approach to managing climate change.

The Committee recognises that all companies have some level of exposure to climate-related risks, particularly transition risks. Stock selection decisions are delegated to the Fund’s investment managers who, in deciding whether or not to invest, take into consideration factors such as the level of risk, the prospective return and investment timeframes

The Committee has a preference for engaging with portfolio companies on decarbonisation rather than divestment. It believes that the positive changes brought about by effective stewardship will enhance outcomes for the Fund as well as for society and the wider economy. Where, over a considered period, there is no evidence of a company making visible progress towards GHG emissions reduction or to address associated climate risks, divestment will be considered.

The Committee will actively support engagement activity that seeks to achieve:

Increased disclosure of information on the climate related risks that could affect the value of an investment;

Transparency on how portfolio companies are adjusting to a low carbon economy.

The Fund also participates in joint initiatives collaborating with other investors including other pools and groups such as the Local Authority Pension Fund Forum (“LAPFF”) on climate risk related issues.

Monitoring and Continuous Improvement

The Fund expects all its investment managers to disclose their latest policies on climate change and cover climate-related risks and opportunities in their regular reporting. The Committee will monitor investment managers compliance with their stated climate change policies and will take remedial action if issues are identified.

The Committee recognises that the methods available to monitor and manage climate-related risks and opportunities are developing and is committed to extending the range and improving the robustness of the techniques used.

The Committee will monitor changes in market practice to ensure that they are aware of, and where appropriate making every effort to act upon, changing best practice.

Disclosure

The Fund will report on the implementation of this Climate Change Policy, including stewardship activities undertaken on behalf of the Fund, on an annual basis. The policy will also be reviewed annually.

The Fund is committed to being transparent and accountable in terms of climate change. As such the Fund will publish its Climate Change Policy and reporting online.

March 2023

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Warwickshire Pension Fund Risk Policy



March 2023

Introduction

This is the Risk Management Policy for the Warwickshire Pension Fund ("the Fund"), part of the Local Government Pension Scheme ("LGPS") managed and administered by Warwickshire County Council ("the Administering Authority").

Risk management is central to the management of the Pension Fund, as reflected by the coverage of risk in key documents such as the Funding Strategy Statement and the Investment Strategy Statement. It is an essential element of good governance in the LGPS. The Fund will aim to comply with the CIPFA Managing Risk publication and the Pensions Act and Pensions Regulator's Code of Practice for Public Service Pension Schemes as they relate to managing risk.

The Risk Management Policy details the risk management strategy for the Fund, including the following key areas:

- The Fund's attitudes to, and appetite for, risk;
- Aims;
- Risk measurement and management; and
- Responsibility.

The Fund's attitudes to, and appetite for, risk

The Administering Authority recognises that effective risk management is an essential element of good governance in the LGPS. By identifying and managing risks through an effective policy and risk management strategy, the Administering Authority can:

- demonstrate best practice in governance;
- improve financial management of the Fund;
- better manage change programmes and projects;
- minimise the risk and effect of adverse conditions on the Fund;
- identify and maximise opportunities that might arise;
- minimise threats; and
- support innovation and continual improvement in a changing environment.

The Administering Authority adopts best practice risk management, which supports a structured and focused approach to managing risks and ensures risk management is an integral part in the governance of the Fund, at a strategic and operational level.

The Administering Authority recognises that it is not possible or even desirable to eliminate all risks. Some risks can be mitigated by putting in place a simple control process whereas other risks will remain at a high level, despite any mitigating controls being put in place. Accepting and actively managing risk is therefore a key part of the risk management strategy for the Fund. A key determinant in selecting the action to be taken in relation to any risk will be its potential impact on the Fund's objectives, considering the Administering Authority's risk appetite, particularly in relation to investment matters. Equally important is striking a balance between the cost of risk control actions against the possible effect of the risk occurring.

In managing risk, the Administering Authority will:

- ensure that there is a proper balance between risk taking and the opportunities to be gained;
- adopt a system that will enable the Fund to anticipate and respond positively to emerging risks; and
- minimise loss and damage to the Fund and to other stakeholders who are dependent on the benefits and services provided.

The main strategic risk to the Fund is failing to meet its primary objective of having sufficient funds to meet its liabilities when they become due for payment. This particular risk is managed through the Funding Strategy, which models the likelihood of a range of possible outcomes occurring and the way in which the contribution rate strategy and the investment strategy combine to deliver those outcomes (the particular method used by the Fund's Actuary is sometimes referred to as stochastic modelling, but there are others). The primary reason for the high variability (risk) in outcomes derives from the high proportion of the Fund invested in growth assets, in particular equities. However, in the long term this is expected to deliver returns that are commensurate with the risk and this helps to keep employer contributions lower than they would otherwise be. It also relies upon the strong covenant of the major employing bodies in the Fund which allows for a long-term perspective to be taken.

The Administering Authority also recognises that risk management is not an end in itself; nor will it remove risk from the Fund or the Administering Authority. However, it is a sound management technique that is an essential part of the Administering Authority's stewardship of the Fund. The benefits of a sound risk management approach include better decision-making, improved performance and delivery of services, more effective use of resources and the protection of reputation.

Aims

In relation to understanding and monitoring risk, the Administering Authority aims to:

- raise awareness of the need for risk management by all those connected with the management and administration of the Fund (including Officers, Pensions Committee Members and the Local Pensions Board);
- integrate risk management into the culture and day-to-day activities of the Fund;
- anticipate and respond positively to change and emerging risks;
- minimise the probability of negative outcomes for the Fund and its stakeholders;
- identify control and review sources of assurance already in place to mitigate against risk and highlight areas requiring improvement; and
- establish and maintain a robust framework and procedures for identification, analysis, assessment and management of risk.

Risk measurement and management

Identifying Risks

Risks to the Fund are identified in a number of ways:

- Monitoring performance against the Fund's Annual Business Plan;
- Recommendation and findings of auditors and other professional advisors;
- Feedback from Local Pensions Board, employers and other stakeholders;
- Meetings of senior officers and staff involved in the management of the Fund; and
- Meetings with other organisations, regional and national associations, and professional groups.

Risks are regularly reported to the Pensions Investment Sub-Committee and Local Pension Board as part of routine quarterly reporting. There is a separate Risk Register, which has been developed to categorise risk across a number of areas. These include but are not limited to

- Funding
- Administration
- Governance
- Investment

The Pension Fund has a set of high-level objectives which cover all key aspects of the Fund under each of these areas. The greatest risks to the Fund are therefore those associated with not meeting the high-level objectives. The risk register details the risks associated with not achieving the Fund's objectives. This ensures a comprehensive coverage of all areas of the Fund.

Each of the risks has been given an impact score and a likelihood score before any controls are applied. These have then been combined to give an overall pre-control risk score, which has been assigned a **Red – Amber - Green (RAG) rating**.

Controls that are currently in place to mitigate risks, together with additional sources of assurance are listed and these are then considered to give a post control impact and likelihood score. Again, these have been combined to give an overall post control risk score which has been assigned a RAG rating.

Management and reporting of the Risk Management

Officers review emerging risks quarterly. These reviews allow current controls to be assessed and analysed to ensure they are still in place and relevant. It also gives the opportunity to identify areas for improvement and additional controls required. New emerging risks are also discussed at these reviews and added into the Risk register.

At the quarterly meetings, Officers drill down into the detailed risks and gain an understanding of the controls in place and the various sources of assurance. Any areas of concern are brought to the attention of the Pensions Investment Sub-Committee at their next meeting.

It is important to recognise that some of the greatest risks faced by the Pension Fund arise from change. The consideration of emerging risks will also form part of the Pensions Investment Sub-Committee's review.

In addition to looking at the risks on the Risk Register, the Pensions Investment Sub-Committee reviews the Fund's risk management process. They will also report on any suggested improvements and areas of concern in the risk management of the Fund.

Risks associated with specific areas of the Fund are discussed as part of relevant Officers regular team meetings. Emerging risks in particular are highlighted as part of this process.

The Administering Authority's Internal Audit Service review the Fund's processes, including Governance, Administration and Investments, considering the associated risks and analysing the controls in place. They give an opinion to Officers of the Fund as to the effectiveness of current controls and advise on any improvements required.

Responsibility

This Risk Management Policy applies to all members of the Pensions Investment Sub-Committee and the Local Pensions Board. It also applies to the designated Director, S151 Officer and all other Officers involved in the management of the Fund.

Advisers to the Fund are expected to be aware of this Policy, and assist the Officers, Committee and Local Board members as required, in meeting the objectives of this Policy.

Review

This Policy will be reviewed every two years or more frequently if required.

| Month of Delivery | Title of Training & Date of Delivery | Delivered to: | Deliveted by: |
|-------------------|--|------------------------------|--------------------|
| Apr-23 | | | |
| May-23 | LHG SAT Presentation (Climate Training) (TBC) | Committee / Board / Officers | LHG |
| Jun-23 | Good Governance and Regulators Code of Practice (TBC) This will include the Role of the Committee | Committee/ Officers / Board | |
| Jul-23 | | | |
| Aug-23 | | | |
| Sep-23 | | | |
| Oct-23 | Pensions Accounting and Audit Standards / Annual Report (TBC) | Committee / Board / Officers | Officers |
| Nov-23 | Annual Meeting (TBC) (General Update) | Committee / Board / Officers | Various Presenters |
| Dec-23 | | | |
| Jan-24 | | | |
| Feb-24 | | | |
| Mar-24 | | | |

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Warwickshire Local Pension Board

25 April 2023

Warwickshire Pension Fund Business Plan Report

Recommendation

That the Local Pension Board considers and notes the Business Plan attached at Appendix 1.

1. Executive Summary

- 1.1 It is best practice for local authority pension funds to operate a formal and documented Business Plan for their operations. This report sets out the Business Plan for 2023/24 (Appendix 1) as approved by the Staff and Pensions Committee in March 2023.
- 1.2 The Business Plan sits alongside other key documents which govern the strategy and operations of the fund, including the Investment Strategy and Funding Strategy.
- 1.3 A number of items are the same as or similar to the previous year, these may relate to ongoing business as usual activity (for example issuing annual benefits statements) or projects which require additional legislation or regulation from the Government in order for them to proceed (for example the McCloud project).

2. Financial Implications

- 2.1 The fund has an investment strategy and a funding strategy designed to manage the financial position of the fund. The Business Plan is designed to ensure that these two strategies are updated and implemented appropriately, and that the overall administration and management of the fund is efficient and effective.

3. Environmental Implications

- 3.1 The fund has a climate risk policy designed to minimise the fund's contribution towards climate change and minimise the fund's exposure to risk driven by climate change.

4. Supporting Information

4.1 None

5. Timescales associated with the decision and next steps

5.1 None

Appendices

1. Appendix 1 Warwickshire Pension Fund Business Plan

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

Local Member(s): N.A

Other members: N.A

WARWICKSHIRE

pension fund

Business Plan

2023/2024

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| 2 | Activity |
| 3 | Long-Term Objectives |
| 4 | Key Performance Measures |
| 5 | Key Business Plan Items |
| 6 | Actions |

Appendices

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| A | Administration Performance Measures |
| B | Investment Performance Measures |
| C | Single Action Plan |

1 Introduction

- 1.1 This document sets out the business plan for the Warwickshire Pension Fund for 2023/24, including objectives, strategic priorities, and an action plan to achieve them.
- 1.2 Warwickshire County Council (WCC) is the Administering Authority of the Warwickshire Pension Fund ('the Fund') administering both the Local Government and Firefighter Pension Schemes. This business plan relates to the Local Government Pension Scheme only.
- 1.3 The Warwickshire Pension Fund is administered by the Strategic Director for Resources on behalf of Warwickshire County Council (the scheme manager), five district councils and other scheduled and admitted public service organisations and their contractors.
- 1.4 The administration of the fund is carried out through Warwickshire County Council's Staff and Pensions Committee, the Pension Fund Investment Sub Committee, and the Local Pension Board.
- 1.5 The committees are comprised of elected County Council members whilst the Board is an equal mix of representatives of employers and scheme members with an independent chair in accordance with the requirements of the Public Services Pension Act 2013.

2. Activity

- 2.1 At March 2022, the total membership of the fund stood at 54,329, an increase of 3.4% in one year. Pension fund membership continues to increase over the long-term. This increase is expected to continue due to automatic enrolment and increased public awareness of pensions.
- 2.2 The number of employers has increased to 206 at March 2022, and this also continues a long term trend of an increasing number of active employers, driven for example by academisation and the contracting out of services by organisations within the pension fund.
- 2.3 The complexity of the scheme continues to increase over time, for example the implementation of the McCloud remedy, the Guaranteed Minimum Pension reconciliation, and the simpler final salary pension activity being gradually replaced by more complex calculations for pensions which have to incorporate different rules and retirement ages for different periods of membership.
- 2.4 The fund value has continued to increase and was at £2.782bn at March 2022.
- 2.5 The complexity of investment activity has steadily increased with the introduction of a variety of "alternatives" funds.

- 2.6 In the longer term, pooling will reduce the amount of fund managers that the Fund commissions directly, however the increased complexity in terms of the number of different mandates invested in is likely to remain.

3. Long term objectives

- 3.1 The Fund's fundamental objectives are that:

- i.) Pension benefits are paid to members accurately and on time; and
- ii.) The funds are available to pay benefits when they fall due.

- 3.2 To do this the Fund will:

- i.) Ensure the governance arrangements of the Pension Fund allow officers, employers, Pension Fund Committee and Pension Board members to discharge their responsibilities efficiently and effectively;
- ii.) Deliver a high-quality benefit administration service, working effectively with scheme employers and maintaining a constant focus on data quality and customer service; and
- iii.) Ensure the financial sustainability of the Fund through effective forecasting of long-term liabilities, determination and collection of appropriate contributions and generation of an appropriate risk adjusted return from the fund's investments.

4. Key Actions and Performance Measures

- 4.1 Key actions and performance indicators for the Fund are organised into the categories of administration, investment, and governance / management.

Administration

- 4.2 Administration service performance measures are set out in Appendix A.

- 4.3 Alongside the key metrics for the administration service a number of key activities will be progressed, these include:

- The implementation of the McCloud remedy;
- Embedding the operation of i-Connect into business as usual;
- Expanding the number of members using the online member self-service portal;
- Preparation for the introduction of the Pensions Dashboard; and
- Pensioner payroll reconciliations to pension systems.

Investments

- 4.4 The Fund needs to ultimately focus on ensuring that the rates of return required by the triennial valuation are achieved and that enough income is

generated to cover any shortfall between contributions, benefits and expenses.

- 4.5 To support this aim, the Investment Strategy sets out a Strategic Asset Allocation (Appendix B), and within each investment fund a target risk / return profile is delivered over the appropriate timeframe, i.e. performance is usually measured over the medium to long-term.
- 4.6 In addition to business as usual the following key activities will be undertaken:
- Ensuring compliance with the 2020 UK Stewardship Code.
 - Further development of ESG monitoring and climate change actions.
 - Supporting the development of further products within the Border to Coast Pension Partnership.
 - Review of the implications of the levelling up white paper as further guidance is issued.
 - Recruitment of a permanent Senior Accountant.
 - Respond to the pending LGPS pooling reforms guidance.
 - Raising the profile of fund manager performance monitoring.

Governance / Management

- 4.7 In maintaining the good governance of the fund, the following additional performance measures and key actions will be delivered:
- Cash flow management will continue to have a high profile to ensure that it is not necessary to sell assets inappropriately under distress.
 - The pension fund accounts are prepared and published on time, without qualification by external audit. Delays in approving the accounts have been experienced in the last 2 years however due to factors outside of the Fund's control (external audit capacity and delays in Government issuing guidance on infrastructure valuations).
 - Review and implement as appropriate the requirements of the Scheme Advisory Board Good Governance project and the Pensions Regulator Single Code of Practice.
 - Continued focus on employer covenants where necessary.

5. Key Business Plan Themes

Workforce Planning

- 5.1 Workforce planning will be undertaken to promote staff retention and maintaining resilience within small and specialized services.
- 5.2 The Fund will consider succession planning in respect of committee and board membership in order to maximize the chances of identifying and

recruiting new members when required and will consider ways to promote diversity.

- 5.3 Both the administration team and the governance and investments team have increased resources in recent years, and this has improved the performance, governance and resilience of the Fund's operations. Capacity will be kept under review but no further increases in general capacity are planned for at this time. Resources required for specific projects will be identified and approved through business cases and project management approaches.

Ensuring Appropriate Governance

- 5.4 The Fund will review, when available, the outcomes of the Scheme Advisory Board Good Governance project and the Pensions Regulator Single Code of Practice and take steps to implement any new arrangements that are required.
- 5.5 Considering the pending changes in governance requirements and the passing of time since last being considered, the Fund will review the pension fund committee governance structure and terms of reference considering any new guidance, best practice and comparators in other Funds.

Climate Change / ESG Policy

- 5.6 The Fund will continue to take opportunities to support the fight against climate change and to mitigate the Fund's exposure to climate risk and will look to improve its use of metrics relating to ESG and Climate Change (metric benchmarks for use by the Fund were agreed in March 2022).

Developing Improved Systems

- 5.7 i-Connect and Member Self Service have been implemented in the last 2 years. i-Connect has become business as usual, and Member Self Service will continue to expand its coverage to a wider proportion of the scheme's membership.
- 5.8 Implementation of Pensions Dashboard functionality will be an important activity for the Fund but will be driven by externally set timelines. In the short term it is important for the Fund to focus on advanced preparation for the anticipated changes wherever possible.

Collaboration

- 5.9 The Fund will collaborate with other funds and the Border to Coast Pension Partnership in a number of ways including:
- Regional Pension Fund Managers group
 - Joint communications working group
 - Pooling administration management group
 - Software provider user groups

- The Border to Coast Operational Officers Group, Joint Committee, and Section 151 Officer groups.

Strong Investment Management

- 5.10 The 2022 valuation presents a significantly improved funding level at a whole-fund level despite very significant volatility in financial markets in the last few years.
- 5.11 Some of the fund's investments remain outside of the pool. As Border to Coast matures and develops more products the Fund may increase its allocations to the pool. At the same time the Fund will ensure it retains strong links with fund managers outside of the pool to exercise appropriate stewardship of all its assets.
- 5.12 Being able to reach allocation targets in private markets where opportunities to invest can take time remains a challenge that the Fund faces.
- 5.13 Fund manager performance is critical to the Fund and the Fund will seek to implement a more empirical and formal set of criteria for when to enhance the scrutiny of an underperforming fund, where under performance could mean a number of issues including low returns, taking unacceptable risks, not implementing the expected style, etc. and when to explore seriously the option to move funds elsewhere.

Pooling

- 5.14 The Border to Coast Pension Partnership will continue to develop new products and Warwickshire Pension Fund will work with BCPP and partner funds to help to shape the products being developed.
- 5.15 Warwickshire Pension Fund will retain a preference for investing in pooled products that meets its objectives but retains the option to invest with other managers where this is appropriate. Illustrative of this is that in 2022/23 some new investments were made into private debt and infrastructure assets managed outside of the pool, in order to achieve the optimum risk/return profile for the Fund.
- 5.16 The Fund will continue to work alongside the pool and partner funds on responsible investment and sustainability, including making more use of metrics to evidence and promote sustainable activity.
- 5.17 The Fund will also work with the Border to Coast Pensions Partnership and Partner Funds to develop the next 5 year strategic plan for the pool.

Investing in Employer Liaison

- 5.18 The fund will continue to work closely with employers, providing information, support, signposting, and training to help employers to meet their responsibilities.

- 5.19 2023/24 will be the first year of the revised employer contribution rates from the 2022 valuation and the Fund will monitor for any issues arising from this.

Review of Cashflow Requirements

- 5.20 Officers will continue to monitor cash balances closely so the Fund can meet operating and investment cashflow requirements. The new cashflow strategy will be implemented, including the implementation of an additional money market fund to hold cash balances and to diversify risk.

6. Actions

- 6.1 Appendix C sets out a summary of the actions planned for the coming year. The activity plan focuses on significant change activity and activity to do with delivering key functions.
- 6.2 Actions are grouped into the following categories:
- Ensuring a high-quality administration service
 - Actuarial activities
 - Maximising Investment Benefits
 - Ensuring Good Governance
 - Sustainability
- 6.3 A new section has been created in respect of sustainability to raise the profile of this area of activity.

Appendix A

Administration Performance Measures

| Key Performance Indicator | Fund Target (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 |
| 15. Average days from retirement to payment of lump sum. | Measure of member experience |

Strategic Asset Allocation

| Asset class | Current Target Asset Allocation (%) | Asset Allocation Range (%) |
|----------------------------|-------------------------------------|----------------------------|
| UK equities | 6.0 | +/-2.5 |
| Overseas equities | 31.0 | +/-2.5 |
| Fundamental global equity* | 5.0 | +/-2.5 |
| Private equity | 6.0 | n/a |
| Total Growth | 48.0 | |
| Property | 10.0 | n/a |
| Infrastructure | 10.0 | n/a |
| Private debt | 7.0 | n/a |
| Multi asset credit | 10.0 | n/a |
| Total Income | 37.0 | |
| UK corporate bonds | 10.0 | +/-1.5 |
| UK index linked bonds | 5.0 | +/-0.5 |
| Total Protection | 15.0 | |
| | | |
| Total | 100.0 | |

* Refers to passive global equities invested in line with the RAFI All World 3000 index, which weights underlying constituents by fundamental factors as opposed to traditional market capitalisation weightings.

Single Action Plan

C1. Ensuring a high-quality administration service

| Ref | Action | Timescale |
|-----|---|------------------------------------|
| 1 | Annual Pensioners Newsletter issued | April-June 2022 |
| 2 | Annual benefit statements issued | By 31 August 2023 |
| 3 | Embedding Member Self Service, expanding the number of users | April March 2024 |
| 4 | Annual Allowance statements issued | By 5 October 2023 |
| 5 | Employer Engagement/training event | November 2023 |
| 6 | Administration performance - KPIs reported to the Staff and Pensions Committee and Local Pensions Board | Quarterly |
| 7 | Review of Pension Fund website | Quarterly |
| 8 | Review of complaints and compliments received, and report to Staff and Pensions committee during the year | Quarterly |
| 9 | McCloud Project | Dependent on issue of requirements |
| 10 | Data quality review | Annual |
| 11 | Develop pension dashboards | Dependent on issue of requirements |

C2. Actuarial Activities

| Ref | Action | Timescale |
|-----|--|------------|
| 12 | Monitor employer contribution performance through the year | Monthly |
| 13 | Review, investigate, and mitigate potential sources of funding risk | April 2023 |
| 14 | Review employer covenants and risk management for non-statutory employers and review of employer monitoring arrangements | July 2023 |

C3. Optimising Investment Risk and Return

| Ref | Action | Timescale |
|-----|--|-----------------|
| 15 | Support the development of new Border to Coast fund products, for example the property fund | As funds launch |
| 16 | Continue to move the investment mix towards the long-term Strategic Asset Allocation | Ongoing |
| 17 | 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 |
| 18 | Implementation of an additional money market fund to assist in the management of cashflow | June 2023 |

| Ref | Action | Timescale |
|-----|---|------------------------------------|
| 19 | Implementation of a system with criteria to trigger enhanced scrutiny of underperforming funds with a view to potential reallocation of funds elsewhere | September 2023 |
| 20 | Respond to the new pooling guidance and regulation "Edinburgh Reforms" | Dependent on issue of requirements |
| 21 | Support the Border to Coast Pension Partnership in the development of their 5 year Strategic Plan | March 2024 |

C4. Ensuring Good Governance

| Ref | Action | Timescale |
|-----|--|------------------------------------|
| 22 | Deliver the Pension Fund Annual General Meeting, aiming for positive feedback from all stakeholders | November 2023 |
| 23 | Production of statement of accounts | May 2023 |
| 24 | Publication of Annual Pension Fund Report | November 2023 |
| 25 | Regular and effective review and management of Fund risks | Quarterly |
| 26 | Review of the pension fund committee structure and terms of reference | March 2024 |
| 27 | Maintenance of a Policy Register / schedule for policy reviews, and the timely delivery of policy reviews | Quarterly |
| 28 | Maintenance of business continuity planning | March 2023 |
| 29 | Respond to the Scheme Advisory Board Good Governance Review | Dependent on issue of requirements |
| 30 | Respond to the tPR Single Code of Practice | Dependent on issue of requirements |
| 31 | Respond to the Government's levelling up agenda and consider the Fund's position and approach to considering local investing opportunities | Dependent on issue of requirements |
| 32 | Testing of cyber security arrangements | September 2023 |
| 33 | Succession planning for committee and board membership | March 2024 |
| 34 | Maintenance of a training strategy and training log | Quarterly |

C5. Sustainability

| Ref | Action | Timescale |
|-----|---|------------|
| 35 | Further develop the Fund's Climate Risk Strategy and the Fund's approach ESG, including the development of goals and milestones and monitoring of metrics | Ongoing |
| 36 | Ensure compliance with the 2020 UK Stewardship Code | Ongoing |
| 37 | Implement TCFD disclosure requirements | March 2024 |
| 38 | Engage with pooling partner funds and Border to Coast on climate change and RI developments | Quarterly |

Warwickshire Local Pension Board

25 April 2023

General Investment Update

Recommendation

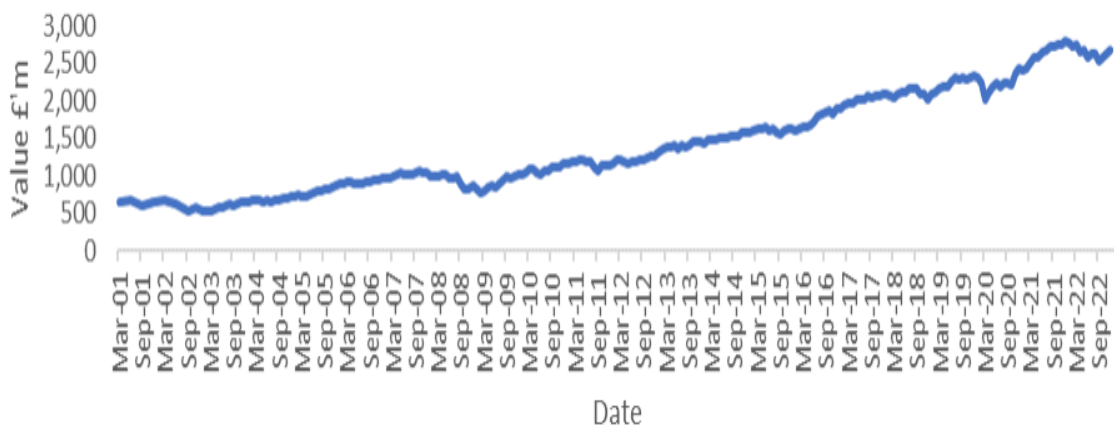
That the Local Pension Board notes and comments on this report.

1. Executive Summary

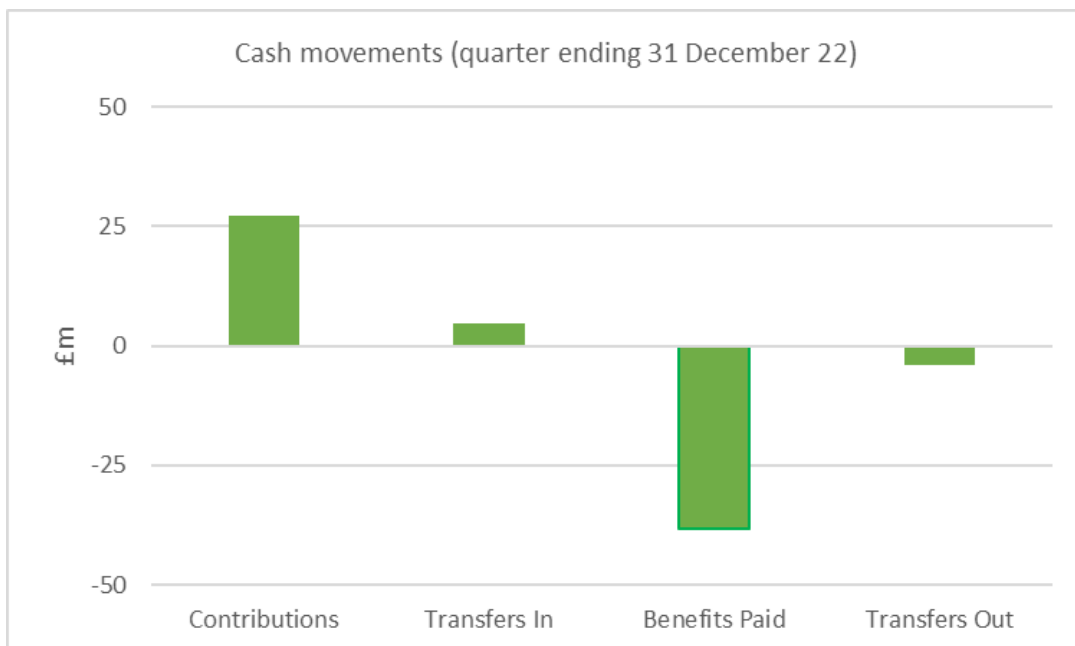
- 1.1 This report provides a general update on investment related activity of the Warwickshire Pension Fund.

2. Fund Update

- 2.1 As at 31 December 2022, the value of the Fund stood at £2.6bn. The value of the Fund since inception is shown in the long-term chart below.

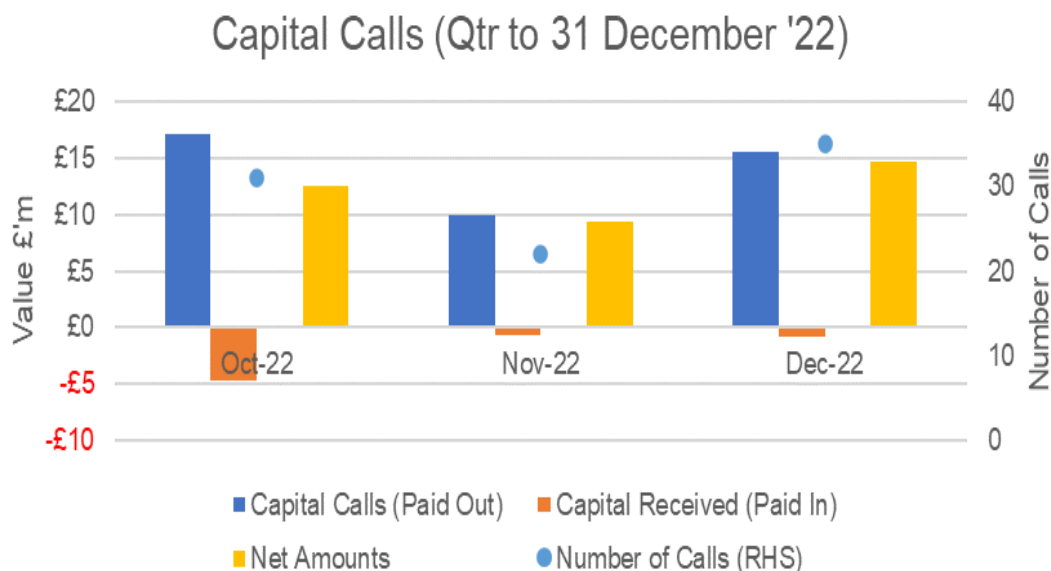


- 2.2 The total value of the Fund's assets increased by 1.7% over the quarter.
- 2.3 The chart below summarises the main cashflow changes. It indicates that the value of contributions in (£27.1m) was noticeably less than the benefits paid out (£38.2m) and therefore the Fund was cashflow negative over the period.



3. Portfolio Commentary

3.1 The key activity for the Fund remains building up investments in alternatives (private equity, infrastructure, and private debt). The Fund serviced 88 capital movements in the quarter, with a net value of £36.7m. This increase in activity, particularly servicing calls during December, has led to process discussions about how we can make these tasks more efficient.



- 3.2 Our increase in alternatives holdings means that, following currency conversions, the value invested by alternatives fund managers is as set out below:

| Alternatives | Amount invested by fund managers | Amount still to be called | Total |
|--------------|----------------------------------|---------------------------|--------------|
| £ | £517,000,000 | £266,000,000 | £783,000,000 |
| % of Total | 66% | 34% | 100% |

- 3.3 Cash balances as at the end of December 2022 were £55.8m. This total represents 2.1% of the Fund's value. (£17.7m with Lloyds – to manage transactions such as receiving employer contributions and paying member benefits and £38.1m with BlackRock – used to meet capital movements).

4. Border to Coast Pensions Partnership

- 4.1 The Border to Coast Pensions Partnership (BTC) has recruited a new Chief Investment Officer, Joe McDonnell, who joined the company in January 2023. More information about the appointment is available on the Border to Coast website [here](#).
- 4.2 As part of BTC's setting of its next five-year strategic plan, the organisation has set up a steering committee and working party to understand areas of further collaboration and provision to partner funds. Warwickshire Pension Fund has direct representation in these groups through our Assistant Director for Finance.
- 4.3 Officers and advisors from the Fund met with BTC to discuss the UK Equity Alpha Fund (UKEA) and Global Equity Alpha Fund (GEA) which have seen sustained exposure to excess risk and relative underperformance. Discussions around the risk processes and analytics, as well as team resourcing, continue. There are also some concerns over similar issues with the Multi-Asset Credit Fund. These are being worked on by BTC.

5. Voting

- 5.1 The Fund holds actively managed equities through funds within the Border to Coast Pensions Partnership, and passive equities managed through funds held with LGIM. These equities carry voting rights.
- 5.2 The table below summarises voting activity in the previous quarter in respect of equity funds held with Border to Coast:

| Voting Direction | UK Alpha | Global Alpha | UK Alpha | Global Alpha |
|------------------|------------|--------------|------------|--------------|
| | Vote Count | | % of Total | |
| For | 184 | 170 | 93.4 | 85.0 |

| | | | | |
|---------|-----|-----|-------|-------|
| Against | 13 | 29 | 6.6 | 14.5 |
| Other | 0 | 1 | 0.0 | 0.5 |
| Total | 197 | 200 | 100.0 | 100.0 |

5.3 Border to Coast provide published reports on their website in respect of voting (and engagement) activity, and the link is included [here](#).

5.4 The table below summarises voting activity in the previous quarter in respect of equity funds held with LGIM:

| Voting Direction | UK | Rest of World | UK | Rest of World |
|------------------|------------|---------------|------------|---------------|
| | Vote Count | | % of Total | |
| For | 1194 | 2435 | 90.1 | 71.8 |
| Against | 51 | 616 | 3.8 | 18.2 |
| Other | 80 | 341 | 6.0 | 10.1 |
| Total | 1325 | 3392 | 100.0 | 100.0 |

5.5 IGIM's Investment Stewardship team directs the assets managed on the Fund's behalf. Their [Responsible Investing](#) page sets out voting (and engagement) activity, as well as their approach to Climate Risk.

6. Other activities

6.1 The Fund's annual cyber risk assessment has started with systems assessments sent out to all third parties.

7. Financial Implications

7.1 Further detailed information about the financial implications of the last quarter's investment performance was detailed in a report provided to the Pension Fund Investment Sub-Committee in March 2023.

8. Environmental Implications

8.1 Climate risk is a key issue facing the Fund in the longer term and is covered in greater detail in our Governance report elsewhere on the agenda.

9. Timescales associated with the decision and next steps

9.1 None.

Appendices

None

Background Papers

None

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

Local members: not applicable

Other members: not applicable

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of the Local Government Act 1972.

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