

WARWICKSHIRE

pension fund

Business Plan

2022/2023

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1. Introduction

This document sets out the business plan for the Warwickshire Pension Fund for 2022/23, including objectives, strategic priorities, and an action plan to achieve them.

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.

The Warwickshire Pension Fund is administered by the 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.

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.

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.

2. Activity

At March 2021, the total membership of the fund stood at 52,538, an increase of 5% 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.

The number of employers has levelled out in 2020/21 and stood at 189 employers at March 2021. However the long term trend has been an increase in employer numbers and this fundamental trend is expected to continue.

The complexity of the scheme continues to increase over time, for example more recent developments including the implementation of the McCloud remedy, the Guaranteed Minimum Pension reconciliation, and more simple 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.

The fund value has continued to increase and reached a new all-time high of £2.57bn at March 2021.

The complexity of investment activity has steadily increased with the introduction of a variety of "alternatives" funds.

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.

There has been a significant increase in governance at the Staff and Pensions Committee, Pension Fund Investment Sub Committee, and Local Pension Board

during 2020/21 and 2021/22, with the use of more forward planning and more formalised policy reviews.

Remote working has continued to be the predominant way of working and as Covid related restrictions potentially reduce the Fund will continue to benefit from the administering authority's agile working policy and will seek to provide flexible and appropriate working environments for its staff.

3. Long term objectives

The Funds fundamental objectives are:

- That pension benefits are paid to members accurately and on time.
- That the funds are available to pay benefits when they fall due.

To do this we will:

- 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.
- Deliver a high-quality benefit administration service, working effectively with scheme employers and maintaining a constant focus on data quality and customer service.
- 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 of the fund's investments

4. Key Actions and Performance Measures

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

4.1 Administration

There is no proposed change to the existing pool of administration service performance measures as set out in appendix A. There will also continue to be a high-profile focus on breaches reporting.

Alongside the key metrics for the administration service a number of key activities will be progressed during 2022/23, these include:

- The implementation of McCloud remedy.
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- Embedding the operation of i-Connect into business as usual.
- Implementing online member self-service and provision of digital communication to members.
- Implementation of Direct Debits functionality for collection of employer contributions.
- Supporting the delivery of the 2022 valuation.
- Preparation for the Pensions Dashboard

4.2 Investments

The Fund needs to ultimately focus on ensuring that the rates of return required by the valuation are achieved and that enough income is generated to cover any shortfall between contributions, benefits and expenses.

To support this aim, investment targets have been set and two key aspects of this are ensuring the allocation of the right amounts to the right investments (the Strategic Asset Allocation), and that within each investment fund a target risk/return profile is delivered over the appropriate timeframe (performance is usually measured over the medium/long term). The asset allocation and investment fund performance targets are set out in Appendix B.

In addition to business as usual the following key activities will be undertaken during 2022/23:

- Supporting the delivery of the 2022 valuation including an appropriate investment strategy that delivers the required risk/return profile.
- Ensuring compliance with the 2020 UK Stewardship Code submission.
- Further development of ESG monitoring and climate change actions and the formal consideration of climate change targets.
- Supporting the development of further products within the Border to Coast Pension Partnership.
- Recruiting an investment analyst and accounting trainee.
- The letting of contracts where required.
- Review of the implications of the levelling up white paper.

4.3 Governance/Management

In maintaining the good governance of the fund, the following additional performance measures and key actions will be delivered:

- Cash flow is managed and monitored such 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.
- A plan for contract review is set and resourced for the year and implemented.
- A plan for policy reviews is set and resourced for the year and implemented.
- All planned quarterly pension committee and Local Pension Board meetings are delivered.
- Quarterly risk monitoring reported formally to committee/board.
- Review and implement as appropriate the requirements of the Scheme Advisory Board Good Governance project and the Pensions Regulator Single Code of Practice.

5. Key Business Plan Themes

5.1 Ensuring Adequate Capacity

Approval for additional resources in the governance and investment team will be implemented (recruiting an investment analyst and trainee accountant). Resources required for specific projects will be identified and approved through business cases and project management approaches.

5.2 Ensuring Appropriate Governance

The Fund will review 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.

The fund will continue its approach of proactively maintaining a register of policies and contracts, alongside a schedule for their review.

5.3 Developing Improved Systems

The i-Connect project has been successfully delivered and activity in 2022/23 will be to embed this approach into business as usual. Key system developments in 2022/23 include:

- The implementation of Member Self Service.
- The implementation of Direct Debits functionality.

5.4 Active Use of Management Information

The fund will continue to make more use of management information to assist in the management of services, and use predictive information and forecasting to foresee and manage potential risks and issues.

5.5 Collaboration

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 Fund will review the value obtained from the CIPFA benchmarking club and take a view on whether to continue with this benchmarking club and/or whether to implement other approaches to understanding how we compare to other Funds.

5.6 Strong Investment Management

The 2019 valuation presented a significantly improved funding level and the indications are that the funding level will be significantly improved again in 2022. This improved position will be taken into account in the 2022 valuation.

Significant amounts of the fund's investments remain outside of the pool. The fund will ensure it retains strong links with fund managers outside of the pool to exercise appropriate stewardship of all its assets.

Some more illiquid asset classes present challenges in terms of finding opportunities to invest at pace and a key feature of the investment position that will be pro-actively managed is the gap between the target asset allocation and the actual asset allocation that is possible in light of the opportunities actually available.

5.7 Pooling

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.

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.

5.8 Investing in Employer Liaison

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

5.9 Review of Cashflow Requirements

Cash flow management will remain a high priority. Officers will continue to monitor cash balances closely in order to be able to meet operating and investment cashflow requirements.

5.10 Climate Change / ESG Policy

The consideration of Climate Change will remain a high priority for the Fund, in terms of taking opportunities to reduce climate change, taking opportunities to mitigate the impact of climate change on the Fund, and taking opportunities to achieve the best risk adjusted returns.

The Fund will continue to develop metrics relating to ESG and Climate Change.

6. Actions

Appendix C sets out a summary of the actions planned for the coming year. Actions are grouped into the following categories:

- Ensuring a high-quality administration service
- Actuarial activities
- Maximising Investment Benefits
- Ensuring Good Governance

Governance and management actions that have become embedded into business as usual have been taken out of the plan in order to focus on activity to do with change and activity to do with delivering key functions. For example, the issue of annual benefit statements remains in the plan as it is a key service that must be delivered, but the activity around the pensions team meeting regularly with the Council payroll team is no longer in the plan.

Appendix A – Administration Performance Measures

Key Performance Indicator	Fund Target (95%)
Letter detailing transfer in quote	10 days
Letter detailing transfer out quote	10 days
Process and pay a refund	10 days
Letter notifying estimate of retirement benefits (Active)	15 days
Letter notifying actual retirement benefits (Active)	15 days
Process and pay lump sum (Active)	10 days
Process and pay death grant	10 Days
Initial letter notifying death of a member	5 days
Letter notifying amount of dependents benefits	10 days
Divorce quote letter	45 days
Divorce settlement letter	15 days
Send notification of joining scheme to member	40 days
Deferred benefits into payment	15 days
Calculate and notify deferred benefits.	30 days
Average days from retirement to payment of lump sum.	Measure of member experience

Appendix B - Investment Performance Measures

B1 – Strategic Asset Allocation

Asset class	Current Target Asset Allocation (%)	Asset Allocation Range (%)	Long term Target Asset Allocation (%)
UK equities	16.0	+/-2.5	13.0
Overseas equities	25.5	+/-2.5	21.5
Fundamental global equity*	10.0	+/-2.5	10.0
Private equity	4.0	n/a	4.0
Total Growth	55.5		48.5
Property	10.0	n/a	12.5
Infrastructure	7.0	n/a	7.0
Private debt	5.0	n/a	7.0
Alternative credit	7.5	n/a	10.0
Total Income	29.5		36.5
UK corporate bonds	10.0	+/-1.5	10.0
UK index linked bonds	5.0	+/-0.5	5.0
Total Protection	15.0		15.0
Total	100.0		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.

B2 – Fund Performance Benchmarks and Targets

Fund	Mandate	Benchmark (note 1)	Target (note 2)
BCPP	UK Equity Alpha	FTSE All-Share GBP	Benchmark +2% over rolling 3 year period (net)
BCPP	Global Equity Alpha	MSCI ACWI ND	Benchmark +2% over rolling 3 year period (net)
BCPP	Investment Grade Credit	iboxx Non-Gilts All Maturities GBP	Benchmark +60bps pa rolling 5 years (net)
L&G	UK Equity	UK Equity Index	Benchmark
	Global Equity	North America Equity Index	
		Europe (ex UK) Equity Index	
		Japan Equity Index	
		Asia Pac exJap Dev Eqty Index	
		World Emerging Markets Equ Ind	
Fundamental Global Equity	RAFI AW 3000		
L&G	Passive Corporate Bonds	Invnt Grade Cp Bnd All Stks Ind	Benchmark
	Index Linked Bonds	All Stocks Index-Linked Gilts	
Threadneedle	Property	MSCI All Balanced Property Fund Index Weighted Average Month	Benchmark +1% over rolling 3 year period
Schroders	Property	AREF/MSCI UK Quarterly Property Fund Index Median	Benchmark +1% over rolling 3 year period
JP Morgan	Absolute Return Bond	ICE LIBOR GBP 1 Month	Benchmark +3% over rolling 3 year period
Partners	Infrastructure	None	Absolute return 7%
SL Capital	Infrastructure	None	Absolute return 7%
BCPP	Infrastructure	None	Absolute return 7%
Partners	Private Debt	None	Absolute return 5%
Alcentra	Private Debt	None	Absolute return 5%
Harbourvest	Private Equity	MSCI World Index	None
BCPP	Private Equity	MSCI World Index	None
Aberdeen Standard	Infrastructure	None	Absolute return 7%

Overall Anticipated Discount Rate (Investment Return)	3.70%
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Note 1 - Benchmark - this describes the investment benchmark that the performance of the mandate is associated with.

Note 2 - Target - this describes the target return that the mandate is expected to make. The return could simply be to match a benchmark, or to exceed a benchmark. Absolute returns are target returns that are independent of any benchmark.

Appendix C – 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 2022
3	Implementation of Member Self Service	April 2022
4	Annual Allowance statements issued	By 5 th October 2022
5	Employer Engagement/training event	November 2022
6	Administration performance - KPIs reported to Local Pensions Board	Quarterly
7	Review of Pension Fund website	Quarterly
8	Review of complaints received	Quarterly
9	McCloud Project	April 2022 - April 2023
10	Data quality review	Annual
11	Clear communications to employers regarding the 2022 valuation	Ongoing
12	Develop pension dashboards	April 2023
13	Review pension scam protocols	Ongoing

C2. Actuarial Activities

Ref	Action	Timescale
14	Monitor employer contribution performance through the year	Monthly
15	Review, investigate, and mitigate potential sources of funding risk	April 2022
16	Review employer covenants and risk management for non-statutory employers and review of employer monitoring arrangements	July 2022
17	Review employer funding strategies and provisional employer valuation results	October / November 2022
18	Run employer consultation on updated Funding Strategy Statement (FSS) and new employer contribution rates	November / December 2022
19	Sign off the 2022 Valuation and final FSS	March 2023

C3. Optimising Investment Risk and Return

Ref	Action	Timescale
20	Support the development of new Border to Coast fund products, for example the property fund.	As funds launch
21	Continue the growth of alternative asset classes towards their new strategic asset allocation	Ongoing
22	Appropriate engagement with the governance of Border to Coast via the Joint Committee, Operational Officers Group, and Section 151 Meetings, and through the exercising of shareholder voting rights.	Ongoing
23	Further develop the Fund's Climate Risk Strategy and the Fund's approach ESG, including the development of goals and milestones	Ongoing
24	Pro-active management of cashflow to ensure payments can be made and to ensure efficient cash management	Ongoing
25	Ensure compliance with the 2020 UK Stewardship Code submission	Ongoing
26	Review of TCFD disclosure requirements	March 2023
27	Engage with pooling partner funds and Border to Coast on climate change and RI developments	Quarterly

C4. Ensuring Good Governance

Ref	Action	Timescale
28	Pension Fund Annual General Meeting	November 2022
29	Production of statement of accounts	May 2022
30	Publication of Annual Pension Fund Report	November 2022
31	Ensure Fund risks are reviewed regularly	Annual
32	Maintenance of a contracts register and a schedule for contract reviews	Quarterly
33	Maintenance of a Policy Register and a schedule for policy review.	Quarterly
34	Maintenance of disaster recovery planning	March 2022
35	Respond to the Scheme Advisory Board Good Governance Review	Dependent on issue of requirements
36	Respond to the tPR Single Code of Practice	Dependent on issue of requirements
37	Review the implications of the Government's levelling up agenda	Dependent on issue of requirements
38	Testing of cyber security arrangements	September 2022