Warwickshire Pension Fund

Statement of Accounts

2021/22

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Note on rounding's: individual tables presented within disclosures may not sum exactly due to roundings. This does not reflect any inaccuracy or error.

Place holder (Independent auditor’s report)

Statement of responsibilities for the statement of accounts

This section explains our responsibilities for our financial affairs and how we ensure we carry out these responsibilities properly in line with the Accounts and Audit (Amendment) Regulations 2021 and the Accounts and Audit Regulations 2015.

Responsibilities of the Pension Fund

We do the following:

- make sure that one of our officers is responsible for managing our financial affairs. For the Pension Fund, Warwickshire County Council's Strategic Director for Resources is responsible for this;
- manage our affairs to use our resources efficiently and effectively and to protect our assets;
- approve the statement of accounts.

Responsibilities of the Strategic Director for Resources

As the Strategic Director for Resources, I am responsible for preparing our statement of accounts. These accounts must present a true and fair view of our financial position, including our income and spending for the year.

In preparing the Pension Fund accounts, I have:

- selected suitable accounting policies and applied them consistently;
- made reasonable and prudent judgements and estimates; and
- followed the Chartered Institute of Public Finance and Accountancy's/Local Authority (Scotland) Accounts Advisory Committee Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

I have also:

- kept proper accounting records which are up to date; and
- taken steps to prevent and detect fraud and other irregularities.

I certify that the Statement of Accounts presents a true and fair view of the financial position as at the 31st March 2022 and the income and expenditure for the year ended 31st March 2022. The unaudited draft accounts were authorised for issue on 28th June 2022. These will then be audited and presented at a meeting of the Council on 13th December 2022.

Rob Powell
Strategic Director for Resources   Date: 29th June 2022

Warwickshire Pension Fund Account

2020/2021			2021/2022
£ m		Notes	£ m
	Dealings with members, employers and others directly involved in the fund		
(98.9)	Contributions	7	(86.7)
(12.7)	Transfers in from other schemes	8	(16.9)
(111.7)			(103.6)
83.5	Benefits payable	9	88.9
9.9	Payments to and on account of leavers	10	8.4
93.4			97.3
(18.3)	**Net (additions)/withdrawals from dealing with members**		**(6.3)**
14.6	Management expenses	11	**16.1**
(3.7)	**Net (additions)/withdrawals including fund management expenses**		**9.7**
	Returns on investments		
(21.0)	Investment income	13	(21.5)
(19.2)	Profit and losses on disposal of investments	23	(81.6)
(496.1)	Changes in the market value of investments	23	(113.9)
(536.3)	**Net return on investments**		**(217.1)**
(540.0)	**Net (increase)/decrease in the net assets available for benefits during the year**		**(207.4)**
(2,034.1)	**Opening net assets of the scheme**		**(2,574.1)**
(2,574.1)	**Closing net assets of the scheme**		**(2,781.5)**

Net Assets Statement

2020/2021			2021/2022
£ m		Notes	£ m
1.2	Long-term Assets	15	1.2
2,502.6	Investment assets	15/16	2,722.1
48.3	Cash deposits	15/16	35.1
2,552.1	Total net investments		2,758.4
25.4	Current assets	29	27.0
(3.4)	Current liabilities	30	(3.9)
2,574.1	**Net assets of the fund available to fund benefits at the period end**		**2,781.5**

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed in the Actuary Statement Note 28.

Notes to the Warwickshire Pension Fund Accounts for the year ended 31 March 2022

Note 1: Description of fund

The Warwickshire Pension Fund ('the Fund') is part of the Local Government Pension Scheme and is administered by Warwickshire County Council. The County Council is the reporting entity for this pension fund.

The following description of the Fund is a summary only. For more detail, reference should be made to the Warwickshire Pension Fund Annual Report and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and The Local Government Pension Scheme (LGPS) Regulations.

a) General

The scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended);
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended); and
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended).

The Warwickshire Pension Fund is a defined benefit scheme administered by the Director for Resources on behalf of Warwickshire County Council (the scheme administrator), five district councils and other scheduled and admitted public service organisations and their contractors. Teachers, police officers and firefighters are not included as they come within the remit of other national pension schemes.

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 scheme employers and scheme members with an independent chair. The Pension Fund Investment Sub-Committee receives advice and guidance from two independent financial advisors, its investment consultant (Hymans Robertson) and its Scheme Actuary (Hymans Robertson).

The Public Service Pensions Act 2013 included a requirement to establish a Local Pension Board, with responsibility to assist the administering authority to:

- secure compliance with: the LGPS regulations; other legislation relating to the governance and administration of the LGPS and; the requirements imposed by the Pension Regulator in relation to the LGPS; and

- perform an oversight role to ensure the effective and efficient governance and administration of the LGPS.

A Local Pension Board has been in place since February 2015.

b) Membership

Membership of the LGPS is automatic for entitled employees, but employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Warwickshire Pension Fund include:

- scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund; and
- admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 206 employer organisations with active members within Warwickshire Pension Fund including the County Council itself, as detailed below.

Warwickshire Pension Fund	31 March 2021	31 March 2022
Number of employers with active members	189	206
Number of employees in scheme		
County Council	8,434	8,290
Other employers	9,351	9,592
Total	**17,785**	**17,882**
Number of pensioners		
County Council	8,446	8,888
Other employers	6,692	7,189
Total	**15,138**	**16,077**
Deferred pensioners		
County Council	11,477	11,676
Other employers	8,138	8,694
Total	**19,615**	**20,370**
Total	**52,538**	**54,329**

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with The LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2022. Contributions are also made by employers which are set based on triennial actuarial funding valuations. The last valuation was at 31 March 2019 and a revised schedule of employer contribution rates became effective for the three years from 1 April 2020. Currently, employer contribution rates range from 0% to 58% of pensionable pay.

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised in the following table.

	Service pre 1 April 2008	Service post 31 March 2008
Pension	Each year worked is worth 1/80 x final pensionable salary	Each year worked is worth 1/60 x final pensionable salary
Lump Sum	Automatic lump sum of 3 x pension	No automatic lump sum
	In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of $1/49^{th}$. Accrued pension is updated annually in line with the Consumer Prices Index. The changes also brought in a 50/50 option allowing members the opportunity to contribute 50% for 50% of the benefit entitlement.

Contributions to the LGPS prior to 1 April 2014 were assessed on full-time equivalent pay and excluded non-contractual elements of pay such as overtime and bonus. However, contributions since 1 April 2014 are assessed on all pensionable pay received including non-contractual elements. In addition, the contribution bandings were extended with many of the higher paid seeing an increase in contributions.

There are a range of other benefits provided under the scheme including early retirement, ill health entitlements and life assurance.

Note 2: Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2021/22 financial year and its position at year-end as at 31 March 2022. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2021/22* which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. They have been prepared on a going concern basis in accordance with IAS1.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. This is addressed by the Scheme Actuary's triennial valuation.

2.1 Accounting standards issued but not yet adopted

The code requires disclosure of any accounting standards issued but not yet adopted and their potential impact on the Fund. The new standards issued but not adopted for 2021/22 are:

• IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS;
• IAS 37 (Onerous contracts) – clarifies the intention of the standard;
• IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material;
• IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances; and
• Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16.

It is too early to say with any degree of certainty what the likely impact of the above issued accounting standards would be, but it is assumed they would not materially impact on the 2021/22 financial statements.

Note 3: Summary of significant accounting policies

a) Contribution income

Normal contributions, both from members and employers, are accounted for on an accruals basis at the percentage rate recommended by the Scheme Actuary in the period to which they relate.

Employer deficit, augmentation and pension strain contributions are accounted for in the period in which the liabilities arise. Any amount due in year but unpaid will be classed as a current financial asset.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with The Local Government Pension Scheme Regulations (see notes 8 and 10). This is normally when the member liability is accepted or discharged.

c) Investment income

i) Interest Income
Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

ii) Dividend income
Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is reflected within investment assets in the Net Assets Statement. Investment income arising from the underlying investments of the Pooled Investment Vehicles is either reinvested within the Pooled Investment Vehicles and reflected in the unit price or taken as dividends.

iii) Distributions from managed funds
Distributions from managed funds are recognised at the date of issue. Any amount not received by the end of the reporting period is reflected within investment assets in the Net Assets Statement.

iv) Profit and losses on disposal of investments
Profit and losses on the disposal of investments are recognised as income and comprise all realised profits/losses during the year.

v) Movement in the market value of investments
Changes in the market value of investments are recognised as income and comprise all unrealised profits/losses during the year.

d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

e) Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless an exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

f) Management expenses

The Code does not require a breakdown of pension fund administration expenses. However, in the interests of greater transparency, the Council discloses its pension fund management expenses in accordance with the CIPFA guidance *Accounting for Local Government Pension Scheme Management Costs.*

Administrative expenses
All administrative expenses are accounted for on an accrual basis. All staff costs of the pension's administration team and associated accounting, management, accommodation and other overheads are apportioned and charged as expenses to the Fund.

Oversight and governance costs
All oversight and governance expenses are accounted for on an accrual basis. All costs associated with governance and oversight are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

Investment management expenses
All investment management expenses are accounted for on an accrual basis.
Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. Where these are deducted at source (as opposed to being charged via an invoice) the fee is identified and a journal posted to record the investment management fee and increase the investment income.

g) Investment assets

Shareholder investment in Warwickshire's LGPS asset pool, Border to Coast Pensions Partnership (the "pool"), is valued at transaction price i.e. cost. The pool's main trading company, Border to Coast Pensions Partnership Limited, became licensed to trade in July 2018 and does not have established trading results or profit forecasts available yet.

The Pension Fund's view is that the market value of investments in the Border to Coast Pension Partnership at 31 March 2022 cannot be reasonably assessed and that cost is therefore an appropriate estimate of fair value.

All other investment assets are included in the Net Assets Statement on a fair value basis as at the reporting date. An investment asset is recognised in the net asset statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date, any gains or losses arising from changes in the fair value of the asset are recognised in the Fund.

The values of investments as shown in the Net Assets Statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Pension Fund Note 24).For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

The values of investments as shown in the Net Assets Statement have been determined as follows:

i) Market-quoted investments
The value of an investment for which there is a readily available market price is determined by the bid market price on the final day of the accounting period.

ii) Fixed interest securities
Are recorded at net market value based on their current yields.

iii) Unquoted investments

The fair value of investments for which market quotations are not readily available is determined as follows:

- directly held investments include investments in limited partnerships, shares in unlisted companies, trusts and bonds. Other unquoted securities typically include pooled investments in property, infrastructure, debt securities and private equity. The valuation of these is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or to the management agreement;

- investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager; and

- investments in private equity funds and unquoted listed partnerships are valued based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the *International Private Equity and Venture Capital Valuation Guidelines 2018.*

iv) Limited partnerships
Fair value is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.

v) Pooled investment vehicles
Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; if single priced, at the closing single price.
In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income, which is reinvested in the Fund net of applicable withholding tax.

h) Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

i) Cash and cash equivalents

Cash comprises cash in hand and on demand deposits and includes amounts held by the Fund's external managers.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

j) Investment Liabilities

The Fund recognises investment liabilities at fair value as at the reporting date. An investment liability is recognised on the date the Fund becomes party to the liability and these are summarised in Note 15. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

k) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the Scheme Actuary in accordance with the requirements of IAS19 and relevant actuarial standards. The last triennial valuation was carried out as at 31st March 2019. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 28).

l) Additional Voluntary Contributions

Warwickshire Pension Fund provides an additional voluntary contributions (AVCs) scheme for its members, the assets of which are invested separately from those of the pension fund. The Fund has appointed Utmost Life & Pensions and Standard Life as its AVC providers. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and movements in the year.

AVCs are not included in the accounts in accordance with section 4(1)(b) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (Note 31).

j) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term, 'financial instrument' covers both financial assets and financial liabilities and includes financial assets and liabilities such as trade receivables and trade payables.

IFRS 13 Fair Value Measurement - The standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions). The Fund currently complies with this standard.

Note 4: Critical judgements in applying accounting policies

Pension fund liability

On 10 March 2022, the Public Service Pensions and Judicial Offices Act 2022 received Royal Assent. The main purpose of the Act is to support implementation of the McCloud remedy in the public service pension schemes.

The McCloud remedy will be implemented in two phases.

Phase one involves moving all remaining active members of legacy schemes (members with protection) into the new schemes on 1 April 2022 so that, going forward, all accrual will be in the new schemes (and so all active members will be treated equally).

Phase two is implementation of the deferred choice underpin. That is, giving eligible members a choice between legacy scheme and new scheme benefits for service between 1 April 2015 and 31 March 2022.

The regulations to implement phase one of the remedy have been made and will come into force on 1 April 2022. Consultations on draft regulations to implement phase two of the remedy will follow, with the aim that they will come into force by 1 October 2023 at the latest. No allowance had been made within the accounts, however the fund actuary has included an allowance for the impact of McCloud in Note 28 within the fund liabilities.

Further legal judgements in force include Goodwin, Walker and O’Brien. Current analysis estimates this to be very small for a typical fund.

Investment in Border to Coast Pensions Partnership

This investment has been valued at cost on the basis that fair value as at 31 March 2021/22 cannot be reasonably assessed as:

- No market or comparable market exists;
- The shares will not be traded externally; and
- Border to Coast Pensions Partnership operates on a not-for-profit basis.

War in Ukraine

We have instructed our fund managers, including the local government pension pool, Border to Coast, of which we are one member, to cease investment into Russia and Warwickshire Pension Fund’s wish to dissociate itself from all Russian-owned and Russian-controlled investments. Due to the nature of the Russian regime, we do not make a distinction between state and non-state owned assets.

We will work with our fund managers to ensure that there should be no further investment into Russian owned or controlled assets and that the Fund’s investment activity follows all current and future government requirements.

Working closely with our fund managers, we will review the timing of disinvestment carefully, having regard to the practical barriers and options available to divest given that some financial markets are closed or operating with less liquidity, balancing the desire we have to completely disassociate the Fund from supporting Russian investments with the fiduciary responsibility the fund has for managing its investments, and having regard to the fact that the Fund’s investments are in pooled funds that the Fund cannot unilaterally control and direct.

The Warwickshire Pension Fund’s current assessment of Russian holdings is that they make up approximately £5m or 0.2% of the total fund value. No special amendment or adjustment is necessary for the valuation of assets due to the ongoing conflict. Valuations are correctly catered for naturally with all assets valued as at the 31st March 2022 position

Note 5: Assumptions made about the future and other major sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the Balance Sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the accounts as at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance: a 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £75m, a 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £7m, and a one-year increase in assumed life expectancy would increase the liability by approximately £149m.
Private equity, Infrastructure and Private Debt	Private equity investments are valued at fair value in accordance with *International Private Equity and Venture Capital Valuation Guidelines* 2018 and the IPEV Board's Special Valuation Guidance (March 2020). These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total value of Level 3 investments stands at £420.8m. There is a risk that this investment may be under- or over-stated in the accounts. The custodian reports a tolerance of +/- 2% around the net asset values on which the valuation is based. This equates to a tolerance of +/- £8.4m.

Note 6: Events after the reporting date

Events from the balance sheet date to the date of authorisation for issue would be reflected as an adjustment to the Statement of Accounts whether favourable or adverse. This would occur where there was provision of evidence that these conditions were in place by the end of the reporting period and that these events were significant to the fair value of the Fund’s net assets. Those events taking place after the date of authorisation for issue will not be reflected in the statement of accounts.

There has been significant volatility in markets since the 31st of March 2022. The total Fund asset valuation as at 30th of June 2022 having fallen to £2,636m due to net losses on investments since 31st March 2022.

Note 7: Contributions receivable

By category

2020/2021		2021/2022
£ m		£ m
19.3	Employees' contributions	20.0
	Employers' contributions:	
74.8	Normal contributions	61.1
4.8	Deficit Recovery contributions	5.6
79.6	**Total Employers' contributions**	**66.7**
98.9	**Total**	**86.7**

By authority

2020/2021		2021/2022
£ m		£ m
41.7	Administering authority	43.8
55.4	Scheduled bodies	41.4
1.8	Admitted bodies	1.5
0.0	Bodies no longer contributing	0.0
98.9	**Total**	**86.7**

Note 8: Transfers in from other pension funds

2020/2021		2021/2022
£ m		£ m
0.7	Group transfers	0.0
12.0	Individual transfers	16.9
12.7	**Total**	**16.9**

Note 9: Benefits payable

By category

2020/2021		2021/2022
£ m		£ m
68.0	Pensions	70.5
14.1	Commutation and lump sum retirement benefits	16.0
1.5	Lump sum death benefits	2.4
83.5	**Total**	**88.9**

By authority

2020/2021		2021/2022
£ m		£ m
44.6	Administering authority	46.8
34.0	Scheduled bodies	36.7
4.1	Admitted bodies	4.4
0.9	Bodies no longer contributing	0.9
83.5	**Total**	**88.9**

Note 10: Payments to and on account of leavers

2020/2021		2021/2022
£ m		£ m
0.3	Refunds	0.4
9.5	Individual transfers	8.0
9.9	**Total**	**8.4**

Note 11: Management expenses

2020/2021		2021/2022
£ m		£ m
1.9	Administration costs	1.9
11.6	Investment management expenses	12.9
1.1	Oversight and governance costs	1.3
14.6	**Total**	**16.1**

This analysis of the costs of managing the Warwickshire Pension Fund during the period has been prepared in accordance with CIPFA guidance.

Indirect costs are incurred through the bid-offer spread on investment sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sale of investments (Note 16 and Note 25).

Note 12: Investment management expenses

20/21 Total		Management Fees	Performance Fees	21/22 Total
£ m	**£ m**	**£ m**	**£ m**	**£ m**
2.6	Pooled Investments	3.2	0.0	3.2
1.7	Pooled Property	1.9	0.0	1.9
3.2	Private Equity	2.7	0.6	3.3
2.6	Infrastructure	2.5	0.7	3.2
1.5	Private Debt	1.1	0.2	1.3
0.0	Custody Fees	0.1	0.0	0.1
11.6		**11.4**	**1.5**	**12.9**

Note 13: Investment income

2020/2021		2021/2022
£ 000		**£ 000**
0.0	Equity dividends	0.1
6.5	Pooled Property	5.2
2.4	Infrastructure	3.0
1.8	Pooled Equity	1.9
1.2	Private Debt	0.9
8.3	Pooled Fixed Income	9.4
0.9	Private Equity	1.2
21.1	Managed funds	21.6
21.1		**21.6**

Note 14: Other fund account disclosures: external audit costs

The external audit fee for 2021/22 was £31,060 excluding VAT. The fee for 2020/21 was £30,647. Non-audit fees in respect of IAS19 assurance for 2021/22 are £7,000 (2020/21: £7,000).

Note 15: Investments

2020/2021		2021/2022
£ m		**£ m**
	Long term investments	
1.2	Equities	1.2
	Investment Assets	
2,496.3	Pooled Funds ***	2,716.8
979.8	Global Equity*	971.0
420.2	UK Equity*	442.4
72.3	Infrastructure	140.4
84.5	Private Debt	83.0
175.0	Private Equity	197.3
221.5	Pooled Property	273.4
543.1	Fixed Income	609.2
48.3	Cash deposits	35.1
6.2	Investment Current Assets	5.4
2,550.9	**Total Investment Assets**	**2,757.2**
	Investment Liabilities	
0.0	Investment current liabilities	0.0
0.0	**Total Investment Liabilities**	**0.0**
2,552.1	**Net Investment Assets**	**2,758.4**

*20/21 Pooled Global Equity restated to exclude LGIM UK sleeve and included within Pooled UK Equity

*** This refers to the management structure of the Funds, where the Warwickshire Pension Fund does not directly own the underlying assets.

Note 16: Reconciliation of movements in investments

	Market value 31 March 2021	Purchases during the year	Sales during the year	Change in market value during the year	Market value 31 March 2022
	£ m	£ m	£ m	£ m	£ m
Investment Assets					
Equities	1.2	0.0	0.0	0.0	1.2
Pooled Investments	2,496.3	702.4	-672.3	190.3	2,716.8
Private Equity	175.0	25.3	-47.1	44.1	197.3
Pooled Property	221.5	19.3	-13.6	46.1	273.4
Pooled funds, Unit Trusts & Other Managed Funds	1,943.0	572.5	-578.1	85.2	2022.6
Infrastructure	72.3	65.0	-8.7	11.9	140.4
Private Debt	84.5	20.3	-24.8	3.0	83.0
Other Investment Balances					
Cash	48.3	89.3	-102.6	0.0	35.1
Net investment current assets	6.2	0.0	-0.7	-0.1	5.4
Net Investment Assets	**2,552.1**	**791.8**	**-775.6**	**190.1**	**2,758.4**

	Market value 31 March 2020	Purchases during the year	Sales during the year	Change in market value during the year	Market value 31 March 2021
	£ m	£ m	£ m	£ m	£ m
Investment Assets					
Equities	0.8	0.3	0.0	0.0	1.2
Pooled Investments	1,997.3	119.2	-132.2	512.0	2,496.3
Private Equity	120.7	18.6	-22.8	58.5	175.0
Pooled Property	217.4	3.8	-0.5	0.8	221.5
Pooled funds, Unit Trusts & Other Managed Funds	1,508.2	61.0	-79.1	453.0	1,943.0
Infrastructure	67.9	17.6	-11.8	-1.4	72.3
Private Debt	83.1	18.3	-18.0	1.1	84.5
Other Investment Balances					
Cash deposits	20.9	63.3	-35.7	-0.1	48.3
Net investment current assets	6.4	1.2	-1.0	-0.4	6.2
Net Investment Assets	**2,025.3**	**184.1**	**-168.9**	**464.9**	**2,552.1**

Note 17: Derivatives

The Fund does not engage in any direct derivative activity however fund managers may make use of these to achieve investment objectives.

Note 18: Investments analysed by fund manager

Market value 31 March 2021			Market value 31 March 2022	
£ m	%		£ m	%
Investments managed by BCPP asset pool				
2.7	0.1%	Private Equity	14.8	0.5%
12.8	0.5%	Infrastructure	61.1	2.2%
2.4	0.1%	Private Debt	17.8	0.6%
370.5	14.5%	Global Equity Alpha Fund	378.0	13.7%
286.2	11.2%	UK Equity Alpha Fund	295.7	10.7%
184.0	7.2%	BCPP Iinvestment Grade Credit	171.7	6.2%
0.0	0.0%	BCPP Multi-Asset Credit	250.8	9.1%
858.6	**33.6%**		**1189.8**	**43.1%**
Investments managed outside of BCPP asset pool				
0.8	0.0%	MFS Investment Management (Global Equities)	0.6	0.0%
743.4	29.1%	Legal and General Investment Management (Index Tracker - Global Equities)	740.0	26.8%
184.7	7.2%	Legal and General Investment Management (Index Tracker - Fixed Income)	186.9	6.8%
116.9	4.6%	Columbia Threadneedle Investments (Property)	145.8	5.3%
110.9	4.3%	Schroder Investment Management (Property)	132.3	4.8%
172.3	6.8%	HarbourVest (Private Equity)	182.5	6.6%
114.6	4.5%	JP Morgan (Strategic Bond)	0.0	0.0%
22.9	0.9%	Standard Life Capital (Infrastructure)	23.8	0.9%
36.5	1.4%	Partners Group (Infrastructure)	55.6	2.0%
40.6	1.6%	Alcentra (Private Debt)	39.1	1.4%
41.5	1.6%	Partners (Private Debt)	25.9	0.9%
60.4	2.4%	PIMCO (Diversified Income Fund)	0.0	0.0%
46.9	1.8%	BNY Mellon (Global Custodian)	35.0	1.3%
1.2	0.0%	BCPP Shareholding	1.2	0.0%
1,693.5	66.4%		1568.6	57%
2,552.1	**100.0%**		**2,758.4**	**100.0%**

Note 19: Investments representing more than 5% net assets of the scheme

Security	Market value 31 March 2022	% of total fund as at 31.03.22
	£ m	
Border to Coast Global Alpha Equity Fund	378.0	13.7%
L&G Fundamental Indexation	302.8	11.0%
Border to Coast Alpha Equity Fund	295.7	10.8%
Border to Coast Multi-Asset Credit	250.8	9.1%
Harbourvest (Private Equity)	182.5	6.6%
Border to Coast Investment Grade Credit	171.7	6.2%
L&G UK Equity Index	146.7	5.3%

Security	Market value 31 March 2021	% of total fund as at 31.03.21
	£ m	
Border to Coast Global Equity Alpha Fund	370.5	14.8%
Border to Coast UK Listed Equity Alpha Fund	286.2	11.4%
LGIM Fundamental Indexation	264.3	10.6%
Border to Coast Sterling Investment Grade Credit Fund	184.0	7.3%
LGIM Europe (Exc UK) Equity Index	175.4	7.0%
Harbourvest (Private Equity)	172.3	6.8%
LGIM UK Equity Index	133.9	5.3%

Note 20: Stock lending

The Fund does not currently engage in any direct stock lending.

Note 21: Property holdings

The Fund does not hold property directly. Property is held in the form of pooled funds.

Note 22: Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities (excluding cash) by category and Net Assets Statement heading. No financial assets were reclassified during the accounting period.

Fair value through profit and loss	Financial assets at amortised cost	Financial liabilities at amortised cost		Fair value through profit and loss	Financial assets at amortised cost	Financial liabilities at amortised cost
31 March 2021				31 March 2022		
£ m	£ m	£ m		£ m	£ m	£ m
			Investment Assets			
0.0			Index linked bonds	0.0		
1.2			Equities	1.2		
2,496.3			Pooled Investments	2,716.8		
979.8			Global Equity	971.0		
420.2			UK Equity	442.4		
72.3			Infrastructure	140.4		
84.5			Private Debt	83.0		
175.0			Private Equity	197.3		
221.5			Pooled Property	273.4		
543.1			Fixed Income	609.2		
	48.3		Cash deposits		35.1	
	6.2		Investment Current Assets		5.4	
	8.4		Debtors		9.2	
	17.0		Cash balances		17.8	
2,497.5	**80.0**	**0.0**		**2,717.9**	**67.5**	**0.0**
			Liabilities			
		0.0	Investment current liabilities			0.0
		-3.4	Creditors			-3.9
0.0	**0.0**	**-3.4**		**0.0**	**0.0**	**-3.9**
2,497.5	**80.0**	**-3.4**		**2,717.9**	**67.5**	**-3.9**

Note 23: Net gains and losses on financial instruments

31 March 2021		31 March 2022
£ m		**£ m**
	Financial Assets	
515.3	Fair value through profit and loss	195.6
0.0	Loans and receivables	0.0
515.3	**Total**	**195.6**

The authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

Note 24: Valuation of financial instruments carried at fair value

The unquoted equities holding in Border to Coast Pensions Partnership is valued at cost (i.e. transaction price), as an appropriate estimate of fair value. A fair value cannot be otherwise established for these assets as at 31 March 2022 because the main trading vehicle of Border to Coast Pensions Partnership only became licenced to trade in July 2018 and the reliability of any observable or unobservable inputs used to calculate fair value cannot as yet be assessed with certainty.

All other investments are held at fair value in accordance with the requirements of the Code and IFRS13. The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year.

All assets have been valued using fair value techniques based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value, these inputs are observable. Products classified as level 2 include unquoted bonds and overseas unit trusts and property funds.

Level 3

Financial instruments at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include unquoted equity and debt investments, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investments in private equity, infrastructure and private debt are based on valuations provided by the general partners to the funds in which Warwickshire Pension Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are undertaken quarterly and an adjustment is made to roll forward the latest available valuation to 31 March as appropriate.

Description of asset	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Pooled investments – overseas unit trusts & property funds Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price is published.	NAV-based pricing set on a forward pricing basis	Not required
Other unquoted and private equities (inc. alternatives, infrastructure and private equity). Level 3	These investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines 2018 special rules 2020 and US GAAP.	EBITDA multiple; Revenue multiple; Discount for lack of marketability; Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.
Shares in Border to Coast Pensions Partnership	Cost	NA	NA

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Valuation at 31 March 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
	£ m	**£ m**	**£ m**	**£ m**
Equities	0.0		1.2	1.2
Pooled Investments (note 1)	0.0	2,022.6		2,022.6
Infrastructure			140.4	140.4
Private Debt			83.0	83.0
Private Equity			197.3	197.3
Pooled Property		273.4		273.4
Financial assets at fair value through profit and loss	0.0	2,296.0	421.9	2,717.9
Financial liabilities at fair value through profit and loss	0.0	0.0	0.0	0.0
Financial liabilities				
Net financial assets	0.0	2,296.0	421.9	2,717.9

Note 1: The significant reduction in Level 1 investments from £114.6m to £0 reflects the sale of the JPM Unconstrained Bond Fund during 2021/22, which was reinvested into the Border to Coast Multi Asset Credit Fund

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Valuation at 31 March 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
	£ m	**£ m**	**£ m**	**£ m**
Equities*			1.2	1.2
Pooled Investments	114.6	1,828.5		1,943.0
Infrastructure			72.3	72.3
Private Debt			84.5	84.5
Private Equity			175.0	175.0
Pooled Property		221.5		221.5
Financial assets at fair value through profit and loss	114.6	2,050.0	333.0	2,497.5
Financial liabilities at fair value through profit and loss	0.0	0.0	0.0	0
Financial liabilities				
Net financial assets	114.6	2,050.0	333.0	2,497.5

*Equities which represent Border to Coast shareholding restated to L3

The following assets have been carried at cost:

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Valuation at 31 March 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
	£ m	**£ m**	**£ m**	**£ m**
Investment in Border to Coast Pensions Partnership **Investments held at cost**			1.2	1.2

Note 25 Reconciliation of fair value measurements within Level 3

	Market value 31 March 2021	Purchases during the year	Sales during the year	Change in market value during the year	Realised profit or loss (-) during the year	Market value 31 March 2022
	£ m	**£ m**	**£ m**	**£ m**	**£ m**	**£ m**
Private Debt	84.5	20.3	-24.8	0.4	2.6	83.0
Private Equity	175.0	25.3	-47.1	11.1	33.0	197.3
Infrastructure	72.3	65.0	-8.7	3.3	8.6	140.5
	331.8	**110.6**	**-80.6**	**14.7**	**44.3**	**420.8**

Note 26: Nature and extent of risks arising from financial instruments

Risk and risk management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Council manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pension Fund Investment Sub-Committee. Risk management policies are established to identify and analyse the risks faced by the Council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks in two ways:

- the exposure of the Fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels; and
- specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

It is possible for over-the-counter equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument, or its issuer, or factors affecting all such instruments in the market.

The Fund is exposed to share price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital.

The Fund's investment managers mitigate this price risk through diversification. The selection of securities and other financial instruments is monitored to ensure price risk is within limits specified in the Fund's investment strategy.

Following analysis of historical data and expected investment return movement, the Fund has determined that the following movements in market price risk were reasonably possible for the 2021/22 reporting period. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Asset Type	2021/22 Potential market movement
	%
UK Pooled Funds	20%
Overseas Pooled Funds	19%
Bonds	8%
Cash	0%
Property	15%
Alternatives	8%

The potential price changes disclosed above are broadly consistent with a one-year dispersion in the value of the assets and are based on observed historical volatility of the returns of the asset class.

Had the market price of the Fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits would have been as follows (the prior year comparator is shown in the following table):

Asset Type	Value as at 31 March 2022	Potential market movement	Value on increase	Value on decrease
	£ m	£ m	£ m	£ m
UK Pooled Funds	443.6	88.7	532.3	354.8
Overseas Pooled Funds	971.0	182.6	1153.6	788.5
Total Bonds	609.2	48.7	658.0	560.5
Cash	40.5	0.0	40.5	40.5
Alternatives	420.7	33.7	454.4	387.1
Property	273.4	41.0	314.4	232.4
Total	**2,785.4**	**394.7**	**3,153.1**	**2,363.7**

Asset Type	Value as at 31 March 2021	Potential market movement	Value on increase	Value on decrease
	£ m	£ m	£ m	£ m
UK Pooled Funds	421.3	48.9	336.3	238.6
Overseas Pooled Funds	979.8	189.3	1303.1	924.4
Total Bonds	428.5	34.3	462.8	394.2
Cash	54.6	0.0	54.6	54.6
Alternatives	446.4	44.6	491.0	401.7
Property	221.5	31.0	252.5	190.5
Total	**2,552.1**	**348.1**	**2,900.2**	**2,204.0**

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's interest rate risk is monitored as part of asset allocation decisions. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances. Changes to both the fair value of assets and the income received from investments impact on the net assets available to pay benefits.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates.

Asset Type	Duration	Value as at 31 March 2022	Value on 1% increase	Value on 1% decrease
	Years	£ m	£ m	£ m
LGIM UK Corporate Bonds	7.2	56.4	52.4	60.5
LGIM UK Index Linked	20.3	130.4	103.9	156.8
BCPP Multi-Asset Credit	4.36	250.8	239.8	261.7
BCPP Investment Grade Credit	7.7	171.7	158.4	184.9
Cash balances	0.0	52.8	52.8	52.8
Total		**662.1**	**607.3**	**716.8**

Asset Type	Duration	Value as at 31 March 2021	Value on 1% increase	Value on 1% decrease
	Years	£ m	£ m	£ m
LGIM UK Corporate Bonds	7.7	60.3	55.6	64.9
LGIM UK Index Linked	21.4	124.3	97.7	150.9
JPM Absolute Return Bonds	3.1	114.6	111.0	118.1
BCPP Investment Grade Credit	8.2	184.0	170.0	197.9
Total		**483.2**	**434.4**	**531.9**

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£UK). The Fund holds both monetary and non-monetary assets denominated in currencies other than £UK.

A strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows. This analysis assumes that all other variables, in particular interest rates, remain constant. The prior year comparator is shown below and based on the Fund's segregated overseas mandate which has now transitioned to the BCPP pool:

	Value as at 31 March 2022	Potential market movement	Value on increase	Value on decrease
	£ m	£ m	£ m	£ m
Overseas Pooled Funds	971.0	194.2	1165.2	776.8
Total	**971.0**	**194.2**	**1165.2**	**776.8**

	Value as at 31 March 2021	Potential market movement	Value on increase	Value on decrease
	£ m	£ m	£ m	£ m
Overseas Pooled Funds	1,113.7	109.1	1,222.9	1,004.6
Total	**1,113.7**	**109.1**	**1,222.9**	**1,004.6**

Credit risk

Credit risk represents the risk that the counterparty to a transaction will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

The Pension Fund closely monitors employer contributions each month. All contributions from employers due to the Fund for March 2021 where received by the Fund in April 2022. The Fund's current policy for all new employers into the scheme is to obtain a guarantee that will ensure all pension obligations are covered in the event of that employer facing financial difficulties.

The Pension Fund's bank account is held at Lloyds, which holds an 'A+' long term credit rating (Fitch Credit Rating Agency) and it maintains its status as a well-capitalised and strong financial organisation. In addition, Lloyds has a 0.000% historic risk of default. As at 31st March 2022 the balance at Lloyds stood at £17.8m.

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Pension Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments, particularly cash to meet pensioner payroll and other benefit costs, and cash to meet investment commitments.

The Pension Fund has immediate access to its cash holdings and has had a long-term positive cash flow. Cash flow surpluses are invested with fund managers. The Pension Fund is authorised to borrow on a short-term basis to fund cash flow deficits.

The actuary to the Pension Fund produces regular cash flow forecasts which are presented to the Investment Sub-Committee.

All financial liabilities as at 31 March 2022 are due within one year.**Note 27: Funding arrangements**

In line with The Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019 and set contribution rates for the three years commencing 1 April 2020.

The key elements of the funding policy are:

- to ensure the long-term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment;
- to ensure that employer contribution rates are as stable as possible;
- to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return;
- to reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the council taxpayer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of 19 years and to provide stability in contribution rates by spreading any increases in rates over a period of time. Normally this is three years but, in some cases, an extended period can be granted. Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable. When an employer's funding level falls significantly short of the 100% funding target, then a deficit recovery plan will be put in place requiring additional contributions from the employer to meet the shortfall.

At the 2019 actuarial valuation, the Fund was assessed as 92% funded. This corresponded to a deficit of £180m.

Contribution increases were phased in over the three-year period ending 31 March 2023. The common contribution rate (i.e. the rate which all employers in the Fund pay) is as follows.

Valuation Date	**31-Mar-19**
Total contribution rate	
Primary Rate (% of pay)	20.1%
2020/21 Secondary Rate £000	60.71
2021/22 Secondary Rate £000	62.51
2022/23 Secondary Rate £000	64.36

Individual employer rates will vary from the common contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2019 actuarial valuation report and the funding strategy statement on the Fund's website.

The valuation of the Fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions are as follows:

Financial assumptions

Financial assumptions	31 March 2019
	%
Post Retirement Discount Rate	3.7%
Salary Increases	3.1%
Price Inflation/Pension Increases	2.3%

Demographic assumptions

Assumed life expectancy from age 65 is as follows.

Demographic assumptions	31 March 2019	
Assumed life expectancy at age 65	Male	Female
Pensioners	21.6	23.8
Non-pensioners	22.5	25.4

Commutation assumptions

It is assumed that future retirees will take 50% of the maximum additional tax-free lump sum up to HMRC limits for pre-April 2008 service and 75% of the maximum for post-April 2008 service.

50:50 Option

1.0% of members (uniformly distributed across the age, service and salary range) will choose the 50:50 option.

Note 28: Actuarial present value of promised retirement benefits

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the pension fund liabilities, on an IAS19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting Fund contribution rates and the Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 27). The following is the full Pension Fund Accounts Reporting Requirement provided by the Scheme Actuary.

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2021/22 requires Administering Authorities of LGPS funds that prepare pension fund accounts to

disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the Warwickshire Pension Fund ("the Fund").
The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in the pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Fund's funding assumptions.

31 March 2021		31 March 2022
£m		£m
1,774	Active members	1,790
905	Deferred pensioners	840
1,180	Pensioners	1,095
(3,859)	Present value of promised retirement benefits (£m)	(3,725)
2,552	Fair Value of scheme assets (bid value) (£m)	2,776
(1307)	Net Liability	(949)

The fair value of scheme assets (bid value) figure as at 31 March 2022 has been provided by the Administering Authority and is as disclosed in the Fund's 2021/22 accounts.

The promised retirement benefits at 31 March 2022 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2019. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are different as at 31 March 2022 and 31 March 2021. I estimate that the impact of the change in financial assumptions to 31 March 2022 is to decrease the actuarial present value by £295m. I estimate that the impact of the change in demographic assumptions is to decrease the actuarial present value by £20m.

Financial assumptions

Year ended (% p.a.)	31 March 22	31 March 21
	%	%
Inflation/pensions increase rate	3.20%	2.85%
Salary increase rate	4.00%	3.65%
Discount rate	2.70%	2.00%

Longevity assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.5% and a long term rate of improvement of 1.5% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.6 years	24.1 years
Future pensioners (assumed to be aged 45 at the latest formal valuation)	22.7 years	25.9 years

All other demographic assumptions are unchanged from last year and as per the latest funding valuation of the Fund.

Sensitivity analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Sensitivity to the assumptions for the year ended 31 March 2022	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.1% p.a. increase in the Pension Increase Rate (CPI)	2%	68
1 year increase in member life expectancy	4%	149
0.1% p.a. increase in the Salary Increase Rate	0%	7
0.1% p.a. decrease in the Real Discount Rate	2%	75

Professional notes

This paper accompanies the 'Accounting Covering Report – 31 March 2022' which identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by:-

Robert Bilton
17 May 2022
For and on behalf of Hymans Robertson LLP

Note 29: Current assets

31 March 2021		31 March 2022
£m		**£m**
	Debtors:	
1.4	Contributions due: Employees	1.8
6.0	Contributions due: Employers	6.1
0.8	Invoiced debtors	1.3
0.2	Sundry debtors	0.1
17.0	Cash balances	17.8
25.4	**Total**	**27.0**

Note 30: Current liabilities

31 March 2021		31 March 2022
£m		**£m**
	Liabilities:	
0.6	Owed to administering authority	1.8
2.4	Sundry Creditors	1.3
0.4	Benefits Payable	0.7
3.4	**Total**	**3.9**

Note 31: Additional Voluntary Contributions

Contributions Paid 2020/21	Market Value 31 March 2021		Contributions Paid 2020/21	Market Value 31 March 2022
£000's	**£m**		**£000's**	**£m**
342.7	2.8	Standard Life	468.5	3.3
1.4	0.2	Utmost Life and Pensions	1.16	0.21
344.1	**3.0**	**Total**	**469.7**	**3.5**

Note 32: Related Party Transactions

Warwickshire County Council

The Warwickshire Pension Fund is administered by Warwickshire County Council. Consequently, there is a strong relationship between the Council and the pension fund.

During the reporting period, the Council incurred costs of £1.9m (2020/21: £1.9m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the pension fund. Employee and employer contributions from the Council amounted to £43.8m in 2021/22 (£41.7m in 2020/21).

Border to Coast Pensions Partnership

The Warwickshire Pension Fund, through Warwickshire County Council as the Administering Authority, is a shareholder in Border to Coast Pensions Partnership Limited. The Partnership is a wholly owned private limited company registered in England and Wales founded to carry out pension fund asset pooling obligations set out by the Government. The company provides the facility to pool the pension fund investments of 11 local authorities in order to gain the benefits of economies of scale, concentration of expertise and improved ability to reduce investment costs. The company was incorporated in 2017/18 and the first transfers of investment assets into the pool occurred in 2018/19. As at the balance sheet date all 11 partners own an equal 1/11th share of the company.

The Border to Coast Pensions Partnership is a joint venture that brings risks as well as benefits. The partnership has grown significantly, for example in terms of the value of assets under management and the number of personnel employed. At Fund level the pool manages 43.1% of total assets under management. Pooling and membership of the Border to Coast Pensions Partnership is a regular and high-profile feature of reporting to the Pension Fund Investment Sub-Committee and the Fund's risk register has regard to key pooling risks.

Governance

There was one member of the Pension Fund Investment Sub-Committee who was in receipt of pension benefits from the Warwickshire Pension Fund.

Each member of the Pension Fund Investment Sub-Committee is required to declare their interests at each meeting.

There are two member of the Local Pension Board who are active members of the Warwickshire Pension Fund and two pensioners.

Key management personnel

Several employees of Warwickshire County Council hold key positions in the financial management of the Warwickshire Pension Fund, alongside responsibilities for Warwickshire County Council directly. The following percentages represent the time each post has spent on pension fund activities during the financial year. The posts of Strategic Director for Resources (2%), Assistant Director Finance (16%), Strategy and Commissioning Manager (50%), Finance Service Manager Transformation (30%), Technical Specialist Pensions* (100%), Lead Commissioner Pensions and Investment (100%), and Pensions Administration Delivery Lead (100%) are considered to be key management personnel. These employees and their financial relationship with the Fund are set out below.

	2021/22	2020/21
	£000's	£000's
Short-term benefits	251.1	256.7
Post-employment benefits	-241.0*	630.6

*Technical Specialist pension data outstanding as started with fund March 22. Figure will be updated once data is received into the fund.

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Note 33: Contingent Liabilities

A contingent liability arises where an event prior to the year-end has created a possible financial obligation whose existence will only be confirmed or otherwise by future events. Contingent liabilities can also arise when it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent liabilities are not recognised in the net asset statement but are disclosed by way of narrative in the notes.

Outstanding capital commitments at 31 March 2022 totalled £359.4m. Of this, £116.3m related to Private Equity, £151.3m related to Infrastructure, and £91.8m related to Private Debt.

Note 34: Going Concern

Going concern is assessed by management using four key factors as follows:

- Investment returns and Net Asset Values;
- Cashflow forecast and liquidity;
- Membership trends; and
- Funding level and delivery of agreed recovery plans.

Each is considered in turn below:

- Investment returns have improved in 2021/22 and at 31st March 2022 assets were valued at £2,758.4m an increase of 8.1% on the March 21 position.
- Cashflow forecasts confirm that the Fund can meet its obligations to pay pensions until March 2025 without the need to sell investments.
- In the three financial years to 31 March 2022, the number of employing bodies increased from 192 to 206 and current membership increased from 48,542 to 54,329.
- The fund was assessed as 92% funded as at 31 March 19, an improvement on the funding level of 82% at 31 March 2016. It is important to remember that the Fund does not need to be 100% funded to be a going concern, it simply needs to be able to meet benefit obligations each month as the fall due.

For the reason set out above, management are satisfied that the Warwickshire County Council Pension Fund is a going concern and the financial statement for 2021/22 have been prepared on this basis accordingly.

Glossary

A

Actuarial valuation

A review of the assets and *liabilities* of a pension fund to determine the surplus or deficit, and the future rate of contributions required.

Alternative investments

Investments other than the mainstream *asset classes* of *equities* and *bonds*. Alternatives include *hedge funds*, *private equity*, private debt, *infrastructure* and *commodities*. Property is also sometimes described as an alternative.

Asset allocation

The apportionment of a fund's assets between different *asset classes*.

B

Benchmark

A yardstick against which the investment policy or performance of a fund manager can be compared.

C

Currency risk

Investing in any securities not denominated in the investor's own base currency introduces currency risk due to the *volatility* of foreign exchange rates.

D

Defined benefit scheme

A type of pension scheme where the pension that will ultimately be paid to the employee is fixed, usually as a percentage of final salary. It is the responsibility of the sponsoring organisation to ensure that sufficient assets are set aside to meet the pension promised. Compare with *defined contribution scheme*.

Deferred Pensioners

Members of the Pension Fund who are no longer active employees making contributions to the Fund but who are not yet receiving their pension (may also be referred to as Deferred Members).

Diversification

The spreading of investment funds among different types of assets, markets and geographical areas in order to reduce *risk*.

H

Hedge Funds

A hedge fund is a capital pool that has the ability to use *leverage* and to take both *long* and *short* positions with the aim of achieving an *absolute return*. A large variety of hedge fund strategies exist, and the level of *risk* taken will vary. Investors looking for a diversified exposure to hedge funds will normally opt for a fund of hedge funds – a fund with underlying investments in several hedge funds covering different strategies and geographical areas.

I

IAS19 (International Accounting Standards)
An accounting standard which requires organisations to incorporate their pension funds into their balance sheets and specifically that all pension fund *liabilities* should be valued using an AA corporate bond yield. Any mismatch between assets and liabilities is effectively brought on to the organisation's balance sheet.

IAS1
An accounting standard that sets out overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content.

P

Private equity
Funds put up by investors to finance new and growing businesses. Also known as venture capital

Pooled funds
Pooled funds are where the Fund does not directly own underlying assets.

Private Debt
Private debt comprises mezzanine and other forms of debt financing that comes mainly from institutional investors such as funds and insurance companies – but not from banks.

R

Risk
In its simplest sense, risk is the variability of *returns*. Investments with greater inherent *risk* must promise higher expected returns if investors are to invest in them. Risk management is an important aspect of portfolio management and involves the use of complex statistical models.

S

Stock lending
The lending of a *security* by the registered owner, to an authorised third party, for a fixed or open period of time, for an agreed consideration secured by *collateral*. The demand to borrow *securities* comes mainly from *market makers* to cover *short positions* or take *arbitrage* opportunities.

T

Transaction costs
Those costs associated with trading on a portfolio, notably *stamp duty* and *commissions*.