

Warwickshire Local Pension Board

31 January 2023

Pension Fund Business Plan Update

Recommendation

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

1. Executive Summary

- 1.1 It is best practice for local authority pension funds to operate a formal and documented Business Plan for their operations. There are 38 actions in the business plan and the current position in respect of each action is summarised below.

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

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

2. Financial Implications

- 2.1 None

3. Environmental Implications

- 3.1 None

4. Supporting Information

- 4.1 Two amber items relate to initiatives or policy changes where the Fund is waiting for guidance or regulation and this presents challenges to the Fund in how to respond to those agendas namely McCloud (item 9) and the Government's Levelling Up agenda (item 37).
- 4.2 Two amber items, item 29 (Accounts) and item 30 (Annual Report) were delayed for external reasons beyond the control of the Fund, but the accounts are now scheduled to be considered for approval at Council in February.
- 4.3 Three amber items relate to activities that are within the control of the Fund and are summarised below:
- Item 16 (employer covenants) – due to a need to prioritise other tasks and objectives, the review of processes around covenants has not progressed. However, the administration team are making progress with reviewing the position of employers on a case-by-case basis and the 2022 valuation process has by its nature also highlighted employer issues that are being managed through the Funding Strategy.
 - Item 23 (climate risk) – The Fund has reviewed the climate risk policy, but final consideration of the policy will now take place at the Pension Fund Investment Sub Committee meeting in March 2023 instead of the December 2022 meeting as originally planned.
 - Item 25 (UK 2020 Stewardship Code) – The Fund does intend to sign up to this code, however as this is not a statutory or regulatory requirement, other matters have been given priority over this period.
- 4.4 Two items have changed RAG status. These are:
- Item 12 (pension dashboards) – This has changed from amber to green. This activity will remain a challenge but at present the work required to deliver this activity is going as planned and there is confidence it can be achieved in line with the business plan.
 - Item 23 (RI and climate risk policies) – This has changed from green to amber. The climate risk report will be considered at the Pension Fund Investment Sub-committee meeting in March 2023, rather than December 2022 as originally planned. Despite this short delay the Fund has reviewed climate risk issues and has made significant progress on considering climate risk this year.
 - Item 29 (Accounts) and 30 (Annual Report) – changed from Red to Amber. The accounts are now scheduled to go to Audit and Standards Committee in January and to Council in February for approval.

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

Appendices

Appendix 1 – Business Plan Action List

Background Papers

None

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

Other members:

Business Plan Actions

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

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

	Ref	Action	Timescale	RAG Rating	Comments
C3 Optimising investment risk and return	20	Support the development of new Border to Coast fund products, for example the property fund.	As funds launch	Green	There are some dome delays in product launches at the pool, however the Fund is engaging as it needs to in the development of products.
	21	Continue the growth of alternative asset classes towards their new strategic asset allocation	Ongoing	Green	Two further private debt mandates have been procured (outside of the pool) and a further infrasture mandate is being considered early in 2023.
	22	Appropriate engagement with the governance of Border to Coast via the Joint Committee, Operational Officers Group, and Section 151 Meetings, and through the exercising of shareholder voting rights.	Ongoing	Green	The Fund is engaging with the pool through all of the appropriate forums and mechanisms
	23	Further develop the Fund's Climate Risk Strategy and the Fund's approach ESG, including the development of goals and milestones	Ongoing	Amber	The Responsible Investment policy was updated and approved in September, The Climate Risk policy has been reviewed and is to be considered at the March 2023 committee (deferred from December)
	24	Pro-active management of cashflow to ensure payments can be made and to ensure efficient cash management	Ongoing	Green	Liquidity review to PFISC in early 2023, and internal discussions regarding a new process are under way. If there are significant early paymetrns of contributions that will create dadditional cashflow work requiremetns which are being planned for.
	25	Ensure compliance with the 2020 UK Stewardship Code submission	Ongoing	Amber	The Fund still intends to sign up to this code however it is not statutory. The Fund will prioritise completing the 2022 valuation and then take stock of priorities including this task.
	26	Review of TCFD disclosure requirements	Mar-23	Green	Expected to result in requiremetns for pension funds from 2024, with regulations being issued in 2023. Partner Funds in Border to Coast are considering procuring a scnario analysis provider to assist in actioning this.
	27	Engage with pooling partner funds and Border to Coast on climate change and RI developments	Quarterly	Green	The Fund has been engaging with the pool on these issues

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