

WARWICKSHIRE

pension fund

Business Plan

2023/2024

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1 Introduction

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

2. Activity

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

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

3. Long term objectives

- 3.1 The Fund's fundamental objectives are that:
- i.) Pension benefits are paid to members accurately and on time; and
 - ii.) The funds are available to pay benefits when they fall due.
- 3.2 To do this the Fund will:
- i.) Ensure the governance arrangements of the Pension Fund allow officers, employers, Pension Fund Committee and Pension Board members to discharge their responsibilities efficiently and effectively;
 - ii.) Deliver a high-quality benefit administration service, working effectively with scheme employers and maintaining a constant focus on data quality and customer service; and
 - iii.) Ensure the financial sustainability of the Fund through effective forecasting of long-term liabilities, determination and collection of appropriate contributions and generation of an appropriate risk adjusted return from the fund's investments.

4. Key Actions and Performance Measures

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

Administration

- 4.2 Administration service performance measures are set out in Appendix A.
- 4.3 Alongside the key metrics for the administration service a number of key activities will be progressed, these include:
- The implementation of the McCloud remedy;
 - Embedding the operation of i-Connect into business as usual;
 - Expanding the number of members using the online member self-service portal;
 - Preparation for the introduction of the Pensions Dashboard; and
 - Pensioner payroll reconciliations to pension systems.

Investments

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

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

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

Governance / Management

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

5. Key Business Plan Themes

Workforce Planning

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

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

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

Ensuring Appropriate Governance

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

Climate Change / ESG Policy

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

Developing Improved Systems

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

Collaboration

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

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

Strong Investment Management

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

Pooling

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

Investing in Employer Liaison

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

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

Review of Cashflow Requirements

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

6. Actions

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

Administration Performance Measures

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

Strategic Asset Allocation

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

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

Single Action Plan

C1. Ensuring a high-quality administration service

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

C2. Actuarial Activities

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

C3. Optimising Investment Risk and Return

Ref	Action	Timescale
15	Support the development of new Border to Coast fund products, for example the property fund	As funds launch
16	Continue to move the investment mix towards the long-term Strategic Asset Allocation	Ongoing
17	Appropriate engagement with the governance of Border to Coast via the Joint Committee, Operational Officers Group, and Section 151 Meetings, and through the exercising of shareholder voting rights	Ongoing
18	Implementation of an additional money market fund to assist in the management of cashflow	June 2023

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

C4. Ensuring Good Governance

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

C5. Sustainability

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