

## Warwickshire Pension Fund

### Business Plan 2019/20

#### 1. Introduction

This document sets out the business plan for the Warwickshire Pension Fund for 2020/21.

2019/20 has been a very busy year with the 2019 valuation, governance review, and team restructure placing significant demands on the capacity of the fund, and the pooling of a number of new asset classes including over £350m of actively managed global equity requiring a significant amount of work and support from officers and Advisors.

The outlook for 2020/21 will continue at a high pace with developments along a number of fronts as set out in Section 3. However this report firstly sets out the strategic context within which the plan sits.

#### 2. Objectives

The overall objectives of the fund are twofold:

**Ensure that funds are available to pay member pensions when they are due,** delivered through effective forecasting of long term liabilities, determination and collection of appropriate contributions, and generation of an appropriate risk adjusted return on the fund's investments.

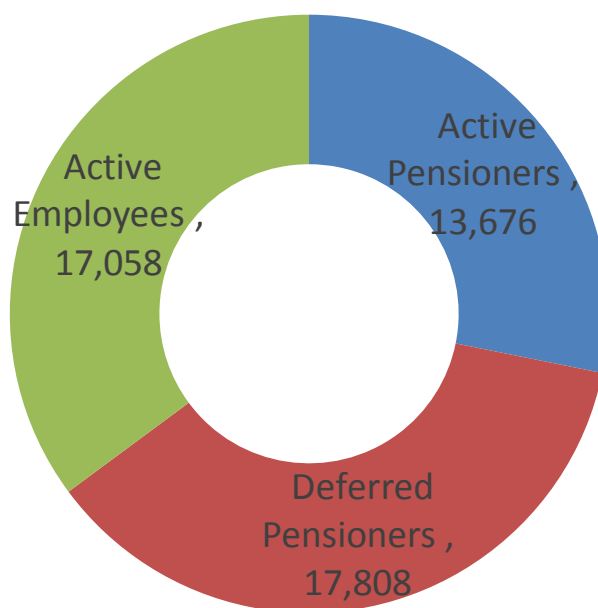
**Ensure that pensions are paid accurately and on time when they are due,** delivered through a high quality benefits administration service working effectively with scheme employers and maintaining a constant focus on data quality and customer facing performance.

#### 3. Context

As at the last accounting date in March 2019 the fund had 48,542 members and £2.2bn in assets.

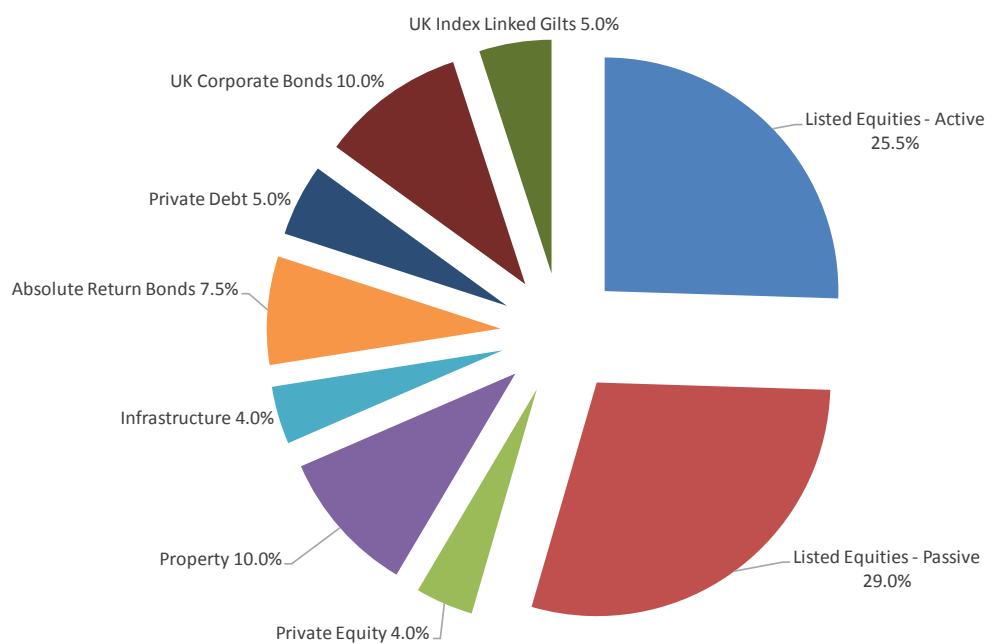
Total membership is weighted slightly more towards active employees and deferred pensioners.

## Pension Fund Membership March 2019



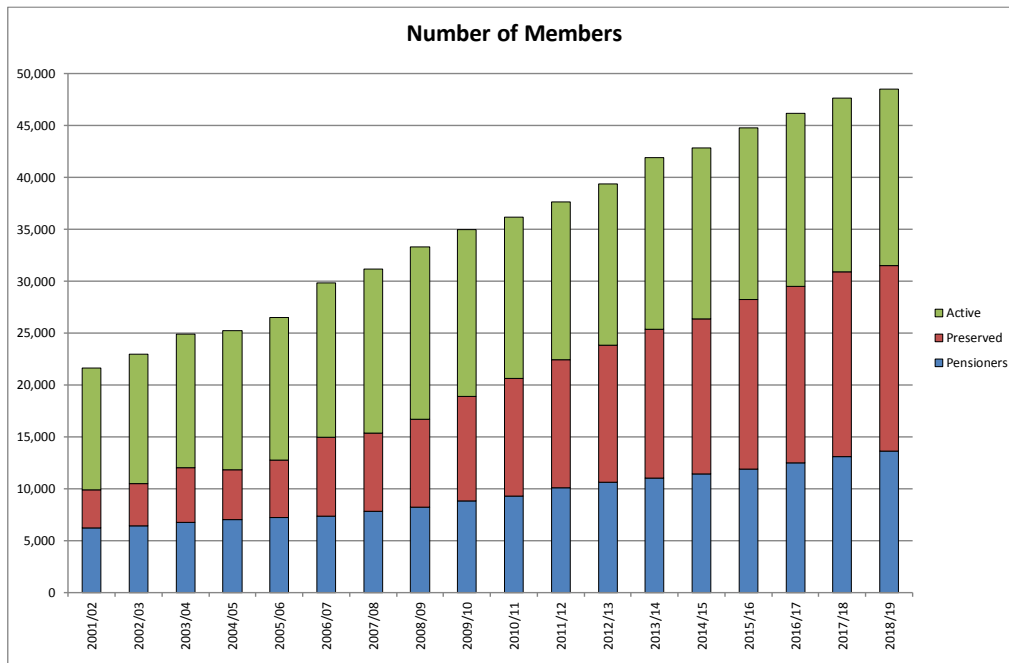
The fund has a strategic asset allocation currently primarily weighted towards equity / growth assets and this will change with the revised Investment Strategy to be approved in March 2020

## Strategic Asset Allocation

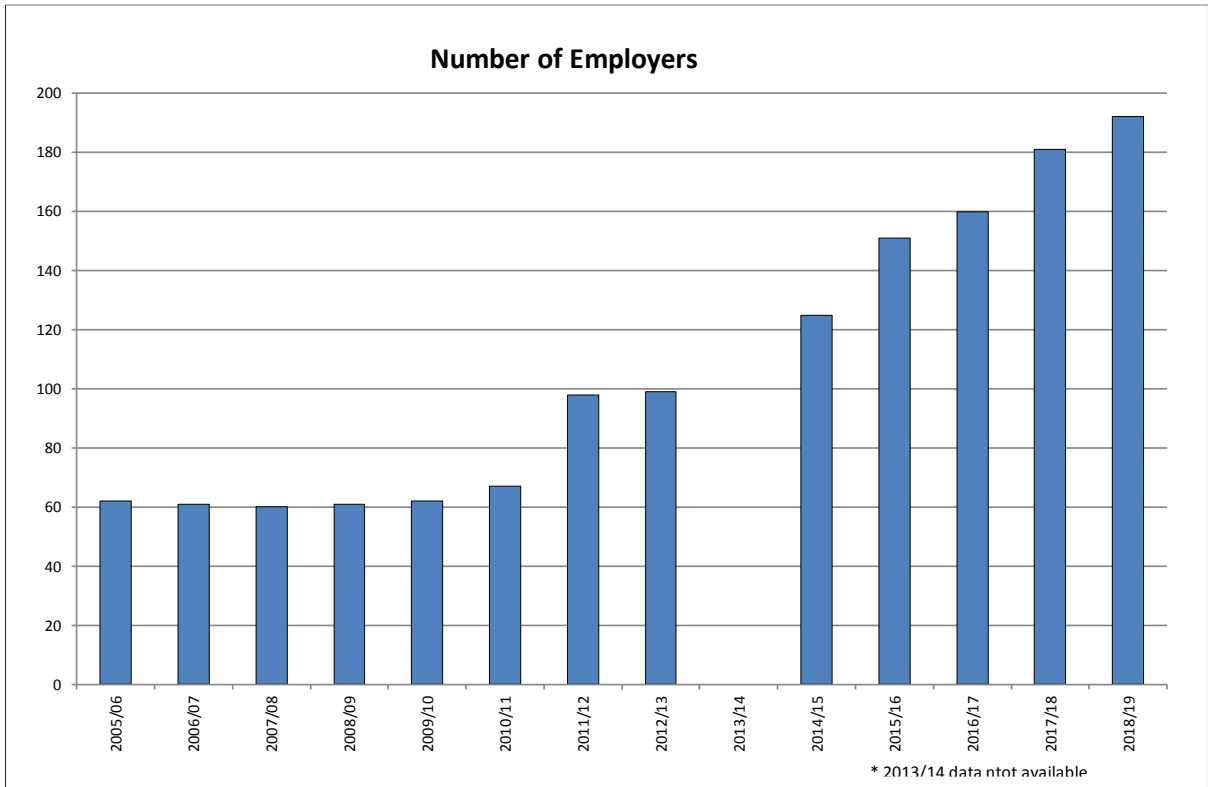


## Demand

The underlying strategic position remains one of increasing demand on the fund with an increasing membership. In the last year the increases have mostly been in active pensioners and active employees.

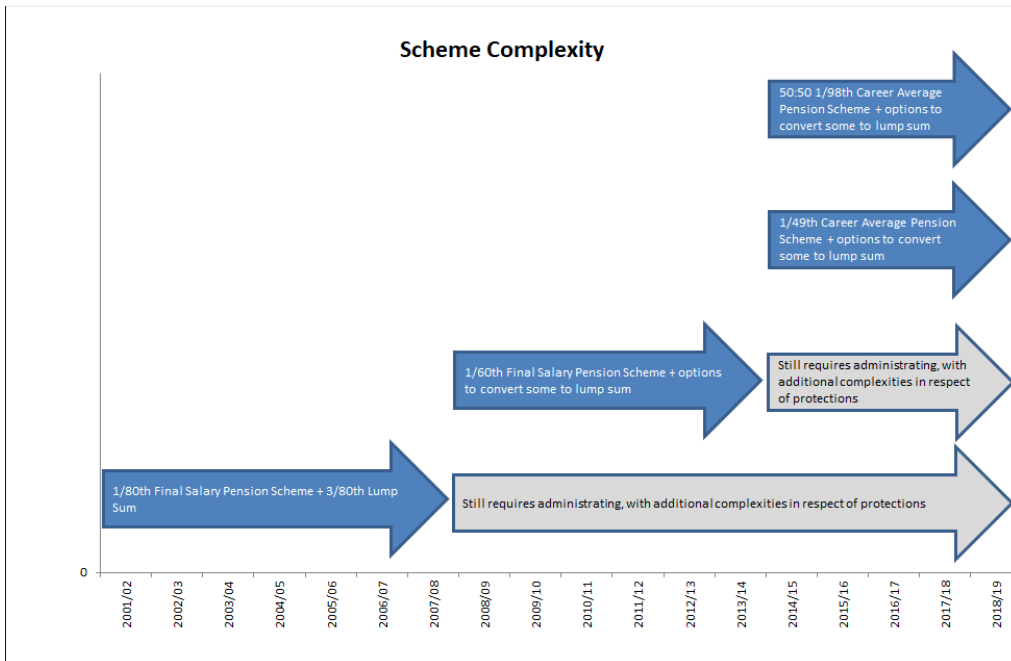


The number of employer organisations continues to increase and within this there are a large number of smaller employers who do not have the scale to be able to provide the capacity and expertise to easily meet their pension fund duties. The financial environment also continues to present challenges to many employers which in turn presents challenges to the pension fund.



## Complexity

The longer term picture is that the scheme has become increasingly complex.



Other factors such as GMP have increased the workload and complexity is likely to continue to increase, for example in implementing any changes to reflect the cost

cap or McCloud remedy.

#### **4. Key Business Plan Elements**

##### **Ensuring Adequate Capacity**

A challenge for the fund has been to ensure that capacity is appropriate to meet demand. A re-organisation of the pension fund service has been completed in 2019/20 as part of a wider re-organisation within the Administrating Authority and the task of recruitment to new posts is being completed. This will put the fund in a stronger position to deliver. Staff training, development, and retention will be especially important to the delivery of services.

The fund will ensure a focus on predicting longer term trends in demand and planning ahead to ensure capacity is actively managed to match demand rather than reacting to it.

##### **Ensuring an Appropriate Structure**

Part of the new arrangements involve making a distinction between commissioning and delivery functions. This is intended to enable there to be a clear focus on planning, review, analysis, policy, and governance which has previously been difficult to prioritise alongside the importance and urgency of service delivery. 2020/21 will be the first year of operating in this way and fund officers will ensure appropriate co-ordination and communication to implement this change positively.

##### **Ensuring Appropriate Governance**

A high level review of the governance of the administration of the fund in the last year has identified improvements that can be made. A key priority for the year will be to see through the remaining identified actions and then to continue to keep a focus on ensuring that appropriate governance and policy arrangements are maintained.

##### **Developing Improved Systems**

The implementation of new systems functionality has been an intention for some time but has not to date been delivered. Delivering the business case and the initial stages of a project to implement iConnect, a system to automate the transfer and integrity checking of data from employers will be a high priority.

##### **Active Use of Management Information**

The fund will seek to make more use of management information to assist in the management of services. In particular reviewing activity and information on a monthly basis and using predictive information and forecasting to foresee and manage potential risks and issues.

Issues around breaches and potential breaches will receive dedicated attention and monitoring with the focus being on foreseeing and predicting issues in order to have the opportunity to avoid them materialising.

### **Learning Lessons From the 2019 Valuation**

2019/20 involved a lot of activity delivering the 2019 valuation data submissions. The fund will pro-actively look back on the valuation process and ensure that the opportunity is taken to use the experience to identify and make improvements to processes and procedures, in particular with a preference where possible for embedding improvements into business as usual practice that happens annually or monthly rather than at the end of the valuation period.

### **Strong Investment Management Within and Outside of the Pool**

The 2019 valuation presents a significantly improved funding level. The investment strategy will have regard to this change and investment activity in 2020/21 will work towards implementing the new strategy and strategic asset allocations.

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

### **Pooling Benefits Realisation**

As at January 2020 the fund has over £1bn either invested, committed, or very likely to be committed to the pool managed by the Border to Coast Pension Partnership. This includes actively managed equities, private equity, private debt, infrastructure, investment grade credit and multi asset credit. 2020/21 will see more activity around monitoring the delivery of benefits and embedding new arrangements for reporting.

### **Investing in Employer Liaison**

The fund will continue to work closely with employers, providing information, support, signposting, and training to help employers to meet their responsibilities. However, the fund will also develop and be prepared to exercise the ability to escalate employer issues and hold employers to account where this is necessary. This will be achieved through an updated Administration Strategy and a more robust approach to the escalation and progression of issues where supportive approaches are not effective.

### **Review of Cashflow Requirements**

The cashflow profile of the fund is changing driven by a number of factors including changing membership profile, the changes in liquidity brought about by pooling, and potentially through significant early pension contribution payments from the large precepting employers. There will be more of a focus on cashflow management to ensure that these issues are managed efficiently.

## **A More Active Climate Change / ESG Policy**

Climate change has become an increasingly high profile issue. The fund will have a new climate change and ESG policy and this will be a significantly higher profile issue than it has been previously. Will seek to identify ways to measure and demonstrate climate change impact.

The fund is aware there are opportunities to consider social impact investing and will take steps to further understand the opportunities that could be taken forward.

### **5. Actions**

Annex 1 sets out a summary of the actions planned for the coming year. Actions are grouped into the following categories:

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

## Annex 1

### Ensuring a high quality administration service

	<b>Action</b>	<b>Timescale</b>
1	Deliver a Pension Fund Annual General Meeting.  Updating fund stakeholders on investment and governance developments.	November 2020
2	Deliver a Pension Fund Employers Meeting.  Updating employers on developments relating to the administration of the scheme.	November or December 2020
3	Regular review of complaints.  Ensuring specific and systematic issues are identified and actioned.	Quarterly
4	Develop a business case for use of iConnect  Begin implementation  Complete implementation	March 2020  September 2020  March 2021
5	Review lessons learned from 2019 Valuation	October 2020
6	Annual pensions newsletter issued	April-June 2020
7	Benefit statements issued	May-August 2020
8	Report administration performance KPIs to the Local Pension Board	Quarterly
9	Keep the new pension fund web site up to date with developments	Quarterly
10	Complete actions identified in the governance review	December 2020
11	Implement monthly officer monitoring meetings to formally review activity and performance	April 2020
12	Maintain a liaison meeting with the Warwickshire County Council payroll function	Monthly
13	Maintain regular officer monitoring and management of breaches activity	Monthly



## Actuarial Activities

	<b>Action</b>	<b>Timescale</b>
14	Support a review of 2019 valuation lessons learned	October 2020
15	Monitor employer contribution performance through the year	Monthly
16	Review employer covenants and risk management for non-statutory employers	July 2020

## Maximising Investment Benefits

	<b>Action</b>	<b>Timescale</b>
17	Make decisions regarding new Border to Coast fund launches	As new funds launch
18	Implement Border to Coast fund transfers where approved	As funds launch
19	Ensure the fund remains MIFID2 compliant	Annual
20	Continued growth of alternative asset classes towards their new strategic asset allocation	Annual
21	Meet with directly commissioned active fund managers	Annual
22	Investment monitoring reports provided to the investment sub-committee.	Quarterly
23	Plan cashflow strategy in order to avoid the need to sell assets under time pressure	Annual
24	Hold officer monitoring meetings to formally review activity and performance	Monthly
25	Ensure the Fund meets the requirements of the UK Stewardship Code	Annual
26	Review ways of improving the measurement and reporting of the Fund's climate risks and exposures	Annual

## Ensuring Good Governance

	<b>Action</b>	<b>Timescale</b>
27	Production of draft statement of accounts	May 2020
28	Publication of Annual Pension Fund Report	November 2020
29	Ensure a risk register is maintained	Quarterly
30	To ensure employers join and leave the fund in accordance with LGPS and Warwickshire Pension Fund policies	When employers join or leave the fund
31	Review of contracts for services provided to the Pension Fund	September 2020
32	Support governing committees and boards in the delivery of their responsibilities through the provision of appropriate information, advice, and training: <ul style="list-style-type: none"> <li>• Pension and Investments Sub-Committee</li> <li>• Local Pension Board</li> <li>• Staff and Pensions Committee</li> </ul>	Quarterly
33	Complete the implementation of actions related to the governance review	September 2020
34	Maintain a one year rolling forward plan of agenda items for all pension fund boards and committees	Quarterly
35	Implement and embed a commissioning/delivery approach to the administration of the fund	May 2020
36	Maintain a rolling programme of policy reviews to ensure all pension fund policies are reviewed with the correct timing and frequency	Quarterly