Warwickshire Pension Fund

Annual Report
and Financial Statements
2021-22

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Introduction and Welcome

In May 2022, John Horner sadly, passed away. John was the Chair of the County Council's Pension Fund Investment Sub Committee and an active member of the Council's Staff and Pensions and Audit and Standards Committees, as well as holding the role of Vice Chair of the Council in the past municipal year.

His immense contribution to the management of the Fund will be greatly missed. We would like to take this opportunity to express our appreciation for his time and commitment to the Warwickshire Pension Fund.

2021/22 was another eventful and challenging year for the Fund, dominated by the ongoing impacts of the Covid-19 pandemic, the war in Ukraine, and the increasing scale and urgency of the need to both reduce and respond to climate change. In addition to responding to these particular issues the Fund needs to ensure it is well positioned to operate in what is becoming a more volatile and unpredictable world, whilst continuing to deliver the key objectives of ensuring sufficient funds are available to pay pensions when they are due and paying those benefits accurately and on time.

Governance

The Staff and Pensions Committee and Pension Fund Investment Sub-Committee was able to resume physical meetings as Covid restrictions lessened although the Fund has continued to benefit from robust and flexible IT facilities and is making use of agile working policies operated by the County Council, providing staff with the right tools and arrangements to work effectively both at home and in the office.

The Fund's previous Annual General Meeting was delivered for a second year remotely in November 2021 however we intend to return to holding the 2022 meeting in person. The Local Pension Board continued to meet quarterly, including one physical meeting, providing oversight and support to the Fund in ensuring sound governance is in place.

Significant activity has been undertaken in the area of cyber security with the Fund having a bespoke policy in place and further activity in planned in this area for 2022/23.

The scale and complexity of the Fund continues to grow, with the Fund reaching new highs for example in respect of its asset valuation (£2.8bn), membership numbers (over 54,000), employer numbers (206), and annual benefits paid (£88.9m).

The outlook for Local Government Pensions Scheme (LGPS) governance is a continuation of the themes of the increasing complexity and size of the LGPS and increasingly high and consistent standards of governance through regulations and guidance issued by the Pensions Regulator, Scheme Advisory Board, and Government.

Administration

The Fund has implemented a new system ("i-Connect") to automate the transfer of data from employers to the Fund with a view to improving efficiency and data quality.

Ensuring good quality data is a high priority for the administration service. This has also led to a reduction in pension breaches, where data or payment of contributions from employers is not received by the statutory deadlines.

Following on from the implementation of i-Connect, the Fund has moved on to the implementation of online Member Self Service with the roll out already under way in 2022. We are also looking to implement direct debits functionality to further automate employer contributions activity.

The pensions administration service has commenced work on the age discrimination remedy (McCloud) and have been in contact with all scheme employers to collect any missing or revised data. Work to check and recalculate affected members benefits will commence once legislation is in place.

Investments

Covid-19 continues to cause ongoing effects in asset markets and layered on top of this are the effects of the war in Ukraine that has for example affected asset values, disrupted supply chains, and driven high levels of inflation.

We issued a statement in March 2022 in respect of investments in Russian owned and controlled assets, asking fund managers to seek to divest of such assets where markets permit. However, our assessed level of exposure to these assets was very small, at around 0.2% of assets under management.

The Fund takes a long-term view of investment activity and although volatility in markets continues the Fund ended the financial year at its highest ever valuation level of £2.8bn and a funding level of 108%, meaning that at that point in time, March 2022, the value of assets exceeded the value of liabilities.

The 2022 valuation is now underway, and this will have regard to the current funding position, the outlook for liabilities and asset returns, and the Fund's attitude to risk in determining an appropriate Funding Strategy and Investment Strategy looking forwards.

The Fund continues to invest further into pooled funds managed via the Border to Coast Pension Partnership, in particular by investing in the pool's Multi Asset Credit fund and allocating further amounts to alternative funds including private credit, private equity, and infrastructure during the year. The Border to Coast Pension Partnership now holds 43.1% of the Fund's assets.

The Fund has engaged further with the Border to Coast Pension Partnership and 10 other partner funds in developing new investment products to meet the needs of partner funds.

Cashflow management has been a higher profile activity for the fund, partly prompted by the risks presented by the Covid pandemic but also driven by the increasing levels of investment in private market assets that are less liquid than more traditional investments in listed markets. The Fund has not experienced any adverse cashflow events.

Climate Change

The Fund is fully aware both of the risk from Climate Change and of the concern many feel about the impact of Climate Change. The Fund continues to develop its policies on Climate Change and is developing measures to monitor more effectively its investments performance and their impact on the Climate. The Fund continues to consider climate risk in its review of investment strategy and activity.

Lastly, we would like to thank the Fund's Committee and Board members, and Fund officers and advisers for their commitment and hard work during the year.

Thank you for taking the time to read this Annual Report, which we hope you find helpful.

Cllr Christopher Kettle
Chair of the Pension Fund Investment Sub Committee

Rob Powell
Strategic Director for Resources,
Warwickshire County Council

Fund Governance

Warwickshire County Council is legally responsible for the Warwickshire Pension Fund. Managing the Funds affairs effectively is one of our main aims. Under the County Council's constitution, the Pensions Investment Sub- Committee and Staff and Pensions Committee are delegated to look after the Fund. As a result of the Public Service Pensions Act 2013, a Local Pension Board was also set up to aid effective governance. Details of the three bodies are provided in this section.

Staff and Pensions Committee

The Role of the Staff and Pensions Committee

The Staff and Pensions Committee has overall responsibility for functions relating to local government pensions and it established the Pension Fund Investment Sub-Committee to oversee the Pension Fund's investments and the management of the Fund.

Staff and Pensions Committee members

Councillor Andy Jenns
Chair

Councillor Bill Gifford
Vice Chair

Councillor
John Horner

Councillor
Christopher Kettle

Councillor
Sarah Millar

Councillor
Jill Simpson-Vince

Meeting Attendance in 2021/22

Committee Member	25/05/21	14/06/21	13/09/21	02/11/21	13/12/21	07/03/22
Andy Jenns	✓	✓	x	✓	x	✓
Bill Gifford	✓	✓	✓	✓	✓	✓
John Horner	✓	✓	✓	✓	✓	x
Christopher Kettle	✓	✓	✓	✓	✓	✓
Sarah Millar	✓	✓	✓	x	x	x
Jill Simpson-Vince	✓	✓	✓	✓	✓	✓

The minutes of the meetings can be found via https://democracy.warwickshire.gov.uk/mgListCommittees.as

Pension Fund Investment Sub-Committee

The Role of the Pension Fund Investment Sub-Committee

The Sub-Committee oversees the general framework within which the Fund is managed and sets the investment policy. The Sub Committee also monitors the work of the fund managers and the investment performance for which they are responsible.

Pension Fund Investment Sub- Committee

Councillor John Horner
Chair

Councillor Bill Gifford
Vice Chair

Councillor
Christopher Kettle

Councillor
Sarah Millar

Councillor
Jill Simpson-Vince

Meeting Attendance in 2021/22

Committee Member	25/05/21	14/06/21	13/09/21	13/12/21	07/03/22
John Horner	✓	✓	✓	✓	✓
Bill Gifford	✓	✓	✓	✓	✓
Christopher Kettle	✓	✓	✓	✓	✓
Sarah Millar	✓	✓	✓	x	✓
Jill Simpson-Vince	✓	✓	✓	✓	✓

The minutes of the meetings can be found via https://democracy.warwickshire.gov.uk/mgListCommittees.as

Local Pensions Board

The Role of the Local Pensions Board

The Local Pension Board assists the Fund in ensuring sound governance arrangements are in place, providing oversight and scrutiny to the Fund's activities and policies, and assisting the Fund in ensuring compliance with relevant regulations and codes of practice.

Local Pensions Board

Chair Keith Bray
Jeff Carruthers
Keith Francis
Alan Kidner
Sean McGovern
Mike Snow
Councillor Parminder Singh Birdi

Meeting Attendance in 2021/22

Board Member	20/07/21	20/10/21	02/02/22	26/04/22
Keith Bray	✓	✓	✓	✓
Jeff Carruthers	N/A	✓	✓	✓
Keith Francis	✓	✓	✓	✓
Alan Kinder	✓	✓	x	✓
Sean McGovern	✓	✓	✓	✓
Mike Snow	✓	✓	x	✓
Parminder Singh Birdi	x	x	x	x

The minutes of the meetings can be found via https://democracy.warwickshire.gov.uk/ieListMeetings.aspx?-CommitteeId=171

The Local Pension Board also produce their own annual Report that can be viewed on our website.

Administration and Investments

The Director of Resources and his staff are responsible for the administration and accounting functions that relate to the investments of the Fund. Details of all transactions carried out by the Funds investment managers are collected and examined. His Team are also responsible for all administration related to recording each member's years of service, working out benefits and paying pensions.

The Director of Resources is also responsible for providing legal advice.

Advice

The Pensions Committees take advice from the Director of Resources and consultants appointed by the Fund, including a main investment consultant and two independent consultants. The performance of the consultants is reviewed annually.

Training

The Pensions Committees have adopted the Chartered Institute of Public Finance and Accountancy (CIPFA) Knowledge and Skills Framework for training members and officers. The training addresses 6 areas of knowledge:

- Legislative and governance
- Accounting and auditing
- Financial Services, procurement, and relationship management
- Investment performance and risk management
- Financial markets and products knowledge
- Actuarial methods, standards and practices

Members of the Committees have an online training tool that they can use provided by Hymans Robertson and undertake a regular knowledge and skills assessment.

During the year the Pensions Committee and Local Pensions Board received training covering most of these areas.

Communication

The Fund produces a Communications Policy that it reviews annually. Please refer to page 25.

Staff, Advisors and Investment Managers

The management and administration of the Pension Fund is delegated to the Strategic Director for Resources.

The Pension and Investment Team within the Resources Group has responsibility for day-to-day management.

Management and Administration

Rob Powell Strategic Director for Resources

Andrew Felton Assistant Director (Finance)

Chris Norton Strategy and Commissioning Manager (Treasury, Pension, Audit, Risk & Insurance)

Liz Firmstone Service Manager (Transformation)

Martin Griffiths Policy and Governance Lead – Pensions

Vicky Jenks Pensions Administration Manager

Victoria Moffett Pensions and Investments Manager

Global Custodian

Bank of New York Mellon (BNY)

Investment Advisors

Independent Advisors: Bob Swarup, Anthony Fletcher

Actuary: Richard Warden, Hymans Robertson

External Consultants: Philip Pearson, Hymans Robertson

Investment Managers

Passive Index Tracker: Legal and General Investment Management

UK Equities, Global Equities, Investment Grade Credit, Multi-Asst Credit, Private Equity, Private Debt and Infrastructure: Border to Coast Pensions Partnership (BCPP)

Property: Schroder Investment Management and Columbia Threadneedle Investments

Private Debt: Partners Group and Alcentra

Fund of Private Equity Funds: HarbourVest Partners

Absolute Return Bonds: JP Morgan Asset Management*

Diversified Income: PIMCO*

Infrastructure: Aberdeen Standard Investments

Risk Management

Fund risks are identified and evaluated annually and reported to the Pension Fund Investment Sub-committee and Local Pension Board quarterly during the year. Relevant actions and controls are implemented to mitigate risks, which are recorded in a risk register. The risks involved in achieving the objectives of the Fund are identified and quantified in terms of the likelihood of them occurring and the impact if they were to occur.

During 2021/22 the Fund made use of two risk registers, one being the Fund's standard strategic risk register considering all risks, and the second being a risk register focused on Covid and associated issues, actions, and controls. The reason for this was to ensure that Covid risks were given adequate consideration at a senior level given the seriousness of the pandemic.

The original strategic risk register for the year did not remark on Covid or pandemics generally, however the Fund was able to manage the challenges presented through a combination of being able to rely on robust IT systems, a flexible working policy, and the commitment of the Fund's staff, advisers, and fund managers.

In addition, although the pandemic resulted in significant asset volatility, the level of volatility experienced was within the range of scenarios modelled in the previous valuation. The Fund undertook a fundamental review of risks in Quarter 4 of 2020 /21 in preparation for 2021/22 and adopted a new approach and format which includes more sophisticated and granular measurements of risk likelihood and impact, and impact being more heavily weighted than likelihood. In addition, the Fund has reverted back to a single risk register in which Covid features as a listing in its own right, but it is also a feature of other risks where it is a potential cause. Simplifying back to a single risk register provided the Fund with clarity over the wider risk picture.

The Fund developed a risk appetite statement during 2021/22 which set out where the Fund is prepared to take greater risks. This allows it to have access to certain opportunities and rewards and to acknowledge where it is not prepared to take risks as it has a duty, for example where it has a duty to deliver services to certain standards. This development showed further improvement in the Fund's approach to risk management.

The main strategic risk to the Fund is failing to meet its primary objective of having sufficient funds to meet its liabilities when they become due for payment. This particular risk is managed through the Funding Strategy, which models the likelihood of a range of possible outcomes occurring and the way in which the contribution rate strategy and the investment strategy combine to deliver those outcomes.

All identified risks are reported to the Pension Fund Investment Sub-Committee as part of routine quarterly reporting.

Each of the detailed risks has been given an impact and a likelihood score before and after any controls are applied. These have been combined to give an overall pre-control and post-control risk score, which has been assigned a Red – Amber – Green (RAG) rating.

The Local Pensions Board (LPB), also take an active role in reviewing the Risk Register.

Officers hold quarterly meetings to drill down into the detailed risks and gain an understanding of the controls in place and the various sources of assurance. If further mitigating actions can be taken and it seems proportionate to do so then these are added and implemented too.

Governance Compliance Statement

Introduction

Warwickshire County Council (the Council) is the administering authority for the Warwickshire Pension Fund (the Fund).

This statement has been prepared to set out the governance arrangements for the Fund as required by Part 2 (Administration) Regulation 55 and Part 3 (Governance) Regulation 106 of LGPS Regulations 2013.

This statement has been prepared having regard to relevant statutory guidance.

References in this document to the constitution are references to the constitution of the Council:

https://www.warwickshire.gov.uk/democracy/constitution-corporate-governance

Purpose of this Governance Statement

Administering authorities are required, after consultation with such persons as they consider appropriate, to prepare, maintain and publish a written statement setting out:

- Whether it delegates its functions, or part of its functions, in relation to maintaining a pension fund to a committee, sub-committee or officer of the authority.
- The terms of reference, structure, and operational procedures of the delegation.
- The frequency of any committee/sub-committee meetings.
- Whether the committee/sub-committee includes representatives of employing authorities (including non-scheme employers) or scheme members and, if there are such representatives, whether they have voting rights.
- The extent to which delegation, or the absence of a delegation, complies with guidance by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying.
- Details of the terms, structure and operational procedures relating to the Local Pension Board.

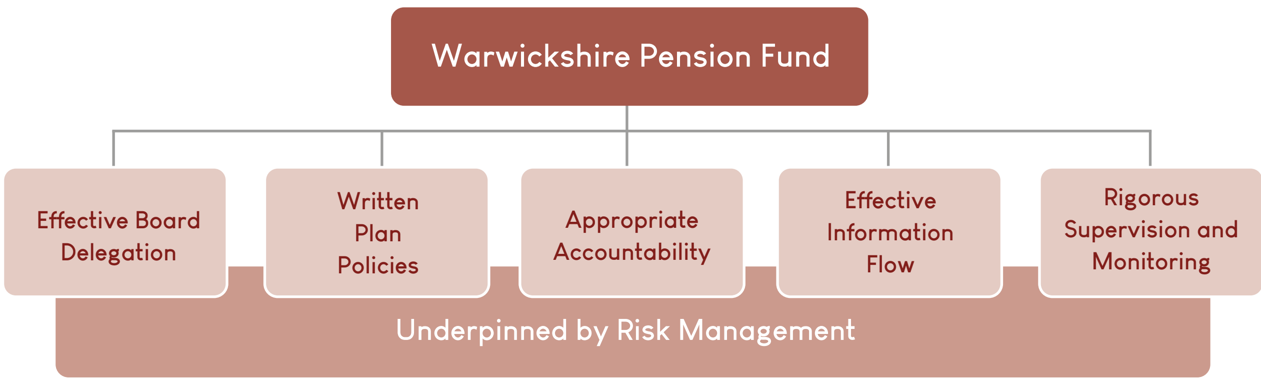
Governance of the Fund

Overall responsibility for managing the Fund lies with the Council in its role as administering authority.

Under the constitution, delegations for the management, administration and investment of the Fund are made to the Staff and Pensions Committee (which has delegated functions to the Pension Fund Investment Sub-Committee (PFISC)) and the Strategic Director for Resources (the Council's s151 Officer), their Deputy and their staff.

In all areas of the governance structure, the seven principles of public life (the Nolan Principles) are widely acknowledged and practiced, both within the decision-making framework and within day-to-day activities.

The Council, with its advisers, has identified the following key areas (the "five principles") to support its overall governance framework.



The governance framework focuses on:

- The effectiveness of the Staff and Pensions Committee, PFISC and officers to which delegated function has been passed, including areas such as decision-making processes, knowledge and competencies.
- Whether policies are established and to what degree they are recorded.
- Clarity of areas of responsibility between officers and Committee members.
- The ability of the Staff and Pensions Committee, PFISC and officers to communicate clearly and regularly with all stakeholders.
- The ability of the Staff and Pensions Committee, PFISC and officers to ask for the appropriate information and advice and to interpret that information in their supervision and monitoring of the Fund in all areas.
- The management of risks and internal controls to underpin the framework of the Pension Scheme.

Staff and Pensions Committee

Under the terms of the constitution, the functions of the Council as administering authority of the Pension Fund are delegated to the Staff and Pensions Committee.

The Role of the Staff and Pensions Committee with regard to the Fund is:

- Establishing the Pension Fund Investment Sub-Committee.
- Approving the admission of employing organisations to the Fund where there is discretion to do so
- Approving the Fund's pension discretions policy
- Dealing with any other administrative and governance matters arising about local government pensions

The Staff and Pensions Committee is made up of six councillors appointed proportionately to the representation of groups and individual members on the Council.

The rules of procedure of the Staff and Pensions Committee are set out in Warwickshire County Council's Standing Orders which are contained in Part 3 of the constitution.

Pension Fund Investment Sub-Committee (PFISC)

The terms of reference of PFISC are to oversee pension fund investments, management of the Fund, in particular:

- Setting of the appropriate funding target
- Maintaining the Funding Strategy Statement
- Setting of an appropriate investment strategy
- Selection of investment managers
- Setting of performance benchmarks and regular monitoring of performance
- Maintaining the Statement of Investment Principles.
- Maintaining the Communications Policy
- Maintaining the Risk Register
- Reporting on annual accounts to full Council

Membership of the PFISC is five councillors allocated proportionately to the representation of groups and individual members on the Council.

The rules of procedure of the PFISC are set out in Warwickshire County Council's Standing Orders which are contained in Part 3 of the constitution.

Local Pension Board

Warwickshire County Council has established a Local Pension Board (LPB). The LPB is responsible for assisting the administering authority in securing compliance with all relevant legislation and directions, and the Pension Regulator's codes of practice.

The full terms of reference of the Local Pension Board can be found here.

Membership of the LPB is seven members to include:

- Three pension scheme member representatives
- Three employer representatives
- One independent representative, who chairs the LPB.

The Strategic Director for Resources

The Strategic Director for Resources and his staff are responsible for all matters of Fund administration, including:

- Implementing decisions of the Staff and Pensions Committee and PFISC

- Recording each member's years of service and calculating benefits
- Maintaining of appropriate contracts with advisers and service
- Providers
- Making payments out of the Fund
- Communicating with members and stakeholders e.g. issuing benefit statements, annual newsletters, maintaining the Fund's website
- Provision of membership data for actuarial valuation purposes
- Reconciliation and investment of contributions
- Implementation of investment strategy
- Preparation of annual accounts

Asset Pooling (Border to Coast Pension Partnership)

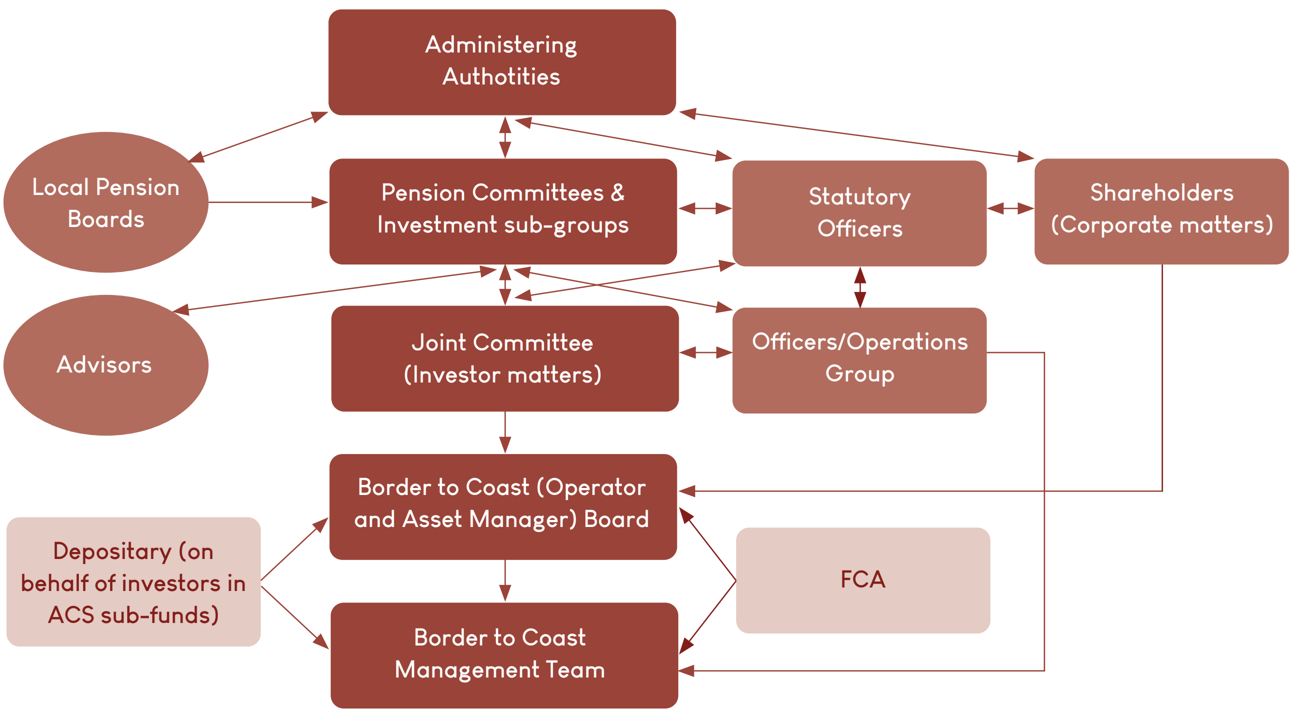
The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 formally introduced the concept of asset pooling. The Fund has joined with other LGPS funds across the country (partner funds) to form an asset pool, known as the Border to Coast Pension Partnership.

Border to Coast Pension Partnership is the company formed by the partner funds, which is authorised by the Financial Conduct Authority (FCA), as the operator of the Authorised Contractual Scheme (ACS) to provide investment services to the partner funds. The Company is therefore subject to the FCA's conduct of business rules and has established its internal governance framework to ensure strict adherence both to its regulatory obligations and with the Companies' Acts.

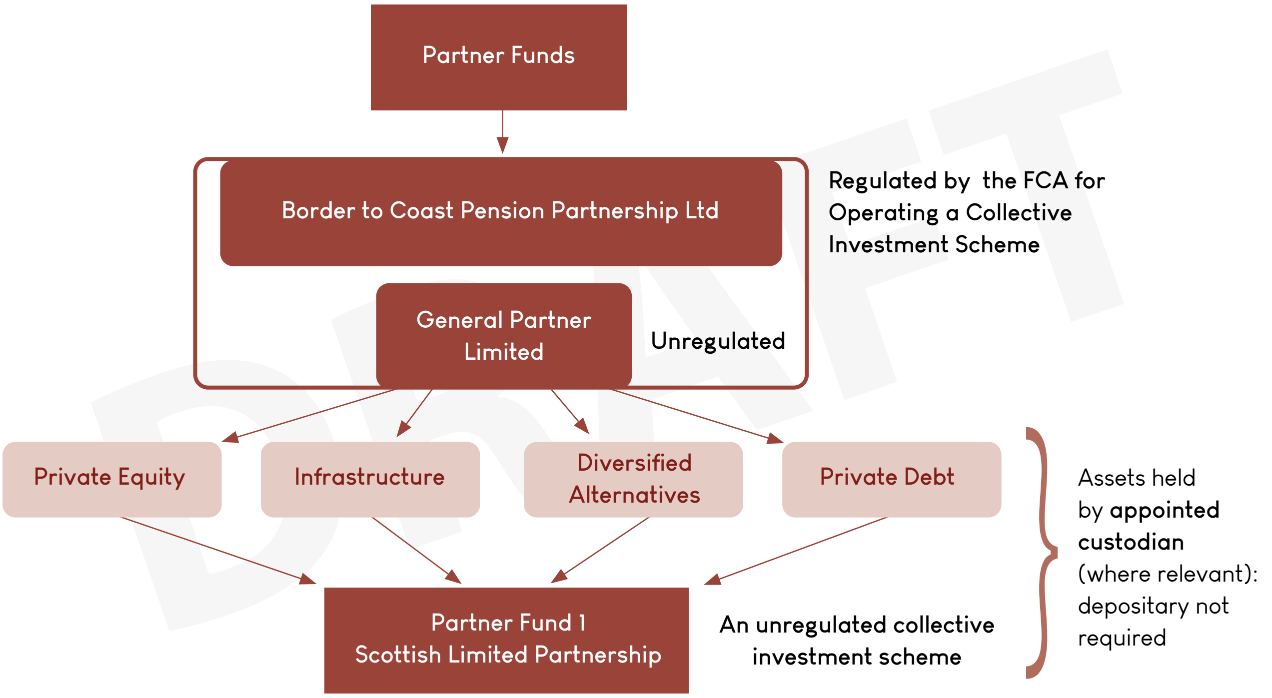
The councils of each of the partner funds retain their core duties and responsibilities as the administering authorities of their respective LGPS funds.

Asset allocation decisions remain with the partner funds. Manager selection for assets transitioned into the ACS and for assets managed under discretionary agreements by the operator is the responsibility of the Boarder to Coast Investment Partnership. Manager selection for the remainder of the pool's assets currently remains with the partner funds. The operator is responsible for selecting the custodian for the assets in the ACS; the partner funds are responsible for selecting the custodian for the remaining assets.

The following diagram shows the governance structure in place to ensure that appropriate oversight of Border to Coast Investment Partnership is carried out both from a shareholder (the partner funds) and an investor perspective.



Oversight of the Border to Coast private market structure differs from that of the Border to Coast Authorised Contractual Scheme ("ACS") as set out in the diagram below (we have chosen to show one of the GP/LP structures for simplicity, in reality each Partner Fund investing in private market via Border to Coast has its own GP/LP structure).



Training

The Fund recognises the importance of ensuring that all staff and members charged with financial management and decision making concerning the Pension Scheme are equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them. The Fund's training policy is available to the Policy Page of our website.

Officers regularly review the Fund's training policy to ensure that all stakeholders are well equipped to carry out their duties as effectively and efficiently as possible.

The training policy applies to:

- Pension fund officers and managers
- Members of the Staff and Pensions Committee and PFISC
- Members of the Local Pension Board

New members are offered training upon induction and there is an annual training cycle. The Fund provides training to the Staff and Pensions Committee and PFISC during committee meetings including presentations on topical issues, such as hedge funds, private equity, actuarial valuations, infrastructure etc.

Governance Compliance Statement

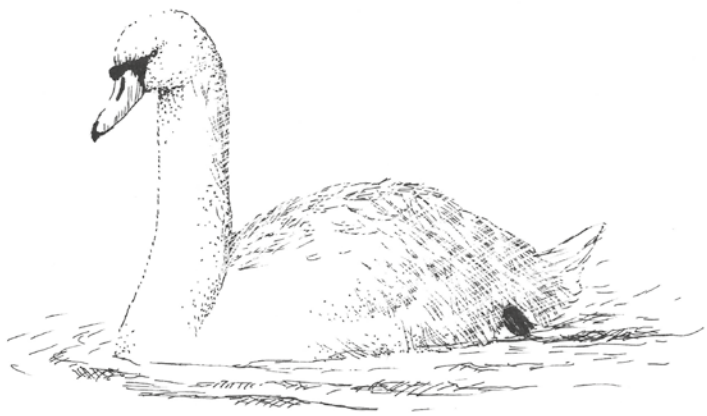
Principle	Explaination of Approach	Compliance
A - Stucture		
The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	As detailed above, the overall responsibility for matters relating to local government pensions is clearly delegated to the Staff and Pensions Committee which delegates certain matters to the PFISC.	Full
That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	The executive committees are populated by elected members and a high priority part of their role is to have regard to members' interests. The Local Pension Board has scheme employer and member representatives and has access to the public papers of the committees.	Please refer to the explanation of approach.
That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	All of the membership of PFISC (except the Chair) are members of the Staff and Pensions Committee. Both Committees meet quarterly. The public papers of both Committees are presented to the Local Pension Board.	Full
That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	See above.	Full
B - Representation		
That all key stakeholders are afforded the opportunity to be represented. within the main or secondary committee structure. These include :- · employing authorities (including non-scheme employers, eg, admitted bodies); · scheme members (including deferred and pensioner scheme members), · where appropriate, independent professional observers, and · expert advisors (on an ad-hoc basis).	Two independent financial advisers sit on the PFISC. Representatives from the financial consultancy firm attends PFISC. Actuaries and other experts attend committee meetings as required.	Partial Please refer to the explanation of approach under 'Structure' above.
The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Formal committees do not include lay members. Such interests are represented on the Local Pension Board. A training plan has regard to the training needs of the committees and Local Pension Board. All members have access to this training once needs are identified.	Full

Principle	Explaination of Approach	Compliance
C – Selection and role of lay members		
That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	The elected members are aware of their status, role and function which are set out in the constitution, and which are covered as part of the induction training.	Full
That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	This forms part of every meeting agenda.	Full
D – Voting		
The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Members of the Staff and Pensions Committee and PFISC have full and equal voting rights. The Local Pension Board is expected to operate on a consensus basis but where a vote is necessary, each member other than the independent member has equal voting rights.	Full
E – Training/Facility Time/Expenses		
That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process. That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Training is referred to above. This falls within the Council's normal approach to member expenses. The policies apply equally to all members.	Full
F – Meetings		
That an administering authority's main committee or committees meet at least quarterly.	The Staff and Pensions Committee meets quarterly.	Full
That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	The PFISC meets quarterly Where possible the Staff and Pensions Committee and PFISC meets on the same day. The Local Pension Board meets quarterly (usually six weeks after the committee meetings).	Full

Principle	Explaination of Approach	Compliance
That an administering authority who does not include lay members in their formal governance arrangements, must provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Such interests are represented on the Local Pension Board.	Full
G – Access		
That subject to any rules in the councils constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	Members of the Staff and Pensions Committee and PFISC have full and equal access.	Full
H – Scope		
That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Updates concerning wider issues affecting pensions schemes form part of the information that is reported to committees. A monthly update is also emailed to committee and LPB members as well as senior officers.	Full
I – Publicity		
That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	All public papers are published online. Where there are vacancies on the Local Pension Board, the Fund will contact scheme employers and publish vacant positions within the member newsletters. The work of the Local Pension Board is advertised on the Fund's website and all meetings are open to the public.	Full

Review

This Policy Statement will be reviewed on an annual basis, considering any alterations to the Committees and changes to national LGPS guidelines.



Fund Administration

Photo by Amee Fairbank on Unsplash.com

Overview

The Warwickshire Pension Fund is part of the national Local Government Pension Scheme (LGPS). The LGPS is governed by statute, primarily the Superannuation Act 1972 and the Local Government Pension Scheme Regulations 2013 (as amended). The statutory responsibility for the LGPS falls under the remit of the Ministry for Levelling Up, Housing and Communities (DLUHC).

The Warwickshire Pension Fund is administered by the Director for Resources on behalf of Warwickshire County Council (the scheme manager), five district councils and other scheduled and admitted public service organisations and their contractors. The administration of the Fund is carried out through Warwickshire County Council's Staff and Pensions Committee, the Pension Fund Sub Committee and the Local Pension Board. The committees are comprised of elected County Council members whilst the Board is an equal mix of representatives of employers and scheme members with an independent chair.

At March 2022, the total membership of the Fund stood at 54,118 and the total value of assets amounted to over £2.8 billion. Of the total membership, 17,746 are active members currently contributing to the Fund, 20,276 are members with a preserved benefit and 16,096 retired or dependant members are in receipt of a pension.

Benefits of the Pension Fund

Members of the LGPS belong to a scheme which provides high quality pension benefits based on career average related earnings. The scheme is a defined benefit scheme and members benefits are determined strictly in accordance with the provisions of the Regulations and are not subject to changes affecting the Fund assets.

In 2021-22 WCC has begun the implementation Member Self-Service (MSS), a digital platform for members, where they can check their pension records online. Internet and intranet facilities will enable all employees, past and present, to access their individual information, update data, view documents and carry out "What if..." modelling. Online benefit statements and general scheme documentation can be uploaded for members to access, which will support our aim to reduce our effect on the climate by reducing our carbon footprint.

Enquiries and further information can be obtained from the Pension Administration Service.

www.warwickshirepensionfund.org.uk

pensions@warwickshire.gov.uk

Below is a brief summary of the benefits of the LGPS. It is not intended to provide details of all benefits provided or the specific conditions that must be met before these benefits can be awarded.

The core benefits of the scheme are:

- A guaranteed annual pension based on the pay received during the year and revalued in line with earnings.
- A tax free lump sum is available by commuting part of the pension.
- Life assurance of three times the member's yearly pay from the day they join the scheme.
- Pensions for spouses, civil registered partners, qualifying cohabiting partners and eligible children on the death of the member.
- An entitlement paid early if a member has to stop work permanently due to permanent ill health.
- Infiation proofed preserved pensions and pensions in payment.
- Pensions payable from age 55, including (with the employer's consent) flexible retirement and early retirement.
- The option to contribute a reduced contribution for a reduced benefit – the 50/50 option.

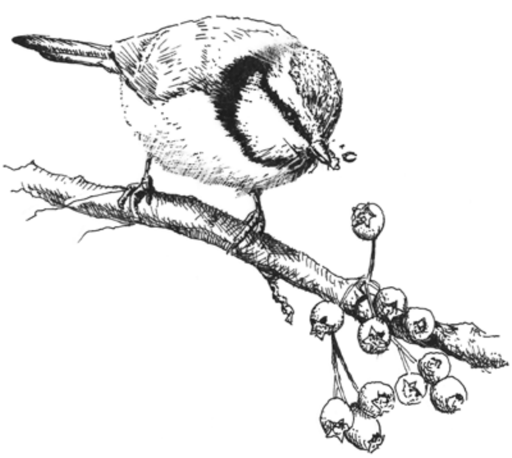
NB scheme members must have a minimum of two years membership

Cost of membership

Employees pay on average approximately 6.1% of pensionable pay received (up from 6% at the 2016 valuation).

Employers also pay a contribution towards the pension costs. This amount is decided every three years following an independent actuarial evaluation by the Fund's Actuary. The average employer rate at the 2019 valuation is 20.1% (up from 20% at the 2016 valuation).

The next triennial valuation will be calculated as at 31 March 2022 and will set the contribution rates for the three years from 2023 / 2024.



Administration Report

Data Quality

The Pensions Regulator (TPR) stated that it expected all schemes to undertake an annual data review and put an improvement plan in place (if required) and also include data accuracy scores in scheme reports. To meet this requirement the Fund undertook a Data Quality Review. This review provided a detailed report on the quality of the Fund's data benchmarked against common and specific data.

Common Data – this is data deemed as common across all schemes as it is data stipulated by the TPR, which includes names, addresses, national insurance number, date of birth, gender etc.

Specific Data – this is data that is essential to calculate benefit entitlement such as member contributions, pensionable pay, service history etc. The data also includes events that occur during an individual's membership, for example, transfers, purchase of additional pension and pension sharing orders.

The Report revealed that our current data quality scores in Warwickshire Fund are:

99% for common data

95% for Scheme specific data

Reporting Breaches

With effect from 1 April 2015, the Fund is required to comply with the Pension Regulators Code of Practice no 14; Governance and Administration of Public Service Pension Schemes. The code applies to all scheme managers, Employers, and members of Local Pension Boards.

The Code requires Funds to introduce a Breaches Policy, to maintain a Breaches Log and to report any material breaches to the Pensions Regulator. The Breaches Log is updated by Fund Officers and recommendations for whether the individual breaches are reportable are made to the Staff and Pensions Committee.

To assist both the Fund and Employers, who each have responsibilities for breaches under the Code, the Fund introduced an Administration Strategy. The Strategy sets out clearly the responsibilities of both parties.

There were two breaches reported to the Pensions Regulator in the last year.

Collaborative Working

The Fund keeps abreast of administration best practice by participating in collaborative groups such as the Local Government Association's Communication Group and attending the Regional Pensions Officer Group.

Representatives from the Fund also sit on a Regional Communications Working Group with other LGPS Funds who meet regularly to discuss communications issues within the LGPS and to share resources for joint communication projects.

A representative from the Fund currently chairs the National Communication Working Group for the LGPS. The Working Group help produce documentation and provide assistance to other Funds through the Local Government Association.

Membership

Work within the Pension Fund continues to grow with additional project-based work increasing. The age discrimination remedy (McCloud) , GMP rectification and the implementation of a member self-service portal (MSS) has meant additional resources have been needed to help complete these projects.

The Fund is also preparing for Pensions Dashboard. Pension scheme members will be able to see all their pension pots from different providers in one place, the aim of the dashboard is to re-unite people with lost pensions and increase awareness of pensions in general so that people can plan for retirement. The fund is looking at how we will need to resource the additional work this may create.

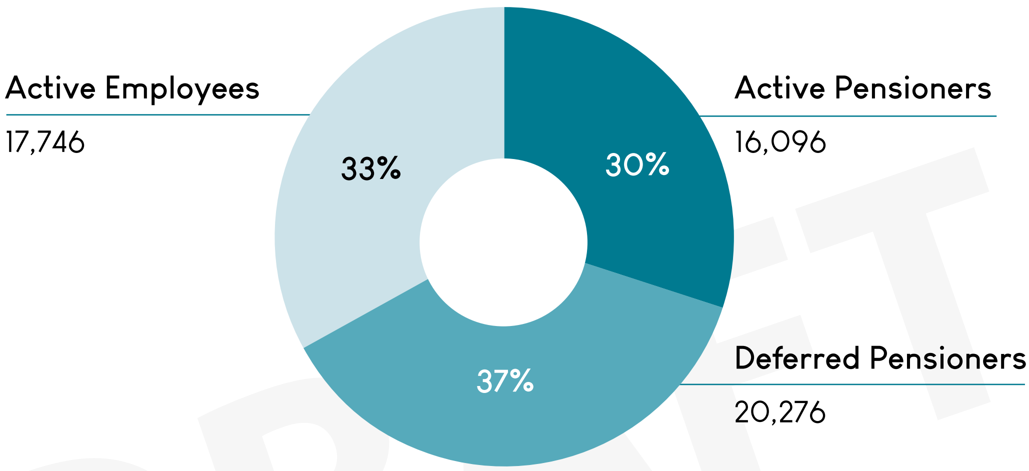
School Academy conversions

In a government White paper released March 2022 it is planned for all Schools to academise by 2030. Warwickshire currently has 115 maintained schools which will need to convert over the next 8 years, this will mean on average 14 conversions a year. For each school that converts this can lead to potential additional contractors joining the scheme if schools catering and cleaning services are outsourced.

Warwickshire Pension Fund

	31 March 2021	31 March 2022
Number of employers with active members	189	206
Number of employees in sheme		
County Council	8,434	8,318
Other employers	9,351	9,591
Total	**17,785**	**17,909**
Number of pensioners in scheme		
County Council	8,446	8,892
Other employers	6,692	7,190
Total	**15,138**	**16,082**
Deferred Pensioners		
County Council	11,477	11,684
Other employers	8,138	8,694
Total	**19,615**	**20,378**
Total	**52,538**	**54,369**

Fund Membership 2022



Fund Membership

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Active Members	15,501	16,502	16,435	16,502	16,725	17,754	17,508	16,716	17,999	17,746
Preserved Members	13,247	14,367	14,965	16,384	17,011	17,805	17,808	18,921	19,902	20,276
Pensioners*	10,642	11,035	11,425	11,890	12,479	13,092	13,676	14,394	14,752	16,096
Total	39,390	41,904	43,290	44,776	46,215	48,651	48,992	50,031	52,653	54,118

* These figures include dependants

Fund Employers

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
No. of Employers	98	99	106	125	151	160	181	192	201	206

Performance

Pensions Administration Performance Indicators

In 2020 a review of the Key Performance indicators (KPI) was undertaken and brought into line CIPFA benchmarking, the table below shows the performance from 1st April 2021 to 31st March 2022:

Key Performance Indicator	Fund Target	%
Target performance	95%	95%
Letter detailing transfer in quote	10 days	53%
Letter detailing transfer out quote	10 days	92%
Process and pay a refund	10 days	88%
Letter notifying estimate of retirement benefits (Active)	15 days	89%
Letter notifying actual retirement benefits (Active)	15 days	99%
Process and pay lump sum (Active)	10 days	98%
Process and pay death grant	10 days	95%
Initial letter notifying death of a member	5 days	98%
Letter notifying amount of dependent benefits	10 days	79%
Divorce quote letter	45 days	93%
Divorce settlement letter	15 days	86%
Send notification of joining scheme to member	40 days	99%
Deferred benefits into payment	15 days	98%
Calculate and notify deferred benefits	30 days	96%

Pensions Administration Full Time Equivalent Staff

The breakdown of work for the pension team is taken from the CIPA benchmarking survey, these have been updated since last year's return to reflect the following:

Pensions Admin total	24.2
Benefit Processing *	6.9
Employer engagement *	7.4
IT/Systems	0.3
Pensioner Payroll *	0.7
Membership engagement *	5.8
Management	1.0
Governance	0.8
Other (Fire pensions)	1.3

* FTE staff

Workflow processes completed through the year

For April 2021 to March 2022 the team processed 71047 tasks:

This includes the following but is not limited to:

5622 new starters

407 deaths

1236 pensions into payment

2540 retirement estimates

270 transfer out to other pension arrangements

440 transfers in from other pension arrangements

362 refunds

Communication

We communicate with our scheme members and employers in various ways:

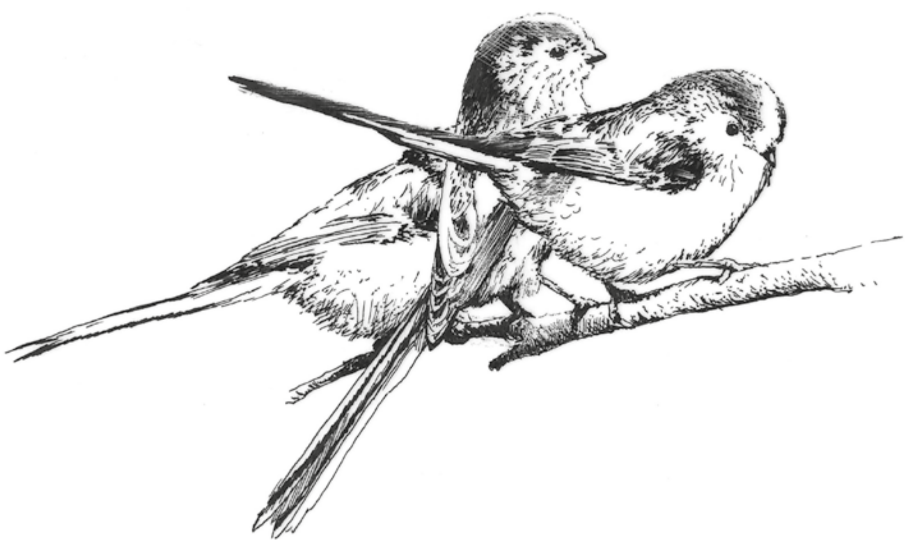
- The Fund's website provides access to key information and provides updates regarding changes to the scheme.
- From April 2022, we will look to share information via our digital platform Member Self-Service (MSS), for those that can not access the online portal we will continue to offer communications via post.

  With more members using a smartphone or tablet to access pension information, it is important that the Fund continues to adapt its communication platforms to increase member engagement.

  Active Members and Deferred Members will be able to log into their online account and see their latest statement along with previous Annual Benefit Statements.

  The Portal will also give members round the clock access to their pension records, which mean that they can:

  - produce their own pension quotes, helping them to plan for retirement
  - view their annual benefit statements
  - update their contact details
- Periodic newsletters are produced for scheme members, pensioners and deferred beneficiaries.
- Each month employers receive an email update, which provides a roundup of pensions news and training.
- Annual benefit statements have been posted out to home addresses each August. From August 2022 they will be made available online via MSS.
- An annual meeting is held for all pension fund employers to attend.
- Quarterly bulletins on the investment performance of the fund are distributed to all members of the Pension Fund Sub Committee.



Communication Policy

This document is the Communication Policy Statement of the Warwickshire Pension Fund, which is administered by Warwickshire County Council. All Local Government Pension Schemes (LGPS) in England and Wales are required to prepare, maintain, and publish a written statement setting out their policy concerning communications with their key stakeholders. This statement sets out our policy on:

- The provision of information and publicity about the Scheme to our contributing members, deferred members, pensioners, members' representative, prospective members, and scheme Employers; and
- The format, frequency, and method of distributing such information or publicity. (The terms 'Fund and 'We' have been used interchangeably throughout this document).

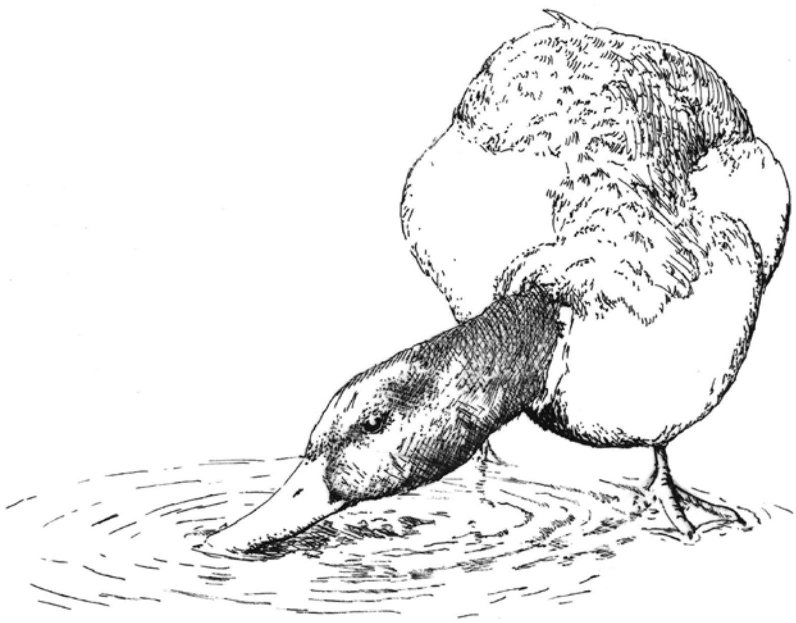
This statement has been prepared in accordance with Regulation 61 of the Local Government

Pension Scheme (Administration) Regulations 2013 by Warwickshire Pension Fund (the 'fund'). It sets out its communications approach with scheme members, employers, and other interested stakeholders.

Any enquiries in relation to this policy statement should be made to:

Warwickshire Pension Fund
Shire Hall
Warwick
CV34 4RL

pensions@warwickshire.gov.uk



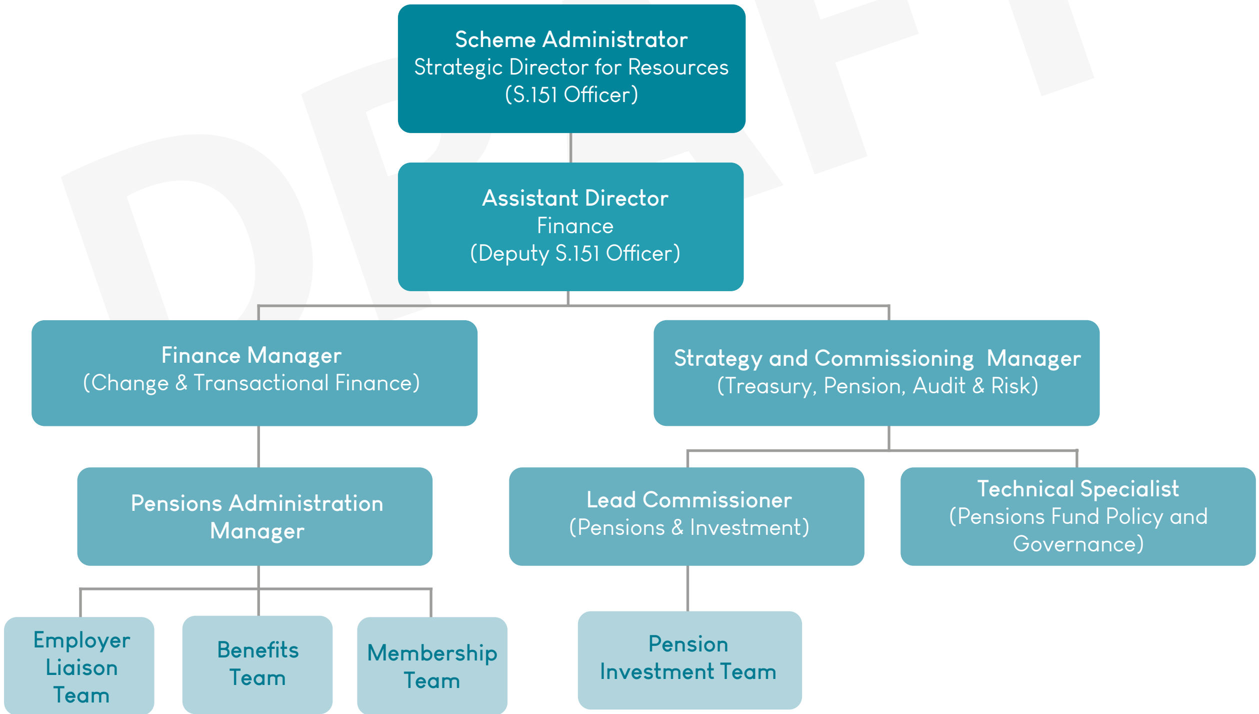
Communication Policy Statement

Introduction

The Fund deals with approximately 200 employers and just over 52,000 members. The Fund's main aim is to pay accurate pensions in a timely manner, whilst delivering a customer-focused service. Our communications play a key role in achieving this.

The Pensions Administration Management Team

The Fund deals with approximately 200 employers and just over 52,000 members. The Fund's main aim is to pay accurate pensions in a timely manner, whilst delivering a customer-focused service. Our communications play a key role in achieving this.



- The Scheme Administrator (s 151 officer) is responsible for the Pensions Administration Team (PAS) and the Pension Investment Team. The Pensions Administration Management Team meets on a weekly basis to discuss items in relation to the running of the team and regulation changes. It comprises the Pensions Administration Manager and Team Leaders. Any items raised from such meetings can be escalated to the Finance Service Manager and Strategy and Commissioning Manager.
- The PAS are responsible for communications to scheme employers and members.
- The PAS work to maintain a thorough knowledge of the regulations to keep the confidence of its members. The PAS should always be the first-place members turn to for LGPS pension information during their working life and in retirement.
- The fund also takes part in several national groups, with the aim of sharing best communication practices.
- The Joint Communications Group allows the fund to work with other Local Government Authorities, giving group members the chance to share communication resources and develop joint projects, such as newsletters and member guides. The fund is also part of the Local Government Pensions Committee (LGPC), which publishes national communication material.

The Fund Contact Details

Email Address:

pensions@warwickshire.gov.uk

Website:

https://www.warwickshirepensionfund.org.uk/

Postal Address:
Warwickshire Pension Fund Shire Hall
Warwick
CV34 4RL

The coronavirus pandemic has had an impact on how we deliver and continue to deliver our services to our many stakeholders.

More agile and flexible ways of working, both for the Fund and its stakeholders, as a result of the pandemic means that we have had to adapt some of our communication processes, particularly around the sending and receipt of documents and face to face communication. Providing reliable and secure access to all the Fund's systems and technology, including Microsoft Teams, the telephone helpdesk and the pensions software systems, remains of paramount importance, as does the safety and wellbeing of our Officers.

We also recognise that it will not always be possible for members, Employers, and other stakeholders to attend face-to-face events, so we will offer webinars and online meetings as alternatives, where we are able to do so.

We will continue to work fiexibly, finding new ways to adapt our communications in the changing environment.

Principles of Communication

We recognise that communicating with our stakeholders and customers is a critical activity for the Fund. We have a set of well, established practices that exceed the minimum standards required by legislation and we include these in our Communication Policy Statement.

The key objectives of our Communication Policy Statement are:

- To provide clear, jargon free and timely communication to our customers and stakeholders;
- To recognise that different styles and methods of communication suit different customers and stakeholders;
- To inform customers and stakeholders about the management and administration of the Fund;
- To consult major stakeholders on changes to regulations, policies and procedures that affect the Fund and its stakeholders;
- To promote the LGPS as an attractive benefit to scheme members and an important tool in recruitment to scheme Employers;
- To support scheme Employers, to enable them to fulfil their responsibility to communicate and share information with members in relation to the Scheme;
- To deliver the Communication Policy Statement in a cost-effective way and encourage the use of electronic / online / multimedia communication and information sharing;
- To evaluate the effectiveness of the communication objectives; and
- To treat information security with the upmost importance.

The Fund will make every effort to make communication materials available in large print, Braille, audio tape and different languages on request.

The PAS are committed to responding quickly to member requests for information, whether by face-to-face, email or letter. Information is given within set internal and regulatory timescales taking into consideration The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 and other overriding legislation.

The turnaround time for dealing with all requests from both employers and members is normally ten days.

When a request for information has been made, an acknowledgement receipt will be given. If it is going to take longer than ten days to provide the information, members will be told when they are likely to receive it.

Who are the Funds Key Stakeholders?

The Fund has a wide range of stakeholders who have different communication needs. The key stakeholders are:

- Active Scheme members and their representatives
- Deferred Scheme members and their representatives
- Scheme pensioners and their dependents
- New employees of a scheme employer
- Employees who are not Scheme members
- Scheme employers
- Potential new employers
- Pension Actuaries
- Border to Coast Pension Partnership
- Custodians
- Investment Advisers
- Government Departments

Section 6 sets out the information and specific communications that are provided to these different stakeholders.

How Does the Fund Communicate?

As a Fund, we aim to provide our customers and stakeholders with a comprehensive range of communication deliverables and will strive to use the most effective communication medium, adapting our communication where possible, following constructive feedback.

Scheme Literature

The Fund produces and updates a wide range of literature including brochures, guides, and information sheets. PDF documents can be found on our website with paper copies being provided upon request.

- From April 2022 a secure online portal, where members can access their pension scheme records, update their details, and run benefit estimates. This is known as Member Self Service (MSS).

Annual Benefit Statements can be accessed via the online portal from August 2022, we will only provide paper copies upon request by the member, who will have the option to opt out of receiving information via digital communications

Drop in service

For those members who prefer 'face to face' communication, the Fund's office is centrally situated in Warwick and easily accessible. An Appointment will be required to ensure a member of the pensions team is available in the office. The council's policy on agile working means that the team are hybrid working, so may not always be working from the office.

In exceptional circumstances, members of the team are available for home visits or to other council or scheme employer offices in Warwickshire. Telephone

Fund communications list a telephone number for the team member dealing with the request and other contact numbers for enquires can be found on our website.

Website

The Fund has a website: warwickshirepensionfund.org.uk

The site is available for all and can be used as a main source of information and contains on-line forms for members to complete.

The Fund's website is the main source of information for all members and Stakeholders.

The website holds scheme guides, forms, and information for members and Employers to view. Employer's specific responsibilities are set out in the Employer's section of the website and all participating Employers in the Fund are encouraged to use this area to ensure they meet those responsibilities.

The Fund also provides topical information and training videos for both members and Employers to view on its website.

The website has been adapted to make sure it is accessible to view on all forms of electronic devices and has been developed in line with accessibility standards.

The website provides a useful link to the LGPS members website https://www.lgpsmember.org/ which holds lots of useful information about the local government pension scheme

Our compliance statement is held on the website.

Email and Post

For general communications, the Fund has an email account and postal address. These are listed on page 2.

Pensions Dashboard

It is the intention of the Department of Works and Pensions to create a Pensions dashboard which will **bring together an individuals pensions information from across their pensions, including their State Pension**. This will help improve awareness and understanding among individuals, reconnect them with any lost pension pots and transform how they think and plan for their retirement.

It is proposed that information for Local Government Pension Scheme members may be available on the pension's dashboard from 2023. Further information will be sent out to members to confirm when the dashboard is available.

Newsletters

The Fund produces regular newsletters to keep active members informed of changes to pension legislation, and the latest information about the service. These are available in electronic format on the Fund's website. Paper copies can be provided upon request.

Ragged Staff is the Fund's newsletter for retired members and provides updates on relevant changes in legislation, topical news, and members' articles.

Deferred members also receive a newsletter, again providing updates on relevant changes in legislation, and reminding members to keep the Fund notified of changes in personal circumstances and address, members will be able to update their own details via MSS online portal.

Employers receive updates regarding changes to pension legislation, training, and employer events via email on a fortnightly basis.

Member Self Service (MSS)

More members are using a smartphone or tablet to access their pension information and it is important that the Fund continues to adapt its communication platforms to increase member engagement.

MSS gives our contributing members, deferred members, and pensioners access to their LGPS records which means they can:

- produce their own pension quotes, helping them to plan for retirement;
- view their annual benefit statements;
- update their contact details.

Training

The fund seeks to continually improve the ability of staff to communicate effectively and to understand the importance of good communication. Both general and pension-specific training is provided to all staff as part of the fund's commitment to staff development. This includes the Public Sector Pension Scheme modules on the Pensions Regulators online e-portal. The fund conducts performance appraisals for its entire staff.

Intranet and E-Mail

Each member of staff has access to e-mail and the storage drive which contains electronic copies of many of the Key documents, manuals, minutes, and circulars.

Local Authority Pensions Web

All senior members of the pension's team have access to the Local Authority Pensions Web where information can be exchanged with other Local Authority Pension colleagues.

Communications Specifically for Members

New Scheme Members Scheme Booklet

The Fund produces an information booklet on the Local Government Pension Scheme which is available on our website and links can be found on the starter packs which are sent out when members join.

Active Members Certificate of Membership

When we become aware of a member joining the Fund, they will get a Certificate of Membership detailing the information recorded on the Pension Administration System about them, such as date they joined the Scheme and if they have transferred service into the Fund from elsewhere.

Annual Benefit Statement

An Annual Benefit Statement is made available via MSS. If a member does not have access to a computer, they will have the option to receive a paper copy.

The Statements include various pension details including the current value of benefits within the scheme. The format of the statements is continually being developed to provide members with the information they require in a clear and concise manner. The notes that accompany the statements have the crystal mark awarded by the Plain English campaign and are available on the fund website

Retired Members Pay slips

Every retired member and/or their dependents will receive a P60 each year normally at the end of April.

Every month, members will receive an email alert from Warwickshire County Council payroll with a link to view their pay slip or if they opt out of e-pay slips they can receive a paper copy. Annual Pension Increase

Retired members will receive a pension increase notification via their e-pay slip each year to inform them of the infiation increase on their pension.

Retired Members Living Abroad – The fund will, when appropriate, undertake to establish the continued existence of pensioner members living abroad by sending out a life certificate that must be signed and witnessed. This is currently sent directly from the Pension Fund, however we may in future ask a third party to provide this service on our behalf.

P60 notification

Each member receiving a pension will have a P60 issued each year by the statutory deadline of 31 May.

Communications Specifically for Employers and Stakeholders

Presentations and Courses

The Fund delivers standard or tailored presentations on a range of subjects for employers and their staff. These presentations may be provided at the request of Employers or may be instigated by the fund. Where possible these will be hosted virtually.

Annual Report, Accounts and Annual General Meeting

The aim of the Annual Report is to highlight the important issues affecting the Fund over the previous twelve months, alongside details on investments and administration performance. The Report and Accounts are summarised at the Annual Meeting held in November. Employers are invited to the Annual Meeting of the Fund.

The Fund will look to hold quarterly meetings with employers. These are aimed at. providing training and resolving queries employers have and to keep them up to date with any future developments in the pensions arena.

From time to time the Fund will host meetings for specific groups of employers, for example, academies, which are significant proportion of scheme employers. These meetings will deal with specific areas affecting that sector.

Where possible these will be hosted virtually.

Promotional Campaigns

Occasionally the Fund produces dedicated marketing literature that is sent to those who choose not to join or opt to leave the Scheme.

This literature promotes the benefits of having an occupational pension and gives an option to join the Scheme. These campaigns should help to raise awareness of the benefit of a workplace pension.

Corporate Induction Courses

Officers of the fund are invited to attend or to contribute to Corporate Inductions (including e-learning) for prospective members.

Employers Guide

A link to the LGPS regulations and guidance page is available on our website. This includes:

- Employer guides and documents Bite-size training
- Employers can also book on training webinars hosted by the Local Government Association

The Funds Administration Strategy is published on the website and available to all employers, detailing the processes, procedures and forms required to effectively discharge their pension administration responsibilities.

Employers Bulletin

A technical newsletter/bulletin is periodically sent out to all employers. It aims to inform employers on common problems, issues, and regulatory changes. The bulletin is also used to inform employers of consultations about policy and regulations that have been issued.

Staff & Pension Committee/ Pensions Fund Investment Sub Committee

An ongoing training programme is in place for members and officers of the above committees to ensure that decision making is on an informed basis.

Warwickshire Local Pension Board

The Pension Board consists of an equal number of employee and employee representatives.

Knowledge building and training is provided via the fund's officers, advisors, and external training courses for the committees and board.

Communication with Other Bodies

Fund Managers

The fund will liaise with fund managers Border to Coast.

The fund liaises with the Border to Coast Pension Partnership – providing input into the development and management of new funds.

Custodians

The fund has arrangements in place to communicate with BNYM (Bank New York Mellon), its custodian.

Advisers

The fund is in regular contact with its investment advisers and its independent financial advisers.

The Technical and Governance Officer for the fund is the Chair of the National Communications Working Group and works closely with the Local Government Association and regional colleagues in developing communications that all funds can use.

Government Departments

The Fund communicates with Government departments on proposals for change to the scheme and about providing information under dis-closure regulations.

Trade Unions

The Fund will communicate with Trade Unions where appropriate, for example in supporting continued access to the Local Government Pension Scheme.

Actuaries

The Fund performs an Actuarial Valuation every three years as required by the Regulations. The actuary deals with valuations and information and advice on a range of issues affecting the Fund, such as new employers, bulk transfers, and regulatory changes.

Press & Media

The Fund in conjunction with the Council's communications staff will responds to and engage with the press and other media organisations to ensure clarity of facts and fair representation.

Shrewsbury Regional Pension Officers Group (SPOG)

The Shropshire County Pension Fund (SCPF) hosts the Shrewsbury Pension Officers Group which meets on a quarterly basis. The group, comprised of several local authority funds, discuss technical queries and legislation matters of common interest.

Software provider group

Members of the team attend user group meetings with the pensions administration software provider, to make sure the administration system can deal with regulation changes when they happen, and to discuss how the system is used on a day-to-day basis.

Compliments, Complaints and Comments

Compliments and complaints are recorded. The fund aims to learn from the feedback received and make improvements to the service provided.

Member satisfaction survey

Surveys will be issued to members periodically with various correspondences, including retirements and benefit quotes. Surveys will also be published to the website and via email. This allows the fund to evaluate the service provided. Survey responses will be collated and reviewed at regular intervals when running a satisfaction exercise.

Employer satisfaction survey

A survey will be given to employers, periodically to allow the fund to review the service and methods of communication provided to employers. The responses will be collated and used to identify any employer requirements and possible areas for improvement.

Breaches of the Law

The Breaches Policy and a summary of breaches are available on our website.

Investments

The fund publishes an investment strategy statement and funding strategy statement. These are available on the website and form a part of the Annual Report.

Data Protection

To protect personal information held in relation to Scheme members, the Fund is registered under the Data Protection Act 2018, as part of Warwickshire County Council. The Fund is fully compliant with the General Data Protection Regulations (GDPR) introduced in May 2018.

Disclosure

The Fund may, if necessary, pass certain details to a third party, if the third party is carrying out an administrative function of the Fund, for example, the Fund's Actuary. Pensions staff also receive regular training on data protection issues.

Dealing with freedom of information requests

The Freedom of Information Act (FOI) means that members of the public and organisations have rights of access to information held by public bodies. Requests for information under the Freedom of Information Act or similar legislation should be sent to: inforights@warwickshire.gov.uk

National Fraud Initiative

The Fund participates in the National Fraud Initiative exercise by passing information about pensions in payment on to the Audit Commission. The information is matched to national databases to help prevent and detect fraud. The Fund's participation in this exercise is mandatory.

Annex: Publications and Communications Summary

Fund Publications and Communications

Communication Document	When issued	Available to	Format	Reason when reviewed
Guides and Booklets	Available	All	Online	Regulation changes
Scheme leaflets	Available	All	Online	Regulation changes / periodical review / new leafiets introduced
Benefit statements	Annually	Active / Deferred members	Email / Paper (With a view to moving online through MSS)	Annually
Poster campaigns E.g. Death benefits, 50/ 50, Encouraging new members.	Occasional / When requested	All	Online Poster	Updates
Members newsletters	As required	Active / Deferred / Retired members	Online / Paper (With a view to moving online through MSS)	Annually / regulation changes
Pension consultations	When required	Active / Deferred members	Face to face (suspended) / Telephone	Updates
Serious health consultations	When required	Active / Deferred members	Face to face / home visit (suspended)	Updates
Presentations / Training / Courses	When required / requested	All	Presentation (online via MS Teams / face to face)	Updates
Service statements	When member joins	Active members	Online / Paper (With a view to moving online through MSS)	Updates

Communication Document	When issued	Available to	Format	Reason when reviewed
Website	Available	All stakeholders		Updates
Annual meeting	Annually in November	Employers	Presentations	Annually
Employer Forum	Annually November / December	Employers	Presentations	Annually
Annual report	Annually	All	Online	Annually
Correspondence	Available (within office hours)	All	Email / Paper	Updates
Pension Advice slip	Monthly	Retired members	Online / Paper	Monthly (issued by Payroll Services)
P60	Annually	Retired members	Online / Paper	Annually (issued by Payroll Services)
Pensions Increase	Annually	Retired members	Online / Paper	Annually (issued by Payroll Services)
Age 100 pensioners	As required	Retired members	Birthday card	As required
Pensioners living abroad - Proof of Life Certificate	Annually	Retired members	Paper / Email	Annually
Abridged Reports and Accounts	Annually	All	Online	Annually
Valuation report	Every 3 years	Employing authorities	Online / Annual meeting	Every 3 years

Contributions Paid

Employers' Contributions

>1m

Warwickshire County Council	Warwickshire Police and Crime Commission

<1m

Warwick District Council	Rugby Borough Council
Nuneaton & Bedworth Borough Council	Stratford-On-Avon District Council

<500k

North Warwickshire Borough Council	Kenilworth Academy
Warwickshire College	MacIntyre Academies (Discovery)
North Warwickshire & Hinckley College	Warwick Schools
Educaterers Ltd	The Griffin Trust (Nicholas Chamberlaine)
Unity Mat (Woodlands)	Stowe Valley MAT (Southam Colllege)
Unity MAT (Brooke)	BFMAT (King Ed VI College Nun)
Stratford upon Avon School	Community Academies Trust The Polesworth School
Oak Wood Primary and Secondary Academy	Campion School Academy
North Leamington Academy	South Warks AT Welcome Hills
Myton Academy	Central MAT (Admin Centre)
Higham Lane Academy	Coleshill School Academy
Avon Valley School	Coventry Diocese (St Michaels)
Ashlawn Academy	

<50k

Ash Green Academy	Holy Family Catholic MAC - St. Benedict's High (Alcester)
Studley High Academy	Midland Academies Trust (George Eliot)
MacIntyre Acadamies (Quest)	Stowe Valley MAT (Bilton)
Aylesford Academy	Stratford On Avon Grammar Academy
Midland Academies Trust (Hartshill)	Inspire Education Trust (Stockingford Primary)
Alcester Grammar Academy	

<50k (continued)

- Community Academies Trust Admin Centre
- Rugby Free Secondary School
- Castle Phoenix Trust (Kingsbury Academy)
- Lawrence Sheriff School
- Rugby High Academy
- Midland Academies Trust (Nuneaton)
- The Griffin Trust (Park Lane)
- Stowe Valley MAT (Kineton High)
- Arden MAT (Henley High Academy)
- Ashlawn Central
- Coventry Diocese (St James)
- Holy Spirit Academy Trust St Joseph's Catholic Junior School
- Fosse Mat (Wellesbourne)
- Coventry Diocese (Harris High)
- Balfour Beatty (new)
- Holy Spirit Academy Trust St Thomas More Catholic School
- Trinity (Our Lady of Lourdes)
- Shipston on Stour High School Academy
- Stratford upon Avon King Edward VI Academy
- Cawston Grange Primary Academy
- Alcester St Nicholas Academy
- ATT (Queen Elizabeth Academy)
- Matrix Academy Trust
- Rugby Free Primary School
- Alcester High Academy
- Stowe Valley MAT (Central)
- Dunchurch Infant School
- Reach2 Academy (Oakfield)
- Stour Federation (Shipston Primary)
- Coventry Diocese (St Nicolas)
- BDMAT - Coleshill Primary
- Our Lady All Saints (St Edwards)
- Stratford-Upon-Avon Town Council
- The Brandon Trust (North Warwicks)
- Coleshill Town Council
- Community Academies Trust Birchwood Primary School
- Coventry Diocese (All Saints Bedworth)
- Coventry Diocese (Queens Middle School)
- Tanworth in Arden Academy
- Middlemarch Middle School
- Community Academies Trust Woodloes Primary School
- Community Academy Trust Heathcote
- St Gabriels C of E Academy
- Reach2 (Newbold Riverside)
- South Warks AT Arden Fields
- The Griffin Trust (Race Leys)
- SLM (Warwick District)
- Lillington Academy
- Reach2 (RaceMeadow)
- Heart of England MENCAP
- Holy Spirit Academy Trust St Anne's Catholic Primary School
- Midland Acadamies Trust (Admin)
- BDMAT - Warton Nethersole
- Stowe Valley MAT (Southam Primary)
- Arden Forest (Ferncombe)
- NSL
- Coventry Diocese (St Oswalds)
- Henry Hinde Academy (Infants)

<50k (continued)

- Stowe Valley MAT (Bishops Itchington)
- Stowe Valley MAT (Rokeby)
- Community Academies Trust Stratford Primary School
- Coventry Diocese (Studley St Marys)
- Arden Forest (Sudley Infants)
- Holy Spirit Academy Trust St Francis Catholic Primary School
- BDMAT – Woodside
- Community Academy Trust (Kingsway)
- BDMAT – Polesworth Nethersole Academy
- Holy Spirit Academy Trust – Central Team

<10k

- Futures Trust (Keresley Newland)
- Everyone Active (SLM)
- Transforming Lives Education Trust (Henry Hinde Junior School)
- Arden Forest MAT (Henley Primary Academy)
- Community Academies Trust Dordon Community Primary School
- Holy Spirit Academy Trust St Benedicts Catholic Primary School
- Community Academies Trust Budbrooke Primary School
- Coventry Diocese (Long Itchington)
- Holy Family Catholic MAC – St. Gregory's Primary (Stratford)
- Stowe Valley MAT (Temple Herdewyke)
- Arden Forest MAT (Coughton)
- Royal Leamington Spa Town Council
- Coventry Diocese (Southam St James)
- Stratford-Upon-Avon Town Trust Co. Ltd
- Stowe Valley MAT (Stockton Primary)
- Reach2 (Lower Farm Academy)
- Community Academies Trust Wood End Primary School
- The Brandon Trust (Rugby)
- TLET (Houlton Academy)
- Curdworth Primary (ATLP)
- Dunnington C of E Junior & Infant School
- Moreton Morrell Church of England School
- Fosse Mat (Tysoe)
- Arden Forest MAT (Temple Grafton)
- Coventry Diocese (Burton Green) MAT
- Holy Family Catholic MAC – St. Mary's Primary (Henley)
- Mappleborough Green School
- Brailes Academy
- Coventry Diocese (All Saints Leek Wooton) MAT
- BDMAT – Newton Regis
- Wolverton Junior & Infant School
- Holy Family Catholic MAC – Our Lady's Primary (Alcester)
- Southam Town Council
- Barnardo's Children & Family Centre
- Stour Federation (Acorns)
- Tudor Grange Academy Trust (Meon Vale)
- Chartwells (Compass) Polesworth
- Coventry Diocese (Salford Priors)
- Coventry Diocese (Leamington Hastings C of E Academy)
- Heart of England Housing & Care Ltd
- The Priors Free School Academy

<10k (continued)

- Studley Parish Council
- Atherstone Town Council
- BDMAT – Austrey
- Long Lawford Parish Coucil
- Caterlink
- Sodexo
- Alcester Town Council
- Tudor Grange Academy Trust (Haselor)
- Arden Forest (Wootton Wawen)
- Shipston Town Council
- AiP (King Edwards)
- Bidford-On-Avon Parish Council
- Whitnash Town Council
- Risual (Police)
- Wellesbourne Parish Council
- Long Itchington Parish Council
- ABM (North Leamington)
- Wolston Parish Council
- Bishops Itchington Parish Council
- Crystal Services (St Thomas)
- Alliance in Partnership (Henley Primary Academy)
- Harbury Parish Council

<1k

- Class Catering (St Mary Immaculate)
- Alliance in Partnership (Myton)
- Kingsbury Parish Council
- Cubbington Parish Council
- Accuro FM Ltd
- Alliance in Partnership (St Edwards RC)
- Tanworth in Arden Parish Council
- AiP (Kingsbury School)
- Mancetter Parish Council
- Ryton on Dunsmore Parish Council
- Napton Parish Council
- Rugby Town Centre Company Ltd
- Warwick Association for the Blind
- Lawrence Cleaning
- Burton Dassett Parish Council
- Curdworth Parish Council
- Class Catering (Thomas Jolyffe)
- Baileys (Shottery)
- Superclean (RBC Benn Hall)
- Ettington Parish Council
- Burton Green Parish Coucil
- Class Catering – Shrubland St
- Clifton upon Dunsmore Parish Council
- Fenny Compton Parish Council
- Class Catering (SoA Primary Sch)
- Avon Dassett Parish Council
- ABM (St Paul's)
- Radway Parish Council
- Temple Grafton School

Employees' Contributions

>1m

Warwickshire County Council	Warwickshire College
Warwickshire Police and Crime Commission	North Warwickshire Borough Council
Nuneaton & Bedworth Borough Council	North Warwickshire & Hinckley College
Stratford-On-Avon District Council	

<1m

Educaterers Ltd

<500k

Oak Wood Primary and Secondary Academy	MacIntyre Academies (Discovery)
Warwick Schools	Holy Family Catholic MAC - St. Benedict's High (Alcester)
Unity Mat (Woodlands)	Central MAT (Admin Centre)
Unity MAT (Brooke)	Coventry Diocese (St Michaels)
Warwick District Council	Lawrence Sheriff School
Stratford upon Avon School	Stowe Valley MAT (Bilton)
North Leamington Academy	Studley High Academy
Myton Academy	Community Academies Trust Birchwood Primary School
Ashlawn Academy	Alcester Grammar Academy
Kenilworth Academy	Ash Green Academy
The Griffin Trust (Nicholas Chamberlaine)	Midland Academies Trust (Hartshill)
Higham Lane Academy	Rugby High Academy
Campion School Academy	Midland Academies Trust (George Eliot)
Stowe Valley MAT (Southam Col)	Inspire Education Trust (Stockingford Primary)
Coleshill School Academy	The Griffin Trust (Park Lane)
Avon Valley School	MacIntyre Acadamies (Quest)
Heart of England Housing & Care Ltd	Stratford On Avon Grammar Academy
Community Academies Trust The Polesworth Sch	Castle Phoenix Trust (Kingsbury Academy)
South Warks AT Welcome Hills	Coventry Diocese (Harris High)
BFMAT (King Ed VI College Nun)	Stowe Valley MAT (Kineton High)
Aylesford Academy	

<500k (continued)

- Trinity (Our Lady of Lourdes)
- Rugby Free Secondary School
- Rugby Borough Council
- Midland Academies Trust (Nuneaton)
- Everyone Active (SLM)
- Holy Spirit Academy Trust St Joseph's Catholic Junior School
- Cawston Grange Primary Academy
- Fosse Mat (Wellesbourne)
- Arden MAT (Henley High Academy)
- Alcester High Academy
- Coventry Diocese (St James)
- Community Academies Trust Admin Centre
- Holy Spirit Academy Trust St Thomas More Catholic School
- Balfour Beatty (new)
- Alcester St Nicholas Academy
- Shipston on Stour High School Academy
- Ashlawn Central
- Stour Federation (Shipston Primary)
- Stratford upon Avon King Edward VI Academy
- ATT (Queen Elizabeth Academy)
- Matrix Academy Trust
- Reach2 Academy (Oakfield)
- SLM (Warwick District)
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- Dunchurch Infant School
- Community Academies Trust Woodloes Primary School
- Coventry Diocese (St Nicolas)
- Stowe Valley MAT (Central)
- Our Lady All Saints (St Edwards)
- BDMAT - Coleshill Primary
- Coventry Diocese (All Saints Bedworth)
- Coventry Diocese (Queens Middle School)
- The Griffin Trust (Race Leys)
- Reach2 (Newbold Riverside)
- Stratford-Upon-Avon Town Trust Co. Ltd
- Community Academy Trust Heathcote
- Tanworth in Arden Academy
- Stratford-Upon-Avon Town Council
- Reach2 (RaceMeadow)
- Lillington Academy
- Middlemarch Middle School
- Heart of England MENCAP
- Stowe Valley MAT (Southam Primary)
- Holy Spirit Academy Trust St Anne's Catholic Primary School
- Arden Forest (Ferncombe)
- Midland Acadamies Trust (Admin)
- South Warks AT Arden Fields
- Stowe Valley MAT (Bishops Itchington)
- Coventry Diocese (St Oswalds)
- Stowe Valley MAT (Rokeby)
- Henry Hinde Academy (Infants)
- St Gabriels C of E Academy
- BDMAT - Warton Nethersole
- Arden Forest (Sudley Infants)
- Coventry Diocese (Studley St Marys)

<50k

- Community Academies Trust Stratford Primary Sch
- Holy Spirit Academy Trust St Francis Catholic Primary School
- Futures Trust (Keresley Newland)
- Caterlink
- Community Academy Trust (Kingsway)
- Arden Forest MAT (Henley Primary Academy)
- BDMAT – Woodside
- Transforming Lives Education Trust (Henry Hinde Junior School)
- Community Academies Trust Dordon Community Primary School
- Holy Spirit Academy Trust St Benedicts Catholic Primary School
- BDMAT – Polesworth Nethersole Academy
- Coventry Diocese (Long Itchington)
- Community Academies Trust Budbrooke Primary School
- Arden Forest MAT (Coughton)
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- Stowe Valley MAT (Stockton Primary)
- Reach2 (Lower Farm Academy)
- Coleshill Town Council
- Community Academies Trust Wood End Primary School
- Coventry Diocese (All Saints Leek Wooton) MAT
- Curdworth Primary (ATLP)
- Arden Forest MAT (Temple Grafton)
- The Priors Free School Academy
- Fosse Mat (Tysoe)
- TLET (Houlton Academy)
- Coventry Diocese (Burton Green) MAT
- Brailes Academy
- Dunnington C of E Junior & Infant School
- The Brandon Trust (North Warwicks)
- Holy Family Catholic MAC – St. Mary's Primary (Henley)
- Moreton Morrell Church of England School
- Royal Leamington Spa Town Council
- Chartwells (Compass) Polesworth
- Holy Family Catholic MAC – Our Lady's Primary (Alcester)
- BDMAT – Newton Regis
- Mappleborough Green School
- Stour Federation (Acorns)
- Coventry Diocese (Salford Priors)
- Wolverton Junior & Infant School
- Southam Town Council
- Coventry Diocese (Leamington Hastings C of E Academy)
- AiP (King Edwards)
- Barnardo's Children & Family Centre
- Temple Grafton School
- Tudor Grange Academy Trust (Meon Vale)
- BDMAT – Austrey
- Arden Forest (Wootton Wawen)
- Studley Parish Council
- Long Lawford Parish Coucil
- Atherstone Town Council
- Rugby Town Centre Company Ltd
- Shipston Town Council

<10k

Sodexo	Alliance in Partnership (St Edwards RC)
Alcester Town Council	Alliance in Partnership (Henley Primary Academy)
Tudor Grange Academy Trust (Haselor)	Tanworth in Arden Parish Council
The Brandon Trust (Rugby)	Ryton on Dunsmore Parish Council
Bidford-On-Avon Parish Council	Ettington Parish Council
Long Itchington Parish Council	Napton Parish Council
Whitnash Town Council	Burton Dassett Parish Council
Wellesbourne Parish Council	Baileys Catering Ltd
ABM (North Leamington)	Clifton upon Dunsmore Parish Council
Crystal Services (St Thomas)	Warwick Association for the Blind
Wolston Parish Council	Curdworth Parish Council
Risual (Police)	Lawrence Cleaning
Harbury Parish Council	Superclean (RBC Benn Hall)
Cubbington Parish Council	Class Catering (Thomas Jolyffe)
Bishops Itchington Parish Council	Baileys (Shottery)
Kingsbury Parish Council	Burton Green Parish Coucil
Class Catering (St Mary Immaculate)	AiP (Kingsbury School)
Accuro FM Ltd	Class Catering - Shrubland St
Mancetter Parish Council	Fenny Compton Parish Council
Alliance in Partnership (Myton)	

<1k

Class Catering (SoA Primary Sch)	Severn Trent Water Plc
ABM (St Paul's)	Radway Parish Council
Avon Dassett Parish Council	Chartwells (Compass Group) re Queen Elizabeth
Warwickshire Probation Service	

Investment Report

Photo by Andy Holmes on Unsplash.com

Global Economic Review

Market Review

The year under review was a positive but turbulent period for most developed equity markets, while emerging-market (EM) stocks and bond markets posted negative returns. Commodities enjoyed robust gains, with oil and gas prices rising sharply. Broadly speaking, the main impetus for these moves was a powerful vaccine-driven recovery in the global economy, buoyed by additional government stimulus measures, notably in the US. However, investors became increasingly concerned as inflation began to soar across much of the world. This weighed on bond markets as investors anticipated higher interest rates. Within the major developed economies, the Bank of England was the first to raise rates in December, while the US Federal Reserve announced its first rise in March. Negative sentiment towards risk assets was exacerbated by heightened geopolitical uncertainty following Russia's invasion of Ukraine in late February.

Over the spring and early summer of 2021, equity markets advanced. Sentiment towards risk assets was supported by the vaccine-driven rebound in global economic activity alongside strong corporate earnings and hopes of further US government stimulus measures. Corporate bond markets were also helped by lower new issuance compared with 2020. However, concerns remained about valuations, as yields and spreads over government bonds were very low in historic terms. While the global economic recovery led to higher-than-expected inflation rates, core government bond yields mostly drifted lower over this period as key central banks initially downplayed the price pressures as a transitory phenomenon that would abate as pandemic-related problems eased.

In late summer and autumn, supply-chain and staffing shortages were increasingly reflected in cooling growth data. Nevertheless, equities continued to advance while yield spreads for investment-grade (IG) corporate bonds (the difference in yields over core government bonds) were little changed. Core government bond yields moved higher amid a growing sense that policymakers might have underestimated the inflationary threat.

In the final quarter of 2021, the Fed, BoE and (to a lesser extent) the European Central Bank all turned more hawkish, finally signalling that the need to control inflation outweighed any risks to growth from tighter monetary policy and the (then) newly discovered Omicron variant of Covid. With the tapering of its asset purchase scheme already underway, the Fed surprised investors in December by projecting several interest-rate rises in 2022, having previously suggested only one. Meanwhile, in the UK the BoE raised rates by 25 basis points (bps) in December for the first time in three years. The ECB also moved towards normalising monetary policy, but was initially seen as lagging its counterparts in the US and UK by taking a softer approach to tapering than the Fed and flagging no rate hikes before 2023.

Bond yields continued to rise in early 2022, as more evidence emerged that Omicron was less virulent than its predecessors and as minutes from the Fed's December meeting revealed a more hawkish consensus than many commentators expected. This proved unhelpful for equities and corporate bonds. Within equity markets, growth stocks – which are perceived to be more vulnerable to interest-rate hikes – bore the brunt of the sell-off.

In 2022, geopolitics took centre stage, as Russia massed troops and equipment on its border with Ukraine and then launched a full invasion of the country in late February. Volatility spiked, equities sold off and yield spreads for corporate bonds widened significantly. Commodity prices soared in anticipation of supply disruptions related to the crisis and sanctions imposed by the West on Moscow. Amid the risk aversion, core government bonds retraced some of their earlier losses, but the rally was modest, tempered by fears that the conflict would push inflation even higher.

Indeed, the Fed subsequently embarked on the road to normalising monetary policy, raising interest rates by 25 bps in March – the bank's first increase since 2018. Meanwhile, the BoE hiked rates by 25 bps in February and again in March, bringing the benchmark rate back to its pre-pandemic level. Given record-high inflation in the eurozone, the ECB's rhetoric also turned more hawkish, with policymakers dropping previous suggestions that a rate rise was unlikely in 2022.

The MSCI ACWI returned 9.2% in local currencies and 12.9% in sterling for the year. By region, the US led returns in both local and sterling terms; over much of 2021, the market benefited from stimulus-related optimism and strong corporate profits. A stronger dollar further amplified sterling returns. The UK also outperformed; the market's sizeable energy and mining sectors were helped by surging commodity prices in 2022. Europe ex UK stocks lagged, given the region's heavy dependence on energy imports from Russia and the resulting vulnerability to sanctions imposed on Moscow. EMs brought up the rear in both sterling and local currencies and posted negative returns, dragged down by index heavyweight China, where stocks were impacted by a wide-ranging regulatory crackdown. However, commodity exporters such as Brazil and South Africa enjoyed robust gains.

It was a difficult period for fixed-income markets. In core government bonds, yields on benchmark 10-year US Treasuries increased 60 basis points (bps) for the year as a whole. This compared with rises of 77 bps and 84 bps respectively for equivalent UK gilts and German bunds.

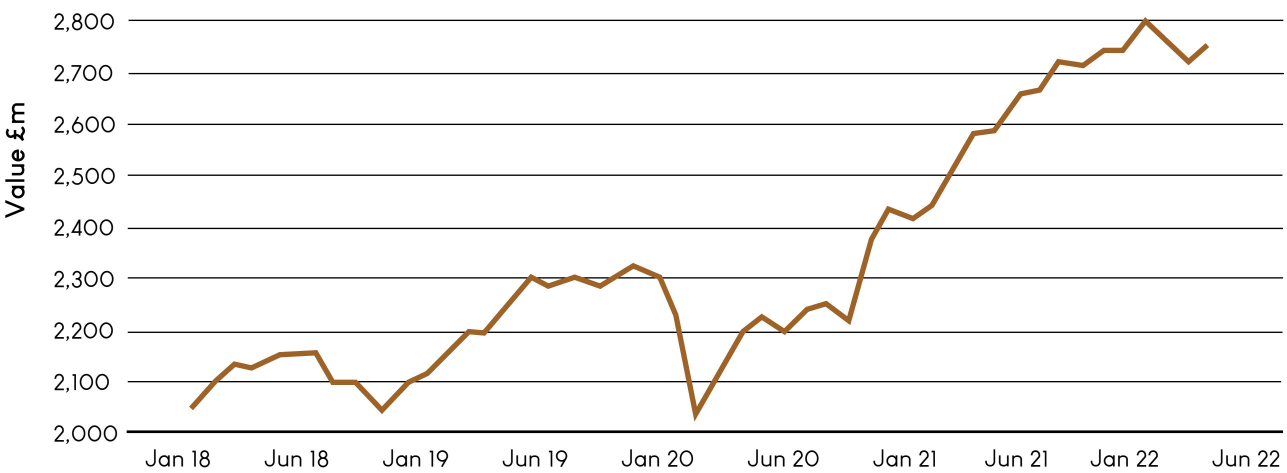
IG corporate bonds posted negative returns, owing to the rise in underlying government bond yields as well as a widening in spreads. For much of 2021, yield spreads for IG bonds proved relatively steady, but they widened sharply amid the Omicron-driven sell-off in November. Spreads widened further in 2022, as markets priced in a faster pace of monetary policy tightening, while Russia's invasion of Ukraine sparked worries about higher commodity prices and the outlook for growth.

The UK real-estate market performed well over the 12 months to 31 March 2022, posting double-digit gains. The positive return was driven by a strong recovery in 'All Property' capital values, which reflected an increase in transactional volumes. The growth was largely due to the continued performance of the industrial/logistics sector and the resurgence of retail warehousing, which has benefited from growing investor recognition given its resilience to e-commerce and relevance to future shopping habits.

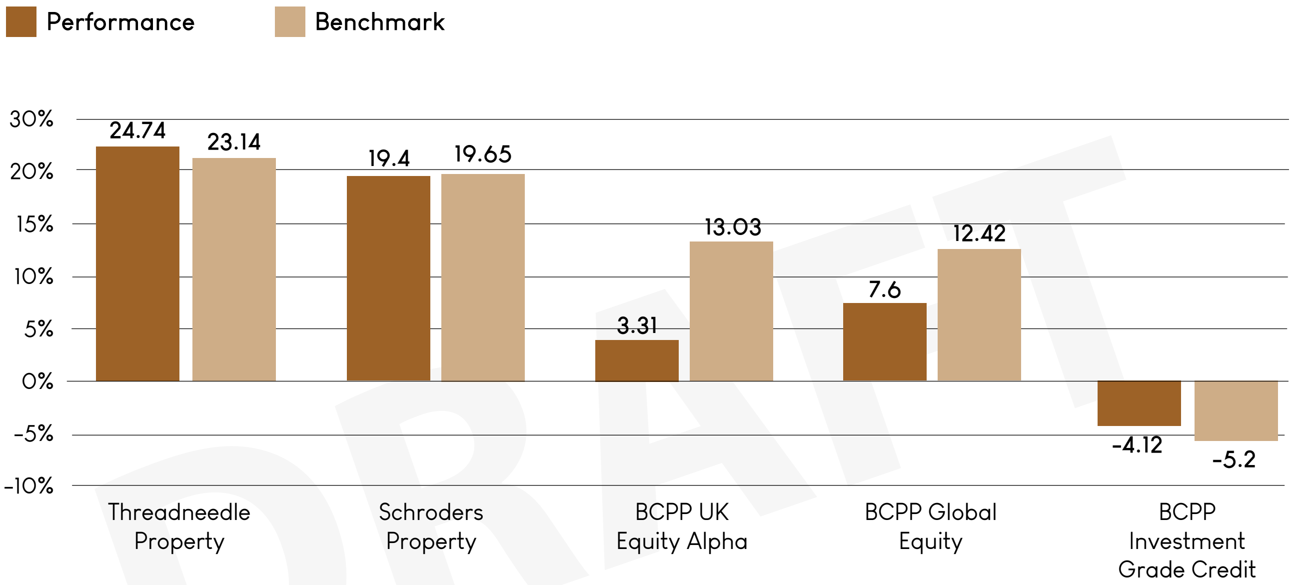
Top Ten Holdings at 31 March 2021

	Security Description	£ Millions
1	BORDER TO COAST GLOBAL EQUITY ALPHA (global equities)	378.0
2	LEGAL & GENERAL FTSE RAFI 3000 ALL WORLD INDEX (UK equities)	302.8
3	BORDER TO COAST UK LISTED ALPHA FUND (UK equities)	295.7
4	BORDER TO COAST MULTI ASSET CREDIT FUND (fixed income lending)	250.8
5	BORDER TO COAST INVESTMENT GRADE CREDIT FUND (fixed income lending)	171.7
6	LEGAL & GENERAL EUROPE(EX UK) EQUITY INDEX (European equities)	150.9
7	LEGAL & GENERAL UK EQUITY INDEX (UK equities)	146.7
8	THREADNEEDLE PROPERTY FUND (property)	145.8
9	LEGAL & GENERAL INDEX LINKED GILT INDEX (government bonds)	130.4
10	LEGAL & GENERAL CORPORATE BOND FUND INDEX (corporate bonds)	56.4

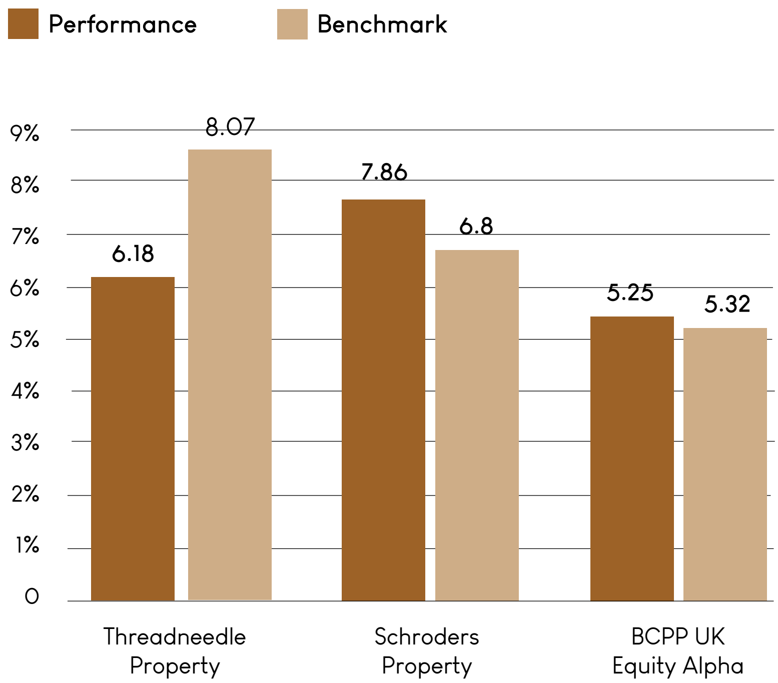
Total Fund Value since January 2018



Fund Manager Performance for the year ending 31 March 2022



Fund Manager Performance for year ending 31 March 2022



Investment Strategy Statement

1. Introduction and background

This is the Investment Strategy Statement ("ISS") of the Warwickshire Pension Fund ("the Fund"), which is administered by Warwickshire County Council, ("the Administering Authority"). The ISS is made in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 ("the Regulations").

The ISS has been prepared by the Fund's Investment Sub Committee ("the Committee") having taken advice from the Fund's investment adviser, Hymans Robertson LLP. The Committee acts on the delegated authority of the Administering Authority.

The ISS, which was approved by the Committee on 8 March 2021, is subject to periodic review at least every three years and without delay after any significant change in investment policy. The Committee has consulted on the contents of the Fund's investment strategy with such persons it considers appropriate.

The Committee seeks to invest in accordance with the ISS any Fund money that is not immediately required to make payments from the Fund. The ISS should be read in conjunction with the Fund's Funding Strategy Statement, Responsible Investment and Climate Risk policies.

2. The suitability of particular investments and types of investments

The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death for their dependants, on a defined benefits basis. The funding position will be reviewed at each triennial actuarial valuation, or more frequently as required.

The Committee aims to fund the Fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund's assets and that an appropriate level of contributions is agreed by the employers to meet the cost of future benefits accruing. For employee members, benefits will be based on service completed but will take account of future salary and/or inflation increases.

The Committee has translated its objectives into a suitable strategic asset allocation ("SAA") benchmark for the Fund. This benchmark is consistent with the Committee's views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk and the nature of the Fund's liabilities.

The broad approach that the Fund has taken to setting an appropriate investment strategy is as follows:

- In order to generate attractive long term returns on the portfolio, a proportion of the investments will be in growth assets such as equities.
- To help diversify equity risk and assist with cash flow, a proportion of the investments will also be in income assets, such as property and infrastructure, which are structured to deliver both capital growth and a regular income stream.
- To reduce the volatility of the Fund, and to help protect its capital value, the remaining portfolio will be invested in risk diversifying assets which are lower risk and have a low correlation with other growth markets.
- The Fund will maintain a sufficient level of liquidity in the investment portfolio such that it can facilitate the normal cash flow requirements of the scheme, such as paying pensions, without becoming a forced seller of assets.

It is intended that the Fund's investment strategy will be reviewed at least every three years following actuarial valuations of the Fund.

In 2019, the Fund carried out an asset liability modelling exercise in conjunction with the 2019 actuarial valuation. The Fund's liability data from the valuation was used in the modelling, and the implications of adopting a range of alternative contribution and investment strategies were assessed. The implications for the future evolution of the Fund was considered under a wide range of different scenarios.

The Committee assessed the likelihood of achieving their long term funding target – which was defined at that time as achieving a fully funded position within the next 19 years. They also considered the level of downside risk associated with different strategies by identifying the impact on funding levels of a range of adverse economic/market scenarios.

A summary of the expected returns and volatility for each asset class included in the modelling from 2019 is included in Appendix 1.

This approach helps to ensure that the investment strategy takes due account of the maturity profile of the Fund (in terms of the relative proportions of liabilities in respect of pensioners, deferred and active members), together with the level of disclosed surplus or deficit (relative to the funding bases used).

It is intended that a 'sense-check' of the current investment strategy will be carried out in 2021 to ensure that the strategy remains suitable in the current economic climate.

It is anticipated that a further detailed review of the investment strategy will be carried out during 2022/23 in conjunction with the then proximate actuarial valuation.

In addition, the Committee monitors the investment strategy on an ongoing basis, focusing on factors including, but not limited to:

- Suitability given the Fund's level of funding and liability profile
- The level of expected risk
- Outlook for asset returns
- Environmental, Social and Governance ("ESG") factors

The Committee also monitors the Fund's actual allocation on a regular basis to ensure it does not deviate inappropriately from the target allocation. The Committee has set ranges around the strategic asset allocation and will seek advice on re-balancing the portfolio if any individual asset class moves outside its agreed range.

3. Investment of money in a wide variety of asset classes

The Fund may invest in quoted and unquoted securities of UK and overseas markets including listed and private equities, fixed interest and index linked bonds issued by corporations and governments, loans, property, infrastructure, alternative credit and cash either directly or through pooled funds. The Fund may also make use of other derivatives either directly or in pooled funds, investing in these products for the purpose of efficient portfolio management or to hedge specific risks. Underlying investment managers may also use derivatives for other purposes such as leverage or to manage specific risks.

The Committee reviews the nature of Fund investments on a regular basis, with particular reference to suitability and diversification. The Committee seeks and considers written advice from a suitably qualified person in undertaking such a review. If, at any time, investment in a security or product not previously known to the Committee is proposed, appropriate advice is sought and considered to ensure its suitability and diversification.

The Fund's current investment strategy is set out below. The table also includes the control ranges agreed for re-balancing purposes and therefore the maximum percentage of total Fund assets that it will invest in these asset classes. In addition, the Committee have agreed a new long term strategic target asset allocation, reflecting the likely 'direction of travel' between now and the next actuarial valuation, the Fund will take incremental steps in implementing this strategy as suitable investment opportunities become available.

In line with the Regulations, the authority's investment strategy does not permit more than 5% of the total value of all investments of Fund money to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007. The Fund is open to considering local impact investing opportunities but any investments must be congruent with and support the overall investment objectives of the Fund.

Asset class	Current Target Asset Allocation (%)	Asset Allocation Range (%)	Target Allocation (%)
UK equities	16.0	+/-2.5	13.0
Overseas equities	25.5	+/-2.5	21.5
Fundamental global equity*	10.0	+/-2.5	10.0
Private equity	4.0	n/a	4.0
Total Growth	**58.5**		**48.5**
Property	10.0	n/a	12.5
Infrastructure	7.0	n/a	7.0
Private debt	5.0	n/a	7.0
Alternative Credit	7.5	n/a	10.0
Total Income	**29.5**		**36.5**
UK corporate bonds	10.0	+/-1.5	10.0
UK index linked bonds	5.0	+/-5.0	5.0
Total Protection	**15.0**		**15.0**
Total	**100.0**		**100.0**

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

4. Restrictions on investments

The Regulations have removed the previous restrictions that applied under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The Committee's approach to setting its investment strategy and assessing the suitability of different types of investment takes account of the various risks involved and a re-balancing policy is applied to maintain the asset split close to the agreed asset allocation target. Therefore it is not felt necessary to set additional restrictions on investments. local impact investing opportunities but any investments must be congruent with and support the overall investment objectives of the Fund.

5. Managers

The Committee has appointed a number of investment managers all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business.

The Committee, after seeking appropriate investment advice, has agreed specific benchmarks with each manager so that, in aggregate, they are consistent with the overall asset allocation for the Fund. The Fund's investment managers will hold a mix of investments which reflects their views relative to their respective benchmarks. Within each major market and asset class, the managers will maintain diversified portfolios through direct investment or pooled vehicles. The manager of the passive funds in which the Fund invests holds a mix of investments within each pooled fund that reflects that of their respective benchmark indices.

The individual investment manager mandates in which the Fund assets are currently invested are as follows:-

Investment Manager	Asset Class	Investment style
Legal and General	Equities/Bonds	Passive pooled
Legal and General	Fundamental Global Equity	Passive pooled
Border to Coast Pensions Partnership (BCPP)	UK Equities, Global Equities, Investment Grade Credit	Active pooled
Border to Coast Pensions Partnership Alternatives	Private Equity, Private Debt, Infrastructure	Active Fund of Funds
Schroders	UK Property	Active Fund of Funds
Threadneedle	UK Property	Active Direct Fund
Alcentra	Private Debt	Active Direct Fund
Partners Group	Private Debt	Active Direct Fund
JP Morgan	Bonds	Active pooled
Harbourvest	Private Equity	Fund of Funds
Standard Life	Infrastructure	Active Direct Fund
Partners Group	Infrastructure	Active Fund of Funds/Direct

6. The approach to risk, including the ways in which risks are to be measured and managed

The Committee is aware that the Fund has a need to take risk (e.g. investing in growth assets) to help it achieve its funding objectives. It has an active risk management programme in place that aims to help it identify the risks being taken and put in place processes to manage, measure, monitor and (where possible) mitigate the risks being taken. One of the Committee's overarching beliefs is to only take as much investment risk as is necessary to achieve its objectives.

The principal risks affecting the Fund are set out below. We also discuss the Fund's approach to managing these risks and the contingency plans that are in place.

7. Funding risks

- Financial mismatch – The risk that Fund assets fail to grow in line with the developing cost of meeting the liabilities.
- Changing demographics – The risk that longevity improves and other demographic factors change, increasing the cost of Fund benefits.
- Systemic risk - The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the Fund's liabilities.
- Employer risk – The risk that employers cannot pay the required contributions either because employer financial viability reduces or because contribution requirements increase too quickly or too far.

The Committee measures and manages financial mismatch in two ways. As indicated above, the Committee has set a strategic asset allocation benchmark for the Fund. This benchmark was set taking into account asset liability modelling which focused on probability of success and level of downside risk. The Committee assesses risk relative to the strategic benchmark by monitoring the Fund's asset allocation and investment returns relative to the benchmark. The Committee also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

The Committee also seeks to understand the assumptions used in any analysis and modelling so they can be compared to their own views and the level of risks associated with these assumptions to be assessed.

The Committee seeks to mitigate systemic risk through a diversified portfolio but it is not possible to make specific provision for all possible eventualities that may arise under this heading.

The Investment Strategy is complementary with the Fund's Funding Strategy and a managed approach to exposure to investment risk is taken in order to mitigate employer contribution volatility and to keep employer contribution levels manageable.

8. Asset risks

- Concentration - The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.
- Illiquidity - The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets.
- Market risk – the risk that the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and Alternatives, whether held directly or in a pooled or collective investment vehicle. Further, investments in developing or emerging markets may be more volatile and less marketable than in mature markets.
- Rate/duration risk – the risk that changes to rates on government bonds impact the value of the Fund's liabilities and hence the funding level.
- Counterparty risk - The possibility of default of a counterparty in meeting its obligations, e.g. a property tenant defaulting on rental payments.
- Currency risk – The risk that the currency of the Fund's assets underperforms relative to Sterling (i.e. the currency of the liabilities).
- Real asset values – the extent to which estimated values placed on real assets are over or under valued.
- Environmental, Social and Governance ("ESG") risks – the extent to which ESG issues are not reflected in asset prices and/or not considered in investment decision making leading to underperformance relative to expectations.
- Climate risk - The extent to which climate change causes a material deterioration in asset values as a consequence of factors including but not limited to policy change, physical impacts and the expected transition to a low-carbon economy.
- Manager underperformance - The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.

The Committee measure and manage asset risks as follows.

The Fund's strategic asset allocation benchmark invests in a diversified range of asset classes. The Committee has put in place re-balancing arrangements to ensure the Fund's actual allocation does not deviate substantially from its target. The Fund invests in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, help reduce the Fund's asset concentration risk. By investing across a range of assets, including liquid quoted equities and bonds, as well as property and other income assets, the Committee has recognised the need for access to liquidity in the short term.

The Fund invests in a range of overseas markets which provides a diversified approach to currency markets; the Committee also assess the Fund's currency risk during their risk analysis. Details of the Fund's approach to managing ESG risks is set out later in this document.

The Committee has considered the risk of underperformance by any single investment manager and has attempted to reduce this risk by appointing more than one manager and having a proportion of the Scheme's assets managed on a passive basis. BCPP use a multi-manager process for it's UK Equity, Global Equity and Corporate Bond funds.

The Committee assess the Fund's managers' performances on a regular basis, and will take steps, including potentially replacing one or more of their managers, if underperformance persists.

9. Other provider risk

- Transition risk - The risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the Committee seeks suitable professional advice.
- Custody risk - The risk of losing economic rights to Fund assets, when held in custody or when being traded.
- Credit default - The possibility of default of a counterparty in meeting its obligations.
- Stock-lending – The possibility of default and loss of economic rights to Fund assets.

The Committee monitors and manages risks in these areas through a process of regular scrutiny of its providers, and audit of the operations it conducts for the Fund, or has delegated such monitoring and management of risk to the appointed investment managers as appropriate (e.g. custody risk in relation to pooled funds). The Committee has the power to replace a provider should serious concerns exist. A separate schedule of risks that the Fund monitors is set out in the Fund's Funding Strategy Statement.

10. The approach to pooling investments, including the use of collective investment vehicles and shared services

The Fund is a participating scheme in the Border to Coast Pensions Partnership (BCPP). The proposed structure and basis on which the BCPP pool will operate was set out in the July 2016 submission to Government.

11. Assets to be invested in the Pool

The Fund's intention is to invest its assets through the BCPP pool as and when suitable investment solutions become available. An indicative timetable for investing through the Pool was set out in the July 2016 submission to Government. The key criteria for assessment of Pool solutions will be as follows:

1 That the Pool enables access to an appropriate solution that meets the objectives and benchmark criteria set by the Fund.

2 That there is financial benefit to the Fund in investing in the solution offered by the Pool.

BCPP launched their first sub-funds in 2018 and there is a timetable in place covering the proposed fund launches over the coming years. The Fund has invested assets in the UK Equity Alpha fund, the Global Equity Alpha fund, the Investment Grade Credit fund and the Alternatives sub-funds (private equity, infrastructure and private debt).

The Fund is intending to retain the following assets outside of the BCPP pool:

- Passive investments with Legal and General are currently held through life policies and these will continue to be directly held by the Fund. However, the Fund benefits from fee savings through joint fee negotiations with other partner funds within BCPP.
- The Fund has investments in a number of closed end funds as part of its private markets programme. These funds invest in underlying private equity, private debt and infrastructure investments. Each of the individual funds has a fixed life with all assets being returned to investors within a specified period. There is no liquid secondary market for these types of investment – and there is a risk that sales would only be possible at material discounts to net asset value. Therefore, the Committee believes that it is in the best interests of the Fund to retain these investments. However, new allocations to these asset classes have been and will continue to be made through BCPP.

The Fund also retains the option to undertake local impact investing either outside of the pool or inside the pool as best meets Fund objectives.

Any assets which are not invested in the BCPP pool will be reviewed at least every three years to determine whether the rationale remains appropriate, and whether it continues to demonstrate value for money. The next such review will take place no later than 2023.

12. Structure and governance of the BCPP Pool

The July 2016 submission to Government of the BCPP Pool provided a statement addressing the structure and governance of the Pool, the mechanisms by which the Fund can hold the Pool to account and the services that will be shared or jointly procured. Government approved this approach on 12 December 2016.

A Financial Conduct Authority (FCA) regulated company has been established to manage the assets of BCPP Funds. The Board of Directors for the new company has been appointed and a senior management team put in place. Based on legal advice describing the options on holding shares in this company, BCPP Limited, the Fund holds all voting and non-voting shares rather than the Council. This is because the purpose of the company is to meet the needs of the BCPP Funds in complying with the regulations on pooling, rather than for a Council specific purpose.

Some sub-funds in which the Fund invests, such as Private Debt, are managed by Border to Coast Pensions Partnership Limited, which is set up as the authorised contractual scheme manager of an Authorised Contractual Scheme ("ACS"), and constituted as a Qualified Investor Scheme. These ACS structures are approved and regulated by the FCA. Oversight of the company is carried out by a Joint Governance Committee comprising representatives of each of the participating pension funds.

As the Pool develops, the Fund will include further information in future iterations of the ISS.

13. ESG Policy: How social, environmental or corporate governance (ESG) considerations are taken into account in the selection, non-selection, retention and realisation of investments

It is recognised that ESG factors, including climate change, are financially material to the Fund's investments at all stages of the investment process as they have the potential to significantly affect long term investment performance and the ability to achieve long term sustainable returns. The Committee considers the Fund's approach to responsible investment in two key areas:

- Sustainable investment / ESG factors – considering the financial impact of environmental, social and governance (ESG) factors into account in investment decision making.
- Stewardship and governance – acting as responsible and active investors/owners, through considered voting of shares, and engaging with investee company management as part of the investment process.

The Committee takes ESG matters, including climate change, seriously and regularly reviews its policies in this area and its investment managers' approach to ESG.

The Fund believes in collective engagement and is a member of the Local Authority Pension Fund Forum (LAPFF), through which it collectively exercises a voice across a range of corporate governance issues. The Fund will also engage collectively with partner funds through its relationship with BCPP.

The Fund has developed a separate more in-depth Responsible Investment Policy and Climate Risk Policy. These policies can both be found on the Fund's website. They outline how the Fund implements, monitors and discloses its approach to ESG related risks.

In Q1 2021, the Committee and officers undertook a dedicated training session on the risks climate change poses to the Fund. This included climate change scenario modelling which aimed to illustrate how the Fund's funding position could be impacted in the future by climate and ESG risks under a variety of scenarios. The Fund aims to take further action with regards to ESG governance and oversight, in conjunction with BCPP. Work is expected to include; ESG reporting, carbon footprinting, and setting measureable metrics and targets for driving change.

Investments made via BCPP are subject to its responsible investment policies that can be found here:

https://www.bordertocoast.org.uk/?dlm_download_category=download-responsibleinvestment-policy

The Committee maintains a set of Investment Guiding Principles and ESG beliefs which are set out in Appendix 3. It is intended that these principles and beliefs are further reviewed in 2021.

The Committee has reviewed BCPP's responsible investment policies and is satisfied they are consistent with the Fund's own policies. The Fund will regularly monitor BCPP's responsible investment policies and actively engage with the pool to facilitate change as required.

Historically the Fund's approach to Social investments has largely been to delegate this to their underlying investment managers as part of their overall ESG duties. The Fund's managers reported on this matter as part of the Fund's annual ESG review.

The Fund does not currently hold any assets which it deems to be social investments.

14. The exercise of rights (including voting rights) attaching to investments Voting rights

The Committee have approved its own voting policy with the objective of preserving and enhancing long term shareholder value.

Historically the Fund actively voted on the Fund's segregated equity holdings through a voting platform. The Funds segregated equities have now been transitioned into BCPP equity pooled funds. As a result, BCPP vote on behalf of the Fund in line with the BCPP voting and engagement policy. The BCPP voting and engagement policy has been reviewed by the Committee.

The funds past voting record can be found here:

http://www.warwickshire.gov.uk/pensionstatement

The voting record of assets invested via BCPP can be found on its website here:

https://www.bordertocoast.org.uk/sustainability/

Details of the Fund's managers' voting activity is reported to Committee on a quarterly basis and both the Fund and BCPP's voting policies, are reviewed on a regular basis.

15. Stewardship

As at March 2021 the Fund is a signatory to the UK Stewardship Code 2012 as published by the Financial Reporting Council. An enhanced UK Stewardship Code 2020 took effect on 1 January 2020. The Fund intends to become a signatory to the new code, and is working with BCPP and other partner funds to prepare a submission for approval by the end of 2021.

Under the UK Stewardship Code 2012, the Fund and BCPP were rated as tier 1 signatories. A copy of the Fund's statement of compliance with the UK Stewardship Code 2012 can be found in Appendix 2. This will be updated following submission to the FRC for approval to become signatories to the new 2020 code.

16. Appendices

Appendix 1 – Expected returns

Appendix 2 – Statement of compliance with UK Stewardship Code 2012

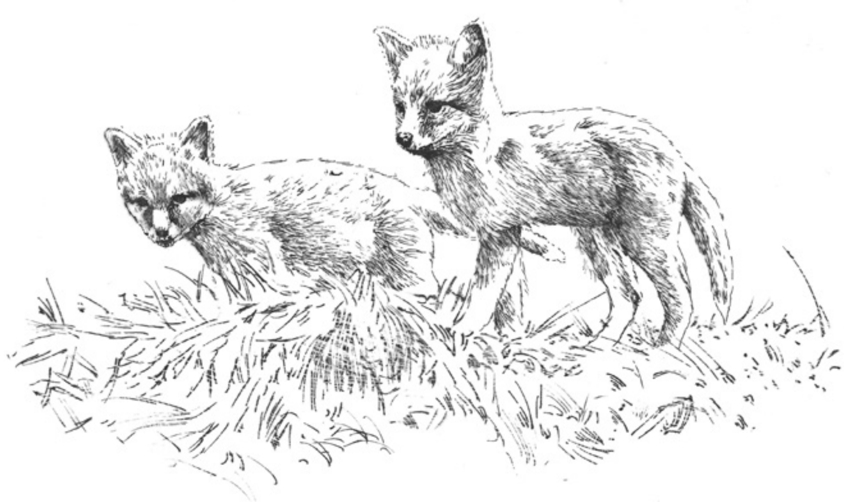
Appendix 3 – Investment Guiding Principles

Appendix 1

Expected returns and volotiles

The table below shows the absolute expected returns (20 year geometric averages), net of fees, and the absolute volatilities (first year's standard deviations) used in the 2019 investment strategy review and asset liability modelling.

Asset Class	Expected return % p.a.	Volatility
UK Equities	5.9	17
Overseas Equities	6.0	18
Private Equity	7.0	28
UK Property	4.5	14
Corporate Bonds	1.9	10
Fixed Interest Gilts	1.2	10
Index Linked Gilts	0.5	7



Appendix 2

Statement of compliance with UK Stewardship Code 2012

BCPP has become the manager for an increasing proportion of the Fund's investments and as a result has taken on responsibility for engagement with and monitoring of those investments and the underlying managers. All the active equity holdings of the Fund are now managed via BCPP.

BCPP have developed their own statement and appointed their own Head of Responsible Investing and Voting. BCPP's compliance statement can be found at:

https://www.bordertocoast.org.uk/sustainability/

The Fund's compliance statement to the UK Stewardship Code 2012 is given below. The FRC does not require 2012 Code signatories to update their statements, 2012 Code signatories are expected to focus on meeting the 2020 Code principles.

Principle 1	
Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.	The Fund has a long-standing commitment to responsible share ownership. The Fund views effective stewardship as an integral part of share ownership and therefore of the investment code, and requires the same commitment from its fund managers and the Border to Coast Pensions Partnership ("BCPP"). The practical application of the Fund's policy is achieved through a combination of activities including, but not limited to: dialogue and liaison with fund managers and BCPP on key issues and through membership of the Local Authority Pension Fund Forum (LAPFF). In addition to this Stewardship Code Statement, the Fund maintains an Investment Strategy Statement (ISS) and separate Responsible Investment and Climate Risk policies which explains the Committee's investment beliefs in more detail. These are made available on a public facing website. The Fund has a responsibility to its membership to regularly engage with fund managers including the BCPP on their stewardship and it forms part of their presentation(s) to the Fund subcommittee. Warwickshire Pension Fund believe that well managed companies provide long term value creation to the Fund and that the Fund's stakeholders will be beneficiaries, as strong investment returns improve the Fund's overall funding level which acts favourably in terms of employer contribution rates.

Principle 2

Institutional investors should have a robust policy on managing confiicts of interest in relation to stewardship and this policy should be publicly disclosed.	The Fund encourages fund managers to have effective policies addressing potential confiicts of interest. In respect of confiicts of interest within the Fund, Investment Sub-Committee members are required to make declarations of interest prior to each quarterly meeting. External managers are assessed on potential confiicts of interests and their written policies at the evaluation and appointment stage. BCPP will be responsible for monitoring and appointing investment managers in the future and the Committee will periodically review BCPP's selection process and confiict management policies. Subsequent monitoring is undertaken by the Fund's investment consultant, independent advisor and BCPP where appropriate to protect the Fund's interests.

Principle 3

Institutional investors should monitor their investee companies.	Day-to-day responsibility for managing the Fund's investments is delegated to Legal and General and BCPP. The Committee consider its investment managers to be best placed to engage with investee company management. This is due to the Fund being constrained in what decisions are available to them within pooled funds, as well as the resources and existing relationships with investee companies that are available to the Fund's investment managers. The Fund expects fund managers to incorporate responsible investment and stewardship issues into their regular reporting. This will include information on voting and engagement, as well as any actions they are taking in assessing and managing Environmental Social and Governance-related ("ESG") risks in relation to their mandates. The Fund is actively engaging with its managers to improve stewardship reporting. The Fund expects its managers to intervene where necessary, and report back regularly on activity undertaken. The Fund has regular meetings with its managers and BCPP and will assess their effectiveness in their monitoring in investee companies as part of formal portfolio reviews either amongst Fund officers or the investment sub-committee.

Principle 4	
Institutional investors should establish clear guidelines on where and how they will escalate their stewardship activities.	Responsibility for day-to-day interaction with companies is delegated to the Fund's fund managers and BCPP, including the escalation of engagement when necessary. The Fund expects managers to disclose their policies and procedures for escalation in their own Stewardship Code statement. However, the Fund could escalate through LAPFF by supporting a shareholder resolution. The Fund's investment managers can escalate through engagement with the company management team, collaboration with other institutional shareholders, filing shareholder resolutions or ultimately selling the holding of company shares. Ultimately the fund manager will seek to add value to their clients through improved company share performance following such escalation.

Principle 5	
Institutional investors should be willing to act collectively with other investors where appropriate.	The Fund seeks to work collaboratively with like-minded institutional shareholders in order to maximise the influence that it can have on individual companies and would engage if it was felt that the Fund and the wider Local Government Pension Scheme would benefit. This is achieved in a variety of ways including through our membership of the LAPFF and ad-hoc initiatives proposed by our fund managers or other advisors. The Fund's contact for any such issues is: Pensions and Investment Manager Finance Service Resources Directorate Tel: 01926 412227 Email: wpfinvestments@warwickshire.gov.uk

Principle 6	
Institutional investors should have a clear policy on voting and disclosure of voting activity.	The Fund's Investment managers will be expected to act as responsible and active owners through considered voting of shares, and engagement with company management when required. Engagement by its investment managers with investee companies on ESG issues to positively influence company behaviour and enhance shareholder value is strongly encouraged. The Fund no longer directly holds any equity assets. Since transitioning its segregated equity portfolios into BCPP the Fund's equity assets are entirely held within pooled funds. All voting activity is therefore delegated to its managers and BCPP. However, the fund has reviewed its managers voting policies and is satisfied they are consistent with the Fund's own views. The Fund will regularly monitor its managers voting polices and actively engage with them and BCPP to facilitate change as required. Historic Fund voting records can be found at: **http://www.warwickshire.gov.uk/pensionstatement** The BCPP voting records can be found at: **https://www.bordertocoast.org.uk/sustainability/** The Fund does take part in stock lending through its global custodian (Bank of New York Mellon). Stock is not routinely recalled in the event of a company meeting. BCPP permits stock lending in their active mandates. The manager of pooled funds may undertake a certain amount of stock lending on behalf of unitholders in the Fund. If a pooled fund engages in this activity, the extent to which it does so is disclosed by the manager. The Fund has no direct control over stock lending in pooled funds.

Principle 7	
Institutional investors should report periodically on their stewardship and voting activities.	The Fund reports annually on stewardship activity undertaken during the year in the report and accounts and a presentation is given to members who have the opportunity to ask questions about the Fund's stewardship activities. Details of voting activity is also included in the Fund's quarterly investment report produced by the Officers. In the event of significant engagements through any given year the voting activity of the Fund's managers will be made available with voting records published on the Fund's website for the benefit of the Fund's membership.

Appendix 3

Investment Guiding Principals

The Fund adopts the following principles when considering investments and investment strategy.

1. The Pension Fund is a long term vehicle which must be sustainable in generating investment returns to pay pensions for scheme members.
2. It is appropriate to take a long term view when setting the investment strategy though the impact of short term volatility is also considered.
3. Strategic asset allocation is the most important component of decision making as it is here that the optimum risk and return profile is designed and monitored.
4. The Fund's high level investment strategy and asset allocation should be set by using asset liability modelling in conjunction with each actuarial valuation.
5. Appropriate diversification reduces the overall level of dependence on any particular market or asset class and helps manage volatility, particularly in respect of equity markets.
6. Effective governance not only ensures appropriate levels of control over the fund but can add value through correct resourcing and improved decision making.
7. Responsible ownership of companies benefits long term asset owners.
8. A balance of passive and active equity investment will, over the course of a market cycle provide the best mix of performance, diversification and cost.
9. Foreign currency exposure is part of managing a global portfolio of investments. There is no strategic hedging of currency exposure from volatile asset classes such as equities as the fund believes this to be of limited benefit to long term investment returns.
10. Investors are rewarded for illiquidity in private markets. Future liquidity needs must be assessed at each review of asset allocation combined with cash flow projections from the fund actuary.
11. There is a long term risk premium to be earned for investing in equities, credit and property relative to gilts.
12. Fees and costs incurred within investment manager mandates are important though the focus is on achieving the best returns net of fees.
13. The performance of any active managers should be assessed over suitably long periods.
14. Staff and members of the Pension Fund Investment Sub-Committee must have the correct level of skills and investment knowledge to understand the level of risk in the investment portfolio.
15. External advice from independent advisors and an investment consultant helps planning, risk management and decision making.
16. Pooling presents an opportunity to access best in class investments at a lower cost. Such opportunities should always be assessed alongside the strategic asset allocation of the fund for suitability.
17. The fund will work closely with BCPP who will be engaging with companies on the Fund's behalf on ESG issues and exercise its voting rights at company meetings.

ESG Investment Beliefs

18. As the Fund invests for the long-term, environmental, social and governance ("ESG") factors are expected to have a bearing on the Fund's expected levels of risk and return. The Fund's investment managers are therefore expected to embed ESG factors into their investment process and decision making.
19. The Committee should focus on meeting its financial obligations to pay benefits to members.
20. Long-term sustainable investment returns are an important consideration, even to the extent that the sustainability of returns extends beyond the expected investment horizon of the Committee.

21. The Committee believes there will be opportunities for investments which support and benefit from the transition to a low carbon economy, and will seek out these opportunities for the Fund.

22. Climate change and the expected transition to a low carbon economy is a long term financial risk to Fund outcomes and is considered to be part of our fiduciary duty.

23. The Committee believe that, in relation to ESG risks, ongoing engagement with investee companies is preferable to divestment. This engagement will be carried out by our managers or alongside other investors (e.g. LAPFF).

24. Where, over a considered period, however, there is no evidence of a company making visible progress towards carbon reduction, we believe that divestment should be actively considered.

25. The Fund's Investment managers' approach to Responsible Investment, including the integration of ESG into investment decision making and the use of engagement, must be assessed and monitored. This includes ongoing monitoring of the BCPP.

26. Responsible ownership of companies benefits long term asset owners. Asset owners, fund managers, and companies with a clear responsible investment policy are expected to outperform companies without a responsible investment policy, over the longer term.

27. The Fund's Investment managers should act as responsible and active owners through considered voting of shares, and engagement with company management when required. Engagement by its investment managers with investee companies on ESG issues to positively influence company behaviour and enhance shareholder value is strongly encouraged.

28. Passive and active managers should actively engage with companies and comply with the Financial Reporting Council's Stewardship Code.

Responsible Investment and Climate Policy

Resonsible Investment Policy

Objectives

The Committee recognise that the primary goal of the Fund is to be a long-term investor that aims to deliver a sustainable pension fund to its members. This goal should ensure that it is affordable and delivers financially to meet the objectives of the Fund employers.

The Committee recognise that responsible investment and Environmental, Social and Governance considerations ("ESG") pose a financially material risk as well as an opportunity to the Fund. These considerations are relevant when it comes to the manner in which the assets are invested and in exercising of stewardship responsibilities.

As part of the 2019 investment strategy review, the Committee agreed a set of responsible investment principles which have been added to the Committee's broader investment principles in the Fund's Investment Strategy Statement. These principles strengthened the Committee's position in regard to ESG factors and provide a framework for their engagement with their Fund managers and for investment decision making (these principles are detailed in full in the appendix).

The Committee considers the Fund's approach to responsible investment in two key areas:

1. Sustainable investment / ESG factors – considering the financial impact of environmental, social and governance factors on its investments.
2. Effective Stewardship – acting as responsible and active investors/owners, through considered voting of shares, and engaging with investee company management as part of the investment process.

The Committee expect the Fund's investment managers including the Border to Coast Pensions Partnership ("BCPP") to embed ESG factors into their investment process and decision making, with a focus on long-term sustainable returns.

The Committee has reviewed BCPP's responsible investment policies in relation to its own views and has satisfied itself that the principles underlying both are similar. The Committee will regularly monitor BCPP's responsible investment policies and actively engage with the pool to facilitate change as required.

Integration

The Committee recognise that Responsible Investment ("RI") considerations can be integrated into all stages of the investment decision-making process and have the potential to significantly affect long term investment performance and the ability to achieve long-term sustainable returns.

The Fund's Investment managers will be expected to act as responsible and active owners through considered voting of shares, and engagement with company management when required. Engagement by its investment managers with investee companies on ESG issues to positively influence company behaviour and enhance shareholder value is strongly encouraged.

The Committee will consider opportunities arising from a greater understanding of RI factors when setting its investment structure. However, these opportunities will be assessed with regard to the risk/return requirements of the Fund.

The Fund will incorporate RI and ESG considerations into its selection process for new investment managers. Potential managers' approaches to responsible investment and the extent to which they incorporate ESG issues into their investment processes will be a factor in the Committee's decision making.

The Committee will undertake regular formal training sessions that will include focused responsible investment training. This training will be sought from the Committee's investment advisors, investment managers, the Border to Coast Pensions Partnership, external specialists and/or other engaged pension funds to provide exposure to a range of opinions and approaches to effective governance.

The Committee recognises that climate change represents a risk which warrants more detailed scrutiny given the wide range of impacts on financial, economic and demographic outcomes and thus has drafted a separate Climate Risk policy.

Engagement

The Committee recognise that they can influence the behaviour and practices of their investment managers with regard to stewardship through engagement, even where assets are invested through pooled funds such as those offered by Border to Coast Pensions Partnership. The

Committee believe that all engagements should have a clearly defined objective.

The Fund aims to achieve engagement through regular meetings with investment managers, with managers expected to address RI matters as part of these meetings. Managers will be challenged on their approach where this is not aligned to the Fund's RI and Climate Risk policies.

The Committee believe that successful engagement with its investment managers is preferable to divestment. The Committee is supportive of collaboration to achieve better engagement, as evidenced by the Fund's membership of the Local Authority Pension Fund Forum ("LAPFF"), through which it collectively exercises a voice across a range of corporate governance issues. Where, over a considered period, there is no evidence of a company responding to engagement, divestment may be considered.

The Committee consider its investment managers to be best placed to engage with investee company management. This is due to the Fund being constrained in what decisions are available to them within pooled funds, as well as the resources and existing relationships with investee companies that are available to the Fund's investment managers.

However, the Committee acknowledges that it can work with other Local Government Pension Scheme Funds within Border to Coast to enhance the level of engagement both with external managers and the underlying companies in which it invests.

The Committee expects passive and active managers to actively engage with companies and be signatories to the Financial Regulatory Council's UK Stewardship Code.

The Committee believe that their investment managers should be able to demonstrate the reasoning behind any engagement activity, the objectives of the engagement activity, the approach taken to achieve the objectives, the timeframe over which the engagement is expected to take place and the consequences should engagement be unsuccessful.

Monitoring

The Fund expects its investment managers to incorporate RI issues into their regular reporting. This will include information on voting and engagement, as well as any actions they are taking in assessing and managing ESG-related risks in relation to their mandates.

The Fund expects investment managers to provide them with regular statements on their corporate governance and voting policy.

The Fund will continue to monitor its investment managers, including BCPP, commitments and policies in this area to ensure that their investment process aligns with the Fund's RI and Climate Risk polices.

The Fund's investment managers are expected to report on the objectives of engagement activities, along with the consequent success or failure of any actions taken on, at least, an annual basis.

The Committee expects its investment consultant to provide input and analysis to assist the Committee in assessing their managers' performance on engagement activities.

The Committee will monitor the investment managers compliance with the UK Stewardship Code.

Disclosure

The Fund will report on its Stewardship and Governance activities, including voting and engagement undertaken on behalf of the Fund.

Both this policy and the Fund's Climate Risk Policy will be reviewed and updated regularly.

The Fund is committed to being transparent and accountable in terms of its responsible investment performance. As such the Fund will publish its RI and Climate Risk Policies online.

Funding Strategy Statement

1. Introduction

1.1 What is this document?

This is the Funding Strategy Statement (FSS) of the Warwickshire Pension Fund ("the Fund"), which is administered by Warwickshire County Council, ("the Administering Authority").

It has been prepared by the Administering Authority in collaboration with the Fund's actuary, Hymans Robertson LLP, and after consultation with the Fund's employers and investment adviser. It is effective from March 2020.

1.2 What is the Warwickshire Pension Fund?

The Fund is part of the national Local Government Pension Scheme (LGPS). The LGPS was set up by the UK Government to provide retirement and death benefits for local government employees, and those employed in similar or related bodies, across the whole of the UK. The Administering Authority runs the Fund, in effect the LGPS for the Warwickshire area, to make sure it:

- receives the proper amount of contributions from employees and employers, and any transfer payments;
- invests the contributions appropriately, with the aim that the Fund's assets grow over time with investment income and capital growth; and
- uses the assets to pay Fund benefits to the members (as and when they retire, for the rest of their lives), and to their dependants (as and when members die), as defined in the LGPS Regulations. Assets are also used to pay transfer values and administration costs.

The roles and responsibilities of the key parties involved in the management of the Fund are summarised in Appendix B.

1.3 Why does the Fund need a Funding Strategy Statement?

Employees' benefits are guaranteed by the LGPS Regulations, and do not change with market values or employer contributions. Investment returns will help pay for some of the benefits, but probably not all, and certainly with no guarantee. Employees' contributions are fixed in those Regulations also, at a level which covers only part of the cost of the benefits.

Therefore, employers need to pay the balance of the cost of delivering the benefits to members and their dependants.

The FSS focuses on how employer liabilities are measured, the pace at which these liabilities are funded, and how employers or pools of employers pay for their own liabilities. This statement sets out how the Administering Authority has balanced the confiicting aims of:

- affordability of employer contributions,
- transparency of processes,
- stability of employers' contributions, and
- prudence in the funding basis.

There are also regulatory requirements for an FSS, as given in Appendix A.

The FSS is a summary of the Fund's approach to funding its liabilities, and this includes reference to the Fund's other policies; it is not an exhaustive statement of policy on all issues. The FSS forms part of a framework which includes:

- the LGPS Regulations;
- the Rates and Adjustments Certificate (confirming employer contribution rates for the next three years) which can be found in an appendix to the formal valuation report;
- the Fund's policies on admissions, cessations and bulk transfers;
- actuarial factors for valuing individual transfers, early retirement costs and the costs of buying added service; and
- the Fund's Statement of Investment Principles / Investment Strategy Statement (see Section 4)

1.4 How does the Fund and this FSS affect me?

This depends on who you are:

- a member of the Fund, i.e. a current or former employee, or a dependant: the Fund needs to be sure it is collecting and holding enough money so that your benefits are always paid in full;
- an employer in the Fund (or which is considering joining the Fund): you will want to know how your contributions are calculated from time to time, that these are fair by comparison to other employers in the Fund, in what circumstances you might need to pay more and what happens

if you cease to be an employer in the Fund. Note that the FSS applies to all employers participating in the Fund;

- an Elected Member whose council participates in the Fund: you will want to be sure that the council balances the need to hold prudent reserves for members' retirement and death benefits, with the other competing demands for council money;
- a Council Tax payer: your council seeks to strike the balance above, and also to minimise cross-subsidies between different generations of taxpayers.

1.5 What does the FSS aim to do?

The FSS sets out the objectives of the Fund's funding strategy, such as:

- to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (NB this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

1.6 How do I find my way around this document?

In Section 2 there is a brief introduction to some of the main principles behind funding, i.e. deciding how much an employer should contribute to the Fund from time to time.

In Section 3 we outline how the Fund calculates the contributions payable by different employers in different situations.

In Section 4 we show how the funding strategy is linked with the Fund's investment strategy.

In the Appendices we cover various issues in more detail if you are interested:

A. the regulatory background, including how and when the FSS is reviewed,

B. who is responsible for what,

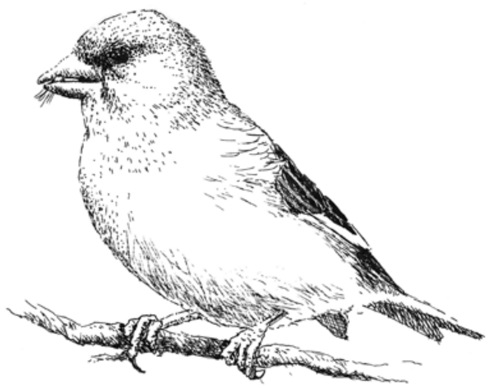
C. what issues the Fund needs to monitor, and how it manages its risks,

D. some more details about the actuarial calculations required,

E. the assumptions which the Fund actuary currently makes about the future,

F. a glossary explaining the technical terms occasionally used here.

If you have any queries please contact Neil Buxton in the first instance at wpfinvestments@warwickshire.gov.uk



2. Basic Funding Issues

(More detailed and extensive descriptions are given in Appendix D).

2.1 How does the actuary calculate the required contribution rate?

In essence this is a three-step process:

1. Calculate the funding target for that employer, i.e. the estimated amount of assets it should hold in order to be able to pay all its members' benefits. See Appendix E for more details of what assumptions we make to determine that funding target;
2. Determine the time horizon over which the employer should aim to achieve that funding target. See the table in 3.3 and Note (c) for more details;
3. Calculate the employer contribution rate such that it has at least a given likelihood of achieving that funding target over that time horizon, allowing for various possible economic outcomes over that time horizon. See 2.3 below, and the table in 3.3 Note (e) for more details.

2.2 What is each employers contribution rate?

This is described in more detail in Appendix D. Employer contributions are normally made up of two elements:

a) the estimated cost of benefits being built up each year, after deducting the members' own contributions and including an allowance for administration expenses. This is referred to as the "Primary rate", and is expressed as a percentage of members' pensionable pay; plus

b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "Secondary rate". In broad terms, payment of the Secondary rate is in respect of benefits already accrued at the valuation date. The Secondary rate may be expressed as a percentage of pay and/or a monetary amount in each year.

The rates for all employers are shown in the Fund's Rates and Adjustments Certificate, which forms part of the formal Actuarial Valuation Report.

Employers' contributions are expressed as minima, with employers able to pay contributions at a higher rate. Account of any higher rate will be taken by the Fund actuary at subsequent valuations, i.e. will be reflected as a credit when next calculating the employer's contributions.

2.3 What different types of employer participate in the Fund?

Historically the LGPS was intended for local authority employees only. However over the years, with the diversification and changes to delivery of local services, many more types and numbers of employers now participate. There are currently more employers in the Fund than ever before, a significant part of this being due to new academies.

In essence, participation in the LGPS is open to public sector employers providing some form of service to the local community. Whilst the majority of members will be local authority employees (and ex-employees), the majority of participating employers are those providing services in place of (or alongside) local authority services: academy schools, contractors, housing associations, charities, etc.

The LGPS Regulations define various types of employer as follows:

Scheduled bodies - councils, and other specified employers such as academies and further education establishments. These must provide access to the LGPS in respect of their employees who are not eligible to join another public sector scheme (such as the Teachers Scheme). These employers are so-called because they are specified in a schedule to the LGPS Regulations.

It is now possible for Local Education Authority schools to convert to academy status, and for other forms of school (such as Free Schools) to be established under the academies legislation. All such academies (or Multi Academy Trusts), as employers of non-teaching staff, become separate new employers in the Fund. As academies are defined in the LGPS Regulations as "Scheduled Bodies", the Administering Authority has no discretion over whether to admit them to the Fund, and the academy has no discretion whether to continue to allow its non-teaching staff to join the Fund. There has also been guidance issued by the MHCLG regarding the terms of academies' membership in LGPS Funds.

Designating employers - employers such as town and parish councils are able to participate in the LGPS via resolution (and the Fund cannot refuse them entry where the resolution is passed). These employers can designate which of their employees are eligible to join the scheme.

Other employers are able to participate in the Fund via an admission agreement, and are referred to as

'admission bodies'. These employers are generally those with a "community of interest" with another scheme employer – community admission bodies ("CAB") or those providing a service on behalf of a scheme employer – transferee admission bodies ("TAB"). CABs will include housing associations and charities, TABs will generally be contractors. The Fund is able to set its criteria for participation by these employers and can refuse entry if the requirements as set out in the Fund's admissions policy are not met. (NB The terminology CAB and TAB has been dropped from recent LGPS Regulations, which instead combine both under the single term 'admission bodies'; however, we have retained the old terminology here as we consider it to be helpful in setting funding strategies for these different employers).

2.4 How does the calculated contribution rate vary for different employers?

All three steps above are considered when setting contributions (more details are given in Section 3 and Appendix D).

1. The funding target is based on a set of assumptions about the future, (e.g. investment returns, infiation, pensioners' life expectancies). If an employer is approaching the end of its participation in the Fund then its funding target may be set on a more prudent basis, so that its liabilities are less likely to be spread among other employers after its cessation;
2. The time horizon required is the period over which the funding target is achieved. A shorter period will lead to higher contributions, and vice versa (all other things being equal). Employers may be given a lower time horizon if they have a less permanent anticipated membership, or do not have tax-raising powers to increase contributions if investment returns under-perform; and
3. The likelihood of achieving the funding target over that time horizon will be dependent on the Fund's view of the strength of employer covenant and its funding profile. Where an employer is considered to be weaker then the required likelihood will be set higher, which in turn will increase the required contributions (and vice versa).

For some employers it may be agreed to pool contributions, see 3.4.

Any costs of non ill-health early retirements must be paid by the employer, see 3.6. Costs of ill-health early retirements are covered in 3.7 and 3.8.

2.5 How is a funding level calculated?

An employer's "funding level" is defined as the ratio of:

- the market value of the employer's share of assets (see Appendix D, section D5, for further details of how this is calculated), to
- the value placed by the actuary on the benefits built up to date for the employer's employees and ex- employees (the "liabilities"). The Fund actuary agrees with the Administering Authority the assumptions to be used in calculating this value.

If this is less than 100% then it means the employer has a shortfall, which is the employer's "deficit"; if it is more than 100% then the employer is said to be in "surplus". The amount of deficit or shortfall is the difference between the asset value and the liabilities value.

It is important to note that the funding level and deficit/surplus are only measurements at a particular point in time, on a particular set of assumptions about the future. Whilst we recognise that various parties will take an interest in these measures, for most employers the key issue is how likely it is that their contributions will be sufficient to pay for their members' benefits (when added to their existing asset share and anticipated investment returns).

In short, funding levels and deficits are short term measures, whereas contribution-setting is a longer term issue.

2.6 How does the Fund recognise that contribution levels can affect council and employer service provision, and council tax?

The Administering Authority and the Fund actuary are acutely aware that, all other things being equal, a higher contribution required to be paid to the Fund will mean less cash available for the employer to spend on the provision of services. For instance:

- Higher Pension Fund contributions may result in reduced council spending, which in turn could affect the resources available for council services, and/or greater pressure on council tax levels;
- Contributions which Academies pay to the Fund will therefore not be available to pay for providing education; and
- Other employers will provide various services to the local community, perhaps through housing associations, charitable work, or contracting council services. If they are required to pay more in pension contributions to the LGPS then this may affect their ability to provide the local services at a reasonable cost. Higher Pension Fund contributions may result in reduced council spending, which in turn could affect the resources available for council services, and/or greater pressure on council tax levels;
- Contributions which Academies pay to the Fund will therefore not be available to pay for providing education; and
- Other employers will provide various services to the local community, perhaps through housing associations, charitable work, or contracting council services. If they are required to pay more in pension contributions to the LGPS then this may affect their ability to provide the local services at a reasonable cost.

Whilst all this is true, it should also be borne in mind that:

- The Fund provides invaluable financial security to local families, whether to those who formerly worked in the service of the local community who have now retired, or to their families after their death;
- The Fund must have the assets available to meet these retirement and death benefits, which in turn means that the various employers must each pay their own way. Lower contributions today will mean higher contributions tomorrow: deferring payments does not alter the employer's ultimate obligation to the Fund in respect of its current and former employees;
- Each employer will generally only pay for its own employees and ex-employees (and their dependants), not for those of other employers in the Fund;
- The Fund strives to maintain reasonably stable employer contribution rates where appropriate and possible. However, a recent shift in regulatory focus means that solvency within each generation is considered by the Government to be a higher priority than stability of contribution rates;
- The Fund wishes to avoid the situation where an employer falls so far behind in managing its funding shortfall that its deficit becomes unmanageable in practice: such a situation may lead to employer insolvency and the resulting deficit falling on the other Fund employers. In that situation, those employers' services would in turn suffer as a result;
- Council contributions to the Fund should be at a suitable level, to protect the interests of different generations of council tax payers. For instance, underpayment of contributions for some years will need to be balanced by overpayment in other years; the council will wish to minimise the extent to which council tax payers in one period are in effect benefitting at the expense of those paying in a different period.

Overall, therefore, there is clearly a balance to be struck between the Fund's need for maintaining prudent funding levels, and the employers' need to allocate their resources appropriately. The Fund achieves this through various techniques which affect contribution increases to various degrees (see 3.1). In deciding which of these techniques to apply to any given employer, the Fund will make a risk based judgement of the employer. This judgement will have regard to the type of employer, its membership profile and funding position, any guarantors or other security provision, material changes anticipated, etc. This helps the Fund to establish a picture of the financial standing of the employer, i.e. its ability to meet its long term Fund commitments.

For instance, where the Administering Authority has reasonable confidence that an employer will be able to meet its funding commitments, then the Fund will permit options such as stabilisation (see 3.3 Note (b)), a longer time horizon relative to other employers, and/or a lower likelihood of achieving their funding target. Such options will temporarily produce lower contribution levels than would otherwise have applied. This is permitted in the expectation that the employer will still be able to meet its obligations for many years to come.

On the other hand, where there is doubt that an employer will be able to meet its funding commitments or withstand a significant change in its commitments, then a higher funding target, and/or a shorter time horizon relative to other employers, and/or a higher likelihood of achieving the target may be required.

The Fund actively seeks employer input, including to its funding arrangements, through various means: see Appendix A.

2.7 What approach has the Fund taken to dealing with uncertainty arising from the McCloud court case and its potential impact on the LGPS benefit structure?

The LGPS benefit structure from 1 April 2014 is currently under review following the Government's loss of the right to appeal the McCloud and other similar court cases. The courts have ruled that the 'transitional protections' awarded to some members of public service pension schemes when the schemes were reformed

(on 1 April 2014 in the case of the LGPS) were unlawful on the grounds of age discrimination. At the time of writing, the Ministry of Housing, Communities and Local Government (MHCLG) has not provided any details of changes as a result of the case. However it is expected that benefits changes will be required and they will likely increase the value of liabilities. At present, the scale and nature of any increase in liabilities are unknown, which limits the ability of the Fund to make an accurate allowance.

The LGPS Scheme Advisory Board (SAB) issued advice to LGPS funds in May 2019. As there was no finalised outcome of the McCloud case by 31 August 2019, the Fund Actuary has acted in line with SAB's advice and valued all member benefits in line with the current LGPS Regulations.

The Fund, in line with the advice in the SAB's note, has considered how to allow for this risk in the setting of employer contribution rates. The Fund has increased the prudence in employer funding plans by increasing the likelihood of success for all employers.

Once the outcome of the McCloud case is known, the Fund may revisit the contribution rates set to ensure they remain appropriate.

The Fund has also considered the McCloud judgement in its approach to cessation valuations. Please see note (j) to table 3.3 for further information.

2.8 When will the next actuarial valuation be?

On 8 May 2019 MHCLG issued a consultation seeking views on (among other things) proposals to amend the LGPS valuation cycle in England and Wales from a three year (triennial) valuation cycle to a four year (quadrennial) valuation cycle.

On 7 October 2019 MHCLG confirmed the next LGPS valuation cycle in England and Wales will be 31 March 2022, regardless of the ongoing consultation. The Fund therefore instructed the Fund Actuary to certify contribution rates for employers for the period 1 April 2020 to 31 March 2023 as part of the 2019 valuation of the Fund.

3. Calculating contributions for individual Employers

3.1 General comments

A key challenge for the Administering Authority is to balance the need for stable, affordable employer contributions with the requirement to take a prudent, longer-term view of funding and ensure the solvency of the Fund. With this in mind, the Fund's three-step process identifies the key issues:

1. What is a suitably (but not overly) prudent funding target?
2. How long should the employer be permitted to reach that target? This should be realistic but not so long that the funding target is in danger of never actually being achieved.
3. What likelihood is required to reach that funding target? This will always be less than 100% as we cannot be certain of the future . Higher likelihood "bars" can be used for employers where the Fund wishes to reduce the risk that the employer ceases leaving a deficit to be picked up by other employers.

These and associated issues are covered in this Section.

The Administering Authority recognises that there may occasionally be particular circumstances affecting individual employers that are not easily managed within the rules and policies set out in the Funding Strategy Statement. Therefore the Administering Authority reserves the right to direct the actuary to adopt alternative funding approaches on a case by case basis for specific employers.

3.2 The effect of paying lower contributions

In limited circumstances the Administering Authority may permit employers to pay contributions at a lower level than is assessed for the employer using the three step process above. At their absolute discretion the Administering Authority may:

- extend the time horizon for targeting full funding;
- adjust the required likelihood of meeting the funding target;
- permit an employer to participate in the Fund's stabilisation mechanisms;
- permit extended phasing in of contribution rises or reductions;
- pool contributions amongst employers with similar characteristics; and/or
- accept some form of security or guarantee in lieu of a higher contribution rate than would otherwise be the case.

Employers which are permitted to use one or more of the above methods will often be paying, for a time, contributions less than required to meet their funding target, over the appropriate time horizon with the required likelihood of success. Such employers should appreciate that:

- their true long term liability (i.e. the actual eventual cost of benefits payable to their employees and ex-employees) is not affected by the pace of paying contributions;
- lower contributions in the short term will result in a lower level of future investment returns on the employer's asset share. Thus, deferring a certain amount of contribution may lead to higher contributions in the long-term; and
- it may take longer to reach their funding target, all other things being equal.

Overleaf (3.3) is a summary of how the main funding policies differ for different types of employer, followed by more detailed notes where necessary.

Section 3.4 onwards deals with various other funding issues which apply to all employers.

3.3 The different approaches used for different employers

Type of employer	Scheduled Bodies			Community Admission Bodies and Designating Employers		Transferee Admission Bodies
Sub-type	Local Authorities and Police	Colleges and other FE establishments	Academies	Open to new entrants	Closed to new entrants	(all)
Funding Target Basis used	Ongoing participation basis, assumes long-term Fund participation (see Appendix E)			Ongoing participation basis, but may move to "gilts exit basis" – see Note (a)		Contractor exit basis, assumes fixed contract term in the Fund (see Appendix E)
Primary rate approach	(see Appendix D – D.2)					
Stabilised contribution rate?	Yes - see Note (b)	No	No	No	No	No
Maximum time horizon Note (c)	19 years	19 years	19 years	19 years	Future Working Lifetime, subject to 19 years maximum	Outstanding contract term
Secondary rate Note (d))	Monetary	Monetary	% of payroll	Monetary	Monetary	Monetary
Treatment of surplus	Covered by stabilisation arrangement	Preferred approach: contributions kept at Primary rate. Reductions may be permitted by the Admin. Authority				Reduce contributions by spreading the surplus over the remaining contract term
Likelihood of achieving target Note (e)	70%	80%	70%	80%	80%	70%
Phasing of contribution changes	Covered by stabilisation arrangement	None	None	None	None	None
Review of rates Note (f)	Administering Authority reserves the right to review contribution rates and amounts, and the level of security provided, at regular intervals between valuations.					Particularly reviewed in last 3 years of contract
New employer	n/a	n/a	Note (g)	Note (h)		Notes (h) & (i)
Cessation of participation: cessation debt payable	Cessation is assumed not to occur, as Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (machinery of Government changes for example), the cessation debt principles applied would be as per Note (j).			Can be ceased subject to terms of admission agreement. Exit debt/ credit will be calculated on a basis appropriate to the circumstances of cessation – see Note (j).		Participation is assumed to expire at the end of the contract. Exit debt/ surplus calculated on the contractor exit basis. Letting employer will be liable for future deficits and contributions arising. See Note (j) for further details.

* Where the Administering Authority recognises a fixed contribution rate agreement between a letting authority and a contractor, the certified employer contribution rate will be derived in line with the methodology specified in the risk sharing agreement. Additionally, in these cases, upon cessation the contractor's assets and liabilities will transfer back to the letting employer with no crystallisation of any deficit or surplus. Further detail on fixed contribution rate agreements is set out in note (i).

Note (a) (Gilts exit basis for CABs and Designating Employers closed to new entrants)

In the circumstances where:

- the employer is a Designating Employer, or an Admission Body but not a Transferee Admission Body, and
- the employer has no guarantor, and
- the admission agreement is likely to terminate, or the employer is likely to lose its last active member, within a timeframe considered appropriate by the Administering Authority to prompt a change in funding.

the Administering Authority may set a higher funding target (e.g. based on the return from long-term gilt yields) by the time the agreement terminates or the last active member leaves, in order to protect other employers in the Fund. This policy will increase regular contributions and reduce, but not entirely eliminate, the possibility of a final deficit payment being required from the employer when a cessation valuation is carried out.

The Administering Authority also reserves the right to adopt the above approach in respect of those Designating Employers and Admission Bodies with no guarantor, where the strength of covenant is considered to be weak but there is no immediate expectation that the admission agreement will cease or the **Designating Employer alters its designation.**

Note (b) (Stabilisation)

Stabilisation is a mechanism where employer contribution rate variations from year to year are kept within a pre- determined range, thus allowing those employers' rates to be relatively stable. In the interests of stability and affordability of employer contributions, the Administering Authority, on the advice of the Fund Actuary, believes that stabilising contributions can still be viewed as a prudent longer-term approach. However, employers whose contribution rates have been "stabilised" (and may therefore be paying less than their theoretical contribution rate) should be aware of the risks of this approach and should consider making additional payments to the Fund if possible.

This stabilisation mechanism allows short term investment market volatility to be managed so as not to cause volatility in employer contribution rates, on the basis that a long term view can be taken on net cash inflow, investment returns and strength of employer covenant.

The current stabilisation mechanism applies if:

- the employer satisfies the eligibility criteria set by the Administering Authority (see below) and;
- there are no material events which cause the employer to become ineligible, e.g. significant reductions in active membership (due to outsourcing or redundancies), or changes in the nature of the employer (perhaps due to Government restructuring), or changes in the security of the employer.

On the basis of extensive modelling carried out for the 2019 valuation exercise (see Section 4), the stabilised details are as follows:

Type of employer	"Standard" Council	"Mature" Council
Max cont increase	+0.75% of pay p.a.	+2.0% of pay p.a.
Max cont decrease	-0.75% of pay p.a.	-1.0% of pay p.a.

The stabilisation criteria and limits will be reviewed at the next formal valuation. However the Administering Authority reserves the right to review the stabilisation criteria and limits at any time before then, on the basis of membership and/or employer changes as described above.

The Administering Authority may review an employer's eligibility for stabilisation at any time in the event of significant changes in the employer's membership (due for example to redundancies or outsourcing) or if there is a significant change in the Administering Authority's assessment of an employer's security.

Note (c) (Maximum time horizon)

The maximum time horizon starts at the commencement of the revised contribution rate (1 April 2020 for the 2019 valuation). The Administering Authority would normally expect the same period to be used at successive triennial valuations, but would reserve the right to propose alternative time horizons, for example where there were no new entrants.

Note (d) (Secondary rate)

The Secondary contribution for each employer covering the three year period until the next valuation will be collected as a monetary amount except for Academy Schools where it will be set as a percentage of pay.

Note (e) (Likelihood of achieving funding target)

Each employer has its funding target calculated, and a relevant time horizon over which to reach that target. Contributions are set such that, combined with the employer's current asset share and anticipated market movements over the time horizon, the funding target is achieved with a given minimum likelihood. A higher required likelihood bar will give rise to higher required contributions, and vice versa.

The way in which contributions are set using these three steps, and relevant economic projections, is described in further detail in Appendix D.

Different likelihoods are set for different employers depending on their nature and circumstances: in broad terms, a higher likelihood will apply due to one or more of the following:

- the Fund believes the employer poses a greater funding risk than other employers,
- the employer does not have tax-raising powers;
- the employer does not have a guarantor or other sufficient security backing its funding position; and/or
- the employer is likely to cease participation in the Fund in the short or medium term.

The Administering Authority may review an employer's likelihood at any time in the event of significant changes in the Administering Authority's assessment of an employer's security.

Note (f) (Regular Reviews)

Such reviews may be triggered by significant events including but not limited to: significant reductions in payroll, altered employer circumstances, Government restructuring affecting the employer's business, or failure to pay contributions or arrange appropriate security as required by the Administering Authority.

The result of a review may be to require increased contributions (by strengthening the actuarial assumptions adopted and/or moving to monetary levels of deficit recovery contributions), and/or an increased level of security or guarantee.

Note (g) (New Academy conversions)

At the time of writing, the Fund's policies on academies' funding issues are as follows:

i. The new academy will be regarded as a separate employer in its own right and will not be pooled with other employers in the Fund. The only exception is where the academy is part of a Multi Academy Trust (MAT) in which case the academy's figures will be calculated as below but can be combined with, for the purpose of setting contribution rates, those of the other academies in the MAT;

ii. The new academy's past service liabilities on conversion will be calculated based on its active Fund members on the day before conversion. For the avoidance of doubt, these liabilities will include all past service of those members, but will exclude the liabilities relating to any ex-employees of the school who have deferred or pensioner status;

iii. The new academy will be allocated an initial asset share from the ceding council's assets in the Fund. This asset share will be calculated using the estimated funding position of the ceding council at the date faof academy conversion. The share will be based on the active members' funding level, having first allocated assets in the council's share to fully fund deferred and pensioner members. The assets allocated to the academy will be limited if necessary so that its initial funding level is subject to a maximum of 100%. The asset allocation will be based on market conditions and the academy's active Fund membership on the day prior to conversion;

iv. The new academy's calculated contribution rate will be based on the time horizon and likelihood of achieving funding target outlined for Academies in the table in Section 3.3 above;

v. As an alternative to (iv), the academy will have the option to elect to pay contributions over the period to 31 March 2023 in line with the contribution rates detailed in the table below:

Year	Contribution rate (% of pay)
2020/21	23.2
2021/22	23.2
2022/23	23.2

vi. It is possible for an academy to leave one MAT and join another. If this occurs, all active, deferred and pensioner members of the academy transfer to the new MAT.

The Fund's policies on academies are subject to change in the light of any amendments to MHCLG and/or DfE guidance (or removal of the formal guarantee currently provided to academies by the DfE). Any changes will be notified to academies, and will be reflected in a subsequent version of this FSS. In particular, policies (iii), (iv) and (v) above will be reconsidered at each valuation.

Note (h) (New Admission Bodies)

With effect from 1 October 2012, the LGPS 2012 Miscellaneous Regulations introduced mandatory new requirements for all Admission Bodies brought into the Fund from that date. Under these Regulations, all new Admission Bodies will be required to provide some form of security, such as a guarantee from the letting employer, an indemnity or a bond. The security is required to cover some or all of the following:

- the strain cost of any redundancy early retirements resulting from the premature termination of the contract;
- allowance for the risk of asset underperformance;
- allowance for the risk of a greater than expected rise in liabilities;
- allowance for the possible non-payment of employer and member contributions to the Fund; and/or
- the current deficit.

Transferee Admission Bodies: For all TABs, the security must be to the satisfaction of the Administering Authority as well as the letting employer, and will be reassessed on an annual basis. See also Note (i) below.

Community Admission Bodies: The Administering Authority will only consider requests from CABs (or other similar bodies, such as section 75 NHS partnerships) to join the Fund if they are sponsored by a Scheduled Body with tax raising powers, guaranteeing their liabilities and also providing a form of security as above.

The above approaches reduce the risk, to other employers in the Fund, of potentially having to pick up any shortfall in respect of Admission Bodies ceasing with an unpaid deficit.

Note (i) (New Transferee Admission Bodies)

A new TAB usually joins the Fund as a result of the letting/outsourcing of some services from an existing employer (normally a Scheduled Body such as a council or academy) to another organisation (a "contractor"). This involves the TUPE transfer of some staff from the letting employer to the contractor. Consequently, for the duration of the contract, the contractor is a new participating employer in the Fund so that the transferring employees maintain their eligibility for LGPS membership. At the end of the contract the employees revert to the letting employer or to a replacement contractor.

Ordinarily, the TAB would be set up in the Fund as a new employer with responsibility for all the accrued benefits of the transferring employees; in this case, the contractor would usually be assigned an initial asset allocation equal to the past service liability value of the employees' Fund benefits. The quid pro quo is that the contractor is then expected to ensure that its share of the Fund is also fully funded at the end of the contract: see Note (j).

Employers which "outsource" have flexibility in the way that they can deal with the pension risk potentially taken on by the contractor. In particular there are three different routes that such employers may wish to adopt.

i) Pooling

Under this option the contractor is pooled with the letting employer. In this case, the contractor pays the same rate as the letting employer, which may be under a stabilisation approach.

ii) Letting employer retains pre-contract risks

Under this option the letting employer would retain responsibility for assets and liabilities in respect of service accrued prior to the contract commencement date. The contractor would be responsible for the future liabilities that accrue in respect of transferred staff. The contractor's contribution rate could vary from one valuation to the next. It would be liable for any deficit (or entitled to any surplus) at the end of the contract term in respect of assets and liabilities attributable to service accrued during the contract term.

iii) Fixed contribution rate agreed

Under this option the contractor pays a fixed contribution rate throughout its participation in the Fund and on cessation does not pay any deficit or receive an exit credit. In other words, the pension risks "pass through" to the letting employer.

The Administering Authority's default approach is that a new TAB will participate in the Fund via a fixed contribution rate arrangement with the letting employer. The certified employer contribution rate will be set equal to the fixed contribution rate agreed between the letting authority and the contractor. The fixed rate that will be paid is at the discretion of the letting authority and contractor subject to a minimum of the letting authority's primary rate on the contract start date. Upon cessation the contractor's assets and liabilities will transfer back to the letting authority with no crystallisation of any deficit or surplus.

In order to avoid the Administering Authority becoming involved in any disputes relating to risk sharing and to protect the other participating employers, the Fund will not be party to any risk sharing agreement between any letting employer and a contractor. Accordingly any such arrangements will not be detailed in the admission agreement and the admission body will be required to follow the principles of the agreement as if no such risk sharing was in place. It is at the sole discretion of the Administering Authority as to whether any risk sharing agreement is recognised in the certified employer contribution rate. If the risk arrangement is not recognised, then the letting employer and the contractor will need to put in place separate steps to allow the risk sharing to be implemented (e.g. via the contract payments).

Accordingly the contractor will be required to pay the certified employer contribution rate to the Fund and any other contributions required e.g. early retirement strain costs, regardless of the risk sharing arrangement in place.

Any risk sharing agreement should ensure that some element of risk transfers to the contractor where it relates to their decisions and it is unfair to burden the letting employer with that risk. For example the contractor should typically be responsible for pension costs that arise from:

- above average pay increases, including the effect in respect of service prior to contract commencement even if the letting employer takes on responsibility for the latter under (ii) above; and
- redundancy and early retirement decisions.

Note (j) (Admission Bodies Ceasing)

Notwithstanding the provisions of the Admission Agreement, the Administering Authority may consider any of the following as triggers for the cessation of an admission agreement with any type of body:

- Last active member ceasing participation in the Fund (NB recent LGPS Regulation changes mean that the Administering Authority has the discretion to defer taking action for up to three years, so that if the employer acquires one or more active Fund members during that period then cessation is not triggered. The current Fund policy is that this is left as a discretion and may or may not be applied in any given case);
- The insolvency, winding up or liquidation of the Admission Body;
- Any breach by the Admission Body of any of its obligations under the Agreement that they have failed to remedy to the satisfaction of the Fund;
- A failure by the Admission Body to pay any sums due to the Fund within the period required by the Fund; or
- The failure by the Admission Body to renew or adjust the level of the bond or indemnity, or to confirm an appropriate alternative guarantor, as required by the Fund.

On cessation, the Administering Authority will instruct the Fund actuary to carry out a cessation valuation to determine whether there is any deficit or surplus. Where there is a deficit, payment of this amount in full would normally be sought from the Admission Body; where there is a surplus, following the LGPS (Amendment) Regulations 2018 which came into effect on 14th May 2018, this will normally result in an exit credit payment to the Admission Body. If a risk-sharing agreement has been put in place (please see note (i) above) no cessation debt or exit credit may be payable, depending on the terms of the agreement.

As discussed in Section 2.7, the LGPS benefit structure from 1 April 2014 is currently under review following the Government's loss of the right to appeal the McCloud and other similar court cases. The Fund has considered how it will reflect the current uncertainty regarding the outcome of this judgement in its approach to cessation valuations. For cessation valuations that are carried out before any changes to the LGPS benefit structure (from 1 April 2014) are confirmed, the Fund's policy is that the actuary will apply a 1% loading to the ceasing employer's post 2014 benefit accrual value, as an estimate of the possible impact of resulting benefit changes.

The Fund Actuary charges a fee for carrying out an employer's cessation valuation, and there will be other Fund administration expenses associated with the cessation, both of which the Fund will recharge to the employer. For the purposes of the cessation valuation, this fee will be treated as an expense incurred by the employer and will be deducted from the employer's cessation surplus or added to the employer's cessation deficit, as appropriate. This process improves administrative efficiency as it reduces the number of transactions required to be made between the employer and the Fund following an employer's cessation.

For non-Transferee Admission Bodies whose participation is voluntarily ended either by themselves or the Fund, or where a cessation event has been triggered, the Administering Authority must look to protect the interests of other ongoing employers. The actuary will therefore adopt an approach which, to the extent reasonably practicable, protects the other employers from the likelihood of any material loss emerging in future:

(a) Where a guarantor does not exist then, in order to protect other employers in the Fund, the cessation liabilities and final deficit/surplus will normally be calculated using a "gilts exit basis", which is more prudent than the ongoing participation basis. This has no allowance for potential future investment outperformance above gilt yields, and has added allowance for future improvements in life expectancy. This could give rise to significant cessation debts being required.

(b) Where there is a guarantor for future deficits and contributions, the details of the guarantee will be considered prior to the cessation valuation being carried out. In some cases the guarantor is simply guarantor of last resort and therefore the cessation valuation will be carried out consistently with the approach taken had there been no guarantor in place. Alternatively, where the guarantor is not simply guarantor of last resort, the cessation may be calculated using the ongoing participation basis or contractor exit basis as described in Appendix E;

(c) Again, depending on the nature of the guarantee, it may be possible to simply transfer the former Admission Body's liabilities and assets to the guarantor, without needing to crystallise any deficit or surplus. This approach may be adopted where the employer cannot pay the contributions due, and this is within the terms of the guarantee.

Under (a) and (b), any shortfall would usually be levied on the departing Admission Body as a single lump sum payment. If this is not possible then the Fund may spread the payment subject to there being some security in place for the employer such as a bond indemnity or guarantee.

In the event that the Fund is not able to recover the required payment in full, then the unpaid amounts fall to be shared amongst all of the other employers in the Fund. This may require an immediate revision to the Rates and Adjustments Certificate affecting other employers in the Fund, or instead be reflected in the contribution rates set at the next formal valuation following the cessation date.

As an alternative, where the ceasing Admission Body is continuing in business, the Fund at its absolute discretion reserves the right to enter into an agreement with the ceasing Admission Body. Under this agreement the Fund would accept an appropriate alternative security to be held against any deficit on the gilts exit basis, and would carry out the cessation valuation on the ongoing participation basis. Secondary contributions would be derived from this cessation debt. This approach would be monitored as part of each formal valuation and secondary contributions would be reassessed as required. The Admission Body may terminate the agreement only via payment of the outstanding debt assessed on the gilts exit basis. Furthermore, the Fund reserves the right to revert to the "gilts exit basis" and seek immediate payment of any funding shortfall identified. The Administering Authority may need to seek legal advice in such cases, as the Admission Body would have no contributing members.

3.4 Pooled contributions

From time to time, with the advice of the Actuary, the Administering Authority may set up pools for employers with similar or complementary characteristics. This will always be in line with its broader funding strategy.

The intention of the pool is to minimise contribution rate volatility which would otherwise occur when members join, leave, take early retirement, receive pay rises markedly different from expectations, etc. Such events can cause large changes in contribution rates for very small employers in particular, unless these are smoothed out for instance by pooling across a number of employers.

On the other hand it should be noted that the employers in the pool will still have their own individual funding positions tracked by the Actuary, so that some employers will be much better funded, and others much more poorly funded, than the pool average. This therefore means that if any given employer was funding on a stand- alone basis, as opposed to being in the pool, then its contribution rate could be much higher or lower than the pool contribution rate.

It should also be noted that, if an employer is considering ceasing from the Fund, its required contributions would be based on its own funding position (rather than the pool average), and the cessation terms would also apply: this would mean potentially very different (and in particular possibly much higher) contributions would be required from the employer in that situation.

With the advice of the Actuary the Administering Authority allows smaller employers of similar types to pool their contributions as a way of sharing experience and smoothing out the effects of costly but relatively rare events such as ill-health retirements or deaths in service.

Community Admission Bodies that are deemed by the Administering Authority to have closed to new entrants are not usually permitted to participate in a pool. Transferee Admission Bodies are usually also ineligible for pooling.

Smaller admitted bodies may be pooled with the letting employer, provided all parties (particularly the letting employer) agree.

Employers who are permitted to enter (or remain in) a pool at the 2019 valuation will not normally be advised of their individual contribution rate unless agreed by the Administering Authority.

Those employers which have been pooled are identified in the Rates and Adjustments Certificate.

3.5 Additional flexibility in return for added security

The Administering Authority may permit greater flexibility to the employer's contributions if the employer provides added security to the satisfaction of the Administering Authority.

Such flexibility includes a reduced rate of contribution, an extended time horizon, or permission to join a pool with another body (e.g. the Local Authority).

Such security may include, but is not limited to, a suitable bond, a legally-binding guarantee from an appropriate third party, or security over an employer asset of sufficient value.

The degree of flexibility given may take into account factors such as:

- the extent of the employer's deficit;
- the amount and quality of the security offered;
- the employer's financial security and business plan; and
- whether the admission agreement is likely to be open or closed to new entrants.

3.6 Non ill health early retirement costs

It is assumed that members' benefits are payable from the earliest age that the employee could retire without incurring a reduction to their benefit (and without requiring their employer's consent to retire). (NB the relevant age may be different for different periods of service, following the benefit changes from April 2008 and April 2014).

Employers are required to pay additional contributions ('strain') wherever an employee retires before attaining this age. The actuary's funding basis makes no allowance for premature retirement except on grounds of ill- health.

With the agreement of the Administering Authority the payment can be spread as follows:

Major Employing bodies - up to 5 years

Community Admission Bodies and Designating Employers - payable immediately

Colleges and other FE establishments - payable immediately

Academies - payable immediately

Transferee Admission Bodies - payable immediately

3.7 Ill health early retirement costs

If a member retires early due to ill-health, an additional funding strain will usually arise, which can be very large. Such strain costs are the responsibility of the member's employer to pay.

To mitigate this risk, individual employers may elect to use external insurance (see 3.8 below).

Admitted Bodies will usually have an 'ill health allowance'; Scheduled Bodies may have this also, depending on their agreement terms with the Administering Authority. The Fund may monitor each employer's ill health experience on an ongoing basis. If the cumulative cost of ill health retirement in any financial year exceeds the allowance at the previous valuation, the employer may be charged additional contributions on the same basis as apply for non ill-health cases. Details will be included in each separate Admission Agreement.

3.8 External Ill health insurance

If an employer provides satisfactory evidence to the Administering Authority of a current external insurance policy covering ill health early retirement strains, then:

- the employer's contribution to the Fund each year is reduced by the amount of that year's insurance premium, so that the total contribution is unchanged, and

- there is no need for monitoring of allowances.

The employer must keep the Administering Authority notified of any changes in the insurance policy's coverage or premium terms, or if the policy is ceased.

3.9 Employers with no remaining active members

In general an employer ceasing in the Fund, due to the departure of the last active member, will pay a cessation debt or receive an exit credit on an appropriate basis (see 3.3, Note (j)) and consequently have no further obligation to the Fund. Thereafter it is expected that one of two situations will eventually arise:

a) The employer's asset share runs out before all its ex-employees' benefits have been paid. In this situation the other Fund employers will be required to contribute to pay all remaining benefits: this will be done by the Fund actuary apportioning the remaining liabilities on a pro-rata basis at successive formal valuations;

b) The last ex-employee or dependant dies before the employer's asset share has been fully utilised. In this situation the remaining assets would be apportioned pro-rata by the Fund's actuary to the other Fund employers.

In exceptional circumstances the Fund may permit an employer with no remaining active members and a cessation deficit to continue contributing to the Fund. This would require the provision of a suitable security or guarantee, as well as a written ongoing commitment to fund the remainder of the employer's obligations over an appropriate period. The Fund would reserve the right to invoke the cessation requirements in the future, however. The Administering Authority may need to seek legal advice in such cases, as the employer would have no contributing members.

3.10 Policies on bulk transfers

Each case will be treated on its own merits, but in general:

- The Fund will not pay bulk transfers greater than the lesser of (a) the asset share of the transferring employer in the Fund, and (b) the value of the past service liabilities of the transferring members;

- The Fund will not grant added benefits to members bringing in entitlements from another Fund unless the asset transfer is sufficient to meet the added liabilities; and
- The Fund may permit shortfalls to arise on bulk transfers if the Fund employer has suitable strength of covenant and commits to meeting that shortfall in an appropriate period. This may require the employer's Fund contributions to increase between valuations.

4. Funding strategy and links to investment strategy

4.1 What is the Fund s investment strategy?

The Fund has built up assets over the years, and continues to receive contribution and other income. All of this must be invested in a suitable manner, which is the investment strategy.

Investment strategy is set by the Administering Authority, after consultation with the employers and after taking investment advice. The precise mix, manager make up and target returns are set out in the Investment Strategy Statement, which is available to members and employers.

The investment strategy is set for the long-term, but is reviewed from time to time. Normally a full review is carried out as part of each actuarial valuation, and is kept under review annually between actuarial valuations to ensure that it remains appropriate to the Fund's liability profile.

The same investment strategy is currently followed for all employers.

4.2 What is the link between funding strategy and investment strategy?

The Fund must be able to meet all benefit payments as and when they fall due. These payments will be met by contributions (resulting from the funding strategy) or asset returns and income (resulting from the investment strategy). To the extent that investment returns or income fall short, then higher cash contributions are required from employers, and vice versa

Therefore, the funding and investment strategies are inextricably linked.

4.3 How does the funding strategy reflect the Fund s investment strategy?

In the opinion of the Fund actuary, the current funding policy is consistent with the current investment strategy of the Fund. The actuary's assumptions for future investment returns (described further in Appendix E) are based on the current benchmark investment strategy of the Fund. The future investment return assumptions underlying each of the Fund's three funding bases include a margin for prudence, and are therefore also considered to be consistent with the requirement to take a "prudent longer-term view" of the funding of liabilities as required by the UK Government (see Appendix A1).

In the short term – such as the three yearly assessments at formal valuations – there is the scope for considerable volatility in asset values. However, the actuary takes a long term view when assessing employer contribution rates and the contribution rate setting methodology takes into account this potential variability.

The Fund does not hold a contingency reserve to protect it against the volatility of equity investments.

4.4 Does the Fund monitor its overall funding position?

The Administering Authority monitors the relative funding position, i.e. changes in the relationship between asset values and the liabilities value, quarterly. It reports this to the regular Pensions Committee meetings, and also to employers through newsletters and the Annual General Meeting.

5. Statutory reporting and comparison to other LGPS Funds

5.1 Purpose

Under Section 13(4)(c) of the Public Service Pensions Act 2013 ("Section 13"), the Government Actuary's Department must, following each triennial actuarial valuation, report to the Ministry of Housing, Communities & Local Government (MHCLG) on each of the LGPS Funds in England & Wales. This report will cover whether, for each Fund, the rate of employer contributions are set at an appropriate level to ensure both the solvency and the long term cost efficiency of the Fund.

This additional MHCLG oversight may have an impact on the strategy for setting contribution rates at future valuations.

5.2 Solvency

(a) the rate of employer contributions is set to target a funding level for the Fund of 100%, over an appropriate time period and using appropriate actuarial assumptions (where appropriateness is considered in both absolute and relative terms in comparison with other funds); and either

(b) employers collectively have the financial capacity to increase employer contributions, and/or the Fund is able to realise contingent assets should future circumstances require, in order to continue to target a funding level of 100%; or

(c) there is an appropriate plan in place should there be, or if there is expected in future to be, a material reduction in the capacity of fund employers to increase contributions as might be needed.

5.3 Long Term Cost Efficiency

The rate of employer contributions shall be deemed to have been set at an appropriate level to ensure long term cost efficiency if:

i. the rate of employer contributions is sufficient to make provision for the cost of current benefit accrual,

ii. with an appropriate adjustment to that rate for any surplus or deficit in the Fund.

In assessing whether the above condition is met, MHCLG may have regard to various absolute and relative considerations. A relative consideration is primarily concerned with comparing LGPS pension funds with other LGPS pension funds. An absolute consideration is primarily concerned with comparing Funds with a given objective benchmark.

Relative considerations include:

1. the implied deficit recovery period; and
2. the investment return required to achieve full funding after 20 years.

Absolute considerations include:

1. the extent to which the contributions payable are sufficient to cover the cost of current benefit accrual and the interest cost on any deficit;
2. how the required investment return under "relative considerations" above compares to the estimated future return being targeted by the Fund's current investment strategy;
3. the extent to which contributions actually paid have been in line with the expected contributions based on the extant rates and adjustment certificate; and
4. the extent to which any new deficit recovery plan can be directly reconciled with, and can be demonstrated to be a continuation of, any previous deficit recovery plan, after allowing for actual Fund experience.

MHCLG may assess and compare these metrics on a suitable standardised market-related basis, for example where the local funds' actuarial bases do not make comparisons straightforward.

Appendix A - Regulatory framework

A1 Why does the Fund need an FSS?

- *"to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;*
- *to support the regulatory framework to maintain as nearly constant employer contribution rates as possible; and*
- *to take a prudent longer-term view of funding those liabilities."*

These objectives are desirable individually, but may be mutually confiicting.

The requirement to maintain and publish a FSS is contained in LGPS Regulations which are updated from time to time. In publishing the FSS the Administering Authority has to have regard to any guidance published by Chartered Institute of Public Finance and Accountancy (CIPFA) (most recently in 2016) and to its Statement of Investment Principles / Investment Strategy Statement.

This is the framework within which the Fund's actuary carries out triennial valuations to set employers' contributions and provides recommendations to the Administering Authority when other funding decisions are required, such as when employers join or leave the Fund. The FSS applies to all employers participating in the Fund.

A2 Does the Administering Authority consult anyone on the FSS?

Yes. This is required by LGPS Regulations. It is covered in more detail by the most recent CIPFA guidance, which states that the FSS must first be subject to "consultation with such persons as the authority considers appropriate", and should include "a meaningful dialogue at officer and elected member level with council tax raising authorities and with corresponding representatives of other participating employers".

In practice, for the Fund, the consultation process for this FSS was as follows:

a) A draft version of the FSS was issued to all participating employers in January / February 2020 for comment;

b) Comments were requested within 14 days;

c) Following the end of the consultation period the FSS was updated where required and then published, in March 2020.

A3 How is the FSS published?

The FSS is made available through the following routes:

Published on the website, at www.warwickshirepensionfund.org.uk ; A copy sent by e-mail to each participating employer in the Fund; A copy sent to the Local Pension Board;

A full copy included in the annual report and accounts of the Fund; Copies made available on request.

A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the triennial valuation (which may move to every four years in future – see Section 2.8). This version is expected to remain unaltered until it is consulted upon as part of the formal process for the next valuation.

It is possible that (usually slight) amendments may be needed within the three year period. These would be needed to refiect any regulatory changes, or alterations to the way the Fund operates (e.g. to accommodate a new class of employer). Any such amendments would be consulted upon as appropriate:

- trivial amendments would be simply notified at the next round of employer communications,
- amendments affecting only one class of employer would be consulted with those employers,
- other more significant amendments would be subject to full consultation.

In any event, changes to the FSS would need agreement by the Investment Sub-Committee and would be included in the relevant Committee Meeting minutes.

A5 How does the FSS fit into other Fund documents?

The FSS is a summary of the Fund's approach to funding liabilities. It is not an exhaustive statement of policy on all issues, for example there are a number of separate statements published by the Fund including the Investment Strategy Statement, Governance Strategy and Communications Strategy. In addition, the Fund publishes an Annual Report and Accounts with up to date information on the Fund.

These documents can be found on the web at www.warwickshirepensionfund.org.uk

Appendix B - Responsibilities of key parties

The efficient and effective operation of the Fund needs various parties to each play their part.

B1 The Administering Authority should:-

1. operate the Fund as per the LGPS Regulations;
2. effectively manage any potential confiicts of interest arising from its dual role as Administering Authority and a Fund employer;
3. collect employer and employee contributions, and investment income and other amounts due to the Fund;
4. ensure that cash is available to meet benefit payments as and when they fall due;
5. pay from the Fund the relevant benefits and entitlements that are due;
6. invest surplus monies (i.e. contributions and other income which are not immediately needed to pay benefits) in accordance with the Fund's Investment Strategy Statement (ISS) and LGPS Regulations;
7. communicate appropriately with employers so that they fully understand their obligations to the Fund;
8. take appropriate measures to safeguard the Fund against the consequences of employer default;
9. manage the valuation process in consultation with the Fund's actuary;
10. provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see Section 5);
11. prepare and maintain a FSS and an ISS, after consultation;
12. notify the Fund's actuary of material changes which could affect funding (this is covered in a separate agreement with the actuary); and
13. monitor all aspects of the fund's performance and funding and amend the FSS and ISS as necessary and appropriate.

B2 The Individual Employer should:-

1. deduct contributions from employees' pay correctly;
2. pay all contributions, including their own as determined by the actuary, promptly by the due date;
3. have a policy and exercise discretions within the regulatory framework;
4. make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain; and
5. notify the Administering Authority promptly of all changes to its circumstances, prospects or membership, which could affect future funding.
6. In accordance with the Fund's Administration Strategy, scheme employers should pay due costs /charges imposed by the fund.

B3 The Fund Actuary should:-

1. prepare valuations, including the setting of employers' contribution rates. This will involve agreeing assumptions with the Administering Authority, having regard to the FSS and LGPS Regulations, and targeting each employer's solvency appropriately;
2. provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see Section 5);
3. provide advice relating to new employers in the Fund, including the level and type of bonds or other forms of security (and the monitoring of these);
4. prepare advice and calculations in connection with bulk transfers and individual benefit-related matters;
5. assist the Administering Authority in considering possible changes to employer contributions between formal valuations, where circumstances suggest this may be necessary;
6. advise on the termination of employers' participation in the Fund; and

7. fully reflect actuarial professional guidance and requirements in the advice given to the Administering Authority.

B4 Other parties:-

1. investment advisers (either internal or external) should ensure the Fund's ISS remains appropriate, and consistent with this FSS;
2. investment managers, custodians and bankers should all play their part in the effective investment (and dis-investment) of Fund assets, in line with the ISS;
3. auditors should comply with their auditing standards, ensure Fund compliance with all requirements, monitor and advise on fraud detection, and sign off annual reports and financial statements as required;
4. governance advisers may be appointed to advise the Administering Authority on efficient processes and working methods in managing the Fund;
5. legal advisers (either internal or external) should ensure the Fund's operation and management remains fully compliant with all regulations and broader local government requirements, including the Administering Authority's own procedures;
6. MHCLG (assisted by the Government Actuary's Department) and the Scheme Advisory Board, should work with LGPS Funds to meet Section 13 requirements.

Appendix C - Key risks and controls

C1 Types of risk

The Administering Authority has an active risk management programme in place. The measures that it has in place to control key risks are summarised below under the following headings:

financial;

demographic;

regulatory; and

governance.

C2 Financial risks

Risk	Summary of Control Mechanisms
Fund assets fail to deliver returns in line with the anticipated returns underpinning the valuation of liabilities and contribution rates over the long- term.	Only anticipate long-term returns on a relatively prudent basis to reduce risk of under-performing. Assets invested on the basis of specialist advice, in a suitably diversified manner across asset classes, geographies, managers, etc. Analyse progress at three yearly valuations for all employers. Inter-valuation roll-forward of liabilities between valuations at whole Fund level.
Inappropriate long-term investment strategy.	Overall investment strategy options considered as an integral part of the funding strategy. Used asset liability modelling to measure 4 key outcomes. Chosen option considered to provide the best balance.
Active investment manager under-performance relative to benchmark.	Quarterly investment monitoring analyses market performance and active managers relative to their index benchmark.
Pay and price inflation significantly more than anticipated.	The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases. Inter-valuation monitoring, as above, gives early warning. Some investment in bonds also helps to mitigate this risk. Employers pay for their own salary awards and should be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer- serving employees.
Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies.	An explicit stabilisation mechanism has been agreed as part of the funding strategy. Other measures are also in place to limit sudden increases in contributions.
Orphaned employers give rise to added costs for the Fund.	The Fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future. If it occurs, the Actuary calculates the added cost spread pro-rata among all employers – (see 3.9).
Effect of possible asset underperformance as a result of climate change.	The Fund actively considers this risk when allocating assets and appointing Fund Managers.

C3 Demographic risks

Risk	Summary of Control Mechanisms
Pensioners living longer, thus increasing cost to Fund.	Set mortality assumptions with some allowance for future increases in life expectancy. The Fund Actuary has direct access to the experience of over 50 LGPS funds which allows early identification of changes in life expectancy that might in turn affect the assumptions underpinning the valuation.
Maturing Fund – i.e. proportion of actively contributing employees declines relative to retired employees.	Continue to monitor at each valuation, consider seeking monetary amounts rather than % of pay and consider alternative investment strategies.
Deteriorating patterns of early retirements.	Employers are charged the extra cost of non ill-health retirements following each individual decision. Employer ill health retirement experience is monitored, and insurance is an option.
Reductions in payroll causing insufficient deficit recovery payments.	In many cases this may not be sufficient cause for concern, and will in effect be caught at the next formal valuation. However, there are protections where there is concern, as follows: Employers in the stabilisation mechanism may be brought out of that mechanism to permit appropriate contribution increases (see Note (b) to 3.3). For other employers, review of contributions is permitted in general between valuations (see Note (f) to 3.3).

C4 Regulatory risks

Risk	Summary of Control Mechanisms
Changes to national pension requirements and/or HMRC rules e.g. changes arising from public sector pensions reform.	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. The Administering Authority is monitoring the progress on the McCloud court case and will consider an interim valuation or other appropriate action once more information is known. The government's long term preferred solution to GMP indexation and equalisation - conversion of GMPs to scheme benefits - was built into the 2019 valuation.
Time, cost and/or reputational risks associated with any MHCLG intervention triggered by the Section 13 analysis (see Section 5).	Take advice from Fund Actuary on position of Fund as at prior valuation, and consideration of proposed valuation approach relative to anticipated Section 13 analysis.
Changes by Government to particular employer participation in LGPS Funds, leading to impacts on funding and/or investment strategies.	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. Take advice from Fund Actuary on impact of changes on the Fund and amend strategy as appropriate.

C5 Governance risks

Risk	Summary of Control Mechanisms
Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements) or not advised of an employer closing to new entrants.	The Administering Authority has a close relationship with employing bodies and communicates required standards e.g. for submission of data. The Actuary may revise the rates and Adjustments certificate to increase an employer's contributions between triennial valuations Deficit contributions are expressed as monetary amounts.
Actuarial or investment advice is not sought, or is not heeded, or proves to be insufficient in some way.	The Administering Authority maintains close contact with its specialist advisers. Advice is delivered via formal meetings involving Elected Members, and recorded appropriately. Actuarial advice is subject to professional requirements such as peer review.
Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body.	The Administering Authority requires employers with Best Value contractors to inform it of forthcoming changes. Community Admission Bodies' memberships are monitored and, if active membership decreases, steps will be taken.
An employer ceasing to exist with insufficient funding or adequacy of a bond.	The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure. The risk is mitigated by: Seeking a funding guarantee from another scheme employer, or external body, where-ever possible (see Notes (h) and (j) to 3.3) Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice. Vetting prospective employers before admission. Where permitted under the regulations requiring a bond to protect the Fund from various risks. Requiring new Community Admission Bodies to have a guarantor. Reviewing bond or guarantor arrangements at regular intervals (see Note (f) to 3.3). Reviewing contributions well ahead of cessation if thought appropriate (see Note (a) to 3.3).
An employer ceasing to exist resulting in an exit credit being payable.	The Administering Authority regularly monitors admission bodies coming up to cessation The Administering Authority invests in liquid assets to ensure that exit credits can be paid when required.

Appendix D – The calculation of Employer contributions

In Section 2 there was a broad description of the way in which contribution rates are calculated. This Appendix considers these calculations in much more detail.

As discussed in Section 2, the actuary calculates the required contribution rate for each employer using a three- step process:

1. Calculate the funding target for that employer, i.e. the estimated amount of assets it should hold in order to be able to pay all its members' benefits. See Appendix E for more details of what assumptions we make to determine that funding target;
2. Determine the time horizon over which the employer should aim to achieve that funding target. See the table in 3.3 and Note (c) for more details;
3. Calculate the employer contribution rate such that it has at least a given likelihood of achieving that funding target over that time horizon, allowing for various possible economic outcomes over that time horizon. See the table in 3.3 Note (e) for more details.

The calculations involve actuarial assumptions about future experience, and these are described in detail in Appendix E.

D1 What is the difference between calculations across the whole Fund and calculations for an individual employer?

Employer contributions are normally made up of two elements:

a) the estimated cost of ongoing benefits being accrued, referred to as the "Primary contribution rate" (see D2 below); plus

b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "Secondary contribution rate" (see D3 below).

The contribution rate for each employer is measured as above, appropriate for each employer's assets, liabilities and membership. The whole Fund position, including that used in reporting to MHCLG (see section 5), is calculated in effect as the sum of all the individual employer rates. MHCLG currently only regulates at whole Fund level, without monitoring individual employer positions.

D2 How is the Primary contribution rate calculated?

The Primary element of the employer contribution rate is calculated with the aim that these contributions will meet benefit payments in respect of members' future service in the Fund. This is based upon the cost (in excess of members' contributions) of the benefits which employee members earn from their service each year.

The Primary rate is calculated separately for all the employers, although employers within a pool will pay the contribution rate applicable to the pool as a whole. The Primary rate is calculated such that it is projected to:

1. meet the required funding target for all future years' accrual of benefits*, excluding any accrued assets,
2. within the determined time horizon (see note 3.3 Note (c) for further details),
3. with a sufficiently high likelihood, as set by the Fund's strategy for the category of employer (see 3.3 Note (e) for further details).

* The projection is for the current active membership where the employer no longer admits new entrants, or additionally allows for new entrants where this is appropriate.

The projections are carried out using an economic modeller (the "Economic Scenario Service") developed by the Fund's actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund's investment strategy), infiation, and bond yields. Further information about this model is included in Appendix E. The measured contributions are calculated such that the proportion of outcomes meeting the employer's funding target (at the end of the time horizon) is equal to the required likelihood.

The approach includes expenses of administration to the extent that they are borne by the Fund, and includes allowances for benefits payable on death in service and on ill health retirement.

D3 How is the Secondary contribution rate calculated?

The Fund aims for the employer to have assets sufficient to meet 100% of its accrued liabilities at the end of its funding time horizon based on the employer's funding target assumptions (see Appendix E).

The Secondary rate is calculated as the balance over and above the Primary rate, such that the total contribution rate is projected to:

1. meet the required funding target relating to combined past and future service benefit accrual, including accrued asset share (see D5 below)
2. at the end of the determined time horizon (see 3.3 Note (c) for further details)
3. with a sufficiently high likelihood, as set by the Fund's strategy for the category of employer (see 3.3 Note (e) for further details).

The projections are carried out using an economic modeller (the "Economic Scenario Service") developed by the Fund Actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund's investment strategy), infiation, and bond yields. Further information about this model is included in Appendix E. The measured contributions are calculated such that the proportion of outcomes meeting the employer's funding target at the end of the time horizon is equal to the required likelihood.

D4 What affects a given employer s valuation results?

The results of these calculations for a given individual employer will be affected by:

1. past contributions relative to the cost of accruals of benefits;
2. different liability profiles of employers (e.g. mix of members by age, gender, service vs. salary);
3. the effect of any differences in the funding target, i.e. the valuation basis used to value the employer's liabilities at the end of the time horizon;
4. any different time horizons;
5. the difference between actual and assumed rises in pensionable pay;
6. the difference between actual and assumed increases to pensions in payment and deferred pensions;
7. the difference between actual and assumed retirements on grounds of ill-health from active status;
8. the difference between actual and assumed amounts of pension ceasing on death;
9. the additional costs of any non ill-health retirements relative to any extra payments made; and/or
10. differences in the required likelihood of achieving the funding target.

D5 How is each employer s asset share calculated?

The Administering Authority does not operate separate bank accounts or investment mandates for each employer. Therefore it cannot account for each employer's assets separately. Instead, the Fund Actuary must apportion the assets of the whole Fund between the individual employers. There are broadly two ways to do this:

1. A technique known as "analysis of surplus" in which the Fund actuary estimates the surplus/deficit of an employer at the current valuation date by analysing movements in the surplus/deficit from the previous actuarial valuation date. The estimated surplus/deficit is compared to the employer's liability value to calculate the employer's asset value. The actuary will quantify the impact of investment, membership and other experience to analyse the movement in the surplus/deficit. This technique makes a number of simplifying assumptions due to the unavailability of certain items of information. This leads to a balancing, or miscellaneous, item in the analysis of surplus, which is split between employers in proportion to their asset shares.
2. A 'cashfiow approach' in which an employer's assets are tracked over time allowing for cashfiows paid in (contributions, transfers in etc.), cashfiows paid out (benefit payments, transfers out etc.) and investment returns on the employer's assets.

Until 31 March [2016] the Administering Authority used the 'analysis of surplus' approach to apportion the Fund's assets between individual employers.

Since then, the Fund has adopted a cashflow approach for tracking individual employer assets.

The Fund Actuary uses the Hymans Robertson's proprietary "HEAT" system to track employer assets on a monthly basis. Starting with each employer's assets from the previous month end, cashfiows paid in/out and investment returns achieved on the Fund's assets over the course of the month are added to calculate an asset value at the month end.

The Fund is satisfied that this new approach provides the most accurate asset allocations between employers that is reasonably possible at present.

D6 How does the Fund adjust employer asset shares when an individual member moves from one employer in the Fund to another?

Under the cashfiow approach for tracking employer asset shares, the Fund has allowed for any individual members transferring from one employer in the Fund to another, via the transfer of a sum from the ceding employer's asset share to the receiving employer's asset share. This sum is equal to the member's Cash Equivalent Transfer Value (CETV) as advised by the Fund's administrators.

Appendix E - Acturial assumptions

E1 What are the actuarial assumptions used to calculate employer contribution rates?

These are expectations of future experience used to place a value on future benefit payments ("the liabilities") and future asset values. Assumptions are made about the amount of benefit payable to members (the financial assumptions) and the likelihood or timing of payments (the demographic assumptions). For example, financial assumptions include investment returns, salary growth and pension increases; demographic assumptions include life expectancy, probabilities of ill-health early retirement, and proportions of member deaths giving rise to dependants' benefits.

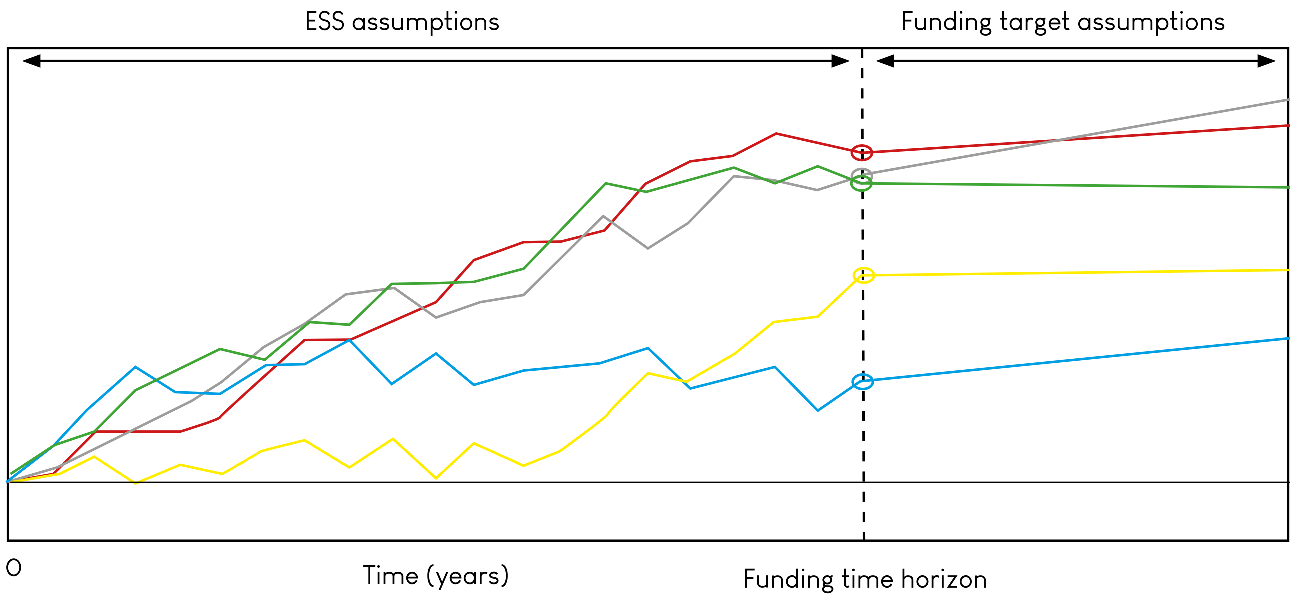
Changes in assumptions will affect the funding target and required contribution rate. However, different assumptions will not of course affect the actual benefits payable by the Fund in future.

The actuary's approach to calculating employer contribution rates involves the projection of each employer's future benefit payments, contributions and investment returns into the future under 5,000 possible economic scenarios. Future inflation (and therefore benefit payments) and investment returns for each asset class (and therefore employer asset values) are variables in the projections. By projecting the evolution of an employer's assets and benefit payments 5,000 times, a contribution rate can be set that results in a sufficient number of these future projections (determined by the employer's required likelihood) being successful at the end of the employer's time horizon. In this context, a successful contribution rate is one which results in the employer having met its funding target at the end of the time horizon.

Setting employer contribution rates therefore requires two types of assumptions to be made about the future:

1. Assumptions to project the employer's assets, benefits and cashflows to the end of the funding time horizon. For this purpose the actuary uses Hymans Robertson's proprietary stochastic economic model – the Economic Scenario Service ("ESS").
2. Assumptions to assess whether, for a given projection, the funding target is satisfied at the end of the time horizon. For this purpose, the Fund has three different funding bases.

Details on the ESS assumptions and funding target assumptions are included below (in E2 and E3 respectively).



E2 What assumptions are used in the ESS?

The actuary uses Hymans Robertson's ESS model to project a range of possible outcomes for the future behaviour of asset returns and economic variables. With this type of modelling, there is no single figure for an assumption about future infiation or investment returns. Instead, there is a range of what future infiation or returns will be which leads to likelihoods of the assumption being higher or lower than a certain value.

The ESS is a complex model to refiect the interactions and correlations between different asset classes and wider economic variables. The table below shows the calibration of the model as at 31 March 2019. All returns are shown net of fees and are the annualised total returns over 5, 10 and 20 years, except for the yields which refer to the simulated yields at that time horizon.

		Annualised total returns									
		Cash	Index Linked Gifts (medium)	Fixed Interest Gifts (medium)	UK Equity	Overseas Equity	Property	A rated corporate bonds (medium)	RPI infiation expec-tation	17 year real govt bond yield	17 year govt bond yield
5 years	16th %'ile	-0.4%	-2.3%	-2.9%	-4.1%	-4.1%	-3.5%	-2.7%	1.9%	-2.5%	0.8%
	50th %'ile	0.7%	0.5%	0.3%	4.0%	4.1%	2.4%	0.8%	3.3%	-1.7%	2.1%
	84th %'ile	2.0%	3.3%	3.4%	12.7%	12.5%	8.8%	4.0%	4.9%	-0.8%	3.6%
10 years	16th %'ile	-0.2%	-1.8%	-1.3%	-1.5%	-1.4%	-1.5%	-0.9%	1.9%	-2.0%	1.2%
	50th %'ile	1.3%	0.0%	0.2%	4.6%	4.7%	3.1%	0.8%	3.3%	-0.8%	2.8%
	84th %'ile	2.9%	1.9%	1.7%	10.9%	10.8%	7.8%	2.5%	4.9%	0.4%	4.8%
20 years	16th %'ile	0.7%	-1.1%	0.1%	1.2%	1.3%	0.6%	0.7%	2.0%	-0.7%	2.2%
	50th %'ile	2.4%	0.3%	1.0%	5.7%	5.8%	4.3%	1.9%	3.2%	0.8%	4.0%
	84th %'ile	4.5%	2.0%	2.0%	10.3%	10.4%	8.1%	3.0%	4.7%	2.2%	6.3%
	Vol-atility (Disp) (1 yr)	1%	7%	10%	17%	17%	14%	11%	1%		

E3 What assumptions are used in the funding target?

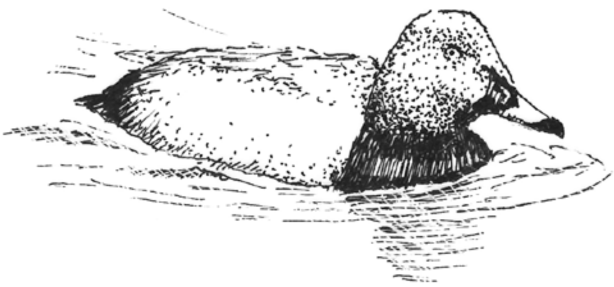
At the end of an employer's funding time horizon, an assessment will be made – for each of the 5,000 projections – of how the assets held compare to the value of assets required to meet the future benefit payments (the funding target). Valuing the cost of future benefits requires the actuary to make assumptions about the following financial factors:

- Benefit increases and CARE revaluation
- Salary growth
- Investment returns (the "discount rate")

Each of the 5,000 projections represents a different prevailing economic environment at the end of the funding time horizon and so a single, fixed value for each assumption is unlikely to be appropriate for every projection. For example, a high assumed future investment return (discount rate) would not be prudent in projections with a weak outlook for economic growth. Therefore, instead of using a fixed value for each assumption, the actuary references economic indicators to ensure the assumptions remain appropriate for the prevailing economic environment in each projection. The economic indicators the actuary uses are: future inflation expectations and the prevailing risk free rate of return (the yield on long term UK government bonds is used as a proxy for this rate).

The Fund has three funding bases which will apply to different employers depending on their type. Each funding basis has a different assumption for future investment returns when determining the employer's funding target.

Funding basis	Ongoing participation basis	Contractor exit basis	Low risk exit basis
Employer type	All employers except Transferee Admission Bodies and closed Community Admission Bodies	Transferee Admission Bodies	Community Admission Bodies that are closed to new entrants
Investment return assumption underlying the employers funding target (at the end of its time horizon)	Long term government bond yields plus an asset outperformance assumption (AOA) of 1.6% p.a.	Long term government bond yields plus an AOA equal to the AOA used to allocate assets to the employer on joining the Fund	Long term government bond yields with no allowance for outperformance on the Fund's assets



E4 What other assumptions apply?

The following assumptions are those of the most significance used in both the projection of the assets, benefits and cashflows and in the funding target.

a) Salary growth

The salary increase assumption at the 2019 valuation has been set to be a blended rate combined of:

1. 2% p.a. until 31 March 2021, followed by

2. 1.0% above the Consumer Prices Index (CPI) per annum p.a. thereafter.

This gives a single "blended" assumption of CPI plus 0.8%. This is a change from the previous valuation, which assumed a blended assumption of CPI plus 0.6% per annum. The change has led to an increase in the funding target (all other things being equal).

b) Pension increases

Since 2011 the consumer prices index (CPI), rather than RPI, has been the basis for increases to public sector pensions in deferment and in payment. Note that the basis of such increases is set by the Government, and is not under the control of the Fund or any employers.

At this valuation, we have continued to assume that CPI inflation is 1.0% per annum lower than RPI inflation.

(Note that the reduction is applied in a geometric, not arithmetic, basis).

c) Life expectancy

The demographic assumptions are intended to be best estimates of future experience in the Fund based on past experience of LGPS funds which participate in Club Vita, the longevity analytics service used by the Fund, and endorsed by the actuary.

The longevity assumptions that have been adopted at this valuation are a bespoke set of "VitaCurves", produced by the Club Vita's detailed analysis, which are specifically tailored to fit the membership profile of the Fund. These curves are based on the data provided by the Fund for the purposes of this valuation.

Allowance has been made in the ongoing valuation basis for future improvements in line with the 2018 version of the Continuous Mortality Investigation model published by the Actuarial Profession and a 1.25% per annum minimum underpin to future reductions in mortality rates. This updated allowance for future improvements will generally result in lower life expectancy assumptions and hence a reduced funding target (all other things being equal).

The approach taken is considered reasonable in light of the long term nature of the Fund and the assumed level of security underpinning members' benefits.

d) General

The same financial assumptions are adopted for most employers (on the ongoing participation basis identified above), in deriving the funding target underpinning the Primary and Secondary rates: as described in (3.3), these calculated figures are translated in different ways into employer contributions, depending on the employer's circumstances.

The demographic assumptions, in particular the life expectancy assumption, in effect vary by type of member and so reflect the different membership profiles of employers.

Appendix F - Glossary

Funding Basis
The combined set of assumptions made by the actuary, regarding the future, to calculate the value of the funding target at the end of the employer's time horizon. The main assumptions will relate to the level of future investment returns, salary growth, pension increases and longevity. More prudent assumptions will give a higher funding target, whereas more optimistic assumptions will give a lower funding target.

Administering Authority
The council with statutory responsibility for running the Fund, in effect the Fund's "trustees".

Admission Bodies
Employers where there is an Admission Agreement setting out the employer's obligations. These can be Community Admission Bodies or Transferee Admission Bodies. For more details (see 2.3).

Covenant
The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term.

Designating Employer
Employers such as town and parish councils that are able to participate in the LGPS via resolution. These employers can designate which of their employees are eligible to join the Fund.

Employer
An individual participating body in the Fund, which employs (or used to employ) members of the Fund. Normally the assets and funding target values for each employer are individually tracked, together with its Primary rate at each valuation.

Gilt
A UK Government bond, ie a promise by the Government to pay interest and capital as per the terms of that particular gilt, in return for an initial payment of capital by the purchaser. Gilts can be "fixed interest", where the interest payments are level throughout the gilt's term, or "index-linked" where the interest payments vary each year in line with a specified index (usually RPI). Gilts can be bought as assets by the Fund, but are also used in funding as an objective measure of a risk-free rate of return.

Guarantee / guarantor
A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's covenant to be as strong as its guarantor's.

Letting employer
An employer which outsources or transfers a part of its services and workforce to another employer (usually a contractor). The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer. A letting employer will usually be a local authority, but can sometimes be another type of employer such as an Academy. respectively).

LGPS
The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into 100 Funds which map the UK. Each LGPS Fund is autonomous to the extent not dictated by Regulations, e.g. regarding investment strategy, employer contributions and choice of advisers.

Maturity	A general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.
Members	The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex- employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).
Primary	The employer contribution rate required to pay for ongoing accrual of **contribution rate** active members' benefits (including an allowance for administrative expenses). See Appendix D for further details.
Profile	The profile of an employer's membership or liability reflects various measurements of that employer's members, ie current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc. A membership (or liability) profile might be measured for its maturity also.
Rates and Adjustments	A formal document required by the LGPS Regulations, which must be updated at the conclusion of the formal valuation. This is completed by the **Certificate** actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the period until the next valuation is completed.
Scheduled Bodies	Types of employer explicitly defined in the LGPS Regulations, whose employees must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, academies, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).
Secondary rate	The difference between the employer's actual and Primary contribution **contribution** rates. See Appendix D for further details.
Stabilisation	Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund.
Valuation	A risk management exercise to review the Primary and Secondary contribution rates, and other statutory information, for a Fund, and usually individual employers too.

Border to Coast

Photo by Nick Fewings on Unsplash.com

Border to Coast Pooling Report 2021/22

Costs and savings relating to pooling are in the context of the assets under management within the pool having increased to £1190m as of March 2022 from £859m as of March 21. Investments in alternatives have continued to build up and there has been some transition activity out of legacy funds to BCPP offerings.

During 2020/21 Border to Coast worked with the Partner Funds to gather data, agree assumptions, and build a savings model and process that will enable consistent reporting going forward. For 2021/22 this analysis is available and has been included within this section by the way of payback illustration.

Set up and Transition Costs

During the year 21/22 the fund transitioned to the BCPP Multi-Asset Credit fund.

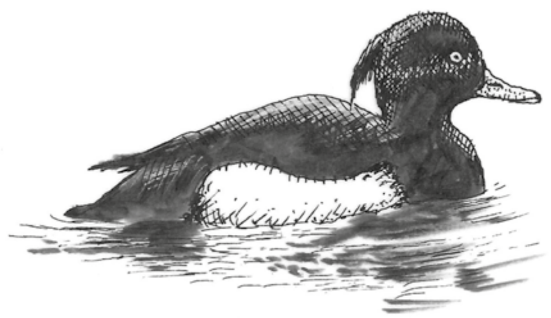
	17/18	18/19	19/20	20/21	21/22			
	Total £000s	Total £000s	Total £000s	Total £000s	Direct £000s	Indirect £000s	Total £000s	Cumlative £000s
Set up Costs								
Recruitment	17							17
Legal	27							27
Procurement	36							36
Other support costs eg IT, accomodation	2							2
Share purchase/ subscription costs*		833		348				1,182
Other working capital provided e.g. Loans								
Staff costs	62							62
Other costs	41	426	250	298	236		236	1,251
Total Set up Costs	185	1,259	250	646	236		236	2,577
Transition costs:								
Transition fees		3,570	2,912	2,397		403	403	9,281
Taxation (seeding relief)								
Other transition costs								
Total Transition Costs		3,570	2,912	2,397		403	403	9,281
Total Pooling Related Costs	185	4,829	3,163	3,043	236	403	639	11,859

Ongoing management costs

This table reports on ongoing management fees relating to pooling activity. Costs have increased in comparison to 2020/21, however the amount of assets under management has increased.

	BCPP Asset Pool				Non-BCPP Asset Pool				Fund Total	
	Direct	Indirect	Total		Direct	Indirect	Total			
	£000s	£000s	£000s	bps	£000s	£000s	£000s	bps	£000s	bps
Management fees	**3,482.0**	**0.0**	**3,482.0**	**0.0**	**6,739.8**	0.0	**6,739.8**	**4.8**	**10,221.8**	**37.07**
ad valerom	3,336.0		3,336.0		5,411.3		5,411.3		8,747.3	31.73
performance	146.0		146.00		1,328.5		1,328.5	4.82	1,474.5	5.35
research									0.0	
PRIIPS compliance									0.0	
Asset pool shared costs	**553.5**		**553.5**	**2.01**					**553.5**	**2.01**
Transition costs*	**0.0**	**1,194.1**	**1,194.1**		**0.0**	**114.0**	**114.0**		**2,616.2**	**9.49**
commisions										
aquisitions/issue costs disposal costs										
registration/filing fees										
taxes and STD										
Custody					**68.0**		**68.0**		**68.0**	**0.25**
Other	**600.8**	**389.25**	**990.0**	**3.59**	**1,973.2**		**1,973.2**	**7.16**	**3,352.4**	**12.16**
Total £000	**4,636.3**	**1,583.4**	**6,219.7**	**5.6**	**8,781.0**	**114.0**	**8,895.0**	**12.0**	**16,812.0**	**60.97**

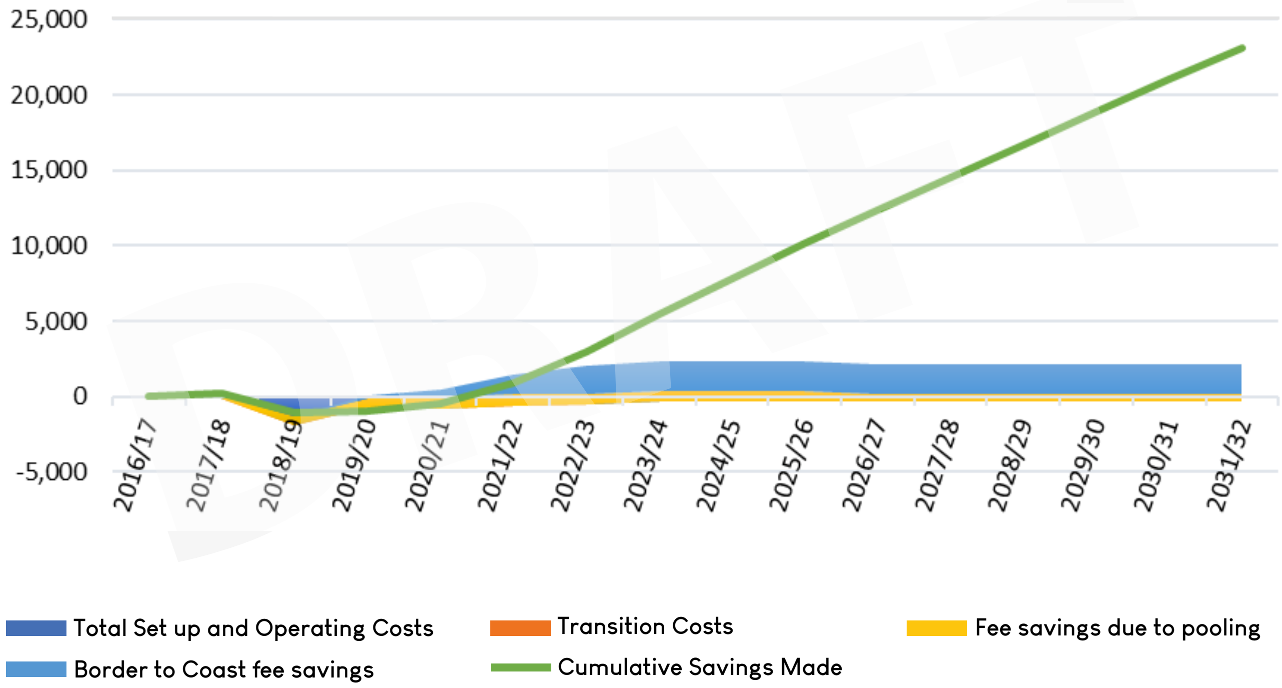
***Indirect costs incurred based upon manager CTI templates.**



Warwickshire Pooling Savings (£000)

The chart below is compiled by BCPP on behalf of the fund to illustrate the projected savings from the pooling of assets.

The fund is expected to breakeven during 2022/23 according to the analysis carried out through BCPP.



Financial Statements 2021/22

Photo by Jonny Gios on Unsplash.com

Pension Fund Accounts 2021/22

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

29th June 2022

Warwickshire Pension Fund Account

2020/2021 £ m		Notes	2021/2022 £ 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)
(0.0)	Taxes on income		(0.0)
(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 £ m		Notes	2021/2022 £ m
1.2	Long-term Assets	15	1.2
2,502.6	Investment assets	15/16	2,722.1
0.0	Investment liabilities	15	0.0
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.

Acturial Statement

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated June 2021. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by Council Tax payers);
- to refiect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the confiicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 19 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 70% likelihood that the Fund will achieve the funding target over 19 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2019. This valuation revealed that the Fund's assets, which at 31 March 2019 were valued at £2,166 million, were sufficient to meet 92.3% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2019 valuation was £180 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers' contributions for the period 1 April 2020 to 31 March 2023 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2019 valuation report.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2019 valuation were as follows:

Financial assumptions	31 March 2019
Discount rate	3.7%
Salary increase assumption	3.1%
Benefit increase assumption (CPI)	2.3%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.6 years	23.8 years
Future Pensioners*	22.5 years	25.4 years

* Aged 45 at the 2019 Valuation.

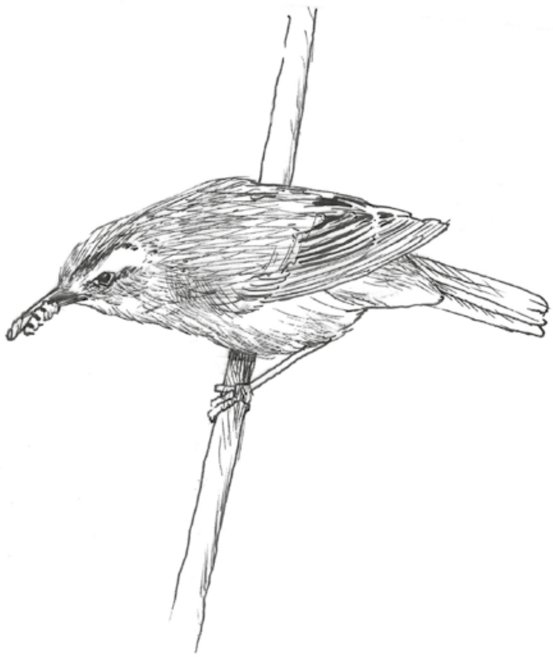
Copies of the 2019 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2019

Markets were severely disrupted by COVID 19 in March 2020, but over most of 2020/21 and 2021/22 they recovered strongly. However, due to the war in Ukraine, March 2022 markets were particularly volatile, which affects values as at the accounting date. All other things being equal, the funding level of the Fund as at 31 March 2022 is likely to be better than that reported at the previous formal valuation as at 31 March 2019.

It is important to note that the formal triennial funding valuation exercise is as at 31 March 2022 and this may show a different picture when the finalised position is disclosed in next year's annual report. In particular, changes in Fund membership, changes in anticipated real investment returns, and changes in demographic assumptions will affect the valuation results. The Funding Strategy Statement will also be reviewed as part of the triennial funding valuation exercise.

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



Notes to the Accounts

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**
Number of 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.

Pension	**Service pre 1 April 2008** Each year worked is worth 1/80 x final pensionable salary.	**Service post 31 March 2008** Each year worked is worth 1/60 x final pensionable.
Lump Sum	**Automatic lump sum of 3 x pension** 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.	**No automatic lump sum** 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 1/49th. 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 21/22 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.

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.

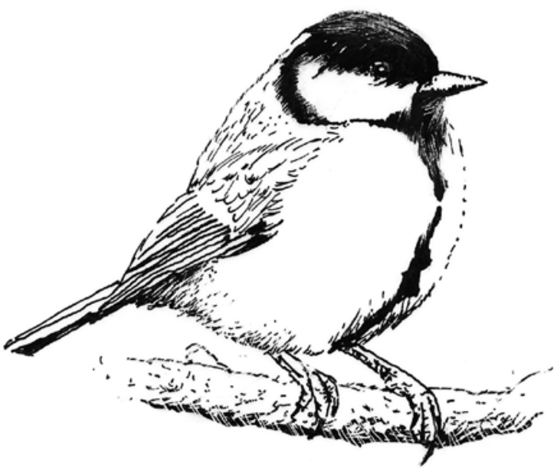
War in Ukraine

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.



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* 2012. 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.

Management has reviewed and can confirm that there are no significant events occurring after the reporting period.

Note 7: Contributions receivable

By category

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

By authority

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

Note 8: Transfers in from other pension funds

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

Note 9: Benefits payable

By category

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

By authority

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

Note 10: Payments to and on account of leavers

	2020/2021 £ m	2021/2022 £ m
Refunds	0.3	0.4
Group transfers	0.0	0.0
Individual transfers	9.5	8.0
Total	**9.9**	**8.4**

Note 11: Management expenses

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

	2020/2021 Total £ m	Management Fees £ m	Performance Fees £ m	2021/2022 Total £ m
Pooled Investments	2.6	3.2	0.0	3.2
Pooled Property	1.7	1.9	0.0	1.9
Private Equity	3.2	2.7	0.6	3.3
Infrastructure	2.6	2.5	0.7	3.2
Private Debt	1.5	1.1	0.2	1.3
Custody Fees	0.0	0.1	0.0	0.1
Total	**11.6**	**11.4**	**1.5**	**12.9**

Note 13: Investment income

	2020/2021 £ m	2021/2022 £ m
Equity dividends	0.0	0.1
Pooled Property	6.5	5.2
Infrastructure	2.4	3.0
Pooled Equity	1.8	1.9
Private Debt	1.2	0.9
Pooled Fixed Income	8.3	9.4
Private Equity	0.9	1.2
Managed funds	21.1	21.6
Interest on cash deposits	0.0	0.0
Stock lending	0.0	0.0
Total	**21.1**	**21.6**

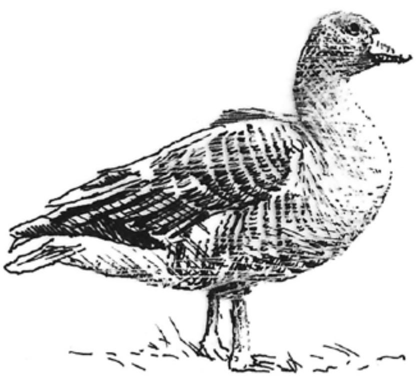
Note 14: Other fund account disclosures: external audit costs

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 £ m	2021/2022 £ m
Long term investments		
Equities	1.2	1.2
Investment Assets		
Pooled Funds ***	2,496.3	2,716.8
Global Equity	1,113.7	971.0
UK Equity	286.2	442.4
Infrastructure	72.3	140.4
Private Debt	84.5	83.0
Private Equity	175.0	197.3
Pooled Property	221.5	273.4
Fixed Income	543.1	609.2
Cash deposits	48.3	35.1
Investment Current Assets	6.2	5.4
Total Investment Assets	**2,550.9**	**2,757.2**
Investment Liabilities		
Investment current liabilities	0.0	0.0
Total Investment Liabilities	**0.0**	**0.0**
Net Investment Assets Total	**2,552.1**	**2,758.4**

*** 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 £ m	Purchases during the year £ m	Sales during the year £ m	Change in market value during the year £ m	Market value 31 March 2022 £ 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 £ m	Purchases during the year £ m	Sales during the year £ m	Change in market value during the year £ m	Market value 31 March 2021 £ 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**	**791.8**	**-775.6**	**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				
Private Equity	2.7	0.1%	14.8	0.5%
Infrastructure	12.8	0.5%	61.1	2.2%
Private Debt	2.4	0.1%	17.8	0.6%
Global Equity Alpha Fund	370.5	14.5%	378.0	13.7%
UK Equity Alpha Fund	286.2	11.2%	295.7	10.7%
BCPP Iinvestment Grade Credit	184.0	7.2%	171.7	6.2%
BCPP Multi-Asset Credit	0.0	0.0%	250.8	9.1%
	858.6	**33.6%**	**1189.8**	**43.1%**
Investments managed outside of BCPP asset pool				
MFS Investment Management (Global Equities)	0.8	0.0%	0.6	0.0%
Legal and General Investment Management (Index Tracker - Global Equities)	743.4	29.1%	740.0	26.8%
Legal and General Investment Management (Index Tracker - Fixed Income)	184.7	7.2%	186.9	6.8%
Columbia Threadneedle Investments (Property)	116.9	4.6%	145.8	5.3%
Schroder Investment Management (Property)	110.9	4.3%	132.3	4.8%
HarbourVest (Private Equity)	172.3	6.8%	182.5	6.6%
JP Morgan (Strategic Bond)	114.6	4.5%	0.0	0.0%
Standard Life Capital (Infrastructure)	22.9	0.9%	23.8	0.9%
Partners Group (Infrastructure)	36.5	1.4%	55.6	2.0%
Alcentra (Private Debt)	40.6	1.6%	39.1	1.4%
Partners (Private Debt)	41.5	1.6%	25.9	0.9%
PIMCO (Diversified Income Fund)	60.4	2.4%	0.0	0.0%
BNY Mellon (Global Custodian)	46.9	1.8%	35.0	1.3%
BCPP Shareholding	1.2	0.0%	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 £ m	% of total fund as at 31 March 2022
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 £ m	% of total fund as at 31 March 2021
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 £ m	Financial assets at amortised cost £ m	Financial liabilities at amortised cost £ m		Fair value through profit and loss £ m	Financial assets at amortised cost £ m	Financial liabilities at amortised cost £ m
31 March 2021				31 March 2022		
			Investment Assets			
0.0			Index linked bonds	0.0		
1.2			Equities	1.2		
2,496.3			Pooled Investments	2,716.8		
1,113.7			Global Equity	971.0		
286.2			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 2022 £ m	31 March 2022 £ m
Financial Assets		13.7%
Fair value through profit and loss	515.3	11.0%
Loans and receivables	0.0	10.8%
Financial liabilities		9.1%
Fair value through profit and loss	0.0	6.6%
Loans and receivables	0.0	6.2%
Total	**515.3**	**195.6**

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

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 evaluation	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 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 cashfiows, and by any differences between audited and unaudited accounts.
Shares in Border to Coast Pensions Partnership	Estimated value of the pension fund's share of net assets held by the pool, based on relative percentage of shares held and voting rights.	Current estimates of future dividend income.	Valuation could be affected by future trading income, post balance sheet events, or changes to expected cashfiows.

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 £ m	Using observable inputs £ m	With significant unobservable inputs £ m	Total £ m
Valuation at 31 March 2022	**Level 1**	**Level 2**	**Level 3**	
Equities	0.0		1.2	1.2
Pooled Investments	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	1.2	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	1.2	2,296.0	429.1	2,717.9

	Quoted market price £ m	Using observable inputs £ m	With significant unobservable inputs	
Valuation at 31 March 2021	**Level 1**	**Level 2**	**Level 3**	**Total £ 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	0.0
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 £ m	Using observable inputs £ m	With significant unobservable inputs £ m	
Valuation at 31 March 2022	**Level 1**	**Level 2**	**Level 3**	**Total £ m**
Investment in Border to Coast				
Pensions Partnership				1.2
Investments held at cost				

Note 25: Reconciliation of fair value measurements within Level 3

	Market value 31 March 2021 £ m	Purchases during the year £ m	Sales during the year £ m	Change in market value during the year £ m	Realised profit or loss (-) during the year £ m	Market value 31 March 2022 £ m
Private Debt	84.5t	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 £ m	Potential market movement £ m	Value on increase £ m	Value on decrease £ 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 £ m	Potential market movement £ m	Value on increase £ m	Value on decrease £ m
UK Pooled Funds	287.4	48.9	336.3	238.6
Overseas Pooled Funds	1,113.7	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 Years	Value as at 31 March 2022 £ m	Value on 1% increase £ m	Value on 1% decrease £ 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		609.2	554.5	664.0

Asset Type	Duration Years	Value as at 31 March 2021 £ m	Value on 1% increase £ m	Value on 1% decrease £ 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 £ m	Potential market movement £ m	Value on increase £ m	Value on decrease £ m
Overseas Pooled Funds	971.0	194.2	1,165.2	776.8
Total	**971.0**	**194.2**	**1,165.2**	**776.8**

	Value as at 31 March 2021 £ m	Potential market movement £ m	Value on increase £ m	Value on decrease £ 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 March 2019
Total contribution rate	
Primary Rate (% of pay)	20.1%
2020/21 Secondary Rate £000	60.71
2121/22 Secondary Rate £000	62.51
2122/23 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 Infiation/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**
Post Retirement Discount Rate	21.6	23.8
Salary Increases	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 2019/20 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.

	Year ended 31 March 2021 £ m	Year ended 31 March 2022 £ m
Active members	1,774	1,790
Deferred members	905	840
Pensioners	1,180	1,095
Present value of promised retirement benefits	(3,859)	(3,725)
Fair Value of scheme assets (bid value)	2,552	2,776
Net Liability	(1,307)	(949)

The fair value of scheme assets (bid value) figure as at 31 March 2021 has been provided by the Administering Authority and is as disclosed in the Fund's 2020/21 accounts.

The promised retirement benefits at 31 March 2021 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 2021 %	31 March 2022 %
Infiation/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:

	Male	Female
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
For and on behalf of Hymans Robertson LLP

17 May 2022

Note 29: Current assets

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

Note 30: Current liabilities

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

Note 31: Additional Voluntary Contributions

	Contributions Paid 2020/21 £ 000's	Market Value 31 March 2021 £ m	Contributions Paid 2021/22 £ 000's	Market Value 31 March 2021 £ m
Standard Life	342.7	2.8	468.5	3.3
Utmost Life and Pensions	1.4	0.2	1.16	0.21
Total	**344.1**	**3.0**	**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 £000's	2020/21 £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.

Note 33: Contingent Liabilities

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.

Independent Auditor's Statement

Supporting Information

Photo by David George on Unsplash.com

Glossary of Terms

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 h*edge 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*.

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