Warwickshire Pension Fund

Annual Report & Financial Statements

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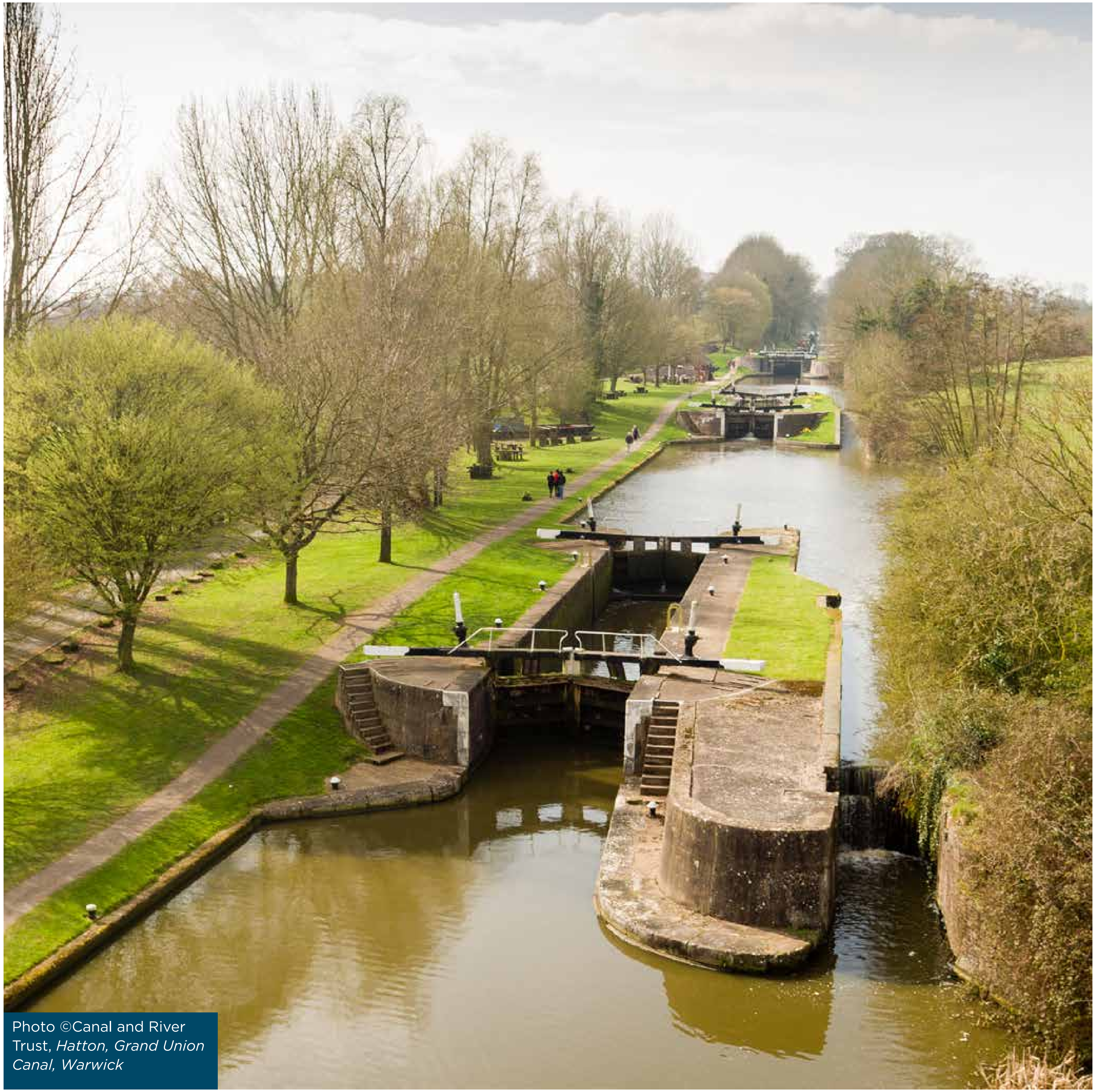
Lapworth junction with Grand Union Canal Kingswood Junction

2022/2023

WARWICKSHIRE PENSION FUND

Warwickshire County Council

Contents



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Introduction

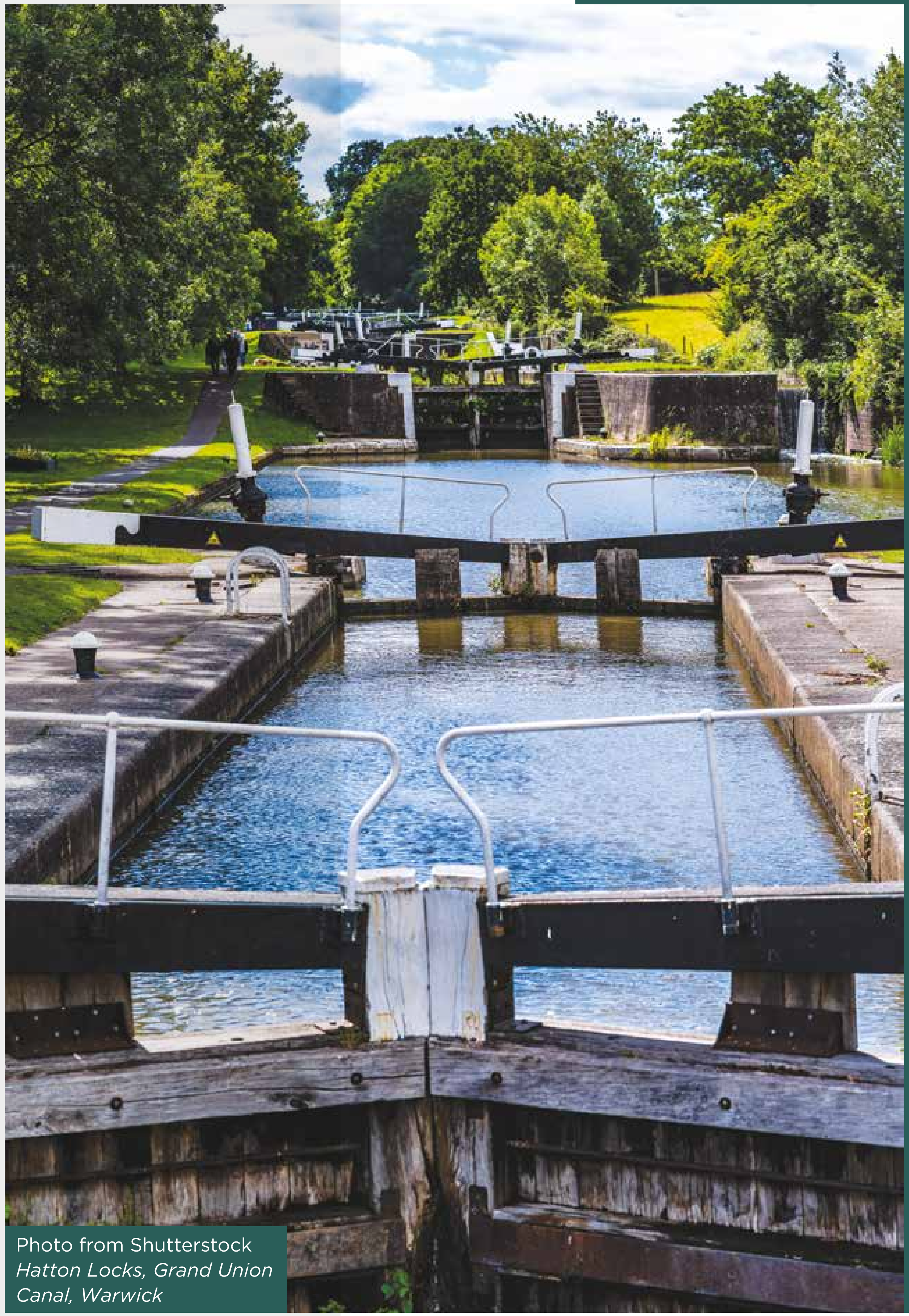
2022/23 has been another busy year for the Fund, but I am pleased to say that in spite of some very significant challenges, the Fund is in a healthy position.

The Fund had faced some key issues, such as managing the ongoing impact of the war in Ukraine and continuing to develop our response to the global climate emergency, as well as the Triennial valuation.

The Fund is well placed to deal with the unpredictability that the future brings. At the same time, we are successfully meeting the Fund's key objectives of ensuring sufficient funds are available to pay pensions when they are due and paying those benefits accurately and on time.

The War in Ukraine

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. Now, our exposure to the region is very small, with our total exposure (across all asset classes including bonds and equities) totalling £293,000.



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Hatton Locks, Grand Union Canal, Warwick

Climate Change

Responsible investment, particularly climate risk is a major concern for the Fund. The Fund has updated both our Responsible Investment and Climate Risk policies, and work continues to ensure these policies are implemented effectively and updated to reflect improved practices. The Fund's first carbon footprint report was published as part of the June 2022 Pension Fund Investment Sub-Committee pack and provides empirical data to direct the Fund's actions.

It has also enabled the Fund to join with other investors' voices to request more, and better quality data from our underlying investment managers and the companies and governments in which they invest on our behalf. For instance, the Fund engaged on an ongoing basis with Border to Coast Pensions Partnership to ensure that, along with other Partner Funds, we are taking a coherent and collective approach to responsible investment, corporate governance and climate change.

The Net Zero Implementation Plan includes exclusions to companies that derive significant revenue from thermal coal, and further details in this area are available through the Border to Coast Pensions Partnership's website. Legal and General Investment Management has also set a Net Zero 2050 commitment. Therefore, over three quarters of the Fund's assets are already committed to this target.

Triennial Valuation

The triennial valuation of the Fund is an important part of our risk management framework. It makes sure that we have both the right investment strategy and an appropriate level of contributions from our employers, to be able to meet the Fund's liabilities in the long-term.

We are delighted that the funding position has improved, such that at 31st March 2023 our funding level was 132%. Our thanks to the Investment and Pensions Administration teams for their hard work in achieving this outcome, and, working with the Fund Actuary, Hymans Robertson, on delivering a successful valuation process.

In November 2022, the Fund held its Annual General Meeting in- person for the first time in three years, and it was great to be able to engage with so many of our employers' face- to- face again.

The Local Pension Board has adopted a mix of physical and virtual meetings, and through its quarterly meetings continues to provide oversight, challenge and support to the Fund, ensuring sound governance is in place.

Other key governance activity during the year centred around the critical issue of cyber security. Our Cyber Security policy has been updated, along with our Business Continuity Plan, with training provided to Committees, Board Members, and staff. These arrangements are periodically tested to see if we could respond satisfactorily in the event of a serious incident.

The scale and complexity of the Fund continues to grow. Membership numbers have increased to nearly 59,000 from approximately 54,000 in 2022. Over the same period, employer numbers have increased to 223 from 206 and annual benefits paid have increased to£91.4m from £88.9m

Once again, the outlook for Local Government Pension Scheme (LGPS) governance is one of growing complexity and size, and increasingly high and consistent standards of governance required through new regulations and guidance issued by The Pensions Regulator, the Scheme Advisory Board, and Government (predominantly the Department for Levelling Up, Housing and Communities). This will have the impact of continuous improvement for the Fund, and inevitably, additional pressure on resources to deliver the new requirements.

Administration

The Fund has implemented a new Member Self Service system (MSS) to give scheme members access to information about their pension via a web-based portal. This allows them to update their personal information on-line, helping to ensure up to date and accurate data, which is essential for the administration service. Individuals are also able to run their own pension estimates.

To date, 31% of active, 22% of deferred and 17% of pensioner members have taken up the opportunity to subscribe to MSS, reducing pressure on the pensions administration team, and allowing them to focus on more complex casework, service improvement and other essential projects.

The pensions administration service has continued to prepare for the age discrimination remedy (McCloud) and is ready to implement as soon as the new regulations have been issued.

The Team continues to meet many of our Key Performance Indicators and further information regarding these is included on page 22 of the report.

Investments

Inflation and pressure on the cost-of-living have been dominating markets. Globally, energy costs have created a spiral of rising prices and wages, which has resulted in most developed and developing nations increasing interest rates.

The Fund takes a long-term view of investment activity and although volatility in markets continues the Fund ended the financial year with net assets almost unchanged from the previous year. However, our funding level has improved to a figure of 132% (previously 104% at the end of March 2022) meaning that the value of assets continues to exceed the value of our liabilities.

The Fund continues to invest further into pooled funds managed via the Border to Coast Pension Partnership, by investing in the pool's alternative funds including private credit, private equity, and infrastructure during the year. 76.7% of the Fund's assets are considered to benefit from pooling, this figure includes index tracking funds managed by Legal and General Investment Management (LGIM).

The Fund has also added 2 new managers over the year, all in the private credit asset space. These were Barings and ICG with a total investment of £105m between both managers.

Cashflow

Cashflow management has been a higher profile activity for the Fund, partly prompted by the risks originally presented by the Covid pandemic, but more recently 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.

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
Executive Director for Resources, Warwickshire County Council

Photo from Shutterstock Hillmorton

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.

A copy of the Funds Corporate Governance: Policy Statement is available on our website

A copy of the Funds Corporate Governance: Policy Statement and Conflicts of Interest Policy are available on our website

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.

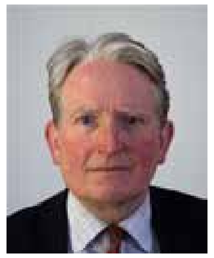
Committee Member	17/05/22	13/06/22	05/10/22	15/11/22	12/12/22	06/03/22
Cllr Andy Jenns (Chair)	X	Y	Y	Y	Y	Y
Cllr Bill Gifford (Vice Chair)	Y	Y	Y	Y	Y	Y
Cllr Brian Hammersley	X	Y	Y	X	Y	Y
Cllr Christopher Kettle	Y	Y	Y	Y	X	Y
Cllr Sarah Millar	Y	Y	X	Y	Y	Y
Cllr Mandy Tromans	Y	Y	Y	Y	Y	Y

Staff and Pensions Committee members

Councillor Andy Jenns
Chair

Councillor Bill Gifford
Vice Chair

Councillor Brian Hammersley



Councillor Christopher Kettle

Councillor Sarah Millar

Councillor Mandy Tromans

The Role of the **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.

Committee Member	17/05/22	13/06/22	05/10/22	15/11/22	12/12/22	06/03/22
Cllr Andy Jenns (Chair)	X	Y	Y	Y	Y	Y
Cllr Bill Gifford (Vice Chair)	Y	Y	Y	Y	Y	Y
Cllr Brian Hammersley	X	Y	Y	X	Y	Y
Cllr Christopher Kettle	Y	Y	Y	Y	X	Y
Cllr Sarah Millar	Y	Y	X	Y	Y	Y
Cllr Mandy Tromans	Y	Y	Y	Y	Y	Y

Pension Fund Investment Sub- Committee

Councillor Christopher Kettle
Chair

Councillor Bill Gifford
Vice Chair

Councillor Brian Hammersley

Councillor Sarah Millar

Councillor Mandy Tromans

Warwickshire **Local Pension Board**

The Local Pension Board was established by Warwickshire County Council on 5 February 2015 to meet the requirements of the Public Services Pension Act 2013.

The Local Pension Board help to ensure that the Fund is administered effectively and efficiently.

It makes sure the Fund is complying with the Code of Practice issued by the Pensions Regulator and othere statutory guidance issued by the government.

The function of the Board as defined by sections 5 (1) and (2) of the Public Service Pensions Act 2013 is to assist the Scheme Manager;

- to secure compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS;
- to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator; in such other matters as the LGPS regulations may specify;
- to provide the Scheme Manager with such information as it requires to ensure that any member of the Local Pension Board or person to be appointed to the Local Pension Board does not have a conflict of interest.

The Local Pension Board has representatives from both the employers and employee groups of the Fund.

Full list of members of the Local Pension Board

Councillor Parminder Singh Birdi (Warwickshire CC) until 18 October 2022

Councillor Ian Shenton (Warwickshire CC) from 31 January 2023

Mr Keith Francis (The Citizens Advice Bureaux Service)

Mr Jeff Carrruthers (Warwickshire Police)

Scheme Member Representatives

Mr Alan Kidner (Unison) until 1 April 2023

Mr Sean McGovern (Coroner, Warwickshire and Coventry)

Mr Mike Snow (Formerly Warwickshire District Council)

Mr Keith Bray

Independent Chairman (Non- voting) (formerly Director of Financial Services at the City and County of Cardiff).

The Local Pension Board meets on a quarterly basis and their Annual Report is available on the website

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Grand Union Canal, Warwick

Committee Member	12/07/22	18/10/22	31/01/23	25/04/23
Jeff Carruthers	Y	Y	Y	Y
Keith Bray	Y	Y	Y	Y
Keith Francis	Y	Y	Y	X
Alan Kidner	Y	Y	Y	X
Sean McGovern	Y	X	X	Y
Mike Snow	Y	Y	Y	Y
Ian Shenton	X	X	Y	Y

Training

The fund has adopted a training policy which sets out how the fund intends to meet its training responsibilities.

The Training Policy is established to aid all to whom this Policy applies in having sufficient knowledge and understanding ensuring that all decisions, actions, and other activities are carried out in an informed and appropriate way.

A copy of this policy is available on our website.

DATE	TRAINING	ATTENDEES - MEMBERS	ATTENDEES- OFFICERS
6 May 2022	Pension Administration	3	7
6 June 2022	Equities and Carbon Workshop	3	10
18 July 2022	Valuation and Section 13	4	12
9 August 2022	Property Workshop	3	15
23 November 2022	Fixed Income Products Workshop	4	16
1 December 2022	Protection Portfolio Workshop	3	11
30 January 2023	General Investment Overview and Cyber Security Update	10	5

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 Executive Director for Resources

Andrew Felton
Director of Finance

Chris Norton
Head of Investments, Audit and Risk

Liz Firmstone
Head of Financial Transactions and Transformation

Martin Griffiths
Policy and Governance Lead - Pensions

Vicky Jenks
Pensions Administration Manager

Victoria Moffett
Lead Commissioner Pensions and Investment

Bank of New York Mellon (BNY)
Global Custodian

Investment Advisors

Independent Advisors:
Bob Swarup,
Anthony Fletcher

Actuary:
Richard Warden,
Hymans Robertson

External Consultants:
Philip Pearson, Robert Bilton
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

The Administering Authority (Warwickshire County Council) recognises that effective risk management is an essential element of good governance in the LGPS. In identifying and managing the risks, the Administering Authority is able to:

- Demonstrate best practice in governance
- Identify and maximise opportunities that may arise
- Improve financial management of the fund
- Minimise the risk and effect of adverse conditions of the fund
- Minimise threats, and
- Support innovation and continual improvement.

The Administering Authority adopts best practice risk management, which supports a structured and focused approach to managing risks and ensures risk management is an integral part in the governance of the Fund, at a strategic and operational level.

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.

In the past twelve months Warwickshire Pension Fund has introduced a Risk Management Policy, which details the risk management strategy for the Fund, including the following key areas:

- The Fund's attitudes to, and appetite for, risk;
- Aims;
- Risk measurement and management; and
- Responsibility.

This Risk Management Policy applies to all members of the Pension Committee and the Pension Board. It also applies to senior officers involved in the management of the Fund.

Senior officers involved in the daily management of the Fund and administration of the LGPS are also integral to managing risk for the Fund and will be required to have appropriate understanding of risk management relating to their roles.

Advisers and suppliers to the Fund are also expected to be aware of this Policy, and assist officers, Pension Committee members and Pension Board members as required, in meeting the objectives of this Policy.

Each of the detailed risks identified by the Fund on its register 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.

Currently the red risks hi-lighted on the register include Climate Risk, Cyber Security and Long-Term Market Risk, Officers and advisors continue to work to ensure mitigation actions remain in place to monitor these risks.

The Local Pensions Board (LPB), also takes 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.

National Governance Updates

SAB Good Governance Review

The Scheme Advisory Board (SAB) launched the Good Governance Review in 2018 and appointed Hymans Robertson to examine the effectiveness of current LGPS governance models and to consider alternatives or enhancements.

The aim of the project is to further improve the high standards of governance and administration of the scheme on a consistent and measured basis across all 87 LGPS Funds, that will better match the standards expected by the Pensions Regulator.

On 15 February 2021, SAB published Good Governance: Phase 3 Report. The report provided detailed recommendations which have now be submitted to the Local Government minister for consideration. Although it is yet to be taken forward, there is an understanding that this might change before the end of 2023.

The Fund previously measured itself against the recommendations and will ensure that there is an action plan for implementation when it is finally released.

Dave Jennings Photography

The additional requirements, many of which the Fund already has in place, include:

a) Introduction of an LGPS senior officer responsible for the delivery of LGPS activity for a fund.

b) Enhanced governance compliance statement

c) Conflicts of interest policy specific to the LGPS.

d) Representation: policy on how scheme members and non-administering authority employers are represented on its committees.

e) Skills and training: pension committee members and section 151 officers, to have the appropriate level of knowledge and understanding to carry out their duties efficiently as set out in a Fund specific training strategy policy.

f) Service delivery: compulsory administration strategy and roles and responsibilities matrix.

g) KPIs: defined service standards and governance in place to monitor those standards.

h) Business planning process: resource and budget allocated to administer the LGPS each year.

i) Biennial independent governance review

TPR General Code Of Practice

The Pensions Regulator (TPR) has revealed that the consolidated single code of practice will be called the General Code and is now expected to be published in spring 2023.

On 17 March 2021, TPR released a consultation on the first phase of its General Code of Practice including a draft code.

This will become the code that is relevant for LGPS funds, replacing Code of Practice 14 and the parts of other codes that currently apply. TPR stated that the existing format of multiple separate codes created duplication, was difficult to navigate and created some confusion about which codes applied to which schemes.

The new code of practice will be introduced in phases. As the new code applies to all types of schemes covered by TPR, there will be modules signposted to make it clear which type of scheme they are relevant to. There is an appendix which provides a full break down of the modules and confirms whether they are existing guidance, new guidance, or best practice and to which schemes they relate.

New areas for the LGPS, will be included, among the more notable are the module on transfers and scams, which when considered alongside cyber security show TPR is expecting that all schemes have robust processes in place to protect members. TPR has also flagged the modules on Investment Governance and Investment.

Fund Administration

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 Department 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 governance 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 and independent representatives whilst the Board is an equal mix of representatives of employers and scheme members with an independent chair.

In March 2023, the total membership of the fund stood at 58,785 and the total value of net assets amounted to over £2,4bn. Of the total membership, 18,334 are active members currently contributing to the fund, 21,630 are members with a preserved benefit and 18,821 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.

For members contributing to the scheme before 1 April 2014, protections are in place for benefits to be based on accrued scheme membership and full-time equivalent pensionable pay at retirement.

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Middleton

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.
- Inflation 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 6.3% pensionable pay received (up from 6.1% at the 2019 valuation).

Employers also pay a contribution towards pension costs. This amount is decided every three years following an independent actuarial valuation by the Fund's Actuary. The last valuation was run as at 31st March 2022 and the average employer rate following this is 20.7% (20.1% as at 2019 valuation).

Administration Report

The main focus of the Pensions Administration Team is to pay pension benefits to members, on time that are accurate. In order to do this, we must ensure that data provided to us from employers in the fund is of good quality and received on time.

The team have processes in place to collect data and check the quality of this data on a monthly basis. The introduction of i-Connect has led to improved data quality and allowed for more robust checks on the data received.

The Pensions Regulator expects all schemes to undertake an annual data review and report their data scores via the annual scheme return.

Warwickshire Pension Fund's data scores remain the same as last year:

99% common data - this is data that is deemed common across all schemes, which includes name, address, national insurance number, date of birth.

95% specific data – this is data that is essential to calculate a benefit entitlement, such as pay, service history, etc.

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Grand Union Canal, Warwick

Age Discrimination – McCloud Remedy

The McCloud remedy which will remove age discrimination in all public sector pension schemes will see legislation put in place from 1st October 2023, the Fund has been working with employers to ensure all data held on member records is accurate and includes details for part time hours changes and service breaks for the remedy period, 1st April 2014 to 31st March 2022.

All members in scope will be assessed to see if an underpin needs to be applied to their benefits accrued in the remedy period. For those that have already left, a check will be done to see if the underpin should now be applied and benefits recalculated. More information regarding this can be found on the Fund's website.

Pension Dashboards

With the introduction of Pensions Dashboards, which is expected sometime in 2026, data quality will remain a key focus for pension schemes. This is to ensure that members who have lost touch with their pension pots will be able to locate them via the Dashboards. The Fund will be looking at data in preparation for the Dashboards and creating a workplan to tackle any areas of data that require improvement. This will include work to try and locate members who have moved away and not informed the Fund of their change of address.

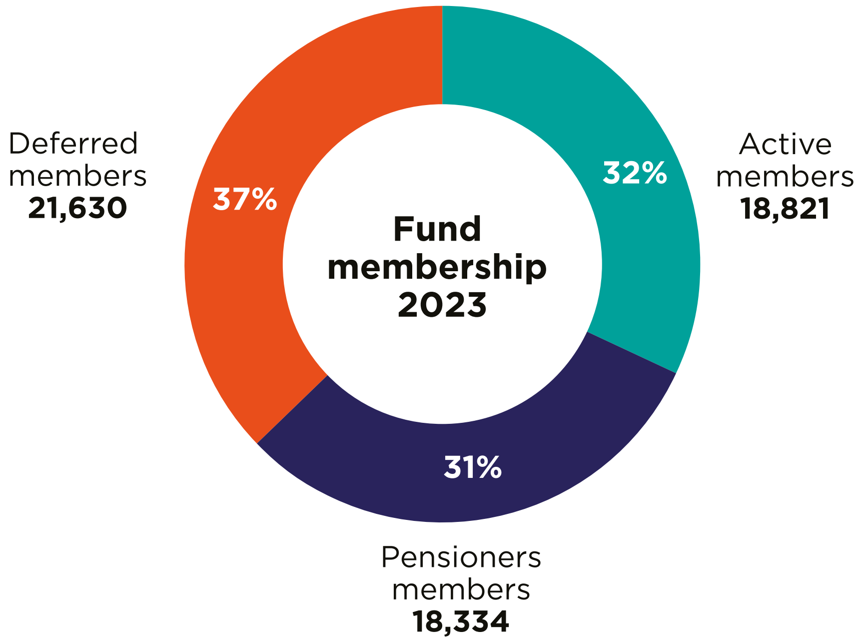
Pensions Administration **Membership**

Pension Fund's go through a growth cycle, often starting with a large active membership. This then matures and we see growth in membership relating to deferred and pensioner numbers. As at March 2022, the fund was measured as 70% mature.

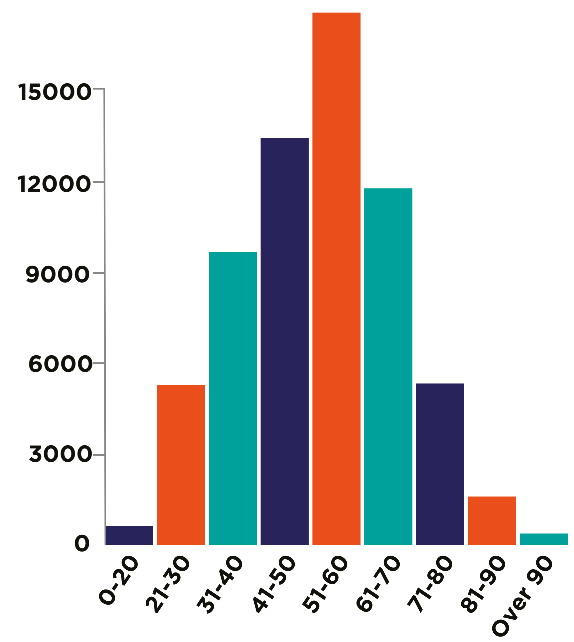
We are also seeing a shift to a female domination for each of the categories of membership. This is turn is creating a focus on the Gender Pensions Gap and what can be done to address this issue. More needs to be done to reduce the Gap including consideration for reducing the Gender Pay Gap, more flexible employment options, changes relating to maternity leave, and more engagement with members on what their pension will look like when they retire. The Fund is committed to improving engagement with members so that they are fully informed about their options when it comes to pensions.

	31st March 2022	31st March 2023
WCC Active members	8,318	8,446
Other employers Active member	9,591	10,375
Active members total	**17,909**	**18,821**
WCC Deferred members	11,684	11,889
Other employers Deferred members	8,694	9,741
Deferred member total	**20,378**	**21,630**
WCC Pensioner members	8,892	10,314
Other employers Pensioner members	7,190	8,020
Pensioner total	**16,082**	**18,334**
Employers with active members	206	223

Please note pensioner totals now include widow and dependent pensioners (31st March 2023)



Fund membership by age



Fund Membership

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Active members	15,238	15,501	16,502	16,435	16,502	16,725	16,754	17,058	16,716	17,999	17,746	18,821
Preserved members	12,329	13,247	14,367	15,965	16,384	17,011	17,805	17,808	18,921	19,902	20,276	21,630
Pensioners*	10,096	10,624	11,035	11,425	11,890	12,479	13,092	13,676	14,394	14,752	16,096	18,334
Total members	**37,663**	**39,372**	**41,904**	**42,825**	**44,776**	**46,215**	**47,651**	**48,542**	**50,031**	**52,653**	**54,118**	**58,785**

These figures include dependants

Fund Employers

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total	**99**	**106**	**125**	**151**	**160**	**181**	**192**	**201**	**192**	**206**	**223**

Pensions Administration **KPIs**

Key Performance Indicator	Fund Target	%
Target performance	95%	95.00%
1. Letter detailing transfer in quote	10 days	61.50%
2. Letter detailing transfer out quote	10 days	87.50%
3. Process and pay a refund	10 days	91.00%
4. Letter notifying estimate of retirement benefits (Active)	15 days	90.54%
5.Letter notifying actual retirement benefits (Active)	15 days	100.00%
6. Process and pay lump sum (Active)	10 days	97.50%
7. Process and pay death grant	10 days	98.00%
8. Initial letter notifying death of a member	5 days	95.00%
9. Letter notifying amount of dependents benefits	10 days	87.00%
10. Divorce quote letter	10 days	100.00%
11. Divorce settlement letter	15 days	100.00%
12. Send notification of joining scheme to member	40 days	98.00%
13. Deferred benefits into payment	15 days	98.00%
14. Calculate and notify deferred benefits	30 days	95.00%

The Pensions Administration Team is made up of 3 different teams. The Employer Relations Team are responsible for the collection of data from employers, employers joining and leaving the scheme and days to day queries from employers. The team also deal with communications including support for the Member Self-Service portal and the maintenance of the Fund's website.

The membership team are responsible with events for members when they join the scheme and leave before retirement. This includes processing transfers of benefits from, or to other pension arrangements and the calculation of members deferred entitlements.

The Benefits team are responsible for the payment of pension benefits to pensioner and dependent members, they also process retirement estimates for members.

Pensions Administration Full Time Equivalent Staff

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

Pensions Admin total	25.30
Benefit Processing *	6.96
Employer engagement *	6.60
IT /Systems	0.3
Pensioner Payroll *	0.7
Membership engagement *	6.74
Management	1.2
Governance	1.0

Workflow processes completed through the year

For April 2022 to 31st March 2023 the team processed 37538 tasks, this includes the following but is not limited to:

- 4913 new starters
- 1061 deaths
- 2566 pensions into payment
- 640 retirement estimates
- 355 transfer out to other pension arrangements
- 507 transfers in from other pension arrangements
- 338 refunds

Updating Policies

Throughout 2022/2023 reviews have been undertaken of most the fund's policies and updates made where needed.

Once a policy has been updated or created it is taken to one of the Funds Pension Committees for approval and sign off.

The following policies relating to scheme administration can be found on our website:

Pension Administration Strategy

Admission and Termination Policy

Personal Data Retention Policy

Anti-fraud and Corruption Policy

Breaches Policy

Photo from Shutterstock
Hawkesbury Canal

Pension Administration **Communication**

The Warwickshire Pension Fund has a varied audience with whom it communicates, including:

- Scheme members (active, deferred, pensioner and dependant members) and their representatives;
- Prospective members and members who have opted out;
- Employers and prospective employers;
- Pension Fund Committee and Local Pension Board
- Pension Fund Staff; and
- Other interested groups including, HM Revenue & Customs (HMRC), other Government departments.

Some key hi-lights for the year include the retired members annual newsletter that was sent to the home addresses of all our pensioner members during 2022 as well publishing newsletters for our deferred ,active members and employers. During 2023 the Fund will be launching a set of re-designed newsletters as well as a new logo which we hope will meet the approval of our stakeholders.

The new website is now fully launched, but we will continue to review its content and ensure that we can do all we can to ensure it meets national accessibility criteria.

If any members or employers experience any difficulties in using the website , please contact the Pension Team.

The Fund held a number of webinars for its employers during the year as well as hosting its Annual Meeting in Warwick, which was held in person.

Officers from the Fund sit on the Regional Communication Working Group and one of our Officers is the chair of the National Group, who work with the LGA to help deliver communication guidance to Funds all over England and Wales.

The Pensions Administration Team have successfully implemented the Member Self-Service (MSS) platform which enables members to access information online for their pension benefits, this is accessible 24/7, members can update their personal details and carry out retirement estimates. We do understand, however, that access to the online platform is not suitable for all members, there is an option to opt out of digital communications for members so that they can still receive information via post.

Many deferred and active members did, however, receive their annual benefit statements via this platform in 2022.

A copy of our Communication Policy is available on our website

Contributions Paid

Employee Contributions

>1m	
Warwickshire County Council	Warwickshire Police and Crime Commission

<1m	
Nun & Bed Borough Council	Rugby Borough Council
Warwick District Council	Stratford-On-Avon District Council

<500k	
North Warks Borough Council	Griffin Trust (Nich Chamb)
North Warks & Hinckley College	The Avon Valley School
WARWICKSHIRE COLLEGE	Stowe Valley MAT (Southam Col)
Educaterers Ltd	Community A.T. (Polesworth)
Unity MAT (Woodlands)	Aylesford Academy
Stratford upon Avon School	MacIntyre Academies(Discovery)
Myton Academy	Warwick Independent Schools Fo
Unity MAT (Brooke)	CEAT (Oak Wood Academy Primary & Secondary)
Elm Tree MAT (North Leamington)	Ashlawn Academy
CEAT (Higham Lane Academy)	CEAT (Oak Wood Academy Primary & Secondary)
Campion School (Academy)	Coventry Diocese (St Michaels)
Better Futures(King Edward VI)	Our Lady Magnificat (St Benedicts))
Kenilworth Academy	Unity MAT (Welcombe)
Central MAT (Admin Centre)	ATLP (Coleshill School Academy)
Alcester Grammar Academy	Stowe Valley MAT (Bilton)
Coventry Diocese (Harris High)	

<50k	
Studley High Academy	Arden MAT(Henley High Academy)
Community AT (Admin)	Stratford King Ed VI Academy
Midland Acad Trust (Hartshill)	Stowe Valley (Central)
Lawrence Sheriff School	ATT (Queen Elizabeth)
Midland Acad Trust (George El)	Midland Acad Trust (Nuneaton)
Rugby High Academy	Shipston High School (Academy)
Ashlawn Central Team	Dunchurch Infant School
Ash Green Academy	Our Lady Magnificat (Trinity)
MacIntyre Academies (Quest)	BDMAT (Coleshill Primary)
Castle Phoenix (Kingsbury)	Alcester High Academy
InspireEdTrust Stockingford Pr	Rugby Free Primary School
Futures Trust (Camphill)	Balfour Beatty (New)
Holy Spirit A.T. (St Joseph)	ArdenForest(AlcestSt Nicholas)
Griffin Trust (Park Lane)	Rugby Free Secondary School
Holy Spirit A.T. (St Thomas)	REAch2 (Oakfield)
Stratford Girls Grammar School	Bridgetown school
Cawston Grange Primary Academy	Coventry Diocese (St Nicolas)
Stowe Valley (Kineton High)	Community AT (Heathcote)
Fosse MAT (Wellesbourne)	Stour Federation (Shipston)

<50k	
Community A.T. (Woodloes)	Middlemarch Middle School
coventry Diocese (queens Middle)	Heart of England Mencap
Community A.T. (Birchwood)	Coventry Diocese (Studley St Marys)
MacIntyre Acad (Venture)	Holy Spirit MAT Central Team
St Gabriels Academy	Holy Spirit A.T. (St Annes)
BDMAT Polesworth Nethersoles	Arden Forest (Ferncombe)
REAch2 (Riverside)	SLM (Warwick District)
Welford School	Stowe Valley (Rokeby)
Griffin Trust (Race Leys)	Holy Spirit A.T. (St Francis)
Stowe Valley (Bishops Itch)	TLET (Houlton)
Stratford upon Avon Town Council	NSL Limited
Lillington (Finham Park MAT)	The Brandon Trust (Nth Warks)
Matrix Academy Trust	Arden Forest Central Team
Coventry Diocese (St Oswalds)	Arden Forest (Tanworth in Arden CoE)
BDMAT Warton Nethersoles	Our Lady Magnificat (St Maries)
REAch2 (Racemeadow)	TLET (Henry Hinde Jr)
Midland Acad Trust (Admin)	Coventry Diocese (St James)
Community A.T. (Stratford Pri)	REAch2 (Lower Farm Academy)
Coventry Diocese (All Saints)	Coventry Diocese (Long Itchington)
Stowe Valley (Southam Primary)	Holy Spirit A.T.(St Benedict)
BDMAT (Woodside)	Arden Forest (Harbury)
Arden Forest (Studley)	SLM (Nuneaton Leisure)
Our Lady and All Saints (St Edwards)	Futures Trust(Keresley New)

<10k	
Henry Hinde Infants Academy	Our Lady Magnificat (Our Lady)
Arden Forest (Henley Primary)	Thrive Ed P (Warwickshire Acad)
Coleshill Town Council	Community A.T. (Budbrooke)
Curdworth (ATLP)	Mappleborough Green Primary
Arden Forest MAT (Coughton)	Royal Leamington Spa Town Co
Stowe Valley(Stockton Primary)	Coventry Diocese (Burton Green)
Our Lady of Magnificat (St Gregorys)	Wolverton School
Community A.T. (Wood End)	Our Lady Magnificat(St Augustines)
Community AT (Kingsway)	The Priors Free School
OurLadyMagnificat(English Martyrs)	Risual (Police)
Community A.T. (Dordon)	Tudor Grange Acad (Meon Vale)
Stour Federation (Brailes)	BDMAT (Newton Regis)
Coventry Diocese (Southam St James)	BDMAT (Austrey)
Stratford Town Trust	Chartwells(Compass) Polesworth
Stour Federation (Kineton Primary)	Barnardos ChildandFam Centres
Stowe Valley(Temple Herdewyke)	Studley Parish Council
Caterlink (Coventry Diocese)	Stour Federation (Acorns)
ArdenForestMAT(Temple Grafton)	Shipston on Stour Town Council
The Brandon Trust (Rugby)	Our Lady of Magnificat (OurLadySt Teresa)
Our Lady Magnificat (St MarysHenley)	Fosse MAT (Newbold Tredington)
Fosse MAT (Tysoe)	Long Lawford Parish Council
Dunnington CE Junior & Infant	Tudor Grange Acad Tr (Haselor)
Coventry Diocese (All Saints Leek Wooton)	Coventry Diocese (Salford Priors)
Southam Town Council	Arden Forest (Wootton Wawen)
Our Lady of Magnificat (Studley St Marys Primary)	Atherstone Town Council

<10k	
Coventry Diocese (Leam Hastings)	ABM (North Leamington)
ABM (Holy Spirit)	Chartwells(Compass)QE
Glen Cleaning (North Leam)	Harbury Parish Council
Orbit HoE Housing and Care	Dolce Ltd
Alcester Town Council	Wolston Parish Council
Bidford-on-Avon Parish Council	Alli in Part (Henley Primary)
Sure Maintenance	Cubbington Parish Council
Alliance in Partnership (King Edward)	Bishops Itchington Parish Coun
Long Itchington Parish Council	Alliance in Partnership(Myton)
Whitnash Town Council	Ryton on Dunsmore Parish Co
Wellesbourne & Walton Parish Council	Aspens (Trinity)
Sodexo	Easy Clean (ATLP)
Caterlink (All saints Bedworth)	Class Catering (St Mary Immac)
Vertas (ATT - QE)	

<1k	
Mancetter Parish Council	Warwicks Assoc for Blind
Fosse MAT (Moreton Morrell)	Lawrence Cleaning Racemeadow
Allian in Partner (St Edwards)	Class Catering(Tom Jolyffe)
Accuro	Burton Green Parish Council
Napton Parish Council	Ettington Parish Council
Chartwells (CAT)	Baileys Catering (Shottery)
Tanworth in Arden Parish Council	Aspens (Ash Green)
Cleantec Services Ltd	Reef Cleaning Solutions
Alliance in Partnership Kingsbury	Fenny Compton Parish Council
Burton Dassett Parish Council	Class Catering(SoA Primary)
Kineton Parish Council	Radway Parish Council
Clifton upon Dunsmore Parish C	Kingsbury Parish Council
Curdworth Parish Council	

Employer's Contributions

<1m	
Warwickshire County Council	Stratford DC
Warwicks Police & Crime Comm	North Warks Borough Council
Nun & Bed Bor Council	North Warks & Hinckley College
WARWICK D.C.	Warwickshire College
Rugby Borough Council (New)	Educaterers Ltd

>1m	
Unity MAT (Woodlands)	CEAT (Oak Wood Academy Primary & Secondary)
Stratford upon Avon School	Our Lady Magnificat (St Benedicts))
Myton Academy	Unity MAT (Welcombe)
Unity MAT (Brooke)	MacIntyre Academies(Discovery)
Elm Tree MAT (North Leamington)	Stowe Valley MAT (Bilton)
CEAT (Higham Lane Academy)	Lawrence Sheriff School
Kenilworth Academy	ATLP (Coleshill School Academy)
Griffin Trust (Nich Chamb)	Coventry Diocese (Harris High)
Campion School (Academy)	Warwick Independent Schools Fo
Stowe Valley MAT (Southam Col)	Alcester Grammar Academy
Community A.T. (Polesworth)	Studley High Academy
Aylesford Academy	Rugby High Academy
Ashlawn Academy	Midland Acad Trust (George El)
Better Futures(King Edward VI)	Midland Acad Trust (Hartshill)
The Avon Valley School	Central MAT Admin Centre
CEAT (Oak Wood Academy Primary & Secondary)	Griffin Trust (Park Lane)
Coventry Diocese (St Michaels)	Futures Trust (Camphill)

>1m	
Holy Spirit A.T. (St Joseph)	Dunchurch Infant School
InspireEdTrust Stockingford Pr	coventry Diocese (St Nicolas)
Castle Phoenix (Kingsbury)	Stour Federation (Shipston)
Cawston Grange Primary Academy	Community AT (Heathcote)
Ash Green Academy	Rugby Free Primary School
Arden MAT(Henley High Academy)	Community A.T. (Woodloes)
Stowe Valley (Kineton High)	Bridgetown school
Holy Spirit A.T. (St Thomas)	Rugby Free Secondary School
Fosse MAT (Wellesbourne)	SLM (Warwick District)
Community AT (Admin)	coventry Diocese (Queens Middle)
Ashlawn Central Team	Community A.T. (Birchwood)
Stratford Girls Grammar School	Griffin Trust (Race Leys)
MacIntyre Academies (Quest)	BDMAT (Coleshill Primary)
Alcester High Academy	Stowe Valley (Bishops Itch)
Stratford King Ed VI Academy	REAch2 (Riverside)
Shipston High School (Academy)	Lillington (Finham Park MAT)
ATT (Queen Elizabeth)	REAch2 (Racemeadow)
Our Lady Magnificat (Trinity)	Stowe Valley (Southam Primary)
ArdenForest(AlcestSt Nicholas)	Coventry Diocese (St Oswalds)
Stowe Valley (Central)	St Gabriels Academy
Midland Acad Trust (Nuneaton)	Coventry Diocese (All Saints)
REAch2 (Oakfield)	Matrix Academy Trust
Balfour Beatty (New)	Arden Forest (Studley)

>1m	
MacIntyre Acad (Venture)	Holy Spirit A.T. (St Annes)
Community A.T. (Stratford Pri)	Stowe Valley (Rokeby)
Welford School	Arden Forest (Ferncombe)
SLM (Nuneaton Leisure)	Stratford upon Avon Town Council
Heart of England Mencap	Coventry Diocese (Studley St Mary)
Our Lady and All Saints (St Edwards)	Holy Spirit A.T. (St Francis)

>50k	
Arden Forest (Tanworth in Arden CoE)	BDMAT Warton Nethersoles
Our Lady Magnificat (St Maries)	Arden Forest MAT (Coughton)
TLET (Houlton)	Stowe Valley(Stockton Primary)
BDMAT Polesworth Nethersoles	Our Lady of Magnificat (St Gregorys)
Middlemarch Middle School	Curdworth (ATLP)
REAch2 (Lower Farm Academy)	Stratford Town Trust
Holy Spirit MAT Central Team	OurLadyMagnificat(English Martyrs)
Coventry Diocese (St James)	Coleshill Town Council
Coventry Diocese (Long Itchington)	Stour Federation (Brailes)
Arden Forest (Harbury)	Community A.T. (Dordon)
Holy Spirit A.T.(St Benedict)	Community AT (Kingsway)
TLET (Henry Hinde Jr)	Community A.T. (Wood End)
Arden Forest Central Team	Coventry Diocese (Southam St James)
Midland Acad Trust (Admin)	Stour Federation (Kineton Primary)
Futures Trust(Keresley New)	Our Lady of Magnificat (Studley St Marys Primary)
Arden Forest (Henley Primary)	Stowe Valley(Temple Herdewyke)
BDMAT (Woodside)	Our Lady Magnificat (St MarysHenley)
Henry Hinde Infants Academy	ArdenForestMAT(Temple Grafton)

>50k	
Our Lady Magnificat (Our Lady)	Barnardos ChildandFam Centres
Fosse MAT (Tysoe)	Royal Leamington Spa Town Co
Coventry Diocese (All Saints Leek Wooton)	Fosse MAT (Newbold Tredington)
Caterlink (Coventry Diocese)	Arden Forest (Wootton Wawen)
Community A.T. (Budbrooke)	Risual (Police)
Coventry Diocese (Burton Green)	Coventry Diocese (Salford Priors)
Our Lady Magnificat(St Augustines)	Glen Cleaning (North Leam)
Thrive Ed P (Warwickshire Acad)	Studley Parish Council
Southam Town Council	(Coventry Diocese (Leam Hastings)
Dunnington CE Junior & Infant	Tudor Grange Acad (Meon Vale)
Mappleborough Green Primary	Shipston on Stour Town Council
The Brandon Trust (Nth Warks)	BDMAT (Austrey)
Orbit HoE Housing and Care	BDMAT (Newton Regis)
Chartwells(Compass) Polesworth	Long Lawford Parish Council
Wolverton School	ABM (Holy Spirit)
Stour Federation (Acorns)	Atherstone Town Council
Our Lady of Magnificat (OurLadySt Teresa)	Tudor Grange Acad Tr (Haselor)
The Priors Free School	

>10k	
Alcester Town Council	Alliance in Partnership(Myton)
Alliance in Partnership (King Edward)	Mancetter Parish Council
Bidford-on-Avon Parish Council	Class Catering (St Mary Immac)
Long Itchington Parish Council	Alli in Part (Henley Primary)
The Brandon Trust (Rugby)	Allian in Partner (St Edwards)
Sure Maintenance	Accuro
Sodexo	Tanworth in Arden Parish Council
Whitnash Town Council	Napton Parish Council
Wellesbourne & Walton Parish Council	Cleantec Services Ltd
Vertas (ATT - QE)	Alliance in Partnership Kingsbury
Caterlink (All saints Bedworth)	Burton Dassett Parish Council
ABM (North Leamington)	Kineton Parish Council
Chartwells(Compass)QE	Clifton upon Dunsmore Parish C
Harbury Parish Council	Curdworth Parish Council
Wolston Parish Council	Warwicks Assoc for Blind
Dolce Ltd	Lawrence Cleaning Racemeadow
Cubbington Parish Council	Burton Green Parish Council
Easy Clean (ATLP)	Class Catering(Tom Jolyffe)
Bishops Itchington Parish Coun	Ettington Parish Council
Chartwells (CAT)	Baileys Catering (Shottery)
Ryton on Dunsmore Parish Co	Reef Cleaning Solutions
Aspens (Trinity)	Aspens (Ash Green)
Fosse MAT (Moreton Morrell)	Fenny Compton Parish Council

>10k	
Class Catering(SoA Primary)	Kingsbury Parish Council
Radway Parish Council	NSL Limited

Kingswood Junction

Investment Report

Market Review

Financial markets experienced a volatile 12 months. Even before Russia's invasion of Ukraine at the end of February 2022, inflationary pressures had been building due to pandemic-related disruptions to global supply chains. A further rise in energy prices due to the war continued to push up inflation across the globe.

Having downplayed inflation risks as 'transitory' through much of 2021, central banks in the US, UK and Europe raised interest rates aggressively during 2022 and the first quarter of 2023. In the US, the Federal Reserve (Fed) raised rates from a target range of 0.25%-0.50% at the end of March 2022 to 4.75%-5.0%. In the UK, the Bank of England (BoE) raised the base rate from 0.75% to 4.25%, while the European Central Bank (ECB) also increased rates. By contrast, the Bank of Japan kept rates at -0.1% throughout the year, but raised its cap on 10-year government bond yields at the end of 2022. This was widely interpreted as the first step away from its ultra-loose monetary policy.

As 2022 progressed, the prospect of recession weighed further on investor sentiment. Supply-chain problems, higher interest rates and China's zero-Covid policy all contributed to slowing global growth. In addition, the war in Ukraine pushed elevated energy prices sharply higher in Europe, squeezing consumer budgets and causing companies' operating costs to balloon. Towards the end of the period, weaker global economic data and cooling inflation fuelled hopes that key central banks were close to ending their current cycle of rate hikes.

Market volatility spiked in March following news of the collapse of Silicon Valley Bank (SVB) and the problems at two other smaller US lenders. Government bond yields (which move inversely to price) saw some of the biggest falls in decades, particularly on shorter-dated bonds as investors anticipated fewer interest-rate hikes. Credit spreads (the yield premiums over 'risk-free' government bonds) widened in March after narrowing over the first two months of the year, particularly in high-yield (HY) credit.

The run on SVB and its subsequent closure and takeover by the Federal Deposit Insurance Corporation sent shivers through the entire banking sector and focused attention on losses on banks' bond portfolios due to higher interest rates. Bank shares fell, particularly those of weaker lenders, and, in Switzerland, the regulators facilitated a takeover of troubled Credit Suisse by its larger rival UBS. Towards the end of March, bank shares stabilised and despite some subsequent failures of US regional banks, fears of contagion were contained.

The most immediate impact of the crisis was to lower expectations for the path of interest rates, partly on the assumption that central banks would be reluctant to risk further distress in the banking sector. There were also expectations that the banking turmoil, particularly in the US, would lead to a tightening of credit conditions and therefore constrain growth and inflation. Fed Chairman Jerome Powell commented that it is likely to have the same impact as a rate increase.

In the UK, concerns over the country's finances came to a head in September, when former Chancellor Kwasi Kwarteng delivered a tax-cutting mini-budget. Investors were unnerved by the lack of detail on funding or the usual independent projections from the Office for Budget Responsibility. Consequently, equities fell, gilt yields soared and the pound almost touched parity with the dollar.


Photo from Shutterstock, *Edstone Aqueduct*

The sudden rise in gilt yields posed a serious risk for a number of UK pension funds and the BoE stepped in to calm markets by pledging to buy up to £65 billion of long-dated gilts. In October, the pound rallied and gilt yields fell as Prime Minister Liz Truss sacked Kwasi Kwarteng as chancellor before she herself was swiftly replaced by Rishi Sunak. The new chancellor, Jeremy Hunt, reversed most of his predecessor's pledges and announced tax rises and spending cuts. Hunt's budget the following spring contained few surprises. The chancellor stated that the UK was likely to avoid a recession in 2023 and reiterated the government's pledge to halve inflation, strengthen public finances and boost economic growth.

Against this challenging backdrop, the MSCI ACWI returned -5.1% in local-currency terms over the 12-month period under review. Among the major equity regions, Europe ex UK and Japan fared best in local currencies and posted positive returns. These export-heavy markets were boosted by weakness in their respective currencies against the US dollar. Towards the end of the period, equities in Europe ex UK also benefited from the improved economic outlook for the region. UK equities also advanced over the year, supported by weakness in the pound against the dollar. The market's sizeable exposure to energy and mining stocks also proved advantageous given the sharp spikes in prices of the underlying commodities in the wake of the Russian invasion. Emerging markets (EM) underperformed, initially dragged down by weakness in Chinese shares as Beijing's zero-Covid policy weighed heavily on economic activity. Sentiment was also dented by a burgeoning crisis in the real-estate sector and continuing regulatory crackdowns. Later in the period, Chinese shares bounced back strongly as Beijing lifted most of its Covid restrictions and appeared to relax its clampdown on big business. The US fared worst, hurt by bouts of weakness in growth stocks and a slew of disappointing corporate earnings for the final quarter of 2022.

In fixed income, core government bond yields rose sharply over the period as investors responded to the large increases in interest rates by the Fed, BoE and ECB. The yield on US 10-year Treasury bonds rose by 113 basis points (bps) to finish March 2023 at 3.47%. The UK and German equivalents respectively increased by 188 bps to 3.49% and by 174 bps to 2.29%. Corporate bond markets were also weak over much of the period, with the negative impact of higher bond yields compounded by wider credit spreads. However, spreads narrowed from the fourth quarter of 2022 amid easing concerns about monetary tightening, with global IG spreads finishing the year under review almost 30 bps wider. Euro HY spreads also widened over the period.

The UK property market struggled over the year under review. This was largely due to exceptional market volatility following the 'mini-budget' in September last year, during which a large number of corporate UK defined benefit pension schemes required significant increases in liquidity. This lead toa sudden increase in redemption requests from open-ended property funds, some of which subsequently deferred or suspended redemptions. The combination of a marked increase in the cost of debt, a decrease in investor confidence and risk appetite, and falling prices in other markets, caused a sharp re-pricing of property assets, which fell 23% between the end of June 2022 and the end of February 2023, a quicker pace of decline than that seen during the global financial crisis.

Important information

Past performance is not a guide to future performance. The value of investments and any income is not guaranteed and can go down as well as up and may be affected by exchange rate fluctuations. This means that an investor may not get back the amount invested.

Performance is on an offer-to-offer basis, gross of annual management charges, using global close prices. Portfolio positions are based on gross asset valuations at global close. Weighting and currency exposure data, where applicable, are on a look-through basis to underlying assets where Columbia Threadneedle CIS instruments are held.

The research and analysis included in this document has been produced by Columbia Threadneedle Investments for its own investment management activities, may have been acted upon prior to publication and is made available here incidentally. Any opinions expressed are made as at the date of publication but are subject to change without notice and should not be seen as investment advice. Information obtained from external sources is believed to be reliable but its accuracy or completeness cannot be guaranteed. All source information used in the preparation of this document is available on request. This document should be read in conjunction with the appropriate fund factsheet for the same fund. The mention of any specific shares or bonds should not be taken as a recommendation to deal.

Columbia Threadneedle Investments does not give investment advice. References to individual securities, strategies or funds should not be read as a recommendation to buy, sell or hold them. The specialist and strategy pooled funds referred to in this document are not available for direct investment by the public.

Threadneedle Pensions Limited (TPEN) provides policies that entitle the holder to the value determined with reference to the underlying investment in a pooled pension fund. The holder of a policy does not own the units in the selected fund.

TPEN provides unit linked investment products for access by UK registered pensions schemes. TPEN is not your pension provider. If you have any questions about your specific policy please contact your pension provider.

The Columbia Threadneedle Pooled Pension Funds Key Features Document (KFD) is available on the institutional site of www.columbiathreadneeedle.co.uk. The KFD gives a summary of information about Columbia Threadneedle's pooled pensions in order to help you decide if you want to invest in funds, as well as a full list of risk factors applying to the funds.

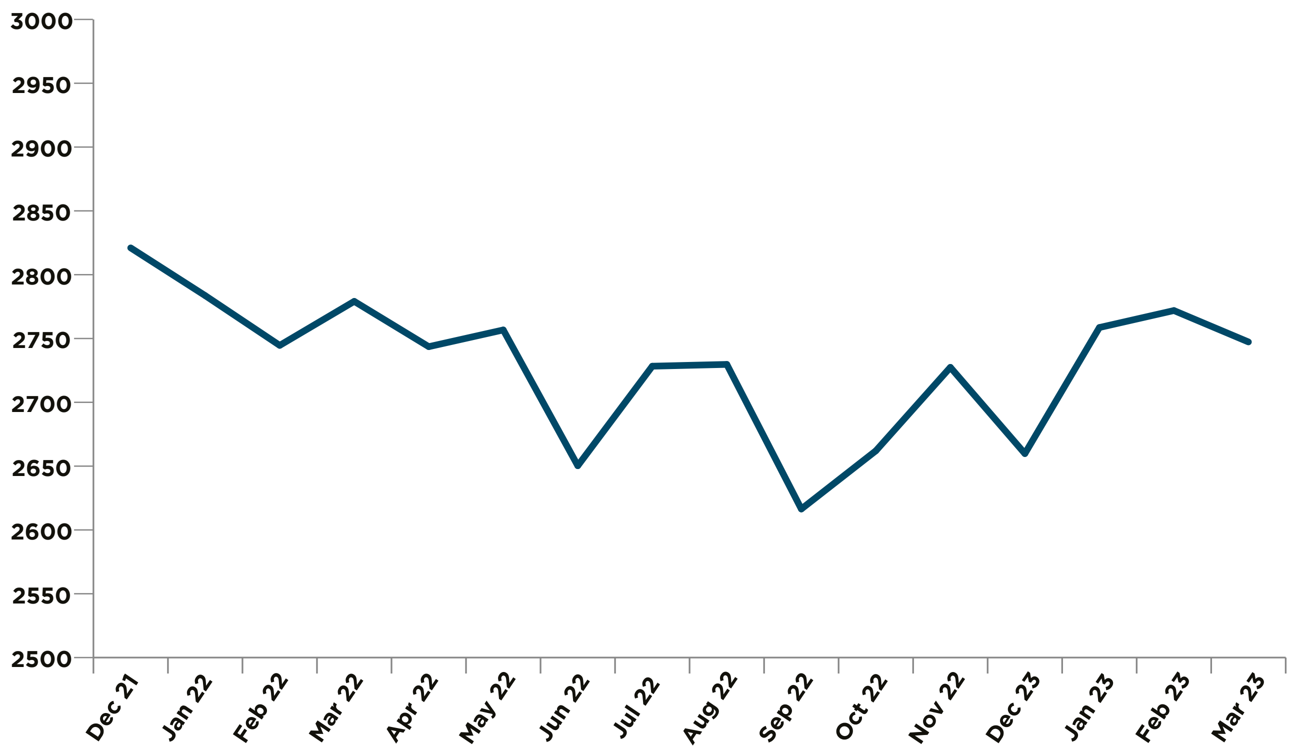
Please refer to the Risk section of the Key Features document for all risks applicable to investing in any fund and specifically this Fund.

Threadneedle Pensions Limited. Registered in England and Wales, No. 984167. Registered Office: 78 Cannon Street, London, EC4N 6HN. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

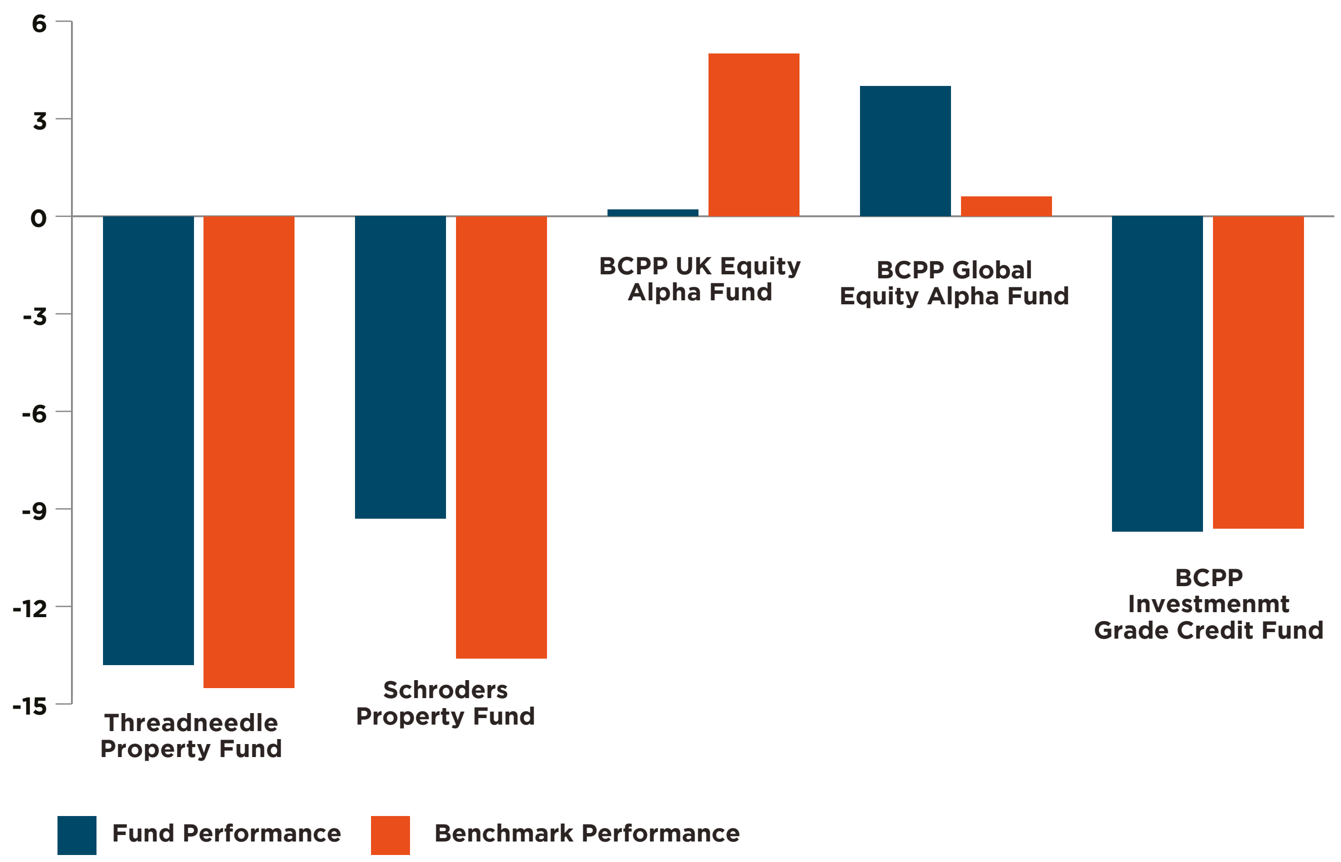
Columbia Threadneedle Investments is the global brand name of the Columbia and Threadneedle group of companies.

Top 10 Holdings as at 31 March 2023	
1 BORDER TO COAST GLOBAL EQUITY ALPHA (global equities)	392.2
2 BORDER TO COAST UK LISTED ALPHA FUND (UK equities)	295.3
3 LEGAL & GENERAL FTSE RAFI 3000 ALL WORLD INDEX (global equities)	245.5
4 BORDER TO COAST MULTI ASSET CREDIT FUND (fixed income lending)	242.4
5 BORDER TO COAST INVESTMENT GRADE CREDIT FUND (fixed income lending)	186.0
6 LEGAL & GENERAL EUROPE(EX UK) EQUITY INDEX (European equities)	156.7
7 LEGAL & GENERAL UK EQUITY INDEX (UK equities)	145.4
8 THREADNEEDLE PROPERTY FUND (property)	127.0
9 SCHRODERS PROPERTY FUND (property)	120.0
10 LEGAL & GENERAL CORPORATE BOND FUND INDEX (corporate bonds)	91.6

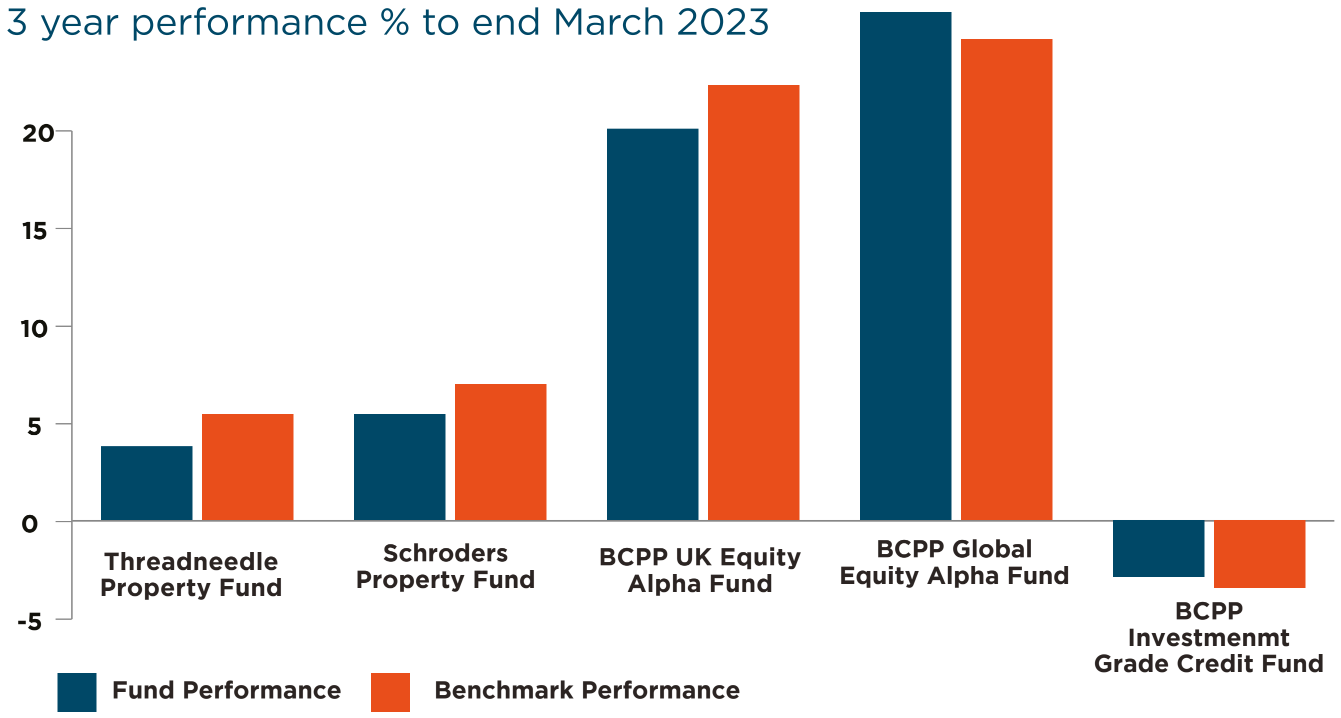
Total Portolio



1 year performance % to end March 2023



3 year performance % to end March 2023



Warwickshire Pension Fund Investment Strategy Statement

For many years LGPS funds have had to maintain a statement of investment principles. This document lays out the things considered by the fund when making investment decisions. It also includes the types of investments that could be held, how the various risks are taken into account and sets out the objectives.

The Local Government Pension Scheme (LGPS) Investment Regulations, which became effective on 1 November 2016, introduced a requirement for administering authorities to formulate, publish and maintain an investment strategy statement.

Investment Strategy Statement

2022 Warwickshire Pension Fund Valuation and updated Funding Strategy Statement

It is a statutory requirement for a valuation to be carried out every three years. Its purpose is to monitor the assets against the current value of the liability of the pension benefits earned to date, and to review the employer contribution rates.

A valuation of the Warwickshire Pension Fund like all LGPS funds took place in 2022.

Following the completion of the valuation the Fund's Actuary Hymans Robertson, reviewed and update the Funding Strategy Statement.

The Fund is required by the LGPS regulations to prepare and publish a funding strategy statement. The funding strategy statement is prepared in line with guidance issued by CIPFA's Pensions Panel. A draft is shared with our employing bodies for comment before approval by the Pensions Investment Sub-Committee.

Photo from Shutterstock
Riversley Park, Nuneaton

Corporate governance & socially responsible engagement

Whilst the Pension Fund Investment sub-committee has an overriding duty to consider its financial responsibilities above any other considerations, it remains committed to these important issues. Through actively voting at shareholder meetings and sustained shareholder engagement, it is felt the Fund is best able to change company behaviour.

The Warwickshire Pension Fund does not restrict its investment managers in the companies in which they can invest. To do so would be contrary to the overriding financial responsibility of the Pensions Investment Sub-Committee. The Sub-Committee believe it is more effective to influence company behaviour from the inside as a shareholder.

Local Authority Pension Fund Forum

Warwickshire remains a committed member of the Local Authority Pension Fund Forum (LAPFF).

The LAPFF brings together more than 80 public sector pension funds (as at 31 March 2023) and is the UK's leading collaborative shareholder engagement group with combined assets of over £350 billion. LAPFF exists to promote the highest standards of corporate governance to protect the long-term value of local authority pension funds. It maximises their influence as shareholders in promoting corporate social responsibility and high standards in corporate governance among the companies in which they invest.

Climate Risk and Responsible Investment Training

Throughout the year, the Pension Investment Sub-Committee and officers have received training on a variety of responsible investment and climate issues.

Our current policies covering both these areas can be found on our website: [Responsible Investment Policy](#)
[Climate Risk Policy](#)

Task Force for Climate-Related Financial Disclosures (TCFD)

The Task Force for Climate-Related Financial Disclosures is an industry-led initiative, created by the Financial Stability Board in December 2015.

The aim of the TCFD is to develop voluntary, consistent, climate-related financial risk disclosures across a wide range of sectors, demonstrating the risk that climate change poses at a macroeconomic level. This will then provide useful decision-making information for investors, lenders, insurers and other stakeholders. The disclosures enable organisations to identify and consider relevant information about material climate related financial risks and opportunities that can have an impact on the decisions made by their stakeholders. The recommendations are also applicable to asset owners and asset managers. More than 2600 organisations globally have declared their support for the TCFD, representing a market capitalisation of over $25 trillion. Since its launch, TCFD has become the de-facto climate framework for global regulators. In November 2020, the UK Chancellor of the Exchequer announced that in order to accelerate progress on climate risk disclosures, the UK will move towards mandatory TCFD reporting across major segments of the UK economy by 2025, with a significant portion of requirements to be introduced by 2023.

Warwickshire Pension Fund is a supporter of TCFD, because the Fund recognised the importance of understanding climate risks and opportunities relative to its role as an institutional investor. The number of organisations expressing support for the TCFD has grown, emphasising the significance of having a standardised set of disclosures for all organisations to follow at a global level. This will provide a familiar and useful reporting format for the benefit of all stakeholders.

The Pension Fund Investment Sub-Committee will continue to monitor the progress of the Fund's approach to climate risk and reporting, in the context of all risks to sustainable development, and how it can impact investment decisions. Furthermore, as the Fund recognises that climate change is a material investment consideration, it has adopted the policy of Border to Coast Pensions Partnership (BCPP), the Fund's pooled investment partner, in respect of climate considerations.

Border to Coast and Socially Responsible Investment

The following are examples of ways in which Border to Coast have used the shares they control on behalf of Warwickshire Pension Fund to make a difference on Corporate Governance and Socially Responsible engagement

Engagement with an energy and services company (UK Listed Equity Alpha Fund)

The Company is a multinational energy and services business, with its principal activity being the supply of electricity and gas to consumers in the United Kingdom and Ireland.

The Company put forward a 'Say on Climate' vote at its 2022 AGM. Analysis was carried out on the transition plan and collaboration with other Climate Action 100+ participants was undertaken to take other views into account. Ultimately, the plan was voted against. While the Company has made significant progress over recent years in developing its plan, this was from a very low base. There is a lack of material short-term emissions targets, and its targets are not yet approved by the Science Based Targets initiative (SBTi).

Following the vote, a follow-up call with the Company was held to further discuss plans and expectations. Objectives have been set for the Company, which include improving climate expertise on the board, strengthening the approach to scenario analysis and the Company doing more to proactively lead the energy transition for their customers, as opposed to reacting to changing conditions. Engagement with the Company is ongoing.

Engagement with Anglo American plc (UK Listed Equity Alpha Fund)

Anglo American is a diversified mining company operating globally.

Water security risk is a major issue for the mining industry, which relies heavily on water for various operations. Chile, where water scarcity is a critical issue due to a mega drought, accounts for 85% of the Company's total copper production, making water availability crucial for the Company's productivity and ability to obtain mining licenses in the country.

To better understand the Company's water stewardship approach, engagement meetings were held with management, including the CEO to discuss the issues and potential mitigants. Water scarcity is a complex issue, and each mine faces unique challenges. For example, the Los Bronces mine in Chile faced drought challenges, but the Company took action to mitigate the problem. It studied water recovery from tailings dams and found that it could recover up to 85% of trapped water. Additionally, the Company partnered with Aguas Pacífico to receive desalinated water, which could fulfil over 45% of the mine's water needs by 2025.

In the second phase of the project, the Company plans to swap every kilolitre of desalinated water for two litres of wastewater from Santiago, which it can use in its mining operations. This innovative approach showcases the Company's commitment to water stewardship and the impact of water scarcity on their production and acquiring new licenses in water-scarce regions.

Engagement with Adobe Inc. (Global Equity Alpha Fund)

Adobe Inc (Adobe) is a global, diversified software company, operating in digital media and publishing and advertising.

Engagement with the Company highlighted that its most significant link to the SDGs is the risk of its involvement in the manipulation of digital content, among which are artificial intelligence-created 'deepfakes'. The potential for adverse use of products such as their flagship editing software, Photoshop, and its video counterpart, Premier, exposes the Company to societal risks embodied by SDG 16 (peace, justice, and strong institutions).

To address these risks, Adobe has created a digital watermark to facilitate transparency and authentication. As part of the engagement, the Company has been encouraged to roll out this tool across all of its product suite. The Company has also taken a leading role in a cross-sector collaboration that seeks to create an open industry standard for content authentication.

Engagement with Enel Spa (Sterling Investment Grade Credit Fund)

Enel is an Italian multinational manufacturer and distributor of electricity and gas, and its predominant shareholder is the Government of Italy. The Company is amongst the highest emitters across our fixed income assets.

Engagement has been carried out under the Climate Action 100+ initiative for several years and recently, significant improvements have been seen in the Company's emissions reduction targets, transition plan, and climate policy advocacy. Key actions taken include the Company obtaining external verification by the Science-Based Targets Initiative (SBTi) on their emissions reduction targets' alignment with a 1.5°C scenario, committing to phase out of thermal power generation (coal and natural gas) and exit gas sales to customers, and aligning its capital investments with its net zero targets.

Enel has also disclosed its first industry association review to ensure that its climate policy engagement (direct & indirect via industry associations) is consistent with the goals of the Paris Agreement. This progress has been recognised by the Climate Action 100+ initiative's Net Zero Benchmark disclosure assessment by becoming the first and only company assessed to fully meet the Disclosure Framework criteria in 2022.

Engagement with an educational materials provider (Multi-Asset Credit Fund)

The Company provides educational materials throughout Europe. During a recent review, a social risk was identified due to the Company's outsourcing of printing and folio-binding activities to the Far East.

Senior management was engaged to encourage improved disclosure about the Company's supply chain and to obtain details on how they monitor and audit their operations to ensure compliance with local labour rules. Initially, management was unable to provide examples of previous measures taken to protect labour rights. However, they subsequently committed to a full supply chain review and to disclosing findings and any policy improvements to lenders.

Border to Coast feel comfortable continuing to invest in the Company because of management's willingness to review and improve internal processes. Ongoing dialogue will continue with management to ensure that progress is made towards these objectives.

Dave Jennings Photography

Cost Transparency

Given the level of scrutiny that had existed historically with the transparency of investment management expenses, a Voluntary Code of Transparency covering investment management fees and costs was developed and approved by the Local Government Scheme Advisory Board and launched in May 2017. A copy of the Code can be found at http://lgpsboard.org/index.php/the-code#theCodetop. Fund managers to the LGPS are being encouraged to sign up to this Code and as at March 2021, there were over 130 signatory firms.

The aim of this Code was to increase value added by asset owners and asset managers by moving more toward fee transparency and consistency. The majority of Warwickshire's Pension Fund's Investment Managers are signatories to the LGPS Transparency Code and have provided Cost Transparency templates in time for the production of this year's annual report. This was done either through the Scheme Advisory Board commissioned portal Byhiras or provided directly to officers. This table represents Investment Management Expenses for our Fund's assets.

	Pooled Assets						Non-pooled Assets						TOTAL Assets
2022-23 Investment	BCPP			LGIM			External, incl Real Estate			Private Markets			
Management Expenses	Direct £000s	Indirect £000s	Total £000s	Direct £000s	Indirect £000s	Total £000s	Direct £000s	Indirect £000s	Total £000s	Direct £000s	Indirect £000s	Total £000s	Total £000s
Total Fund Management & Administration Expenses	£3,241	0	£3,241	£533	£-	£-	£2,000	£-	£-	£5,427	£-	£-	£14,442
Fund and Investment management	2,855			526			1593			4395			9,368
Administration	217			7			407			52			683
Governance, regulation and compliance	169			0						980			1,149
Distribution, comms and client service	0			0									0
Total Transaction Costs		£4,302	£4,302		£637	£-	£-	£443	£-	£-	£-	£-	£9,684
Indirect transaction costs		4,237			108								4,344
Commissions		145			0			339					485
Taxes and stamp duty		61			0								61
Implicit Costs					637								637
Other transaction costs		0.95			0			104					105
Less: Dilution Levy Offset		141			108								
Total Investment Management Expenses	£3,241	£4,302	£7,543	£533	£637	£1,169	£2,000	£443	£2,444	£5,427	£-	£5,427	£16,583

Border to Coast Pooling Report

Border to Coast Pensions Partnership (BCPP) is one of the largest pension pools in the UK. Established as a Financial Conduct Authority (FCA) regulated asset manager in 2018, they were founded to pool the investments of like-minded Local Government Pension Scheme (LGPS) funds – the 'Partner Funds', the Funds are both shareholders and customers of the company.

Highlights of the past 12 months

Responsible for £40.3bn of investments

£65m in cost **savings**

Won **BEST APPROACH TO RESPONSIBLE INVESTMENT** *LAPF investments awards*

FRC UK Stewardship Code signatory

Named **POOL OF THE YEAR** for the **THIRD** time *LAPF Investments Awards*

162 meetings with **Partner Funds**

Published our **NET ZERO** roadmap

£12bn committed to **Private Markets**

Engaged with companies **1,860** times

Won the **CONTIBUTION TO DIVERSTY AND INCLUSION AWARD** *Investment Week Women in Investment Awards*

13,080 total number of **resolutions voted**

How Border to Coast invest

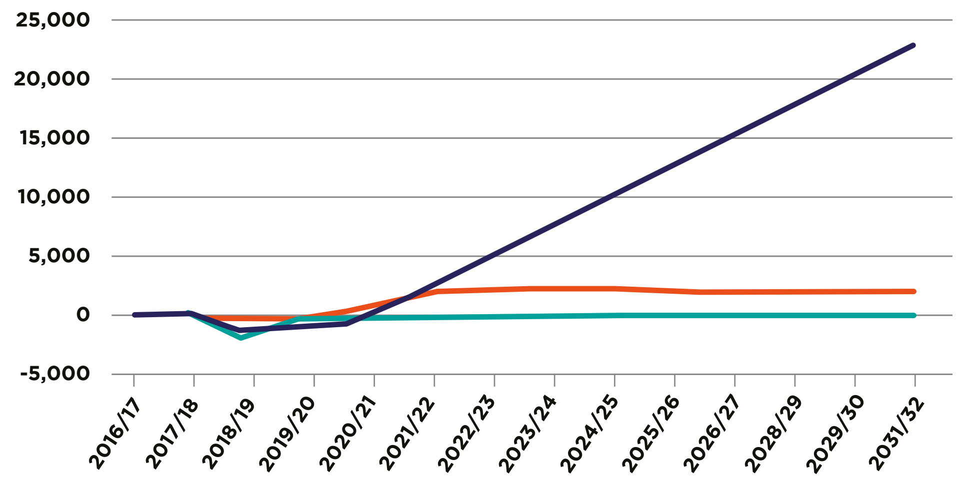
Their investment philosophy is shaped by the needs of the Partner Funds. Their investment horizon is measured in years and decades than months and quarters as the invested assets are intended to fund pension payments for scheme members long into the future. As such, a deep understanding of the investments they make and the third parties they work with is crucial in developing and managing portfolios. In particular, they believe that Enviromental, Social and Governance (ESG) issues can have a material impact on the value of financial assets and on the long-term performance of investment portfolios. They have designed and developed a range of investment propositions to serve the needs of their Partner Funds and enable the implementation of long-term investment strategies.

Warwickshire Pooling Savings

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

BCPP have reported that the fund broke even at the 31 March 2022 according to their analysis.

Warwickshire Pooling Savings (£000)



Pension Fund Accounts 2022/23

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 2022 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 Executive Director for Resources (Section 151 Officer) is responsible for this;
- manage our affairs to use our resources efficiently and effectively and to protect our assets; and
- approve the statement of accounts.

Responsibilities of the Executive Director for Resources

As the Executive 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 31 March 2023 and the income and expenditure for the year ended 31 March 2023. The unaudited draft accounts were authorised for issue on 25 July 2023. These were audited and approved at a meeting of the Council on 19th December 2023.

Rob Powell

Executive Director for Resources

Date: 25th January 2024

2021/2022			2022/2023
£m		Notes	£m
	Dealings with members, employers and others directly involved in the fund		
(86.7)	Contributions	7	(93.1)
(16.9)	Transfers in from other schemes	8	(12.4)
(103.6)			*(105.5)*
88.9	Benefits payable	9	91.4
8.4	Payments to and on account of leavers	10	9.5
97.3			100.9
(6.3)	Net (additions)/withdrawals from dealing with members		(4.7)
16.1	Management expenses	11	21.1
9.7	Net (additions)/withdrawals including fund management expenses		16.4
	Returns on investments		
(21.5)	Investment income	13	(22.4)
(81.6)	Profit and losses on disposal of investments	23	(80.7)
(113.9)	Changes in the market value of investments	23	117.8
(217.1)	Net return on investments		15.5
(207.4)	Net (increase)/decrease in the net assets available for benefits during the year		31.0
(2,574.1)	Opening net assets of the scheme		(2,781.5)
(2,781.5)	Closing net assets of the scheme		(2,750.5)

2021/2022			2022/2023
£ m	Notes		£m
1.2	Long-term Assets	15	1.2
2,722.1	Investment assets	15 / 16 / 17	2,662.6
35.1	Cash deposits	15 / 16 / 17	65.2
2,758.4	Total net investments		2,729.0
27.0	Current assets	29	26.5
(3.9)	Current liabilities	30	(5.1)
2,781.5	Net assets of the fund available to fund benefits at the period end		2,750.5

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

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. Warwickshire 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 Executive 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 Local Pension Board comprises 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 Pensions Regulator in relation to the LGPS;
- 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 223 employer organisations with active members within Warwickshire Pension Fund including the County Council itself, as detailed below.

Warwickshire Pension Fund	31 March 2022	31 March 2023
Number of employers with active members	206	223
Number of employees in scheme		
County Council	8,290	8,494
Other employers	9,592	10,156
Total	17,882	18,650
Number of pensioners		
County Council	8,888	9,255
Other employers	7,189	7,666
Total	16,077	16,921
Deferred pensioners		
County Council	11,676	11,956
Other employers	8,694	9,418
Total	20,370	21,374
Total	54,329	56,945

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 2023. Contributions are also made by employers which are set based on triennial actuarial funding valuations. The valuation relevant to the 2022/23 financial year was as at the 31 March 2019 and a revised schedule of employer contribution rates became effective for the three years from 1 April 2020. Employer contribution rates ranged from 0% to 58% of pensionable pay.

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

	Service pre-1 April 2008	Service post 31 March 2008
Pension	Each year worked is worth 1/80 x final pensionable salary	Each year worked is worth 1/60 x final pensionable salary
Lump Sum	Automatic lump sum of 3 x pension 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 2022/23 financial year and its position at year-end as at 31 March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 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.

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 2022/23 are:

- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

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 2022/23 financial statements.

Photo from Shutterstock, *Grand Union Canal*

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.

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

ii) 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.

iii) 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.

The Pension Fund's view is that the market value of investments in the Border to Coast Pensions Partnership at 31 March 2023 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.

Contingent liabilities

Contingent liabilities arise where an event prior to the year-end has created a possible financial obligation whose existence will only be confirmed by future events. These are not recognised in the net asset statement but are disclosed by way of narrative in the notes as summarised in note 33.

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 2022. However, the 31 March 2019 triennial valuation was the one that applied to the 31 March 2023 accounting year end.

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 (AVC)

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 and 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 accruals will be in the new schemes (and so all active members will be treated equally).

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

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

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

Investment in Border to Coast Pensions Partnership (BCPP)

The Fund's shareholding in the asset pool Border to Coast Pensions Partnership Ltd. has been valued at cost, as an appropriate estimate of fair value. The Class A share is valued at £1 and reflects the ownership stake in the company carrying full voting rights, dividend and capital distribution rights, whilst the Class B shares are valued at £1.2m and represent the Fund's contribution to the company's regulatory capital requirement.

Fair value cannot be otherwise established for these assets as there is currently no market for the shares and no identical or similar market to compare to.

After two of the pool's partner funds merged in 2020, the obligation to meet the company's capital requirement were re-allocated between the remaining eleven partner funds. This serves as a precedent that in the event of a future exit from the partnership, the Fund's shares could be disposed of at cost back to the pool and re-issued to the remaining partners.

Border to Coast Pensions Partnership Ltd is intending to trade at a breakeven position (nominal profit or loss) with any values offset against partner funds' future costs. The company's own audited accounts show its shareholder funds to be equal to the regulatory capital invested.

The cost of these shares has therefore been determined as a reasonable and appropriate estimate of their fair value

War in Ukraine

We previously 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, the Fund does not make a distinction between state and non-state-owned assets.

The Warwickshire Pension Fund's current assessment of Russian/Belarussian holdings is that they make up approximately £380k or 0.01% of the total fund value. No special amendment or adjustment is necessary for the valuation of assets due to the ongoing conflict. Valuations are correctly catered for naturally with all assets valued as at the 31 March 2023 position.

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the Balance Sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made considering 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 2023 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 several 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 £50m, a 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £6m, and a one-year increase in assumed life expectancy would increase the liability by approximately £103m.
Private equity, Infrastructure, Private Debt and Property	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. Other private markets (unlisted) assets are treated similarly. All underlying property valuations are carried out by independent valuation providers on a "Fair Value" basis as defined in the RICS Appraisal and Valuation Manual (Red Book). As buildings are inherently illiquid and the transactional evidence can be scarce there is the potential for a mismatch between the valuation and actual transaction pricing.	The total value of Level 3 investments stands at £611.4m. 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 +/- £12.2m.

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 balance sheet date to the external audit opinion issuance date will be reflected in the statement of accounts.

There are no significant events to report. However, there was a first payment into a new Private Debt Fund (managed by Barings) made on 3rd April for £30m, which does not affect the figures at the balance sheet date.

There has been volatility in the markets since 31 March 2023. The total Fund Asset valuation as at 30th June 2023 having fallen by £50m due to net losses on investments since 31st March 2023.

Note 7: Contributions receivable

By category

2021/2022		2022/2023
£m		£m
20.0	Employees' contributions	21.9
	Employer's contributions:	
61.1	Normal contributions	65.5
5.6	Deficit Recovery contributions	5.7
66.7	Total employer's contributions	71.2
86.7	Total	93.1

By authority

2021/2022		2022/2023
£m		£m
43.8	Administering authority	47.9
41.4	Scheduled bodies	43.7
1.5	Admitted bodies	1.6
0.0	Bodies no longer contributing	0.0
86.7	Total	93.1

Note 8:
Transfers in from other pension funds

2021/2022		2022/2023
£m		£m
0.0	Group transfers	0.0
16.9	Individual transfers	12.4
16.9		12.4

Note 9:
Benefits payable

By category

2021/2022		2022/2023
£m		£m
70.5	Pensions	74.3
16.0	Commutation and lump sum retirement benefits	14.6
2.4	Lump sum death benefits	2.5
88.9		91.4

By authority

2021/2022		2022/2023
£m		£m
46.8	Administering authority	49.0
36.7	Scheduled bodies	38.1
4.4	Admitted bodies	4.3
0.9	Bodies no longer contributing	0.0
88.9		91.4

Note 10:
Payments to and on account of leavers

2021/2022		2022/2023
£m		£m
0.4	Refunds	0.3
0.0	Group transfers	0.0
8.0	Individual transfers	9.2
8.4		9.5

Note 11:
Management expenses

2021/2022		2022/2023
£m		£m
1.9	Administration costs	2.4
12.9	Investment management expenses	16.8
1.3	Oversight and governance costs	1.8
16.1	Total	21.0

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

21/22 Total		Management Fees	Performance Fees	22/23 Total
£m		£m	£m	£m
3.2	Pooled Investments	3.1	0.0	3.1
1.9	Pooled Property	1.7	0.0	1.7
3.3	Private Equity	4.4	0.3	4.8
3.2	Infrastructure	3.4	1.5	4.9
1.3	Private Debt	1.8	0.4	2.2
0.1	Custody Fees	0.1	0.0	0.1
12.9	Total	14.6	2.2	16.8

Note 13:
Investment income

2021/2022		2022/2023
£m		£m
0.1	Equity dividends	0.1
5.2	Pooled Property	5.1
3.0	Infrastructure	4.6
1.9	Pooled Equity	1.9
0.9	Private Debt	1.5
9.4	Pooled Fixed Income	6.4
1.2	Private Equity	2.4
21.6	Managed funds	21.9
0.0	Interest on cash deposits	0.7
0.0	Stock lending	0.0
21.6		22.6

Note 14:
Other fund account disclosures: external audit costs

The external audit fee for 2022/23 was £32,810 excluding VAT. The fee for 2021/22 was £31,060. Non-audit fees in respect of IAS19 assurance for 2022/23 are £14,800 (2021/22: £8,000).

Note 15:
Investments

2021/2022		2022/2023
£m		£m
	Long-term investments	
1.2	Equities	1.2
	Total Long-term investments	1.2
	Investment Assets	
2,716.8	Pooled Funds***	2,657.2
971.0	Pooled Global Equity	931.4
442.4	Pooled UK Equity	416.2
140.4	Infrastructure	189.8
83.0	Private Debt	104.2
197.3	Private Equity	203.7
273.4	Pooled Property	239.6
609.2	Pooled Fixed Income	572.3
35.1	Cash	65.2
5.4	Investment Current Assets	5.3
2,757.2	Total Investment Assets	2,727.8
	Investment Liabilities	
0.0	Investment current liabilities	0.0
0.0	Total Investment Liabilities	0.0
2,758.4	Total net investments	2,729.0

**** 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 2022	Purchases during the year	Sales during the year	Change in market value during the year	Market value 31 March 2023
	£m	£m	£m	£m	£m
Investment Assets					
Equities	1.2	0.0	0.0	0.0	1.2
Pooled Investments	2,716.8	255.3	-271.0	-43.8	2,657.3
• Private Equity	*197.3*	*40.9*	*-42.6*	*8.1*	*203.7*
• Pooled Property	*273.4*	*7.7*	*-5.9*	*-35.5*	*239.6*
• Pooled funds, Ex Property	*2,022.6*	*40.1*	*-103.3*	*-39.7*	*1919.7*
• Infrastructure	*140.4*	*113.4*	*-87.0*	*23.0*	*189.8*
• Private Debt	*83.0*	*53.2*	*-32.1*	*0.4*	*104.4*
Other Investment Balances					
Cash	35.1	136.2	-106.1	0.0	65.2
Net investment current assets	5.4	0.0	0.0	-0.1	5.3
Total Net Investments	2,758.4	391.5	-377.1	-43.8	2,729.0

	Market value 31 March 2021	Purchases during the year	Sales during the year	Change in market value during the year	Market value 31 March 2022
	£m	£m	£m	£m	£m
Investment Assets					
Equities	1.2	0.0	0.0	0.0	1.2
Pooled Investments	2,496.3	702.4	-672.3	190.3	2,716.8
• Private Equity	*175.0*	*25.3*	*-47.1*	*44.1*	*197.3*
• Pooled Property	*221.5*	*19.3*	*-13.6*	*46.1*	*273.4*
• Pooled funds, Ex Prroperty	*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
Total Net Investments	2,552.1	791.8	-775.6	190.1	2,758.4

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 2022			Market value 31 March 2023	
£m	%		£m	%
Investments managed by BCPP asset pool				
14.8	0.5	Private Equity	25.1	0.9
61.1	2.2	Infrastructure	102.4	3.8
17.8	0.6	Private Debt	40.3	1.5
378.0	13.7	Global Equity Alpha Fund	392.1	14.4
295.7	10.7	UK Equity Alpha Fund	295.4	10.8
171.7	6.2	Investment Grade Credit	186.0	6.8
250.8	9.1	Multi-Asset Credit	240.9	8.8
0.0	0.0	Legal and General Investment Management (Index Tracker - Global Equities)*	665.2	24.4
0.0	0.0	Legal and General Investment Management (Index Tracker - Fixed Income)	145.4	5.3
1,189.8	43.1	Total BCPP	2,092.9	76.7
Investments managed outside of BCPP asset pool				
0.6	0.0	MFS Investment Management (Global Equities)	0.2	0.0
740.0	26.8	Legal and General Investment Management (Index Tracker - Global Equities)*	0.0	0.0
186.9	6.8	Legal and General Investment Management (Index Tracker - Fixed Income)*	0.0	0.0
145.8	5.3	Columbia Threadneedle Investments (Property)	127.0	4.7
132.3	4.8	Schroder Investment Management (Property)	120.0	4.4
182.5	6.6	HarbourVest (Private Equity)	178.5	6.5
23.8	0.9	Standard Life Capital (Infrastructure)	27.4	1.0
55.6	2.0	Partners Group (Infrastructure)	59.9	2.2
39.1	1.4	Alcentra (Private Debt)	42.1	1.5
25.9	0.9	Partners (Private Debt)	21.8	0.8
35.0	1.3	BlackRock (Cash)	57.9	2.1
1.2	0.0	BCPP Shareholding	1.2	0.0
1,568.6	56.9	Total Outside BCPP	636.1	23.3
2,758.4	100.0		2,729.0	100.0

** LGIM assets have been reclassified as under pooled management due to the LGPS contract and BCPP oversight of funds*

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

Security	Market value 31 March 2023	% of total fund as at 31.03.23
	£m	%
Border to Coast Global Alpha Equity Fund	386.9	14.2%
Border to Coast Alpha Equity Fund	295.4	10.8%
L&G Fundamental Indexation	245.3	9.0%
Border to Coast Multi-Asset Credit	240.9	8.8%
Border to Coast Investment Grade Credit	186.0	6.8%
Harbourvest (Private Equity)	178.5	6.5%
EUR(EX UK)EQTY IND(OFC)	163.2	6.0%
LGIM Bond funds	145.4	5.3%

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

Note 20:
Stock lending

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

Note 21:
Property holdings

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

Note 22:
Classification of financial instruments

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

Fair value through profit and loss	Financial assets at amortised cost	Financial liabilities at amortised cost		Fair value through profit and loss	Financial assets at amortised cost	Financial liabilities at amortised cost
31 March 2022 (£m)				31 March 2023 (£m)		
			Investment Asset			
0.0			Index linked bonds	0.0		
1.2			Equities	1.2		
2,716.8			Pooled Investments	2,657.2		
971.0			Global Equity	931.4		
442.4			UK Equity	416.2		
140.4			Infrastructure	189.8		
83.0			Private Debt	104.2		
197.3			Private Equity	203.7		
273.4			Pooled Property	239.6		
609.2			Fixed Income	572.3		
	35.1		Cash deposits		65.2	
	5.4		Investment Current Assets		5.3	
	9.2		Debtors		7.9	
	17.8		Cash balances		18.5	
2,717.9	67.5	0.0		2,658.4	97.0	0.0
			Liabilities			
		0.0	Investment current liabilities			0.0
-3.9	Creditors					-5.1
0.0	0.0	-3.9		0.0	0.0	-5.1
2,717.9	67.5	-3.9	Net Assets	2,658.4	97.0	-5.1

Note 23:
Net gains and losses on financial instruments

31 March 2022		31 March 2023
£m		£m
195.6	Financial Assets Fair value through profit and loss	0.0
0.0	Financial liabilities Fair value through profit and loss	-37.0
195.6	Total	-37.0

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

Note 24:
Valuation of financial instruments carried at fair value

The unquoted equities holding in Border to Coast Pensions Partnership is valued at cost (i.e. transaction price), as an appropriate estimate of fair value. A fair value cannot be otherwise established for these assets as at 31 March 2023 because the main trading vehicle of Border to Coast Pensions Partnership only became licenced to trade in July 2018, no comparable market exists, its shares are not openly traded, and it is not for profit. Therefore, the reliability of any observable or unobservable inputs used to calculate fair value cannot 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.

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, pooled funds, and unit trusts.

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. All underlying property valuations are carried out by independent valuation providers on a "Fair Value" basis as defined in the RICS Appraisal and Valuation Manual (Red Book). As buildings are inherently illiquid and the transactional evidence can be scarce there is the potential for a mismatch between the valuation and actual transaction pricing. The Fund has reviewed the classification of Property and has taken the decision to reclassify property managed by Schroders as Level 3. This is more consistent with the classification used by other Funds and will make the accounts more comparable.

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

Description of asset	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Pooled investments – fixed income and equity unit trusts Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price is published.	Net Asset Value (NAV) - based pricing set on a forward pricing basis	Not required
Other unquoted and private funds (including indirect property, infrastructure, private debt, and private equity) Level 3	These investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines 2018 special rules 2020 and US GAAP. All underlying property valuations are carried out by independent valuation providers on a "Fair Value" basis as defined in the RICS Appraisal and Valuation Manual (Red Book).	Earnings before interest, taxes, depreciation, and amortization (EBITDA) multiple; Revenue multiple; Discount for lack of marketability; Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.
Shares in Border to Coast Pensions Partnership	At cost	N/A	N/A

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

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Valuation at 31 March 2023	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Equities*	0.0	0.0	1.2	1.2
Pooled Investments	0.0	1,919.7	0.0	1,919.7
Infrastructure	0.0	0.0	189.8	189.8
Private Debt	0.0	0.0	104.2	104.2
Private Equity	0.0	0.0	203.7	203.7
Pooled Property (Note 1)	0.0	127.0	112.6	239.6
Financial assets at fair value through profit and loss	0.0	2,046.7	611.4	2,658.2
Financial liabilities at fair value through profit and loss	0.0	0.0	0.0	0.0
Net financial assets	0.0	2,046.7	611.4	2,658.2

**Equities which represent Border to Coast Pensions Partnership shareholding*

Note 1: Level 2 property refers to the Threadneedle Fund and Level 3 property refers to the Schroders Fund.

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Valuation at 31 March 2022	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Equities*	0.0	0.0	1.2	1.2
Pooled Investments	0.0	2,022.6	0.0	2,022.6
Infrastructure	0.0	0.0	140.4	140.4
Private Debt	0.0	0.0	83.0	83.0
Private Equity	0.0	0.0	197.3	197.3
Pooled Property	0.0	145.8	127.6	273.4
Financial assets at fair value through profit and loss	0.0	2,168.4	548.3	2,717.9
Financial liabilities at fair value through profit and loss	0.0	0.0	0.0	0.0
Net financial assets	0.0	2,168.4	548.3	2,717.9

The following assets have been carried at cost:

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Valuation at 31 March 2023	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Investment in:				
Border to Coast Pensions Partnership	0.0	0.0	1.2	1.2
Investments held at cost	0.0	0.0	1.2	1.2

Note 25:
Reconciliation of fair value measurements within Level 3

	Market value 31 March 2022	Purchases during the year	Sales during the year	Change in market value during the year	Realised profit or loss (-) during the year	Market value 31 March 2023
	£m	£m	£m	£m	£m	£m
Private Debt	83.0	53.2	-32.1	0.5	-0.1	104.5
Private Equity	197.3	40.9	-42.6	-16.8	24.9	203.7
Infrastructure	140.5	113.4	-87.0	13.5	9.4	189.8
Pooled Property*	127.6	7.7	-5.9	-17.8	1.0	112.6
Total	548.4	215.1	-167.7	-20.5	35.2	610.5

**Reclassified Schroders Property Fund to Fair Value Level 3*

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 2022/23 reporting period. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Asset Type	2022/23 Potential market movement %
UK Pooled Funds	18
Overseas Pooled Funds	19
Bonds	7
Cash	0
Property	15
Alternatives	9

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.

Asset Type	Value as at 31 March 2023	Potential market movement	Value on increase	Value on decrease
	£m	£m	£m	£m
UK Pooled Funds	417.4	75.1	492.5	342.3
Overseas Pooled Funds	931.4	177.0	1108.4	754.4
Total Bonds	572.3	40.1	612.4	532.3
Cash	70.5	0.0	70.5	70.5
Infrastructure, Private Debt and Private Equity	497.7	44.8	542.5	452.9
Property	239.6	35.9	275.6	203.7
Total	2,729.0	372.9	3,101.9	2,356.1

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

Asset Type	Value as at 31 March 2022	Potential market movement	Value on increase	Value on decrease
	£m	£m	£m	£m
UK Pooled Funds	443.6	88.7	532.3	354.8
Overseas Pooled Funds	971.0	182.6	1153.6	788.5
Total Bonds	609.2	48.7	658.0	560.5
Cash	40.5	0.0	40.5	40.5
Infrastructure, Private Debt and Private Equity	420.7	33.7	454.4	387.1
Property	273.4	41.0	314.4	232.4
Total	2,758.4	394.7	3,153.1	2,363.7

Interest rate risk

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

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

Asset Type	Duration	Value as at 31 March 2023	Value on 1% increase	Value on 1% decrease
	Years	£m	£m	£m
LGIM UK Corporate Bonds	5.8	50.0	47.1	52.9
LGIM UK Index Linked	16.8	95.3	79.3	111.3
BCPP Multi-Asset Credit	3.7	240.9	232.0	249.9
BCPP Investment Grade Credit	6.5	186.0	173.9	198.1
Cash balances	0.0	83.7	83.7	83.7
Total		656.0	616.1	695.9

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

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 Border to Coast Pension Partnership (BCPP) pool:

Asset Type	Value as at 31 March 2023	Volatility	Value on increase	Value on decrease
Overseas Pooled Funds	£ m		£m	£m
LGIM Fundamental Indexation	245.34	10.0%	269.87	220.80
LGIM Europe (ex-UK)	163.18	10.0%	179.50	146.86
LGIM Asia Pacific (ex-Japan)	44.51	10.0%	48.96	40.06
LGIM Emerging Markets	37.38	10.0%	41.12	33.64
LGIM Japan	35.42	10.0%	38.96	31.87
LGIM North America	18.72	10.0%	20.59	16.85
BCPP Global Equity	386.86	10.0%	425.55	348.18
Total	931.4	10.0%	1,024.55	838.27

Asset Type	Value as at 31 March 2022	Volatility	Value on increase	Value on decrease
Overseas Pooled Funds	£ m		£m	£m
LGIM Fundamental Indexation	150.89	20%	181.07	120.71
LGIM Europe (ex-UK)	46.28	20%	55.54	37.03
LGIM Asia Pacific (ex-Japan)	39.05	20%	46.86	31.24
LGIM Emerging Markets	302.83	20%	363.40	242.27
LGIM Japan	34.73	20%	41.67	27.78
LGIM North America	19.20	20%	23.04	15.36
BCPP Global Equity	378.03	20%	453.64	302.43
Total	971.0	20%	1,165.2	776.8

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. Most contributions from employers due to the Fund for March 2023 were received by the Fund in April 2023. 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% historic risk of default. As at 31st March 2023 the balance at Lloyds stood at £18.5m.

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 2023 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 2022 and sets contribution rates for the three years commencing 1 April 2023. However, the contribution rates for the accounting year 2022/23 relied on the results of the Actuarial Valuation as of 31 March 2019.

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. At the 2022 actuarial valuation, the Fund was assessed as 104% funded. This corresponds to a surplus of £98m.

Contribution increases arising from the 2019 actuarial valuation were phased in over the three-year period ending 31 March 2023. The common contribution rate (i.e. the rate which all employers in the Fund pay) is as follows.

Valuation Date	31-Mar-19
Total contribution rate	
Primary Rate (% of pay)	20.1%
2020/21 Secondary Rate £000	6,071
2021/22 Secondary Rate £000	6,251
2022/23 Secondary Rate £000	6,436

Following the 2022 actuarial valuation, contribution rate changes (primary and secondary) will be phased in from 1 April 2023.

Valuation Date	31-Mar-22
Total contribution rate	
Primary Rate (% of pay)	20.7%
2023/24 Secondary Rate £000	4,865
2024/25 Secondary Rate £000	4,688
2025/26 Secondary Rate £000	4,495

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 and 2022 actuarial valuation reports 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	31 March 2022
	%	%
Discount Rate	3.7	4.0
Salary Increases	3.1	3.7
Price Inflation/Pension Increases	2.3	2.7

Demographic assumptions

Assumed life expectancy from age 65 is as follows.

Demographic assumptions	31 March 2019	31 March 2022		
Assumed life expectancy at age 65	Male	Female	Male	Female
Pensioners	21.6	23.8	21.8	24.4
Non-pensioners	22.5	25.4	22.6	26.0

Commutation assumptions

At the 2019 valuation, it was 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. The equivalent assumption at the 2022 valuation was 65% for all service.

50:50 Option

The assumption in the 2019 and 2022 Actuarial Valuations was that 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 (see Note 27).

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 2022/23 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.

Present value of promised retirement benefits

Year ended	31 March 2022	31 March 2023
Active members (£m)	1,790	1,157
Deferred members (£m)	840	514
Pensioners (£m)	1,095	903
Total present value of promised retirement benefits (£m)	3,725	2,574
Fair value of scheme assets (bid value) (£m)	2,776	2,728
Net Asset / (Liability) (£m)	(949)	154

The promised retirement benefits at 31 March 2023 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2022. 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 those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2023 and 31 March 2022. I estimate that the impact of the change in financial assumptions to 31 March 2023 is to decrease the actuarial present value by £1,504m. I estimate that the impact of the change in demographic assumptions is to decrease the actuarial present value by £45m.

Financial assumptions

Year ended	31 March 2022	31 March 2023
	% p.a.	% p.a.
Pension Increase Rate (CPI)	3.20	2.95
Salary Increase Rate	4.00	3.95
Discount Rate	2.70	4.75

Demographic assumptions

The longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 10% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.5 years	24.2 years
Future pensioners (assumed to be aged 45 at the latest valuation date)	22.2 years	25.8 years

All other demographic assumptions have been updated since 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 obligations are set out below:

Change in assumption at 31 March 2023	Approximate % increase to promised retirement benefits	Approximate monetary amount (£m)
0.1% p.a. decrease in the Discount Rate	2	50
1 year increase in member life expectancy	4	103
0.1% p.a. increase in the Salary Increase Rate	0	6
0.1% p.a. increase in the Pension Increase Rate (CPI)	2	45

Professional notes

This paper accompanies the 'Accounting Covering Report – 31 March 2023' 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 FFA
26 May 2023
For and on behalf of Hymans Robertson LLP

Note 29: Current assets

31 March 2022		31 March 2023
£m		£m
	Debtors:	
1.8	Contributions due: Employees	3.3
6.1	Contributions due: Employers	4.0
1.3	Invoiced debtors	0.6
0.1	Sundry debtors	0.1
17.8	Cash balances	18.5
27.0	Total	26.4

Note 30: Current liabilities

31 March 2022		31 March 2023
£m		£m
1.8	Owed to administering authority	2.2
1.3	Sundry Creditors	1.9
0.7	Benefits Payable	1.0
3.9	Total	5.1

Note 31: Additional Voluntary Contributions

Contributions Paid 2021/22	Market Value 31 March 2022		Contributions Paid 2022/23	Market Value 31 March 2023
£000	£m		£000	£m
468.5	3.3	Standard Life	508.4	3.2
1.2	0.2	Utmost Life and Pensions	1.6	0.2
469.7	3.5	Total	510.0	3.4

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 £2.1m (2021/22: £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 £48.6m (£43.8m in 2021/22).

Border to Coast Pensions Partnership (BCPP)

The Warwickshire Pension Fund, through Warwickshire County Council as the Administering Authority, is a shareholder in BCPP 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.

BCPP 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 76.7% 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 and the Staff and Pensions Committee who was in receipt of pension benefits from the Warwickshire Pension Fund.

There are two members of the Local Pension Board who are active members of the Warwickshire Pension Fund and one active pensioner.

Each member of the Pension Fund Investment Sub-Committee, Staff and Pensions Committee and Local Pension Board is required to declare their interests at each meeting.

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 Executive Director for Resources (2%), Director of Finance (16%), Head of Investments, Audit and Risk (30%), Head of Finance Transformation & Transactions (30%), Technical Specialist Pensions (100%), Investment Analyst (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		2022/23
£000		£000
251.1	Short-term benefits	348.5
-241.0	Post-employment benefits	-200.5

Note 33: Contingent Liabilities and Contractual Commitments

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

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

Outstanding capital commitments at 31 March 2023 are as follows:

31 March 2022		31 March 2023
£m		£m
116.3	Private Equity	98.0
151.3	Infrastructure	121.8
91.8	Private Debt	79.7
359.4	Total	299.5

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:

- The number of employing bodies has increased over time and currently stands at the highest number it has ever been (223) and current membership increased from 54,329 to 56,945, also an all time high.
- Investment returns were volatile in 2022/23 however the diversification of the Fund's assets has provided protection.
- The Fund has adequate liquidity in place to meet cashflow requirements.
- The Fund was assessed as 92% funded as at 31 March 19, an improvement on the funding level of 82% at 31 March 2016, and the 2022 valuation assessed the Funding level to be 104%. It is important to note 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 as they 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 statements for 2022/23 have been prepared on this basis accordingly.

North Stratford Canal, Lapworth

Independent auditor's report

Independent auditor's report to the members of Warwickshire County Council on the pension fund financial statements of Warwickshire Pension Fund

Opinion on financial statements

We have audited the financial statements of Warwickshire Pension Fund (the 'Pension Fund') administered by Warwickshire County Council (the 'Authority') for the year ended 31 March 2023, which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2023 and of the amount and disposition at that date of the fund's assets and liabilities.
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Executive Director for Resources use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

In our evaluation of the Executive Director for Resources conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

In auditing the financial statements, we have concluded that the Executive Director for Resources use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Executive Director for Resources with respect to going concern are described in the relevant sections of this report.ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Executive Director for Resources with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Statement of Accounts, other than the Pension Fund's financial statements and our auditor's report thereon, and our auditor's report on the Authority's financial statements. The Executive Director for Resources is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice (2020) published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the Pension Fund's financial statements, the other information published together with the Pension Fund's financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters in relation to the Pension Fund.

Responsibilities of the Authority and the Executive Director for Resources

As explained more fully in the Statement of Responsibilities for the statement of accounts, set out on page 10, the

Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director for Resources. The Executive Director for Resources is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director for Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Executive Director for Resources is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Pension Fund without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below. We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Public Service Pensions Act 2013, The Local government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

We enquired of management and the Audit and Standards committee, concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Audit and Standards committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and any other fraud risks identified for the audit. We determined that the principal risks were in relation to large and unusual journals posted and any potential management bias in accounting estimates. Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on unusual journals with specific risk characteristics and large value journals,
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of level 2 and 3 investments and IAS 26 pensions liability valuations;
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government pensions sector
- understanding of the legal and regulatory requirements specific to the Pension Fund including:
  - the provisions of the applicable legislation
  - guidance issued by CIPFA/LASAAC and SOLACE
  - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: **www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Avtar Sohal

Avtar S Sohal, Key Audit Partner for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

Date: 26 January 2024

Supporting Information

Jephsons Gardens, Leamington Spa

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 hedge funds, private equity, private debt, infrastructure and commodities. Property is also sometimes described as an alternative.

Asset allocation

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

B

Benchmark

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

C

Currency risk

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

D

Defined benefit scheme

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

Deferred Pensioners

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

Diversification

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

H

Hedge Funds

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

I

IAS19 (International Accounting Standards)

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

IAS1

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

P

Private equity

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

Pooled funds

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

Pool or LGPS Pool

This term refers to where LGPS administrating authorities have grouped into pools specifically set up to enable investment in line with the Local Government Pension Scheme: investment reform criteria and guidance (November 2015). The Warwickshire Pension Fund is part of the Border to Coast Pensions Partnership pool, which currently has 11 LGPS partner funds.

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.

Photo from Shutterstock, *Curworth Tunnel*

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