

Worcestershire County Council

Agenda

Pension Board

Friday, 15 September 2023, 10.30 am
County Hall, Worcester

Pension Board
Friday, 15 September 2023, 10.30 am, Lakeview Room, County Hall, Worcester

Membership: **Employer Representatives**
Cllr Roger Phillips (Chairman), Cllr Paul Harrison, Andrew Lovegrove,
Cllr Tony Miller.

Member Representatives
Bridget Clark, Adam Pruszynski, Kim Wright and vacancy.

Agenda

Item No	Subject	Page No
1	Apologies	
2	Declaration of Interests	
3	Confirmation of Minutes To confirm the Minutes of the meeting held on 6 June 2023 (previously circulated)	
4	Pensions Committee - 28 June 2023 To review the Agenda and Minutes of the Pensions Committee meeting held on 28 June 2023: <ul style="list-style-type: none"> • Pension Fund Unaudited Annual Accounts 2022/23 • UK Stewardship Code 2021 Updated 2023 Submission • Pension Investment Update • LGPS Central Update • Business Plan • Training Update • Risk Register • Governance Update <p>The Agenda papers and Minutes have previously been sent to members.</p>	
5	Update on Scheme Advisory Board (SAB) To receive a verbal update.	
6	Pension Fund Budget Forecast Outturn 2023/24 and updated Indicative Budgets 2024/25 to 2026/27	1 - 4
7	Business Plan	5 - 14

Agenda produced and published by Hazel Best, Assistant Director for Legal and Governance, County Hall, Spetchley Road, Worcester WR5 2NP

To obtain further information or a copy of this agenda contact Simon Lewis, Committee Officer, on 01905 846621,

All the above reports and supporting information can be accessed via the Council's website

Date of Issue: Wednesday, 6 September 2023

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8	Risk Register	15 - 30
9	Governance Update	31 - 42
10	Training Update	43 - 44
11	UK Stewardship Code 2020: The Fund's 2023 Submission	45 - 46
12	Forward Plan	47 - 50
13	Exclusion of Public and Press The Committee will be asked to exclude the public and press from the meeting for Agenda item 14 as it is likely that exempt information relating to the financial or business affairs of any particular person (including the local authority holding that information) will be disclosed.	
14	LGPS Central Update	51 - 160

PENSION BOARD

15 SEPTEMBER 2023

PENSION FUND BUDGET FORECAST OUTTURN 2023/24 AND UPDATED INDICATIVE BUDGETS 2024/25 to 2026/27

Recommendation

- 1. The Chief Financial Officer recommends that the Board reviews the expected outturn of the Fund's budget for 2023/24 totalling £21.585m that would result in an overall forecast underspend of £1,379m.**

Purpose of the report

2. This report provides members with a forecast outturn for 2023/24 and updated indicative budgets for 2024/25 to 2026/27 at Appendix 1.

Background

3. To ensure good governance, budgets monitor the Fund's expenditure and financial plans assist in mitigating risks by allocating necessary resources to develop the service.
4. A number of services are required to ensure delivery of the Local Government Pension Scheme (LGPS) administering authority function. The Pensions Committee has ultimate responsibility for the procurement and monitoring of these services. It should be noted, however, that Worcestershire County Council, which is one of the employer bodies whose interests the Committee is responsible for, is at present also the provider of a number of these services.

Forecast outturn 2023/24

5. The attached Appendix shows the total forecast outturn is estimated to be £21.585m compared to a budget of £22.964m, an underspend of £1.379m. This underspend is driven by an expectation of lower than budgeted investment management fees of £1.629m. The main reason for the lower expectation is that mandates were exited subsequent to the 2022/23 budget setting exercise, such as River & Mercantile, and that mandates saw a slower timescale for deployment of capital than anticipated in the original budget, such as Stonepeak Fund IV and Bridgepoint Fund III. Investment management fees are the largest proportion of the budget and are primarily associated with the value of assets being managed. Investment performance is contingent on market conditions and transaction costs such as commission, tax and other expenses incurred.
6. The current forecast includes an assumption for two new investment allocations, one to Gresham House in respect of private equity, and one to LGPS Central (LGPSC) in respect of the JP Morgan Infrastructure Fund, both of which were included in the strategic asset allocation approved to Committee in March 2023.
7. Investment administration costs are expected to be approximately £0.01m lower than the £1.383 budgeted for, driven by a slight decrease in LGPSC running costs and a reduction in custodial and other professional fees. These underspends compensate for

the additional costs involved in the transition of performance reporting services from PEL to Hymans Robertson which is expected in the coming months.

8. Scheme administration costs are expected to show an overspend of £0.2m against a budget of £1.765m, driven by an increase in the licence for the administration system provided by Heywood as well as additional to actuarial and external audit fees as a result of work following the Fund's latest triennial valuation.

Summary

9. The budget attempts to maintain service standards, fulfil statutory requirements and develop areas in response to changes in the LGPS. Comparability of data is difficult between LGPS funds nationally due to different methodology of reporting costs.

10. In terms of investment costs, the forecast outturn continues to indicate a spend of approx. 55p per £1,000 (0.55% of market value as at March 2022) on managing Fund assets for 2023/24.

Risk assessment

11. The Board is asked to recognise that some costs, particularly investment fees, are dependent upon factors that are outside of the Fund's control. As such, fees may go up or down, depending on market conditions.

12. The approval of this budget is essential to continue the good governance of the Fund. When viewed in relation to the overall value of assets, these 'controllable' costs represent 0.09% of the total Fund value.

13. In line with good governance practice, officers bring budget monitoring reports to Board twice a year. In the interim, variations against budget are monitored, and, if they become very significant, the Chief Financial Officer will approve variations to the budget and report these to the Board retrospectively for ratification.

Contact Points

Specific Contact Points for this report

Sherief Loutfy

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Supporting Information

- Appendix detailing the 2023/24 budget forecast outturn and indicative budgets 2024/25 to 2026/27

Background Papers

In the opinion of the proper officer (in this case the Chief Finance Officer) there are no background papers relating to the subject matter of this report.

Pension Fund Administration Forecast Outturn 2023/24 with indicative budgets 2024/25 to 2026/27

2023/24 Budget	2023/24 Forecast Outturn	2023/24 Variance	Description	2024/25 Indicative Budget	2025/26 Indicative Budget	2026/27 Indicative Budget	Comments
£	£	£		£	£	£	
			Investment Costs				
19,817,000	18,188,100	-1,628,900	INVESTMENT MANAGEMENT	18,456,100	19,223,200	20,028,100	<i>Includes Gresham private equity, LGPSC infrastructure, and equity protection estimates.</i>
163,400	163,400	0	Investment Administration Recharge	163,400	166,700	170,000	<i>Comparable with budget</i>
870,000	860,000	-10,000	LGPSC Governance and Running Costs	870,000	840,400	874,000	<i>Increase in running costs of the company</i>
140,000	133,300	-6,700	Custodial and Related Services	140,000	147,000	154,400	<i>Slight reduction in Custodial services due to decrease in volume of transactions</i>
164,700	145,200	-19,500	Professional Fees	135,200	182,050	216,900	<i>ESG audit planned for 2023/24 & strategy advice planned for 2025/26</i>
44,400	70,200	25,800	Performance Measurement	44,400	45,300	46,200	<i>CEM Benchmarking costs stable. Includes increase in move from PEL to Hymans and set up costs.</i>
1,382,500	1,372,100	-10,400	INVESTMENT ADMINISTRATION	1,353,000	1,381,450	1,461,500	
			Scheme Administration				
1,330,489	1,539,900	209,411	Scheme Administration Recharge	1,341,400	1,399,100	1,459,700	<i>Includes staffing restructure and updated cost of licence for Admin system.</i>
380,000	396,900	16,900	Actuarial Services	416,745	437,582	459,461	<i>Employer monitoring through Pfaroe and triennial valuation allowed for April 2025/26. Going forward assumes 5% inflationary uplift</i>
34,300	63,180	28,880	Audit	36,015	37,816	39,707	<i>2023/24 reflects additional work due to actuarial valuation and IAS 19 liabilities</i>
10,000	15,000	5,000	Legal Fees	10,000	10,000	10,000	<i>2023/24 reflects additional work relating to new asset allocations.</i>
10,000	10,000	0	Committee and Governance recharge	10,000	10,000	10,000	<i>Comparable with budget</i>
1,764,789	2,024,980	260,192	SCHEME ADMINISTRATION	1,814,160	1,894,498	1,978,868	
3,147,289	3,397,080	249,792	GRAND TOTAL (Excluding Investment Mgt Fees)	3,167,160	3,275,948	3,440,368	
22,964,289	21,585,180	-1,379,109	GRAND TOTAL (Including Investment Mgt Fees)	21,623,260	22,499,148	23,468,468	

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PENSION BOARD

15 SEPTEMBER 2023

BUSINESS PLAN

Recommendation

- 1. The Chief Financial Officer recommends that the Board reviews the Worcestershire Pension Fund Business Plan as at August 2023.**

Background and update

2. A rolling, quarterly Business Plans is produced and no matters have been identified that need to be escalated.
3. The average pensions administration target turnaround for July 2023 and the LGPS part-year 2023 / 2024 (to 31 July) for all 12 pensions administration KPIs have been met with the exception of transfers where there is a backlog because of the delayed issue of new factors by GAD meaning that cases could not be processed.
4. The Fund's performance for the quarter to 31 March 2023 of 2.7% was 0.5% below the benchmark that was 3.2%.
5. A pensions administration system provider and the Fund's independent investment adviser have been reprocured.
6. The Fund is in the process of working with the procurement team to reprocure its actuarial services.
7. The Fund has successfully recruited to the posts of Membership Manager, Communications & Training Lead, and Pensions Officer.
8. The Fund's key projects are on schedule for completion.
9. Working with the Council's Internal Audit team, the Fund has developed a work programme which will review the system controls in place; the effectiveness of workflow process linking to KPIs; and other areas including data quality / record keeping.
10. Work has started with Heywood on rolling out the member self-service portal module called TME (transformative member experience). The proposed go live date is November 2023.
11. The system functionality used to calculate members benefits for the McCloud remedy has been tested.

Supporting information

- Appendix - Business Plan August 2023

Contact Points

Specific Contact Points for this report

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Background Papers

In the opinion of the proper officer (in this case the Chief Financial Officer), there are no background papers relating to the subject matter of this report.

**Worcestershire
Pension Fund**



Business Plan

As at August 2023

MANAGEMENT SUMMARY

This Business Plan is designed to be a one-stop-reference-shop for everything going on at Worcestershire Pension Fund and in the LGPS world.

Committee and Board members' attention is drawn to the following underlying key indicators of whether all is currently well at the Fund:

- I. Our latest pensions administration KPIs are reassuring and in line with targets, with the exception of transfers where we have a backlog because of the delayed issue of new factors by GAD meaning that we could not process any cases.
- II. We have not had to report anything to The Pensions Regulator since the last quarterly, rolling Business Plan.
- III. In 2023 / 2024 we have had 1 data breach (Adare advised us that the name and address of one of our pensioners receiving a pay slip had been hacked). We have 9 IDRP's in progress and 3 cases with the Pensions Ombudsman. We have also received an IDRP form that did not make it clear what the member was disputing.
- IV. Our Fund performance for the quarter to 31 03 2023 of 2.7% was 0.5% below the benchmark that was 3.2%.
- V. Our projects / budgets are on schedule and members' attention is drawn to our list of projects in section 3 (Looking Ahead).

1. THE LATEST ON INVESTMENT / FUNDING / FINANCE

- 1.1 Separate reports are tabled at Board / Committee meetings covering in detail our investment / funding / finance activities, our budget position, and the risks facing us in these areas.
- 1.2 The 2019 actuarial valuation set the following real annual discount rates for the Growth pot that were updated by the 2022 actuarial valuation on 1 April 2023 by the figures shown in brackets: Past service: Consumer Prices Index + 1.65% (1.50%) and Future service: Consumer Prices Index + 2.25% (2.00%).
- 1.3 The assumed annual Consumer Prices Inflation is +2.4% (3.10%).
- 1.4 Therefore our annual return on investment targets for the Growth pot are 4.05% (4.60%) for deficit recovery payments and 4.65% (5.10%) for future service contributions.
- 1.5 Our Fund performance for the year to 31 03 2023 of 1.2% was 0.5% below the benchmark that was 1.7%. Over the 3 years to 31 03 2023 our 9.6% p.a. was 1.4% p.a. below the benchmark of 11.0% p.a.
- 1.6 The Fund's investment portfolio excluding cash of £51m as at 31 March 2023 totalled £3,553m, and its solvency funding level was 96.2%.
- 1.7 Relative to the benchmarks for our sectors we have achieved the 3-year p.a. returns shown in the right column of the table below:

Sector (market value)	Benchmark	Performance p.a. over the 3 years to 31 March 2023 v benchmark
Active equities (£859m)	Bespoke	7.7% (2.4% below benchmark)
Passive equities (£1,013m)	Bespoke	16.5% (0.5% above benchmark)
Alternatives (£562m)	20% RAFI / 40% MSCI WL Min / 40% MSCI WL Qual	12.7% (0.7% below benchmark)
Fixed Income (£273m)	60% LGPSC Corp Index / 40% Absolute Return +6%	Not available as only invested Apr 2021
Property (£305m)	60% MSCI UK / 40% Abs Ret +7.5%	4.4% (1.0% below benchmark)
Infrastructure (£535m)	70% UK CPI +5.5% / 30% Abs Return +10%	1.6% (10.3% below benchmark)

1.8 The Government has issued a [consultation](#) that closes on 2 October and seeks views on proposals relating to asset pooling, levelling up, opportunities in private equity, investment consultancy services and the definition of investments.

1.9 As PEL, our previous supplier of risk and return analyses, has ceased trading, Hymans Robertson will be providing us with a like-for-like service.

1.10 The Fund made a successful 2023 submission to retain signatory status to the 2020 UK Stewardship Code.

1.11 The Fund's draft 2023 Financial Statements have been produced and approved by the Pensions Committee. Our 2023 annual report is not yet ready to be released.

1.12 The LGPS Scheme Advisory Board Annual Report working group (established as part of the Compliance and Reporting Committee) has been reviewing the 2019 CIPFA 'Preparing the Annual Report' guidance. A priority has been to streamline the guidance and reduce duplication wherever possible with other reporting obligations. Two key areas of improvement are how funds should report / categorise the allocation of assets, and administrative KPIs.

1.13 We have re-procured our independent investment adviser.

1.14 We are on schedule for all payments (for example to HMRC) and monitoring (for example cashflow) activities.

1.15 There are no issues with managing / reconciling the custodian accounts for investments including transactions, tax doc, cash controls, etc.

1.16 Our 2023 employee newsletter invited members to give us their views on our stewardship via an online survey.

2 THE LATEST ON ADMINISTRATION

Actuarial services procurement:

We have prepared the documents for tendering for these services making use of National LGPS Frameworks' material.

Dashboards:

The staging deadline for public sector schemes has been put back to 31 October 2026.

Data quality:

We have produced a Data Improvement Plan.

Early / late retirement:

We are applying the LGPS' (more favourable for members) new early retirement reductions and the LGPS' (less favourable for members) new late retirement increases.

We have implemented new redundancy factors recommended by our actuary.

Employer changes:

We have been made aware of the following employer changes in 2023 / 2024:

- Brookfield will be joining Mercian Education Trust from 1 April 2023.
- The Chantry High School and John Kyrle High School & Sixth Form Centre will be joining the Heart of Mercia Multi Academy Trust on the 1 September 2023.
- The Forge will be joining Central Learning Partnership Trust

Engagement:

We issued our 2023 deferred and employee benefit statements together with a newsletter before the 31 August regulatory deadline.

In July 2023, our website had 5,637 (182 per day) visits (sessions) compared to 5,730 (185 per day) in July 2022. Page views were 7,131 in July 2023 (compared to 5,911 in July 2022).

We have advised the 4 of our employers who are on risk for ill health liability insurance that their premiums to Legal & General are increasing from September 2023.

FRS:

We are on schedule to supply employers with a 31 July or 31 August year end the required information for their accounts. Mercer have added information about the accounting treatment of surplus for those employers in surplus at their year-end.

Governance:

A Governance Update is tabled at Board / Committee meetings covering our activities and the risks facing us in this area.

The key take-away is that, after discussing the LGPS Senior Officer position with the Chief Financial Officer and reviewing our current structure alongside the Scheme Advisory Board's recommendations, we are comfortable that our current structure offers full compliance and is in line with a recommended approach showing good governance. The Council's Scheme of Assignment of Responsibility for Functions suggests that there would need to be changes if the CFO were not the LGPS Senior Officer.

Internal Audit Review

Working with WCC's Internal Audit team we have commissioned a review of a number of areas including the system controls we have in place; data protection and record keeping; monitoring of key risks; and workflow processes linked to our KPIs. This work will take place over the next 3 months and a report will be produced detailing the outcome.

KPIs:

We measure our performance against CIPFA industry standard targets for our key pension

administration processes.

As detailed below in July 2023 and for the LGPS part year 2023 / 2024, we met our average target turnaround for all 12 of our key measured processes.

In July 2023 there were 35 deaths, compared to the average monthly no of deaths in 19/20 of 15; in 20/21 of 25; in 21/22 of 36; and in 22/23 of 39.

Activity / Process	Number processed in Jul 2023	% Processed within KPI in Jul 2023	Av turnaround (working days) in Jul 2023	Target turnaround (working days)	1 April – 31 July 2023 average number processed per month
Joiners notification of date of joining	167	98	11	40	201
Process and pay refund	43	86	6	10	38
Calculate and notify deferred benefits	178	100	3	30	166
Letter notifying actual retirement benefits	42	93	3	15	37
Letter notifying amount of dependant's benefits	9	100	2	10	9
Letter acknowledging death of member	35	94	2	05	39
Letter detailing CETV for divorce	15	100	5	45	13
Letter notifying estimate of retirement benefits	173	100	2	15	165
Letter detailing transfer in quote	44	16	42	10	14
Process and pay lump sum retirement grant	110	100	13	23	98
Letter detailing transfer out quote	42	60	14	10	35
Letter detailing PSO implementation	0	n/a	n/a	15	0

Activity / Process	Number processed from 1 Apr to 31 Jul 2023	% Processed within KPI from 1 Apr to 31 Jul 2023	Av turnaround (working days) from 1 Apr to 31 Jul 2023	Target turnaround (working days)
Joiners notification of date of joining	805	99	10	40
Process and pay refund	154	89	6	10
Calculate and notify deferred benefits	665	99	5	30
Letter notifying actual retirement benefits	151	98	2	15
Letter notifying amount of dependant's benefits	39	100	3	10
Letter acknowledging death of member	156	97	2	05
Letter detailing CETV for divorce	53	91	13	45
Letter notifying estimate of retirement benefits	661	100	2	15
Letter detailing transfer in quote	57	35	33	10
Process and pay lump sum retirement grant	395	100	13	23
Letter detailing transfer out quote	142	67	16	10
Letter detailing PSO implementation	0	n/a	n/a	15

In 2023 /2024 we have written off 5 cases (for £235.06; £986.13; £138.45; £382.05; and £423.28).

Regarding outstanding payments from employers or debtors for whom we have raised an invoice, we have no current concerns.

Legal support:

We are currently working with the internal legal team to procure legal services, externally, using the National LGPS Frameworks' material, covering both Pensions Administration and Pensions Investment support.

Lifetime allowance:

On 18 July HMRC issued a [policy paper called 'Abolishing the pensions lifetime allowance'](#) that will require us to make some changes in our procedures.

McCloud:

We are awaiting the response to DLUHC's ['McCloud remedy in the LGPS – supplementary issues and scheme regulations'](#) consultation. The intention is that the final regulations will come into force on 1 October 2023, with backdated effect from 1 April 2014.

We have reviewed the McCloud specifications produced by Heywood, our pension administration system supplier.

We have been testing the McCloud functionality on Altair, our pensions administration system, outside of the live system in the first instance.

To deliver a better understanding of the potential impact on resources, we are working on identifying the number of members in scope; identifying the changes needed to our processes; and identifying a prioritised order of member categories to deliver the remedy to.

The government has issued a [technical consultation](#) on draft tax regulations which set out changes to how pensions tax rules will apply as a result of the remedy.

Pensions administration system procurement:

Working with WCC's Procurement team we have re-procured our pensions administration system via a direct award for the next 5 years. This has opened the door to providing our members with online access to their pensions record through a self-service application. We have started a project with Heywood, our pensions administration system provider, to include us in the next tranche of LGPS funds being hooked up to the additional software that will deliver online access for members.

Public sector exit payments:

We await the Government's plans on a subject that there has been no recent developments on.

Remedying survivor benefits for opposite-sex widowers and surviving male civil partners:

The Chief Secretary to the Treasury made a written [statement](#) on remedying survivor benefits for opposite-sex widowers (the Godwin case) and surviving male civil partners where male survivors remain entitled to a lower survivor benefit than a comparable same-sex survivor. We have sorted our two male civil partners. We are awaiting regulatory guidance on our opposite-sex widowers re which we expect DLUHC to legislate. We also expect DLUHC to legislate to remove the current death grant upper age limit of 75.

Staffing:

In a market where it is difficult to recruit staff with previous LGPS experience, we have recruited successfully to the following positions: Membership Manager, Communications & Training Lead, and Pensions Officer.

We currently have the following vacancy across the service to recruit to: Governance Officer and Business Support. The Business Support role will be offered as an apprenticeship.

Training:

A separate report is tabled at Board / Committee meetings covering our activities and the risks that we face in this area.

The key take aways are that our new Communications and Training Lead started on 7 August; our Training Officer is now full-time on training now that the 2023 year-end has been completed; and our total score for the 37 processes that we measure on our skills matrix has risen from 16,475 to 22,625.

We currently have 3 members of staff enrolled and completing the CIPP certificate in pensions administration, with more awaiting to enrol on the next available intake. This shows a willingness to promote and focus on staff development through external training but also that staff feel empowered and motivated to undertake the course.

3 LOOKING AHEAD

The table below summarises the work that we are doing to achieve particular aims. For us, a project is a piece of work that is something that we would not do on a daily basis like processing a retirement. Some of our projects recur annually and these are shown as unshaded. Shaded projects are one-off projects.

Projects Aug 2023	Started	Sep 23	Oct 23	Nov 23	Dec 23	Jan 24	Feb 24	Mar 24	Apr 24	May 24	Jun 24	Jul 24	Aug 24	Sep 24	Oct 24	Nov 24	Comments
11 LGPSC budget			Cttee		Cttee			Cttee			Cttee				Cttee		√ to date and scheduled
12 Annual Report & Accounts / associated docs (30 09 23)		Publish	Cttee								Cttee		signed off	Publish	Cttee		2023 on schedule
15 ONS Inc / Expend return			¼ rtn			¼ rtn			¼ rtn			¼ rtn			¼ rtn		√ to date and scheduled
16/17 DLUHC SF3 LGPS Funds account (31 08 23)													Annual				√2023 and 2024 scheduled
18 TPR Annual return /survey				Annual				Survey								Annual	scheduled
19 CEM investment benchmarking (31 07 24)												Annual					√2023 and 2024 scheduled
2 GMP equalisation	TBD																awaiting guidance NB non-club TVouts 1990 to 1997 in scope
4 Valuation / FSS / pots / admis term etc policies			Cttee		Cttee			Cttee			Cttee				Cttee		√2022 actuarial valuation
32 Reprocure pension admin system (30 04 2024)	May-20																√
10 Pension Administration Strategy review (01 04 24)							consult	Cttee	publish								√2023 and 2024 scheduled
13 Review data quality			Insight results												Insight results		scheduled and Data Improvement Plan drafted
25 Revalue CARE accounts (30 04 2024)									System config.								√2023 and 2024 scheduled
26 Provide FRS info					admit bods			Sch			Millbrook	Coll	Ac				√ to date and scheduled
3 Branding & digital strategy (Member Self Service, MSS)	Oct-18			TME													TME project established
20 Monitor employer covenants / pots / conts			Cttee		Cttee	ask ers		Cttee	reset erconts		Cttee				Cttee		Pfaroe in place and 'All about investment pots' updated
21 Deferred annual benefit statements (31 08 23)											Annual	Q manag					√2023 and 2024 scheduled
22 Employee annual benefit statements (31 08 23)		Q manag						Y/End					Annual	Q manag			√2023 and 2024 scheduled
23 Pensioner P60s (30 04 24)										Annual	Q manag						√2023 and 2024 scheduled
24 Payslips reflecting pension increase (30 04 24)									Annual								√2023 and 2024 scheduled
27 Pension Savings Statements (06 10 23)			Annual												Annual		scheduled
29 Pensioner newsletter / life cert (30 11 23)				Annual												Annual	2023 scheduled
28 /30 Good Governance incl TPR	TBD		Cttee		Cttee			Cttee			Cttee				Cttee		
33 McCloud	Aug-20		Cttee		Cttee			Cttee			Cttee				Cttee		Reviewing system specs and no of in scope members
5/6 Review of Asset Allocation / ISS (31 05 24)		Sub	Cttee	Sub	Cttee			Cttee			Cttee Sub			Sub	Cttee	Sub	√2023 and 2024 scheduled
9 Increase assets managed by LGPS Central Limited	Feb-19		Cttee		Cttee			Cttee			Cttee Sub				Cttee		looking into infrastructure / private equity / sustainable equity
34 Progress the Fund's RI journey	Jan 20		Cttee		Cttee			Cttee			Cttee				Cttee		Employee members surveyed
35 Pensions Dashboards (31 10 2026)	Feb 22		Cttee		Cttee			Cttee			Cttee				Cttee		Heywood asked for data quality report
37 Reprocurements other than pensions admin system			Mercer					Legal				CPH Docmai					Docmail re-procured and Actuarial services procurement in progress

PENSION BOARD

15 SEPTEMBER 2023

RISK REGISTER

Recommendation

- 1. The Chief Financial Officer recommends that the Pension Board reviews the August 2023 Worcestershire Pension Fund Risk Register.**

Background and update

2. The Risk Register is kept under regular review and, following the August 2023 review by Officers, an updated Risk Register is attached as an Appendix.
3. Following the February 2023 review of the Register that resulted in the number of risks being included in the Register being reduced from 32 to 16, 5 risks are being covered in the Governance Update, and 4 risks are being covered in the Training Update.
4. The August 2023 review added two new risks:
 - a) WPF 35 - Being an LGPSC partner fund; and
 - b) WPF 36 - WCC procurement policies hindering the Fund's ability to secure key investment services efficiently
5. The August 2023 review resulted in a decrease to the residual risk score from 50 to 25 for WPF 20 - Having insufficient resources in pensions administration.
6. Mitigating actions have been updated for:
 - a. **new measures** e.g. A 12-month review of our skills matrix, asking for the LGPSC company risk register, reprocurring our independent investment adviser, and issuing a stewardship survey to our employee members; and
 - b. **previous measures that have been completed / developed further / have changed timelines** e.g. We have reprocured our pension administration system and recruited to Communication & Training Lead, Membership Manager Lead and Project Officer positions.

Supporting information

- Appendix - WPF Risk Register August 2023

Contact Points

Specific Contact Points for this report

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Background Papers

In the opinion of the proper officer (in this case the Chief Financial Officer) there are no background papers relating to the subject matter of this report.

Risk Register

As at August 2023

About this Risk Register

The following colour coding is used for the 18 residual risk scores:

- Red ≥ 45 (03 risks)
- Amber ≥ 25 but < 45 (11 risks)
- Green < 25 (04 risks)

Risk scores can range from 0 to 100 and are derived by multiplying an impact score by a probability score as follows:

Impact = 0 (none); 5 (minor); 15 (moderate); 20 (major); or 25 (severe).

Probability = 0 (no chance); 1 (25% likely to happen); 2 (50:50); 3 (75% likely); or 4 (certain to happen).

The far-right column, Residual Risk Score, **includes upwards or downwards arrows if the score has changed** since the previous Risk Register (as at May 2023 in this case).

In the far-right column, Residual Risk Score, the scores in brackets below the current score indicate what the previous score was, if the score has changed since the previous Risk Register.

The 18 risks logged in this register are in highest Residual Risk Score order (shown in brackets):

1. WPF 35 Being an LGPSC partner fund. (75)
2. WPF 12 Mismatch in asset returns and liability movements. (50)
3. WPF 34 Inflation. (50)
4. WPF 23 Employers cannot pay their contributions or take on an inappropriate level of risk or their contributions take them too close to limits of their available expenditure. (40)
5. WPF 07 Future change to LGPS regulations or other legislation, for example from government legislation on minimum normal pension age or exit payments. (40)
6. WPF 33 Climate change. (40)
7. WPF 24 Employers having insufficient skilled resources to supply our data requirements. (40)
8. WPF 36 WCC procurement policies hindering the Fund's ability to secure key investment services efficiently. (30)
9. WPF 11 Failure to pool assets using LGPS Central Limited. (30)
10. WPF 06 Fair Deal consultation proposals being implemented. (30)
11. WPF 20 Having insufficient resources in pensions administration. (25)
12. WPF 28 Cyber-attack leading to loss of personal data or ransom, or our hardware being disabled or from financial loss from our banking / custody arrangements being compromised. (25)
13. WPF 08 Failure to appoint suitable investment managers and review their performance / markets / contracts. (25)
14. WPF 19 Failure to have an appropriate pensions admin system. (25)
15. WPF 30 Failure to maintain the quality of our member data. (15)
16. WPF 13 Liquidity / cash flow is not managed correctly. (15)
17. WPF 14 Failure to exercise proper stewardship of our assets. (15)
18. WPF 29 Failure to deliver member communications in line with regulatory requirements, for example the 31 August annual benefit statement deadline. (5)

WPF Risk Register Aug 2023 Risk Area (risk owned by)	Risk number (risk owned by)	Description of Risk	Leading to	Gross Impac t	Gross Prob- ability	Gross Risk Score	Mitigating Actions	Resi- dual Impac t	Resi- dual Prob- ability	Resi- dual Risk Score
INVESTMENT / FUNDING							<p>In this risk area the Pension Investment Sub Committee, supported by advice from our independent investment adviser, monitors market conditions; emerging legislation that could affect us (in areas such as our asset allocation, climate change, and asset pooling); and the performance of our investment managers. The Pensions Committee and Officers supported by advice from our investment adviser review our key governance documents that include our Climate Change Risk Strategy / Funding Strategy Statement / Investment Strategy Statement along with quarterly risk, return and ESG analyses of our investments. We are a working member and shareholder of LGPSC: Shareholders meetings and the Practitioners Advisory Form (PAF) meetings with the pool's investment managers are taking place regularly. The pool has a number of work streams: investments; client reporting; finance; responsible investment; and governance. The LGPSC Partner Fund Investment Working Group meets monthly with LGPSC to explore new investment opportunities and to discuss and monitor performance / the strategy agreed by LGPSC shareholders.</p>			

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INVESTMENT / FUNDING	WPF 35 (Chief Financial Officer)	Being an LGPSC partner fund	Investment underperforma nce, ineffective management of pooled funds and increased expenditure	25	4	100	The Fund has requested to see the LGPSC company risk register. This request is still ongoing. Whilst partner funds have discussed staff turnover at LGPSC, there is not sufficient appetite to include a specific item relating to it on the PAF risk register. The Fund will therefore seek to address these concerns at the next 1-1 partner fund meeting with LGPSC. The Fund has continually expressed its dislike of the multi-manager model operated by LGPSC in emerging markets (EM) and challenged performance. LGPSC has almost concluded its 3-year review of its EM fund and has invited the Fund to an Investor Open Day to discuss performance, manager selection and investment geographies. The Fund is now investigating options concerning its allocation to the EM fund and liaising with other partner funds.	25	3	75
INVESTMENT / FUNDING	WPF 12 (Chief Financial Officer)	Mismatch in asset returns and liability movements.	Exposure to risk or missing investment opportunities or increases in employer contributions.	25	3	75	The Fund maintains a well diversified portfolio. Our Investment Strategy Statement 2023 was approved by the Pensions Committee on 22 March 2023. Whole Fund and individual employer funding positions / contribution rates, actuarial valuation assumptions and mortality / morbidity experience have been reviewed as part of the as at 31 03 2022 actuarial valuation and its report was approved by the Pensions Committee on 22 March 2023. Ideas are always encouraged by Officers who also carry out peer group discussions.	25	2	50

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INVESTMENT / FUNDING	WPF 34 (Chief Financial Officer)	Inflation	Higher employer pay settlements leading to increases in liabilities. Lower real investment returns requiring increases in employer conts and leading to weaker employer covenants. Increased pension payments putting pressure on liquidity	25	2	50	The Fund successfully operates a diversified investment portfolio, both in terms of asset class and also geographical allocation. That diversity provides a degree of inbuilt insulation to inflationary environments. Another key mitigation comes from the Fund's investment strategy. We are primarily focussed on a longer-term view when evaluating investments, therefore we believe that the Fund's investments are well positioned to ride out shorter term inflationary periods. We monitor our funding position quarterly and our cashflow monthly. We are primarily an investor in equities that via dividends have historically maintained real rates of return. We also invest in assets whose returns move with inflation e.g. infrastructure, real estate, and index-linked Government bonds. As part of the actuarial valuation as at 31 March 2022 we have amended our inflation assumptions. We intend to develop the investment pots further to provide greater inflation protection.	25	2	50


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INVESTMENT / FUNDING	WPF 23 (Chief Financial Officer)	Employers cannot pay their contributions or take on an inappropriate level of risk or their contributions take them too close to limits of their available expenditure.	Increase in liabilities.	20	3	60	We consulted employers on some changes to our Funding Strategy Statement that were approved by the Pensions Committee on 22 March 2023. Risk profile analysis is performed to understand the strength of an employer's covenant when setting the terms of admission agreements (that may require bonds). In setting the term of deficit recovery periods and employer at actuarial valuations, we aim to keep employer contributions as stable and affordable as possible. We monitor membership profiles and changes, ensure that employers are reminded of their responsibilities where this is appropriate and work with at risk employers. We analyse selected employers' financial metrics using Mercer's Pfaroe tool. We have employer grouped investment strategies.	20	2	40
INVESTMENT / FUNDING	WPF 33 (Chief Financial Officer)	Climate Change	Investment under- performance	20	3	60	We task LGPSC with producing an annual climate risk report which we used to target managers which have a high carbon footprint to see what measure they are taking to reduce their carbon output. We ran another ESG / responsible investment workshop on 8 February 2023 for Board, Committee, and Investment Sub-Committee members. We have invested in LGPSC's All World Climate Multi Factor Fund. We produce Climate Related Financial Disclosures. We ask our investment managers to present their TCFD report and to deliver carbon risk metrics on their portfolios.	20	2	40

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INVESTMENT / FUNDING	WPF 36 (Chief Financial Officer)	WCC procurement policies hindering the Fund's ability to secure key investment services efficiently	Further pressure on already stretched resources and the possibility of failure to secure key investment services in a timely manner having an impact on cost	15	3	45	As the Norfolk Framework provides for the most timely and cost efficient way possible of procuring investment services and in order to maintain a degree of agility when conducting its commercial affairs, the Fund is seeking to have greater control over its procurement by utilising the Norfolk Framework as far as possible.	15	2	30
INVESTMENT / FUNDING Page 23	WPF 11 (Chief Financial Officer)	Failure to pool assets using LGPS Central Limited.	Lack of compliance with legislation / government guidance.	25	3	75	Formal asset-transition procedures are in place. We are monitoring developments following the Budget on 15 March 2023. We will take legal advice before not pooling our assets and monitor the willingness of the pool to invest in the sort of assets that could have a positive impact on future funding levels. The first transfers of our assets (in emerging markets and corporate bonds) were undertaken in July 2019 / Feb 2020. We have also transitioned assets to LGPSC's All World Climate Multi Factor Fund and Sustainable Equities Active Fund.	15	2	30
INVESTMENT / FUNDING	WPF 08 (Chief Financial Officer)	Failure to appoint suitable investment managers / advisers and review their performance / markets / contracts.	Investment underperforma nce / regulatory non- compliance / paying too much in fees.	25	3	75	We have re-procured our independent investment adviser. We place managers on watch as appropriate. We review our investment managers' internal control reports and report any significant exceptions to the Chief Financial Officer. Objectives for our independent investment adviser are reviewed and reported to Committee every 6 months.	25	1	25

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INVESTMENT / FUNDING	WPF 13 (Chief Financial Officer)	Liquidity / cash flow is not managed correctly.	Assets may need to be sold at unplanned times or investment opportunities may be missed.	15	2	30	Cash flow is monitored on a monthly basis. We have under 15% of total net assets exposure to illiquid assets. All contributing employers are provided with deadlines for payments and clear guidelines for providing associated information. We monitor contributions payable and paid on a monthly basis and also reconcile to E5 (our accounting system) on a monthly basis.	15	1	15
INVESTMENT / FUNDING	WPF 14 (Chief Financial Officer)	Failure to exercise proper stewardship of our assets.	Potential erosion of investment returns or reputational damage.	15	2	30	Having achieved signatory status to the UK Stewardship Code 2020 in 2021, we have retained our status in 2022 and 2023. We have reviewed the responses from a Nov 2022 online pensioners questionnaire about our stewardship. We included a link to the same questionnaire in our employee newsletter that was been issued to all our employee members in mid August. We participate in LAPFF and other groups. We ran an ESG / responsible investment workshop on 8 February for Board, Committee, and Investment Sub-Committee members.	15	1	15
ADMINISTRATION							In this risk area we have restructured and increased our headcount to 39 to provide resilience in our ability to deliver business as usual / our KPIs; to be able to respond to the increasing number of issues facing LGPS funds; and to move forward the things that we have not been able to but would have liked to. For example, we have established project streams on McCloud and Member Self Service.			

WPF Risk Register Aug 2023 Risk Area (risk owned by)	Risk number (risk owned by)	Description of Risk	Leading to	Gross Impact	Gross Probability	Gross Risk Score	Mitigating Actions	Residual Impact	Residual Probability	Residual Risk Score
ADMINISTRATION	WPF 24 (Head of Pensions Administration)	Employers having insufficient skilled resources to supply our data requirements.	Missing, incomplete and incorrect records on pensions administration system that undermines service delivery and causes difficulties in establishing correct benefits at individual level / liabilities at employer and whole of Fund level. Potential issues with The Pensions Regulator.	20	3	60	Regular quarterly meetings between WCC HR Lead, Head of Pensions Admin and Liberata Service Delivery Lead are in place to ensure that open communication takes place with issues that arise and to monitor improvements. We have, in preparation for delivering the McCloud remedy to our members, advised our employers that, unless they provide any further employee data about hours / service breaks, we will implement the remedy using what they have supplied us with to date. Following our annual employer consultation and internal review, our updated Pension Administration Strategy was approved by Committee. We support employers with monthly newsletters / an area on our website that has a range of material / employer fora. Checking individual records at points of significant transaction is undertaken.	20	2	40

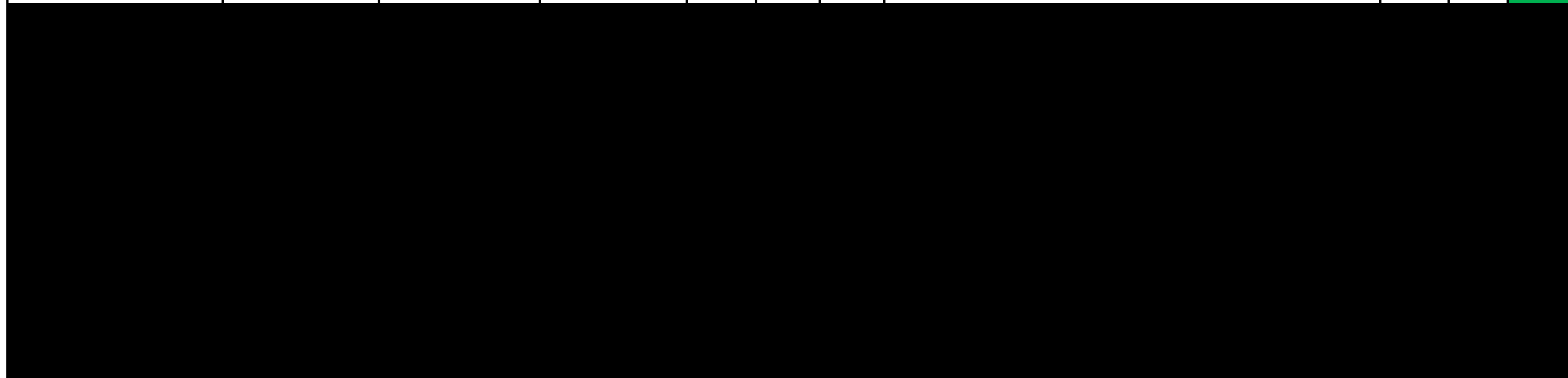
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Page 26	ADMINISTRATION	WPF 07 (Chief Financial Officer and Head of Pensions Administration)	Future change to LGPS regulations or other legislation, for example from government legislation on minimum normal pension age or on exit payments.	Increasing administrative complexity or failure to comply with The Pensions Regulator.	25	3	75	We have added resource to pensions administration. We advise members about things that will affect their benefits through annual newsletters. We have a list of projects that we include in our quarterly rolling Business Plans reported to Board / Committee. Officers participate in various scheme and industry groups and fora. We are aware that as part of its Levelling Up agenda, the Government issued a white paper on education in England which confirms plans to permit councils to establish their own Multi Academy Trusts (MATs) and to require all local authority schools to convert to academy status by 2030. We are aware that GMP equalisation will affect historic non-club transfers out.	20	2	40
	ADMINISTRATION	WPF 06 (Chief Financial Officer and Head of Pensions Administration)	Fair Deal consultation proposals being implemented.	Increasing administrative complexity.	15	3	45	We have added resource to pensions administration. When the regulations come out we will develop measures to mitigate this risk. Meantime risk profile analysis is performed to understand the strength of an employer's covenant when setting the terms of admission agreements (that may require bonds), and we ensure that employers are made aware of consequences of their decisions and that they are financially responsible.	15	2	30

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ADMINISTRATION	WPF 20 (Chief Financial Officer and Head of Pensions Administration)	Having insufficient resources in pensions administration.	Insufficient staff resource or remaining staff not having the skills to do their areas of work.	25	2	50	We have rolled out the WCC 121 preparation and meeting record as part of the Finance Workforce Strategy and have developed a skills matrix to give us a high level understanding of where there are areas in which we need to focus on to ensure that we have the right resilience in place across the service. We are using it to take a look at where work currently sits and whether it can be redistributed to other areas. We have completed a phased transition for staff who secured new roles in the service to ensure business continuity. Although we have recruited to the Membership Manager, Communications & Training Lead and Systems & Projects Lead positions, we have found our recruitment activities are constrained by the LGPS market where demand for staff is high and where other LGPS funds are advertising 100% WFH positions that do not require the jobholder to go to the LGPS fund, something that may even cause us to lose staff. Absences are managed in line with Worcestershire County Council's attendance policy. Exit interviews / questionnaires are used to explore the reason for anyone leaving.	25	1	25 (50) 

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ADMINISTRATION	WPF 28 (Head of Pensions Administration)	Cyber attack leading to loss of personal data or ransom or our hardware being disabled or from financial loss from our banking / custody arrangements being compromised.	Data Protection breach / fraud.	25	2	50	Our pensions administration system is Cloud based. Our staff undertake WCC mandatory training. WCC has measures that are updated constantly to stop malicious emails; to remove malicious links in emails; to prevent outbound emails being sent to unacceptable recipients; to prevent access to fake websites; to encrypt our emails; to keep our laptops clean; and to catch ransom demands. We review our administration system supplier's annual Cyber Security reviews, probing about what they have been doing to keep the cloud / our data / our login arrangements / sending (bulk / individual) emails from Altair safe; what new threats they have popped mitigations in place for; what recent changes or patches have been made to their disaster recovery arrangements; evidencing (perhaps via internal or external audits) the things that they have done recently to keep up to date; and the ongoing vulnerability scanning they have in place alerting them to new vulnerabilities. We have obtained business continuity assurance and assurances about connectivity to our pensions administration system given we do not use multi-factor authentication, and contract service is reviewed annually, with regular meetings / robust system maintenance routines / internal and external systems support / back-up procedures in place. We have produced a Cyber Security Top Tips document and a Cyber Security Data Transmission Grid detailing who we send data to or receive data from and how that data is protected when transmitted / received.	25	1	25

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Page 29	ADMINISTRATION	WPF 19 (Head of Pensions Administration)	Failure to have an appropriate pensions admin system.	Inability to pay pensions / reputational or financial loss / staff downtime / loss of service delivery / data loss.	25	3	75	We have re-procured our existing pensions administration system and advised Heywood to include us in the next tranche of funds adding Member Self Service (online access for members to their pension record) to the core functionality. As the National LGPS Framework for pension admin systems confirms Heywood are an approved supplier, we have independent validation of our supplier. We attend our supplier's user groups.	25	1	25
	ADMINISTRATION	WPF 30 (Head of Pensions Administration)	Failure to maintain the quality of our member data	Paying incorrect or no benefits / problems with the Pensions Regulator / reputational or financial loss.	25	2	50	We have produced our first formal Data Improvement Plan. An annual review of data against TPR categories is conducted. We have received the results of our 2022 NFI data matching and have completed the exercise only having 2 matches overall. We are working with a company called Target Professional Services (UK) to find members who we have lost touch with and using the LGPS framework for mortality screening. We undertake regular data quality reviews.	15	1	15

WPF Risk Register Aug 2023 Risk Area (risk owned by)	Risk number (risk owned by)	Description of Risk	Leading to	Gross Impac t	Gross Prob- ability	Gross Risk Score	Mitigating Actions	Resi- dual Impac t	Resi- dual Prob- ability	Resi- dual Risk Score
ADMINISTRATION	WPF 29 (Head of Pensions Administration)	Failure to deliver member communications in line with regulatory requirements, for example the 31 August annual benefit statement deadline.	Financial loss or loss of reputation / employer confidence or need for corrective action at short notice.	5	1	5	After consulting our employers, our 2023 Policy Statement on Communications was approved by Committee on 22 March 2023. We issued the 2023 deferred annual benefit statements / newsletters and the 2023 employee annual benefit statements / newsletters by 31 August.	5	1	5



PENSION BOARD

15 SEPTEMBER 2023

GOVERNANCE UPDATE

Recommendation

- 1. The Chief Financial Officer recommends that the Board reviews the Worcestershire Pension Fund Governance Update and in particular the Fund's draft Data Improvement Plan as set out at Appendix 2.**

Background

2. The Fund has been updating its Business Plan and Risk Register, its key operational / planning / management documents, quarterly since March 2019.
3. Following the March 2023 review of the Fund's Risk Register, progress in developing mitigating action for five risks will henceforth be reported in our Governance Updates, so that members can assess whether further mitigating actions are appropriate:
 - a) WPF 26 Fraud by staff;
 - b) WPF 15 Failure of the actuary to deliver the services contracted;
 - c) WPF 01 Failure of governance arrangements to match up to recommended best practice;
 - d) WPF 17 Failure of custodian to deliver the services contracted; and
 - e) WPF 04 Not having an established and meaningful Business Plan / Pension Administration Strategy.
4. Progress in mitigating the five risks since the last quarterly Board / Committee cycle has included:
 - a) Drafting a Data Improvement Plan to add to our range of governance material as set out in Appendix 2;
 - b) Updating the progress made in preparation for SAB's Good Governance proposals being taken forward by DLUHC on the attached appendix re which it should be noted that there are a number of actions for the new Chief Financial Officer to address; and
 - c) Confirming that the Fund's existing structure delivers good governance. The Council's Scheme of Assignment of Responsibility for Functions suggests that there would need to be changes if the CFO were not the LGPS Senior Officer.
5. It is also worth noting that:
 - a) The Fund's new Governance Lead will be joining us on 5 September; and
 - b) Areas have been identified to make progress in to obtain PASA accreditation.

Supporting information

- Appendix 1 - Good Governance Position Statement August 2023
- Appendix 2 – Draft Data Improvement Plan August 2023

Contact Points

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Background Papers

In the opinion of the proper Officer (in this case the Chief Financial Officer), there are no background papers relating to the subject matter of this report.

Worcestershire Pension Fund Updated Position Statement: Good Governance

August 2023

This position statement has been prepared to summarise progress on how we are taking forward the LGPS Scheme Advisory Board's (SAB) Good Governance workstream in preparation for statutory guidance being issued. The numbering relates to the recommendations in the November 2019 Hymans Robertson Phase II [report](#) 'Good governance in the LGPS'. We are also closely monitoring [The Pensions Regulator's plans](#) to combine 10 of its 15 existing codes of practice (including [CoP 14: Governance and administration of public service pension schemes](#)) into a new, single, combined and expanded (to incorporate climate change, cyber security, (ESG) stewardship of investments, administration and remuneration policies) modular document that identifies the legal duties of pension funds, provides advice on how to meet them and incorporates changes introduced by the Occupational Pension Schemes (Governance) (Amendment) Regulations 2018 (the governance regulations).

Good Governance proposal	Current position	Identified actions (that are owned by # / with a target delivery date of #)
A. General		
A.1 DLUHC will produce statutory guidance to establish new government requirements for funds to effectively implement the proposals below. ("the Guidance")	Awaiting the draft Guidance and monitoring news about it, such as to expect a new requirement to produce a workforce plan	
A.2 Each administering authority must have a single named officer who is responsible for the delivery of all LGPS related activity for the fund ('the LGPS senior officer')	Our Chief Financial Officer is so named	

<p>A.3 Each administering authority must publish an annual governance compliance statement that sets out how they comply with the governance requirements for LGPS fund as set out in the Guidance. This statement must be signed by the LGPS senior officer and, where different, co-signed by the S151 officer</p>	<p>We publish an annual Governance Compliance Statement as part of our annual reports</p> <p>We have benchmarked our Governance Compliance Statement against Appendix 2 of the Phase 3 Report</p> <p>The 22 March 2023 Pensions Committee approved our updated Governance Policy Statement following the annual review of the existing (2022) version</p>	<p>CF / TBD</p> <p>Benchmark our Governance Compliance Statement against the Guidance once it has been issued and in the meantime against peer funds' statements annually, re which the 2022 peer fund benchmarking has been completed</p>
<p>B. Conflicts of interest</p>		

<p>B.1 Each fund must produce and publish a conflicts of interest policy which includes details of how actual, potential, and perceived conflicts are addressed within the governance of the fund, including reference to key conflicts identified in the Guidance</p>	<p>Our 2022 Policy on Conflicts of Interest was re-approved for 2023 at the 22 March 2023 Pensions Committee meeting, following an annual review of the 2022 version</p> <p>Elected members' (not officers') conflicts of interest are declared at the start of each Pensions Committee and Pension Board meeting.</p> <p>All attendees of a Pensions Committee and Pension Board meeting are asked to sign the Record of Conflicts of Interest Declarations made</p>	
<p>B.2 The Guidance should refer all those involved in the management of the LGPS, and in particular those on decision making committees, to the guide on statutory and fiduciary duty which will be produced by the SAB</p>	<p>Awaiting the draft Guidance</p>	
<p>C. Representation</p>		

<p>C.1 Each fund must produce and publish a policy on the representation of scheme members and non-administering authority employers on its committees, explaining its approach to representation and voting rights for each party</p>	<p>Our 2023 Policy on Representation was approved at the 22 March 2023 Pensions Committee meeting, following an annual review of the 2022 version</p> <p>Our annual reports, our Investment Strategy Statement and para K of appendix 1 of the Worcestershire County Council constitution contain information about representation</p>	
D. Knowledge and understanding		
<p>D.1 Introduce a requirement in the Guidance for the key individuals within the LGPS, including LGPS officers and pensions committee members, to have the appropriate level of knowledge and understanding to carry out their duties effectively</p>	<p>Our 2022 Training Policy and programme, was re-approved for 2023 at the 22 March 2023 Pensions Committee meeting, following an annual review of the 2022 version</p> <p>We have produced a Training Plan that summarises the training work that we plan to progress in 2023 /2024</p>	
<p>D.2 Introduce a requirement for s151 officers to carry out LGPS relevant training as part of their CPD requirements to ensure good levels of knowledge and understanding</p>	<p>We have a new s151</p>	<p>CFO / TBD</p> <p>New s151 to complete skills framework and personal competencies assessments and address within CPD programme</p>

<p>D.3 Administering authorities must publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements</p>	<p>We have a Training Policy and Programme and review it annually: at the 22 March 2023 Pensions Committee meeting the 2022 version was re-approved for 2023, following an annual review of the 2022 version</p> <p>We have produced a Training Plan that summarises the training work that we plan to progress in 2023 /2024</p>	
<p>D.4 CIPFA and other relevant professional bodies should be asked to produce appropriate guidance and training modules for S151 officers to consider including LGPS training within their training qualification syllabus</p>	<p>Awaiting guidance</p>	
<p>E. Service delivery for the LGPS function</p>		
<p>E.1 Each administering authority must document key roles and responsibilities relating to its LGPS fund and publish a roles and responsibilities matrix setting out how key decisions are reached. The matrix should reflect the host authority's scheme of delegation and constitution and be consistent with the descriptions and business processes</p>	<p>The Worcestershire County Council constitution and our annual reports contain information about roles and responsibilities, and we have job descriptions for every officer's role</p> <p>The s151 Officer also delegates to the Head of Finance (Corporate) matters requiring a purely County Council decision affecting the Fund to ensure no conflict of interest arises</p>	<p>CFO / TBD</p> <p>Publish a matrix that meets the requirements. This action will commence once we have a settled structure in place</p>

E.2 Each authority must publish an administration strategy	We comply with this requirement, and at its 22 March 2023 meeting the Pensions Committee approved an updated version, following an annual review of the 2022 version	
E.3 Each administering authority must report the fund's performance against an agreed set of indicators designed to measure standards of the service	These are included in our annual reports and the quarterly Business Plans tabled at all Pensions Committee meetings and all Pension Board meetings	CF/ TBD Continually work with the Pension Board to check and develop our KPIs and seek out benchmarking, identifying in the first instance what KPIs from Ps 17-18 / 33 of the Phase 3 Report the Fund can produce and what would be needed to produce the missing information. The Fund has purchased Altair Insights, and we have recruited a Governance Lead to progress this action
E.4 Each administering authority must ensure their committee is included in the business planning process. Both the committee and LGPS senior officer must be satisfied with the resource and budget allocated to deliver the LGPS service over the next financial year	Rolling Business Plans are tabled at all Pensions Committee meetings and all Pension Board meetings	

<p>E.5 Each administering authority must give proper consideration to the utilisation of pay and recruitment policies, including appropriate market supplements, relevant to the needs of their pensions function.</p> <p>Administering authorities should not simply apply general council staffing policies such as recruitment freezes to the pensions function</p>	<p>We are completing a restructure that has included regrading most posts</p> <p>Our recruitment and staffing levels are not constrained by Worcestershire County Council, and we are able to use market forces adjustments</p>	<p>CFO / TBD</p> <p>We are continually reviewing our structure and recruiting to the vacant roles in the pensions administration structure</p>
F. Compliance and improvement		
<p>F.1 Each administering authority must undergo a biennial Independent Governance Review (IGR) and, if applicable, produce the required improvement plan to address any issues identified</p> <p>IGR reports to be assessed by a SAB panel of experts</p>	<p>We do not currently do this</p>	<p>CFO / TBD</p> <p>Prepare for IGRs. Awaiting more info</p>
<p>F.2 LGA to consider establishing a peer review process for LGPS funds</p>	<p>We do not currently do this</p>	<p>CFO / TBD</p> <p>Prepare for the process and investigate external benchmarking like PASA. Awaiting more info</p>

Note: in the last column CF = Chris Frohlich

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Background

Maintaining accurate data is vital to correct benefits being paid out.

The Pensions Regulator (TPR) urges schemes to have effective processes for [maintaining and continually improving data](#).

TPR splits data into two categories: 'Common' and 'Scheme Specific'.

'Common' data is data used so that a member can be uniquely identified and consists of things like National Insurance (NI) number.

'Scheme Specific' data is data used to accurately calculate member benefits and consists of things like date of leaving and contributions.

TPR requires an annual scheme return about the quality of its data. The percentage of our member records passing ALL tests required by TPR on our data extract of 17 November 2022 was:

- Common data 95.4% (our 2021 score was 95%)
- Scheme-specific data 98.3% (our 2021 score was 98.7%)

How we plan to improve our data

We plan to continue to use actuarial valuations to identify missing or incorrect data by undertaking sense-checking of individual data items, for example by interrogating the data for very large pays or ages using tolerance / consistency limits.

We plan to continue to use Heywood's tool, Insights, to not only produce our annual TPR scheme data return, but also through undertaking additional analysis to identify areas to focus on improving, particularly those where our data has worsened since the previous year's TPR return.

We plan to continue to collect a year end return from our employers and to use these returns to identify data inaccuracies and any starters or leavers that we have not yet received notification of, so that we can obtain missing data from their employer.

We plan to continue to collect [monthly CARE data](#) from our employers and to use these returns to identify any starters or leavers that we have not yet received notification of, so that we can obtain missing data from their employer.

We plan to continue to use the LGPS National Insurance Database to check for missing contact information about our members and when processing a transaction, for example when processing the death of a member of the Fund or a refund.

We plan to continue to use the Department of Work and Pensions' (DWP) 'Tell us once' service to check for deceased members' that we are unaware of and their data.

We plan to continue to use data supplied by the National Fraud Initiative (NFI) to take remedial action and to update our records accordingly.

We plan to continue to use mortality screening services to identify any members whose death we are unaware of.

We plan to continue to engage third party data services to find or check members' most recent postal address.

We plan to continue to review that the way in which we maintain our data is in accordance with statutory guidelines.

We plan to continue to use our deferred and employee member annual benefit statement extracts and the annual extract we use for issuing our annual pensioner newsletter to identify missing or incorrect data (that may have prevented us from being able to issue an annual benefit statement) to cleanse those records on our pension administration system.

We plan to continue to seek out addresses from any mail returned to us as undeliverable, for example following the issue of our annual benefit statements.

We plan to provide members with online access to their pension record, so that we can increase the number of emails on our system, thereby providing us with an additional way of keeping in contact with them and a means for them to update some of their personal details.

We plan to develop our KPIs, for example at an employer level, so that we can focus on supporting those employers with data supply issues by developing tailored data improvement plans.

We plan to continue to consult our employers annually on our Pension Administration Strategy, thereby reminding them of their responsibilities.

We plan to continue to use our website and our monthly employer newsletters to explain our requirements of them and to provide tips on data issues / publicise an increased training output to include podcasts and bespoke training sessions, for example on producing a year end return.

We plan to continue to ensure that all data collection processes are clearly documented, regularly reviewed, and supported by an audit programme.

We plan to increase the training we deliver to our staff on data.

We plan to continue requiring an annual certificate of existence from our pensioners who have either a power of attorney in place or who live overseas.

~~~~~ ENDS ~~~~~

## **PENSION BOARD**

### **15 SEPTEMBER 2023**

## **TRAINING UPDATE**

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### **Recommendation**

- 1. The Chief Financial Officer recommends that the Board reviews this Worcestershire Pension Fund Training Update.**

### **Background**

- 2. The Board reviewed the Fund's [Training Policy & Programme](#) at [its meeting on 3 March 2023](#).**
3. The Fund's new Communications and Training Lead started on 7 August, and the Training Officer is working full-time on training, now that the 2023 year-end has been completed. This implements the new structure for training, and across the whole of pensions administration almost everyone is now 100% on their new roles.
4. Across pensions administration the buddying system for new starts, together with bespoke training on our processes has seen us add significant further resilience to the service. Comparing our August 2022 skills matrix for the Benefits and Membership teams to our skills matrix now, a year later, reveals where we have boosted scores for our staff; where moving staff internally to gain new skills has added to their matrix score; and the extra skilled resource that we have delivered:
  - a) Headcount has risen from 23 to 31; and
  - b) Where a score of 100 is fully competent on a process / a score of 75 needs limited assistance / a score of 50 needs ongoing support / a score of 25 needs substantial ongoing support, the total score for the 37 processes that is measured has risen from 16,475 to 22,625.
5. Specifically the Training Officer has delivered training to pensions administration staff on new member starter processes, LGPS calculations, transfers (internal and external), end of year procedures and CARE procedures.
6. We will be looking to support a further (we already have 3 studying) 2 members of staff to start studying for a CIPP qualification in October 2023.
7. The Training Officer provided induction training for Cllr Peter Stoddart.
8. In July the government launched a now-closed [call for evidence](#) on trustee skills, capability, and culture.
9. Sections 32 and 33 of the Government's pooling [consultation](#) that closes on 2 October seeks views on proposals relating to training of Pensions Committee members.

10. We have been supporting Connexus with member-facing communications about their intention to leave the Fund.

11. Following the March 2023 review of the Fund's Risk Register, progress in developing mitigating actions for four risks will henceforth be reported as part of the Training Updates, so that members can assess whether further mitigating actions are appropriate:

- a) WPF 02 Insufficient knowledge amongst members of Pensions Committee / Pension Board / Pension Investment Sub Committee members.
- b) WPF 03 Failure of officers to maintain a sufficient level of knowledge / competence or to act in accordance with our roles and responsibilities matrix.
- c) WPF 21 Failure of business continuity planning.
- d) WPF 27 Incorrect calculation of benefits through human error or delayed notification of a death.

12 Progress in mitigating the four risks since the last quarterly Board / Committee cycle has included Officers participating in various scheme / industry groups / fora to keep up to date on pensions issues. These have included attending a Hymans Robertson session about training PB / PC members; a Heywood, our pensions administration system supplier, conference; and a Hymans webinar about dashboards. Officers have also been continuing to review specialist publications. PB / PC members were made aware of a range of PLSA trustee training courses and the PLSA conference.

## Contact Points

### Specific Contact Points for this report

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## Background Papers

In the opinion of the proper Officer (in this case the Chief Financial Officer), there are no background papers relating to the subject matter of this report.



## **PENSION BOARD**

### **15 SEPTEMBER 2023**

## **UK STEWARDSHIP CODE 2020: THE FUND'S 2023 SUBMISSION**

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### **Recommendation**

- 1. That the Board note the Fund's successful submission to retain signatory status to the UK Stewardship Code 2020.**

### **Purpose and Principles of the UK Stewardship Code 2020**

2. The UK Stewardship Code 2020 sets high expectations for how investors, and those that support them, invest, and manage money on behalf of UK savers and pensioners, and how this leads to sustainable benefits for the economy, the environment and society. It is a set of 12 Principles for asset owners and asset managers, and a separate set of six Principles for service providers – investment consultants, proxy advisors, data providers and others.

### **Background and update**

3. A stewardship code was introduced in July 2010 by the Financial Reporting Council (FRC). It strongly encouraged best practice in respect of investor engagement. The expectation was that institutional investors should publish a statement in respect of their adherence. Compliance was on a voluntary basis.

4. The Pensions Committee agreed a Statement of Compliance at its meeting on 28 November 2018 and the Fund became a signatory.

5. The Committee were informed at its March 2021 Committee meeting that the Fund had until April 2021 to apply to become a signatory of the UK Stewardship Code 2020.

6. The Fund was successful in becoming one of the original signatories to the UK Stewardship Code 2020, something which 64 organisations out of 189 organisations (147 asset managers, 28 asset owners including pension funds and insurers, and 14 service providers including data and information providers and investment consultants) applying to the FRC did not achieve. LGPSC and West Midlands Pension Fund were also on the first list of signatories.

7. The Fund submitted its second (covering January to December 2021) application for signatory status at the end of April 2022 and received feedback that it was again successful on 2 September 2022.

8. The Fund's third submission was submitted on 21 May 2023, and the Fund was notified of its continued success on 24 August 2023. In a change to previous practice, the FRC decided not to provide successful applicants with bespoke feedback this time around.

9. This report is seeking the Board to note the Fund's retention of its signatory status.

### **Contact Points**

#### Specific Contact Points for this report

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### **Background Papers**

In the opinion of the proper officer (in this case the Chief Financial Officer), the following background papers relate to the subject matter of this report:

- Stewardship Code report to Pension Committee on 28 June 2023.

**PENSIONS BOARD**  
**15 SEPTEMBER 2023****FORWARD PLAN**

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**Recommendation**

- 1. The Chief Financial Officer recommends that the Board comment and approve the Forward Plan.**
2. The forward plan highlights the key areas that are anticipated to be reported in the future. This is attached as an Appendix and the Pension Board are asked to comment and approve the plan.

**Supporting Information**

Appendix – Forward Plan

**Contact Points**

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**Background Papers**

In the opinion of the proper officer (in this case the Chief Financial Officer) there are no background papers relating to the subject matter of this report.

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## Pension Board Proposed Forward Plan

## Appendix

| <b>Pension Board items</b>                                                                                                                | <b>15/09/202</b> | <b>21/11/202</b> | <b>March 2024</b> | <b>June 2024</b> |
|-------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|-------------------|------------------|
|                                                                                                                                           | <b>3</b>         | <b>3</b>         |                   |                  |
| LGPSC Update                                                                                                                              | Y                | Y                | Y                 | Y                |
| Final external auditor report on annual report                                                                                            |                  | Y                |                   |                  |
| Funding strategy review / Funding Strategy Statement                                                                                      |                  |                  | Y                 |                  |
| UK Stewardship Code                                                                                                                       | Y                |                  | Y                 |                  |
| Business Plan (to include the latest on administration and investment areas and CMA investment advisor objectives monitoring)             | Y                | Y                | Y                 | Y                |
| Annual Pensions Administration Strategy review                                                                                            |                  |                  | Y                 |                  |
| Annual Investment Strategy Statement / Climate Change Risk Strategy / Climate Risk Report / Climate-related Financial Disclosures reviews |                  |                  | Y                 |                  |
| Training Update                                                                                                                           | Y                | Y                | Y                 | Y                |
| Budget                                                                                                                                    | Y                |                  | Y                 |                  |
| Internal Audit report (Inv & Admin)                                                                                                       |                  | Y                |                   |                  |
| Risk Register                                                                                                                             | Y                | Y                | Y                 | Y                |
| Governance Update                                                                                                                         | Y                | Y                | Y                 | Y                |
| Regulatory updates including Scheme Advisory Board updates e.g., pooling & responsible investment consultations                           | Y                | Y                | Y                 | Y                |

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