

Worcestershire County Council

Agenda

Pension Board

Wednesday, 5 October 2022, 2.00 pm
County Hall, Worcester

DISCLOSING INTERESTS

There are now 2 types of interests:
'Disclosable pecuniary interests' and **'other disclosable interests'**

WHAT IS A 'DISCLOSABLE PECUNIARY INTEREST' (DPI)?

- Any **employment**, office, trade or vocation carried on for profit or gain
- **Sponsorship** by a 3rd party of your member or election expenses
- Any **contract** for goods, services or works between the Council and you, a firm where you are a partner/director, or company in which you hold shares
- Interests in **land** in Worcestershire (including licence to occupy for a month or longer)
- **Shares** etc (with either a total nominal value above £25,000 or 1% of the total issued share capital) in companies with a place of business or land in Worcestershire.

NB Your DPIs include the interests of your spouse/partner as well as you

WHAT MUST I DO WITH A DPI?

- **Register** it within 28 days and
- **Declare** it where you have a DPI in a matter at a particular meeting
 - you must **not participate** and you **must withdraw**.

NB It is a criminal offence to participate in matters in which you have a DPI

WHAT ABOUT 'OTHER DISCLOSABLE INTERESTS'?

- No need to register them but
- You must **declare** them at a particular meeting where:
You/your family/person or body with whom you are associated have a **pecuniary interest** in or **close connection** with the matter under discussion.

WHAT ABOUT MEMBERSHIP OF ANOTHER AUTHORITY OR PUBLIC BODY?

You will not normally even need to declare this as an interest. The only exception is where the conflict of interest is so significant it is seen as likely to prejudice your judgement of the public interest.

DO I HAVE TO WITHDRAW IF I HAVE A DISCLOSABLE INTEREST WHICH ISN'T A DPI?

Not normally. You must withdraw only if it:

- affects your **pecuniary interests** **OR** relates to a **planning or regulatory** matter
- **AND** it is seen as likely to **prejudice your judgement** of the public interest.

DON'T FORGET

- If you have a disclosable interest at a meeting you must **disclose both its existence and nature** – 'as noted/recorded' is insufficient
- **Declarations must relate to specific business** on the agenda
 - General scattergun declarations are not needed and achieve little
- Breaches of most of the **DPI provisions** are now **criminal offences** which may be referred to the police which can on conviction by a court lead to fines up to £5,000 and disqualification up to 5 years
- Formal **dispensation** in respect of interests can be sought in appropriate cases.

Pension Board

Wednesday, 5 October 2022, 2.00 pm, County Hall, Worcester

Membership:

Employer Representatives

Cllr Roger Phillips (Chairman), Cllr Paul Harrison, Andrew Lovegrove, and Vacancy

Member Representatives

Bridget Clark, Odette Fielding, Lucy Whitehead and Kim Wright

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 7 June 2022 (previously circulated)	
4	Pensions Committee - 28 June 2022 To review the Agenda and Minutes of the Pensions Committee meeting held on 28 June 2022: <ul style="list-style-type: none"> • LGPS Central Update • Pension Investment Update • Pension Fund Unaudited Annual Accounts 2021/22 • Business Plan • Risk Register • Governance Update • UK Stewardship Code • Training 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	LGPS Central Update	1 - 4
7	Business Plan	5 - 20
8	Governance Update	21 - 32

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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: Monday, 26 September 2022

Item No	Subject	Page No
9	Worcestershire County Council Pension Fund Administration Budget Forecast Outturn 2022/23 and updated Indicative Budget 2023/24 to 2025/26	33 - 38
10	UK Stewardship Code 2021 Submission	39 - 40
11	Actuarial Valuation Update	41 - 44
12	Risk Register	45 - 64
13	Training Update	65 - 66
14	Forward Plan	67 - 70

PENSIONS BOARD

5 OCTOBER 2022

LOCAL GOVERNMENT PENSION SCHEME (LGPS)

CENTRAL UPDATE

Recommendation

- 1. The Chief Financial Officer recommends the Pension Board note the LGPS Central (LGPSC) update.**

Background

2. The government set out in 2014 its approach and reasoning (Opportunities for collaboration, cost savings and efficiencies) for asset pooling with responsibility for asset allocation staying with the 90 administering authorities. Worcestershire Pension Fund (WPF) in collaboration with eight other Local Authorities (Cheshire, Leicestershire, Shropshire, Staffordshire, the West Midlands, Derbyshire, Nottinghamshire, and the West Midlands Integrated Transport Authority) set up a collective investment vehicle called LGPS Central. The Company was authorised to operate as an Alternative Investment Fund Manager (AIFM) and became formally operational from the 1 April 2018.

3. LGPSC has been in operation since the 1 April 2018 and several the local authorities have transitioned some of their existing asset allocations to be managed by the company. WPF transferred its Active Emerging Market funds into the LGPSC's Global Active Emerging Market managed mandate in July 2019, its Active Corporate Bond Fund into the LGPSC 'Global active Investment Grade Corporate Bond Fund in March 2020 and more recently in November 2021 a £200m investment into the LGPSC All World Climate Factor Passive Fund.

Transition of existing Assets and investment in LGPSC investment products

4. The Pension Investment Sub-Committee has agreed an indicative £30m per annum for the next 2 years into LGPSC Infrastructure strategy subject to due diligence.

5. The Fund transferred its Active Emerging Market funds into the LGPSC's Global Active Emerging Market managed mandate in July 2019. This is now subject to a 3 year review which is being conducted by LGPSC. This fund's performance has not been particularly good since inception being -0.65% which is 4.93% below its target as at the end of July 2022 and we await the review findings and recommendations.

Next Company Annual General Meeting on meeting 27 September 2022

6. The next company meeting is on the 27 September and the proposed shareholder resolutions are detailed below.

No	Proposed Resolution
1	Adoption of the Company Report and Accounts for the year ended 31 March 2022
2	Approval of the Re-appointment of Deloitte LLP as external Auditor of the Company

No	Proposed Resolution
3	Authorisation of the Board to agree the external Auditor's remuneration
4	Approval of the re-election of Directors

7. An informal meeting and training was provided for Shareholders on the 25 August at the new I9 Building in Wolverhampton

Staffing

8. The recruitment market continues to be very competitive at the moment. LGPSC have managed to recruit a Chief Legal Compliance & Risk Officer, Struan Fairbairn who will be starting mid-September which is a key post for the company.

9. However, the last few months LGPSC has seen a number of posts hand in their notice whilst at the same time have been successful in recruiting to a number of posts. The successful hires include an Investment Operations Manager, Responsible Investment Integration Manager, Chief Stakeholder Officer and Compliance Manager. It remains a highly competitive recruitment market with the principle concerns of candidates relating to remuneration and benefits packages and location and flexible working.

LGPSC Strategic Business Plan and Budget for 2022.23

10. Discussions have begun on the LGPSC Strategic Business Plan and Budget for 2022/23 and this is due to be approved at the company meeting in February 2023. Further updates will be provided as to the progress at future meetings.

LGPSC Investment Pool

11. Annually each Pension Pool has to provide a return which shows the level of Pool investment by partner funds in terms of the 31 March 2022 and the forecast level of Pool investment each year up to 31 March 2025. Also provided within the return are the LGPSC are the forecast level of pool savings that have been made. The submission deadline to the Department for Levelling up, Housing and Communities (DLUHC) is the 23 September and at the time of writing this report the submission was still being finalised. A verbal update will be provided to the Board

Practitioner Advisory Forum (PAF) Working Groups

12. PAF have a number of Work streams which meet regularly and aims to work closely with LGPSC to ensure that all the funds requirements are met. These are

- Governance Working Group (meeting monthly and chaired by Worcestershire)
- Investment Working Group (IWG) (Meet Monthly)
- Responsible Investment Working Group (Now part of IWG and discussed quarterly)
- Finance Working Group. (Meetings as and when required)

13. The Partner Funds have also established an Internal Audit working group which provides a co-ordinated approach to enable the Joint Committee (next meeting the 11 November 2022), individual partner funds, and their respective external auditors to be satisfied on the standards of control operating across the pool. There will be 2 separate audits taking place, one focusing on investments (Led by Leicestershire) and the other on governance (led by Worcestershire).

Investment Working Group

14. It is worth just updating the Committee on the focus of the Investment Working Group. The quarterly meeting cycle, with a change in focus each month, continues to work well.

1. Month 1 (Jan, Apr, Jul, Oct) – Product Development & Responsible Investment.
2. Month 2 (Feb, May, Aug, Nov) – Policy & Performance Monitoring
3. Month 3 (Mar, Jun, Sep, Dec) – Strategy and New Products

15. The following table illustrates the new products that are currently in progress and indicates the next step in the process of their development. The areas highlighted are those where we have an interest in potential future investment as they fit into our Strategic Asset Allocation plan.

2020/21 and 2021/22 Products	Next Step (as at August 2022)
Private Equity (2021 Vintage)	<i>Launched</i>
Direct Property	<i>Launched</i>
Global Sustainable Active Equities	<i>Launched</i>
Private Debt	<i>Launched</i>
Targeted Return	<i>Launched</i>
Indirect Property	<i>Product Development focussing on residential property in first tranche</i>

16. The products to be developed in 2022/23 were collectively agreed by Partner Funds at their next SAA Day on the 16 September 2021. As most sub-funds, which have targeted the higher levels of assets under management (AUM), have now been launched or in progress, the focus will ensure that these are delivered. There is a further SAA Day planned for September 2022.

Contact Points

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Background Papers

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

- LGPSC Budget and strategic business plan Pension Committee 2 February 2022
- LGPS Central business case submission to government 15 July 2016.

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PENSION BOARD

5 OCTOBER 2022

BUSINESS PLAN

Recommendation

- 1. The Chief Financial Officer recommends that the Board reviews the Worcestershire Pension Fund (WPF) Business Plan as at 26 August 2022.**

Background and update

2. There are no matters that need to be escalated.
3. Two new Internal Dispute Resolution Procedure (IDRPs) have been received (one about a transfer out in 2015 where the Financial Ombudsman Service made it clear to the member that redress should be sought from the member's financial adviser, and the other relating to the backdating of deferred benefits where a member did not choose to take them at the date when there would have been no reductions on them). We have not experienced any new data breaches or had to report anything to The Pensions Regulator since the last quarterly, rolling Business Plan. In 2022 / 2023 we have had no data breaches, two IDRPs and one complaint (NB complaints generally do not escalate to IDRPs).
4. The latest pensions administration KPIs are reassuring and in line with targets set. As detailed in Section 5, in July 2022 and for the LGPS year to date 2022 / 2023, we met our average target turnaround for all 12 of our key measured processes. We had 41 deaths in July 2022 and the average monthly number of deaths in 2022 / 2023 was 35. The average monthly number of deaths in 2019 / 2020 was 15, in 2020 / 2021 it was 25 and in 2021 / 2022 it was 36.
5. The Fund performance / funding levels are in line with our targets.
6. The projects / budgets are on schedule and members' attention is drawn to our list of projects set out in the attached Appendix. The 2022 deferred annual benefit statements / newsletters as well as the 2022 employee annual benefit statements / newsletters have been issued.
7. 93 of our employers have completed the McCloud checklist / declarations form, and 57 supplied all missing data or confirmed that there is no data missing.

Supporting information

- Appendix - WPF Business Plan 26 Aug 2022

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**



Business Plan

As at 26 08 2022

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 (about which further detail is provided later in this Plan) of whether all is currently well at the Fund and whether we are delivering on the issues that we are required to do by regulations / that The Pensions Regulator takes a special interest in:

1. We are not aware of any matters that we need to escalate.
2. We have received 2 new IDRPCs (one about a transfer out in 2015 where the Financial Ombudsman Service made it clear to the member that redress should be sought from the member's financial adviser, and the other relating to the backdating of deferred benefits where a member did not choose to take them at the date when there would have been no reductions on them), not experienced any new data breaches or had to report anything to The Pensions Regulator since the last quarterly, rolling Business Plan. In 2022 / 2023 we have had 0 data breaches, 2 IDRPCs and 1 complaint (NB complaints generally do not escalate to IDRPCs).
3. Our latest pensions administration KPIs are reassuring and in line with targets set. As detailed in Section 5, in July 2022 and for the LGPS year to date 2022 / 2023, we met our average target turnaround for all 12 of our key measured processes. We had 41 deaths in July 2022 and the average monthly number of deaths in 2022 / 2023 was 35. The average monthly number of deaths in 2019 / 2020 was 15, in 2020 / 2021 it was 25 and in 2021 / 2022 it was 36.
4. Our Fund performance / funding levels are below our targets due to the volatility in markets over the last quarter.
5. Our projects / budgets are on schedule and members' attention is drawn to our list of projects in Appendix 1. We have issued our 2022 deferred annual benefit statements / newsletters. We have issued our 2022 employee annual benefit statements / newsletters.
6. 93 of our employers have completed our McCloud checklist / declarations form, and 57 supplied all missing data or confirmed that there is no data missing.

1 INTRODUCTION

1.1 Our Business Plan:

- a) Outlines our (Worcestershire Pension Fund's) purpose, goals and key result areas / supporting aspirations (what is regarded as good in our eyes).
- b) Presents our targets and budget.
- c) Details our performance against our investment benchmarks and against our administration target turnarounds.
- d) Summarises the projects we have in place to achieve our large pieces of work.

1.2 Our Business Plan is refreshed and tabled at each quarterly [Pensions Committee](#) meeting.

1.3 Our governance arrangements are set out in [our annual reports](#). And in our [Governance Policy Statement](#).

2 BACKGROUND

2.1 The Local Government Pension Scheme (LGPS) is funded principally by its constituent employers, with members also contributing.

2.2 The benefits it provides are a valuable tool for employers in attracting and retaining staff.

2.3 Unlike all other public sector pension schemes the LGPS is a funded scheme, with employer and member contributions invested in financial markets / instruments.

2.4 Although a Career Average Revalued Earnings (CARE) LGPS linked to a normal retirement age of State Pension age (min 65) was introduced on 1 April 2014, concerns remain over the long-term cost and sustainability of the LGPS.

2.5 We are one of 86 funds administering the LGPS in England & Wales. Worcestershire County Council is the statutorily appointed Administering Authority.

2.6 We administer the LGPS for our employers who vary considerably in size and type and who have allowed their current and previous employees to become members:

	As at 31 March 2022	As at 30 June 2022
Employers with active members	197	194
Employee member records	22,650	22,192
Pensioner member records	20,282	20,476
Deferred member records	23,257	23,644
Total member records	66,189	66,312

2.7 We manage a **£3,409m** (as at 30 06 2022) pension fund to pay benefits as they are due and as at 30 June 2022 our estimated whole Fund solvency (the minimum risk funding position is much lower) funding position was 95%.

2.8 We face increasing complexities in both the governance and administration of the LGPS and expect the following to create pressures on our resources and workloads:

- a) COVID-19: whilst we have successfully moved to home working supported by going into County Hall, our workload and resources have as yet not been tested by a significant increase in member deaths or in staff absence or in staff leaving.
- b) The Pension Regulator (TPR) increasing its requirements re information gathering, record keeping, data cleansing, and covenant reviews.
- c) Adopting the national LGPS Scheme Advisory Board's good governance guidance as best practice.
- d) An ever-changing tax / pensions environment: currently these include: [McCloud](#); [Fair Deal](#); [reforming local government exit pay](#); [tax relief for low earners](#); [increasing the normal minimum pension age](#); [Pensions Dashboards](#); and [changes to the valuation cycle](#).
- e) Guaranteed Minimum Pension (GMP) equalisation.

- f) New employers (from outsourcing and academy conversions). As part of its Levelling Up agenda, the Government has 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.
- g) Increasing expectations from stakeholders (like member online access and employer data transmission).
- h) Central government asset pooling requirements (we are a partner fund in LGPS Central Limited, LGPSC).
- i) Re-procurements for services currently delivered by Heywood / Mercer / Scottish Widows / WCC Legal services / Barclays / CFH Docmail / Adare / Pop Creative / Portfolio Evaluation Limited (PEL) / MJ Hudson.

3 PURPOSE, GOALS AND KEY RESULT AREAS (KRAs) / ASPIRATIONS

3.1 Our purpose is to deliver on the benefit expectations of our members by managing investments to increase our assets and by understanding our liabilities.

3.2 Our goals are to:

- a) Achieve and maintain a 100% funding level over a reasonable period of time to pay all benefits arising as they fall due.
- b) Maintain a managed risk investment and funding strategy to achieve the first goal.
- c) Maintain stabilised employer contribution rates.
- d) Provide a high quality, low-cost, customer-focused service.
- e) Be open and honest in all decision making.

3.3 To help us to achieve our goals we have identified 5 KRAs:

- Accounting.
- Administration.
- Engagement / Communications / Member & Employer Relations.
- Governance & Staffing.
- Investments, Funding & Actuarial.

3.4 Our 5 KRAs are underpinned by 14 supporting aspirations. A brief summary of any significant milestones and any issues that we are encountering with delivering these is provided in the commentary at the end of each KRA section.

3.5 The one-off (shown as shaded) and annually recurring (shown as unshaded) large pieces of work or projects that we are progressing to achieve these 14 supporting aspirations are detailed in the appendix called Operational Plan: Projects.

3.6 Our performance on our day-to-day business as usual activities is detailed in the Investment Targets and Administration KPIs sections of our Business Plan. Any business-as-usual issues or developments that we are encountering are included in the commentary at the end of each KRA section.

3.7 This Business Plan's numbering recommences with section 4 (after the pages with a light background colouring that follow this paragraph). The boldened and underlined five KRAs that follow are in alphabetical order. The (1) to (14) numbering of our 14 supporting aspirations used below is across the five KRAs. This approach is to ease cross referencing with the second and third columns of the spreadsheet that is Appendix 1 of this Business Plan.

KRA: Accounting

1. To ***ensure the proper administration, accounting and reporting of all our financial affairs.***

2. To produce clear **Annual Reports / Statement of Accounts** that enable members and stakeholders to understand the latest and future financial position.

Accounting KRA Commentary:

Our budgets are detailed in the budget updates on the agendas of our Pension Board and Pensions Committee meetings.

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

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

We are on schedule for publishing our 2022 annual report.

KRA: Administration

3. To **provide a lean, effective, customer friendly benefits administration service**, through the calculation and payment of benefits accurately and promptly in line with the targets published in the Pension Administration Strategy.

4. To maintain **an effective administration system** for the **accurate maintenance of the records of all members** and to continually review and cleanse our data, ensuring it meets The Pension Regulator's requirements and supporting employers to provide correct data.

5. To **optimise the use of technology to make processes more efficient and effective** and to continually look at developing services in the most cost-effective manner following careful consideration of business cases. This will include an increased drive towards greater self-service provision for employers and employees, as well as less paper.

6. To **become a role model of best practice amongst LGPS Funds** being recognised by members and employers as providing an excellent service and to work **collaboratively and in partnership with both internal and external organisations** to provide higher quality services at a lower cost.

7. To **support a range of projects and business as usual activities** such as the actuarial valuation, Fund policy reviews, committee member / officer training, contract reviews, FRS information for employers, and performance monitoring for us and our employers to adhere to.

Administration KRA Commentary (in alphabetical order):

Dashboards:

The staging deadline for public sector schemes has been put back to 30 Sep 2024. There is a [consultation](#) running until 30 Aug 2022 on dashboard standards and guidance, and a [call for input](#) on the design standards. We attended a TPR webinar on 28 July.

Data quality:

Working with a company called Target Professional Services (UK) who help pension schemes find members who they may have lost touch with, we have so far traced 529 members.

Employer changes:

We are aware of the following employer changes in 2022 / 2023:

- Hill and Moor Parish Council wanting to offer the LGPS to their staff.
- Worcester Community Trust expected to be terminating in 2022.
- Cater Link Ltd (TG Perdiswell) to be joining.
- School Catering Support Limited (Relish and WFS) joining as a new employer.
- Woodfield Academy joining Bordesley MAT on 01 04 2022.
- Civica transferring some members to Malvern Hills DC in Oct 22.
- Platform Housing Group exploring a DDA.
- Waseley Hills joining Central Region School Trust.
- Pitcheroak School joining Central Learning Partnership Trust.
- Maid Marions (St Johns Primary) and Tenon terminating.
- Kindred (TGA Worcester), Kindred (previously Ridge Crest Cleaning Services) (Bishop Perowne), and Kindred (previously Ridge Crest Cleaning Services) (Tudor Grange) joining.

FRS:

We are on schedule for supplying employers with a 31 July / 31 August year end the required information for their accounts on 23 August / 30 September.

KPIs:

As detailed in Section 5, in July 2022 and for the LGPS year to date 2022 / 2023, we met our average target turnaround for all 12 of our key measured processes. We had 41 deaths in July 2022 and the average monthly number of deaths in 2022 / 2023 was 35. The average monthly number of deaths in 2019 / 2020 was 15, in 2020 / 2021 it was 25 and in 2021 / 2022 it was 36.

In 2022 / 2023 we have written off 2 cases of pensions overpayments following a death. In 2022 / 2023 we have written off 2 cases (for £171.67 and £198.03).

We have received 2 new IDRPCs (one about a transfer out in 2015 where the Financial Ombudsman Service made it clear to the member that redress should be sought from the member's financial adviser, and the other relating to the backdating of deferred benefits where a member did not choose to take them at the date when there would have been no reductions on them), not experienced any new data breaches or had to report anything to The Pensions Regulator since the last quarterly, rolling Business Plan.

In 2022 / 2023 we have had 0 data breaches, 2 IDRPCs and 1 complaint (NB complaints generally do not escalate to IDRPCs).

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

Legal support:

We will be running a procurement for legal services to support the Fund's activities, for example in areas like employer admissions, employer terminations and IDRPCs (Internal Disputes Resolution Procedure).

McCloud:

DLUHC expects to publish the Government's response to the [2020 consultation](#) and an updated version of the draft regulations later this year, consult further on the regulations in 2023, issue statutory guidance in 2023, and make regulations in 2023 that will come into force on 1 October 2023.

93 of our employers have completed our McCloud checklist / declarations form, and 57 supplied all missing data or confirmed that there is no data missing.

For employers who have only had Worcestershire County Council (WCC) and Liberata as a payroll provider, we were missing 2017/ 2018 hours changes, casual hours from 2016/17 to date and breaks in service due to unpaid leave not paid back from 2014.

Public sector exit payments:

We are monitoring the situation and have added text to our redundancy calculations about HM Treasury's statement that it will bring forward proposals at pace to tackle unjustified exit payments. We introduced higher strain costs for all redundancy / efficiency retirement dates after 20 July 2021.

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 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 and are awaiting regulatory guidance on our opposite-sex widowers.

Scams / Pension Transfers

We have amended our transfer out process and approach to reporting scams / red flags in line with the LGA's guidance of 21 July.

KRA: Engagement / Communications / Member & Employer Relations

8. To ***continue to engage with our stakeholders***, maximising self-service and digitisation, seeking feedback, developing approaches which support our goals and developing a ***robust engagement strategy*** with employers and members.
9. To ***communicate the key benefits of the LGPS, ensuring increased awareness amongst the eligible membership of their benefits***. This includes effective communication to members and employers
10. To have in ***place effective, documented business relationships with all our employers*** and to ensure regular reviews are carried out to assess the risk and strength of their covenants.

Engagement / Communications / Member & Employer Relations KRA Commentary:

We have issued our 2022 deferred annual benefit statements / newsletters.

We have issued our 2022 employee annual benefit statements / newsletters.

We are planning to run employer fora with our actuary on 8 and 10 November to brief employers on their preliminary results from the 2022 actuarial valuation.

Our website's page views were 5,911 in July 2022 (4,611 in July 2021).

5 of our employers are on risk for ill health liability insurance.

KRA: Governance & Staffing

11. To ensure the ***effective management and governance*** in a way that strives for continuous improvement through improved value for money, the promotion of excellent customer service and compliance with all regulatory / best practice requirements.

12. To **recruit, train, nurture and retain highly motivated staff with the necessary professional, managerial and customer focus skills** to deliver on the ever-increasing complexities of the LGPS.

13. To **continually review the effectiveness of our committees and advisers** and our decision-making.

Governance & Staffing KRA Commentary:

We have issued some cyber security top tips to members of our Pension Board and Pensions Committee.

Rich Sultana joined us as Head of Pensions Administration on 1 August.

A member of staff has resigned and will be joining another LGPS fund.

We have recruited to the grade 1/2 post that was vacant following the promotion of the postholder.

We are developing 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 will also use it to take a look at where work currently sits and whether it can be redistributed, most likely after the restructure, to other areas once we have additional resource in place.

Training update:

As detailed in a separate agenda item, on 22 June we delivered training on the 2022 actuarial valuation.

KRA: Investments, Funding & Actuarial

14. To **achieve a relatively stable “real” investment return above the rate of inflation** over the long term, in such a way as to minimise and stabilise the level of contributions required to be paid by employers in respect of both past and future service liabilities and **to achieve a 100% funding level over a suitable timescale**. This includes setting of appropriate investment strategies, the appointment of capable investment managers, and the monitoring and reporting of investment managers’ performance, with appropriate action being taken in the event of underperformance.

Investments, Funding & Actuarial KRA Commentary:

The Fund’s asset valuation as at 30 June 2022 was £3,409m and its solvency funding level was 95%. There remains a lot of volatility in financial markets.

There has been lot of volatility in the financial markets during the last quarter with the continuing impact of the Ukraine / Russia conflict, increasing cost of living, and high levels of inflation resulting in a downturn in investment valuations.

As detailed in the next section (section 4), the Fund has generated an average annual return of 4.8% compared to its benchmark of 5.0% over the 3 years to 30 06 2022.

Over the year to 30 06 2022 the Fund generated a return of -2.5% compared to its benchmark of 0.1%.

4 INVESTMENT TARGETS

4.1 The 2019 actuarial valuation set the following real annual discount rates:

- a) Past service: Consumer Prices Index + 1.65%.
- b) Future service: Consumer Prices Index + 2.25%.

4.2 The assumed annual Consumer Prices Inflation is +2.4%.

4.3 Therefore our annual return on investment targets are 4.05% (for deficit recovery payments) / 4.65% (for future service contributions).

4.4 To achieve this, we are a partner in LGPSC, have set benchmarks for our sectors and have achieved the 3-year returns shown in the right column of the table below:

Sector	Benchmark	Average annual Performance over the 3 years to 30 Jun 2022 v benchmark
Far East Developed	FTSE All World Asia Pacific / Japan Indices + 1.5%	1.0% (0.2% above benchmark)
Emerging Markets	FTSE All World Emerging Market index +2.0%	Not available as new fund invested from July 2019
United Kingdom	FTSE All Share Index	2.5% (0.1% above benchmark)
North America	FTSE All World North American Index	2.1% (0.1% above benchmark)
Europe ex - UK	FTSE All World Europe ex UK Index	3.4% (0.2% below benchmark)
Global (alternatives)	LGPSC All World Climate Factor Fund 40% MSCI WL Qual 60%	4.9% (0.7% below benchmark)
Fixed Interest	LGPSC Corporate Bond Index for LGPSC Global Active Investment Grade Corporate Bond MM Fund	Not available as only invested Apr 2021
	Absolute return for Bridgepoint Direct Lending	6.8% (0.3% above benchmark)
Property / Infrastructure	Various absolute return benchmarks for different fund managers	Property 2.7% (8.1% below benchmark) Infrastructure 9.9% (0.2% below bmark)

5 ADMINISTRATION KPIs

5.1 We measure our performance against CIPFA industry standard targets for our key pension administration processes. We have regular meetings that review how we are performing on a case-by-case basis (% processed within target) and our average performance for all the cases of a process (average turnaround). This informs our resource allocation between processes and highlights which processes to seek to improve.

5.2 A commentary on the tables below is provided earlier in the shaded KRA: Administration section (that follows section 3.7).

Activity / Process	Number processed in Jul 2022	% Processed within KPI in Jul 2022	Av turnaround (working days) in Jul 2022	Target turnaround (working days)	2022/2023 average number processed per month
Joiners notification of date of joining	190	88	15	40	247
Process and pay refund	109	85	8	10	70
Calculate and notify deferred benefits	172	99	8	30	147
Letter notifying actual retirement benefits	32	100	2	15	43
Letter notifying amount of dependant's benefits	17	94	2	10	17
Letter acknowledging death of member	41	80	4	05	35
Letter detailing CETV for divorce	10	100	1	45	9
Letter notifying estimate of retirement benefits	125	100	3	15	130
Letter detailing transfer in quote	52	100	2	10	55
Process and pay lump sum retirement grant	108	100	13	23	94
Letter detailing transfer out quote	44	89	4	10	42
Letter detailing PSO	0	n/a	n/a	15	0

Activity / Process	Number processed for year 2022 / 2023	% Processed within KPI for year 2022 / 2023	Av turnaround (working days) for year 2022 / 2023	Target turnaround (working days)
Joiners notification of date of joining	989	97	9	40
Process and pay refund	281	86	7	10
Calculate and notify deferred benefits	589	99	9	30
Letter notifying actual retirement benefits	173	97	3	15
Letter notifying amount of dependant's benefits	70	96	3	10
Letter acknowledging death of member	143	76	4	05
Letter detailing CETV for divorce	36	100	1	45
Letter notifying estimate of retirement benefits	520	97	4	15
Letter detailing transfer in quote	223	99	2	10
Process and pay lump sum retirement grant	378	100	12	23
Letter detailing transfer out quote	170	96	2	10
Letter detailing PSO	2	100	4	15

6 BUDGET

Our budgets are detailed in the budget updates on the agendas of our Pension Board and Pensions Committee meetings.

Appendix 1 – Operational Plan: Projects

This appendix 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.

It uses the following acronyms / abbreviations:

AA	Asset allocation
A/C	Accounting
Ac	Academies
Admin	Pensions Administration
Admiss	Admission
Admit	Admitted
Aq Hey	Aquila Heywood
AH	Aquila Heywood
App	Application
BCP	Business Continuity Plan
Bods	Bodies
Calcs	Calculations
CARE	Career average revalued earnings
CB	Corporate bonds
CC	County Council
CEM	CEM Benchmarking Inc
Cert	Certificate
CIPFA	Chartered Institute of Public Finance & Accountancy
CMA	Competition and Markets Authority
Coll	Colleges
Config	Configuration
Consult	Consultation
Conts	Contributions
Covs	Covenants
Cttee	Pensions Committee
DC	District Council
DLUHC	Department for Levelling Up, Housing and Communities
EM	Emerging markets
Engage	Engagement
Er	Employer
ESG	Environmental, Social, Governance
Expend	Expenditure
FI	Fixed interest
FRS	Financial Reporting Standards
FSS	Funding Strategy Statement
GMP	Guaranteed Minimum Pension
Gov	Governance
GPS	Governance Policy Statement
Inc	Income
Inv	Investments, Funding & Actuarial
ISS	Investment Strategy Statement

KRA	Key result area
LGPS	Local Government Pension Scheme
LGPSC	LGPS Central Limited
Manag	Management
Med	Medium
MSS	Member Self Service (online access to a member's pensions record)
ONS	Office for National Statistics
Q	Query
Recti	Rectification
RI	Responsible investment
Rtn	Return
SAB	Scheme Advisory Board
Sch	Scheduled bodies
SF	Superannuation Fund
SI	Statutory Instrument
Sub	Pension Investment Sub-Committee
Term	Termination (of an employer's membership of the Fund)
TBD	To be determined
TOR	Terms of reference
TPR	The Pensions Regulator
TV	Transfer (of member benefits)
W	With
Y/End	Year end

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PENSION BOARD

5 OCTOBER 2022

GOVERNANCE UPDATE

Recommendation

- 1. The Chief Financial Officer recommends that the Board reviews the Governance Update.**

Background

2. The Fund has been updating its Business Plan and Risk Register, its key operational / planning / management documents, quarterly since March 2019. From the latest (Aug 2022) versions of these it is worth highlighting from a governance perspective that some cyber security top tips to members have been issued to Pension Board and Pensions Committee members (Appendix 3).
3. The Fund also produces a quarterly Good Governance Position Statement to summarise progress on how we are taking forward the LGPS Scheme Advisory Board's (SAB) Good Governance workstream in preparation for draft statutory guidance being issued. The latest version is included at Appendix 1 to this Governance Update and notes that the Fund's two new policies (on representation and on conflicts of interest) are now in place.
4. At its meeting on 8 December 2021, the Pensions Committee supported proposals to develop the Pension Administration function and approved an increase to the Pension Fund Administration Budget. The structure has been updated to reflect personnel changes and the current structure is included at Appendix 2 to this Governance Update.

Supporting information

- Appendix 1 - Good Governance Position Statement August 2022
- Appendix 2 - Current pensions administration structure
- Appendix 3 - Cyber Security Top Tips for members of Pension Board and Pensions Committee

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 Aug 2022


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 draft 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). TPR expects to run a further consultation on the single code in summer 2022.



Good Governance proposal	Current position	Identified actions (that are owned by # / with a target delivery date of #)
A. General		
A.1 MCHLG will produce statutory guidance to establish new government requirements for funds to effectively implement the proposals below. ("the Guidance")	Awaiting the draft Guidance to review and benchmark	Prepare for the Guidance (MH / TBD)
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	
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	We publish a governance compliance statement as part of our annual reports The 23 March 2022 Pensions Committee approved our updated Governance Policy Statement	Benchmark our Governance Compliance Statement against Appendix 2 of the Phase 3 Report, (CF / 17 09 2021) ✓ and once it is issued against the Guidance and peer funds annually (CF / TBD) ✓ 2021: benchmarked against 2021 annual reports / latest versions on website

Good Governance proposal	Current position	Identified actions (that are owned by # / with a target delivery date of #)
B. Conflicts of interest		
<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>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 sign the Record of Conflicts of Interest Declarations made</p>	<p>Using P10/33 of the Phase 3 Report produce a statement of possible conflicts of interest and ask Board / Committee members and Fund Officers to confirm their compliance before meetings.</p> <p>(CF / 17 09 2021)  form has been in use since 17 Nov 2021</p> <p>Review best practices employed at other funds (including private sector) to help identify possible conflicts and approaches in preparation for producing a policy</p> <p>(SH / TBD) for POG  and</p> <p>(RW / 11 11 2021) for LGPSC funds  At Joint Committee meetings for LGPSC conflict of interest is a standard agenda item.</p> <p>Publish conflicts of interest policy</p> <p>(CF / TBD) </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>Prepare for publicising the Guidance and delivering training on it (MH / TBD)</p>
C. Representation		

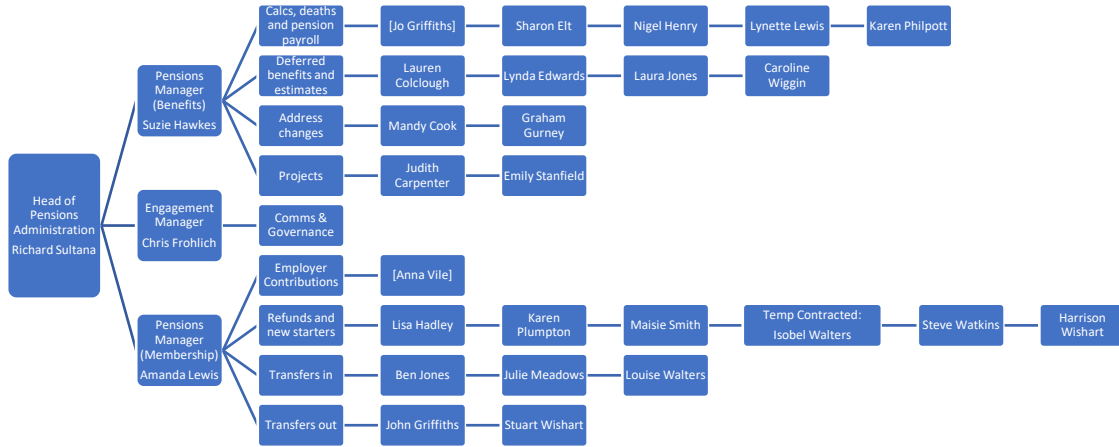
Good Governance proposal	Current position	Identified actions (that are owned by # / with a target delivery date of #)
<p>C.1 Each fund must produce and publish a policy on the representation of scheme members and non-administering authority employers on its committees, explaining its approach to representation and voting rights for each party</p>	<p>Information about the Pensions Committee is available via our website</p> <p>The Pension Board's terms of reference are available via our website</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>	<p>Review whether the current position remains adequate annually using comparator funds' annual reports to benchmark practices</p> <p>(CF / 17 11 2021) ✓ benchmarked against 2021 annual reports</p> <p>Publish representation policy</p> <p>(CF / TBD) ✓</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>We deliver a one-hour informal welcome to the Fund for new members of our Board / Committee covering their role; where to find information; the required time commitment / knowledge expectations; what type of scheme the LGPS is; about our fund; and the range of material from previous training sessions (slides and video recordings) that is available for them to access</p> <p>We deliver a training session every couple of months for Board / Committee members and our senior team, agreeing</p>	<p>Review the current position with the Chairs of the Board / Committee annually</p> <p>(RW / 06 09 2021) ✓</p> <p>Conduct knowledge assessment of key individuals</p> <p>(CF / 17 11 2021 TNA completed by 12 Board / Committee members and awaiting new structure for pensions administration being in place for officers with an interim action being for CF to match our draft officer knowledge assessment v CIPFA member training needs analysis by 06 09 2021)</p> <p>✓</p>

Good Governance proposal	Current position	Identified actions (that are owned by # / with a target delivery date of #)
	<p>with attendees what the next session will cover at the current session and an update on our training programme is tabled at most Board / Committee meetings</p> <p>Our officers attend various groups comprised of representatives from a number of LGPS funds, receive LGPC bulletins</p> <p>We develop the LGPS knowledge of our employers through monthly employer newsletters</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	Our s151 officer's previous role was the most senior officer at another LGPS fund and our training sessions / Committee papers top this strong baseline position up	s151 to complete skills framework and personal competencies assessments and address within his CPD programme (MH / TBD)
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	Our current Training Policy and Programme was approved at the 23 March 2022 Pensions Committee meeting	<p>Review the current position with the Chairs of the Board / Committee annually</p> <p>(RW / 06 09 2021)  2021</p> <p>Note: Reviews should take account of the level and scope of training for officers, the latest external training available and the attendance records of elected members</p>

Good Governance proposal	Current position	Identified actions (that are owned by # / with a target delivery date of #)
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	Awaiting guidance	Respond to CIPFA's and CIPP's expected guidance and consider peer / CIPFA / LGA review (MH / TBD)
E. Service delivery for the LGPS function		
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>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>	Publish a matrix that meets the requirements and clarifies the role and responsibility of everyone involved in every stage of the processes we carry out during a member's administration lifecycle (MH / TBD) awaiting finalisation of the new structure for pensions administration
E.2 Each authority must publish an administration strategy	We comply with this requirement	Review our Pensions Administration Strategy annually, consulting our employers and benchmarking our strategy with comparator funds (CF / 28 02 2022) 
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 Pensions Committee meetings	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

Good Governance proposal	Current position	Identified actions (that are owned by # / with a target delivery date of #)
		(CF/ 17 09 2021)  identification. The Fund has purchased Altair Insights.
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 Pensions Committee meetings	
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. Administering authorities should not simply apply general council staffing policies such as recruitment freezes to the pensions function	Our recruitment and staffing levels are not constrained by Worcestershire County Council, and we are able to use market forces adjustments	Bring forward proposals to the 8 December Pensions Committee that seek to improve our service by ensuring that we have the resources in place to deliver the Worcestershire Pension Fund of the future, a fund resourced up for the challenges and projects ahead (MH / 08 12 2021)  all job descriptions have been drafted and a Head of Pensions Administration recruited
F. Compliance and improvement		
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 IGR reports to be assessed by a SAB panel of experts	We do not currently do this	Prepare for IGRs. The s151 Officer has raised this at Society of County Treasurers and CIPFA working groups and is keen to explore options early in 2022 (MH / TBD) awaiting more info
F.2 LGA to consider establishing a peer review process for LGPS funds	We do not currently do this	Prepare for the process and investigate external benchmarking like PASA (MH / TBD) awaiting more info

Note: in the last column CF = Chris Frohlich; SH = Suzie Hawkes; MH = Michael Hudson; and RW = Rob Wilson



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**Cyber Security: Top Tips for members of Pension Board / Pensions Committee
V1 dated 06 07 2022**

Employers generally supply training on cyber security for their employees.

This document has been prepared to summarise good cyber security practice for members of the Worcestershire Pension Fund' s Pension Board / Pensions Committee, some of whom will have received no training from their employer.

1. Make sure that all your devices are locked when you are not using them.
2. Make sure that you are not being overlooked when accessing a device.
3. Make sure that all your passwords are unique, not shared with anyone and are strong: this can include using three unrelated (to you) random words, mixing upper and lower cases / alpha characters with numeric characters, and using non-standard symbols.
4. Do not click through from links in emails or on websites to unknown websites.
5. Block pop-ups.
6. Do not reply to emails from unknown senders.
7. Beware of emails that use something personal to you that have a call to action, looking out for misspellings.
8. Apply updates to your software as soon as possible.
9. Instal anti-virus software.
10. Report any problems to IT.
11. Store passwords in your browser / in a password manager.
12. Make use of any 2-factor authentication.
13. Do not share your personal details.
14. Review your social media privacy settings.
15. Check for https:// in the url.
16. Check that the emails you are sending are all to addresses on the secure email domain list maintained by Worcestershire County Council.
17. Never ask a Pension Fund Officer for access to any Fund systems or data.
18. Use a VPN to privatise your connections.
19. Back up in the cloud / have a disaster recovery plan in place.
20. Only download apps from trusted places.
21. Avoid sensitive transactions on free wifi.

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## **PENSIONS BOARD**

### **5 OCTOBER 2022**

# **WORCESTERSHIRE COUNTY COUNCIL PENSION FUND ADMINISTRATION BUDGET FORECAST OUTTURN 2022/23 AND UPDATED INDICATIVE BUDGET 2023/24 to 2025/26**

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### **Recommendation**

- 1. The Chief Financial Officer recommends that the Board review:**
  - a) the variations to the Pension Fund Administration Budget, including manager fees, for 2022/23 shown in the Appendix totalling £21,015,140; and**
  - b) the proposed Investment Managers Fees budget forecast outturn of £18,674,400 as shown in the attached Appendix. This would result in an overall proposed 2022/23 forecast overspend of £633,460.**

### **Purpose of the report**

- 2. This report provides Members' an update to the budget and Forecast Outturn for 2022/23 and updated indicative budgets for 2023/24 to 2025/26 at Appendix 1.**

### **Background**

- 3. To ensure good governance budgets are required to monitor the stewardship of 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 2022/23**

- 5. The attached Appendix shows the forecast outturn estimated to be £21.648m compared to a budget of £21,015m, a difference of £0.633m and is mainly due to a forecast overspend against the Investment Management fees budget of £0.646m. This is the largest proportion of the budget and largely depend on the value of assets being managed, investment return performance which depends on market conditions and transaction costs such as commission, tax and other expenses incurred.**
- 6. This includes the management fees for the Equity Protection strategy, whilst the contribution towards the Governance & operational costs relating to LGPS central is now shown under investment administration costs. The main reasons for the variance are due to:**

- The Forestry investments drawn downs being earlier than anticipated based.
- An increase in transaction costs such as tax, commission and trades which now includes the Sustainable Active equity Funds.
- An increase based on the forward projection of anticipated future investments in Property & Infrastructure compared to what was originally forecast.

7. The Fund's "controllable" budget (i.e. excluding investment management fees) is £2.987m and is showing a forecast underspend of £0.012m. The main reasons are some forecast investment costs being lower than anticipated and reduced legal fees due to less investment activity.

### **Summary**

8. The budget attempts to maintain service standards, fulfil statutory requirements while developing areas in response to the scheme changes. Comparability of data is difficult between funds nationally due to different methodology of reporting costs.

9. In terms of investment costs, the forecast outturn indicates spend of 55p per £1,000 (0.55% of market value as at March 2022) on managing its assets for 2022/23, including all pooled mandate costs

#### *Comparative data to other LGPS Funds for controllable costs*

10. The budgeted Worcestershire Pension Fund administration costs are currently £26.37 per member for 2022/23. When comparing this to the last published Local Government Pension Scheme Fund Account 2020/21 statistics (2021/22 submitted August 2022) this equated to £27.80 per member and ranked 46<sup>th</sup> out of 85 LGPS Funds (England & Wales).

### **Risk Assessment**

11. Some costs, particularly investment fees, are dependent upon factors that are outside of the Council'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 0.08% of the total Fund value.

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

### **Contact Points**

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## **Supporting Information**

- Appendix detailing the proposed 2022/23 Administration Budget monitoring and indicative budgets 2023/24 to 2024/25

## **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.

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**Pension Fund Administration Forecast Outturn 2022/23 with indicative budgets 2023/24 to 2025/26**

| 2022/23<br>Budget            | 2022/23<br>Forecast<br>Outturn | 2022/23<br>Variance | Description                                            | 2023/24<br>Annual<br>Change | 2024/25<br>Annual<br>Change | 2025/26<br>Annual<br>Change | Comments                                                                                                                                                                                                              |
|------------------------------|--------------------------------|---------------------|--------------------------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| £                            | £                              |                     | £                                                      | £                           | £                           | £                           |                                                                                                                                                                                                                       |
| <b>Fund Investment</b>       |                                |                     |                                                        |                             |                             |                             |                                                                                                                                                                                                                       |
| <b>18,028,500</b>            | <b>18,674,400</b>              | <b>645,900</b>      | INVESTMENT MANAGEMENT FEES                             | <b>20,965,200</b>           | <b>22,001,900</b>           | <b>22,712,400</b>           | <i>Includes LGPS central investment management Fees, Equity Protection and increasing commitment to Property &amp; Infrastructure.</i>                                                                                |
| 160,200                      | 160,200                        | 0                   | Investment Administration Recharge                     | 163,400                     | 166,700                     | 170,000                     | <i>Increased Investment support</i>                                                                                                                                                                                   |
| 777,000                      | 777,000                        | 0                   | LGPS Central Governance and Running Costs contribution | 808,100                     | 840,400                     | 874,000                     | <i>Was previously shown under Management Fees</i>                                                                                                                                                                     |
| 113,200                      | 111,000                        | -2,200              | Investment Custodial and related services              | 115,500                     | 117,800                     | 120,200                     | <i>Slight increase in Custodial services due to increase in value of assets assets</i>                                                                                                                                |
| 136,500                      | 127,200                        | -9,300              | Investment Professional fees                           | 181,500                     | 111,500                     | 151,500                     | <i>ESG Audit planned for 2023.24 &amp; Strategy advice 25/26</i>                                                                                                                                                      |
| 43,500                       | 42,800                         | -700                | Performance Measurement                                | 44,400                      | 45,300                      | 46,200                      | <i>CEM Benchmarking and increase in Portfolio Evaluation due to increase in investments and complexity of the benchmark reporting</i>                                                                                 |
| <b>1,230,400</b>             | <b>1,218,200</b>               | <b>-12,200</b>      | INVESTMENT ADMINISTRATION COSTS                        | <b>1,312,900</b>            | <b>1,281,700</b>            | <b>1,361,900</b>            |                                                                                                                                                                                                                       |
| <b>Scheme Administration</b> |                                |                     |                                                        |                             |                             |                             |                                                                                                                                                                                                                       |
| 1,292,140                    | 1,296,700                      | 4,560               | Pension scheme Administration recharge                 | 1,330,500                   | 1,369,900                   | 1,410,700                   | <i>Increase due to Admin software requirement, increase in postage and printing costs for Benefit statements and payslips. Also staffing restructure full year implications in 2022.23 agreed at Dec 21 Committee</i> |
| 410,000                      | 410,000                        | 0                   | Actuarial services                                     | 360,000                     | 360,000                     | 410,000                     | <i>Employer monitoring through Actuary system Pfaroe and Triennial valuation allowed for April 2025/26</i>                                                                                                            |
| 34,100                       | 34,300                         | 200                 | Audit                                                  | 34,300                      | 35,300                      | 36,400                      |                                                                                                                                                                                                                       |
| 10,000                       | 5,000                          | -5,000              | Legal Fees                                             | 10,000                      | 10,000                      | 10,000                      |                                                                                                                                                                                                                       |
| 10,000                       | 10,000                         | 0                   | Committee and Governance recharge                      | 10,000                      | 10,000                      | 10,000                      |                                                                                                                                                                                                                       |
| <b>1,756,240</b>             | <b>1,756,000</b>               | <b>-240</b>         | SCHEME ADMINISTRATION COSTS                            | <b>1,744,800</b>            | <b>1,785,200</b>            | <b>1,877,100</b>            |                                                                                                                                                                                                                       |
| <b>2,986,640</b>             | <b>2,974,200</b>               | <b>-12,440</b>      | GRAND TOTAL (Excluding Investment Mgt Fees)            | <b>3,057,700</b>            | <b>3,066,900</b>            | <b>3,239,000</b>            |                                                                                                                                                                                                                       |
| <b>21,015,140</b>            | <b>21,648,600</b>              | <b>633,460</b>      | GRAND TOTAL (Including Investment Mgt Fees)            | <b>24,022,900</b>           | <b>25,068,800</b>           | <b>25,951,400</b>           |                                                                                                                                                                                                                       |

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## **PENSIONS BOARD**

### **5 OCTOBER 2022**

## **UK STEWARDSHIP CODE 2021 SUBMISSION**

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### **Recommendation**

- 1. The Chief Financial Officer recommends that the Board note the successful feedback from the Financial Reporting Council (FRC) for the Fund's 2021 Stewardship Code application submitted on the 30 April 2022.**

### **Purpose and Principles of the Code**

2. The UK Stewardship Code 2020 ('the Code') 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.
3. The introduction of the Stewardship Code in July 2010 by the Financial Reporting Council (FRC) strongly encouraged best practice in respect of investor engagement. The expectation was that institutional investors should publish a statement in respect of their adherence to the code. Compliance with the Code was on a voluntary basis.

### **Background and update**

4. The Fund previously agreed its Stewardship Compliance Statement at Committee on the 28 November 2018 and became a signatory to the code. The Committee were informed at its March 2021 meeting that the UK Stewardship Code 2020 had been revised and had twelve principles.
5. The Fund submitted its 2020 application which was provided at the June 2021 Committee and received notification from the FRC (reported to the October Committee) that we (along with several LGPS funds) had been successful in becoming a signatory to the 2020 Stewardship Code, something which 64 organisations out of 189 organisations (including 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 Financial Reporting Council did not achieve. LGPS Central and West Midlands Pension Fund were also successful code signatories from the Pool.
6. The Fund submitted its 2021 (covering January to December 2021) application at the end of April 2022 and was provided to the meeting of the Board in June. The Fund received feedback on the 2 September 2022 that the Fund had been successful.
7. FRC have provided feedback on our submission stating that:

*“We reviewed your report and assessed it against the Code in a way that is proportionate to your organisation’s size and type. This assessment was then reviewed to ensure it was fair and appropriate. A sample of reports reflecting a range of applicants was also reviewed by our panel of independent advisors to ensure consistency. From 2023, our assessment will place greater emphasis on reporting the activities and outcomes of stewardship undertaken directly or by others on your behalf, during the reporting period.*

### **Your report**

*We have reviewed your new Stewardship Report and are pleased to see improvements in your reporting that addressed our feedback. Please address the areas identified below to remain a signatory in future.*

*For Principle 5, your report should explain why your approach to review and assurance is appropriate. For example, your report explains the use of an ESG Audit, however, better reporting would articulate why you have chosen this method of assurance. Your report should also explain how you have ensured your reporting is fair, balanced and understandable. For instance, your report could provide details about which individuals, teams or groups are responsible for ensuring your stewardship reporting is fair, balanced and understandable, and how this is considered.*

*For Principle 12, your report explains the expectations you have set your asset managers when exercising rights and responsibilities in listed equity and fixed income. However, your reporting could be improved by explaining the expectations you have set your asset managers to exercising rights and responsibilities in asset classes such as property and infrastructure.”*

8. This report is asking the Board to note the application.

### **Contact Points**

Rob Wilson  
Pensions Investment & Treasury Management Manager  
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Email: [RWilson2@worcestershire.gov.uk](mailto:RWilson2@worcestershire.gov.uk)

### **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.

## **PENSIONS BOARD**

### **5 OCTOBER 2022**

## **ACTUARIAL VALUATION UPDATE**

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### **Recommendation**

- 1. The Chief Financial Officer recommends that the Board note and comment on the preliminary results of the provisional 2022 Actuarial Valuation.**

### **Background**

- Every three years, in line with legislation, the Fund Actuary, Mercer, carries out a full Actuarial Valuation of the Fund to calculate how much the employers in the Scheme need to contribute going forward to ensure that its liabilities, the pensions due to current and future pensioners, will be paid as they fall due.
- Alongside the Valuation the Fund provides a Funding Strategy Statement (“FSS”) which looks to set out a clear and transparent funding strategy that will identify how each Fund employer’s pension liabilities are to be met going forward. This is currently being progressed by the actuary and will be available at the next Board. This also is subject to consultation with employers.

### **Provisional Actuarial Valuation**

- The preliminary results at a total Fund level are shown in table 1 below. The Fund's funding level has increased from 91% funded at 31 March 2019 to 100% at 31 March 2022. This has been updated for employers actual member data, demographic & mortality sensitivities and inflation and discount rate (Funds rate of investment return) sensitivities.
- The Board is asked to note that these are only preliminary results and the Funding level and forecast contributions will vary per employee. The reduced discount rate option is main proposal for the scheme and we are exploring the other options particularly the moderate stagflation option as a potential alternative dependant on employers circumstances.
- The Fund is really mindful of the inflation issue and the potential cashflow increases this will make on the Fund. This is where the Investment Strategy will look to take on board the implications of the Funding strategy when it is reviewed over the next 3 to 6 months.

**Table 1 Whole Fund Preliminary Results**

|                                                | 31 March 2019                       | 31 March 2022 (including McCloud costs) |                                                                          |                                                       |                                     |
|------------------------------------------------|-------------------------------------|-----------------------------------------|--------------------------------------------------------------------------|-------------------------------------------------------|-------------------------------------|
|                                                | 2019 Valuation                      | Reduced discount rate                   | Reduced discount rate plus extended short term pay (4% p.a. for 3 years) | Rapid interest rate increase/higher equity allocation | Moderate Stagflation                |
| Past Service Discount Rate                     | CPI+1.65%                           | CPI+1.50%                               | CPI+1.50%                                                                | CPI+1.75%                                             | CPI+1.25%                           |
| Future Service Discount Rate                   | CPI+2.25%                           | CPI+2.00%                               | CPI+2.00%                                                                | CPI+2.25%                                             | CPI+1.75%                           |
| Prob of attaining past service discount rate   | 64%                                 | 72%                                     | 72%                                                                      | 69%                                                   | 74%                                 |
| Prob of attaining future service discount rate | 58%                                 | 66%                                     | 66%                                                                      | 63%                                                   | 69%                                 |
| Surplus / Deficit                              | -£324m                              | -£12m                                   | £13m                                                                     | £135m                                                 | -£169m                              |
| Funding Level                                  | 90%                                 | 100%                                    | 100%                                                                     | 104%                                                  | 95%                                 |
| Future Service Rate (% of pay)                 | 17.5%                               | 18.8%                                   | 18.8%                                                                    | 17.4%                                                 | 20.3%                               |
| Short Term Pay                                 | Varies by employer                  | None                                    | 4% for 3 years                                                           | None                                                  | None                                |
| Life Expectancy Assumption                     | 2019 val baseline<br>CMI 2018 1.75% | 2022 val baseline<br>CMI 2021 1.75%     | 2022 val baseline<br>CMI 2021 1.75%                                      | 2022 val baseline<br>CMI 2021 1.75%                   | 2022 val baseline<br>CMI 2021 1.75% |

7. The Board is asked to note that these are only preliminary results and the Funding level and forecast contributions will vary per employee. The results also include the McCloud costs.

#### Employer Consultation

8. The provisional individual employer funding results and proposed employer contribution rates for 2023/2024 to 2025/2026 are to be discussed with the major employers on the 13 September 2022. The 8 and 10 November 2022 have been set aside to present the other individual employers results. A presentation from Mercers will be provided covering the assumptions used in and the results of the actuarial valuation as at 31 March 2022.

9. All employers will be offered the opportunity to meet up with Mercers, the Fund's actuarial advisors to discuss further their results.

10. Employers will also be consulted on the continuing specific risk management / contribution rate stabilisation proposals which was introduced as part of the 2019 valuation with different investment approaches for employers with similar characteristics instead of continuing with one investment approach for all our employers. The Fund now has three investment strategies (Growth, Medium and Cautious) where employers are placed dependent on the perceived Fund risk and resultant investment strategy required. Most employers are in the Growth strategy.

11. The consultation on the draft FSS will be sent to Employers in October 2022 and will be asked to respond by November 2022. These will then be considered and the final

proposed actuarial valuation and FSS will be presented to the Pension Committee on the 13 December 2022.

### **Contact Points**

Rob Wilson  
Pensions Investment, Treasury Management & Capital strategy manager  
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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**

### **5 OCTOBER 2022**

## **RISK REGISTER**

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### **Recommendation**

- 1. The Chief Financial Officer recommends that the Pension Board reviews the August 2022 WPF Risk Register.**

### **Background and update**

2. The Risk Register is kept under regular review and, following the August 2022 review by officers, an updated Register is attached as an Appendix.
3. No new risks have been added as a result of the review and there have been no increases or increases to risk scores.
4. Mitigating actions have been updated for:
  - a) **new measures** e.g. running revised cashflow monitoring; and issuing cyber security top tips for Board and Committee members; and
  - b) **previous measures that have been completed / developed further / have changed timelines** e.g. reviewing the asset allocation strategy.
5. Staff continue to predominantly work from home to deliver a 'business as usual' service with no loss in productivity.

### **Supporting information**

- Appendix - WPF Risk Register August 2022

### **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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# Risk Register

As at Aug 2022

## About this Risk Register

The following colour coding is used for the 32 residual risk scores:

- Red  $\geq 45$  (03 risks)
- Amber  $\geq 25$  but  $< 45$  (12 risks)
- Green  $< 25$  (16 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 25 05 2022 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 32 risks logged in this register are in highest Residual Risk Score order:

1. WPF 12 Mismatch in asset returns and liability movements.
2. WPF 10 Being reliant on LGPS Central Limited delivering its forecasted cost savings.
3. WPF 20 Having insufficient resources in pensions administration, perhaps as a result of staff leaving or going on long term absence.
4. WPF 34 Inflation.
5. 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.
6. WPF 07 Future change to LGPS regulations or other legislation, for example from government legislation on minimum normal pension age or exit payments.
7. WPF 33 Climate change.
8. WPF 31 Pandemic affecting our staff / our employers' Payroll or HR staff / staff at payroll providers who provide services to us or our employers.
9. WPF 24 Employers having insufficient skilled resources to supply our data requirements.
10. WPF 11 Failure to pool assets using LGPS Central Limited.
11. WPF 06 Fair Deal consultation proposals being implemented.
12. WPF 02 Insufficient knowledge amongst members of Pensions Committee / Pension Board / Pension Investment Sub Committee members.
13. 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.
14. WPF 08 Failure to appoint suitable investment managers and review their performance / markets / contracts.
15. WPF 03 Failure of officers to maintain a sufficient level of knowledge / competence or to act in accordance with our roles and responsibilities matrix.
16. WPF 09 Being reliant on LGPS Central Limited's investment approach.
17. WPF 30 Failure to maintain the quality of our member data.
18. WPF 19 Failure to procure a pensions admin system for the future.
19. WPF 22 The following key actuarial assumptions set at each actuarial valuation do not match our actual experience between actuarial valuations: the number of ill health retirements; that employer strain costs associated with early / redundancy / flexible retirements are covered by the payments collected from employers; and life expectancy.
20. WPF 18 Failure of existing pension admin system to deliver the services contracted.
21. WPF 21 Failure of business continuity planning.
22. WPF 13 Liquidity / cash flow is not managed correctly.
23. WPF 14 Failure to exercise proper stewardship of our assets.
24. WPF 26 Fraud by staff.
25. WPF 15 Failure of the actuary to deliver the services contracted.
26. WPF 01 Failure of governance arrangements to match up to recommended best practice.
27. WPF 17 Failure of custodian to deliver the services contracted.
28. WPF 04 Not having an established and meaningful Business Plan / Pension Administration Strategy.
29. WPF 16 Failure of investment adviser to deliver the services contracted.
30. WPF 25 Fraud by scheme members.
31. WPF 29 Failure to deliver member communications in line with regulatory requirements, for example the 31 August annual benefit statement deadline.
32. WPF 27 Incorrect calculation of benefits through human error or delayed notification of a death.

| WPF Risk Register Aug 2022 Risk Ref (risk owned by) | Description of Risk                                | Leading to                                                                                   | Gross Impact | Gross Probability | Gross Risk Score | Mitigating Actions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Residual Impact | Residual Probability | Residual Risk Score |
|-----------------------------------------------------|----------------------------------------------------|----------------------------------------------------------------------------------------------|--------------|-------------------|------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|----------------------|---------------------|
| 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               | To mitigate the increase in volatility in financial markets over the last quarter, the Fund has an equity protection strategy in place up to April 2023 for all of our passive market cap equity funds and a well diversified portfolio. We regularly review our Investment Strategy Statement (the current one was approved by the Pensions Committee on 23 March 2022), have a diversified portfolio and implement a policy of extended recovery periods to smooth employer contributions. Qualified advisers (including an independent investment adviser) are contracted and set objectives that are reviewed regularly. Funding position, actuarial valuation assumptions and mortality / morbidity experience are reviewed regularly by the Pensions Committee. We have discussed with major employers their funding positions as at 31 March 2022 and their possible contribution rates from 01 04 2023. We ran a virtual employer forum with our actuary on 22 June to brief employers on the latest re the 2022 actuarial valuation. Strategic asset allocation is reviewed quarterly by the Pension Investment Sub Committee, and we have commissioned Hymans Robertson to review the existing strategy. We continue to liaise with all our investment managers in response to the ongoing market volatility caused by COVID-19. New ideas are always encouraged by Officers who also carry out peer group discussions. Monthly Investment Working Group meetings are held between the partner funds and LGPSC to explore new investment opportunities. | 25              | 2                    | 50                  |

| WPF Risk Register Aug 2022 Risk Ref (risk owned by)                  | Description of Risk                                                                                                           | Leading to                                                                                      | Gross Impact | Gross Probability | Gross Risk Score | Mitigating Actions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Residual Impact | Residual Probability | Residual Risk Score |
|----------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|--------------|-------------------|------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|----------------------|---------------------|
| WPF 10 (Chief Financial Officer)                                     | Being reliant on LGPS Central Limited delivering its forecasted cost savings.                                                 | Paying too much in fees / investment under-performance.                                         | 25           | 2                 | 50               | Whilst the Pension Investment Sub Committee and LGPS Central's Practitioners' Advisory Forum (PAF) monitor the costs of being a partner fund of LGPS Central Limited, there is little they can do about LGPSC admitting that their latest budgets that have been challenged mean any expected cost savings will not emerge as soon as anticipated. Whilst we have not transferred many assets so far, there are fixed costs of being a partner fund. The Monthly Investment Working Group meetings at which all 8 partner funds are represented review staffing changes at LGPSC, the cost savings from pooling, and the performance of assets (that we have advised LGPSC is of most importance to us, as this will far outweigh the perceived cost savings from pooling) under LGPSC's management.                                                                                                                                                                                                                                                                                                                                                                                                                      | 25              | 2                    | 50                  |
| WPF 20 (Chief Financial Officer and Pensions Administration Manager) | Having insufficient resources in pensions administration, perhaps as a result of staff leaving or going on long term absence. | Insufficient staff resource or remaining staff not having the skills to do their areas of work. | 25           | 2                 | 50               | We are restructuring and will be adding resources to our pensions administration team. We are developing 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 will also use it to take a look at where work currently sits and whether it can be redistributed, most likely after the restructure, to other areas once we have additional resource in place. Our recruitment activities may be constrained by having to follow WCC policies re where we can advertise and re which agencies we can use and by a market 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. Rich Sultana joined us as Head of Pensions Administration on 1 Aug. We have recruited 2 grade 1/2s, but one of our grade 4s has handed in notice. Home working has reduced the risks posed by COVID-19 re illness. 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              | 2                    | 50                  |

| WPF Risk Register Aug 2022 Risk Ref (risk owned by) | Description of Risk | Leading to                                                                                                                                                                                                                        | Gross Impact | Gross Probability | Gross Risk Score | Mitigating Actions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Residual Impact | Residual Probability | Residual Risk Score |
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| WPF 34 (Chief Financial Officer)                    | Inflation           | Higher employer pay settlements leading to increases in liabilities. Lower real investment returns requiring increases in employer costs and leading to weaker employer covenants. Increased pension payments putting pressure on | 25           | 2                 | 50               | We plan to run revised cashflow monitoring and have asked Hymans to include higher inflation in their upcoming review of investment strategy. Intervalation monitoring gives us our up to date funding position. The impact of inflation is mitigated to some degree, as we invest in (1) equities that via dividends have historically maintained real rates of return and in (2) assets which are sensitive to changes in inflation e.g. infrastructure / real estate / index-linked Government bonds. We are investigating liability driven investments as a potential option to aid further protection against higher inflation. Actuarial valuation as at 31 March 2022 discussions on inflation assumptions and their affect on liabilities and on employers' funding positions have been held with the actuary. We intend to develop the investment pots further to provide greater inflation protection. | 25              | 2                    | 50                  |

| WPF Risk Register Aug 2022 Risk Ref (risk owned by) | Description of Risk                                                                                                                                                     | Leading to               | Gross Impact | Gross Probability | Gross Risk Score | Mitigating Actions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Residual Impact | Residual Probability | Residual Risk Score |
|-----------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------|-------------------|------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|----------------------|---------------------|
| 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               | 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 in setting the term of deficit recovery periods after actuarial valuations. The aim is to keep employer contributions as stable and affordable as possible. We have discussed with major employers their funding positions as at 31 Mar 2022 and possible contribution rates from 01 04 2023 and reviewed the position for the medium investment pot employers as at 31 March 2022. We held a virtual employer forum with our actuary on 22 June to brief employers on the latest re the 2022 actuarial valuation. We will again be issuing interim results, offering 1:1s with the actuary and offering some flexibility in exceptional circumstances such as phasing in increased payments. Contribution increases are phased over a three year period for most employers and allowances are provided for short term pay restraint where evidence is provided. 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 have analysed selected employers' 2021 financial metrics using Mercer's Pfaroe tool. We have employer grouped investment strategies. | 20              | 2                    | 40                  |



| WPF Risk Register Aug 2022 Risk Ref (risk owned by) | Description of Risk                                                                                                                             | Leading to                                                                             | Gross Impact | Gross Probability | Gross Risk Score | Mitigating Actions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Residual Impact | Residual Probability | Residual Risk Score |
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| WPF 07 (Chief Financial Officer)                    | Future change to LGPS regulations or other legislation, for example from government legislation on minimum normal pension age or exit payments. | Increasing administrative complexity or failure to comply with The Pensions Regulator. | 25           | 3                 | 75               | We have produced a 2022 FSS to strengthen our DDA appeals process. We have added Pensions Dashboards to our list of projects. We have, in preparation for delivering the remedy to our members, asked our employers to complete a McCloud checklist / declarations form and, where appropriate, to follow up by providing any missing data. In Dec 2020 we implemented revised unisex GAD capitalisation factors in response to the £95K exit cap proposals that were disapplied. On 21 July 2021 we introduced revised factors that better reflect the funding cost of redundancies and are monitoring the situation, as HM Treasury wants to tackle unjustified exit payments. Officers participate in various scheme and industry groups and fora. We are aware that as part of its Levelling Up agenda, the Government has 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. We have set up employer risk monitoring using Mercer's Pfaroe tool. We undertake annual covenant reviews, introduced employer grouped investment strategies on 1 April 2020 and work with at risk employers. | 20              | 2                    | 40                  |
| WPF 33 (Chief Financial Officer)                    | Climate Change                                                                                                                                  | Investment under-performance                                                           | 20           | 3                 | 60               | LGPSC have provided a Jan 2022 climate risk report which is used to target managers where required. We ran an ESG / responsible investment workshop for the Pensions Committee on 2 February and continue to engage with funds and associated companies which have a high carbon footprint to see what measure they are taking to reduce their carbon output. We have transitioned £211m from global equities to LGPSC's All World Climate Multi Factor Fund. We have a Climate Change Risk Strategy in place. We have produced our 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                  |

| WPF Risk Register Aug 2022 Risk Ref (risk owned by) | Description of Risk                                                                                                                         | Leading to                                                  | Gross Impact | Gross Probability | Gross Risk Score | Mitigating Actions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Residual Impact | Residual Probability | Residual Risk Score |
|-----------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------|--------------|-------------------|------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|----------------------|---------------------|
| WPF 31 (Pensions Administration Manager )           | Pandemic affecting our staff / our employers' Payroll or HR staff / staff at payroll providers who provide services to us or our employers. | Inability to deliver critical functions like paying deaths. | 20           | 3                 | 60               | Whilst we have successfully moved to home-working supported by a small postal / scanning service at County Hall and adapted to the new ways of working, our workload and resources have as yet not been tested by a significant increase in member deaths or in staff absence. As we are experiencing problems with Liberata delivering data timely, we have escalated their performance with WCC HR OD & Engagement who manage the relationship. We continue to be vigilant and to keep our priorities under review by monitoring our KPIs and the guidance from Public Health England / the LGA. We have introduced the facility to send written communications electronically to a distribution house to print / envelope and post. We have also developed amendments to our normal procedures that would cope with staff, data or systems being unavailable and specifically cope with increased volumes of deaths. We will continue to review capacity v resources and to liaise with other LGPS funds over their proposed ways forward. | 20              | 2                    | 40                  |

| WPF Risk Register Aug 2022 Risk Ref (risk owned by) | Description of Risk                                                              | Leading to                                                                                                                                                                                                                                                                                 | Gross Impact | Gross Probability | Gross Risk Score | Mitigating Actions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Residual Impact | Residual Probability | Residual Risk Score |
|-----------------------------------------------------|----------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|-------------------|------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|----------------------|---------------------|
| WPF 24 (Pensions Administration Manager )           | 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               | As we are experiencing problems with Liberata delivering data timely, we have escalated their performance with WCC HR OD & Engagement who manage the relationship. We have, in preparation for delivering the remedy to our members, asked our employers to complete a McCloud checklist / declarations form and, where appropriate, to follow up by providing any missing data. We have been processing the hours changes that we have historically received and identifying the likely gaps in our data. Following our annual employer consultation, we updated the Pension Administration Strategy on 1 April 2022. We support employers with monthly newsletters / an area on our website / employer fora (the most recent on 22 June on the actuarial valuation as at 31 03 2022). We have a 'New to the LGPS?' employer workshop and an employer workshop on 'Form Completion', a 'Pensions Development Pathway', an employers 'How to' and a 'What the Fund expects from its employers' calendar. We have a 'Transfers of staff between our employers / academy conversions' guidance note and accompanying Excel spreadsheet and information for employers on ill health retirements. Checking individual records at points of significant transaction is undertaken. | 20              | 2                    | 40                  |
| WPF 11 (Chief Financial Officer)                    | Failure to pool assets using LGPS Central Limited.                               | Lack of compliance with Ministry of Housing Communities & Local Government (MHCLG) requirements.                                                                                                                                                                                           | 25           | 3                 | 75               | We are a working member and shareholder of LGPSC. Each pool member has an equal share in the pool. Shareholders meetings and the Practitioners Advisory Form (PAF) 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. Formal transition procedures are in place. 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 transitioned £211m from global equities to LGPSC's All World Climate Multi Factor Fund. We are also in the process of investing in the pool's Sustainable Equities Active Fund.                                                                                                                                                                                                                                                                                                                                                                 | 15              | 2                    | 30                  |

| WPF Risk Register Aug 2022 Risk Ref (risk owned by) | Description of Risk                                                                                                                                                      | Leading to                            | Gross Impact | Gross Probability | Gross Risk Score | Mitigating Actions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Residual Impact | Residual Probability | Residual Risk Score |
|-----------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|--------------|-------------------|------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|----------------------|---------------------|
| WPF 06 (Chief Financial Officer)                    | Fair Deal consultation proposals being implemented.                                                                                                                      | Increasing administrative complexity. | 15           | 3                 | 45               | When the regulations come out we will develop measures to mitigate this risk. 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                  |
| WPF 02 (Chief Financial Officer)                    | Insufficient knowledge amongst members of Pensions Committee / Pension Board / Pension Investment Sub Committee members.                                                 | Poor decision-making / scrutiny.      | 15           | 2                 | 30               | Following an Officer review, on 23 March 2022 Pensions Committee approved our updated Training Policy and Programme. We are arranging training on equities /equity protection.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 15              | 2                    | 30                  |
| WPF 28 (Pensions Administration Manager)            | 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               | We have issued Cyber Security Top Tips for members of Pension Board and Pensions Committee. WCC's IT department have reviewed our pensions administration system's supplier's Cyber Security Review 2022 and concluded that it passes muster. We have prepared 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. Moving to the Cloud and training our staff on the risks mitigate this risk. Measures that are updated constantly are in place 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 have addressed the issues raised by Grant Thornton's July 2021 IT audit report by introducing new control measures for removing access to our pension administration system for staff who leave; for password strength; and for reporting on access attempts / amendments to non-member data. | 25              | 1                    | 25                  |

| WPF Risk Register Aug 2022 Risk Ref (risk owned by) | Description of Risk                                                                                                                            | Leading to                                                                         | Gross Impact | Gross Probability | Gross Risk Score | Mitigating Actions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Residual Impact | Residual Probability | Residual Risk Score |
|-----------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|--------------|-------------------|------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|----------------------|---------------------|
| WPF 08 (Chief Financial Officer)                    | Failure to appoint suitable investment managers and review their performance / markets / contracts.                                            | Investment underperformance / regulatory non-compliance / paying too much in fees. | 25           | 3                 | 75               | The Pension Investment Sub Committee monitors performance of our diverse range of investment managers (including LGPSC), meeting with / placing managers on watch as appropriate. We carry out a subjective review and objective analysis of asset performance and take advice from the investment adviser, LGPSC and its partner funds. Contract service is reviewed quarterly by the Pension Investment Sub Committee. The Finance Manager - Pensions reviews investment managers' internal control reports and reports any significant exceptions to the Chief Financial Officer. CMA objectives for our Investment Adviser were agreed at the 17 March 2020 Pensions Committee and are reviewed and reported to Committee every 6 months. | 25              | 1                    | 25                  |
| WPF 03 (Chief Financial Officer)                    | Failure of Officers to maintain sufficient level of knowledge / competence or to act in accordance with our roles and responsibilities matrix. | Inability to carry out their duties.                                               | 25           | 3                 | 75               | Our review of our Training Policy and Programme included Officer training. Officers participate in various scheme / industry groups / fora to keep up-to-date on pensions issues. They also review specialist publications.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 25              | 1                    | 25                  |
| WPF 09 (Chief Financial Officer)                    | Being reliant on LGPS Central Limited's investment approach.                                                                                   | Investment underperformance / regulatory non-compliance.                           | 25           | 2                 | 50               | We have agreed to invest £60m in LGPSC's infrastructure ideas. The Pension Investment Sub Committee monitors performance of this investment manager. The Pensions Committee and Officers carry out a subjective review and objective analysis of asset performance resulting from decisions taken by the Pensions Committee following advice from our investment adviser. The Partner Fund Investment Working Group meet monthly with LGPSC to discuss and monitor performance as well as strategy to ensure the company are delivering in line with the Business Plan and the strategy agreed by shareholders.                                                                                                                               | 20              | 1                    | 20                  |

| WPF Risk Register Aug 2022 Risk Ref (risk owned by) | Description of Risk                                        | Leading to                                                                                                          | Gross Impact | Gross Probability | Gross Risk Score | Mitigating Actions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Residual Impact | Residual Probability | Residual Risk Score |
|-----------------------------------------------------|------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|--------------|-------------------|------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|----------------------|---------------------|
| WPF 30<br>(Pensions Administration Manager)         | 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 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. An extract of data on 5 October revealed that the quality of our data had improved over 12 months. The percentage of member records passing ALL tests required by The Pensions Regulator was: Common data 95% (our 2020 score was 94.7%) and Scheme-specific data 98.7% (our 2020 score was 93.6%). We have resolved the issues identified. | 15              | 1                    | 15                  |
| WPF 19<br>(Pensions Administration Manager)         | Failure to procure a pensions admin system for the future. | Inability to pay pensions / reputational or financial loss / staff downtime / loss of service delivery / data loss. | 25           | 3                 | 75               | We have extended our existing pensions administration system supplier's contract for 3 years from 30 April 2021. This opens the way for us to decide what to do re add-ons like i-Connect (middleware for the transmission of data from employers to us electronically), Insights (that can deliver improved M.I.) and Member Self Service (online access for members to their pension record). Ongoing validation of our supplier is delivered through LGPS frameworks and the supplier's user groups.                                                         | 15              | 1                    | 15                  |

| WPF Risk Register Aug 2022 Risk Ref (risk owned by) | Description of Risk                                                                                                                                                                                                                                                                                                           | Leading to                                    | Gross Impact | Gross Probability | Gross Risk Score | Mitigating Actions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Residual Impact | Residual Probability | Residual Risk Score |
|-----------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|--------------|-------------------|------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|----------------------|---------------------|
| WPF 22 (Chief Financial Officer)                    | The following key actuarial assumptions set at each actuarial valuation do not match our actual experience between actuarial valuations: the number of ill health retirements; that employer strain costs associated with early / redundancy / flexible retirements are covered by the payments collected from employers; and | Increases required in employer contributions. | 20           | 2                 | 40               | To respond to the now disapplied £95K exit cap in Dec 2020 we adopted (and on 21 July 2021 implemented revised) unisex GAD capitalisation factors. We have introduced monitoring for all ill health retirements, advising employers of the increase in their liabilities associated with each case. We have made ill health liability insurance available to our employers to mitigate our exposure for those employers who take up the insurance. We check that employers have paid their strain costs for non-ill health cases and ensure that employers are made aware of the financial consequences of the retirements they offer their employees. We have added wording to our redundancy calculations about the government's intention to bring forward proposals to tackle unjustified exit payments. Mortality assumptions are set with some allowance for future increases in life expectancy, and the cost cap should limit the impact of improvements in life expectancy, something that would not be expected in the short term following COVID-19. | 15              | 1                    | 15                  |

| WPF Risk Register Aug 2022 Risk Ref (risk owned by) | Description of Risk                                                          | Leading to                                                                                                          | Gross Impact | Gross Probability | Gross Risk Score | Mitigating Actions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Residual Impact | Residual Probability | Residual Risk Score |
|-----------------------------------------------------|------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|--------------|-------------------|------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|----------------------|---------------------|
| WPF 18 (Chief Financial Officer)                    | Failure of existing pension admin system to deliver the services contracted. | Inability to pay pensions / reputational or financial loss / staff downtime / loss of service delivery / data loss. | 25           | 2                 | 50               | We probe the supplier of our pension administration system about: (1) what they have been doing to keep the cloud / our data / our login arrangements / sending (bulk / individual) emails from Altair safe; (2) what new threats they have popped mitigations in place for; (3) what recent changes or patches have been made to their disaster recovery arrangements; (4) evidencing (perhaps via internal or external audits) the things that they have done recently to keep up to date; and (5) the ongoing vulnerability scanning they have in place alerting them to new vulnerabilities. We have obtained business continuity assurance from Heywood and contract service is reviewed annually, with regular meetings / robust system maintenance routines / internal and external systems support / back-up procedures in place. As the National LGPS Framework for pension admin systems confirms Heywood are an approved supplier, we have independent validation of our supplier. | 15              | 1                    | 15                  |
| WPF 21 (Chief Financial Officer)                    | Failure of business continuity planning.                                     | Inability to deliver critical functions like paying pensioners.                                                     | 25           | 2                 | 50               | Our and Worcestershire County Council's (WCC) Business Continuity Plans have passed the tests posed by COVID-19 to date. The cloud solution supplied by Aquila Heywood means that our system is more securely backed up than it was on WCC servers. We will ensure that WCC includes delivery of support services to us in its Risk Register.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 15              | 1                    | 15                  |



| WPF Risk Register Aug 2022 Risk Ref (risk owned by) | Description of Risk                                        | Leading to                                                                                                | Gross Impact | Gross Probability | Gross Risk Score | Mitigating Actions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Residual Impact | Residual Probability | Residual Risk Score |
|-----------------------------------------------------|------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|--------------|-------------------|------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|----------------------|---------------------|
| 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 currently 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                  |
| 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, we have reviewed the RI progress we have made to date and addressed the areas the FRC suggested we should improve on when submitting our 2022 application to retain our status. We have published our second annual Climate Risk Report and Climate Change Risk Strategy. We participate in LAPFF and other groups. We ran an ESG / responsible investment workshop for the Pensions Committee on 2 February. We have added SDG12 (Responsible Consumption and Production) to our investment beliefs which will aid our stewardship and help inform our future investment strategy. | 15              | 1                    | 15                  |
| WPF 26 (Pensions Administration Manager)            | Fraud by staff.                                            | Financial loss.                                                                                           | 15           | 1                 | 15               | Audits of our processes take place on an ongoing basis, checking samples. Changes to Altair leave a footprint that identifies who made the change. Manager checking remains in place, supporting 'business as usual' whilst staff are working from home. Citrix has log-in security. Altair has multiple login protections. National Fraud Initiative information is processed every six months. Month end reconciliations are also carried out.                                                                                                                                                                                                      | 15              | 1                    | 15                  |
| WPF 15 (Chief Financial Officer)                    | Failure of the actuary to deliver the services contracted. | Financial loss or loss of reputation / employer confidence or need to make major changes at short notice. | 20           | 1                 | 20               | Following a review of their performance, we have renewed Mercer's contract to 31 Oct 2023 and require them to maintain a task list of the work they are doing for us.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 15              | 1                    | 15                  |

| WPF Risk Register Aug 2022 Risk Ref (risk owned by) | Description of Risk                                                                       | Leading to                                                                                                                                        | Gross Impact | Gross Probability | Gross Risk Score | Mitigating Actions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Residual Impact | Residual Probability | Residual Risk Score |
|-----------------------------------------------------|-------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|--------------|-------------------|------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|----------------------|---------------------|
| WPF 01 (Chief Financial Officer)                    | Failure of governance arrangements to match up to recommended best practice.              | Financial loss or loss of reputation / employer confidence or need to make major changes at short notice. Audit criticism or reputational damage. | 25           | 2                 | 50               | As detailed in our quarterly Governance Updates, good progress in preparation for SAB's Good Governance proposals being taken forward by DLUHC is being made. For example, we now have policies on representation and on conflicts of interest. Our annual reports include our Governance Compliance Statement. We are monitoring The Pensions Regulator's plans to combine 10 of its 15 existing codes of practice into a new, single, combined and expanded modular document that identifies the legal duties of pension funds and provides advice on how to meet them. | 5               | 1                    | 5                   |
| WPF 17 (Chief Financial Officer)                    | Failure of custodian to deliver the services contracted.                                  | Loss / inaccessibility of assets / inability to invest.                                                                                           | 25           | 1                 | 25               | The Finance Manager - Pensions reviews managers' SAS70 audit reports. We have diversification of custody via pooled funds. Contract service is reviewed annually and there are regular meetings with / audits of the suppliers, BNY Mellon and Northern Trust.                                                                                                                                                                                                                                                                                                            | 5               | 1                    | 5                   |
| WPF 04 (Chief Financial Officer)                    | Not having an established and meaningful Business Plan / Pension Administration Strategy. | Poor decision making and delays in responding to stakeholders e.g. elected members.                                                               | 5            | 4                 | 20               | Pension admin KPIs / investment performance / project summaries are included in the Business Plan reviewed by the Pension Board and Pensions Committee on a regular basis. Investment performance is independently confirmed by Statesmen. E5 (our accounting system) management reports are available and automatic reporting is in place on the pensions admin system. Following our annual employer consultation a revised Pension Administration Strategy has been in place since 1 April 2022.                                                                       | 5               | 1                    | 5                   |

| WPF Risk Register Aug 2022 Risk Ref (risk owned by) | Description of Risk                                                                                                                         | Leading to                                                                                                | Gross Impact | Gross Probability | Gross Risk Score | Mitigating Actions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Residual Impact | Residual Probability | Residual Risk Score |
|-----------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|--------------|-------------------|------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|----------------------|---------------------|
| WPF 16 (Chief Financial Officer)                    | Failure of investment adviser to deliver the services contracted.                                                                           | Financial loss or loss of reputation / employer confidence or need to make major changes at short notice. | 20           | 1                 | 20               | Contract service is reviewed annually, objectives are in place and there are regular meetings with the supplier, M J Hudson.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 5               | 1                    | 5                   |
| WPF 25 (Pensions Administration Manager )           | Fraud by scheme members.                                                                                                                    | Financial loss.                                                                                           | 5            | 1                 | 5                | We have updated our processes / documentation for transfers out following The Pensions Regulator's 8 November guidance and the LGA's guidance of 21 July. To comply with the new Stronger Nudge to Pensions Guidance regulations, from 1 June we have been providing members with a phone number to call if they wish us to arrange an appointment with Pension Wise along with details of how to contact Pension Wise themselves. We require a member signature as authorisation and do not take instructions over the phone. Telephone callers are asked questions to check that they are who they claim to be. We have issued updated guidance to our staff on (operating in) the e world. We carry out National Fraud Initiative (NFI) checks, sends payroll slips / communications at intervals through the year to home addresses and requires evidence of certificates (e.g. birth certificate). | 5               | 1                    | 5                   |
| WPF 29 (Pensions Administration Manager )           | 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                | Following our annual employer consultation a revised Policy Statement on Communications has been in place since 1 April 2022. Employee annual benefit statements that are returned to us are passed on to the member's employer. The 2022 deferred annual benefit statements / newsletters and the 2022 employee annual benefit statements / newsletters have been issued. We are on schedule to in November 2021 despatch our fourth annual pensioner newsletter.                                                                                                                                                                                                                                                                                                                                                                                                                                      | 5               | 1                    | 5                   |

| WPF Risk Register Aug 2022 Risk Ref (risk owned by) | Description of Risk                                                                       | Leading to                           | Gross Impact | Gross Probability | Gross Risk Score | Mitigating Actions                                                                                                                                                                                                                                                                                                                                                                          | Residual Impact | Residual Probability | Residual Risk Score |
|-----------------------------------------------------|-------------------------------------------------------------------------------------------|--------------------------------------|--------------|-------------------|------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|----------------------|---------------------|
| WPF 27 (Pensions Administration Manager )           | Incorrect calculation of benefits through human error or delayed notification of a death. | Too much being paid out in benefits. | 5            | 1                 | 5                | In addition to system testing we have a test system and a test site for Altair (the pension payroll system). Every calculation has independent checking and set procedures. Staff receive training and performance is benchmarked. We have developed a revised overpayments write off process and use it to report overpayments to the Pensions Committee. Life Certificates are also used. | 5               | 1                    | 5                   |

## **PENSION BOARD**

### **5 OCTOBER 2022**

## **TRAINING UPDATE**

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### **Recommendation**

1. **The Chief Financial Officer recommends that the Board reviews the training update.**

### **Background**

2. The Board reviewed the Fund's [Training Policy & Programme](#) at [its meeting on 7 March 2022](#).
3. Since then the training delivered to members (and selected, invited Fund officers) has included:
  - A training / information session from Mercer relating to the 2022 actuarial valuation on 22 June 2022.
4. In addition, members have been made aware that:
  - a) [The LGA's training programme](#) includes some dates later this year for (LGPS) **Fundamentals**;
  - b) Booking for the next, annual LGPS Governance Conference in Cardiff on 19/20 January 2023 is open; and
  - c) A training session on equities is being arranged. The key benefit of this will be that, as the Fund is about ¾ invested in equities, members will be fully up to speed on this key decision area.

### **Contact Points**

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Pensions Investment & Treasury Management Manager  
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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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## **PENSIONS BOARD**

### **5 OCTOBER 2022**

## **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**

#### 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:

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## Pensions Board Proposed Forward Plan

## Appendix 1

| <b>Pension Board Items</b>                                                                                                                                                | <b>22/11/2022</b> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| LGPS Central Update                                                                                                                                                       | Y                 |
| Pensions Final External Audit Report and Annual Report                                                                                                                    | Y                 |
| Pension Fund Final Accounts 2021.22                                                                                                                                       |                   |
| Stewardship Code                                                                                                                                                          |                   |
| Business Plan Progress update (to include Administration and Investment areas, <b>SAB Good Governance monitoring &amp; CMA Investment Advisor objectives monitoring</b> ) | Y                 |
| Annual Business Plan                                                                                                                                                      |                   |
| Annual Admin Strategy                                                                                                                                                     |                   |
| Annual investment Strategy Statement (Include Climate Risk Strategy and TCFD Report)                                                                                      |                   |
| Actuarial Valuation and Funding Strategy Statement                                                                                                                        | Y                 |
| Training Requirements and Training delivery update                                                                                                                        | Y                 |
| Training Policy                                                                                                                                                           |                   |
| Pension fund admin Budget Approval & Monitoring                                                                                                                           |                   |
| internal Audit Report                                                                                                                                                     |                   |
| Risk Register                                                                                                                                                             | Y                 |
| Funding Strategy Review                                                                                                                                                   |                   |
| Governance Policy Review                                                                                                                                                  |                   |
| Pension Administration Restructure                                                                                                                                        |                   |
| Regulatory Updates including Scheme Advisory Updates (Include Pooling and Responsible Investment consultation)                                                            | Y                 |

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