

Worcestershire County Council

Agenda

Pension Board

Tuesday, 6 June 2023, 10.00 am
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
Tuesday, 6 June 2023, 10.00 am, Council Chamber, County Hall, Worcester

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

Member Representatrives
Bridget Clark, Adam Pruszynski Kim Wright, and Vacancy

Agenda

Item No	Subject	Page No
1	Apologies	
2	Declaration of Interests	
3	Confirmation of Minutes To confirm the Minutes of the meeting held on 3 March 2023 (previously circulated)	
4	Pensions Committee - 22 March 2023 To review the Agenda and Minutes of the Pensions Committee meeting held on 22 March 2023: <ul style="list-style-type: none"> • Strategic Asset Allocation Review • Investment Strategy Statement (ISS) and Climate Risk Strategy Update • Pension Investment Update • Business Plan • Governance Update • Worcestershire County Council Pension Fund Administration Budget 2023/24 • Actuarial Valuation and Final Pension Fund Strategy Statement • Local Government Pension Scheme Central Update • Training Update • Risk Register. The Agenda papers and Minutes have previously been sent to members.	
5	Update on Scheme Advisory Board (SAB) To receive a verbal update.	

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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

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PENSION BOARD

6 JUNE 2023

LGPS CENTRAL LIMITED (LGPSC) UPDATE

Recommendation

1. **The Chief Financial Officer recommends the Pension Board note the 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 in collaboration with eight other local authorities (Cheshire, Leicestershire, Shropshire, Staffordshire, West Midlands, Derbyshire, Nottinghamshire, and West Midlands Integrated Transport Authority) set up a collective investment vehicle called LGPSC that was authorised to operate as an alternative investment fund manager (AIFM) and became formally operational from the 1 April 2018.

3. Several LGPSC local authorities have transitioned some of their existing assets into funds managed by LGPSC. We terminated our existing emerging market mandates and invested funds into LGPSC's Emerging Market Fund in July 2019. We terminated our existing active corporate bond mandates and invested funds into LGPSC's Corporate Bond Fund in March 2020. We made a £200m investment in LGPSC's All World Passive Climate Factor Fund in November 2021 and made a £200m investment in LGPSC's Global Sustainable Equity Active Targeted Fund / Global Sustainable Equity Active Thematic 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 funds subject to due diligence.

5. The 3-year review being conducted by LGPSC of its Emerging Market Fund is still in progress. Due to the poor performance of this fund since inception (-0.6% which is 2.40% below its target as at the end of March 2023), LGSPC are in the process of replacing Columbia Threadneedle Investments with another manager. At a previous update meeting we have continually communicated our dissatisfaction with the multi-manager approach of this fund. We await further engagement with LGPSC on this matter.

LGPSC meetings

6. LGPSC held an EGM on 10 May. At that meeting, LGPSC announced to partner funds that Chief Executive Officer (CEO) Mike Weston had left the company with immediate effect. Due to legal constraints, a specific reason was not given. However, it was confirmed that there had been no financial impropriety.

7. At the same meeting, the non-executive directors urged partner funds to consider a 2-year extension for the existing chairperson.

8. The next LGPSC AGM is scheduled for 26 September 2023 and is likely to cover the CEO and Chair positions.

RI&E framework

9. Following a March Board meeting, an update to LGPSC's RI&E Framework and Voting Principles was agreed. The LGPSC RI&E team reviews its Voting Principles annually, ahead of voting season. A summary of the changes is as follows:

- a) RI&E governance is added and is to be aligned with TCFD disclosure.
- b) The Investment Beliefs section is to be renamed to Responsible Investment Beliefs.
- c) A clause related to the annual review of LGPSC's Voting Principles by the Board has been added that formalises the escalation process.
- d) A section dealing with systematic risks has been added to re-enforce LGPSC's commitment to ESG themes, notably by:
 - i. The addition of modern slavery, diversity, equity & inclusion to the Human Rights section.
 - ii. The addition of a subsection focussed on biodiversity and deforestation.
- e) Voting principles have been extended to advocate robust gender and ethnic diversity.
- f) Climate-related disclosure expectations have been updated to add new principles for disclosure on gender pay, deforestation-related risks, human rights and modern slavery-related risks, as well as tax transparency.

Staffing

10. Notwithstanding the unexpected recruitment of a new Chief Executive Officer and the potential search for a new chairperson, LGPSC are seeking to add an additional headcount to the Client Services Team.

Practitioner Advisory Forum (PAF) working groups

11. PAF has a number of workstreams which meet regularly and aim to work closely with LGPSC to ensure that all the partner funds' requirements are met. These are

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

12. The partner funds have also established an Internal Audit Working Group which provides a co-ordinated approach to enable the joint, individual partner funds, and their respective external auditors, to be satisfied on the standards of control operating across the pool. Two separate audits are taking place, one focusing on investments (led by Leicestershire) and the other, recently concluded, on governance (led by Worcestershire).

13. Recent PAF focus has involved a strategic review of the future of pooling. A session was held in Birmingham on 3 May which was aimed at identifying the strengths, weaknesses, opportunities, and threats to the pool. The discussion was a positive one with partner funds and LGPSC representatives sharing compatible views. A follow-up session is planned for 20 June.

Investment Working Group

14. 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. Recent product development has focussed on multi-asset credit, UK residential property and overseas indirect property.

16. Partner funds are reviewing their pooled asset allocations. Staffordshire are collating evidence on the 15 March Budget's announcements and will circulate so that each can populate a template which can be considered against the potential requirements.

Contact Points

Sherief Loutfy

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Background Papers

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

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PENSION BOARD

6 JUNE 2023

PENSION INVESTMENT UPDATE

Recommendation

1. The Chief Financial Officer recommends that:
 - a) The performance summary and market background be noted (Appendix 1);
 - b) The funding position compared to the investment performance be noted;
 - c) The update on the Equity Protection current strategy be noted;
 - d) The update on Responsible Investment activities, Local Authorities Pension Fund Forum (LAPFF) (Appendix 2) and Stewardship investment pooling be noted; and
 - e) The update on Taskforce for Climate-related Financial Disclosures (TCFD) Consultation be noted.

Background

2. The Board will receive regular updates on Fund performance. The Fund's performance summary and a brief market background update, produced by Portfolio Evaluation Limited, gives the Board an overview of its portfolio as at the end of March 2023 (Appendix 1).

Property and Infrastructure Commitments

3. The table below highlights the total commitments to the end of March 2023 being £990million and the amount that has been drawn, i.e., the capital invested being £769million (78%). These types of investments can take several years to be fully committed.

Table 1: Property and Infrastructure Commitments

Property & Infrastructure Commitments	Commitment £'m	Amount Drawn Mar 2023 £m	%
Total Commitment Property Investments	391	313*	80%
Total Commitment Infrastructure Investments	599	456	76%
Total	990	769	78%

* Note that Venn I and Walton St I is coming to an end and capital is currently being recalled.

2nd February 2022 Department of Levelling Up, Housing & Communities (DLUHC) publishes Levelling Up whitepaper

4. As reported previously, the government published the [Levelling Up whitepaper](#) which includes references to LGPS funds having plans for up to 5% of assets to be allocated to projects which support local areas. We understand that in this context local refers to UK rather than local to a particular fund and that there will be no mandate beyond the requirement to have a plan. We are still awaiting further details to emerge and will update Committee appropriately.

Estimated Funding Levels

5. Table 2 shows the overall Funding level of the Fund. The last actuarial valuation was undertaken as at the 31 March 2022. The Fund had a funding level of 100% (90% 31 March 2019)) as at the end of March 2022.

Market turmoil

6. Over the longer term the investment strategy of the Fund is designed to ensure that the ability to pay pensions in the short, medium, and long term is fully maintained. The Fund invests in a diversified range of assets that over time is anticipated to increase in value and to provide a secure flow of income to pay those pensions.

7. The assumptions that are made in the management of the Fund are regularly reviewed to ensure that changes to economic forecasts, including the cost of living, are incorporated within the investment strategy. With the expectations that the elevated rate of inflation and increasing interest rate horizon will continue in the short term, the recent asset allocation review focussed on adjusting the investment strategy accordingly to maintain the correct balance of assets between those that see a growth in value over time and those that generate a steady flow of income. One of the great strengths of the LGPS is the way in which it is designed to provide a secure income in retirement to our pensioners and to be able to absorb short term challenges due to the long term strength of the asset base

Table 2: Estimated Pension Fund Funding levels based on a like for like comparison to the actuarial valuations.

	Mar-16	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23
Assets £'M	1,952	2,795	2,612	3,367	3,585	**3,547
Liabilities £'M	2,606	3,090	*3,243	*3,404	3,585	*3,749
Surplus (-) / Deficit	654	295	631	37	(0)	202
Estimated Funding Level	75%	90%	81%	99%	100%	96%

* Estimated liabilities provided by the actuary and Assets include cash.

** Note the Assets include cash of £35m which are excluded from the Portfolio Evaluation overall Fund Performance Report attached at Appendix 1.

Equity Protection (EP) update

8. The previous facility provided by Shroders (River & Mercantile), covered our passive equity market cap portfolio of approximately £1.1bn (including the Equity Protection valuation). It was agreed as part of the 2019 strategic asset allocation review to use Equity Protection as a tool to manage risk within the portfolio and the Fund will have seen the benefits of having this in place since February 2018.

9. The fund took the opportunity to exit the protection given the continued downward trend in market valuations at the time. This was fully exited from Schroders in early

November and the £231m was then reinvested back into the passive equity market cap funds on the 10 November 2022.

10. Although the Fund has exited the Equity Protection, the Fund is looking to have this facility as part of the investment tools in its investment strategy. The Fund will need to reprocure Equity Protection strategy going forward.

Strategic Asset Allocation

11. Table 3 below shows the asset allocations as at 31 March 2023 against the Strategic Asset Allocation targets agreed by Committee in June 2020 and updated on the 8 December 2021 to take into account the investment in Global Sustainable equities. This highlights that our overall investment in equities is **67.9%** (71.4% as at June 2022) (including the equity protection) compared to the revised strategic asset allocation target of 70%.

12. Property and Infrastructure investments represent **24.1%** of the portfolio and are therefore slightly overweight against the target of 20%. The Fixed Income portfolio is slightly underweight at **8.0%** compared to a 10% target. The impact of inflation and the Ukraine / Russia conflict continues to result in a degree of market volatility which has seen equity market valuations decrease recently compared to the existing Property and Infrastructure investments.

Table 3 Strategic Asset Allocation targets

Actual Fund as at 31 March 2023		Strategic Asset Allocation targets	
Asset Class	Portfolio Weight	Asset Class	Portfolio Weight
Actively Managed Equities	24.3%	Actively Managed Equities	26.0%
Far East Developed	10.1%	Far East Developed	10.0%
Emerging Markets	8.8%	Emerging Markets	10.0%
LGPSC Global Sustainable	5.5%	LGPSC Global Sustainable	6.0%
Passively Managed Equities – Market Capitalisation Indices	28.5%	Passively Managed Equities – Market Capitalisation Indices	29.0%
United Kingdom	17.2%	United Kingdom	17.0%
North America	5.1%	North America	6.5%
Europe ex UK	6.2%	Europe ex UK	5.5%
Passively Managed Equities – Alternative Indices	15.8%	Passively Managed Equities – Alternative Indices	15.0%
Quality Factor	9.9%	Quality Factor	9.0%
LGPSC Climate Factor	5.9%	LGPSC Climate Factor	6.0%
Equity Protection			
Total Equities	68.6%	Total Equities	70.0%
Fixed Interest	7.8%	Fixed Interest	10.0%
Actively Managed Bonds & Corporate Private Debt	5.2%	Actively Managed Bonds & Corporate Private Debt	6.0%
	2.6%		4.0%
Actively managed Alternative Assets	23.7%	Actively managed Alternative Assets	20.0%
Property	8.6%	Property & Infrastructure	20.0%
Infrastructure	15.1%		
TOTAL	100%	TOTAL	100%

Responsible Investment (RI) Activities

13. The term 'responsible investment' refers to the integration of financially material environmental, social and corporate governance ("ESG") factors into investment processes. It has relevance before and after the investment decision and it is a core part of our fiduciary duty. It is distinct from 'ethical investment' which is an approach in which moral persuasions of an organisation take primacy over its investment considerations.

14. The Fund adopts a policy of risk monitoring and engagement with companies with sub-optimal governance of financially material Responsible Investment (RI) issues, to positively influence company behaviour and enhance shareholder value; influence that would be lost through a divestment approach. The Fund extends this principle of "engagement for positive change" to the due diligence, appointment and monitoring of external fund managers.

Local Authority Pension Fund Forum (LAPFF)

15. LAPFF exists to promote the long-term investment interests of member funds and beneficiaries, and to maximise their influence as shareholders whilst promoting the highest standards of corporate governance and corporate responsibility at investee companies. Formed in 1990, LAPFF brings together a diverse range of 81 public sector pension funds and five pools in the UK with combined assets of over £300 billion.

16. The attached quarterly engagement report (January to March 2023) Appendix 2 features LAPFF company engagements and their records of their collaborative engagements, community meetings, policy responses, and media coverage. The key feature is climate change.

17. The issues are set out in the Quarterly Engagement Report which is attached at Appendix 2 and is also available on LAPFF's website together with the previous quarterly engagement reports. [LAPFF quarterly engagement reports.](#)

Stewardship in Investment Pooling

18. As part of LGPS Central we are actively exploring opportunities to enhance our stewardship activities. More information is on the LGPS website [LGPS Central – Responsible Investment](#). One of the principal benefits, achieved through scale and resources arising from pooling are the improved implementation of responsible investment and stewardship. Through its *Responsible Investment & Engagement Framework* and its Statement of Compliance with the UK Stewardship Code, LGPS Central is able to help implement the Fund's own *Responsible Investment Framework*. LGPS Central published their Quarterly Stewardship Report covering October to December 2022 [Responsible Investment – LGPS Central](#). This will demonstrate progress on matters of investment stewardship.

19. The Fund's 2023 submission to the Stewardship Code 2020 is being prepared and is currently undergoing its final internal review. It is expected that the Fund will meet the 31 May 2023 deadline for submission.

20. Also, on this website details of LGPSC Task Force on Climate-Related Financial Disclosures (TCFD) can be found together with their successful stewardship code 2020 application.

Stewardship Themes

21. The continued agreed stewardship themes comprise of climate change, single-use plastic, technology & disruptive industries, and tax transparency. Further details

of these 4 themes and the progress against these themes are included in the quarterly Stewardship Report above.

Voting Decisions

22. LGPS Central compile and vote the shares for Worcestershire Pension Fund voting records (via LGPS Central contract with Hermes EOS and executed in line with LGPS Central's Voting Principles). Details of Q4 2022/23 voting disclosures can be found [here](#).

Taskforce for Climate-related Financial Disclosures (TCFD) Consultation to be updated

23. The UK Government has launched their consultation on Governance and Reporting of climate risks. As widely expected, the consultation follows the Taskforce for Climate-related Financial Disclosures (TCFD) framework and will require Administering Authorities to consider and report against the four key areas of governance, strategy, risk management, and metrics and targets. The aim of this framework is to help the LGPS demonstrate how the consideration of climate change risks and opportunities are integrated into each Authority's entire decision-making process.

24. The proposals under the consultation are similar to the new requirements that came into force for private sector pension funds from 1 October 2021 but include some key differences in order to reflect the needs of the LGPS, the desire to have consistency in data and reporting, and to try to positively impact the ability to accurately measure and report climate risk and emissions data.

Key requirements proposed in the consultation

- Establish and maintain a **Governance** approach for oversight of climate risks and opportunities.
- Assess the impact of climate-related risks and opportunities on funding and investment **strategies**.
- Carry out **scenario analysis** reflecting different temperature pathway alignments (one being Paris aligned).
- Establish and maintain processes for identifying and managing climate-related **risks and opportunities**.
- Report on a minimum of four prescribed **climate metrics** which need to be measured and disclosed annually.
- Set a (non-binding) **target** in relation to one metric, chosen by the Authority.
- As part of ongoing **disclosure requirements** Authorities will need to publish an **annual climate risk report** with the Scheme Advisory Board also preparing an annual report, linking to individual reports and aggregate figures for the prescribed metrics.
Other requirements including taking **proper advice** and having the **knowledge and skills** required.

25. The consultation closed on 24 November 2022. The Fund did not submit a response as it has similar views to those of LGPS Central and a number of Partner Funds in the Pool who themselves submitted returns. The Scheme Advisory Board have also submitted a response which can be found on the following link [SAB DLUHCClimateRiskReportingresponse](#).

26. Authorities' first reports based on the findings are due by December 2024 covering the 2023/24 scheme year.

27. The Fund is already well placed to meet these key requirements as it has produced a Climate Risk Strategy and TCFD report for the past 2 years. The Fund will look to LGPS Centrals Responsible Investment Team and partner funds within the Pool to see how to address the key requirements and provide progress updates to Committee.

Contact Points

Specific Contact Points for this report

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Supporting Information

- Portfolio Evaluation Overall Fund Performance Report (Appendix 1)
- LAPFF Quarterly Engagement Report January to March 2023 (Appendix 2)

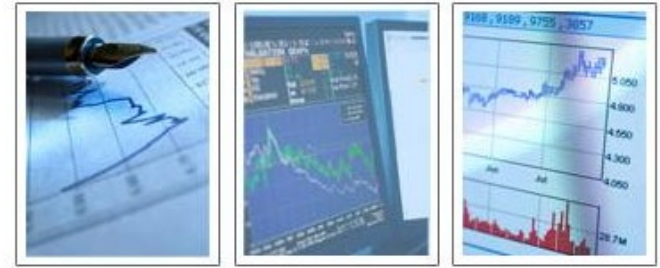
Background Papers

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.

PORTFOLIO
EVALUATION
LIMITED

Quarterly Risk and Return Analysis
Total Fund

Worcestershire County Council Pension Fund



Specialists in Investment Risk and Return Evaluation

Period ending 31st March 2023



Specialists in Investment Risk and Return Evaluation

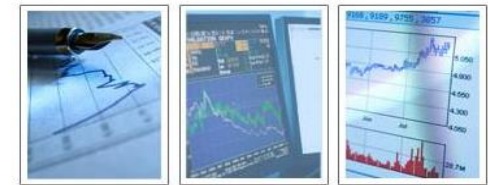


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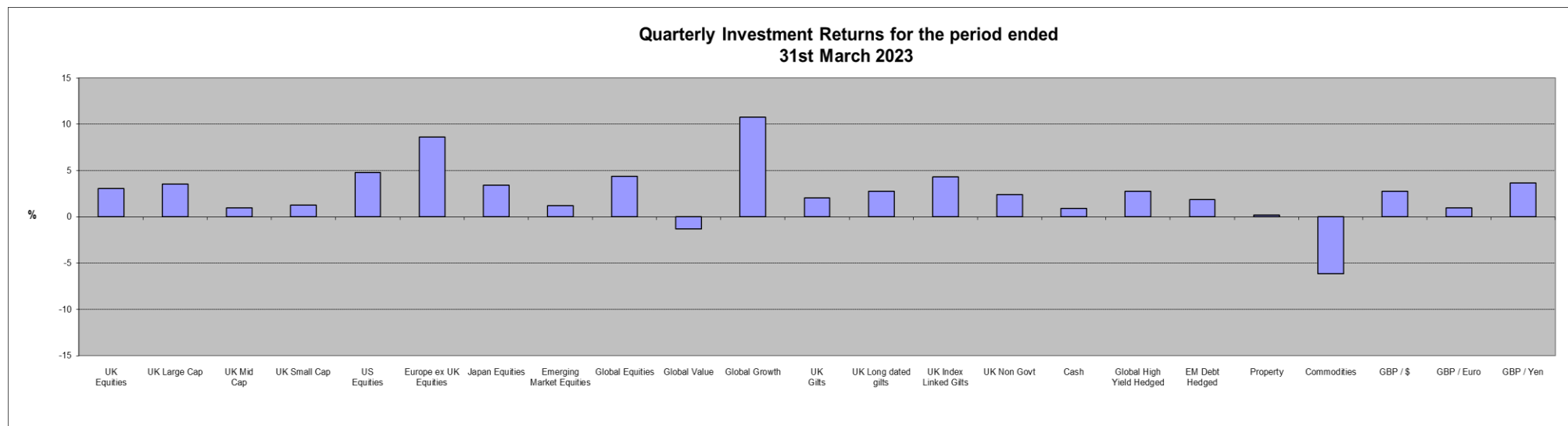
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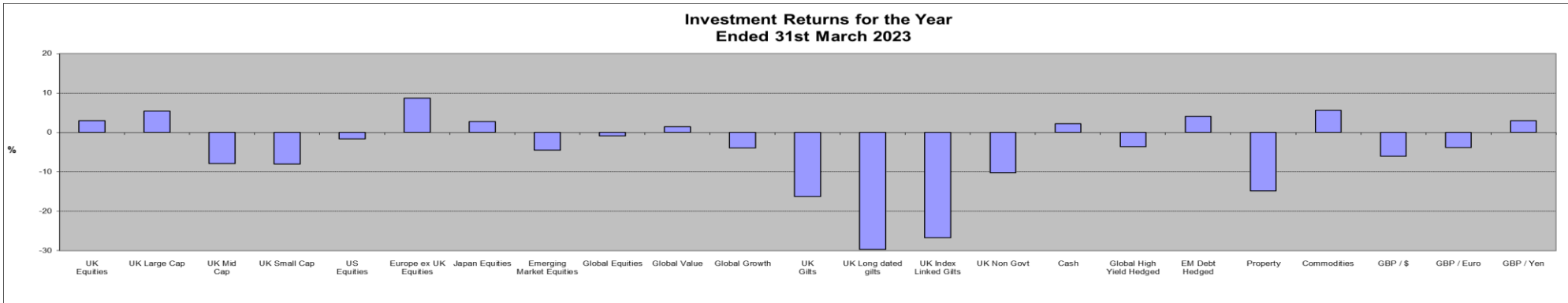
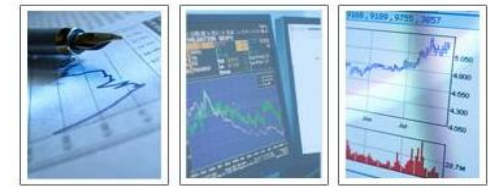


Portfolio Evaluation Ltd Market Commentary Q1 2023 (Sterling)

Q1 2023 witnessed key equity markets, corporate bonds, many gilt markets, and property rising. Commodities was the key loser. Sterling also continued to strengthen; however, over the year the strong dollar / weak sterling and the weight of USD assets in the global indices has impacted GBP returns. For the quarter within global equity sectors the majority have had positive returns except for Energy, Healthcare, Utilities, and Information Technology which had significant negative returns. The year ended March 2023 has seen mixed results with some asset classes generating positive returns (led by UK equities, European equities and Commodities) and some negative returns (led by bond asset classes and property). This reflects the struggles investors have had digesting high inflation, central bank tightening, the war between Ukraine and Russia, energy supply problems, tightening labour markets, COVID and output falling in China (this now appears to have changed). Over the three-year period (since the first lockdown) equity markets and commodities have had strong positive return whilst most bond asset classes have had negative returns. Over the one and three- year periods we have seen value stocks outperform growth stocks, but over Q1 Growth has outperformed value equities.

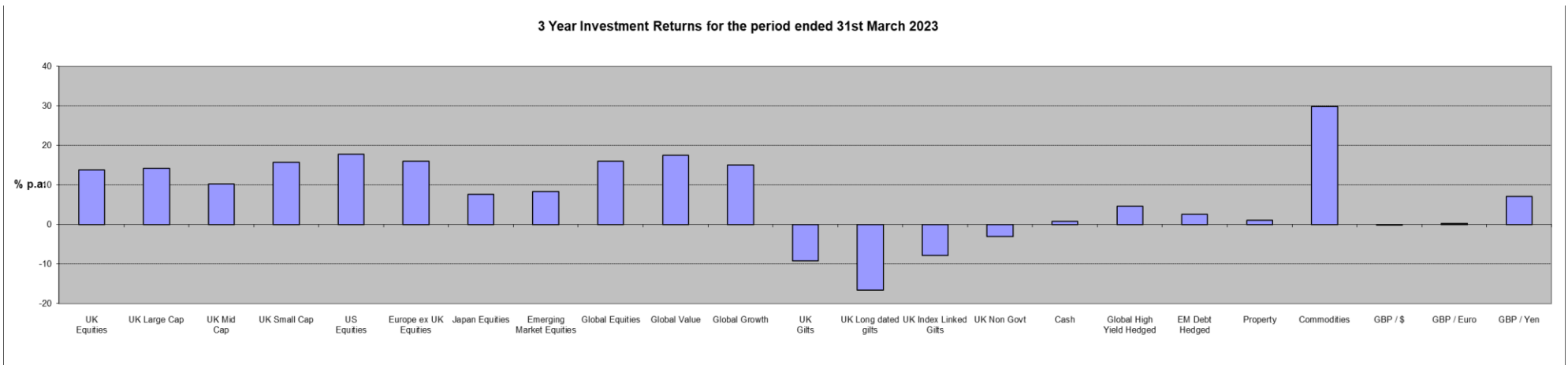
It should also be noted that many of our clients are continuing to fund 'alternative' asset portfolios. We saw some clients being impacted by increasing yields requiring LDI portfolio margin accounts to require significant funding; this in some instances is requiring selling other portfolio assets and it should be noted that the BoE had to assist this part of the market in early October.





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It appears that going into 2023 many investors are apprehensive. Many investors feel that the era of low interest rates fuelling markets has ended. Although inflation rates have reduced, they remain stubbornly high, and growth will reduce. Many market commentators expect the U.S. and Europe to escape recession. However, they do expect interest rate rises albeit at a slower pace than in 2022 and to peak this year. Risk within asset classes and correlations has increased over the year. The outlook for market risk is uncertain.



For further information If you would like further information about the topics contained in this newsletter or would like to discuss your investment performance requirements please contact Nick Kent or Deborah Barlow (e-mail: nick.kent@portfolioevaluation.net) or visit our website at www.portfolioevaluation.net. Please note that all numbers, comments, and ideas contained in this document are for information purposes only and as such are not investment advice in any form. Please remember that past performance is not a guide to future performance.

Worcestershire County Council Pension Fund - Commentary

Period ending 31st March 2023

QUARTERLY SUMMARY: **Worcestershire County Council Pension Fund Return: 2.7%** **Benchmark Return: 3.2%** **Excess Return: -0.5%**

- This quarter has been quiet as regards new fund investments. The final cash from the R&M EPO was transferred out. Significant investments were made into the Gresham House Forestry Growth & Sustainability Fund and the Gresham House BSIF II Infrastructure Fund (allowing for reporting lags).
- The Fund and its benchmark have both generated positive returns, but the Fund has underperformed its benchmark by -0.5% excess.
- Equity returns outperformed the benchmark due to the Active Pool as all four portfolios in the Pool outperformed their benchmarks (the LGPSC Global Sustainable Equity Active Targeted Fund, the LGPSC Sustainable Equity Active Thematic Fund, the Nomura Far East portfolio, and the LGPSC EMM). The passive equity pool performed broadly in line with the benchmark (as expected) as did the Total Alternatives Equity Pool. Additionally Total Fixed Income outperformed its benchmark. The primary areas of underperformance have been generated by Property and Infrastructure asset classes. It should be noted that the positive appreciation of sterling versus the US dollar has been a negative contributor to the Fund.
- Within the primary asset classes, equity assets were the highest returning generators over the quarter at 4.3%. Fixed Income Assets had a return of 2.4%. Infrastructure assets had a return of -1.8% whilst Property assets generated the lowest return of -2.3%. Within equities, the Alts Pool had the highest return of 5.7%, the Passive Pool had a return of 4.6% (approximately in line with the benchmark) and the Active Pool had a return of 3.2%.
- The Fund remains underweight Total Fixed Income and is overweight equities primarily due to the overweight exposure to UK equities. Property and Infrastructure are in line with their strategic weights. The Fund underperformed the benchmark primarily due to Property and Infrastructure. Total Fixed Income and Asset Allocation were neutral contributors to excess return. Equity assets were a positive influence on excess return.
- The benchmark structure continues to influence excess return as, although the weight to Fixed Income and some equity portfolios is fixed, it is necessary to neutralise the asset allocation weights of property and Infrastructure to be in line with their asset class weights within The Fund. Any residual is allocated to largely to the UK passive portfolio but the LGPSC Global Sustainable Equity Active Targeted Fund, the LGPSC Sustainable Equity Active Thematic Fund are also impacted by the rebalancing process.
- The latest valuation data supplied by Bridgepoint, Green Investment Bank, Gresham House, Hermes, Invesco – UK Property Fund, Stonepeak Partners III, VENN and Walton Street is lagged by three months and was for periods ending June 2022 whilst the Gresham House Forestry Funds and the Stonepeak Partners Fund IV have lags of 6 months.

YEAR SUMMARY: Worcestershire County Council Pension Fund Return: 1.2% Benchmark Return: 1.7% Excess Return: -0.5%

- The Fund and its benchmark have generated positive returns, but the Fund has underperformed its benchmark by -0.5% excess. The underperformance has been primarily generated by equity assets, and by the performance of the Fixed Income assets which underperformed. The Infrastructure Pool slightly underperformed whilst the Property Pool outperformed. It should be noted that many of the Alternative asset pools are investing in new portfolios; these types of portfolios often underperform initially due to the expenses of these funds 'investing' and that it takes time for many of these vehicles to generate positive significant returns from their investments.
- With the closure of the EPO strategy the Fund, due to the assets being invested in passive equities, has become overweight passive equities due to becoming overweight the UK Index Fund.
- The most significant drag on excess return was primarily generated by the Active Equity Fund. The highest positive contributors to excess return were the EPO and Property assets.
- Infrastructure assets generated the highest return of 12.8% followed by Property with a return of 9.9%. Equity assets were the next highest return generators over the year and excluding the overlay generated a return of -0.3% whilst Fixed Income generated the lowest return with a return of -6.5%. Within equities the Passive Pool was the highest return generator followed by the Alternatives Pool and finally the Active Pool (generating returns of 2.6%, 0.3% and -4.8% respectively), all of them underperformed their benchmarks. Fixed Income assets had a return of -6.5% underperforming by -3.5%.

THREE YEAR SUMMARY: Worcestershire County Council Pension Fund Return: 9.6% p.a. Benchmark Return: 11.0% p.a. Excess Return: -1.4% p.a.

- Over the three-year period, the Fund has generated a positive return of 9.6% p.a. and has underperformed the benchmark. It should be noted that there has been a considerable number of new mandates established in that timeline especially in the property, infrastructure, and bond asset classes. Additionally, the equities have been restructured.
- All primary asset classes, except for Total Fixed Income have generated positive returns.
- The equity protection overlay program has decreased the Fund return over the three-year period (by -0.3% p.a.). It should also be noted that the EPO strategy has lowered the volatility of the Fund as expected.
- The Total Risk and Active risk are consistent with a typical multi asset class fund that uses both passive and active strategies.

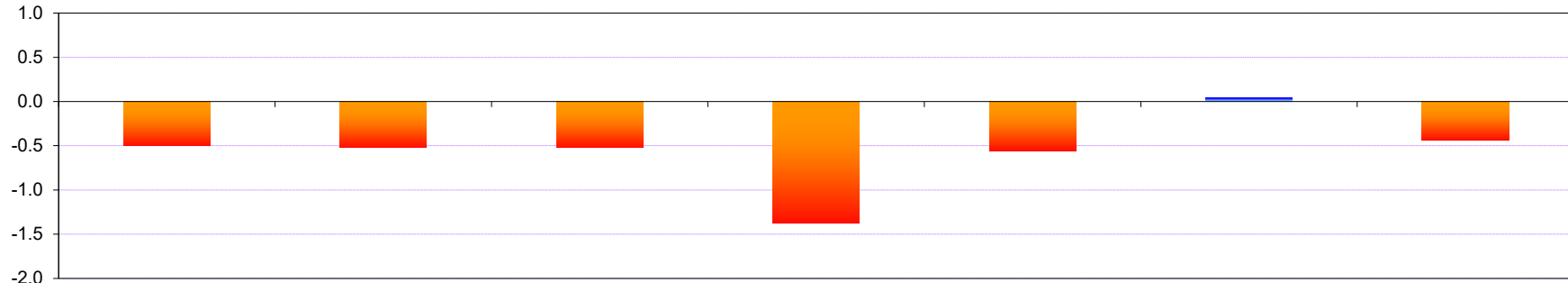
Total Fund Overview

Worcestershire CC Pension Fund

Report Period: Quarter Ending March 2023



Excess Return Analysis (%)

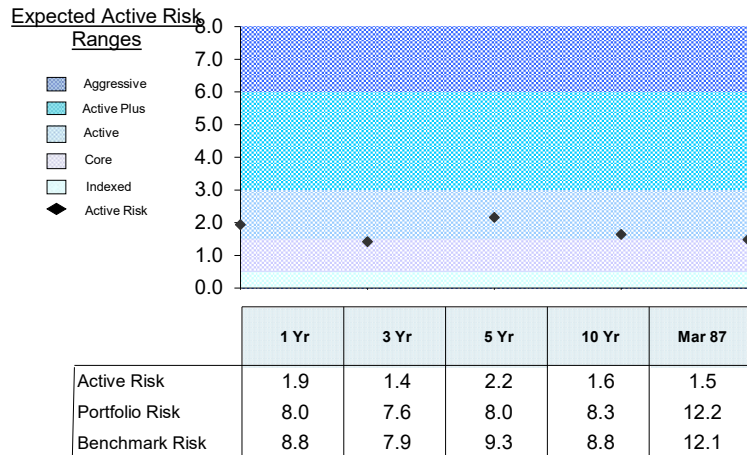


	QTR	Fin YTD	1 Yr	3 Yr	5 Yr	10Yr	Since Mar 87 (p.a.)
Excess Return	-0.5	-0.5	-0.5	-1.4	-0.6	0.0	-0.4
Portfolio Return	2.7	1.2	1.2	9.6	5.8	7.5	7.8
Benchmark Return	3.2	1.7	1.7	11.0	6.3	7.4	8.2

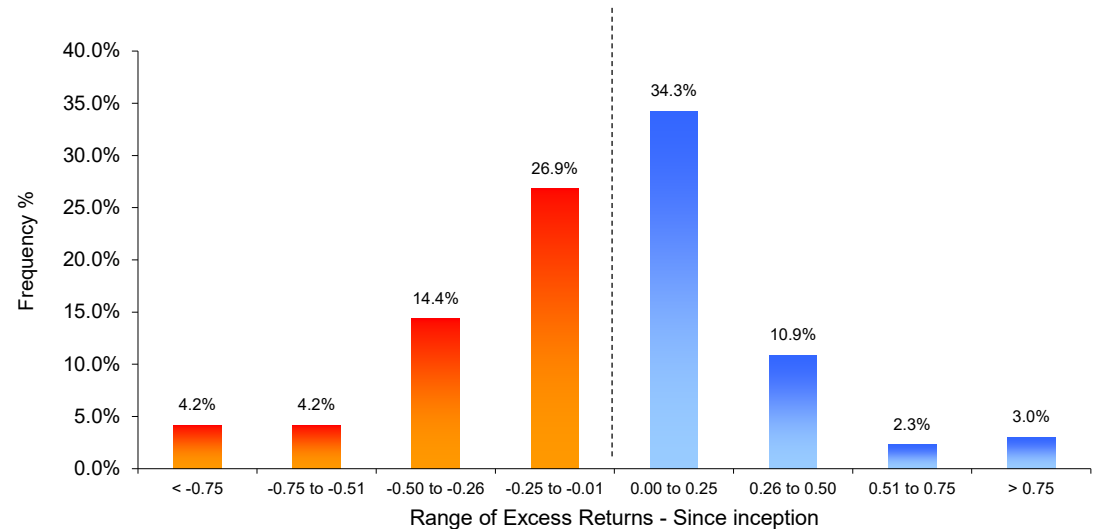
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All returns for periods in excess of 1 year are annualised. The portfolio return is net. □

Ex-Post Active Risk Analysis (%)



Excess Return Consistency Analysis

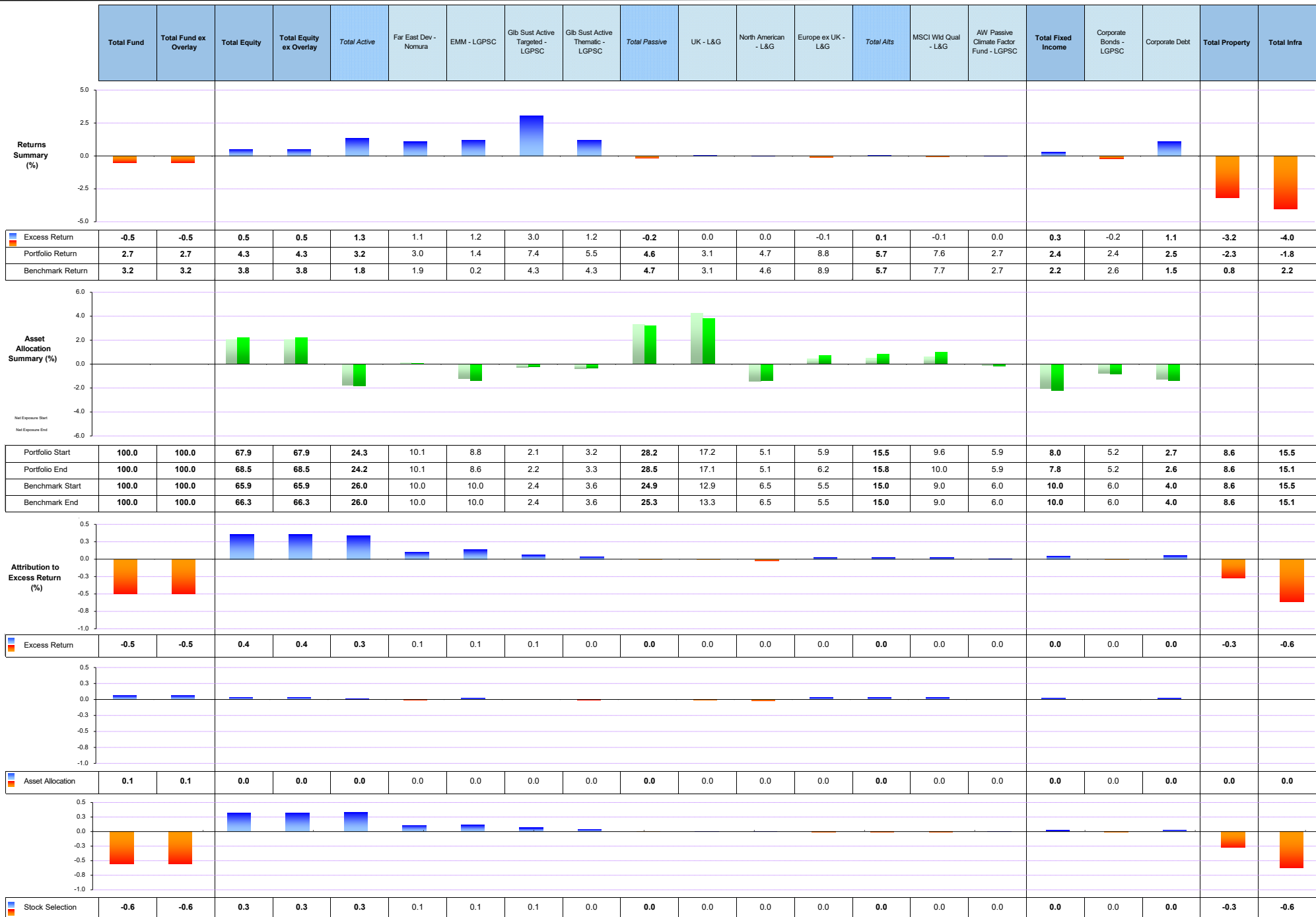


Ex-Post Active Risk measures the volatility of the actual excess returns achieved by the Portfolio/Fund.

Excess Return Consistency Analysis measures the frequency of the Portfolio/Fund's outperformance (Blue) and underperformance (Red) versus its benchmark, calculated using monthly (or quarterly if indicated) returns since inception.

**Attribution to Total Fund Excess Return Analysis
Worcestershire County Council Pension Fund for
Quarter Ended 31st March 2023**

Market Value: £3.6bn



The Returns Summary details the Portfolio, Benchmark and Excess Returns. The Excess Returns are plotted, the Asset Allocation on Summary detail is the weights held by the portfolio and benchmark in each asset class/manager. The green plots are the over/underweight exposures of the Fund (v Fund benchmark) at the beginning and end of the period. The Attribution to Excess Return, identifies how each asset class/manager has contributed to the overall excess return of the Total Fund. It is broken down into Asset Allocation (how successful/ine decision to over/underweight in each asset class was) and then into Stock Selection (how well each manager's decisions have performed). The Asset Allocation plus the Stock Selection excess returns are all additive and equal the Total Excess Return of the Fund.

**Attribution to Total Fund Excess Return Analysis
Worcestershire County Council Pension Fund for
Year Ended 31st March 2023**

Market Value: £3.6bn

	Total Fund	Total Fund ex Overlay	Total Equity	Total Equity ex Overlay	Total Active	Far East Dev - Nomura	EMM - LGPSC	Glb Sust Active Targeted - LGPSC	Glb Sust Active Thematic - LGPSC	Total Passive	UK - L&G	North American - L&G	Europe ex UK - L&G	Total Alts	MSCI Wid Qual - L&G	AW Passive Climate Factor Fund - LGPSC	R&M EPO	R&M EPO ex Overlay	Total Fixed Income	Corporate Bonds - LGPSC	Corporate Debt	Total Property	Total Infra
Returns Summary (%)																							
Excess Return	-0.5	-0.5	-1.3	-1.3	-3.5	-2.4	-1.0	1.6	0.0	-0.4	0.1	0.0	-0.3	-0.2	-0.4	0.1	3.9	20.0	-3.5	-1.9	5.3	16.3	-0.3
Portfolio Return	1.2	0.9	0.0	-0.3	-4.8	-3.0	-4.9	3.5	1.9	2.6	3.0	-2.5	8.1	0.3	0.1	0.6	3.9	20.0	-6.5	-10.8	11.3	9.9	12.8
Benchmark Return	1.7	1.4	1.3	1.0	-1.3	-0.6	-3.9	1.9	1.9	3.0	2.9	-2.5	8.5	0.5	0.5	0.4	0.0	0.0	-3.1	-9.0	6.0	-6.4	13.0
Asset Allocation Summary (%)																							
Portfolio Start	100.0	99.1	74.4	73.5	19.8	10.5	9.2	0.0	0.0	32.3	15.9	10.2	6.2	16.0	10.1	5.9	6.4	5.5	7.5	5.9	1.6	5.8	12.3
Portfolio End	100.0	100.0	68.5	68.5	24.2	10.1	8.6	2.2	3.3	28.5	17.1	5.1	6.2	15.8	10.0	5.9	0.0	0.0	7.8	5.2	2.6	8.6	15.1
Benchmark Start	100.0	100.0	71.9	71.9	20.0	10.0	10.0	0.0	0.0	36.9	22.4	8.0	6.5	15.0	9.0	6.0	0.0	0.0	10.0	6.0	4.0	5.8	12.3
Benchmark End	100.0	100.0	66.3	66.3	26.0	10.0	10.0	2.4	3.6	25.3	13.3	6.5	5.5	15.0	9.0	6.0	0.0	0.0	10.0	6.0	4.0	8.6	15.1
Attribution to Excess Return-1 (%)																							
Excess Return	-0.5	-0.5	-1.0	-1.0	-1.7	-0.3	-0.1	-0.1	-0.2	-0.1	0.0	-0.1	0.0	-0.1	-0.1	0.0	0.9	0.9	-0.1	-0.1	0.0	0.6	0.0
Asset Allocation																							
Asset Allocation	-0.2	-0.5	-0.1	-0.3	-0.1	0.0	0.0	0.0	0.0	-0.1	0.0	-0.1	0.0	-0.1	-0.1	0.0	0.2	0.0	-0.2	0.0	-0.2	0.0	0.0
Stock Selection																							
Stock Selection	-0.4	0.0	-1.0	-0.6	-1.6	-0.3	-0.1	-0.1	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.6	1.0	0.0	-0.1	0.1	0.6	0.0

Attribution to Total Fund Excess Return Analysis - Annualised Worcestershire County Council Pension Fund for 3 Year Period Ended 31st March 2023

Market Value: £3.6bn

	Total Fund	Total Fund ex Overlay	Total Equity	Total Equity ex Overlay	Total Active	Far East Dev - Nomura	EMM - LGPSC	Glb Sust Active Targeted - LGPSC	Glb Sust Active Thematic - LGPSC	Total Passive	UK - L&G	North American - L&G	Europe ex UK - L&G	Total Alts	RAFI Fdmntl Dev (inc Korea) Red Carbon Pathway Index - L&G	MSCI Wid Min Vol - L&G	MSCI Wid Qual - L&G	AW Passive Climate Factor Fund - LGPSC	R&M EPO	R&M EPO ex Overlay	Total Fixed Income	Corporate Bonds - LGPSC	Corporate Debt	Total Property	Total Infra
Returns Summary (%)																									
Excess Return	-1.4	-1.8	-1.9	-2.4	-2.4	0.0	-3.2	1.6	0.0	0.5	0.1	0.0	-0.3	-0.7	-0.1	0.1	-0.2	0.1	-5.4	4.2	-3.6	-0.2	0.5	-1.0	-0.3
Portfolio Return	9.6	9.9	10.9	11.3	7.7	9.9	6.1	3.5	1.9	16.5	13.9	18.6	15.7	12.7	32.0	15.8	16.3	-1.5	-5.4	4.2	-5.4	-0.7	7.0	4.4	10.6
Benchmark Return	11.0	11.8	12.8	13.8	10.1	9.9	9.4	1.9	1.9	16.0	13.8	18.5	16.0	13.3	32.1	15.8	16.5	-1.7	0.0	0.0	-1.8	-0.5	6.5	5.5	10.9
Asset Allocation Summary (%)																									
Portfolio Start	100.0	99.2	75.7	74.8	23.4	12.5	10.9	0.0	0.0	28.0	11.0	11.0	6.0	14.9	5.1	4.5	5.3	0.0	9.4	8.6	6.5	5.5	1.0	6.4	11.4
Portfolio End	100.0	100.0	68.5	68.5	24.2	10.1	8.6	2.2	3.3	28.5	17.1	5.1	6.2	15.8	0.0	0.0	10.0	5.9	0.0	0.0	7.8	5.2	2.6	8.6	15.1
Benchmark Start	100.0	100.0	72.2	72.2	24.0	12.0	12.0	0.0	0.0	38.2	17.7	11.0	9.5	10.0	3.3	3.3	3.3	0.0	0.0	0.0	10.0	8.4	1.6	6.4	11.4
Benchmark End	100.0	100.0	66.3	66.3	26.0	10.0	10.0	2.4	3.6	25.3	13.3	6.5	5.5	15.0	0.0	0.0	9.0	6.0	0.0	0.0	10.0	6.0	4.0	8.6	15.1
Attribution to Excess Return (%)																									
Excess Return	-1.4	-1.8	-1.6	-2.1	-1.1	0.0	-0.5	0.0	-0.1	-0.4	-0.3	0.1	-0.2	0.1	0.0	0.0	0.0	0.0	-0.2	-0.7	0.1	0.1	0.1	0.0	0.0
Asset Allocation																									
Asset Allocation	-1.1	-1.3	-1.2	-1.4	-0.2	-0.1	-0.1	0.0	0.0	-0.4	-0.3	0.1	-0.2	0.1	0.0	0.0	0.1	0.0	-0.7	-0.9	0.1	0.2	0.0	0.0	0.0
Stock Selection																									
Stock Selection	-0.3	-0.7	-0.4	-0.7	-0.9	0.0	-0.4	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.2	-0.1	0.0	0.1	0.0	0.0

Stonepeak Infrastructure Core Fund IV - GBP	Absolute Return +12%	Jan-22	34.2	1.0	10.1	2.9	7.2	24.2	12.0	12.2	24.2	12.0	12.2						19.0	9.5	9.5				
Stonepeak Infrastructure Core Fund IV - USD	Absolute Return +12%	Jan-22	38.1	N/A	1.3	2.9	-1.5	0.6	12.0	-11.4	0.6	12.0	-11.4						0.5	9.5	-9.1				
First Sentier EDIF II GBP	Absolute Return +9%	Jun-18	131.9	3.7	3.7	2.2	1.5	16.1	9.0	7.1	16.1	9.0	7.1	16.5	9.0	7.5			11.3	9.1	2.2				
First Sentier EDIF II EURO	Absolute Return +9%	Jun-18	150.1	N/A	4.6	2.2	2.5	12.1	9.0	3.1	12.1	9.0	3.1	16.8	9.0	7.8			11.0	9.1	1.9				
First Sentier EDIF III GBP	Absolute Return +8%	Nov-22	7.5	0.2	-2.0	1.9	-3.9												3.7	3.3	0.5				
First Sentier EDIF III EURO	Absolute Return +8%	Nov-22	8.5	N/A	-1.0	1.9	-3.0												3.4	3.3	0.1				
Worcestershire CC Total Fund ex Overlay		Mar-87	3,553.2	100.0	2.7	3.2	-0.5	0.9	1.4	-0.5	0.9	1.4	-0.5	9.9	11.8	-1.8	5.8	6.8	-1.0	7.4	7.7	-0.3	7.8	8.3	-0.5
Worcestershire CC Total Fund		Mar-87	3,553.2	100.0	2.7	3.2	-0.5	1.2	1.7	-0.5	1.2	1.7	-0.5	9.6	11.0	-1.4	5.8	6.3	-0.6	7.5	7.4	0.0	7.8	8.2	-0.4

PF = Portfolio Return BM = Benchmark Return ER = Excess Return

Total Fund Benchmark	CLIENT SPECIFIC BENCHMARK:	Notes:
	<p>17% FTSE All Share - % Dependant upon actual drawdowns of Infra & Prop</p> <p>5.5% FTSE Developed Europe Ex UK</p> <p>10% FTSE All World Emerging Markets</p> <p>15% 60% MSCI World Quality Total Return NET & 40% LGPSC All World Climate Index</p> <p>6.5% FTSE All World North America</p> <p>6% FTSE All World</p> <p>10% 5.5% FTSE All World Asia Pacific ex Japan & 4.5% FTSE All World Japan</p> <p>6% Corp Bonds: LGPS Central Specific Index</p> <p>4% Corporate Private Debt @ Absolute Return +10%</p> <p>Infrastructure: 70% UK CPI +5.5%, 30% Absolute Return 10%</p> <p>Property: 60% MSCI UK Monthly Property Index, 40% Absolute Return +7.5%</p>	<p>Q4 2022: Disinvested from River & Mercantile Equity Protection Fund from 10th November 2022. Invested into First Sentier EDIF III from 15th November 2022.</p> <p>Q2 2022: Investment into LGPSC Global Sustainable Equity Active Targeted Fund and LGPSC Global Sustainable Equity Active Thematic Fund from 04.05.2022. Total Fund Benchmark updated. The attribution for Total Active/Total Equity/Total Fund will not add up due to the transition.</p> <p>Q4 2021: Total Fund Benchmark updated and backdated from 01.04.2021. Total Fixed Income Fund created from 01.04.21. New investments were made on 24.11.2021 into LGPSC All World Passive Climate Factor Fund, and Stonepeak Fund IV Infrastructure Core Fund (data is 'lagged'). A new investment was also made with Gresham House Forestry Growth & Sustainability Fund from 10.12.2021 (data is produced annually in February). Full disinvestments were made from L&G RAFI Fundamental Developed Reduced Carbon Pathway Index Fund on 22.10.2021 and from L&G MSCI World Minimum Volatility Fund on 24.11.2021.</p> <p>Historic data up to and including 31.03.2016 has been provided by the WM Co and L&G.</p>

Total Fund Reconciliation Analysis
Worcestershire County Council Pension
Fund for Quarter Ended 31st March 2023

Market Value: £3.6bn

	31st December 2022		Net Investment (£000s)	Total Income (£000s)	Total Gain/Loss (£000s)	31st March 2023	
	Market Val (£000s)	Exposure (%)				Market Val (£000s)	Exposure (%)
Total Equity Fund	2,333,617	67.9	-36	0	101,142	2,434,723	68.5
Total Equity Fund ex Overlay	2,333,617	67.9	-36	0	101,142	2,434,723	68.5
<i>Total Active Equity Fund</i>	832,927	24.3	0	0	26,251	859,178	24.2
Nomura Far East Developed Equity Fund	347,328	10.1	0	0	10,506	357,834	10.1
LGPSC Emerging Markets Fund	302,613	8.8	0	0	4,263	306,876	8.6
LGPSC Global Sustainable Equity Active Targeted Fund	72,034	2.1	0	0	5,322	77,356	2.2
LGPSC Global Sustainable Equity Active Thematic Fund	110,953	3.2	0	0	6,159	117,113	3.3
<i>Total Passive Equity Fund</i>	968,765	28.2	0	0	44,291	1,013,056	28.5
L&G UK Equity Fund	590,057	17.2	0	0	18,311	608,367	17.1
L&G North American Equity Fund	174,659	5.1	0	0	8,126	182,786	5.1
L&G Europe Ex UK Equity Fund	204,049	5.9	0	0	17,854	221,903	6.2
<i>Total Alternatives Fund</i>	531,888	15.5	0	0	30,600	562,488	15.8
L&G MSCI World Quality Fund	329,189	9.6	0	0	25,075	354,263	10.0
LGPSC All World Passive Climate Factor Fund	202,699	5.9	0	0	5,526	208,225	5.9
<i>River & Mercantile Equity Protection Fund</i>	36	0.0	-36	0	0	0	0.0
<i>River & Mercantile Equity Protection Fund ex Overlay</i>	36	0.0	-36	0	0	0	0.0
Total Fixed Income Fund	273,355	8.0	-1,844	0	5,654	277,166	7.8
<i>Total Corporate Bond Fund</i>	179,681	5.2	0	0	4,299	183,980	5.2
LGPSC Corporate Bond Fund	179,681	5.2	0	0	4,299	183,980	5.2
<i>Total Corporate Debt Fund</i>	93,674	2.7	-1,844	0	1,355	93,186	2.6
Bridgepoint Direct Lending II	57,887	1.7	-2,177	0	1,285	56,995	1.6
Bridgepoint Direct Lending III	35,787	1.0	333	0	71	36,191	1.0
Total Property Fund	294,155	8.6	18,560	1,391	-7,246	305,469	8.6
<i>Total UK Property Fund</i>	54,506	1.6	0	0	-2,929	51,578	1.5
Invesco UK Property Fund	47,682	1.4	0	199	-1,098	46,585	1.3
Venn UK Property Fund	6,824	0.2	-1,737	-94	-94	4,993	0.1
Walton US Property Fund	1,540	0.0	0	0	-96	1,444	0.0
Walton US Property Fund II	9,893	0.3	0	532	-102	9,792	0.3
Invesco European Property Fund	68,357	2.0	0	569	-1,973	66,385	1.9
Venn Property Debt Fund II	12,887	0.4	2,451	0	602	15,940	0.4
Gresham House Forestry Growth & Sustainability Fund	42,969	1.3	17,846	0	-4,013	56,802	1.6
Gresham House Forestry Fund VI	0	0.0	0	0	84,670	84,670	2.4
AEW Property Fund	19,332	0.6	0	186	-472	18,860	0.5
Total Infrastructure Fund	533,334	15.5	17,562	1,518	-15,097	535,800	15.1
Green UK Infrastructure Fund	48,187	1.4	-982	0	1,419	48,624	1.4
Gresham House BSIF Housing and Infrastructure	49,818	1.5	2,156	0	-2,259	49,715	1.4
Gresham House BSIF II Infrastructure Fund	21,834	0.6	14,528	0	746	37,107	1.0
Hermes UK Infrastructure Core Fund	49,446	1.4	0	0	-2,860	46,586	1.3
Hermes UK Infrastructure Fund II	50,599	1.5	0	0	-5,241	45,358	1.3
Stonepeak Infrastructure Core Fund III	144,709	4.2	1,212	931	-11,068	134,854	3.8
Stonepeak Infrastructure Core Fund IV	34,100	1.0	648	277	-596	34,153	1.0
First Sentier EDIF II	126,993	3.7	0	310	4,915	131,908	3.7
First Sentier EDIF III	7,648	0.2	0	0	-153	7,495	0.2
Cash Fund	0	0.0	0	0	0	0	0.0
Worcestershire CC Total Fund ex Overlay	3,434,462	100.0	34,243	2,909	84,453	3,553,157	100.0
Worcestershire CC Total Fund	3,434,462	100.0	34,243	2,909	84,453	3,553,157	100.0

Note: Cashflow into cash reflects sum of portfolio contributions minus net investments. It is assumed that cash for the Fund is held outside of the invested assets and is therefore withdrawn from the Total Fund

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Quarterly
Engagement
Report

January-March
2023



Say on Climate, Brazil, Volvo, Constellation Brands, Water Stewardship

COMPANY ENGAGEMENTS



Say on Climate

Objective: Despite the financial risks that climate change poses to investors, shareholders do not have a specific vote at AGMs on a company's approach to transitioning to net zero. This is an issue that LAPFF has raised with companies including through a joint letter ahead of the 2022 AGM season. Since then, HM Treasury has established the UK Transition Plan Taskforce, which is developing a 'gold standard' for climate transition plans. A central principle of transition plans is that they should be integral to a company's overall strategy. Yet despite such developments shareholders are generally not given a 'Say on Climate' vote at AGMs to approve their climate plans.

To address this gap, LAPFF, alongside Sarasin & Partners, CCLA, and the Ethos Foundation, wrote to the FTSE All-Share (excluding investment trusts) requesting

that boards provide shareholders with the opportunity to support their greenhouse gas emission reduction strategy by putting an appropriate resolution on the AGM agenda.

Achieved: The letter highlighted the importance of the issue with companies across the FTSE All-Share. Some companies responded by stating that they were planning to have an annual Say on Climate vote while others noted that there would be a vote every three years to approve their triennial climate plan. However, most companies said that they did not intend to hold Say on Climate votes, with many outlining their climate plans and noting their engagement with shareholders.

Alongside raising the issue with the companies, the letter received coverage in the press which widened awareness of the

role a Say on Climate could play in supporting companies' transition to net zero.

In Progress: Although some companies have committed to Say on Climate votes they are in a minority. LAPFF will continue to engage with companies so that shareholders can express their views specifically about climate strategies – something which will become more important with the introduction of transition plans and as the financial risks of climate change become even clearer.

Rio Tinto

Objective: LAPFF joined Rio Tinto's full year results call ahead of the company's April AGM to understand better how Rio Tinto is integrating environmental, social, and governance considerations into its operations, and issued a voting alert ahead of the April AGM. LAPFF then attended a meeting with Rio Tinto Chair, Dominic Barton.

Achieved: LAPFF was pleased to hear that Rio Tinto has had yet another fatality-free year. It was also good to see that the company has concluded a number of agreements with Indigenous groups and continues to focus on partnerships, co-design, and co-management with affected communities. It would have been useful to have more discussion on community relationships in relation to the company's Oyu Tolgoi, Jadar, and Simandou projects, as well as some of the remaining engineering challenges at Oyu Tolgoi.

On the climate side, Rio Tinto's commitment to making climate a strategic objective is welcome. It appears that more work on Scope 3 emissions is needed. Recognising the importance of Rio Tinto's minerals for a green transition, LAPFF is also keen to hear more from the company on its plans for a just transition. LAPFF probed these issues in more detail in the meeting with Mr. Barton.

In Progress: LAPFF will continue to engage both the company and its affected stakeholders, including workers and community members, to assess progress in both the human rights and climate areas because LAPFF deems this range of engagement and issues financially material.

COMPANY ENGAGEMENTS



McDonald's

Objective: LAPFF has been pushing for McDonald's to publicly disclose the findings of a water risk assessment and physical risk scenario analysis undertaken by the company in 2020. In order for investors to fully understand the water-related risks facing the company, the disclosure should provide information relating to how the findings inform timebound and quantifiable mitigation efforts for key commodities and regions.

Achieved: LAPFF met with McDonald's as part of a coalition of investors to discuss the company's approach to managing environmental risks across its agricultural supply chain. The 2020 water risk assessment used the WRI Aqueduct Water Risk tool to identify high risk areas, but the company has, to date, failed to release the results. LAPFF requested that the company disclose the findings to facilitate a better understanding of the material risks.

McDonald's was also questioned about

updating its emissions reduction targets, following the release of the Science-Based Target initiative's (SBTi) FLAG guidance. The company has committed to reducing greenhouse gas emissions (GHG) by 36percent by 2030 from a 2015 base. This is an absolute target that covers Scopes 1, 2 and 3 emissions, the latter including upstream emissions from operational waste and downstream emissions from delivery-related waste and franchisee operations.

To achieve SBTi verification, the new FLAG guidance requires a commitment to eliminate deforestation from agricultural supply chains by 2025, which would require an acceleration of existing commitments.

In Progress: McDonald's has been identified by the Valuing Water Finance Initiative as a company with significant exposure to water-related risks and therefore included the company in the 203 VWFI benchmark. This benchmark will be used by LAPFF to measure company performance and the extent to which disclosure on the issue improves.

Constellation Brands

Objective: LAPFF wanted Constellation Brands to set timebound, contextual targets, goals or policies to address the impacts on water availability in water scarce areas across the sections of the value chain, for which water is most material.

Achieved: LAPFF Executive member John Anzani met with the US-listed beverage manufacturer to discuss its approach to water stewardship. This engagement followed on from an introductory meeting held in 2022 in which the company had committed to undertaking a water risk assessment covering its entire value chain. Constellation Brands subsequently conducted an initial assessment, and as a result highlighted a number of facilities operating in regions of high water stress. LAPFF encouraged the company to set targets that would prevent it from negatively impacting water availability in water-scarce areas across its value chain.

In Progress: As part of the Valuing Water Finance Initiative LAPFF is a co-lead investor for Constellation Brands. The company has been included in the 2023 VWFI benchmark, owing to the impact it has on freshwater resources. This benchmark will be used by LAPFF to measure company performance, with the expectation that a meaningful target is set to help mitigate impact on regions of high water stress.

Volvo

Objective: The acceleration in moving to electric vehicles is being seen globally, as auto manufacturers seek to meet net zero targets and reduce the carbon footprint in the life cycle of their vehicles. In this vein, LAPFF sought to meet some heavy goods vehicle (HGV) manufacturers to discuss their role in this transition.

Achieved: LAPFF met with Volvo to discuss its approach to climate change and a net zero transition. The company provided a promising dialogue, giving an in-depth overview of its approach.

In Progress: As legislation tightens in Europe with the Corporate Sustainability Due Diligence Directive, companies will

COMPANY ENGAGEMENTS

have to do further due diligence on their supply chains and will need to ensure greater oversight of their supply chains. LAPFF continues to impress upon vehicle manufacturers the benefits of transparent reporting and enhanced due diligence, whilst seeking to better understand how companies are managing a just transition.

Pay Letters

Objective: How companies distribute capital and reward both their executive directors and wider workforce is important information for investors. In January, the Financial Times published an article looking at real term pay cuts in the FTSE100 but cited a few companies that had paid wage increases to their lowest pay staff above soaring inflation.

Achieved: LAPFF wrote to BT, Vodafone, and Kingfisher, as companies that provided salary increases for their lowest paid members of staff above that of inflation. LAPFF seeks to better understand the considerations around these increases as well as to discuss executive remuneration in the context of the cost-of-living crisis.

In Progress: Kingfisher has responded to LAPFF's request for engagement and a meeting is being organised for the second quarter of 2023.

Occupied Palestinian Territories

Objective: LAPFF members remain concerned about the investment risks associated with companies operating in the Occupied Palestinian Territories (OPT). LAPFF maintains a position that companies considered to have business activities in this area should commission independent human rights risk impact assessments, given that operating in a conflict zone carries heightened human rights, and consequently, business risks.

Achieved: LAPFF wrote to four companies on its target engagement list which it deems to have not engaged in a meaningful manner (or not engaged at all): Mizrahi Tefahot Bank, Isarel Discount Bank, and Bank Hapoalim. LAPFF wrote to all four regarding voting considerations at their respective 2023 AGMs. The Forum is now in dialogue with Bank Leumi.



In Progress: LAPFF will monitor these engagements and consider voting alerts for LAPFF members accordingly.

Chipotle

Objective: LAPFF has engaged with Chipotle Mexican Grill (Chipotle) on its approach to water stewardship since 2019. The initial engagement objective was met during 2022, with the company undertaking an ingredient level water risk assessment to identify areas of water stress within the supply chain. The risk assessment found that a significant percentage of the company's suppliers operate in areas of high water stress. Given the degree of exposure Chipotle has to water risk, LAPFF now considers it imperative the company utilise the results of this risk assessment to set time-bound and context-based targets for water use, focusing on regions it has identified as water stressed from its operations.

Achieved: During March, LAPFF met with Chipotle to discuss the outcome of its water risk assessment undertaken in 2022. This was a direct response to the resolution co-filed by the Greater Manchester Pension Fund, a LAPFF member fund, in 2020. The company had made some notable progress, including the completion of a water stress evaluation for the current state of its supply chain, forecasting the impact of water stress to 2040, and developing a mitigation roadmap to establish water stewardship throughout its operations.

In Progress: LAPFF is the lead investor for Chipotle as part of the Valuing Water

Finance Initiative. During 2023, Chipotle will be benchmarked against peers on its approach to water stewardship. LAPFF will leverage the findings of the benchmark in order to work with the company to develop relevant water use targets and to utilise the results of this risk assessment to set time-bound and context-based targets for water use, focusing on regions it has identified as water stressed from its operations.

Nestlé

Objective: As one of the largest food and beverage companies in the world, Nestlé has a crucial role to play in many parts of its operations, on issues such as the climate crisis, plastics, nutrition, human rights, and a fair and just transition.

Achieved: Chair Paul Bulcke hosted a roundtable with investors in March. He provided a high-level overview of the company's financial and ESG strategies before taking questions from investors. LAPFF asked about the company's approach to reducing Scope 3 emissions, which as demonstrated in its reporting has a large focus on regenerative farming. The company also talked about a fair and just transition in its net zero roadmap, as well as plastics, ShareAction's Healthy Markets campaign (which LAPFF also supports), and executive compensation.

In Progress: LAPFF will continue to monitor Nestlé's progress in these areas and will continue to support ShareAction's Healthy Markets engagement as it progresses.

COLLABORATIVE ENGAGEMENTS

COLLABORATIVE ENGAGEMENTS

SHARE: Amazon

Objective: Amazon has faced criticism in the press for not upholding adequate standards and practices on freedom of association. LAPFF has also heard from Amazon workers on various investor calls about their concerns relating to Amazon's practices on freedom of association. Consequently, LAPFF signed a joint investor letter initiated by Canadian shareholder organisation, SHARE, requesting that Amazon take steps to meet the requests on freedom of association set out in SHARE's shareholder resolution to Amazon's 2022 AGM.

Achieved: LAPFF last year recommended a vote in favour of the SHARE resolution. The company provided what was in LAPFF's view a less than satisfactory response. Notably, in LAPFF's view, the company has completely misconstrued the definition of freedom of association to meet its own interests rather than the standards set out in international labour law. For example, Amazon has cited its compliance with US labour law, which has notoriously poor standards on freedom of association. Over the course of its existence the ILO Committee on Freedom of Association has heard 44 cases against the US and/or individual US states for their laws and practices on this topic.

In Progress: LAPFF's attempts to meaningfully engage with Amazon have failed. In the past, LAPFF has participated in The Big Tent group of investors that have sought meaningful engagement with the company, and LAPFF will seek to continue to engage through this group to obtain progress in this area.

PRI Advance

Objective: LAPFF is pleased to have been selected to join the Principle for Responsible Investment (PRI) Advance working groups for Anglo American and Vale. The initiative is aimed at improving human rights standards in the mining and renewable energy industries.

LAPFF recognises the leverage that collaborative engagements can bring to its own engagements, which are

themselves collaborative. Given LAPFF's extensive work over the last few years on mining and human rights, LAPFF's aim is to help create investor leverage to improve human rights performance at Anglo American and Vale. In LAPFF's experience, improved human rights performance create the conditions for sustainable long-term shareholder returns.

Achieved: LAPFF has now participated in the initial meetings for both the Anglo American and Vale groups. These meetings were structured to identify short, medium, and long-term objectives for the engagements with each company.

It was interesting to hear the different ideas and objectives within each of the groups. It is clear that each working group will structure itself quite differently and will be tailored to a given company's characteristics and challenges. However, members of both groups seemed equally enthusiastic and keen to make progress, so LAPFF is optimistic that this initiative will help to improve human rights practices within the mining industry.

In Progress: LAPFF will continue to work with other investor members in each working group to solidify company objectives, engage with the companies selected for the programme, and liaise with stakeholders affected by the companies' operations.

A General Motors EV1 electric car



CA100+: General Motors

Objective: LAPFF is a member of the CA100+ transport group which is engaging with the largest emitters from the automotive sector. Road transportation is a major contributor to global emissions, the industry faces tightening regulation on emissions standards and some countries have set dates after which the sales of new petrol vehicles will be banned. As such, investors are seeking to ensure that car companies are managing these risks by setting targets and taking action to shift production to electric vehicles.

Achieved: LAPFF participated in a CA100+ collaborative meeting with General Motors. The meeting covered the impact of the Inflation Reduction Act in the US, GM's targets and how GM is planning on reaching its ambitions. The company plans to have capacity in excess of one million EV units in both North America and China by 2025.

In Progress: LAPFF will continue to engage carmakers on their targets, plans, investment, and delivery of targets as well as their approach to public policy engagement.

Asia Research and Engagement (ARE): MUFG and UOB

Objective: LAPFF continues to support company engagements in Asia's financial markets, focusing on carbon and coal

COLLABORATIVE ENGAGEMENTS

risks at financial institutions, as well as coal-exposed power companies.

Achieved: LAPFF joined collaborative calls with both Mitsubishi UFJ Financial Group (MUFG) and United Overseas Bank (UOB). ARE's continued dialogue with Asia's financial institutions provides in-depth conversations about company climate approach and provide valuable insight into how the companies are approaching carbon reduction measures.

In Progress: LAPFF will continue to engage through the ARE, with regular meetings being held each quarter.

Initiative for Responsible Mining Assurance (IRMA)

Objective: During engagements with electric vehicle manufacturers on their approach to responsible mineral sourcing and supply chain due diligence, IRMA has come up in conversation with many of these companies. LAPFF sought a meeting with IRMA to discuss their certification standard for industrial scale mine sites.

Achieved: LAPFF met with Aimee Boulanger, IRMA's Executive Director, and Rebecca Burton, IRMA's Director of Corporate Engagement, to discuss IRMA's standard in greater depth. LAPFF was subsequently invited to, and attended, a finance sector deep dive, held in-person at Anglo Americans office.

In Progress: Both of these meetings with IRMA provided insight into the value of greater due diligence at mine sites and how this can be achieved, in particular through effective multi-stakeholder engagement. It has provided talking points and considerations for engagements with a range of industries going forward, including the mining sector and auto-manufacturers which are being engaged by LAPFF.

Valuing Water Finance Initiative (VWFI)

LAPFF Executive member John Anzani facilitated the first VWFI Task Force meeting of the year. LAPFF is a founding member of the initiative and currently co-chairs the initiative. The meeting was attended by institutional investors from

around the world to discuss updates and progress of the initiative to date. With both company engagement and benchmarking work streams making good progress, LAPFF is well positioned to be at the forefront of driving positive change in this area in 2023.

Investor Initiative for Responsible Care: EU Commissioner

Objective: LAPFF is a member of the Investor Initiative for Responsible Care a coalition of 138 responsible and long-term investors in the care sector with \$4.4 trillion in assets under management. The coalition has been established to address specific investment risks within the sector including around staffing, safety, wages, freedom of association and quality of care. These risks were very apparent in events over the past year at Orpea, the listed French care provider. The group is seeking to engage companies both regarding disclosure but also improving their practices.

Achieved: LAPFF has written to two Real Estate Investment Trusts (REITs) seeking clarification around data and metrics as part of a group initiative to request such information from other care providers and REITs. Alongside engagement with companies, the group has also been engaging public policymakers, including a meeting with the EU Commissioner responsible for care this quarter. The meeting came off the back of a new EU care strategy, and discussions focused on how implementation of the strategy could support the aims of responsible investors in the sector to improve care quality and employment standards to help deliver sustainable returns.

In Progress: LAPFF will continue to participate in the initiative and engage care providers, REITs operating in the sector and where relevant with policymakers.

Follow This

Objective: As an activist investor, Follow This has been filing shareholder resolutions at the oil and gas majors' AGMs since 2016. Having recommended votes in favour of two Follow This resolutions in 2022, at both the Shell and BP AGMs,

LAPFF sought a meeting with Follow This representatives to discuss the organisation's ongoing work.

Achieved: LAPFF met with Mark Van Baal, founder of Follow This, to discuss the organisation's plans for development, both in the immediate future and looking further forward.

In Progress: Follow This has published its resolutions for 2023 and will be considered for voting alerts throughout the year.

Market Forces

Objective: LAPFF has met with Market Forces a number of times over the past couple of years. It is an environmental advocacy project which primarily focuses on financial institutions, although it has published guidance for other sectors.

Achieved: After recommending votes in favour of Market Forces' resolutions at Barclays and Rio Tinto AGMs in 2021, LAPFF met with representatives from the organisation to discuss plans for development in 2023.

In Progress: LAPFF will monitor Market Forces' resolutions and work as the year progresses.

Taskforce on Social Factors

LAPFF is a member of the Taskforce on Social Factors that has been established by the DWP. The taskforce chaired by Luba Nikulina from IFM has been established to look at how investors can best address and manage social factors, including by identifying reliable data and metrics.

The main objectives of the Taskforce are to:

- Identify reliable data sources and other resources, which could be used by pension schemes to identify, assess, and manage financially material social risks and opportunities.
- Monitor and report on developments relating to the International Sustainability Standards Board (ISSB) and other international standards.
- Develop thinking around how trustees can identify, assess, and manage the financial risks posed by modern slavery and supply chain issues.

The taskforce was established by DWP

COLLABORATIVE ENGAGEMENTS



Construction workers in Doha, Qata

following a consultation on the issue. LAPFF responded to the consultation highlighting the importance of social factors in our work and outlining some of the engagements that the Forum has undertaken on social issues for over three decades. The taskforce is comprised of people from the industry and, alongside the DWP, includes observers from the Financial Conduct Authority, Financial Reporting Council, HM Treasury and the Pensions Regulator.

30% Investor Club

Objective: LAPFF continues to support the 30% Club Investor Group, a coalition of investors pushing for women to represent at least 30% of boardroom and senior management positions at FTSE-listed companies. The group has extended its remit globally and has been engaging in different markets, encouraging companies to join regional charters and looking at other aspects of diversity in company practices.

Achieved: LAPFF joined two collaborative engagements this quarter, with Otsuka Corporation and Marubeni Corporation. Both are domiciled in Japan, and neither are currently members of the Japanese 30% Club charter. Whilst they have some way to go in their approaches to gender diversity at board and executive level, both companies provided promising outlooks regarding their approach to supporting women throughout their organisations.

In Progress: The Group is continuing to extend its outreach to companies outside of the UK and is looking at regional considerations for other markets. LAPFF is part of the Group’s Global Workstream subgroup and will be contributing to engagements throughout the year.

Rathbones Votes Against Slavery

Objective: Rathbones undertakes an annual analysis of compliance by FSTE350 companies with section 54 of the Modern Slavery Act. LAPFF views compliance of

this piece of legislation as an indicator of how seriously a company takes modern slavery in its operations. The engagement seeks compliance from those that currently do not meet this standard.

Achieved: LAPFF co-signed letters to 29 companies sent by Rathbones. At the time of publication, this engagement has brought about compliance from 14 of the companies approached, with a number in the process of making changes.

In Progress: LAPFF will monitor compliance levels as the engagement progresses and will join collaborative calls during the year to further explore company approaches to modern slavery.

New York City Comptroller: Migrant Child Labour

Objective: An investigative report published by the New York Times in February 2023 provided evidence that a collection of US companies may be profiting from the use of American suppliers that illegally employ underage migrant

POLICY ENGAGEMENTS

children. Ensuring that companies have controls and processes in place to manage such risks and hold suppliers accountable is an investment imperative for LAPFF.

Achieved: LAPFF co-signed a letter to this group of companies seeking a response and further detail on the allegations around the use of child labour.

In Progress: LAPFF will monitor the response and will support engagements as appropriate.

CONSULTATION RESPONSES

Transition Plan Taskforce

Objective: In 2022, HM Treasury launched the Transition Plan Taskforce (TPT) with the objective of developing the gold standard for climate transition plans. The UK government and the Financial Conduct Authority are involved with the Taskforce with the intention that they will draw on the recommendations to strengthen disclosure requirements.

Done in the right way, transition plan disclosures could enable investors to better understand a company's approach to decarbonising their business model. They are also designed to help companies and investors with regard to developing plans that are integral to company's overall strategy. Given their potential importance, LAPFF responded to a TPT consultation regarding its draft disclosure framework.

Achieved: In LAPFF's previous TPT response, the Forum recommended that just transition implications should be included in the TPT's guidance. It was welcome that just transition issues were included in the draft disclosure framework. LAPFF welcomed this development but considered there to be further scope to integrate these just transition factors across the framework.

LAPFF's response stated that if it was to be a gold standard and in line with UK government policy then transition plans would need to be consistent with a 1.5°C scenario. To ensure consistency and comparability between transition plans, the response also called for a focus on absolute rather than relative emission reductions and greater clarity on definitions of Scope 3 emissions and what is

meant and included within the 'value chains' concept.

In Progress: LAPFF will where possible continue to engage with the TPT, including around the issue of further integrating the just transition into its recommendations.

LAPFF WEBINARS

All-Party Parliamentary Group

The LAPFF-supported All-Party Parliamentary Group for Local Authority Pension Funds held a meeting on affordable housing and the LGPS. The meeting came off the back of government calls for the LGPS to increase local investment and the chancellor has stated that the government will consult on requiring LGPS funds to consider illiquid asset investment opportunities. There have also been other calls for the LGPS funds to scale up place-based investment and invest more in social and affordable housing.

To discuss the issues, the speakers at the meeting, chaired by Clive Betts MP, were Cllr John Gray (Vice-Chair, Local Authority Pension Fund Forum); Paddy Dowdall (Assistant Executive Director at Greater Manchester Pension Fund); Helen Collins (Head of Affordable Housing, Savills); and John Butler (Finance Policy Lead, National Housing Federation).

The discussion covered housing investments that LGPS funds were already making as well as some of the barriers to doing more. The meeting highlighted challenges of scaling up investment in affordable or social housing without additional government funding as well as issues around scale and the lack of investible projects.

MEDIA COVERAGE

Water Risk

ESG Investor: [Investors Seek to Turn the Tide on Water Risk](#)

Say on Climate

IPE: [Investors call for voting on 'Say on Climate'](#)

Pensions Age: [LAPFF calls for shareholder vote on greenhouse emissions](#)

ESG Investor: [Investors demand 'Say on Climate' at FTSE Listed Firms](#)

Net Zero Investor: [Investors demand vote on climate transition plans at FTSE firms](#)

Investment Week: [Shell directors sued over 'flawed' climate plan](#)

Lexology: [Investors step up pressure on boards to keep pace with climate targets in upcoming AGM season](#)

The MJ: [Public sector pension funds call for 'Say on Climate' vote](#)

The Actuary: [Public-sector pension funds seek carbon vote](#)

ESG Investor: [New Ideas, Better Teamwork in Pursuit of Paris Goals](#)

Local Gov: [Public sector pension funds call for 'Say on Climate' vote](#)

LAPFF Executive

Local Government Chronicle: [Rodney Barton receives LGC Investment lifetime achievement award](#)

Social Factors

Pensions Age: [Taskforce on Social Factors launched with DWP support](#)

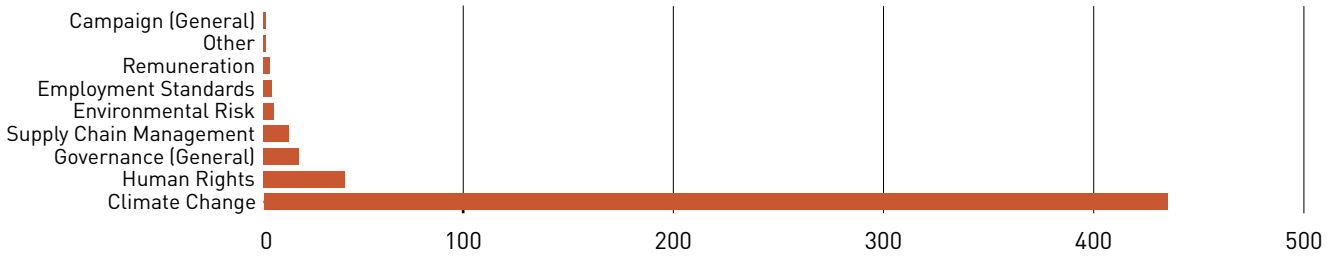
Professional Pensions: [DWP launches social factors taskforce for industry](#)

ESG Clarity: [UK pensions social taskforce launches to address data gap](#)

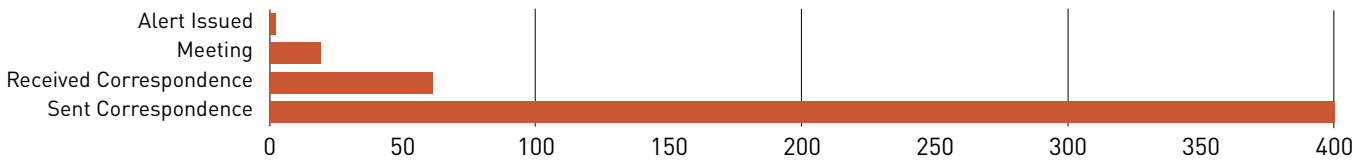
Pensions and Investments: [UK task force sets out to help asset owners with social considerations](#)

ENGAGEMENT DATA

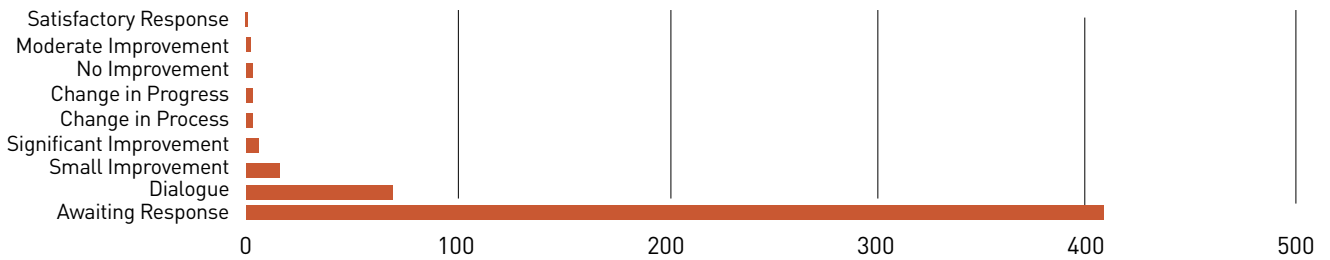
ENGAGEMENT TOPICS



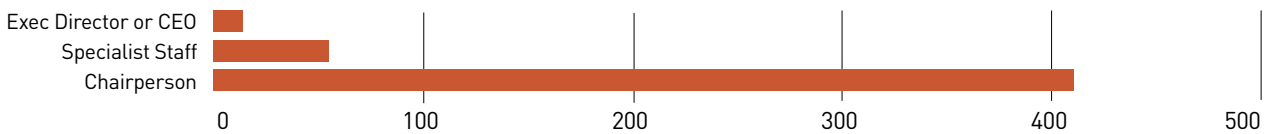
ACTIVITY



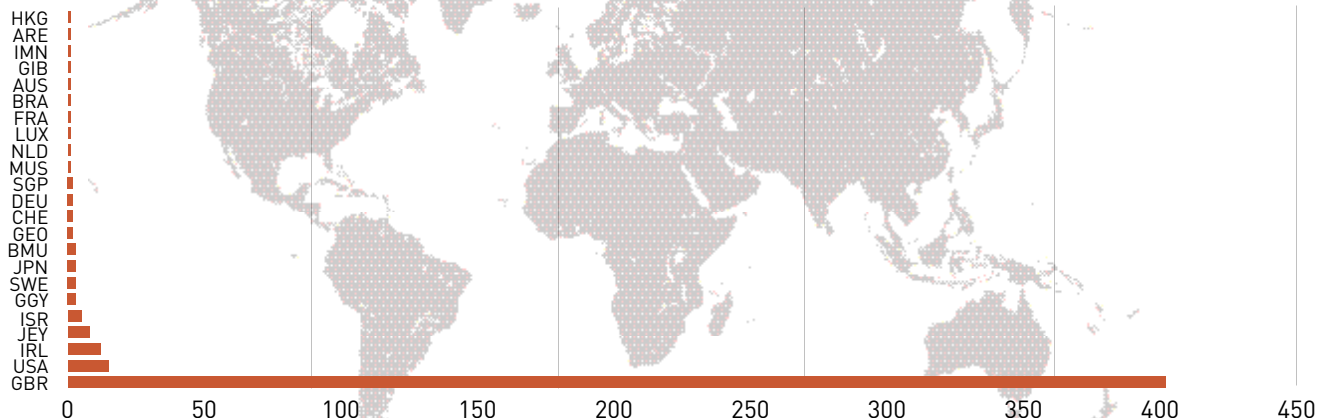
MEETING ENGAGEMENT OUTCOMES



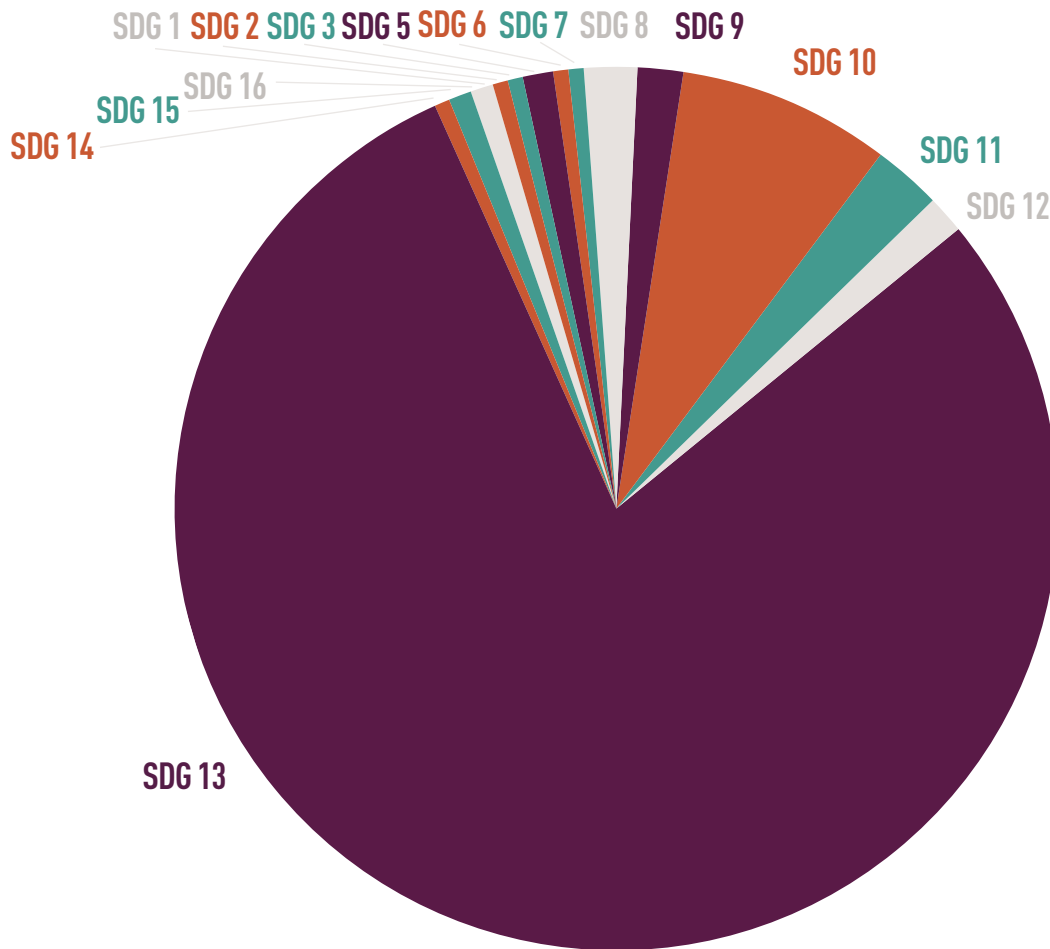
POSITION ENGAGED



COMPANY DOMICILES



ENGAGEMENT DATA



LAPFF SDG ENGAGEMENTS

SDG 1: No Poverty	1
SDG 2: Zero Hunger	3
SDG 3: Good Health and Well-Being	3
SDG 4: Quality Education	0
SDG 5: Gender Equality	5
SDG 6: Clean Water and Sanitation	4
SDG 7: Affordable and Clean Energy	3
SDG 8: Decent Work and Economic Growth	10
SDG 9: Industry, Innovation, and Infrastructure	9
SDG 10: Reduced Inequalities	38
SDG 11: Sustainable Cities and Communities	10
SDG 12: Responsible Production and Consumption	7
SDG 13: Climate Action	426
SDG 14: Life Below Water	3
SDG 15: Life on Land	4
SDG 16: Peace, Justice, and Strong Institutions	4
SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development	0

COMPANY PROGRESS REPORT

397 companies were engaged over the quarter. This number includes 368 letters sent to the FTSE All Share on presenting a climate transition plan to shareholders for approval at their AGMs. Letters were not sent to investment trusts. Excluding this engagement, LAPFF engaged with 54 companies.

Company/Index	Activity	Topic	Outcome
ADIDAS AG	Sent Correspondence	Human Rights	Awaiting Response
AIA GROUP LTD	Meeting	Climate Change	Awaiting Response
AIRTEL AFRICA PLC	Received Correspondence	Governance (General)	Dialogue
AMAZON.COM INC.	Sent Correspondence	Human Rights	Awaiting Response
ASSOCIATED BRITISH FOODS PLC	Sent Correspondence	Human Rights	Awaiting Response
BANK HAPOALIM B M	Sent Correspondence	Human Rights	Awaiting Response
BANK LEUMI LE-ISRAEL BM	Sent Correspondence	Human Rights	In Dialogue
BARCLAYS PLC	Sent Correspondence	Climate Change	Awaiting Response
BERKSHIRE HATHAWAY INC.	Sent Correspondence	Human Rights	Awaiting Response
BIFFA PLC	Received Correspondence	Governance (General)	Significant Improvement
BRITVIC PLC	Meeting	Campaign (General)	Dialogue
BT GROUP PLC	Sent Correspondence	Remuneration	Awaiting Response
CENTAMIN PLC	Received Correspondence	Governance (General)	Change in Progress
CHIPOTLE MEXICAN GRILL INC	Meeting	Environmental Risk	Small Improvement
CLS HOLDINGS PLC	Sent Correspondence	Governance (General)	Awaiting Response
CONSTELLATION BRANDS INC.	Meeting	Environmental Risk	No Improvement
DIRECT LINE INSURANCE GROUP PLC	Received Correspondence	Governance (General)	Dialogue
DRAX GROUP PLC	Received Correspondence	Environmental Risk	Small Improvement
FORD MOTOR COMPANY	Sent Correspondence	Human Rights	Awaiting Response
FRASERS GROUP PLC	Sent Correspondence	Governance (General)	Awaiting Response
GENERAL MILLS INC	Sent Correspondence	Human Rights	Awaiting Response
GENERAL MOTORS COMPANY	Meeting	Climate Change	Change in Process
GENUIT GROUP PLC	Received Correspondence	Governance (General)	Significant Improvement
GRAFTON GROUP PLC	Received Correspondence	Governance (General)	Significant Improvement
HENNES & MAURITZ AB (H&M)	Sent Correspondence	Human Rights	Awaiting Response
HILL & SMITH PLC	Received Correspondence	Governance (General)	Dialogue
ICADE	Meeting	Employment Standards	Dialogue
ISRAEL DISCOUNT BANK LTD	Sent Correspondence	Human Rights	Awaiting Response
JBS SA	Sent Correspondence	Human Rights	Awaiting Response
JD SPORTS FASHION PLC	Received Correspondence	Governance (General)	Significant Improvement
JTC PLC	Received Correspondence	Governance (General)	Change in Progress
KINGFISHER PLC	Sent Correspondence	Remuneration	Awaiting Response
MARUBENI CORP	Meeting	Diversity Equity and Inclusion	Small Improvement
MCDONALD'S CORPORATION	Meeting	Supply Chain Management	No Improvement
MITSUBISHI UFJ FINANCIAL GRP	Meeting	Climate Change	Dialogue
MIZRAHI TEFAHOT BANK LTD	Sent Correspondence	Human Rights	Awaiting Response
NCC GROUP PLC	Received Correspondence	Governance (General)	Significant Improvement
NESTLE SA	Meeting	Climate Change	Small Improvement
NEXT PLC	Sent Correspondence	Human Rights	Awaiting Response
OTSUKA CORPORATION	Meeting	Diversity Equity and Inclusion	Small Improvement
PEPSICO INC.	Sent Correspondence	Human Rights	Awaiting Response
RIO TINTO PLC	Alert Issued	Climate Change	Dialogue
RPS GROUP PLC	Received Correspondence	Governance (General)	Dialogue
SHELL PLC	Sent Correspondence	Climate Change	Awaiting Response
STANDARD CHARTERED PLC	Sent Correspondence	Climate Change	Awaiting Response
STARBUCKS CORPORATION	Alert Issued	Social Risk	Dialogue
THE KRAFT HEINZ COMPANY	Meeting	Other	No Improvement
TP ICAP GROUP PLC	Received Correspondence	Governance (General)	Significant Improvement
UNILEVER PLC	Sent Correspondence	Human Rights	Awaiting Response
UNITED OVERSEAS BANK LTD	Meeting	Climate Change	Moderate Improvement
VIDENDUM PLC	Received Correspondence	Governance (General)	Change in Progress
VODAFONE GROUP PLC	Sent Correspondence	Remuneration	Awaiting Response
VOLVO AB	Meeting	Environmental Risk	Dialogue
WALMART INC.	Sent Correspondence	Human Rights	Awaiting Response

LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

Avon Pension Fund	Enfield Pension Fund	Leicestershire Pension Fund	Suffolk Pension Fund
Barking and Dagenham Pension Fund	Environment Agency Pension Fund	Lewisham Pension Fund	Surrey Pension Fund
Barnet Pension Fund	Essex Pension Fund	Lincolnshire Pension Fund	Sutton Pension Fund
Bedfordshire Pension Fund	Falkirk Pension Fund	London Pension Fund Authority	Swansea Pension Fund
Berkshire Pension Fund	Gloucestershire Pension Fund	Lothian Pension Fund	Teeside Pension Fund
Bexley (London Borough of)	Greater Gwent Pension Fund	Merseyside Pension Fund	Tower Hamlets Pension Fund
Brent (London Borough of)	Greater Manchester Pension Fund	Merton Pension Fund	Tyne and Wear Pension Fund
Cambridgeshire Pension Fund	Greenwich Pension Fund	Newham Pension Fund	Waltham Forest Pension Fund
Camden Pension Fund	Gwynedd Pension Fund	Norfolk Pension Fund	Wandsworth Borough Council Pension Fund
Cardiff & Glamorgan Pension Fund	Hackney Pension Fund	North East Scotland Pension Fund	Warwickshire Pension Fund
Cheshire Pension Fund	Hammersmith and Fulham Pension Fund	North Yorkshire Pension Fund	West Midlands Pension Fund
City of London Corporation Pension Fund	Haringey Pension Fund	Northamptonshire Pension Fund	West Yorkshire Pension Fund
Ciwyd Pension Fund (Flintshire CC)	Harrow Pension Fund	Nottinghamshire Pension Fund	Westminster Pension Fund
Cornwall Pension Fund	Havering Pension Fund	Oxfordshire Pension Fund	Wiltshire Pension Fund
Croydon Pension Fund	Hertfordshire Pension Fund	Powys Pension Fund	Worcestershire Pension Fund
Cumbria Pension Fund	Hillingdon Pension Fund	Redbridge Pension Fund	
Derbyshire Pension Fund	Hounslow Pension Fund	Rhondda Cynon Taf Pension Fund	Pool Company Members
Devon Pension Fund	Isle of Wight Pension Fund	Scottish Borders Council Pension Fund	Border to Coast Pensions Partnership
Dorset Pension Fund	Islington Pension Fund	Shropshire Pension Fund	LGPS Central
Durham Pension Fund	Kensington and Chelsea (Royal Borough of)	Somerset Pension Fund	Local Pensions Partnership
Dyfed Pension Fund	Kent Pension Fund	South Yorkshire Pension Authority	London CIV
Ealing Pension Fund	Kingston upon Thames Pension Fund	Southwark Pension Fund	Northern LGPS
East Riding Pension Fund	Lambeth Pension Fund	Staffordshire Pension Fund	Wales Pension Partnership
East Sussex Pension Fund	Lancashire County Pension Fund	Strathclyde Pension Fund	

PENSION BOARD

6 JUNE 2023

BUSINESS PLAN

Recommendation

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

Background and update

2. A rolling, quarterly Business Plans is produced and no matters have been identified that need to be escalated.
3. The average target turnaround for April 2023 and the LGPS year 2022 / 2023 for all 12 pensions administration KPIs has been met.
4. A scoping exercise of internal systems controls and existing workflows is being undertaken alongside the Council's Internal Audit team. A plan will be formulated and brought to future meetings with an update on progress.
5. In respect of the systems procurement exercise, work is underway with the procurement team to complete the relevant documents to be submitted shortly to the Council's Commercial Board.
6. The process of completing documentation to sign up for the LGPS National framework has begun to enable the procurement of actuarial services, in conjunction with the Council's procurement team.
7. The Fund has successfully recruited to the post of Governance Lead, Systems & Projects Lead, Project Officer (that was an internal appointment) and to one of the vacant Pension Business Support positions as an apprenticeship through the Council. The remaining 4 vacancies are being held intentionally to support ongoing training needs within the team.
8. The Fund's key projects are on schedule for completion.

Supporting information

- Appendix - Business Plan May 2023

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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 May 2023

MANAGEMENT SUMMARY

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

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

- I. Our latest pensions administration KPIs are reassuring and in line with targets set.
- II. We have not had to report anything to The Pensions Regulator since the last quarterly, rolling Business Plan.
- III. In 2022 / 2023 we had 2 data breaches (starter information sent to wrong member and an incorrect email placed on a member record, both due to manual error), 8 IDRPCs, an FOI (about our AVC provider), and 0 complaints.
- IV. Our Fund performance for the quarter to 31 03 2023 of 2.7% was 0.5% below the benchmark that was 3.2%.
- V. Our projects / budgets are on schedule and members' attention is drawn to our list of projects in section 3 (Looking Ahead).

1. THE LATEST ON INVESTMENT / FUNDING / FINANCE

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

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

1.8 As PEL, our existing supplier of risk and return analyses, will cease trading by the end of June, we have been in negotiations to source an alternative supplier. It is envisaged that Hyman's Robertson will take over the existing PEL business, providing us with a like-for-like service.

1.9 The Fund's 2023 submission to retain signatory status to the 2020 UK Stewardship Code is currently in its final draft stages. Cold reviews have been conducted by Officers and our independent investment advisor. The latest draft is undergoing final review with the Pensions Committee Chair. The collaboration with LGPSC, our key ESG and RI partner, has continued as part of this latest submission.

1.10 The fund's draft Financial Statements are currently at the early stages of production due to the timing of account finalisation by the Fund's custodian. System entries are planned to cease by 15 May 2023. At that point we will have a confirmed set of accounts upon which to produce a set of Financial Statements.

1.11 Completion of the Fund's Annual Report will run in parallel to that of the Financial Statements and draft updates / supporting narrative have been prepared.

1.12 We are finalising the process of re-procuring our independent investment adviser.

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

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

2 THE LATEST ON ADMINISTRATION

Actuarial services procurement:

Our current provider of actuarial services' contract expires at the end of October 2023. We are preparing the preliminary documents to begin the process of tendering for these services using the LGPS National Framework.

Dashboards:

The staging deadline for public sector schemes has been put back to 30 Sep 2024. Value data will be required from 1 April 2025. Deferred refunds will not be in scope at outset. There has been a consultation re which we await the results on dashboard standards and guidance, and a call for input on the design standards. We attended a PLSA webinar on 20 April.

Work is continuing within the projects team to review the data which has been identified to be used as 'member matching data'. This will ensure that we are meeting compliance in respect of our data quality.

Data quality:

An extract of our data on 17 November 2022 using Insights has revealed that the quality of our data remains at a high level when compared to the 5 October 2021 extract.

The percentage of member records passing ALL tests required by The Pensions Regulator was:

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

In the core list of TPR 'common data' tests our pass rates were: National Insurance Number 99.95% (100%); Name 100% (100%); Sex and Date of Birth 100% (100%); Date Commenced and Normal Retirement Date 100% (99.9%); Status 100% (100%); and Address 93.5% (94.8%).

In the core list of TPR 'scheme-specific data' tests our pass rates were: Member Benefits 99.6% (99.9%); Member Details 99.5% (99.9%); CARE benefits 98.7% (98.0%); HMRC 99.8% (100%); and Contracting Out 98.8% (98.5%).

We will be developing a data improvement policy and plan to resolve the issues identified and how we will manage data held going forward.

Employer changes:

We were made 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) 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 on 1 November 2022.
- 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.
- Two Herefordshire schools, Bredenbury Primary and St Peters Primary, joining Queen Elizabeth Academy on 1 September 2022 that will thereafter be called Three Counties Academy Trust.
- Ridgeway joining The Shires MAT on 01 09 2022.
- Far Forest Lea Memorial Primary joining Severn Academies Educational Trust on 1 September 2022.
- Rushwick joining Diocese of Worcester MAT on 1 January 2023.
- The Forge joining Central Learning Partnership Trust.
- Leigh and Bransford Primary School joining Mercian Education Trust.
- Civica UK employees transferring back as a shared service called South Worcestershire Revenue and Benefits, within Malvern Hills DC.
- Lickhill Academy joined Central Regions School Trust on 1 January 2023.
- Lewis Cleansing St Mary's terminating.
- Premier Support Services joining as a new employer.

- Brookfield joining Mercian Education Trust from 1 April 2023.
- The Chantry High School and John Kyrle High School & Sixth Form Centre will be joining the Heart of Mercia Multi Academy Trust on 1 September 2023.
- Kindred (previously Ridge Crest Cleaning Services) (Bishop Perowne) leaving on 31 March 2013.

Engagement:

In the LGPS year 2022 / 2023 our website was visited 80,317 times, with those visits resulting in 87,848 pages being viewed. The respective figures in 2021 /2022 were 44,567 and 66,100.

On 3 May we issued an invitation to participate in an online survey to our employer contacts to strengthen our understanding of what is important to them and to improve how we can support them going forward. The bottom line from the 14 responses to date is that they rate the service we provide as 3.57 out of 4 stars where the options are to choose 1 star, 2 stars, 3 stars and 4 stars. The content of our new website is rated 3.43 out of 4 stars, and its look and feel is rated 3.5 out of 4 stars.

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

FRS:

We have supplied employers with a 31 March year end the required information for their accounts.

Governance:

A Governance Update is tabled at Board / Committee meetings covering our activities and the risks facing us in this area. The key take-aways are that WCC have appointed a new CFO and Heywood's annual (2022) cyber risk review has passed muster.

Following a discussion with WCC Internal Audit we will be reviewing several of our current workflow processes and internal systems controls. We have currently scoped the project by focusing on the workflows which deliver our KPI information. Further updates on progress will be shared at subsequent board and committee meetings.

KPIs:

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

As detailed below in April 2023 and for the full LGPS year 2022 / 2023, we met our average target turnaround for all 12 of our key measured processes.

In April 2023 were 38 deaths, compared to the average monthly no of deaths in 19/20 of 15; in 20/21 of 25; in 21/22 of 36; and in 22/23 of 41. Note: On deaths we will regularly have a percentage not within KPI, as we wait to see if the money is returned on the BACS return before calculating under/overpayment.

Activity / Process	Number processed in Apr 2023	% Processed within KPI in Apr 2023	Av turnaround (working days) in Apr 2023	Target turnaround (working days)	Full year 2022 / 2023 average number processed per month
Joiners notification of date of joining	271	99	9	40	331
Process and pay refund	44	89	8	10	68
Calculate and notify deferred benefits	158	98	8	30	164
Letter notifying actual retirement benefits	37	100	2	15	45
Letter notifying amount of dependant's benefits	8	100	1	10	17
Letter acknowledging death of member	38	95	2	05	41
Letter detailing CETV for divorce	2	100	1	45	10
Letter notifying estimate of retirement benefits	122	100	2	15	122
Letter detailing transfer in quote	8	100	3	10	52
Process and pay lump sum retirement grant	112	100	12	23	99
Letter detailing transfer out quote	23	91	10	10	43
Letter detailing PSO implementation	0	n/a	n/a	15	0

Activity / Process	Number processed for full year 2022 / 2023	% Processed within KPI for full year 2022 / 2023	Av turnaround (working days) for full year 2022 / 2023	Target turnaround (working days)
Joiners notification of date of joining	3979	94	15	40
Process and pay refund	826	93	5	10
Calculate and notify deferred benefits	1968	99	7	30
Letter notifying actual retirement benefits	546	99	2	15
Letter notifying amount of dependant's benefits	205	98	3	10
Letter acknowledging death of member	493	79	4	05
Letter detailing CETV for divorce	128	100	2	45
Letter notifying estimate of retirement benefits	1471	99	3	15
Letter detailing transfer in quote	634	98	2	10
Process and pay lump sum retirement grant	1188	100	14	23
Letter detailing transfer out quote	524	96	3	10
Letter detailing PSO implementation	2	100	4	15

The number of flexible retirements processed over the last 3 years, using data from the Insights reporting tool, are: 2022: 21; 2021: 11; 2020: 2; and 2019: 3.

In 2022 /2023 we wrote off 10 cases (for £171.67; £198.03; £162.82, £144.35; £106.87; £502.86; £189.18; £163.19; £103.16; and £115.50).

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

Legal support:

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

McCloud:

On 6 April DLUHC published its [response](#) to its consultation on the changes required to the LGPS to address the discrimination outlined in the McCloud judgment. There are some areas where DLUHC has delayed decisions, including aggregation and flexible treatment, pending a further consultation. The intention is that the final regulations will come into force on 1 October 2023, with backdated effect from 1 April 2014.

Pensions administration system procurement:

We are progressing with the procurement of the pensions administration system, working with the WCC procurement team to submit the relevant completed documentation to the June WCC Commercial Board for approval.

Public sector exit payments:

We added text to our redundancy retirement paperwork and 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 (the Godwin case) and surviving male civil partners where male survivors remain entitled to a lower survivor benefit than a comparable same-sex survivor. We have sorted our two male civil partners. We are awaiting regulatory guidance on our opposite-sex widowers re which we expect DLUHC to legislate. We also expect DLUHC to legislate to remove the current death grant upper age limit of 75.

Staffing:

We have recruited successfully to the following positions: Governance Lead, Systems & Projects Lead, Project Officer (that was an internal appointment) and one of the vacant Pension Business Support positions offering an apprenticeship.

We currently have the following vacancies across the service to recruit to: Communication & Training Lead, Governance Officer, Pensions Officer and Business Support.

Training:

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

3 LOOKING AHEAD

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

Projects May 2023	Started	Jun 23	Jul 23	Aug 23	Sep 23	Oct 23	Nov 23	Dec 23	Jan 24	Feb 24	Mar 24	Apr 24	May 24	Jun 24	Jul 24	Aug 24	Comments
11 LGPSC budget		Cttee				Cttee		Cttee			Cttee			Cttee			√ to date and scheduled
12 Annual Report & Accounts / associated docs (30 09 23)		Cttee		signed off	Publish	Cttee								Cttee		signed off	2023 scheduled
15 ONS Inc / Expend return			¼ rtn			¼ rtn			¼ rtn			¼ rtn			¼ rtn		√ to date and scheduled
16/17 DLUHC SF3 LGPS Funds account (31 08 23)					Annual												scheduled
18 TPR Annual return /survey							Annual				Survey						scheduled
19 CEM investment benchmarking (31 07 23)			Annual												Annual		scheduled
2 GMP equalisation	TBD																awaiting guidance NB non-club TVouts 1990 to 1997 in scope
4 Valuation / FSS / pots / admis term etc policies		Cttee				Cttee		Cttee			Cttee			Cttee			√2022 actuarial valuation
32 Reprocure pension admin system (30 04 2024)	May-20																Aiming to take approval for re-procurement to Commercial Board June 23
10 Pension Administration Strategy review (01 04 24)										consult	Cttee	publish					√2023
13 Review data quality						Insight results											scheduled
25 Revalue CARE accounts (30 04 2024)												System config.					√2023
26 Provide FRS info		Millbrook	Coll	Ac				admit bods			Sch			Millbrook	Coll	Ac	√ to date and scheduled
3 Branding and digital strategy (MSS)	Oct-18																website redesign completed
20 Monitor employer covenants / pots / conts		Cttee				Cttee		Cttee	ask ers		Cttee	reset erconts		Cttee			Pfaroe in place and 'All about investment pots' updated
21 Deferred annual benefit statements (31 08 23)		Annual	Q manag											Annual	Q manag		on schedule: newsletter and statement drafted
22 Employee annual benefit statements (31 08 23)				Annual	Q manag						Y/End					Annual	on schedule
23 Pensioner P60s (30 04 24)		Q manag											Annual	Q manag			√2023
24 Payslips reflecting pension increase (30 04 24)												Annual					√2023
27 Pension Savings Statements (06 10 23)						Annual											scheduled
29 Pensioner newsletter / life cert (30 11 23)							Annual										2023 scheduled
28 /30 Good Governance incl TPR	TBD	Cttee				Cttee		Cttee			Cttee			Cttee			new WCC CFO appointed
33 McCloud	Aug-20	Cttee				Cttee		Cttee			Cttee			Cttee			
5/6 Review of Asset Allocation / ISS (31 05 23)		Cttee Sub			Sub	Cttee	Sub	Cttee			Cttee			Cttee Sub			ISS 2023 completed
9 Increase assets managed by LGPS Central Limited	Feb-19	Cttee Sub				Cttee		Cttee			Cttee			Cttee Sub			looking into infrastructure / private equity / sustainable equity
34 Progress the Fund's RI journey	Jan 20	Cttee				Cttee		Cttee			Cttee			Cttee			ESG workshop held on 8 Feb
35 Pensions Dashboards (2024)	Feb 22	Cttee				Cttee		Cttee			Cttee			Cttee			Heywood asked for data quality report
37 Reprocurements other than pensions admin system			CPH Docmai			Mercer					Legal				CPH Docmai		Started actuarial services procurement May 2023

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PENSION BOARD

6 JUNE 2023

TRAINING UPDATE

Recommendation

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

Background

2. The Board reviewed the Fund's [Training Policy & Programme](#) at [its meeting on 3 March 2023](#).
3. Since then the Fund's Training Officer has passed over some of her previous duties to our new members of staff and moved to working two days a week on training.
4. The Head of Pensions Administration and the Training Officer provided Worcestershire County Council's HR department with a training session on their employer responsibilities in the LGPS.
5. The Training Officer has been developing an induction (to Worcestershire Pension Fund) course for new members of staff and produced training notes on aggregation (of previous benefits with current LGPS benefits).
6. Following the March 2023 review of the Fund's Risk Register, progress in developing mitigating actions for four risks will henceforth be reported in our Training Updates, so that members can assess whether further mitigating actions are appropriate:
 - a) WPF 02 Insufficient knowledge amongst members of Pensions Committee / Pension Board / Pension Investment Sub Committee members;
 - b) WPF 03 Failure of officers to maintain a sufficient level of knowledge / competence or to act in accordance with our roles and responsibilities matrix;
 - c) WPF 21 Failure of business continuity planning; and
 - d) WPF 27 Incorrect calculation of benefits through human error or delayed notification of a death.
7. Progress in mitigating the four risks since the last quarterly Board / Committee cycle has included Officers participating in various scheme / industry groups / fora to keep up to date on pensions issues. These have included attending a PLSA webinar on Pensions Dashboards on 20 April. Officers have also been continuing to review specialist publications.

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Background Papers

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

PENSION BOARD

6 JUNE 2023

RISK REGISTER

Recommendation

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

Background and update

2. The Risk Register is kept under regular review and, following the May 2023 review by Officers, and an updated Risk Register is attached as an Appendix.
3. Following the February 2023 review of the Register that resulted in the number of risks being included in the Register being reduced from 32 to 16. 5 risks are being covered in the Governance Update and 4 risks are being covered in the Training Update.
4. The May 2023 review added no new risks and resulted in no increases or increases to risk scores.
5. Mitigating actions have been updated for:
 - a) **new measures** e.g. Following a discussion with WCC Internal Audit we will be reviewing several of our current workflow processes and internal systems controls. We have currently scoped the project by focusing on the workflows which deliver our KPI information; and
 - b) **previous measures that have been completed / developed further / have changed timelines** e.g. We have recruited to the Governance Lead, Systems & Projects Lead, Project Officer (that was an internal appointment) and one of the vacant Pension Business Support positions and had the annual reviews of our governance material approved by Committee. The Council's IT team have confirmed that Heywood's annual (2022) cyber risk review has passed muster.

Supporting information

- Appendix - WPF Risk Register May 2023

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Background Papers

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

Risk Register

As at May 2023

About this Risk Register

The following colour coding is used for the 16 residual risk scores:

- Red ≥ 45 (03 risks)
- Amber ≥ 25 but < 45 (8 risks)
- Green < 25 (5 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 Feb 2023 in this case).

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

The 16 risks logged in this register are in highest Residual Risk Score order (shown in brackets):

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

WPF Risk Register May 2023 Risk Area (risk owned by)	Risk number (risk owned by)	Description of Risk	Leading to	Gross Impac t	Gross Prob- ability	Gross Risk Score	Mitigating Actions	Resi- dual Impac t	Resi- dual Prob- ability	Resi- dual Risk Score
INVESTMENT / FUNDING							In this risk area the Pension Investment Sub Committee supported by advice from our independent investment adviser monitors market conditions; emerging legislation that could affect us (in areas such as our asset allocation, climate change, and asset pooling); and the performance of our investment managers. The Pensions Committee and Officers supported by advice from our investment adviser review our key governance documents that include our Climate Change Risk Strategy / Funding Strategy Statement / Investment Strategy Statement along with quarterly risk, return and ESG analyses of our investments. We are a working member and shareholder of LGPSC: Shareholders meetings and the Practitioners Advisory Form (PAF) meetings with the pool's investment managers are taking place regularly. The pool has a number of work streams: investments; client reporting; finance; responsible investment; and governance. The LGPSC Partner Fund Investment Working Group meets monthly with LGPSC to explore new investment opportunities and to discuss and monitor performance / the strategy agreed by LGPSC shareholders.			
INVESTMENT / FUNDING	WPF 12 (Chief Financial Officer)	Mismatch in asset returns and liability movements.	Exposure to risk or missing investment opportunities or increases in employer contributions.	25	3	75	The Fund maintains a well diversified portfolio. Our Investment Strategy Statement 2023 was approved by the Pensions Committee on 22 March 2023. Whole Fund and individual employer funding positions / contribution rates, actuarial valuation assumptions and mortality / morbidity experience have been reviewed as part of the as at 31 03 2022 actuarial valuation and its report was approved by the Pensions Committee on 22 March 2023. Ideas are always encouraged by Officers who also carry out peer group discussions.	25	2	50

WPF Risk Register May 2023 Risk Area (risk owned by)	Risk number (risk owned by)	Description of Risk	Leading to	Gross Impac t	Gross Prob- ability	Gross Risk Score	Mitigating Actions	Resi- dual Impac t	Resi- dual Prob- ability	Resi- dual Risk Score
INVESTMENT / FUNDING	WPF 34 (Chief Financial Officer)	Inflation	Higher employer pay settlements leading to increases in liabilities. Lower real investment returns requiring increases in employer conts and leading to weaker employer covenants. Increased pension payments putting pressure on liquidity	25	2	50	We monitor our funding position quarterly and our cashflow monthly. We are primarily an investor in equities that via dividends have historically maintained real rates of return. We also invest in assets whose returns move with inflation e.g. infrastructure, real estate, and index-linked Government bonds. As part of the actuarial valuation as at 31 March 2022 we have amended our inflation assumptions. We intend to develop the investment pots further to provide greater inflation protection.	25	2	50

WPF Risk Register May 2023 Risk Area (risk owned by)	Risk number (risk owned by)	Description of Risk	Leading to	Gross Impac t	Gross Prob- ability	Gross Risk Score	Mitigating Actions	Resi- dual Impac t	Resi- dual Prob- ability	Resi- dual Risk Score
INVESTMENT / FUNDING	WPF 23 (Chief Financial Officer)	Employers cannot pay their contributions or take on an inappropriate level of risk or their contributions take them too close to limits of their available expenditure.	Increase in liabilities.	20	3	60	We consulted employers on some changes to our Funding Strategy Statement that were approved by the Pensions Committee on 22 March 2023. Risk profile analysis is performed to understand the strength of an employer's covenant when setting the terms of admission agreements (that may require bonds). In setting the term of deficit recovery periods and employer at actuarial valuations, we aim to keep employer contributions as stable and affordable as possible. We monitor membership profiles and changes, ensure that employers are reminded of their responsibilities where this is appropriate and work with at risk employers. We analyse selected employers' financial metrics using Mercer's Pfaroe tool. We have employer grouped investment strategies.	20	2	40
							INVESTMENT / FUNDING			

WPF Risk Register May 2023 Risk Area (risk owned by)	Risk number (risk owned by)	Description of Risk	Leading to	Gross Impac t	Gross Prob- ability	Gross Risk Score	Mitigating Actions	Resi- dual Impac t	Resi- dual Prob- ability	Resi- dual Risk Score
INVESTMENT / FUNDING	WPF 11 (Chief Financial Officer)	Failure to pool assets using LGPS Central Limited.	Lack of compliance with legislation / government guidance.	25	3	75	Formal asset-transition procedures are in place. We are monitoring developments following the Budget on 15 March 2023. We will take legal advice before not pooling our assets and monitor the willingness of the pool to invest in the sort of assets that could have a positive impact on future funding levels. The first transfers of our assets (in emerging markets and corporate bonds) were undertaken in July 2019 / Feb 2020. We have also transitioned assets to LGPSC's All World Climate Multi Factor Fund and Sustainable Equities Active Fund.	15	2	30
INVESTMENT / FUNDING Page 58	WPF 08 (Chief Financial Officer)	Failure to appoint suitable investment managers / advisers and review their performance / markets / contracts.	Investment underperforma nce / regulatory non- compliance / paying too much in fees.	25	3	75	We place managers on watch as appropriate. We review our investment managers' internal control reports and report any significant exceptions to the Chief Financial Officer. Objectives for our independent investment adviser are reviewed and reported to Committee every 6 months.	25	1	25
INVESTMENT / FUNDING	WPF 13 (Chief Financial Officer)	Liquidity / cash flow is not managed correctly.	Assets may need to be sold at unplanned times or investment opportunities may be missed.	15	2	30	Cash flow is monitored on a monthly basis. We have under 15% of total net assets exposure to illiquid assets. All contributing employers are provided with deadlines for payments and clear guidelines for providing associated information. We monitor contributions payable and paid on a monthly basis and also reconcile to E5 (our accounting system) on a monthly basis.	15	1	15

WPF Risk Register May 2023 Risk Area (risk owned by)	Risk number (risk owned by)	Description of Risk	Leading to	Gross Impac t	Gross Prob- ability	Gross Risk Score	Mitigating Actions	Resi- dual Impac t	Resi- dual Prob- ability	Resi- dual Risk Score
INVESTMENT / FUNDING	WPF 14 (Chief Financial Officer)	Failure to exercise proper stewardship of our assets.	Potential erosion of investment returns or reputational damage.	15	2	30	Having achieved signatory status to the UK Stewardship Code 2020 in 2021, we have retained our status in 2022 and will work on the areas the FRC identified that we could improve on for our 2023 application. We have reviewed the responses from a Nov 2022 online pensioners questionnaire about our stewardship. We participate in LAPFF and other groups. We ran an ESG / responsible investment workshop on 8 February for Board, Committee, and Investment Sub-Committee members.	15	1	15
ADMINISTRATION							In this risk area we have restructured and increased our headcount to 34 to provide resilience in our ability to deliver business as usual / our KPIs; to be able to respond to the increasing number of issues facing LGPS funds; and to move forward the things that we have not been able to but would have liked to. For example, we now have a dedicated Training Officer to focus on that area.			

WPF Risk Register May 2023 Risk Area (risk owned by)	Risk number (risk owned by)	Description of Risk	Leading to	Gross Impac t	Gross Prob- ability	Gross Risk Score	Mitigating Actions	Resi- dual Impac t	Resi- dual Prob- ability	Resi- dual Risk Score
ADMINISTRATION	WPF 20 (Chief Financial Officer and Head of Pensions Administration)	Having insufficient resources in pensions administration.	Insufficient staff resource or remaining staff not having the skills to do their areas of work.	25	2	50	We have rolled out the WCC Finance workforce strategy and have developed a skills matrix to give us a high level understanding of where there are areas in which we need to focus on to ensure that we have the right resilience in place across the service. We are using it to take a look at where work currently sits and whether it can be redistributed to other areas. We are having to implement a phased transition for staff who have secured new roles in the service to ensure business continuity. Although we have recruited to the Governance Lead, Systems & Projects Lead, Project Officer (that was an internal appointment) and Pension Business Support positions, we have found our recruitment activities are constrained by the LGPS market where demand for staff is high and where other LGPS funds are advertising 100% WFH positions that do not require the jobholder to go to the LGPS fund, something that may even cause us to lose staff. Absences are managed in line with Worcestershire County Council's attendance policy. Exit interviews / questionnaires are used to explore the reason for anyone leaving.	25	2	50

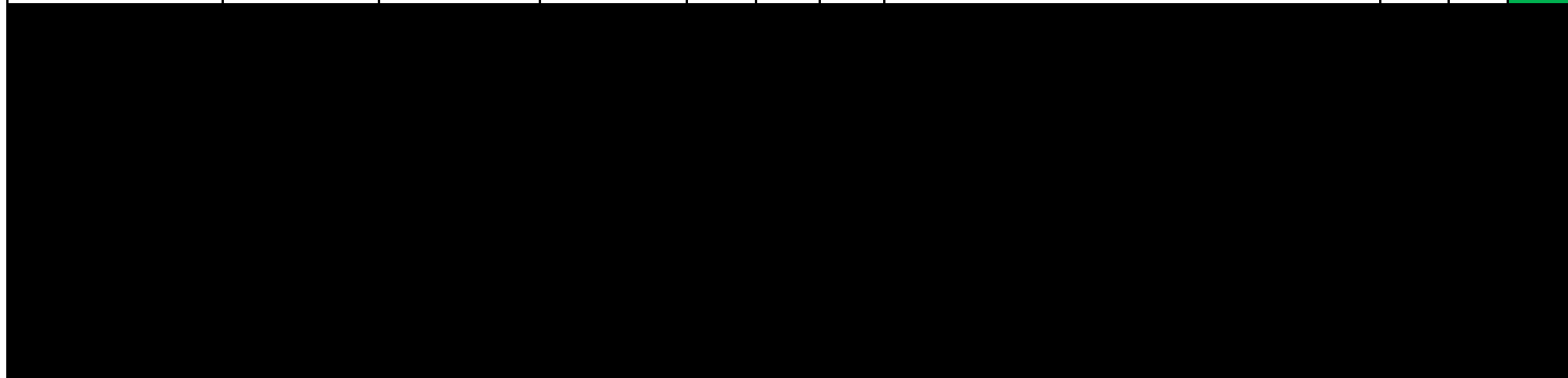
WPF Risk Register May 2023 Risk Area (risk owned by)	Risk number (risk owned by)	Description of Risk	Leading to	Gross Impac t	Gross Prob- ability	Gross Risk Score	Mitigating Actions	Resi- dual Impac t	Resi- dual Prob- ability	Resi- dual Risk Score
ADMINISTRATION	WPF 24 (Head of Pensions Administration)	Employers having insufficient skilled resources to supply our data requirements.	Missing, incomplete and incorrect records on pensions administration system that undermines service delivery and causes difficulties in establishing correct benefits at individual level / liabilities at employer and whole of Fund level. Potential issues with The Pensions Regulator.	20	3	60	As we are experiencing problems with Liberata delivering data timely, we have escalated their performance with WCC HR OD & Engagement who manage the relationship. Regular quarterly meetings between WCC HR Lead, Head of Pensions Admin and Liberata Service Delivery Lead are in place to ensure that open communication takes place with issues that arise and to monitor improvements. We have, in preparation for delivering the McCloud remedy to our members, advised our employers that, unless they provide any further employee data about hours / service breaks, we will implement the remedy using what they have supplied us with to date. Following our annual employer consultation and internal review, our updated Pension Administration Strategy was approved by Committee. We support employers with monthly newsletters / an area on our website / employer fora. We have 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 Risk Register May 2023 Risk Area (risk owned by)	Risk number (risk owned by)	Description of Risk	Leading to	Gross Impac t	Gross Prob- ability	Gross Risk Score	Mitigating Actions	Resi- dual Impac t	Resi- dual Prob- ability	Resi- dual Risk Score
ADMINISTRATION Page 62	WPF 07 (Chief Financial Officer and Head of Pensions Administration)	Future change to LGPS regulations or other legislation, for example from government legislation on minimum normal pension age or exit payments.	Increasing administrative complexity or failure to comply with The Pensions Regulator.	25	3	75	We have advised employee and deferred members about the plans to increase the minimum normal pension age through their 2022 newsletter. We have strengthened our DDA appeals process. We have added Pensions Dashboards to our list of projects. We have, in preparation for delivering the McCloud remedy to our members, advised our employers that, unless they provide any further employee data about hours / service breaks, we will implement the remedy using what they have supplied us with to date. Officers participate in various scheme and industry groups and fora. We are aware that as part of its Levelling Up agenda, the Government issued a white paper on education in England which confirms plans to permit councils to establish their own Multi Academy Trusts (MATs) and to require all local authority schools to convert to academy status by 2030. We are aware that GMP equalisation will affect historic non-club transfers out.	20	2	40
ADMINISTRATION	WPF 06 (Chief Financial Officer and Head of Pensions Administration)	Fair Deal consultation proposals being implemented.	Increasing administrative complexity.	15	3	45	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. Additional resource has been added to this area to ensure service resilience and knowledge is increased.	15	2	30

WPF Risk Register May 2023 Risk Area (risk owned by)	Risk number (risk owned by)	Description of Risk	Leading to	Gross Impac t	Gross Prob- ability	Gross Risk Score	Mitigating Actions	Resi- dual Impac t	Resi- dual Prob- ability	Resi- dual Risk Score
ADMINISTRATION	WPF 28 (Head of Pensions Administration)	Cyber attack leading to loss of personal data or ransom or our hardware being disabled or from financial loss from our banking / custody arrangements being compromised.	Data Protection breach / fraud.	25	2	50	Our pensions administration system is Cloud based. Our staff undertake WCC mandatory training. WCC has measures that are updated constantly 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 review our pensions administration system supplier's annual Cyber Security reviews, probing about what they have been doing to keep the cloud / our data / our login arrangements / sending (bulk / individual) emails from Altair safe; what new threats they have popped mitigations in place for; what recent changes or patches have been made to their disaster recovery arrangements; evidencing (perhaps via internal or external audits) the things that they have done recently to keep up to date; and the ongoing vulnerability scanning they have in place alerting them to new vulnerabilities. We have obtained business continuity assurance 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.	25	1	25

WPF Risk Register May 2023 Risk Area (risk owned by)	Risk number (risk owned by)	Description of Risk	Leading to	Gross Impact	Gross Probability	Gross Risk Score	Mitigating Actions	Residual Impact	Residual Probability	Residual Risk Score
ADMINISTRATION	WPF 19 (Head of Pensions Administration)	Failure to have an appropriate pensions admin system.	Inability to pay pensions / reputational or financial loss / staff downtime / loss of service delivery / data loss.	25	3	75	Our existing pensions administration system supplier's contract runs to 30 April 2024. It does not include add-ons widely used by other LGPS funds like i-Connect (middleware for the transmission of data from employers to us electronically) or Member Self Service (online access for members to their pension record). We are assessing the best way to address this and are liaising with WCC's procurement team to ensure compliance. We have looked into the market for pension administration systems and contacted other funds who have recently been through the process. As the National LGPS Framework for pension admin systems confirms Heywood are an approved supplier, we have independent validation of our supplier. We attend our supplier's user groups.	25	1	25

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



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PENSION BOARD

6 JUNE 2023

GOVERNANCE UPDATE

Recommendation

1. **The Chief Financial Officer recommends that the Board reviews the Worcestershire Pension Fund 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.
3. Following the March 2023 review of the Fund's Risk Register, progress in developing mitigating action for five risks will henceforth be reported in our Governance Updates, so that members can assess whether further mitigating actions are appropriate:
 - a) WPF 26 Fraud by staff;
 - b) WPF 15 Failure of the actuary to deliver the services contracted;
 - c) WPF 01 Failure of governance arrangements to match up to recommended best practice;
 - d) WPF 17 Failure of custodian to deliver the services contracted; and
 - e) WPF 04 Not having an established and meaningful Business Plan / Pension Administration Strategy.
4. Progress in mitigating the five risks since the last quarterly Board / Committee cycle has included:
 - a) Updating the progress made in preparation for Scheme Advisory Board's (SAB's) Good Governance proposals being taken forward by the Department for Levelling Up, Housing and Communities (DLUHC) (See Appendix 1). It should be noted that there are a number of actions for the new Chief Financial Officer to address once in post; and
 - b) Benchmarking our Governance Compliance Statement (see Appendix).
5. It is also worth noting that:
 - a) Heywood's annual (2022) cyber risk review has passed muster; and
 - b) Following a discussion with the Council's Internal Audit team, several of the current workflow processes and internal systems controls will be reviewed. The project is currently being scoped by focusing on the workflows which deliver the KPI information. Further updates on progress will be shared at subsequent Board and Committee meetings.

Supporting information

- Appendix 1 - Good Governance Position Statement May 2023
- Appendix 2 – Benchmarking our Governance Compliance Statement

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

May 2023

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

Good Governance proposal	Current position	Identified actions (that are owned by # / with a target delivery date of #)
A. General		
A.1 DLUHC will produce statutory guidance to establish new government requirements for funds to effectively implement the proposals below. ("the Guidance")	Awaiting the draft Guidance and monitoring news about it, such as to expect a new requirement to produce a workforce plan	
A.2 Each administering authority must have a single named officer who is responsible for the delivery of all LGPS related activity for the fund ('the LGPS senior officer')	Our Chief Financial Officer is so named	
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 an annual Governance Compliance Statement as part of our annual reports We have benchmarked our Governance Compliance Statement against Appendix 2 of the Phase 3 Report	CF / TBD Benchmark our Governance Compliance Statement against the Guidance once it has been issued and in the meantime against peer funds' statements annually, re which the 2022 peer fund benchmarking has been completed

Good Governance proposal	Current position	Identified actions (that are owned by # / with a target delivery date of #)
	The 22 March 2023 Pensions Committee approved our updated Governance Policy Statement following the annual review of the existing (2022) version	
B. Conflicts of interest		
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>Our 2022 Policy on Conflicts of Interest was re-approved for 2023 at the 22 March 2023 Pensions Committee meeting, following an annual review of the 2022 version</p> <p>Elected members' (not officers') conflicts of interest are declared at the start of each Pensions Committee and Pension Board meeting.</p> <p>All attendees of a Pensions Committee and Pension Board meeting are asked to sign the Record of Conflicts of Interest Declarations made</p>	
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	Awaiting the draft Guidance	

Good Governance proposal	Current position	Identified actions (that are owned by # / with a target delivery date of #)
C. Representation		
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>Our 2023 Policy on Representation was approved at the 22 March 2023 Pensions Committee meeting, following an annual review of the 2022 version</p> <p>Our annual reports, our Investment Strategy Statement and para K of appendix 1 of the Worcestershire County Council constitution contain information about representation</p>	
D. Knowledge and understanding		
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>Our 2022 Training Policy and programme, was re-approved for 2023 at the 22 March 2023 Pensions Committee meeting, following an annual review of the 2022 version</p> <p>We have produced a Training Plan that summarises the training work that we plan to progress in 2023 /2024</p>	
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	We have a new s151	<p>CFO / TBD</p> <p>New s151 to complete skills framework and personal competencies assessments and address within CPD programme</p>

Good Governance proposal	Current position	Identified actions (that are owned by # / with a target delivery date of #)
D.3 Administering authorities must publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements	<p>We have a Training Policy and Programme and review it annually: at the 22 March 2023 Pensions Committee meeting the 2022 version was re-approved for 2023, following an annual review of the 2022 version</p> <p>We have produced a Training Plan that summarises the training work that we plan to progress in 2023 /2024</p>	
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	
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</p>	<p>CFO / TBD</p> <p>Publish a matrix that meets the requirements. This action will commence once we have a new S151 and a settled structure in place</p>

Good Governance proposal	Current position	Identified actions (that are owned by # / with a target delivery date of #)
	affecting the Fund to ensure no conflict of interest arises	
E.2 Each authority must publish an administration strategy	We comply with this requirement, and at its 22 March 2023 meeting the Pensions Committee approved an updated version, following an annual review of the 2022 version	
E.3 Each administering authority must report the fund's performance against an agreed set of indicators designed to measure standards of the service	These are included in our annual reports and the quarterly Business Plans tabled at all Pensions Committee meetings and all Pension Board meetings	CF/ TBD Continually work with the Pension Board to check and develop our KPIs and seek out benchmarking, identifying in the first instance what KPIs from Ps 17-18 / 33 of the Phase 3 Report the Fund can produce and what would be needed to produce the missing information. The Fund has purchased Altair Insights, and we are recruiting a Governance Lead and a Governance Officer to deliver extra resource to progress this action
E.4 Each administering authority must ensure their committee is included in the business planning process. Both the committee and LGPS senior officer must be satisfied with the resource and budget allocated to deliver the LGPS service over the next financial year	Rolling Business Plans are tabled at all Pensions Committee meetings and all Pension Board meetings	
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	We are completing a restructure that has included regrading most posts	CFO / TBD We are continually reviewing our structure and recruiting to the vacant roles in the pensions administration structure

Good Governance proposal	Current position	Identified actions (that are owned by # / with a target delivery date of #)
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	
F. Compliance and improvement		
<p>F.1 Each administering authority must undergo a biennial Independent Governance Review (IGR) and, if applicable, produce the required improvement plan to address any issues identified</p> <p>IGR reports to be assessed by a SAB panel of experts</p>	We do not currently do this	<p>CFO / TBD</p> <p>Prepare for IGRs. Awaiting more info</p>
F.2 LGA to consider establishing a peer review process for LGPS funds	We do not currently do this	<p>CFO / TBD</p> <p>Prepare for the process and investigate external benchmarking like PASA. Awaiting more info</p>

Note: in the last column CF = Chris Frohlich

Governance Compliance Statement ([reg 55](#)) An administering authority must prepare a written statement setting out...whether delegates...to a committee...frequency...of meetings...whether those representatives have voting rights...the extent to which...complies...and details of the...pension board

Bedfordshire Pension Fund

[Home \(bedspensionfund.org\)](http://bedspensionfund.org)

[- Bedford Borough Council](#)

The [2022 annual report](#) does not have a GCS or GPS but has a 'Legal Framework & Administration' section and refers to a [GPS](#) on the Fund's website and a GCS that I could not find at [Fund policies \(bedspensionfund.org\)](#).

Gloucestershire Pension Fund

[Local Government Pension Scheme \(LGPS\) - Gloucestershire County Council](#)

[Browse Meetings, 2023 \(gloucestershire.gov.uk\)](#)

The [2022 annual report](#) has a combined GP&CS that the Fund's [website](#) displays and uses the table approach that we use.

Norfolk Pension Fund

[Home | Norfolk Pension Fund](#)

[CMIS > Committees > Pensions Committee](#)

The [draft 2022 annual report](#) has a GCS that uses the table approach that we use and a [GSS](#) that is also on the Fund's website.

Oxfordshire Pension Fund

[The Oxfordshire Pension Fund | Oxfordshire County Council](#)

[Browse Meetings, 2023 | Oxfordshire County Council](#)

The draft 2022 annual report has a GPS that is also on the Fund's [website](#) (dated June 2017) along with a GCS that uses the table approach that we use and is dated June 2014.

South Yorkshire Pension Fund

[South Yorkshire Pensions Authority > Members \(sypensions.org.uk\)](#)

[Browse meetings - Pensions Authority - South Yorkshire Pensions Authority](#)

An GCS is included in the [2022 annual report](#) and uses the table approach we use. In addition, the annual report includes an [annual governance statement](#) that details arrangements for ensuring compliance with each of the 7 Core Principles set out in the 2016 CIPFA/SOLACE guidance, Delivering Good Governance in Local Government: Framework.

West Midlands Pension Fund

[West Midlands Pension Fund - West Midlands Pension Fund \(wmpfonline.com\)](http://wmpfonline.com)

[Browse meetings - Pensions Committee :: Wolverhampton City Council \(moderngov.co.uk\)](http://moderngov.co.uk)

The June 2022 [GCS](#) that is linked to from the [2022 annual report](#) uses a narrative approach followed by the table approach we use.

West Yorkshire Pension Fund

[Home page of West Yorkshire Pension Fund \(wypf.org.uk\)](http://wypf.org.uk)

[Bradford Council - Committee structure \(moderngov.co.uk\)](http://moderngov.co.uk)

The [2022 annual report](#) has a GCS that is also on display on the Fund's [website](#) (dated January 2016).

Worcestershire Pension Fund

[Worcestershire Pension Fund](#)

[Browse meetings - Pensions Committee - Worcestershire County Council \(moderngov.co.uk\)](http://moderngov.co.uk)

We include our GCS in our [2022 annual report](#) and display our [GPS](#) on our website.

PENSIONS BOARD

6 JUNE 2023

FORWARD PLAN

Recommendation

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

Supporting Information

Appendix – Forward Plan

Contact Points

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Background Papers

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

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Pensions Board Proposed Forward Plan

Appendix 1

Pension Board Items	03/03/2023	06/06/2023	15/09/2023	21/11/2023
LGPS Central Update	Y	Y	Y	Y
Pensions Final External Audit Report on Annual Report				Y
Actuarial Valuation and Funding Strategy Statement	Y			
Stewardship Code	Y		Y	
Business Plan Progress update (to include Administration and Investment areas, SAB Good Governance monitoring & CMA Investment Advisor objectives monitoring)	Y	Y	Y	Y
Annual Business Plan	Y			
Annual Admin Strategy	Y			
Annual investment Strategy Statement (Include Climate Risk Strategy and TCFD Report)	Y			
Training Requirements & update on Training delivery	Y	Y	Y	Y
Training Policy	Y			
Pension fund admin Budget Approval	Y		Y	
internal Audit Report (Pens Inv Audit & Pens Admin - Oct/Nov/Dec)				Y
Risk Register	Y	Y	Y	Y
Funding Strategy Review	Y			
Governance Policy Review	Y			
Regulatory Updates including Scheme Advisory Updates (Include Pooling & Responsible Investment consultation)	Y	Y	Y	Y

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