

**PENSIONS COMMITTEE**  
**19 MARCH 2019****2019 – 2022 BUSINESS PLAN**

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**Recommendation**

1. **The Chief Finance Officer recommends that the Pension Committee note the report and that a further update is brought to the June Committee.**

**Introduction**

2. The purpose of the Worcestershire Pension Fund (WPF) Business Plan 2018 - 2020 is to outline the Fund's strategic direction, goals and objectives, as well as providing Action Plans (project and business as usual) of the key priorities in order to further these objectives and setting a sustainable financial plan.

3. The Local Government Pension Scheme (LGPS) has been and remains in a period of uncertainty over further potential nationally imposed changes. A new Career Average Revalued Earnings (CARE) scheme was introduced from 1 April 2014, but concerns remain over the long-term cost and sustainability of the LGPS while the Government remain focussed on addressing pension fund deficits and reducing the costs of running the scheme.

4. The Fund continues to face increasing complexities in both the governance and administration of the scheme increasing pressure on resources and workloads. These include, but not an exhaustive list, the jurisdiction of the Pension Regulator and changes to the requirements for record keeping, data cleansing and covenant reviews, responsibility to the national Scheme Advisory Board, changes to the tax relief allowances, provision of data to/from HMRC for the guaranteed minimum pension reconciliation and rectification, increasing numbers of employer organisations (from outsourcing and academy conversions), delivery and monitoring of a robust investment strategy to create stability in employer contribution rates, and increasing expectations from stakeholders (e.g. scheme member and employer access to information). This means that the Fund will need to be flexible and responsive enough to adapt to all these changes.

**Purpose and Vision of the Fund**

5. The WPF is one of 91<sup>1</sup> funds administering the LGPS nationally. Worcestershire County Council is the statutorily appointed Administering Authority for the WPF. The LGPS is funded principally by its constituent employers and members, with assistance from investment returns. Unlike other public sector pension schemes, the LGPS is fully invested in financial markets / instruments and aimed to be fully funded over the long-term.

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<sup>1</sup> Extracted from Scheme Advisory Board website 2019

6. The WPF acts as the “custodian” of the scheme for future generations with the aim to ensure it’s in the best shape as possible in managing its assets (investments) and liabilities (pensioners).

7. The WPF recognise the importance of the LGPS to its Scheme Members as an excellent scheme, providing significant benefits to members and its contribution to the wider economy by potentially keeping people out of means tested support in their retirement. It is also a valuable recruitment tool for employers which assists in attracting and retaining staff but with the appreciation of the significant liabilities it can generate for them.

8. The long-term goals<sup>2</sup> of the Fund are thus:

- To achieve and maintain a 100% solvency level over a reasonable period of time and then maintain sufficient assets in order for it to pay all benefits arising as they fall due.
- Maintain a managed risk investment and funding strategy to achieve the first goal.
- Maintain stabilised employer contribution rates.
- To provide a high quality, low cost customer focused service.
- To be open and honest in all our decision making.

9. The WPF intends to achieve its vision and goals by focussing on the following five key areas:

### **Governance & Staffing**

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

11. To **recruit, train, nurture and retain highly motivated staff with the necessary professional, managerial and customer focus skills**. This includes ensuring the team have the correct skills and competences to deliver the ever increasing complexities of the LGPS scheme.

12. To **continually review the effectiveness of the committees and advisers** and the decision making process.

### **Funding & Actuarial Matters**

13. To **achieve a relatively stable “real” investment return above the rate of inflation** over the long term, in such a way as to minimise and stabilise the level of contributions required to be paid into the Fund by employer bodies in respect of both past and future service liabilities and **to achieve a 100% funding level over a suitable timescale**. This includes setting of appropriate investment strategies; the appointment of

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<sup>2</sup> WPF Funding Strategy Statement January 2019

capable investment managers; and the monitoring and reporting of investment managers' performance, with appropriate action being taken in the event of underperformance.

### **Investments and Accounting**

14. To ***ensure the proper administration, accounting and reporting of all the Fund's financial affairs.***

15. To set out clear and ***well regarded Statement of Accounts and Annual Report*** that enables the members and stakeholders of the Fund to understand the latest and future financial position.

### **Engagement, Communications / Customer & Employer Relations**

16. The development of ***robust engagement strategy*** with our employers and members.

17. The ***communication of the key benefits of the LGPS and ensuring increased awareness amongst the eligible membership of their benefits.*** This includes effective communication, to both the Fund's scheme members and employer bodies.

18. To have in ***place effective documented business relationships with all the Fund's employer bodies,*** and to ensure regular reviews are carried out to assess the risk and strength of covenant to the WPF.

### **Pensions Administration**

19. To ***provide a lean, effective, customer friendly benefits administration service,*** through the calculation and payment of scheme benefits accurately and promptly in line with the published pension administration strategy.

20. To maintain ***an effective administration system*** for the ***accurate maintenance of the records of all members of the Fund;*** and to continually review and cleanse this data ensuring it meets the Pension Regulators requirements, and supporting employers to ensure they provide the correct information on submission.

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

22. To ***become a role model of best practice amongst LGPS Funds*** and to be recognised by our customers as providing an excellent service.

23. To work ***collaboratively and in partnership with both internal and external organisations*** to provide higher quality services at a lower cost.

24. To ***develop and implement a strong workforce strategy*** that directs the future workforce scale and skills, allowing appropriate investment.

25. The Administering Authority use Altair's imaging system which ***supports a paperless*** environment and support flexible working practices for staff.

26. The Administering Authority ***supports a range of projects and business as usual activities such as the actuarial triennial valuation***, policy reviews, committee member and officer training, and contract reviews along with greater emphasis on performance monitoring for the Fund and employers to adhere to.

27. The Fund will ***continue to engage with its stakeholders***, maximising self - service and digitisation, seeking feedback and developing approaches which support our goals.

### **Oversight of Delivery**

28. Attached at Appendix 1 is an outline of a developing operational plan that will feed into the five key work streams to develop the business plan. It is proposed that a more detailed analysis is brought back to the next Committee and then regular monitoring of progress and key performance indicators comes to both the Committee and the Pension Board as appropriate.

### **Legal, Financial and HR Implications**

29. The Business Plan will drive and be supported by the Fund's medium term financial plan that is considered elsewhere on the same agenda. A key goal is to develop a workforce strategy that will support a strong focus on the scale and skills of the future workforce.

### **Privacy Impact Assessment**

30. None

### **Equality and Diversity Implications**

31. None

### **Contact Points**

#### County Council Contact Points

County Council: 01905 763763

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#### Specific Contact Points for this report

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### **Supporting Information**

Appendix 1 – Outline action programmes for 2019/20 to deliver the Pension Fund Business Plan.

## **Background Papers**

In the opinion of the Proper Officer (in this case the Chief Financial Officer) the following are background papers to this report:

## **Key Policy Documents**

Key policy documents which the reader may wish to refer to are available on the Worcestershire Pension Fund website:

[http://www.worcestershire.gov.uk/info/20408/worcestershire\\_pension\\_fund](http://www.worcestershire.gov.uk/info/20408/worcestershire_pension_fund)

- Funding Strategy Statement
- Statement of Investment Principles
- Communications Statement
- Administration Strategy
- Cessation Policy
- Administration Authority Discretions
- Annual Statement of Accounts