

Worcestershire Pension Fund Position Statement: Good Governance

This position statement has been prepared to summarise how we are taking forward the LGPS Scheme Advisory Board's (SAB) Good Governance workstream in preparation for draft statutory guidance being issued. The numbering relates to the recommendations in the November 2019 Hymans Robertson Phase II [report](#) 'Good governance in the LGPS'. We are also closely monitoring SAB's Responsible investment guidance workstream.

| Good Governance proposal | Current position (May 2021) | Identified actions |
|---|--|---|
| A. General | | |
| A.1 MCHLG will produce statutory guidance to establish new government requirements for funds to effectively implement the proposals below. ("the Guidance") | Still awaiting draft guidance to review and benchmark | Prepare for guidance |
| 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 | No further action needed |
| A.3 Each administering authority must publish an annual governance compliance statement that sets out how they comply with the governance requirements for LGPS fund as set out in the Guidance. This statement must be signed by the LGPS senior officer and, where different, co-signed by the S151 officer | We publish a governance compliance statement as part of our annual reports . This has been updated in the 2019/20 Annual Report | Benchmark our governance compliance statement against the guidance and peers annually |
| 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 | Elected members' (not officers') conflicts of interest are declared at the start of each Pensions Committee meeting | Review best practices employed at other funds (including private sector) to help identify possible conflicts and approaches in preparation for producing a policy |
| 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decision making committees, to the guide on statutory and fiduciary duty which will be produced by the SAB | Awaiting draft guidance | To ensure that all those involved in the management of the LGPS are aware of this position statement and consider training and guidance to Fund members. |

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| C. Representation | | |
| <p>C.1 Each fund must produce and publish a policy on the representation of scheme members and non-administering authority employers on its committees, explaining its approach to representation and voting rights for each party</p> | <p>Information about the Pensions Committee is available via our website. The Pension Board's terms of reference are available via our website. Our annual reports, our Investment Strategy Statement and para K of appendix 1 of the Worcestershire County Council constitution contain information about representation.</p> | <p>Review whether the current position remains adequate annually using comparator Funds to benchmark practices.</p> |
| D. Knowledge and understanding | | |
| <p>D.1 Introduce a requirement in the Guidance for the key individuals within the LGPS, including LGPS officers and pensions committee members, to have the appropriate level of knowledge and understanding to carry out their duties effectively</p> | <p>We use a knowledge and skills questionnaire for new elected members and key officers, using them to form action plans as to how gaps can be resolved. Our elected members' training programme is tabled at most Pensions Committee meetings. Our officers participate in training provided by the LGA, attend the annual LGPS conference, are on the distribution list for LGPC bulletins and develop the</p> | <p>This was updated in 2020 and will be reviewed in 2021 to update the knowledge and skills questionnaire for all members especially since we have had a number of new members on the Board and Committee's.</p> <p>We will review that the current position remains adequate at the year- end (annually) through a gap analysis and draw up appropriate training plans to address.</p> |

| Good Governance proposal | Current position (May 2021) | Identified actions |
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| | LGPS knowledge of our employers through monthly employer newsletters . | |
| D.2 Introduce a requirement for s151 officers to carry out LGPS relevant training as part of their CPD requirements to ensure good levels of knowledge and understanding | Our s151 officer's previous role was the most senior officer at another LGPS fund and skills framework completed 24 months ago. | s151 to also complete skills framework assessment and address within his CPD programme. |
| D.3 Administering authorities must publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements | Our current training policy was tabled at the 17th March 2020 Pensions committee meeting | Review annually with Pension Board the current policy. The review should take account of the level and scope of training for officers, the latest external training available and the attendance records of elected members. |
| 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. | To respond to CIPFA and CIPP, expected guidance and consider peer / CIPFA / LGA review. |
| 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 | 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. | To publish a matrix that meets the requirements of the guidance and clarifies the role and responsibility of everyone involved in every stage of the processes we carry out during a member's administration lifecycle. |
| E.2 Each authority must publish an administration strategy | We comply with this requirement. | To annually review our Pensions Administration Strategy last updated March 2021, by taking account of all employer feedback to our proposed changes resulting from our consultation. |

| Good Governance proposal | Current position (May 2021) | Identified actions |
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| | | To benchmark our strategy for completeness and innovation with comparator funds to continual develop. |
| E.3 Each administering authority must report the fund's performance against an agreed set of indicators designed to measure standards of the service | These are included in our annual reports and the quarterly Business Plans tabled at Pensions Committee meetings | To use this information to allocate resources between processes and to re-engineer processes. To continually work with the Pension Board to check and develop our KPIs and seek out benchmarking. |
| E.4 Each administering authority must ensure their committee 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 | Quarterly Business Plans are tabled at Pensions Committee meetings | To review the effectiveness of our Business Plans. |
| E.5 Each administering authority must give proper consideration to the utilisation of pay and recruitment policies, including appropriate market supplements, relevant to the needs of their pensions function. Administering authorities should not simply apply general council staffing policies such as recruitment freezes to the pensions function | Our recruitment and staffing levels are not constrained by Worcestershire County Council and we are able to use market forces adjustments. | To seek out what information, for example from CIPFA benchmarking, is available about pay in the LGPS. |
| F. Compliance and improvement | | |
| F.1 Each administering authority must undergo a biennial independent Governance Review and, if applicable, produce the required improvement plan to address any issues identified. IGR reports to be assessed by a SAB panel of experts | We do not currently do this. | Prepare for guidance but are keen to explore peer review as noted in F2 below and will seek to explore options if guidance is not forthcoming quickly. |
| F.2 LGA to consider establishing a peer review process for LGPS Funds | We do not currently do this. | Prepare for guidance and investigate external benchmarking, like PASA |

Proposed objectives for WPF Investment advisor

| Task | Current Position as at end of May 2021 | KPI / Outcome |
|---|---|---|
| <p>A. Provide qualitative general advice to the Fund on markets, RI, risk and strategies that have no direct monetary decisions but shape the Fund's thinking at relevant Pensions Committee, Pension Investment Sub Committee, local Pension Board (as required) and meetings with Officers.</p> | <ul style="list-style-type: none"> • Detailed investment updates are provided for each Pension Investment Sub Committee with a shorter more summarised version to the Pensions Committee. • The investment advisor has attended all the Pension Investment Sub Committee and Pensions Committee meetings. | <ul style="list-style-type: none"> • Attend all Pensions Committee and Pension Investment Sub-Committee meetings unless for unforeseen unavoidable circumstances and meeting attendance being agreed in advance of Committee timetable publication. • Provide quarterly written reports to Committees in line with Committee timescales and reporting requirements, which include questions for Officers and Councillors to use at meetings with investment managers and a yearly review for publication in the Fund's annual report. Highlighting areas upon which members' attention should be focused. |
| <p>B. Monitoring the Fund's portfolios and considering and providing general advice on the desirability of retaining particular classes of assets or of changing them.</p> | <ul style="list-style-type: none"> • Regular performance review meetings have been taken with all our investment managers at least half yearly and quarterly for our active investment managers. • The investment advisor has been integral to these meetings and has provided appropriate challenge where needed as well as highlighting poor performance to the Committee and put managers on 'watch' where required. | <ul style="list-style-type: none"> • Attend all quarterly review meetings with 'active' investment managers unless for unforeseen unavoidable circumstances and meeting attendance being agreed in |

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| | <ul style="list-style-type: none"> The investment advisor helped to develop and shape the 2020 strategic asset allocation review which sets the Fund's asset allocation direction for the next 3 to 5 years and was agreed by Pensions Committee in December 2019. The advisor supports the SAA quarterly update to Committee | <ul style="list-style-type: none"> advance of Committee timetable publication. Any areas of poor performance highlighted, challenged and solutions identified. The Pensions and Pension Investment Sub Committees were satisfied with the value for money represented by the services. |
| <p>C. Support the Fund with achieving timely and cost-effective implementation of the Fund's investment decisions, where appropriate considering the evolution of the LGPS Central pool.</p> | <ul style="list-style-type: none"> The investment advisor has attended meetings and provided guidance where the Fund is seeking to transition investments to the pool. He has also signposted to additional technical advice required for the actual transition process. Also, regular performance meetings have been held with LGPSC and appropriate challenge made where under-performance is happening. | <ul style="list-style-type: none"> Ensure a focus on key risk / return priorities. Any areas of misalignment with the Fund's objectives and / or poor performance highlighted, challenged and solutions identified. |
| <p>D. Provide other ad-hoc support and advice as required by either the Pensions and Pension Investment Sub Committee or the Fund's other service providers.</p> | <ul style="list-style-type: none"> Advice and support have been provided for an ESG audit and a climate risk scenario report besides the regular support described above. The Advisor | <ul style="list-style-type: none"> Any ad hoc support and advice provided in line with agreed service specifications and on a timely basis. |

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| | <p>has also been part of the working group which helped shape the recommendations to Pensions Committee in March and signposted additional technical support from Pensions for Purpose</p> | <ul style="list-style-type: none"> • Advisor's fee shared and updated at year end with open report of any additional fees earned through advice. • Conflicts register updated at least half yearly, and upon any changes to the investment advisor as soon as they are known to that person. |
| <p>E. Oversight of the relationship between the Fund and the pool, ensuring what the pool offers complies with strong transition, sound governance and the requirements of the Fund.</p> | <ul style="list-style-type: none"> • Regular performance meetings have been held with LGPSC and appropriate challenge made where under-performance is happening. • Ad hoc discussions are also held with the chief executive of LGPSC and his lead officers where necessary. | <ul style="list-style-type: none"> • Attend all quarterly performance review meetings with LGPS Central where the Fund has invested unless for unforeseen unavoidable circumstances and meeting attendance being agreed in advance of Committee timetable publication. • Any areas of poor performance highlighted, challenged and solutions identified. |
| <p>F. Support the fund in training, through transparent general advice.</p> | <ul style="list-style-type: none"> • The investment advisor has provided training and helped source a number of training events. | <ul style="list-style-type: none"> • Pensions, Pension Investment Sub Committee and Pension Board satisfied with the quality and content of any training requested. |

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|--|---|---|
| <p>G. Ensure the Fund complies with relevant investment pensions regulations, legislation and supporting guidance, and reflects the policies approved by the Pensions Committee.</p> | <ul style="list-style-type: none"> • There have been no instances of non-compliance with relevant regulations or policies. | <ul style="list-style-type: none"> • No instances of non-compliance with relevant regulations or policies. |