

Annual Business Plan and Medium Term Strategy

2021/22 to 2023/24

Northamptonshire Pension Fund

Introduction

This is the business plan for the Northamptonshire Pension Fund which is managed and administered by West Northamptonshire Council. The business plan details the priorities and areas of key focus in relation to the Northamptonshire Pension Fund for 2021/22, 2022/23 and 2023/24. The business plan was approved at the Pension Committee meeting on 26 March 2021. The business plan is monitored throughout the year and the Pension Committee may be asked to agree changes to it.

The purpose of the business plan is to:

- Explain the background and objectives of West Northamptonshire Council in respect of the management of the Northamptonshire Pension Fund;
- Document the priorities and improvements to be implemented during the next three years to help achieve those objectives;
- Enable progress and performance to be monitored in relation to those priorities; and
- Provide a clear vision for the next three years.

In addition, the business plan includes a budget for expected payments to and from the Northamptonshire Pension Fund during 2021/22 including the resources required to manage the Fund.

Further information

If you require further information about anything included or in related to this business plan please contact:

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Background to the Northamptonshire Pension Fund

The Northamptonshire Pension Fund is a £3.068bn* Local Government Pension Fund which provides retirement and death benefits for local government employees (other than teachers) in Northamptonshire and employees of other qualifying bodies which provide similar services.

The Fund's total membership* is approximately 73,300 of which 22,300 are active members from over 300* individual contributing employers and approximately 51,000 retired, survivor, deferred and other members.

**As at 31 December 2020*

Governance and management of the Fund

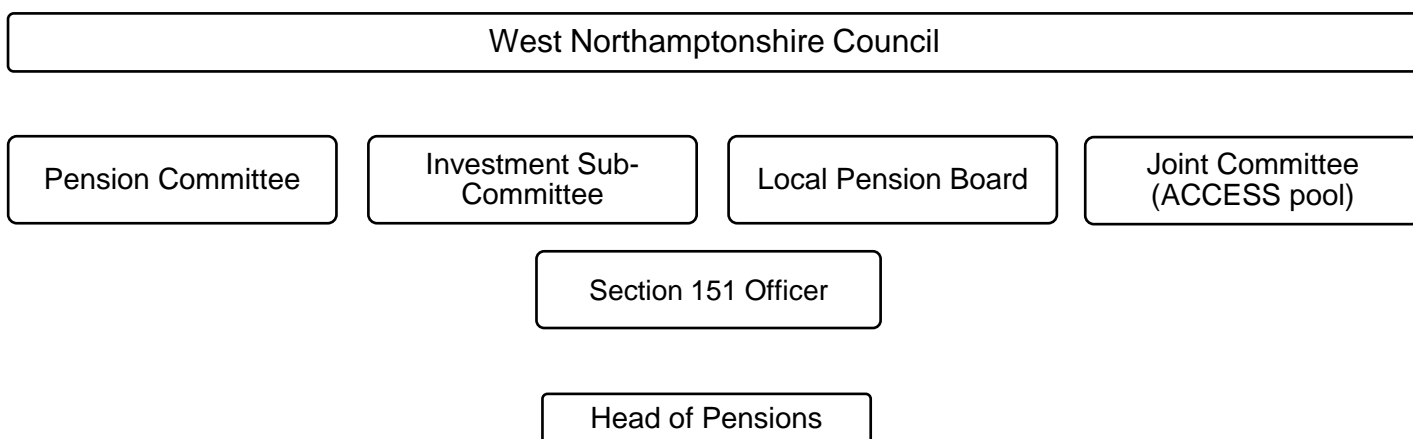
The key decision making and management of the Fund has been delegated by West Northamptonshire Council (the administering authority) to a formal Pension Committee, supported by an Investment Sub-Committee that looks at the operational governance of investment issues.

The West Northamptonshire Council's Section 151 Officer has a statutory responsibility for the proper financial affairs of the Council including Pension Fund matters.

Eleven authorities, including West Northamptonshire Council, are working collaboratively to meet the Government's asset pooling agenda by forming the ACCESS pool. A Joint Committee with representation from each Fund has been formed to oversee the governance of the pool.

A Local Pension Board is in place to assist in securing compliance of Fund matters and ensuring the efficient and effective governance and administration of the Fund.

The governance structure is detailed below:



Administration of the Fund

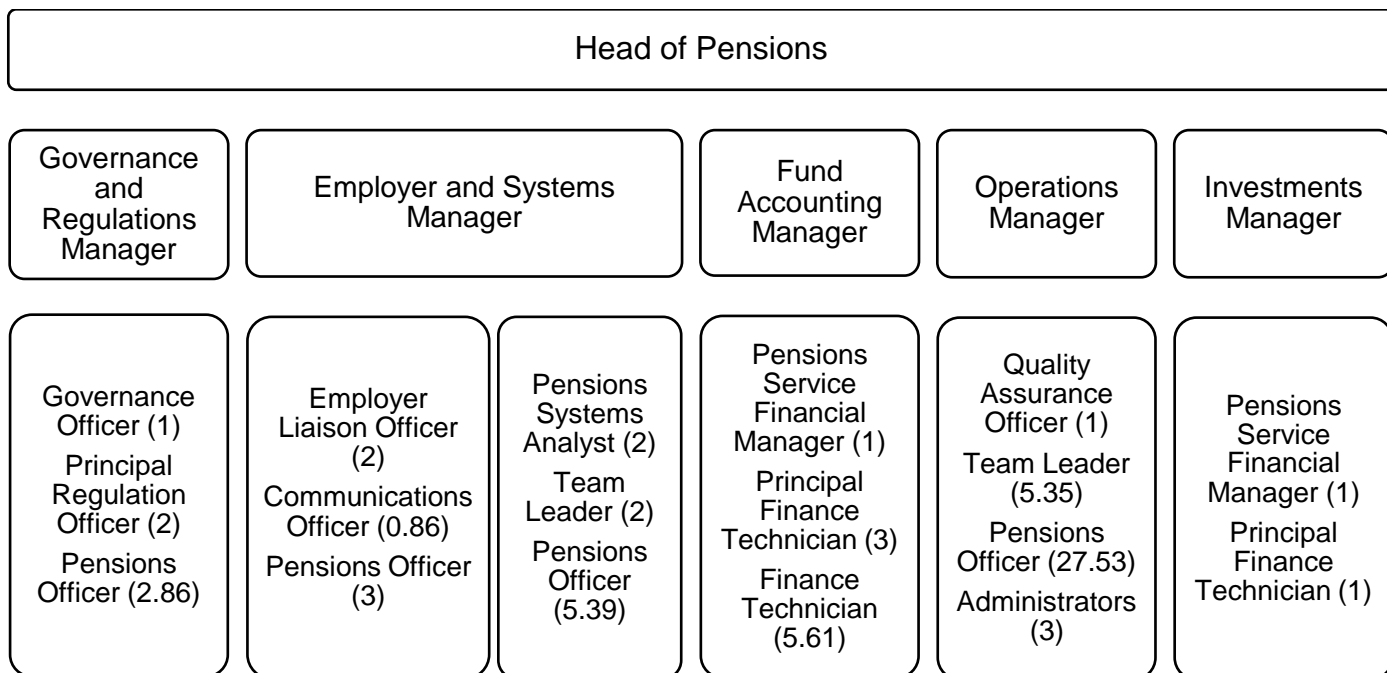
The Cambridgeshire and Northamptonshire Pension Funds have been administered under a shared service arrangement since 2012, initially by LGSS. On 1 December 2020 administration moved to a lead authority model with the lead authority being Northamptonshire County Council, working in partnership with Cambridgeshire County Council. On 1 April 2021 West Northamptonshire Council became the lead authority following local government reorganisation in Northamptonshire. The Funds remain two distinct entities.

Management and administration of both Funds is based at One Angel Square in Northampton. The Funds have benefited from cost savings through the ability to procure services such as custodian, actuarial, benefits, governance and investment consultancy on a joint basis as well as streamlining the provision of the administration functions.

The day to day operations of the Fund are managed by the Head of Pensions who is supported by five teams:

- The Operations Team is responsible for providing the full range of casework administration services. The team delivers a service that includes the calculation of retirement, deferred, death and survivor benefits, transfers in and out, refunds and member record maintenance.
- The Systems Team is responsible for maintaining the pension administration, payroll, employer and member self-service systems, reconciling membership data received from employers and the production of annual benefit statements.
- The Employers Team provides support to employers being admitted to and leaving the scheme, managing the triennial actuarial valuation process and liaison with scheme employers with regards to the responsibilities required of them. Scheme member and employer communications form a significant part of the team's function which ranges from the design and management of the Fund's website, presentations, workshops, newsletters and written communications.
- The Governance and Regulations Team is responsible for managing agendas, producing reports and delivering training to the Pension Committee and Local Pension Board. In addition, the team takes the lead in the development of strategic policies relating to the operation, governance and management of the Fund and monitors compliance with prevailing LGPS specific and overriding legislation. The team specialises in data quality, information governance and pension taxation.
- The Investments Team is responsible for liaison with the ACCESS asset pool and governance over the Fund's investments whether held directly or by the ACCESS pool, reporting to the Investment Sub-Committee and other Committees as required.
- The Fund Accounting Team provide the financial control function to the Fund. It manages and accounts for the receipt of contributions from employers, processes the Fund's financial transactions and oversees the production and audit of the Annual Report and Statement of Accounts.

The structure of the Pensions Service which provides administration services to both the Cambridgeshire Pension Fund and the Northamptonshire Pension Fund, as at 31 March 2021 is illustrated below:



Objectives for the management of the Fund

The Fund's agreed objectives are detailed as follows;

- To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
- To manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers.
- To ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.
- To continually monitor and measure clearly articulated objectives through business planning.
- To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.
- To ensure regular monitoring of employer covenants, putting in place mitigations of adequate strength to protect the Fund.
- To ensure appropriate exit strategies are put in place both in the lead up to and termination of a scheme employer.
- To put in place performance standards for the Fund and its employers and ensure these are monitored and developed as necessary.
- To ensure employer contributions are as stable as possible, recognising the characteristics, circumstances and affordability constraints of each employer.
- To administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration.
- To maintain accurate records and ensure data is protected and used for authorised purposes only.
- To promote the scheme as a valuable benefit.
- To deliver consistent plain English communications to stakeholders.
- To provide scheme members with up to date information about the scheme in order that they can make informed decisions about their benefits.
- To seek and review regular feedback from all stakeholders and use the feedback appropriately to shape the administration of the Fund.

- To ensure cash flows in to and out of the Fund are timely and of the correct amount.
- To ensure the long-term solvency of the Fund, taking a prudent long term view, so that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment.
- To put in place a Strategic Asset Allocation ensuring it is appropriately maintained taking into account the Funding Strategy.
- To maximise investment returns over the long term within agreed risk tolerances.
- To ensure an appropriate cash management strategy is in place so that net cash outgoings can be met as and when required.

Business as usual

The appendix to the business plan highlights the key priorities for the next three years and focuses on areas of change and projects which are in addition to day to day “business as usual” duties. On a day to day basis the focus is on the following key elements of Fund management:

- Paying pension benefits to beneficiaries as prescribed by the LGPS Regulations.
- Communicating with scheme members about their membership of the Fund.
- Ensuring all pension contributions that are paid by active members are received as prescribed by the LGPS.
- Ensuring all employers pay their pension contributions.
- Safeguarding the money in the Fund (the Fund’s assets).
- Investing any Fund assets that are in excess of those needed to pay immediate benefits.
- Working with the Scheme Actuary to ensure that the amount employers pay into the Fund is sufficient to pay future pension benefits.

Managing this on a day to day basis involves a wide range of processes and procedures designed around achieving the Fund’s objectives. The Fund is large, complex and highly regulated. As such these processes and procedures require expert knowledge and experience as illustrated below.

Governance

- Setting the agenda, reporting and presenting to the Pension Committee, Investment Sub-Committee and Local Pension Board.
- Implementing and monitoring areas such as the training, risk management, reporting breaches of the law and compliance with the Pensions Regulator’s code of practice.
- Ensuring adherence to the administering authority’s and legal requirements for procurement and data protection.
- Procurement of advisers and other services.
- Assisting internal and external auditors in their role.
- Responding to freedom of information requests.
- Participation in the Joint Committee of the ACCESS pool.

Accountancy

- Preparing and publishing the Fund’s annual report.
- Completing the annual accounts and assisting with external auditors.
- Preparing the annual budget and monitoring quarterly.
- Preparation of statutory and non-statutory returns as required.
- Conducting monthly bank reconciliations.
- Quarterly cash flow and treasury management.

- Monthly monitoring of income and expenditure including employer and scheme member contributions.
- Invoicing of employers for pensions strain and unfunded benefits.

Funding

- Agreeing the funding strategy with the Fund Actuary every three years, consulting with employers and monitoring continued appropriateness annually.
- Managing the triennial valuation alongside the Fund Actuary, providing membership and cash flow data and appropriately communicating with scheme employers.
- Monitoring the covenant of scheme employers including their ability to pay contributions and managing those who wish to join or cease membership of the scheme.
- Managing the FRS/IAS reporting cycles alongside the Fund Actuary, based on employer specifications and appropriately communicating with Scheme Employers.

Investments

- Monitoring and reporting on the Fund's funding position.
- Carrying out a review of the investment strategy at appropriate intervals.
- Managing the Fund's assets through the asset pool arrangements or directly for non-pool aligned assets.
- Monthly monitoring and implementation of the tactical asset allocation decisions.
- Working with other LGPS Funds within ACCESS to ensure the pool meets the Fund's strategic investment requirements.

Administration

- Providing ongoing information to scheme members and their beneficiaries as they join, leave or change status.
- Calculating and notifying scheme members of their entitlement to pension and death benefits.
- Providing quotations of retirement benefits including any additional costs to scheme employers.
- Providing information on how scheme members can increase their pension benefits.
- Maintaining scheme member records.
- Providing an online scheme member and scheme employer self-service facility.
- Administering the internal dispute resolution procedure.

Payroll

- Calculating and paying monthly pensions to pensioners and beneficiaries.
- Issuing of payslips at appropriate times.
- Issuing P60s.
- Investigating returned payments and dealing with any under or overpayment of pensions.
- Updating and maintaining accuracy of pensioner member details.

Communication

- Providing annual benefit statements to all active and deferred scheme members.
- Providing information to members via one to one sessions, workshops and newsletters.
- Maintaining the Fund's website.
- Providing new scheme employers with information about their responsibilities.
- Providing ongoing training and technical updates to employers.

Technical

- Maintaining and updating the pensions administration system.
- Ensuring presence, accuracy and regular review of scheme member data in line with the expectations of the Pensions Regulator and to comply with the General Data Protection Regulations.
- Providing guidance on changes in processes following new or amending legislation.
- Reporting on progress against key performance indicators and daily work management.
- Providing reports and extracts for GAD and other government departments.
- Reporting and making payments to HMRC.
- Processing bulk updates to member records such as new joiners and leavers, pensions increase and year-end or monthly contributions.

The plan for the next three years

Key challenges and influences

The current environment is such that there is an unprecedented volume of external factors that could impact the management of the Fund:

- The continued impact of the pandemic on management, investment and administration.
- The increased oversight by the Pensions Regulator and the issuance of the new singular code of practice where compliance must be achieved within 12 months.
- New and amending regulations affecting the Local Government Pension Scheme including the currently revoked £95k exit cap, the remedy resulting from the McCloud high court ruling and the paused national LGPS cost control review and a number of regulatory changes impacting on scheme employers.
- The requirement to rectify member contracted out data held by the scheme with that held by HMRC following significant delays in HMRC issuing the final correct data.
- The increasing number of scheme members affected by the government's pensions tax regime and reducing allowances on pension savings.
- The ongoing implementation of the government's requirements to pool LGPS pension fund assets with other Funds.
- Maintaining the skills and knowledge of officers and Committee and Board members to comply with the requirements of MIFIDII, CIPFA's new skills and knowledge framework and new statutory guidance stemming from the Scheme Advisory Board's Good Governance Review.
- The increasing number of scheme employers due to alternative provision models within the local government universe.
- Finding innovative and digital ways of working for the benefit of the Fund, the member and the scheme employer to achieve the Fund's strategies on administration, communication and employer engagement.
- The increasing scrutiny and transparency on data quality.
- To stay ahead of the increasingly sophisticated challenges presented by cyber-crime.
- Evidencing savings and improved investment governance arising from asset pooling.
- The risk of members being exposed to potential scams and the increasing requirements of the Fund to provide protection against this.
- The creation of a new administering authority on 1 April 2021 and the associated challenges around new governance structures, skills and knowledge requirements for new members and the impact on casework.

These and other priorities for the next three years are articulated in more detail in the appendix to this business plan, split into five sections:

- Procurement of services
- Core governance activities
- Scheme member and data projects
- Scheme employer projects
- Investment related activities.

Budget

All the costs associated with the management of the Fund are charged to the Fund and not West Northamptonshire Council. The following shows the expected income and expenditure (cash flow) of the Fund as well as the anticipated operating costs.

Cash flow projection 2020/21 to 2023/24

The following tables provide estimates of the Fund account, investment and administration income and expenditure for the next three years.

| | 2020/21 Estimate | 2020/21 Forecast | 2021/22 Estimate | 2022/23 Estimate | 2023/24 Estimate |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Contributions ¹ | (109,000) | (110,735) | (107,000) | (109,000) | (111,000) |
| Transfers in from other pension funds ² | (6,100) | (6,963) | (7,000) | (7,000) | (7,000) |
| TOTAL INCOME | (115,100) | (117,698) | (114,000) | (116,000) | (118,000) |
| Benefits payable | 95,000 | 97,159 | 100,000 | 103,000 | 106,000 |
| Payments to and on account of leavers ² | 7,200 | 9,686 | 7,000 | 7,000 | 7,000 |
| TOTAL PAYMENTS | 102,200 | 106,845 | 107,000 | 110,000 | 113,000 |
| | (12,900) | (10,853) | (7,000) | (6,000) | (5,000) |
| Management expenses | 4,146 | 4,063 | 3,367 | 3,302 | 3,318 |
| TOTAL INCOME LESS EXPENDITURE | (8,754) | (6,790) | (3,633) | (2,698) | (1,682) |
| Investment income less | (42,000) | (29,400) | (35,000) | (36,000) | (37,000) |
| Taxes on income (Profit) and losses on disposal of investments and changes in the market value of investments ³ | - | - | - | - | - |
| | (54,000) | (54,000) | (117,000) | (122,000) | (127,000) |
| NET RETURN ON INVESTMENTS | (96,000) | (83,000) | (152,000) | (158,000) | (164,000) |
| Net (increase)/decrease in net assets available for benefits during the year | (104,754) | (90,190) | (155,633) | (160,698) | (165,682) |

Notes:¹ Contributions and benefits are based upon underlying trends in membership and contribution rates, pensions in payment and expected increases.

² Future estimated transfers in and out have been based upon the average of individual transfers in and out of the scheme over the period 2015/16 to 2019/20.

³ Return on Investments have been calculated by applying the long-term actuarial assumption for investment growth (+3.9%) per annum.

Management expenses

| | 2020/21 Estimate | 2020/21 Forecast | 2021/22 Estimate | 2022/23 Estimate | 2023/24 Estimate |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Total administration expenses | 2,318 | 2,421 | 2,247 | 2,210 | 2,219 |
| Total governance expenses | 803 | 715 | 675 | 645 | 650 |
| Total investment expenses ⁴ | 1,025 | 927 | 445 | 447 | 449 |
| TOTAL MANAGEMENT EXPENSES | 4,146 | 4,063 | 3,367 | 3,302 | 3,318 |

Notes:⁴Investment expenses estimates include management fees for property funds. These will reduce once property has migrated into the asset pool, however timescales for property transitions are yet to be confirmed.

Administration expenses

| | 2020/21 Estimate | 2020/21 Forecast | 2021/22 Estimate | 2022/23 Estimate | 2023/24 Estimate |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Staff related | 1,246 | 1,312 | 1,461 | 1,464 | 1,467 |
| Altair administration and payroll system | 275 | 291 | 299 | 300 | 301 |
| Data improvement projects | 312 | 337 | 46 | - | - |
| Communications | 67 | 67 | 21 | 22 | 23 |
| Other non pay and income | 16 | 12 | 15 | 16 | 17 |
| Council overhead recovery ⁵ | 402 | 402 | 405 | 408 | 411 |
| TOTAL ADMINISTRATION EXPENSES | 2,318 | 2,421 | 2,247 | 2,210 | 2,219 |

Notes: ⁵Pending re-baselining for West Northamptonshire Council.

Delivering the business plan

Monitoring and reporting

In order to identify whether the agreed business plan is being met progress on the key priorities and budgets will be monitored by the Fund management team and reported to the Pension Committee and Local Pension Board at every meeting.

The updates will:

- Highlight any areas where the target is exceeded or where the target has not been achieved and the reasons why and identify any changes in response to the planned priorities as a result of this.
- Highlight any significant additional spend or underspend in relation to the agreed budget as it becomes apparent.

Risk Management

The Northamptonshire Pension Fund has embedded risk management into the governance of the Fund. The Pension Committee has approved a Risk Strategy and a detailed Risk Register is maintained and reviewed by the Local Pension Board at every meeting. Changes to the level of risk are reported to the Pension Committee at every other meeting, or more frequently if necessary.

The table below lists the Fund's highest rated risks as at February 2021. The full risk register can be found on the Fund's website at the following link:

<https://pensions.northamptonshire.gov.uk/app/uploads/2019/10/RiskRegisterNPF.pdf>

| Risk | Residual risk rating |
|--|-----------------------------|
| Employers are unable to pay increased contribution rates. | Amber |
| Failure to respond to changes in economic conditions. | Amber |
| As long-term investors, the Fund believes climate risk has the potential to significantly alter the value of the Fund's investments. | Amber |
| Contributions to the Fund are not received on the correct dates and/or for the correct amount. | Amber |
| Fund assets are not sufficient to meet obligations and liabilities. | Amber |

Key Activities

The key activities have been split into the following sections:

- Procurement of services
 - Re-tender for strategic investment advisory services
 - Re-tender for global custody services
 - Review contracts for actuarial, benefits and governance consultancy services
 - Re-tender for pensions administration and pensioner payroll platform
- Core governance activities
 - Undertake administrative actions in connection with the Local Government Reorganisation in Northamptonshire
 - Review the Business Continuity Plan
 - Develop the Fund's cyber-resilience strategy
 - Obtain the Pensions Administration Standards Association (PASA) accreditation
- Scheme member and data projects
 - Complete the Guaranteed Minimum Pension Rectification
 - Prepare for the application of the McCloud age discrimination remedy
 - Prepare for the 2022 Valuation of the Pension Fund
 - Processing of undecided leaver records
 - Scope and conduct potential liability reduction exercises
 - Undertake a review of the Fund's Additional Voluntary Contributions (AVC) providers
- Scheme employer projects
 - Implement multiple investment strategies
 - Conduct specific employer covenant monitoring
- Investment related activities
 - Continue development of the asset pool
 - Review the Fund's Responsible Investment Policy
 - Review the Property Strategy
 - Review of performance reporting and benchmarks

Procurement of services

Re-tender for strategic investment advisory services

This continues the work undertaken in 2020/21 to re-tender the investment advisory services contract that is currently awarded to Mercer LLC that expires on 30 September 2021 by performing a mini competition on the National LGPS Framework. The November 2020 Investment Sub-Committee approved the timetable and the proposed contract term for the Consultancy re-tender and approved the launch of a re-tender for the Investment Management Performance Reporting contract currently provided by Mercer, should this be necessary. The RFQ for the Investment Consultancy contract was issued in February 2021 and responses from suppliers due in March 2021. The second stage supplier interviews are scheduled in March 2021 and the preferred supplier will be notified in early 2021/22.

This is a joint procurement with the Cambridgeshire Pension Fund for a single supplier to benefit from the efficiencies of a shared service. Each Fund will have separate contractual arrangements

Budget required: All internal costs will be met by existing resources, other costs such as the fee for the use of the National LGPS Framework, procurement support and external legal support are estimated as £25k and have been provided for within the 2021/22 budget.

| Key Milestones | Dates |
|--|-----------------------------|
| Notify successful supplier | April 2021 |
| Complete Consultancy procurement / complete National Frameworks Order | June 2021 |
| Complete Management Performance Reporting procurement/ complete National Frameworks Order, if required | June 2021 |
| Transition/handover (including historical performance data) | July 2021 to September 2021 |
| New contract begins | 1 October 2021 |
| Strategy health check | 31 March 2022 |

Re-tender for global custody services

This continues the work undertaken in 2020/21 with Funds in the ACCESS pool to launch a revised framework for Global Custody Services under the National LGPS Frameworks. The Pension Committee approved in principle the collaborative procurement of a global custodian, alongside ACCESS partners, in sufficient time to transition the Fund's custody arrangements to the chosen provider (if a change from the current provider) before the expiry on 30 September 2021 of the Fund's extended contract with Northern Trust. Delivery of this activity is dependent upon collaboration with ACCESS partners in calling off the new framework.

Budget required: All internal costs will be met by existing resources and are included within the Fund's budget. The Fund's share of the Framework set-up costs estimated to be £17k are included in the 2021/22 budget and will be offset over time by fees paid by other users calling off the framework. Estimated costs for legal and procurement support for the Fund's call-off of £20k are also included in the 2021/22 budget. Any further financial implications will be included in Investment Sub Committee reports as required.

| Key Milestones | Dates |
|---|-----------------------------|
| Work with ACCESS partners to call off a common custodian. | December 2020 to June 2021* |

| Key Milestones | Dates |
|---|------------------------------|
| Complete transition to the new custodian (if required). | July 2021 to September 2021* |

*Due to the collaborative nature of this procurement and time and resource pressures across the eleven ACCESS Funds these dates may slip and an extension of the existing arrangement required.

Review contracts for actuarial, benefits and governance consultancy services

The existing separate contracts for actuarial, benefits and governance consultancy services are due to expire on 1 April 2023 with the option to extend for a further 12 months. Consideration will need to be given as to whether the separate contracts should be extended together at or if it is appropriate to conduct procurements earlier to tie in with future activity required from these contracts. The procurement will be on a joint basis with the Cambridgeshire Pension Fund using the National LGPS Framework.

Budget required: All internal costs in the procurement process will be met by the existing budget. Any external procurement and legal costs will be notified to the Pension Committee at the time through an appropriate report.

| Key Milestones | Dates |
|---|-----------|
| Decision whether to procure or extend each contract | June 2021 |

Retender for pensions administration and pensioner payroll platform

The Fund currently uses Aquila Heywood Ltd's Altair product as its pensions administration and payroll platform. The contract with Aquila Heywood Ltd was extended in September 2021 by a further three years to enable minimum disruption with the commencement of the Future Northants programme, the pandemic and the forthcoming work required of the age discrimination remedy (McCloud).

A competitive procurement process will need to be undertaken using the National LGPS Framework at least 18 months in advance of the end of the existing contract (September 2024) to ensure that there is sufficient time to complete a successful migration of data if a new supplier is procured.

Budget required: All internal costs in the procurement process will be met by the existing budget. Any external procurement and legal costs will be notified to the Pension Committee at the time through an appropriate report.

| Key Milestones | Dates |
|---|----------------|
| Obtain and complete National LGPS Framework documents | September 2022 |
| Commence procurement process | 1 April 2023 |
| Award contract to successful supplier | 1 October 2023 |
| Start date of contract | 1 October 2024 |

Core service and governance activities

Undertake administrative actions in connection with the Local Government Reorganisation in Northamptonshire

With effect from 1 April 2021 West Northamptonshire Council (WNC) and North Northamptonshire Council replace the existing eight local authorities in Northamptonshire, with WNC becoming the administering authority for the Northamptonshire Pension Fund. Approximately 7,700 scheme members are impacted by this change.

The material administrative actions required in connection with this change will be monitored and reported under this business plan activity.

Budget required: The expected resources required to undertake this work are already included in the administration budget. Casework volumes will be monitored to ensure resources available are adequate.

| Key Milestones | Dates |
|--|--------------------------|
| Update scheme member records by automatic aggregation to reflect each member's new unitary employer. | April to June 2021 |
| Disaggregate records and issue benefit awards where scheme members so elect (monitor volumes). | April 2021 to March 2022 |
| Process early leaver and redundancy awards arising from service reviews (monitor volumes). | April 2021 to March 2023 |
| Provide member estimates as required as each service review takes place (monitor volumes). | April 2021 to March 2023 |

Review Business Continuity Plan

The Business Continuity Plan (BCP) covering the Fund's governance and administration will need to be reviewed following the creation of the new unitary authority (and administering authority), West Northamptonshire Council on 1 April 2021 to ensure the arrangements previously in place remain so to support the delivery of the Pensions Service. In addition, it is now business as usual to ensure that the Fund's external suppliers such as those that provide and host the pensions administration and payroll platform, regularly supply detailed confirmation that they have satisfactorily carried out disaster recovery and penetration testing.

Budget required: All internal costs will be met by the existing budget.

| Key Milestones | Dates |
|---|-----------------|
| Test resilience with the new administering authority's BCP | By October 2021 |
| Scrutiny of business continuity arrangements by the Local Pension Board | November 2021 |
| Update the Pension Committee on business continuity arrangements. | December 2021 |

Develop the Fund's cyber-resilience strategy

The Pensions Regulator and other industry bodies have expressed the concern that pension funds are not taking sufficient positive action to prevent themselves (including scheme members) from being victims of cyber-crime. In particular, the Regulator is concerned that LGPS Funds are relying too much on their respective administering authorities to put appropriate measures in place to protect Fund assets and data.

Work was undertaken in 2020/21 to assess the Fund's level of Cyber-Resilience through a survey conducted by a specialist cyber resilience team at Aon, the Fund's governance advisers. The survey results highlighted a number of activities to be undertaken to demonstrate improved resilience which will be undertaken during the course of 2021/22.

Budget required: All internal costs will be met by the existing budget. The external consultancy costs of this activity will be notified to the Pensions Committee via the Business Plan Update reports once known. All consultancy costs will be met by an addition to the existing administration budget.

| Key Milestones | Dates |
|---|--------------------|
| Develop a cyber-resilience strategy and action plan. | April to June 2021 |
| Undertake mapping of data and asset flows. | April to June 2021 |
| Submit survey to all suppliers detailed within the mapping of assets and data to ascertain their approach to cyber-resilience. Aon's specialist cyber-resilience team to analyse survey responses and provide feedback. | April to June 2021 |
| Local Pension Board to provide scrutiny of cyber-resilience strategy and action plan. | July 2021 |
| Pension Committee to approve cyber-resilience strategy and action plan. | October 2021 |

Obtain the Pensions Administration Standards Association (PASA) accreditation

Obtaining the PASA accreditation will demonstrate to the stakeholders of the Fund that quality operations are in place where the performance and capabilities of the administration and governance functions are in line with those of higher quality organisations providing pensions administration services. Once achieved the accreditation is granted for a three-year period subject to an annual certification process.

Budget required: Anticipated accreditation costs of £6k will be met by an addition to the budget in 2022/23.

| Key Milestones | Dates |
|--|------------|
| Commence preparation and collation of assessment material. | April 2022 |
| Provide information to PASA for assessment. | March 2023 |
| Hold site visit and receive assessment results | 2023/24 |

Scheme member data projects

Complete the Guaranteed Minimum Pension Rectification

Following the end of contracting-out on 6 April 2016 it has been necessary for all pension schemes to reconcile their scheme members' contracted out liability against that recorded by HMRC. The Fund outsourced the majority of the reconciliation and rectification exercise to ITM Limited. The reconciliation stage of this completed in 2019/20 however following the delay in HMRC issuing the final file of data, the rectification stage was not able to commence during 2020/21 but is now ready to commence in 2021/22 but with the same anticipated completion date as previously estimated.

Budget required: An estimated cost of £20K has been included in budget for the remaining data work to be carried out by ITM Limited to enable efficient rectification of member records.

| Key Milestones | Dates |
|---|-----------------------|
| Produce project plan to rectify the member records that require amendments. | April 2021 |
| Implement project plan. | June to December 2021 |

Prepare for the application of the McCloud age discrimination remedy

As a result of the ruling in the McCloud it will be necessary for LGPS Funds to look at every affected to see if the impact of the remedy requires an amendment to the member's accrued benefits. MHCLG released a consultation in 2020/21 detailing proposed amendments to the LGPS regulations as a result of the remedy and a response to the consultation is still pending. It is understood that LGPS Funds will need to begin work on rectifying records in 2022/23 and in the meantime an exercise is required to collect data relevant to the accurate calculation of the remedy, namely, hour changes and breaks in membership, where this has not previously been provided by scheme employers.

Budget required: All internal costs will be met by the existing administration budget. Costs associated with the implementation stage of this activity will be included in the budget for 2022/23 when the resource and financial implications will be clearer.

| Key Milestones | Dates |
|--|--|
| Issue data collection template to identified employers. | June 2021 |
| Work with employers to collect the data required. | June 2021 to October 2021 |
| Make necessary amendments to member records for previously missing data. | June 2021 to March 2022 |
| Send communications to members (upon release of amended LGPS Regulations). | Expected to be April 2022 (pending guidance from MHCLG). |
| Application of the revised underpin (following release of amended LGPS Regulations). | Expected to commence in 2022/23 (MHCLG to provide guidance on this matter, including time period within which this work will be undertaken). |

Prepare for the 2022 Valuation of the Pension Fund

Work with the Fund's actuarial advisors to develop requirements and plan for the triennial valuation of the Pension Fund. The valuation date is 31 March 2022 with results to be published by 31 March 2023 and new employer contribution rates effective from 1 April 2023.

Milestones will be expanded once valuation planning is complete.

Budget required: All internal costs will be met by the existing administration budget. Associated actuarial fees for the core valuation activities have been estimated in the budget. Any additional expenditure required will be notified to the Pension Committee for approval at the appropriate time.

| Key Milestones | Dates |
|---|--------------------------|
| Develop valuation plan with Fund Actuary | April to June 2021 |
| Undertake pre-valuation activities | July 2021 to March 2022 |
| Valuation of the Pension Fund | April 2022 to March 2023 |
| Triennial valuation results published | 31 March 2023 |
| Implementation of revised employer contribution rates | April 2023 onwards |

Processing of undecided leaver records

The Fund has a number of unprocessed leaver records where a member has left a period of pensionable employment, is not entitled to immediate payment of pension benefits, but is entitled to either a refund of contributions, aggregation with another period of pensionable membership and/or a deferred pension award. The number of these cases has historically grown due to 1) scheme employers not notifying the Fund that members of the scheme have left their employment 2) scheme employers providing late monthly reporting and 3) the volume of employer data that has to be queried.

The Fund will treat a case as a backlog case if it is six months or more from the date of notification by the scheme employer. Cases within six months of notification will be identified as business as usual cases. Statutory disclosure requirements are completed immediately on notification of an exit by the scheme employer.

Budget required: All internal costs will be met by the existing budget.

| Key Milestones | Dates |
|--|----------------------|
| Baseline volumes and develop action plan | April to June 2021 |
| Process cases in accordance with action plan | Throughout 2021/2022 |
| Process cases in accordance with action plan | 2022/2023 |

Scope and conduct potential liability reduction exercises

The Fund has an increasing number of records belonging to members that are due a refund of pension contributions (due to having insufficient membership within the LGPS to be awarded a pension entitlement and with the member not having claimed a refund) and also a large number of pensions in payment of a very low value that could be fully commuted into a one-off payment, extinguishing the Fund from any future liability.

It has become increasingly common for pension schemes to look at ways of reducing the number of such records, communicating with these members in order to assess their eligibility and desire to receive payment of the refund or fully commute their benefits.

Budget required: All internal costs will be met by the existing budget.

| Key Milestones | Dates |
|--|--------------------------|
| Conduct exercise (to review and offer refund options to members). | April 2021 to March 2022 |
| Scope exercise, formulate project plan and conduct exercise (small commutable pensions). | April 2022 to March 2023 |

Undertake a review of the Fund's Additional Voluntary Contributions (AVC) providers.

At the October 2019 meeting of the Pension Committee a review of the Fund's two AVC providers was presented with a recommendation that Standard Life be closed to currently contributing members. The recommendation was accepted, which would leave Prudential as the only remaining AVC provider that active members of the scheme could pay additional contributions to. Members paying AVCs to Standard Life would have the option to switch payment of their additional contributions to Prudential and would be able to leave their accumulated funds with Standard Life until such times as they need to utilise them or transfer them to Prudential also.

Standard Life have remained an active provider within the Fund due to the impact of the pandemic. However, over the last twelve months LGPS Funds across the country have collectively become concerned about the administrative performance of Prudential citing cases of not allocating contributions to members' accounts in a reasonable time period and the disinvestment of funds from members' accounts taking several months to complete. As a result, officers need to undertake a further review of Prudential and Standard Life's administrative performance to ensure the decision made in October 2019 remains in the best interest of scheme members. The Fund's governance advisors, Aon have been commissioned to undertake this review.

Budget required: All internal costs will be met by the existing budget.

| Key Milestones | Dates |
|--|-----------------------|
| Aon to undertake the review | 1 April 2021 |
| Officers to consider outcome of review | May 2021 |
| Present findings of review to Pension Committee | July 2021 |
| Plan and undertake the required actions as a result of the review (as approved by Pension Committee) | August 2021 (onwards) |

Scheme employer projects

Implement multiple investment strategies

With an increasing number and variety of scheme employer participating in the Fund it is prudent to consider whether greater flexibility is required to meet the different funding requirements of these scheme employers, who may have different investment risk appetites and whose scheme membership may have vastly differing levels of maturity. This project will look to create a small number of “investment buckets” into which different categories of scheme employer could be allocated.

This activity builds on the investigatory and scoping work carried out in 2020/21 and will now focus on working with employers to agree an appropriate strategy for each employer and implementing the agreed allocation ahead of the 2022 valuation of the Pension Fund.

Budget required: All internal costs will be met by the existing administration budget. Any Actuarial fees will be derived from the action plan and will be subject to approval by the Pension Committee.

| Key Milestones | Dates |
|---|-------------------------------|
| Consider impact modelling by Fund Actuary. | April 2021 to May 2021 |
| Pension Committee to decide whether to proceed. | July 2021 |
| Devise and implement action plan. | August 2021 to September 2022 |

Conduct specific employer covenant monitoring

Officers are working with the Fund Actuary and Price Waterhouse Cooper (PWC) to carry out covenant assessments of those employers consider to present the greatest financial risk to the Fund. This activity will involve engaging with the relevant employers to explain the process and collect information to allow PWC to carry out a covenant assessment and for the Actuary and PWC to advise on the results and appropriate actions to be taken.

Budget required: An additional cost has been added to the 2021/22 budget of approximately £15,000 to £20,000 is expected to be incurred for professional fees. Other internal costs such as liaison with scheme employers will be met by the existing budget.

| Key Milestones | Dates |
|---|--------------------------------|
| Issue and collect covenant monitoring questionnaire to relevant employers | April 2021 to June 2021 |
| Issue collated responses to PWC for analysis | July 2021 to August 2021 |
| Discuss results and next steps with the Actuary and PWC | September 2021 to October 2021 |
| Incorporate results of covenant monitoring into 2022 valuation planning | November 2021 to March 2022 |

Investment related activities

Continue development of the asset pool

The ACCESS asset pool development is a long-term project. 2021/22 will see the Fund's final liquid assets transfer into the pool as the remaining tranches of sub-funds are established in the asset pool. In parallel, ACCESS is developing a pool level solution for investing in illiquid assets.

The Fund has additional sub-fund requirements not yet part of the ACCESS launch plan. Engagement with ACCESS partners is required to promote these requirements, including around Responsible Investment, in order to achieve timely inclusion.

Dates for completion are dependent upon the approval of the Joint Committee for creating the necessary sub-funds, FCA approval and resolution of other limiting factors. The dates reflect the targets for submission of business cases for the respective sub-funds to the asset pool.

Budget required: All internal costs will be met by existing resources and are included within the 2021/22 budget. A budget of £114k has been included in the 2021/22 Fund budget to cover ACCESS asset pooling costs rechargeable to the Fund, managed by the ACCESS Administration Support Unit. Investment management and Operator/Depository fees are included in the sub-fund costs charged to the relevant ACCESS sub-fund.

| Key Milestones | Dates |
|---|--------------------|
| Liquid Assets – implement tranches as they arise. | 2021/22 to 2022/23 |
| Illiquid Assets – Continue to support the illiquid assets pooling solution. | 2021/22 to 2022/23 |
| Promote the Fund's requirements. | 2021/22 to 2022/23 |

Review the Fund's Responsible Investment Policy

This continues the work undertaken in 2020/21 to revise the Fund's Responsible Investment (RI) Policy for incorporation in the Investment Strategy Statement (ISS). The revised ISS will be issued for consultation during Q1 2021/22 and feedback considered by the Pension Committee before final approval.

The Fund will also work with its advisers, partner ACCESS funds and Link to develop a governance and reporting framework to monitor compliance with the Fund's RI Policy.

Budget required: All internal costs will be met by existing resources and are included within the 2021/22 budget. Any further financial implications will be included in Pension Committee reports as required.

| Key Milestones | Dates |
|--|--------------------|
| Commence 30 day consultation with Fund stakeholders on the revised Investment Strategy Statement | April to June 2021 |
| Pension Committee approval of revised ISS | October 2021 |

Review the Property Strategy

The Fund's Property investments comprise a multi manager mandate managed by CBRE and residential investments in the Private Rented Sector and Shared Ownership property funds

managed by M&G, which mainly comprise UK based assets. A periodic review of these mandates will be undertaken, considering the underlying investment funds and their performance with a focus on the appropriateness of the allocations both geographically and by sector and the relevance of the performance benchmarks and targets. This review will include consideration of possible enhancements to the property strategy, especially considering the expected benefits falling out of the pooling agenda.

The output of the review will be used to inform the Fund's requirements from the ACCESS illiquid asset programme, the implementation of which will be dependent upon the path to migrate to the ACCESS solutions.

Budget required: All internal costs will be met by existing resources and are included within the 2021/22 budget. External costs for consultancy and legal fees of £50k are included in the 2021/22 budget. Any further financial implications will be included in Investment Sub Committee reports as required.

| Key Milestones | Dates |
|---|---------------|
| Commence the review | October 2021 |
| Complete the review and submit report to the Investment Sub Committee | February 2022 |
| If a change to Strategic Allocation, approval by Pension Committee | March 2022 |
| Communicate the Fund's requirements to the ACCESS pool | April 2022 |

Review of Performance Reporting and Benchmarks

This review will focus on the efficient measurement of the Fund's wide-ranging investment mandates in order to appropriately gauge that those mandates are delivering expected levels of return and, indeed, meeting the strategic investment needs of the Fund. The existing performance reports are comprehensive and complex, however, there is concern that they contain inappropriate benchmark comparisons and complicate effective decision-making. Wider considerations such as delivery of responsible investment requirements further impact this subject.

The sources of information for performance reporting reflect the wide-ranging number of mandates the Fund has and the quality and timeliness of information available from those sources.

This review will evaluate the strengths and weaknesses of the current report and explore options to improve the quality and clarity of reporting.

The key participants will be the Fund's officers, the Fund's consultant and Independent Adviser utilising other third parties as required, with a report on the outcome presented to Investment Sub Committee members.

Budget required: All internal costs will be met by existing resources and are included within the 2021/22 budget. External costs for consultancy fees of £20k are included in the 2021/22 budget. Any further financial implications will be included in Investment Sub Committee reports as required.

| Key Milestones | Dates |
|--|---------------|
| Commence the review | April 2021 |
| Report to the Investment Sub-Committee | December 2021 |
| Implement revised reporting | March 2022 |

