



CRONFA BENSIWN **POWYS** PENSION FUND

Business Plan 2023/24

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## 1. Introduction

- 1.1 Powys County Council (PCC) is the Administering Authority of the Powys Pension Fund ('the Fund') and is responsible for the operation and administration of the Local Government Pension Scheme (LGPS) for employees of Powys County Council and many other participating employers.

### 1.2 Key Statistics at 31<sup>st</sup> March 2022

	31 <sup>st</sup> March 2022
Value of the Fund	814m
Funding Level March 2022	99%
Active Participating Employers	22
Active Scheme Members	5700
Deferred Members	6450
Pensioner and Dependant Members	5200

### 1.3 Overview of the LGPS

The LGPS is a registered public service pension scheme and its rules are made with the approval of Parliament. The Scheme is administered locally by Local Government Pension Scheme pension funds across England and Wales.

The scheme regulations are made under the Superannuation Act 1972 and in the future will be made under the Public Service Pension Schemes Act 2013. Changes to scheme rules are discussed at national level by employee and employer representatives but can only be amended with the approval of Parliament.

The LGPS is a registered public service pension scheme under Chapter 2 of Part 4 of the Finance Act 2004. It achieved automatic registration by virtue of Part 1 of Schedule 36 of that Act (because the scheme was, immediately before 6 April 2006, both a retirement benefits scheme approved under Chapter I of Part XIV of the Income and Corporation Taxes Act 1988 and a relevant statutory scheme under section 611A of that Act). It complies with the relevant provisions of the Pension Schemes Act 1993, the Pensions Act 1995 and the Pensions Act 2004.



The LGPS meets the government's new standards under the automatic enrolment provisions of the Pensions Act 2008.

Here are some key LGPS highlights for 2022:

- Total membership of the LGPS was 6.3 million at 31 March 2022
- 2.0 million active members, 1.9 million pensioners and 2.3 million deferred members
- the market value of LGPS funds on 31 March 2022 was £364 billion, an increase of 8 per cent

At the national level the LGPS is governed by the Department for Levelling Up, Housing and Communities (DLUHC) and the LGPS Advisory Board. The LGPS has to take account of guidance issued by the Pensions Regulator and Pensions Ombudsman determinations.

The investment and management of LGPS assets, the collection of employer and employee contributions, and payment of pension benefits is the responsibility of LGPS administering authorities, such as Powys County Council.

DLUHC issues statutory guidance and each administering authority is required to publish a [governance compliance statement](#) and explain any non-compliance. Each administering authority is subject to an annual external audit and has to publish an [audited financial statements and annual report](#).

The role of the Scheme Advisory Board is to help and support DLUHC and administering authorities fulfil their statutory duties and obligations.

#### **1.4 Powys Pension Fund Mission Statement and Objectives**

1. Provide a cost effective, professional, forward-thinking, high-quality service to scheme members and stake holders, in accordance with appropriate legislation.
2. Well informed scheme members who self-administer where appropriate and maximise the use of technology.
3. Well trained, knowledgeable, qualified and motivated staff with challenging but achievable objectives.
4. Transparent reporting and updates for stakeholders. Clarity on investment approaches towards fossil fuels, climate change, low carbon economy etc.
5. Well governed pension fund practices, with appropriate policies in place.

## **2. Governance and Management of the Fund**

Powys County Council (PCC) is the administering authority for the Powys Pension Fund. The governance arrangements of the County Council (including the Constitution, Financial Regulations and Contract Standing Orders) apply to the management of the Pension Fund.

The Council delegates its functions in relation to maintaining the Pension Fund to the Pensions & Investment Committee and the Section 151 Officer, in accordance with the Governance Policy and Compliance Statement.

The Pensions and Investment Committee and Section 151 Officer take the appropriate professional advice from the Fund's Investment Consultant and Actuary, to enable the efficient discharge of responsibilities.

### **Wales Pension Partnership**

Since the introduction of legislation requiring the pooling of LGPS assets, the Council has entered into an inter-authority agreement with the other 7 Administering Authorities within Wales and is a member of the [Wales Pension Partnership](#) (WPP).

The WPP was established in 2017 and is a collaboration of the eight LGPS funds (Constituent Authorities) covering the whole of Wales. It is one of eight Local Government Pension pools in England and Wales.

The WPP appoints an external Operator and makes use of external advisers to bring appropriate expertise to support the running of the Pool. The Operator is Link Fund Solutions and they have partnered with Russell Investments to manage the investments and assist in the reduction of investment management costs for all the Constituent Authorities.

Assets have and are being transitioned into the pool. Investment decisions, including overall asset allocation, remain a local responsibility of the partner Funds. A Joint Governance Committee has been established by the WPP to oversee the operation and collective investment performance of the pool. The Powys Pension Fund is represented on the Joint Governance Committee by the Chairman of the Pensions and Investment Committee.

The Joint Governance Committee are supported by the Officer Working Group which comprises the Section 151 Officers and senior pensions/finance officers from the partnering funds.

There are also several sub-groups that operate and focus on specific areas such as responsible investment. The Powys Pension Fund provides officer representation on these groups.

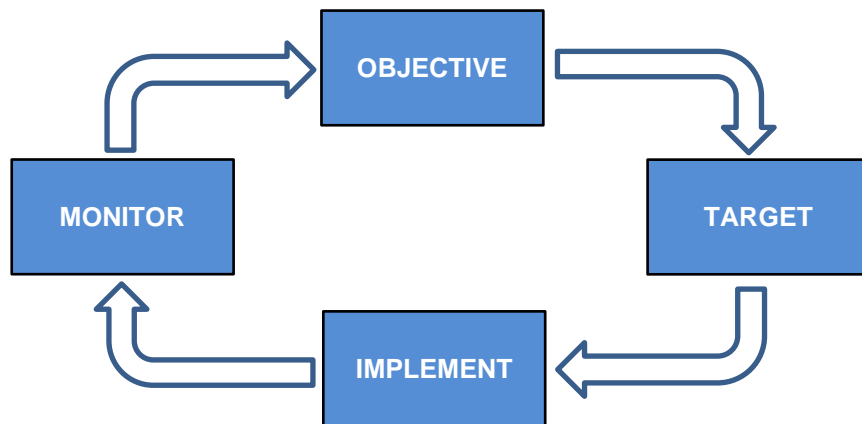
### 3. Purpose of the Business Plan

The Business Plan will explain how the Fund intends to develop on existing practices and improve its processes to meet the ever-changing demands of the LGPS.

It enables stakeholders and staff see the key objectives and how they contribute to the overall success of running a multi-million pound LGPS pension fund.

It will identify current and known imminent challenges and opportunities for improvements, which can be monitored against key performance indicators. The Pension Fund adopts the performance monitoring and review cycle of the Administering Authority, to ensure effective monitoring, scrutiny and challenge as required.

The following diagram visually depicts the process:



### 4. Key Drivers of Change

The following items have been identified as key drivers of change that will impact on its operation of the Fund in the short to medium term. They will provide key challenges that will need addressing, but also opportunity for change.

## **Legislative Changes**

- We have seen in recent times significant changes to pensions legislation, such as the pooling of LGPS assets initiative, the change to a Career Average revalued Earnings (CARE) scheme from Final Salary and the complexities introduced as a result. The Fund has seen a significant increase in the number of aggregations of LGPS pension benefits.
- The McCloud age discrimination determination has also introduced a requirement to re-input pay and hours information for a significant proportion of the scheme membership and re-run benefit calculations if/as required.

## **Investment Strategy**

- Pooling of investment assets and developments of sub-funds within the WPP may lead to alternative asset classes being made available for the Fund to consider. This will require regular review of the investment strategy to ensure that it has the flexibilities within it to act appropriately and quickly, if required.
- There is a greater focus on Responsible Investment as we head into a lower carbon economy and the fund is mindful of that in terms of the investment decisions that it takes.
- Climate Change and Responsible Investment will be embedded in any investment decision that the Fund takes.
- A change in the funding position of the Fund following the latest triennial valuation requires consideration when setting the investment strategy.

## **Governance Framework**

- Continued scrutiny and oversight of the LGPS at national and local level by the Pensions Regulator, Scheme Advisory Board, Local Pensions Board and other stakeholders, is continuing to advance expected standards of compliance, performance, transparency and disclosure.
- As the value of assets under management increases, expectations in terms of stewardship and responsible investment do as well, with increasing pressure on LGPS Funds to demonstrate how the long term economic impact of environmental, social and governance risk factors are being assessed and managed alongside their fiduciary responsibilities.

- To support the transition into a lower carbon economy, there are greater reporting requirements placed on the Fund in terms of the Taskforce for Climate Related Financial Disclosure (TCFD) reporting requirements.
- The Pension Fund Committee continue to be supported with appropriate induction and ongoing training to make sure high standards of decision making and oversight are maintained.
- 2022 saw the Pension Board take a “deep dive” into the Fund’s risk register, which will continue into 2023 resulting in appropriate recommendations made to the Pensions and Investment Committee for amendments/inclusion of risks on the risk register.

### **Scheme membership**

- The nature of the Powys Fund scheme membership results in a higher than average number of multiple employments and turnover of those employments. This continues to place a pressure on the administration team to calculate deferred benefits and potential aggregations into other continuing, concurrent and new employments.
- Over time, there has been a growth in the backlog of these cases, which require completion. The additional resource recently recruited into the Pensions Section is helping with this and it is expected that these will be processed accordingly as part of business as usual activity and specific project work as required.

### **Data**

- Increasing complexity (the LGPS is now made up of several separate schemes; pre-2008, 2008 to 2014, CARE and the LGPS for Councillors), coupled with more challenging data transparency and disclosure requirements, means that data quality is a key priority. Specific annual monitoring of data quality introduced by the Pensions Regulator in 2018/19 will continue with expectations of continuous improvement in standards. Clean data is also essential for process efficiency and automation, and a critical pre-requisite for ‘self-service’ and the forthcoming Pension Dashboard ecosystem.
- The Fund has published and regularly reviews a Data Improvement Plan which identifies the priorities with regards to data cleansing and quality testing.



- Employers are key in terms of providing the Fund with a reliable flow of accurate and timely data, along with up to date systems and robust procedures for data transmission, validation and processing. Improvements, focussed on streamlining and standardising data channels and more robust data validation at source are underway, but will take time to embed given the scale of the Fund's employer base. Continued support, through training and targeted improvement activity will be required, necessitating a change in the approach to employer engagement and increased focus on communication and relationship management, rather than process management. The Fund has appointment of an Employer, Data and Systems Officer in 2022 has helped considerably with this.
- The Fund provides a 24/7 online service to scheme members which requires up to date data to provide a good service and reliable modelling tools for members.
- Changes to Data Protection Standards (General Data Protection Regulation) introduced in 2018 and increasing public concern regarding cyber security requires on-going focus on data security and safe custody arrangements.

## **Digital Transformation**

As we move towards a lower carbon world, the Fund is actively seeking to reduce the amount of printing it does and deliver the administration service digitally. The majority of scheme communications are delivered electronically and the administration team does very little printing already.

However, it is important to identify the needs of an individual scheme member and deliver the service that best meets their requirements.

It is vital to maximise the use of technology to enable the digital transformation to help the planet move to a low carbon economy.

## **5. Current Position**

- Continuous and significant funding level improvements since the 2016, 2019 and now 2022 Valuations, which the Fund has sought to protect through various investment de-risking approaches.
- Low levels of internal disputes, customer complaints and negative feedback.



- Good position with regards to policies in place.
- Positive Audit opinion.
- Updated team structure and job roles providing a platform for more efficient and flexible working, improved customer focus, skills development and staff succession. Plan in place to remove backlogs.
- Good levels of compliance and adoption of industry best practice standards (CIPFA benchmarks, TPR Code of Practice etc).
- Progress being made on cleansing membership data, for instance on GMP records, 'common and scheme specific data' and the introduction of monthly electronic returns from employers. Currently, over 90% of new starter and active member data is received electronically on a monthly basis.

## **Challenges**

- Continuing short to mid-term training needs of new staff following a will continue to impact on performance over the short term, whilst existing staff dedicate time to training the new staff.
- Casework backlogs resulting from a combination of growth in demand from employers and scheme members and the increased complexity in administering the scheme.
- Complexity of legislation and stakeholder communications. "Keeping things simple" for scheme members and stakeholders.
- Ongoing Employer engagement, training and performance.
- Member inertia and lack of engagement.
- Development of diagnostic and analytical reporting tools.
- Increasing expectations/regulation around data quality, disclosure standards and transparency.
- The ongoing development and monitoring of the Wales Pension Partnership as it moves forward to look at increasingly complex asset classes (private markets, property etc).

- The introduction of appropriate climate reporting metrics via the Taskforce for Climate Related Financial Disclosures (TCFD) requirements.
- Immediate short term challenges that require prompt and nimble actions, with appropriate consideration to risk.

## **6. Workplan / Objectives**

### **Administration**

1. Development of the Insights reporting tool to help monitor performance and enable quicker reporting against key Performance Indicators (KPI) and statutory deadlines.
2. Maximise use of technology and automation to support secure and efficient transmission of high quality data, and intelligence-led business operations.
3. Increase communications and training provided to employers and increase the number of employers submitting data electronically on a monthly basis.
4. Review the process for monthly contribution monitoring with a view to maximising the use of technology and data collection.
5. To update member records in accordance with the McCloud Age Discrimination remedy.
6. To keep in mind that performance may continue to suffer in the short term due to the recruitment of the 5 new staff and retirement of the longest standing team member. This will be a drain on the existing administration resource whilst training of new staff continues.

### **Governance**

1. Strong and effective decision making supported by appropriate skills, knowledge, advice and expertise at officer, Committee and Pension Board member level.
2. High levels of compliance with regulatory and best practice standards, evidenced by comprehensive and transparent reporting on all aspects of Fund performance and decision making.

3. Appropriate and up to date Policies in place to ensure strong process and consistency of decision making.
4. Supported, empowered and enabled scheme employers who able to fulfil their obligations under the Scheme regulations, and meet the performance standards set out in the Administration Strategy and Employer Policy.
5. Commitment towards ensuring compliance with the Schem Advisory Board's Good Governance Project.
6. Effective contract management arrangements for all third party contracts and supply agreements, demonstrating effective partnership working and value for money.

### **Investment**

1. Effective and appropriate investment strategy, focussed on allocation, risk management and stewardship to deliver positive, sustainable returns in line with long term funding targets.
2. Working with the Wales Pension Partnership (WPP) to ensure that the sub-funds available meet the needs of the Fund whilst ensuring a high level of governance and decision making.
3. Develop reporing in line with the Taskforce for Climate Related Financial Disclose (TCFD) and other regulatory requirements.
4. Consider Climate Change, Responsible Investment and Environmental, Social and Governance related matters within investment decisions with a view to reducing the carbon exposure of the Fund's assets (via the WPP).

### **Training**

1. Develop effective and relevant training plans for Committee, Board and Officers and produce group or individual plans as required.
2. Produce individual training plans based on the data collection, with reference to appropriate policies and governance arrangements.
3. Record and monitor progress against the training plans.
4. Make use of local training, training provided by the WPP, digital training delivery and that provided by professional and recognised third parties. Attendance at appropriate conferences will be offered and logged accordingly.

## 7. Resources

The budget forecast for the Pensions Administration Service for the 2023-24 year, is as follows:

<b>Costs</b>	<b>£</b>
Staffing and associated costs	669,610
Suppliers and other associated costs	266,760
Recharges	76,360
<b>Total</b>	<b>1,012,730</b>

The costs will be recharged in full to the Powys Pension Fund. There may also be additional costs which have not yet been factored into the budget which may be identified throughout the year. Such costs will be identified and reported to the Committee for approval.

### Workforce

The Powys Pension Fund encourages a work environment that empowers staff to take the appropriate ownership of their workload and tasks.

Regular meeting take place between the Section 151 Officer and Pension Fund Manager, who in turn regularly meets with the Pension Section Management Team.

All staff have clear roles, responsibilities and accountability and a training and development plan to equip them with the skills and knowledge required to fulfil their roles effectively.

Staff are provided with:

- key objectives, set on an annual basis and linked to the outcomes and objectives set out in annual reviews.
- regular one-to-one meetings and performance appraisals with their line manager to review progress in achieving objectives and to identify any development issues.
- regular team meetings to keep them up to date on wider issues affecting the Pension Fund and the Council.
- opportunities to propose new ideas and suggestions and help shape the business and processes going forward.

Staff are also provided with on-going professional and technical training which will be delivered through 'on the job' training and coaching, attendance at training events provided by various professional



organisations and through the Chartered Institute of Payroll Professionals (CIPP) qualification. A number of the team have already attained both levels of the CIPP qualifications and several are already working towards attaining it.

New staff are encouraged to attain the CIPP qualifications and are fully supported throughout that process.

## **8. Further Information**

### **Contacts**

Any questions, queries or observations on this document or on matters relating to the governance of the Powys Pension Fund, should be addressed to:

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The Fund's website contains up to date information and is a valuable source of information, so please visit it at [www.powyspensionfund.org](http://www.powyspensionfund.org)