

Business Plan 2019 -2023

March 2019

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INTRODUCTION

Cheshire West and Chester Council (CWaC) is the Administering Authority of the Cheshire Pension Fund ('the Fund'), responsible for the operation of the Local Government Pension Scheme (LGPS) in and around the County of Cheshire.

Key Statistics

As at March 2019:

	March 2018	March 2019
Assets of the Fund	£5.22bn	£5.32bn
Contributing Employers	277	287
Contributing Members	38,500	39,271
Members receiving a pension	27,700	28,705
Total benefit payments	£174m	£179m
Contributions from members and employers totalled	£214m	£146m

GOVERNANCE AND MANAGEMENT OF THE FUND

Cheshire West and Cheshire Council have delegated responsibility for the management and administration of the Fund to the Section 151 Officer. The Council reviews the discharge of its responsibilities through the Council's Audit and Governance Committee

The Section 151 Officer is advised by the Pension Fund Committee and also takes appropriate advice from the Council's Director of Governance, the Fund Actuary and from strategic Investment Advisors.

The Local Pension Board assists the Council to deliver efficient governance and administration of the Fund and to maintain compliance with regulations and best practice standards as laid down by the national Scheme Advisory Board, the Pensions Regulator and relevant professional bodies.

The Pension Fund Committee receives recommendations from the Investment Sub-Committee and the Pensions Consultative Forum (which includes representatives of Fund employers), to enable it to discharge its responsibilities effectively.

Following the introduction of regulatory requirements for all administering authorities to enter into pooled investment management arrangements, the Council has entered into a joint agreement with Derbyshire County Council, Leicestershire County Council, Nottinghamshire County Council, Shropshire County Council, Staffordshire County Council, Wolverhampton City Council and Worcestershire County Council to establish the LGPS Central investment pool. The councils are

equal shareholders in LGPS Central Ltd, a wholly-owned, arms-length investment management company, regulated by the Financial Conduct Authority (FCA).

Assets are being transitioned in to the pool on a phased basis, with LGPS Central Ltd taking over day to day responsibility for the management of pooled assets, including the appointment and monitoring of external managers and the exercise of voting rights. Strategic investment decisions, including overall asset allocation remain the responsibility of the partner Funds. A Joint Committee has been established to oversee the operation and collective investment performance of the pool. The Cheshire Pension Fund is represented on the Joint Committee by the Chairman of the Pension Fund Committee.

LGPS Central Ltd is also overseen by the partner Funds in their capacity as joint shareholders, via a Shareholders Forum. The Fund's shareholder representative is the Council's Cabinet Member for Finance and Legal Services.

Both the Joint Committee and the Shareholder Forum are supported by a joint officer working group (the Practitioners Advisory Group), comprising the s151 Officers and senior pensions officers from the partner Funds.

During 2018 the Fund commissioned an independent review of its governance arrangements. The outcomes from which will be reflected in the final draft of the business plan.

EXECUTIVE SUMMARY AND PURPOSE OF THE PLAN

This plan sets out the long term objectives of the Cheshire Pension Fund, the strategic priorities and target outcomes for the next four years and the delivery plan for 2019-20 (Year 1).

The four year planning horizon and the themes included in the plan are consistent with Cheshire West and Chester Council's medium term vision aimed at 'Helping the Borough to Thrive'. The Pensions Team contribute specifically to two of the Councils ten strategic priorities; helping to ensure that resources are well managed, and also supporting older people to lead fulfilled and independent lives (through access to secure retirement incomes).

The Council's corporate values and behaviours (THRIVE) have also been used to shape the delivery plan and key performance measures, recognising that we add value, not just by delivering the right service; but by delivering it in the right way. This is demonstrated through the commitment in this plan to high standards of performance delivery, partnership working (particularly through our role as a member of the LGPS Central asset pool), and the development of digital communications and self-service, which is a key focus for the Fund in the short and medium term.

The pensions sector as a whole, and the LGPS in particular, continues to experience significant change. The key change drivers are described in more detail later in this plan. Changes on the scale required cannot be managed effectively on a short term basis; planning and implementation will in some cases, take many months and performance outcomes will be need to be assessed over the medium term, rather than on an annual basis.

This four year plan allows for longer term planning and performance review and provides a framework which balances consideration of strategic, medium term outcomes with a clear focus on

short term actions and priorities. The delivery plan for 2019-20 (Year 1) will set out specific targets and delivery milestones, so that there is clear direction and a basis for individual and collective performance management; but within the context of longer term vision and strategic aims.

The 2019-20 delivery plan will be monitored and progress reports will be provided to the Pension Board and Pension Fund Committee on a quarterly basis, with the plan being reviewed and rolled forward annually.

In summary, the purpose of the plan is to:-

- Set out the long term objectives of the Cheshire Pension Fund, and the context within which it operates.
- Set out the medium term priorities and key outcomes required to meet these objectives, and specific delivery targets for the current year.
- Provide a basis for monitoring performance and reviewing progress.
- Provide a basis for resource planning and allocation.
- Provide a basis for assessing and managing risk.
- Provide stakeholder, partners and customers with a clear vision of what they can expect from the Fund and a basis on which it can be held to account.

LONG TERM AIM AND OBJECTIVES OF THE FUND

The Fund's overall aim is to deliver a high quality service at a reasonable and sustainable cost, and to be recognised as a centre of excellence within the LGPS.

In order to achieve this aim, it's objectives are :-

- To ensure the governance arrangements of the Pension Fund allow officers, employers, Pension Fund Committee and Pension Board members to discharge their responsibilities efficiently and effectively.
- To deliver a high quality, value for money and friendly service to all beneficiaries, potential beneficiaries and employers; including clear, timely and relevant communication to all stakeholders.
- To ensure the financial sustainability of the Fund by actively managing investment and liability risk and increasing certainty, stability and affordability of employer contribution rates

KEY CHANGE DRIVERS

The Fund has identified the following key drivers of change that will impact on its operating environment in the short to medium term. In terms of achieving longer term objectives, they may give rise to potential threat or opportunities.

Pensions Reform

- Along with its LGPS Central partners, the Fund has embarked on an ambitious programme to deliver target savings of £250 million over the next 15 years, through investment pooling. New governance and reporting arrangements have been introduced to ensure appropriate oversight of the pool, and to maximise opportunities offered through wider partnership working. During the transitional period however, both legacy and new arrangements will need to operate side by side placing additional demands on both officers and elected members.
- The complexity of the 2014 LGPS scheme and changes to pension tax allowances continue to present operational challenges, and additional demand on administering authorities from employers and members.
- Further changes to the Scheme regulations may be introduced as a result of the national Cost Management framework introduced in 2014, and the implementation of the New Fair Deal across the public sector.

Governance Framework

- Continued scrutiny and oversight of the LGPS at national and local level, by the Pensions Regulator, Scheme Advisory Board and Local Pensions Board and other stakeholders, is continuing to 'raise the bar' in terms of expected standards of compliance, performance, transparency and disclosure.
- As the value of assets under management increases, so too do expectations in terms of stewardship and responsible investment, 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. New national guidance is expected in 2019/20 which will necessitate a review of current practice, and consultation with LGPS Central on future arrangements.
- The Pension Fund Committee is likely to be impacted by electoral turnover in 2019, with the potential loss of some long standing, experienced members. New members will need to be supported with appropriate induction and training to make sure high standards of decision making and oversight are maintained.

Scheme Membership

- Budgetary pressures and public sector reform are changing the employer landscape. Fewer large employers, and an increase in the number of smaller employers, with more diverse financial and operational objectives requires a move away from a 'one size fits all' engagement approach, to a more differentiated, client relationship management model, which also recognises the increasing trend towards payroll outsourcing.
- Continued budgetary pressures facing public bodies, and changes to the funding and regulatory framework for some sectors are increasing the requirement for tighter monitoring of employer covenants and exposure to employer risk. Increasingly employers expect a more flexible approach to the management of 'exit' strategies for those who no longer wish to, or cannot afford to continue to participate in the LGPS.

- The pace of change within the workforce is also increasing, with changing career and lifestyle patterns (including part-time working and multiple employments) , necessitating a more flexible and customer orientated approach to member support.

Fund Maturity and Cash Flows

- The demographics of the Fund membership are changing with balance between retired and active members shifting as life expectancy improves; pressure on wages makes pensions less affordable for those of working age; and employers decide to offer alternative, stakeholder pension arrangements.
- Improved funding levels have shifted the focus from deficit management to new objectives around protecting the funding gains made to date and cash flow management to ensure future cash flows and liabilities are adequately matched. Growing deferred and pensioner liabilities relative to contributions, increases the importance of cash flow and liquidity risk management, and also raise issues about inter-generational equity as the balance between current costs and future solvency becomes a more significant consideration.

Economic Outlook

- The long term prospects for interest rates, and inflation; which have a fundamental impact on the value of the Fund's liabilities, remain uncertain; with the prospect of significant market volatility in the short to medium term, due to global economic uncertainty and increasing protectionism.
- Prospects for salary and contribution growth are uncertain as pay restraint continues across the public sector and the local government workforce contracts.

Data Quality and Security

- Increased complexity (as the LGPS is effectively now made up of 3 separate schemes; pre-2008, 2008 to 2014 and CARE), coupled with more challenging data transparency and disclosure requirements means that data quality is a key priority. Specific 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'.
- 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.
- As the LGPS becomes more flexible, offering members more options and choice, the need for high quality data to support informed decision making becomes even greater, and access to user- driven modelling tools and simulators essential, in order to keep pace with demand and customer expectations

- 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 Challenge

- Fund members and employers increasingly expect to be able to use digital and on-line media to interact with the Fund, and for services to be accessible remotely and outside normal business hours.
- The Fund also needs to be able to exploit the efficiency and cost benefits of communicating and working digitally, as a contribution to overall cost management and value for money.

Maintaining Competitiveness

- As costs come under closer scrutiny, and the affordability of the LGPS is questioned, there is an increasing need to demonstrate value for money in all aspects of scheme administration and management. This requires careful prioritisation of resources and a clear focus on productivity and demand management, as well as the need to exploit opportunities for collaboration, consolidation and cost sharing.
- The Fund needs to be able to maintain a multi-skilled and agile workforce if standards of service and customer care are to reach the target levels. This requires investment in training, personal and team development and succession management, as well as technology and automation.

Council Change Programme

- The Council is reducing its portfolio of buildings and has introduced flexible and mobile working as standard practice across the workforce.. In the longer term this will provide an opportunity for the Fund to consider the possibility of extending the service to its members, whilst improving the work life balance of staff. In the short term, operational changes will be required, as new technology is implemented and staff adjust to working outside the traditional office environment.
- The Council is replacing its back office financial systems in 2019-20. This offers a key opportunity to explore improved process efficiency, but also presents some challenges in terms of continued access to historical and archived data, and the cut-over from legacy to replacement systems

WHERE ARE WE STARTING FROM?

Over recent years the Cheshire Pension Fund has built a strong record of success and achievement. Some of our most notable, recent achievements are outlined below, as well as some of our current performance challenges.

Overall however, the Fund is building from a position of strength with a strong commitment to continuous improvement and an ambition to be a 'centre of excellence' for the LGPS in the northwest and north midlands.

Key Strengths

- Significant funding level improvements since the 2016 Valuation, which the Fund has sought to protect through an investment de-risking approach. .
- Low levels of internal disputes, customer complaints and negative feedback.
- Employer focussed approach to investment strategy, with bespoke funding plans for different employer groups.
- Long term investment performance consistently exceeding benchmarks.
- Positive audit opinion.
- Robust and effective governance arrangements, evidenced by recent, independent review.
- Good professional networks and partner relationships.
- Updated team structure and job roles providing a platform for more efficient and flexible working, improved customer focus, skills development and staff succession.
- Good levels of compliance with best practice standards (e.g.CIPFA benchmarks, tPR Code of Practice, Investment Cost Transparency Code).
- Established pensions administration system (UPM) with strong in-house, support and a clear development 'roadmap'.
- Comprehensive Performance Management Framework providing strong basis for holistic monitoring and reporting and clear identification of improvement opportunities.
- Major change programme (Project Chrysalis) underway supported by dedicated programme management resource.
- Significant progress on cleansing membership data, for instance on GMP records, 'common data' and introduction of monthly on-line employer returns.
- Recently reviewed and updated Administration Strategy, setting out clear roles, responsibilities and service standards.
- Positive internal audit feedback on Data Protection2018 implementation programme.
- Effective Pensions Consultative Forum as evidenced by recent independent governance review.

Performance Challenges

- Casework backlogs resulting from a combination of growth in demand from employers and scheme members and the increased complexity in managing the scheme.
- Employer engagement, capacity and performance.
- Member inertia and lack of engagement.
- Reliance on third parties for accurate and timely data.
- Lack of any clear mechanisms for demand management, and a culture of never saying 'no'.
- Need for better diagnostic and analytical reporting tools
- Rising expectations/increased regulation around data quality, disclosure standards and transparency.
- Key dependencies on a wide range of third party suppliers/partners for business critical services, and the need for strong client management of contracts and supply agreements.
- Management of 2019 Valuation exercise alongside other priorities (financial systems replacement, flexible and mobile working, pooling transition etc).
- Potential loss of decision making expertise/knowledge due to electoral and staff turnover.

- Workforce development and skills gaps – particularly in respect of customer service/relationship management, change and project management and leadership skills.
- Joint and partnership working and the art of compromise.

MEDIUM TERM OBJECTIVES/OUTCOMES

In order to achieve our long term objectives, and taking into account, the operational environment described above, the following strategic outcomes will be targeted over the next four years :-

Governance

- G1 Strong and effective decision making supported by appropriate skills, knowledge, advice and expertise at officer and member level.
- G2 Effective implementation of asset pooling, including realisation of target savings and benefits.
- G3 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.
- G4 Supported, empowered and enabled scheme employers, able to fulfil their obligations under the Scheme rules, and meet the performance standards set out in the Administration Strategy.
- G5 Strong and effective client and contract management arrangements for all third party contracts and supply agreements, demonstrating effective partnership working and value for money.

Administration

- A1 Digitally enabled interaction and communication with employers and members, delivered on a self-serve basis, and in a timely and customer-focussed manner; to enable effective member and employer decision making
- A2 Agile, customer focussed operating model, based on multi-skilled roles with strong supporting specialisms; able to respond flexibly to changing workloads. backlogs and customer demands.
- A3 Optimal use of technology and automation to support secure and efficient transmission of high quality data, and intelligence –led business operations.

Financial Sustainability

- F1 Effective investment allocation, risk management and stewardship delivering positive, sustainable returns in line with long term funding targets.
- F2 Flexible and intelligence-led employer contribution strategy and funding solutions, which recognises the disparate objectives and characteristics of the Fund's growing employer base.
- F3 Competitive and sustainable cost base, demonstrating value for money over time and compared against peers.

DELIVERY PLAN 2019 -23

The specific actions required to support delivery of the medium term outcomes, and longer term objectives are set out in Appendix A. Actions for 2020-21 and later years are indicative at this stage; they will be reviewed and refined as the business plan is rolled forward on an annual basis.

A detailed action plan including quarterly targets and milestones will be developed as a basis for performance monitoring and progress reporting during the year. This will be informed by the Project Chrysalis work plan, which aims to transform the way we deliver the pensions service to employers and scheme members, bringing together a number of the key change themes described above into a co-ordinated, multi-year programme. A dedicated programme manager has been appointed to support the Pensions Leadership Team in delivering four key workstreams:-

- Customer service/demand management
- Team development
- Technological change
- Business process review/re-design

RESOURCES

The financial resources required to deliver the outcomes and actions outlined above are set below.

Finance

The forecast budget requirement for 2019-20 is £4.661m, an increase on the approved budget for 2018-19 of £1.259m. The budget increase mainly relates to the Fund's contribution to LGPS Central running cost of £1.083m, plus costs associated with the valuation and further IT development.

However, £230k of this increase is only required on a temporary basis as funding for specific one-off requirements in 2019-20, such as costs associated with the valuation and the transition of assets into LGPS Central. This funding will be managed on a ring-fenced basis, solely for the purposes indicated. Any underspending will be treated as a saving and not used or recycled for other purposes.

The costs set out above will be recharged in full to the Cheshire Pension Fund. There may also be additional costs which have not yet been factored into the budget which may be identified throughout the year. For instance, costs associated with the re-procurement of major contracts. Such costs will be identified and reported to the Committee for approval.

Staffing and Workforce Development

In order to maximise the contribution from all our staff and provide opportunities for everyone to benefit from a successful and rewarding work experience, the Cheshire Pension Fund provides an environment where all staff :-

- are encouraged and supported to demonstrate the Council's competencies of **Teamwork, Honesty, Respect, Innovation, Value for Money and Empowerment (THRIVE)** and feel confident and enabled to play their role in meeting both the Fund's and the Council's objectives;
- have clear roles, responsibilities and accountability.; have a personal development plan to equip them with the skills and knowledge required to fulfil their roles effectively, and to fulfil their potential and aspirations within the organisation;

and, where there is a strong succession plan to enable the business to sustain the skills and capabilities required for the future.

In order to do this all staff will have:-

- key objectives, set on an annual basis and linked to the outcomes and objectives set out in this Business Plan.
- regular one-to-one meetings and performance appraisals with their line manager to review progress in achieving their objectives and the THRIVE competencies, and to identify any development issues.
- access to the Council's Contribution Related Rewards and Working Rewards.
- regular team and section meetings to keep them up to date on wider issues affecting the Pension Fund and the Council.
- opportunities to put forward their ideas and suggestions and help shape the business going forward.

During 2018/19 a skills audit has been undertaken across the team to identify key development priorities at individual and collective level. Structured training will be delivered during 2019/20 in order to address identified needs in the following areas:

- Customer service
- Management and Leadership
- Change and project management

This is in addition to on-going professional and technical training which will be delivered through 'on the job' training and coaching, and through the Chartered Institute of Payroll Professionals (CIPP) qualification.

Additional Career Grade posts have been introduced into the structure to allow progression toward professional qualifications, along with work place experience and job-related skills and performance, to be recognised through the remuneration structure. Consideration is being given to the development of further Career Grade posts, linked to the National Apprenticeship Standards, with a

view to creating consistent career 'pathways', through from Pension Assistant to Senior Management level.

FURTHER INFORMATION

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

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For more information about the Cheshire Pension Fund, please contact our helpdesk as follows:

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Email: pensions@cheshirewestandchester.gov.uk
Cheshire Pension Fund, Cheshire West and Chester Council,
Council Offices, 4 Civic Way, Ellesmere Port, CH65 0BE

Our website contains all up to date information relating to the LGPS.

Please visit www.cheshirepensionfund.org

To promote accessibility for all, this document can be made available in other formats upon request.

<u>Acronym</u>	<u>Meaning</u>	<u>Explanation</u>
CARE	Career Average Revalued Earnings.	The LGPS defined benefit pension scheme.
CIPFA	Chartered Institute of Public Finance and Accountancy	Professional institute for Accountants working in the public services. Provide best practice guidance and training to practitioners and advise the Government on Pensions policy.
CoP	Code of Practice	Written guidelines issued by an official body or a professional association to its members to help them comply with its ethical standards.
FCA	Financial Conduct Authority	The FCA regulates financial firms providing services to consumers and maintains the integrity of the UK's financial markets
FTE	Full Time Equivalent	Unit that indicates the workload of an employed person in a way that makes workloads comparable across various contexts.
GMP	Guaranteed Minimum Pension.	The minimum pension which a United Kingdom occupational pension scheme has to provide for those employees who were contracted out of the State Earnings-Related Pension Scheme (SERPS) between 6 April 1978 and 5 April 1997
THRIVE	Trust, Honesty, Respect, Innovation and Value for Money & Empowerment.	The Councils competency framework outlines the value-based behavioural competencies that will apply to all staff.
TPR	The Pensions Regulator	The national Regulator for all pension schemes
UPM	Universal Pensions Management	The Fund's pensions administration database.

APPENDICES

Appendix A - ACTION PLAN 2019-23

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