

**Worcestershire
Pension Fund**



Business Plan

As at 01 11 2021

MANAGEMENT SUMMARY

This Business Plan is designed to be a one-stop-reference-shop for everything going on at Worcestershire Pension Fund and in the LGPS world.

Committee and Board members' attention is drawn to the following underlying key indicators (about which further detail is provided later in this Plan) of whether all is currently well at the Fund and whether we are delivering on the issues that we are required to do by regulations / that The Pensions Regulator takes a special interest in:

1. We are bringing forward proposals that are the subject of a separate paper that seek to improve our service by ensuring that we have the resources in place to deliver the Worcestershire Pension Fund of the future, a Fund resourced up for the challenges and projects ahead (see section 2.8 below).
2. We have not received any new IDRP's, experienced any data breaches or had to report anything to The Pensions Regulator since the last quarterly, rolling Business Plan.
3. Our latest pensions administration KPIs are reassuring and in line with targets set.
4. Our Fund performance / funding levels are in line with budget.
5. Our projects / budgets are on schedule and members' attention is drawn to:
 - a. Appendix 2 to this plan that provides a Good Governance updated position statement.
 - b. Appendix 3 to this plan that provides a Good Governance update on reviewing the objectives for / performance of the Fund's independent investment adviser.
 - c. The end of the Governance & Staffing KRA Commentary section of the plan that covers off the latest on training with no separate papers being tabled on training requirements or on training policy update.
6. We are not aware of any matters that we need to escalate.
7. As we have established that our pensions administration system supplier is not meeting the requirements of [Cyber Essentials](#), we have asked for [our security assessment form](#) to be completed and for a list of their backlog of critical and high (not medium) risks awaiting remediation and their planned programme to resolve them to include when detected / when hoped to be resolved.

1 INTRODUCTION

1.1 Our Business Plan:

- a) Outlines our (Worcestershire Pension Fund's) purpose, goals and key result areas / supporting aspirations (what is regarded as good in our eyes).
- b) Presents our targets and budget.
- c) Details our performance against our investment benchmarks and against our administration target turnarounds.
- d) Summarises the projects we have in place to achieve our large pieces of work.

1.2 Our Business Plan is refreshed and tabled at each quarterly [Pensions Committee](#) meeting.

1.3 Our governance arrangements are set out in [our annual reports](#).

2 BACKGROUND

2.1 The Local Government Pension Scheme (LGPS) is funded principally by its constituent employers, with members also contributing.

2.2 The benefits it provides are a valuable tool for employers in attracting and retaining staff.

2.3 Unlike all other public sector pension schemes the LGPS is a funded scheme, with employer and member contributions invested in financial markets / instruments.

2.4 Although a Career Average Revalued Earnings (CARE) LGPS linked to a normal retirement age of State Pension age (min 65) was introduced on 1 April 2014, concerns remain over the long-term cost and sustainability of the LGPS.

2.5 We are one of 85 funds administering the LGPS in England & Wales. Worcestershire County Council is the statutorily appointed Administering Authority.

2.6 We administer the LGPS for our employers who vary considerably in size and type and who have allowed their current and previous employees to become members:

	As at 30 June 2021	As at 30 Sep 2021
Employers with active members	187	190
Employee member records	22,509	21,910
Pensioner member records	19,717	19,945
Deferred member records	22,456	22,575
Total member records	64,682	64,430

2.7 We manage a **£3,540m** (as at 30 09 2021) pension fund to pay benefits as they are due and as at 30 September 2021 our solvency (the minimum risk funding position is much lower) funding position was 103%.

2.8 We face increasing complexities in both the governance and administration of the LGPS and expect the following to create pressures on our resources and workloads:

- a) COVID-19: whilst we have successfully moved to home working supported by a small postal / scanning service at County Hall and expect to be able to adapt to the new ways of working that is likely to see staff working from home for 4 days a week, our workload and resources have as yet not been tested by a significant increase in member deaths or in staff absence.
- b) The Pension Regulator (TPR) increasing its requirements re record keeping, data cleansing and covenant reviews.
- c) Adopting the national LGPS Scheme Advisory Board's good governance guidance as best practice.
- d) An ever-changing tax / pensions environment: currently these include: [McCloud](#); [Fair Deal](#); [reforming local government exit pay](#); [tax relief for low earners](#); [increasing the normal minimum pension age](#) and [changes to the valuation cycle](#).
- e) Guaranteed Minimum Pension (GMP) equalisation.
- f) New employers (from outsourcing and academy conversions).
- g) Increasing expectations from stakeholders (like member online access and employer data transmission).
- h) Central government asset pooling requirements (we are a partner fund in LGPS Central Limited, LGPSC).

- i) Re-procurements for services currently delivered by Heywood / Mercer / Scottish Widows / WCC Legal services / Barclays / CFH Docmail / Adare / Pop Creative / Portfolio Evaluation Limited (PEL) / MJ Hudson.

3 PURPOSE, GOALS AND KEY RESULT AREAS (KRAs) / ASPIRATIONS

3.1 Our purpose is to deliver on the benefit expectations of our members by managing investments to increase our assets and by understanding our liabilities.

3.2 Our goals are to:

- a) Achieve and maintain a 100% funding level over a reasonable period of time to pay all benefits arising as they fall due.
- b) Maintain a managed risk investment and funding strategy to achieve the first goal.
- c) Maintain stabilised employer contribution rates.
- d) Provide a high quality, low-cost, customer-focused service.
- e) Be open and honest in all decision making.

3.3 To help us to achieve our goals we have identified 5 KRAs:

- Accounting.
- Administration.
- Engagement / Communications / Member & Employer Relations.
- Governance & Staffing.
- Investments, Funding & Actuarial.

3.4 Our 5 KRAs are underpinned by 14 supporting aspirations. A brief summary of any significant milestones and any issues that we are encountering with delivering these is provided in the commentary at the end of each KRA section.

3.5 The one-off (shown as shaded) and annually recurring (shown as unshaded) large pieces of work or projects that we are progressing to achieve these 14 supporting aspirations are detailed in the appendix called Operational Plan: Projects.

3.6 Our performance on our day-to-day business as usual activities is detailed in the Investment Targets and Administration KPIs sections of our Business Plan. Any business-as-usual issues or developments that we are encountering are included in the commentary at the end of each KRA section.

3.7 This Business Plan's numbering recommences with section 4 (after the pages with a light background colouring that follow this paragraph). The boldened and underlined five KRAs that follow are in alphabetical order. The (1) to (14) numbering of our 14 supporting aspirations used below is across the five KRAs. This approach is to ease cross referencing with the second and third columns of the spreadsheet that is Appendix 1 of this Business Plan.

KRA: Accounting

1. To ***ensure the proper administration, accounting and reporting of all our financial affairs.***
2. To produce clear ***Annual Reports / Statement of Accounts*** that enable members and stakeholders to understand the latest and future financial position.

Accounting KRA Commentary:

Our budgets for 2021 / 2022 to 2023 / 2024 are detailed in section 6 below. Budget Report updates on the agendas of Pension Board and Pensions Committee meetings detail the

reasons for any variances.

The proposals to improve our service by ensuring that we have the resources in place to deliver the Worcestershire Pension Fund of the future, a Fund resourced up for the challenges and projects ahead, would increase the administration budget and are the subject of a separate paper.

We are on schedule for all payments (for example to HMRC) and monitoring (for example cashflow) activities.

There are no issues with managing / reconciling the custodian accounts for investments including transactions, tax doc, cash controls, etc.

We have produced our audited statement of accounts for 2020 / 2021.

KRA: Administration

3. To ***provide a lean, effective, customer friendly benefits administration service***, through the calculation and payment of benefits accurately and promptly in line with the targets published in the Pension Administration Strategy.

4. To maintain ***an effective administration system*** for the ***accurate maintenance of the records of all members*** and to continually review and cleanse our data, ensuring it meets The Pension Regulator's requirements and supporting employers to provide correct data.

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

6. To ***become a role model of best practice amongst LGPS Funds*** being recognised by members and employers as providing an excellent service and to work ***collaboratively and in partnership with both internal and external organisations*** to provide higher quality services at a lower cost.

7. To ***support a range of projects and business as usual activities*** such as the actuarial valuation, policy reviews, committee member / officer training, contract reviews, FRS information for employers and performance monitoring for us and our employers to adhere to.

Administration KRA Commentary (in alphabetical order):

Dashboards:

The Department for Work and Pensions will be launching a consultation on the [pensions dashboards](#) draft regulations, which will include rules on the different stages pension schemes will need to start sharing their data to be included in the project.

Data quality:

An extract of data on 5 October has revealed that the quality of our data has improved.

The percentage of member records passing ALL tests required by The Pensions Regulator was:

- Common data 95% (our 2020 score was 94.7%)
- Scheme-specific data 98.7% (our 2020 score was 93.6%)

The percentage (2020 previous year in brackets) of our member records without a single

'common data' failure was 92.4% (92.2%)

In the core list of TPR 'common data' tests our pass rates were: National Insurance Number 100% (100%); Name 100% (100%); Sex and Date of Birth 100% (100%); Date Commenced and Normal Retirement Date 99.9% (99.9%); Status 100% (100%); and Address 95.1% (94.8%).

The percentage of our member records without a single 'scheme-specific data' failure was 91.2% (86.3%).

In the core list of TPR 'scheme-specific data' tests our pass rates were: Member Benefits 99.9% (99.9%); Member Details 99.9% (99.9%); CARE benefits 98.0% (94.0%); HMRC 100% (99.9%); and Contracted Out 98.5% (90.8%).

We will be developing a data correction plan to resolve the issues identified. Specifically, we have started to look into how best to trace members for whom we have no address ("gone-aways") and which categories of gone-away to prioritise.

As we are experiencing problems with Liberata delivering data timely, we have escalated their performance with WCC HR OD & Engagement who manage the relationship.

Employer changes:

We are aware of the following employer changes in 2021 / 2022:

- Hill and Moor Parish Council wanting to offer the LGPS to their staff.
- Worcester Community Trust expected to be terminating in 2022.
- Maid Marions joining as a new employer.
- Perdiswell Primary School joining Tudor Grange Academy Trust on 1 April 2021.
- Liberata's Finance and Accounting services and maybe its HR Consulting service to return to WCC on 30 June 2021.
- Sidemore First and Nursery joining Black Pear Trust on 1 April 2021.
- Pencombe joining Hereford Marches Federation of Academies.
- The Orchard School joining Black Pear Trust on 1 April 2021.
- Cater Link Ltd (TG Perdiswell) to be joining.
- Turning Point (services) Limited joining on 1 April 2021.
- Barrs Court School setting up a new MAT called Accordia Academies Trust that will include a new school opening September 2021 called The Beacon College.
- Glen Cleaning joining as a new employer on 12 July 2021.
- Holy Family Catholic MAC merging with Our Lady of Lourdes with effect from 1 Sep 2021 to become Our Lady of the Magnificat MAC.
- Bewdley Museum becoming a new employer on 1 Sep 2021 with staff from Wyre Forest District Council being TUPE transferred from Bewdley Museum to a newly formed Trust.

FRS:

We have delivered pensions information for the accounts of employers with 31 July and 31 August year ends.

KPIs:

As detailed in Section 5, in October 2021 and for the seven months to 31 October, we met our average target turnaround for all 12 of our key measured processes.

We had 46 deaths in October 2021 and the average monthly number of deaths in 2021 / 2022 is 32. The average monthly number of deaths in 2019 / 2020 was 15 and in 2020 / 2021 it was 25.

We introduced the new £100 writing off pensions overpayments policy on 23 Feb 2021. In 2021 /2022 we have written off 5 cases (£194.27 / £1,452.63 / £237.44 / £103.77 and £249.78).

Regarding outstanding payments from employers or debtors for whom we have raised an invoice, we have concerns about being able to collect £160,000 in respect of the funding shortfall on leaving the Fund as an employer that was paid direct to Robert Owen Academy rather than to us by the Department for Education.

McCloud:

The [Public Service Pensions and Judicial Offices Bill](#) received its second reading on 7 September and now moves to committee stage from 11 October where it is expected that government amendments will provide more detail on the application of the McCloud remedy to the LGPS.

We have been processing the hours changes that we have historically received from our employers and have identified the likely gaps in our member data. These include missing service breaks resulting from authorised absence or unpaid maternity leave not paid back via an APC that could affect the date of meeting the Rule of 85 for members with final pay benefits. We have also been working with Liberata and WCC HR to make sure that we have all of the data that we will need to deliver the McCloud rectification for members associated with our largest employer. We plan to issue guidance to our employers on our requirements once we have identified exactly what we need from them.

Public sector exit payments:

We are monitoring the situation and have added text to our redundancy calculations about HM Treasury's statement that it will bring forward proposals at pace to tackle unjustified exit payments. We introduced higher strain costs for all redundancy / efficiency retirement dates after 20 July.

Remedying survivor benefits for opposite-sex widowers and surviving male civil partners:

The Chief Secretary to the Treasury has made a written [statement](#) on remedying survivor benefits for opposite-sex widowers and surviving male civil partners where male survivors remain entitled to a lower survivor benefit than a comparable same-sex survivor. We have sorted our two male civil partners and are awaiting regulatory guidance on our opposite-sex widowers.

KRA: Engagement / Communications / Member & Employer Relations

8. To ***continue to engage with our stakeholders***, maximising self-service and digitisation, seeking feedback, developing approaches which support our goals and developing a ***robust engagement strategy*** with employers and members.

9. To ***communicate the key benefits of the LGPS, ensuring increased awareness amongst the eligible membership of their benefits***. This includes effective communication to members and employers

10. To have in ***place effective, documented business relationships with all our employers*** and to ensure regular reviews are carried out to assess the risk and strength of their covenants.

Engagement / Communications / Member & Employer Relations KRA Commentary:

We are on schedule to deliver a 2021 newsletter to our pensioners in early November. Their 2022 pension increase will be based on 3.1%, the September 2021 CPI figure.

We delivered a Q and A employer forum via Microsoft Teams on 19 October.

We have arranged for a pensions taxation workshop to be delivered by Aon on 4 November and invited members earning £80,000+ or those who breached their annual allowance for 20/21 to attend.

Our website's page views were 5,112 in Oct 21 (5,819 in Oct 20).

5 of our employers are on risk for ill health liability insurance.

KRA: Governance & Staffing

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

12. To **recruit, train, nurture and retain highly motivated staff with the necessary professional, managerial and customer focus skills** to deliver on the ever-increasing complexities of the LGPS.

13. To **continually review the effectiveness of our committees and advisers** and our decision-making.

Governance & Staffing KRA Commentary:

We have (see Appendix 2) updated our position statement on what we have been doing as a result of the [SAB Good Governance project](#) with progress on the actions that we have identified will likely be needed to demonstrate good governance.

As our existing pension administration resources do not allow us to do everything that we would like to (like increasing the training / knowledge of our team or making all the improvements to our processes that we have identified or offering online access to our members' pensions records or providing more detailed management information or investigating one-off payments), we cannot become complacent and accordingly we are bringing forward proposals to the 8 December Pensions Committee that seek to improve our service by ensuring that we have the resources in place to deliver the Worcestershire Pension Fund of the future, a Fund resourced up for the challenges and projects ahead (see section 2.8 below).

We appointed an internal candidate as a replacement for the grade 3 member of staff who left us on 24 August but are finding it difficult to recruit a replacement for the member of staff who received a promotion to the grade 3 post.

Our recruitment activities are we feel being inappropriately constrained by having to follow WCC policies re where we can advertise and re which agencies we can use. This is likely to impact on our ability to fill positions within any new structure in a market where other LGPS funds are advertising 100% WFH positions that do not require the jobholder to go to the LGPS fund and may even cause us to lose staff.

As we have established that our pensions administration system supplier is not meeting the requirements of [Cyber Essentials](#), we have asked for [our security assessment form](#) to be completed and for a list of their backlog of critical and high (not medium) risks awaiting

remediation and their planned programme to resolve them to include when detected / when hoped to be resolved.

Training update:

We have issued a training needs analysis (TNA) to members of the Pensions Committee, Pension Investment Sub Committee and Pension Board.

As we need more time to analyse the returned TNAs; take account of CIPFA issuing its '2021 Knowledge and skills framework for LGPS committee members and LGPS officers' in developing a revised training policy; and review the future of Pension Board deep dives, this section of the plan summarises the latest on training, with no separate papers being tabled on training requirements or on training policy update for this Board / Committee cycle. We plan to table a separate paper on training as part of the March 2022 Board / Committee cycle.

We delivered a training session on investment in infrastructure / property / private debt on 21 September that 8 members attended.

The next training session (on being an LGPS employer) is scheduled for 2 December.

We delivered a deep dive to the Pension Board on stewardship on 14 October.

A responsible investment summit was provided by LGPSC on 13 October.

KRA: Investments, Funding & Actuarial

14. To ***achieve a relatively stable “real” investment return above the rate of inflation*** over the long term, in such a way as to minimise and stabilise the level of contributions required to be paid by employers in respect of both past and future service liabilities and ***to achieve a 100% funding level over a suitable timescale***. This includes setting of appropriate investment strategies, the appointment of capable investment managers, and the monitoring and reporting of investment managers' performance, with appropriate action being taken in the event of underperformance.

Investments, Funding & Actuarial KRA Commentary:

The Fund's asset valuation as at 30 September 2021 was £3,540m and its funding level was 103% which has recovered well from the significant impact of COVID 19 in March 2020. However there remains a lot of volatility in the financial markets.

As detailed in the next section (section 4), the Fund has generated an average annual return of 7.2% compared to its benchmark of 6.8% over the 3 years to 30 09 2021.

Over the year to 30 09 2021 the Fund generated a return of 15.0% compared to its benchmark of 17.2%.

We continue to investigate making infrastructure, private debt, passive climate factor fund investments and sustainable active equity investments.

A letter has been sent to the DLUHC Minister confirming the SAB's agreement that no recommendations are being made to bring the LGPS's cost of 19.4% to the scheme's target cost of 19.5%.

The letter also included representations about the inclusion of McCloud remedy costs in the Board's cost management arrangement.

Reference was also made to the Board's intention to seek several scheme changes outside of the cost management arrangement on third tier ill-health retirement and the contribution rate for scheme members on low pay who do not benefit from tax relief on their contributions.

4 INVESTMENT TARGETS

4.1 The 2019 actuarial valuation set the following real annual discount rates:

- a) Past service: Consumer Prices Index + 1.65%.
- b) Future service: Consumer Prices Index + 2.25%.

4.2 The assumed annual Consumer Prices Inflation is +2.4%.

4.3 Therefore our annual return on investment targets are 4.05% (for deficit recovery payments) / 4.65% (for future service contributions).

4.4 To achieve this, we are a partner in LGPSC, have set benchmarks for our sectors and have achieved the 3-year returns shown in the right column of the table below:

Sector	Benchmark	Average annual Performance over the 3 years to 30 Sep 2021 v benchmark
Far East Developed	FTSE All World Asia Pacific Index + 1.5%	7.7% (0.8% above benchmark)
Emerging Markets	FTSE All World Emerging Market index +2.0%	Not available as new fund invested from July 2019
United Kingdom	FTSE All Share Index	3.2% (0.1% above benchmark)
North America	FTSE All World North America - Developed Series Index	15.1% (= benchmark)
Europe ex - UK	FTSE All World Europe ex UK Index - Developed Series Index	9.1% (0.2% below benchmark)
Global (alternatives)	40% GPAE - FTSE-Research Affiliates Fundamental Index (RAFI) Dev 1000 Equity Fund, 30% GPBK - MSCI World Mini Volatility Index, 30% STAJ - CSUF - STAJ	9.4% (0.6% below benchmark)
Fixed Interest	Barclays Global Aggregate Corporate Bond Index – Hedged into GBP	Not available as only invested March 2020
	EQT Corporate Private Debt - Absolute Return 6.5%	Not available as only invested May 2018
Property / Infrastructure	Various absolute benchmarks for different fund managers	Property 2.1% (6.2% below benchmark) Infrastructure 7.4% (1.8% below bmark)

5 ADMINISTRATION KPIS

5.1 We measure our performance against CIPFA industry standard targets for our key pension administration processes. We have regular meetings that review how we are performing on a case-by-case basis (% processed within target) and our average performance for all the cases of a process (average turnaround). This informs our resource allocation between processes and highlights which processes to seek to improve.

5.2 A commentary on the tables below is provided earlier in the shaded KRA: Administration section (that follows section 3.7).

Activity / Process	Number processed in Oct 2021	% Processed within KPI in Oct 2021	Av turnaround (working days) in Oct 2021	Target turnaround (working days)	2021/2022 average number processed per month
Joiners notification of date of joining	390	83	23	40	283
Process and pay refund	34	100	3	10	40
Calculate and notify deferred benefits	179	96	8	30	100
Letter notifying actual retirement benefits	42	100	2	15	46
Letter notifying amount of dependant's benefits	20	100	2	10	15
Letter acknowledging death of member	46	67	4	05	32
Letter detailing CETV for divorce	6	100	2	45	12
Letter notifying estimate of retirement benefits	109	100	3	15	131
Letter detailing transfer in quote	56	100	2	10	39
Process and pay lump sum retirement grant	80	100	9	23	86
Letter detailing transfer out quote	46	100	2	10	33
Letter detailing PSO	0	n/a	n/a	15	0

Activity / Process	Number processed for year 2021 / 2022	% Processed within KPI for year 2021 / 2022	Av turnaround (working days) for year 2021 / 2022	Target turnaround (working days)
Joiners notification of date of joining	1983	78	25	40
Process and pay refund	286	98	4	10
Calculate and notify deferred benefits	701	92	8	30
Letter notifying actual retirement benefits	326	99	2	15
Letter notifying amount of dependant's benefits	107	96	3	10
Letter acknowledging death of member	230	77	3	05
Letter detailing CETV for divorce	87	100	2	45
Letter notifying estimate of retirement benefits	919	100	2	15
Letter detailing transfer in quote	274	100	2	10
Process and pay lump sum retirement grant	604	98	11	23
Letter detailing transfer out quote	231	96	3	10
Letter detailing PSO implementation	2	100	5	15

6 BUDGET

In addition to the commentary provided earlier in the shaded KRA: Accounting section (that follows section 3.7), detailed reporting of our budget position is provided twice a year to Pensions Committee and included in [our annual reports](#).

The table below does not reflect the proposals to increase pensions administration resources.

Pension Fund Administration Forecast Outturn 2021/22 & indicative budgets 2022/23 & 2023/24

2021/22 Budget	2021/22 Forecast Outturn	2021/22 Variance	Description	2022/23 Annual Change	2023/24 Annual Change	Comments
£	£		£	£	£	
Fund Investment						
9,702,400	15,757,600	6,055,200	INVESTMENT MANAGEMENT FEES	16,022,500	16,457,800	Includes LGPS central Fees, Equity Protection and increasing commitment to Property & Infrastructure.
148,000	141,526	-6,474	Investment Administration Recharge	151,000	154,000	Increased Investment support
734,500	734,500	0	LGPS Central Governance and Running Costs contribution	756,500	779,200	Was previously shown under Management Fees
100,000	90,000	-10,000	Investment Custodial and related services	102,000	104,000	Reduced Custodial services due to transition of assets to LGPSC
131,500	106,000	-25,500	Investment Professional fees	187,000	112,500	Increased support for ESG Audit in 20.21 & 21.22
28,600	28,400	-200	Performance Measurement	29,200	29,800	CEM Benchmarking and Portfolio Evaluation
1,142,600	1,100,426	-42,174	INVESTMENT ADMINISTRATION COSTS	1,225,700	1,179,500	
Scheme Administration						
1,075,700	1,104,116	28,416	Pension scheme Administration recharge	1,166,400	1,194,500	Increase due to Admin software requirements and additional staff for increased workload
338,000	360,000	22,000	Actuarial services	388,000	338,000	Employer monitoring through Actuary system Pfaroe 20/21 and Triennial valuation allowed for April 2022/23
27,500	34,068	6,568	Audit	34,100	34,100	
33,500	33,816	316	Legal Fees	33,500	33,500	
11,000	11,000	0	Committee and Governance recharge	11,000	11,000	
1,485,700	1,543,000	57,300	SCHEME ADMINISTRATION COSTS	1,633,000	1,611,100	
2,628,300	2,643,426	15,126	GRAND TOTAL (Excluding Investment Mgt Fees)	2,858,700	2,790,600	
12,330,700	18,401,026	6,070,326	GRAND TOTAL (Including Investment Mgt Fees)	18,881,200	19,248,400	

Appendix 1 – Operational Plan: Projects

This appendix summarises the work that we are doing to achieve particular aims. For us a project is a piece of work that is something that we would not do on a daily basis like processing a retirement. Some of our projects recur annually.

It uses the following acronyms / abbreviations:

AA	Asset allocation
A/C	Accounting
Ac	Academies
Admin	Pensions Administration
Admiss	Admission
Admit	Admitted
AH	Aquila Heywood
App	Application
BCP	Business Continuity Plan
Bods	Bodies
Calcs	Calculations

CARE	Career average revalued earnings
CB	Corporate bonds
CEM	CEM Benchmarking Inc
Cert	Certificate
CIPFA	Chartered Institute of Public Finance & Accountancy
CMA	Competition and Markets Authority
Coll	Colleges
Config	Configuration
Conts	Contributions
Covs	Covenants
Cttee	Pensions Committee
DLUHC	Department for Levelling Up, Housing and Communities
EM	Emerging markets
Engage	Engagement
Er	Employer
Expend	Expenditure
FI	Fixed interest
FRS	Financial Reporting Standards
FSS	Funding Strategy Statement
GMP	Guaranteed Minimum Pension
Gov	Governance
Inc	Income
Inv	Investments, Funding & Actuarial
ISS	Investment Strategy Statement
KRA	Key result area
LGPS	Local Government Pension Scheme
LGPSC	LGPS Central Limited
Manag	Management
ONS	Office for National Statistics
Q	Query
Recti	Rectification
RI	Responsible investment
Rtn	Return
SAB	Scheme Advisory Board
Sch	Scheduled bodies
SF	Superannuation Fund
SI	Statutory Instrument
Sub	Pension Investment Sub-Committee
Term	Termination (of an employer's membership of the Fund)
TBD	To be determined
TPR	The Pensions Regulator
TV	Transfer (of member benefits)
Y/End	Year end

Appendix 2 – Good Governance updated position statement

Appendix 3 – Good Governance update on reviewing the objectives for / performance of the Fund's independent investment adviser

~ ENDS ~

Operational Plan: Projects 1 Nov 2021 NOTES:	KRA	Aspirat ion	Lead	Started	Oct 21	Nov 21	Dec 21	Jan 22	Feb 22	Mar 22	Apr 22	May 22	Jun22	Jul 22	Aug 22	Sep 22	Oct 22	Nov 22	Comments
11 LGPS Central budget	A/C	1	RW		Cttee		Cttee			Cttee			Cttee				Cttee		√ to date and scheduled
12 Annual Report & Accounts / associated docs (30 09 22)	A/C	2	RW		Cttee	Publish							Cttee		signed off	Publish	Cttee		accounts audited and presented to A&G Cttee
15 ONS Inc / Expend return	A/C	1	RW		¼ rtn			¼ rtn			¼ rtn			¼ rtn			¼ rtn		√ to date and scheduled
16/17 DLUHC SF3 LGPS Funds account (31 08 22)	A/C	1	RW												Annual				√2021 & non stat GAD request for transactional data scheduled
18 TPR Annual return /survey	A/C	1	NW			Annual				Survey								Annual	√ 2021 and 2022 scheduled
19 CEM investment benchmarking (31 07 22)	A/C	1	RW											Annual					√ 2021 re data from scheme year 19/20
14 CIPFA benchmarking (31 10 21)	Ad- min	6	NW		Annual		Cttee										Annual		discussing whether to stop participating given do SF3
2 GMP equalisation	Ad- min	7	SH	TBD															awaiting guidance NB non-club TVouts 1990 to 1997 in scope
4 Valuation / FSS / pots / admiss term etc policies	Ad- min	7	RW		Cttee		Cttee			Cttee			Cttee					Cttee	initial preps for 2022 valuation made
32 Reprocure pension admin system (30 04 2024)	Ad- min	4	NW	May-20															contract extended for 3 years from 30 April 2021
10 Pension Administration Strategy review (01 04 22)	Ad- min	10	CF						consult	Cttee	publish								√ 2021 and 2022 scheduled
13 Review data quality	Ad- min	4	NW		Aq Hey results		Mercer results											Aq Hey results	√ 2021 Heywood
25 Revalue CARE accounts (06 04 2022)	Ad- min	4	SH								System config.								√ 2021 and 2022 scheduled
26 Provide FRS info	Ad- min	7	AL				admit bods			Sch					Coll	Ac			√ to date and scheduled
3 Branding and digital strategy	Eng- age	5	CF	Oct-18															awaiting resource NB check out UPM with Dorset
20 Monitor employer covenants / pots / conts	Eng- age	10	RW		Cttee		Cttee	ask ers		Cttee	reset erconts		Cttee					Cttee	Pfaroe in place and Bond requirements being updated
21 Deferred annual benefit statements (31 08 22)	Eng- age	9	CF										Annual	Q manag					√ 2021 and 2022 scheduled
22 Employee annual benefit statements (31 08 22)	Eng- age	9	CF							Y/End					Annual	Q manag			√ 2021 and 2022 scheduled
23 Pensioner P60s (29 05 22)	Eng- age	3	SH									Annual	Q manag						√ 2021 and 2022 scheduled
24 Payslips reflecting pension increase (30 04 22)	Eng- age	3	SH								Annual								√ 2021 and 2022 scheduled
27 Pension Savings Statements (06 10 22)	Eng- age	3	NW		Annual													Annual	√2021 and 2022 scheduled
29 Pensioner newsletter / life cert (30 11 21)	Eng- age	9	CF			Annual												Annual	2021 on schedule
28 /30 Good Governance incl TPR	Gov Staff	11	RW	TBC	Cttee		Cttee	CMA comply		Cttee			Cttee					Cttee	updated policy statement and delivered training / deep dives
33 McCloud: data collection; er rates; and calcs	Ad- min	3	NW	Aug-20	Cttee		Cttee			Cttee			Cttee					Cttee	hour changes being progressed and plans being developed
5/6 Review of Asset Allocation / ISS (31 03 22)	Inv	14	RW		Cttee	Sub	Cttee			Cttee			Cttee Sub			Sub	Cttee	Sub	√ 2021 and 2022 scheduled
9 Increase assets managed by LGPS Central Limited	Inv	14	RW	Feb-19	Cttee		Cttee			Cttee			Cttee Sub					Cttee	looking into infrastructure / private debt / sustainable equity
34 Progress the Fund's RI journey	Inv	14	RW	Jan 20	Cttee		Cttee			Cttee			Cttee					Cttee	√ Climate Change Risk Strategy / Stewardship Code signatory

Business Plan 01 November 2021 Appendix 2

Worcestershire Pension Fund Updated Position Statement: Good Governance 01 11 2021

This position statement has been prepared to summarise progress on how we are taking forward the LGPS Scheme Advisory Board's (SAB) Good Governance workstream in preparation for draft statutory guidance being issued. The numbering relates to the recommendations in the November 2019 Hymans Robertson Phase II [report](#) 'Good governance in the LGPS'. We are also closely monitoring [The Pensions Regulator's plans](#) to combine 10 of its 15 existing codes of practice (including [CoP 14: Governance and administration of public service pension schemes](#)) into a new, single, combined and expanded (to incorporate climate change, cyber security, (ESG) stewardship of investments, administration and remuneration policies) modular document that identifies the legal duties of pension funds, provides advice on how to meet them and incorporates changes introduced by the Occupational Pension Schemes (Governance) (Amendment) Regulations 2018 (the governance regulations). TPR expects to lay the new code in Parliament after spring 2022 with it becoming effective after summer 2022.

Good Governance proposal	Current position	Identified actions (that are owned by # / with a target delivery date of #)
A. General		
A.1 MCHLG will produce statutory guidance to establish new government requirements for funds to effectively implement the proposals below. ("the Guidance")	Awaiting the draft Guidance to review and benchmark	Prepare for the Guidance (MH / TBD)
A.2 Each administering authority must have a single named officer who is responsible for the delivery of all LGPS related activity for the fund ('the LGPS senior officer')	Our Chief Financial Officer is so named	Review the effectiveness of our Risk Register (MH / 17 09 2021) plan to review before Dec Cttee
A.3 Each administering authority must publish an annual governance compliance statement that sets out how they comply with the governance requirements for LGPS fund as set out in the Guidance. This statement must be signed by the LGPS senior officer and, where different, co-signed by the S151 officer	We publish a governance compliance statement as part of our annual reports The 16 March 2021 Pensions Committee approved our updated Governance Policy Statement	Benchmark our Governance Compliance Statement against Appendix 2 of the Phase 3 Report, (CF / 17 09 2021)  and once it is issued against the Guidance and peer funds annually

Good Governance proposal	Current position	Identified actions (that are owned by # / with a target delivery date of #)
		(CF / TBD) ✓ 2021: benchmarked against 2021 annual reports / latest versions on website
B. Conflicts of interest		
B.1 Each fund must produce and publish a conflicts of interest policy which includes details of how actual, potential and perceived conflicts are addressed within the governance of the fund, including reference to key conflicts identified in the Guidance	Elected members' (not officers') conflicts of interest are declared at the start of each Pensions Committee meeting	Using P10/33 of the Phase 3 Report produce a statement of possible conflicts of interest and ask Board / Committee members and Fund Officers to confirm their compliance before meetings. (CF / 17 09 2021) ✓ form drafted Review best practices employed at other funds (including private sector) to help identify possible conflicts and approaches in preparation for producing a policy (SH / TBD) for POG ✓ and (RW / 11 11 2021) for LGPSC funds
B.2 The Guidance should refer all those involved in the management of the LGPS, and in particular those on decision making committees, to the guide on statutory and fiduciary duty which will be produced by the SAB	Awaiting the draft Guidance	Prepare for publicising the Guidance and delivering training on it (MH / TBD)
C. Representation		
C.1 Each fund must produce and publish a policy on the representation of scheme members and non-administering authority employers on its committees,	Information about the Pensions Committee is available via our website	Review whether the current position remains adequate annually using comparator funds' annual reports to benchmark practices

Good Governance proposal	Current position	Identified actions (that are owned by # / with a target delivery date of #)
<p>explaining its approach to representation and voting rights for each party</p>	<p>The Pension Board's terms of reference are available via our website</p> <p>Our annual reports, our Investment Strategy Statement and para K of appendix 1 of the Worcestershire County Council constitution contain information about representation</p>	<p>(CF / 17 11 2021)  benchmarked against 2021 annual reports</p>
D. Knowledge and understanding		
<p>D.1 Introduce a requirement in the Guidance for the key individuals within the LGPS, including LGPS officers and pensions committee members, to have the appropriate level of knowledge and understanding to carry out their duties effectively</p>	<p>We deliver a one-hour informal welcome to the fund for new members of our Board / Committee covering their role; where to find information; the required time commitment / knowledge expectations; what type of scheme the LGPS is; about our fund; and the range of material from previous training sessions (slides and video recordings) that is available for them to access</p> <p>We deliver a deep dive into an aspect of the LGPS and a training session every couple</p>	<p>Review the current position with the Chairs of the Board / Committee annually</p> <p>(RW / 06 09 2021) </p> <p>Conduct knowledge assessment of key individuals (CF / 17 11 2021 TNA completed by 11 Board / Committee members and awaiting new structure for pensions administration being in place for staff KA with an interim action being for CF to match our draft officer knowledge assessment v CIPFA member training needs analysis by 06 09 2021)</p> 

Good Governance proposal	Current position	Identified actions (that are owned by # / with a target delivery date of #)
	<p>of months for Board / Committee members and our senior team, agreeing with attendees what the next session will cover at the current session and an update on our training programme is tabled at most Board / Committee meetings</p> <p>Our officers attend various groups comprised of representatives from a number of LGPS funds, receive LGPC bulletins and develop the LGPS knowledge of our employers through monthly employer newsletters</p>	
D.2 Introduce a requirement for s151 officers to carry out LGPS relevant training as part of their CPD requirements to ensure good levels of knowledge and understanding	Our s151 officer's previous role was the most senior officer at another LGPS fund and our deep dives / training sessions / Committee papers top this strong baseline position up	s151 to complete skills framework and personal competencies assessments and address within his CPD programme (MH / 17 09 2021) as need to update questionnaire in line with the just issued CIPFA revised knowledge and skills framework, plan to complete by Mar Cttee
D.3 Administering authorities must publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements	Our current training policy was tabled at the 17th March 2020 Pensions Committee meeting	Review the current position with the Chairs of the Board / Committee annually (RW / 06 09 2021)  2021

Good Governance proposal	Current position	Identified actions (that are owned by # / with a target delivery date of #)
		Note: Reviews should take account of the level and scope of training for officers, the latest external training available and the attendance records of elected members
D.4 CIPFA and other relevant professional bodies should be asked to produce appropriate guidance and training modules for S151 officers to consider including LGPS training within their training qualification syllabus	Awaiting guidance	Respond to CIPFA's and CIPP's expected guidance and consider peer / CIPFA / LGA review (MH / TBD)
E. Service delivery for the LGPS function		
E.1 Each administering authority must document key roles and responsibilities relating to its LGPS fund and publish a roles and responsibilities matrix setting out how key decisions are reached. The matrix should reflect the host authority's scheme of delegation and constitution and be consistent with the descriptions and business processes	<p>The Worcestershire County Council constitution and our annual reports contain information about roles and responsibilities, and we have job descriptions for every officer's role</p> <p>The s151 Officer also delegates to the Head of Finance (Corporate) matters requiring a purely County Council decision affecting the Pension Fund to ensure no conflict of interest arises over other employers</p>	Publish a matrix that meets the requirements and clarifies the role and responsibility of everyone involved in every stage of the processes we carry out during a member's administration lifecycle (MH / 17 11 2021) awaiting finalisation of the new structure for pensions administration
E.2 Each authority must publish an administration strategy	We comply with this requirement	Review our Pensions Administration Strategy annually, consulting our employers and benchmarking our strategy with comparator funds

Good Governance proposal	Current position	Identified actions (that are owned by # / with a target delivery date of #)
	Prior to making changes to our 17 03 2020 strategy and asking our Committee to approve our 2021 strategy, we consulted with our employers from 23 12 2020 to 12 02 2021	(CF / 28 02 2022) scheduled
E.3 Each administering authority must report the fund's performance against an agreed set of indicators designed to measure standards of the service	These are included in our annual reports and the quarterly Business Plans tabled at Pensions Committee meetings	Continually work with the Pension Board to check and develop our KPIs and seek out benchmarking, identifying in the first instance what KPIs from Ps 17-18 / 33 of the Phase 3 Report the Fund is able to produce and what would be needed to produce the missing information (CF/ 17 09 2021)  identification
E.4 Each administering authority must ensure their committee is included in the business planning process. Both the committee and LGPS senior officer must be satisfied with the resource and budget allocated to deliver the LGPS service over the next financial year	Rolling Business Plans are tabled at Pensions Committee meetings	Review the effectiveness of our rolling Business Plan (MH / 17 11 2021) plan to review before Dec Cttee
E.5 Each administering authority must give proper consideration to the utilisation of pay and recruitment policies, including appropriate market supplements, relevant to the needs of their pensions function. Administering authorities should not simply apply general council staffing policies such as recruitment freezes to the pensions function	Our recruitment and staffing levels are not constrained by Worcestershire County Council and we are able to use market forces adjustments	Bring forward proposals to the 8 December Pensions Committee that seek to improve our service by ensuring that we have the resources in place to deliver the Worcestershire Pension Fund of the future, a fund resourced up for the challenges and projects ahead (MH / 08 12 2021) paper on schedule for Dec Cttee

Good Governance proposal	Current position	Identified actions (that are owned by # / with a target delivery date of #)
F. Compliance and improvement		
F.1 Each administering authority must undergo a biennial Independent Governance Review (IGR) and, if applicable, produce the required improvement plan to address any issues identified IGR reports to be assessed by a SAB panel of experts	We do not currently do this	Prepare for IGRs. The s151 Officer has raised this at Society of County Treasurers and CIPFA working groups and is keen to explore options early in 2022 (MH / 08 12 2021) awaiting more info
F.2 LGA to consider establishing a peer review process for LGPS funds	We do not currently do this	Prepare for the process and investigate external benchmarking like PASA (MH / 08 12 2021) awaiting more info

Note: in the last column CF = Chris Frohlich; SH = Suzie Hawkes; MH = Michael Hudson; and RW = Rob Wilson

Appendix 3 to the Business Plan 01 November 2021: Update on reviewing the objectives for and performance of the Fund's independent investment adviser

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

Task	Current Position as at end of October 2021	KPI / Outcome
	<p>and has provided appropriate challenge where needed as well as highlighting poor performance to the Committee and put managers 'on watch' where required.</p> <ul style="list-style-type: none"> • The investment advisor helped to develop and shape the 2020 strategic asset allocation (SSA) review which sets the Fund's asset allocation direction for the next 3 to 5 years and was agreed by Pensions Committee in December 2019. The advisor supports the SAA quarterly update to Committee. • The investment advisor has recently provided advice on infrastructure, equity, property (including forestry) and private debt investments. 	<p>advance of Committee timetable publication.</p> <ul style="list-style-type: none"> • Any areas of poor performance highlighted, challenged and solutions identified. • The Pensions and Pension Investment Sub Committees were satisfied with the value for money represented by the services.
<p>C. Support the Fund with achieving timely and cost-effective implementation of the Fund's investment decisions, where appropriate considering the evolution of the LGPS Central Limited (LGPSC) pool.</p>	<ul style="list-style-type: none"> • The investment advisor has attended meetings and provided guidance where the Fund is seeking to transition investments to the pool. • He has also signposted to additional technical advice required for the actual transition process. 	<ul style="list-style-type: none"> • Ensure a focus on key risk / return priorities. • Any areas of misalignment with the Fund's objectives and / or poor performance highlighted, challenged and solutions identified.

Task	Current Position as at end of October 2021	KPI / Outcome
	<ul style="list-style-type: none"> Also, regular performance meetings have been held with LGPSC and appropriate challenge made where under-performance is happening. 	
<p>D. Provide other ad-hoc support and advice as required by either the Pensions and Pension Investment Sub Committee or the Fund's other service providers.</p>	<ul style="list-style-type: none"> Advice and support have been provided for an ESG audit and a climate risk scenario report besides the regular support described above. The advisor has also been part of the working group which helped shape the recommendations to Pensions Committee in March and signposted additional technical support from Pensions for Purpose. Advice and support have also been provided on the equity protection strategy. 	<ul style="list-style-type: none"> Any ad hoc support and advice provided in line with agreed service specifications and on a timely basis. Advisor's fee shared and updated at year end with open report of any additional fees earned through advice. Conflicts register updated at least half yearly, and upon any changes to the investment advisor as soon as they are known to that person.
<p>E. Oversight of the relationship between the Fund and the pool, ensuring that what the pool offers complies with strong transition, sound governance and the requirements of the Fund.</p>	<ul style="list-style-type: none"> Regular performance meetings have been held with LGPSC and appropriate challenge made where under-performance is happening. Ad hoc discussions are also held with the chief executive of LGPSC and his lead officers where necessary. 	<ul style="list-style-type: none"> Attend all quarterly performance review meetings with LGPSC where the Fund has invested unless for unforeseen unavoidable circumstances and meeting attendance being agreed in advance of Committee timetable publication.

Task	Current Position as at end of October 2021	KPI / Outcome
		<ul style="list-style-type: none"> Any areas of poor performance highlighted, challenged and solutions identified.
<p>F. Support the fund in training through transparent general advice.</p>	<ul style="list-style-type: none"> The investment advisor has provided training and helped source a number of training events. Also advised on support and workshop arrangements for the continued training on responsible investment. 	<ul style="list-style-type: none"> Pensions, Pension Investment Sub Committee and Pension Board satisfied with the quality and content of any training requested.
<p>G. Ensure the Fund complies with relevant investment pensions regulations, legislation and supporting guidance, and reflects the policies approved by the Pensions Committee.</p>	<ul style="list-style-type: none"> There have been no instances of non-compliance with relevant regulations or policies. 	<ul style="list-style-type: none"> No instances of non-compliance with relevant regulations or policies.