

Business Plan

As at 25 05 2022

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 not aware of any matters that we need to escalate.
2. We have not received any new IDRs, experienced any new data breaches or had to report anything to The Pensions Regulator since the last quarterly, rolling Business Plan. In 2021 / 2022 we had 0 data breaches, 1 IDR and 1 complaint (NB complaints generally do not escalate to IDRs).
3. Our latest pensions administration KPIs are reassuring and in line with targets set. As detailed in Section 5, in March 2022 and for the full LGPS year 2021 / 2022, we met our average target turnaround for all 12 of our key measured processes. We had 37 deaths in March 2022 and the average monthly number of deaths in 2021 / 2022 was 36. The average monthly number of deaths in 2019 / 2020 was 15 and in 2020 / 2021 it was 25.
4. Our Fund performance / funding levels are in line with our targets. We have recently invested £200m in LGPS's Global Active Equity Sustainability Fund.
5. Our projects / budgets are on schedule and members' attention is drawn to our list of projects in Appendix 1.
6. 91 of our employers have completed our McCloud checklist / declarations form.
7. WCC's IT department have reviewed our pensions administration system's supplier's Cyber Security Review 2022 and concluded that it passes muster.

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](#). And in our [Governance Policy Statement](#).

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 86 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 31 Dec 2021	As at 31 March 2022
Employers with active members	192	197
Employee member records	22,233	22,650
Pensioner member records	20,091	20,282
Deferred member records	22,997	23,257
Total member records	65,321	66,189

2.7 We manage a **£3,585m** (as at 31 03 2022) pension fund to pay benefits as they are due and as at 31 March 2022 our estimated whole Fund solvency (the minimum risk funding position is much lower) funding position was 100%.

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 going into County Hall, 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 information gathering, 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](#); [Pensions Dashboards](#); and [changes to the valuation cycle](#).
- e) Guaranteed Minimum Pension (GMP) equalisation.
- f) New employers (from outsourcing and academy conversions). As part of its Levelling

Up agenda, the Government has issued a [white paper](#) on education in England which confirms plans to permit councils to establish their own Multi Academy Trusts (MATs) and to require all local authority schools to convert to academy status by 2030.

- 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 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.

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 are on schedule for / preparing our 2022 annual report.

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:

On 29 March Aquila Heywood, our pensions administration supplier, ran an '[Introduction to the Pensions Dashboards Programme](#)' webinar. It is clear from it that Heywood has a good understanding of the implications of the regulations; are moving ahead with testing / development of their proposition with the help of some clients; and will be providing clients with further guidance on selected aspects including data preparation and maintenance / preparing business cases for approval / a member user guide / an Insights PDP Dashboard. Although there is likely to be limited work for us in plugging into the Heywood dashboard solution, once

dashboards are in place, we should expect an increase in member enquiries / requests for calculations.

Data quality:

Working with a company called Target Professional Services (UK) who help pension schemes find members who they may have lost touch with, we have so far traced 400 members.

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 an employer and terminating Maid Marions BHBS on 13 01 2019.
- 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.
- The Orchard School (Sidemoor) 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 1 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.
- TTB Pitcheroak terminating 31 05 2021.
- AIP WFS terminating 31 08 2021.
- Purgo terminating 31 12 2021.
- Clearview Cleaning terminating 22 07 2021.
- Aspens Hereford Sixth terminating 31 07 2021.
- Lewis Cleaning St Annes terminating 22 08 2021.
- School Catering Support Limited (Relish) joining as a new employer.
- Woodfield Academy joining Bordesley MAT on 01 04 2022.
- Civica transferring some members to Malvern Hills DC in Oct 22.

FRS:

We have supplied employers with a 31 March 2022 year end the required information for their accounts.

KPIs:

As detailed in Section 5, in March 2022 and for the full LGPS year 2021 / 2022, we met our average target turnaround for all 12 of our key measured processes. We had 37 deaths in March 2022 and the average monthly number of deaths in 2021 / 2022 was 36. The average monthly number of deaths in 2019 / 2020 was 15 and in 2020 / 2021 it was 25.

In 2021 / 2022 we wrote off 9 cases of pensions overpayments following a death (£194.27 / £1,452.63 / £237.44 / £103.77 / £249.78 / £535.38 / £438.13 / £155.52 and £154.73).

In 2021 / 2022 we had 0 data breaches, 1 IDRP and 1 complaint (complaints generally do not escalate to IDRPs).

Regarding outstanding payments from employers or debtors for whom we have raised an

invoice, we have no current concerns.

McCloud:

91 of our employers have completed our McCloud checklist / declarations form.

For employers who have only had Worcestershire County Council (WCC) and Liberata as a payroll provider, we were missing 2017/ 2018 hours changes, casual hours from 2016/17 to date and breaks in service due to unpaid leave not paid back from 2014.

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.

Stronger Nudge to Pensions Guidance

To comply with [the new regulations](#) from 1 June we will be providing members with a phone number to call if they wish us to arrange an appointment with Pension Wise along with details of how to contact Pension Wise themselves.

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 have arranged a virtual employer forum with our actuary on 22 June to brief employers on the latest re the 2022 actuarial valuation.

Our website's page views were 6,584 in March 2022 (6,860 in March 2021).

In LGPS year 21/22 our website had 66,100 page views (63,553 in 20/21) and 44,567 visits (25,400 in 20/21).

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 drafted two new Fund policies: one on representation and one on conflicts of interest.

WCC's IT department have reviewed our pensions administration system's supplier's Cyber Security Review 2022 and concluded that it passes muster.

We have completed our latest six-monthly review of the objectives for and performance of the Fund's independent investment adviser.

We interviewed the Head of Pensions Administration on 24 May.

We have recruited a replacement for the member of staff who received a promotion to a grade 4 post following the retirement of the grade 4 postholder.

Training update:

As detailed in a separate agenda item, Committee approved our latest Training Policy & Programme on 23 March, and we have delivered training on 'Does what we are paying our investment managers represent value for money?'

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 31 March 2022 was £3,585m and its solvency funding level was 100%. There remains a lot of volatility in financial markets.

As detailed in the next section (section 4), the Fund has generated an average annual return of 7.9% compared to its benchmark of 7.6% over the 3 years to 31 03 2022.

Over the year to 31 03 2022 the Fund generated a return of 6.7% compared to its benchmark of 8.3%.

We are in the process of investing £200m in LGPSC's Global Active Equity Sustainability Fund.

We have submitted our application for 2022 signatory status to the UK Stewardship Code.

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 31 Mar 2022 v benchmark
Far East Developed	FTSE All World Asia Pacific / Japan Indices + 1.5%	8.4% (1.5% 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	5.4% (0.1% above benchmark)
North America	FTSE All World North American Index	18.5% (0.1% above benchmark)
Europe ex - UK	FTSE All World Europe ex UK Index	9.6% (0.2% below benchmark)
Global (alternatives)	20% RAFI, 40% MSCI WL Min, 40% MSCI WL Qual	10.4% (0.7% below benchmark)
Fixed Interest	LGPSC Corporate Bond Index for LGPSC Global Active Investment Grade Corporate Bond MM Fund	Not available as only invested Apr 2021
	Absolute return for Bridgepoint Direct Lending	6.3% (0.3% above benchmark)
Property / Infrastructure	Various absolute return benchmarks for different fund managers	Property 2.6% (7.8% below benchmark) Infrastructure 9.1% (0.4% 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 Mar 2022	% Processed within KPI in Mar 2022	Av turnaround (working days) in Mar 2022	Target turnaround (working days)	2021/2022 average number processed per month
Joiners notification of date of joining	385	99	18	40	353
Process and pay refund	42	100	4	10	40
Calculate and notify deferred benefits	131	97	6	30	117
Letter notifying actual retirement benefits	45	100	2	15	42
Letter notifying amount of dependant's benefits	20	100	3	10	17
Letter acknowledging death of member	37	78	3	05	36
Letter detailing CETV for divorce	7	100	1	45	10
Letter notifying estimate of retirement benefits	109	100	2	15	123
Letter detailing transfer in quote	39	97	2	10	40
Process and pay lump sum retirement grant	91	100	7	23	85
Letter detailing transfer out quote	29	100	2	10	31
Letter detailing PSO	2	0	3	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	4246	89	19	40
Process and pay refund	489	98	4	10
Calculate and notify deferred benefits	1408	95	8	30
Letter notifying actual retirement benefits	512	100	2	15
Letter notifying amount of dependant's benefits	210	98	3	10
Letter acknowledging death of member	433	79	3	05
Letter detailing CETV for divorce	130	100	2	45
Letter notifying estimate of retirement benefits	1486	100	3	15
Letter detailing transfer in quote	485	99	2	10
Process and pay lump sum retirement grant	1023	99	10	23
Letter detailing transfer out quote	382	97	3	10
Letter detailing PSO implementation	8	100	4	15

6 BUDGET

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
Aq Hey	Aquila Heywood
AH	Aquila Heywood
App	Application
BCP	Business Continuity Plan
Bods	Bodies
Calcs	Calculations
CARE	Career average revalued earnings
CB	Corporate bonds

CC	County Council
CEM	CEM Benchmarking Inc
Cert	Certificate
CIPFA	Chartered Institute of Public Finance & Accountancy
CMA	Competition and Markets Authority
Coll	Colleges
Config	Configuration
Consult	Consultation
Conts	Contributions
Covs	Covenants
Cttee	Pensions Committee
DC	District Council
DLUHC	Department for Levelling Up, Housing and Communities
EM	Emerging markets
Engage	Engagement
Er	Employer
ESG	Environmental, Social, Governance
Expend	Expenditure
FI	Fixed interest
FRS	Financial Reporting Standards
FSS	Funding Strategy Statement
GMP	Guaranteed Minimum Pension
Gov	Governance
GPS	Governance Policy Statement
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
Med	Medium
MSS	Member Self Service (online access to a member's pensions record)
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
TOR	Terms of reference
TPR	The Pensions Regulator
TV	Transfer (of member benefits)
W	With
Y/End	Year end

~ ENDS ~

[illegible]