



# Business Plan

As at 27 10 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 received 1 new IDRPs (about an employer's ill health assessment), not experienced any new data breaches or had to report anything to The Pensions Regulator since the last quarterly, rolling Business Plan . In 2022 / 2023 we have had 0 data breaches, 5 IDRPs and 1 complaint (NB complaints generally do not escalate to IDRPs).
3. Our latest pensions administration KPIs are reassuring and in line with targets set. As detailed in Section 5, in September 2022 and for the LGPS year to date 2022 / 2023, we met our average target turnaround for all 12 of our key measured processes. We had 35 deaths in September 2022 and the average monthly number of deaths in 2022 / 2023 was 34. The average monthly number of deaths in 2019 / 2020 was 15, in 2020 / 2021 it was 25 and in 2021 / 2022 it was 36.
4. Our Fund performance / funding levels are below our targets due to the volatility in markets over the last quarter.
5. Our projects / budgets are on schedule and members' attention is drawn to our list of projects in Appendix 1 to which we have added project 37 (Reprocurements that are not the pensions administration system). We have issued our 2022 pensioner newsletters that offered our 18,445 pensioners the chance to tell us how they would like us to invest by participating in an online stewardship survey.
6. 93 of our employers have completed our McCloud checklist / declarations form, and 57 supplied all missing data or confirmed that there is no data missing.
7. We have recently received the statistical return information for 2021/22 that is collated for all 85 LGPS Funds in England and Wales. Our investment management expenses as a % of our market Value is 0.6% compared to the average of 0.5% and we are ranked 60<sup>th</sup> out of 85. Our administration costs per member is £25 compared to the average of £27 and we are ranked 32<sup>nd</sup> out of 85. Our Total Management expenses charged to the fund per member is £346 compared to the average of £320 and ranked 54<sup>th</sup> out of 85.

## 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 30 June 2022	As at 30 Sep 2022
<b>Employers with active members</b>	194	186
<b>Employee member records</b>	22,192	22,106
<b>Pensioner member records</b>	20,476	20,718
<b>Deferred member records</b>	23,644	23,668
<b>Total member records</b>	66,312	66,492

2.7 We manage a **£3,391m** (as at 30 09 2022) pension fund to pay benefits as they are due and as at 30 Sep 2022 our estimated whole Fund solvency (the minimum risk funding position is much lower) funding position was 93%.

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: 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 or in staff leaving.
- 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 the budget updates on the agendas of our Pension Board and Pensions Committee meetings.

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 publishing 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, Fund 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 staging deadline for public sector schemes has been put back to 30 Sep 2024. There has been a [consultation](#) re which we await the results on dashboard standards and guidance, and a [call for input](#) on the design standards. We attended a workshop run by Heywood, our pensions administration software supplier, on 27 September and have asked Heywood for a

data accuracy report.

**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 529 members.

**Employer changes:**

we are aware of the following employer changes in 2022 / 2023:

- Hill and Moor Parish Council wanting to offer the LGPS to their staff.
- Worcester Community Trust expected to be terminating in 2022.
- Cater Link Ltd (TG Perdiswell) joining.
- School Catering Support Limited (Relish and WFS) 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.
- Platform Housing Group exploring a DDA.
- Waseley Hills joining Central Region School Trust.
- Pitcheroak School joining Central Learning Partnership Trust.
- Maid Marions (St Johns Primary) and Tenon terminating.
- Kindred (TGA Worcester), Kindred (previously Ridge Crest Cleaning Services) (Bishop Perowne), and Kindred (previously Ridge Crest Cleaning Services) (Tudor Grange) joining.
- Two Herefordshire schools, Bredenbury Primary and St Peters Primary, joining Queen Elizabeth Academy on 1 September 2022 that will thereafter be called Three Counties Academy Trust.
- Ridgeway joined The Shires MAT on 01 09 2022.
- Far Forest Lea Memorial Primary joined Severn Academies Educational Trust on 1 September 2022.

**FRS:**

We supplied employers with a 31 July or 31 August year end the required information for their accounts.

**KPIs:**

As detailed in Section 5, in September 2022 and for the LGPS year to date 2022 / 2023, we met our average target turnaround for all 12 of our key measured processes. We had 35 deaths in September 2022 and the average monthly number of deaths in 2022 / 2023 was 34. The average monthly number of deaths in 2019 / 2020 was 15, in 2020 / 2021 it was 25 and in 2021 / 2022 it was 36.

In 2022 /2023 we have written off 3 cases (for £171.67; £198.03 and £162.82).

We have received 1 new IDRPs (about an employer's ill health assessment), not experienced any new data breaches or had to report anything to The Pensions Regulator since the last quarterly, rolling Business Plan.

In 2022 / 2023 we have had 0 data breaches, 5 IDRP's and 1 complaint (NB complaints generally do not escalate to IDRP's).

Regarding outstanding payments from employers or debtors for whom we have raised an invoice, we have no current concerns.

**Legal support:**

We are currently working with the internal legal team to procure legal services, externally,

through the LGPS National Frameworks, covering both Pensions Administration and Pensions Investment support.

#### **McCloud:**

We are aware that around 18,000 teachers may be offered membership of the LGPS as well as the Teachers' Pension Scheme (TPS) to implement the McCloud remedy, because the post-2015 part-time employment for teachers who also hold full-time contracts - the so-called 'excess teacher service' - can't be reinstated into the final salary TPS.

DLUHC expects to publish the Government's response to the [2020 consultation](#) and an updated version of the draft regulations later this year, consult further on the regulations in 2023, issue statutory guidance in 2023, and make regulations in 2023 that will come into force on 1 October 2023.

93 of our employers have completed our McCloud checklist / declarations form, and 57 supplied all missing data or confirmed that there is no data missing.

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.

#### **Opt outs**

Our preliminary numbers of the opt outs that we have been receiving are: 2022: 104; 2021: 138; 2020: 183; and 2019: 192. Given current concerns over the cost of living, we have issued a suggested draft 'all staff' communication ('Don't turn your back on your pension even for a moment without careful thought, because the consequences are considerable.') to our employers and will continue to monitor and report on the situation using the Altair Insights tool.

In addition to the above we have also amended the Deferred benefits process to record any deferments, because of an opt out, to include a note within the Dept ID indicator. This will allow us to record more accurately opt outs going forward.

#### **Pensions administration system procurement:**

We have completed all relevant soft market testing on the various Pensions administration software suppliers on the LGPS National framework. We have also spoken to a number of Funds who have recently gone through the process for a better understanding of what resources we need to allocate for this exercise. We are now reviewing the documentation used on the framework, starting with the system requirements specification.

#### **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 2021.

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

The Chief Secretary to the Treasury 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.

#### **Scams / Pension Transfers**

We have reviewed our transfer out process and have adapted it to ensure all supporting documentation being issued to members, including the scorpion leaflet, are recorded on the

members record on Altair.

### **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 issued our [2022 pensioner newsletters](#) that offered our 18,445 pensioners the chance to tell us how they would like us to invest by participating in an online stewardship survey.

We are planning to run employer fora with our actuary on 8 and 10 November to brief employers on their preliminary results from the 2022 actuarial valuation.

We organised a pensions taxation workshop on 18 October for members earning £70,000 or who had breached their annual allowance in 21/22.

Our website's page views were 5,792 in September 2022 (5,418 in September 2021).

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 implemented a new pensions administration structure on 1 November. We currently have several vacancies across the service to recruit to, with all vacancies in the process of being advertised.

We will be rolling out the WCC Finance workforce plan from January 2023.

#### **Training update:**



On 3 October we delivered training for Pension Board / Pensions Committee members on private equity.

We are reviewing the training programme with a view to include a full training matrix documenting the training delivered and using it to identify any further knowledge gaps. We will then use this to deliver a comprehensive training schedule looking forward.

### **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 Sep 2022 was £3,391m and its solvency funding level was 93%. 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 3.8% compared to its benchmark of 3.9% over the 3 years to 30 09 2022.

Over the year to 30 09 2022 the Fund generated a return of -3.8% compared to its benchmark of -2.3%.

The Fund’s investment strategy has been reviewed by Hymans Robertson.

DLUHC launched its [consultation on climate reporting](#) on 1 September 2022. The consultation closes at 11:45pm on 24 November 2022.

## **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 2022 v benchmark
Far East Developed	FTSE All World Asia Pacific / Japan Indices + 1.5%	2.0% (0.0% benchmark)

Sector	Benchmark	Average annual Performance over the 3 years to 30 Sep 2022 v benchmark
Emerging Markets	FTSE All World Emerging Market index +2.0%	-0.1% (-3.1% below benchmark)
United Kingdom	FTSE All Share Index	0.9% (0.1% above benchmark)
North America	FTSE All World North American Index	11.6% (0.1% above benchmark)
Europe ex - UK	FTSE All World Europe ex UK Index	2.1% (0.2% below benchmark)
Global (alternatives)	LGPSC All World Climate Factor Fund 40% MSCI WL Qual 60%	10.0% (0.1% 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	6.5% (0.5% above benchmark)
Property / Infrastructure	Various absolute return benchmarks for different fund managers	Property 2.9% (6.6% below benchmark) Infrastructure 10.7% (0.1% above benchmark)

## 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 Sep 2022	% Processed within KPI in Sep 2022	Av turnaround (Working days) in Sep 2022	Target turnaround (Working days)	2022/2023 average number processed per month
Joiners notification of date of joining	121	88	21	40	243
Process and pay refund	60	100	4	10	72
Calculate and notify deferred benefits	117	98	7	30	139
Letter notifying actual retirement benefits	52	100	2	15	48
Letter notifying amount of dependant's benefits	18	100	3	10	18
Letter acknowledging death of member	35	60	4	05	34
Letter detailing CETV for divorce	9	100	3	45	8

Letter notifying estimate of retirement benefits	134	100	3	15	124
Letter detailing transfer in quote	62	100	2	10	53
Process and pay lump sum retirement grant	124	100	11	23	100
Letter detailing transfer out quote	40	78	6	10	44
Letter detailing PSO	0	n/a	n/a	15	0

Activity / Process	Number processed for year 2022 / 2023	% Processed within KPI for year 2022 / 2023	Av turnaround (working days) for year 2022 / 2023	Target turnaround (working days)
Joiners notification of date of joining	1461	95	12	40
Process and pay refund	432	90	6	10
Calculate and notify deferred benefits	836	99	8	30
Letter notifying actual retirement benefits	290	98	2	15
Letter notifying amount of dependant's benefits	110	97	3	10
Letter acknowledging death of member	206	74	4	05
Letter detailing CETV for divorce	53	100	2	45
Letter notifying estimate of retirement benefits	747	98	3	15
Letter detailing transfer in quote	322	99	2	10
Process and pay lump sum retirement grant	604	100	12	23
Letter detailing transfer out quote	268	94	3	10
Letter detailing PSO	2	100	4	15

## 6 BUDGET

Our budgets are detailed in the budget updates on the agendas of our Pension Board and Pensions Committee meetings.

### 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	<a href="#">CEM Benchmarking Inc</a>
Cert	Certificate
CIPFA	<a href="#">Chartered Institute of Public Finance &amp; Accountancy</a>
CMA	<a href="#">Competition and Markets Authority</a>
Coll	Colleges
Config	Configuration
Consult	Consultation
Conts	Contributions
Covs	Covenants
Cttee	Pensions Committee
DC	District Council
DLUHC	<a href="#">Department for Levelling Up, Housing and Communities</a>
EM	Emerging markets
Engage	Engagement
Er	Employer
ESG	Environmental, Social, Governance
Expend	Expenditure
FI	Fixed interest
FRS	Financial Reporting Standards
FSS	<a href="#">Funding Strategy Statement</a>
GMP	Guaranteed Minimum Pension
Gov	Governance
GPS	Governance Policy Statement
Inc	Income
Inv	Investments, Funding & Actuarial
ISS	<a href="#">Investment Strategy Statement</a>
KRA	Key result area
LGPS	Local Government Pension Scheme
LGPSC	<a href="#">LGPS Central Limited</a>
Manag	Management
Med	Medium
MSS	Member Self Service (online access to a member's pensions record)
ONS	<a href="#">Office for National Statistics</a>
Q	Query
Recti	Rectification
RI	Responsible investment
Rtn	Return
SAB	<a href="#">Scheme Advisory Board</a>
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 ~