

**Worcestershire  
Pension Fund**



# Business Plan

As at Feb 2023

## 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 of whether all is currently well at the Fund:

- I. Our latest pensions administration KPIs are reassuring and in line with targets set.
- II. We have received 2 new IDRPCs (about our diligence on a transfer out and an ill health retirement), not experienced any new data breaches, or had to report anything to The Pensions Regulator since the last quarterly, rolling Business Plan. The Pensions Ombudsman has asked us for information to help them to adjudicate on a case that has gone through the IDRPC process concerning ill health retirement.
- III. In 2022 / 2023 we have had 1 data breach (starter information sent to wrong member due to manual error), 8 IDRPCs, an FOI (about our AVC provider), and 0 complaints.
- IV. Our Fund performance for the year to 31 12 2022 of -4.3% was 1.4% below the benchmark that was -2.9%. Over the 3 years to 31 12 2022 our 4.5% was 0.3% above benchmark of 4.2%.
- V. Our projects / budgets are on schedule and members' attention is drawn to our list of projects in section 3 (Looking Ahead).

## 1. THE LATEST ON INVESTMENT / FUNDING / FINANCE

- 1.1 Separate reports are tabled at Board / Committee meetings covering in detail our investment / funding / finance activities, our budget position, and the risks facing us in these areas.
- 1.2 The 2019 actuarial valuation set the following real annual discount rates for the Growth pot that will be updated on 1 April 2023 by the figures shown in brackets by the 2022 actuarial valuation: Past service: Consumer Prices Index + 1.65% (1.50%) and Future service: Consumer Prices Index + 2.25% (2.00%).
- 1.3 The assumed annual Consumer Prices Inflation is +2.4% (3.10%).
- 1.4 Therefore our annual return on investment targets for the Growth pot are 4.05% (4.60%) for deficit recovery payments and 4.65% (5.10%) for future service contributions.
- 1.5 Our Fund performance for the year to 31 12 2022 of -4.3% was 1.4% below the benchmark that was -2.9%. Over the 3 years to 31 12 2022 our 4.5% was 0.3% above benchmark of 4.2%.
- 1.6 The Fund's investment portfolio excluding cash of £75m as at 31 Dec 2022 totalled £3,434m, and its solvency funding level was 95%.
- 1.7 Relative to the benchmarks for our sectors we have achieved the 3-year returns shown in the right column of the table below:

Sector (market value)	Benchmark	Average annual Performance over the 3 years to 31 Dec 2022 v benchmark
Active equities (£832m)	Bespoke	0.10% (2.7 below benchmark)
Passive equities (£968m)	Bespoke	6.7% (0.9% above benchmark)
Alternatives (£531m)	20% RAFI/40% MSCI WL Min/40% MSCI WL Qual	4.3% (0.7% below benchmark)
Fixed Interest (£273m)	60% LGPSC Corp Index & 40% Absolute Return +6%	Not available as only invested Apr 2021
Property (£294m)	60% MSCI UK & 40% Abs Ret +7.5%	3.5% (2.3% below benchmark)
Infrastructure (£533m)	70% UK CPI +5.5% & 30% Abs Return +10%	12.3% (1.5% above benchmark)

1.8 As PEL, our existing supplier of risk and return analyses, are looking to cease trading by the end of June, we are looking for a new supplier.

1.9 We are re-procuring our independent investment adviser.

1.10 DLUHC's consultation on climate reporting has closed.

1.11 A parliamentary written statement that included the following about asset pooling and alternatives was made by the Chancellor on 9 December 2022: 'the government announces today that it will, in early 2023, consult on new guidance to the Local Government Pension Scheme (LGPS) in England and Wales on asset pooling. The government will also consult on requiring LGPS funds to ensure they are considering investment opportunities in illiquid assets such as venture and growth capital, as part of a diversified investment strategy.'

1.12 On 16 December 2022 The Pensions Regulator (TPR) published its draft funding code of practice for defined benefit (DB) pensions schemes for trust-based occupational pension schemes providing defined benefits and a consultation document. The 14-week consultation sets out that schemes will be expected to set a long-term objective and a journey plan to get there. It is expected that schemes will reduce reliance on their sponsoring employer as they reach maturity. It will require trustees to improve risk management and raise the bar for evidencing supportable risk taking.

1.13 We held an ESG training session / workshop for members of the Board and Committee on 8 February.

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

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

## 2 THE LATEST ON ADMINISTRATION

### Dashboards:

The staging deadline for public sector schemes has been put back to 30 Sep 2024. Value data will be required from 1 April 2025. Deferred refunds will not be in scope at outset. 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 Hymans webinar on 7 December and

have reviewed The Pensions Regulator's checklist.

#### Data quality:

We have received the results of our 2022 NFI data matching and have completed the exercise only having 2 matches overall. We continue to work with a company called Target Professional Services (UK) to find members we have lost touch with.

#### 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.
- Rushwick joining Diocese of Worcester MAT on 1 January 2023.
- The Forge joining Central Learning Partnership Trust.
- Leigh and Bransford Primary School joining Mercian Education Trust.
- Employer 00309 Civica UK employees transferring back as a shared service called South Worcestershire Revenue and Benefits, within Malvern Hills DC.
- Lickhill Academy joined Central Regions School Trust on 1 January 2023

#### Engagement:

We had 42 responses from our 18,445 pensioners to our online stewardship survey.

We have had no responses from employers following our Funding Strategy Statement consultation.

We have had no responses from employers following our Pension Administration Strategy consultation.

We have started work on a redesign of our website, working in conjunction with the WCC website redesign.

Our website's page views were 8,776 in January 2023 (6,039 in January 2022).

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

#### FRS:

We have supplied employers with a 31 December year end the required information for their accounts and now have our first employer with a 30 June year end.

Governance:

A separate report is tabled at Board / Committee meetings covering our activities and the risks facing us in this area. The key deliverable in that report is that, leading up to this Board / Committee cycle, we have conducted our annual review of our governance documents.

KPIs:

We measure our performance against CIPFA industry standard targets for our key pension administration processes.

As detailed below in January 2023 and for the LGPS year to date 2022 / 2023, we met our average target turnaround for all 12 of our key measured processes.

In January 2023 deaths were 29 compared to the average monthly no of deaths in 19/20 of 15; in 20/21 of 25; in 21/22 of 36; and in 22/23 of 31. Note: On deaths we will regularly have a percentage not within KPI, as we wait to see if the money is returned on the BACS return before calculating under/overpayment.

<b>Activity / Process</b>	<b>Number processed in Jan 2023</b>	<b>% Processed within KPI in Jan 2023</b>	<b>Av turnaround (working days) in Jan 2023</b>	<b>Target turnaround (working days)</b>	<b>2022/2023 average number processed per month</b>
Joiners notification of date of joining	283	99	8	40	281
Process and pay refund	47	100	3	10	59
Calculate and notify deferred benefits	119	99	5	30	133
Letter notifying actual retirement benefits	44	100	2	15	44
Letter notifying amount of dependant's benefits	5	80	5	10	15
Letter acknowledging death of member	29	86	3	05	31
Letter detailing CETV for divorce	10	100	2	45	9
Letter notifying estimate of retirement benefits	46	100	2	15	100
Letter detailing transfer in quote	40	98	4	10	49
Process and pay lump sum retirement grant	74	100	16	23	93
Letter detailing transfer out quote	29	97	4	10	39
Letter detailing PSO implementation	0	n/a	n/a	15	0

Activity / Process	Number processed for year 2022 / 2023 to 31 Jan	% Processed within KPI for year 2022 / 2023 to 31 Jan	Av turnaround (working days) for year 2022 / 2023 to 31 Jan	Target turnaround (working days)
Joiners notification of date of joining	2814	93	16	40
Process and pay refund	598	93	5	10
Calculate and notify deferred benefits	1338	99	7	30
Letter notifying actual retirement benefits	447	99	2	15
Letter notifying amount of dependant's benefits	151	97	3	10
Letter acknowledging death of member	319	73	4	05
Letter detailing CETV for divorce	92	100	2	45
Letter notifying estimate of retirement benefits	1005	98	3	15
Letter detailing transfer in quote	495	99	2	10
Process and pay lump sum retirement grant	936	100	13	23
Letter detailing transfer out quote	390	96	3	10
Letter detailing PSO implementation	2	100	4	15

Our preliminary calendar year numbers of opt outs are: 2022: 104 (not all the way to 30/11); 2021: 138; 2020: 183; and 2019: 192.

In 2022 /2023 we have written off 6 cases (for £171.67; £198.03; £162.82, £144.35; £106.87; and £502.86).

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.

On 14 December 2022, HM Treasury (H M T) made the Public Service Pensions (Exercise of Powers, Compensation and Information) Directions 2022. They came into force on 19 December 2022.

We await DLUHC publishing the Government's response to the [2020 consultation](#) and an updated version of the draft LGPS regulations and statutory guidance.

We have emailed our employers to advise them that we will be assuming that they are happy with the service (hours changes and service breaks) data that they have supplied us with and accordingly use it to implement the remedy for the LGPS members who will be affected.

Pensions administration system procurement:

We are progressing with the procurement of the pensions administration system, working with the WCC procurement team to prepare the relevant documentation.

Public sector exit payments:

We added text to our redundancy retirement paperwork and introduced higher strain costs for all redundancy / efficiency retirement dates after 20 July 2021.

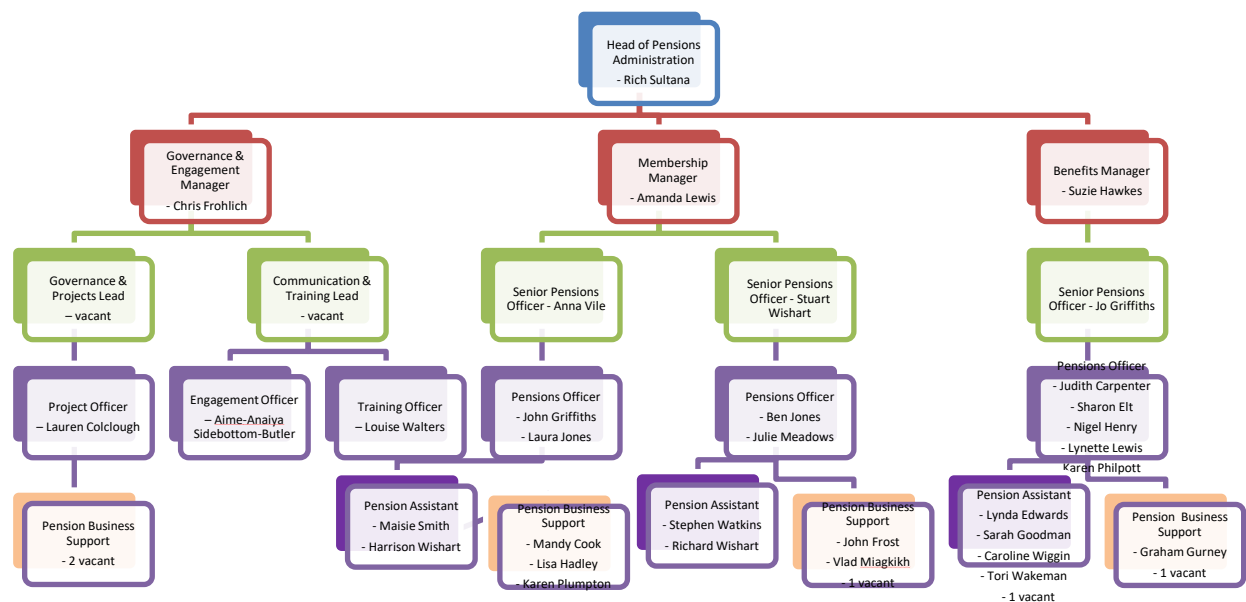
Remedying survivor benefits for opposite-sex widowers and surviving male civil partners:

The Chief Secretary to the Treasury made a written [statement](#) on remedying survivor benefits for opposite-sex widowers (the Godwin case) 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. We are awaiting regulatory guidance on our opposite-sex widowers re which we expect DLUHC to legislate. We also expect DLUHC to legislate to remove the current death grant upper age limit of 75.

Staffing:

We have implemented the WCC Finance workforce plan that includes monthly 121s for all staff.

We implemented the new pensions administration structure on 1 November. As can be seen from the structure chart below, we currently have a number of potential vacancies across the service to recruit to.



Training:

A separate report is tabled at Board / Committee meetings covering our activities and the risks that we face in this area. Leading up to this Board / Committee cycle, we have produced a

Training Plan summarising the training work that we plan to progress.

### 3 LOOKING AHEAD

The table below 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 and these are shown as unshaded. Shaded projects are one-off projects.

Projects Feb 2023	Started	Feb 23	Mar 23	Apr 23	May 23	Jun 23	Jul 23	Aug 23	Sep 23	Oct 23	Nov 23	Dec 23	Jan 24	Feb 24	Mar 24	Apr 24	May 24	Comments
11 LGPSC budget			Citee			Citee				Citee		Citee			Citee			√ to date and scheduled
12 Annual Report & Accounts / associated docs (30 09 23)						Citee		signed off	Publish	Citee								√2022 and 2023 scheduled
15 ONS Inc / Expend return				¼ rtn			¼ rtn			¼ rtn			¼ rtn			¼ rtn		√ to date and scheduled
16/17 DLUHC SF3 LGPS Funds account (31 08 23)									Annual									√2022 and scheduled
18 TPR Annual return /survey			Survey								Annual				Survey			√2022 survey and 2023 scheduled
19 CEM investment benchmarking (31 07 23)							Annual											√2022 and 2023 scheduled
2 GMP equalisation	TBD																	awaiting guidance NB non-club TVouts 1990 to 1997 in scope
4 Valuation / FSS / pots / admis term etc policies			Citee			Citee				Citee		Citee			Citee			on schedule
32 Re procure pension admin system (30 04 2024)	May-20																	working with procurement to see if need to re-procure
10 Pension Administration Strategy review (01 04 23)		consult	Citee	publish										consult	Citee	publish		√2023
13 Review data quality		NFI								Aq Hey results								2 NFI matches for the 2022 exercise
25 Revalue CARE accounts (30 04 2023)				System config.													System config.	√2022 survey and 2023 scheduled
26 Provide FRS info			Sch			Millbrook	Coll	Ac				admit bods			Sch			√ to date and scheduled
3 Branding and digital strategy (MSS)	Oct-18																	website redesign commenced
20 Monitor employer covenants / pots / conts			Citee	reset erconts		Citee				Citee		Citee	ask ers		Citee	reset erconts		Pfarae in place and Bond requirements being updated
21 Deferred annual benefit statements (31 08 23)						Annual	Q manag											√2022 survey and 2023 scheduled
22 Employee annual benefit statements (31 08 23)			Y/End					Annual	Q manag						Y/End			√2022 survey and 2023 scheduled
23 Pensioner P60s (30 04 23)					Annual	Q manag										Annual		√2022 survey and 2023 scheduled
24 Payslips reflecting pension increase (30 04 23)				Annual												Annual		√2022 survey and 2023 scheduled
27 Pension Savings Statements (06 10 23)										Annual								√2022 survey and 2023 scheduled
29 Pensioner newsletter / life cert (30 11 23)											Annual							√2022 survey and 2023 scheduled
28 /30 Good Governance incl TPR	TBD		Citee			Citee				Citee		Citee			Citee			new pensions admin structure recruitment progressing
33 McCloud	Aug-20		Citee			Citee				Citee		Citee			Citee			we have contacted all employers advising that we will implement the remedy with what they have supplied
5/6 Review of Asset Allocation / ISS (31 05 23)			Citee			Citee Sub			Sub	Citee	Sub	Citee			Citee			√2022 survey and 2023 scheduled
9 Increase assets managed by LGPS Central Limited	Feb-19		Citee			Citee Sub				Citee		Citee			Citee			looking into infrastructure / private debt / sustainable equity
34 Progress the Fund's RI journey	Jan 20		Citee			Citee				Citee		Citee			Citee			ESG workshop held on 8 Feb
35 Pensions Dashboards (2024)	Feb 22		Citee			Citee				Citee		Citee			Citee			Heywood asked for data quality report
37 Re procurements other than pensions admin system			Legal				CFH Docmail			Mercer					Legal			

~ ENDS ~