

**Worcestershire
Pension Fund**



Business Plan

As at May 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 not had to report anything to The Pensions Regulator since the last quarterly, rolling Business Plan.
- III. In 2022 / 2023 we had 2 data breaches (starter information sent to wrong member and an incorrect email placed on a member record, both due to manual error), 8 IDRPCs, an FOI (about our AVC provider), and 0 complaints.
- IV. Our Fund performance for the quarter to 31 03 2023 of 2.7% was 0.5% below the benchmark that was 3.2%.
- 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 were updated by the 2022 actuarial valuation on 1 April 2023 by the figures shown in brackets: 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 03 2023 of 1.2% was 0.5% below the benchmark that was 1.7%. Over the 3 years to 31 03 2023 our 9.6% p.a. was 1.4% p.a. below the benchmark of 11.0% p.a.
- 1.6 The Fund's investment portfolio excluding cash of £51m as at 31 March 2023 totalled £3,553m, and its solvency funding level was 96.2%.
- 1.7 Relative to the benchmarks for our sectors we have achieved the 3-year p.a. returns shown in the right column of the table below:

Sector (market value)	Benchmark	Performance p.a. over the 3 years to 31 March 2023 v benchmark
Active equities (£859m)	Bespoke	7.7% (2.4% below benchmark)
Passive equities (£1,013m)	Bespoke	16.5% (0.5% above benchmark)
Alternatives (£562m)	20% RAFI / 40% MSCI WL Min / 40% MSCI WL Qual	12.7% (0.7% below benchmark)
Fixed Income (£273m)	60% LGPSC Corp Index / 40% Absolute Return +6%	Not available as only invested Apr 2021
Property (£305m)	60% MSCI UK / 40% Abs Ret +7.5%	4.4% (1.0% below benchmark)
Infrastructure (£535m)	70% UK CPI +5.5% / 30% Abs Return +10%	1.6% (10.3% below benchmark)

1.8 As PEL, our existing supplier of risk and return analyses, will cease trading by the end of June, we have been in negotiations to source an alternative supplier. It is envisaged that Hyman's Robertson will take over the existing PEL business, providing us with a like-for-like service.

1.9 The Fund's 2023 submission to retain signatory status to the 2020 UK Stewardship Code is currently in its final draft stages. Cold reviews have been conducted by Officers and our independent investment advisor. The latest draft is undergoing final review with the Pensions Committee Chair. The collaboration with LGPSC, our key ESG and RI partner, has continued as part of this latest submission.

1.10 The fund's draft Financial Statements are currently at the early stages of production due to the timing of account finalisation by the Fund's custodian. System entries are planned to cease by 15 May 2023. At that point we will have a confirmed set of accounts upon which to produce a set of Financial Statements.

1.11 Completion of the Fund's Annual Report will run in parallel to that of the Financial Statements and draft updates / supporting narrative have been prepared.

1.12 We are finalising the process of re-procuring our independent investment adviser.

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

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

2 THE LATEST ON ADMINISTRATION

Actuarial services procurement:

Our current provider of actuarial services' contract expires at the end of October 2023. We are preparing the preliminary documents to begin the process of tendering for these services using the LGPS National Framework.

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 PLSA webinar on 20 April.

Work is continuing within the projects team to review the data which has been identified to be used as 'member matching data'. This will ensure that we are meeting compliance in respect of our data quality.

Data quality:

An extract of our data on 17 November 2022 using Insights has revealed that the quality of our data remains at a high level when compared to the 5 October 2021 extract.

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

- Common data 95.4% (our 2021 score was 95%)
- Scheme-specific data 98.3% (our 2021 score was 98.7%)

In the core list of TPR 'common data' tests our pass rates were: National Insurance Number 99.95% (100%); Name 100% (100%); Sex and Date of Birth 100% (100%); Date Commenced and Normal Retirement Date 100% (99.9%); Status 100% (100%); and Address 93.5% (94.8%).

In the core list of TPR 'scheme-specific data' tests our pass rates were: Member Benefits 99.6% (99.9%); Member Details 99.5% (99.9%); CARE benefits 98.7% (98.0%); HMRC 99.8% (100%); and Contracting Out 98.8% (98.5%).

We will be developing a data improvement policy and plan to resolve the issues identified and how we will manage data held going forward.

Employer changes:

We were made 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 on 1 November 2022.
- 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 joining The Shires MAT on 01 09 2022.
- Far Forest Lea Memorial Primary joining 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.
- 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.
- Lewis Cleansing St Mary's terminating.
- Premier Support Services joining as a new employer.

- Brookfield joining Mercian Education Trust from 1 April 2023.
- The Chantry High School and John Kyrle High School & Sixth Form Centre will be joining the Heart of Mercia Multi Academy Trust on 1 September 2023.
- Kindred (previously Ridge Crest Cleaning Services) (Bishop Perowne) leaving on 31 March 2013.

Engagement:

In the LGPS year 2022 / 2023 our website was visited 80,317 times, with those visits resulting in 87,848 pages being viewed. The respective figures in 2021 /2022 were 44,567 and 66,100.

On 3 May we issued an invitation to participate in an online survey to our employer contacts to strengthen our understanding of what is important to them and to improve how we can support them going forward. The bottom line from the 14 responses to date is that they rate the service we provide as 3.57 out of 4 stars where the options are to choose 1 star, 2 stars, 3 stars and 4 stars. The content of our new website is rated 3.43 out of 4 stars, and its look and feel is rated 3.5 out of 4 stars.

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

FRS:

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

Governance:

A Governance Update is tabled at Board / Committee meetings covering our activities and the risks facing us in this area. The key take-aways are that WCC have appointed a new CFO and Heywood's annual (2022) cyber risk review has passed muster.

Following a discussion with WCC Internal Audit we will be reviewing several of our current workflow processes and internal systems controls. We have currently scoped the project by focusing on the workflows which deliver our KPI information. Further updates on progress will be shared at subsequent board and committee meetings.

KPIs:

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

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

In April 2023 were 38 deaths, 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 41. 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.

Activity / Process	Number processed in Apr 2023	% Processed within KPI in Apr 2023	Av turnaround (working days) in Apr 2023	Target turnaround (working days)	Full year 2022 / 2023 average number processed per month
Joiners notification of date of joining	271	99	9	40	331
Process and pay refund	44	89	8	10	68
Calculate and notify deferred benefits	158	98	8	30	164
Letter notifying actual retirement benefits	37	100	2	15	45
Letter notifying amount of dependant's benefits	8	100	1	10	17
Letter acknowledging death of member	38	95	2	05	41
Letter detailing CETV for divorce	2	100	1	45	10
Letter notifying estimate of retirement benefits	122	100	2	15	122
Letter detailing transfer in quote	8	100	3	10	52
Process and pay lump sum retirement grant	112	100	12	23	99
Letter detailing transfer out quote	23	91	10	10	43
Letter detailing PSO implementation	0	n/a	n/a	15	0

Activity / Process	Number processed for full year 2022 / 2023	% Processed within KPI for full year 2022 / 2023	Av turnaround (working days) for full year 2022 / 2023	Target turnaround (working days)
Joiners notification of date of joining	3979	94	15	40
Process and pay refund	826	93	5	10
Calculate and notify deferred benefits	1968	99	7	30
Letter notifying actual retirement benefits	546	99	2	15
Letter notifying amount of dependant's benefits	205	98	3	10
Letter acknowledging death of member	493	79	4	05
Letter detailing CETV for divorce	128	100	2	45
Letter notifying estimate of retirement benefits	1471	99	3	15
Letter detailing transfer in quote	634	98	2	10
Process and pay lump sum retirement grant	1188	100	14	23
Letter detailing transfer out quote	524	96	3	10
Letter detailing PSO implementation	2	100	4	15

The number of flexible retirements processed over the last 3 years, using data from the Insights reporting tool, are: 2022: 21; 2021: 11; 2020: 2; and 2019: 3.

In 2022 /2023 we wrote off 10 cases (for £171.67; £198.03; £162.82, £144.35; £106.87; £502.86; £189.18; £163.19; £103.16; and £115.50).

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:

On 6 April DLUHC published its [response](#) to its consultation on the changes required to the LGPS to address the discrimination outlined in the McCloud judgment. There are some areas where DLUHC has delayed decisions, including aggregation and flexible treatment, pending a further consultation. The intention is that the final regulations will come into force on 1 October 2023, with backdated effect from 1 April 2014.

Pensions administration system procurement:

We are progressing with the procurement of the pensions administration system, working with the WCC procurement team to submit the relevant completed documentation to the June WCC Commercial Board for approval.

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 recruited successfully to the following positions: Governance Lead, Systems & Projects Lead, Project Officer (that was an internal appointment) and one of the vacant Pension Business Support positions offering an apprenticeship.

We currently have the following vacancies across the service to recruit to: Communication & Training Lead, Governance Officer, Pensions Officer and Business Support.

Training:

A separate report is tabled at Board / Committee meetings covering our activities and the risks that we face in this area.

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 May 2023	Started	Jun 23	Jul 23	Aug 23	Sep 23	Oct 23	Nov 23	Dec 23	Jan 24	Feb 24	Mar 24	Apr 24	May 24	Jun 24	Jul 24	Aug 24	Comments
11 LGPSC budget		Cttee				Cttee		Cttee			Cttee			Cttee			√ to date and scheduled
12 Annual Report & Accounts / associated docs (30 09 23)		Cttee		signed off	Publish	Cttee								Cttee		signed off	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												scheduled
18 TPR Annual return /survey							Annual				Survey						scheduled
19 CEM investment benchmarking (31 07 23)			Annual												Annual		scheduled
2 GMP equalisation	TBD																awaiting guidance NB non-club TVouts 1990 to 1997 in scope
4 Valuation / FSS / pots / admis term etc policies		Cttee				Cttee		Cttee			Cttee			Cttee			√2022 actuarial valuation
32 Reprocure pension admin system (30 04 2024)	May-20																Aiming to take approval for re-procurement to Commercial Board June 23
10 Pension Administration Strategy review (01 04 24)										consult	Cttee	publish					√2023
13 Review data quality						Insight results											scheduled
25 Revalue CARE accounts (30 04 2024)												System config.					√2023
26 Provide FRS info		Millbrook	Coll	Ac				admit bods			Sch			Millbrook	Coll	Ac	√ to date and scheduled
3 Branding and digital strategy (MSS)	Oct-18																website redesign completed
20 Monitor employer covenants / pots / conts		Cttee				Cttee		Cttee	ask ers		Cttee	reset erconts		Cttee			Pfaroe in place and 'All about investment pots' updated
21 Deferred annual benefit statements (31 08 23)		Annual	Q manag											Annual	Q manag		on schedule: newsletter and statement drafted
22 Employee annual benefit statements (31 08 23)				Annual	Q manag						Y/End					Annual	on schedule
23 Pensioner P60s (30 04 24)		Q manag											Annual	Q manag			√2023
24 Payslips reflecting pension increase (30 04 24)												Annual					√2023
27 Pension Savings Statements (06 10 23)						Annual											scheduled
29 Pensioner newsletter / life cert (30 11 23)							Annual										2023 scheduled
28 /30 Good Governance incl TPR	TBD	Cttee				Cttee		Cttee			Cttee			Cttee			new WCC CFO appointed
33 McCloud	Aug-20	Cttee				Cttee		Cttee			Cttee			Cttee			
5/6 Review of Asset Allocation / ISS (31 05 23)		Cttee Sub			Sub	Cttee	Sub	Cttee			Cttee			Cttee Sub			ISS 2023 completed
9 Increase assets managed by LGPS Central Limited	Feb-19	Cttee Sub				Cttee		Cttee			Cttee			Cttee Sub			looking into infrastructure / private equity / sustainable equity
34 Progress the Fund's RI journey	Jan 20	Cttee				Cttee		Cttee			Cttee			Cttee			ESG workshop held on 8 Feb
35 Pensions Dashboards (2024)	Feb 22	Cttee				Cttee		Cttee			Cttee			Cttee			Heywood asked for data quality report
37 Reprocurements other than pensions admin system			CPH Docmai			Mercer					Legal				CPH Docmai		Started actuarial services procurement May 2023