

**Worcestershire
Pension Fund**



Business Plan

As at September 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, with the exception of transfers where we have a backlog because of the delayed issue of new factors by GAD meaning that we could not process any cases.
- II. We have not had to report anything to The Pensions Regulator since the last quarterly, rolling Business Plan.
- III. In 2023 / 2024 we have had 1 data breach (Adare advised us that the name and address of one of our pensioners receiving a pay slip had been hacked). We have 9 IDRP's in progress and 3 cases with the Pensions Ombudsman. We have also received an IDRP form that did not make it clear what the member was disputing.
- IV. Our Fund performance for the quarter to 30 06 2023 of 0.4% was 1.1% below the benchmark that was 1.5%.
- 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 30 06 2023 of 6.7% was 0.2% below the benchmark that was 6.9%. Over the 3 years to 30 06 2023, our 6.1% p.a. was 1.8% p.a. below the benchmark of 7.8% p.a.
- 1.6 The Fund's investment portfolio excluding cash as at 30 June 2023 totalled £3,581m, and its solvency funding level was 93%.
- 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 30 June 2023 v benchmark
Active equities (£850m)	Bespoke	1.5% (2.8% below benchmark)
Passive equities (£1,021m)	Bespoke	11.0% (0.1% below benchmark)
Alternatives (£590m)	20% RAFI / 40% MSCI WL Min / 40% MSCI WL Qual	9.0% (0.6% below benchmark)
Fixed Income (£275m)	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%	2.9% (2.3% below benchmark)
Infrastructure (£549m)	70% UK CPI +5.5% / 30% Abs Return +10%	10.2% (0.8% below benchmark)

1.8 The Government has issued a [consultation](#) that closes on 2 October and seeks views on proposals relating to asset pooling, levelling up, opportunities in private equity, investment consultancy services and the definition of investments.

1.9 As PEL, our previous supplier of risk and return analyses, has ceased trading, Hymans Robertson will be providing us with a like-for-like service.

1.10 The Fund made a successful 2023 submission to retain signatory status to the 2020 UK Stewardship Code.

1.11 The Fund's draft 2023 Financial Statements have been produced and approved by the Pensions Committee. Our 2023 annual report is not yet ready to be released.

1.12 The LGPS Scheme Advisory Board Annual Report working group (established as part of the Compliance and Reporting Committee) has been reviewing the 2019 CIPFA 'Preparing the Annual Report' guidance. A priority has been to streamline the guidance and reduce duplication wherever possible with other reporting obligations. Two key areas of improvement are how funds should report / categorise the allocation of assets, and administrative KPIs.

1.13 We have re-procured our independent investment adviser.

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.

1.16 Our 2023 employee newsletter invited members to give us their views on our stewardship via an online survey.

2 THE LATEST ON ADMINISTRATION

Actuarial services procurement:

We have prepared the documents for tendering for these services making use of National LGPS Frameworks' material.

Dashboards:

The staging deadline for public sector schemes has been put back to 31 October 2026.

Data quality:

We have produced a Data Improvement Plan.

Early / late retirement:

We are applying the LGPS' (more favourable for members) new early retirement reductions and the LGPS' (less favourable for members) new late retirement increases.

We have implemented new redundancy factors recommended by our actuary.

Employer changes:

We have been made aware of the following employer changes in 2023 / 2024:

- Brookfield will be 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 the 1 September 2023.
- The Forge will be joining Central Learning Partnership Trust

Engagement:

We issued our 2023 deferred and employee benefit statements together with a newsletter before the 31 August regulatory deadline.

In August 2023, our website had 7,176 (231 per day) visits (sessions) compared to 7,128 (230 per day) in August 2022. Page views were 9,154 in August 2023 (compared to 7,397 in August 2022).

We have advised the 4 of our employers who are on risk for ill health liability insurance that their premiums to Legal & General are increasing from September 2023.

We have run Q & A and 'understanding your benefit statement' sessions for members working at WCC and Herefordshire.

FRS:

We are on schedule to supply employers with a 31 July or 31 August year end the required information for their accounts. Mercer have added information about the accounting treatment of surplus for those employers in surplus at their year-end.

Governance:

A Governance Update is tabled at Board / Committee meetings covering our activities and the risks facing us in this area.

The key take-away is that, after discussing the LGPS Senior Officer position with the Chief Financial Officer and reviewing our current structure alongside the Scheme Advisory Board's recommendations, we are comfortable that our current structure offers full compliance and is in line with a recommended approach showing good governance. The Council's Scheme of Assignment of Responsibility for Functions suggests that there would need to be changes if the CFO were not the LGPS Senior Officer.

Internal Audit Review

Working with WCC's Internal Audit team we have commissioned a review of a number of areas including the system controls we have in place; data protection and record keeping; monitoring of key risks; and workflow processes linked to our KPIs. This work will take place over the next

3 months and a report will be produced detailing the outcome.

KPIs:

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

As detailed below in August 2023 and for the LGPS part year 2023 / 2024, we met our average target turnaround for all but two that relate to transfers where we have a backlog because of the delayed issue of new factors by GAD meaning that we could not process any cases) 12 of our key measured processes.

In August 2023 there 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 39.

Activity / Process	Number processed in Aug 2023	% Processed within KPI in Aug 2023	Av turnaround (working days) in Aug 2023	Target turnaround (working days)	1 April – 31 Aug 2023 average number processed per month
Joiners notification of date of joining	367	99	11	40	234
Process and pay refund	53	92	4	10	41
Calculate and notify deferred benefits	132	100	4	30	159
Letter notifying actual retirement benefits	63	100	2	15	43
Letter notifying amount of dependant's benefits	10	100	2	10	10
Letter acknowledging death of member	38	100	2	05	39
Letter detailing CETV for divorce	7	100	2	45	12
Letter notifying estimate of retirement benefits	141	100	2	15	160
Letter detailing transfer in quote	26	46	15	10	17
Process and pay lump sum retirement grant	103	100	16	23	100
Letter detailing transfer out quote	30	83	5	10	34
Letter detailing PSO implementation	3	0	5	15	1

Activity / Process	Number processed from 1 Apr to 31 Aug 2023	% Processed within KPI from 1 Apr to Aug 2023	Av turnaround (working days) from 1 Apr to 31 Aug 2023	Target turnaround (working days)
Joiners notification of date of joining	1172	98	10	40
Process and pay refund	207	90	6	10
Calculate and notify deferred benefits	797	99	5	30
Letter notifying actual retirement benefits	214	99	2	15
Letter notifying amount of dependant's benefits	49	100	2	10
Letter acknowledging death of member	194	98	2	05
Letter detailing CETV for divorce	60	92	11	45
Letter notifying estimate of retirement benefits	802	100	2	15
Letter detailing transfer in quote	83	39	27	10
Process and pay lump sum retirement grant	498	100	13	23
Letter detailing transfer out quote	172	70	14	10
Letter detailing PSO implementation	3	100	5	15

In 2023 /2024 we have written off 6 cases (for £235.06; £986.13; £138.45; £382.05; £423.28; and £238.79).

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, using the National LGPS Frameworks' material, covering both Pensions Administration and Pensions Investment support.

Lifetime allowance:

On 18 July HMRC issued a [policy paper called 'Abolishing the pensions lifetime allowance'](#) that will require us to make some changes in our procedures.

McCloud:

[Legislation](#) for the McCloud remedy has now been published.

We have reviewed the McCloud specifications produced by Heywood, our pension administration system supplier.

We have been testing the McCloud functionality on Altair, our pensions administration system, outside of the live system in the first instance.

To deliver a better understanding of the potential impact on resources, we are working on

identifying the number of members in scope; identifying the changes needed to our processes; and identifying a prioritised order of member categories to deliver the remedy to.

The government has issued a [technical consultation](#) on draft tax regulations which set out changes to how pensions tax rules will apply as a result of the remedy.

Pensions administration system procurement:

Working with WCC's Procurement team we have re-procured our pensions administration system via a direct award for the next 5 years. This has opened the door to providing our members with online access to their pensions record through a self-service application. We have started a project with Heywood, our pensions administration system provider, to include us in the next tranche of LGPS funds being hooked up to the additional software that will deliver online access for members.

Public sector exit payments:

We await the Government's plans on a subject that there has been no recent developments on.

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:

In a market where it is difficult to recruit staff with previous LGPS experience, we have recruited successfully to the following positions: Membership Manager, Communications & Training Lead, and Pensions Officer.

We currently have the following vacancy across the service to recruit to: Governance Officer and Business Support. The Business Support role will be offered as an apprenticeship.

Training:

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

The key take aways are that our new Communications and Training Lead started on 7 August; our Training Officer is now full-time on training now that the 2023 year-end has been completed; and our total score for the 37 processes that we measure on our skills matrix has risen from 16,475 to 22,625.

We currently have 3 members of staff enrolled and completing the CIPP certificate in pensions administration, with more awaiting to enrol on the next available intake. This shows a willingness to promote and focus on staff development through external training but also that staff feel empowered and motivated to undertake the course.

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 Aug 2023	Started	Sep 23	Oct 23	Nov 23	Dec 23	Jan 24	Feb 24	Mar 24	Apr 24	May 24	Jun 24	Jul 24	Aug 24	Sep 24	Oct 24	Nov 24	Comments
11 LGPSC budget			Cttee		Cttee			Cttee			Cttee				Cttee		√ to date and scheduled
12 Annual Report & Accounts / associated docs (30 09 23)		Publish	Cttee								Cttee		signed off	Publish	Cttee		2023 on schedule
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				√2023 and 2024 scheduled
18 TPR Annual return /survey				Annual				Survey								Annual	scheduled
19 CEM investment benchmarking (31 07 24)												Annual					√2023 and 2024 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																√
10 Pension Administration Strategy review (01 04 24)							consult	Cttee	publish								√2023 and 2024 scheduled
13 Review data quality			Insight results												Insight results		scheduled and Data Improvement Plan drafted
25 Revalue CARE accounts (30 04 2024)									System config.								√2023 and 2024 scheduled
26 Provide FRS info					admit bods			Sch			Millbrook	Coll	Ac				√ to date and scheduled
3 Branding & digital strategy (Member Self Service, MSS)	Oct-18			TME													TME project established
20 Monitor employer covenants / pots / conts			Cttee		Cttee	ask ers		Cttee	reset erconts		Cttee				Cttee		Pfaroe in place and 'All about investment pots' updated
21 Deferred annual benefit statements (31 08 23)											Annual	Q manag					√2023 and 2024 scheduled
22 Employee annual benefit statements (31 08 23)		Q manag						Y/End					Annual	Q manag			√2023 and 2024 scheduled
23 Pensioner P60s (30 04 24)										Annual	Q manag						√2023 and 2024 scheduled
24 Payslips reflecting pension increase (30 04 24)									Annual								√2023 and 2024 scheduled
27 Pension Savings Statements (06 10 23)			Annual												Annual		scheduled
29 Pensioner newsletter / life cert (30 11 23)				Annual												Annual	2023 scheduled
28 /30 Good Governance incl TPR	TBD		Cttee		Cttee			Cttee			Cttee				Cttee		
33 McCloud	Aug-20		Cttee		Cttee			Cttee			Cttee				Cttee		Reviewing system specs and no of in scope members
5/6 Review of Asset Allocation / ISS (31 05 24)		Sub	Cttee	Sub	Cttee			Cttee			Cttee Sub			Sub	Cttee	Sub	√2023 and 2024 scheduled
9 Increase assets managed by LGPS Central Limited	Feb-19		Cttee		Cttee			Cttee			Cttee Sub				Cttee		looking into infrastructure / private equity / sustainable equity
34 Progress the Fund's RI journey	Jan 20		Cttee		Cttee			Cttee			Cttee				Cttee		Employee members surveyed
35 Pensions Dashboards (31 10 2026)	Feb 22		Cttee		Cttee			Cttee			Cttee				Cttee		Heywood asked for data quality report
37 Reprocurements other than pensions admin system			Mercer					Legal									Docmail re-procured and Actuarial services procurement in progress