

**Worcestershire
Pension Fund**



Business Plan

As at 24 November 2023

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 09 2023 of 6.1% was 3.7% below the benchmark that was 9.7%. Over the 3 years to 30 09 2023 our 6.4% p.a. was 1.6% p.a. below the benchmark of 7.8% p.a.
- 1.6 The Fund's investment portfolio excluding cash totalled £3,673m, and its solvency funding level was 92%.
- 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 Sep 2023 v benchmark
Active equities (£847m)	Bespoke	0.4% (3.5% below benchmark)
Passive equities (£1,011m)	Bespoke	10.9% (0.4% below benchmark)
Alternatives (£595m)	20% RAFI / 40% MSCI WL Min / 40% MSCI WL Qual	8.8% (0.7% below benchmark)
Fixed Income (£272m)	60% LGPSC Corp Index / 40% Absolute Return +6%	Not available as only invested Apr 2021
Property (£293m)	60% MSCI UK / 40% Abs Ret +7.5%	Not available
Infrastructure (£662m)	70% UK CPI +5.5% / 30% Abs Return +10%	7.2% (3.6% below benchmark)

- 1.8 The Government issued a [consultation](#) to which we responded that closed on 2 October, seeking 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. We have received their first report for the quarter ended 30 September 2023.
- 1.10 Our 2023 annual report has been drafted. It is expected that the Fund will successfully publish its annual report before the statutory deadline of 31 December 2023.
- 1.11 We will be exiting the LGPSC Emerging Markets Active Equities Fund and redeploying funds in the LGPSC JPM Infrastructure Investment Fund and the LGPSC Active Gilt Fund.

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

1.13 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:

We have arranged interviews to assess those suppliers interested in tendering for these services. The evaluation of received submissions has been scheduled for the end of November 2023.

In order for a full tender process to take place, the current contract has been extended until end of February 2024, to allow for the completion of the exercise. The commencement of the new contract is set for 1 March 2024.

AVCs:

Since the last update we have received improved communication with our in-house AVC provider, Scottish Widows. However, we still have this issue 'under review' and will be monitoring this closely.

Dashboards:

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

The LGA has published a [draft connection guide for administering authorities](#) that includes actions to take, decisions to make, statutory timings, and the LGA's recommendations on timings that are not prescribed.

Data quality:

An extract of our data at the end of October using Insights has revealed that the quality of our data remains at a high level when compared to the October 2022 extract.

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

- Common data 95.9% (our 2022 score was 95.4%)
- Scheme-specific data 98.02% (our 2022 score was 98.3%)

In the core list of TPR 'common data' tests our pass rates were: National Insurance Number 99.95% (99.95%); Name 99.99% (100%); Sex and Date of Birth 99.9% (100%); Date Commenced and Normal Retirement Date 100% (100%); Status 99.99% (100%); and Address 94.06% (93.5%).

In the core list of TPR 'scheme-specific data' tests our pass rates were Member Benefits 99.65% (99.6%); Member Details 99.07% (99.5%); CARE benefits 98.33% (98.7%); HMRC 99.54% (99.8%); and Contracting Out 98.76% (98.8%).

We recognise that addresses held (94.06%) could do with further work to improve the data quality. As set out in the data improvement plan, we will be using our external tracing provider to support the efforts to improve this area and reviewing progress against this over the coming year.

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.
- Astwood Primary joining Shires MAT from 1 September 2023.
- Maid Marion's (Rivers MAT) from 26 September 2023.
- Stoke Prior joining Three Counties Academy Trust (TCAT) from 1 November 2023.
- Bellrock Property and Facilities Management Ltd ceasing to be an employer from 31 July 2023.

Engagement:

We have issued [our 2023 pensioner newsletter](#) and life certificates.

On 19 October we ran a 'pensions taxation' webinar for high earners and those who breached the annual allowance in 22/23.

In September 2023, our website had 6,836 (228 per day) visits (sessions) compared to 5,583 (186 per day) in September 2022. Page views were 8,523 in September 2023 (compared to 5,792 in September 2022).

FRS:

We are on schedule to supply employers with a 31 December 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 a draft Breaches of Law Policy to add to our range of governance material.

Internal Audit Review

We are working with WCC's Internal Audit team to 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. 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 Sep 2023 and for the LGPS part year 2023 / 2024, we met our average target turnaround for 10/12 of our key measured processes. The two that we did not meet are transfer related where we did not have GAD factors.

In Sep 2023 there were 35 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.

Activity / Process	Number processed in Sep 2023	% Processed within KPI in Sep 2023	Av turnaround (working days) in Sep 2023	Target turnaround (working days)	1 April – 30 Sep 2023 average number processed per month
Joiners notification of date of joining	171	94	24	40	224
Process and pay refund	37	84	7	10	41
Calculate and notify deferred benefits	146	99	6	30	158
Letter notifying actual retirement benefits	43	100	3	15	43
Letter notifying amount of dependant's benefits	17	100	2	10	11
Letter acknowledging death of member	35	100	2	05	38
Letter detailing CETV for divorce	9	100	1	45	12
Letter notifying estimate of retirement benefits	102	99	2	15	151
Letter detailing transfer in quote	10	80	14	10	16
Process and pay lump sum retirement grant	132	100	13	23	105
Letter detailing transfer out quote	33	82	14	10	34
Letter detailing PSO implementation	2	0	11	15	1

Activity / Process	Number processed from 1 Apr to 30 Sep 2023	% Processed within KPI from 1 Apr to 30 Sep 2023	Av turnaround (working days) from 1 Apr to 30 Sep 2023	Target turnaround (working days)
Joiners notification of date of joining	1343	98	12	40
Process and pay refund	244	89	6	10
Calculate and notify deferred benefits	943	99	5	30
Letter notifying actual retirement benefits	257	99	2	15
Letter notifying amount of dependant's benefits	66	100	2	10
Letter acknowledging death of member	229	98	2	05
Letter detailing CETV for divorce	69	93	10	45
Letter notifying estimate of retirement benefits	904	100	2	15
Letter detailing transfer in quote	93	43	26	10
Process and pay lump sum retirement grant	630	100	13	23
Letter detailing transfer out quote	205	72	14	10
Letter detailing PSO implementation	5	80	7	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 continuing to work with the internal legal team to procure legal services, externally, using the National LGPS Frameworks' material, covering both Pensions Administration and Pensions Investment support.

Public sector exit payments:

We await the Government's plans on a subject that there have 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:

We have internally recruited to the Benefits Manager role that will be vacated by the current holder on 31 March 2024. We are currently in the process of recruiting two apprentices to work

within the Systems and Projects team. We currently have the following vacancies across the service to recruit to: Governance Officer (that is on hold to allow the newly recruited Governance Lead to settle in) 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 away is that we have run a number of webinars for members.

3 LOOKING AHEAD

The overview table below summarises the work that we are doing to achieve particular aims.

Since the August 2023 Business Plan, we have:

- Removed project 32 (Reprocure pension admin system) as it has been completed.
- Merged project 9 (Increase assets managed by LGPS Central Limited) into project 5/6 (Review of Asset Allocation / ISS).
- Added project 38 (Stewardship Code Application).

To update members on two of our major, current projects the overview table is preceded by a more detailed statement of progress on McCloud and the member portal.

Note: 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.

McCloud (project 33):

The project is all about applying a McCloud underpin to in-scope members. We need to identify any rectification due and put in place procedures to identify affected members as part of business as usual.

The project is currently on schedule, requiring no corrective action.

Progress made within the period 3 October 2023 to 1 November 2023 includes:

- McCloud software as supplied by Heywood tested and demonstrated to management team.
- Being live re implementing the remedy for members who retire (or have a change in status or request an illustration) from 1 October.
- Identifying 705 members, as of 3 November 2023, who have a potential guarantee. This number may fluctuate as work on 'in scope' members continues, and additional reports are being implemented.
- Advising our pensioners members through [our 2023 pensioner newsletter](#) of the need to contact us if before 1 April 2012 they were either an employee member of a different public service pension scheme or an employee member of the LGPS with in a different LGPS fund and have not transferred those benefits into Worcestershire Pension Fund, as we will not be aware of those details and cannot therefore bring them 'in scope'.
- Adding [a news article about McCloud](#) on our website.

The next steps and activities for the next period include:

- Quantify potential number of queries to resolve for each status of member.
- Review Altair calculation documents for any changes because of the McCloud underpin.
- Consider ongoing impact and resourcing considerations on BAU.

We are currently awaiting on guidance on how to proceed with retrospective cases. This will be processed using the resource we currently have in the team.

We plan to ask employers to issue an 'all staff' email by 31 December 2023 to advise their employees how the changes to the LGPS introduced by the new legislation on McCloud affect them.

We plan to issue a deferred member newsletter by post in December to advise them how the changes to the LGPS introduced by the new legislation on McCloud affect them.

The member portal (project 3):

The project is all about implementing self-service functionality which enables members to view their benefits online through a secure portal and to carry out certain processes.

Docmail and bulk communication options are being investigated alongside the member portal.

Following on from the last update the project continues to be on schedule.

Progress made within the period 3 October 2023 to 1 November 2023 includes:

- Pre-production environment installed and branding applied.
- Access to admin site provided.
- Access to knowledge portal provided.
- User acceptance testing plan created.
- URL and email address options presented after advice from ICT and Heywood.
- WCC Joint Impact Assessment including Data Protection completed.

The next steps and activities for the next period include:

- User Acceptance testing to continue, including technical aspects (e.g. Reporting and Admin).
- Changes and issues logged with Heywood.
- Live testing plan developed.
- Meet with representatives from other funds to share their experience and lessons learned.
- Preparation and planning for Live launch to membership.

We are testing the Heywood product in the Altair test system after which we will link the product to our live system. Members will at that point not be able to sign up to the portal, as we will not publicise the portal's URL on our website or elsewhere to allow us to conduct further testing on its functionality before we roll it out in a phased manner.

The roll out could for example be something like internal project team, all Fund staff, pensioners who are OK with emails announcing their annual newsletter, any member visiting our website, employers via 'all staff emails', bulk emails from Altair to those with an email address on their record, new starters, any member we are processing work for e.g., processing a retirement, outbound P60s, outbound bulk deferred benefit statements, outbound bulk active benefit statements, outbound bulk pensioner newsletter, annual reminder, etc.

