

# Worcestershire Pension Fund



## Business Plan

2024/2025 – 2026/2027

## Introduction

The Business Plan is an important document which sets out the aims and objectives of the Fund for 2024/2025 – 2026/2027. The plan outlines the way in which the Fund will set out and deliver against its objectives, and how it will aim to improve its services for our members.

The business plan is used as a working document, monitored continuously and is a standalone point of discussion at every Board and Committee meeting. Where changes to the business plan are necessary these will be discussed and agreed with the Pension Committee.

The purpose of the Business Plan enables the Fund to:

- Set out strategic goals for the Fund.
- Check progress using short term and medium-term objectives.
- Take action effectively if objectives are not being met.
- Prioritise scheme business and agenda items.
- Demonstrate how the Fund engages with stakeholders.

If you require any information in respect of the Business Plan, please contact:

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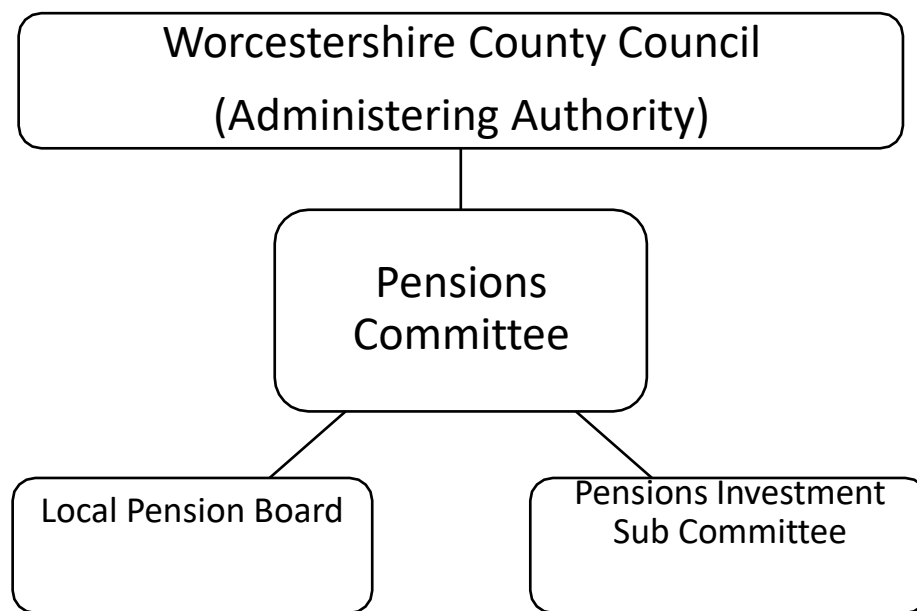
## **1 GOVERNANCE OF WORCESTERSHIRE PENSION FUND**

Overall responsibility for managing the Fund lies with the full Council of Worcestershire County Council in its role as administering authority. Under the County Council's Constitution, further delegations for the management, administration and investment of the Fund are made to the Pensions Committee and the Chief Financial Officer (s151) and his staff.

The Pensions Committee discharges the responsibilities for management of the administration of the Fund. It will take views from the Pension Investment Sub Committee to enable it to discharge its duties effectively.

The Local Pension Board supports the Fund comply with the LGPS rules, overriding pensions legislation and guidance from the Pensions Regulator.

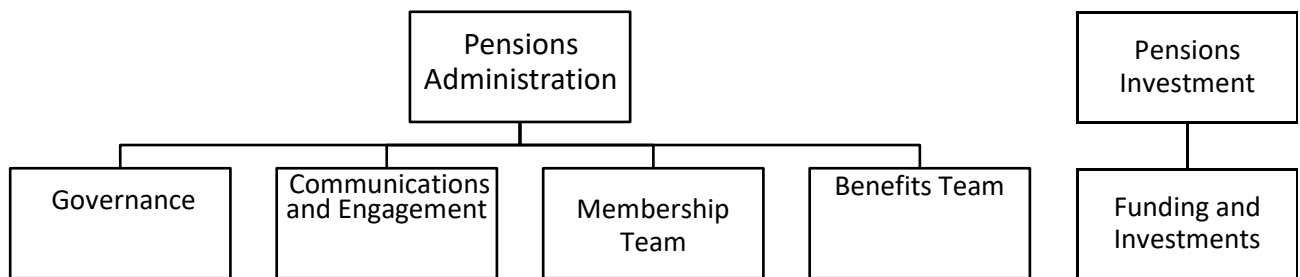
Overview of Worcestershire Pension Fund Governance Structure



More information on the management of the Fund is detailed within the Funds [Governance Policy statement](#).

## **2 OPERATIONAL DELIVERY OF THE FUND**

The day-to-day delivery of the Fund is delegated by the Chief Financial Officer (s151) to the Head of Pensions administration and the Head of Pensions Investment, Treasury Management and Banking as demonstrated below:



The Pensions Administration team has several sub teams that deliver different aspects of the service to ensure the best experience for our membership. The teams are:

**Governance Team:**

The governance team are responsible for monitoring, reviewing, and updating Fund policies. They are also responsible for supporting the Board and Committees and monitoring the Funds’ performance against the targets in place.

**Communications and Engagement Team:**

The communications and engagement team delivering training to all key stakeholders. They are responsible for creating and delivering communications and managing our digital offerings. The team also act as Employer Liaison and manage schemes employers’ entry and exit to and from the scheme.

**Membership Team:**

The membership team is responsible for delivering various casework including transfers, Refunds, Divorces and New starters. In addition to this the Systems and Projects sub team are responsible for the development and maintenance of the Altair Pensions system, as well as additional functionality. The Projects team coordinate all new projects being delivered within the teams also. The collection of monthly data and contributions also sit within a sub team as well as producing accounting schedules and delivering the year end process.

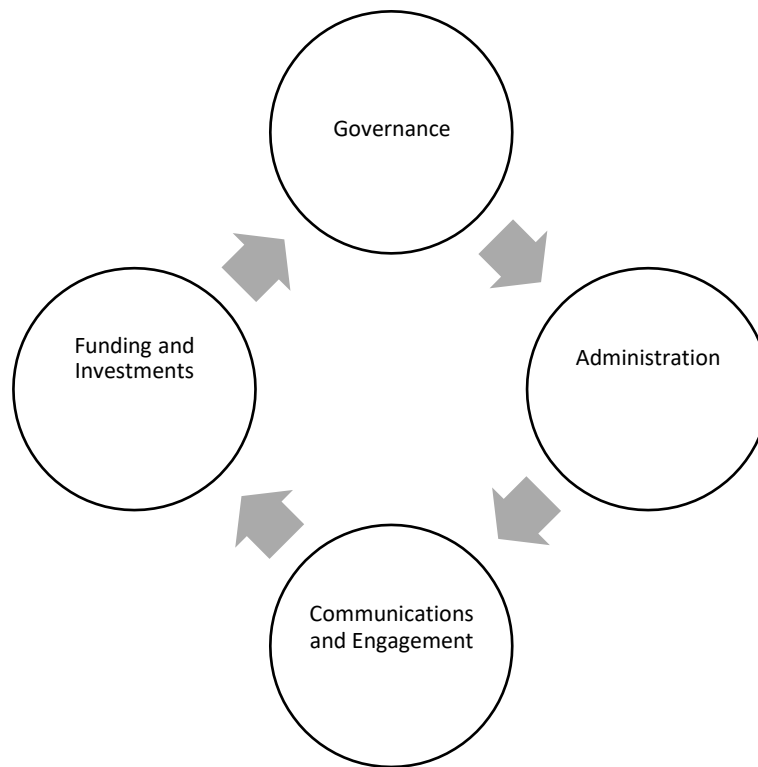
**Benefits Team:**

The Benefits team are responsible for several key areas including processing payment of benefits for members. They are also responsible for providing estimates to both members and scheme employers amongst other tasks.

More information is included within the Fund’s [Administration Strategy](#)

**3 Key Objectives of the Fund**

The Fund has several key high-level objectives that its works diligently to deliver upon all supported by key documents and policies:



1. **Governance:** To ensure the effective management and governance of Worcestershire Pension Fund ensuring compliance with all regulatory and best practice requirements.
2. **Administration:** To ensure our administration processes are the most efficient they can be, exploring the use of technology where effective, so that members can receive their benefits accurately and in a timely manner.
3. **Communications and Engagement:** To continuously improve our communication and engagement offerings to our stakeholders, maximising the use of self-service functionality to help increase awareness of the benefits of the LGPS.
4. **Funding and Investment:** To ensure that there are sufficient assets available to meet liabilities as they fall due. To maximise returns at an acceptable level of risk.

#### **4 THE LATEST ON INVESTMENT / FUNDING / FINANCE**

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.

The 2022 actuarial valuation set the following real annual discount rates for the Growth pot on 1 April 2023 by The figures shown in brackets are comparatives from the previous valuation: Past service: Consumer Prices Index + 1.65% (1.50%) and Future service: Consumer Prices Index + 2.25% (2.00%).

The assumed annual Consumer Prices Inflation is +2.4% (3.10%).

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.

Our Fund performance for the year to 30 09 2023 of 7.2% was 2.5% below the benchmark that was 9.7%. Over the 3 years to 30 09 2023 our return was 5.8%, 2.2% below the benchmark of 8.0%.

The Fund's investment portfolio excluding cash totalled £3,607m, and its solvency funding level was 92%.

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)

The Government [consultation](#) seeking views on proposals relating to asset pooling, levelling up, opportunities in private equity, investment consultancy services and the definition of investments closed on 2 October 2023. The Fund participated and submitted a formal response. At the following Autumn Statement, the Government reaffirmed its position. The Fund is currently working with LGPSC and the other seven funds within the Central pool to assess the impact of the proposals.

Our 2023 Annual Report was successfully published before the statutory deadline of 31 December 2023.

We are currently exiting the LGPSC Emerging Markets Active Equities Fund and redeploying funds in the LGPSC JPM Infrastructure Investment Fund and the LGPSC Active Gilt Fund.

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.

## **5 THE LATEST ON ADMINISTRATION**

Actuarial services procurement:

Following a full tender process supported by WCC procurement team, using the LGPS National Frameworks, Hymans Robertson have been appointed the Fund Actuary

commencing from 22 January 2024. The contract will run until 21 January 2028 with the option to extend for a further 2 years.

As part of the transition the funds incumbent actuary have provided the relevant information to Hymans Robertson as part of this process. The incumbent actuary ceased delivering services to the Fund at the end of February 2024 and all actuarial work going forward will continue with Hymans Robertson.

It is proposed to invite Robbie McInroy and Steven Scott from Hymans Robertson to the June 2024 Committee meeting to introduce themselves and provide an introduction to members.

#### 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.

Worcestershire Pension Fund have submitted a joint letter to Scottish Widows alongside a number of other funds expressing the dissatisfaction in respect of the service we have received.

We have added to our planned action list a review of the Funds AVC provider and will explore this during the 2024/2025 period.

#### 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.

We are using the guide to map and plan the work we need to complete in preparation to the connection date. The current focus in preparation for the Dashboard program is working on the quality of our data focusing on addresses held for members within the system.

We will be focusing more on the Pensions Dashboard during the 2024/2025 period and offering an update through our projects update as standard.

#### Data quality:

An extract of our data at the end of October 2023 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%)

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.

More detailed information is held within our Data Improvement Plan.

## Employer changes:

We are aware of the following employer changes in 2023 / 2024:

- Brookfield will be joining Mercian Education Trust from 1 April 2023, postponed to September 2023, TBC.
- 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, postponed to 04/2024.
- 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.
- North Bromsgrove High School joining Shires Mat 01/12/2023.
- Honeybourne Primary Academy joining Black Pear MAT 01/12/2023.
- Bellrock Property and Facilities Management Ltd ceasing to be an employer from 31 July 2023.
- A&E Services joined the scheme on 02/11/2023.
- Platform Housing ceasing to be an employer from 30/11/2023.
- Oakhill first joining CRST on 01/01/2024.
- TTB ceasing to be an employer from 31/10/2023.
- Ridgecrest Cleaning Services Ltd joined the fund on 07/12/2023.
- Miquill Ltd joined the scheme on 21/12/2023.
- Catshill Middle School joining The Spire Learning Trust on 01/04/2024.
- Holywell Primary and Nursery School joining Stour Vale MAT 01/03/2024.
- Solo Services Group Ltd (Aylestone School HCC) joined the scheme on 11/01/2024.
- Lewis Cleansing (St Oswald's-DOWMAT) joined the scheme on 23/01/2024.
- Lewis Cleansing (St Kenelm's) joined the scheme on 25/01/2024.
- Connexus Housing ceased to be an employer from 31/01/2024.

## 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 January 2024, our website had 9,475 (306 per day) visits (sessions) compared to 8,473 (273 per day) in January 2023. Page views were 11,447 in January 2024 (compared to 8,776 in January 2023).

In January 2024 the top 5 pages visited were (excluding the homepage):

1. Contact us – 1,451
2. Pensioners, increases to your pension – 1,311
3. Employees - 882
4. About us – 607
5. Pensioners, pay dates – 451

A more detailed update on engagement is provided in our Training Update as part of our Committee/Aboard updates.



FRS:

We are on schedule to supply employers with a 31 March year end the required information for their accounts. Following the appointment of Hymans Robertson, information has been provided 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 area of work being undertaken within the Governance Team is reviewing the Pensions Regulator single code of practice and ensuring we are compliant in all areas.

Internal Audit Review

The Internal Audit report has been finalised (see appendix 2) and issued to the Fund following a review of the Pensions Administration team.

The audit focused on internal controls in place within internal processes. The result was that the testing 'demonstrated that overall, there are good systems of internal controls being operated within the pensions administration processes...'

The findings showed that the audit team could provide Moderate assurance, with the audit process raising 4 findings where action may be required. These are scored on a priority rating of 'Fundamental', 'Significant' and 'Merits Attention'. 2 of the actions were given 'Significant' rating and 2 of the actions as 'Merit Attention', none were given the 'Fundamental' rating.

A management response has been given for each of the 'Findings' with an 'Agreed Action' and a 'Target Date' that we are working towards.

Progress against these will be reported to Board and Committee as we complete the necessary actions.

KPIs:

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

As detailed below in Jan 2024 and for the LGPS part year 2023 / 2024, we met our average target turnaround for 10/12 of our key measured processes.

There were 3 KPI's where the % processed were below 90% (internal target set). The 3 KPI's are impacted by the delay in receiving GAD factors for transfers and therefore meant that the team have had to have some cases on hold.

In January 2024 there were 43 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 42.

<b>Activity / Process</b>	<b>Number processed in Jan 2024</b>	<b>% Processed within KPI in Jan 2024</b>	<b>Av turnaround (Working days) in Jan 2024</b>	<b>Target turnaround (Working days)</b>	<b>1 April – 31 January 2024 average number processed per month</b>
<b>Joiners notification of date of joining</b>	834	68	31	40	381
<b>Process and pay refund</b>	39	74	7	10	44
<b>Calculate and notify deferred benefits</b>	173	99	4	30	161
<b>Letter notifying actual retirement benefits</b>	53	100	2	15	45
<b>Letter notifying amount of dependant's benefits</b>	14	100	2	10	11
<b>Letter acknowledging death of member</b>	43	100	2	5	42
<b>Letter detailing CETV for divorce</b>	18	100	2	45	11
<b>Letter notifying estimate of retirement benefits</b>	207	100	2	15	145
<b>Letter detailing transfer in quote</b>	35	80	6	10	16
<b>Process and pay lump sum retirement grant</b>	81	100	13	23	100
<b>Letter detailing transfer out quote</b>	38	89	4	10	33
<b>Letter detailing PSO implementation</b>	0	0	0	15	1

Activity / Process	Number processed from 1 Apr to 31 Jan 2024	% Processed within KPI from 1 Apr to 31 Jan 2024	Av turnaround (Working days) from 1 Apr to 31 Jan 2024	Target turnaround (Working days)
Joiners' notification of date of joining	3086	85	21	40
Process and pay refund	438	89	6	10
Calculate and notify deferred benefits	1613	99	5	30
Letter notifying actual retirement benefits	454	99	2	15
Letter notifying amount of dependant's benefits	109	100	2	10
Letter acknowledging death of member	416	98	2	5
Letter detailing CETV for divorce	111	95	7	45
Letter notifying estimate of retirement benefits	1448	100	2	15
Letter detailing transfer in quote	162	54	19	10
Process and pay lump sum retirement grant	997	100	13	23
Letter detailing transfer out quote	332	79	11	10
Letter detailing PSO implementation	6	67	9	15

In 2023 /2024 we have written off 8 cases (for £241.24; £165.75; £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 recruited two apprentices to work within the Systems and Projects team. This has taken the total number of apprentices within the Fund to 3, further strengthening our commitment to building resilience and developing own staff.

We have also recruited internally to the Governance Officer and Senior Officer posts within the Benefits Team. All 3 members of staff will formally move into these posts on 1 April 2024. There are currently 2 vacancies across the teams being recruited to externally. These are a Pension Officer and a Pensions Assistant post.

The remaining vacancies within the structure, not being recruited to, are Governance and Engagement Manager and Pensions Officer (Benefits Team). The Fund is purposely not recruiting to these vacancies to allow the recent staff movements to embed.

## 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.

## **6 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).
- Added project 39 (Implementation of I-Connect)

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 1 November 2023 to 31 January 2024 includes:

- Being live re implementing the remedy for members who retire (or have a change in status or request an illustration) from 1 October.
- Monitoring the 705 members, who have a potential guarantee. This number may

fluctuate as work on 'in scope' members continue, and additional reports are being implemented.

- Guidance received from the LGA on 25 January 2024 for members who have outstanding transfer cases awaiting processing.
- Produced and issued an 'all staff' email to our scheme employers on 27 November 2023 explaining how the changes could affect them. Employers were asked to forward the email on to their respective staff.
- Information around McCloud and how it may affect members was included in the Pensioner Members newsletter (issued on 8 November 2023) Deferred Members newsletter (issued 22 December 2023).

The next steps and activities for the next period include:

- Continue to quantify and coordinate how to process queries identified for each status of member.
- Review Altair calculation documents for any changes because of the McCloud underpin.
- Continuing to review retirement calculations following the recent Altair update to ensure calculations are accurate.
- Consider ongoing impact and resourcing considerations on BAU.

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

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 1 November 2023 to 19 February 2024 includes:

- User Acceptance Testing has been completed in preparation for 'Go Live' date of 19 February 2024.
- Technical Study has been completed in preparation for 'Go Live' date of 19 February 2024.
- Accessibility Statement and Cookies Policy signed off and implemented to the site.
- Testing on the postproduction site rolled out to internal Finance team before 'Go Live' as an additional layer of testing.
- Testing to 'online payslips and P60' functionality undergoing with Heywood's. This will be applied to pensioner members portals later in the year.
- Member portal applied to Pension Fund website on 12 February 2024
- Letters with Activation keys distributed to 8,000 active members on 19 February 2024.

The next steps and activities for the next period include:

- Letters with activation keys to be issued to all active members from 1 March 2024.
- Letters with activation keys to be issued to all deferred members from 16 March 2024.

- Letters with activation keys will be issued to pensioners once 'online payslip and P60' functionality can be applied.
- As additional functionality is implemented post 'roll out' then this will be communicated with members.

## **7 WORK PLAN FOR 2024/2025 – 2026/2027**

The tables below set out the work planned for the next 3 years. The plan is subject to change and where any amendments are made these will be communicated with the Pensions Committee.

### Administration Activities

<b>Task</b>	<b>2024/2025</b>	<b>2025/2026</b>	<b>2026/2027</b>
Implementation of member self-service functionality (access for all membership Groups)	✓		
Member Self-service ongoing engagement (Communications)		✓	✓
Implementation of I-Connect functionality and roll out to all scheme employers	✓	✓	
Review of internal processes to utilise automation using Heywood Engage and I-Connect functionality	✓	✓	
McCloud Remedy – processing of remedial work to members with guarantees identified.	✓		
Preparation for the Pensions Dashboard Project (Including Data improvement work)	✓	✓	
Guaranteed Minimum Pension – Equalisation	✓		
Year End process (Collection, review of data and application to Altair)	✓	✓	✓
Production and Issuing of Annual Benefit Statements	✓	✓	✓
Issuing of FRS accounting schedules to scheme employers	✓	✓	✓
Triennial Valuation 2025 – Strategy and Preparation work	✓		
Triennial Valuation 2025 – Employer Engagement including results		✓	

## Governance Activities

<b>Task</b>	<b>2024/2025</b>	<b>2025/2026</b>	<b>2026/2027</b>
Employer Annual Meeting (Forum)	✓	✓	✓
Review of Risk Register	✓	✓	✓
Review and implementation of any additional work because of the Pensions Regulator single code of practice	✓	✓	
Good Governance proposal	✓	✓	✓
Board/Committee Knowledge skills (including Training Programme)	✓	✓	✓
Cyber Security Review (including Cyber Security Policy)	✓	✓	✓
Review of Governance Policies	✓	✓	✓

## Funding and Investment Activities

<b>Task</b>	<b>2024/2025</b>	<b>2025/2026</b>	<b>2026/2027</b>
Annual Report and Accounts	✓	✓	✓
External Audit	✓	✓	✓
Stewardship Code	✓	✓	✓
Investment Strategy Statement review and update	✓	✓	✓
Funding Strategy Statement review and update	✓	✓	✓
LGPS Central	✓	✓	✓
Triennial Valuation – Strategy work including FSS	✓		