

## Business Plan 2024/25

The following is an update on the Key Tasks/Work Plan which formed part of the agreed business plan for 2024/25.

Comments on each topic are contained within the table. For the amber items, this represents that these activities are yet to commence, but these activities are scheduled to take place over multiple quarters:

### Governance

Task	2023/24	2024/25			
	Q4	Q1	Q2	Q3	Q4
Review of Risk Register	✓	✓			
Approval of External Audit Plan		✓			
Implement outcomes of the Funds Governance Review	✓	✓			
Review and approve Business Plan	✓				
Annual review against The Pensions Regulators Code of Practise	✓				
Approval of audited Fund accounts					
Approval of Annual Report					
Review Policy Statements	✓				
Training Needs Analysis					
Review Breaches log	✓	✓			
Monitor employer activity	✓	✓			

### Funding

Task	2023/24	2024/25			
	Q4	Q1	Q2	Q3	Q4
Review of ongoing funding position	✓	✓			
Cash flow modelling					

## Investment Management

Task	2023/24	2024/25			
	Q4	Q1	Q2	Q3	Q4
Monitor Fund Performance	✓	✓			
Responsible Investment Reporting	✓	✓			

## Administration

Task	2023/24	2024/25			
	Q4	Q1	Q2	Q3	Q4
Issue Annual Benefit Statements to active and deferred members					
P60's distributed to pensioner members		✓			
Annual pension in payment and CARE accrual increase exercise		✓			
Annual submission of HMRC Event report	✓				
Issue notices to employees for breaches of HMRC Annual Allowance limits					
Provision of data to actuary to produce financial accounting required for employer accounts		✓			
Data quality assessment for the Pensions Regulator					

## Core Projects for 2024/25

<b>1) TCFD reporting</b>	
<b>What is it?</b> <p>TCFD - The Taskforce on Climate-related Financial Disclosures (TCFD) was commissioned in 2015 by Mark Carney in his remit as Chair of the Financial Stability Board. In 2017 the TCFD released its recommendations for improved transparency by companies, asset managers, asset owners, banks, and insurance companies with respect to how climate-related risks and opportunities are being managed.</p> <p>The Fund will be required to report on specific metrics in relation to climate data, but clarity on the regulatory timelines from Government is awaited. In recognition of the importance of this area, the Fund is committed to be early adopters and intend to produce its first TCFD report in 2024. This will be an essential tool for the Fund in monitoring its performance in reducing its carbon footprint and meeting its net zero aspirations as detailed within the Fund's responsible investment policy, which was provisionally approved by the Pension Committee in December 2023 for member consultation, with a view to final approval in June 2024.</p>	
<b>Timescales and Stages</b> <p>Effective TCFD reporting period: 1 April 2023 - 31 March 2024</p> <p>Included into Annual Report published on or before 1 December 2024</p>	
<b>Resource and Budget Implications</b> <p>Following the provisional approval of the draft responsible investment policy, the key metrics, aligned to the TCFD requirements have now been identified. The reporting framework around these metrics will be reviewed together with the impact on team resources in developing this further. The commissioning of professional services may be required in order to assist in the production of the report by the December 2024 deadline. Provision for these costs has been included within the 2024/25 accordingly.</p>	
<b>Current Status</b> <p>The TCFD reporting aspect is still operating to target for delivery in 2024/25</p>	
<b>Current activity</b> <p>Regulations for TCFD reporting have still not been received. The Fund decided to adopt the TCFD reporting requirements as known ahead of the anticipated regulations.</p> <p>Initial RI policy scoping workshop held with Committee and Board in November 2022. Outcomes from workshop presented to Committee in March 2023. Funds overall carbon metrics as at 2019 and 2022 were calculated, to enable targets to be set, and these were agreed by Committee in December 2023. In addition Committee approved a draft RI Policy for member engagement. Finding of this engagement is covered under today's agenda with the recommendation that the RI Policy is formally approved.</p> <p>The carbon metrics report and analysis has now been undertaken by our external consultants Mercers for 2023, (See separate Agenda Item) which provides progress to date in achieving the decarbonisation of the Fund's portfolio against its target settings. This analysis will form the basis of the Fund's TCFD report which will be presented to Committee in September 2024 for consideration and approval prior to publication, and incorporation within the Fund's Annual Report.</p>	

## 2) Engage (previous referred to as Transformational Member Experience)

### What is it?

As part of the Fund's procurement exercise for a pensions administration system, the Fund purchased a new member self-service portal called Engage (formerly named TME), which is a product from our software provider Heywood Pension Technologies. The Engage portal interacts instantaneously with our core administration system, allowing members to see a snapshot of their data at any given point in time, to securely make changes themselves to some of their personal details and receive documentation electronically (such as annual benefit statements). All of this saves the Fund time and money and, with time, reduces paper, amongst many other benefits such as providing estimating or forecasting information. Furthermore, as a by-product of signing members up to this portal, the Fund will also have the benefit of building up a large bank of member email addresses which enables a fast and cost-effective way to communicate with members (for example, through surveys, highlighting changes to the scheme or service etc).

### Timescales and Stages

Project kick-off: May 2024

System installation and testing: May 2024 to August 2024

Anticipated staged rollout to new members: From Autumn 2024 – the pace of the rollout will be decided after the testing is completed and other work priorities.

### Resource and Budget Implications

To be led by the Head of Pensions and Pension Administration Manager. Procured expertise may be required to support the project (will be direct awarded from the LGPS National Framework for support services). Budget requirement not included in 2024/25 budget.

### Current Status

Operating to target

### Current Activity

**Late May 2024:** Initial project kick off call has taken place and initial data sharing and completion of project documents has begun.

The next milestone will be the set up of the new site, linking to the Fund's membership data to it to allow testing, officer familiarisation with the system and the planning of how Fund processes will interact with the new functionality in preparation for the staged rollout.

### 3) Employer Portal (i-Connect)

#### What is it?

As part of the Fund's procurement exercise for a pensions administration system, the Fund has purchased a product called i-Connect from our software provider, Heywood Pension Technologies. i-Connect is an interface tool, widely used across the LGPS, which works by comparing on a monthly basis each employer's LGPS data set from its payroll system against that of the Fund and then identifying any differences which require updating. Much of the data which needs changing (such as personal details, new starters, CARE pay etc) is updated automatically by i-Connect without requiring intervention by Fund officers, allowing officers to focus on more complex tasks which cannot easily be automated. The advantage for members is that membership data is kept much more up to date (and is visible in Engage) enabling better forecasting and estimates. For the Fund, it has the benefit of speeding up or removing some manual processes and improving controls. It also spreads data queries over the year rather than leaving large amounts of work in the summer months in the lead up to producing annual benefit statements.

#### Timescales and Stages

Officers plan to begin the kick-off of this project in late Summer/early Autumn, as the officers required for this project will be dedicating their time to the Engage project (along with business as usual, end of year activity etc).

#### Resource and Budget Implications

To be led by the Head of Pensions and Pension Administration Manager. Procured expertise may be required to support this project (will be direct awarded from the LGPS National Framework for support services). Budget requirement not included in 2024/25 budget.

#### Current Status

Operating to target

#### Current Activity

None

#### 4) McCloud

##### What is it?

The McCloud case determined that the introduction of the new CARE schemes for Firefighters and Judges in April 2015 were unlawful on age discrimination grounds. This impacted on other public service pension schemes including the LGPS as the discriminatory legislation applied to other Schemes as well. In the case of the LGPS, the new CARE scheme from April 2014 included a statutory underpin for older members only. Remedies have been worked through by Government to remove the inequality in the schemes, which will result in changes to scheme benefits, some of which will be retrospective. From an administrative perspective the impact of McCloud will result in a change to how benefits are calculated for a large number of scheme members including members who have left. This is likely to significantly impact on administration process and systems as well as requiring a robust communication exercise with employers and scheme members. The additional resource/system requirements are likely to be significant. The remediation is subject to a Public Service Pensions and Judicial Offices Bill, which has now been laid in statue.

##### Timescales and Stages

Legislation finally came into force in September 2023, applying from 1 October 2023 but with retrospective effect to 1 April 2014.

Due the lateness of legislation, and the complexity of the remedy, DLUHC has published a [prioritisation policy](#).

Draft guidance currently states that Funds should seek to reach full compliance by 31 August 2025.

##### Resource and Budget Implications

It will impact across all the Administration Team. No estimated allowance for additional resource has been included in the 2024/25 budget at this time. Some additional administration software costs exist but these are not overly material relative to the overall size of the budget.

##### Current Status

##### Current Activity

Public Service Pensions and Judicial Offices Bill was laid in statue (the primary legislation enabling changes to the LGPS Regulations).

On 4 April 2023, DLUHC issues its response to the 2020 consultation on Amendments to the LGPS statutory underpin, which covers the planned core changes to the Scheme to rectify the retrospective discrimination created by McCloud, however it delayed responding on key supplementary areas until 'Spring'.

On 30 May 2023, DLUHC issued a further consultation on the supplementary issues stated above (in relation to Aggregation, Club transfers, flexible retirement and divorce). This consultation ran until 30 June 2023.

The second consultation closed, and responses were considered, before final legislation was laid before parliament.

September 2023, final legislation was laid which came into effect on 1 October 2023 but there will

be period of time after this date that administrators will be given to enact the changes made which will vary from process to process. These time periods will be set up in the final legislation.

November 2023: Fund officers already hold the base membership data necessary to undertake the core aspects of the reforms. Officers have tested running mass updates of data and calculations using the system's test environment, which mirrors the data and functionality of the live system, as well as tested individual sample cases to ensure that membership records update as expected. However, further testing is needed before making changes in the live systems.

Based on the test data, officers estimate there are between 90-110 current pensioners whose pension is being underpaid as a result of the remedy. Over half of these required an adjustment of under £10 per month while the largest requires an adjustment of around £100 per month. Is it the intention to rectify these pensions in the first half of 2024.

Future pensioners will also be affected, which is why it also important for officers to update over 10,000 active and deferred member records so that they are 'McCloud ready' for when members decide to take their benefits.

May 2024: In Spring 2024, officers decided to postpone making the changes to the system out of caution, partly to monitor the experience of peer Funds after applying annual updates to their system, in light of the software provider continuing to provide system fixes to McCloud functionality and due to outstanding guidance from the Scheme Advisory Board (SAB). Officers will keep the situation under review as to when is the optimal time to make the required changes with the mostly likely timeframe being in the Summer or Autumn of 2024.

## 5) The Pension Regulator – General Code of Practice

### What is it?

The Pension Regulator (tPR) has responsibility for overseeing the effective administration of pension schemes, including that of LGPS Funds, particularly from a regulatory perspective. tPR has historically outlined its expectations in the form of a number of codes of practice. However, tPR took the decision a several years ago to streamline 10 of its existing codes of practice into a single code of practice, now called the General Code of Practice. The code sets out tPR's "expectations of the conduct and practice governing bodies should meet to comply with their duties in pensions legislation"

The final version of this new code was published on 10 January 2024, and the new code is effective from

The Fund intends to seek compliance with the code by undertaking a gap analysis between the requirements of the Code and the Fund's existing practice. Where any gaps are determined, suitable actions and timeframes will be determined to remove the gap (where possible and necessary). Note some aspects of the code cover mandatory requirements while other aspects are recommended.

### Timescales and Stages

Project will run to March 2025

Stage 1 – Assessment of compliance against essential modules of the general code.

Stage 2 – Delivery of required workplan to ensure compliance against all aspect of essential modules.

Stage 3 – Assessment of compliance against good practice modules of the general code.

Stage 4 – Delivery of required workplan to ensure compliance against all aspect of best practice modules.

Stage 5 – Assessment of compliance against all modules of the general code.

### Current Status

### Operating to target

### Current Activity

Stage 1 – Completed and being taken to Committee in June 2024 and Board in July 2024

Stage 2 – Activity underway and focus on completion of the governance workplan.