

Business Plan 2023/24

The following is an update on the Key Tasks/Work Plan which formed part of the agreed business plan for 2023/24.

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	2022/23	2023/24			
	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	Moved onto the 2023/24 business plan				
Approval of audited Fund accounts			✓		
Approval of Annual Report				✓	
Review Policy Statements	✓		✓		
Training Needs Analysis					
Review Breaches log	✓	✓	✓	✓	
Monitor employer activity	✓	✓	✓	✓	

Funding

Task	2022/23	2023/24			
	Q4	Q1	Q2	Q3	Q4
Review of ongoing funding position	✓	✓	✓	✓	
Cash flow modelling					

Investment Management

Task	2022/23	2023/24			
	Q4	Q1	Q2	Q3	Q4
Monitor Fund Performance	✓	✓	✓	✓	
Responsible Investment Reporting		✓	✓	✓	

Administration

Task	2022/23	2023/24			
	Q4	Q1	Q2	Q3	Q4
Issue Annual Benefit Statements to active and deferred members			✓		
P60's distributed to pensioner members		✓			
Recruitment of agreed additional resources		✓	✓		
Annual pension in payment and CARE accrual increase exercise		✓ - completed			
Annual submission of HMRC Event report	✓ - completed				
Issue notices to employees for breaches of HMRC Annual Allowance limits				✓	
Provision of data to actuary to produce financial accounting required for employer accounts		✓	✓	✓	
Reconciliation of membership data for all employers	✓	✓	✓		
Review and correct data errors			✓	✓	
Process and reconcile membership pay and contribution data for year end		✓	✓		
Data quality assessment for the Pensions Regulator			✓		

Core Projects for 2023/24

1) Responsible Investment Policy and TCFD reporting

What is it?

The Responsible Investment policy will capture the beliefs, objectives and measurable targets of the Fund in respect of ESG risks. It will align fully with the inherent objective of the TCFD guidance, which is to acknowledge and assess climate change as financially material over the lifespan of a held investment. It will capture and articulate the Funds ESG investment ethos and net zero ambitions.

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.

The Fund will be required to report on specific metrics in relation to climate data.

Timescales and Stages

Effective TCFD reporting period: 1 April 2023 - 31 March 2024

Included into Annual Report published on or before 1 December 2024

Responsible Investment Policy: 30 September 2023

Resource and Budget Implications

Both projects will run simultaneously due to the interdependence of both aspects. The initial stage will see the development of a responsible investment policy and the key metrics, aligned to the TCFD requirements, the Fund will report against. This is a major exercise for the Fund and will take resource from the Finance team over 2023/24. Professional guidance from various sources may be required and this has been included in the 2023/24 budget.

Current Status

The Responsible investment policy aspect of the project is now scheduled for completion in December 2023, one quarter later than originally anticipated. The TCFD reporting aspect is still operating to target.

Current activity

Regulations for TCFD reporting have still not be received. Proposal is for the Fund to adopt the TCFD reporting requirements as known ahead of the anticipated regulations.

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 currently being calculated, to enable targets to be set.

Further workshop was intended for July 2023 to receive output metric data and finalise RI policy framework for RI policy to be tabled to the September 2023 Pensions Committee meeting.

The baselining data analysis was more complex and was received later than expected to be delivered for September. The follow on workshop was held on 20 November 2023. Committee received detailed training on the analysis of the Funds investment portfolio to assist in the creation of the RI policy. The RI policy is being brought back to the December 2023 meeting for consideration by the Committee.

2) Review pensions administration system contract

What is it?

The Fund has a contract with Aquila Heywood in relation to their Altair administration system which expires in Q2 2023. A short term direct award is being actioned to allow for the completion of the administration strategy review that will inform the scope of future service requirements. In addition the requirements for Pension Dashboard will be further known and can be included in a formal procurement exercise.

The Fund will access the LGPS National Frameworks, which includes a framework for pensions administration systems.

Should a new software supplier be appointed, there will be a significant amount of work required to migrate to the new system.

Timescales and Stages

Finalise short term direct award/contract extension – June 2023

Formal scope service requirements – April 2023 to September 2023

Conduct formal tender for CPF administration system via LGPS National Framework – September 2023 to December 2023

Transition plan to new administration system if required from January 2024.

Resource and Budget Implications

To be led by the Head of Pensions and Pension Administration Manager. Procurement expertise will, be required to project manager (will be direct awarded from the LGPS National Framework for support services). Budget requirement not included in 2023/24 budget.

Current Status

Operating to target

Current Activity

1. Contract extension with the current supplier for a period of 12 months from contract expiry (June 2023) has been obtained
2. Full needs analysis undertaken, in conjunction with the administration strategy review including internal process improvements identified and agreed with Committee in June 2023.
3. Formal sign up to the LGPS National Framework for software suppliers completed.
4. Invitation to tenders sent, responses received back and officer assessments complete.
5. In the process of completing the final sign under delegated authority before progressing to the contract award and signing of the contract.

Procurement exercise will include additional system requirements as agreed by Committee in June 2023.

Committee will be provided with an additional verbal update at the meeting.

3) Pension Dashboards (including a Data Improvement Strategy)

What is it?

The Pension Dashboards is a Government initiative first announced in the Budget 2016. The purpose of Dashboards is to allow all pension savers in the UK access to view the values of all their pension pots, including state pension, through a single platform. A consultation was undertaken by Government in early 2019 which sought views on the potential phasing of the introduction of the pensions dashboards as well as how the architecture, funding and governance arrangements would work. The legislative requirements to participate in the Pension Dashboard for schemes (including public sector schemes) was launched by DWP in February 2022, with further amendments outlined in the Pensions Dashboards Regulations (Amendment) 2023. As part of preparing for dashboards, the Fund will embark on producing a Data Improvement Strategy and plan.

The Regulatory deadline to connect to Dashboards is now 31 October 2026 but the Fund is awaiting statutory guidance on earlier timeframes when the Fund would be expected to connect.

Timescales and Stages

Data Improvement Strategy: January 2024 to December 2024 (subject to confirmation of choice of administration software).

Pension Dashboard connection: TBC

Resource and Budget Implications

The Data Improvement Strategy and Plan will be led by the Head of Pensions and the Pensions Administration Manager. Resource and budget implications cannot be determined as it will form part of the review of the pensions administration system contract.

Current Status

Current Activity

We have now received the Pensions Dashboards Readiness Assessment from our systems provider, Heywoods. The output from this exercise summarises the quality of our data split across the two key categories:

- 'Find' data:
 - Checks on potential matching fields (name, date of birth, address) to determine whether the data we hold is present, valid and accurate.
 - Checking if members are deceased.
- 'View' data:
 - Check that employment data is available to be returned to the Pensions Dashboards for each member employment
 - Check that Accrued Retirement Income is available for each member employment
 - Check that Estimated Retirement Income is available for each member employment

For the 'Find' data, we received an overall 'completeness' score of 93.04%. However, this score covers all possible 'Find' data options. After consideration of these findings, and the types of data items that are likely to be reliable (e.g. typically those data items that do not change frequently, or at all, over a person's lifetime) but still be collectively unique, the Fund currently intends to choose the following 'Find' data items: Surname, National Insurance number and Date of Birth. The Fund has very high data accuracy for National Insurance Number and Dates of Birth, and it is likely to be very high for surnames too (although this has not been verified yet).

For the 'View' data assessment, the Fund achieved two green scores and two amber scores. The main amber score highlighted that the Fund needed some updated pension values from employers (for around 1.85% of members)

Even where certain data is not planned to be used for Dashboards, but (important) inaccuracies have been identified, the Fund will put in place steps to rectify these based on their importance.

A high level project plan is now also in place, to breakdown the different activities required.

Connection to the dashboard was officially required by September 2024 however in a statement published on 2 March, the Pensions Minister announced the timetable for pensions dashboards will be delayed as "additional time is needed to deliver the technical solution to enable the connection of pension providers and schemes".

Officers are awaiting for guidance on timeframes before prioritising officer time specifically to this initiative.

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, where the new CARE scheme from April 2014 included a statutory underpin for older members, because the discrimination existed in the overarching legislation. Remedies are being 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](#). Informally, it has been suggested that Funds should seek to be full compliant over 12-24 month period since the implementation of the legislation.

Resource and Budget Implications

It will impact across all the Administration Team. No estimated allowance for additional resource has been included in the 2023/24 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 (present): 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. It is anticipated that officers will be able to make the majority of changes to the Live system in either December 2023 or January 2024.

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. It is 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.