

COUNCIL

9 NOVEMBER 2023

REPORTS OF COMMITTEES

(b) SUMMARY OF DECISIONS TAKEN BY THE PENSIONS COMMITTEE

Pension Board and Pension Investment Sub-Committee (PISC) Minutes

1. As set out in the Terms of Reference of the PISC, all decisions taken, and recommendations will be reported back to the next available ordinary meeting of the Pensions Committee in the form of the minutes of the PISC. In addition, the Pension Board has requested that their deliberations be reported to the Committee. The Committee noted the minutes of the PISC meetings on 28 and 29 September 2023 and the Board meeting on 15 September 2023.

Pension Fund Budget Forecast Outturn 2023/24 and updated Indicative Budgets 2024/25 to 2026/27

2. The total forecast outturn is estimated to be £21.585m compared to a budget of £22.964m, an underspend of £1.379m. This underspend is driven by an expectation of lower than budgeted investment management fees of £1.629m.

3. Investment administration costs are expected to be approx. £0.01m lower than the £1.383 budgeted for, driven by a slight decrease in LGPS Central running costs and a reduction in custodial and other professional fees. These underspends compensate for the additional costs involved in the transition of performance reporting services from PEL to Hymans Robertson which is expected in the coming months.

4. In terms of investment costs, the forecast outturn continues to indicate a spend of approx. 55p per £1,000 (0.055% of market value as at March 2022) on managing Fund assets for 2023/24. The Committee has noted the expected outturn of the Fund's budget for 2023/24 totalling £21.585m that would result in an overall forecast underspend of £1.379m.

Business Plan

2. A rolling, quarterly Business Plans is produced and no matters have been identified that need to be escalated. The average pensions administration target turnaround for July 2023 and the LGPS part-year 2023 / 2024 (to 31 July) for all 12 pensions administration KPIs have been met with the exception of transfers where there is a backlog because of the delayed issue of new factors by GAD meaning that cases could not be processed.

3. The Fund's performance for the quarter to 31 March 2023 of 2.7% was 0.5% below the benchmark that was 3.2%. A pensions administration system provider and the Fund's independent investment adviser have been reproced. The Fund is in the process of working with the procurement team to reprocedure its actuarial services.

4. The Fund has successfully recruited to the posts of Membership Manager, Communications & Training Lead, and Pensions Officer. The Fund's key projects are on schedule for completion. Working with the Council's Internal Audit team, the Fund has developed a work programme which will review the system controls in place; the effectiveness of workflow process linking to KPIs; and other areas including data quality / record keeping.

5. Work has started with Heywood on rolling out the member self-service portal module called TME (transformative member experience). The proposed go live date is November 2023. The Committee has noted the Worcestershire Pension Fund Business Plan as at August 2023.

Risk Register

6. The review of the Risk Register in August 2023 added two new risks: WPF 35 - Being an LGPSC partner fund; and WPF 36 - WCC procurement policies hindering the Fund's ability to secure key investment services efficiently. The review also resulted in a decrease to the residual risk score from 50 to 25 for WPF 20 - Having insufficient resources in pensions administration. The Committee has noted the August 2023 Worcestershire Pension Fund Risk Register.

Governance Update

7. Progress in mitigating the five risks since the last quarterly Board / Committee cycle has included: Drafting a Data Improvement Plan to add to the Fund's range of governance material; updating the progress made in preparation for Scheme Advisory Board's (SAB) Good Governance proposals being taken forward by the Department for Levelling Up, Housing and Communities (DLUHC); and confirming that the Fund's existing structure delivers good governance. The Committee has noted the Worcestershire Pension Fund Governance Update and in particular the Fund's draft Data Improvement Plan.

Training Update

8. The Fund's new Communications and Training Lead started on 7 August, and the Training Officer is working full-time on training, now that the 2023 year-end has been completed. Across pensions administration the buddying system for new starts, together with bespoke training on processes has add significant further resilience to the service. The Training Officer has delivered training to pensions administration staff on new member starter processes, LGPS calculations, transfers (internal and external), end of year procedures and CARE procedures. The Committee has noted the Worcestershire Pension Fund Training Update.

Forward Plan

9. The Committee noted the Forward Plan.

Pension Investment Update (Exempt item)

10. The Committee has noted the Independent Investment Adviser's fund performance summary and market background. The Committee has noted the update on the investment managers placed 'on watch' by the Pension Investment Sub Committee.

11. The Government published the Levelling Up whitepaper which included references to LGPS funds having plans for up to 5% of assets to be allocated to projects which support local areas. On 11 July 2023, DLUHC published an open consultation which seeks views on proposals relating to the investments of the Local Government Pension Scheme (LGPS). It covers the areas of asset pooling, levelling up, opportunities in private equity, investment consultancy services and the definition of investments. The Committee has noted the submission of the Fund's response to the DLUHC Consultation: Next Steps on Investments as well as the submissions by LGPS Central and the SAB.

12. The Fund's performance for the quarter to 30 June 2023 of 0.4% was 1.1% below the benchmark that was 1.5%. As at the end of June 2023, the estimated funding level for the Fund was estimated at approx. 93%. The Committee has noted the funding position.

13. On 31 August 2023, a training session was held for Committee members to ensure that there was an understanding of how an equity protection (EP) strategy would work, and how it would benefit the Fund by allowing it to manage investment risk. The Fund will need to procure an EP strategy going forward. It is hoped that this can be achieved before the end of 2023. The Committee has noted the update on equity protection.

14. The Committee has noted the update on responsible investment activities, Local Authorities Pension Fund Forum (LAPFF) and stewardship. The Committee has noted the investment pipeline overview and approved a series of funding allocations in support of the Fund's approved strategic asset allocation review.

LGPS Central (LGPSC) Update (Exempt item)

15. Phase one of the climate risk monitoring service enhancements is close to completion. Meetings are being held with Partner Funds to discuss the latest iteration of the climate risk report, with a focus on the metrics that LGPSC intends to report.

16. LGPSC welcomed three new team members during the quarter: Sheila Stefani, Head of Stewardship; Sameed Afzal, Responsible Engagement & Investment Senior Analyst; Inderpreet Johal, Client Relationship Manager; and an additional Investment Analyst, Chris Nelson, and a Net Zero Manager, Edward Baker.

17. LGPSC will continue to monitor staff turnover, which is likely to go on being a feature of the investments sector, but the economic environment may provide an opportunity to recruit from asset managers who are downsizing. LGPSC are currently recruiting for the following positions: Chief Executive Officer; Fund Accountant; Tax Accountant; Risk Analyst; and Private Debt Investment Analysts.

18. Discussions have begun on the LGPSC Strategic Business Plan and Budget for 2023-24 which is due to be approved at the company meeting in February 2024. Each pool must provide an annual return which shows the level of pooled investment by partner funds. In this case as at 31 March 2023, and the forecast level of pooled investment each year up to 31 March 2026. Also provided within the return are the forecast level of pool savings that have been made. The submission was submitted on 23 September to the DLUHC. The Committee has noted the LGPSC update.

Cllr Elizabeth Eyre
Chairman

Contact Points

Specific Contact Points for this report
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Background Papers

In the opinion of the proper officer (in this case the Democratic Governance and Scrutiny Manager) the following are the background papers relating to the subject matter of this report:

Agenda papers for the meeting of the Pensions Committee held on 12 October 2023:
[Agenda for Pensions Committee on Thursday, 12th October, 2023, 10.00 am -
Worcestershire County Council \(modern.gov.co.uk\)](#)