



WORCESTERSHIRE PENSION FUND
ANNUAL REPORT and FINANCIAL STATEMENTS
For the year ending
31 March 2024
Find out more online: www.worcestershirepensionfund.org.uk

Contents

Annual Report & Financial Statements	3
Chair's Foreword	3
Officers Foreword	5
Management & Financial Performance	8
Risk Management.....	9
Financial Performance.....	11
Administration Report.....	15
Administration KPI's	22
Investment Policy & Performance	26
Report of the Independent Investment Advisor	29
Governance Arrangements.....	44
Worcestershire Pension Fund Local Pension Board Annual Report 2023/2024	53
Audited Statement of Financial Accounts & Supporting Notes 2023/24	55
Independent auditor's report to the members of Worcestershire County Council on the pension fund financial statements of Worcestershire Pension Fund	109

Annual Report & Financial Statements

Chair's Foreword

As you are aware the Fund exists to pay pensions, but it must also consider the longevity changes in the population. It is important the Fund has the money available to meet the 'guaranteed pension for life' promises made to its pensioners even where the amount has increased compared to what was needed in the past. Bearing this in mind I am, on behalf of the Pensions Committee, pleased to introduce an annual report which looks back on a scheme year in which there were several notable achievements:

- the value of the fund's net assets increased by £362.7 million from £3,608.6 million at 31 March 2023 to £3,971.3 million at 31 March 2024.
- scheme membership has continued to grow.
- despite cost-of-living pressures active employer numbers have increased from 67,739 to 69,595 during 2023/24, due to the continuation of enrolment initiatives and an increase in the number of designated employers.
- our LGPS member's portal, on the Worcestershire Pension Fund website, is enabling all members to keep up to date with their benefits, update information and use tools which will support preparation for retirement. Importantly Fund communications will in the future be driven by the member portal enable us to issue more regular communications including newsletters and annual benefit statements through the portal as opposed to paper copied being issued annually.
- we have started testing within the 'Test' environment I-Connect which will allow our employers to submit monthly data securely directly from employer's payroll and are progressing the Pension's Dashboard Programme.
- The Fund's actuarial statement for the year ending 31 March 2024 supports improvement in the funding position to approximately 106% an improvement on the 2022 valuation of 101%.
- We retained our signatory status to the UK Stewardship Code 2020, which sets the high standards for those who invest money on behalf of UK savers and pensioners and those that support them.
- Our pensions administration department continues to produce rolling, quarterly Business plans designed to be a one-stop reference -shop for everything that goes on at Worcestershire Pension Fund and in the LGPS World, to improve delivery and achieve our KPI's.

The fund is continually looking to develop and improve its approach to Responsible Investment and climate related measurement by periodically conducting an

environmental, social and governance audit. It recently held an ESG workshop to review progress against last years' identified actions as well as focus on the Fund's approach to impact investing. The Funds fourth Climate Risk Management Report recently delivered a view of the climate risk of the Fund's Asset portfolio, accompanied by proposed actions the Fund could take to manage and reduce that risk.

The fund recognizes that its investments in private markets also have a role to play in addressing climate related issues; our investments in UK Forestry, and several sustainable infrastructure and housing investments will have a long-term impact in this way.

We are pleased with the key statistics related to the fund:

- The Fund size now just under £4bn.
- The funding level 106%.
- The Fund surplus £15m (up from £5m)
- Scheme members now 69,595 (up 2.7%)
- Employers now 213

But we are mindful that change is on its way. The Chancellor has duly announced a Pensions Review, to be led by the new Minister for Pensions, the first holder of that office to be based jointly in HM Treasury and the DWP. The first phase of the Review will cover investment, especially how to improve pension outcomes and increasing investment in the UK, and the second, starting later this year, will consider wider pension policy issues, including assessing retirement adequacy. This is an important review. Rest assured the Fund will engage with the Review in a positive manner as appropriate in the forthcoming months.

I'd like to finish my foreword by thanking all the active members of the Committee, the Chair and members of the Sub Investment Committee whose decisions, supported by the independent advisor, are vital to the Fund's positive outcomes, the Independent Advisor for his wise council, the Members of the Pension Board, all the staff at the Fund and our employers for all their continuing hard work for the Fund and its members.



Councilor Elizabeth Eyre
Chair, Worcestershire Pension Fund Pensions
Committee

Officers Foreword

Over the past year the Fund has seen a great deal of change and none more so than the Pensions Administration function. There has been a great deal of development within the areas of Operations, Systems and Projects, Governance, Communications and Engagement. The focus has been to ensure that there is synergy between all these areas making up Pensions Administration to ensure our members get the best possible service available. Each area has clear lines of responsibility to ensure that we are focused in delivering the best service possible and continually improving our processes.

Where retention and recruitment are an issue for many LGPS Funds, we have had a strong focus to ensure that the Fund has built up resilience over the last year. Over the year we have managed to appoint officers with a wealth of LGPS experience to senior posts. For existing staff members there have been opportunities to progress including a large number achieving professional qualifications. Within the structure we have also introduced apprenticeships to ensure that we are continuing to 'grow our own' for the future.

The team have been delivering casework to our scheme members in a timely and effective manner as demonstrated by the Administration KPI's. Despite projects like McCloud amongst other things which have added further complexity to the work being undertaken by Officers, the team have done brilliantly in delivering a high-quality service to our members.

The Fund has had a strong shift to utilising technology and maximising system advancements to offer an improved service. We have rolled out the self-service portal for our members to access their benefits and aid understanding of their benefits. The Fund have also started the roll out of I-Connect which will allow our employers to submit data monthly and autonomously, further ensuring the data held is accurate. We have also procured the long-term contracts for our pensions administration system provider and Actuarial services provider. All of the above is contributing to the Fund reviewing and improving our current processes to make the service more efficient.

To ensure effective scheme governance additional resources have been added to the team. Using the Good Governance Project as a working document to deliver against has enabled the Fund to constantly review the complex changing landscape. Following the Pensions Regulators code of practice we have conducted a full review of our governance policies and workload. This means we can continually keep an up-to-date plan of action and deliver good governance.

Finally, the Communications and Engagement team has been busy delivering a wide range of training sessions for all membership types across the Fund. The engagement team also deliver the employer support function and are proactively liaising with our employers ensure they are fully supported and engaged along their journey within the Fund.

Thank you to all our scheme members and employers for your continued engagement with The Fund and we look forward to delivering a service to be proud of.

Richard Sultana
Head of Pensions Administration

As the Head of Investments for the Fund, I am pleased to present this year's annual report. The investment landscape for LGPS funds continues to evolve rapidly, influenced by global economic shifts, regulatory changes, and the ever-present challenge of balancing risk and return in challenging markets.

Our primary commitment remains the responsible stewardship of the fund's assets, ensuring that we meet the long-term pension obligations of our members while delivering sustainable value. In this dynamic environment, our investment strategy continues to focus on diversification, innovation, and resilience. We have diligently expanded our portfolio to include an inaugural allocation of £50 million to Private Equity as well as an allocation of £60 million to an infrastructure fund through our pool, LGPS Central. Of course, mitigating investment risk remains at the forefront of what we do. During the year, the Fund has continued to "re-up" with fund managers with whom we have strong relationships and have delivered performance as appropriate.

Sustainability remains at the core of our investment philosophy. This year, the Fund reaffirmed its Environmental, Social, and Governance (ESG) credentials with a further £25 million commitment to the UK forestry industry, taking its total allocation to £175 million. In addition, we have further integrated ESG criteria into our decision-making process, aligning our investments with the broader objectives of promoting social responsibility and mitigating climate risks. Our approach not only seeks to secure financial returns but also to contribute positively to the society and environment in which we operate.

This year, we successfully held our third annual ESG-dedicated event which was delivered, in collaboration with Pensions For Purpose, to members of both the Pension Board and the Pensions Committee. As a key outcome from that exercise, the Fund adapted its Investment Strategy to enhance its approach to investing with impact.

It certainly has been a busy year for the investment team and consequently, members of the Pension Board, Investment Sub Committee and Pensions Committee. It is immensely pleasing that the Fund approaches a value of £4 billion with a positive funding level. In addition, I am excited to report that the Fund has successfully maintained its signatory status to the Financial Reporting Council's UK Stewardship Code for the fourth consecutive year! I would like to acknowledge their dedication, expertise and insight which are critical to navigating the complexities of the global investment and governance landscapes. Their rigorous analysis and forward-thinking strategies have been instrumental in positioning the fund for future success.

Looking ahead, we are committed to maintaining our focus on strategic asset allocation, risk management, and responsible investment practices. As we continue to adapt to the changing economic and regulatory landscape, our overarching goal remains clear: to protect and grow the fund in a manner that ensures that we deliver on our promises to our members.

Thank you for your continued trust and support.

Sherief Loutfy
Head of Pension Investments

The year to 31 March 2024 has been yet another eventful and successful year for the Fund, from investments to administration. This year of setting strong foundations, from which to deliver the planned improvements to our pension administration member service self-service and roll out of I-connect for our employers and strengthening the governance of the Pension Fund. We still have improvements to make and ensure that we continue to deliver value for money whilst doing so. During the year we changed actuary to Hymans Robertson and are already planning for the next triennial valuation in March 2026. Our investment performance remains strong and finally I would like to express my huge thanks to our staff and elected members of the Pension Committee, Investment – Sub Committee and Pension Board who focus is to ensure the fund is successful sustainable and deliver an outstanding service to our scheme employers and members.

Phil Rook
Chief Financial Officer

Management & Financial Performance

Scheme management and advisors on 31 March 2024

Administering Authority: Worcestershire County Council

Address: County Hall, Spetchley Road, Worcester WR5 2NP

Scheme Manager: Phil Rook, Chief Financial Officer

Pensions Committee on 31 March 2024

PFC Representative	Meetings Attended				Training Received	
	28/06/2023	12/10/2023	31/01/2024	20/03/2024	31/01/2024	13/03/2024
Cllr E Eyre (Chair)	✓	✓	✓	✓	✓	✓
Cllr A Hardman (Vice Chair)	✓	✓	✓	✓	✓	
Cllr L Mallett		✓		✓		
Cllr K Hanks		✓	✓	✓		
Cllr S Richardson Brown	✓		✓		✓	
Cllr P Stoddart	✓		✓	✓	✓	✓
S Flynn	✓		✓	✓	✓	

Pensions Investment Sub-Committee on 31 March 2024

PISC Representative	Meetings Attended						Training Received	
	13/06/2023	14/06/2023	28/09/2023	29/09/2023	30/11/2023	05/03/2024	31/01/2024	13/03/2024
Cllr A Hardman (Chair)	✓	✓	✓	✓	*	✓	✓	
Cllr E Eyre (Vice Chair)	✓	✓	✓	✓	✓	✓	✓	✓
Cllr K Hanks	✓	✓	✓		✓	✓		
Cllr P Stoddart	✓	✓		✓		✓	✓	✓

Pensions Board on 31 March 2024

LPB Representative	Meetings Attended				Training Received	
	06/06/2023	15/09/2023	17/11/2023	14/03/2024	31/01/2024	13/03/2024
Cllr Roger Phillips (Chair)	✓	✓	✓	✓	✓	
Cllr Paul Harrison	✓	✓	✓	✓		✓
Cllr Tony Miller	✓	✓	✓	✓		✓
Andrew Lovegrove			✓	✓		✓
Bridget Clark	✓	✓	✓	✓	✓	
Adam Pruszyński		✓	✓	✓		

(LGPS Online Learning Academy (LOLA) was also implemented in February 2024 for the members of LPB/PFC and PISC to complete at their leisure.

Training on the 31/01/2024 was for an ESG Workshop.

Training on the 13/03/2024 was for Pension Administration Process and KPI's.

LGPS Central Limited Shareholder Representative

Councilor A Hardman

Investment Managers on 31 March 2024

AEW

Bridgepoint (was EQT)

ESR (was ARA Europe)
Gresham House Alternative Asset Management & Investment
Hermes Investment Management
Igneo (was First Sentier) Investments
Invesco Real Estate
Legal & General Investment Management
LGPS Central Limited
Macquarie Group Ltd (was UK Green Investment Bank)
Nomura Asset Management UK Ltd
Stonepeak Infrastructure Partners
Walton Street Capital, LLC

Global Custodian 2023/24

BNY Mellon (Northern Trust for assets managed by LGPSC)

Independent Investment Advisor 2023/24

Phillip Hebson

Actuary

Hymans Robertson LLP

Environmental Social Governance (ESG) Advisor

LGPS Central Limited

Bankers

Barclays PLC

Auditors to the Fund

Grant Thornton UK LLP

Legal Advisor

Worcestershire County Council

In-house AVC Providers

Scottish Widows and Utmost Life

LGPS Central Limited

Richard Law-Deeks (Chief Executive Officer)

Risk Management

Risk management is the process of identifying risks, evaluating their likelihood and potential impact and determining the most effective methods for controlling or responding to them.

The Fund has a dedicated Risk Register that is regularly reviewed by the leadership team and updated quarterly. The Pensions Committee receives regular updates on the key risks facing the Fund, and the latest Risk Register is reported to each regular Committee meeting.

Each risk is initially assigned a score designed to reflect the likelihood of it occurring and impacts faced by the Fund if it were to occur.

Risks are then categorised against a series of mitigations designed to reduce the likelihood and/or impact. Risks are colour coded and assigned a red, amber or green status according to the degree of risk posed. On 31 March 2024 the Fund's most significant risks were after taking into account mitigating actions and controls:

- Mismatch in asset returns and liability movements, leading to exposure to risk or missing investment opportunities or increases in employer contributions.
- Having insufficient resources in pensions administration, leading to Insufficient staff resource or remaining staff not having the skills to do their areas of work.
- Inflation, leading to (1) higher employers pay settlements, leading to increases in liabilities; (2) lower real investment returns, requiring increases in employer contributions and leading to weaker employer covenants and (3) increased pension payments, putting pressure on liquidity.

The nature and extent of risks arising from financial instruments are detailed in note 16 of the accounts further on in this document.

LGPS Central Limited

There is a separate risk register relating to investment pooling which the Practitioner Advisory Forum, the main Partner Fund working group, maintains. The LGPSC Joint Committee oversees the risk register to ensure risks are logged and mitigating actions put in place. LGPSC, the pooling delivery company, maintains its own risk register, which is overseen by the company board.

Systems of internal control

The Fund's Statement of Accounts and Annual Report are subject to an external audit by Grant Thornton that provides a separate opinion for both the accounts and the annual report. Grant Thornton also conducts a number of interim audits throughout the year to test the design effectiveness of the Fund's internal controls. In addition to external audit, the Fund receives regular reviews from the Council's Internal Audit department who test the internal control systems and processes employed. Internal Audit obtains assurance on the internal control environment through a series of audits of key areas.

Financial Performance

Triennial valuation

Every three years the Fund commissions a formal valuation from the Fund's actuary which produces two key outputs.

Firstly, it quantifies the ongoing funding level, i.e. the level to which the Fund's pension liabilities for the accrued benefits of current employees, deferred pensioners and pensions in payment are matched by the market value of the Fund's assets. A funding level of less than 100% implies that there is a deficit between the Fund's assets and liabilities at that date.

Secondly, it also sets the rate at which employers should contribute to the Fund for the following three years along with any deficit recovery payments.

The table summarises the funding position on 31 March 2022 compared to the funding position at the last formal valuation on 31 March 2019.

Summary valuation results

	31 March 2019 £m	31 March 2022 £m
Total past service liability	3,090	3,585
Fund assets	2,795	3,562
Surplus/ (deficit)	(295)	23
Funding Level	90%	101%

On 31 March 2024 we estimate that the Fund was 106% funded as a result of the impact of macroeconomic and geopolitical pressures on global markets.

To meet the requirements of the regulations, we have set a clear long-term funding objective; to achieve and then maintain assets equal to 100% of projected accrued liabilities, assessed on an ongoing basis.

In tandem with the actuarial valuation the actuary helps us to produce a Funding Strategy Statement that focuses on the pace at which future benefits will be funded and on practical measures to ensure that employers pay for their own liabilities.

Contribution rates

Members' contributions are set at a rate which covers only part of the cost of accruing benefits after the valuation date. Employers pay the balance of the cost of delivering future benefits to members.

At the 2022 actuarial valuation a common rate of contribution of 18.8% of pensionable pay per annum was set for employers from 1 April 2023. These range over individual employers from 15.5% to 29.2%.

As the actuary assessed the particular circumstances of each employer, including the strength of its covenant and its individual membership experience within the Fund, the actuary applied individual adjustments to each employer to reflect these circumstances.

This resulted in a higher contribution rate than the baseline percentage and/or an annual cash contribution at a fixed amount being set for many employers.

The next actuarial valuation and review of the Funding Strategy Statement will be

carried out as at 31 March 2025, with any changes to employers' contribution rates being implemented with effect from 1 April 2026. Our Funding Strategy Statement and the 2022 Actuarial Valuation Report are available from our website.

Analytical review of Fund Account and Net Assets Statement

The following table provides a brief overview of the major movements in the Fund Account and Net Assets Statement for the financial year 2023/2024. The full Statement of Accounts is included from page 48 of this report.

Fund Account category	2022/23 £m	2023/24 £m	Notes
Net contributions	(33.0)	(36.1)	Remained stable year on year.
Return on investments	57.0	398.8	Large increase in market value of investments.

Operational expenses – comparison of 2023/24 forecast to actual

	2023/24 budget £000	2023/24 actual £000	2023/24 variance £000
Administration / oversight & governance			
Pension scheme administration recharge	1,330	2,567	1,237
Actuarial services	380	384	4
Audit	34	94	60
Legal fees	10	12	2
Committee and governance recharge	10	0	-10
Total	1,765	3,057	1,293
Investment administration costs			
Investment administration recharge	163	118	-45
LGPSC central governance & running costs	870	837	-33
Investment custodial and related services	140	84	-56
Investment professional fees	165	453	288

WORCESTERSHIRE PENSION FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ending 31 March 2024

	2023/24 budget £000	2023/24 actual £000	2023/24 variance £000
Administration / oversight & governance			
Performance measurement	44	28	-16
Total	1,383	1,520	138
Investment management			
External fund managers	17,017	15,545	-1,472
Transaction costs	2,800	1,590	-1,210
Total	19,817	17,135	2,682
Overall Total	22,964	21,713	1,251

Administration and management costs per member past 5 years

Process	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Investment management expenses					
Total cost (£m)	14.4	17.3	20.4	15.1	18.1
Total membership (nos)	63,635	64,770	66,599	68,157	69,595
Cost per member (£)	226	267	306	223	260
Administration costs					
Total cost (£m)	1.5	2.0	1.7	1.5	2.6
Total membership (nos)	63,635	64,770	66,599	68,157	69,595
Cost per member (£)	24	31	26	22	37
Oversight & governance costs					
Total cost (£m)	0.1	0.9	1.1	1.0	1.0
Total membership (nos)	63,635	64,770	66,599	68,157	69,595
Cost per member (£)	1.6	13.9	17	15	14
Total cost per member	251.6	311.9	348.0	260.0	311.0

Oversight and governance costs have remained relatively stable since 2020/21 when the allocation of LGPSC pool governance and running costs were included. Previously they were included as part of the investment management expenses.

The table below outlines the Fund's performance for key financial variables for the past 5 years

* Contributions receivable was higher in 2020/21 than in other years due to some larger employers paying their contributions 3 years in advance.

** The increase in transfers 2020/21 was due to a large employer transferring into the Fund.

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Contributions & Benefits					
Contributions receivable*	87.5	201.2	90.7	97.9	133.3
Individual transfers	12.9	29.0	13.7	22.0	15.2
Total contributions & transfers in	100.4	230.2	104.4	119.9	148.5
Benefits payable	(111.9)	(112.6)	(115.6)	(122.6)	(137.8)
Payments to and on account of leavers	(11.2)	(9.5)	(10.0)	(12.7)	(25.1)
Total benefits paid and transfers out	(123.1)	(122.1)	(125.6)	(135.3)	(162.9)
Management & admin expenses	(16.0)	(20.2)	(23.2)	(17.6)	(21.7)
Sub total	(38.7)	87.9	(44.0)	(33.0)	(36.1)
Return on investments					
Investment income	47.9	28.7	37.0	38.0	50.9
Change in market value of investments	(159.1)	602.8	227.2	19.1	347.9
Net return on investments	(112.2)	631.5	264.2	57.1	398.8
Net increase in the Fund during the year	(149.9)	719.4	219.8	24.1	362.7

3-year forecast management expenses 2024/25 – 2026/27

	2024/25 Budget £ 000	2025/26 Budget £ 000	2026/27 Budget £ 000
Administration, oversight & governance			
Pension scheme administration recharge	1,341	1,399	1,460
Actuarial services*	417	438	459
Audit	36	38	40

	2024/25 Budget £ 000	2025/26 Budget £ 000	2026/2027 Budget £ 000
Legal fees	10	10	10
Committee and governance recharge	10	10	10
Total	1,814	1,894	1,979
Investment administration costs			
Investment administration recharge	163	167	170
LGPSC central governance & running costs	870	870	905
Investment custodial and related services	140	147	154
Investment professional fees	135	182	217
Performance measurement	44	45	46
Total	1,353	1,411	1,493
Investment management			
External fund managers**	15,656	16,423	17,228
Transaction costs	2,800	2,800	2,800
Total	18,456	19,223	20,028
Overall Total	21,623	22,529	23,500

Administration Report

Following the restructuring our pensions administration department in 2022/2023 we have continued to have no backlogs, delivering a business-as-usual service, and meeting our KPIs makes 2023 / 2024, making this year a success.

We have continued our dedication to deliver good governance, and in that regard it was a year that saw us reviewing (and produce updated versions of) our key policy documents: Governance Policy Statement, Pensions Administration Strategy, Policy Statement on Communications, Policy Statement on our Discretions, Training Policy and Programme, a Policy on Conflicts of Interest, a Policy on Representation, and a Policy on Payment of Death Grants to our governance documents. In addition to the aforementioned documents, we have continually reviewed the format of our quarterly our Business Plan and Risk Register to ensure these reflect the changing pensions landscape. We have continued to produce quarterly position statements to summarize progress on how we are taking forward the LGPS Scheme Advisory Board's (SAB) Good Governance workstream in preparation for statutory guidance being issued.

On cyber security we checked out our pensions administration supplier's cyber security review and produced cyber security tips for Board and Committee members who would not otherwise be updated by Worcestershire County Council's ongoing training programme. To further strengthen our commitment to ensuring cyber resilience we have produced a Cyber Security Policy.

On data quality the results of our 2023 NFI data matching showed us only having 2

mismatches overall.

We collected employer declarations on a McCloud checklist / declarations form that had links for employers to supply all missing data if they had not confirmed that there was no data missing.

We launched our own completely stand-alone (from Worcestershire County Council' website) website and delivered an online stewardship survey of our pensioners. In 2023 / 2024 our website had 90,567 visits compared to 80,317 in 2022/2023.

As usual, paying pensions, processing retirements, processing deaths, processing refunds, delivering our year end, providing employers' with FRS / IAS information for their accounts, and issuing annual benefit statements / newsletters / Pension Savings Statements / pensioner P60s and pay slips were our major administration deliverables. New employers, employer restructures and delivering training for Pensions Committee and Pension Board members also required significant resource.

We deliver our service using:

- The Altair pensions administration system.
- Our stand-alone website.
- Dedicated resource for each member requirement.
- Monthly employer newsletters and online training.
- Computer hardware, software and the County Council's computer network.

We have arrangements in place to ensure the accuracy and confidentiality of personal data. The Fund conforms with Worcestershire County Council's (WCC) breach notification process and WCC's data policy, for example through the use of data encryption and password protection. Systems are reviewed by internal and external audit and set up in line with data protection regulations.

Internal Disputes Resolution Procedure (IDRP)

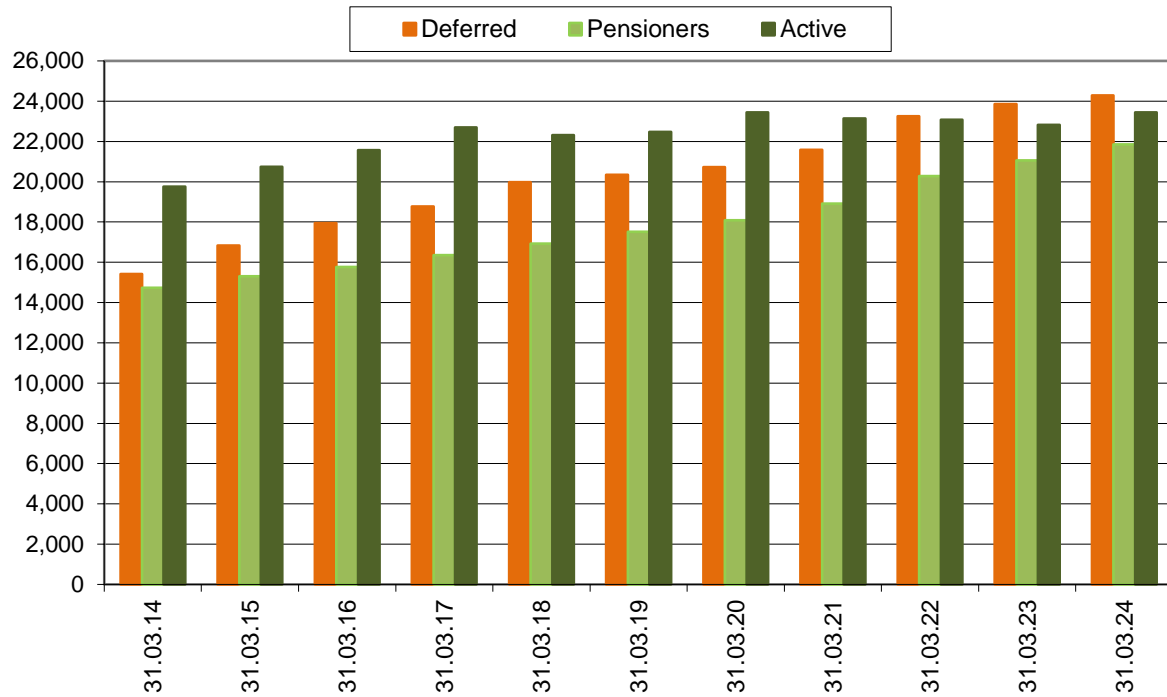
There are times when members, employers and the Fund may find themselves in disagreement about a pensions issue. The first approach in these situations is for those involved to talk to each other to reach resolution. However, should this not prove possible, the Fund has an IDRP. Our appeals procedure is detailed on our website.

Policy Statement on Communications

The Policy Statement provides an overview of how the Fund will communicate with its stakeholders. An effective communications strategy is vital for the Fund to meet its objective of providing a high quality and consistent service. Scheme communications are a critical activity; they are the external face of the Fund and provide a key link with its stakeholders. The Fund continuously looks at ways to enhance its communication offering to the various audiences and the Policy Statement is reviewed annually with a revised version will be published following any material change. Our Policy Statement on Communications is included within the Fund's Administration Strategy and is referenced in Appendix B below.

Membership and employer movement and Scheme complexity

The Fund continues to experience a year-on-year increase in the total number of members.



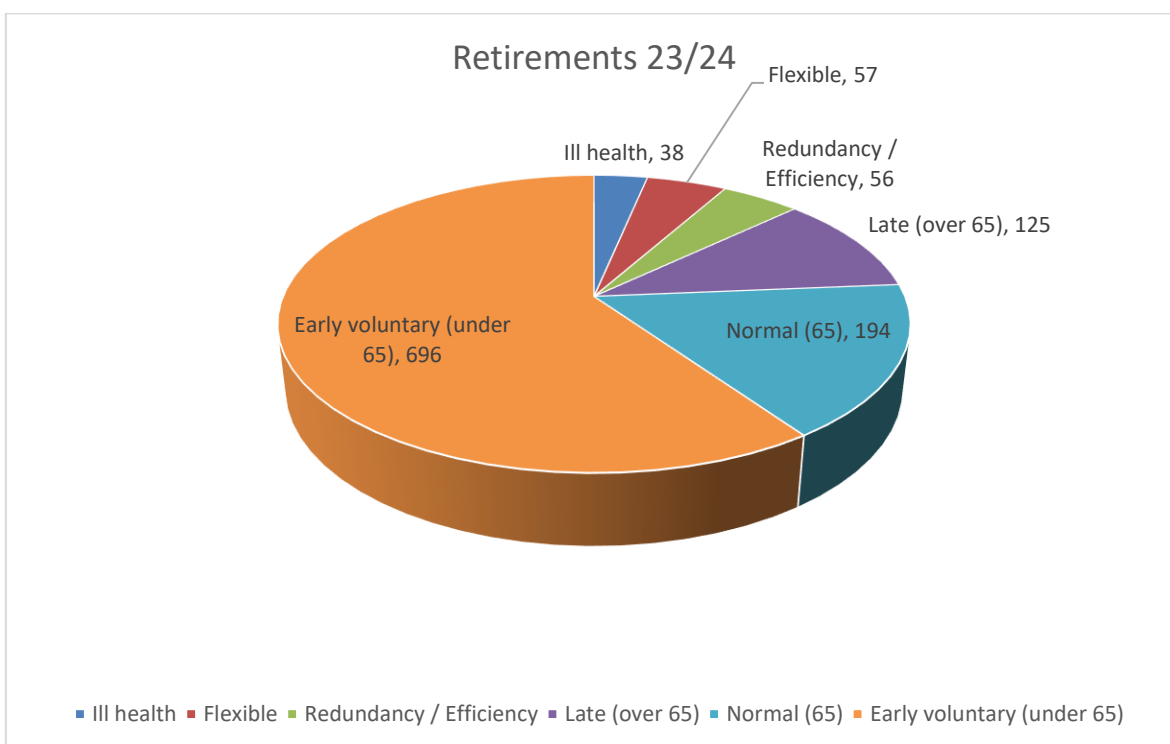
The table below summarises the age ranges of the membership over the three categories of active, deferred and pensioner on 31 March 2024:

Age Group	Active	Pensioner*	Deferred	Total	%
0-20	297	119	6	422	0.61%
21-25	1,115	32	229	1,376	1.98%
26-30	1,527	2	821	2,350	3.38%
31-35	2,080	3	1,759	3,842	5.52%
36-40	2,555	7	2,605	5,167	7.42%
41-45	2,944	30	3,123	6,097	8.76%
46-50	2,954	51	3,525	6,530	9.38%
51-55	3,817	162	4,873	8,852	12.72%
56-60	3,424	1,231	4,722	9,377	13.47%
61-65	2,166	3,242	2,316	7,724	11.10%
66-70	473	5,230	237	5,940	8.54%
71-75	97	4,511	57	4,665	6.70%

Age Group	Active	Pensioner*	Deferred	Total	%
76-80	0	3,763	12	3,775	5.42%
81-85	0	1,941	0	1,941	2.79%
86-90	0	1,065	0	1,065	1.53%
90+	0	472	0	472	0.68%
Total	23,449	21,861	24,285	69,595	100.00%

Retirements during 2023/24

There were 1,166 retirements during 2023/24 as summarised in the chart below:



The Fund has 199 contributing employers whose employees are members of the LGPS:

Active 31/03/2024	
Scheduled bodies	109
Designated bodies	31
Admitted bodies	59
Total	199

- Scheduled (in the regulations) bodies are organisations whose employees qualify to become members of the LGPS by right. These include county councils, district councils, foundation schools/colleges and academies.

- Designated bodies are organisations that have passed resolutions with town or parish councils to offer the LGPS to their employees.
- Admitted bodies are organisations that fall into none of the previous 2 categories. Admitted bodies are voluntary/charitable bodies and other organisations to whom local government employees have been transferred under the outsourcing of local government services whose staff can, at the discretion of their employer, become members of the LGPS.

Our performance

The Fund benchmarks its administration performance against CIPFA benchmarks as outlined in the table below. The Fund achieved 92% compliance with the only area not being delivered in line with average turnaround times being impacted by regulatory changes. We measure how we perform against our target turnarounds for our key processes:

Activity/Process	Average turnaround achieved (working days) 2022/23	Average turnaround achieved (working days) 2023/24	Target turnaround (working days)
Joiners' notification of date of joining	15	20	40
Process and pay refund	5	6	10
Calculate and notify deferred benefits	7	5	30
Letter notifying actual retirement benefits	2	2	15
Letter notifying amount of dependent's benefits	3	3	10
Letter acknowledging death of member	4	2	5
Letter detailing Cash Equivalent Transfer Value (CETV) for divorce	2	6	45
Letter notifying estimate of retirement benefits	3	2	15
Letter detailing transfer in quote	2	16	10
Process and pay lump sum retirement grant	14	13	23
Letter detailing transfer out quote	3	10	10
Letter detailing PSO implementation	4	9	15

We continue to monitor this and improve our data capturing of the information against the CIPFA benchmarks. For example, in response to the cost of living being a major news story over the year, we monitored our number of flexible retirements and opt-outs.

Detailed below are the number of each case type processed in the year and the percentage achieved within the KPI.

Activity/Process	Number processed 2023/24	% Processed within KPI 2023/24
Joiners' notification of date of joining	3910	87
Process and pay refund	527	90
Calculate and notify deferred benefits	1944	99
Letter notifying actual retirement benefits	539	99
Letter notifying amount of dependent's benefits	130	99
Letter acknowledging death of member	496	99
Letter detailing Cash Equivalent Transfer Value (CETV) for divorce	126	96
Letter notifying estimate of retirement benefits	1720	100
Letter detailing transfer in quote	206	62
Process and pay lump sum retirement grant	1197	100
Letter detailing transfer out quote	395	81
Letter detailing PSO implementation	8	75

The administration team comprises of 42.0 full time equivalent (FTE) staff. The Fund therefore has a ratio of one full time equivalent member of the team for every 1,657 Fund members.

In 2023/2024 we had no data breaches, completed seven Internal Dispute Resolution Procedure (IDRP), and have four cases in progress.

Value for money

At £2.3m our administration costs for 23/24 were £0.8m more than the previous year. Our cost per member is £33.01.

In 2023/24 our administration team achieved the average CIPFA benchmark turnaround target for all 12 standard processes.

In line with guidance from The Pensions Regulator (TPR), we continue to measure the quality of our data. The last measure was taken in October 2023.

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 98.4%).

The percentage (2022 previous year in brackets) of our member records without a single 'common data' failure was 92.6% (92.4%).

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

The percentage of our member records without a single 'scheme-specific data' failure was 98.3% (98.7%). In the core list of TPR 'scheme-specific data' tests our pass rates were Member Benefits 99.6% (99.9%); Member Details 99.07% (99.5%); CARE benefits 98.33% (98.6%); HMRC 99.54% (99.8%); and Contracted Out 98.76% (98.8%).

Looking ahead, we are committed to improving our processes and utilising technology through automation. This will support the Funds aim in delivering an even more modern and efficient value for money service.

Administration KPI's

Table A - Total number of casework

Ref	Casework KPI	Total number of cases open as at 31 March (starting position)	Total number of new cases created in the year (1 April to 30 March)	Total number of cases completed in year	Total % of cases completed in year	Total number of cases completed in previous year	Total % of cases completed in previous year
A1	Deaths recorded of active, deferred, pensioner and dependent members	17	637	637	100	695	100
A2	New dependent member benefits	0	199	199	100	192	100
A3	Deferred member retirements	79	878	843	96	879	85
A4	Active member	8	309	280	91	185	95
A5	Deferred benefits	11	2255	2184	97	2406	100
A6	Transfers in (including interfunds in, club transfers)	530	953	843	88	1015	88
A7	Transfers out (including interfunds out, club transfers)	129	600	602	100	631	80
A8	Refunds	2	652	648	99	906	100
A9	Divorce quotations issued	0	81	81	100	60	100
A10	Actual divorce cases	3	13	16	100	3	43%

WORCESTERSHIRE PENSION FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ending 31 March 2024

Ref	Casework KPI	Total number of cases open as at 31 March (starting position)	Total number of new cases created in the year (1 April to 30 March)	Total number of cases completed in year	Total % of cases completed in year	Total number of cases completed in previous year	Total % of cases completed in previous year
A11	Member estimates requested either by scheme member and employer	1	1865	1863	100	1337	100
A12	New joiner notifications	7	1626	1606	99	2696	92
A13	Aggregation cases	45	571	536	94	495	96
A14	Optants out received after 3 months membership	0	57	57	100	358	100

Table B - Time taken to process casework

Ref	Casework KPI	Suggested fund target*	% completed within fund target in year	% completed in previous year
B1	Communication issued with acknowledgement of death of active, deferred, pensioner and dependent member	5 days	99	100
B2	Communication issued confirming the amount of dependents pension	10 days	99	98
B3	Communication issued to deferred member with pension and lump sum options (quotation)	15 days	99	99
B4	Communication issued to active member with pension and lump sum options (quotation)	15 days	99	99
B5	Communication issued to deferred member with confirmation of pension and lump sum options (actual)	15 days	100	99
B6	Communication issued to active member with pension and lump sum options (actual)	15 days	100	99

WORCESTERSHIRE PENSION FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ending 31 March 2024

Ref	Casework KPI	Suggested fund target*	% completed within fund target in year	% completed in previous year
B7	Payment of lump sum (both actives and deferreds)	15 days	100	100
B8	Communication issued with deferred benefit options	30	99	99
B9	Communication issued to scheme member with completion of transfer in	15 days	62	98
B10	Communication issued to scheme member with completion of transfer out	15 days	81	96
B11	Payment of refund	10 days	90	93
B12	Divorce quotation	45 days	96	100
B13	Communication issued following actual divorce proceedings i.e application of a pension sharing order	15 days	75	100
B14	Communication issued to new starters	40 days	87	93
B15	Member estimates requested by scheme member and employer	15 days	100	99

**Days in this column are a suggested fund target for completion and not the statutory timescale.*

Table C - Communications and engagement

Ref	Engagement with online portals	Percentage as at 31 Mar 24
C1	% of active members registered	19.68
C2	% of deferred member registered	2.36
C3	% of pensioner and survivor members	0.95
C4	% total of all scheme members registered for self-service	30.65
C5	Number of registered users by age	*
C6	% of all registered users that have logged onto the service in the last 12 months	100
	Communication	
C7	Total number of telephone calls received in year	N/A
C8	Total number of email and online channel queries received	12198

Ref	Engagement with online portals	Percentage as at 31 Mar 24
C9	Number of scheme member events held in year (total of in-person and online)	13
C10	Number of employer engagement events held in year (in-person and online)	5
C11	Number of active members who received a one-to-one (in-person and online)	57
C12	Number of times a communication (i.e newsletter) issued to:	
	a) Active members	2
	b) Deferred members	2
	c) Pensioners	1

**Breakdown of registered user age*

Number of registered users by age	Registered number	Total Number of Members	Percentage registered
0-20	0	591	0.00%
21-25	196	2479	7.91%
26-30	292	4702	6.21%
31-35	391	6413	6.10%
36-40	516	7821	6.60%
41-45	779	9432	8.26%
46-50	769	10254	7.50%
51-55	120	1359	8.83%
56-60	1299	14117	9.20%
61-65	872	11790	7.40%
66-70	182	9594	1.90%
71-75	37	7365	0.50%
76-80	0	5986	0.00%
81-85	0	3751	0.00%
86-90	0	2985	0.00%
over 90	0	7750	0.00%

Table D – Resources

Ref	Resources	Total
D1	Total number of all administration staff (FTE)	38.8
D2	Average service length of all administration staff	8
D3	Staff vacancy rate as %	14.21%
D4	Ratio of all administration staff to total number of scheme members (all staff including management)	1:1,794
D5	Ratio of administration staff (excluding management) to total number of scheme members	1:1,999

Table E - Data Quality

Ref	Annual Benefit Statements	Total
E1	Percentage of annual benefit statements issued as at 31	100%
	Short commentary if less than 100%	N/A
	Data category	
E3	Common data score	95.90%
E4	Scheme specific data score	98.02%
E5	Percentage of active, deferred and pensioner members recorded as 'gone away' with no home address held, or	5.82%
E6	Percentage of active, deferred and pensioner members with an email address held on file	53.17%
	Employer performance	
E7	Percentage of employers set up to make monthly data submissions	100%
E8	Percentage of employers who submitted monthly data on time during the reporting year	71.67

Investment Policy & Performance

Investment management

Subject to the LGPS regulations on allowable investments, the Fund may invest in a wide range of assets including quoted equity, government bonds, corporate bonds, money markets, traded options, financial futures/derivatives and alternative strategies including infrastructure/property pooled funds.

The Fund's investment objective is to support the funding strategy by adopting an investment strategy and structure which incorporate an appropriate balance between risk and return. Our Investment Strategy Statement is referenced at Appendix C.

The Pensions Committee has responsibility for the investment strategy of the Fund but has established a Pension Investment Sub-Committee and delegated oversight of its implementation to the Chief Financial Officer. The Committee regularly reviews the Fund's investment management arrangements. In broad terms on 31 March 2024 the Fund's strategic allocation was to be invested 65% in equities (of which, 5% is private equity), 15% in fixed income and 20% in property/alternatives. The Fund's assets are managed day to day by the Fund's appointed specialist, external investment managers.

Target asset allocation

The table below shows the actual distribution of assets across the main asset categories. This changes year on year as a result of the target asset allocation, the performance of the underlying asset classes, managers' performance, and rebalancing.

Strategic Actual and Target Asset Allocations

Activity/Process	Actual portfolio weight 31 March 2023	Actual portfolio weight 31 March 2024	Target portfolio weight
Total equities	68.5%	63.30%	65.00%
Total actively managed equities			
Total actively managed equities	24.2%	15.90%	16.00%
Far East Developed	10.1%	10.2%	10.00%
Emerging Markets	8.6%	0.0%	0.00%
Global Sustainable Active Fund	5.5%	5.7%	6.00%
Total passively managed equities – market capitalisation indices			
Total passively managed equities – market capitalisation indices	28.5%	29.0%	29.0%
United Kingdom	17.2%	15.9%	12.0%
North America	5.10%	6.80%	11.50%
Europe Ex UK	6.20%	6.30%	5.50%
Passively managed equities – alternative indices			
Passively managed equities – alternative indices	15.8%	18.4%	15.00%
Equity Protection Strategy			
Equity Protection Strategy	0.0%	0.0%	0.00%
Private equity			
Private equity	0.0%	0.0%	5.00%
Total Fixed Interest			
Total Fixed Interest	7.80%	12.70%	15.00%
Actively managed bonds, passive gilts & corporate private debt	7.80%	12.7%	15.0%
Total actively managed alternative assets			
Total actively managed alternative assets	23.70%	24.00%	20.00%
Property	8.60%	7.70%	7.50%
Infrastructure	15.10%	16.30%	12.50%

Activity/Process	Actual portfolio weight 31 March 2023	Actual portfolio weight 31 March 2024	Target portfolio weight
Total	100.0%	100.0%	100.0%

The Fund had an equity protection strategy in place on 31 March 2022 but not on 31 March 2024. The fund will continue to assess the appropriateness of reprocurring such a strategy during 2024/25

There are still a number of undrawn capital commitments related to property and infrastructure. These take a number of years and are being funded from disinvestments in the equity portfolio to meet the strategic target allocations.

Details of the largest equity investments as at 31 March 2024

Top 10 Direct equity Investments	Market value of holding on the 31 March 2024 (£m)	Percentage of total fund assets
NVIDIA	53.4	1.37%
Microsoft	49.6	1.27%
Shell	44.9	1.15%
AstraZeneca	41.2	1.05%
Apple	36.8	0.94%
HSBC	30.7	0.79%
Meta Platforms - A	29.5	0.76%
ASML Holding	28.4	0.73%
Taiwan Semicon Man TWD10	26.1	0.67%
Unilever	25.8	0.66%

Report of the independent investment advisor

Rolling along, in the right direction...

Looking back over this fiscal year has reminded me that in general terms world markets have carried on upwards almost regardless of what was going on in the “real” world. Sadly, once again war has featured heavily in the headlines, when in October Hamas terrorists operating out of Gaza invaded Israel and committed the most appalling atrocities. Israel duly responded, which has sadly led to even further civilian casualties as the Israel Defence Forces sought to wipe Hamas off the face of the earth. Almost now in the background, Ukrainians fought valiantly on to remove the Russian invaders from their country. Meanwhile China continues to prepare for war.

On the economic front, there was possibly a little more connection to what stock markets were reflecting. In the UK CPI inflation fell rapidly from the peak of 11.1% seen in October 2022, through 10.1% in March 2023, then down to 3.2% in March this year. The US economy continued to perform very strongly, with a lot of excitement around the advancing development of Artificial Intelligence (AI). AI has caused some confusion in rural areas such as ours, where historically AI has meant Artificial Insemination!

Central banks continued to be caught between a rock and a hard place, but with a developing twist to that. Initially the objective was to see inflation fall back to more reasonable levels but at the same time not to cause unnecessary damage to economic activity by raising base rates too aggressively. In the US fears of a slowdown in activity have probably been premature and the next moves in rates will likely be downwards. In the UK the base rate rose 1% over the period from April to August and has remained at 5.25% since then. The concern now seems to be about moving rates down too soon and as a consequence seeing inflation move higher again.

In Stock Markets, Japan was the standout performer, rising a staggering 44% over the course of the fiscal year. It has taken 34 years for the Nikkei to reach a new record high level. The US S&P 500 rose 28%, in large part fueled initially by the Magnificent Seven (Nvidia, Meta, Tesla, Amazon, Alphabet, Microsoft and Apple), which then became a bit more of a refined Fab Five as Tesla and Apple lost some of their shine. In contrast China and Hong Kong struggled to overcome their malaise, with the Hang Seng Index (Hong Kong) falling 19% over the year.

Reflecting the title of this report, the total Fund value has continued to roll steadily upwards throughout the year, with just one small dip in Q2, ending the year up 9.2% at £3.88bn. This has been in large part as a result of our relatively high exposure to public equity markets, when compared to other LGPS Funds.

While the Fund and its benchmark have generated positive absolute returns, the Fund has been underperforming its bespoke benchmark over successive quarters. It has been recognised that the benchmark was no longer fully representative of the investments within the Fund, as a result of a number of the asset allocation changes that have been made over time. As an example, many of the

Alternative assets are investing in new portfolios; these types of portfolios often underperform initially due to the expenses of these funds 'investing' and that it takes time for many of these vehicles to generate significant positive returns from their investments. A review of the component parts of the benchmark has been undertaken with PEL and changes will be incorporated by our new performance measurement provider, Hymans. Some rebasing will be required to provide us with longer term performance information. It is pleasing to be able to report that the Funding Level has improved over the year, now at 106%.

Much of the work undertaken over the year has been in relation to further implementation of the latest Strategic Asset Allocation review. One of the key decisions taken was to exit from direct investment in China, with various options explored to do that effectively. It was not possible to change the Emerging Market mandate with LGPS Central to exclude China, so that was liquidated. The Far East mandate with Nomura was changed to exclude investments in China and Hong Kong, and that has been successfully implemented. The mix of that mandate has also been tweaked, so as to slightly increase exposure to Japan.

Some of the funds released from the Emerging Markets mandate have been invested in UK Gilts, reflecting the significantly enhanced value that they now provide. This will also provide the necessary collateral for our new Equity Protection mandate. Additional investments have been agreed with some of our Private Markets managers, particularly with those where our original investments are now reaching maturity and proceeds are being distributed back to investors. Our first investment in Private Equity has also been made during the year.

Much as it was at this time last year, the outlook for the economy and world markets remains distinctly cloudy. At the time of writing, we have got through elections here and in India and France, with markets hardly blinking. We have the US election ahead, with lots of "news" ahead of that. The World is a troubled place, and markets historically react badly to unpleasant surprises. At Fund level we take risk management very seriously and seek to mitigate potential threats to our assets and the funding level in an appropriate way, such as by having an equity protection strategy in place.

It would be remiss of me not to mention the work that we are doing with our investment partners at LGPS Central. We are working closely with the new management there, and although further personnel changes are yet to happen, we are seeking to further integrate our investment requirements with them. We will only do so if it is in accordance with the Fund's investment strategy, which has served us well over many years. Government diktats don't help with this, some of which are not necessarily in the best interests of our members.

As we move forward through this year we will be preparing for the next Triennial Valuation, being undertaken by our new Fund actuary, Hymans Robertson. Around this we are anticipating that we may need to make some adjustments to our asset allocation to accommodate the funding profiles of our diverse range of employers, alongside the shape of our cash flow that is required to meet our obligations to pay pensions.

In closing I am going to use some of my concluding paragraph from my report last

year, because it focuses on why we do what we do.

Over the longer term the investment strategy of the Fund is designed to ensure that the ability to pay pensions in the short, medium and long term is fully maintained. The Fund invests in a diversified range of assets that over time is anticipated to increase in value and to provide a secure flow of income to pay those pensions. The assumptions that are made in the management of the Fund are regularly reviewed to ensure that changes to economic forecasts, including the cost of living, are incorporated within the investment strategy. One of the great strengths of the LGPS is the way in which it is designed to provide a secure income in retirement to our pensioners and to be able to absorb short term challenges due to the long-term strength of the asset base.

I sincerely hope that the new government respects the fact that the LGPS provides a fully funded pension to our members, with local accountability at the heart of our governance structure. The Treasury must not be allowed to put their snout in the trough of assets that ultimately provides your pension.

Philip Hebson
Independent Investment Advisor
July 2024

Investment monitoring and performance

The Pension Investment Sub-Committee monitors external managers' performance and makes investment manager and asset allocation recommendations. The Fund does not automatically rebalance mandates in line with the long-term investment policy as set out in the Investment Strategy Statement. Therefore, portfolio weights may vary compared to their long-term strategic total Fund weight. The Fund's actual asset valuations across UK, Non-UK and Global on 31 March 2024 are shown below.

Asset Class	UK £m	Non UK £m	Global £m	Total £m
Equities	619.3	899.8	933.4	2,452.5
Bonds & gilts	175.6	0.0	199.7	375.3
Pooled private equity	1.6	0.0	0.0	1.6
Pooled property	241.4	89.9	0.0	331.3
Pooled infrastructure	276.2	344.9	0.0	621.1
Pooled debt	43.3	71.8	0.0	115.1
Cash and cash equivalents	13.4	0.0	0.0	13.4
Other	0.0	0.0	0.0	0.0
Total	1,370.7	1,406.4	1,133.1	3,910.2

The Fund's investment performance is measured quarterly by Hymans Robertson LLP against a number of benchmarks. The table below details the Fund's actual performance against these benchmarks over the 1 year, 3 years and 5 years to 31 March 2024.

Fund performance by asset class

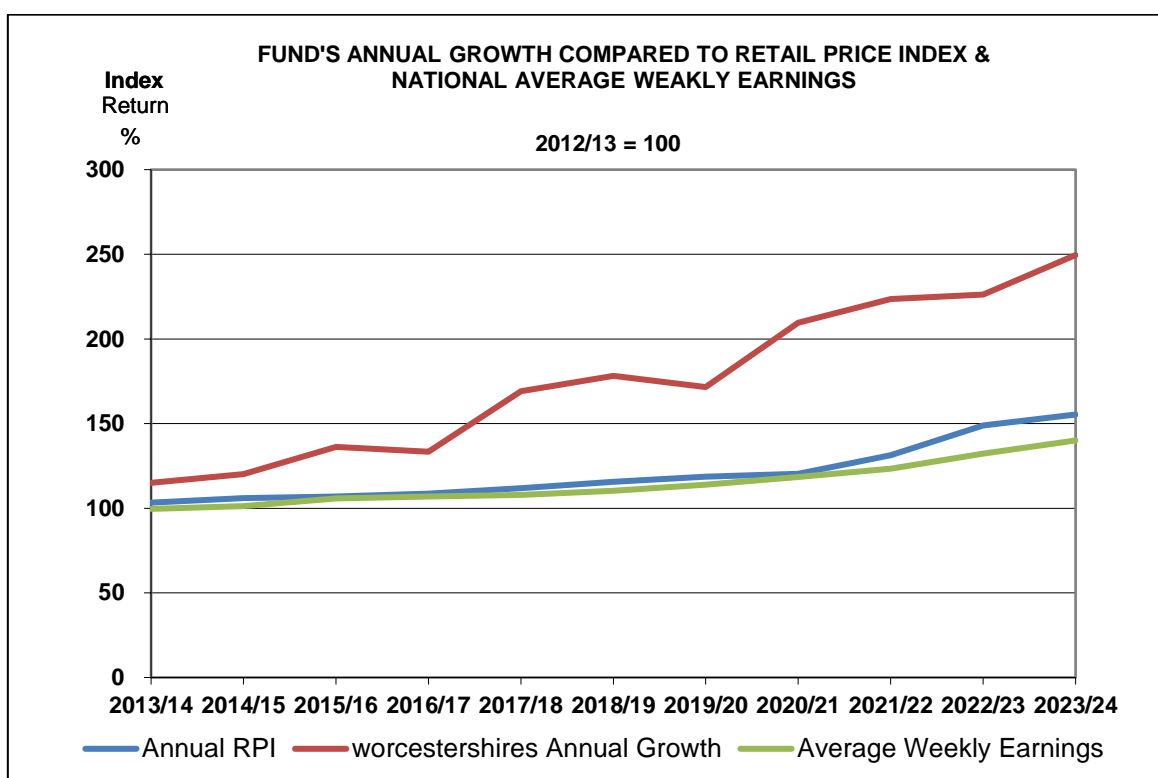
The Fund produced a return of 10.3% for the year to 31 March 2024, which gave an underperformance of 3% against the benchmark of 13.3%. The Fund's performance is considered to be in line with benchmark over the 10-year period.

Asset Class	1 year actual return %	1 year benchmark return %	3 year actual return %	3 year benchmark return %	5 year actual return %	5 year benchmark return %
Active equities	9.2	12.3	-1.0	2.7	4.2	6.0
Passive equities	13.1	14.4	9.9	10.3	9.8	9.4
Alternative passive equities	26.6	26.1	12.4	12.6	11.3	11.7
Bonds	8.6	6.3	-2.8	-2.7		
Pooled private debt	9.3	6.0	6.5	6.0	7.9	6.0
Pooled property	-6.7	10.7	0.6	-1.5	0.8	*

Asset Class	1 year actual return %	1 year benchmark return %	3 year actual return %	3 year benchmark return %	5 year actual return %	5 year benchmark return %
Pooled infrastructure	1.7	9.2	9.5	11.2	8.3	10.2
Total Fund	10.3	13.3	6.0	7.5	7.0	*

*Following a review of the Fund’s benchmarks, a more appropriate benchmark was selected for pooled property investments. The five-year benchmark for that asset class and therefore the total Fund is currently being restated. The Fund does not expect this to have a material impact on the 5-year performance measure.

The following chart tracks the cumulative impact of long-term Fund performance since 2013/14 relative to the following key measures - the Retail Prices Index (RPI) and annual average weekly earnings.



Investment fees

The Fund generally has an ad-valorem fee scale applied in respect of the investment management services it receives. This is generally accepted practice for passive tracking mandates and is easily understood.

A performance-related fee basis is sometimes set if it is believed to be in the overall financial interests of the Fund, particularly for active mandates where higher fees are paid for more consistent outperformance of market indices. The approach taken varies depending on the type of investment and the target being set.

The Fund reports in line with the CIPFA requirements under the Transparency Code and requires its investment managers to provide sufficient information to fulfil these requirements. The table below shows the fees paid to managers in each asset class as at the 31 March 2024.

Asset Class	Management fees £'000	Performance & other fees £'000	Total fees £'000
Fixed interest securities	0	0	0
Equities	1,700	200	1,900
Pooled property	3,000	0	3,000
Pooled infrastructure	4,000	0	4,000
Private debt	4,700	0	4,700
LGPSC	2,100	1,400	3,500
Other	0	0	0
Total Fund	15,500	1,600	17,100

Custodial arrangements

Custody of the Fund's assets is provided by the Global Custodian, BNY Mellon Asset Servicing, or for assets managed by LGPSC, Northern Trust.

In addition to the custodian's role in the safe keeping of the Fund's total assets, the custodian also provides services in relation to settlement and income collection, the exercise of voting rights and the execution of corporate actions in conjunction with investment managers. The appointment of a global custodian also secures an independent confirmation of the Fund's assets and their value.

Asset pooling

The Fund is a partner Fund of LGPS Central Limited (LGPSC) pool and costs were incurred by all the partner funds under a cost sharing agreement with our contribution being as follows:

	At 1 st April 2023 £ 000	Charges in year £'000	Settled in year £'000	At 31 st March 2024 £ 000
Governance costs	-	291	-	-
Operator costs	-	510	-	-
IMMC	-	150	-	-
Product development costs	-	53	-	-
Sub total	288	1,004	(819)	473

LGPSC set-up costs are detailed below. As the pool only launched in 2018, the information provided reflects the start-up nature of LGPSC: the level and complexity of the disclosures will increase in later years.

WORCESTERSHIRE PENSION FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ending 31 March 2024

	2018/19 Direct £ 000	2018/19 Indirect £'000	2018/19 Total £'000	Cumulative 2014/15 to 2018/19 total £000
Set up costs				
Recruitment				27
Procurement				2
Professional fees				187
IT				97
Staff costs				142
Other costs				
Premises				49
Staffing related costs				5
Travel & expenses				1
Training & events				1
FCA Fees				1
General admin costs				2
Set up costs before funding				514
Share capital				1315
Debt				685
Other costs				
Set up costs after funding				2514
Transition fees				
Taxation (seeding relief)				
Other transition costs				
Transition costs				

Although guidance from CIPFA has not provided a set definition of indirect costs, it is likely that the set-up costs captured to date relate to direct costs (i.e., either incurred directly by LGPSC or recharged by Partner Funds to LGPSC).

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	Cumulative £'000
Set up costs before funding			95	419		514
Set up costs after funding			95	2419		2514
Transition costs						

LGPSC Investment Management Expenses Charged to Partner Funds

		Direct £000	Indirect £000	Total £000	BPS charge £000
1	Ad valorem	1,878		1,878	20.64
2	Performance	-		-	-
3	Research	-		-	-
4	PRIIPS compliance	-		-	-
5	Other (provide details)	-		-	-
6	Commissions	268		268	2.95
7	Acquisition/issue costs	-		-	-
8	Disposal costs	-		-	-
9	Registration/filing fees	-		-	-
10	Taxes and stamp duty	328		328	3.60
11	Other (provide details)	-		-	-
	Implicit costs	603		603	6.63
12	Custody/depositary	104		104	1.14
13	Other (provide details)				-
	Fund accounting	38		38	0.42
	Transfer agent	3		3	0.03
	External audit	10		10	0.11
	Performance reporting	16		16	0.18
	Transaction charges	21		21	0.23
	MACS fees	1		1	0.01
	Total costs	3,270		3,270	35.93

Fund's Assets Under Management & Performance By Product within the LGPSC Pool

	AUM at 1 April 2023 £m	AUM at 31 March 2024 £m	1-year gross performance %	1-year net performance %	Passive benchmark used	One- year passive index %
Emerging market equity	307	-	2.48%	1.75%	FTSE Emerging Markets Index	6.20%
Corporate bonds	184	200	8.66%	8.56%	ICE BofAML Sterling Non-Gilt Index 50%; ICE BofAML Global Corporate Index 50%	6.29%
Climate factor fund	208	247	19.04%	18.99%	FTSE All-World Climate Balanced Comprehensive Factor Index	18.66%
Sustainable Targeted	77	80	4.23%	3.90%	FTSE All World Index	20.98%
Sustainable Thematic	117	140	19.93%	19.53%	FTSE All World Index	20.98%
Total ACS sub-funds	893	667				
Discretionary UK Gilts Mandate	-	176				
Alternatives – Infrastructure	-	60				
Total	893	903				

Pooled asset composition

£m Asset values as at 31 March 2024	Pooled	Under pool management	Not pooled	Total
Equities (including convertible shares)	467.7	0.0	1,986.2	2,453.9
Bonds & Gilts	375.2	0.0	0.1	375.3
Property	0.0	0.0	302.3	302.3
Hedge funds	0.0	0.0	0.0	0.0
Diversified Growth Funds (including multi-asset funds)	0.0	0.0	0.0	0.0
Private equity	0.0	0.0	1.6	1.6
Private debt	0.0	0.0	115.1	115.1
Infrastructure	60.0	0.0	590.0	650.0
Derivatives	0.0	0.0	1.5	1.5
Cash and net current assets	0.0	0.0	70.2	70.2
Other	1.4	0.0	0.0	1.4
Total	904.3	0.0	3,067.0	3,971.3

The Fund has steadily increased its allocation to pooled investments since the inception of LGPS Central. At 31 March 2024 the approximately 23% of the Fund's assets were invested via its pooling company. However, the non-pooled equities figure above includes approximately £1.6 billion invested through a joint procurement process which was a precursor to pooling. The process was conducted together with other LGPS funds which later constituted the 8 partner funds within the LGPS Central pool with an ethos identical to that of the aims of pooling. As a consequence, the Fund consider these investments to be pooled. On that basis, the pooled proportion of the Fund's assets would be approximately 63%. The Fund continues to actively explore opportunities to make further allocations to pooled investment products as appropriate.

UK asset composition

£m Asset values as at 31 March 2024	Pooled	Under pool management	Not pooled	Total
UK Listed Equities	0.0	0.0	619.3	619.3
UK Government Bonds	173.9	0.0	0.0	173.9
UK Property & Infrastructure	0.0	0.0	457.7	457.7
UK Private Equity	0.0	0.0	1.6	1.6

The paramount factor in the Fund's investment decision-making process is its fiduciary duty to act in the best interests of its scheme members. Its primary objectives to ensure that sufficient assets are available to meet liabilities as they fall due and to maximise returns at an acceptable level of risk support that duty. The Fund is keen to support the UK economy through making investments on where it can do so whilst ensuring compatibility with that duty on a case-by-case basis. A key example of that is the Fund's further £25 million allocation to the UK forestry industry taking its total commitment to £175 million. As at 31 March 2024, approximately 32% of the Fund's portfolio was invested in UK assets.

Statement of Responsible Investment

The Fund is a long-term investor aiming to deliver a sustainable pension fund for all stakeholders.

Worcestershire County Council as the administering authority has a fiduciary duty to act in the best long-term interests of the Fund's employers and scheme members. The Fund believes that in order to fulfil this duty, it must have a clear policy on how it invests in a responsible manner.

Responsible investment is a fundamental part of the Fund's overarching investment strategy as set out in the Investment Strategy Statement. The Fund is committed to ensuring that the companies in which it invests have good corporate governance, adopt a responsible attitude towards the environment and adopt high ethical standards. The Fund is a signatory to the UK Stewardship Code 2020.

Policies adopted

The Fund adopts a positive engagement approach with the companies in which it invests in order to promote high standards of corporate governance. It believes that this will help to raise standards across all markets and that this is in the long-term interests of the Fund and its stakeholders.

Investment performance is monitored on a quarterly basis and the Fund expects investment managers to engage with companies to address concerns affecting performance.

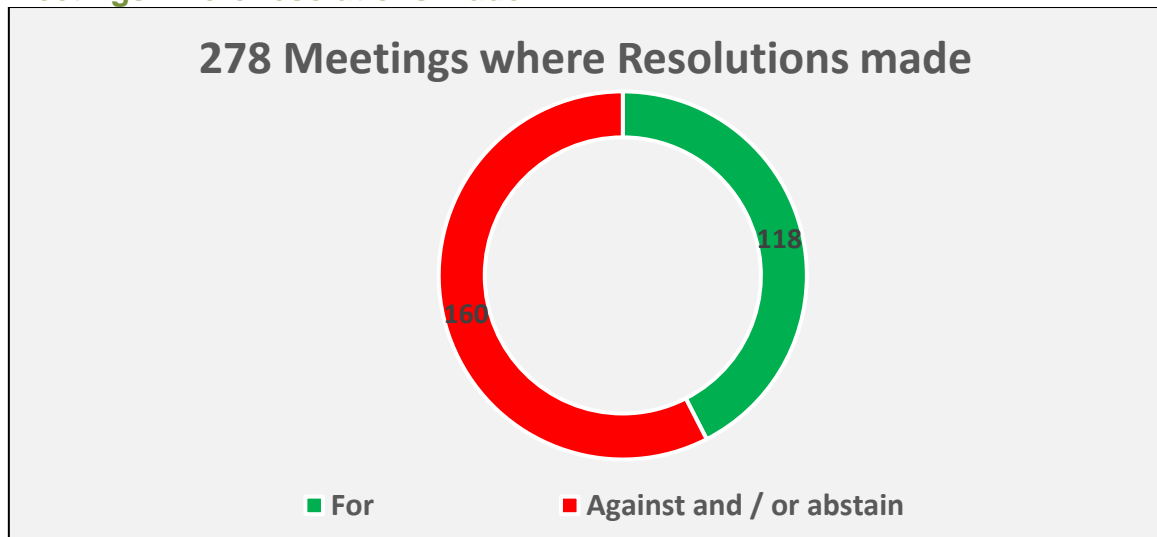
The Fund believes that the greatest impact on behaviour can be achieved when working together with others. It is a member of the Local Authorities Pension Fund Forum (LAPFF), to enable it to act collectively with other local authorities on corporate governance issues. The Forum currently has over 80 member funds representing assets of more than £350 billion. LAPFF's mission is to protect the long-term investment interests of beneficiaries by promoting the highest standards of corporate governance and corporate responsibility amongst investee companies. The Fund continues to exercise its ownership rights by adopting a policy of voting stocks it holds.

The Fund believes that it is beneficial to take the voting decisions away from our active fund managers and have the votes executed in line with LGPSC's voting principles which are in line with our own. This enables improved monitoring and reporting to the Pensions Committee. Wherever practicable votes must be in accordance with industry best practice as set out in the combined

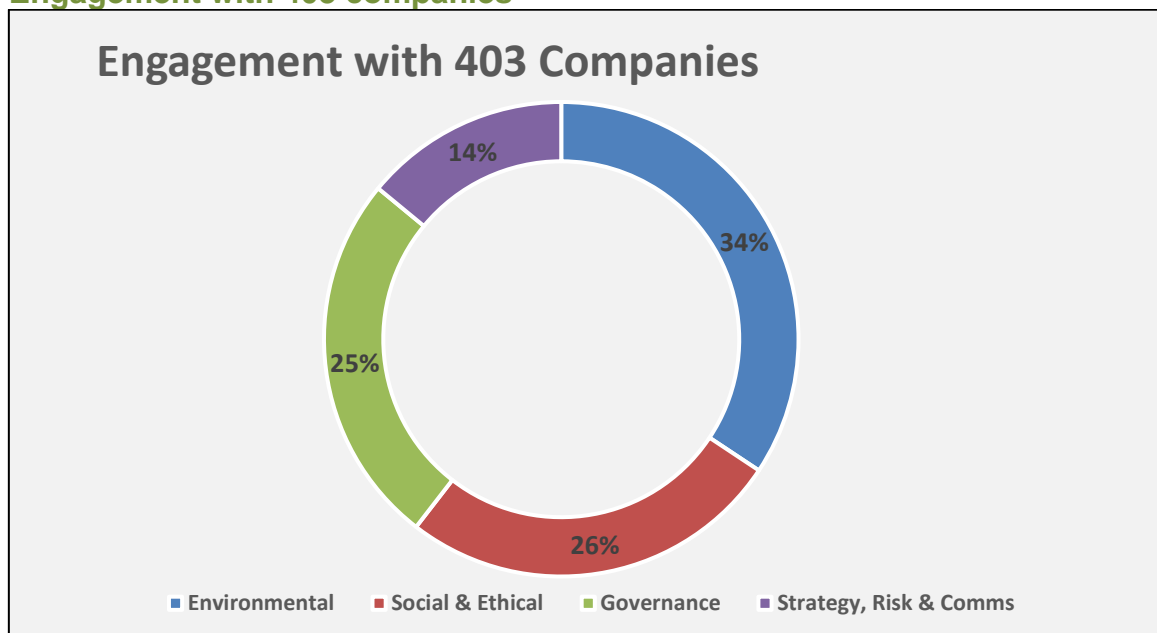
code of corporate governance with a clear focus on enhancing long-term shareholders value.

To ensure that the governance practices employed by the Fund's investment managers are aligned to that of the Fund, investment managers' quarterly performance reports are required to include specific briefing in corporate governance detailing all votes cast on the Fund's behalf as detailed in the charts below.

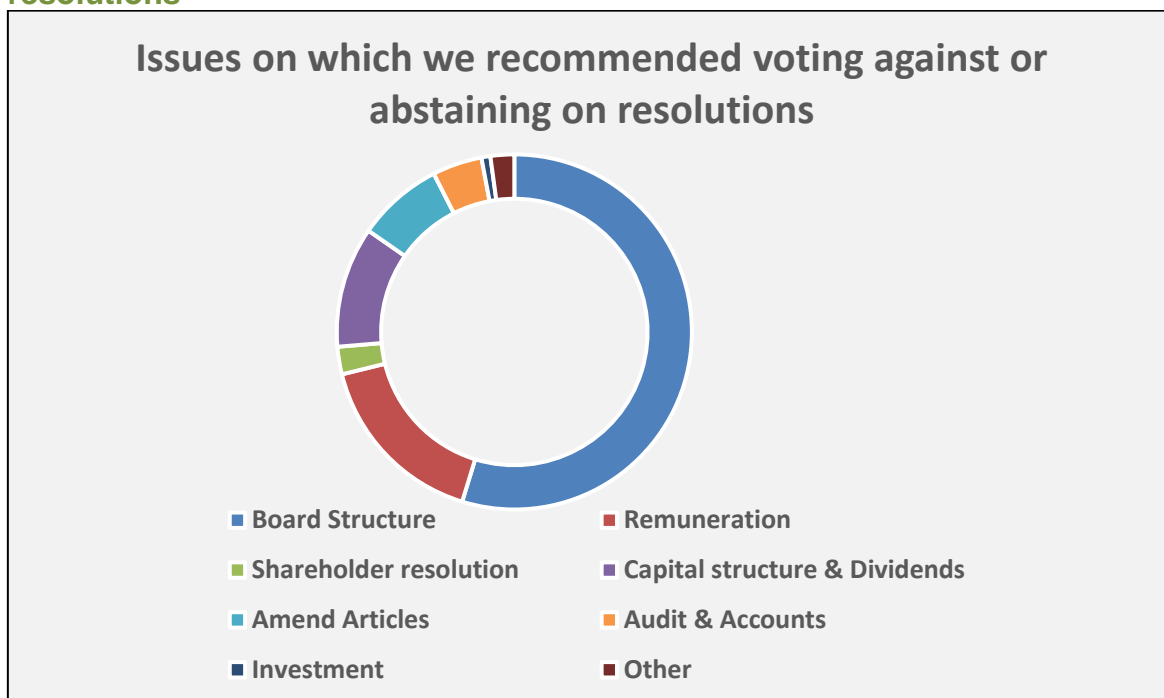
Meetings where resolutions made



Engagement with 403 companies



Issues on which we recommended voting against or abstaining on resolutions



REVIEW OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

During the year the Fund held its third annual dedicated ESG workshop, in collaboration with [Pensions For Purpose](#) (PfP), for members of its Board and Committee. During the most recent event, the Fund reviewed progress against last year's identified actions as well as focussing on its approach to impact investing.

The review included:

- Reviewing progress against the ESG recommendations approved by the Pensions Committee in March 2023.
- Focussed presentations from a UK fund manager showcasing how their ESG and impact investing strategies have been.
- A presentation from LGPSC on the outcomes of the Fund's fourth Climate Risk and TCFD reports.
- A presentation from and discussion lead by PfP focussing on impact investing strategies.
- Further discussions and debate on setting a carbon reduction target and the way forward for the next 12 months.

This has proved an effective way of demonstrating how the Fund is progressing and that the action the Fund has taken and is in the process of taking is in the best interests of clients and beneficiaries

The key outcomes of the workshop were as follows:

- **ESG Successes**
 - There have been many ESG successes since the February 2023 ESG workshop, such as further investment in forestry, investment in vertical farming and energy from waste. Additionally, the Fund has enhanced its TCFD reporting (now into fourth year on a voluntary basis), enhanced engagement with LGPSC RI&E Team and maintained signatory status with the Stewardship Code 2020.
 - Over the year the Fund has been well supported by LGPSC including via their reporting on Climate Risk Metrics.
- **Investment Beliefs**
 - It was noted the current Sustainable Development Goal's highlighted as priorities remain as Good Health and Well-Being (SDG 3), Affordable and Clean Energy (SDG 7), Industry, Innovation, and Infrastructure (SDG 9), Responsible Consumption and Production (SDG 12) and Climate Action (SDG 13).
 - The Fund is supportive of further impact investments provided they are considered on a finance first approach.
- **Climate targets**
 - The Fund has agreed to continue to consider setting a net zero target despite to compliment a five-year decarbonisation goal and continue to seek investments in climate opportunities. The following observations were noted:
 - An explicit net zero objective could impact the current investment universe available with consequences for the Fund's fiduciary duty obligations.
 - With a more limited investment set it was difficult to adequately plan for net zero. Planning issues were compounded by the lack of available emissions data.
 - The market was still maturing, and the Committee needed more confidence in data quality and approach. The Fund needed to be honest, transparent, and real. There was a preference for the Fund to be "alert and watching".
 - The current absence of an explicit net zero target need not be detrimental to stewardship, collaboration, and member engagement activities.
- **Impact Investing**
 - The committee was happy with the way the Fund was developing its impact investment approach. It was suggested that the Fund focuses on highlighting impact achievements more effectively for members, across all the investment managers. For example, existing investments in energy from waste.
 - It was agreed that the committee could consider adding an explicit paragraph in the Investment Strategy Statement which indicated commitment to impact investment in the Fund's own way and time.

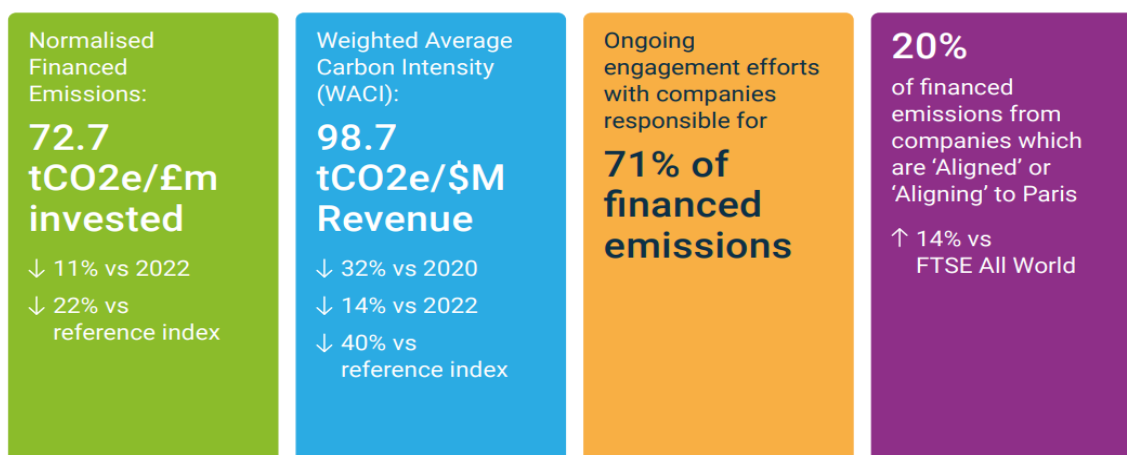
In 2022 the Fund commissioned a company called Minerva to conduct an Environment Social and Governance (ESG) audit of the Fund and to map all the Funds’ investments to the United Nations Sustainable Development Goals (SDGs). This was to establish a baseline for the Fund as to where we are and help formulate future strategic actions required for the Fund’s investment approach. The Fund intends to conduct an SDG mapping of the Fund every 3 years and therefore the next exercise is expected to take place in 2025.

Climate Risk Report

The Fund has produced its fourth [Climate Risk Management Report](#) which was reviewed alongside the findings from the ESG Audit at the January 2024 workshop.

The Fund continues to recognise that climate-related risk is very real and can impact the Fund both negatively and positively, depending on our approach to managing that risk. There is sector and stock specific risk in being invested in those areas that include fossil fuels, as they decline in usage, whereas investing in new more environmentally friendly areas, such as renewable energy, can enhance our investment returns.

The Fund is pleased that in the relation to its equity portfolio, the following progress has been made:



LGPS Central, who produce the report commented “The Fund has taken proactive steps in its climate-related reporting, voluntarily publishing annual reports aligned with the TCFD since October 2020. This demonstrates a strong commitment to addressing climate risks, even ahead of the anticipated mandate from the DLUHC”.

Statement of Compliance with the UK Stewardship Code for Institutional Investors

The introduction of the Stewardship Code in July 2010 by the Financial Reporting Council strongly encouraged best practice in respect of investor engagement. The Financial Conduct Authority (FCA updated the code in 2020 and made it more outcome focused. The Fund was successful in its fourth application and retained its signatory status to the UK Stewardship Code 2020 for.

Governance arrangements

Our governance arrangements take account of:

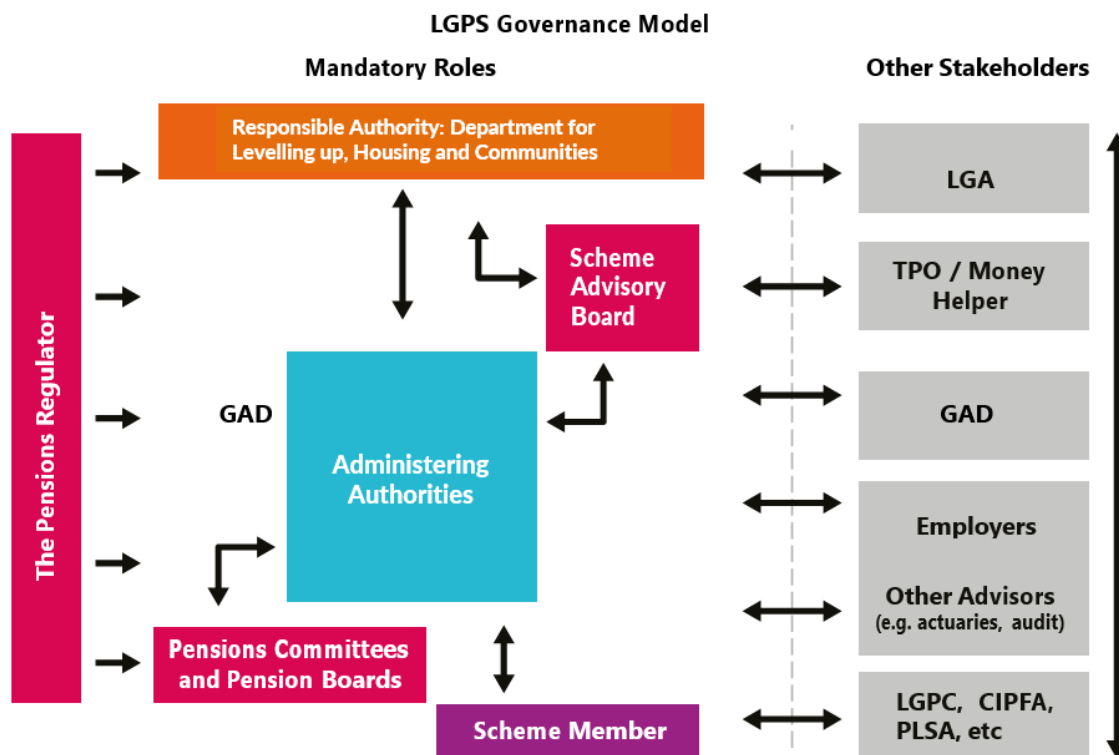
- The way in which the LGPS is governed.
- The governance arrangements of LGPSC.
- Guidance issued by The Pensions Regulator.

Overall responsibility for managing the Fund lies with the full council of Worcestershire County Council who have delegated the management and administration of the Fund to the Section 151 Officer.

The full Council reviews the discharge of its responsibilities through the Council’s Audit and Governance Committee. The Pension Board assists the Council to deliver efficient governance and administration of the Fund’s responsibilities through the Council’s Audit and Governance Committee.

The Section 151 Officer is advised by the Pensions Committee and also takes appropriate advice from the Fund’s actuary and the Fund’s appointed investment advisor. The Pensions Committee receives recommendations from the Pension Investment Sub-Committee to enable it to discharge its responsibilities effectively.

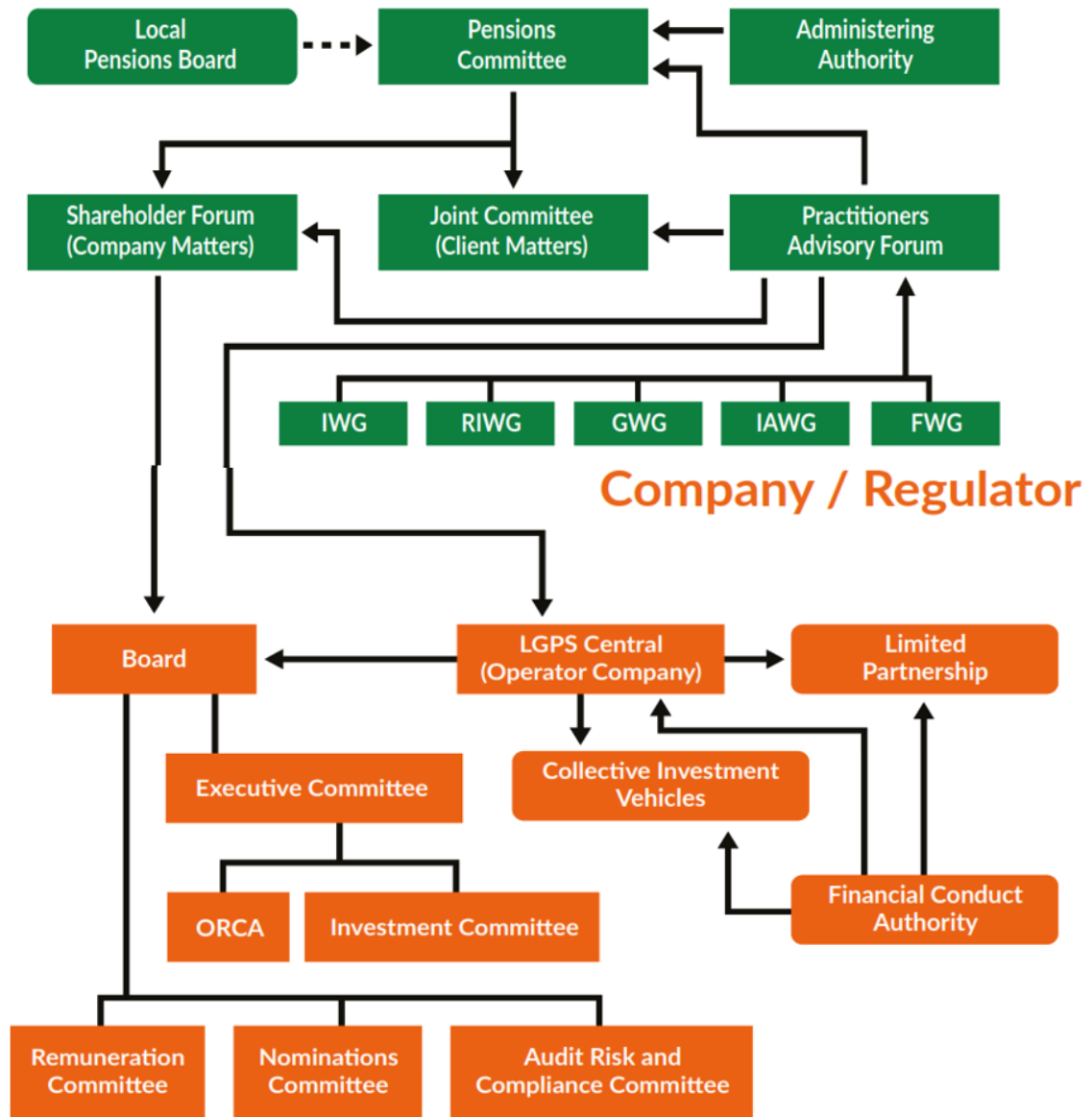
Our current governance arrangements are contained in our Governance Policy Statement.



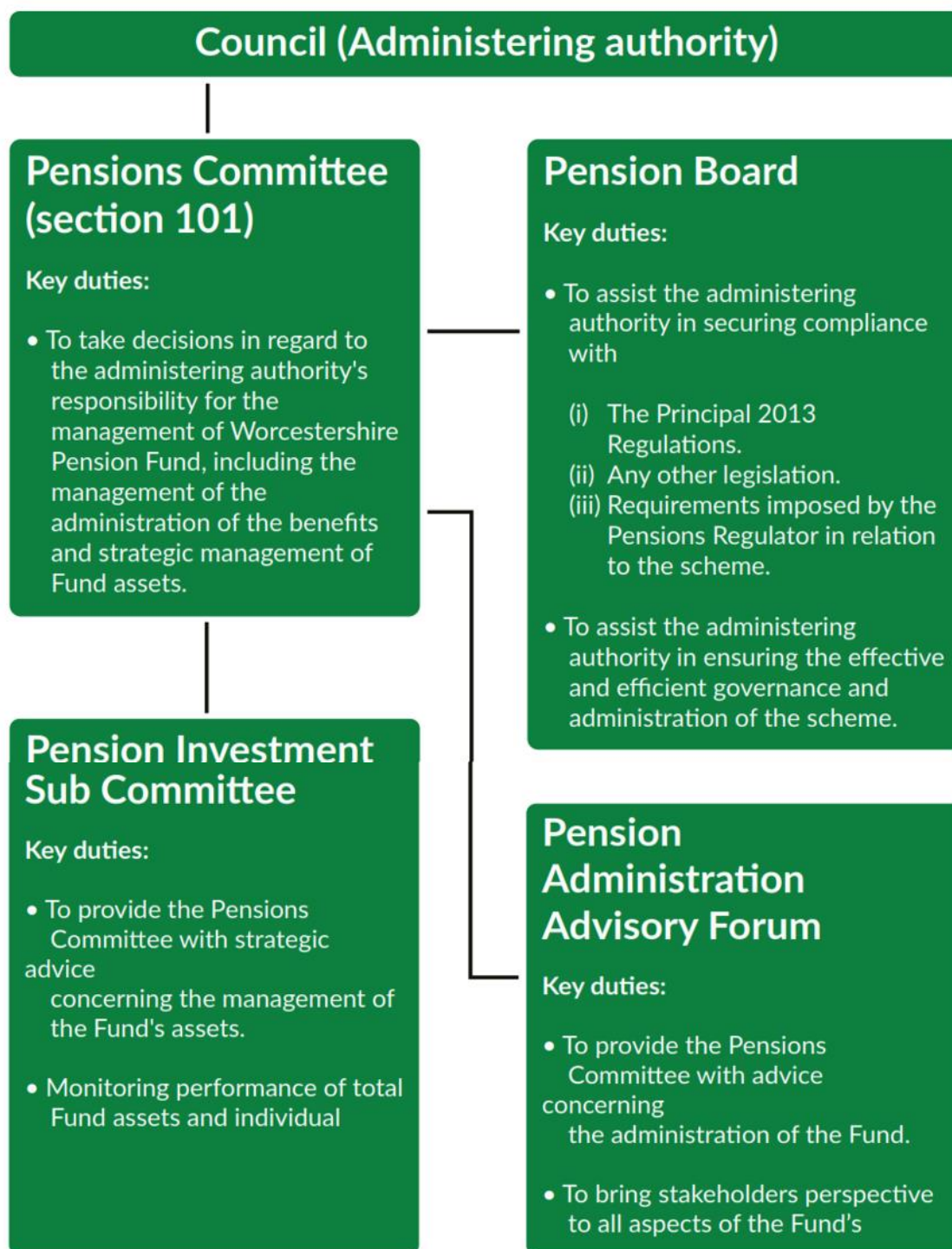
LGPSC

In collaboration with Cheshire, Derbyshire, Leicestershire, Nottinghamshire, Shropshire, Staffordshire, and West Midlands we continue to plan to pool actively managed assets using LGPSC using the following governance model.

Shareholder / Client



Worcestershire Pension Fund Governance



Governance Compliance Statement

Ref	Principles	Compliance statement	Evidence of compliance
A Structure			
a.	That the management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Compliant	The responsibilities of the Pensions Committee (PC) and its Sub-Groups are set out in the Fund's Governance Policy Statement. The Governance Policy Statement was approved by Full Council.
b.	That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee	Compliant	The Pensions Committee membership includes an employee and employer representative. Full membership details are set out in the Fund's Governance Policy Statement.
c.	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Compliant	The Pension Investment Sub Committee provides strategic advice to the Pensions Committee regarding the management of the Fund's assets. The Chairman of the Pensions Committee also sits on the Pension Investment Sub Committee to ensure effective communication. The Pensions Committee receives quarterly investment updates from the Pension Investment Sub Committee. A Pension Administration Advisory Forum has been established. The employer and employee

Ref	Principles	Compliance statement	Evidence of compliance
			representatives from the Pensions Committee attend the forum and there is a standing invitation for the Pension Board to attend the forum.
B Representation			
a.	<p>That all key stakeholders have the opportunity to be represented within the main or secondary committee structure. These include:</p> <ul style="list-style-type: none"> Employing authorities (including non-Scheme employers, e.g., admitted bodies). ii) scheme members (including deferred and pensioner scheme members). iii) where appropriate, independent professional observers and iv) expert advisers (on an ad-hoc basis). 	Compliant	<p>Membership of the Pensions Committee and Pension Investment Sub Committee include employer and employee representatives and an independent investment adviser. Full membership details are set out in the Fund's Governance Policy Statement.</p> <p>Expert advisors attend the Pensions Committee as required for the nature of the main decisions. For example, the actuary attends when the valuation is being considered, and the main investment advisor attends when a strategic asset allocation decision is being made. The investment advisor regularly attends Pension Investment Sub Committee meetings.</p> <p>All members are treated equally in terms of access to papers and to training that is given as part of the Committee process.</p>
C Selection & role of lay members			
a.	That committee or panel members are made fully aware of the status, role and function they are	Compliant	The Pensions Committee has noted its terms of reference and the Fund's Governance

Ref	Principles	Compliance statement	Evidence of compliance
	required to perform on either a main or secondary committee.		Policy Statement. Minutes of Pensions Committee meetings are published on the Council's website. A detailed training programme is also provided to Committee members and Pension Investment Sub Committee members.
b.	That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	Compliant	Declaration of interests is a standing agenda item at the start of all Pensions Committee meetings. The Pensions Committee and Pension Investment Sub Committee are serviced by Legal and Democratic Services who invite members to declare any financial or pecuniary interest related to specific matters on the agenda. Members have also from December 2021 made declarations regarding conflicts of interest. Minutes of the Pensions Committee and Pension Investment Sub Committee meetings are published on the Council's website.
D Voting			
a.	That the individual administering authorities on voting rights are clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Compliant	Voting rights are clearly set out in the Fund's Governance Policy Statement.
E Training/Facility time/Expenses			
a.	That in relation to the way	Compliant	A policy on expenses is

Ref	Principles	Compliance statement	Evidence of compliance
	in which the administering authority takes statutory and related decisions, there is a clear policy on training, facility time and reimbursement of expenses for members involved in the decision-making process.		set out in the Council's constitution. The Fund's Governance Policy Statement sets out the number of Committee meetings required each year. The Fund has an approved Training Policy and programme.
b.	That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Compliant	These polices apply to all committee members and this is clearly set out in the Fund's Governance Policy Statement and Training Policy and Programme
c.	That the administering authority considers adopting annual training plans for committee members and maintains a log of all such training undertaken.	Compliant	Regular training needs analyses are conducted as detailed in the Fund's Training Policy and Programme. A log of all training undertaken is maintained. Regular updates on training are provided to the Pensions Committee.
F Meetings (frequency/quorum)			
a.	That an administering authority's main committee or committees meet at least quarterly.	Compliant	The Pensions Committee meets quarterly. This requirement is set out in the Fund's Governance Policy Statement.
b.	That an administering authority's secondary committee or panel meets at least twice a year and is synchronised with the dates when the main committee sits.	Compliant	The Pension Investment Sub Committee meets quarterly. These meetings are synchronised with the dates when the Pensions Committee sits. These requirements are set out in the Fund's Governance Policy Statement. The Pension Administration Advisory Forum meets twice a year.
c.	That an administering	Compliant	The Fund has employee

Ref	Principles	Compliance statement	Evidence of compliance
	authority that does not include lay members in its formal governance arrangements must provide a forum outside of those arrangements to represent the interests of key stakeholders.		representatives on its Pensions Committee and its Pension Board. It has established a Pension Administration Advisory Panel which meets twice yearly. All Fund employers are invited to attend the Panel meetings. The Panel arrangement and terms of reference are set out in the Fund's Governance Policy Statement.
G Access			
a.	That subject to any rules in the Council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that are due to be considered at meetings of the main committee.	Compliant	All members of the Pensions Committee, Pension Investment Sub Committee and the Pension Administration Advisory Panel have equal access to committee papers, documents and advice that are due to be considered at meetings of the main committee. The Pensions Committee agendas and associated papers are published on the Council's website prior to the committee meeting. Pension Board papers and minutes are equally available to all Board members.
H Scope			
a.	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Compliant	The Pension Administration Advisory Panel is attended by the employer and employee representatives who sit on the Pensions Committee. This ensures flow of information between the wider scheme

Ref	Principles	Compliance statement	Evidence of compliance
			<p>employers and the main committee. Scheme employers are invited to bring wider scheme issues to the attention of the Pensions Committee through the established communication routes. The Council has included benefits administration, investments and wider governance issues under the remit of the Pensions Committee. All aspects of fund management and performance are also reported to the Pensions Committee.</p>
I Scope			
a.	<p>That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in how the scheme is governed can say they want to be part of those arrangements.</p>	Compliant	<p>The Fund's Governance Policy Statement is published on the Council's website and all scheme employers are invited to attend the Pension Administration Advisory Panel meetings. The Fund ran an open recruitment process for the employer and employee representative appointments to the now established Pension Board. Contact details are provided on the website, so other interested parties can find out more if they wish.</p>

Worcestershire Pension Fund Local Pension Board **Annual Report 2023/2024**

In addition to ensuring that at every meeting the Board reviews the Business Plans, Training updates, Governance Updates and Risk Registers being tabled at the next Pensions Committee, this year the Board has:

- Monitored the Fund's progress against the LGPS Scheme Advisory Board's (SAB) Good Governance workstream in preparation for draft statutory guidance being issued.
- Reviewed the Fund's application for retaining signatory status to the UK Stewardship Code.
- Reviewed the Fund's 2023 annual report.
- Reviewed the Fund's Investment Strategy Statement, Funding Strategy Statement, Climate- related Financial Disclosures, Governance Policy Statement, and Climate Change Risk Strategy.
- Reviewed the Fund's Pensions Administration Strategy that includes the Fund's Policy Statement on Communications.
- Reviewed the Fund's Training Policy and programme.
- Reviewed the progress on the restructure of pensions administration.
- Reviewed the Fund's Cyber Security Tips for Board and Committee members.
- Reviewed the Fund's Policy on Conflicts of Interest and the Fund's Policy on Representation.

Board members have participated in joint training sessions with the Pensions Committee on:

- The actuarial valuation 2025.
- Private equity strategies.
- ESG / responsible investment.

The standard agenda for Board meetings includes reviewing:

- Scheme Advisory Board (SAB) updates.
- The minutes of the previous Pensions Committee meeting.
- LGPS Central Limited updates.

- Governance and compliance updates (including updates on member training undertaken).
- A detailed review of the Fund's risk register.
- The Fund's future work plans and budget positions.

The papers tabled at Board meetings can be accessed from the Fund's website. I meet twice yearly with the chairs from the Boards of the LGPS funds within the Fund's pool to discuss current issues and to share ideas.

Looking ahead, the Board intends to pay particular attention to the Fund's approach to training; the implementation of the McCloud and GMP equalisation remedies; and progress towards delivering on Pensions Dashboards and Member Self Service.

Councillor Roger Phillips
Herefordshire Council
Chair of Worcestershire Pension Fund's Local Pension Board

Audited Statement of Financial Accounts & Supporting Notes 2023/24

About the accounts

Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2023/2024 financial year and its position at year-end as at 31 March 2024. The accounts have been prepared in accordance with the Code of Practice on Local Accounting in the United Kingdom 2021/22 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year.

Explanatory Foreword and a Review of the Year 2023/24

Contains a review of the year and other general information about the accounts.

The Fund Account

Details the money received and spent within the Pension Fund during 2023/24.

Net Assets Statement

Statement showing the Fund's financial position at 31 March 2024.

Notes to the Fund Accounts

Notes providing additional information for the Fund Account and Net Assets Statement.

Statement of Accounting Policies

These are shown against the relevant note.

Explanatory Foreword and a Review of the Year 2023/24

Foreword by the Chief Financial Officer

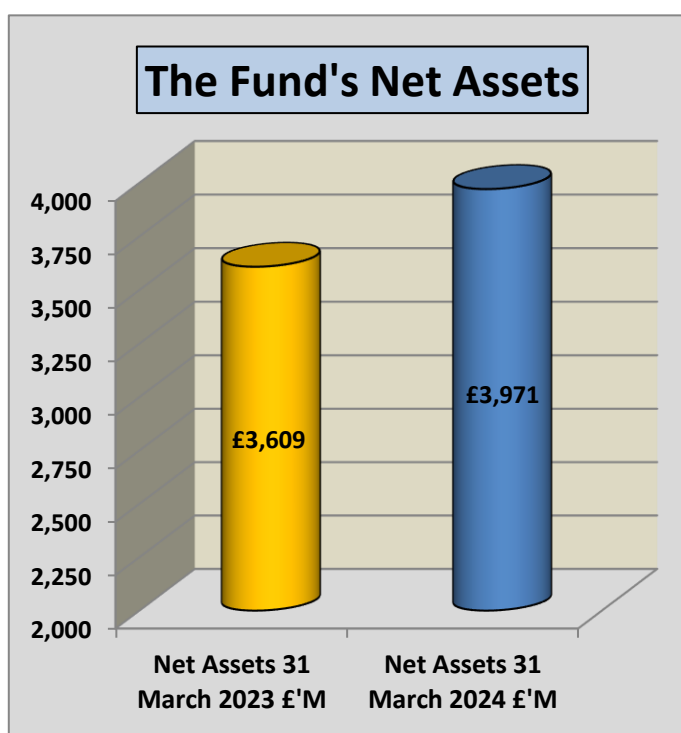
Welcome to the Fund's 2023/24 Statement of Accounts. Worcestershire County Council administers the Local Government Pension Scheme (LGPS), which provides for the occupational pensions of employees, other than teachers, police officers, and fire fighters of the local authorities within the Herefordshire and Worcestershire area. Worcestershire County Council also administer the LGPS for members of other organisations which have made admission agreements with the Fund and designated bodies who have passed resolutions with Worcestershire County Council.

Aim and Purpose of the Fund

The aims of the Fund are to:	
•	Enable employer contribution rates to be kept as nearly constant as possible and at reasonable cost.
•	Manage employers' liabilities effectively.
•	Ensure that sufficient resources are available to meet all liabilities as they fall due.
•	Maximise the returns from investments within reasonable risk parameters.
The purpose of the Fund is to:	
•	Receive monies in respect of contributions, transfer values and investment income.
•	Pay out monies in respect of scheme benefits, transfer values, costs, charges, and expenses.

Key Headlines

- Chart 1 shows that the value of the Fund's net assets increased by £362.7 million from £3,608.6 million at 31 March 2023 to £3,971.3 million at 31 March 2024.
- Income from contributions increased to £133.3 million, from £97.9 million, due to additional members and employers joining the Fund during 2023/24.
- Net investment returns increased to £398.7 million compared to £57.0 million for 2022/23 which was mainly due to the improved market value of the investment



portfolio following the significant headwinds witnessed during 2022 and early 2023.

Contributions from staff and employers were less than the benefits paid as well as administration and management expenses in 2023/24 by £36 million. This was expected due to an increase in members and the final year of the unwinding of employers 3-year pension contributions prepayments.

- Chart 2 shows that during the year a surplus resulted on the Fund Account (aside from the net investments returns) totalling £15 million, an increase of £10 million from the 2022/23 surplus of £5 million.

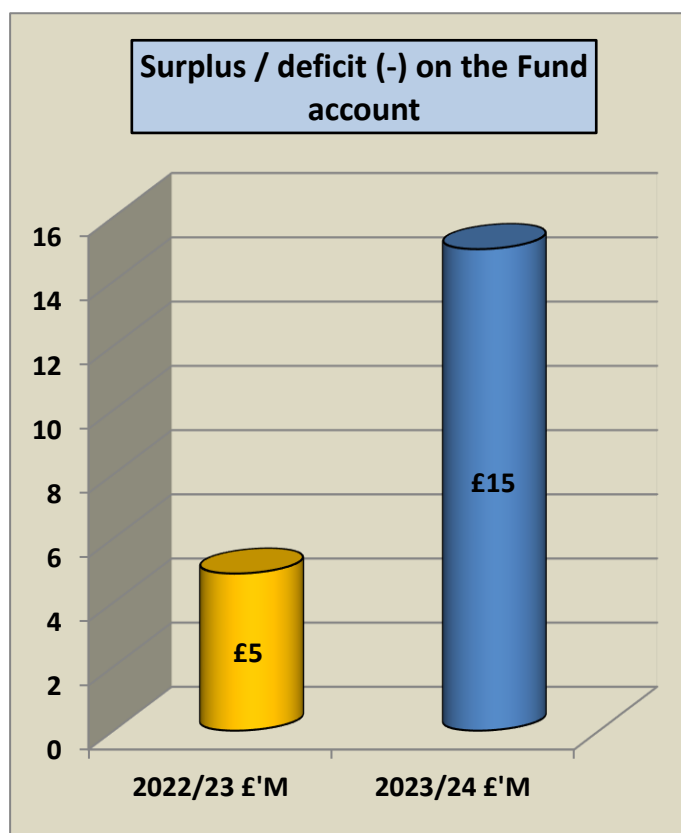


Table 2 analysis of changes within the Fund's membership profile

	31 March 2023	31 March 2024	Change	Change %
Contributors to the Fund	23,240	23,449	209	0.9
Pensions paid	21,062	21,861	799	3.8
Deferred members	23,855	24,285	430	1.8
	68,157	69,595	1,438	2.1

Table 2 above shows that the scheme membership has continued to grow. Active employer numbers have increased from 68,157 to 69,595 during 2023/24, due mainly to auto enrolment initiatives and an increase in the number of designated employers. Given the administrative challenges presented by this continued growth, the Fund regularly reviews its systems and processes and importantly, the way it engages with, and receives data from scheme employers.

Pensions Administration

During the year we have launched LGPS members portal which can be accessed via the Fund's website. The portal enables our LGPS members to keep up to date with their benefits, update information and use tools which will support preparation for retirement. Fund communications will also be driven by the member portal as we will be able to issue more regular communications including newsletters and

annual benefit statements through the portal as opposed to paper copied being issued annually.

The Fund are also re-engineering our internal processes, used to deliver benefits to our members. The aim is to align the new, and future, technology we have invested in, including the member portal, to ensure that the data held by the fund can be delivered more efficiently and effectively to our members enhancing the member experience. We have introduced additional support for Senior Officers, Pensions Board and Committee members in the form of an online training platform which will be used in conjunction with the Fund training policy and programme. The online training platform allows users more flexibility in being able to gain access to training material at anytime and anywhere via a secure online portal.

During the year changes were made in the team, to ensure resource was targeted in order to drive through improvements as well as boosting the resource available to manage employer risk and relationships. We also introduced career-graded roles for processing staff, to provide career opportunities and promote training and development. We have developed and rolled out a comprehensive set of management information reports, covering our performance against our admin KPIs and team productivity, and we are using this data to inform our priorities, and engage the team in understanding where we need to focus our efforts.

Activity / Process	Target turnaround (Working days)	2022/23 average turnaround (Working days)	2023/2024 average turnaround (Working days)
Joiners' notification of date of joining	40	12	20
Calculate and notify deferred benefits	30	6	5
Letter notifying actual retirement benefits	15	2	2
Letter notifying estimate of retirement benefits	15	2	2
Process and pay lump sum retirement grant	23	12	13

	2022/23	2023/24
Total Number of staff FTE	39.6	42.0
Admin Cost per member*	£22.95	£33.01

The higher administration costs were driven by systems and member experience enhancement expenditure, an increase in governance costs along with general inflationary pressures and expenditure related to enhancing recruitment to ensure the Fund is ready to meet increasing regulatory demands

Governance

The Council has established a Pensions Committee to exercise the Administering Authority's responsibility for the management of the Fund. The Pensions Committee has overall responsibility for the management of the administration of the Fund and for the strategic management of the Fund's assets. In order to discharge its responsibility effectively the Pensions Committee is supported by the Pension Administration Advisory Forum and the Pension Investment Sub Committee. Note, it is the Audit and Governance Committee that is charged with governance for the purpose of the accounts.

The purpose of the Board is to assist the Administering Authority in its role as a scheme manager. Such assistance is to: (a) secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme and (b) to ensure the effective and efficient governance and administration of the Scheme.

The Fund's Governance Policy Statement is published on the Council's website. It complies with LGPS Regulations and is aligned to prescribe best practice guidance.

The Fund also reports quarterly to the Pensions Committee on the Fund's progress towards delivering the recommendations arising from the Scheme Advisory Board's (SAB) 'Good Governance project'.

Management of the Fund's assets

The management of the Fund's assets is operated through fourteen specialist external managers with over twenty mandates in total. The Pensions Committee is advised in relation to asset allocation decisions and the monitoring of external managers' performance by the Pension Investment Sub Committee, which includes an Independent Adviser.

The Fund's asset allocation is kept under regular review and the current long-term investment allocation includes investments in a wide variety of UK and overseas companies, corporate bonds, corporate private debt, property, and infrastructure. A strategic asset allocation review took place in December 2022 and was endorsed by the Pensions Committee in March 2023 and the following recommendations arising from the review continued to be progressed during 2023/24, and will continue over the medium term:

- Increase the Fund's passive market allocation by 5% to the US and reduce the UK allocation by 5%.
- Allocate up to 5% of the Funds Strategic asset allocation (SAA) to Private Equity (PE), steadily over a period of time.
- Procure a segregated Equity Protection strategy mandate so that it is available to the Fund as and when required.

- Continues to explore opportunities to deploy capital in alternative assets with an income focus to ensure that a continued long term cashflow solution is in place.

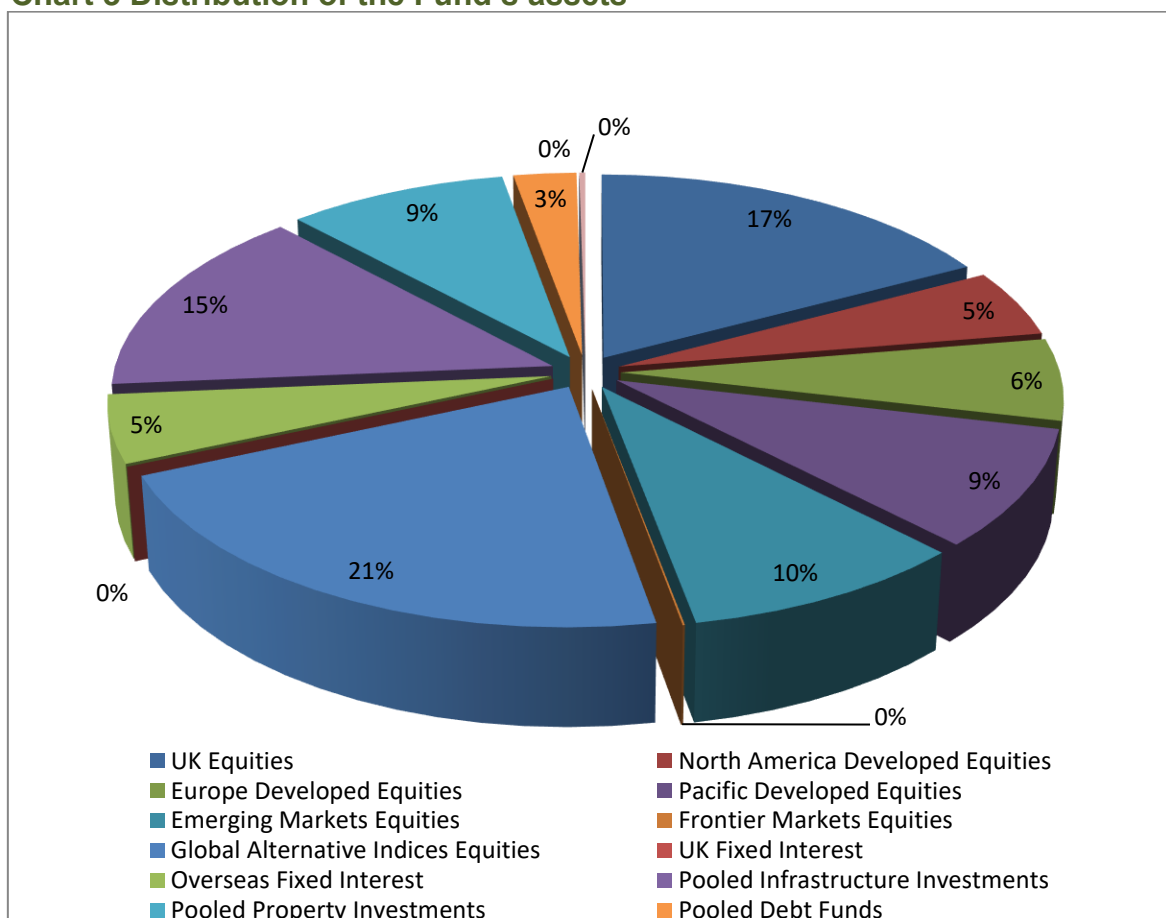
Following the 2022 strategic asset allocation review, the following new commitments have been made during the 2023/24 financial year: -

- LGPS Central Infrastructure Single Asset Fund II: £60m.
- Gresham House Private Equity Release Fund: £50m.
- Gresham House Forestry Fund VI: £25m.

Given conditions in equity markets at the time, the Fund took the opportunity to exit the protection given by its equity protection vehicle during 2022/23. Following recommendations resulting from the most recent SAAR, at 31 March 2023 the procurement of a suitable segregated equity protection strategy was in progress.

The following chart details the distribution of the Fund's assets as at 31 March 2024:

Chart 3 Distribution of the Fund's assets



Environmental, Social & Governance (ESG) & Responsible Investment (RI)

The Fund has continually looked to develop and improve its approach to RI and conducted an ESG audit last year which included mapping the Fund's entire portfolio to the United Nations' sustainable development goals (SDGs). The Fund conducted its fourth annual ESG workshop for its Pension Board and Pensions Committee on 31 January 2024 to review progress against the identified actions and was found to have made very pleasing headway.

In January 2024 the Fund's fourth annual [Climate Risk Management Report](#) delivered a view of the climate risk of the Fund's entire equity asset portfolio, accompanied by proposed actions the Fund could take to manage and reduce that risk. The results were used in the Fund's public-facing [Climate Related Financial Disclosures](#) for the fourth year.

The Fund was particularly pleased to see that previous focus on transitioning out of our passive mandates with the greatest carbon footprint has continued the progress made in its listed market portfolio now being 40% more carbon efficient than the reference index and a further 14% more efficient than in 2022. During the 2023/24 financial year, the Fund increased its existing commitment to UK forestry investments by a further £25m, taking the total commitment to £190m thus recognising that its investments in private markets also have a significant role to play in addressing climate related issues. The Fund has maintained its commitment to a number of sustainable infrastructure and housing investments, evidenced by the investments illustrated above, which will have a long term environmental and social impact.

Impact of Global Financial Market Volatility and Geopolitical Landscape

Ongoing discussions throughout the year have taken place with existing fund managers and our actuary to continue to consider and understand the implications of inflationary pressures and geopolitical instability on financial markets and the wider investment landscape. As detailed above the Fund had already taken steps to diversify some of its asset allocations from equities into property and infrastructure as well as commencing the procurement of an equity protection strategy to guard against major market fluctuations. Excessive volatility in market risk is also managed through the diversification of the portfolio in terms of geographical and industry sectors and also individual securities.

LGPS Central Limited (LGPSC)

Previous Fund's accounts highlighted the government's requirements and reasoning (opportunities for collaboration, cost savings and efficiencies) for asset pooling. However, the responsibility for asset allocation stays with the Worcestershire Pension Fund. The Fund is a partner fund along with Cheshire, Leicestershire, Shropshire, Staffordshire, West Midlands, Derbyshire, and Nottinghamshire in a collective investment vehicle called LGPSC. The company is authorised to operate as an alternative investment fund manager (AIFM) and became formally operational from the 1 April 2018.

Each partner fund approved the regulatory capital requirements for LGPSC and its introduction on the 31 January 2018. As all FCA regulated entities are required to hold regulatory capital designed to protect the solvency of the entity, £16m of capital

was introduced (“Capital Introduced”) by the eight shareholders to cover the capital requirement, a prudent buffer, set-up costs and operational liquidity. Each partner fund provided £2million of capital on 31st January 2018, with the Fund’s share consisting of £1.3million of equity and £0.7million of debt.

LGPSC has been in operation just over 5 years and the Fund has, by market value at 31 March 2024, approximately 23% of its assets in LGPSC's Global Corporate Bonds Fund, Buy & Maintain UK Gilts Fund, Single Asset Infrastructure Fund, Global All World Equity Climate Multi Factor Fund and Global Sustainable active equities. This increases to approximately 53% when including the Pooling undertaken by the ‘Shire’ Pension Funds for passive equities just before LGPSC was formed which is included in the DLUHC pooling return.

Management of the Funds liabilities

The Funds’ funding strategy is kept under regular review by the Pensions Committee and the Fund's actuary assesses at three yearly intervals the Fund's assets and its liabilities. An actuarial valuation of the Worcestershire Pension Fund was carried out as at 31 March 2022 to determine the contribution rates with effect from 1 April 2023 to 31 March 2026. Key outcomes of the valuation at that point in time are detailed below:

- The Fund’s assets of £3,585 million represented 101% of the Fund’s past service liabilities of £3,562 million (the “Funding Target”) at the 31 March 2022 valuation date. This compares to the 90% funded position at the previous valuation at 2019.
- A common rate of contribution of 18.8% (2019: 17.5%) of pensionable pay per annum will be required from employers covering 2023-26. The common rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date. Different rates apply across fund employers based on specific factors.

Given the challenging macroeconomic landscape encountered during 2022 and early 2023, it is pleasing that as at 31 March 2024 the Fund’s assets of £3,971 million represented approximately 106% of the present value of promised retirement benefits of £3,723 million.

To meet the requirements of the Regulations, the Fund has set a clear long-term funding objective; to achieve and then maintain assets equal to 100% of projected accrued liabilities, assessed on an ongoing basis.

Phil Rook
Chief Financial Officer
31 May 2024

Fund Account (money received and spent during 2023/24)

2022/23	Notes	2023/24
£m		£m
Dealings with members, employers and others directly involved with the Fund		
97.9 Contributions	4	133.3
22.0 Transfers in from other pension funds	5	15.2
119.9		148.5
(122.6) Benefits	6	(137.8)
(12.7) Payments to and on account of leavers	7	(25.1)
(135.3)		(162.9)
(15.4) Net additions / (withdrawals) from dealings with members		(14.4)
(1.5) Administrative expenses	8	(2.6)
(16.1) Management expenses	9	(19.1)
(33.0) Net additions / (withdrawals) including fund management and administrative expenses		(36.1)
Returns on investments		
37.9 Investment income	10	51.1
0.1 Taxes on income	11	(0.2)
Profit and (losses) on disposal of investments and		
19.1 Changes in the market value of investments	12a & 15b	347.9
57.0 Net return / (loss) on investments		398.8
Net increase in the net assets available for benefits during the year		
3,584.6 Opening net assets		3,608.6
3,608.6 Closing net assets		3,971.3

Net Assets Statement for the year ended 31 March 2024 (showing the financial position at 31 March 2023 and 2024)

2022/23	Notes	2023/24
£m		£m
1.4 Long term Investment Assets	12	1.4
2,654.0 Investment Assets - Internally Managed	12 & 15	2,998.4
893.6 Investment Assets - LGPSC Managed	12 & 15	902.7
8.7 Cash Deposits	12	9.1
3,557.7		3,911.6
(0.3) Investment Liabilities	12	0.0
55.5 Current Assets	17	58.7
1.7 Non-Current Assets	18	6.2
(6.1) Current Liabilities	19	(5.2)
3,608.6		3,971.3
3,608.6 Net assets of the Fund available to fund benefits at the period end		3,971.3

These financial statements do not take into account liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits (determined in accordance with IAS 19) is disclosed in the Actuarial Statement (Note 2 to the Accounts). Note 14 to the Accounts provide details on the fair value of assets.

Financial assets are included in the Net Assets Statement above on a fair value basis as at the reporting date apart from those financial instruments that are held solely for the payments of principal and interest (SPPI) such as cash and debtors which are measured at amortised cost. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of asset are recognised in the Fund Account. The values of investments as shown in the Net Assets Statement have been determined as follows:

- i) **Market-quoted investments** the value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.
- ii) **Fixed interest securities** fixed interest securities are recorded at net market value based on their current yields.
- iii) **Unquoted investments** the fair value of investments for which market quotations are not readily available is determined as follows:
 - a. **Valuations of delisted securities** are based on the last sale price prior to delisting, or were subject to liquidation, the amount the Fund expects to receive on wind-up, less estimated realisation costs.
 - b. **Securities subject to takeover offer** – the value of the consideration offered under the offer, less estimated realisation costs.
 - c. **Directly held investments** include investments in limited partnerships, shares in unlisted companies, trusts and bonds. Other unquoted securities typically include pooled investments in property, infrastructure, debt securities and private equity. The valuation of these pools or directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.
 - d. **Investments in unquoted property and infrastructure pooled funds** are valued at the net asset value or a single price advised by the fund manager.
 - e. **Investments in unquoted listed partnerships** are valued based on the Fund's share of the net assets in the limited partnership using the latest financial statements published by the respective fund managers in accordance with the *International Private Equity and Venture Capital Valuation Guidelines, updated at December 2022*.

- iv) **Limited partnerships fair value** is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.

- v) **Pooled investment vehicles** are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.

Financial Liabilities

The Fund recognises financial liabilities at fair value as at the reporting date apart from those financial instruments that are held solely for the payments of principal and interest (SPPI) such as cash and debtors which are measured at amortised cost. A financial liability is recognised in the Net Assets Statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value or amortised cost of the liability are recognised by the Fund.

Notes to the Accounts (providing additional information for the Fund Account and Net Assets Statement)

These comprise of a summary of significant accounting policies against the relevant note as opposed to a prescribed list of accounting policies. Further information and detail of entries in the prime statements and other explanatory information and disclosures are as follows: -

NOTE 1: DESCRIPTION OF FUND

a) General

The Fund is administered by Worcestershire County Council on behalf of their own employees, those of the Herefordshire Council, the District Councils, private sector admitted bodies with staff transferred under TUPE from the administering authority and other bodies in the county of Worcestershire and Herefordshire, other than teachers, police officers, and fire fighters.

In matters relating to the management of the Fund's assets the Pensions Committee is advised in relation to asset allocation decisions and the monitoring of external managers' performance by the Pension Investment Sub Committee, which includes an independent investment adviser.

The Pensions Committee consists of County Councillors and an Employer and Employee Representative. Formal monitoring takes place on a quarterly basis through meetings with investment managers to discuss their performance. Asset allocation is reviewed at least annually, and pension administration issues are discussed at the Pension Administration Advisory Forum with any resulting recommendations considered by the Pensions Committee.

The day-to-day management of the Fund's investments is divided between external investment managers who operate in accordance with mandates set out in the Fund's Investment Strategy Statement.

b) Membership

Organisations participating in the Fund include the following:

- Scheduled bodies which are automatically entitled to be members of the Fund. These include county councils, district councils, foundation schools / colleges and academies.
- Admitted bodies, which participate in the Fund under the terms of an admission agreement between the Fund and the employer. Admitted bodies include voluntary, charitable, and similar not for profit organisations, or private contractors undertaking a local authority function following outsourcing to the private sector.
- Designated bodies which are organisations that have passed resolutions with town or parish councils.

Membership details are set out below:

	31 March 2023	31 March 2024	Diff
Number of employers	198	199	1
Employee Members of the Fund			
County Council	7,535	7,616	81
Other Employers	15,705	15,833	128
Total	23,240	23,449	209
Pensioner Members of the Fund			
County Council	6,476	6,777	301
Other Employers	14,586	15,084	498
Total	21,062	21,861	799
Deferred Members of the Fund			
County Council	9,190	9,285	95
Other Employers	14,665	15,000	335
Total	23,855	24,285	430
Total Number of Members in the Fund	68,157	69,595	1,438

The increase in member numbers from 31 March 2023 is mainly due to an increase in employee and pensioner members.

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by employee members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending March 2024. Employee contributions are in addition to employer contributions which are set based on actuarial valuations. The last valuation conducted was at 31 March 2022. The common employer contribution rate for the Fund is 18.8%.

d) Pension Benefits

Prior to 1 April 2014 pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is updated annually in line with the Consumer Prices Index.

A range of other benefits are also provided including early retirement, disability pensions and death benefits, as explained on the [LGPS website](#).

Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of International Accounting Standard (IAS) 19 and relevant actuarial standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 2 below).

NOTE 2: FUNDING ARRANGEMENTS AND ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated March 2023. In summary, the key funding objectives are as follows:

- Achieve and maintain assets equal to 100% of liabilities within a target 15 year timeframe, whilst remaining within reasonable risk parameters.
- Determine employer contribution requirements to maintain long term cost efficiency, whilst recognising the constraints on affordability and strength of employer covenant, with the aim being to maintain as predictable an employer contribution requirement as possible.
- Strike the appropriate balance between long-term investment performance and the Fund's funding objectives.
- Ensure net cash outgoings can be met as/when required.
- Minimise unrecoverable debt on employer termination.
- Ensure that the future strategy, investment management actions, governance and reporting procedures take full account of longer-term risks and sustainability.
- To provide more certainty in employer contribution outcomes (within reasonable parameters) by implementing a number of risk management techniques to manage various aspects of the Fund's financial risks, specifically an Equity Protection strategy and investment strategies reflective of the risk associated to each employer.

In line with the FSS, where a shortfall exists at the effective date of the valuation, a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall. Equally, where there is a surplus it may be appropriate to offset this against contributions for future service, in which case contribution reductions may be put in place to allow for this.

The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation the maximum recovery period adopted was 12 years for employers in deficit and 15 years for employers in surplus, and the total initial recovery payment ("the Secondary rate" for 2023-26) was an addition of approximately £2.7m per annum (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), although this

varies year on year.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022. This valuation revealed that the Fund’s assets, which at 31 March 2022 were valued at £3,585 million, were sufficient to meet 101% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2022 valuation was £23 million. Each employer had contribution requirements set at the valuation. Individual employers’ contributions for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund’s funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2022 valuation report and FSS.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value. The key financial assumptions adopted for the 2022 valuation were as follows:

Financial assumptions at 31 March 2022	For past service liabilities	For future service liabilities
Discount rate*	4.6%	5.1%
Salary increase assumption**	4.6%	4.6%
Benefit increase assumption (CPI)	3.1%	3.1%

**This is the discount rate for the “growth pot” and applies to the majority of employers. Certain employers have a more cautious investment strategy, and so a lower discount rate.*

***A minimum of 4% p.a. over the 3 years to 31 March 2026 and then reverting to the long term rate.*

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the adjusted S3PA tables with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, smoothing parameter Sk7.5, initial adjustment of 0% and a long term rate of 1.75% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	22.1 years	24.3 years
Future Pensioners*	23.7 years	26.4 years

*Aged 45 at the 2022 Valuation.

Copies of the 2022 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund and on the Fund's website.

Experience over the period since 31 March 2022

Markets were disrupted by the ongoing war in Ukraine and inflationary pressures in 2022 and 2023, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in higher than expected LGPS benefit increases of 10.1% in April 2023 and 6.7% in April 2024. However, asset performance has improved towards the end of 2023 and into 2024 and inflation has begun to return towards historical levels and the Bank of England's target (2% pa). There has been a significant shift in the wider economic environment since 2022, resulting in generally higher expected future investment returns.

The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed at that time.

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2023/24 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the Worcestershire Pension Fund ("the Fund").

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in the pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Fund's funding assumptions.

Present value of promised retirement benefits

Year ended	31 March 2024	31 March 2023
Active members (£m)	1,366	1,247
Deferred members (£m)	868	863
Pensioners (£m)	1,489	1,548
Total (£m)	3,723	3,658

The promised retirement benefits at 31 March 2024 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2022. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2024 and 31 March 2023. I estimate that the impact of the change in financial assumptions to 31 March 2024 is to decrease the actuarial present value by £64m. I estimate that the impact of the change in demographic assumptions is to decrease the actuarial present value by £57m.

Financial assumptions

Year ended	31 March 2024	31 March 2023
	% p.a.	% p.a.
Pension Increase Rate	2.75%	2.80%
Salary Increase Rate	4.25%	4.20%
Discount Rate	4.85%	4.80%

Demographic assumptions

The longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Life expectancy is based on the S3PA tables with improvements in line with the CMI 2022 model, with a 25% weighting of 2022 data, 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.3 years	23.6 years
Future pensioners (assumed to be aged 45 at the latest valuation date)	22.6 years	25.5 years

All other demographic assumptions are unchanged from last year and are as per the latest funding valuation of the Fund.

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the obligations are set out below:

Change in assumption at 31 March 2024	Approximate % increase to promised retirement benefits	Approximate monetary amount (£m)
0.1% p.a. decrease in the Discount Rate	2%	67
1 year increase in member life expectancy	4%	152
0.1% p.a. increase in the Salary Increase Rate	0%	2
0.1% p.a. increase in the Rate of CPI Inflation	2%	65

Professional notes

This paper accompanies the 'Accounting Covering Report – 31 March 2024' which identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Steven Scott FFA
 13 May 2024
 For and on behalf of Hymans Robertson LLP

NOTE 3: EVENTS AFTER THE REPORTING DATE

These are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Events taking place after this date are not reflected in the financial statements or notes. Management have reviewed and can confirm that there are no significant events after the reporting period.

It is anticipated that the future value of investments may continue to be exposed to increased market volatility as a result of geopolitical events as well as the global inflationary environment which may impact on the value of the Fund in the short to medium term; however, it is not possible to reliably estimate the financial impact of this on the position and performance of the Fund in future periods.

The impact of inflation and consequent price rises on fuel and the cost of living is likely to impact on increasing budgetary pressures and it is unlikely that the level of funding that local government bodies receive in future years will keep pace with pressures being faced. This will need to be taken into account for employer's contributions to the Fund.

The Fund Accounts include more detail regarding the impact of geopolitical events and inflation in the accompanying disclosure notes concerning Funding Arrangements and Accounting Assumptions and the Chief Financial Officer's foreword.

NOTE 4: CONTRIBUTIONS RECEIVABLE

Normal contributions, both from the members and from employers, are accounted for on an accruals basis at the percentage rate recommended by the Fund's actuary in the payroll period to which they relate.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets. The contributions received are detailed below: -

	2022/23	2023/24
By Category	£m	£m
Employers		
Normal contributions	54.2	87.6
Deficit recovery contributions	14.9	10.2
Augmentation contributions	0.7	5.0

	2022/23	2023/24
By Category	£m	£m
Employees		
Additional contributions	0.0	0.0
Normal contributions	27.8	30.1
Additional contributions	0.3	0.4
	97.9	133.3

	2022/23	2023/24
By authority:	£m	£m
Worcestershire County Council	13.8	28.0
Scheduled bodies	72.2	94.9
Community admission bodies	3.8	2.9
Transferee admission bodies	7.1	6.5
Designated bodies	1.0	1.0
	97.9	133.3

The increase in contributions in 2023/24 was due to an increase in membership of the Fund driven by additional employers and continued efforts to promote employee enrolment.

NOTE 5: TRANSFERS IN AND FROM OTHER PENSION FUNDS

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with LGPS regulations. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged. Bulk (group) transfers are accounted for on an accrual's basis in accordance with the terms of the transfer agreement. Individual transfers in and from other pension funds are as follows: -

	2022/23	2023/24
	£m	£m
Individual transfers	18.1	15.2
Bulk transfers	3.9	0.0
	22.0	15.2

NOTE 6: BENEFITS PAYABLE

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities. The benefits paid are as follows: -

By category:	2022/23	2023/24
	£m	£m
Pensions	100.3	111.8
Commutations and lump sum retirement benefits	19.7	23.4
Lump sum death benefits	2.6	2.6
	122.6	137.8

By authority:	2022/23	2023/24
	£m	£m
Worcestershire County Council	43.5	47.5
Scheduled bodies	65.4	73.7
Admitted bodies	1.7	1.7
Community admission bodies	7.7	9.2
Transferee admission bodies	3.7	4.9
Designated bodies	0.6	0.8
	122.6	137.8

NOTE 7: PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2022/23	2023/24
	£m	£m
Individual transfers	12.7	13.4
Group transfers	0.0	11.7
	12.7	25.1

At 31 March 2024 there were no potential liabilities in respect of individuals transferring out of the Fund upon whom the Fund is awaiting final decisions.

NOTE 8: ADMINISTRATIVE EXPENSES

All administrative expenses are accounted for on an accruals basis. All staff costs of the Fund's administration team are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

	2022/23	2023/24
	£m	£m
Employee expenses	1.1	1.7
Support services	0.1	0.1
Actuarial services	0.5	0.4
Other expenses	(0.2)	0.4
	1.5	2.6

The audit fee (included in support services above) for work completed by the Fund's external auditors for the year ended 31 March 2024 was £93,656 (31 March 2023: £36,073 in total), 3.5% (31 March 2023: 2.1%) of total admin costs.

NOTE 9: MANAGEMENT EXPENSES

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 permit costs incurred in connection with the investment and administration of the Fund to be charged against the Fund.

The Code of Practice does not require any breakdown of the Fund's administrative expenses. However, in the interests of greater transparency, the Fund discloses its management expenses in accordance with CIPFA guidance Accounting for Local Government Pension Scheme Management Costs.

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

	2022/23	2023/24
	£m	£m
Oversight and Governance	0.4	0.2
LGPS*	0.6	0.8
Investment Management Expenses		
Administration, management, and custody fees	14.4	17.2
Other expenses	0.7	0.9
	16.1	19.1

NOTE 9A: INVESTMENT MANAGEMENT EXPENSES

Fixed income and equity investment managers' expenses are charged on a percentage basis of the market value of assets under management and therefore increase or reduce as the value of these investments change. Global custodian fees are agreed in the respective mandate governing their appointment.

The cost of obtaining investment advice from the Fund's independent investment adviser is included in oversight and governance. All investment management expenses are accounted for on an accrual's basis. The management costs are as follows: -

WORCESTERSHIRE PENSION FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ending 31 March 2024



2023/24	Management Fees	Transaction Costs	Performance Related Fees	Total
	£m	£m	£m	£m
LGPS Central (Bonds)	0.2	0.7	0.0	0.9
LGPS Central (Emerging Markets)	1.1	0.8	0.0	1.9
LGPS Central (Global Climate Fund)	0.1	(0.4)	0.0	(0.3)
LGPS Central (Global Targeted Fund)	0.3	0.2	0.0	0.5
LGPS Central (Global Thematic Fund)	0.4	0.1	0.0	0.5
Nomura Asset Management UK Ltd	0.4	0.2	0.0	0.6
Legal & General Investment Management	0.4	0.0	0.0	0.4
Green Investment Bank	0.6	0.0	0.0	0.6
Hermes	0.3	0.0	0.0	0.3
Invesco	0.8	0.0	0.0	0.8
VENN	1.2	0.0	0.0	1.2
Walton Street	0.2	0.0	0.0	0.2
AEW	0.1	0.0	0.0	0.1
Stonepeak	1.4	0.0	0.0	1.4
Igneo (was First Sentier)	0.4	0.0	0.0	0.4
Bridgepoint (was EQT)	4.7	0.0	0.0	4.7
River and Mercantile	0.0	0.0	0.0	0.0
Gresham Forestry	0.7	0.0	0.0	0.7
Gresham Forest Fund VI	0.0	0.0	0.0	0.0
Gresham (BSIF)	0.0	0.0	0.0	0.0
Gresham (BSIF II)	1.3	0.0	0.0	1.3
Closed Mandates & one-off advisory fees	0.9	0.0	0.0	0.9
Subtotal	15.5	1.6	0.0	17.1
Custody Fees				0.1
Total Fees			0.0	17.2

2022/23	Management Fees	Transaction Costs	Performance Related Fees	Total
			£m	£m
LGPS Central (Bonds)	0.2	0.6	0.0	0.8
LGPS Central (Emerging Markets)	1.2	0.6	0.0	1.8
LGPS Central (Global Climate Fund)	0.1	0.4	0.0	0.5
LGPS Central (Global Targeted Fund)	0.2	0.2		0.4
LGPS Central (Global Thematic Fund)	0.3	0.0	0.0	0.3
Nomura Asset Management UK Ltd	0.4	0.3	0.0	0.7
Legal & General Asset Management	0.3	0.0	0.0	0.3
Green Investment Bank	0.6	0.0	0.0	0.6
Hermes	0.6	0.0	0.0	0.6

WORCESTERSHIRE PENSION FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ending 31 March 2024

2022/23	Management Fees	Transaction Costs	Performance Related Fees	Total
			£m	£m
Invesco	0.9	0.0	0.0	0.9
VENN	0.7	0.0	0.0	0.7
Walton Street	0.2	0.0	0.0	0.2
AEW	0.1	0.0	0.0	0.1
Stonepeak	0.8	0.0	0.0	0.8
Igneo (was First Sentier)	0.9	0.0	0.0	0.9
Bridgepoint (was EQT)	1.5	0.0	0.0	1.5
River and Mercantile	0.2	1.6	0.0	1.8
Gresham Forestry	(0.6)	0.0	0.0	(0.6)
Gresham Forest Fund VI	0.3	0.0	0.0	0.3
Gresham (BSIF)	0.0	0.0	0.0	0.0
Gresham (BSIF II)	1.6	0.0	0.0	1.6
Closed Mandates & one-off advisory fees	0.0	0.0	0.0	0.0
Subtotal				
Custody Fees				0.1
Total Fees				

The £17.1m investment management expenses incurred in 2023/24 represent 0.43% or 43 basis points (bps) of the market value of the Fund's assets as at 31st March 2024 (0.40% or 40bps as 31 March 2023). The cash for pooled property investments, pooled infrastructure investment and equity protection strategy drawdowns was transitioned from the overweight position held in UK passive equities, which have a very low management fee in comparison.

The reason for the investment in pooled property investments and pooled infrastructure investments was to further diversify the Fund's assets whilst maintaining long term target investment returns. These investments have a J-Curve return profile, so are expected to provide increased returns as the pooled funds mature.

* The Fund has applied CIPFA's guidance 'Accounting for Local Government Pension Scheme Management Costs', which requires external investment management fees and transaction costs to be deducted from asset values (rather than invoiced and paid directly). These are shown gross: the application of the guidance increases management expenses from £11.3 million to £17.1million for 2023/24 (£6.6 million to £14.9 million for 2022/23). It is important to note that the application of the guidance does not represent an actual increase in costs, or a

decrease in the Fund's resources to pay pension benefits.

NOTE 10: INVESTMENT INCOME

Income from equities (dividend income) is accounted for on the date stocks are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Income from fixed interest, cash and short-term deposits is accounted for on an accruals basis, using the effective interest rate of the financial institution as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis. Income from other investments is accounted for on an accrual's basis.

The changes in market value of investments during the year are recognised as income and comprise all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value.

	2022/23	2023/24
	£m	£m
Fixed interest securities	(0.2)	0.0
Equity dividends	10.3	7.3
Pooled property & infrastructure investments	26.5	39.8
Interest on cash deposits	1.3	4.0
Securities lending	0.0	0.0
	37.9	51.1

NOTE 11: TAXES ON INCOME

The Fund is a registered public service scheme under section (1) of schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

	2022/23	2023/24
	£m	£m
Withholding tax – equities	0.1	(0.2)
	0.1	(0.2)

NOTE 12: INVESTMENTS

	Market value 31 March 2023	Market Value 31 March 2024
	£m	£m
Long term Investment Assets		
LGPS Central shares	1.4	1.4
Investment Assets -LGPS Central Managed		
Equities	306.9	0.0
Pooled investment vehicles	402.7	527.7
Fixed Interest Securities	184.0	375.0
Investment assets -WPF Managed		
Fixed interest securities	0.0	0.0
Equities	328.5	355.1
Pooled investment vehicles	1,393.8	1,629.6
Pooled property investments	323.6	331.3
Pooled infrastructure investments	511.8	561.1
Pooled debt Assets	92.3	115.1
Private Equity	0.0	1.6
Derivatives - futures	0.0	0.0
Derivatives - forward FX	0.0	0.0
Cash deposits	8.7	9.1
Investment income due	3.7	4.6
Amounts receivable for sales	0.3	0.0
Total investment assets		
Investment liabilities		
Derivatives - futures	(0.0)	(0.0)
Derivatives - forward FX	(0.0)	(0.0)
Amounts payable for purchases	(0.3)	(0.0)
Total investment liabilities	(0.3)	(0.0)
Net investment assets	3,557.4	3,911.6

**NOTE 12A: RECONCILIATION OF MOVEMENTS IN INVESTMENTS
AND DERIVATIVES**

	Market value 31 March 2023	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31 March 2024
	£m	£m	£m	£m	£m
Long-term Investment Assets					
LGPS Central – Shares	1.4	0.0	0.0	0.0	1.4
	1.4	0.0	0.0	0.0	1.4
Investment Assets -LGPS Central Managed					
Fixed Interest Securities	184.0	174.6	(0.8)	17.2	375.0
Pooled investment vehicles	402.7	60.0	(0.5)	65.5	527.7
Equities	306.9	0.0	(306.1)	(0.8)	0.0
	895.0	234.6	(307.4)	81.9	904.1
Investment Assets -WPF Managed					
Fixed interest securities	0.0	0.0	0.0	0.0	0.0
Equities	328.5	127.5	(122.1)	21.2	355.1
Pooled investment vehicles	1,393.8	32.2	(48.4)	252.0	1,629.6
Pooled property investments	323.6	57.2	(33.0)	(16.5)	331.3
Pooled infrastructure investments	511.8	116.2	(74.3)	7.4	561.1
Pooled debt investments	92.3	37.5	(16.3)	1.6	115.1
Private Equity	0.0	1.7	(0.8)	0.7	1.6
	3,545.0	606.9	(602.3)	348.3	3,897.9
Other investment balances:					
Cash deposits	8.7			(0.4)	9.1
Investment income due	3.7				4.6
Amount receivable for sales of investments	0.3				0.0
Amounts payable for purchases of investments	(0.3)				0.0
Net investment assets	3,557.4			347.9	3,911.6

WORCESTERSHIRE PENSION FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ending 31 March 2024



Prior year comparators:



Long-term Investment Assets					
LGPS Central – Shares	1.4	0.0	0.0	0.0	1.4
	1.4	0.0	0.0	0.0	1.4
Investment Assets - LGPS Central Managed					
Fixed Interest Securities	206.4	0.0	(0.8)	(21.6)	184.0
Pooled investment vehicles	207.1	201.3	(1.1)	(4.6)	402.7
Equities	322.5	0.0	(1.7)	(19.9)	306.9
	737.4	201.3	(3.6)	(40.1)	895.0
Investment Assets - WPF Managed					
Fixed interest securities	190.4	191.4	(382.5)	0.7	0.0
Equities	332.9	162.7	(147.5)	(19.6)	328.5
Pooled investment vehicles	1,508.8	231.7	(375.5)	28.8	1,393.8
Pooled property investments	221.9	127.1	(30.4)	5.0	323.6
Pooled infrastructure investments	426.7	106.0	(49.8)	28.9	511.8
Pooled debt investments	76.3	27.0	(16.1)	5.1	92.3
	3,494.4	1,047.2	(1,005.4)	8.8	3,545.0
Derivative contracts:					
Futures	31.6	343.4	(381.2)	6.2	(0.0)
Forward currency contracts	0.0	0.0	0.0	0.0	0.0
	3,526.0	1,390.6	(1,386.6)	15.0	3,545.0
Other investment balances:					
Cash deposits	13.0			4.1	8.7
Investment income due	4.4				3.7
Amount receivable for sales of investments	0.0				0.3
Amounts payable for purchases of investments	0.0				(0.3)
Net investment assets	3,543.4			19.1	3,557.4

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year. The changes in purchases and sales in derivatives relate to transactions made within the equity protection strategy maintained by River and Mercantile.

Transaction costs are not included in the cost of purchases and sale proceeds, as they have been included in investment management expenses as per CIPFA

guidance. Transaction costs include costs charged directly to the Fund such as fees, commissions, and other fees.

Transaction costs incurred during the 2023/24 year amounted to £1.6 million, (2022/23: £3.7 million). These transaction costs represent 0.04% or 4bps of the market value of the Fund's assets as at 31 March 2024 (9bps at 31 March 2023).

Indirect costs are incurred through the bid-offer spread on investments within pooled investments vehicles. The amount of indirect costs is not provided separately to the Fund.

NOTE 12B: INVESTMENTS ANALYSED BY FUND MANAGER

The proportion of the market value of investment assets held by external fund managers at the year-end was:

External Fund Manager	2022/23		2023/24	
	£m	%	£m	%
LGPSC (Bonds)	184.0	5	199.7	5
LGPSC (UK Gilts)	0.0	0	175.5	4
LGPSC (Emerging Markets)	306.9	9	0.0	0
LGPSC (Global All World Climate Factor Fund)	208.2	6	247.4	6
LGPSC (Global Sustainable Active Equities)	194.5	5	220.3	6
LGPSC Single Asset Infrastructure Fund	0.0	0	60.0	2
JP Morgan Asset Management (Bonds)	0.2	0	0.1	0
JP Morgan Asset Management (Emerging Markets)	1.6	0	1.7	0
Nomura Asset Management UK Ltd	355.5	10	394.1	10
Schroder Investment Management	1.5	0	1.5	0
Legal & General Asset Management	1,366.8	38	1,590.4	41
Green Investment Bank	46.7	1	39.4	1
Hermes (Fund I and II)	91.0	3	75.1	2
Invesco (Euro and a UK Property Fund)	116.9	3	106.9	3
VENN (Fund I & II)	18.2	0	19.6	1
Walton Street (Fund I & II)	10.6	0	12.1	0
AEW	18.6	1	18.0	0
Stonepeak (III & IV)	174.2	5	182.4	5
Igneo (II & III, was First Sentier)	133.4	4	162.6	4
Bridgepoint Fund II & III (was EQT)	92.2	3	115.1	3
WCC Managed Account	5.4	0	5.9	0
Gresham House Private Equity Release Fund	0.0	0	1.6	0
Gresham House (BSIF I & II)	86.6	3	130.5	3
Gresham House Forestry Growth & Sustainability	54.6	2	74.4	2
Gresham House Forest Fund VI	84.7	2	71.3	2
	3,552.3	100	3,905.6	100

The above excludes £1.4m (2022/23: £1.4m) Invested in LGPSC and £4.6m (2022/23: £3.7m) of investment income due. The following investments represent more than 5% of the net assets of the Fund:

	Market value 31 March 2023	% of total Fund	Market value 31 March 2024	% of total Fund
Security	£m		£m	
LGIM – UK Equity Index Pooled Fund	608.0	17.1	614.9	15.7
LGIM - Client Specific unitised Fund -STAJ	354.2	10.0	464.5	11.9
LGPS Central Emerging Market Equity Pool	306.9	8.7	0.0	0.0
LGIM – Europe (ex-UK) Index Pooled Fund	221.8	6.3	246.3	6.3
LGPS Central All World Equity Climate Factor Fund	208.2	5.9	247.4	6.3
LGPS Central Global Active Investment Grade Corporate Bond Fund	184.0	5.2	199.7	5.1
LGIM – North America Index Pooled Fund	182.8	5.2	263.6	6.7

NOTE 12C: STOCK LENDING

The Fund operates the practice of lending stock to a third party for a financial consideration. Securities released to a third party under the stock lending agreement with the Fund's custodian, BNY Mellon, are included in the Net Assets Statement to reflect the Fund's continuing economic interest of a proprietary nature in those securities.

The total amount of stock lent at the year-end was £9.6 million (2022/23: £3.6 million). Counterparty risk is managed through holding collateral at the Fund's custodian bank. The total collateral, which consisted of acceptable corporate and sovereign debt as well as equities was £10.0 million (2022/23: £3.7 million) representing 104.6% of stock lent.

Income received from stock lending activities was £0.01 million for the year ending 31 March 2024 (2022/23: £0.01 million). This is included within the 'Investment Income' figure detailed on the Fund Account.

Stock lending commissions are remitted to the Fund via the custodian. During the period the stock is on loan, the voting rights of the loaned stocks are passed to the borrower. There are no liabilities associated with the loaned assets.

NOTE 13A: ANALYSIS OF DERTIVATIVES

During the year ending 31 March 2024, The Fund used derivative financial instruments to manage its exposure to specific risks arising from its investment

activities. The Fund did not hold derivatives for speculative purposes.

The value of a futures contract is determined using exchange prices at the reporting date. Amounts due from or owed to the broker are the amounts outstanding in respect of the initial margin and variation margin. The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract.

Objectives and Policies for Holding Derivatives

The holding in derivatives was designed to hedge exposures to reduce risk in the Fund. Derivatives were used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives was managed in line with the investment management agreement between the Fund and its investment managers.

a) Futures

The Fund's investment managers hold cash balances to ensure efficient and timely trading when opportunities arise. The Fund's management did not want this cash to be 'out of the market' and so enabled several investment managers to buy and sell futures contracts which had an underlying economic value broadly equivalent to the cash held. The economic exposure represents the notional value of the stock purchased under futures contracts and is therefore subject to market movements. The portfolio cannot be geared to and must have the liquidity needed to cover open positions. Derivative receipts and payments represent the realised gains and losses on futures contracts.

b) Forward Foreign Currency

To maintain appropriate diversification and to take advantage of overseas investment returns, the Fund's bond mandate targets outperformance against a global benchmark index. To reduce volatility associated with the fluctuating currency rates, the Fund has enabled the bond mandate investment manager to purchase and sell forward foreign currencies as a hedge.

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

Futures

Outstanding exchange traded futures contracts are as follows:

ASSETS		Economic Exposure	Market Value 31 March 2023	Economic Exposure	Market Value 31 March 2024
Type of future	Expiration	£m	£m	£m	£m
UK Gilt exchange traded	Under one year	0.0	0.0	0.0	0.0
UK FTSE exchange traded option	Under one year	0.0	0.0	0.0	0.0
EUROSTOXX exchange traded option	Under one year	0.0	0.0	0.0	0.0
US S+P exchange traded option	Under one year	0.0	0.0	0.0	0.0
Overseas exchanged traded	under one year	0.0	0.0	0.0	0.0
Total assets					0.0

LIABILITIES		Economic Exposure Value	Market Value 31 March 2023	Economic Exposure Value	Market Value 31 March 2024
Type of future	Expiration	£m	£m	£m	£m
UK Gilt exchange traded	Under one year	0.0	0.0	0.0	0.0
UK FTSE exchange traded option	Under one year	0.0	0.0	0.0	0.0
EUROSTOXX exchange traded option	Under one year	0.0	0.0	0.0	0.0
US S+P 500 exchange traded option	Under one year	0.0	0.0	0.0	0.0
Overseas exchanged traded	Under one year	0.0	0.0	0.0	0.0
Total liabilities			(0.0)		0.0

Net futures

(0.0)

0

OPEN FORWARD CURRENCY CONTRACTS AS AT 31 MARCH 2024

Settlement	Currency Bought	Local Currency Value	Currency Sold	Local Currency Value	Asset Value	Liability Value
		£m		£m	£m	£m
1-6 Months	JPY	0.0	USD	0.0	0.0	0.0
1-6 Months	USD	0.0	JPY	0.0	0.0	0.0
					0.0	(0.0)

Net forward currency contracts at 31 March 2024

0.0

Settlement	Currency Bought	Local Currency Value	Currency Sold	Local Currency Value	Asset Value	Liability Value
		£m		£m	£m	£m

Prior year comparative:

Open forward currency contracts at 31 March 2023	0.0	0.0
Net forward currency contracts at 31 March 2023		0.0

ANALYSIS OF CASH

Cash comprises demand deposits and cash equivalents; these include amounts held by the Fund's external managers. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value. Please see Note 16 for further analysis of Cash Instruments.

	2022/23	2023/24
Cash	£m	£m
Cash deposits	4.7	5.4
Cash instruments	4.0	3.7
	8.7	9.1

NOTE 14: FAIR VALUE

NOTE 14A: BASIS OF VALUATION

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market-Quoted Investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Fixed Interest Securities	Level 1	Fixed interest securities are	Not required	Not required

WORCESTERSHIRE PENSION FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ending 31 March 2024

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
		valued at net market value based on current yields		
Pooled Equity Funds	Level 2	Closing bid price where bid and offer prices are published; or the single price, as applicable	Net Asset Value (NAV)-based pricing set on a forward pricing basis and in the case of accumulation funds, reinvested income net of applicable withholding tax	Not required
Forward Foreign Exchange Derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
Property, Infrastructure, Private Equity and Debt Funds	Level 3	Unit or security price as advised by Investment Manager or responsible entity	Funds share of net assets in limited partnership, using Financial Statements published by the manager as at the final day of the accounting period	Valuations could be affected by material events occurring between the date of the financial statements provided and the fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts

Please see paragraphs under the Net Assets Statement for more detail of our basis for measurement for the above Financial Instruments.

NOTE 14B: FAIR VALUE HIERARCHY

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed interest securities and quoted index linked securities.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include unquoted equity investments, pooled property investments and pooled infrastructure investments which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The following table provides an analysis of the financial assets and liabilities of the Fund into levels 1 to 3, based on the level at which the fair value is observable:

	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
Values at 31 March 2024	Level 1	Level 2	Level 3	
	£m	£m	£m	£m
Fair Value Financial assets				
Financial assets at fair value through profit and loss	1,202.4	1,629.6	1,069.1	3,901.1
Total fair value financial assets				
Fair Value Financial Liabilities				
Financial liabilities at fair value through profit and loss	0.0	0.0	0.0	0.0
Total fair value financial liabilities	0.0	0.0	0.0	0.0
Net fair value financial assets	1,202.4	1,629.6	1,069.1	3,901.1

	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
Values at 31 March 2023	Level 1	Level 2	Level 3	
	£m	£m	£m	£m
Fair Value Financial assets				
Financial assets at fair value through profit and loss	1,017.9	1,602.0	927.7	3,547.6
Total fair value financial assets	1,017.9	1,602.0	927.7	3,547.6
Fair Value Financial Liabilities				
Financial liabilities at fair value through profit and loss	0.0	(0.3)	0.0	(0.3)
Total fair value financial liabilities	0.0	(0.3)	0.0	(0.3)
Net fair value financial assets	1,017.9	1,601.7	927.7	3,547.3

NOTE 14C: SENSITIVITY OF ASSETS VALUED AT LEVEL 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the Fund has determined that the valuation methods described in Note 14a are likely to be accurate to within the following ranges. This sets out below the consequent potential impact on the closing value of investments held at 31 March 2024.

Sensitivity Analysis	Valuation range	Value as at 31 st March 2024	Valuation Increase	Valuation Decrease
	+ / %	£m	£m	£m
Pooled Investments - Property Funds	15.6	331.3	383.0	279.6
Pooled Investments - Infrastructure Funds	13.6	621.1	705.6	536.6
Pooled Investments - Debt Funds	8.8	115.1	125.2	105.0
Private Equity	31.2	1.6	2.1	1.1
Total		1,069.1	1,215.9	922.3

The valuation for these asset classes is based on the volatility over three years of monthly investment returns. The return is based upon the market value and income and trades supplied by our underlying managers and grouped accordingly.

Reconciliation of Fair Value Measurements within Level 3

Investment Movement	Pooled Investments Property Funds	Pooled Investments Infrastructure Funds	Pooled Investments Debt Funds	Private Equity Funds	Total
	£m	£m	£m	£m	£m
Market Value 1 st April 2023	323.6	511.8	92.3	0.0	927.7
Transfers into Level 3	0.0	0.0	0.0	0.0	0.0
Transfers out of Level 3	0.0	0.0	0.0	0.0	0.0
Purchases and derivative Pymts	57.2	176.2	37.5	1.7	272.6
Sales and derivative receipts	(33.0)	(74.3)	(16.3)	(0.8)	(124.4)
Unrealised gains/(losses)	(17.4)	(0.9)	0.9	0.7	(16.7)
Realised gains/(losses)	0.9	8.3	0.7	0.0	9.9
Market value 31st March 2024	331.3	621.1	115.1	1.6	1,069.1

NOTE 15: FINANCIAL INSTRUMENTS

NOTE 15A: CLASSIFICATION OF FINANCIAL INSTRUMENTS

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and Net Assets Statement heading.

Fair value through profit and loss 2022/23	Financial Instruments at Amortised Cost 2022/23	Fair value through profit and loss 2023/24	Financial Instruments at Amortised Cost 2023/24
£m	£m	£m	£m
			Financial assets
	1.4		Other share capital
893.6		902.7	LGPS Central Managed
0.0		0.0	Fixed interest securities
328.5		355.1	Equities
1,393.8		1,629.6	Pooled investment vehicles
323.6		331.3	Pooled property investments
			Pooled Infrastructure investments
511.8		561.1	
92.3		115.1	Pooled Debt investments
0.0		1.6	Private Equity
0.0		0.0	Derivatives - Futures
0.0		0.0	Derivatives - Forward FX
	51.2		Cash
			58.2

4.0		Other investment Balances	4.6	
	13.0	Current assets		9.6
	1.7	Non-current assets		6.2
3,547.6	67.3		3,901.1	75.4
		Financial liabilities		
0.0		Derivatives - Futures	0.0	
0.0		Derivatives - Forward FX	0.0	
(0.3)		Other investment balances	0.0	
	(6.1)	Current liabilities		(5.2)
(0.3)	(6.1)		0.0	(5.2)
3,547.3	61.2		3,901.1	70.2

NOTE 15B: NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

31 March 2023		31 March 2024
£m		£m
	Financial assets	
8.8	Fair value through profit and loss	348.3
4.1	Financial Assets at Amortised Cost	(0.4)
	Financial liabilities	
6.2	Fair value through profit and loss	0.0
19.1	Total	347.9

Fair value through profit and loss is the combination of realised and unrealised profit and loss. The Fund has not entered into any financial guarantees that are required to be accounted for as financial instruments.

NOTE 16: NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

In the course of everyday operating, the Fund is subject to a number of risk factors arising from the holding of financial instruments. The main risks arising from the holding of the Fund's financial instruments are market risk, credit risk and liquidity risk.

As detailed in the Investment Strategy Statement, the Fund holds equity and bond instruments in order to meet its investment objectives. The Fund's investment objectives and risk management policies are as follows.

- 1) The investment objective for the Fund is to: -
 - a. ensure that sufficient assets are available to meet liabilities as they fall due.
 - b. Maximise the return at an acceptable level of risk.

- 2) Risk management is mostly concerned with:
 - a. avoiding the possibility of loss, or
 - b. limiting a deficiency in the underlying Fund, or
 - c. avoiding a contribution rate increase in the future.

Market Risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk. There are three main types of market risk that the Fund is exposed to as at 31 March 2024:

- Equity Risk
- Interest Rate Risk
- Foreign Exchange Risk

Equity risk refers to the risk arising from the volatility in stock prices; this can be systematic risk, the risk due to general market factors and affects the entire industry, or unsystematic risk, which refers to the risk specific to a company that arises due to the company specific characteristics. Interest rate risk is the risk that the value of a security will fall as a result of increase in interest rates. Foreign exchange risk arises because of fluctuations in the currency exchange rates.

The Fund reduces its unsystematic equity risk by diversifying investments across global markets, investing in over 1,000 companies worldwide through active segregated mandates and passive pooled funds. Investment restrictions are built into contracts held with each investment manager to ensure risk concentration is minimal and gearing of the Fund's equity and fixed income assets cannot take place. An equity protection strategy has also been implemented to protect against significant market falls in its passive equity portfolio.

Interest rate risk has been reduced through the holding of fewer bonds as a percentage of the Fund's total assets.

Foreign Exchange risk exists in relation to the Fund's overseas equity investments. The Fund runs un-hedged equity portfolios and therefore is subject to currency fluctuations. It is the Fund's view that in the long-run currency volatility trends to an average of nil against Sterling and therefore any hedging of currency would just be an additional cost to the Fund.

The Fund contracted Portfolio Evaluation Ltd (PEL) to measure the Fund's investment returns and the absolute and relative risk for each portfolio independently. During the financial year, PEL transferred their business to Hymans Robertson LLP. The Fund received quarterly reports from PEL and Hymans Robertson LLP listing returns and risk. The Fund's independent investment adviser also provides an annual report to the Pension Investment Sub Committee, providing details of the Fund's risk and comparisons to other LGPS funds.

Equity Risk Analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's independent investment adviser, PEL and Hymans Roberston LLP, the Fund has determined that the following movements in market price risk are reasonably possible for the 2023/24 reporting period:

Asset Type	Potential Market Movements (+/)
Fixed interest securities	6.1%
Global bonds	5.3%
UK equities	16.0%
Overseas equities	16.7%
UK pooled investment vehicles	16.0%
Overseas pooled investment vehicles	16.7%
Global pooled investment vehicles	16.7%
Emerging markets pooled equities	16.7%
Pooled property investments	15.6%
Pooled infrastructure investments	13.6%
Private Equity	31.2%
Cash and cash equivalents	0.3%
Pooled debt investments	8.8%

The potential price changes disclosed above are broadly consistent with a one standard deviation movement in the value of the assets. The analysis assumes that all other variables, in particular foreign exchange rates and interest rates, remain the same.

If the market price of the Fund's investments increases/decreases in line with the potential market movements above, the change in the net assets available to pay benefits will be as follows (the actual prior year movement in all asset classes is shown in Note 12):

WORCESTERSHIRE PENSION FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ending 31 March 2024

Asset Type	Value as at 31 March 2024	Percentage change	Value on increase	Value on decrease
	£m	%	£m	£m
Cash and cash equivalents	9.1	0.3	9.1	9.1
Investment portfolio assets:				
UK fixed interest securities	175.3	6.1	186.0	164.6
Overseas fixed interest securities	0.0	0.0	0.0	0.0
Global bonds	199.7	5.4	210.6	188.8
UK equities	4.3	16.0	5.0	3.6
Overseas equities	350.9	16.7	409.3	292.5
UK pooled investment vehicles	614.9	16.0	713.4	516.4
Overseas pooled investment vehicles	509.9	16.7	594.8	425.0
Global pooled investment vehicles	933.4	16.7	1,088.9	777.9
Emerging market pooled equities	39.1	23.0	48.1	30.1
Pooled property investments	331.3	15.6	383.0	279.6
Pooled infrastructure investments	621.1	13.6	705.3	536.9
Pooled debt investments	115.1	8.8	125.2	105.0
Private Equity	1.6	31.2	2.1	1.1
Net derivative assets	0.0	0.0	0.0	0.0
Investment income due	4.6	0.0	4.6	4.6
Amounts receivable for sales	0.0	0.0	0.0	0.0
Amount payable for purchases	0.0	0.0	0.0	0.0
Total	3,910.2		4,485.5	3,335.1

Prior-year comparators

Asset Type	Value as at 31 March 2023	Percentage change	Value on increase	Value on decrease
	£m	%	£m	£m
Cash and cash equivalents	8.7	0.0	8.7	8.7
Investment portfolio assets:				
UK fixed interest securities	0.0	7.0	0.0	0.0
Overseas fixed interest securities	0.0	7.0	0.0	0.0
Global bonds	184.0	7.0	196.9	171.1
UK equities	4.2	12.5	4.7	3.7
Overseas equities	322.8	12.6	363.5	282.1
UK pooled investment vehicles	608.0	12.5	684.0	532.0
Overseas pooled investment	407.1	10.7	450.7	363.5

WORCESTERSHIRE PENSION FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ending 31 March 2024

Asset Type	Value as at 31 March 2023	Percentage change	Value on increase	Value on decrease
	£m	%	£m	£m
vehicles				
Global pooled investment vehicles	756.9	10.7	837.9	675.9
Emerging market pooled equities	332.9	10.7	368.5	297.3
Pooled property investments	323.6	5.6	341.6	305.6
Pooled infrastructure investments	511.8	6.6	545.5	478.1
Pooled debt Investments	92.3	5.6	97.4	87.2
Net derivative assets	0.0	0.0	0.0	0.0
Investment income due	3.7	0.0	3.7	3.7
Amounts receivable for sales	0.3	0.0	0.3	0.3
Amount payable for purchases	(0.3)	0.0	(0.3)	(0.3)
Total	3,556.0		3,903.1	3,208.9

Interest Rate Risk Analysis

The Fund's direct exposure to interest rate movements is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Asset Type	Value as at 31 March 2023	Value as at 31 March 2024
	£m	£m
Cash and cash equivalents	8.7	9.1
Cash balances	42.5	49.1
Fixed interest securities	0.0	0.0
Total	51.2	58.2

Interest Rate Risk Sensitivity Analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. The Fund's performance reporting advisor, Portfolio Evaluation Limited, has advised that medium to long-term average rates are expected to move less than 100 basis points from one year to the next and experience suggests that such movements are likely to happen.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits as at 31 March 2024 of a +/- 100 basis points (BPS) change in interest rates:

WORCESTERSHIRE PENSION FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ending 31 March 2024

Asset Type	Carrying amount as at 31 March 2024	Change in year in the net assets available to pay benefits	
		+100 BPS	100 BPS
	£m	£m	£m
Cash and cash equivalents	9.1	9.2	9.0
Cash balances	49.1	49.6	48.6
Fixed interest securities	0.0	0.0	0.0
Total change in assets available	58.2	58.8	57.6

Asset Type	Carrying amount as at 31 March 2023	Change in year in the net assets available to pay benefits	
		+100 BPS	100 BPS
	£m	£m	£m
Cash and cash equivalents	8.7	8.8	8.6
Cash balances	42.5	42.9	42.1
Fixed interest securities	0.0	0.0	0.0
Total change in assets available	51.2	51.7	50.7

A 1% increase in interest rates will not affect the interest received on fixed income but will reduce their fair value and vice versa. Changes in interest rates do not impact the value of cash deposits / cash and cash equivalent balances but they will have a small effect on the interest income received on those balances. Changes to both the fair value of assets and the income received from investments impact on the net assets available to pay benefits.

Currency Risk

The following table summarises the Fund's currency exposure:

Currency exposure	asset type	Asset value	Asset value as
		as at 31	at 31 March 2024
		March 2023	March 2024
		£m	£m
	Overseas quoted securities	322.8	350.9
	Overseas pooled investment vehicles	407.1	509.9
	Global pooled investment vehicles	756.9	933.4
	Global bonds and pooled EM equities	516.9	238.8
	Overseas pooled property investments	90.8	89.9
	Overseas pooled infrastructure investments	171.1	344.9
	Total overseas assets	2,265.6	2,467.8

Overseas bonds are 100% hedged to GBP as at 31 March 2024.

Currency Risk – Sensitivity Analysis

Following analysis of historical data in consultation with the Fund's performance measurement provider, the Fund considers the likely volatility associated with foreign exchange rate movements to be as follows:

This analysis assumes that all other variables, in particular interest rates, remain constant.

Asset Type	Potential Currency Exposure Movements (+/)
Overseas quoted securities	10.3%
Overseas pooled investment vehicles	8.8%
Global pooled investment vehicles	9.3%
Global bonds and pooled EM equities	8.9%
Overseas pooled property investments	7.7%
Overseas pooled Infrastructure investments	8.6%

A strengthening/weakening of the pound against various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency exposure	asset type	Asset value as at 31 March 2024	Change to net assets available to pay benefits	
			Value on Increase	Value on Decrease
		£m	£m	£ m
	Overseas quoted securities	350.9	386.9	314.9
	Overseas pooled investment vehicles	509.9	554.7	465.1
	Global pooled investment vehicles	933.4	1,020.4	846.4
	Global bonds and pooled EM equities	238.8	260.2	217.4
	Overseas pooled property investments	89.9	96.8	83.0
	Overseas pooled Infrastructure investments	344.9	374.6	315.2
Total change in assets available		2,467.8	2,693.7	2,241.9

Prior-year comparators

Currency exposure	asset type	Asset value as at 31 March 2023	Change to net assets available to pay benefits	
			+6.5%	6.5%
		£m	£m	£ m
	Overseas quoted securities	322.8	341.8	308.8
	Overseas pooled investment vehicles	407.1	431.1	383.1
	Global pooled investment vehicles	756.9	801.6	712.2
	Global bonds and pooled EM equities	516.9	547.4	486.4
	Overseas pooled property investments	90.8	96.2	85.4
	Overseas pooled infrastructure investments	171.1	182.2	160.0
Total change in assets available		2,265.6	2,400.3	2,130.9

The below table displays a breakdown by currency. Please note that not all currencies which the Fund has exposure to are modelled individually. The table individually sets out those currencies which are modelled. The remaining currencies are included in the 'Other' row. This 9.3% volatility for 'Other' is the 1 year expected standard deviation for an individual currency at 31 March 2024. It assumes no diversification with other assets and that interest rates remain constant. The figures below do not include the foreign currency exposure via the Corporate Bond Pooled Fund as this is hedged by the investment manager.

Currency	Value £m	Allocation %	Volatility %
US Dollar	780.3	19.6%	9.7%
Euro	496.9	12.7%	7.4%
HK Dollar	30.6	0.8%	9.6%
Japanese Yen	190.6	4.9%	11.0%
Danish Krone	24.1	0.6%	7.4%
Swedish Krone	18.1	0.5%	9.0%
Swiss Franc	44.6	1.1%	9.0%
Other	882.4	22.6%	9.3%
Total	2,467.8	63.1%	9.1%

Credit Risk

Credit risk is an investor's risk of loss arising from a borrower who does not make payments as promised. In essence the Fund's entire investment portfolio is exposed to some form of credit risk, except for the derivatives position, where the risk equates to the net market value of a positive derivative position. However, the selection of high-quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner. Investment restrictions are listed in the contract held with the manager, which limit the amount of credit risk the manager is allowed to take and states an average credit rating with regards to bonds held that should be maintained.

The bond manager provides a quarterly investment report to the Fund, which details the credit risk held in the portfolio. The Fund's independent investment adviser also provides a yearly report to the Pension Investment Sub Committee, providing details of the Fund's bond portfolio absolute and relative risk.

Deposits are not made with banks and financial institutions unless they are rated independently and have a strong credit rating. In addition, the Fund invests in Cash Instruments, which facilitate management of assets under custody, all liquidity funds chosen have an 'AAA' rating from a leading rating agency. Swap collateral is held to support our equity protection hedge.

The Fund's cash holding at 31 March 2024 was £58.2 million (31 March 2023: £51.2 million). This was held with the following institutions:

WORCESTERSHIRE PENSION FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ending 31 March 2024

Summary	Rating	Balances as at 31 March 2023	Balances as at 31 March 2024
		£m	£m
Cash Instruments			
BNY Mellon US Dollar Liquidity Fund	AAA	4.1	3.7
Bank deposit accounts			
The Bank of New York Mellon	A-1+	4.6	5.4
Barclays Bank PLC – Notice Account	A-1	10.0	10.0
Bank current accounts			
Barclays Bank PLC	A-1	32.5	39.1
Total		51.2	58.2

The above assets are held at amortised cost and are either liquid or very short-dated securities in high-quality counterparties. Therefore, the expected loss is assessed as a trivial sum and no allowance has been set aside for this.

Liquidity Risk

Market liquidity risk is the risk that a given security or asset cannot be traded quickly enough in the market to prevent a loss (or make the required profit) or to meet the financial obligations of the Fund as they fall due. The Fund's investment managers purchase quoted and tradable securities. Equities held are listed on major world stock markets and managers employed are highly experienced in equity trading. The liquidity risk relating to the bond holdings is monitored and managed by the bond manager on an on-going basis. The Council also takes steps to ensure that the Fund has adequate cash resources to meet commitments.

NOTE 17: CURRENT ASSETS

The assets below are carried at amortised cost, other than cash balances and other debtors (see below), as the funds are due from Government institutions and therefore no allowance for expected losses has been set aside.

	2022/23	2023/24
	£m	£m
Contributions due from employer in respect of:		
Employer	7.3	6.2
Members	2.0	2.1
Cash balances	42.5	49.1
Other Debtors	3.7	1.3
	55.5	58.7

NOTE 18: NON-CURRENT ASSETS

	2022/23	2023/24
	£m	£m
*LGPSC capital advance treated as loan	0.7	0.7
**Reimbursement of lifetime tax allowances	0.7	0.9
Contributions from employers	0.2	1.0
Augmentation	0.1	3.6
	1.7	6.2

*This was part of the regulatory capital required to set up the company LGPS Central Limited.

**This includes debtor in relation to the lifetime tax allowance limit, as the Fund pays all the tax upfront on behalf of the pensioner and is reimbursed from additional pension deductions over time.

NOTE 19: CURRENT LIABILITIES

	2022/23	2023/24
	£m	£m
Investment management expenses	(0.7)	(0.9)
Payroll and external vendors	(0.6)	0.0
Other expenses	(4.8)	(4.3)
	(6.1)	(5.2)

NOTE 20: RELATED PARTY TRANSACTIONS

Worcestershire County Council

The Fund is administered by Worcestershire County Council. Consequently, there is a strong relationship between the Council and the Fund.

The Council incurred costs of £2.4 million in 2023/2024 (2022/2023: £1.8 million) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Fund and contributed £28.0 million to the Fund in 2023/2024 (2022/2023: £11.5 million).

LGPSC has been established to manage investment assets on behalf of eight LGPS funds across the Midlands. It is jointly owned in equal shares by the eight Funds participating.

The Fund's share of LGPSC annual running costs of £0.8 million was charged to the Fund in 2023/2024 by LGPSC (£0.7 million in 2022/2023).

Worcestershire County Council, as the Administering Authority of the Worcestershire Pension Fund has guaranteed a share of the pension liability relating to employees of LGPS Central Limited that transferred into the company on creation. If this guarantee is called, this will be funded by the Fund.

Key Management Personnel

The posts of Chief Financial Officer, Head of Pensions Investments and Head of Pensions Administration are deemed to be key management personnel. The financial value of their relationship with the Fund (in accordance with IAS24) is set out below:

	2022/23	2023/24
	£000	£000
Short term benefits*	106	206
Long term/ post-retirement benefits**	143	432
	249	638

*This is annual salary, benefits in kind and employer contributions.

**This is the accrued pension benefits, expressed as cash equivalent transfer value.

Governance

The Pensions Committee Employer Representative, Employee Representative and Chief Financial Officer are active members of the Fund.

NOTE 21: CONTINGENT LIABILITIES

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events.

Outstanding capital commitments (investments) at 31 March 2024 totaled £289.6 million (31 March 2023: £332.9 million). Outstanding capital commitments are reduced due to the further drawdowns made during 2023, resulting in some investments becoming fully committed.

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in pooled property investments, pooled infrastructure investments and pooled debt investments. The amounts 'called' by these funds are irregular in both size and timing over a period of between one and three years from the date of the original commitment.

NOTE 22: CONTINGENT ASSETS

A contingent asset arises where an event has taken place that gives the Fund a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Fund.

Contingent assets are not recognised in the financial statements but are disclosed as a note to the accounts. As at 31 March 2024 the Fund did not have any contingent assets.

NOTE 23: ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCS)

The Fund provides an in-house AVC scheme for its members. In 2023/2024 some members of the Fund paid voluntary contributions and transfers to Scottish Widows and Utmost Life to buy extra pension benefits when they retire. Retirement benefits were also purchased during the year. The contributions are paid directly from scheme employers to the AVC provider. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the Fund Account in accordance with Regulation 4(1) (b) of the Local Government Pension Scheme (Management and Investment of funds) Regulations 2016 but are disclosed as a note only.

The amounts administered under AVC arrangements are as follows:

	2022/23	2023/24
	£m	£m
Contributions received	0.2	0.2
Investments purchased	0.2	0.0
Change in market value	0.2	0.0
Retirement benefits paid or transferred	(0.3)	(0.5)

The combined value of the AVC funds as at 31 March 2024 was £2.4 million (31 March 2023: £3.0 million).

NOTE 24: AGENCY SERVICES

The Fund pays discretionary awards to the former employees of Herefordshire County Council. The amounts paid are not included within the Fund Account but are provided as a service and fully reclaimed from the employer. The sums are disclosed below.

	2022/23	2023/24
	£m	£m
Payments on behalf of Herefordshire County Council	0.1	0.1
	0.1	0.1

NOTE 25: CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Fund's liabilities are calculated every three years by the actuary. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 2. This estimate is subject to significant variances based on changes to the underlying assumptions.

There were no significant changes to the CIPFA code of practice on local authority accounting (the code).

NOTE 26: ASSUMPTIONS MADE ABOUT THE FUTURE AND ANY OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year-end date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made considering historical experience, current trends, and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates. The item in the notes to the accounts as at 31 March 2024 for which there is a significant risk of material adjustment in the forthcoming financial year is as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
<p>Actuarial present value of promised retirement benefits (Note 2)</p>	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, inflation, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.</p>	<p>The effects on the net pension liability of changes in individual assumptions can be measured. For instance:</p> <ul style="list-style-type: none"> ● a 0.1% real investment return lower than assumed would result in an 2% increase in the pension liability, which is equivalent to £67m. ● a 0.1% increase in assumed earnings inflation would result in a 0% increase in the value of liabilities, which is equivalent to £2m. ● a 0.1% increase in the rate of CPI inflation would result in a 2% increase in the value of liabilities, which is equivalent to £65m. ● a 1-year increase in assumed life expectancy would result in a 4% increase in the value of liabilities, which is equivalent to £152m.

Item	Uncertainties	Effect if actual results differ from assumptions
<p>Property and infrastructure valuations. (Level 3 investments)</p>	<p>The Fund's directly held investment properties are valued at fair value by independent valuers in accordance with RICS valuation professional standards, whilst infrastructure investments are valued at fair value by independent experts. There is continuing uncertainty regarding the property and infrastructure valuations due to the time that it will take to fully realise the impact of geopolitical issues upon these illiquid assets as well as the concerns as to the current inflationary environment. The valuations have been updated based on the information available as at 31 March 2024 and may be subject to variations as further market information becomes available. Investments are valued each month as per the latest quarterly statements available to our custodian, which are usually received between 45 and 60 days after quarter end, +/- any activity post statement date.</p>	<p>The total value of indirect property investments in the financial statements is £331.3m (£323.6m in 2022/23). There is a risk that this investment may be under or overstated in the accounts.</p> <p>The total value of direct infrastructure investments in the financial statements is £561.1m (£511.8m in 2022/23). There is a risk that this investment may be under or overstated in the accounts.</p>

VALUATION OF INVESTMENTS LEVEL 3

Financial instruments at level 3 are those where at least one input could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments, pooled property investments and pooled infrastructure investments which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions. As well as the details in the table above, further detail is provided in Notes 14a to c above.

Independent auditor's report to the members of Worcestershire County Council on the pension fund financial statements of Worcestershire Pension Fund within the pension fund annual report

Opinion

We have examined the pension fund financial statements of Worcestershire Pension Fund (the 'pension fund') for the year ended 31 March 2024 included within the pension fund annual report, which comprise the Fund Account, the Net Assets Statement, and the notes to the financial statements, including the summary of significant accounting policies.

In our opinion, the pension fund financial statements included within the pension fund annual report are consistent, in all material respects, with the audited pension fund financial statements of Worcestershire County Council for the year ended 31 March 2024 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

We have not considered the effects of any events between 18 December 2024, being the date, we signed our report on the audited financial statements of Worcestershire Pension Fund, and the date of this statement.

Respective responsibilities of the Chief Financial Officer and the auditor

As explained more fully in the Statement of Responsibilities of the Chief Financial Officer, the Chief Financial Officer is responsible for the preparation of the pension fund's financial statements in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

Our responsibility is to state to the members of Worcestershire County Council our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the financial statements of Worcestershire County Council.

We also read the other information contained in the pension fund annual report and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information comprises the information included in the pension fund annual report, other than the pension fund financial statements and our auditor's statement thereon.

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the financial statements of Worcestershire County Council describes the basis of our opinion on those financial statements.

Use of this auditor's statement

This statement is made solely to the members of Worcestershire County Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our work has been undertaken so that we might state to the members of Worcestershire County Council those matters we are required to state to them and

for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Worcestershire County Council and the members of Worcestershire County Council as a body, for our work, for this statement, or for the opinions we have formed.

Julie Masci

Julie Masci, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

18 December 2024