



Meeting: Local Pension Board

Date/Time: Monday, 8 November 2021 at 10.00 am

Location: Microsoft Teams.

Contact: Miss C Tuohy (0116 305 5483).

Email: cat.tuohy@leics.gov.uk

AGENDA

<u>Item</u>	<u>Report by</u>	
1. Minutes of the meeting held on 23 August 2021.		(Pages 3 - 6)
2. Question Time.		
3. To advise of any other items which the Chairman has decided to take as urgent elsewhere on the agenda.		
4. Declarations of interest in respect of items on the agenda.		
5. Administration Report July to September 2021 - Quarter Two.	Director of Corporate Resources	(Pages 7 - 26)
6. Continuous Improvements Report.	Director of Corporate Resources	(Pages 27 - 36)
7. Pension Fund Annual Report and Accounts 2020/21.	Director of Corporate Resources	(Pages 37 - 128)
8. Local Pension Board Annual Report 2020/21.	Local Pension Board	(Pages 129 - 138)



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|--|---------------------------------------|----------------------|
| 9. Pension Fund Policy Report. | Director of
Corporate
Resources | (Pages 139 -
208) |
| 10. Responsible Investment Update. | Director of
Corporate
Resources | (Pages 209 -
214) |
| 11. Risk Management and Internal Controls. | Director of
Corporate
Resources | (Pages 215 -
230) |
| 12. Date of Next Meeting - Wednesday 16
February 10am. | | |
| 13. Any other items which the Chairman has
decided to take as urgent. | | |

TO:

Employer representatives

Mrs R. Page CC
Cllr E. Pantling
Mr. R. Shepherd CC

Employee representatives

Ms. C. Fairchild
Ms. R. Gilbert
Mr. M. Saroya



Minutes of a meeting of the Local Pension Board held at County Hall, Glenfield on Monday, 23 August 2021.

PRESENT

Mrs. R. Page CC (in the Chair)

Mr. R. Shepherd CC
Ms. C. Fairchild

Mrs. R. Gilbert

Apologies were received from Ms. D. Haller, Mr. M. Saroya and Cllr. E. Pantling

99. Minutes.

The minutes of the meeting held on 24 May 2021 were taken as read, confirmed and signed.

100. Question Time.

The Chief Executive reported that no questions had been received under Standing Order 35.

101. Urgent Items.

There were no items for consideration.

102. Declarations of interest.

The Chairman invited members who wished to do so to declare any interest in respect of items on the agenda for the meeting. No declarations were made.

103. Funding Position 31 March 2021.

The Board received a report from the Director of Corporate Resources setting out the Pension Fund's estimated funding position as at 31 March 2021. A copy of the report is marked 'Agenda Item 5'.

The Board were joined by Tom Hoare and Richard Warden from the Fund's Actuary Hymans Robertson.

Arising from the discussion the following points were noted:-

- i. The 2019 valuation had taken a prudent approach to deal with the uncertainty of the McCloud case, this prudence was maintained in the mid-valuation exercise.
- ii. The 2021 mid-valuation set out that investment returns of 3.8% were required for the Fund to be 100% funded, an improvement on the 4.5% predicted in the 2019 valuation.
- iii. Employee contributions were set out within pension regulations and were banded, depending on the members salary. It was employer contributions that fluctuated to take account of differences in valuations.
- iv. In response to a query regarding the cost cap, it was noted that it had been an ongoing issue since the 2016 valuation, where the cost cap was breached. The Fund had taken account of it and used prudence in its assumptions, however, awaited a final report from the Government regarding if improvements had to be made. Hymans Robertson were also aware of a judicial review that unions had raised regarding the cost cap process. Any impact once known would be built into future valuations.

RESOLVED:

That the report be noted.

104. Pension Fund Administration Report April to June 2021 - Quarter One.

The Board received a report from the Director of Corporate Resources regarding administration of the Fund April to June 2021. A copy of the report marked 'Agenda Item 6' is filed with these minutes.

The Board noted that workload in the Pension Section was high, as a result of year-end pressure. The Pension Manager felt confident that work would return back to normal once year-end, and the production of members annual benefit statements has completed.

The Board asked that their thanks be passed on to the to the Pensions Section for their work, noting the significant pressures faced.

RESOLVED:

That the report be noted.

105. Risk Management and Internal Controls.

The Board considered a report by the Director of Corporate Resources, the purpose of which was to detail any concerns relating to the risk management and internal controls of the Fund. A copy of the report is filed with these minutes, marked 'Agenda Item 7'.

Members were pleased to note two risks had reduced which related to missing data being received from employers for the McCloud exercise, and that the Prudential were actively working with the Fund to implement improvements to their service.

RESOLVED:

That the report be noted.

106. Continuous Improvements Report.

The Board considered a reported of the Director of Corporate Recourses providing an update on progress in respect of areas identified improvement within the Pensions Section. A copy of the report, marked 'Agenda Item 8', is filed with these minutes.

RESOLVED:

That the report be noted.

107. Additional Voluntary Contributions.

The Board considered a report of the Director of Corporate Resources providing an update in regards to the performance of the Fund's Additional Voluntary Contributions provider, The Prudential. A copy of the report, marked 'Agenda Item 9' is filed with these minutes.

Members were pleased to note that following their meeting and letter to Prudential affected member cases had progressed. The Pensions Manager assured the Board that the situation would continue to be monitored and the Board would receive further updates as needed.

The Board noted that the issues were administrative and did not impact on members benefits.

RESOLVED:

That the report be noted.

108. Date of Future Meetings.

RESOLVED:

That future meetings of the Board were scheduled to take place on:-

Monday 8 November 2021 10am

Wednesday 16 Feb 2022 10am

Wednesday 4 May 2022 10am

Wednesday 17 August 2022 10am

Wednesday 26 October 2022 10am

109. Exclusion of the Press and Public.

RESOLVED:

That under Section 100(A) of the Local Government Act 1972 the public be excluded from the meeting for the remaining items of business on the grounds that they involve the likely disclosure of exempt information as defined in Part 1 of Schedule 12(A) of the Act.

110. Additional Voluntary Contributions.

The Committee considered a supplementary paper containing further information on the service delivery improvements with the Pension Fund's inhouse Additional Voluntary Contribution provider, a copy of which marked '13' is filed with these minutes. The report was not for publication by virtue of paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the Board note the report.

Times Not Specified
23 August 2021

CHAIRMAN



LOCAL PENSION BOARD – 8 NOVEMBER 2021

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PENSION FUND ADMINISTRATION REPORT
JULY TO SEPTEMBER 2021 - QUARTER TWO

Purpose of the Report

1. The purpose of this report is to inform the Local Pension Board of the main administrative actions in the quarter. The report covers governance areas including administration of Fund benefits, including the performance of the Pensions Section against its Performance Indicators. The Board is recommended to raise any areas of concern to be reported to the Local Pensions Committee.

Background

2. The Pensions Section is responsible for the administration of Local Government Pension Scheme benefits of the Leicestershire Pension Fund's 98,000 members.

Performance Indicators

3. Attached as Appendix A to this report are the performance indicators for the Pensions Section, which form part of the Section's Service Plan and have been agreed by the Director of Corporate Resources. These indicators are split into two broad categories – how quickly processes are carried out and how customers feel they have been kept informed and treated by staff.

Performance of Pensions Section

4. The results for the July to September 2021 quarter are included as Appendix A
5. The Pension Section continues to deal with a large volume of work and the situation remains challenging, especially in business processes. Workloads are reviewed and managed daily with resource moved to deal with the most pressing areas.

Governance – Service Delivery

General Workloads

6. The tables show the position in the key work areas, July to September 2021.

July 2021

Area	Cases completed in the period	Remaining cases at the end of the period	Maximum Number of Cases at Month End
Preserved benefits	57	1,170	900
Retirement Options	184	262	250
Retirements Paid	153	339	250
Deaths	95	186	100
Refunds	100	169	400
Pension Estimates	95	174	250
Transfers in	26	225	200
Transfers out (excluding interfunds out)*	47	38	100
Aggregations	69	693	450
New starters set up on the pension system	353	n/a	n/a

August 2021

Area	Cases completed in the period	Remaining cases at the end of the period	Maximum Number of Cases at Month End
Preserved benefits	93	1,264	950
Retirement Options	191	321	300
Retirements Paid	128	346	300
Deaths	84	189	100
Refunds	50	254	400
Pension Estimates	56	206	250
Transfers in	35	237	200
Transfers out (excluding interfunds out)*	28	37	100
Aggregations	90	825	450
New starters set up on the pension system	225	n/a	n/a

September 2021

Area	Cases completed in the period	Remaining cases at the end of the period	Maximum Number of Cases at Month End
Preserved benefits	141	1,337	1,000
Retirement Options	291	292	250
Retirements Paid	189	395	250
Deaths	100	199	100
Refunds	77	304	400
Pension Estimates	132	174	250
Transfers in	63	218	200
Transfers out (excluding interfunds out)*	33	37	100
Aggregations	128	704	800
New starters set up on the pension system	549	n/a	n/a

*Interfunds out are excluded from the figures as Regulations allow one year for members to decide whether to transfer.

**New starters are set up from IConnect interfaces load files provided by the employers.

7. The main points to note;

- Preserved benefits. During the quarter, stabilised employer preserved benefits were targeted in preparation for the valuation exercise. The emphasis has now moved to larger Further Education establishments.
- Workloads in almost all areas of the Section are high. There is an expected increase in preserved benefits, retirements and aggregations in August/September, through into quarter three, following the completion of year-end work in August, and the end of the academic year.

Complaints – Internal Disputes Resolution

8. The Pension Section deals with complaints through the Local Government Pension Scheme's formal Internal Dispute Resolution Procedure (IDRP). However, complaints are usually resolved informally, avoiding the need for the IDRP to commence. Initial complaints are often caused by misunderstandings or human error and can quickly be resolved.
9. In the period July to September 2021 there was one new IDRP Stage 2 appeal.

- This case was concluded by the employer at Stage two.
10. There was progress on three existing Stage 2 cases;
 - Two of the cases were referred back to the member's previous employers to reconsider their original Stage 1 decisions.
 - One case had further supporting information sent by Officers to the Ombudsman, to support the decision made by the Administering Authority. The Ombudsman is now expected to make their decision.
 11. Officers have received a small number of claims brought by Claims Management Companies (CMCs), against the Administering Authority.
 12. These relate to scheme member's who transferred out their LG pension benefits to alternative arrangements many years ago, that have now been identified as bad advice or scams. The CMCs claim Officers did not follow the necessary checks before making payment.
 13. The CMCs are often "no win no fee" arrangements that take a percentage from any payment the Fund may make in compensation. Some of the claims include an IDRPs Stage 1 application.
 14. The Pensions Manager has taken external Legal Advice regarding this situation. This has also been discussed nationally as several Local Government Funds are being targeted by CMC's.

Data Improvement

15. The Pension Section continues a three phased implementation of monthly postings using i-Connect, as part of the Leicestershire Fund's data improvement plan. Broadly, the largest employers are in Phase 1, medium sized employers in Phase 2 and the smallest employers in Phase 3. The main developments since the last Pension Board meeting relate to the following;
 - A total of 8 employers have gone live, including the following Phase 1 employers: The Vines Academy Trust, Beacon Academy MAT & Nova Education Trust.
 - Large outstanding Phase 1 employers in progress include St Thomas Aquinas CMAT, Rutland County Council and EPM who administer the payroll for several employers. Officers have provided several versions of feedback and are waiting for replies to queries and/or amended reports. These employers remain top priority for go-live.
 - Officers have written to 24 employers under Phase 3 to provide details about the online return method of submitting data via i-Connect. This is primarily aimed at employers with smaller numbers of staff because details are posted directly by the employers online, rather than using an uploaded report, however the same security and valuation remains.

Officers believe this is quicker and easier for smaller employers. Officers plan to have a meeting with these employers later this year.

- The Pension Section is continuing to upload the following employers i-Connect reports to control the timing and ensure the quality of data: Leicestershire County Council, LCC Academies (Oracle and Fusion), Leicester City Council and Melton Borough Council.

Fusion Employers

16. For the 16 Academies Employers on the Oracle payroll system, data has been posted up to the end of June 2021. These employers will transfer to Fusion payroll towards the end of this year and at this time the i-Connect reports will need in-depth data checks to ensure the data will post correctly to the records.
17. Leicestershire County Council moved to Fusion payroll in April 2021. The Fusion i-Connect report took Fund Officers significant time to complete data checks to ensure the data synchronised with the pension records. The data has been submitted up to the end of June 2021.
18. Data checks have been carried out for April and May Fusion Academy i-Connect reports. Technical issues with i-Connect software caused a delay with the reports, but April 2021 data has been processed.
19. Fund Officers have identified that the quality of the data extracted from the new Fusion system is not of the same standard as the Oracle data, so additional checking is required causing processing time to take longer. Many of the original issues identified are now rectified.

Overview of Monthly Posting via i-Connect

As at 15 October 2021	Employers	Active Members (approx.)
Total Fund	190	35,730
Live on i-Connect monthly posting	136	33,230
Not live on i-Connect (annual posting)	54	2,500
Percentage monthly posting	72%	93%

20. A full list of all the employer monthly posting positions are attached as Appendix B.

Breaches Log

21. The Pension Manager retains the Fund's breaches log. Each breach is reviewed to decide if the breach is material or not. Only material breaches are reported to the Pensions Regulator.
22. There were no new or open breaches in the quarter.

Year-End

23. The Pension Section completed the 2020/21 year-end by the statutory deadline of the 31 August 2021.
24. 34,480 active members annual benefit statements were produced and made available via the online member self-service system. 441 members opted for, and received, paper versions.
25. 14 members did not receive their annual benefit statement. These members work for 2 new admission bodies, where the legal admission agreements have not been completed, but started prior to March 2021. These members were written to, detailing why they have not received their annual statement. On completion of the outstanding admissions, these members will be issued with their statements.
26. As the 14 members received annual statements last year, and the delay this year has been caused by the outstanding admissions that parties are actively working at resolving, the failure to provide the statements by the 31 August 2021 is not deemed a material breach by the Pensions Manager.
27. 29,659 preserved members online accounts were updated to reflect the 2021 Pensions Increase. This was completed by the 31 August 2021 statutory deadline.

Governance – Audit

28. During the quarter July to September 2021, there was one Internal Audit report received. This related to the annual Pensions Increase applied to pensioners. There were no recommendations made in the report.

Governance - Regulations

29. There were no Pension regulation changes in the period.
30. Ministry for Housing, Communities and Local Government (MHCLG) has changed its name to the Department for Levelling Up, Housing and Communities (DLUHC).

31. The Pensions Manager attending a meeting with representatives from Funds and DLUHC. Funds were keen to know if there was any update on the regulations and timeline for the reintroduction of the exit cap. DLUHC was not able to provide an update, so the changes and implementation date remain uncertain.

Cost Cap

31. In October 2021, HM Treasury issued its response to the consultation on the cost control mechanism. This is for the 2020 exercise and future cost caps.
32. HM Treasury has decided to proceed with all three of the suggested changes for the 2020 cost cap exercise and for future exercises;
 - a. Only considering service in the reformed schemes
 - b. Widening the “breach corridor” from plus/minus 2% to plus/minus 3%
 - c. Economic sense checks for breaches linked to long term Gross Domestic Product (GDP) expectations
33. These changes are expected to make the cost cap results more stable and less perverse, thereby avoiding situations where a breach on the low side leads to benefit improvement despite costs rising for employers due to a lower discount rate (which happened at the last round of valuations in the unfunded schemes).
34. The 2016 cost cap is not covered by these changes. The 2016 cost cap was breached on the low side, thereby requiring improvements to scheme members benefits. These improvements were not implemented because McCloud was pending and the remedy outstanding. It is now expected that the 2016 cost cap exercise will have the estimated McCloud costs included, so the breach will be reversed. The 2016 cost cap valuation is still subject to legal challenge from the unions.

Governance – National

35. In addition to the change of name to DLUHC, the Minister with the responsibility has changed from Luke Hall to Kemi Badenoch. The new Minister will consider what progress is required for moving forward the Good Governance Project.
36. The Fund’s Annual Report, elsewhere on today’s agenda, sets out in detail the Fund’s Governance Compliance in relation to national regulations and best practice arising from the Scheme Advisory’s Good Governance Reports.

Governance – Fund Policies

37. Officers have reviewed the Fund’s policies and a separate report is enclosed at the 8 November 2021 Board meeting. The policies will be taken to a future Pension Committee meeting for approval.

Governance – Actuarial

Valuation Preparation

- 38. During the period July to September, Fund Officers worked on preparing the pensions data for the stabilised employers in preparation for the valuation for these employers.
- 39. Hymans are expected to provide Officers with the indicative Funding position for these employers by March 2022.
- 40. Officers are now concentrating on the largest Further Education employers.

Full Transfer Outs

- 41. Officers are experiencing an increase in enquiries from Academies to transfer all their pension fund assets and liabilities to neighbouring Funds, where they form part of a wider Academy Trust. These transfers apply to active, preserved and pensioner members, and are commonly referred to as “full clear out transfers”.
- 42. There is considerable work associated with full clear out transfers, for both Officers and the Fund Actuary Hymans. This is an administrative task and does not impact on members LGPS benefits. In the period, one transfer was completed to the Lincolnshire Fund for Foxfields Academy, that joined the Community Inclusive Trust in Lincolnshire.
- 43. Officers are currently working on two further full clear out transfers.

Governance – Employer Risk

- 44. Fund Officers continue to regularly review employer risk. Where there are outstanding admission agreements or bonds, these are reported to the Board each quarter.
- 45. There are currently several outstanding cases that Pension Officers and internal Legal colleagues continue to try and resolve. The Pensions Manager has decided to present these to the Board differently in this report.
- 46. In the table below, the outstanding cases are now listed in risk order, highest to lowest. The highest risk cases are the longest unsigned admission agreements. Unsigned admission agreements mean, the staff that have transferred to the new employer are currently not active LGPS members. Once the admission agreement is legally signed, the pension start date for the staff will be backdated to the date of transfer, so the staff do not lose any scheme membership.
- 47. Medium or lower risk cases tend to be where bonds are outstanding. The risk level is assessed by either bond value or the type of employer that provided the outsourcing and their ability to act as guarantor to the Fund.

48. When scheme members reach age 55 the risk increases because if those members are made redundant or retire on interests of efficiency, they qualify for unreduced pension benefits. A strain cost is generated that must be paid in full by the employer.

49. At the time of writing the report (21 October 2021) there are several cases outstanding, but internal Legal colleagues are confident that some of these will be complete by the Board meeting on the 8 November 2021.

Letting employer and Contractor	Outstanding Issue	Type of admission agreement and start date if outstanding	Full or Capital Cost Bond / Value and End Date	Comments (position at October 2021)	Fund Risk Level
Beacon Academy to Hutchinson Catering	Admission agreement and bond	Pass through 1 January 2021	Capital Cost bond of £13,000 (5-year contract with an additional 2 years optional)	Both the admission agreement and bond have been agreed and are with all parties to complete Officers have been informed that the commercial agreement has not been signed and until this has been done parties are unable to sign the admission agreement and bond.	High
City Council (City of Leicester College) to Atalian Servest	Admission agreement and bond	Pass through 12 February 2021	Capital Cost bond of £86,000 3-year contract	Both the admission agreement and bond have been agreed and are with all parties to complete. Officers have been informed that City Council have signed the admission agreement but it is still outstanding from Atalian.	High
LIFE MAT to Total Swim	Admission agreement and bond	Pass through 7 June 2021	Capital Cost Bond of £4,000	Draft bond and admission agreement circulated May 2021 Officers have been informed that the admission agreement has been agreed but are waiting for the bond to be agreed before documents are circulated for signature Officers have contacted	High

				both parties to pursue signature of the admission agreement, while the bond is still being agreed	
MEAD Educational Trust to Taylor Shaw (Elior)	Admission agreement and bond	Pass through 1 August 2021	Capital Costs of £12,000	Draft bond and admission agreement circulated in October.	Medium/High
City Council (Glebelands) to Compass Services	Admission Agreement	Pass through 8 August 2021	N/A	Draft admission agreement circulated July 2021 Officers chasing all parties.	Medium/High
City Council (Marriott) to Compass Services	Admission agreement and bond	Pass through 23 August 2021	Capital Costs of £36,000	Draft bond and admission agreement circulated July 2021 Employer contacted officers asking for the admission agreement to be amended August 2021 Officers have been informed that the City Council have agreed to sign the admission agreement but are waiting for Compass to agree.	Medium/High
South Charnwood High School to MCS Cleaning (2021 Contract)	Admission agreement and bond	Pass through 1 September 2021	Capital Costs of £10,000	Draft bond and admission agreement circulated October 2021	Medium/High
The MEAD Educational Trust (Secondary schools) to Caterlink	Bond	Pre April 19 (Contract extended to 31/7/2022)	Full £160,000 to 31/7/2022 (previous bond lapsed on 31/7/2021 when original contract was due to end)	Officers were recently notified that the contract had been extended to July 2022. Officers are working to reinstate the bond Officers have established contact with the outsourcing employer and all parties are working on this to get rectified	Medium
The MEAD Educational Trust (Primary Schools) to Caterlink	Bond	Pre April 19 (Contract extended to 31/7/2022)	Full £158,000 to 31/7/2022 (previous bond lapsed	Officers were recently notified that the contract had been extended to July 2022. Officers are working to reinstate the bond.	Medium

			on 31/7/2021 when original contract was due to end)	Officers have established contact with the outsourcing employer and all parties are working on this to get rectified	
Leicestershire County Council to Rushcliffe CARE	Bond (previously not required but member is age 55)	Pre April 2019	Capital Cost bond of £61,000 March 2021 3 years	Officers issued the bond for agreement in April 2021. Officers have been informed that the bond is with the bank for approval.	Medium/Low
Tudor Grange (Samworth) to CSE Ltd	Bond	Pre April 2019 (contract extended to 31/3/2022)	Full. £58,000 to 31/3/2022 (previous bond lapsed on 31/3/2020 when original contract was due to end)	CSE have agreed terms with the bond provider and all parties are now working to complete. The bank has requested amendments to the bond agreement and officers are working on this	Medium/Low
City Council to G4S	Bond	Pre April 2019	Capital Cost bond of £57,000 May 2021 for 3 years	Officers issued the bond for agreement in April 2021. Officers have been informed that the bond has been agreed with the bank and that G4S are ok to sign and that City are close to agreeing to it	Low
Blaby DC (2019 contract) to SLM	Bond (previously not required but member age 55)	Pass through	Capital Cost bond of £31,000 March 2021 3 years	Officers issued the bond for agreement, but the bank have asked for amendments to be made. Officers made suggested amendments and this is back with the bank for approval. Officers been informed that SLM are in agreement with the bond and are chasing the bank for an update.	Low

City Council to East West Community Centre Ltd	Bond (previously not required but member age 55)	Pre April 2019	Capital Cost bond of £16,000 March 2021 3 years	Officers issued the bond for agreement	Low
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50. The case completed in the quarter is listed below;

- SLM (Oadby & Wigston) – bond extension

Governance – Knowledge and Understanding

51. Board and Committee Members have access to the Fund Actuaries online LGPS training.

52. The training is in manageable sections and covers a wide range of topics. The Pensions Manager receives a monthly update, detailing which areas of the training Members have attended. Officers believe this is a valuable tool, individually detailing which topics will be useful to assist Member's knowledge and understanding.

53. The Board and Committee's training is recorded and reported annually as part of the Fund's Annual Report to evidence the Knowledge and Understanding of those involved with the Fund.

Recommendation

54. It is recommended the Board considers the report and raises any areas of concern with the Local Pension Committee.

Equality and Human Rights Implications

None specific

Appendix

Appendix A – Key Performance Indicators July to September 2021

Appendix B – Fund's position on the role out of monthly postings (October 2021)

Officers to Contact

Ian Howe

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APPENDIX A

Quarter - July to Sept 2021									
Business Process Perspective	Target	This Quarter		Previous quarter	Customer Perspective - Feedback	Target	This Quarter		Previous Quarter
Retirement Benefits notified to members within 10 working days of paperwork received	92%	87%	▶	89%	Establish members understanding of info provided - rated at least mainly ok or clear	95%	98%	▲	100%
Pension payments made within 10 working days of receiving election	95%	96%	▲	92%	Experience of dealing with Section - rated at least good or excellent	95%	91%	▶	92%
Death benefits/payments sent to dependant within 10 working days of notification	90%	89%	▶	81%	Establish members thoughts on the amount of info provided - rated as about right	92%	92%	▲	94%
					Establish the way members are treated - rated as polite or extremely polite	97%	100%	▲	100%
Good or better than target	▲				Email response - understandable	95%	96%	▲	87%
Close to target	▶				Email response - content detail	92%	97%	▲	91%
Below target	▼				Email response - timeliness	92%	95%	▲	87%

APPENDIX B: Position as at 15th October 2021

TOTAL EMPLOYERS: 190	Category / size of Employer	Live on iConnect?	Phase	Current Status	Oracle / Fusion payroll	Handed over to ER	Recent Notes
Live on i-Connect (136 employers)							
The Vines Academy Trust	Large	Yes	1	Live		Yes	Went live Aug 21
BEACON ACADEMY MAT	Medium	Yes	1	Live		Yes	Went live Sep 21
Nova Ed Trust (Melton Vale)	Medium	Yes	1	Live		Yes	Went live Oct 21
SHEPSHED TOWN COUNCIL	Small	Yes	2	Live		Yes	Went live Sep 21
Voluntary Action Leicester	Small	Yes	2	Live		Yes	Went live Sep 21
Bottesford PC	Small	Yes	3	Live		Yes	Went live Sep 21 - Online Return process
CSE (Samworth Tudor Grange)	Small	Yes	3	Live		Yes	Went live Oct 21 - Online Return process
SILEBY PARISH COUNCIL	Small	Yes	3	Live		Yes	Went live Oct 21 - Online Return process
ASHBY WOULD'S TOWN COUNCIL	Small	Yes		Live		Yes	
Aspens (City Crown Hills)	Small ER	Yes		Live		Yes	
Aspens (Lutterworth AT)	Small ER	Yes		Live		Yes	
Aspens (Mowbray Ed Trust 2)	Small ER	Yes		Live		Yes	
Aspens (Mowbray Ed Trust)	Small ER	Yes		Live		Yes	
Aspens (Nova ET)	Small ER	Yes		Live		Yes	
Atalian Serves (Soar and Moat)	Small ER	Yes		Live		Yes	
Avanti School Trust	Medium	Yes		Live		Yes	
Barwell Parish Council	Small	Yes		Live		Yes	
Bellrock Management	Small	Yes		Live		Yes	
Better Futures MAT (Gateway 6th form college)	EMSS	Yes		Live	Oracle	Yes	
Blaby DC	Large	Yes		Live		Yes	
Bradgate Park Trust	EMSS	Yes		Live	Fusion - Oct 20	No	
BRAUNSTONE TOWN COUNCIL iConnect	Small	Yes		Live		Yes	
Brookvale High School	Large	Yes		Live		Yes	
Broughton Astley PC	City	Yes		Live		Yes	
Charnwood BC	Large	Yes		Live		Yes	
Coombes Catering Ltd	Small ER	Yes		Live		Yes	
COUNTERTHORPE PC iConnect	Small	Yes		Live		Yes	
David Ross Education Trust	Medium	Yes		Live		Yes	
De Montfort University	Large	Yes		Live		Yes	
East Midland Shared Services	EMSS	Yes		Live	Fusion - April 21	No	
Embrace AT (incl. Brockington College)	Large	Yes		Live		Yes	
EMH Group (East midlands homes/housing group)	Small	Yes		Live		Yes	
Enderby Parish Council	Small	Yes		Live		Yes	
ESPO	EMSS	Yes		Live	Fusion - April 21	Yes	
FIRE SERVICE CIVILIANS iConnect	Large	Yes		Live		Yes	
GLEN PARVA PARISH COUNCIL	Small	Yes		Live		Yes	
Govindas (Avanti Schools)	Small	Yes		Live		Yes	

TOTAL EMPLOYERS: 190	Category / size of Employer	Live on iConnect?	Phase	Current Status	Oracle / Fusion payroll	Handed over to ER	Recent Notes
Harborough DC	City	Yes		Live		Yes	
Hinckley & Bosw'th BC	Large	Yes		Live		Yes	
Inspiring Primaries Academy Trust	Large - Academy	Yes		Live	Dataplan	Yes	
Learn Academy Trust	Medium	Yes		Live		Yes	
Leicester City Council	City	Yes		Live		No	
Leicester College	Large	Yes		Live		Yes	
Leicestershire CC (payroll 10 & 23)	EMSS	Yes		Live	Fusion - April 21	No	
Leics Forest East PC	Small	Yes		Live		Yes	
Long Field Academy	Medium	Yes		Live		Yes	
Lough University	Large	Yes		Live		Yes	
Loughborough College	Large	Yes		Live		Yes	
LUTTERWORTH T C	Small	Yes		Live		Yes	
MARKET BOSWORTH PARISH COUNCIL	Small	Yes		Live		Yes	
Melton B C	City	Yes		Live		No	
Melton Learning Hub	Small	Yes		Live		Yes	
Midland Academies Trust	Medium	Yes		Live		Yes	
Mountsorrel PC	Small	Yes		Live		Yes	
MOWBRAY EDUCATIONAL TRUST	Medium	Yes		Live		Yes	
North West Leics D C	Large	Yes		Live		Yes	
Oadby and Wigston BC iConnect	EMSS	Yes		Live	Oracle	Yes	
OAK MAT	Medium	Yes		Live		Yes	
Priory AT Belvoir Academy, The	Medium	Yes		Live		Yes	
Queensmead Primary Academy	Medium	Yes		Live		Yes	
Rawlins Academy	Large	Yes		Live		Yes	
Rendell Primary School	Medium	Yes		Live		Yes	
Rise A CofE MAT (was Diocese of Leicester AT) SAAF payroll	Large	Yes		Live		Yes	
Rutland & District Schools' Federation	Medium ER	Yes		Live		Yes	
Scraptoft PC	Small	Yes		Live		Yes	
SLM (Blaby DC 2006 contract)	Small	Yes		Live		Yes	
SLM (Blaby DC 2019 contract)	Small	Yes		Live		Yes	
SLM (Oadby and Wig)	Small	Yes		Live		Yes	
SLM Everyone active (NW Leisure)	Large	Yes		Live		Yes	
SYSTON TOWN COUNCIL	Small	Yes		Live		Yes	
The Chief Constable & The OPCC	Large	Yes		Live		Yes	
The Mead Educational Trust	Medium	Yes		Live		Yes	
THURMASTON PARISH COUNCIL iConnect	Small	Yes		Live		Yes	
Welland Park CC	Medium	Yes		Live		Yes	
Whetstone PC	Small	Yes		Live		Yes	
Woodbrook Vale School	Medium ER	Yes		Live		Yes	
WQE and Regent College group	Large	Yes		Live		Yes	

TOTAL EMPLOYERS: 190	Category / size of Employer	Live on iConnect?	Phase	Current Status	Oracle / Fusion payroll	Handed over to ER	Recent Notes
Wigston Academies Trust	Medium	Yes		Live	Fusion - Oct 20	No	
DISCOVERY SCHOOLS MAT	Large - Academy	Yes		Live	Fusion - Oct 20	No	
Dorothy Goodman School	Large - Academy	Yes		Live	Fusion - Oct 20	No	
Forest Way School	Large - Academy	Yes		Live	Fusion - Oct 20	No	
Gartree High School	Large - Academy	Yes		Live	Fusion - Oct 20	No	
Ibstock Community College	Large - Academy	Yes		Live	Fusion - Oct 20	No	
Kirby Muxloe Primary School	Large - Academy	Yes		Live	Fusion - Oct 20	No	
LIFE Academy Trust	Large - Academy	Yes		Live	Fusion - Oct 20	No	
Lutterworth High School	Large - Academy	Yes		Live	Fusion - Oct 20	No	
Mountfields Lodge School	Large - Academy	Yes		Live	Fusion - Oct 20	No	
Redmoor Academy	Large - Academy	Yes		Live	Fusion - Oct 20	No	
South Wigston High School	Large - Academy	Yes		Live	Fusion - Oct 20	No	
Stanton under Bardon Primary	Large - Academy	Yes		Live	Fusion - Oct 20	No	
Success Academy Trust	Large - Academy	Yes		Live	Fusion - Oct 20	No	
The Pastures Primary School	Large - Academy	Yes		Live	Fusion - Oct 20	No	
Apollo Partnership Trust	Large - Academy	Yes		Live	Oracle	No	
Asfordby Hill Primary School	Large - Academy	Yes		Live	Oracle	No	
Ash Field Academy	Large - Academy	Yes		Live	Oracle	No	
Ashby Hill Top Primary School	Large - Academy	Yes		Live	Oracle	No	
Ashby School	Large - Academy	Yes		Live	Oracle	No	
Attenborough Learning Trust	Large - Academy	Yes		Live	Oracle	No	
Barwell CofE Academy	Large - Academy	Yes		Live	Oracle	No	
Battling Brook Primary School	Large - Academy	Yes		Live	Oracle	No	
Birkett House School	Large - Academy	Yes		Live	Oracle	No	
Bottesford CofE Primary School	Large - Academy	Yes		Live	Oracle	No	
Bradgate Education Partnership	Large - Academy	Yes		Live	Oracle	No	
Castle Donington College	Large - Academy	Yes		Live	Oracle	No	
Church Hill CofE Junior School	Large - Academy	Yes		Live	Oracle	No	
Cobden Primary School	Large - Academy	Yes		Live	Oracle	No	
Falcon Primary School	Large - Academy	Yes		Live	Oracle	No	
Frisby CE Primary School	Large - Academy	Yes		Live	Oracle	No	
Glebelands Prim Sch (City)	Large - Academy	Yes		Live	Oracle	No	
Hall Orchard Primary School	Large - Academy	Yes		Live	Oracle	No	
Hastings High School	Large - Academy	Yes		Live	Oracle	No	
Herrick Primary School	Large - Academy / City	Yes		Live	Oracle	No	
Holywell Primary School	Large - Academy	Yes		Live	Oracle	No	
Ivanhoe College	Large - Academy	Yes		Live	Oracle	No	
LIONHEART MAT	Large - Academy	Yes		Live	Oracle	No	
Loughborough CofE Primary	Large - Academy	Yes		Live	Oracle	No	
Measham CofE Primary School	Large - Academy	Yes		Live	Oracle	No	
Odyssey Education Trust	Large - Academy	Yes		Live	Oracle	No	

TOTAL EMPLOYERS: 190	Category / size of Employer	Live on iConnect?	Phase	Current Status	Oracle / Fusion payroll	Handed over to ER	Recent Notes
Old Dalby CoFE Primary School	Large - Academy	Yes		Live	Oracle	No	
Outwoods Edge Primary School	Large - Academy	Yes		Live	Oracle	No	
Oval Learning Partnership	Large - Academy	Yes		Live	Oracle	No	
OWLS MAT	Large - Academy	Yes		Live	Oracle	No	
Queniborough CoFE Primary Sch	Large - Academy	Yes		Live	Oracle	No	
Robert Bakewell Primary School	Large - Academy	Yes		Live	Oracle	No	
Rothley CoFE Primary School	Large - Academy	Yes		Live	Oracle	No	
Scholars Academy Trust	Large - Academy	Yes		Live	Oracle	No	
South Charnwood High School	Large - Academy	Yes		Live	Oracle	No	
St Mary & St John Rutland	Large - Academy	Yes		Live	Oracle	No	
St.Peters CoFE Primary Academy	Large - Academy	Yes		Live	Oracle	No	
Stonebow Primary School	Large - Academy	Yes		Live	Oracle	No	
Symphony Learning Trust	Large - Academy	Yes		Live	Oracle	No	
The Learning without Limits AT	Large - Academy	Yes		Live	Oracle	No	
The Market Bosworth School	Large - Academy	Yes		Live	Oracle	No	
Thringstone Primary School	Large - Academy	Yes		Live	Oracle	No	
Thrussington CoFE Primary Sch	Large - Academy	Yes		Live	Oracle	No	
Townlands CoFE Primary Academy	Large - Academy	Yes		Live	Oracle	No	
Phase 1: Outstanding Employers (17 employers)							
Rutland CC (paid in-house)	Large	No	1	With ER			
Brooke Hill Academy Trust	EPM	No	1	With ER			
CASTERTON B&EC AT	EPM	No	1	With ER			
L.E.A.D ACADEMY MAT	EPM	No	1	With ER			
Rutland CC (paid by EPM)	EPM	No	1	With ER			
The Rutland Learning Trust	EPM	No	1	With ER			
Tudor Grange Academies Trust	EPM	No	1	With ER			
UPPINGHAM COMMUNITY COLLEGE	EPM	No	1	With ER			
Capita IT City of Leicester	Medium	No	1	With ER			
Capita IT City Rushey Mead	Medium	No	1	With ER			
Capita Services ex Charnwood	Medium	No	1	With ER			
Lady Jane Grey Primary School	Medium	No	1	With ER			
Lutterworth Academies Trust / Lutterworth College	Medium	No	1	With ER			
SOUTH LEICS COLLEGE	Medium	No	1	With ER			
St Therese of Lisieux / St Gilbert of Sempringham	Small	No	1	With ER			
St Thomas Aquinas CMAT	Large	No	1	With ER			
The Futures Trust (Hinckley Academy)	Medium	No	1	With ER			
Phase 2: Outstanding Employers (16 employers)							
ASHBY TOWN COUNCIL	Small	No	2	With ER			
Atalian Servest (City Food Co Ltd)	Small	No	2	With ER			
Caterlink (Mead ET Primaries)	Small	No	2	With ER			

TOTAL EMPLOYERS: 190	Category / size of Employer	Live on iConnect?	Phase	Current Status	Oracle / Fusion payroll	Handed over to ER	Recent Notes
Caterlink (Mead ET Sec)	Small	No	2	With ER			
Caterlink (Mowbray Ed Trust)	Small	No	2	With ER			
Caterlink (Tudor Grange AT)	Small	No	2	With ER			
Caterlink (WQE1 Group)	Small	No	2	With ER			
Caterlink (The Futures Trust)	Small	No	2	With ER			
Caterlink (DRET)	Small	No	2	With ER			
Quadron Services	Small	No	2	With ER			
Ridge Crest Cleaning	Small	No	2	With ER			
Ryhall CE Academy	Small	No	2	With ER			
Stephenson Melton Brooksby Group (SMB)	Large	No	2	With ER			
Stephenson Studio School	Small	No	2	With ER			
Turning Point (City Council)	Medium	No	2	With ER			
Turning Point (County Council)	Medium	No	2	With ER			
Phase 3: Outstanding Employers (21 employers)							
ANSTEY PARISH COUNCIL	Small	No	3	With ER			
Bagworth & Thornton PC	Small	No	3	With ER			
Blaby Parish Council	Small	No	3	With ER			
Chartwells	Small	No	3	With ER			
Churchill Contract Services	Small	No	3	With ER			
Cleantec Services (AET)	Small	No	3	With ER			
Compass Servest (City, Shaf)	Small	No	3	With ER			
East Goscote Parish Council	Small	No	3	With ER			
East West Community Centre Ltd	Small	No	3	With ER			
G4S (City Council)	Small	No	3	With ER			
Groby Parish Council	Small	No	3	With ER			
Hutchinson Catering	Small	No	3	With ER			
Kirby Muxloe PC	Small	No	3	With ER			
MCS Cleaning	Small	No	3	With ER			
Mitie Care (Chief Constable)	Small	No	3	With ER			
Oakham TC	Small	No	3	With ER			
Rushcliffe Care Ltd	Small	No	3	With ER			
Solo Service Group (Leics CC)	Small	No	3	With ER			
Solo Service Group (Mowbray ET)	Small	No	3	With ER			
Thurcaston & Cropston PC	Small	No	3	With ER			
Waterloo Housing Group (WHG, was Seven Locks / Platform Housing G	Small	No	3	With ER			

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LOCAL PENSION BOARD - 8 NOVEMBER 2021
REPORT OF THE DIRECTOR OF CORPORATE RESOURCES
PENSION FUND CONTINUOUS IMPROVEMENTS REPORT

Purpose of the Report

1. To provide a regular update to the Board regarding progress in respect of areas of identified improvement within the Pensions Section.

Background

2. The Continued Improvements and Systems team has been created to assess and improve existing processes, maximising the use of technology, whilst exploring other areas including tenders, new legislation, governance and data quality. Appendix B has been provided to cover the areas of improvement to be addressed, but the key developments since last quarter are provided in more detail below.

Member Self Service (MSS)

3. Pensions provide a Member Self Service facility through the website for scheme members and encouraging them to sign up is a key aim. All scheme members have the opportunity to register for an MSS account which allows them instant access to their pension details. It allows members to see the current value of their pension benefits as well as the ability to transfer documents securely to and from the pensions section. Active and deferred members can perform their own pension calculations, whilst pensioner members are able to download and print off payslips and P60s. A demonstration of the system was most recently provided to the Board following the meeting on 8th February 2021.
4. The latest registration figures, provided in Appendix A show an overall increase of 1,229 partially or fully registered users since the last report, with increases across all age groups.
5. Officers continue to explore ways to increase registration figures, with ten further employers, including Leicester City Council and Charnwood Borough Council have been contacted to request that they publish an article publicising MSS on their internal websites.

Deferred Benefit Calculations in Bulk

6. Deferred calculations have begun to be produced in bulk, on a monthly basis, where new leavers meet the criteria to allow this be done. An initial small batch of 35 cases were produced on 1st October followed by another batch of 30 the following week.
7. Provided there are no issues that emerge from this, it is intended that larger batches will subsequently be produced, which will benefit the office by allowing more resource to be allocated on other areas such as aggregations or other more complex deferred cases, where numbers are high.

Mid Term Valuation Data

8. The report 'Funding Position 31 March 2021', presented to the Board on 23rd August 2021 contained detail regarding the Mid Term Valuation exercise that Officers have undertaken, to assess progress regarding the funding position since the last valuation and act as a guide on the likely outcome at the 2022 valuation.
9. As part of this exercise, work has been on-going assessing and updating scheme member records to ensure that the quality of the data held is of a high standard. Data extracts are produced through Altair and assessed by uploading to a Data Portal created by the Fund Actuaries, Hymans Robertson.
10. Whilst data issues are relatively small in the context of total membership, there are still a large number to address before the final extract of data can be submitted. The type of issues raised are of generally minor importance in respect of the impact on member benefits, and many can be eliminated quickly. Some are caused by issues with the Data Portal and these are reported to Hymans and many will be resolved in time for the main valuation exercise in 2022. Others are caused by issues with the original Altair extracts and these are reported with Heywood
11. Inevitably there are a smaller number of more complex errors to address which take longer to clear. At the time of writing two categories of errors remain and appear to be an issue with the initial report devised by the systems supplier, who is currently investigating. It is expected that data will be submitted for assessment by 31st October.

Insights Reporting Tool

12. Officers have agreed to purchase a new reporting tool from Heywood. Insights is a Business Intelligence solution that will hugely improve the ability to access, analyse and share data from Altair, plus other related systems, e.g. I-Connect.
13. The initial plan is to use Insights in two key areas:
 - Set up an automated report (supplied by Heywood, tailored to meet Leicestershire requirements) to reconcile pensioner payroll with

administration records to allow any differences to be highlighted on a regular basis;

- Utilise Heywood Insights reports to manage Data Quality errors on a daily basis. This will allow frequent monitoring of our data 'score' in accordance with The Pension Regulator requirements.

14. Officers will receive training to produce their own Insight reports and in the medium to long term, reports in areas such as KPIs and Workflows will be developed and replace current reports which require manual manipulation of data and as a result are time consuming to produce.

McCloud Hours Exercise

15. Work is underway on updating member records with the additional data required to review benefits as a result of the McCloud ruling. To date the work has been generally formatting data to allow an automated load into Altair. Following the first upload of data, an issue was identified which resulted in new data overwriting existing data which has produced gaps in service.
16. The employer in question was small, chosen deliberately in anticipation of any potential issues when loading for the first time. A full check of all records impacted by this load has been undertaken and the records have been corrected and gaps removed.
17. However, this issue is concerning. Officers have collected data from employers using a standard template developed by the Local Government Association agreed by systems providers including Heywood and had an expectation that the data would load without issue.
18. This has been raised with Heywood who as a result have issued a revised guidance document with warnings of problems for users to be aware of. The issue has also been discussed at the National Technical Group where another authority reported the same issue, although at a recent Heywood User Group another two authorities have also raised this.
19. This topic will be discussed again at a webinar that Heywood have arranged for early November, and officers will agree a way forward from there. Until this issue is resolved, no further data will be loaded.

Customer Satisfaction Surveys

20. Customer Satisfaction Surveys are now being issued electronically to recent retirees and members who have been provided with estimates on a monthly basis, where members are registered for MSS and were provided with their documentation through the portal. These members were previously identified as a group where low returns of completed surveys have been recorded. A targeted email is sent to this group of members within six weeks of either the

retirement or estimate letter being issued, providing a link to the surveys. Return rates have been mixed so far, i.e.:

- July: 5 (12.2% of members contacted – this was in respect of a partial month)
- August: 25 (18.38%)
- September: 4 (4.55%)

21. Please note that the figures above refer to the online version only. Members who receive their letters in paper form still receive a paper survey with a pre-paid envelope alongside their pensions documentation.
22. Feedback forms are a vital source of information and play a significant role in measuring customer satisfaction and KPIs. Officers will continue to monitor returns whilst considering if there are other ways to encourage their completion.

EPIC

23. The live version of the Pensions employer database, EPIC was installed on 19th August 2021. Any queries from employers are now fed directly into the system and dealt with through EPIC.
24. Meanwhile, Officers are currently exploring how to maximise use of the system. To date, two new fields have been added to allow officers to record whether an employer has taken out ill health insurance, plus whether the employer is using iConnect for their data submissions. In addition, employer contact details are being reviewed and added to the system.
25. An exercise to digitise historic employer documents and upload to Epic is also underway. This is a lengthy exercise and will take some time to complete.

Good Governance

26. Further to the Good Governance Report to the Board dated 24th May 2021 there has been no further updates from government. Good Governance was part of the Ministry of Housing, Communities and Local Government's (MHCLG) workplan. MHCLG has since become part of the new Department for Levelling Up, Housing and Communities (DLHUC) and the Local Government Minister Luke Hall has been relieved of his duties. A new minister, Kemi Badenoch has now been appointed.
27. It was reported at East Midlands Pension Group on 14th October 2021 that DLHUC have many other issues to contend with and this is likely to impact on the implementation of Good Governance. However, it was also reported that the Scheme Advisory Board are taking forward some elements of the action plan independently, so there may be some progress, but not as much as expected.
28. The Fund however has progressed with many recommendations arising from the Good Governance Report as they were seen as best practice, the Fund's progress can be considered within the Fund's Annual Report.

Recommendation

29. It is recommended that the Board notes all areas of the report.

Equality and Human Rights Implications

None specific

Appendices

Appendix A: Member Self Service Registrations 6th October 2021

Appendix B: Areas of Improvement November 2021

Background Paper

Local Pension Board - Good Governance Phase 3 Report - 24 May 2021

<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=1122&MId=6529&Ver=4>

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Appendix A - Member Self Service Statistics as at 6th October 2021

Figures show members who have partially or completely registered for MSS

	Current Figures for Board Report dated 8th November 2021	Current Figures for Board Report dated 23rd August 2021	Current Figures for Board Report dated 8th November 2021	Current Figures for Board Report dated 23rd August 2021	Current Figures for Board Report dated 8th November 2021	Current Figures for Board Report dated 23rd August 2021	Current Figures for Board Report dated 8th November 2021	Current Figures for Board Report dated 23rd August 2021
	All Employers	All Employers	County	County	City	City	Police	Police
Active Members	13,471 (37.5%)	12,831 (35.3%)	3059 (39.0%)	2913 (37.1%)	2973 (35.9%)	2,857 (34.3%)	833 (48.6%)	799 (47.2%)
0-39	2623 (23.9%)	2459 (21.8%)	625 (27.3%)	577 (24.9%)	511 (21.1%)	479 (19.8%)	197 (29.9%)	195 (30%)
40-49	3007 (32.7%)	2795 (30.3%)	682 (32.4%)	646 (30.8%)	593 (29.6%)	560 (28%)	161 (46.3%)	148 (42.6%)
50-59	5306 (47.3%)	5137 (45.4%)	1176 (48.0%)	1151 (46.4%)	1202 (45.3%)	1182 (43.5%)	333 (64.6%)	321 (63.1%)
60+	2535 (55.5%)	2440 (53.8%)	576 (57.1%)	539 (55.2%)	667 (55.7%)	636 (53.5%)	142 (73.5%)	135 (71.4%)
Deferred Members	8020 (26.6%)	7802 (25.8%)	2,457 (25.4%)	2,418 (24.8%)	1801 (23.5%)	1772 (23.1%)	314 (32.7%)	311 (32.2%)
0-39	1209 (16.0%)	1165 (15.3%)	283 (14.5%)	283 (14.4%)	246 (13.1%)	239 (12.6%)	79 (20.2%)	75 (19.1%)
40-49	1938 (22.6%)	1865 (21.7%)	551 (20.9%)	523 (19.6%)	443 (19.7%)	430 (19.2%)	88 (34.5%)	87 (34.2%)
50-59	3978 (34.2%)	3892 (33.4%)	1318 (31.6%)	1305 (31.1%)	927 (31.5%)	920 (31.1%)	120 (45.4%)	125 (46.2%)
60+	895 (36.5%)	880 (36.6%)	305 (33.5%)	307 (34.2%)	185 (29.9%)	183 (30.6%)	27 (52.9%)	24 (50%)
Pensioner Members	11596 (41.5%)	11247 (40.7%)	3,995 (37.8%)	3,911 (37.2%)	2878 (40.7%)	2780 (39.9%)	445 (52.7%)	428 (51.8%)
Dependant Members	609 (21.4%)	587 (20.5%)	222 (21.6%)	214 (20.8%)	159 (21.7%)	155 (21%)	19 (24.3%)	18 (22.7%)

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Area	Affected Team	Aim	Target Completion Date	Comments added 23082021	Comments added 08112021
Member Self Service	Continued Improvements	To increase number of scheme member registrations, by raising awareness through online demos, articles and targeted comms with various categories of members, e.g. pensioners, deferreds, actives.	On-going	Meetings held with Leicestershire Police and County to promote MSS with articles and include references in existing documents. In addition, an article sent to other employers for inclusion in their comms, to remind members that Annual Benefit Statements will be available through MSS.	A further ten employers have been contacted, including Leicester City Council, to offer articles on MSS for publication on internal websites.
Member Self Service	Continued Improvements	To use MSS facilities to allow letters to be uploaded to members to reduce postage, and allow for them to return their forms in the same way.	On-going	This is being used where possible now for retirement, estimate and aggregation letters that do not require a response. In addition option forms are now available online for use where a member has been provided with their retirement options.	Officers currently working on further option forms to be published online for increased use of MSS upload facilities which will result in a further reduction of incoming paper documents.
Printing/Scanning Solutions	Continued Improvements / Early Leavers	To explore alternative approaches to printing and scanning with a view to enabling all pensions staff to work from home.	Summer 2021	Scanning now dealt with by LCC's Central Print with training on-going for printing.	Awaiting formal costs and a Service Level Agreement from colleagues in Central Print.
Employer Risk	Continued Improvements / Employers and iConnect	To purchase or develop an employer tracker system, to assist officers in monitoring employer related data including contribution payments and bonds, resulting in a reduction of risk. Consider whether overlaps between Pensions contribution monitoring work and work carried out by Investments can be addressed.	Summer 2021	EPIC System now purchased. Preparatory work to be completed by 30/7 to allow test version to be released in mid August with live version scheduled for September.	EPIC in live and is being used by officers. Work currently on-going digitalising archive employer documents for use on the system.
Governance	Continued Improvements / Payments and Taxation / Employers and iConnect	Development and maintenance of office training manual covering all aspects of section administration. Also to review existing office processes including altair workflows, to streamline and improve whilst assessing potential for fraud and manual errors, reducing these wherever possible	Initial document in place 31 March 2021	Initial processes in place. Work on-going regarding the refining and improvement of processes on-going, including a review around member requirements that must be in place before releasing payments.	Work still on-going, nothing further to report currently.
Governance	Continued Improvements / Payments and Taxation / Employers and iConnect	Examine areas of governance, including the implementation of the recommendations made by SAB's 'Good Governance' Project, ensuring that the section is compliant in all areas	On-going	Awaiting further guidance from MHCLG due Autumn.	Guidance still awaited

Employer Training	Continued Improvements	To increase comms with employers, mainly through use of MS Teams	On-going	Nothing scheduled currently.	Training with two employers in place for October/November with two others to follow.
McCloud Project Phase 1	McCloud / Continued Improvements	Employers to provide member data to Pensions, i.e. hours changes and service breaks covering the period April 2014 to March 2022, which we will need to upload to our records prior to implementation of the 'remedy' once confirmed, to assess whether pension benefits will need to be adjusted in light of the McCloud/Sargeant ruling.	30/06/22	Work on-going with this exercise, with data being formatted ready for uploading to pensions administration system.	Uploading issue identified. Currently awaiting further guidance from Aquila Heywood on how to proceed. Further details in main report.
McCloud Project Phase 2	McCloud / Continued Improvements	Implementation of the 'remedy', including the recalculation and amendment of benefits, plus communication to scheme members of the changes. Remedy may also include other aspects, e.g. possible option for members to aggregate any separate records, yet to be confirmed.	31/12/22	Draft regulations expected later this year.	-
Actuarial Tender	Continued Improvements	Tender has been issued for the appointment of a Scheme Actuary	01/05/21	Completed	-
Data Quality Issues	Continued Improvements	Data Errors raised through the annual Common Data / Scheme Specific Data reports need to be cleared in order to improve the TPR 'Data Score'. Other data errors raised through Hymans' Data Portal as part of preparation for Mid Term Valuation Exercise.	TPR Reports 31/7/2021: Mid Term Valuation Exercise 30/9/2021	Work has been done in both areas and will continue.	Work completed, barring an apparent systems issue in two errors currently being investigated. Hymans are aware and deadline has been extended to 31/10/2021
Cyber Security	Continued Improvements	In preparation for the annual Cyber Security review in October, an internal review of Officers' permissions on the altair administration system to be performed.	31/10/21	Preparation on this has begun, to assess for any inconsistencies between officers performing similar duties.	Officers permissions review is currently in progress and the annual review took place on 12th October 2021. No issues identified but official sign off not available at the time of writing - will cover this at next Board meeting.
Governance	Payments and Taxation	A review of processes in place for the release of payments	31/10/21	Initial conversation has taken place identifying some initial improvements that can be undertaken.	Three areas identified for initial improvements and work has begun to put these in place.



LOCAL PENSION BOARD – 8 NOVEMBER 2021

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PENSION FUND ANNUAL REPORT AND ACCOUNTS 2020/21

Purpose of the Report

1. The purpose of this report is to seek the Board's comments on the appended Annual Report and Accounts of the Pension Fund for the financial year 2020/21.

Background

2. There is a statutory requirement for the Annual Report and Accounts to be available on or before 1st December 2021. The Accounts are in the process of being audited and the Board will be updated at the earliest possible opportunity on the opinion given by the Auditor once this process has been completed.
3. Due to the Board's role in assisting the Administering Authority in ensuring the effective and efficient governance and administration, it was considered appropriate to seek the Board's views on the report.
4. The report contains an extended Governance Compliance Statement which incorporates best practice as set out in the Scheme Advisory Board's Good Governance reports, and progress made on recommendations arising from the Independent Governance Review of the Fund in November 2020.
5. Any comments from the Board will be considered by the Local Pension Committee when it is considered for approval at its meeting on 26 November 2021. The Annual Report and Accounts will also go to the Pension Fund's Annual General Meeting on 13 December 2021.

Appendix

6. Pension Fund Annual Report

Equality and Human Rights Implications

7. None Specific

Background Papers

Local Pension Committee 27 November 2020 Governance Review

<http://politics.leics.gov.uk/documents/s158160/GovernanceCover%20Report.pdf>

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Pension Fund Annual Report

LOCAL GOVERNMENT PENSION SCHEME LEICESTERSHIRE

Administered by

LEICESTERSHIRE COUNTY COUNCIL

Pension Fund Annual Report

Year ended 31st March 2021

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The Fund has a number of policy statements including:

- Funding Strategy Statement
- Investment Strategy Statement and Investment Advisor Objectives –
- Administration & Communication Strategy

These are available on the link below. They have not been reproduced within the Annual report, as when taken in combination are sizeable and some have previously been seen by the Pensions Committee.

<https://leicsmss.pensiondetails.co.uk/home/scheme-member/lgps/fund-admin-and-guidance/pension-fund-and-finance>

INTRODUCTION

Leicestershire County Council is the administering body for the Local Government Pension Scheme (LGPS) within Leicestershire and Rutland. Leicestershire County Council has a statutory obligation to administer a Pension Fund for eligible employees of all Local Authorities within the geographic boundaries of Leicestershire and Rutland and also the employees of certain other scheduled and admitted bodies. The Fund does not cover teachers, police or fire-fighters as they have their own schemes.

This report has been produced in accordance with Section 57 of the Local Government Pension Regulations 2013. It sets out the way in which the Pension Fund is managed both in relation to the administration of benefits and to the investment of the Fund's assets.

The benefits within the scheme are determined by regulation and guaranteed by statute. The pension fund exists to help defray the cost of paying pension benefits. Contributions to the pension scheme are made by both employees and employers. Any new employee is automatically brought into the scheme unless they opt out.

$$\boxed{\begin{array}{l} \text{Employee} \\ \text{Contributions} \end{array}} + \boxed{\begin{array}{l} \text{Employer} \\ \text{Contributions} \end{array}} + \boxed{\begin{array}{l} \text{Investment} \\ \text{Returns} \end{array}} = \boxed{\begin{array}{l} \text{Pension} \\ \text{Payments} \end{array}}$$

The Fund's membership increased by approximately 2,000 during 2019/20 and at the year-end stood at just over 97,500. Active employees and Pensioners saw an increase in numbers while deferred pensioners saw a decrease in numbers.

SCHEME MANAGEMENT AND ADVISORS

The Local Pension Committee is responsible for the management of the Fund, and considers pensions matters with a view to safeguarding the interests of all Fund members. The Members who sit on the Committee act on behalf of the beneficiaries of the LGPS and in this way have a similar role to trustees in primarily protecting the benefits of the LGPS members, overseeing the direction of investments and monitoring liabilities. The Committee comprises of five County Council members, two from Leicester City Council, two members representing the District Councils, one representative of De Montfort/Loughborough Universities and three non-voting staff representatives. In order to ensure continuity, staff representatives, who are chosen at the Fund's Annual General Meeting, are appointed to the Committee for a three year period but arrangements have been made to ensure that at least one staff representative place becomes available each year. The Local Pension Committee sets the overall investment strategy for the Fund and will deal with all investment governance issues. The Committee meets quarterly and also has a separate annual meeting to consider strategic issues relevant to the Fund.

The Investment Subcommittee consists of six voting members (the Chair, Vice Chair, one other elected member of the County Council, the Universities representative and one member representing each of the City and District Councils, all of whom are members of the Local Pension Committee) and one non-voting staff representative. Its role is to consider action that is in-line with the strategic benchmark agreed by the Board and to take a pro-active approach to the Fund's investments, and also to deal with 'tactical' issues associated with implementing the strategy, such as investment manager appointments and the timing of asset allocation changes.

The Committee and Subcommittee receive investment advice from Hymans Robertson LLP and are supported by Independent Advisor, Clare Scott. Other consultants will also be utilised if there is felt to be an advantage to this.

The Local Pension Board was established by the Administering Authority under Regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended) and operates independently of the Local Pension Committee. The Board's role is to assist the County Council as the Administering Authority and Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme. The Administering Authority retains ultimate responsibility for the administration and governance of the Scheme.

Membership of the Local Pension Board consists of six voting members. Three employee representatives elected in the same manner as those employee representatives on the Local Pension Committee, and three employer representatives comprising two elected members of Leicestershire County Council and one elected member from Leicester City Council.

There is a statutory requirement for the Fund to maintain a Governance Compliance Statement, and this is replicated in full in the [Governance Compliance Section here](#).

At a national level the LGPS is governed by the Department for Levelling Up, Housing and Communities (DLUHC) and the LGPS Scheme Advisory Board (SAB). The LGPS also takes account of guidance issued by the Pensions Regulator and Pensions Ombudsman determinations.

The role of the SAB is to help and support DLUHC and administering authorities fulfil their statutory duties and obligations. The SAB aims to be both reactive and proactive. It will seek to encourage best practice, increase transparency and coordinate technical and standards issues.

Scheme Management and Advisors

<u>Local Pension Committee</u>	
<u>Leicestershire County Council</u>	<u>Leicester City Council</u>
Mr. P. C. Osborne CC (Chairman)	Cllr. A. Clarke
Mr. T. Barkley CC (Vice-Chairman)	Cllr. R. Govind
Mr. P. Bedford CC	
Dr. S. Hill CC	<u>District Council Representatives</u>
Mr. M. Hunt CC	Cllr. C. Frost
	Cllr. M. Graham MBE
<u>Employee Representatives</u>	<u>University Representative</u>
Mr. A. Wilson	Mr. Z. Limbada
Mr. N. Booth	
Ms. J. Dean	
<u>Local Pension Board</u>	
<u>Employer Representatives</u>	<u>Employee Representatives</u>
Mr. R. Shepherd	Ms. C. Fairchild (Vice-Chairman)
Mrs. R. Page CC (Chairman)	Ms. D. Haller
Cllr. E. Pantling	Ms R. Gilbert
	Mr. M. Saroya (Reserve Representative)
<u>Officers responsible for the Fund</u>	
<u>Finance</u>	<u>Pensions Administration</u>
Chris Tambini - Director of Corporate Resources - Leicestershire County Council	Ian Howe - Pensions Manager - Leicestershire County Council
<u>Investment Managers</u>	
Investments managed by LGPS central Pool:	
All World Equity Climate Multi Factor Fund	LGPS Central PE Partnership 2018LP
Emerging market equities multi-managers fund (<i>BMO, UBS, Vontabel</i>),	Global active emerging market bond multi manager fund (<i>Amundi, M&G</i>)
Global active corporate bond multi-manager fund (<i>Neuberger Berman, Fidelity</i>)	Global equities multi-manager fund (<i>Harris, Schroders & Union</i>),
Others:	
Adams Street Partners	Aegon Asset management (formerly Kames Capital)
Ashmore	Kravis Kohlberg Roberts
Aspect Capital	Legal & General Investment Management
La Salle Investment Management	Partners Group
Catapult Venture Managers	Permal (formerly Fauchier Partners)
Colliers Capital UK	Pictet Asset Management
Cristofferson, Robb & Company	M&G Investments
Infrastructure Funds Management	Ruffer LLP
JP Morgan Asset Management	Stafford Capital Partners
Standard Life Aberdeen	
<u>Pooled investments</u>	
LGPS Central	
<u>Fund Custodian</u>	<u>Legal Advisor</u>
JPMorgan, Bournemouth	County Solicitor, Leicestershire County Council
<u>Independent Investment Advisor</u>	<u>Actuary and Investment Consultant</u>
Clare Scott	Hymans Robertson LLP, Glasgow
<u>Auditor</u>	<u>AVC Provider</u>
Grant Thornton LLP	Prudential, London
<u>Banker</u>	<u>Scheme Administrator</u>
National Westminster Bank, Leicester	Leicestershire County Council

RISK MANAGEMENT

There are many risks associated with the Local Government Pension Scheme, covering both the investment of the assets and the administration of the benefits payable. Officers monitor Fund risk and bring a risk report to each Local Pension Committee and Local Pension Board meeting, to provide the latest position on key risks.

The risks are individually scored and each has additional controls applied to mitigate the risk. Any risk score of 15 or over is classed as a very high risk, and escalated within Leicestershire County Council. There are no scores on the Pension Fund risk register 15 or over.

The biggest ongoing risk for the Fund is that the value of assets held will ultimately be insufficient to pay for all the benefits due. This risk is quantified by a triennial actuarial valuation, which compares the value of assets to the accrued liabilities and sets employer contribution rates that are considered appropriate to ensure that all benefits can be paid. As at March 2021 the overall Funding position had improved but the final position cannot be confirmed until the next Fund valuation on 31 March 2022. The performance of the assets of the Fund is an important element in helping to maintain affordable employer contribution rates – the higher the long-term investment return achieved, the more of the benefits will be funded by investment returns rather than employer and employee contributions. A long-term approach is taken to agreeing an asset allocation benchmark, with both return and risk considered. The Fund's asset allocation policy is reviewed annually.

Individual investment manager performance is of lower importance than the asset allocation benchmark, but individual manager performance does have an impact and their performance is considered and reviewed regularly. When there are doubts about a manager's ability to generate future performance that is in line with the Fund's requirements/expectations appropriate action will be taken, and this may include the release of a manager. It is not generally optimal to change managers on a frequent basis due to the associated costs (which are mainly the impact of bid/offer spreads and charges within markets), and as a result changes are considered very carefully before they are agreed.

The Local Pension Committee receives advice from the investment practice of Hymans Robertson and is supported by an independent investment advisor, and this assists in making decisions in respect of both overall investment policy, manager selection/retention and good governance.

The Fund employs a large number of investment managers, and all of these invest in a specific asset class and can be termed 'specialist'. Many of these managers are required to have external assessments of their systems and operations and these are reviewed to ensure that there are no issues which put the Fund's investments at risk.

Other investment managers that the fund employs are appointed by LGPS Central Ltd, a company which pools together pension fund assets from various pension funds across the Midlands. Leicestershire County Council along with 8 other pension funds is a joint owner of the company. The company has its own governance and risk management structures in place.

Under the Pensions Regulations all employers must pay over contributions deducted from employees, plus the required employer contributions, to the administering authority within certain timescales. These payments are monitored closely, and immediate action is taken in the event of a late payment. Late payment does not put the benefits of individuals at risk.

Many of the risks associated with providing efficient and cost-effective Pensions Administration are mitigated by ensuring that officers involved in LGPS are knowledgeable and well-trained on an on-going basis. Ensuring that employers understand their responsibilities to the Fund and fulfil them efficiently is also crucial, and an on-going programme of support for them is in place.

FINANCIAL PERFORMANCE

Non-investment cash inflows for the fund come via payments from Employers of their and employees' contributions. There were a small number of incidences of late payment of contributions by employers over the year, and these were exclusively because of administrative failings on their part. On each occasion the employer was reminded of their responsibilities, and it was not felt necessary to levy interest on overdue contributions. Employer contributions ranged from 0% to 35.7% with the average employer rate being 25.4%.

Administrative costs were at £45.3m for the year compared to £41.0m in the previous year (2019/20). This increase was largely due to additional investment manager costs based on the assets under management and transitioning investments to LGPS Central. Investment management fees are variable as they are based on market values that are impossible to predict in advance. Action was taken during the year to reduce investment management costs where there was opportunity to do so. There were no material movements in non-investment assets and liabilities.

The general trend of overall net cash flows is monitored, whether these are derived from investment or non-investment related sources. Non-investment cash flows were positive by almost £62.1m in 2020/21, compared to £44.1m in 2019/20. In addition, the Fund received investment income of £30.7m. In the context of the funds, £5billion of assets, the cash flow movements are not material. Any short-term cash surpluses or shortfall can be managed through the funds passive investments that have good levels of liquidity.

Cash flows are unlikely to reduce in the near future. Benefits paid are increasing, due to increasing numbers of pensioners and inflation-linked annual increases, the value of this increase is offset by the increasing rate of employers' contribution. In future years this could result in a reduction in the available cashflow and will require monitoring. The Fund also has significant investments in accumulation funds where the investment income is reinvested rather than distributed, and these could, if required, be changed to income producing funds with the generation of an extra £30m+ cash flow p.a.

The overall impact of a strong positive cash flow is that the Fund has flexibility in the selection of investments and fewer restrictions due to liquidity concerns. There are strong controls in place for ensuring that all income due is received and that benefits are not overpaid. A monthly automated check of pensioners is carried out through a reliable tracing agency to ensure that pensions cease upon death, and the Fund has a very low incidence of overpayments that occur either as a result of fraud, late notification or error.

Details of contributions in and payments out of the fund are shown overleaf:

2019/20		2020/21
£m	Payments in:	£m
(167.9)	Employer Contributions	(183.0)
(42.7)	Member Contributions	(45.1)
<u>(12.3)</u>	Transfers in From Other Pension funds	<u>(5.3)</u>
(222.9)	Total Inflows	(233.4)
	Payments out:	
127.8	Pensions	132.1
32.9	Lump Sum Retirement Benefits	27.5
3.1	Lump Sum Death Benefits	5.0
<u>15.0</u>	Payments to and on Account of Leavers	<u>6.7</u>
178.8	Total Outflows	171.3
(25.9)	Net Cash (inflows)	(62.1)

PENSION SCHEME ADMINISTRATION

The number of scheme members who are either active contributors, receiving a benefit or who have a future entitlement to a benefit increased by 2129 over the course of the year. This figure excludes the 5,000+ members who have no entitlement to a benefit from the fund but do retain the right to either a refund of contributions or a transfer to an alternative pension arrangement.

Active membership increased by 1193 from 35,779 to 36,972.

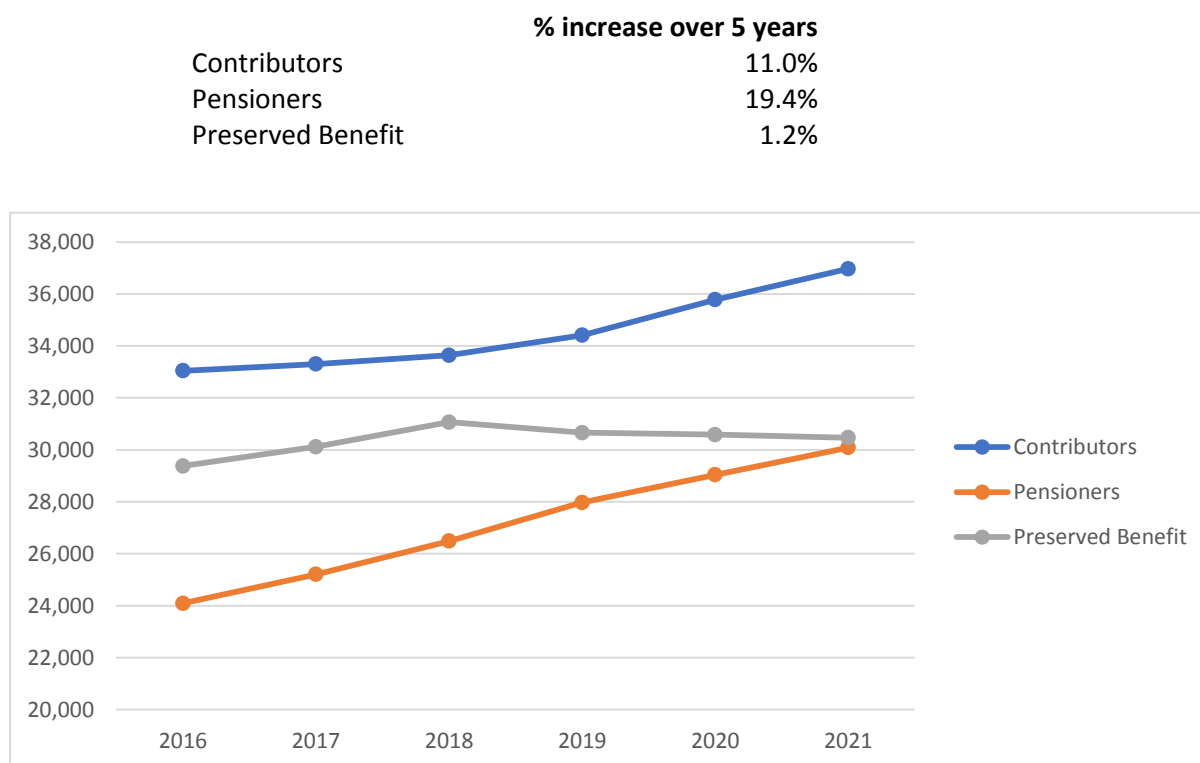
Pensioners increased by 1053 from 29,036 to 30,089.

Preserved membership decreased by 117 from 30586 to 30,469.

The Fund's employers have completed the auto enrolment process, with many of the larger employers completing this prior to 2017/18. The auto enrolment process forces employing bodies to bring almost all employees that are eligible to join the LGPS but are not currently scheme members into the scheme. This is reflected by the increase in active members over the past 5 years.

Membership has been increasing at a rate of 2.43% per annum over the past 5 years, a trend that is expected to continue.

Membership numbers over the last 5 years are shown in the graph below:-



Leicestershire Pension Fund contributions:

Employer Name	Employer Contributions	Employee Contributions
	£000	£000
Leicester City Council	46,788	11,580
Leicestershire CC	41,472	10,020
The Chief Constable & The OPCC	10,963	3,112
Leics De Montfort University	10,207	3,091
Loughborough University	7,005	1,599
Charnwood Borough Council	5,783	930
North West Leics DC	3,912	816
Rutland CC	3,006	831
Hinckley and Bosworth BC	2,651	710
Blaby District Council	2,214	534
ESPO	2,205	594
Leics Fire Service (Civilians)	1,736	409
Harborough District Council	1,250	270
Oadby and Wigston BC	1,188	315
Melton BC	932	260
FE and Sixth Form colleges	6,724	1,718
Town & Parish Councils	713	158
Academies, Free Schools and others	34,264	8,116
Total	183,013	45,063

The Leicestershire Local Government Pension Fund provides services in line with the requirements of a fund of this nature. This includes the correspondence with members, calculation of benefits, maintenance of members records and data and Pension payments through the payroll service. A service is also provided for members to log onto the online member site and a service for employers to upload member data monthly.

The fund has 34.2 full time equivalent working in Pension Scheme Administration. Scheme membership is 97,503 equating to 2,852 members per FTE.

The fund has several performance indicators in respect of administration performance, which are split between speed of processes and customer satisfaction. These are reported on a quarterly basis to the Local Pension Board.

Accuracy of Data	Common Data	99.20%
	Scheme Specific (Conditional Data)	90.90%
Average Cases Per Member of Staff	Average per FTE (Completed tasks)	379
Complaints	6 stage 2 IDRPs complaints in 2020/21	Less than 0.01%
Types of cases dealt with (only KPI tasks)	Deaths	1,009
	Pension Estimate	745
	CETV Estimate	329
	Retirements Paid	2,028
	Deferred Benefits	1,250
	Transfers in and Out	271
	Calculate and Pay a Refund	964
	Formal notification of Joining	5,662

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Administrative Performance Statistics

Full Year - 1 April 2020 to 31 March 2021

Business Process Perspective	Target			Customer Perspective - Feedback	Target		
Retirement Benefits notified to members within 10 working days of paperwork received	92 %	93%	▲	Establish members understanding of info provided - rated at least mainly ok or clear	95 %	99%	▲
Pension payments made within 10 working days of receiving election	95 %	93%	▶	Experience of dealing with Section - rated at least good or excellent	95 %	95%	▲
Death benefits/payments sent to dependant within 10 working days of notification	90 %	86%	▶	Establish members thoughts on the amount of info provided - rated as about right	92 %	97%	▲
				Establish the way members are treated - rated as polite or extremely polite	97 %	99%	▲
				Email response - understandable	95 %	92%	▶
				Email response - content detail	92 %	93%	▲
				Email response - timeliness	92 %	96%	▲
Good or better than target	▲						
Close to target	▶						
Below target	▼						

Other fund information:

Help desk arrangements and information are as follows:

Contact Type	From	To	Contact
			0116
MSS Helpdesk Phones	8:00am	17:00pm	3057886
Benefits Helpdesk			0116
Phone	8:00am	17:00am	3054000
Pensions Benefits Queries	Pensionsbenefits@leics.gov.uk		
Email MSS Queries	PensionsMSS@leics.gov.uk		
General Pensions Queries	Pensions@leics.gov.uk		
Address	Pensions Section Leicestershire County Council County Hall Glenfield Leicester LE3 8RB		

Internal Disputes

If you are not satisfied with any decision given by either the Pension Section or your employer/ former employer, relating to your Local Government Pension Scheme (LGPS) benefits, you may appeal in writing under the Internal Disputes Resolution Procedure (IDRP). You must write within 6 months of receiving the decision.

Any points of difference should firstly be addressed with the Pensions Office on an informal basis. You can write to:

The Leicestershire County Council Pension Section, County Hall, Glenfield, Leicester, LE3 8RB

Or, contact the Pensions Officer who has dealt with your case. Their name and contact details will be on your correspondence.

We will then try to resolve the matter for you. Should you still be unhappy and wish to take the matter further you can request an information sheet and form to complete. This will contain the name and address of the 'Specified Person' nominated by your employer or former employer who would formally investigate your complaint.

Following this, if you are still dissatisfied with their decision, a 'second stage' of complaint can be requested, which will be looked at by the Legal Services team at Leicestershire County Council in most cases.

Should you be dissatisfied with the outcome of this, further details of the next stages of complaint would be provided at the time, should this be necessary.

Further advice can be found at the following:

Money Helper	Web: https://www.moneyhelper.org.uk/en
	Phone: 0800 011 3797
LGPS Regulation & Guidance	Web: https://www.lgpsregs.org/

In the year April 2020 to March 2021 there were six IDRP “second stage” appeals. Three of these were resolved, two remain ongoing, and one case is with the Ombudsman pending a decision.

INVESTMENT POLICY AND PERFORMANCE

The Fund's strategic asset allocation benchmark at the year end was as follows. The benchmark is updated once a year usually in the first calendar quarter. Changes to the portfolio holdings are enacted over the year to adjust towards the benchmark. At the year end the major differences to the benchmark weights was overweight 'growth' assets :by c7% and underweight 'income' assets by c12%. Growth assets contain the Funds equity holdings which had performed very well compared to other asset classes pushing up the weighting. In addition, three targeted return funds were overweight to benchmark awaiting a new fund from LGPS Central to be launched at which point the weighting would be reduced. Investment committee decisions to invest into 'income' assets were taken during the course of 2021 when LGPS Central launched infrastructure, multi asset credit and private debt products which the Fund made commitments to.

	Weighting	Benchmark	Difference
Growth	62.20%	55.25%	6.95%
Income	25.10%	36.75%	-11.65%
Protection	9.40%	8.00%	1.40%
Cash	3.30%	0.00%	3.30%
	100.00%	100.00%	0.00%

The setting of the strategic benchmark is the one of the most important decision that the Committee makes. It is this decision that will have the most significant impact on the investment return achieved and approximately 90% of the Fund's overall risk is encompassed within the choice of benchmark. Individual investment manager choices are important as they can produce added value by outperforming their benchmarks, but their influence is small in comparison to the choice of benchmark. Variances to benchmark positions can take time to close especially when investments or divestments need to be made to illiquid products such as infrastructure and property that usually have a time lag between committing capital and the money being requested (called) by the investment manager.

Although some investments have moved over to LGPS Central as part of asset pooling, the Local Pension Committee still retain full responsibility for asset allocation and will continue to be accountable for the majority of the Fund's investment performance.

A comprehensive analysis of investment holdings by manager and their associated performance is provided in Appendix A. A summary is provided below:

	1 Year %		3 Years % p.a		5 Years % p.a	
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
Growth assets	32.9	31.3	9.3	9.5	11.2	11.3
Income assets	2.7	3.6	3.5	4.0	6.3	4.7
Protection assets	3.8	5.0	4.0	4.2	7.9	7.4
TOTAL FUND	22.1	19.8	7.2	7.3	9.5	8.6

The Fund has a large number of investment managers and it is inevitable that some of them will have periods of disappointing performance – sometimes this disappointing performance can last

multiple years, and can be the result of a particular investment 'style' not being in favour with market sentiment. It is important to understand why managers are performing as they are, regardless of whether this is above or below their benchmark and to assess whether this is a cause for concern. Spontaneous reactions that are based on relatively short periods of poor performance are not usually sensible and understanding the reasons for poor performance is vital. It is implausible to believe that all managers appointed by the Fund can simultaneously perform well, in fact the Fund is positioned such that some protection assets should perform well in traditional market downturns. The Fund needs to have a reasonable spread of management styles and asset classes and occasionally a manager is chosen specifically because they provide diversification of the source of returns from other managers within the overall portfolio.

The Local Pension Committee and Investment Subcommittee will continue to monitor the performance of managers and make changes when it is deemed appropriate, although the pooling of investments within the Local Government Pension Scheme mentioned earlier in this report means that there needs to be a greater awareness of when action is appropriate and when it is not and indeed action will be taken at a pooled level rather than an individual pension fund level. Since 1st April 2014 all investment performance has been measured net of investment management fees and the figures quoted above are, therefore, after taking these into account.

The management of the individual asset classes is carried out as follows:

Growth Assets

The Fund has a global passive equity manager (Legal and General) that manages against both market capitalisation benchmarks and also against alternative benchmarks. The Fund has two active equity investments with LGPS Central (the pooling company), a global equity multi manager investment and an active emerging market multi manager product. The Fund also has invested into a passive product with LGPS Central, a climate multi factor fund within the last year.

Within growth assets the Fund also has private equity investments (i.e. investment in unquoted companies), the vast majority of which is managed by Adams Street Partners as well as the three managers classed within targeted return class.

The Fund's targeted return exposure can generally be categorised as investments that are seeking to make a return of 4% p.a. more than could be achieved by an investment in cash and with the expectation that the return will be achieved with relatively low volatility. There are many different ways of achieving this goal and the Fund has three different managers employed in this area - Aspect Capital Partners, Ruffer and Pictet Asset Management.

Income Assets

Property - Colliers Capital UK manage a directly owned property portfolio but have scope to invest in specialist pooled property funds which are in areas that they find attractive but would not be practical to buy directly, usually due to the size of individual investments (for example leisure complexes based around multiplex cinemas or Central London offices).

La Salle Investment Management manage a portfolio of pooled property funds, which includes some covering a wide range of property types and some which are specialist in nature. Via their ability to research the underlying holdings and the skills of the property managers, it is expected that they will add value to the Fund.

The Fund has also invested in two stand-alone property ‘recovery’ funds, managed by Aegon Asset Management.

Infrastructure – The Fund employs five managers covering a broad range of global infrastructure with exposure to core infrastructure such as toll roads, ports and timber farms to more value add / opportunistic exposure including asset leasing, data centres and solar projects.

Other asset classes included within the income class include various types of credit investments. Emerging market credit and private credit to corporate enterprises feature in this class. Partners Group are the single biggest manager with whom the Fund invests within private credit. The emerging market credit exposure is via a multi manager fund from LGPS Central.

Protection assets

UK inflation is one of the Fund’s biggest risks, due to the direct link to benefits and the less-direct link to salary growth of active members. Protecting against this risk is, therefore, sensible but it is also expensive. It involves taking money out of assets that are seeking investment growth (e.g. equities) and investing it in safer, and therefore lower-returning, index-linked bonds. This would push up employers’ contribution rates to levels which are unaffordable, so cannot be implemented in a large scale manner.

The most natural asset for protecting the Fund against its inflation risk is UK Government index-linked bonds, these are expensive as there are a number of price-insensitive buyers and a lack of supply. As a result the Fund has a three-pronged approach to obtaining some protection against inflation, investment in infrastructure and timberland, both of which have a good historic link to inflation and also a global government index-linked portfolio. Aegon Asset Management manages a portfolio of global index-linked stocks. Some inflation protection is afforded by exposure to global infrastructure managers where underlying assets are subject to contracted or regulated income.

Other mandates included within protection assets are a short dated investment grade bond fund with Aegon Asset Management and a LGPS Central investment grade corporate bond fund. Both aim to provide stable but lower rates of returns than similar funds included within the income portfolio.

Other portfolios

Active foreign exchange hedging is undertaken by Aegon Asset Management to reduce the impact of currency fluctuations from the Fund’s holdings which are held in currencies other the sterling. At the year end the benchmark level of hedge as advised by Hymans and approved by the Pension Committee is 30% of foreign currency exposure. Aegon manage the level of hedge of currencies the Fund is exposed to between unhedged and fully hedged based on their view of the prevailing market conditions.

RESPONSIBLE INVESTING (RI)

RI introduction

The term ‘responsible investment’ refers to the integration of financially material Environmental, Social and Governance (“ESG”) factors into investment processes. It has relevance both before and after the investment decision and is a core part of our fiduciary duty. It is distinct from ‘ethical investment’, which is an approach in which the moral persuasions of an organisation take primacy over its investment considerations.

Effective management of financially material ESG risk should support long term investment returns. The Fund’s responsible investing (RI) policy is contained within the investment strategy statement alongside the Fund’s view of environmental social and governance (ESG). The Fund is continually developing its RI policies with the support of LGPS Central’s in house team. Fund’s launched by LGPS Central ensure ESG credentials of managers are tested during the procurement phase.

The Fund’s 2021 RI plan is shown below with progress as at the year end shown. Post the year end the RI plan has largely continued as expected with the second climate risk report (CRR) scheduled to be delivered before the calendar year end. The CRR report will again analyse the Funds listed equity exposure against the relevant benchmarks for the investment and provide analysis against various metrics including carbon footprints and exposure to green revenues. The report will incorporate areas that the Fund can investigate to improve climate metrics.

At each opportunity to present to the Funds Pension Committee, Investment Managers delivered ESG updates alongside the traditional market and performance. This will enhance the knowledge of the committee to make more informed decisions in the future.

As an externally managed pension fund, the Investment Managers contracted by the Fund are instructed to exercise, on behalf of the Pension Fund, all rights (including voting), having regard to the best long-term financial interests of the Fund. This includes factors relating to climate change and climate policy. The Fund will not appoint any manager unless they can show evidence of being able to fulfil the Fund’s investment objectives, including its Responsible Investment objectives in the course of due diligence performed.

LGPS Central and RI

The Fund is a part-owner of LGPS Central, an asset manager that will increasingly manage the Fund’s holdings. With the Fund’s support, LGPS Central has developed a leading approach to responsible investment and has identified climate change as one of its stewardship priorities.

The Fund invests in a number of investment products launched by LGPS Central as detailed within the investment policy and performance section of this report. Central have published a ‘responsible investment and engagement framework’ available on the company’s website:

<https://www.lgpscentral.co.uk/wp-content/uploads/2021/06/LGPSC-RI-E-Framework-2021.pdf>

This framework contains two key objectives:

- To support the company’s investment objectives
- To be an exemplar for Responsible Investment within the financial services industry and raise standards across the market

To supplement Central’s RI policy they publish quarterly stewardship reports which are available on their website and are taken to each Local Pension Committee to highlight engagement progress and developments within responsible investing.

The Pension Committee endorses Central’s RI beliefs which are summarised below:

- Long termism: A long term approach to investment will deliver better returns and the long term nature of LGPS liabilities allows for a long term investment horizon.
- Responsible investment is supportive of risk adjusted returns over the long term, across all asset classes. Responsible investment should be integrated into the investment processes of the Company and its investment managers.
- Diversification, risk management and stewardship: Diversification across investments with low correlation improves the risk return profile. A strategy of engagement, rather than exclusion, is more compatible with fiduciary duty and more supportive of responsible investment, because the opportunity to influence companies through stewardship is waived in a divestment approach. Even well diversified portfolios face systematic risk. Systematic risk can be mitigated over the long term through widespread stewardship and industry participation.

Membership of the Local Authority Pension Fund Forum (LAPFF)

The LAPFF is an association of local authority pension funds, with over 80 LGPS funds as members with collective fund value of over £300bn. The forum:

- Seeks to protect and enhance the value of members shareholdings by optimising local authority pension funds' influence as shareholders on ESG (environmental, social and governance) issues and thereby to promote Corporate Social Responsibility and high standards of Corporate Governance
- Facilitates commissioning of research and policy analysis of issues more effectively than individual members
- Provides a forum for consultation on shareholder initiatives
- Provides a forum for information exchange and discussion about any investment issues
- Provides a forum to consider issues of common interest to all pension fund administrators and trustees

Legal and General Investment Management (LGIM)

LGIM are one of the Funds largest managers who at the year end managed 17% of the Funds assets via a number of low cost passive index funds. Voting activity and engagement is carried out by LGIM in line with their published RI policies which are available on their website. The results of their engagement and voting activity is collated by Central and is reported to the committee on quarterly basis.

Collective pressure from investors via organisations such as the LAPFF has helped to encourage listed companies to enhance their corporate governance and to improve their environmental and social impacts.

RI and Voting

Central provide the Fund with a quarterly update of voting activity. This is focused on listed equities. This voting activity covers the funds managed by Central and the fund's managed by Legal and General investment management (LGIM). At 30th March 2021 this covered c45% of all Fund assets. Around 20% of fund assets reside within debt and property and have no voting rights.

Both Central and LGIM with whom the Fund has the majority of listed equities vote at company meetings in line with their RI policies. Central provide a summary of voting quarterly. The Fund expects the proportion of assets to be managed by Central to increase over time as assets are transitioned into pooled vehicles. Central's Responsible Investment and Engagement framework will be applied to all investments.

The update on voting activity contains information such as the number of resolutions voted on, whether votes were opposing the management, detail on what types of votes were cast, for example board structure and remuneration. Officers summarise the voting results and present to the Pension Committee each quarter.

Introduction to the Taskforce on Climate-related Financial Disclosures

The Fund is committed to being a responsible long term investor, this is reflected within the Fund's Investment Strategy Statement (ISS). The Fund, as a responsible owner, has a strategy of engagement with companies to improve their stewardship, rather than simply excluding them from the investment portfolio. This is evidenced by the Fund's engagement through its partners with numerous companies on climate and other ESG matters.

The Taskforce on Climate-related Financial Disclosures (TCFD) was commissioned in 2015 by Mark Carney (then Governor of the Bank of England) in his remit as Chair of the Financial Stability Board. In 2017 the TCFD released its recommendations for improved transparency by companies, asset managers, asset owners, banks, and insurance companies with respect to how climate-related risks and opportunities are being managed. Official supporters of the TCFD total 930 organisations representing a market capitalisation of over \$11 trillion. Disclosure that aligns with the TCFD recommendations currently represents best practice. The Fund produced its first TCFD report and presented it to the Local Pension committee in June 2021. A copy can be found on the Fund's [website](#).

The TCFD recommendations are based on the financial materiality of climate change. The four elements of recommended disclosures (see illustration below) are designed to make TCFD-aligned disclosures comparable, but with sufficient flexibility to account for local circumstances. These disclosures and metrics will evolve and develop over time and will aim to include more portfolio assets than listed equities.

TCFD Disclosure Pillars:



The Fund supports the TCFD recommendations as the optimal framework to describe and communicate the steps the Fund is taking to manage climate-related risks and incorporate climate risk management into investment processes. As a pension fund we are long-term investors and are diversified across asset classes, regions and sectors, making us "universal owners". It is in our interest that the market is able to effectively price climate-related risks and that policy makers are able to address market failure. We believe TCFD-aligned disclosure from asset owners, asset managers, and corporates, is in the best interest of our beneficiaries.

TCFD Report Summary

In 2020 the Fund commissioned its pooling company, LGPS Central Limited, to undertake an in-depth review of the Fund's exposure to financially material climate-related risks and opportunities. The Climate Risk Report included both climate scenario analysis and carbon risk metrics. The report was presented to the Pensions Committee in November 2020, with all recommendations in the report receiving approval by the Committee. In the interests of being transparent with the Fund's beneficiaries and broader stakeholder base, the Fund published its first TCFD aligned report in May 2021. A summary of the TCFD report is provided below.

Governance

The Pension Committee ("the Committee") is responsible for preparing the Investment Strategy Statement (ISS). The ISS includes a formal investment belief on responsible investment, recognising its ability to enhance long term performance. The Pension Fund Committee meets quarterly and includes voting reports from its LGIM and LGPS Central sub-funds as well as the LGPS Central Quarterly Stewardship Update.

The Fund Officers have primary day-to-day responsibility for the way in which climate-related investment risks are currently managed. As a primarily externally managed fund, the implementation of much of the management of climate-related risk is delegated onwards to portfolio managers. External portfolio managers are monitored on a regular basis by the Pensions Committee.

Strategy

The Fund considers climate-related risks and opportunities over the short, medium and long term. Examples of short- and medium-term risks include policy tightening and technological change, while long term risks include sea level rise and resource scarcity.

The Fund engaged the expertise of an external contractor to understand the extent to which the Fund's risk and return characteristics could come to be affected by a set of plausible climate scenarios. This analysis covered all asset classes across three climate scenarios: 2°C, 3°C and 4°C. The results of the Climate Scenario Analysis indicated that a 2°C scenario is, according to the model used, the best climate scenario from a returns perspective, while a 4°C scenario is the worst of the three considered.

Risk Management

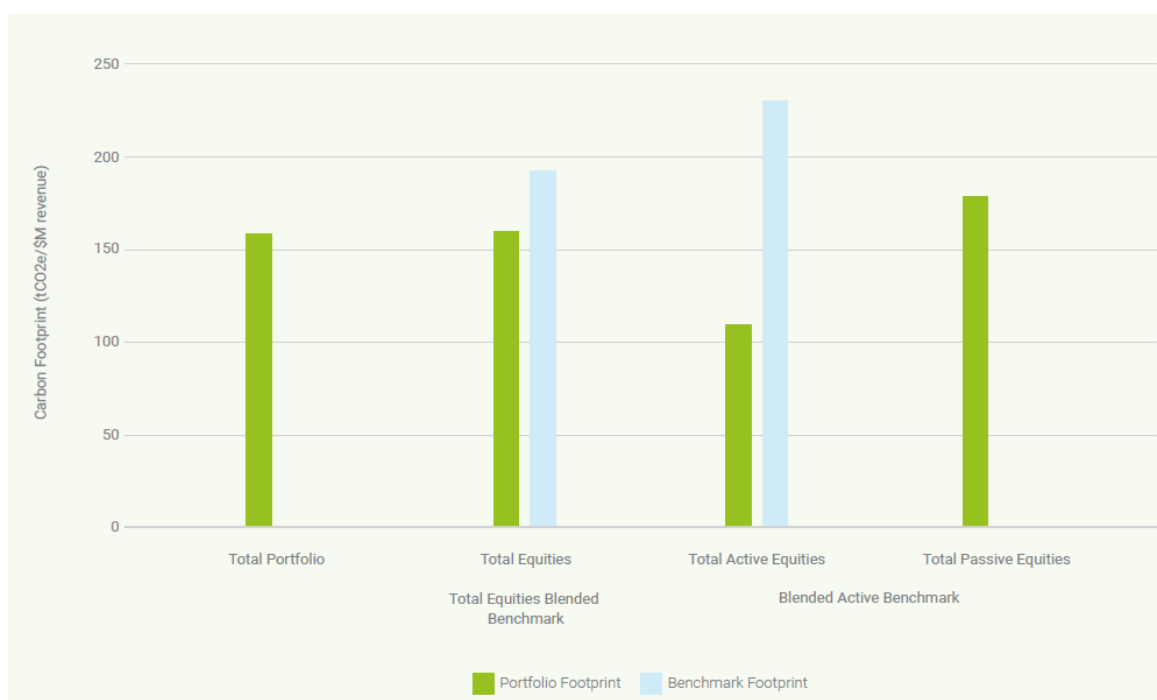
The Fund seeks to identify and assess climate-related risks at the total Fund level and at the individual asset level. Engagement activity is conducted with investee companies through selected stewardship partners including LGPS Central Limited, EOS at Federated Hermes and LAPFF. Based on its Climate Risk Report, the Fund will develop a Climate Stewardship Plan which, alongside the widescale engagement activity undertaken by our stewardship partners, will include targeted engagement at investee companies of particular significance to the Fund's portfolio. The Climate

Stewardship Plan includes nine companies across five sectors: Energy, Info Tech, Materials and Utilities.

Metrics & Targets

The Fund's carbon risk metrics cover its listed equities portfolios, which represent 49% of the Fund's total assets. The scope of the analysis comprises the total equities portfolios as at 31st December 2019 and covers 14 out of 14 equity strategies and 5,020 individual companies. The carbon footprints are provided below and illustrated in the graphic.

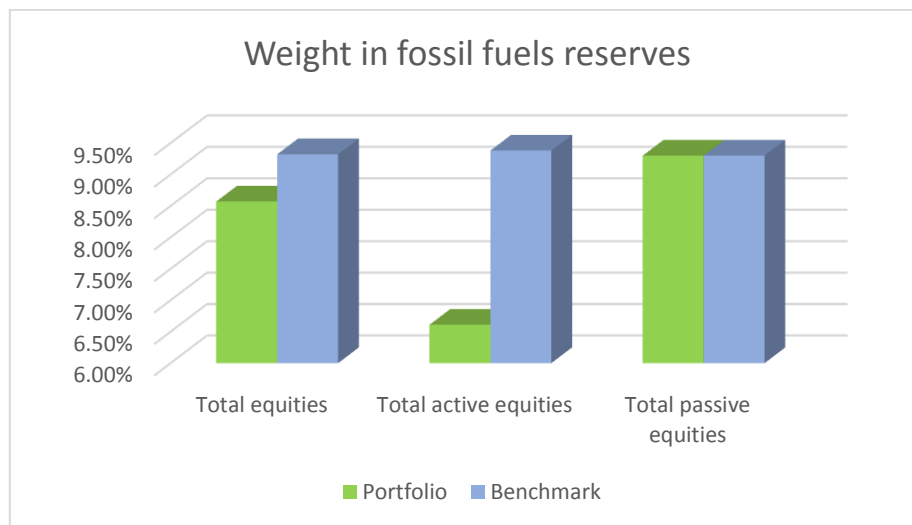
- Total Equities: 160.2 (tCO₂e/ \$m revenue)
- Total Active Equities: 109.6 (tCO₂e/ \$m revenue)
- Total Passive Equities: 178.8 (tCO₂e/ \$m revenue)
- Total portfolio measured: 158.8 (tCO₂e/ \$m revenue)*



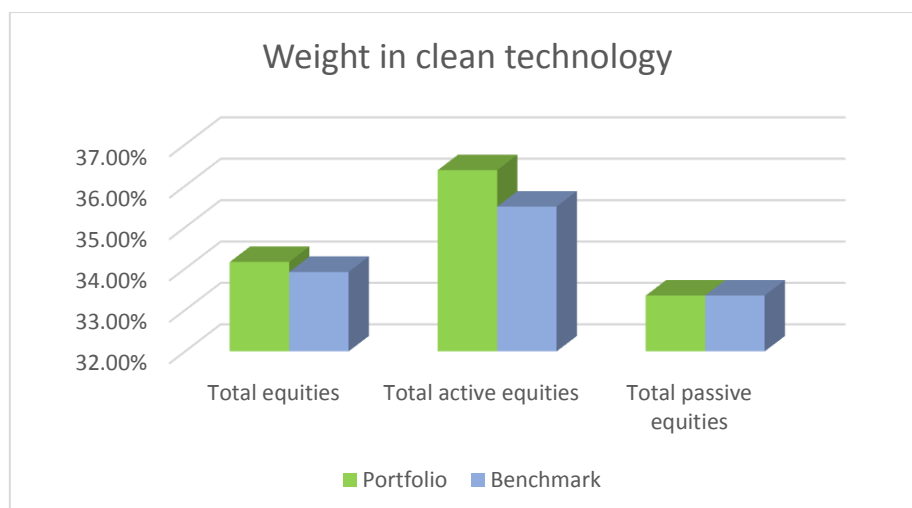
*The Total Portfolio could not be run against a benchmark due to an investment within the portfolio being run against the LIBOR, which is out with the scope of climate risk providers data.

Both the Total Equities portfolio and the Total Active Equities portfolio are more carbon efficient than their benchmarks. The Total Equities portfolio is c.17% more carbon efficient than its benchmark, while the Total Active Equities portfolio is c.52% more carbon efficient. As the underlying portfolios in the Total Passive Equities are passively managed, their carbon footprints are identical to the indexes they track.

The CRR also measures the Funds weight to fossil fuel reserves and weight in clean technology versus the benchmarks for each of the mandates. The graphs below illustrate the positive performance versus both benchmarks.



Overall, the Fund has a lower exposure to fossil fuel reserves compared to the benchmark, 8.57% versus 9.32% as at 31st December 2019. This is driven by the much lower exposures within the active equity portfolios given the passive portfolios mirror the benchmark.



The Fund's weight to companies engaged in clean technology activities is higher than the benchmark position, 34.16% versus 33.92% as at 31st December 2019. Again, this is driven by the much lower exposures within the active equity portfolios given the passive portfolios mirror the benchmark.

LGPS CENTRAL POOL

As mentioned earlier in the report the Fund is an investor in LGPS Central Ltd, a company which pools together pension fund assets from various pension funds across the Midlands. Leicestershire County Council along with eight other funds is a joint owner of the company. The company has its own governance and risk management structures in place. The aim of the Company is to use the combined buying power of its partner funds to reduce costs, improve investment returns and widen the range of available asset classes for investment – all for the benefit of local government pensioners, employees and employers. Further information on the Governance Structure on LGPS Central can be found within the [Governance Compliance Section here](#).

LGPS Central Ltd is based in Wolverhampton and their details can be found below:

Address:

LGPS Central Ltd,
Mander House,
Mander Centre,
Wolverhampton,
WV1 3NB

Website: <https://www.lgpscentral.co.uk>

e-mail: enquiries@lgpscentral.co.uk

Assets under management

During the 2020/21 financial year, the following assets were transitioned into the pool by the Leicestershire Fund:

Fund Name	NAV at Transition
All World Equity Climate Multi Factor Fund	£746.8m
Global Active Emerging Market Bond MMF	£111.4m
Global Active Investment Grade Corporate Bond MMF	£100.0m

In total as at 31 March 2021 £1,661.9m worth of assets were managed directly by the LGPS Central Pool. Further to this the Fund has £833.5m worth of passive equities which are invested in a collectively pooled vehicle. As at 31 March 2021 48% of the Fund's assets are pooled.

There are also advisory and executions mandates held with the pool for the following assets:

Targeted Return	£535.9m
Property	£389.5m

Post Pooling report

The information request set out below reflects the information required by Partner Funds to meet the CIPFA Annual Report Pooling Disclosures in 2019/20. Please note that the information request reflects the start-up nature of LGPS Central and the level and complexity of the disclosures required will increase in later years.

The analysis provided by LGPS Central relates to the Leicestershire Pension Fund. The provision of the information by LGPS Central to each Partner Fund should ensure consistent reporting across Partner Funds, and allow LGPS Central to aggregate, and reconcile back the individual Partner Fund disclosures, to the Company's financial statements.

1. Set up costs

Leicestershire's share of the set-up cost associated with the pool were as follows:

£000	Cumulative 2014/15 to 2018/19 Total
Set Up Costs	
Recruitment	0
Procurement	27
Professional Fees	2
IT	187
Staff Costs	97
Other Costs	142
Premises	49
Staffing-Related Costs	5
Travel and Expenses	1
Training and 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

£000	2016/17	2017/18	2018/19	Cumulative Total
Set-Up Costs Before Funding	95	419	-	514
Set-Up Costs After Funding	95	2,419	-	2,514
Transition Costs				

2. Recharges By Partner Funds to LGPS Central in respect of Set-Up Costs

£000	At 1 April- 18	Recharges in Year	Settled in Year	At 31 March- 19
Set-Up Cost Recharges	502	-	(502)	-

3. Governance, Operator and Product Development Charged by LGPS Central to Partner Funds

£000	At 1 April-20	Charges in Year	Settled in Year	At 31 March-21

Governance Costs	-	231	-	-
Operator Costs	-	515	-	-
IMMC (*)	-	286	-	-
Product Development Costs	-	149	-	-
Total	275	1,181	(1,136)	320

(*) Please note that this is expected to relate to IMMC charges in respect of any discretionary and/or advisory services provided by LGPSC to a Partner Fund. Any IMMCs (both internal and external charges) which are charged directly to a product (e.g. ACS sub-funds and SLP Private Equity) should be disclosed through Information Request (5) and (6) below.

4. Other Transactions between Partner Funds and LGPS Central

£000	At 1 April-20	Charges in Year	Settled in Year	At 31 March-21
Interest Payable	36	32	(36)	32
Total	36	32	(36)	32

The following Investment management costs have been charged by the pool to the Leicestershire Fund.

5. LGPS Central Investment Management Expenses Charged to Partner Funds

	£000	Direct	Indirect	Total	Bps Charge
1	Ad Valorem	1,858		1,858	19.21
2	Performance	-		-	-
3	Research	-		-	-
4	PRIIIPS Compliance	-		-	-
5	Other (provide details)	-		-	-
	Management Fees	1,858	-	1,858	19.21
6	Commissions	342		342	3.54
7	Acquisition/issue costs	-		-	-
8	Disposal costs	-		-	-
9	Registration/filing fees	-		-	-
10	Taxes and Stamp Duty	286		286	2.96
11	Other (provide details)	-		-	-
	Implicit Costs	1,927		1,927	19.93
	Transaction Costs	2,555	-	2,555	26.42
					-
12	Custody/Depository	104		104	1.08
13	Other (provide details)				-
	Fund Accounting	22		22	0.23
	Transfer Agent	4		4	0.04
	External Audit	8		8	0.08
	Performance Reporting	9		9	0.09
	Transaction Charges	84		84	0.87
	MACS Fees	-		-	-
	Total Costs	4,644		4,644	48.02

Note: The total of the analysis should reconcile to request (6) below

*BPS= Basis points charged based on Assets under Management

6. Investment Management Expenses By Product / Service

£000	1	2	3	4	5	6	7	8	9	10	11	12	13	Total 2020/21 Costs	AUM At 31 March 2021 £m	2020/21 Bps Charge
Global Multi-Manager	869					123				120	661	48	23	1,844	454	46.68
Climate Factor Fund	85					126				56	373	26	11	677	775	28.93
Emerging Market Equities	748					93				110	87	18	20	1,076	215	55.46
Corporate Bonds	88					-				-	727	9	5	829	106	82.90
Emerging Market Debt	60					-				-	79	3	68	210	108	61.76
ACS Sub-Funds	1,850	-	-	-	-	342	-	-	-	286	1,927	104	127	4,636	1,658	
Private Equity 2018 V'tage	8													8	10	8.00
Alternative Vehicles	8	-	-	-	-	-	-	-	-	-	-	-	-	8	10	
Total	1,858	-	-	-	-	342	-	-	-	286	1,927	104	127	4,644	1,668	48.02

Items 1 –

13 relate to the categories highlighted in the management costs table.

7. Asset Under Management & Performance by Product / Service

£000	AUM At 1 April-20 £m	AUM At 31 March-21 £m	One Year Gross Performance %	One Year Net Performance %	Passive Benchmark Used	One Year Passive Index %
Global Multi-Manager	294	454	48.19%	47.89%	FTSE All World Index	39.58%
Climate Factor Fund	-	775	34.77%	34.69%	FTSE All-World Climate Balanced Comprehensive Factor Index	34.45%
Emerging Market Equities	148	215	41.63%	41.07%	FTSE Emerging Markets Index	40.78%
Corporate Bonds	-	106	11.27%	11.15%	ICE BofAML Sterling Non-Gilt Index 50%; ICE BofAML Global Corporate Index 50%	9.18%
Emerging Market Debt	-	108	-4.10%	-4.16%		
ACS Sub-Funds	442	1,658				
Private Equity 2018 Vintage	10	10				
Alternative Vehicles	10	10				
Total	452	1,668				

(*) Inception to 31 March 2019

8. Transition Costs

£000	Emerging Market Debt
Starting Unit Price (A)	
Manager Hand-Over Unit Price (B)	
Change In Unit Price (B-A/A = C)	0.82%
Index Performance (D)	0.92%
Out/Under Performance (C-D)	-0.10%
Total Transition Costs = Financial Impact of Out/Under Performance Calculated Above	
<i>Out/Under Performance Comprised of:</i>	
(1) Implementation Shortfall	-0.46%
(2) Outperformance of Target Portfolios Against Benchmark During Transition	+0.39%
(3) Underperformance of Completed Portfolio Against Benchmark, Post Transition	-0.02%
(4) Rounding	-0.01%
Total Transition Costs Using Above Methodology	-0.10%

ACTUARIAL STATEMENT

Leicestershire County Council Pension Fund (“the Fund”)

Actuarial Statement for 2020/21

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). In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund using a prudent long-term view. This will ensure that sufficient funds are available to meet all members’/dependants’ benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 17 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 75% likelihood that the Fund will achieve the funding target over 17 years.

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 2019. This valuation revealed that the Fund’s assets, which at 31 March 2019 were valued at £4,312 million, were sufficient to meet 89% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2019 valuation was £537 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and liability measure as per the FSS. Individual employers’ contributions for the period 1 April 2020 to 31 March 2023 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 2019 formal valuation report.

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 2019 valuation were as follows:

Financial assumptions	31 March 2019
Discount rate	3.8%
Salary increase assumption	2.8%
Benefit increase assumption (CPI)	2.3%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a long-term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.5 years	23.8 years
Future Pensioners*	22.2 years	25.2 years

*Aged 45 at the 2019 Valuation.

Copies of the 2019 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2019

Markets were severely disrupted by COVID 19 in March 2020, but in the 2020/21 year they recovered strongly. As a result, the funding level of the Fund as at 31 March 2021 is likely to be broadly similar to that reported at the previous formal valuation.

The next actuarial valuation will be carried out as at 31 March 2022. The Funding Strategy Statement will also be reviewed at that time.

Tom Hoare FFA

29 October 2021

For and on behalf of Hymans Robertson LLP

FINANCIAL STATEMENTS

Pension Fund

(Registration number: 00328856RQ)

Introduction

The Leicestershire County Council Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS) and is administered by Leicestershire County Council.

General

The scheme is governed by the Public Service Pension Act 2013. The fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme Regulations 2013 (as amended)
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016

It is a contributory defined benefit pension scheme administered by Leicestershire County Council to provide pensions and other benefits for pensionable employees of Leicestershire County Council, Leicester City Council, the district councils in Leicestershire and a range of other scheduled and admitted bodies within the county area. Teachers, police officers and firefighters are not included as they come within other national pension schemes. The Fund is overseen by the Leicestershire County Council Pension Fund Committee, which is a committee of Leicestershire County Council.

The Pension Committee consists of ten voting members and three non-voting staff representatives. The voting members are split into five County Council members, two from Leicester City Council and two representing the District Councils and a single member representing Universities. The Committee receives investment advice from the funds Actuary, Hymans Robertson LLP, and meets quarterly to consider relevant issues.

Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the fund include the following:

- Scheduled bodies, which are automatically entitled to be members of the fund.
- 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.

Membership details are set out below:

	31-Mar-20	31-Mar-21
Number of employers	268	283
Number of employees in the scheme (Actives)		
County Council	8,488	8,474
Other employers	27,291	28,498
Total	35,779	36,972
Number of pensioners		
County Council	11,399	11,641
Other employers	17,637	18,448
Total	29,036	30,089
Deferred pensioners		
County Council	12,377	12,145
Other employers	24,997	25,458
Total	37,374	37,603
Total number of members in the pension scheme	102,189	104,664

Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the Local Government Pension Scheme Regulations 2013 and range from 5.5% and 12.5% of pensionable pay for the financial year ending 31 March 2021. Employers contributions are set based on triennial actuarial funding valuations. In 2020/21 the average employer rate was 25.4% of pay (24.5% 2019/20).

Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based in 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, <https://www.leicestershire.gov.uk>

Fund Account for the Year Ended 31 March 2021

2019/20 £m		Notes	2020/21 £m
	Contributions		
(167.9)	Employer Contributions	6	(183.0)
(42.7)	Member Contributions	6	(45.1)
(12.3)	Transfers in from Other Pension Funds	7	(5.3)
(222.9)	Total Contributions		(233.4)
	Benefits		
127.8	Pensions	8	132.1
32.9	Commutation of Pensions and Lump Sum Retirement Benefits	8	27.5
3.1	Lump Sum Death Benefits		5.0
15.0	Payments to and on Account of Leavers	9	6.7
178.8	Total Benefits		171.3
(44.1)	Net (Additions)/Withdrawals from Dealings with Members		(62.1)
40.1	Management Expenses	10	45.3
(4.0)	Net (Additions)/Withdrawals Including Fund Management Expenses		(16.8)
	Returns on investments		
(35.8)	Investment income	11	(30.7)
196.6	(Profit) and Losses on Disposal of Investments and Changes in Value of Investments	12	(944.0)
160.8	Net Returns on Investments (Sub Total)		(974.7)
156.8	Net (Increase) / Decrease in the Net Assets Available for Benefits fund During the Year		(991.5)
(4,312.0)	Net assets of the scheme Opening		(4,155.2)
(4,155.2)	Net assets of the scheme Closing		(5,146.7)

Net Assets Statement as at 31 March 2021

2019/20 £m		Notes	2020/21 £m
4,152.7	Investment assets	12	5,148.0
(5.8)	Investment liabilities	12	(10.9)
4,146.9			5,137.1
12.7	Current Assets	15	15.3
(4.4)	Current Liabilities	15	(5.7)
4,155.2	Net Assets of the Fund at 31 March		5,146.7

The financial statements summarise the transactions of the Fund and deal with the net assets at the disposal of the Council. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial position on the Scheme, which does take account of such obligations, is set out in the Actuary's Report.

The notes on pages 85 to 112 form part of the Financial Statements.

Notes to the Accounts

1. Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2020/21 financial year and its position as at 31 March 2021. The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2020/21.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year nor do they take account of the actuarial present value of promised retirement benefits. The Fund has disclosed this information, by appending a copy of the report to the Pension Fund accounts.

The Accounts have been prepared on a going concern basis.

2. Accounting policies

The following principal accounting policies, have been adopted in the preparation of the financial statements:

Fund Account – Revenue Recognition

a) Contribution Income

Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes which rise according to pensionable pay.
- Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate.

Employer deficit funding contributions are accounted for on the basis advised by the fund actuary in the rates and adjustment certificate issued to the relevant employing body. Additional employers' contributions in respect of ill-health and early retirements are accounted for in the year the event arose. Any amount due in the year but unpaid will be classed as a current financial asset.

b) Transfers to and from other Schemes

Transfers in and out relate to members who have either joined or left the fund. Individual transfers in/out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In, shown in Note 7. Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

c) Investments

Interest Income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

Dividend Income is recognised on the date the shares 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.

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Property related income consists primarily of rental income. Rental income from operating leases on properties owned by the fund is recognised on a straight line basis over the terms of the lease.

Changes in the value of investments are recognised as income and comprise all realised and unrealised profit/ losses during the year.

Fund Account – Expense Items

d) 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.

e) Taxation

The Fund is a registered public service scheme under Section 1(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.

f) Management Expenses

The Fund discloses management expenses for administration, oversight and governance, and investment management. The disclosures comply with the CIPFA guidance 'Accounting for Local Government Pension Scheme Management Expenses (2016)'.

Investment management expenses are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off quarterly valuations by investment managers, these expenses are shown separately in Note 10A and grossed up to increase the change in value of investments.

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

Net Assets Statement

g) Investments

Equities traded through the Stock Exchange Electronic Trading Service (SETS) are valued at bid price. Other quoted securities and financial futures are valued at the last traded price. Private equity investments and unquoted securities are valued by the fund managers at the year end bid price, or if unavailable in accordance with generally accepted guidelines. Accrued interest is excluded from the market value of fixed interest securities and index-linked securities but is included in investment income receivable.

Pooled Investment Vehicle units are valued at either the closing bid prices or the closing single price reported by the relevant investment managers, which reflect the accepted market value of the underlying assets.

Private equity, global infrastructure and hedge fund valuations are based on valuations provided by the managers at the year end date. If valuations at the year end are not produced by the manager, the latest available valuation is adjusted for cash flows in the intervening period.

Property investments are stated at open market value based on an expert valuation provided by a RICS registered valuer and in accordance with RICS guidelines.

Options are valued at their mark to market value. Forward foreign exchange contracts outstanding at the year end are stated at fair value which is determined as the gain or loss that would arise if the outstanding contract was matched at the year end with an equal and opposite contract. The investment reconciliation table in Note 12 discloses the forward foreign exchange settled trades as net receipts and payments.

h) Foreign currencies

Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the year-end. Income from overseas investments is translated at a rate that is relevant at the time of the receipt of the income or the exchange rate at the year end, whichever comes first.

Surpluses and deficits arising on conversion or translation are dealt with as part of the change in market value of investments.

i) Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits and includes 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.

j) Financial Assets

Financial Assets classes as amortised cost are carried in the net assets statement at amortised cost, i.e. the outstanding principal as at the year end date.

k) Financial Liabilities

A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability. The fund recognises financial liabilities relating to investment trading at fair value as at the reporting date, and any gains and losses arising from changes in the fair value of the liability between contract date, the year end date and the eventual settlement date are recognised in the fund account as part of the Change in Value of Investments. Other financial liabilities classed as amortised cost are carried at amortised cost, i.e. the amount carried in the net asset statement is the outstanding principal repayable plus accrued interest.

l) 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 IAS19 and relevant actuarial standards. As permitted under the Code, the fund has opted to disclose the actuarial present value of promised retirement benefits by appending a copy of the report to the Pension Fund Accounts.

m) Additional Voluntary Contributions

The Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. AVC's are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, but are disclosed for information in Note 26.

n) Contingent Assets and Contingent Liabilities

A contingent asset arises where an event has taken place giving rise to a plausible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

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. Contingent liabilities can also arise in circumstances where a provision would be made, except that is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the net asset statement but are disclosed by way of narrative in the notes.

3. Critical Judgements in Applying Accounting Policies

Pension Fund Liability

The net pension fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines. The estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in the introduction to the accounts. Actuarial revaluations are used to set future contribution rates and underpin the fund's most significant investment management policies, for example in terms of the balance between longer term and short term yield/ return.

Investment in LGPS Central Asset Pool

This investment has been valued at cost on the basis that fair value as at 31 March 2021 cannot be reliably estimated. Management have made this judgement because; a) the Pool only became licensed to trade in February 2018, b) no dividends to shareholders has yet been declared, and c) no published trading results are yet available.

Directly Held Property

The fund's property portfolio includes a number of directly owned properties which are leased commercially to various tenants. The fund has determined that these contracts all constitute operating lease arrangements under IAS7 and the Code, and therefore the properties are retained on the net assets statement at fair value. Rental income is recognised in the fund account on a straight line basis over the life of the lease.

4. Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions take account of historic experience, current trends and future expectations, however actual outcomes could be different from the assumptions and estimates made. The items in the net asset statement for which there is a significant risk of material adjustment in the following year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Actuarial Present Value of Promised Retirement Benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and returns on fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	For instance: <ul style="list-style-type: none"> • A 0.5% decrease in the discount rate used would result in an increase in the pension liability of £897m • A 0.5% increase in the pension increase rate would increase the pension liability by £794m • A one year increase in assumed life expectancy would increase the liability by between £250m and £417m.
Private Equity Investments	Private equity investments are valued at fair value. Investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Private equity investments are valued at £331m in the financial statements. There is a risk that this investment may be under or overstated in the accounts by up to 28%, an increase or decrease of £93m.
Freehold, Leasehold Property and Pooled Property Funds	Valuations techniques are used to determine the carrying amount of pooled property funds and directly held freehold property. Where possible these valuation techniques are based on observable data but where this is not possible management uses the best available data. The outbreak of Covid-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation.	Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property based investments by up to 15%, i.e. an increase or decrease of £57m on the carrying value of £377m.
Private Debt Investments	Private debt funds are valued in accordance with each investment managers valuation policy. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Private Debt funds are valued at £266m in the financial statements. There is a risk that this investment may be under or overstated in the accounts by up to 10%, an increase or decrease of £27m.

Infrastructure Investments	Infrastructure funds are valued in accordance with each investment managers valuation policy. Where possible these valuation techniques are based on observable data but where it is not possible management uses the best data available.	Infrastructure funds are valued at £246m in the financial statements. There is a risk that this investment may be under or overstated in the accounts by up to 14%, an increase or decrease of £34m.
Timberland Investment	Investments are carried at net asset value as determined by the General Partner. In most cases fair value is derived from the audited financial statements provided by an underlying fund manager. In circumstances where audited financial statements are not available, the valuations are then derived from unaudited quarterly reports.	Timberland funds are valued at £132m in the financial statements. There is a risk that this investment may be under or overstated in the accounts by up to 16%, an increase or decrease of £21m.

5. Events after the Reporting Date

The Statement of Accounts was authorised for issue by the Director of Corporate Resources on 30 July 2021. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information (where known).

There are no material events after the reporting date that would require an adjustment or additional disclosure to the accounts.

6. Contributions

2019/20 £m		2020/21 £m
	Employers	
160.0	Normal	169.2
4.6	Deficit Repair	10.7
0.0	Voluntary additional	0.0
2.4	Advanced payments for early retirements	1.4
0.9	Additional payments for ill-health retirements	1.8
	Members	
42.3	Normal	44.6
0.4	Purchase of additional benefits	0.4
210.6	Total	228.1

Additional payments for early retirements are paid by employers, once calculated and requested by the Fund, to reimburse the Pension Fund for the cost to the Fund of employees who are allowed to retire before their normal retirement age. Additional payments for ill-health retirements are generally paid by the insurance company, where the employer has taken out ill-health insurance and the claim has been accepted as valid.

On occasions employers without ill-health insurance are charged for at least part of the ill-health costs. Purchase of additional benefits by members allows either extra service to be credited on top of any service earned via employment, or an additional annual pension amount in cash to be paid following retirement. Termination valuation payments relate to the actuarially assessed deficit within an employer's sub-fund when their last active employee leaves.

The contributions can be analysed by the type of Member Body as follows:

2019/20 £m		2020/21 £m
50.1	Leicestershire County Council	55.1
150.1	Scheduled bodies	162.3
10.4	Admitted bodies	10.7
210.6	Total	228.1

7. Transfers In

2019/20 £m		2020/21 £m
12.3	Individual transfers in from other schemes	5.3
12.3	Total	5.3

8. Benefits

The benefits paid can be analysed by type of Member Body as follows:-

2019/20 £m		2020/21 £m
57.2	Leicestershire County Council	56.9
98.5	Scheduled bodies	99.1
8.1	Admitted bodies	8.6
163.8	Total	164.6

9. Payments to and on Account of Leavers

2019/20 £m		2020/21 £m
0.3	Refunds to members leaving the scheme	0.6
14.7	Individual transfers to other schemes	6.1
15.0	Total	6.7

10. Management Expenses

2019/20 £m		2020/21 £m
37.4	Investment Management Expenses (Note 10A)	43.6
2.0	Pension Scheme Administration Costs	1.4
0.7	Oversight and Governance Expenses	0.3
40.1	Total	45.3

10A. Investment Management Expenses

2019/20 £m		2020/21 £m
24.6	Management Expenses	23.3
12.1	Transaction Costs	13.2
0.7	Performance Related Fees	7.1
37.4	Total	43.6

11. Investment Income

2019/20 £m		2020/21 £m
1.8	Dividends from equities	0.9
0.1	Income from Government Bonds	0.0
2.0	Income from index-linked securities	1.4
24.8	Income from pooled investment vehicles	22.5
6.7	Net rents from properties	5.8
0.6	Interest on cash or cash equivalents	1.0
(0.2)	Net Currency Profit / (Loss)	(0.9)
35.8	Total	30.7

12. Investments

	Value at 1 April 2020	Purchases at Cost and Derivative Payments	Sales Proceeds and Derivative Receipts	Change In Market Value	Value at 31 March 2021
	£m	£m	£m	£m	£m
Equities	33.8	40.4	(29.2)	18.1	63.1
Government Bonds	0.7	16.3	(13.6)	(0.1)	3.3
Index-linked securities	339.9	160.5	(218.3)	6.3	288.4
Pooled investment vehicles	3,527.4	1,145.8	(1,166.9)	833.4	4,339.7
Properties	99.6	9.7	0.0	(0.7)	108.6
Derivatives contracts	57.0	4.0	(144.1)	87.0	3.9
Cash and currency & other investment balances	88.5	241.6	0.0	0.0	330.1
Total	4,146.9	1,618.3	(1,572.1)	944.0	5,137.1

	Value at 1 April 2019	Purchases at Cost and Derivative Payments	Sales Proceeds and Derivative Receipts	Change In Market Value	Value at 31 March 2020
	£m	£m	£m	£m	£m
Equities	82.4	53.6	(94.3)	(7.9)	33.8
Government Bonds	28.9	74.1	(104.3)	2.0	0.7
Index-linked securities	391.2	404.5	(465.1)	9.3	339.9
Pooled investment vehicles	3,575.0	509.6	(419.6)	(137.6)	3,527.4
Properties	102.6	0.2	0.0	(3.2)	99.6
Derivatives contracts	(4.0)	122.0	(1.8)	(59.2)	57.0
Cash and currency and other investment balances	131.1	0.0	(42.6)	0.0	88.5
Total	4,307.2	1,164.0	(1,127.7)	(196.6)	4,146.9

The change in the 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 Fund has the following investments which exceed 5% of the total net value of assets:

2019/20 £m		2020/21 £m
0.0	LGPS Central – All World Equity Climate Multi Factor Fund	775.0
307.3	LGPS Central - Global Equity Active Multi Manager Fund	454.5
231.3	Legal and General North America Index Fund	328.4
768.8	Total	1,557.9

2019/20 £m		2020/21 £m
	Equities	
14.4	UK quoted	29.3
1.3	UK unquoted	1.3
18.1	Overseas quoted	32.5
33.8		63.1
	Government Bonds	
0.0	UK Government Unquoted	0.0
0.0	UK Government Quoted	2.6
0.0	Overseas Quoted	0.0
0.0		2.6
	Corporate Bonds	
0.7	UK unquoted	0.7
0.7		0.7
	Index Linked Securities	
299.9	UK quoted	255.9
40.0	Overseas quoted	32.6
339.9		288.5
	Pooled investment vehicles (unquoted)	
279.0	Property funds	267.9
248.5	Private equity	330.7
560.9	Bond and debt funds	670.4
0.2	Hedge funds	0.1
1,694.0	Equity-based funds	2,349.6
16.0	Commodity-based funds	12.8
143.9	Timberland fund	131.8
145.9	Managed futures fund	146.7
151.8	Targeted return fund	183.2
287.2	Infrastructure fund	246.2
3,527.4		4,339.4
	Properties	
99.6	UK (Note 14)	108.6
86.5	Cash and currency	331.3
	Derivatives contracts	
53.7	Forward foreign exchange assets	2.1
0.0	Currency option assets	0.0
9.2	Other option assets	10.1
(5.9)	Forward foreign exchange liabilities	(8.3)
0.0	Currency option liabilities	0.0
57.0	Sterling Denominated	3.9
2.0	Other Investment Balances	(1.0)
4,146.9	Total Investments	5,137.1

At 31 March 2021 pooled investment vehicles include investments in fund-of-funds which have an underlying value of £330m in private equity, £25m in illiquid corporate bonds and £132m in timberland.

13. Derivatives

The Fund holds derivatives for a number of different reasons. Forward foreign exchange contracts are held to benefit from expected changes in the value of currencies relative to each other. Futures can be held to gain full economic exposure to markets without the requirement to make a full cash investment and can be held to ensure that the Fund's exposures are run efficiently. Options are generally used to express an investment view but can give a much higher economic exposure than is required to be paid for the options – they also ensure that the potential loss is limited to the amount paid for the option.

Forward Foreign Exchange Contracts

All forward foreign exchange contracts are classed as 'Over the Counter' and at the year end the net exposure to forward foreign exchange contracts can be summarised as follows:

2019/20 £m		2020/21 £m
47.8	Passive currency positions (those whose purpose is to hedge the Fund's benchmark exposure to currencies back to sterling)	(6.1)
47.8	Total	(6.1)

Options

All options held by the Fund were exchange traded. The value of these options and the assets to which they were exposed can be summarised as follows:

2019/20 £m		2020/21 £m
9.2	Equity rate-based	10.1
9.2	Total	10.1

14. Property Investments

31 March 2020 £m		31 March 2021 £m
71.3	Freehold	83.5
15.9	Long Leasehold (over 50 years unexpired)	17.5
12.4	Medium/Short Leasehold (under 50 years unexpired)	7.6
99.6	Total	108.6

All properties, with the exception of the Fund's farm investment, were valued on an open market basis by Nigel Holroyd and Adrian Payne of Colliers Capital UK at 31st March 2021. The Fund's farm was valued on an open market basis by James Forman of Leicestershire County Council. All of the Valuers are Members of the Royal Institute of Chartered Surveyors.

14A Property Holdings

31 March 2020 £m		31 March 2021 £m
102.6	Opening Balance	99.6
	Additions:	
0.0	Purchases	9.6
0.2	Subsequent Expenditure	0.1
0.0	Disposals	0.0
(3.2)	Net increase in market Value	(0.7)
99.6	Total	108.6

15. Current Assets and Liabilities

2019/20 £m		2020/21 £m
9.9	Contributions due from employers	10.9
2.4	Other Debtors	4.4
0.4	Due from Ministry of Justice	0.0
12.7	Current assets	15.3
(3.1)	Due to <i>Leicestershire County Council</i>	(1.8)
(1.1)	Fund Management Fees Outstanding	(1.8)
(0.2)	Other Creditors	(2.0)
(4.4)	Current liabilities	(5.7)
8.3	Net current assets and liabilities	9.6

Contributions due at the year end were received by the due date.

16. Analysis of Investments by Manager

The Fund employs external investment managers to manage all of its investments apart from an amount of cash and a farm property, which are managed by Leicestershire County Council. This structure ensures that the total Fund performance is not overly influenced by the performance of any one manager.

The market value of investments in the hands of each manager is shown in the table below:-

At 31 March 2020			At 31 March 2021	
£m	%		£m	%
Investments Managed by LGPS Central Pool				
0.0	0.0	All World Equity Climate Multi Factor Fund	775.0	15.2
		Global equities multi-manager fund:		
98.8	2.4	Harris	129.5	2.5
101.2	2.4	Schroders	173.1	3.4
107.3	2.6	Union	151.8	3.0
		Emerging market equities multi-manager fund:		
48.6	1.2	BMO	68.7	1.3
49.9	1.2	UBS	74.9	1.5
53.7	1.3	Vontobel	71.1	1.4
		Global Active Emerging Market Bond MMF		
0.0	0.0	Amundi	53.9	1.0
0.0	0.0	M&G	53.9	1.0
		Global Active Investment Grade Corporate Bond MMF		
0.0	0.0	Neuberger Berman	53.1	1.0
0.0	0.0	Fidelity	53.0	1.0
0.8	0.0	LGPS central PE primary partnership 2018 LP	3.9	0.1
460.3	11.1	Sub Total	1,661.9	32.4
Investments Managed outside of Pool				
1,219.8	29.4	Legal & General	883.3	17.1
421.9	10.2	Kames Capital	449.4	8.7
225.0	5.4	Adams Street Partners	301.1	5.9
277.5	6.7	Partners Group	265.9	5.1
166.8	4.0	Ruffer LLP	206.0	3.9
201.8	4.9	LaSalle	192.8	3.7
151.8	3.7	Pictet Asset Management	183.2	3.5
37.3	0.9	Internally Managed	173.7	3.3
145.9	3.5	Aspect Capital	146.7	2.9
143.9	3.5	Stafford Timberland	131.8	2.6
126.0	3.0	Colliers Capital UK	129.0	2.7
118.5	2.9	JP Morgan Asset Management	114.1	2.2
103.6	2.5	IFM Investors (UK) Ltd	106.6	2.2
88.1	2.1	M&G	71.6	1.4
49.8	1.2	Cristofferson, Robb & Co	38.0	0.7
75.7	1.8	Kravis Kohlberg Roberts & Co	38.0	0.7
21.6	0.5	Aberdeen Standard Life	24.9	0.6
15.8	0.4	Infracapital	18.2	0.4
1.1	0.0	Catapult Venture Managers	0.8	0.0
0.2	0.0	EnTrustPermal	0.1	0.0
94.5	2.3	Ashmore	0.0	0.0
3,686.6	88.9	Sub Total	3,475.2	67.6
4,146.9	100.0	Grand Total	5,137.1	100.0

17. Custody of Assets

All the Fund's directly held assets are held by external custodians and are therefore not at risk from the financial failure of any of the Fund's investment managers. Most of the pooled investment funds are registered with administrators that are independent of the investment manager.

18. Operation and Management of Fund

Details of how the Fund is administered and managed are included in the Pension Fund Annual Report.

19. Employing bodies and Fund members

A full list of all bodies that have active members within the Fund is included in the in the Pensions fund annual report available from the fund website.

20. Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of the information used to determine fair values.

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 comprised quoted equities, quoted fixed interest securities, quoted index-linked securities and pooled investment vehicles where the underlying assets fall into one of these categories.

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 that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments, hedge funds and infrastructure, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Leicestershire County Council Pension Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP.

The values of the investment in hedge funds and infrastructure are based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent audit of the value.

The following tables provide an analysis of the financial assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which fair value is observable.

Values at 31st March 2021

	Quoted market price	Using observable inputs	With significant unobservable inputs	
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at fair value	3,433.1	0.0	1,714.9	5,148.0
Financial liabilities at fair value	(10.9)	0.0	0.0	(10.9)
Net financial assets	3,422.2	0.0	1,714.9	5,137.1

Values at 31st March 2020

	Quoted market price	Using observable inputs	With significant unobservable inputs	
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at fair value	2,458.2	0.0	1,694.6	4,152.8
Financial liabilities at fair value	(5.9)	(0.0)	0.0	(5.9)
Net financial assets	2,452.3	0.0	1,694.6	4,146.9

21. Classification of Financial Instruments

2019/20 £m			2020/21 £m		
Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
Financial Assets					
33.8	0.0	0.0	63.1	0.0	0.0
0.7	0.0	0.0	3.2	0.0	0.0
339.9	0.0	0.0	288.5	0.0	0.0
3,527.4	0.0	0.0	4,339.7	0.0	0.0
53.7	0.0	0.0	2.1	0.0	0.0
0.0	86.5	0.0	0.0	331.2	0.0
0.0	0.7	0.0	0.0	0.0	0.0
0.0	0.8	0.0	0.0	1.0	0.0
3,955.5	88.0	0.0	4,696.6	332.2	0.0
Financial Liabilities					
(5.9)	0.0	0.0	(8.3)	0.0	0.0
0.0	0.0	0.0	0.0	0.0	(2.6)
0.0	0.0	(4.4)	0.0	0.0	(4.1)
(5.9)	0.0	(4.4)	(8.3)	0.0	(6.7)

The value of debtors and creditors reported in the Notes to the Statement of Accounts are solely those amounts meeting the definition of a financial instrument. The balances of debtors and creditors reported in the balance sheet and Notes include balances which do not meet the definition of a financial instrument, such as tax-based debtors and creditors.

The following gains and losses are recognised in the Fund Account:

2019/20 £m		2020/21 £m
	Financial Assets	
(241.4)	Fair value through profit and loss	943.8
	Financial Liabilities	
48.0	Fair value through profit and loss	0.2
(193.4)	Total	944.0

All realised gains and losses arise from the sale or disposal of financial assets which have been derecognised in the financial statements. The fund has not entered into any financial guarantees that are required to be accounted for as financial instruments.

22. External Audit Fee

2019/20 £		2020/21 £
25,530	Payable in respect of external audit	34,530
25,530	Total	34,530

23. Nature and Extent of Risks Arising from Financial Instruments

Risk and risk management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. the promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure that there is sufficient liquidity to meet the Fund's required cash flows. These investment risks are managed as part of the overall pension fund risk management programme.

Responsibility for the Fund's risk management strategy rests with Leicestershire County Council's Local Pension Committee (formerly called the Pension Fund Management Board).

a) 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. 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 within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, Leicestershire County Council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks via an annual strategy review which ensures that market risk remains within acceptable levels. On occasion equity futures contracts and exchange traded option contracts on individual securities may be used to manage market risk on investments, and in exceptional circumstances over-the-counter derivative contracts may be used to manage specific aspects of market risk.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such investments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. For all investments held by the Fund, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored to ensure that it is within the limits specified in the Fund's investment strategy.

Other price risk – sensitivity analysis

Following analysis of historic data and expected investment return movement during the financial year, in consultation with the Fund's investment advisors, Leicestershire County Council has determined that the following movements in market prices risk are reasonably possible for the 2020/21 reporting period:

Asset type	Potential market movements (+/-)
Overseas government bonds	8%
Global credit	10%
Global government index-linked bonds	8%
UK equities	16%
Overseas equities	19%
UK property	15%
Private equity	28%
Infrastructure	14%
Commodities	14%
Hedge funds and targeted return funds	12%
Timberland	16%
Cash	1%

The potential price changes disclosed above are broadly consistent with one-standard deviation movement in the value of assets. The sensitivities are consistent with the assumptions contained in the annual strategy review and the analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the Fund's investments increased/decreased in line with the above, the change in net assets available to pay benefits in the market price would have been as follows (the prior year comparator is shown in the second table):

Asset Type	Value at 31 st March 2021	Percentage change	Value on increase	Value on decrease
	£m	%	£m	£m
UK equities	30.6	16	35.5	25.7
Overseas equities	32.5	19	38.7	26.3
UK Corporate Bonds	0.7	10	0.8	0.6
Global index-linked bonds	291.1	8	314.4	267.8
Pooled property funds	267.9	15	308.1	227.7
Pooled private equity funds	330.7	28	423.3	238.1
Pooled bond and debt funds	670.4	10	737.4	603.4
Pooled hedge funds	0.1	12	0.1	0.1
Pooled equity funds	2,349.6	19	2,796.0	1,903.2
Pooled commodity funds	12.8	14	14.6	11.0
Pooled targeted return funds	183.2	12	205.2	161.2
Pooled timberland fund	131.8	16	152.9	110.7
Pooled managed futures fund	146.7	12	164.3	129.1
Pooled infrastructure fund	246.2	14	280.7	211.7
UK property	108.6	15	124.9	92.3
Cash and currency	331.3	1	334.6	328.0
Options, futures, other investment balances, current assets and current liabilities	2.9	1	2.9	2.9
Total assets available to pay benefits	5,137.1		5,934.4	4,339.8

Asset Type	Value at 31 st March 2020	Percentage change	Value on increase	Value on decrease
	£m	%	£m	£m
UK equities	15.7	16	18.2	13.2
Overseas equities	18.1	19	21.5	14.7
UK Corporate Bonds	0.7	10	0.8	0.6
Global index-linked bonds	339.9	8	367.1	312.7
Pooled property funds	279.0	15	320.9	237.2
Pooled private equity funds	248.5	28	318.1	178.9
Pooled bond and debt funds	560.9	10	617.0	504.8
Pooled hedge funds	0.2	12	0.2	0.2
Pooled equity funds	1694.0	19	2,015.9	1,372.1
Pooled commodity funds	16.0	14	18.2	13.8
Pooled targeted return funds	151.8	12	170.0	133.6
Pooled timberland fund	143.9	16	166.9	120.9
Pooled managed futures fund	145.9	12	163.4	128.4
Pooled infrastructure fund	287.2	14	327.4	247.0
UK property	99.6	15	114.5	84.7
Cash and currency	86.5	1	87.4	85.6
Options, futures, other investment balances, current assets and current liabilities	59.0	1	59.6	58.4
Total assets available to pay benefits	4,146.9		4,787.1	3,506.8

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risk, which represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund is not highly exposed to interest rate risk, but monitoring is carried out to ensure that the exposure is close to the agreed asset allocation benchmark.

The Fund's direct exposure to interest rate movements as at 31st March 2021 and 31st March 2020 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

As at 31 st March 2020 £m	Asset type	As at 31 st March 2021 £m
86.5	Cash and Currency	331.3
339.9	Fixed interest securities	291.1
426.4	Total	622.4

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 to pay benefits. A 1% movement in interest rates (100 BPS) is consistent with the level of sensitivity expected within the Fund's asset allocation strategy and the Fund's investment advisors expect that long-term average rates are expected to move less than 100 BPS from one year to the next and experience suggests that such movements are likely. 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 of a +/- 100 BPS change in interest rates.

Asset type	Carrying amount as at 31 st March 2021 £m	Change in year in the net assets available to pay benefits	
		+100 BPS	-100 BPS
		£m	£m
Cash and Currency	331.3	3.3	(3.3)
Fixed interest securities	291.1	2.9	(2.9)
Total	622.4	6.2	(6.2)

Asset type	Carrying amount as at 31 st March 2020 £m	Change in year in the net assets available to pay benefits	
		+100 BPS	-100 BPS
		£m	£m
Cash and Currency	86.5	0.9	(0.9)
Fixed interest securities	339.9	3.4	(3.4)
Total	426.4	4.3	(4.3)

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk in financial instruments that are denominated in any other currency other than sterling. The Fund holds both monetary and non-monetary assets denominated in currencies other than sterling.

The Fund's currency rate risk is actively managed and the neutral position is to hedge 50% of the exposure back to sterling. The table below summarises the Fund's currency exposure if it was unhedged as at 31st March 2020 and as at the previous period end:

Asset value as at 31 st March 2020 £m	Currency exposure – asset type	Asset value as at 31 st March 2021 £m
18.1	Overseas equities	32.5
40.0	Overseas government index-linked bonds	32.6
247.4	Private equity pooled funds	329.9
0.2	Pooled hedge Funds	0.1
49.8	Pooled Bond and Debt Fund	144.1
1,409.6	Overseas and Global equity-based pooled funds	2,156.5
16.0	Commodity-based pooled funds	12.8
287.2	Infrastructure pooled funds	246.2
143.9	Timberland pooled fund	131.8
94.5	Emerging Market Debt pooled fund	107.7
2,306.7	Total overseas assets	3,194.2

Currency risk – sensitivity analysis

Following analysis of historical data in consultation with the Fund's investment advisors, it is considered that the likely volatility associated with foreign exchange rate movements is 13% (as measured by one standard deviation).

A 13% fluctuation in the currency is considered reasonable based on the Fund advisor's analysis of the long-term historical movements in the month-end exchange rates over a rolling 36-month period. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 13% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Current exposure – asset type	Asset value as at 31 st March 2021	Change to net assets available to pay benefits	
	£m	13% £m	-13% £m
Overseas equities	32.5	36.7	28.3
Overseas government index-linked bonds	32.6	36.8	28.4
Private equity pooled funds	329.9	372.8	287.0
Pooled hedge funds	0.1	0.1	0.1
Pooled Bond and Debt Fund	144.1	162.8	125.4
Overseas equity-based pooled funds	2,156.5	2,436.8	1,876.2
Commodity-based pooled funds	12.8	14.5	11.1
Infrastructure pooled funds	246.2	278.2	214.2
Timberland pooled fund	131.8	148.9	114.7
Emerging Market Debt pooled fund	107.7	121.7	93.7
Total change in assets available	3,194.2	3,609.3	2,779.1

b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market value of investments generally reflects an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of derivatives positions, 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.

Contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised ratings agency.

Deposits are not made with banks and financial institutions unless they are rated independently and have a high credit rating. Many of the Fund's investment managers use the money market fund run by the Fund's custodian to deposit any cash within their portfolios, although one manager (Kames Capital) lends cash directly to individual counterparties in the London money markets. Any cash held directly by the Fund is deposited in an Aberdeen Standard Life Money Market Fund.

The Fund believes it has managed its exposure to credit risk and has never had any experience of default of uncollectible deposits. The Fund's cash holding at 31st March 2021 was £331m (31st March 2020: £87m).

c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments. All of the Fund's cash holdings are available for immediate access, although on some occasions this will involve withdrawing cash balances from the portfolios of investment managers.

The Fund is allowed to borrow to meet short-term cash flow requirements, although this is an option that is only likely to be used in exceptional circumstances.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert to cash. As at 31st March 2021 the value of illiquid assets (considered to be the Fund's investments in property, hedge funds, private equity, timberland and infrastructure) was £1,085m, which represented 21% of total Fund assets. (31st March 2020: £1060m, which represented 26% of total Fund assets).

The Fund remains cash flow positive for non-investment related items so there is no requirement to produce detailed cash flow forecasts. All investment related cash flows are known about sufficiently far in advance that they can be covered by taking action in a manner that is both cost-effective and in line with the Fund's investment strategy.

All financial liabilities at 31st March 2021 are due within one year.

Refinancing risk

The key risk is that the Fund will be forced to sell a significant proportion of its financial instruments at a time of unfavourable interest rates, but this appears a highly unlikely scenario. The Fund's investment strategy and the structure of its portfolios have sufficient flexibility to ensure that any required sales are considered to be the ones that are in the best financial interests of the Fund at that time. There are no financial instruments that have a refinancing

risk as part of the Fund's treasury management and investment strategies.

Securities Lending

The Fund ceased to take part in securities lending activities towards the end of the 2017/18 financial year and there was no stock on loan at 31 March 2021

Reputational Risk

The Fund's prudent approach to the collective risks listed above and through best practice in corporate governance ensures that reputational risk is kept to a minimum.

24. Related Party Transactions

Leicestershire County Council is the administering authority for the Local Government Pension Scheme (LGPS) within Leicestershire and is one of the major employers within the scheme. Information regarding key management personnel is provided within the main accounts of Leicestershire County Council. Members and officers of the Council involved in managing the Fund are allowed to be members of the LGPS. All transactions between Leicestershire County Council and the Fund and all benefit payments from the Fund are in accordance with the regulations governing the LGPS. There are no transactions therefore that are made on a different basis from those with non-related parties.

LGPS Central Ltd has been established to manage, on a pooled basis, investment assets of nine Local Government Pension Schemes across the Midlands. It is jointly owned in equal amounts by the eight Administering Authorities participating in the Pool. £1.3m is invested in the share capital and £0.7m in a corporate bond with LGPS Central Ltd.

During 2020/21 a total of £0.9m was payable to LGPS Central Ltd for governance, operator and product development fees. Of these £0.1m was a creditor balance at the year end. As at 31 March 2021, £1.7bn of LCC LGPS investments were managed by LGPS Central Ltd.

25. Contingent Liabilities and Contractual Commitments

When a member has left the Pension Fund before accruing sufficient service to qualify for a benefit from the scheme, they may choose either a refund of contributions or a transfer value to another pension fund. There are a significant number of these leavers who have not taken either of these options and as their ultimate choice is unknown, it is not possible to reliably estimate a liability. The impact of these 'frozen refunds' has, however, been considered in the calculation of the actuarial liabilities of the fund.

If all of these individuals choose to take a refund of contributions the cost to the Fund will be around £2.1m, although the statutory requirement of the Fund to pay interest to some members would increase this figure. Should all of the members opt to transfer to another scheme the cost will be considerably higher.

At 31st March 2021, the Fund had the following contractual commitments:-

	31-Mar-20 £m	31-Mar-21 £m
Aberdeen Standard Life Capital SOF III Fund	13.9	10.0
Adams Street Partners	150.3	125.9
Catapult Venture Managers	0.5	0.5
Infracapital Greenfield Partners I Fund	15.3	12.4
KKR Global Infrastructure	27.1	22.0
LGPS Central PE Primary Partnership 2018 LP	9.0	7.0
M & G Debt Opportunities Fund IV	0.0	2.8
Partners Multi Asset Credit V S.C.A., SICAV-RAIF	25.0	0.0
Stafford International Timberland Funds VII & VIII	1.7	1.1

Total	242.8	181.7
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25A Key Management Personnel

Key management personnel are members of the Local Pension Committee and the Director of Corporate Resources. It has not been possible to apportion, on a reasonable basis, the costs and benefits of key management personnel between the Council and the Fund. However, Members' Allowances and Officers' Remuneration are disclosed in Notes 32 and 33 of the County Councils accounts.

26. Additional Voluntary Contributions (AVC's)

The Fund has an arrangement with Prudential whereby additional contributions can be paid to them for investment, with the intention that the accumulated value will be used to purchase additional retirement benefits. AVCs are not included in the Pension Fund Accounts in accordance with Regulation 4(2) (c) of the Pension Scheme (Management and Investment of Funds) Regulations 2009.

During the previous financial year, 2019/20, £1.7m in contributions were paid to Prudential. The capital value of all AVC's at year end, 31 March 2020 was £17.7m. The equivalent figures for 2020/21 are not available at the time of the publication of the draft accounts. This will be updated during the audit of the statement of accounts.

27. Policy Statements

The Fund has a number of policy statements that are available on request from the Technical Accounting Team, Strategic Finance, Leicestershire County Council, County Hall, Glenfield, Leicester. LE3 8RB (email technical.accountingteam@leics.gov.uk). They have not been reproduced within the Accounts as in combination they are sizeable, and it is not considered that they would add any significant value to most users of the accounts. The Statements are:

Investment Strategy Statement (ISS)
Communications Policy Statement
Funding Strategy Statement (FSS)

28. Compliance Statement

Income and other taxes

The Fund has been able to gain either total or partial relief from local taxation on the Fund's investment income from eligible countries. The Fund is exempt from UK Capital Gains and Corporation tax.

Self-investment

There has been no material employer related investment in 2020/21 (or 2019/20). There were occasions on which contributions were paid over by the employer later than the statutory date, and these instances are technically classed as self-investment. In no instance were the sums involved material, and neither were they outstanding for long periods.

Calculation of transfer values

There are no discretionary benefits included in the calculation of transfer values.

Pension Increase

All pension increases are made in accordance with the Pensions Increase (Review) Order 1997.

Changes to LGPS

All changes to LGPS are made via the issue of Statutory Instruments by Central Government.

Leicestershire County Council Pension Fund (“the Fund”) Actuarial Statement for 2020/21

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). In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund using a prudent long-term view. This will ensure that sufficient funds are available to meet all members’/dependants’ benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 17 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 75% likelihood that the Fund will achieve the funding target over 17 years.

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 2019. This valuation revealed that the Fund’s assets, which at 31 March 2019 were valued at £4,312 million, were sufficient to meet 89% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2019 valuation was £537 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and liability measure as per the FSS. Individual employers’ contributions for the period 1 April 2020 to 31 March 2023 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 2019 formal valuation report.

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 2019 valuation were as follows:

Financial assumptions	31 March 2019
Discount rate	3.8%
Salary increase assumption	2.8%
Benefit increase assumption (CPI)	2.3%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a long-term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.5 years	23.8 years
Future Pensioners*	22.2 years	25.2 years

*Aged 45 at the 2019 Valuation.

Copies of the 2019 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2019

Markets were severely disrupted by COVID 19 in March 2020, but in the 2020/21 year they recovered strongly. As a result, the funding level of the Fund as at 31 March 2021 is likely to be broadly similar to that reported at the previous formal valuation.

The next actuarial valuation will be carried out as at 31 March 2022. The Funding Strategy Statement will also be reviewed at that time.

Tom Hoare FFA

18 May 2021

For and on behalf of Hymans Robertson LLP

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2020/21 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 Leicestershire County Council 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 2021	31 March 2020
Active members (£m)	4,155	2719
Deferred members (£m)	1,801	1,288
Pensioners (£m)	2,383	2184
Total (£m)	8,339	6191

The promised retirement benefits at 31 March 2021 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2019. 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 2021 and 31 March 2020. I estimate that the impact of the change in financial assumptions to 31 March 2021 is to increase the actuarial present value by £1,758m. I estimate that the impact of the change in demographic and longevity assumptions is to increase the actuarial present value by £102m.

Financial assumptions

Year ended (% p.a.)	31 March 2021	31 March 2020
Pension Increase Rate	2.85%	1.9%
Salary Increase Rate	3.35%	2.4%
Discount Rate	2.00%	2.3%

Longevity assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, with 0% weighting of 2020 data, standard smoothing (Sk7), initial adjustment of 0.5% 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	21.7 years	24.2 years
Future pensioners (assumed to be aged 45 at the latest formal valuation)	22.6 years	25.9 years

Please note that the longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Commutation assumptions

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

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 liabilities are set out below:

Sensitivity to the assumptions for the year ended 31 March 2021	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate	10%	794
0.5% p.a. increase in the Salary Increase Rate	1%	85
0.5% p.a. decrease in the Real Discount Rate	11%	897

The principal demographic assumption is the longevity assumption. For sensitivity purposes, I estimate that a 1 year increase in life expectancy would approximately increase the liabilities by around 3-5%.

Professional notes

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2021 for accounting purposes'. The covering report 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.

Prepared by:

Tom Hoare FFA

18 May 2021

For and on behalf of Hymans Robertson LLP

Statement of Responsibilities for Leicestershire County Council Pension Fund

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to:

- Make arrangements for the proper administration of the financial affairs of its Pension Fund and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Corporate Resources.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the statement of accounts

The Director of Corporate Resources is responsible for the preparation of the Authority's Pension Fund Statement of Accounts in accordance with proper accounting practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this Statement of Accounts, the Director of Corporate Resources has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Local Authority Code.
- Kept proper accounting records which were up to date,
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.
- Assessed the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- Used the going concern basis of accounting on the assumption that the functions of the Pension Fund will continue in operational existence for the foreseeable future; and
- Maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

I certify that the above responsibilities have been complied with and the Statement of Accounts herewith presents a true and fair view of the financial position of the Leicestershire County Council Pension Fund as at 31 March 2021 and its income and expenditure for the year ended the same date.



C TAMBINI
DIRECTOR OF CORPORATE RESOURCES
30

July

2021

Independent auditor's report to the members of Leicestershire County Council
Report on the Audit of the Financial Statements

To follow (1/7)

Independent auditor's report to the members of Leicestershire County Council
Report on the Audit of the Financial Statements

To follow (2/7)

Independent auditor's report to the members of Leicestershire County Council
Report on the Audit of the Financial Statements

To follow (3/7)

Independent auditor's report to the members of Leicestershire County Council
Report on the Audit of the Financial Statements

To follow (4/7)

Independent auditor's report to the members of Leicestershire County Council
Report on the Audit of the Financial Statements

To follow (5/7)

Independent auditor's report to the members of Leicestershire County Council
Report on the Audit of the Financial Statements

To follow (6/7)

Independent auditor's report to the members of Leicestershire County Council
Report on the Audit of the Financial Statements

To follow (7/7)

GOVERNANCE COMPLIANCE STATEMENT

1.1 INTRODUCTION

This is the governance compliance statement of the Leicestershire Pension Fund. The Fund is required to publish a compliance statement under Regulation 73A of the Local Government Pension Scheme Regulations 1997 (as amended) and review that statement on an ongoing basis under Regulation 31 of the 2008 Regulations. Under Regulation 31 (3) (c) there is a requirement to measure the Fund's governance arrangements against a number of standards set out within guidance issued by DLUHC. The Fund's compliance with these can be viewed at the end of the document, [here](#).

In order to improve the transparency and auditability of governance arrangements the Fund has further produced its governance compliance statement to recognise the Scheme Advisory Board's recommendations set out within the Good Governance Phase 3 report

In accordance with the above, what follows is the Fund's assessment of its compliance with the standards as outlined.

1.2 FUNCTIONS AND RESPONSIBILITIES

The Local Pension Committee (LPC) meets five times a year and its members act in a quasi-trustee capacity. One of these meetings is specifically used to focus entirely on investment strategy. No substantive issues of investment policy will be carried out without the prior agreement of the LPC or, in extreme circumstances and where it is impractical to bring a matter to the LPC, following consultation with the Chair and Vice-Chair.

The LPC is made up of 13 members, ten of which are Employer Representatives with voting rights comprising of five County Councillors, representing Leicestershire County Council, two City Councillors representing Leicester City Council, two district councillors jointly representing the district councils, one member jointly representing De Montfort/Loughborough Universities. There are also three non-voting employee representatives. The ten voting members are appointed using the due political process or, in the case of the two universities, by joint arrangement. There will be at least one employee representative position available annually and a vote will be held to fill any vacancies at the Annual Meeting of the Fund.

The LPC are advised and supported by the Director of Corporate Resources, Director of Law and Governance, Assistant Director of Strategic Finance and Property, Head of Pensions and Senior Finance and Legal Officers from Leicestershire County Council. As well as its Investment Advisor Hymans Robertson and Independent Advisor Clare Scott.

The LPC may delegate certain actions to the Director of Corporate Resources. It is the expectation of the LPC that some of the more administrative matters relating to investment management, such as the appointment of a custodian, are carried out by the Director of Corporate Resources.

An Investment Subcommittee, with its members drawn from the LPC, is a decision-making Subcommittee and will generally deal with more technical aspects of investment (such as looking at potential new investment opportunities or dealing with the appointment of new investment managers), any decisions made by the Subcommittee are reported at the following LPC.

[The Local Pension Committee Terms of Reference.](#)

The Local Pension Board was established in accordance with the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 to assist the Administering Authority in ensuring the effective and efficient governance and administration of the Fund, including securing compliance with LGPS Regulations, other legislation and the requirements of the Pensions Regulator. The LPC, in fulfilling its functions, will have regard to advice of the Board.

The Board is made up of six voting members, three Employer Representatives (two elected members of Leicestershire County Council and one from Leicester City Council) and three employee representatives as well as one reserve employee representative role. There will be at least one employee representative position available annually, as well as for a reserve employee representative, and a vote will be held to fill any vacancies at the Annual Meeting of the Fund.

The Board publishes an Annual Report which is available on the Fund's website. The Board focuses on the Fund's governance and administration processes, monitoring the Fund's compliance with statutory and regulatory guidance and working with officers to ensure the highest standards are met.

[Local Pension Board Terms of Reference](#)

The Director of Corporate Resources oversees the implementation of Fund policy and the management of the day-to-day operational functions through the Fund's service areas.

A [delegations list can be viewed here](#).

An Annual Meeting of the Pension Fund is held annually, to which all employee members and other interested parties are welcome. The purpose of the meeting is to present the Annual Report of the Fund and to report on current issues, as well as to elect employee representatives for any vacant positions on the LPC and the LPB.

A number of other initiatives to involve stakeholders also take place, including:

- Presentations by the Fund/Actuary to employing bodies;
- Pensions roadshows at various venues;
- The Annual Report and Account of the Pension Fund;
- Other communications to members.

Further details can be found within the [Representation and Engagement](#) section of this statement.

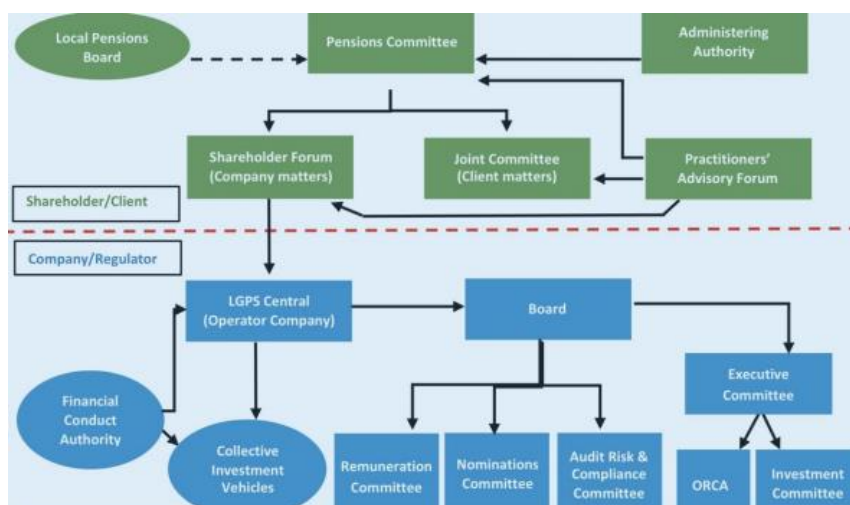
1.3 INVESTMENT POOLING

LGPS Central, an FCA-regulated pool company, was launched on 1 April 2018. Leicestershire Pension Fund together with eight partner pension Funds across the LGPS continue to work with the company to further develop the required business as usual governance oversight and monitoring arrangements.

The Fund recognises the potential conflict posed through the involvement of pooling with LGPS Central. Specific governance arrangements have been established with LGPS Central and other partner funds reflecting each partner authority's role as business owner and client of LGPS Central. These are managed through the following forums:-

The Shareholder Forum – The purpose is to oversee operation and performance of LGPS Central and to represent the ownership rights and interests of the shareholding Councils. The Forum is

independent of LGPS Central and its meetings are separate from Company Meetings and is enshrined within the Shareholders' Agreement.



The Joint Committee – A public forum for councils to provide oversight of the delivery of the objectives of the Pool, the delivery of client services, the delivery against its Business Case and to deal with common investor issues. The Company's investment performance and capability is overseen on a day to day basis by the Senior Fund Officers via the

Practitioner's Advisory Forum and on a bi-annual basis by the Joint Committee which is constituted of representatives from each of the Partner Funds.

The Chairman of the Local Pension Committee acts as the Fund's representative at both the Shareholders Forum and the Joint Committee and reports back to the Local Pension Committee as appropriate.

The Partner Funds and the Company work collaboratively to build the investment capabilities required to ensure that the Partner Funds are able to efficiently and effectively deliver the strategic asset allocations in line with regulation and guiding principle. To hold the company to account and to meet FCA requirements for a regulated asset manager. The governance structure is designed to ensure sufficient independence from between Partner Funds and the Company during implementation and ongoing management of the Investment Sub-Funds.

The Investment Strategy Statement further sets out the Fund's approach to Pooling and the Pensions Committee and Board receives regular updates on the work of LGPS Central to enable Members to oversee and scrutinise its operations as set out in the respective Terms of References.

1.3.1 Dual interests as Administering Authority and Employer

Leicestershire County Council recognises its dual role as employer participating in the Fund and the Administering Authority legally tasked with the management of the Fund can create the potential for Conflicts of Interest. It is important that these potential conflicts are managed in order to ensure that no actual or perceived Conflict arises and that all of the Fund's employers are treated fairly and equitably. The Fund manages this risk through strategies and policies such as the following:-

The Funding Strategy Statement sets out the Fund's approach to all funding related matters including the setting of contribution rates. This policy is set with regard to the advice of the Fund's Actuary and is opened to consultation with all Fund employers and the Pensions Board prior to formal approval by the LPC This approach ensures a consistency across all employers and removes the possibility of any employer receiving more, or less, favourable treatment.

The Administration and Communication Strategy sets out the way in which the Fund works with its employers and the mutual service standards that are expected. The policy details how the Fund will assist employers to ensure that they are best placed to meet their statutory LGPS obligations. Where a scheme employer's failure to comply with required processes and standards has led to the Fund incurring additional cost, the policy provides for that cost to be recovered from the employer. Major changes are consulted with Fund Employers and the Local Pension Board before it is formally approved by the Pension Committee.

The Investment Strategy Statement sets out the Fund's objectives with the aim to maximise returns whilst maintaining an acceptable level of risk and addresses areas of governance, management, asset allocation, pooling and responsible investment. The Investment Strategy Statement is written independently from any positions the County Council may hold to ensure the Fund meets its fiduciary duty to safeguard, above all else, the financial interests of the Fund's beneficiaries. Decisions affecting the Funds strategy are taken by the Pension Committee with appropriate advice from the Fund's advisors.

Furthermore, the Fund is run for the benefit of its members and on behalf of all its employers. For that reason, the Fund's Budget and Business Plan are managed independently from Leicestershire County Council. The LGPS Senior Officer reviews the budget independently taking into account the full need of the service. The Budget and Business Plan is then considered by the Board before seeking approval by the Committee. Any spending controls in place for the County Council do not apply to the Fund, though the Fund is mindful of the need to manage costs to minimise the financial burden on scheme employers.

1.4 SUFFICIENCY OF RESOURCES FOR SERVICE PLANNING AND DELIVERY

In order to ensure that the Fund has appropriate resource to deliver its statutory obligations it has adopted a three-stage approach:-

1.4.1 Business planning and budget setting.

The Fund operates a business plan which sets out the priorities for the Fund's services which is approved annually by the Local Pension Committee, with the oversight of the Pension Board. It is comprehensively reviewed, updated and agreed by the Pension Committee before the start of each financial year. If necessary, the plan is reviewed and updated on a more frequent basis.

The latest business plan and budget is publicly available [here](#).

The business plan takes into account the risks facing the Fund, performance of the Fund (including workloads) and anticipated regulatory changes. The business plan also includes the Fund's budget. Resource requirements (including staff recruitment, procurement and other specialist services) are determined by the requirements of the Fund's business plan. The business plan also sets out the Key Performance Indicators (KPIs) which will be used to monitor progress against the business plan, and the Board monitor on a quarterly basis.

Progress against the business plan, including actual spend, is monitored by the Pension Committee on a regular basis and published within the Fund's Annual Accounts.

1.4.2 Service Delivery

The Fund publishes an Administration and Communication strategy which sets out how it will deliver the administration of the Scheme. The strategy includes:

- details of the structures and processes in place for the delivery of the pension administration function;
- expected levels of performance for the delivery of key Fund and employer functions;
- the Fund's approach to training and development of staff;
- the Fund's approach to the use of technology in pension administration.

The policy can be viewed [here](#).

1.5 MONITORING DELIVERY AND CONTROL ENVIRONMENT

The Fund recognises the importance of monitoring and reporting how it delivers progress against the business plan. This is done on the following ways:

Performance against KPIs is reported to the Local Pension Board on a quarterly basis. The Pension Committee further receives regular updates. KPI performance is reported in the Fund's annual report. Plans to address any workloads are added to the business planning process above.

Every year the Fund's internal auditors carry out reviews to provide assurance that the Fund's processes and systems are appropriate for managing risks. Two audits outstanding from the previous year were concluded and four assurance audits were undertaken in 2020/21. The assurance grading was overall positive and there were no high importance recommendations. Three of the audits were also shared with the Fund's External Auditor (Grant Thornton LLP) in order to inform their audit risk assessment in preparation for their annual audit of the Fund's accounts.

The Pension Manager monitors cost and resource levels to balance value for money with service delivery.

1.5.1 Internal Audit Plan

In the year, Internal Audit reviewed several areas of the Fund's administration and investment.

These areas included, contribution banding changes, contribution calculations, annual Pensions Increase, Governance and Risk, Immediate payments, investment risks, LGPS Central, National Fraud Initiative and the Effectiveness of the Pension Board.

Several recommendations were made on the assessment of knowledge and skills undertaken by Board Members. These were implemented and the training is included within this Governance Compliance Statement.

Recommendations were received on Governance and Risk, on risk scoring methodology for employers, regular monitoring of employer risk, "mini" health checks, recording keeping, monitoring employer security (bonds). Officers are developing a Fund employer risk policy and working through the employer risks.

Officers share the Risk Register with Internal Audit prior to Board and Committee meetings.

1.6 REPRESENTATION AND ENGAGEMENT

1.6.1 Local Pension Committee Membership and Attendance to March 2021.

The Local Pension Committee representation policy, as set out [above](#) recognises all scheme members and employers should be appropriately represented in the running in the Fund while at the same time ensuring that the Council, as the body with ultimate responsibility for running the Fund, maintains its representation on the key governance bodies. To this end the Fund's representation policy and the Council's constitution specify that the Council shall maintain an equal share of voting members on the Pension Committee.

		Representing	2020/21					Attendance
			19 June	11 September	27 Nov	22 Jan	26 Feb	
Voting Members (Employer Representatives)								
Mr. P. Osborne (Chairman)		Administering Authority	Present	Present	Present	Present	Present	100%
Mr. T. Barkley		Administering Authority	Present	Present	Present	Present	Present	100%
Mr. P. Bedford		Administering Authority	Present	Present	Present	Present	Present	100%
Dr. S. Hill		Administering Authority	Present	Present	Present	Present	Apologies	80%
Mr. M. Hunt		Administering Authority	Present	Apologies	Present	Apologies	Apologies	40%
Cllr. R. Govind		Leicester City Council	Present	Present	Present	Present	Present	100%
Cllr. A. Clarke		Leicester City Council	Present	Present	Present	Present	Present	100%
Cllr. M. Graham		District Councils	Present	Apologies	Present	Present	Present	80%
Cllr. C. Frost		District Councils	Apologies	Apologies	Apologies	Apologies	Apologies	0%
Mr. Z. Limbada		Universities	Present	Present	Apologies	Present	Apologies	60%
Non-Voting Member (Scheme Member Representative)								
Mr N. Booth		Elected 2019	Present	Apologies	Present	Present	Present	80%
Mrs J. Dean		Elected 2018	Present	Present	Present	Present	Present	100%
Mr A. Wilson		Elected 2020	Present	Present	Apologies	Present	Present	80%
	Average Attendance							78%
	Proportion of voting members not from the Administering Authority							5 out of 10 (50%)

1.6.2 Local Pension Board Membership and Attendance to March 2021

The Local Pension Board's Representation equally comprises three Employer Representations and three Employee Representatives. The Scheme Member Representatives represent active, deferred and pensioner Scheme members and are appointed by an open election process, as set out [above](#).

A Reserve Scheme Member Representative was first appointed December 2020, where a Scheme Member is unable to attend they will act as nominated substitute.

	Representing	Date 2020/21				Attendance
		20 April	10 August	26 October	8 February	
Employer Representatives						
Mrs. R. Page (Chairman)	Administering Authority	Cancelled	Attended	Attended	Attended	100%
Mr. R. Shepherd	Administering Authority	Cancelled	Attended	Attended	Attended	100%
Cllr. E. Pantling	Leicester City Council	Cancelled	Attended	Attended	Attended	100%
Scheme Member Representatives						
Mrs. C. Fairchild (Vice-Chair)	Term ends December 2023.	Cancelled	Attended	Attended	Attended	100%
Ms. D. Haller	Term ends December 2021.	Cancelled	Attended	Attended	Apologies	66%
Ms. R. Gilbert	Term ends December 2022.	Cancelled	Attended	Attended	Attended	100%
Mr. M. Saroya	Reserve Member – December 2020 to December 2021	n/a	n/a	n/a	Substituted for Ms. D. Haller	100%
	Average Attendance					100%

1.6.3 Engagement with Employers

The Fund carries out a range of activities that are designed to engaged employers. These are set out within the Fund's Administration and Communication Strategy and includes

- The Fund engages and consults with employers during the actuarial valuation and specifically on key strategies such as the Funding Strategy Statement;
- A regular employer bulletin provides updates on technical changes, process reminders and a calendar of key upcoming dates;
- Training sessions which can be provided on request covering the main areas of employer responsibility, for example year end returns, processing ill health cases and internal dispute resolution procedures; and
- The Fund is available to provide support on issues such as outsourcing services or workforce restructuring.

1.6.4 Engagement with Members

The Fund's Communication Strategy sets out how it engages with active, deferred and pensioner scheme members including:

- The Fund maintains a website which provides general advice, information and updates including copies of all current policies.
- Members have secure online access to their own pension records in order to run retirement estimates.
- Member's annual benefit statements are available online or in writing (including large text) on request.
- Scheme members are able to arrange one to one appointment, by phone or at our offices, with members of the pension team to discuss specific matters.

1.7 TRAINING

The Public Service Pensions Act 2013 provides for the regulation of the LGPS by The Pensions Regulator and, accordingly, the increased emphasis on the role of Funds' Governing Bodies their knowledge and understanding

The Fund's Pensions Committee and Pensions Board training policy is reviewed and approved by the Pensions Committee, in accordance with the policy training activity undertaken is monitored, recorded and reported to each body. By implementing and participating in training, Committee and Local Pensions Board members will be better placed to make well-informed decisions and, consequently, will be able to comply with the increased requirements of the regulator and the overarching governance requirements of the scheme.

A major factor in the governance arrangements of the Fund is to ensure that the Committee and the Local Pension Board members and officers have the relevant skills and knowledge through application of the CIPFA Knowledge and Skills Framework. Arrangements for regular training are in place with training delivered through various means including in-house structured training events for

both Pensions Committee and the Local Pensions Board, conferences, training delivered at Committee meetings, as well as briefings and research material.

1.7.1 Training Policy

The Fund's Training Policy was adopted in November 2019 and applies to all members of the Local Pension Committee, Local Pension Board and senior officers involved in the management and administration of the Fund. In relation to training for those involved in the governance and the day to day management and administration of the Fund. The Training Policy has regard to relevant codes of practice and guidelines issued by the Pensions Regulator, CIPFA, the training needs of the Committee and Board and the Fund's current priorities. The training strategy sets out how those involved with the Fund will:

- Have their knowledge assessed; and
- Receive appropriate training to fill any knowledge gaps identified. The Fund will measure and report on progress against the training plans as set out below.

A copy of the policy can be found [here](#).

1.7.2 Evidencing Standards of Training

Details of the training undertaken by members of the Pension Committee and Pension Board are reported in this statement. Committee and Board members' subject knowledge is assessed on an annual basis. The results are analysed, and any gaps identified are addressed as part of the ongoing training plans. Targeted training will also be provided that is timely and directly relevant to the Pension Committee and Board's activities as set out in the business plan. Officers involved in the management and administration of the Fund are set annual objectives which will include an element of personal development. These objectives are monitored as part of each individual's annual appraisal. All Members are required to take induction training prior to taking up their role and are provided with an Information Pack including all relevant reading material to keep up to date with pensions issues.

Members of the Committee and Board complete self-evaluation forms on an annual basis assessing their General Understanding, and knowledge on Funding, Investment and Pension Administration. A personal Training Plan is then developed for each Member based on the results of these assessments and is supplemented, where appropriate, to cover matters arising in the course of managing the Fund as part of reports to the Board and Committee and following meetings delivered by officers or the Fund's providers such as the Actuary, independent advisers and investment managers.

Given there have been a number of recent changes both within the LGPS, and externally in the broader pensions environment all Board and Committee Members are encouraged to complete The Pension Regulator's online training and other external training as held by the Scheme Advisory Board, Local Government Association, Hymans Robertson as well as LGPS Central's at its Annual Stakeholder Day.

The CIPFA requirement for continuous professional development for the Fund's s151 officer now includes a regular LGPS element. This requirement applies to the s151 officer for the Council. The Fund has complied fully with this requirement.

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Local Pension Committee Training Record 2020/21										
	Representing	Asset Training: Equity Outlook, LGIM	Manager Selection Training ESG and RI	Assets Training: Infrastructure – JP Morgan	Currency Hedging Aegon (Investment Subcommittee Members only)	Climate Risk Training -LGPS Central	La Salle Manager Training	Annual Asset Strategy Training	Aegon Short Dated Fund Market Training	Private Equities and Secondaries (Investment Subcommittee Members only)
		Employer Representatives								
Mr. P. Osborne	Administering Authority	Present	Present	Present	Present	Present	Present	Present	Present	Present
Mr. T. Barkley	Administering Authority	Present	Present	Present	Present	Present	Present	Present	Present	Present
Mr. P. Bedford	Administering Authority	Present	Present	Present	n/a	Present	Present	Present	Present	n/a
Dr. S. Hill	Administering Authority	Present	Present	Present	Present	Present	Present	Present	Apologies	Present
Mr. M. Hunt	Administering Authority	Present	Apologies	Apologies	n/a	Present	Present	Apologies	Apologies	n/a
Cllr. R. Govind	Leicester City Council	Present	Present	Present	n/a	Present	Present	Present	Present	n/a
Cllr. A. Clarke	Leicester City Council	Present	Present	Present	Present	Present	Present	Present	Present	Present
Cllr. M. Graham	District Councils	Present	Apologies	Apologies	Present	Present	Present	Present	Present	Present
Cllr. C. Frost	District Councils	Apologies	Apologies	Apologies	n/a	Apologies	Apologies	Apologies	Apologies	n/a
Mr. Z. Limbada	Universities	Present	Present	Present	Apologies	Apologies	Apologies	Present	Apologies	Present
Employee Representatives										
Mr Booth		Present	Apologies	Apologies	n/a	Present	Present	Present	Present	n/a
Mrs Dean		Present	Present	Present	n/a	Present	Present	Present	Present	n/a
Mr Wilson		Present	Present	Present	Present	Apologies	Apologies	Present	Present	n/a

Local Pension Board Training Record 2020/21				
Member		General Board Training	MSS	McCloud
Mrs. R. Page	Employer Representative	Present	Present	Present
Mr. R. Shepherd	Employer Representative	Present	Apologies	Present
Cllr. E. Pantling	Employer Representative	Present	Apologies	Present
Ms. D. Haller	Employee Representative	Present	Present	Present
Ms. R. Gilbert	Employee Representative	Present	Present	Present
Ms. C. Fairchild	Employee Representative	Present	Present	Present
Mr. M. Saroya	Reserve Employee Representative	n/a	n/a	n/a

In summary, the Fund invests significant resources into the development of its Committee and Local Pensions Board members, firmly believing that the benefits over the long term are essential to the effective governance and management of the Fund. The Fund further encourages Members to attend external events such as:

- Pension Fundamentals Webinars October 2020
- Local Government Association LGPS Update January 2021
- Local Government Association Local Pension Board Training
- LGPS Central Annual Investment Day – Mar 2021

1.8 REVIEW AND COMPLIANCE WITH BEST PRACTICE

This statement will be kept under review and will be revised and published following any material change in the governance arrangements of the Pension Fund.

The regulations require a statement as to the extent to which the governance arrangements comply with guidance issued by the Secretary of State. This guidance contains a number of best practice principles and these are shown below with the assessment of compliance.

Principle	Compliance/Comments
Structure	
The strategic management of fund assets clearly rests with the main committee established by the appointing council.	Fully compliant
That representatives of participating LGPS employers, admitted bodies and scheme members are members of the committee.	Fully compliant
That where a secondary committee has been established, the structure ensures effective communication across both levels.	Fully Compliant
That where a secondary committee has been established, at least one seat on the main committee is allocated for a member of the secondary committee	All Investment Subcommittee will be full LPC members, so Fully Compliant
Representation	
That all key stakeholders are afforded the opportunity to be represented within the main committee structure (including employing authorities, scheme members, independent professional observers and expert advisors)	Fully Compliant
That where lay members sit on a main committee, they are treated equally and are given full opportunity to contribute to decision making, with or without voting rights	Fully Compliant
Selection and Role of Lay Members	
That committee members are fully aware of their status, role and function they are required to perform.	Fully Compliant
Voting	
The policy of the administering authority on voting rights is clear and transparent, including the justification for not extended voting rights to certain groups	Fully Compliant
Training/Facility Time/Expenses	
That the policy applies equally to all members of committees	Fully Compliant
Meetings (frequency/quorum)	
That the main committee meet at least quarterly	Fully Compliant
That secondary committees meet at least twice a year and the meetings are synchronised with the main committee	The Investment Subcommittee

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	meets regularly, so Fully Compliant
If lay members are not included in formal governance arrangements, a forum is available outside of these arrangements by which their interests can be represented	Lay members are included on main committee, so Not Relevant
Access	
That, subject to any rules in the Council's constitution, all members have equal access to committee papers, documents and advice that falls to be considered by the main committee	Fully Compliant
Scope	
That administering authorities have taken steps to bring wider scheme issues within the scope of the governance arrangements	Fully Compliant
Publicity	
That the administering authority have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed can express an interest in wanting to be part of those arrangements	Fully Compliant. A copy of this statement has been sent to all employing authorities.

1.9 Independent Governance Review

In 2020 a High-Level Independent Governance Review of Leicestershire Pension Fund was undertaken by the Fund's Independent Adviser Clare Scott to consider the Fund's performance in relation to regulatory requirements in respect of the LGPS, the expectations of the Pensions Regulator and the emerging themes from the Scheme Advisory's Good Governance Review. Recommendations were assigned priorities and the Fund's current progress can be viewed below.

Recommendation	Priority	Anticipated Ease of Implementation	Notes	Complete?
Governance Structure				
Committee Terms of Reference Should be Updated	High	Medium	Terms of Reference Approved 27 November 2020.	Complete
Ensure the Fund's Accounts and Audits are routinely considered by the Local Pension Committee to ensure it has visibility of all Issues facing the Fund.	High	Medium	The External Audit Report and Statutory Accounts are brought on Annual Basis. Internal Audit also utilise the quarterly Risk Management report to highlight relevant issues.	Complete/Ongoing
Document who makes decisions in relation to LGPS Central, who represents the Council at the Joint Committee and which Committee should receive updates on the Company.	High	Low	Clarification has been included with the Committee's Terms of Reference and wording within the Fund's Annual Governance Statement has been revised.	Complete
Rename the Local Pensions Committee the Pensions Committee.	Low	Low	To be picked up as part of Leicestershire County Council's Constitution Review.	Ongoing
Local Pension Board				
Ensure Clarity of the responsibility of the Local Pension Board in the Governance Compliance Statement and the Admin and Communication Policy.	High	Low	Amended within the Committee TOR to highlight the Board's role, the Admin and Communication Policy and other relevant policies as they come up for review.	Complete
Pension Committee to approve the Administration and Communication Strategy.	Medium	Low	Approved by Local Pension Committee 26 February 2021.	Complete
Pension Committee to oversee administration performance.	Medium	Low	The Board receives quarterly update, the Committee receives them bi-annually in June and as part of the Annual Report. The Board are encouraged to report any areas of concern to the Committee.	Complete

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Investments				
Review the way the Fund oversees its investments to ensure the appropriate level of scrutiny and an effective use of governance time.	High	Medium/ High	Officers develop an annual workplan for Committee and ISC.	Complete
Add longer-term performance and net new money to external investment performance reporting.	Medium	Medium	Five year performance and re classification of the Funds holdings into Growth, Income and protection asset classes has been completed. Net money reporting ongoing with independent provider of quarterly reporting.	Ongoing
Scheme Advisory Board – Good Governance Review				
Appointment of LGPS Senior Officer (when details of new requirement are available)	High	TBC	The Director of Corporate Resources as Section 151 Officer currently undertakes this role.	Will be reviewed if guidance from SAB is different to expected.
The relevant areas of the Council should be aware of the needs of the Pension Fund and should not simply apply general Council staffing policies to the Pension function.	High	Medium	The Fund's budget is approved by the Local Pension Committee and thus is not restricted by any savings required by the County Council's budget. Changes in staffing policies are considered by the Corporate Resources Management Team.	Complete
Operational Matters				
Agenda Planning Document	Medium	Low	Internal Planning document reviewed and updated.	Complete
Introduce to the Committee's business: <ul style="list-style-type: none"> Progress on Business Plan Annual ISS Review Pension Administration Performance Employer Changes and Risk Management Service and Cost Benchmarking Local Pension Board Annual Report 				Complete
Introduce an open invitation for the Chair of the Committee to observe Board Meetings.	Low	Low		Complete
Introduce and Open invitation for the Chair of the Board to observe Committee meetings.				Complete

1.10 Scheme Advisory Board – Good Governance

The above extended Governance Statement was designed to complement the Phase 3 Report of the Scheme Advisory Board on Good Governance. The report was published on February 2021 and can be viewed here:- <https://lgpsboard.org/index.php/good-governance>

Many of the recommendations await further consideration by the DLUHC and Scheme Advisory Board, and the production of more detailed guidance which the Fund will look to implement as appropriate.

In the meantime, the Fund will look to introduce a Conflict of Interest policy during 2021/22 which will include how actual, potential and perceived conflicts are addressed within the governance of the Fund, and include all those involved in the management of the Fund.

In terms of wider improvements that link to scheme governance the following continued to be implemented:

- Reacting to the national pandemic by moving from 100% office based, to home working
- Adapting administration workflow processes to enable efficient administration to continue from home
- Further roll out of monthly posting using I-Connect, which links to data improvement

Manager Summary-Total Fund
Leicestershire CC Pension Fund
for Period Ended 31st March 2021

Market Value: £5.1bn

	Benchmark	Incep Date	Market Value (£m)	Weight %	QTR			Year To Date			1 Year			3 Year			5 Year			Since Inception		
					PF	BM	ER	PF	BM	ER	PF	BM	ER	PF	BM	ER	PF	BM	ER	PF	BM	#REF!
Total Growth Assets	LCC - Total Growth Assets	Mar-16	3,194.1	62.1	4.7	3.1	1.6	32.9	31.3	1.6	32.9	31.3	1.6	9.3	9.5	-0.2	11.2	11.3	-0.1	11.2	11.3	-0.1
Total Equity Fund ex Hedge	Client Weighted Index	Mar-16	2,328.5	45.3	3.8	3.4	0.3	38.3	37.0	1.3	38.3	37.0	1.3	9.4	10.5	-1.2	12.2	12.8	-0.6	12.2	12.8	-0.6
L&G Total Passive Equity Fund	Client Weighted Index	Mar-16	884.2	17.2	3.8	3.9	-0.1	36.8	36.9	-0.2	36.8	36.9	-0.2	9.4	9.2	0.1	11.9	11.8	0.1	11.9	11.8	0.1
L&G UK Equity Fund	FTSE All Share Index	Dec-13	186.5	3.6	5.4	5.2	0.2	28.8	26.7	2.1	28.8	26.7	2.1	4.0	3.2	0.8	6.7	6.3	0.4	4.8	4.5	0.3
L&G North American Equity Fund	FTSE World N America Net Index	Dec-13	328.6	6.4	4.9	4.9	0.0	41.3	41.5	-0.2	41.3	41.5	-0.2	14.6	14.4	0.2	15.1	15.0	0.1	14.3	14.4	0.0
L&G Japanese Equity Fund	FTSE Japan Net Index	Dec-13	66.7	1.3	1.2	1.2	0.0	26.3	26.3	0.0	26.3	26.3	0.0	6.9	7.0	-0.1	11.8	11.8	0.0	10.1	10.2	-0.1
L&G European Equity Fund	FTSE Dev Europe ex UK Net Index	Dec-13	141.7	2.8	2.4	2.5	-0.1	35.6	35.6	0.0	35.6	35.6	0.0	6.2	6.1	0.1	10.2	9.6	0.6	7.7	7.4	0.3
L&G Pacific Ex Japan Equity Fund	FTSE Dev. Asia Pacific x Japan Net	Mar-13	66.1	1.3	2.9	2.9	0.0	50.5	50.5	0.0	50.5	50.5	0.0	9.0	9.0	0.0	12.6	12.6	0.1	9.3	9.3	0.0
L&G Emerging Markets Equity Fund	FTSE Emerging Net	Dec-13	94.8	1.8	2.0	1.9	0.1	40.5	40.6	-0.1	40.5	40.6	-0.1	7.4	7.4	0.0	12.7	12.7	0.0	9.2	8.9	0.3
LGPSC Global Eq Active Multi Mgr Fund	FTSE All World Index	Feb-19	454.5	8.8	5.7	3.8	1.9	47.9	39.6	8.3	47.9	39.6	8.3							13.7	14.2	-0.4
LGPSC EMM Eq Active Multi Mgr Fund	FTSE All World Emerging Market Index	Jul-19	214.7	4.2	1.6	1.9	-0.3	41.1	40.8	0.3	41.1	40.8	0.3							8.8	8.4	0.3
LGPSC AW Eq Climate Multi Factor Fund	FTSE AW Climate Bal Com Factor Net	Dec-20	775.1	15.1	3.1	3.1	0.1													3.8	3.7	0.1
Total Targeted Return Fund	LIBOR 1 Month + 4%	Mar-16	536.2	10.4	4.6	1.0	3.6	14.8	4.1	10.8	14.8	4.1	10.8	4.8	4.5	0.4	4.9	4.4	0.5	4.9	4.4	0.5
Aspect Capital Partners Fund	LIBOR 1 Month + 4%	Dec-13	146.7	2.9	4.4	1.0	3.4	-0.5	4.1	-4.5	-0.5	4.1	-4.5	0.0	4.5	-4.5	-1.3	4.4	-5.8	4.3	4.4	-0.2
Pictet Fund	LIBOR 1 Month + 4%	Sep-15	183.2	3.6	2.5	1.0	1.5	20.7	4.1	16.7	20.7	4.1	16.7	3.7	4.5	-0.8	5.7	4.4	1.3	5.1	4.5	0.6
Ruffer Fund	LIBOR 1 Month + 4%	Dec-13	206.0	4.0	6.6	1.0	5.6	22.9	4.1	18.8	22.9	4.1	18.8	9.2	4.5	4.7	8.5	4.4	4.0	7.1	4.4	2.6
EnTrustPermal Fund	LIBOR 1 Month + 4%	Apr-07	0.2	0.0	0.0	1.0	-1.0	0.0	4.1	-4.1	0.0	4.1	-4.1	0.2	4.5	-4.3	-5.3	4.4	-9.7	0.8	3.2	-2.4
Total Private Equity Fund	FTSE All World Index	Mar-16	329.4	6.4	12.3	3.8	8.5	27.7	39.6	-11.9	27.7	39.6	-11.9	19.4	13.2	6.2	17.1	14.7	2.4	17.1	14.7	2.4
UK Private Equity Fund - Catapult	FTSE All World Index	Mar-16	0.6	0.0	-5.1	3.8	-8.9	10.5	39.6	-29.0	10.5	39.6	-29.0	24.5	13.2	11.3	32.9	14.7	18.2	32.9	14.7	18.2
Oseas Private Equity Fund - Adams Street	FTSE All World Index	Mar-16	303.9	5.9	12.9	3.8	9.0	27.3	39.6	-12.3	27.3	39.6	-12.3	19.3	13.2	6.1	16.9	14.7	2.2	16.9	14.7	2.2
LGPSC Private Equity Fund	FTSE All World Index	May-19	N.A.																			
Aberdeen Standard Private Equity Fund	Absolute Return +7.5%	Sep-19	24.9	0.5	7.2	1.8	5.3	29.9	7.5	22.4	29.9	7.5	22.4							24.5	7.5	17.0
Total Income Assets	Client Weighted Index	Mar-16	1,290.3	25.1	1.0	0.9	0.1	2.7	3.6	-0.9	2.7	3.6	-0.9	3.5	4.0	-0.5	6.3	4.7	1.6	6.3	4.7	1.6
Total Infrastructure Fund	LIBOR 1 Month + 4%	Mar-16	381.8	7.4	0.4	1.0	-0.6	0.5	4.1	-3.5	0.5	4.1	-3.5	5.7	4.5	1.2	8.1	4.4	3.7	8.1	4.4	3.7
JPMorgan Infrastructure Fund	LIBOR 1 Month + 4%	Jun-16	83.6	1.6	-1.2	1.0	-2.2	12.7	4.1	8.7	12.7	4.1	8.7	6.7	4.5	2.2				6.6	4.4	2.2
IFM Global Infrastructure Fund	LIBOR 1 Month + 4%	Dec-13	106.7	2.1	0.4	1.0	-0.6	2.8	4.1	-1.2	2.8	4.1	-1.2	9.6	4.5	5.1	12.7	4.4	8.2	12.8	6.1	6.7
KKR Global Infrastructure Fund	LIBOR 1 Month + 4%	Mar-16	38.0	0.7	7.8	1.0	6.8	11.0	4.1	6.9	11.0	4.1	6.9	19.6	4.5	15.1	19.9	4.4	15.5	19.9	4.4	15.5
Stafford Timberland Fund	LIBOR 1 Month + 4%	Mar-16	135.4	2.6	-1.0	1.0	-2.0	-2.6	4.1	-6.7	-2.6	4.1	-6.7	1.6	4.5	-2.8	2.5	4.4	-1.9	2.5	4.4	-1.9
Infracapital Infrastructure Fund	Absolute Return +7.5%	Nov-17	18.2	0.4	3.7	1.8	1.9	-1.1	7.5	-8.6	-1.1	7.5	-8.6	1.6	7.5	-5.9				3.7	7.5	-3.8
Total Property Fund	MSCI UK Monthly Property Index (GBP)	Mar-16	391.4	7.6	2.0	2.3	-0.3	0.4	2.7	-2.3	0.4	2.7	-2.3	2.3	2.8	-0.5	5.6	4.6	0.9	5.6	4.6	0.9
Colliers Pooled Property	MSCI UK Monthly Property Index (GBP)	Mar-16	23.3	0.5	-1.8	2.3	-4.1	-13.1	2.7	-15.8	-13.1	2.7	-15.8	-3.4	2.8	-6.2	-0.8	4.6	-5.5	-0.8	4.6	-5.5
Colliers Direct Property Fund	MSCI UK Monthly Property Index (GBP)	Mar-16	105.8	2.1	2.2	2.3	-0.1	4.5	2.7	1.8	4.5	2.7	1.8	5.2	2.8	2.4	7.8	4.6	3.1	7.5	4.6	3.1
La Salle Property Fund	MSCI UK Monthly Property Index (GBP)	Dec-13	194.5	3.8	2.4	2.3	0.1	4.4	2.7	1.7	4.4	2.7	1.7	3.2	2.8	0.4	6.6	4.6	2.0	9.1	3.2	5.9
Kames Capital Property Fund	MSCI UK Monthly Property Index (GBP)	Mar-15	22.5	0.4	1.0	2.3	-1.3	-1.8	2.7	-4.5	-1.8	2.7	-4.5	1.0	2.8	-1.8	3.6	4.6	-1.0	4.8	5.9	-1.2
Kames Capital II Property Fund	MSCI UK Monthly Property Index (GBP)	Nov-16	45.3	0.9	2.1	2.3	-0.3	1.4	2.7	-1.4	1.4	2.7	-1.4	2.6	2.8	-0.1				4.7	5.3	-0.6
Total Emerging Market Debt Fund	JP Morgan EMBI Glb Diversified GBP	Jan-14	107.8	2.1	-4.4	-5.4	1.1	13.2	1.5	11.7	13.2	1.5	11.7	1.2	2.1	-0.9	6.0	5.0	1.1	6.5	3.6	2.9
LGPSC Global Active EMM Bond Multi Mgr Fund	JP Morgan EMBI Glb Diversified	Dec-20	107.8	2.1	-4.4	-5.4	1.1													-3.4	-5.9	2.5
JPMorgan Global Credit Fund	LIBOR 1 Month + 4%	Apr-15	30.7	0.6	4.6	1.0	3.6	7.8	4.1	3.8	7.8	4.1	3.8	4.4	4.5	-0.1	4.4	4.4	0.0	3.7	4.4	-0.8
Total Global Credit Private Debt	Client Weighted Index	Mar-16	378.6	7.4	1.9	1.1	0.8	3.8	4.4	-0.6	3.8	4.4	-0.6	2.8	4.8	-1.9	5.6	4.7	0.9	5.6	4.7	0.9
Christofferson Robb & Company Fund	Absolute Return +7.5%	Dec-17	40.0	0.8	-2.5	1.8	-4.3	-3.3	7.5	-10.8	-3.3	7.5	-10.8	10.0	7.5	2.6				9.1	7.5	1.6
M&G DOF Fund	LIBOR 1 Month + 4%	Mar-16	72.7	1.4	5.5	1.0	4.5	-4.5	4.1	-8.6	-4.5	4.1	-8.6	-1.8	4.5	-6.3	4.7	4.4	0.3	4.7	4.4	0.3
Partners Group Private Debt Fund	LIBOR 1 Month + 4%	Mar-16	265.9	5.2	1.6	1.0	0.6	7.5	4.1	3.4	7.5	4.1	3.4	2.8	4.5	-1.7	3.9	4.4	-0.5	3.9	4.4	-0.5
Total Protection Assets	Client Weighted Index	Jan-14	366.3	7.1	-5.5	-5.4	-0.1	3.8	5.0	-1.3	3.8	5.0	-1.3	4.0	4.2	-0.2	7.9	7.4	0.5	9.9	9.6	0.2
Aegon (formerly Kames) Index-Linked Fund	FTSE All Stocks Index Linked Index	Dec-13	235.2	4.6	-6.2	-6.3	0.1	2.4	2.3	0.1	2.4	2.3	0.1	3.5	3.3	0.2	7.6	6.8	0.8	9.7	9.2	0.4
Aegon Short Dated Inv Grade Bond Fund	3 Month GBP SONIA +1.25% (GBP)	Mar-21	25.0	0.5																		
LGPSC Investment Grade Credit Fund	LGPSC Corp Index	Mar-20	106.1	2.1	-4.0	-4.0	0.0	6.5	9.2	-2.7	6.5	9.2	-2.7							6.5	9.2	-2.7
Cash Fund	LIBOR 1 Month	Mar-16	169.9	3.3	0.0	0.0	0.0	0.2	0.2	0.1	0.2	0.2	0.1	1.4	0.5	0.9	1.0	0.4	0.5	1.0	0.4	0.5
Aegon (formerly Kames) Currency Hedge Fund	LIBOR 1 Month	Mar-16	119.0	2.3																		
Leicestershire CC Pension Fund ex Hedge(Gross)	Client Weighted Index	Mar-16	5,020.5	97.7	2.9	1.7	1.2	20.5	18.4	2.1	20.5	18.4	2.1	7.1	7.2	-0.1	9.6	8.6	1.0	9.6	8.6	1.0
Leicestershire CC Pension Fund ex Hedge (Net)	Client Weighted Index	Mar-16	5,020.5	97.7	2.9	1.7	1.2	20.4	18.4	2.0	20.4	18.4	2.0	6.8	7.2	-0.3	9.3	8.6	0.7	9.3	8.6	0.7
Leicestershire County Council Pension Fund (Gross)	Client Weighted Index	Mar-16	5,139.5	100.0	3.4	2.0	1.4	22.1	19.8	2.4	22.1	19.8	2.4	7.4	7.3	0.1	9.8	8.6	1.3	9.8	8.6	1.3
Leicestershire County Council Pension Fund (Net)	Client Weighted Index	Mar-16	5,139.5	100.0	3.4	2.0	1.4	22.1	19.8	2.3	22.1	19.8	2.3	7.2	7.3	-0.1	9.5	8.6	0.9	9.5	8.6	0.9

PF = Portfolio Return BM = Benchmark Return ER = Excess Return

PF = Portfolio Return BM = Benchmark Return ER = Excess Return			
Total Fund Benchmark	CLIENT SPECIFIC:		Notes: Q1 2021: Total Fund has been restructured with current assets moving into different pools, the introduction of new pools and some pools have ceased. We have updated all the history back to 31.03.2016.
	3.5 FTSE All Share Index	4.5 FTSE All Stocks Index Linked Index	
	6.0 FTSE World N America NetTax (UKPN)	2.5 50% ICE BofAML Ster Non-Gilt (ex-EMM issues)& 50% ICE BofAML	
	1.3 FTSE Japan NetTax (UKPN)	0.5 Cash (sonia) + 1.25% pa	
	2.5 FTSE Dev Europe ex UK NetTax (UKPN)	9.8 LIBOR 1 Month + 4%	
	1.3 FTSE Dev Asia Pac ex Japan NetTax (UKPN)	10.0 MSCI UK Monthly Property Index (GBP)	Adams Street: Data is on a quarterly lag
	1.0 FTSE Emerging NetTax (UKPN)	2.5 JP Morgan EMBI Glb Diversified	Catapult: Data is on a quarterly lag
	7.5 FTSE All World Index	4.0 LIBOR 1 Month + 4%	M&G DOF II: Data is on a quarterly lag
	4.0 FTSE All World Emerging Market Index	10.5 9.52 Absolute Return +7.5% 90.48 LIBOR 1 Month + 4%	Christofferson Robb & Company: Data is on a 1 month lag
	15.0 FTSE AW Climate Balanced	0.5 Libor 1 Month	JP Morgan Global Credit Fund: Data is on a quarterly lag
5.8 FTSE All World Index		Stafford Timberland: Data is on a quarterly lag	
7.5 LIBOR 1 Month + 4%	*Note that equity assets are hedged		

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LOCAL PENSION BOARD – 8 NOVEMBER 2021

REPORT OF THE LOCAL PENSION BOARD

ANNUAL REPORT 2020/2021

Purpose of the Report

1. The purpose of this report is to seek the Board's approval of the appended Annual Board Report Fund for the financial year 2020/21

Background

2. The Public Service Pensions Act 2013 requires the establishment of Local Pension Boards to assist local authorities with the effective management of local pension funds. The Department for Housing, Communities and Local Government (now the Department for Levelling Up, Housing and Communities) has issued regulations and reporting guidelines concerning the implementation of Local Pension Boards.

Annual Report

3. As part of the Fund's Independent Governance Review undertaken in 2020 a recommendation was for the Board to write an Annual Report as best practice. The report provides a summary of the work carried out by the Board, covering the period from April 2020 to March 2021.
4. The Chairman and the Vice-Chairman of the Board have considered the report and welcome any further comments for inclusion from Board Members.
5. The Annual Report will go to the Local Pension Committee on 26 November 2021 and to the Pension Fund Annual General Meeting on 13 December 2021 for information.

Recommendation

6. The Board is asked to approve its Annual Report for 2020/21.

Appendices

Appendix - Pension Board Annual Report

Equality and Human Rights Implications

None Specific

Officers to Contact

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Cat Tuohy
Democratic Services Officer
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LOCAL PENSION BOARD ANNUAL REPORT

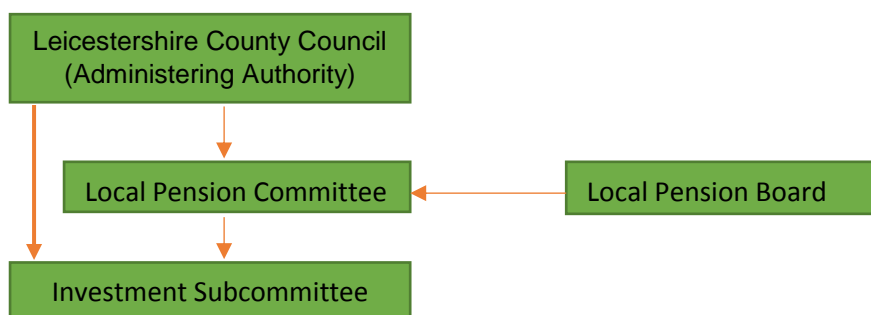
What is the Local Pension Board

The Local Government Pension Scheme (LGPS) Regulations (“the Regulations”) established Leicestershire County Council as the administering authority for the Leicestershire Pension Fund, with responsibility for managing and maintaining the Fund.

The Regulations further required that Leicestershire County Council in its capacity as administering authority established a Local Pension Board. It’s purpose is to assist the Administering Authority:-

- secure compliance with the Regulations, other legislation relating to the governance and administration of the LGPS, and the requirements imposed by the Pension Regulator in relation to the LGPS; and
- ensure the effective and efficient governance and administration of the LGPS

While the Local Pension Board was established by the County Council it does not sit within the typical arrangements that apply to local authority committees, including those that apply to the Local Pension Committee. Instead the Board operates outside of the usual local authority committee structure and serves an advisory and compliance role for the Fund as set out within its Terms of Reference. The Board cannot be delegated to carry out the functions and responsibilities that legally pertain to the administering authority. The structure of the Fund is set out below.



The Local Pension Board is comprised of;

- Three scheme member representatives,
- Three employer representatives
- One substitute scheme member representative.

Details of how the Members of the Local Pensions Board are appointed can be found in the [terms of reference](#).

As at 31 March 2021 the Board is constituted of the following members:-

Employer Representatives

Mrs. Rosita Page CC - Chairman
Leicestershire County Councillor

Mr. Richard Shepherd CC
Leicestershire County Councillor

Cllr. Elaine Pantling
Leicester City Councillor

Scheme Member Representatives

Ms. Caroline Fairchild – Vice Chairman

Ms. Ruth Gilbert

Ms. Divya Haller

Mr. M. Saroya became the Substitute Scheme Member Representative at the December 2020 AGM.

While there is no statutory obligation for the Local Pension Board to publish a report, it is recognised as best practice for the Board to report on its activities for the year and its future plans.

The Public Service Pensions Act 2013 requires an administering authority to publish information about its Local Pension Board, this is included on the County Council's [Website](#), and as part of the Governance Compliance Statement within Leicestershire Pension Fund's Annual Report.

Foreword by the Chair of the Local Pension Board

This is the second Annual Report of the Local Pension Board of the Leicestershire Pension Fund. This report covers the period from 1 April 2020 to 31 March 2021, to align with the Fund's Annual Report.

Scheme Members should be assured that the Local Government Pension Scheme is a defined benefit pension arrangement, that will pay a retirement income based on your salary and the number of years you have worked for the employer, rather than the amount of money you have contributed. The Fund invests the contributions it receives into long term investments, and though the market will always fluctuate investment performance does not affect Members pensions.

Last year the Board was worried that the pandemic could present an opportunity for scammers to prey on those in vulnerable situations, however we are pleased that there have been no such cases to report. Transfers out and refund requests have remained stable, and we continue to encourage all Scheme Members to carefully consider their situation when transferring their pension to another scheme as not to put them at financial risk.

Ultimately the focus of the Board has been to ensure that the Fund's governance complies with Public Service Pensions Act, the LGPS Advisory Board, the Chartered Institute of Public Finance and Accounting and The Pensions Regulator, which we have continued to achieve.

Importantly, the opinion of the Board is that we do not have any concerns about Leicestershire Pension Fund or its Administration.

I would like to place on record the Board's appreciation for the support and transparent advice of officers and Independent Advisor Clare Scott as part of the Fund's Governance Review, who plays a valuable role in supporting us and our oversight and scrutiny of the Fund.

This Annual Report is just a short precis of our work during the year. We hope it reflects the variety of issues we have considered during another busy year and that you enjoy reading it. Find out more about our [meetings here](#).

Mrs. R. Page CC

Chairman of the Local Pension Board

Member Attendance

The Board has met on three occasions during the year and attendance has been positive with employer and employee representatives freely giving their time and commitment.

	20 April 2020	10 August 2020	26 October 2020	8 Feb 2021
Mrs. R. Page	<i>Cancelled due to COVID-19. Papers were circulated to Members for comment.</i>	✓	✓	✓
Mr. R. Shepherd		✓	✓	✓
Cllr. E. Pantling		✓	✓	✓
Ms. C. Fairchild		✓	✓	✓
Ms. D. Haller		✓	✓	x
Ms. R. Gilbert		✓	✓	✓
Manjit (Reserve Representative)		n/a	n/a	✓

The Board held three meetings during the year. Which have covered the following:

- **Pension Fund Administration Reports** – The Board was updated at each meeting on the performance of the Pension's Section against its performance indicators. Including updates on breaches, complaints and appeals.
- **Risk Management and Internal Controls** – The Board was updated at each meeting on the risk management and internal controls of the Fund.
- **Pension Fund Valuation** – The Board received an update on the consultation with employers on the Funding Strategy Statement.
- **Investment Strategy Statement Update** – An update on the revised Investment Statement Strategy, which the Board supported.
- **Draft Responsible Investment Strategy** – A report on the Fund's approach to improving the management of responsible investment risks and consideration of climate change was welcomed by the Board.
- **The Pension Regulator 'Deep Dive' Findings** – The Board noted areas of improvement that the Pension Regulator identified in other funds that the Leicestershire Fund would undertake where appropriate.
- **LGPS Transfer of Pension Rights** – An update concerning minor changes to Leicestershire's acceptance of transfer values from certain external pension schemes.
- **Updates on Conferences Attended** - The Chairman and Ms. D. Haller both updated the Board on information gleaned from the LGPS Central Conference.
- **Member Self Service** – The Board received an update on improvements to the Self-Service system following training received
- **Transfers Out** - A report on issues relating to pension transfer out requests and the risk of scam activity.

- **Exit Credit Policy** – Proposed Changes to the Fund’s Exit Credit Policy and consultation.
- **LGPS Scheme Advisory Board’s Good Governance Review** – Update reports to meetings on progress towards the Good Governance Phase 2 Report.

Breaches

The Board has a responsibility to report any matter that appears to be materially significant. There were no significant issues of concern raised with, or by the Board, throughout the year.

Highlights

Below is a selection of highlights of the items considered this year:-

Transfer of Undertakings Protection of Employment (TUPE)

In 2019/20 the Chairman had written to employers, on behalf of the Local Pension Board, where it held concern over the lack of bond or admission agreements and their failure to sign legal documents in relation to Transfer of Undertakings Protection of Employment, which resulted in a delay for scheme members joining the scheme. Following further warnings from the Pension Manager we were pleased to note that the outstanding cases regarding Cleantec, Mellors Catering and Beacon Academy had been completed as at February 2021. We will continue to monitor employer risk including the bond values and contract dates through the quarterly Administration reports.

Transfers Out

The Pensions Manager regularly updated us regarding scheme member requests to transfer out to non-public service schemes. It was clear there was a conflict between scheme members who wished to transfer quickly, versus the Scheme Manager wishing to undertake sufficient due diligence. We were pleased to note the level of due diligence that the Fund undertook provided security for members before transfers were completed. It was concerning that even some Financial Conduct Authority approved schemes were not always in the best long-term interests for scheme members. Concluding our discussion, we recommended that the Pension Manager review the wording incorporated into documents circulated to scheme members as part of the Stage 1 letter to ensure it set out time scales, managed service expectations and advised of the Fund’s position in relation to due diligence. While the Pensions Section was not aware of any scam activity within the Leicestershire Fund, we noted the importance of remaining vigilant, a theme we revisited at future meetings.

Ultimately, we would encourage any scheme member considering transferring out to consider the costs, risks and loss of benefits involved, and to take independent financial advice as necessary.

McCloud

We continued to await the impact of the McCloud judgement, which found that when public service pension schemes changed in 2014 and 2015 they had discriminated on the grounds of age, by only providing protection for older members. It seems clear that Government's intention is to fix unlawful discrimination in the public service pension schemes, and we await the expected further consultation on draft LGPS regulations. As a result, we expect a major strain on the Pensions Team resourcing with the requirement recalculate member's benefits and potentially to re-aggregate cases. We undertook further training on the matter to further explain the potential impact as well as the Sargeant ruling and will continue to monitor effect of the case.

95k Exit Cap

We considered, in the Board's role as regulatory body for the Leicestershire Pension Fund, Government's response to the 95k Exit Cap consultation. While the cap was primarily an employer issue it also impacted on the administration of the Fund in relation to the pension strain (costs that occurred when there is a clear shortfall in the assumed level of funding needed to provide an unreduced pension benefit, for example if a member drew their benefit a lot earlier than expected). We will continue to monitor the situation as it remains a key issue with the potential impact it may have on the Fund. It is clearly concerning that the 95k exit cap could affect a lot of public sector workers, especially those who may have long service such as nurses and social workers if not linked to inflation. We were pleased to note that the Pensions Manager had written to all employers making them aware of the change and informing them they must contact any impacted staff. We were also aware employers were looking at the implications and that Unison were also lobbying against the cap in its current form. We continue to encourage any scheme member of the fund who is concerned to contact their employer.

Looking ahead to 2021/22.

The Board will maintain oversight of the Fund and continue to receive regular reports on admin, governance and risk. As previously identified we await further guidance and information relating to the impact of the McCloud ruling on the Fund and whether it will require recalculation of post 2014 scheme benefits and the impact this could have on resource within the Pensions Section.

The focus on employer risk and governance also continues to grow for the Pensions Section, and the required resource will be allocated accordingly. We also continue to await guidance arising from Scheme Advisory Board's Good Governance Phase 3 report, and the continuing the work in response to Clare Scott's Independent Governance Report, such as the introduction of a Conflict of Interest Policy for the Fund.

Importantly, we will look to scrutinise the Prudential, the Fund's Additional Voluntary Contribution (AVC) provider, following concerns raised by the Pensions Manager that they were breaching service standards. We will look to monitor the service that they provide and look to invite them to a future meeting to answer for the service provided and understand what mitigation would be put in place to avoid such issues

in future, as it is a significant concern to the Board that problems could impact on members ability to receive funding in a timely manner.

Training

The Fund's **Training Policy** was adopted in November 2019 and applies to all members of the Local Pension Committee, Local Pension Board and senior officers involved in the management and administration of the Fund. The Training Policy has regard to relevant codes of practice and guidelines issued by the Pensions Regulator, CIPFA, the training needs of the Committee and Board and the Fund's current priorities.

The 2013 Public Service Pension Act requires that members of Local Pension Boards have an appropriate level of knowledge and understanding in order to carry out their role. Any individual appointed to a local pension board must be conversant with;

- The regulations of the Local Government Pension Scheme, including historical regulations and transitional provisions, to the extent that they still affect members; and
 - any document recording policy about the administration of the scheme
- Local Pension Board members must also have knowledge and understanding of;
- the law relating to pensions, and
 - such other matters as may be prescribed in other legislation

The degree of knowledge and understanding required by Board members is appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the Local Pension Board. The Leicestershire Pension Fund is committed to supporting Local Pension Board members to achieve the level of knowledge and understanding they require by providing the appropriate level of training and assistance.

Members of the Board complete self-evaluation forms on an annual basis assessing their knowledge in terms of General Understanding, Funding and Pension Administration. A personal Training Plan is then developed for each Member based on the results of these assessments and is supplemented, where appropriate, to cover matters arising in the course of managing the Fund as part of reports to the Board and following meetings delivered by officers or the Fund's providers such as the Actuary and independent adviser.

The Board undertook a comprehensive knowledge review and training programme in December . This provided each Member with a thorough information base to build upon.

While this Annual Report is written from – 30 November it is worth noting that following adoption of the Training Policy in November the Board undertook a comprehensive training programme to refresh all Board Members knowledge, to provide each Member with a thorough information base to build upon.

The attendance log for training undertaken following Board Meetings is as follows:

	General Training	Member Self Service	McCloud
Mrs. R. Page	✓	✓	✓
Mr. R. Shepherd	✓	x	✓
Cllr. E. Pantling	✓	x	✓
Ms. C. Fairchild	✓	✓	✓
Ms. R. Gilbert	✓	✓	✓
Ms. D. Haller	✓	✓	✓

Given there have been a number of recent changes both within the LGPS, and externally in the broader pension's environment all Board Members are encouraged to complete The Pension Regulator's online training and other external training as held by the Scheme Advisory Board, Local Government Association, Hymans Robertson as well as LGPS Central. Some of the events include:-

- Pension Fundamentals Webinars October 2020
- Local Government Association LGPS Update January 2021
- Local Government Association Local Pension Board Training
- LGPS Central Annual Investment Day – Mar 2021

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LOCAL PENSION BOARD - 8 NOVEMBER 2021
REPORT OF THE DIRECTOR OF CORPORATE RESOURCES
PENSION FUND POLICY REPORT

Purpose of the Report

1. The purpose of this report is to present for the Board's consideration the annual update of the Pension Fund's current strategies and policies, covering new policies that have been introduced or amendments that have been made.

Background

2. The responsibility of the Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013, is to assist the Administering Authority as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme (LGPS). Part of its role is to review the Fund's Governance and Policy documents, as set out below.
3. This is the first annual report to provide the Board with a summary of current policies or strategies. Any new or amended policies will be brought to the Board each November and then presented to the Pensions Committee for approval at a subsequent meeting, as the body responsible for the governance of the Fund.

Summary of Current Policies

4. All current policies covering both administration and investments, are listed below. Updated policy documents are attached to this report, other policies can be found on the Pension Fund website [here](#).

Policy	Existing Policy (Yes/No)	Changes Made (Yes/No)	Changes	Date Last Updated	Date Next Review Scheduled
Investment Strategy Statement	Yes	No	-	February 2021	December 2022
Investment Advisor Objectives	Yes	No	-	December 2020	December 2021
Responsible Investment Plan	Yes	No	-	January 2021	January 2022
Funding Strategy Statement	Yes	No	-	January 2021	December 2022
Administration and Communication Strategy	Yes	Yes	Highlighted on pages 11, 12 and 29	February 2021	April 2023
Fund Training Policy	Yes	No	Will be reviewed in early 2022	November 2019	January 2022
Pension Fund Budget and Business Plan	Yes	No	-	February 2021	February 2022
Pension Fund Budget and Business Plan (Appendix)	Yes	No	-	February 2021	February 2022
Conflict of Interest Policy	Yes	No	-	June 2021	June 2024
Fund Employer Risk Policy	Yes	No	-	June 2021	June 2023
Administering Authority (Fund) Discretions Policy	Yes	Yes	-	September 2021	September 2023
Administering Authority Distribution of Death Grant Policy	No – New November 2021	-	-	-	November 2023
Administering Authority Over and Underpayment Policy	No – New November 2021	-	-	-	November 2023

Details of recent changes are provided below.

Administration and Communication Strategy

5. The current Administration and Communication Strategy was first put in place in April 2016 and sets out the expected levels of performance of both the administering authority and scheme employers within the Leicestershire Fund. This is a legislative requirement and the Pension Manager reviews the strategy at least every two years, or as required. It was last agreed by the Local Pension Committee in 26 February 2021
6. Minor changes have been made to the strategy on this occasion and mainly relate to the section, 'Circumstances Where Costs Might be Recovered' (page 11 of Appendix A).
7. Previously this section solely covered costs incurred that related to poor performance by scheme employers or third-party service providers. This has been expanded to include where an employer requests a specific area of work outside the standard provided by the administering authority.
8. Nationally, Funds are seeing an increase in requests from Academies to move all their members (actives, P/Bs and pensioners) to other Funds. These are known as "full transfers". This is a time consuming exercise and the Fund is reacting to the national position. Whilst every effort is made to minimise costs wherever possible, the introduction of a charge allows the offsetting of those costs.
9. The section also specifies actuarial costs that are incurred by the Fund. This is already usual practice and has been added to make this more explicit.
10. A further change has been added on page 29 to demonstrate the Fund's commitment for increasing registration numbers for the Member Self Service online portal with our aim to increase numbers by 650 per month, through increased awareness made by publicising MSS in articles and other documentation.
11. The full strategy was reviewed in September 2021 and is included in Appendix A. As the proposed changes are considered minor it is not proposed to consult with Fund employers.

Administering Authority (Fund) Discretions

12. Administering authorities and scheme employers in the Local Government Pension Scheme have to publish and keep under review, a statement of policy on discretions in relation to aspects of the LGPS where an element of choice within the regulations exist.
13. The Leicestershire Fund discretions were reviewed in September 2021 and are set out in Appendix B

Distribution of Death Grant Policy

14. Officers have developed a Distribution of Death Grant Policy to formalise practices that are already in place, in the interests of increased transparency and to exercise good governance.
15. In many cases the distribution of a death grant following the death of a scheme member is straightforward. However, there are a significant number of situations where, for a variety of reasons, deciding who the death grant should be paid to is more complex. It is important therefore that the Fund has a clear policy regarding how the distribution of monies is managed.
16. The policy was developed in September 2021 and is included in Appendix C.

Over and Under Payment Policy

17. Officers have developed an Over and Underpayment of Pension Policy to formalise practices that are already in place, in the interests of increased transparency and to exercise good governance.
18. Over and underpayments of pension can occur for a variety of reasons. It is important that the Fund has a clear policy on how incorrect payments of pension are managed once they are identified.
19. The policy was developed in September 2021 and is included in Appendix D.

Recommendation

20. The Board is asked to comment on the revised policies and strategies ahead of the Local Pension Committee meeting on 21st January 2022, where approval will be sought.

Equality and Human Rights Implications

None specific

Appendices

Appendix A: Administration and Communication Strategy
 Appendix B: Fund Discretions Policy
 Appendix C: Distribution of Death Grant Policy
 Appendix D: Over and Underpayment Policy

Officers to Contact

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APPENDIX A



Leicestershire Local Government Pension Scheme

Joint Administration and Communication Strategy

Sections

1. Administration Strategy
2. Communication Strategy
3. General Data Protection Regulations (GDPR)
4. Performance Targets
5. Service Level Agreements

This document details two strategies, the administration and communication strategies for Leicestershire Local Government Pension Scheme. It also details the Pension Section performance targets and service level agreement for the Scheme's employers.

Leicestershire County Council as the Administering Authority of the Leicestershire Pension Fund is responsible for setting policies, strategies and statements to ensure the Fund's obligations to its members, employees and stakeholders are met. These are available [here](#).

This Administration and Communication Strategy was approved by the Local Pension Committee on – [insert date]

This draft document has been prepared for presentation to the Local Pension Board on 8th November and for subsequent approval by the Pension Committee on 21st January 2022.

SECTION 1

ADMINISTRATION STRATEGY

INTRODUCTION

An administration strategy, as allowed for by the Local Government Pension Scheme, is seen as one of the tools which can help in delivering a high-quality administration service to the scheme member and other interested parties. Delivery of a high-quality administration service is not the responsibility of one person or organisation but is rather the joint working of a number of different parties.

This is the pension administration strategy statement of the Leicestershire County Council Pension Fund (LCCPF), administered by Leicestershire County Council (the administering authority). Employers in the Leicestershire Pension Fund have been consulted on regarding this document.

The strategy statement sets out the quality and performance standards expected of Leicestershire County Council in its role of administering authority and scheme employer, as well as all other scheme employers within the Leicestershire Fund. It seeks to promote good working relationships, improve efficiency and enforce quality amongst the scheme employers and the administering authority.

BACKGROUND

The LGPS represents a significant benefit to scheme members. Much of the success in promoting the scheme amongst scheme members and ensuring a high-quality service delivery depends upon the relationship between the administering authority and scheme employers in the day to day administration of the scheme. Good quality administration can also help in the overall promotion of the scheme and remind or alert employees to the value of the LGPS, thereby helping with recruitment, retention and motivation of employees.

The Fund comprises over 180 scheme employers with active members, and approximately 98,000 scheme members in relation to the Local Government Pension Scheme (LGPS). The efficient delivery of the benefits of the LGPS is dependent on sound administrative procedures being in place between several interested parties, including the administering authority and scheme employers.

IMPLEMENTATION

The strategy statement was first put in place 1 April 2016 with several the Fund employers. The second version was effective from 1 October 2018. The fourth version became effective from 1 April 2021. This version is planned to become effective from [insert date]. This strategy statement sets out the expected levels of performance of both the administering authority and the scheme employers within the Leicestershire Fund, as well as details on how performance levels will be monitored and the action that might be taken where persistent failure occurs.

Any enquiries in relation to this pension administration strategy statement should be sent to:

Ian Howe – Pension Manager

Leicestershire County Council Pension Fund

County Hall

Glenfield

Leicester LE3 8RB

ian.howe@leics.gov.uk

Telephone: 0116 305 6945

REGULATORY FRAMEWORK

The implementation of an Administration Strategy has regulatory backing in the form of the Local Government Pension Scheme Regulations 2013. These provide the conditions and regulatory guidance surrounding the production and implementation of an Administration Strategy.

Regulation 59(1) enables an LGPS administering authority to prepare a document ("the pension administration strategy") which contains such of the matters mentioned below as they consider appropriate: -

- Procedures for liaison and communication with their relevant employing authorities.
- The establishment of levels of performance which the administering authority and the relevant employing authorities are expected to achieve in carrying out their functions under the LGPS by-
 - (c) the setting of performance targets;
 - (ii) the making of agreements about levels of performance and associated matters; or
 - (iii) such other means as the administering authority consider appropriate;
- Procedures which aim to secure that the administering authority and the relevant employing authorities comply with the statutory requirements in respect of those functions and with any agreement about levels of performance.
- Procedures for improving the communication by the administering authority and the relevant employing authorities to each other of information relating to those functions.
- The circumstances in which the administering authority may consider giving written notice to a relevant employing authority on account of that employer's unsatisfactory performance in carrying out its functions under these Regulations when measured against levels of performance.
- Such other matters as appear to the administering authority to be suitable for inclusion in that strategy.

In addition, regulation 59(6) of the Administration Regulations also requires that, where a pension administration strategy is produced, a copy is issued to each of their relevant employing authorities as well as to the Secretary of State. The Fund will meet this requirement by having the latest version available on its website. Similarly, when the strategy is revised at any future time the administering authority (after say a material change to any policies contained within the strategy) must notify all its relevant employing authorities and the Secretary of State.

It is a requirement that, in preparing or revising any pension administration strategy, that the administering authority must consult its relevant employing authorities and such other persons as it considers appropriate. A consultation took place with the Fund's employers prior to the publications of previous version and following feedback changes were incorporated. Regard must be had by both the administering authority and employing authorities to the current version of any pension administration strategy when carrying out their functions under the LGPS Regulations.

In addition, regulation 70 of the Administration Regulations allows an administering authority to recover additional costs from a scheme employer where, in its opinion, they are directly related to the poor performance of that scheme employer. Where this situation arises, the administering authority is required to give written notice to the scheme employer, setting out the reasons for believing that additional costs should be recovered, the amount of the additional costs, together with the basis on which the additional amount has been calculated.

The following strategy statement, therefore, sets out the information required in accordance with regulation 59(1) and forms the basis of the day to day relationship between Leicestershire County Council as the administering authority and the employing authorities of the Leicestershire Pension Fund. It also sets out the circumstances under regulation 70 where additional costs are incurred as a result of the poor performance of a scheme employer, together with the steps that would be taken before any such action were taken.

Local Pension Board and Local Pension Committee

Governance of the Fund

Leicestershire County Council has delegated the responsibility for decisions relating to the Leicestershire Pension Fund to the Local Pension Committee in accordance with Section 101 of the 1972 Superannuation Act. The Members who sit on the Local Pension Committee act on behalf of the beneficiaries of the LGPS and in this way have a similar role to trustees in primarily protecting the benefits of the LGPS members, overseeing the direction of investments and monitoring liabilities. The Committee's principal aim is to consider pensions matters with a view to safeguarding the interests of all pension fund members.

The Local Pension Board was established in accordance with Local Government Pension Scheme Regulations 2015. The responsibility of the Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013, is to assist the Administering Authority as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme (LGPS) including securing compliance with the LGPS Regulations and other legislation relating to the governance and administration of the LGPS. Securing compliance with requirements imposed in relation to the LGPS by the Pensions Regulator and, such other matters as

the LGPS Regulations may specify. The Board maintains oversight of Administration of the Fund through quarterly reports on performance against its key performance indicators and can report any areas of concern for consideration by the Local Pension Committee.

There is a statutory requirement for the Fund to maintain a Governance Compliance Statement and this is replicated within the [Fund's Annual Report](#) which sets out in more detail governance of the Fund.

RESPONSIBILITIES AND PROCEDURES

Procedures for liaison and communication with employers

The delivery of a high quality administration service is not the responsibility of just the administering authority, but depends on the joint working of the administering authority with a number of individuals in different organisations to ensure scheme members, and other interested parties, receive the appropriate level of service or ensure that statutory requirements are met.

Where new employers join the Fund or existing employers require assistance understanding their role and responsibilities, guidance will be provided.

This strategy statement has been developed following consultation with scheme employers and other interested parties. It takes account of scheme employers' current pension knowledge, perception of current administration standards and specific training needs to ensure the level of service can be delivered to the required standard.

Establishing levels of performance

Performance standards

The LGPS prescribes that certain decisions be taken by either the administering authority or the scheme employer, in relation to the rights and entitlements of individual scheme members. In order to meet these obligations in a timely and accurate manner, and also to comply with overriding disclosure requirements, the Leicestershire Pension Fund should agree levels of performance between itself and the scheme employers which are set out in the service level agreement included in this strategy statement.

Quality

Overriding legislation

In carrying out their roles and responsibilities in relation to the administration of the Local Government Pension Scheme the administering authority and scheme employers will, as a minimum, comply with overriding legislation, including:

- Pensions Act 1995 and associated disclosure legislation;
- Freedom of Information Act 2000;
- Age Discrimination Act 2006;
- Data Protection Act 1998 and General Data Protection Regulations from May 2018;
- Disability Discrimination Act 1995;
- Finance Act 2004; and
- Health and Safety legislation.

Where agreed, the administering authority and scheme employers will comply with local standards which go beyond the minimum requirements set out in overriding legislation. Such best practice standards are outlined in the section on timeliness set out below.

Internal standards

The administering authority and scheme employers will ensure that all functions/tasks are carried out to agreed quality standards. In this respect the standards to be met are:

- monthly data will be submitted by employers to the Pension Fund using lconnect;
- information to be legible and accurate;
- communications to be in a plain language style
- information provided to be checked for accuracy by an appropriately trained member of staff;
- information provided to be authorised by an agreed signatory; and
- actions carried out, or information provided, detailed within the sections and timescales set out in this document.

Timeliness and accuracy

Overriding legislation dictates minimum standards that pension schemes should meet in providing certain pieces of information to the various parties associated with the scheme. The scheme itself sets out several requirements for the administering authority or scheme employers to provide information to

each other, scheme members and prospective scheme members, dependants, other pension arrangements or other regulatory bodies. Locally agreed performance standards have been proposed which cover all aspects of the administration of the scheme, where appropriate going beyond the overriding legislative requirements. These locally agreed standards for the Leicestershire Pension Fund are attached to this strategy.

For the avoidance of doubt “accuracy” in this Strategy is defined as when we have received a completed form with no gaps in mandatory areas and with no information which is either contradictory within the document or which we need to query.

The timeliness relates to a date of event being either the date the member started or left the LCCPF or any other material change that affects a scheme member’s pension record.

Procedures for ensuring compliance with statutory requirements and levels of performance

Ensuring compliance is the responsibility of the administering authority and scheme employers. We will work closely with all scheme employers to ensure compliance with all statutory requirements, whether they are specifically referenced in the LGPS Regulations, in overriding legislation, or in this Administration Strategy. We will also work with employers to ensure that overall quality and timeliness is continually improved. Various means will be employed, in order to ensure such compliance and service improvement, seeking views from as wide an audience as possible. These include:

Audit

The Leicestershire Pension Fund will be subject to annual audit of its processes and internal controls. The Leicestershire Pension Fund and scheme employers will be expected to fully comply with any requests for information from both internal and approved external auditors. Any subsequent recommendations made will be considered by Leicestershire County Council and where appropriate duly implemented (following discussions with scheme employers where necessary).

Performance monitoring

The Employing Authority may monitor performance against specific tasks set out in the service level agreement and return the information to the Leicestershire County Council Pension Section on an agreed basis.

Leicestershire County Council will monitor its own performance of the administering authority in carrying out its responsibilities in relation to the scheme.

Improving employer performance (where necessary)

The Pension Section will seek, at the earliest opportunity, to work closely with employers in identifying any areas of poor performance, provide the opportunity for necessary training and development and put in place appropriate processes to improve the level of service delivery in the future.

Where persistent and ongoing failure occurs and no improvement is demonstrated by an employer, and /or unwillingness is shown by the employer to resolve the identified issue, the following sets out the steps we will take in dealing with the situation in the first instance;

- LCC Pensions will contact and/or meet with the employer to discuss the area(s) of poor performance and how they can be addressed.
- Where no improvement has been demonstrated by the employer, or where there has been a failure to take agreed action by the employer, LCC Pensions will issue a formal written notice to the employer setting out the area(s) of poor performance that has been identified, the steps taken to resolve those area(s) and giving notice that the additional costs may now be reclaimed.
- LCC Pensions will clearly set out the calculations of any loss or additional costs resulting to the LCCPF/Administering authority, taking account of time and resources in resolving the specific area of poor performance; and
- LCCPF make a claim against the scheme employer, setting out the reasons for doing so, in accordance with the Regulations.

CIRCUMSTANCES WHERE THE ADMINISTERING AUTHORITY MAY LEVY COSTS ASSOCIATED WITH THE EMPLOYING AUTHORITIES

Regulation 70 of the Local Government Pension Scheme Regulations 2013 provides that an administering authority may recover from an employing authority any additional costs associated with the administration of the scheme incurred as a result of the poor level of performance of that employing authority. Where an administering authority wishes to recover any such additional costs, they must give written notice stating: -

- The reasons in their opinion that the scheme employer's poor performance contributed to the additional cost;

- The amount of the additional cost incurred;
- The basis on how the additional cost was calculated; and
- The provisions of the pension administration strategy relevant to the decision to give notice.

CIRCUMSTANCES WHERE COSTS MIGHT BE RECOVERED

Any additional costs to the Leicestershire Pension Fund in the administration of the LGPS that are incurred as a direct result of poor performance, or where an employer requests a specific area of work outside the standard provided by the administering authority, will be recovered from the scheme employer or third-party service provider, depending on the party which is responsible. The circumstances where such additional costs will be recovered from the employing authority are:

- persistent failure to provide relevant information to the administering authority, scheme member or other interested party in accordance with specified performance targets (either as a result of timeliness of delivery or quality of information);
- failure to pass relevant information to the scheme member or potential members, either due to poor quality or not meeting the agreed timescales outlined in the performance targets;
- failure to deduct and pay over correct employee and employer contributions to the Leicestershire Fund within the stated timescales;
- failure of a new Fund employer meeting its statutory duty when joining the Fund – for example unnecessary delays in completing an admission agreement, bond or other security as required by the Fund;
- instances where the performance of the scheme employer results in fines being levied against the administering authority by the Pension Regulator, Pensions Ombudsman or other regulatory body.
- where a specific area of work is requested by an employer, outside of the standard provided, causing a significant increase in pensions administration, e.g. where an employer decides to move all its scheme members into another Fund, creating a full bulk transfer of staff.
- all actuarial costs incurred by the Fund, for any work initiated by an employer, e.g. a bulk transfer of staff, a cessation valuation etc.

CALCULATION OF COSTS INCURRED

For a persistent failure to resolve an isolated case satisfactorily or where an employer continues to fail to meet its statutory duty, the Fund will recharge costs from the point in time at which we write a formal letter to the scheme employer until the case is resolved, at a rate of £100 for each hour an officer spends trying to resolve the matter.

For persistent and ongoing failure to meet targets, following the intervention to assist the employer concerned, the Fund will recharge the additional costs due to the employer's poor performance at the rate of £100 per hour spent, from the point in time that the formal letter was sent, until performance improves.

Where the performance of the scheme employer results in fines or additional costs being levied against the Fund will recharge the full costs it has incurred to the relevant employer.

Costs for a specific area of work requested by an employer, outside of the standard provided, causing a significant increase in pensions administration will be charged at £50 per hour. Officers will aim to inform the employer in advance of the work commencing and try to minimise the cost wherever possible. Any external system costs associated, will be recharged to the employer in full.

All actuarial costs incurred by the Fund for work initiated by an employer will be recharged to the employer in full.

REVIEW PROCESS

We will review our administration strategy to ensure it remains up to date and meets the necessary regulatory requirements at least every two years.

CONSULTATION

In preparing the administration strategy the Pension Section consulted with the relevant employing authorities and other persons considered appropriate.

The relevant employing authorities must be notified in writing of the final changes and where a copy of the revised strategy may be obtained.

SECTION 2

COMMUNICATION STRATEGY

INTRODUCTION

This is the Communications Policy Statement of the Leicestershire County Council Pension Fund.

The Fund liaises with over 180 employers and approximately 98,000 scheme members in relation to the Local Government Pension Scheme. The delivery of the benefits involves communication with several other interested parties. This statement provides an overview of how we communicate and how we measure whether our communications are successful.

The communication strategy has been in place since 1 April 2016. Any enquiries in relation to this Communication Policy Statement should be sent to:

Pensions Manager
Leicestershire County Council
County Hall
Glenfield
Leicester, LE3 8RB

REGULATORY FRAMEWORK

This policy statement is required by the provisions of Regulation 61 of the Local Government Pension Scheme Regulations 2013. The provision requires us to:

prepare, maintain and publish a written statement setting out their policy concerning communications with:

- (a) members;*
- (b) representatives of Members;*
- © prospective Members;*
- (d) employing Authorities.”*

In addition, it specifies that the statement must include information relating to:

- “(a) the provision of information and publicity about the Scheme to members, representatives of members and employing authorities;*

(b) the format, frequency and method of distributing such information or publicity;

(c) the promotion of the Scheme to prospective members and their employing authorities.”

Responsibilities and Resources

Within the County Council’s Pensions Section the responsibility for communication material is performed by the Pension Manager with the assistance of one or more senior pension officers.

The team write and design all communications including any web based or electronic material. They are also responsible for arranging all forums, workshops and meetings covered within this statement. Though we write all communication within the section, all design work is carried out by the Council’s publications team. We also carry out all the arrangements for forums, workshops and meetings covered within this statement.

Printing is carried out internally by the Council’s printing department or externally where this is more cost effective.

COMMUNICATION WITH KEY AUDIENCE GROUPS

Our audience

We communicate with several stakeholders. For the purposes of this communication policy statement, we are considering our communications with the following audience groups:

- active members;
- deferred members;
- pensioner members;
- prospective members and their employing authorities;
- Local Pension Board and Committee Representatives; and
- other stakeholders.

In addition there are a number of other stakeholders with whom we communicate on a regular basis, such as Her Majesty’s Revenues and Customs, MHCLG, The Pensions Regulator, and other pension providers. We also consider as part of this policy how we communicate with these interested parties.

General communication

General day to day communication will continue to be paper based. However, we will complement this by use of electronic means such as e-mail, online communications and our scheme member website: <https://leicsmss.pensiondetails.co.uk/>

Employers can access information to assist them via our dedicated employer website; www.leicestershire.gov.uk/pensions.

In accordance with County Council policy, large scale communications, such as annual statements, P60s and pension payslips will be provided electronically whenever possible. Members and pensioners can request exemption from this upon written/telephone request, and give instruction that communications continue to be paper based. It is therefore the default that annual benefit statements can be found on-line with a modeller for scheme members to run their own estimates. The Pensions Online system can be found at: <https://leicsmss.pensiondetails.co.uk/>

Branding

As the Pension Fund is administered by Leicestershire County Council, literature and communications will conform with the branding of the Council.

Accessibility

We recognise that individuals may have specific needs in relation to the format of our information or the language in which it is provided. Demand for alternative formats/languages is not high enough to allow us to prepare alternative format/language material automatically.

POLICY ON COMMUNICATION WITH ACTIVE, DEFERRED AND PENSIONER MEMBERS

Our objectives regarding communication with members are:

- for the LGPS to be used as a tool in the attraction and retention of employees.
- to better educate and explain to members the benefits of the LGPS.
- as a result of improved communication, for queries and complaints to be reduced.
- for our employers to be employers of choice.
- to improve the take up of the LGPS by employees.
- to reassure stakeholders.

Our objectives will be met by providing the following communications, which are over and above individual communications with members (for example, the notifications of scheme benefits or responses to individual queries). The communications are explained in more detail beneath the table:

Type	Media	Frequency	Method of Distribution	Audience Group (Active, Deferred, Pensioner or All)
Membership Form with cover letter "F" (Auto enrolment compliant)	Paper based but introducing on-line	On commencing employment	Issued via employer but introducing on-line via Member Self-Service	New employees
Pension Fund Report and Accounts	Pensions website	Annually	Paper copies can be requested	All
Annual Benefit Illustrations	Generally on-line but paper still available	Annually	On-line or posted to home address.	Active and Deferred
Information about the Scheme	On Pensions website	n/a	n/a	All
Online education sessions and presentations	Online	On request by employers/member group (subject to available resource)	On request	Actives and employers
Helpdesk	Phone and email	Daily	Phone calls and email replies to Members queries	All

Explanation of communications

Membership form – Introductory guidance providing an overview of the LGPS, including how much it costs, the retirement and death benefits and how to access further information from the website. Letter F provides details that are

compliant with auto-enrolment disclosure and how a member can obtain an opt-out form. This is also being introduced on-line.

Pension Fund Report and Accounts – Details of the value of the Pension Fund during the financial year, income and expenditure as well as other related details, for example, the current employing authorities and scheme membership numbers.

Annual Benefit Illustrations – For active members these include the current value of benefits. The associated death benefits are also shown and whether the member has nominated person(s) to receive the lump sum death grant. In relation to deferred members, the benefit statement includes the current value of the benefit.

Website – The LCC has a designated Leicestershire County Council Pensions information website <https://leicsmss.pensiondetails.co.uk/> Members and pensioners have access to online pension accounts to view and print annual statements, P60s, payslips. Members can also run their own estimates on-line.

This is complemented by a national Local Government Pension Scheme website freely available <https://www.lgpsmember.org> which will provide scheme specific information, frequently asked questions and answers, links to related sites etc.

On-line education sessions and presentations – These are sessions that are available on request for groups of members. For example, where an employer is going through a restructuring or review, it may be beneficial for the employees to understand the impact any pay reduction may have on their pension rights or a general overview of the scheme is requested.

Helpdesk – this is being introduced by the Pension Section in 2021 to assist scheme members with their calls and email enquiries. It is being designed to try and enable the first person receiving the call or email to be able to resolve it without the need to refer the scheme member to other Pension colleagues, thereby improving the customer experience and generate efficiency.

Administration Charges - The Pension Section can charge scheme members for certain divorce work, reinstatement work and multiple member estimates. The charge is to cover administration time spent on these cases. The Pension Regulator Code of Practice 14 Governance and Administration of Public Service proposed that it is permissible under Disclosure Regulation that additional information can be made available at a charge.

Work Item	Charge
Divorce – Initial CETV	No charge
Divorce – Additional CETV within 12 months	As required, charged at £150 plus VAT

Divorce – Provision of other information	As required, charged between £150 and £725 plus VAT
Divorce – Receipt of pension sharing order or consent order and to establish a new or prospective pensioner record	As required, charged at £475 plus VAT
Divorce – Assuming all documents are in place, settle a transfer out	As required, charged at £250 plus VAT
Estimate - Additional Member Initiated Estimate (within 12 months)	Annual Benefit Statement – no charge One additional written estimate within 12 months – no charge On-line estimates – no charge Additional estimates charged at £100 each plus VAT
Reinstatement of Benefits (and/or associated work) – Where a member has transferred out to an alternative Pension arrangement and work is required to determine any potential loss of benefits	£475 plus VAT – per case

The charges may be amended each year in line with inflationary changes.

POLICY ON PROMOTION OF THE SCHEME TO PROSPECTIVE MEMBERS AND THEIR EMPLOYING AUTHORITIES

Our objectives regarding communication with prospective members are:

- to improve take up of the LGPS.
- for the LGPS to be used as a tool in the attraction of employees.

As we, in the County Council's Pension Section, do not have direct access to prospective members, we will work in partnership with the employing authorities in the Fund to meet these objectives. We will do this by providing the following communications:

Method	Media	Frequency	Method of Distribution	Audience Group
Membership Form with cover letter "F" (Auto	Paper based and on-line	On commencing employment	Issued via employer and on the Pension	New employees

Method	Media	Frequency	Method of Distribution	Audience Group
enrolment compliant)			Sections on-line Member Self-Service	

POLICY ON COMMUNICATION WITH EMPLOYING AUTHORITIES

Our objectives regarding communication with employers are:

- to strengthen relationships.
- to assist employers, understand their role and responsibilities.
- to assist employers in understanding costs/funding issues.
- to work together to maintain timely and accurate data.
- to provide a secure way to transfer data to the Fund on a monthly basis.
- to ensure smooth transfers of staff.
- to ensure they understand the benefits of being an LGPS employer.
- to assist them in making the most of the discretionary areas within the LGPS.

Our objectives will be met by providing the following communications:

Method	Media	Frequency	Method of Distribution	Audience Group
Employers Information	Pensions website	At joining and updated as necessary	www.leicestershire.gov.uk/pensions	Main contact for all employers
Bulletins	Electronic (e-mail)	When required	E-mail	All contacts for all employers
Valuation meeting	Virtual	Tri-Annually	Invitations by e-mail/post	All contacts for all employers
Pension Fund Report and Accounts	Pensions website	Annually	E-mail	Main contact for all employers

Method	Media	Frequency	Method of Distribution	Audience Group
Meeting with Managers	Virtual	On request	E-mail	Senior management involved in funding and HR issues.
IConnect	On-line secure website	Monthly data submissions	On-line secure transfer of data – IConnect	Main data submission route for all current and new employers

Explanation of communications

Employers Information – Employer information is available on the employer's area of the Fund website.

Bulletins – A technical briefing that will include recent changes to the scheme, the way the Pension Section is run and other relevant information to keep employers fully up to date.

Valuation meeting – A formal seminar style event with several speakers covering topical LGPS issues.

Pension Fund Report and Accounts – Details of the value of the Pension Fund during the financial year, income and expenditure as well as other related details, for example, the current employing authorities and scheme membership numbers.

Manager meeting – Gives employers the opportunity to discuss their involvement in the scheme with Pension staff.

IConnect – Provides a secure route for employers to submit their monthly pension data to the Pension Section. There are two solutions available depending on the size of scheme membership at the employer.

POLICY ON COMMUNICATION WITH LOCAL PENSION BOARD AND LOCAL PENSION COMMITTEE REPRESENTATIVES

Employee and Employer representatives sit on both the Local Pension Board and Local Pension Committee.

Our objectives regarding communication with Board and Committee representatives;

- to ensure they are aware of their responsibilities in relation to the scheme

- to seek their approval to the development or amendment of discretionary policies, where required
- to seek their approval to formal responses to government consultation in relation to the scheme

Our objectives will be met by providing the following communications:

Method	Media	Frequency	Method of Distribution	Audience Group
Virtual education sessions	Virtual	When Local Pension Board and Local Pension Committee meet and as and when required	Virtual or via the Local Government Employers organisation	All members of the Pension Board and Committee
Local Pension Board and Local Pension Committee Meetings	Meeting	Quarterly or as required	Attendees of the Board and Committee	All

Explanation of communications

Training Sessions – that provide a broad overview of the main provisions of the LGPS, and elected member's responsibilities within it.

Local Pension Committee – The meeting consists of 10 Employer Representatives and 3 Employee Representatives and has responsibility for the management of the Pension Fund.

Local Pension Board The meeting consists of equal number of Employer and Employee Representatives and is broadly focused on helping the Scheme Manager (the Administering Authority) manage pension scheme administration.

POLICY ON COMMUNICATION WITH OTHER STAKEHOLDERS/INTERESTED PARTIES

Our objectives regarding communication with other stakeholder/interested parties are:

- to meet our obligations under various legislative requirements
- to ensure the proper administration of the scheme
- to deal with the resolution of pension disputes
- to administer the Fund's AVC scheme

Our objectives will be met by providing the following communications:

Method	Media	Frequency	Method of Distribution	Audience Group
Pension Fund valuation reports	On-line or email	Every three years	On-line or email	MHCLG/Her Majesty's Revenues and Customs (HMRC)/all scheme employers
Formal resolution of pension disputes	Hard copy or electronic	As and when a dispute requires resolution	Via email or post	Scheme member or their representatives, the Pensions Advisory Service/the Pensions Ombudsman
Completion of questionnaires	Electronic or hard copy	As and when required	Via email or post	MHCLG/HMRC/the Pensions Regulator

Explanation of communications

Pension Fund Valuation Reports – a report issued every three years setting out the estimated assets and liabilities of the Fund as a whole, as well as setting out individual employer contribution rates for a three-year period commencing one year from the valuation date

Resolution of pension disputes – a formal notification of pension dispute resolution, together with any additional correspondence relating to the dispute

Completion of questionnaires – various questionnaires that may be received, requesting specific information in relation to the structure of the LGPS or the make up of the Fund

SECTION 3

GENERAL DATA PROTECTION REGULATIONS (GDPR)

In May 2018 the General Data Protection Regulations (GDPR) came into force.

The Pension Section followed Leicestershire County Council's corporate plan in dealing with this. The regulations are designed to protect scheme member's data.

The Pension Section and employers are both deemed data controllers so there is no requirement for a data sharing agreement to be in place; i.e. there is no legal requirement for employers to have a data sharing agreement.

There is a requirement for two statements to be available and these are;

- Memorandum of understanding for employers
- Fair processing notice

These are available on our website

<https://www.leicestershire.gov.uk/jobs-and-volunteering/working-for-the-council/local-government-pensions/pensions-data-sharing>

The Pension Section has incorporated GDPR into information provided to new scheme members on the pension scheme membership form and welcome letter. Employers should inform all new employees that their personal data is shared with Leicestershire County Council Pension Section, for the County Council to meet its statutory responsibility of administering the Leicestershire Local Government Pension Scheme.

SECTION 4

PERFORMANCE TARGETS

To measure the success of our communications with active, deferred and pensioner members, we will use the following key performance indicators:

Timeliness

We will aim to meet the following target delivery timescales:

Communication	Audience	Target delivery period
Benefit Statements as at 31 March	Active members	31 August each year
Pension Saving	Active members	6 October each year

Statements as at 31 March	who breach the Annual Allowance pension growth tax threshold	
Issue of retirement benefits	Active members retiring	92% of retirement benefits to be issued within 10 working days of receiving all the necessary information.
Payment of pension benefits	Active members retiring	95% paid within 10 working days of receiving election.
Notification of death related benefits	Dependants of scheme members	90% within 10 days of death notification paperwork.

Customer experience

Feedback media	Perspective	Target
Paper questionnaire issued	Establish members understanding of information provided – rated at least mainly ok or clear	95%
Paper questionnaire issued	Experience of dealing with Section – rated at least good or excellent	95%
Paper questionnaire issued	Establish members thoughts on the amount of info provided – rated as about right	92%
Paper questionnaire issued	Establish the way members are treated – rated as polite or extremely polite	97%
Email survey	Rated as understandable (good or above)	95%
Email survey	Detail of content (good or above)	92%
Email survey	Timeliness of response (good or above)	92%

REVIEW PROCESS

We review the performance targets annually.

SECTION 5

SERVICE LEVEL AGREEMENTS

BY THE ADMINISTERING AUTHORITY

Function / Task	Performance target
LIAISON AND COMMUNICATION	
Publish and keep under review the Leicestershire Pension Fund administration strategy	Within one month of any changes being agreed with scheme employers
Keep up to date the web-based Employer's guide	Continual process
Issue and keep up to date all forms required for completion by either scheme members, prospective scheme members or scheme employers	30 working days from admission of new employer or date of change/amendment
Formulate and publish policies in relation to all areas where the administering authority may exercise a discretion within the scheme	Within 30 working days of policy being agreed by the related Board
Deliver training sessions for scheme employers	Upon request from scheme employers, or as required
Notify scheme employers and scheme members of changes to the scheme rules	Within 30 working days of the change(s) coming into effect
Notify scheme employer of issues relating to scheme employer's poor performance (including arranging meeting if required)	Within 10 working days of performance issue becoming apparent
Notify scheme employer of decision to recover additional costs associated with the scheme employer's poor performance (including any interest that may be due)	Within 10 working days of scheme employer failure to improve performance, as agreed
Issue annual benefit statements to active members as at 31 March each year	By the following 31 August
Issue pension saving statements to active members who breach the Annual Allowance pension growth tax threshold as at 31 March each year	By the following 6 October
Issue annual benefit statements to deferred benefit members as at 31 March each year	By the following 31 August

FUND ADMINISTRATION	
Issue formal valuation results (including individual employer details)	10 working days from receipt of results from fund actuary (but in any event no later than 31 March following the valuation date)
Carry out interim valuation exercise on cessation of admission agreements or scheme employer ceasing participation in the Leicestershire Pension Fund	Upon each cessation or occasion where a scheme employer ceases participation on the Leicestershire Pension Fund
Arrange for the setting up of separate admission agreement funds, where required (including the allocation of assets and notification to the Secretary of State)	Within 3 months of agreement to set up such funds
All new prospective admitted bodies to undertake, to the satisfaction of the Leicestershire Pension Fund, a risk assessment of the level or bond required in order to protect other scheme employers participating in the pension fund	To be completed before the body can be admitted to the Leicestershire Pension Fund
All admitted bodies to undertake a review of the level of bond or indemnity required to protect the other scheme employers participating in the fund	Annually, or such other period as may be agreed with the administering authority
Publish, and keep under review, the fund's governance policy statement	Within 30 working days of policy being agreed by the relevant Board
Publish and keep under review the Pension Fund's funding strategy statement	To be reviewed at each triennial valuation, following consultation with scheme employers and the fund's actuary. Revised statement to be issued with the final valuation report

Publish the Pension Fund annual report and any report from the auditor	By 31 December following the year end
SCHEME ADMINISTRATION	
Make all necessary decisions in relation to a scheme member and issue combined statutory notification to new scheme member (including aggregation of previous LGPS membership)	1 month from receipt of all necessary information
Provide responses to scheme members/scheme employers/personal representatives/dependents and other authorised persons	10 days from receipt of all necessary information
Provide transfer-in quote to scheme member	1 month from receipt of all necessary information
Confirm transfer-in payment and membership change to scheme member	10 days from receipt of all necessary information
Arrange for the transfer of scheme member additional voluntary contributions into in-house arrangement	10 days from receipt of all necessary information
Calculate cost of additional pension contributions, and notify scheme member	1 month from receipt of all necessary information
Notify scheme employer of scheme member's election to pay/cease/amend additional pension contributions and/or additional voluntary contributions	10 days from receipt of all necessary information
Provide requested estimates of benefits to employees / employers including any additional fund costs in relation to early payment of benefits from ill health, flexible retirement, redundancy or business efficiency. <i>(Since the introduction of the £95K Exit Cap in November 2020 estimates that generate capital costs, other than ill health, must be initiated by the employer).</i>	1 month from receipt of all necessary information
Notify leavers of deferred benefit entitlements	Within 2 months of receipt of all necessary information
Provide details of estimated Transfers Out	Within 1 month of receipt of all necessary information
Payment of Transfers Out	10 working days of receipt of all necessary information

Notify retiring employees of options, enclosing appropriate forms	10 working days of receipt of all necessary information KPI
Payment of retirement Lump Sum and pension	Lump sum -10 working days of receipt of all necessary information after retirement Pension – Paid in the next available pay run, thereafter the last banking day of each month KPI
Death notifications – issue initial letter requesting certificates	5 working days following notification of death
Notification of survivor benefits	10 working days of receipt of all necessary information KPI
Appoint stage 2 “appointed person” for the purposes of the pension dispute process and notify all scheme employers of the appointment	Within 30 working days following the resignation of the current “appointed person”
Process all stage 2 pension dispute applications	Within two months of receipt of the application, or such longer time as is required to process the application where further information or clarification is required.
Publish and keep under review the Leicestershire Pension Fund policy on the abatement of pension on re-employment	Notify scheme employers and publish policy within one month of any changes or revisions to the policy
Load employer’s monthly data received via IConnect	Within 1 month of receiving all the necessary information.
Promote the use of Member Self-Service	Increase Member Self-Service by 650 scheme members per month

BY THE SCHEME EMPLOYER

Function / Task	Performance Target
LIAISON AND COMMUNICATION	
Formulate and publish policies in relation to all areas where the employing authority may exercise a discretion within the scheme (including providing a copy of the policy decision(s) to the Leicestershire Pension Fund	Within 30 working days of policy being formally agreed by the employer. Ideally review these annually by 30 June.
Remit and provide details of total employer/employee contributions	9 th working day of month after deduction
Respond to enquiries from administering authority	10 working days from receipt of enquiry
Provide year end information required by the Leicestershire Pension Fund for valuation purposes and for individual scheme members annual benefit statements, annual allowance and lifetime allowance calculations, in a format agreed with the Leicestershire Pension Fund	By 30 th April following the year end, due to the earlier closure of the accounts.
Ensure payment of additional costs to the Leicestershire Pension Fund associated with the poor performance of the scheme employer	Within 30 working days of receipt of invoice from the Leicestershire fund
Distribute any information provided by Leicestershire Pension Fund to scheme members/potential scheme members	Within 15 days of its receipt
Notification to the Leicestershire Pension Fund (so they can liaise with actuary) of material changes to workforce/assumption related areas (e.g. restructurings/pay reviews/employer going to cease/ contracting out of services).	No later than 10 working days after material change / formal employer agreement on assumption related areas
Provide new/prospective scheme members with scheme information and new joiner forms	5 working days of commencement of employment or change in contractual conditions
Inform LCCPF of all cases where a prospective new employer or admitted body may join the fund	Notify LCCPF at least 3 months <u>before</u> the date of transfer
FUND ADMINISTRATION	

Function / Task	Performance Target
Payment of additional fund payments in relation to early payment of benefits from ill health, flexible retirement, redundancy or business efficiency retirement	Within 30 working days of receipt of invoice from the Leicestershire Pension fund / within timescales specified in each case

EMPLOYER ADMINISTRATION	
New Starter Make all necessary decisions in relation to new scheme members in the LGPS (whether full or part time, pensionable pay, appropriate contribution rate band, etc)	10 working days of scheme member joining
New Starter Provide administering authority with scheme member details on appropriate form/via electronic interface. Issue starter form to new employee.	10 working days of scheme member joining/from month end of joining
Pension Contributions Arrange for the correct deduction of employee contributions from a scheme members pensionable pay on becoming a scheme member	Immediately on joining the scheme, opting in or change in circumstances
Pension Contributions Ensure correct employee contribution rate is applied and arrange for reassessment of employee contribution rate in line with employer's policy	Immediately upon commencing scheme membership, reviewed as per policy
Pension Contributions Ensure correct rate of employer contribution is applied	Immediately following confirmation from the administering authority of appropriate employer contribution rate
Pension Contributions Ensure correct deduction of pension contributions during any period of child related leave, trade dispute or other forms of leave of absence from duty	Immediately, following receipt of election from scheme member to make the necessary pension contributions
Pension Contributions Commence/amend/cease deductions of additional regular contributions	Commence/amend in month following election to pay contributions or notification received from administering authority, cease immediately following receipt of election from scheme member

Pension Contributions Arrange for the deduction of AVCs and payment over of contributions to AVC provider(s)	Commence deduction of AVCs in month following the month of election Pay over contributions to the AVC provider(s) by the 19 th of the month following the month of election
Pension Contributions Refund any employee contributions when employees opts out of the pension scheme before 3 months	Month following month of opt out
Pension Contributions Cease deduction of employee contributions where a scheme member opts to leave the scheme	Month following month of election, or such later date specified by the scheme member
End of year Send a completed end of year detailed contribution spreadsheet used for valuation purposes and for individual scheme members annual benefit statements, annual allowance and lifetime allowance calculations, in a format agreed with the Leicestershire Pension Fund	By 30 th April following the year end, due to the earlier closure of the accounts.
Monthly Pensions Return Provide administering authority with a monthly pension return.	By the 15 th of the following month.
Leavers Determine reason for leaving and provide notification to administering authority of scheme leavers	Within 30 days of leaving
Retirement Determine reason for retirement and provide notification to administering authority of retiree	Within 10 working days of notification of intention to retire
Estimates Initiate any estimates, (other than ill health), that generate a capital cost following the introduction of the £95K Exit Cap rules in November 2020	Within 10 working days of notification of members or employers estimate request
Final Pay Provide CARE and final pay information for each scheme member who requires an estimate, leaves/retires/dies and forward to Leicestershire Pension Fund on appropriate form/via electronic interface	Within 10 working days following date of estimate request/leaving/retirement/death

Employer appointments Appoint an independent medical practitioner qualified in occupational health medicine, in order to consider all ill health retirement applications and agree appointment with Leicestershire Pension Fund	Within one month of commencing participation in the scheme or date of resignation of existing medical adviser
Employer appointments Appoint person for stage 1 of the pension dispute process and provide full details to the administering authority	Within 30 working days following the resignation of the current “appointed person”
IConnect – Monthly Posting* Submit pension data via the secure IConnect employer self-service module	By the end of the following month

*Monthly submission of pension data for the LGPS is currently not mandatory under the Local Government Pension Scheme Regulations, however The Pension Regulator determines a governance requirement of every Pension Fund is to have a data improvement plan in place.

The Leicestershire Funds data improvement plan requires receipt of accurate and timely data from employers via monthly data submissions.

The Pension Manager is extremely keen to continue the positive implementation of monthly postings using IConnect with all employers.

The deadline for all employers to implement monthly posting using IConnect is 31 March 2022. If you require further information about IConnect please phone the Pension Section on Tel 0116 305 5052.

This is designed to assist both employers and the Pension Section manage the year-end process, but ultimately benefits scheme members who will be able to view their most timely and accurate pension data, using the member self-service online system.

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Appendix B - Governance of the Fund – Leicestershire Fund Discretions

Governance and Policies

Ref	LGPS Regulation	Discretion	Leicestershire Pension Fund Policy
1	2013 Reg 55	Publish a Governance Policy stating how functions are delegated and whether the Administering Authority complies with guidance given by the Secretary of State	The current Governance Policy and Compliance Statement is included in the latest Pension Fund Annual Report and can be found at: https://leicsmss.pensiondetails.co.uk/home/scheme-member/lgps/fund-admin-and-guidance/pension-fund-and-finance
2	2013 Reg 58	Decide on the Funding Strategy for inclusion in funding strategy statement.	The Funding Strategy is reviewed and approved by the Fund's Local Pension Committee. The latest version can be found at: https://leicsmss.pensiondetails.co.uk/home/scheme-member/lgps/fund-admin-and-guidance/pension-fund-and-finance
3	2013 Reg 61	Develop a Communication Policy setting out how the Administering Authority communicates with members, representatives of members, prospective members and employing authorities and the format, frequency and method of communications.	The Fund incorporates the Communication Policy within the Funds Administration Strategy. The latest version can be found at: https://leicsmss.pensiondetails.co.uk/home/scheme-member/lgps/fund-admin-and-guidance/pension-fund-and-finance
4	2013 Reg 59 (1) Reg 59 (2)	Decide whether to have a written Pensions Administration Strategy and, if so, the matters it should include.	The Fund incorporates the Administration Strategy with the Communication Policy. The latest version can be found at: https://leicsmss.pensiondetails.co.uk/home/scheme-member/lgps/fund-admin-and-guidance/pension-fund-and-finance

Appeals and the Adjudication of Disagreements

Ref	LGPS Regulation	Discretion	Leicestershire Pension Fund Policy
5	2013 Reg 74(1) 2008 (Admin) Reg 58 1997 Reg 100	Appoint a person for dealing with applications under Stage One of the dispute resolution procedures (AADP) in relation to any disputes relating to the role as Administering Authority (includes in relation to councillor members).	Head of Law and Deputy Monitoring Officer will usually act as the adjudicator for the Fund in respect of Stage One appeals against Administering Authority disputes. This duty can be delegated as necessary.
6	2013 Reg 76(4) 2008 (Admin) Reg 60(8) 1997 Reg 99	Decide the procedure to be followed by the Administering Authority when exercising its Stage Two AADP functions (includes in relation to councillor members).	Director of Law and Governance will usually act as the adjudicator for the Fund in respect of Stage Two appeals against Administering Authority disputes. This duty can be delegated as necessary.
7	2013 Reg 79(2) 2008 (Admin) Reg 63(2) 1997 Reg 105(1)	Whether the Administering Authority should appeal to the Secretary of State against an employer decision (or lack of a decision) – includes in relation to councillor members.	Fund Officers will consider on a case by case basis, appealing to the Secretary of State when there is sufficient evidence that an employer has made a decision or committed an act (or failed to act) that is both wrong in law and material, where Fund Officers have been unable to persuade the employer to alter its actions (or inactions).

Admission Agreements

Ref	LGPS Regulation	Discretion	Leicestershire Pension Fund Policy
8	2013 Sch 2 Part 3 Para 1	Whether to agree to an admission agreement with an external employer.	<p>Agreement to admission, as a scheme employer, as an admission body is decided by Fund Officers.</p> <p>A legally signed Admission Agreement is required in all cases.</p>
9	2013 Reg 4(2)(b)	Whether to agree to an admission agreement with a Care Trust, NHS Scheme employing authority or Care Quality Commission.	<p>NHS staff who are subject to transfer retain right to participate in the NHS Pension Scheme via a Direction Order with the new employing authority, so it is extremely unlikely the Administering Authority will need to exercise this discretion.</p> <p>However, in the rare event this is needed, agreement to admission, as a scheme employer, as an admission body is decided by Fund Officers. A legally signed Admission Agreement is required in all cases.</p>
10	2013 Sch 2 Part 3 Para 9(d)	<p>Whether to terminate a transferee admission agreement in the event of:</p> <ul style="list-style-type: none"> the insolvency, winding up or liquidation of the body a material breach by that body of its obligations under the admission agreement the failure by that body to pay over sums due to the Fund within a reasonable period of being requested to do so. 	<p>The Fund would not normally terminate a transferee admission agreement earlier than the contract end. However, this would be considered in exceptional circumstances.</p> <p>Officers will refer to the Fund's Employer Risk Policy and transferee admission agreement if an employer failed to make payment of sums due to the Fund.</p>
11	2013 Sch 2 Part 3 Para 12(a)	Employees of a contractor are only entitled to remain in the LGPS whilst they continue to be employed in connection with the original services that were transferred. This expression should be defined by the Administering Authority.	<p>The Fund defines 'Employed in connection with' as meaning "employed mainly (i.e. at least 51% of their time) in the management or delivery of such services as are set out in the Contract.</p> <p>This is included in the Admission Agreement</p>

12	2013 Reg 54(1)	Whether to set up a separate admission agreement fund.	<p>The Administering Authority does not currently operate any separate admission agreement funds.</p> <p>Any proposal to create an admission agreement fund would be subject to discussion between Officers and the Fund Actuary.</p>
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Employer Management

Ref	LGPS Regulation	Discretion	Leicestershire Pension Fund Policy
13	2013 Reg 64(4)	Whether to obtain a revision of the rates and adjustments certificate (R&A) if there are circumstances that make it likely that a Scheme Employer will be ceasing.	<p>The Fund would not normally obtain a revised rates and adjustment certificate. However, Section 3.3. note (g) of the Fund's FSS gives the Fund the right to obtain a revised R&A in the following circumstances:</p> <ul style="list-style-type: none"> - in the opinion of the Administering Authority there are circumstances which make it likely that an employer (including an admission body) will become an exiting employer sooner than anticipated at the last valuation; - an employer is approaching exit from the scheme within the next two years and before completion of the next valuation
14	2013 Reg 68(2) 2014 (Transitional Provisions) Sch 2 Para 2(3) 1997 Reg 80(5)	<p>Whether to require any strain on Fund costs to be paid "up front" by an employer following:</p> <ul style="list-style-type: none"> • Flexible retirement • Redundancy, business efficiency • The waiving (in whole or in part) of any actuarial reductions that would have otherwise been applied on voluntary or flexible retirement • Where the rule of 85 is switched on before age 60 • Where actuarial reductions are waived on compassionate grounds • Payment of a pre-1 April 2008 deferred benefit on ill-health 	<p>Section 3.6 of Fund's Funding Strategy Statement currently sets out the Fund's policy:</p> <p>The Fund's policy is to recharge the full strain costs as a single lump sum, in all cases.</p>

		grounds	
15	<p>2013 Reg 80(1)(b)</p> <p>2014 (Transitional Provisions) Reg 22(1)</p> <p>2008 (Admin) Reg 64(1)(b)</p>	Specify information to be supplied by employers to enable the Administering Authority to discharge its functions.	Employers are required to provide information in accordance with the Fund Administration and Communication Strategy.
16	<p>2013 Reg 69(1)</p>	Decide frequency of payment of contributions to the Fund by employers and whether to make an administration charge.	<p>The due date for employer contributions is the 19th of the month following the month to which they relate. Employer contribution rates include an element to cover fund administration expense.</p> <p>Additional payments (e.g. strain costs for all early payments) are charged in full in the year the member leaves the scheme.</p> <p>The Administration and Communication Strategy provides details when an administration charge may be applied. These are charged in the year the work occurs.</p>
17	<p>2013 Reg 69(4)</p>	Decide the format and frequency of information from employers to accompany payments of contributions to the Fund.	<p>From the 31 March 2022 the Fund requires all employers to submit their monthly return electronically via IConnect. New employers are required to use IConnect.</p> <p>All employers reconcile their full years contributions at year end and submit an annual return.</p>
18	<p>2013 Reg 70</p> <p>2014 (Transitional Provisions) Reg 22(2)</p>	Whether to issue an employer with a notice to recover additional costs incurred as a result of the employer's level of performance.	The Fund's administration and communication strategy sets out measures when charges can be raised for additional costs incurred.
19	<p>2013 Reg 71(1)</p>	Whether to charge interest on payments by employers which are overdue.	<p>The Fund does not normally charge interest on late payment but proactively pursues employers to remedy any arrears.</p> <p>The Fund reserves the right to included interest in exceptional circumstances as agreed by Fund Officers.</p> <p>Employers only benefit from</p>

			investment returns from the date payment is received, hence other employers are not adversely impacted by late payment.
20	<p>2013 Reg 36(3)</p> <p>2008 (Admin) Reg 56(2)</p> <p>1997 Reg 97(10)</p>	The Administering Authority is required to approve medical advisors used by employers (for the determination of ill health benefits) – including in relation to councillor members.	Fund Officers will determine whether an employer's appointed Occupational Health Provider is appropriate for the provision of medical certificates regarding members incapacity in relation to the Local Government Pension Scheme Regulations.

Payments relating to deceased members

Ref	LGPS Regulation	Discretion	Leicestershire Pension Fund Policy
21	<p>2013 Reg 82(2)</p> <p>2008 (Admin) Reg 52(2)</p> <p>1997 Reg 95</p>	<p>A death grant due to a scheme member's estate, can be paid to the personal representative(s), or anyone appearing to be, without the need for grant of probate / letters of administration if the death grant is less than the amount specified in any order under Section 6 of the Administration of the Estates (Small Payments) Act 1965. This also relates to councillor members.</p>	<p>The Fund will normally pay the death grant without production of Grant of Probate or Letters of Administration where the sum due is less than £15,000</p>
22	<p>2013 Regs 17(12), 40(2), 43(2), 46(2)</p> <p>2014 (Transitional Provisions) Reg 17(5) to (8)</p> <p>2008 (Transitional Provisions) Sch 1</p> <p>1997 Regs 38(1), 155(4)</p> <p>1995 Reg E8</p> <p>2007 (Benefits) Regs 23(2), 32(2), 35(2)</p>	<p>The Administering Authority may, at its absolute discretion, pay any death grant due (including AVCs, SCAVCs and life assurance relating to AVCs) to or for the benefit of the member's nominee, personal representatives or any person appearing to the authority to have been a relative or dependent of the member. This also relates to councillor members.</p>	<p>Fund Officers will try to abide with the scheme member's expression of wish, where it is clear and having taken account of all circumstances.</p> <p>If no wish has been made, but there is no uncertainty or dispute, the decision to whom payment is made is made by Fund Officers.</p> <p>In exceptional cases where Fund Officers are uncertain or if there is a dispute, regarding the member's nominee, personal representatives or any person appearing to the authority to have been a relative or dependent of the member, internal legal advice may be requested, and Grant of Probate or Letter of Administration may be sought. Fund Officers will make the final decision.</p> <p>With all Fund payments of death grants, Fund Officers will use the Administering Authority's absolute discretion.</p>
23	<p>2013 Sch 1</p> <p>2014 (Transitional Provisions) Reg 17(9)(b)</p> <p>2007 (Benefits) Reg 25</p>	<p>The Administering Authority must decide the evidence required to determine financial dependence of a co-habitee on a scheme member or financial interdependence between the co-habitee and the scheme member</p>	<p>The appropriate parties will be provided with details of the evidence required to determine financial dependence or interdependence. Where required, the final decision will be made by Fund Officers.</p>

24	<p>2014 (Transitional Provisions) Regs 3(6), 4(6)(c), 8(4), 10(2)(a), 17(2)(b)</p> <p>2007 (Benefits) Reg 10(2)</p>	Where member dies before making an election in respect of the use of average of 3 years pay for final pay purposes, the Administering Authority can decide whether to make that election on behalf of the deceased member.	The most advantageous figure will be automatically applied by the Fund.
25	<p>2014 (Transitional Provisions) Regs 3(6), 4(6)(c), 8(4), 10(2)(a), 17(2)(b)</p> <p>2008 (Transitional Provisions) Sch 1</p> <p>1997 Reg 23(9)</p>	Whether to make an election on behalf of a deceased member who had a certificate of protection of pension benefits so their benefits may be calculated using the best pay figure.	The most advantageous figure will be automatically applied by the Fund.
26	<p>1997 Reg 22(7)</p>	Whether to select an alternative final pay period for deceased non-councillor member (applies to leavers between 31st March 1998 and 1st April 2008).	The most advantageous figure will be automatically applied by the Fund.
27	<p>2013 Sch 1 "Eligible Child"</p> <p>2014 (Transitional Provisions) Reg 17(9)</p>	Whether to treat a child as being in continuous education or vocational training, despite a break (including a child of a councillor member) so that the child's pension resumes after the break.	The Fund will normally accept short breaks including term holidays and also gap years, as being interruptions in education or training and will restart a suspended child's pension at the end of such a break or gap, providing sufficient evidence is received to support it.
28	<p>1997 Reg 47(1)</p> <p>1995 Reg G11(1)</p>	How to apportion children's pension amongst eligible children (children of councillor members and children of leavers between 31st March 1998 and 1st April 2008).	Where there is more than one eligible child, the Fund will normally divide a children's pension equally between the eligible children.
29	<p>2007 (Benefits) Reg 27(5)</p> <p>1997 Reg 47(2)</p> <p>1995 Reg G11(2)</p>	Whether to pay the whole or part of a child's pension to another person for the benefit of the child (includes children of councillor members). This applies to pre 1st April 2014 leavers only.	<p>Where a child is under 16, Fund Officers will normally pay his/her pension to the person who has the care of the child, to be applied for the benefit of that child.</p> <p>Where a child is 16 or over, Fund Officers will normally pay his/her pension to the child.</p>

30	1995 Reg F7	Whether or not to suspend a spouses' pensions during remarriage or cohabitation	The Fund will not suspend spouse's pension due to remarriage or cohabitation and, therefore, they will be paid for life.
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Transferring or Linking of Pension Benefits

Ref	LGPS Regulation	Discretion	Leicestershire Pension Fund Policy
31	2013 Reg 98(1)(b)	Whether to agree to the payment of a bulk transfer.	<p>Bulk transfer terms will be negotiated and agreed on a case by case basis in consultation with the Fund actuary, the scheme employer, the new scheme and the administering authority.</p> <p>Currently section 3.10 of the Funding Strategy Statement states that the Fund will not grant added benefits to members bringing in entitlements from another Fund unless the asset transfer is sufficient to meet the added liabilities.</p>
32	2013 Reg 100(6)	The Administering Authority (with the agreement of the employer) may extend the 12-month time limit for a scheme member to elect to transfer in benefits from a non-LGPS or personal pension plan.	<p>The Fund will only allow transfers from Public Sector Transfer Schemes*, provided that the application is made within 12 months of joining the scheme.</p> <p>The 12-month time limit may be extended by agreement with the Pension Manager and the employer.</p>
33	2013 Reg 100(7)	Whether to allow transfers of pension rights into the Fund.	<p>*The Public Sector Transfer Club is a network of public sector pension scheme generally providing membership credits of similar lengths when a member transfer between them.</p>
34	2014 (Transitional Provisions) Reg 15(1)(d) 2008 (Admin) Reg 28(2)	Whether to charge a scheme member for the provision of an estimate of the additional pension that would be provided in the Fund in return for a transfer in of in house AVC/SCAVC funds (only applies where the arrangement was entered into before 1st April 2014).	<p>Scheme members may request one estimate in any 12-month period that is provided free of charge. If a further quote is requested by the scheme member in the same 12-month period, the Fund reserves the right to impose an administration charge on the member.</p>
35	2014 (Transitional Provisions) Reg 10(9)	Decide, in the absence of an election from the member within 12 months of ceasing a concurrent employment, which ongoing employment benefits from the concurrent employment which has ceased should be aggregated	<p>The most advantageous figure will be automatically applied by the Fund.</p>

		(where there is more than one ongoing employment).	
36	1997 Reg 118	Whether the Fund will retain the Contributions Equivalent Premium (CEP) where a scheme member transfers out to a Contracted-in pension scheme (for councillor members and pre 1.4.08. leavers).	The CEP amount will be retained by the Fund.

Miscellaneous Provisions

Ref	LGPS Regulation	Discretion	Leicestershire Pension Fund Policy
37	2013 Reg 89(5) 1997 Reg 106A(5)	The date to which benefits shown on member's Annual Benefit Statements are calculated.	All annual benefit statements will be calculated as at 31 March preceding their distribution.
38	2014 (Transitional Provisions) Reg 3(13) 2008 (Admin) Reg 70(1), 71(4)(c) 2008 (Transitional Provisions) Reg 12 1997 Reg 109, 110(4)(b)	Abatement of pensions on re-employment (applies to pre 1 April 2014 retirees only including councillor members).	Leicestershire Pension Fund does not abate pre 1 April 2014 pensions in payment based on earnings, following re-employment.
39	2013 Reg 22(3)(c)	The member's pension account may be kept in such form as is considered appropriate.	Member's pension accounts are maintained on the Fund's pension administration system.
40	2013 Reg 83 2008 (Admin) Reg 52A	An Administering Authority may determine how and to whom benefits may be paid if the recipient (other than an eligible child) is incapable of managing their affairs by reason of mental disorder or otherwise.	The Fund will usually request Power of Attorney to pay benefits to the person having care of the pensioner, or such other person as they may determine where the pensioner is incapable of managing his or her affairs. In exceptional circumstances The Pensions Manager may allow payment without Power of Attorney.
41	2013 Reg 16(1)	Whether to turn down a request to pay an APC/SCAPC by regular contributions over a period of time where it would be impractical to allow such a request, for example, due to the pension being bought resulting in very small payments	To be determined by the Pensions Manager on a case by case basis.
42	2013 Reg 16(10)	Whether to require a satisfactory medical before agreeing to an application to pay an APC or SCAPC	The Fund will require a satisfactory medical for an APC if the scheme member is buying extra on a monthly basis. The member pays any cost for obtaining a medical. If it's being bought by lump sum a medical is not required. A SCAPC does not require a medical as the member is buying lost pension,

			rather than choosing to but extra pension.
43	2013 Reg 32(7)	A scheme member wishing to receive benefits other than at normal pension age, or on flexible retirement, must elect to do so within certain time limits. The Administering Authority may extend these time limits.	To be determined by the Pensions Manager on a case by case basis.
44	2014 (Transitional Provisions) Reg 15(1)(c) 2008 (Transitional Provisions) Sch 1 1997 Reg 83(5)	Whether to extend the time period for a scheme member electing to capitalise remaining contributions to an added years contract in cases of redundancy.	A member may make an election to make a lump sum payment, if they stop paying added years contributions before their Normal Retirement Date on leaving their employment by reason of redundancy. An election must be made within 3 months of the date of redundancy and may only be extended in exceptional circumstances by agreement of the Pensions Manager.
45	2013 Reg 34(1) 2007 (Benefits) Reg 39 2008 (Transitional Provisions) Reg 14(3) 1997 Regs 49, 156	The Administering Authority may commute small pensions, including survivor's pensions, into a lump sum where they are below limits set by HMRC.	The Fund will offer payment of a lump sum in lieu of a pension which is below limits set by HMRC.
46	2013 Reg 49(1)(c) 2007 (Benefits) Reg 42(1)(c)	Decide, in the absence of an election from the scheme member, which benefit is to be paid where the member would be entitled to a benefit under two or more regulations in respect of the same period of Scheme membership.	The most advantageous figure will be automatically applied by the Fund
47	1997 Reg 147	Whether to permit a Pension Credit to remain in the Fund or require a transfer out.	The Fund will permit a Pension Credit to remain in the Fund or a transfer out.
48	1997 Regs 50, 157	Whether to commute benefits due to exceptional ill-health (applies to councillor members and pre 1st April 2008 leavers only).	The Fund will provide a member with the option to commute to a lump sum payment in lieu of a pension where the member has a serious life limiting condition.

Discretions relating to employers which no longer exist

Ref	LGPS Regulation	Discretion	Leicestershire Pension Fund Policy
49	2013 Reg 30(8)	Decide whether to waive, in whole or in part, the actuarial reduction on pension benefits paid on flexible retirement.	The Fund, acting as employer for historic employers that no longer exist, will not waive the actuarial reduction in respect of applications for flexible retirement.
50	2013 Regs 30(8), 31(5) 2014 (Transitional Provisions) Reg 3(1), Sch 2 Para 2(1) 2007 (Benefits) Reg 30(5), 30A(5) 1997 Reg 31(5)	Decide whether to waive, in whole or in part, the actuarial reduction on benefits which a member voluntarily draws before normal pension age, including on compassionate grounds.	The Fund, acting as employer for historic employers that no longer exist, will not normally exercise this discretion but may consider it under exceptional circumstances on a case by case basis, taking into account the individual or business case and foreseeable costs to the Fund.
51	2013 Reg 60 2014 (Transitional Provisions) Sch 2 Paras 1(2), 1(1)(c), 1(1)(f)	Decide whether, to “switch on” the 85-year rule for a member voluntarily drawing benefits on or after age 55 and before age 60 (other than on the grounds of Flexible Retirement).	The Fund, acting as employer for historic employers that no longer exist, will not normally exercise this discretion but may consider it under exceptional circumstances on a case by case basis, taking into account the individual or business case and foreseeable costs to the Fund.
52	2014 (Transitional Provisions) Reg 12(6)	Whether to use a certificate produced by an Independent Registered Medical Practitioner (IRMP) under the 2008 scheme for the purposes of making an ill health determination under the 2014 scheme.	The Fund, acting as employer for historic employers that no longer exist, will ask the IRMP to complete the correct certificate.
53	2013 Reg 38(3)	Decide whether a deferred beneficiary meets the criteria of being permanently incapable of their former job because of ill health and is unlikely to be capable of undertaking gainful employment before normal pension age or for at least three years, whichever is the sooner.	The Fund, acting as employer for historic employers that no longer exist, will make a determination taking into account the IRMP’s recommendation and any further relevant information.

54	2013 Reg 38(6)	Decide whether a suspended ill health tier 3 member is unlikely to be capable of undertaking gainful employment before normal pension age because of ill health.	The Fund, acting as employer for historic employers that no longer exist, will make a determination taking into account the IRMP's recommendation and any further relevant information.
55	2007 (Benefits) Reg 31(4)	Decide whether a deferred beneficiary meets permanent ill health and reduced likelihood of gainful employment criteria.	The Fund, acting as employer for historic employers that no longer exist, will make a determination taking into account the IRMP's recommendation and any further relevant information.
56	2007 (Benefits) Reg 31(7)	Decide whether a suspended ill health tier 3 member is permanently incapable of undertaking any gainful employment.	The Fund, acting as employer for historic employers that no longer exist, will make a determination taking into account the IRMP's recommendation and any further relevant information.
57	2014 (Transitional Provisions) Reg 3(5A)(vi) 1997 (Transitional Provisions) Reg 4 1997 Reg 106(1) 1995 Reg D11(2)(c)	Grant application for early payment of deferred benefits on or after age 50 on compassionate grounds. Although the common provisions of the 1997 Transitional Provisions regulations do not specify regulation D11(2)(c) from the 1995 regulations, their intention was that it should apply to this regulation. Note – D11(2)(c) from the LGPS 1995 regulations enables an employing authority to award early payment of deferred benefits on compassionate grounds to a member aged 50+	The Fund, acting as employer for historic employers that no longer exist, will consider each case on case by case basis. The earliest payment may be granted is age 55.

September 2021

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APPENDIX C



Leicestershire Local Government Pension Scheme

Distribution of Death Grant Policy

Sections

1. Introduction
2. Policy Objectives
3. Purpose of the Policy
4. Effective date and reviews
5. Scope
6. Distribution of the Death Grant
7. Funeral Costs
8. Appeals
9. Officers to contact

Leicestershire County Council as the Administering Authority of the Leicestershire Pension Fund is responsible for setting policies, strategies and statements to ensure the Fund's obligations to its members, employees and stakeholders are met. These are available [here](#).

This draft policy has been prepared for presentation to the Local Pension Board on 8th November and for subsequent approval by the Pension Committee on 21st January 2022.

1 Introduction

This is the Distribution of Death Grant Policy for Leicestershire Pension Fund, which is managed by Leicestershire County Council.

In many cases the distribution of a death grant following the death of a scheme member is straightforward. However, there are a significant number of situations where, for a variety of reasons, deciding who the death grant should be paid to is more complex. It is important therefore that the Fund has a clear policy regarding how the distribution of monies is managed.

2 Policy Objectives

The policy objectives aim to ensure the Fund:

- Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
- Manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and their families.
- Avoids the Internal Dispute Resolution Procedure (IDRP) where possible, by managing the process effectively.

3 Purpose of the Policy

The policy is designed to provide assurance to the Fund's stakeholders that death grants are distributed in a fair manner, taking into account wherever possible the wishes of the deceased member but also the circumstances of the family or other relevant parties.

4 Effective date and reviews

This policy was first presented to the Local Pensions Board on 8 November 2021 and approved by the Pensions Committee on **{insert date}**. The policy will be reviewed by officers every two years and will be presented to the Board and Committee if changes are required.

5 Scope

The policy applies to:

- All members who are entitled to a payment of a death grant following their death;
- Their beneficiaries;
- Administrators of the scheme;
- Any third party who believes they have the right to an element of the death grant.

6 Distribution of the Death Grant

(a) In all cases, Officers will:

- Consider requests from all parties and document how the decision is made;

- Write to all parties who will receive an element of the death grant informing them of the amount;
- Write to all parties who will not receive an element of death grant informing them why they did not qualify.

(b) Where a Nomination Form has been completed

When a scheme member dies and has completed a nomination form then payment of the death grant should normally be made to the nominee(s). However where a significant event has taken place since the nomination was made, e.g. a marriage, divorce or separation, then this is to be taken into account.

(c) Where a Nomination Form has not been completed:

When a scheme member dies and has not completed a nomination form:

- Where the member had one immediate family member (i.e. a spouse, civil registered partner or dependent cohabiting partner who were not separated at the time of the member's death, with or without children), payment of the death grant should normally be made to the spouse, civil or dependent cohabiting partner.
- Where the member had an immediate family member (i.e. a spouse, civil registered partner or dependent cohabiting partner who were not separated at the time of the member's death, with or without children), and there are also children from a previous relationship, preference will normally be given to where dependence on the member was greatest. The death grant may be split between two or more beneficiaries.
- Where there is no surviving spouse, civil registered partner or dependent cohabiting partner, or there is but the couple were separated at the time of the member's death, payment of the death grant should normally be divided in equal shares to any known children of the member, regardless of their ages. This may include step-children or those accepted as children of the member.
- Otherwise payment will normally be made to the member's surviving parent(s) or sibling(s) in line with intestacy rules. Where none exists, payment will normally be made to the personal representative(s) dealing with the estate, in that capacity.

(d) Where the Pensions Manager or officers of the Fund with delegated decision-making responsibilities consider that the normal practices described above are inappropriate, impossible or is or may be subject to objection by interested parties because:

- There is evidence that the nomination may not have represented the member's wishes immediately before death; or

- Because the nominee is no longer alive or cannot be traced, or because no personal representative can be identified; or
- Because representations have been received from or on behalf of potential beneficiaries requesting a different treatment; or
- For other reasons

They may determine on their own authority how the death grant should be distributed among potential eligible beneficiaries as defined in the scheme rules. Prior to determining they may invite claimants to consider if they can propose a mutually satisfactory settlement.

7 Funeral Costs

Consideration may be given to the reimbursement of reasonable funeral costs by offsetting the amount from the death grant should a claim be made. Payment will be made to the claimant upon receipt of evidence of payment.

8 Appeals

In the event that payment of the death grant is made and a subsequent challenge is received within 6 months of payment from a third party, Fund Officers will in the first instance endeavour to resolve the situation informally. In the event that they are unable to do so, the third party will be invited to submit an application through the standard Internal Disputes Resolution Procedure.

9 Officers to Contact

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Stuart Wells Pensions Projects Manager stuart.wells@leics.gov.uk

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Leicestershire Local Government Pension Scheme

Over and Underpayment of Pension Policy

Appendix D

Sections

1. Introduction
2. Policy Objectives
3. Purpose of the Policy
4. Effective date and reviews
5. Scope
6. Managing Overpayments of Pension
7. Prevention
8. Underpayments
9. Officers to contact

Leicestershire County Council as the Administering Authority of the Leicestershire Pension Fund is responsible for setting policies, strategies and statements to ensure the Fund's obligations to its members, employees and stakeholders are met. These are available [here](#).

This draft policy has been prepared for presentation to the Local Pension Board on 8th November 2021 and for subsequent approval by the Pension Committee on 21st January 2022.

Appendix D

Introduction

This is the Over and Underpayment of Pension Policy for Leicestershire Pension Fund (“The Fund”), which is managed by Leicestershire County Council.

Over and underpayments of pension can occur for a variety of reasons. It is important that the Fund has a clear policy on how incorrect payments of pension are managed once they are identified.

The Fund recognises the need to take a pro-active approach to identifying potentially fraudulent activity and incorrect payments.

2 Policy Objectives

The policy objectives aim to ensure the Fund:

- Has robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies, and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance
- Manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund’s stakeholders, particularly the scheme members and employers
- Ensures benefits are paid to, and income collected from, the right people at the right time in the right amount
- Identifies errors as soon as possible
- Rectifies incorrect payments with the cooperation of the individual
- Avoids the Internal Dispute Resolution Procedure (IDRP), where possible, by managing the process effectively

3 Purpose of the policy

The policy is designed to provide assurance to the Fund’s stakeholders that:

- All incorrect payments are treated in a fair and equitable manner
- The Fund seeks to recover overpayments that have occurred, but, acknowledges that there may be legal reasons and/or other circumstances

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which mean that an overpayment may not, in practice be able to be recovered (in whole or in part)

- Has steps in place to prevent and investigate potentially fraudulent activity

Effective date and reviews

This policy was first presented to the Local Pensions Board on 8 November 2021 and approved by the Pensions Committee on **{insert date}**. The policy will be reviewed by officers every two years and will be presented to the Board and Committee if changes are required.

5 Scope

The policy applies to;

- All members and former members, which in this policy includes survivor and pension credit members of the Fund who have received one or more payments from that Fund
- Executors of the Estates of deceased Leicestershire Pension Fund members
- Beneficiaries of Leicestershire Pension Fund members where those beneficiaries have received one or more payments from that Fund; and
- Administrators of the scheme

6 Managing overpayments of pension

The Fund will generally seek to recover any overpayments wherever possible, unless there are legal reasons and/or other circumstances which mean that the overpayment may not, in practice, be able to be recovered (in whole or in part). This could include the age, health or death of a pensioner. In essence each case will be considered on it's own merits.

The most common type of overpayments occur following a late notification of the death of a pensioner. Such a notification does not always happen immediately and as such it is not always possible to stop payment of the pension after a point in the payroll month and so an overpayment can occur. It can also occur if a change in a child's circumstances is not reported and they are no longer eligible to receive a pension.

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Should such an overpayment occur, and there are on-going monies to be paid (for example a spouse's pension or a death grant), then the Fund will generally seek to recover any overpayments, unless in the reasonable opinion of the Fund there are legal reasons and/or other circumstances which mean that the overpayment may not, in practice, be able to be recovered, in whole or in part.

The overpayment may be recovered by delaying the start of the spouse's pension (when applicable), or being deducted from the death grant, if there is no ongoing pension.

Should an overpayment of pension occur, and there are no on-going monies to be paid, the Fund will generally seek to recover overpayments that are greater than £200 in value unless there are legal reasons and/or other circumstances which mean that the overpayment may not, in practice, be able to be recovered (in whole or in part). This will be achieved by raising an invoice to recover the overpayment. An overpayment with the value of less than £200 has been deemed by the Fund as uneconomical or unreasonable to pursue. In such circumstances, The Fund's approach will be that the sum is written off and is treated as a liability against the scheme member's former employer.

If there is an ongoing pension, the Pensions Section will send a letter to the member setting out the overpayment and proposed terms of recovery. The amount will be recovered from the pension as this allows for the appropriate adjustment for tax. The pension will also be reduced to the correct level after the course of action to taken has been agreed.

The Fund will generally seek to only recover overpayments that have been discovered within the last six years, in accordance with the Limitation Act 1980.

The Fund will allow a pension overpayment to be recovered over the same amount of time as the overpayment occurred. For example, if overpayments were made for a 3 month period, the recovery period to repay the overpayment will be 3 months. However, The Fund can, at its discretion, allow repayment over a longer, or shorter, period dependent on the individual's circumstances.

In the event of a larger overpayment then the following process applies:

If there is an ongoing pension, Officers will contact the pensioner and advise that the Fund will seek to recover the overpayment. Every effort is made to speak to the pensioner first, before a written notification is sent. Where possible, a repayment plan will be agreed. This would typically involve repayment by installments taken directly from the revised pension amount.

In the event that agreement cannot be reached, Officers may propose a partial repayment and write off a proportion of the overpayment.

If there is no ongoing pension, after consideration of the case, the amount may be written off.

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<u>Total Value of Overpayment</u>	<u>Authority to write off Overpayment</u>
£200-£2,000	Pensions Project Manager
£2,000-£5,000	Pensions Manager
£5,000-£10,000	Assistant Director of Strategic Finance and Property

For amounts in excess of £10,000, Officers will:

Seek approval to write the amount off by writing to the Employer and the LGPS Senior Officer with a recommendation to write the amount off, detailing the amount and the circumstances of the case; Inform the Chairs of the both the Committee and Board for awareness and include in the next quarterly Pension Board administration report.

If the third party cannot make the repayment, then we would not pursue this further and advise the employer that we have been unable to recoup the money.

7 Prevention

The Fund has in place processes to minimise the risk of overpayments occurring.

The National Fraud Initiative is conducted every two years. It compares files of pensioners with the Department for Work and Pensions database of the deceased and highlights matches for investigation. The Fund actively participates in this initiative.

The Fund sends out annual life certificates to overseas pensioners and children over the age of 18 receiving a pension. This is to ensure the pensions are still being paid correctly and to reduce the likelihood of fraudulent activity.

The Fund investigates any returned pensioner payslips and pension payments returned by banks and building societies to ensure the welfare of the scheme member and to protect payment of The Fund's money.

The Fund participates in the government 'Tell Us Once' service, which allows participants to report a death to most government organisations in one go. In addition, a Tracing Bureau is contracted to provide mortality screening for UK based pensioners.

8 Underpayments

The Fund will make good any underpayments and pay arrears of pension benefits plus interest where applicable.

9 Officers to Contact

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LOCAL PENSION BOARD – 8 NOVEMBER 2021

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

RESPONSIBLE INVESTMENT UPDATE

Purpose of the Report

1. To provide the Board an overview of the 2021 Responsible Investment (RI) Plan in order to enable the Leicestershire Pension Fund (the Fund) to improve management of responsible investment risks.
2. Provide an overview of the information provided to the Pension Committee in order to manage responsible investment risks.

Background

3. The term 'responsible investment' refers to the integration of financially material Environmental, Social and Governance ("ESG") factors into investment processes. It has relevance both before and after the investment decision and is a core part of our fiduciary duty. It is distinct from 'ethical investment', which is an approach in which the moral persuasions of an organisation take primacy over its investment considerations.
4. The term stewardship is defined by the Financial Reporting Council's (FRC) Stewardship Code (2020 version): "Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society."
5. The Fund's approach, as stated within the Investment Strategy Statement (ISS) is to ensure RI through engagement of companies to forward responsible investing aims rather than divest our holdings, thus forgoing any influence.
6. The Fund has had a RI plan for two years now, the first approved by the Local Pension Committee in January 2020. The Local Pension Committee approved the current RI plan at the January 2021 meeting which was developed with LGPS Central's in-house RI team. The Fund has a continual focus on raising RI standards.
7. The Fund invests in a number of LGPS Central investment products. As at 30th June 2021, the Fund has invested in seven products with a combined value of £1.9bn. These investment mandates are subject to Central's Responsible Investment and Engagement framework (RI & E). The RI & E framework can be

found at, <https://www.lgpscentral.co.uk/wp-content/uploads/2019/03/LGPS-Central-Responsible-Investment-and-Engagement-Framework.pdf>

8. The Pension Committee endorses Central's RI beliefs which are summarised below:

- Long termism: A long term approach to investment will deliver better returns and the long term nature of LGPS liabilities allows for a long term investment horizon.
- Responsible investment is supportive of risk adjusted returns over the long term, across all asset classes. Responsible investment should be integrated into the investment processes of the Company and its investment managers.
- Diversification, risk management and stewardship: Diversification across investments with low correlation improves the risk return profile. A strategy of engagement, rather than exclusion, is more compatible with fiduciary duty and more supportive of responsible investment, because the opportunity to influence companies through stewardship is waived in a divestment approach. Even well diversified portfolios face systematic risk. Systematic risk can be mitigated over the long term through widespread stewardship and industry participation.

Climate reporting and voting

9. The Fund completes a climate risk report annually at present. The first such report was published and taken to the Pension Committee in November 2020. This report outlined through the analysis of portfolio holding, the climate risk held through the portfolio. It is accompanied by proposed actions the Fund could take to manage and reduce that risk.

10. A climate stewardship plan was delivered in 2021 which includes a list of companies the Fund has exposure to. These companies were highlighted within the Climate Risk Report from 2020. The nine companies included within the plan are those which face a high level of climate risk and are of particular significance to the Fund's portfolio. Progress against the issues highlighted against each company will be next reported at the same time the Fund receives its second climate risk report on 26 November 2021.

11. Central provide the Fund with a quarterly update of voting activity. This is focused on listed equities. This voting activity covers the funds managed by Central and the fund's managed by Legal and General investment management (LGIM). At 30th June 2021 this covered c46% of all Fund assets. Around 24% of fund assets reside within commodity futures, currency forwards, derivative contracts, debt, property and cash and have no voting rights.

12. Both Central and LGIM with whom the Fund has the majority of listed equities vote at company meetings in line with the RI policies. Central provide a summary of voting quarterly.

13. The update on voting activity contains information such as the number of resolutions voted on, whether votes were opposing the management, detail on what

types of votes were cast, for example board structure and remuneration. Officers summarise the voting results and present to the Pension Committee each quarter.

LGPS Central, stewardship themes and quarterly reports

14. LGPS Central publish quarterly stewardship reports (QSR) which highlight progress made against the four agreed stewardship themes. Given the long term nature of engagement with companies these themes are set to run over a three year period covering 2020 to 2023, the themes are:

- Climate change
- Plastic (including single use plastics)
- Fair tax and tax transparency
- Technology and disruptive industries

15. Stewardship reports are taken to quarterly pension committee meetings alongside an officer summary paper. Historic QSRs can be found at <https://www.lgpscentral.co.uk/responsible-investment/>

Climate related disclosures

16. The Fund's first report on climate related disclosures, in line with the recommendations from the Taskforce on Climate Financial Disclosures (TCFD), was completed earlier in 2021 and presented to the Pension Committee and agreed for inclusion in the Fund's Annual Report.
17. The TCFD guidance aims to improve transparency by companies, asset managers, asset owners, banks, and insurance companies with respect to how climate-related risks and opportunities are being managed. Official supporters of the TCFD total 930 organisations representing a market capital of over \$11trillion.
18. The TCFD recommendations are based on the financial materiality of climate change. The four elements of recommended disclosures (see illustration below) are designed so as to make TCFD-aligned disclosures comparable, but with sufficient flexibility to account for local circumstances.



19. Examples of disclosures include:

- Governance: Describing the board's oversight of climate-related risks and opportunities
- Strategy: Describing the climate-related risks and opportunities the organisation has identified over the short, medium and long term.
- Risk management: Describing the Fund's process for managing climate-related risks.
- Metrics and targets: Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.

Responsible Investment Plan 2021

20. The 2021 RI builds on the progress made on the previous year's RI plan with an aim to improve RI compliance. The 2021 RI plan is shown below. The plan is reviewed annually and presented to the Pension Committee usually in the first calendar quarter.

21. Officers are investigating climate change strategies incorporating targets for the 2022 RI plan alongside inclusion of more of the Fund's assets that can be reported on.

Timeline	Title	Description	Quarterly Update
Q4 20/21	Communicate draft RI Plan to Pension Committee	Publication of the Fund's 2021 RI plan.	Complete Jan 2021
	Climate Stewardship Plan	Formulate a Climate Stewardship Plan of companies for prioritised engagement and monitoring. To be based on the companies identified in the Fund's 2020 Climate Risk Report.	Complete, next update delivered with Climate risk report in Q3 21/22
Q1 21/22	RI Training for Local Pensions Committee	Content TBC	Ongoing. Q1, Central's approach to RI within manager selection
	TCFD Report (Taskforce on Climate related Financial Disclosures)	Public-facing report of the Fund's approach to climate risk, set out in alignment with the recommendations of the Taskforce on Climate-related Financial Disclosures	Complete Q1 21/22
	Review of ext manager ESG approach	To be conducted via presentations from selected managers during each quarterly Pension Committee meeting.	Feb 21 – Aegon Jun 21 – LGPS Central Sep 21 – Pictet
Q2-Q3 21/22	Governance Review	Review of the Fund's Governance arrangements in conjunction with LGPS Central to identify areas where the management of RI risks could be further embedded in the Fund's policies and reporting. Revised policies to be approved by the Committee.	
	Stewardship Code Review	Review of the Fund's compliance status with the UK Stewardship Code. To address any remaining gaps in preparation for reporting against the code in 2022.	Update alongside CRR at Nov committee
Q3 21/22	Receive Climate Risk Report (CRR)	CRR 2021 containing updated carbon risk metrics results measured against the 2020 baseline.	Expected at November committee

Recommendation

22. It is recommended that the Local Pension Board notes the Responsible Investment update.

Equality and Human Rights Implications

23. None.

Appendix

None

Background Papers

None

Officers to Contact

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LOCAL PENSION BOARD - 8 NOVEMBER 2021

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

RISK MANAGEMENT AND INTERNAL CONTROLS

Purpose of the Report

1. The purpose of this report is to inform the Board of any changes relating to the risk management and internal controls of the Pension Fund, as stipulated in the Pension Regulator's Code of Practice.

Background

2. The Pension Regulator's (TPR) code of practice on governance and administration of public service pension schemes requires that administrators need to record, and members be kept aware of 'risk management and internal controls'. The code states this should be a standing item on each Pension Board and Pension Committee agenda.
3. In order to comply with the code the risk register and an update on supporting activity is included on each agenda.

Risk Register

4. The updated risk register has been attached as an appendix to this report. There is one new risk, and there was a small increase to the risk score on McCloud.
 - i. A new risk is included (number 9). This regards the failure to identify the death of a pensioner causing an overpayment, or potential fraud or other financial irregularity.

Failure in this area is low and controls are already in place and work well. However, tracing overseas pensioners can be more difficult than UK based pensioners. The Faraday monthly reporting of deaths only covers UK registered deaths. Following an internal review by Officers, consideration is being taken to increase the frequency of the National Fraud mortality screening for overseas pensioners. This currently takes place once every two years and could be changed to twice each year. A targeted review of pensioners where the Fund does not hold the current address is taking place.

- ii. McCloud risk (number 4) has increased in score from a residual score of 4 to 6.

The increase is in relation to the Fund's system provider adding new warnings to the system data load process, whereby members hours are loaded into the pensions administration system, needed for the McCloud remedy. The Fund has loaded one employer's hours, and the process corrupted a small number of member's records. These records have subsequently been corrected manually. However, until a system fix is provided by the supplier, no further data loads will commence. This is impacting on several Fund's throughout the UK. Officers are monitoring the situation and will reassess the risk over the coming months.

- 5. To meet Fund Governance best practise, the risk register has been shared with Internal Audit. Internal Audit have considered the register and are satisfied with the current position.

Recommendation

- 6. It is recommended that the Board notes the revised risk register of the Pension Fund.

Equality and Human Rights Implications

None

Appendix

Appendix - Risk Register

Officers to Contact

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Leicestershire Pension Fund Risk Register October 2021

Risk no	Service	Risk	Causes (s)	Consequences	Risk Owner	List of current controls	I	L	Current Risk Score	Risk Response; <i>Tolerate Treat Terminate Transfer</i>	Further Actions / Additional Controls	I	L	Residual Risk Score	Action owner
1	Pens	If the Pension Fund fails to hold all pensioner data correctly, including Guaranteed Minimum Pension (GMP) data, individual member's annual Pensions Increase results could be wrong.	From 2018 the pensions section has had responsibility for GMPs creating the need to ensure that this is accounted for in the pensions increases	Overpaying pensions (i.e. for GMP cases pension increases are lower) Reputation	Ian Howe	Checking of HMRC GMP data to identify any discrepancies. Internal Audit run an annual Pensions Increase result test and provide an annual report of findings	3	3	9	Treat	Officers run the HMRC GMP check on a case by case basis and input the results into member records at retirement	2	1	3	Ian Howe
2	Pens	If the pensions fund fails to receive accurate and timely data from employers, scheme members pension benefits could be incorrect or late This includes data at year-end	A continuing increase in Fund employers is causing administrative pressure in the Pension Section. This is in terms of receiving accurate and timely data from these new employers who have little or no pension knowledge and employers that change payroll systems so require new reporting processes	Late or inaccurate pension benefits to scheme members Reputation Increased appeals Greater administrative time being spent on individual calculations Failure to meet statutory year-end requirements	Ian Howe	Training provided for new employers Guidance notes provided for employers Amended SLA and communication and administration guide distributed to employers making IConnect a statutory requirement by 31/3/2022) Year-end specifications provided	3	3	9	Treat	Implement IConnect with the remaining employers so they provide monthly data in a secure and timely manner Inform the Local Pension Board each quarter on progress made	3	2	6	Ian Howe
3	Pens	If the Pensions Section fails to meet the	Pensions database now hosted outside of LCC. Employer data submitted through online portal.	Diminished public trust in ability of Council to provide services. Loss of confidential information	Ian Howe	Regular LCC Penetration testing and enhanced IT health checks in	5	2	10	Treat	Work with LCC ICT and Aquila Heywood (software suppliers) to establish processes to reduce risk, e.g. can	5	1	5	Stuart Wells

Risk no	Service	Risk	Causes (s)	Consequences	Risk Owner	List of current controls	I	L	Current Risk Score	Risk Response; <i>Tolerate</i> <i>Treat</i> <i>Terminate</i> <i>Transfer</i>	Further Actions / Additional Controls	I	L	Residual Risk Score	Action owner
		information/cyber security and governance requirements, then there may be a breach of the statutory obligations.	Member data accessible through member self-service portal (MSS). Data held on third party reporting tool (DART). Greater awareness of information rights by service users.	compromising service user safety. Damage to LCC reputation. Financial penalties.		place. LCC have achieved PSN compliance. New firewall in place providing two layers of security protection in line with PSN best practice.					Aquila Heywood demonstrate that they are carrying out regular penetration testing and other related processes take place. Liaise with Audit to establish if any further processes can be put in place in line with best practice. Report the findings to the Board.				
4	Pens	The resolution of the McCloud case could increase administration significantly resulting in difficulties providing the ongoing pensions administration service The liabilities of the Fund are expected to increase for all employers	Mr McCloud winning his appeal on age discrimination on public sector pension schemes and the protection afforded to older members during the move to career average benefits, followed by Government losing their right of appeal.	Ultimate outcome currently unknown but likelihood is; Increasing administration Revision of previous benefits Additional communications Complaints/appeals Increased costs	Ian Howe	Guidance from LGA, Hymans, Treasury	3	3	9	Treat once details are confirmed	Employer bulletin to employers making them aware of the current situation Await proposed resolution from the employment tribunal Assisting the LGA on the employer McCloud data template (missing hours April 2014 to date) No statutory deadline to be set for completion of the work Team set up in the Pension Section to deal with McCloud casework Data being received from the employers and loaded into the	2	3	6	Ian Howe

Risk no	Service	Risk	Causes (s)	Consequences	Risk Owner	List of current controls	I	L	Current Risk Score	Risk Response; <i>Tolerate</i> <i>Treat</i> <i>Terminate</i> <i>Transfer</i>	Further Actions / Additional Controls	I	L	Residual Risk Score	Action owner
											administration system System provider to resolve current data loading issues				
5	Pens	If contribution bandings and contributions are not applied correctly, the Fund could receive lower contributions than expected	Errors by Fund employers payroll systems when setting the changes	Lower contributions than expected. Incorrect actuarial calculations made by the Fund. Possibly higher employer contributions set than necessary	Ian Howe	Pension Section provides employers with the annual bandings each year. Pension Section provides employers with contributions rates (full and 50/50) Internal audit check both areas annually and report their findings to the Pensions Manager	4	2	8	Treat	Pension Officers check sample cases at year-end Pension Officers to report major failings to internal audit before the annual audit process Major failings to be reported to the Pensions Board	4	1	4	Ian Howe
6	Pens	If immediate payments are not applied correctly, scheme members one off payments could be wrong	Human error when setting up immediate payments System failures Unable to meet weekly deadlines	Reputation Complaints/appeals Time resource used to resolve issues Members one off payments, not paid, paid late, paid incorrectly	Ian Howe	Benefit Team Tracker process Benefits checked and authorised by different Officers Additional Assistant Team Manager resource provided	5	2	10	Treat	A more automated process now set up Internal audit to review the process Officers re-engineering the retirement process Monitor the structure of the Pension Section to resource the area sufficiently Officers requested further system security checks on immediate payments (bank	5	1	5	Ian Howe

Risk no	Service	Risk	Causes (s)	Consequences	Risk Owner	List of current controls	I	L	Current Risk Score	Risk Response; <i>Tolerate</i> <i>Treat</i> <i>Terminate</i> <i>Transfer</i>	Further Actions / Additional Controls	I	L	Residual Risk Score	Action owner
											account checks)				
7	Pens	If all the transfers out checks are not completely fully there could be future bad advice challenges brought against the Fund's pension administration	<p>Increasing demand for transfers out from members</p> <p>Increased transfer out activity from Companies interested in tempting people to transfer out their pension benefits</p> <p>Increased complexity on how the receiving schemes are set up</p>	<p>Reputation</p> <p>Future bad advice claims brought against the Fund</p> <p>IDRP appeals (possible compensation payments)</p>	Ian Howe	<p>TPR checks</p> <p>Follow LGA guidance</p> <p>Queries escalated to Team Manager then Pensions Manager</p>	3	3	9	Treat	<p>Escalation process to Internal Legal Colleagues to check IFA, Company set up, alleged scam activity</p> <p>Further escalation process to external Legal Colleagues</p> <p>Signed up to The Pension Regulator's national pledge "To Combat Pension Scams"</p> <p>National changes potentially forthcoming for checks on the receiving scheme's arrangements</p>	3	2	6	Ian Howe
8	Pens	If the Funds In House AVC provider (The Prudential) does not meet its service delivery requirements the Pension Fund is late in making payment of benefits to scheme members	<p>The Fund must offer AVCs as per the Regulations</p> <p>Prudential implemented a new administration system in November 2020</p> <p>Covid lockdown restrictions and home working</p>	<p>Failure to meet key performance target for making payments of retirement benefits to members</p> <p>Complaints</p> <p>Reputational damage</p> <p>Members may cease paying AVCs</p>	Ian Howe	<p>Written to all active scheme members with AVCs</p> <p>Reported it to the Chair of the Pension Boards and Senior Officers</p> <p>Reported to the LGA and other Funds</p> <p>Discussed with the Prudential</p> <p>Weekly list of outstanding cases sent to the</p>	3	3	9	Treat	<p>Reported the delayed payment of benefits (due to the Prudential's delays) as a material breach to the Pensions Regulator</p> <p>Prudential attended a meeting with the Local Pension Board</p> <p>Prudential working through an improvement plan</p> <p>Prudential engage with Fund Officers positively</p>	3	1	3	Ian Howe

Risk no	Service	Risk	Causes (s)	Consequences	Risk Owner	List of current controls	I	L	Current Risk Score	Risk Response; <i>Tolerate</i> <i>Treat</i> <i>Terminate</i> <i>Transfer</i>	Further Actions / Additional Controls	I	L	Residual Risk Score	Action owner
						Prudential for priority					to quickly resolve issues				
9	Pens	Failure to identify the death of a pensioner causing an overpayment, or potential fraud or other financial irregularity	Late or no notification of a deceased pensioner. Fraudulent attempts to continue to claim a pension	Overpayments or financial loss Legal cases claiming money back Reputational damage	Ian Howe	Faraday monthly reporting process of UK registered deaths Life certificates for overseas pensioners Defined process governing bank account changes	3	2	6	Treat	Consideration will be taken to move to 6 monthly, (from 2 yearly) National Fraud mortality screening for overseas pensioners Targeted review of status for pensioners where the Fund does not hold the current address e.g. care of County Hall or Solicitors	3	1	3	Ian Howe
10	Invs	Employer and employee contributions are not paid accurately and on time	Error on the part of the scheme employer CV19 may reduce some employer's income so they are unable to make payment	Potentially reportable to The Pensions Regulator as late payment is a breach of The Pensions Act.	Ian Howe	Receipt of contributions is monitored, and late payments are chased quickly. Communication with large commercial employers with a view to early view of funding issues.	2	4	8	Treat	Late payers will be reminded of their legal responsibilities.	2	3	6	Declan Keegan
11	Invs	Assets held by the Fund are ultimately insufficient to pay benefits due to individual members	Ineffective setting of employer contribution rates over many consecutive actuarial valuations	Significant financial impact on scheme employers due to the need for large increases in employer contribution rates.	Chris Tambini	Input into actuarial valuation, including ensuring that actuarial assumptions are reasonable and the manner in which employer contribution rates are set does not	5	2	10	Treat	Actuarial assumptions need to include an element of prudence, and Officers need to understand the long-term impact and risks involved with taking short-term views to artificially manage employer contribution	4	2	8	Bhulesh Kachra

Risk no	Service	Risk	Causes (s)	Consequences	Risk Owner	List of current controls	I	L	Current Risk Score	Risk Response; <i>Tolerate</i> <i>Treat</i> <i>Terminate</i> <i>Transfer</i>	Further Actions / Additional Controls	I	L	Residual Risk Score	Action owner
						bring imprudent future financial risk					rates. The 2019 valuation assessed the contribution rates with a view to calculating monetary contributions alongside employer percentages of salaries where appropriate. Regular review of market conditions and dialogue with the schemes biggest employers with respect to the direction of future rates. Planning for the 2022 valuation has commenced with the actuary.				
12	Pens/ Invs	Sub-funds of individual employers are not monitored to ensure that there is the correct balance between risks to the Fund and fair treatment of the employer	Changing financial position of both sub-fund and the employer	<p>Significant financial impact on employing bodies due to need for large increases in employer contribution rates.</p> <p>Risk to the Fund of insolvency of an individual employer. This will ultimately increase the deficit of all other employers.</p>	Ian Howe/ Declan Keegan	Ensuring, as far as possible, that the financial position of each employer is understood. On-going dialogue with them to ensure that the correct balance between risks and fair treatment continues.	5	2	10	Treat	<p>Dialogue with the employers, particularly in the lead up to the setting of new employer contribution rates.</p> <p>Include employer risk profiling as part of the Funding Strategy Statement update. To allow better targeting of default risks</p> <p>Investigate arrangements to de-risk funding arrangements for individual employers.</p> <p>Ensure that the implications of the</p>	4	2	8	Ian Howe/ Declan Keegan

Risk no	Service	Risk	Causes (s)	Consequences	Risk Owner	List of current controls	I	L	Current Risk Score	Risk Response; <i>Tolerate</i> <i>Treat</i> <i>Terminate</i> <i>Transfer</i>	Further Actions / Additional Controls	I	L	Residual Risk Score	Action owner
											independent, non-public sector status, of further education, sixth form colleges, and the autonomous, non-public sector status of higher education corporations is fully accounted for in the Funding Strategy				
13	Invs	Market investment returns are consistently poor, and this causes significant upward pressure onto employer contribution rates	Poor market returns most probably caused by poor economic conditions and/ or shocks e.g. CV19.	Significant financial impact on employing bodies due to the need for large increases in employer contribution rates	Chris Tambini	Ensuring that strategic asset allocation is considered at least annually, and that the medium-term outlook for different asset classes is included as part of the consideration	5	2	10	Treat	Making sure that the investment strategy is sufficiently flexible to take account of opportunities and risks that arise but is still based on a reasonable medium-term assessment of future returns.	4	2	8	Bhulesh Kachra
14	Invs	Market returns are acceptable, but the performance achieved by the Fund is below reasonable expectations	Poor performance of individual managers including LGPS Central, or poor asset allocation policy.	Opportunity cost in terms of lost investment returns, which is possible even if actual returns are higher than those allowed for within the actuarial valuation. Lower returns will ultimately lead to higher employer contribution rates than would otherwise have been the case	Chris Tambini	Ensuring that the causes of underperformance are understood and acted on where appropriate Shareholders' Forum, Joint Committee and Practitioners' Advisory Forum will provide significant influence in the event of issues arising. Appraisal of each	3	3	9	Treat	After careful consideration, take decisive action where this is deemed appropriate. It should be recognised that some managers have a style-bias and that poorer relative performance will occur. Decisions regarding manager termination to consider multiple factors including performance versus mandate and reason for	2	2	4	Bhulesh Kachra

Risk no	Service	Risk	Causes (s)	Consequences	Risk Owner	List of current controls	I	L	Current Risk Score	Risk Response; <i>Tolerate Treat Terminate Transfer</i>	Further Actions / Additional Controls	I	L	Residual Risk Score	Action owner
						LGPS Central investment product before a commitment to transition is made					original inclusion. The set-up of LGPS Central is likely to be the most difficult phase. The Fund will continue to monitor closely how the company evolves Programme of LGPS Central internal audit activity, which has been designed in collaboration with the audit functions of the partner funds				
15	Invs	Failure to take account of ALL risks to future investment returns within the setting of asset allocation policy and/or the appointment of investment managers	Some assets classes or individual investments perform poorly as a result of incorrect assessment of all risks inherent within the investment.	Opportunity cost within investment returns, and potential for actual returns to be low. This will lead to higher employer contribution rates than would otherwise have been necessary.	Chris Tambini	Ensuring that all factors that may impact onto investment returns are taken into account when setting the asset allocation. Only appointing investment managers that integrate responsible investment (RI) into their processes. Utilisation of dedicated RI team at LGPS Central and preparation of a RI plan for the fund.	3	4	12	Treat	Responsible investment aims to incorporate environmental (including Climate change), social and governance (ESG) factors into investment decisions, to better manage risk and generate sustainable, long-term returns. Annual refresh of the Fund's asset allocation allows an up to date view of risks to be incorporated and avoids significant sort term changes to the allocation. Asset allocation policy allows for variances from target asset	2	2	4	Bhulesh Kachra

Risk no	Service	Risk	Causes (s)	Consequences	Risk Owner	List of current controls	I	L	Current Risk Score	Risk Response; <i>Tolerate Treat Terminate Transfer</i>	Further Actions / Additional Controls	I	L	Residual Risk Score	Action owner
											allocation to take advantage of opportunities and negates the need to trade regularly where investments under and over perform in a short period of time.				
16	Invs	Investment decisions are made without having sufficient expertise to properly assess the risks and potential returns	The combination of knowledge at Committee, Officer and Consultant level is not sufficiently high	Poor decisions likely to lead to low returns, which will require higher employer contribution rates	Chris Tambini	Continuing focus on ensuring that there is sufficient expertise to be able to make thoughtfully considered investment decisions	3	3	9	Treat	On-going process of updating and improving the knowledge of everybody involved in the decision-making process	2	2	4	Bhulesh Kachra
17	Invs	The transition of investment assets to LGPS Central is not successful	Pooling does not reduce the on-going management costs of assets Transition costs are significantly higher, for example the cost of selling the existing investments and buying new ones.	Savings available do not justify the transition costs and on-going cost of running LGPS Central	Chris Tambini	Central maintains the flexibility to run funds internally. Specialist transition manager being appointed, with independent specialist oversight. Formal review follows each transition. Implementation being phased, allowing capacity to be managed and lessons learned.	2	3	6	Treat	Approach for each transition assessed independently. Views from 8 partners sought throughout the transition process. LGPS Central's Internal Audit plan includes an assessment of the governance surrounding the transition	2	2	4	Bhulesh Kachra

Risk Impact Measurement Criteria

Scale	Description	Departmental Service Plan	Internal Operations	People	Reputation	Financial per annum / per loss
1	Negligible	Little impact to objectives in service plan	Limited disruption to operations and service quality satisfactory	Minor injuries	Public concern restricted to local complaints	Pension Section <£50k Investments Losses expected to be recovered in the short term
2	Minor	Minor impact to service as objectives in service plan are not met	Short term disruption to operations resulting in a minor adverse impact on partnerships and minimal reduction in service quality.	Minor Injury to those in the Council's care	Minor adverse local / public / media attention and complaints	Pension Section £50k-£250k Minimal effect on budget/cost Investments Some underperformance, but within the bounds of normal market volatility
3	Moderate	Considerable fall in service as objectives in service plan are not met	Sustained moderate level disruption to operations / Relevant partnership relationships strained / Service quality not satisfactory	Potential for minor physical injuries / Stressful experience	Adverse local media public attention	Pension Section £250k - £500k Small increase on budget/cost: Handled within the team/service Investment Underperformance by a manager requiring review by the

Scale	Description	Departmental Service Plan	Internal Operations	People	Reputation	Financial per annum / per loss
						Investment Sub-committee
4	Major	Major impact to services as objectives in service plan are not met.	Serious disruption to operations with relationships in major partnerships affected / Service quality not acceptable with adverse impact on front line services. Significant disruption of core activities. Key targets missed.	Exposure to dangerous conditions creating potential for serious physical or mental harm	Serious negative regional criticism, with some national coverage	Pension Section £500-£750k. Significant increase in budget/cost. Service budgets exceeded Investment Underperformance of significant proportion of assets leading to a review of the Investment or Funding strategy
5	Very High/Critical	Significant fall/failure in service as objectives in service plan are not met	Long term serious interruption to operations / Major partnerships under threat / Service quality not acceptable with impact on front line services	Exposure to dangerous conditions leading to potential loss of life or permanent physical/mental damage. Life threatening or multiple serious injuries	Prolonged regional and national condemnation, with serious damage to the reputation of the organisation i.e. front-page headlines, TV. Possible criminal, or high profile, civil action against the Council/Fund, members or officers	Pension Section >£750k Large increase on budget/cost. Investment Employer contributions expect to increase significantly above Funding Strategy requirement

Risk Likelihood Measurement Criteria

Rating Scale	Likelihood	Example of Loss/Event Frequency	Probability %
1	Very rare/unlikely	EXCEPTIONAL event. This will probably never happen/recur.	<20%
2	Unlikely	Event NOT EXPECTED. Do not expect it to happen/recur, but it is possible it may do so.	20-40%
3	Possible	LITTLE LIKELIHOOD of event occurring. It might happen or recur occasionally.	40-60%
4	Probable /Likely	Event is MORE THAN LIKELY to occur. Will probably happen/recur, but it is not a persisting issue.	60-80%
5	Almost Certain	Reasonable to expect that the event WILL undoubtedly happen/recur, possibly frequently.	>80%

Risk Scoring Matrix

Impact

5 Very High/Critical

4 Major

3 Moderate

2 Minor

1 Negligible

5	10	15	20	25
4	8	12	16	20
3	6	9	12	15
2	4	6	8	10
1	2	3	4	5
1	2	3	4	5

Very Rare/Unlikely

Unlikely

Possible/Likely

Probable/Likely

Almost certain

Likelihood of risk occurring over lifetime of objective (i.e. 12 mths)

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