



*Meeting:* **Local Pension Committee**

*Date/Time:* **Friday, 21 January 2022 at 9.30 am**

*Location:* **Council Chamber, County Hall, Glenfield**

*Contact:* **Miss C Tuohy (0116 305 5483).**

*Email:* **cat.tuohy@leics.gov.uk**

## AGENDA

<u>Item</u>	<u>Report By</u>	<u>Marked</u>
1. Minutes of the meeting held on. 26 November 2021.		(Pages 3 - 14)
2. Question Time.		
3. Questions asked by members under Standing Order 7(3) and 7(5).		
4. To advise of any other items which the Chairman has decided to take as urgent elsewhere on the agenda.		
5. Declarations of interest in respect of items on the agenda.		
6. Presentation of Petitions under Standing Order 35.		
7. Pension Fund Policy Report.	Director of Corporate Resources	(Pages 15 - 92)
8. Responsible Investment Plan 2022.	Director of Corporate Resources	(Pages 93 - 98)
9. Overview of the Asset Strategy and Structure.	Director of Corporate Resources	(Pages 99 - 110)



10. Date of next meeting.

The next meeting of the Committee is scheduled to take place on Friday 25 March 2022 at 9.30am.

11. Any other items which the Chairman has decided to take as urgent.

12. Exclusion of Press and Public.

The public are likely to be excluded during consideration of the remaining items in accordance with Section 100(A)(4) of the Local Government Act 1972 (Exempt Information).

13. Annual Review of the Asset Strategy and Structure.

Director of  
Corporate  
Resources

(Pages 111 -  
166)

**TO:**

Leicestershire County Council

Mr. T. Barkley CC (Chairman)  
Mr. D. Grimley CC  
Dr. K. Feltham CC  
Leicester City Council

Mr. K. Merrie CC MBE  
Mr. D. Gamble CC

Cllr. A. Clarke  
Cllr. S. Waddington

District Council Representatives

Cllr. C. Frost  
Cllr. M. Graham MBE

University Representative

Mr. Z. Limbada

Scheme Member Representatives

Mr. N. Booth  
Mr. G. Lawrence  
Mr. A. Wilson



**Minutes of a meeting of the Local Pension Committee held at County Hall,  
Glenfield on Friday, 26 November 2021.**

**PRESENT:**

Leicestershire County Council

Mr. T. Barkley CC (Chairman)  
Dr. K. Feltham CC  
Mr. K. Merrie CC MBE

Mr. D. Grimley CC

Leicester City Council

Cllr. A. Clarke (online)

District Council Representative

Cllr M. Graham MBE

University Representative

Mr. Z. Limbada (online)

Staff Representatives

Ms. J. Dean (online)

Independent Advisers and Managers

Ms. C. Scott

Hymans Robertson (minute 74 refers)

Mr. S. Tart  
Mr. T. Hoare

LGPS Central (minute 75 and 85 refers)

Ms. V. Lie  
Ms. A. Gaston  
Mr. P. O'Hara  
Mr. M. Davies

69. Minutes.

The minutes of the meeting held on 10 September were taken as read, confirmed and signed.

70. Question Time.

The Chief Executive reported that no questions had been received under Standing Order 34.

71. Questions asked by members.

The Chief Executive reported that no questions had been received under Standing Order 7(3) and 7(5).

72. Urgent Items.

There were no urgent items for consideration.

73. Declarations of interest in respect of items on the agenda.

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.

74. 2022 Fund Valuation Assumption.

The Committee considered a report of the Director of Corporate Resources on the 2022 Fund Valuation Assumptions and received a presentation by Hymans Robertson, the Fund's Actuary. A copy of the report and presentation slides marked 'Agenda Item 6' is filed with these minutes.

The Chairman welcomed Mr. T. Hoare and Mr. R. Tart to the meeting, representing the Fund's Actuary, Hymans Robertson.

Arising from the discussion, the following points were noted:

- i. The Actuary recommended that the Fund reduces the assumption for 'likelihood that returns would be achieved', to 75% for the 2022 valuation. At the previous 2019 valuation the Actuary had increased prudence due to uncertainty surrounding the McCloud judgement.
- ii. Employers that were '100% funded' at the 2022 valuation would not cease contributions to the Fund as funding levels referred only to past service, whereas in the ensuing 50 years two thirds of benefits paid would be in respect of future service accrual.
- iii. The Actuary advised that the long-term assumption on inflation was derived from their own inhouse view which was modelled long-term. While different actuaries could take an alternate approach, they generally did not tend to differ more than 0.1% or 0.2% on CPI.
- iv. Longevity analysis was undertaken by Club Vita for the Fund. Assumptions would be tailored specifically to Leicestershire Fund scheme members, though it was yet unknown what effect the pandemic would have on life expectancy. All assumptions would then be presented at the June Committee meeting for final approval.
- v. The Director provided assurance that in recent years contributions to the Fund had increased at a healthy rate, as locally the public sector had seen staff growth due to increased service demand pressure. Ultimately it was the maturity of the Fund and its employers that mattered, which was strong, evidenced by the cash flow positive nature of the Fund.

- vi. Officers advised that the Fund looked to set out stabilised employer indicative rates by April 2022, and full rates by April 2023, when the rates would be implemented. Information would be circulated to non stabilised employers from November 2022. Members were assured that the Fund would talk to employers in advance regarding risk rates, and that it would depend on individual employers.

RESOLVED:

- a) That the assumption for likelihood of returns being achieved be set at 75% for the 2022 Fund Valuation.
- b) That the remaining assumptions be noted.

75. Responsible Investing Update.

The Committee considered a report of Corporate Resources setting out the Responsible Investing Update, including the Fund's Climate Risk Report and received a presentation by LGPS Central. A copy of the report and presentation slides marked 'Agenda Item 7' is filed with these minutes.

The Chairman welcomed representatives from Climate Action Leicester and Leicestershire, to the meeting, and noted the detailed representations received on the case to divest, which is filed with these minutes.

The representatives set out the importance of divestment and the reasons they felt that the Fund should divest:

- Firstly, that investment in fossil fuel was financially risky due to the shift towards renewable energy.
- Secondly, that divestment complimented the Fund's fiduciary duty, having cited a study from BlackRock that divestment did not affect investment return. Additionally, their view was that the Fund was legally able to consider ethical considerations as part of its strategy, which some other funds had already taken on board.
- Lastly, they set out their view that the Fund's preference to engage with companies on Climate Change would not work fast enough to sufficiently reduce emissions to keep the world below 1.5 degrees warming. Furthermore, there was a concern that engagement provided cover for companies, such as Shell, who had not done enough to sufficiently address the challenges faced, as highlighted by the Local Authority Pension Fund Forum.

The Chairman thanked Climate Action Leicester and Leicestershire for their engagement on the matter with the Fund and Committee. The Chairman highlighted that the Fund agreed Climate Change was a principal risk, however in line with Government's recommendation its position was to engage with carbon intensive companies, before a divestment decision would be taken. It was evident that no company was insulated from the economic impact of extreme global warming. Hence, engagement was considered more compatible with the Fund's fiduciary duty and more supportive of responsible investment as it provided the opportunity to influence companies, something that would not be possible if the investment was divested.

The Chairman concluded that Climate Change rightly needed to be at the front of the Committee's mind when making investment decisions but taking a measured approach was most appropriate for its fiduciary duty and the Fund.

The Chairman welcomed Ms. V. Lie and Ms. A. Gaston to the meeting representing LGPS Central.

Arising from the discussion the following points arose:

- i. The Transition Pathway Initiative Carbon Performance assessed, and validated, companies claim that they were aligned to the Paris Agreement.
- ii. The Fund indicated its intention to create a Climate Strategy Plan. The timeline for completion had not been finalised but it was expected in the first half of 2022. Officers would provide a timeline which would set out detail of a consultation timeframe and coordination with LGPS Central.
- iii. Members recognised the rationale for both engagement and divestment. However, questioned whether more information could be provided on other LGPS funds that had taken an alternative route to divestment, such as Waltham Forest, Islington and Cardiff councils. In response the Director advised the Committee that across pension schemes there were funds that had declared they would become net zero, such as the Environment Agency Scheme by 2045. However, schemes still needed to publish their plans to meet set targets, which would not necessarily address all asset classes. As an example, the Paris Aligned Investment Institute set out a framework which proposed key components of a net zero investment strategy, which initially focused on four asset classes.
- iv. In response to a query regarding action achieved by engagement, it was highlighted that positive action had been achieved in the case of EXXON, where three responsible investment (RI) savvy investors had been appointed to the management Board after it was felt RI goals had not been achieved quickly enough.
- v. Carbon Risk Metrics were figures produced by companies. Some companies used external auditors to validate the figures, others did not, meaning data was disaggregated. However, officers were aware that work was being done on the creation of standardised reporting methods.
- vi. Various polluting firms looked to offset their carbon figures by tree planting, these offsets were not included within Carbon Risk Metrics. It was expected that once companies declared their net zero plans it would be inevitable that some sectors were required to use offsets, and other technologies to reach net zero. This would present another area for shareholders to demand the highest standards possible.

RESOLVED:

That the following recommendations as set out within the Climate Risk Report 2021 be approved, to:

- a. Develop a Climate Strategy
- b. Integrate communications on climate risk into communications strategy
- c. Make clear the roles of key governance committees in the ISS
- d. Update the governance policy statement to explain how climate risks are governed

- e. Review as part of the FSS the extent to which climate risks could affect other risks noted in the FSS
- f. Consider reporting against the Stewardship Code, should it be deemed feasible given the Fund's resources

76. LGPS Central Emerging Markets Equity and Global Equity Funds Update.

The Committee received a report from the Director of Corporate Resources and a presentation from representatives from LGPS Central providing an update on Central's Emerging Market Equity and Global Equity funds. A copy of the report and presentation marked 'Agenda Item 8' is filed with these minutes.

The Committee was joined by a representative from LGPS Central Mark Davies.

Arising from the presentation the following points were noted:-

- i. A key area of discussion over Q3 with LGPS Central's fund managers was regarding becoming signatories to the Net Zero Asset Managers Initiative.
- ii. The largest contributor to the Funds carbon footprint was the world's largest public generator of renewable energy. As part of the journey to a low carbon economy it was clear that companies, such as GlenCore, still required exposure to carbon commodities that were necessary in the transition through wind turbines and development of new technologies.
- iii. Members noted that renewable energy generated did not offset carbon within the funds as it did not remove greenhouse gases from the atmosphere, unlike environmental projects such as tree planting.
- iv. In response to a question regarding underlying managers taking positions in carbon intensive producers, such as cement, Central advised that fund managers had full delegated decisions in line with their agreed mandate, and there were currently no carbon metrics within it. Central however did have monthly calls with its managers with its RI Team, to ensure managers were properly understanding the risk in their assumptions.
- v. There were currently no targets or parameters agreed regarding carbon, but Central ensured that its managers included ESG considerations and demonstrates how they were comfortable with that process.

RESOLVED:

That the presentation provided by LGPS Central on Emerging Markets Equity and Global Equity Funds be noted.

77. Change to Order of Business.

The Chairman sought and obtained the consent of the Committee to vary the order of business from that set out on the agenda.

78. Pension Fund Annual Report and Accounts.

The Committee considered a report by the Director of Corporate Resources, the purpose of which was to seek approval of the Pension Fund Annual Report and Accounts 2020/21. A copy of the Report Marked 'Agenda Item 11' is filed with these minutes.

The Director informed the Committee that the External Auditor had identified some minor areas that had been missed as per CIPFA's latest guidance following the publication of the report. Amendments to be made were tabled and are filed with these minutes. It was agreed to update the report prior to it being received at the Fund's Annual General Meeting.

The Committee noted there was only one area within the areas identified that could not be updated, related to a new value for money statement, which officers would investigate. Members noted that it was only minor and none of the highlighted areas would delay the External Audit Opinion which was expected to be unqualified.

RESOLVED:

- a. That the progress report provided by the External Auditor's, which anticipated issuing an unqualified opinion on the Pension Fund Accounts be noted.
- b. That it be noted that the Corporate Governance Committee would consider the External Audit of the 2020/21 Leicestershire County Council Statement of Accounts, Annual Governance Statement and Pension Fund Accounts at its meeting on 3<sup>rd</sup> December 2021.
- c. That the Pension Fund's Annual Report and Accounts, be approved, subject to the inclusion of the small number of additional disclosures required by the new CIPFA guide as discussed.

79. Risk Management and Internal Controls.

The Committee 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 marked 'Agenda Item 12' is filed with these minutes.

RESOLVED:

That the revised risk register be approved.

80. Summary Valuation of Pension Fund Investments.

The Committee considered a report from the Director of Corporate Resources, the purpose of which was to set out the summary valuation of Pension fund Investments as at 30 September 2021. A copy of the report marked 'Agenda Item 9' is filed with these minutes.

RESOLVED:

That the report be noted.

81. Local Pension Board Annual Report.



The committee considered a report by the Local Pension Board, the purpose was to set out the Board's Annual Report 2020/21. A copy of the report marked 'Agenda Item 10' is filed with these minutes.

Mrs. R. Page CC, Chairman of the Local Pension Board presented the report and highlighted key sections from within the report for the Committee to be aware of.

It was noted that the Pension Regulator planned to replace Code of Practice 14, with a new code of practice which the Board would consider as part of its remit to assist the Administering Authority.

RESOLVED:

That the Local Pension Board's Annual Report be noted.

82. Update on LGPS Central Joint Committee and Annual General Meeting.

The Committee received a report by the Director of Corporate Resources, the purpose of which was to update members on the LGPS Central Joint Committee and Annual General Meeting. A copy of the report marked 'Agenda Item 13' is filed with these minutes.

RESOLVED:

That the report be noted.

83. Action Agreed by the Investment Subcommittee.

The Committee received a report by the Director of Corporate Resources, the purpose of which was to inform members of the decisions taken by the Investment Subcommittee as its meeting on 13 October 2021. A copy of the report marked 'Agenda Item 14' is filed with these minutes.

RESOLVED:

That the report be noted

84. 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.

85. Climate Risk Report.

The Committee considered an exempt report from the Director of Corporate Resources providing Members with the Climate Risk Report. A copy of the report marked 'Agenda Item 16' is filed with these minutes.

The report was not for publication by virtue of paragraph 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

The Chairman again welcomed Ms. V. Lie and Ms. A. Gaston to the meeting representing LGPS Central.

Arising from the presentation the following points were noted:-

- i. Cement, despite its carbon intensity was popular within stock markets due to its demand post lockdown with the resumption of construction. As evident within Central's Emerging Market Equity Multi Manager fund. Central challenged its fund managers environment, social and governance (ESG) process, and the three concrete companies invested in were leaders in decarbonisation and energy efficiency. It was evident that due to its integral part within economic activity, and green initiatives, it would be hard to avoid, however it was also clear that the position would not be long term with the introduction of carbon pricing.
- ii. The item was taken in private session due to Central's contract with its data partner MSCI, who looked to protect its intellectual property as leaders within the space. Members were assured that the public report contained all but the underlying mandate climate metrics, and that the Fund would look to be as transparent as possible, and would continue to share as much data as it could contractually.
- iii. Central would continue to monitor its managers and engage on stewardship objectives to focus on greater company disclosure regarding climate change and Paris aligned reduction targets.

RESOLVED:

That the report be noted.

86. LGPS Central Quarterly Report.

The Committee considered an exempt report by LGPS Central, a copy of which marked '17' 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 report be noted

87. Ruffer Quarterly Report

The Committee considered an exempt report by Ruffer, a copy of which marked '18' 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 report be noted

88. Aspect Capital Quarterly Report

The Committee considered an exempt report by Aspect Capital, a copy of which marked '19' 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 report be noted

89. Adams Street Quarterly Report.

The Committee considered an exempt report by Adams Street, a copy of which marked '20' 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 report be noted

90. Legal and General Investment Manager Quarterly Report

The Committee considered an exempt report by Legal and General, a copy of which marked '21' 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 report be noted

91. Pictet Quarterly Report

The Committee considered an exempt report by Pictet, a copy of which marked '22' 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 report be noted

92. Aegon Active Value Property Quarterly Report.

The Committee considered an exempt report by Aegon, a copy of which marked '23' 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 report be noted

93. Christofferson, Robb and Company Quarterly Report.

The Committee considered an exempt report by Christofferson, Robb and Company, a copy of which marked '24' 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 report be noted

94. IFM Investors Quarterly Report

The Committee considered an exempt report by IFM Investors, a copy of which marked '25' 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 report be noted

95. JP Morgan Quarterly Report

The Committee considered an exempt report by JP Morgan, a copy of which marked '26' 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 report be noted

96. KKR Quarterly Report

The Committee considered an exempt report by KKR, a copy of which marked '27' 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 report be noted

97. LaSalle Quarterly Report.

The Committee considered an exempt report by LaSalle, a copy of which marked '28' 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 report be noted

98. Millennium Global Quarterly Report

The Committee considered an exempt report by Millenium, a copy of which marked '29' 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 report be noted

99. Partners Quarterly Report.

The Committee considered an exempt report by Partners, a copy of which marked '30' 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 report be noted

100. Stafford Timberland Quarterly Report

The Committee considered an exempt report by Stafford Timberland, a copy of which marked '31' 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 report be noted

101. Aegon Quarterly Report

The Committee considered an exempt report by Aegon, a copy of which marked '32' 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 report be noted

9.30am-12.10  
26 November 2021

CHAIRMAN

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**LOCAL PENSION COMMITTEE – 21 JANUARY 2022**  
**REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**  
**PENSION FUND POLICY REPORT**

**Purpose of the Report**

1. The purpose of this report is to provide an annual update of the Pension Fund's current strategies and policies, and seek approval on the Distribution of Death Grant Policy, Over and Underpayment Policy, and the revised Administration and Communication Strategy.

**Background**

2. The Local Pension Committee is responsible for the governance of the Leicestershire fund, which includes setting policies to be included in statutory documents.
3. This is the first annual report to provide the Committee with a summary of current policies or strategies for approval. The content of this report was presented to the Local Pension Board for review on 8<sup>th</sup> November 2021.

**Summary of Current Policies and Strategies**

4. All current policies and strategies 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](#).

<b>Policy</b>	<b>Existing Policy (Yes/No)</b>	<b>Changes Made (Yes/No)</b>	<b>Changes</b>	<b>Date Last Updated</b>	<b>Date Next Review Scheduled</b>
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
Investment	Yes	Yes	Points 22-	December	December

Advisor Objectives			23	2021	2022
Responsible Investment Plan	Yes	No	-	January 2021	January 2022
Fund Training Policy	Yes	No	Will be reviewed in early 2022	November 2019	February 2022
Investment Strategy Statement	Yes	No	-	February 2021	December 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 Employer Risk Policy	Yes	No	-	June 2021	June 2023
Administering Authority (Fund) Discretions Policy	Yes	Yes	-	September 2021	September 2023
Conflict of Interest Policy	Yes	No	-	June 2021	June 2024

Details of recent changes are provided below and these changes were presented for consideration by the Local Pension Board at their meeting held on 8<sup>th</sup> November 2021 who supported the changes and new policies set out 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, preserved benefit members 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 (MSS) 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. The Director of Corporate Resources has delegation to make changes to these discretions and has agreed to the changes made. This report is therefore included for completeness and noting.
13. The Leicestershire Fund discretions were reviewed in September 2021 and are set out in Appendix B.
14. On this occasion only minor changes were made. The most notable were an update of points 13 (Discretion to obtain a revision of the rates and adjustment certificate if there are circumstances that make it likely that a Scheme Employer will be ceasing) and 14 (Discretion to require any strain on Fund costs to be paid "up front" by an employer) to refer to relevant sections in the Funding Strategy Statement.
15. In addition there was a minor wording change on point 17 (Decide the format and frequency of information from employers to accompany payments of contributions to the Fund) to confirm that new employers are required to use iConnect for the submission of their monthly data to the Fund.

#### **Distribution of Death Grant Policy**

16. 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.

17. 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.
18. The policy was developed in September 2021 and is included in Appendix C.

### **Over and Under Payment Policy**

19. 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.
20. 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.
21. The policy was developed in September 2021 and is included in Appendix D.

### **Investment advisor objectives**

22. The Investment Consultancy and Fiduciary Management Market Investigation Order 2019 requires pension scheme trustees to set strategic objectives for their investment consultants before they enter into a contract or continue to receive services from them.
23. The officers have reviewed the objectives for Hymans Robertson (the Fund's investment advisor) with one addition being agreed, which is to incorporate climate risks into advice given to the Fund.
24. The Investment Advisor Objectives are included in Appendix E.

### **Other Policies**

25. In addition to the policies covered in this report, the Responsible Investment Plan will be addressed in a separate report at this Committee.
26. The Fund Training Policy will be reviewed and presented for approval at the next Committee meeting in March.

### **Recommendation**

27. It is recommended that the Local Pension Committee approve:
  - a. the revised Administration Strategy (Appendix A)

- b. the Distribution of Death Grant Policy (Appendix C)
- c. the Over and Underpayment Policy (Appendix D).
- d. Investment Advisor Objectives (Appendix E)

**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

Appendix E: Investment Advisor Objectives

**Officers to Contact**

Ian Howe

Pensions Manager

Telephone: (0116) 305 6945

Email: [Ian.Howe@leics.gov.uk](mailto:Ian.Howe@leics.gov.uk)

Declan Keegan

Assistant Director of Strategic Finance and Property

Telephone: (0116) 305 6199

Email: [Declan.Keegan@leics.gov.uk](mailto:Declan.Keegan@leics.gov.uk)

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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 – 26 February 2021.**

**This draft version includes proposed changes for November's Board and the January Committee Meeting.**

## **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 draft version is planned to become effective from 1 December 2021. 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](mailto: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](http://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:

<b>Type</b>	<b>Media</b>	<b>Frequency</b>	<b>Method of Distribution</b>	<b>Audience Group (Active, Deferred, Pensioner or All)</b>
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 Practise 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.

<b>Work Item</b>	<b>Charge</b>
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:

<b>Method</b>	<b>Media</b>	<b>Frequency</b>	<b>Method of Distribution</b>	<b>Audience Group</b>
Membership Form with	Paper based and	On commencing	Issued via employer and	New employees

<b>Method</b>	<b>Media</b>	<b>Frequency</b>	<b>Method of Distribution</b>	<b>Audience Group</b>
cover letter "F" (Auto enrolment compliant)	on-line	employment	on the Pension 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:

<b>Method</b>	<b>Media</b>	<b>Frequency</b>	<b>Method of Distribution</b>	<b>Audience Group</b>
Employers Information	Pensions website	At joining and updated as necessary	<a href="http://www.leicestershire.gov.uk/pensions">www.leicestershire.gov.uk/pensions</a>	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	Pensions website	Annually	E-mail	Main contact for all employers

Method	Media	Frequency	Method of Distribution	Audience Group
Accounts				
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:

<b>Method</b>	<b>Media</b>	<b>Frequency</b>	<b>Method of Distribution</b>	<b>Audience Group</b>
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:

<b>Method</b>	<b>Media</b>	<b>Frequency</b>	<b>Method of Distribution</b>	<b>Audience Group</b>
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:

<b>Communication</b>	<b>Audience</b>	<b>Target delivery period</b>
Benefit Statements as at 31 March	Active members	31 August each year
Pension Saving Statements as at 31 March	Active members who breach the Annual Allowance	6 October each year

	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
<b>LIAISON AND COMMUNICATION</b>	
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

<b>Function / Task</b>	<b>Performance target</b>
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

<b>FUND ADMINISTRATION</b>	
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
<b>SCHEME ADMINISTRATION</b>	
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 <b>KPI</b>
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 <b>KPI</b>
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 <b>KPI</b>
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
<b>LIAISON AND COMMUNICATION</b>	
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 <sup>th</sup> 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 <sup>th</sup> 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
<b>FUND ADMINISTRATION</b>	

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

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

<p><b>Pension Contributions</b> Arrange for the deduction of AVCs and payment over of contributions to AVC provider(s)</p>	<p>Commence deduction of AVCs in month following the month of election Pay over contributions to the AVC provider(s) by the 19<sup>th</sup> of the month following the month of election</p>
<p><b>Pension Contributions</b> Refund any employee contributions when employees opts out of the pension scheme before 3 months</p>	<p>Month following month of opt out</p>
<p><b>Pension Contributions</b> Cease deduction of employee contributions where a scheme member opts to leave the scheme</p>	<p>Month following month of election, or such later date specified by the scheme member</p>
<p><b>End of year</b> 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</p>	<p>By 30<sup>th</sup> April following the year end, due to the earlier closure of the accounts.</p>
<p><b>Monthly Pensions Return</b> Provide administering authority with a monthly pension return.</p>	<p>By the 15<sup>th</sup> of the following month.</p>
<p><b>Leavers</b> Determine reason for leaving and provide notification to administering authority of scheme leavers</p>	<p>Within 30 days of leaving</p>
<p><b>Retirement</b> Determine reason for retirement and provide notification to administering authority of retiree</p>	<p>Within 10 working days of notification of intention to retire</p>
<p><b>Estimates</b> Initiate any estimates, (other than ill health), that generate a capital cost following the introduction of the £95K Exit Cap rules in November 2020</p>	<p>Within 10 working days of notification of members or employers estimate request</p>
<p><b>Final Pay</b> 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</p>	<p>Within 10 working days following date of estimate request/leaving/retirement/death</p>

<p><b>Employer appointments</b>          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</p>	<p>Within one month of commencing participation in the scheme or date of resignation of existing medical adviser</p>
<p><b>Employer appointments</b>          Appoint person for stage 1 of the pension dispute process and provide full details to the administering authority</p>	<p>Within 30 working days following the resignation of the current “appointed person”</p>
<p><b>IConnect – Monthly Posting*</b>          Submit pension data via the secure IConnect employer self-service module</p>	<p>By the end of the following month</p>

\*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.

**September draft version 5**

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

## 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"> <li>• the insolvency, winding up or liquidation of the body</li> <li>• a material breach by that body of its obligations under the admission agreement</li> <li>• the failure by that body to pay over sums due to the Fund within a reasonable period of being requested to do so.</li> </ul>	<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&amp;A in the following circumstances:</p> <ul style="list-style-type: none"> <li>- 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;</li> <li>- an employer is approaching exit from the scheme within the next two years and before completion of the next valuation</li> </ul>
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"> <li>• Flexible retirement</li> <li>• Redundancy, business efficiency</li> <li>• The waiving (in whole or in part) of any actuarial reductions that would have otherwise been applied on voluntary or flexible retirement</li> <li>• Where the rule of 85 is switched on before age 60</li> <li>• Where actuarial reductions are waived on compassionate grounds</li> <li>• Payment of a pre-1 April 2008 deferred benefit on ill-health</li> </ul>	<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	2013 Reg 80(1)(b)  2014 (Transitional Provisions) Reg 22(1)  2008 (Admin) Reg 64(1)(b)	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	2013 Reg 69(1)	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 19<sup>th</sup> 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	2013 Reg 69(4)	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	2013 Reg 70  2014 (Transitional Provisions) Reg 22(2)	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	2013 Reg 71(1)	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>	<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.</p>	<p>The most advantageous figure will be automatically applied by the Fund.</p>
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>	<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.</p>	<p>The most advantageous figure will be automatically applied by the Fund.</p>
26	<p>1997 Reg 22(7)</p>	<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).</p>	<p>The most advantageous figure will be automatically applied by the Fund.</p>
27	<p>2013 Sch 1 "Eligible Child"</p> <p>2014 (Transitional Provisions) Reg 17(9)</p>	<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.</p>	<p>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.</p>
28	<p>1997 Reg 47(1)</p> <p>1995 Reg G11(1)</p>	<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).</p>	<p>Where there is more than one eligible child, the Fund will normally divide a children's pension equally between the eligible children.</p>
29	<p>2007 (Benefits) Reg 27(5)</p> <p>1997 Reg 47(2)</p> <p>1995 Reg G11(2)</p>	<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>	<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 8<sup>th</sup> November and for subsequent approval by the Pension Committee on 21<sup>st</sup> 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**

Ian Howe Pensions Manager [ian.howe@leics.gov.uk](mailto:ian.howe@leics.gov.uk)

Stuart Wells Pensions Projects Manager [stuart.wells@leics.gov.uk](mailto:stuart.wells@leics.gov.uk)

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APPENDIX D

# Leicestershire Local Government Pension Scheme

## Over and Underpayment of Pension Policy

## 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 8<sup>th</sup> November 2021 and for subsequent approval by the Pension Committee on 21<sup>st</sup> January 2022.**



## **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

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.

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.

<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**

Ian Howe Pensions Manager [ian.howe@leics.gov.uk](mailto:ian.howe@leics.gov.uk)

Stuart Wells Pensions Projects Manager [stuart.wells@leics.gov.uk](mailto:stuart.wells@leics.gov.uk)

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## CMA objectives for investment consultants

### Addressee

This paper is addressed to the Officers of the Leicestershire County Council Pension Fund (“the Fund”). The purpose of this paper is to set out the next steps in the requirement to set objectives and assess Hymans Robertson, as investment consultant to the Fund, against the objectives following the publication of the Competition and Markets Authority (“CMA”) final order, relating to their review of investment consulting and fiduciary management markets.

This paper should not be disclosed to any third parties without our prior written permission. We accept no liability to any third party relying on the advice or recommendations in this paper.

### Background and scope

In June 2019, the CMA published its final order following a review of the investment consulting and fiduciary management markets. The order made it a regulatory requirement for pension scheme trustees (including pension committees within the LGPS) to set objectives for their investment consultants.

We have summarised the key points below:

- Since 10 December 2019 pension scheme **trustees must set strategic objectives for their investment consultants** before they enter into a contract or continue to receive services from them. The Fund has set and agreed objectives for Hymans Robertson, which are set out in Appendix 1.
- Pension scheme **trustees must submit ‘compliance statements’** stating that they have complied with the above requirement. This statement covers the period from 10 December 2020 to 9 December 2021, so it will need to be sent **after 10 December 2021, but before 7 January 2022, and annually thereafter**.
- The format of the compliance statement is a short statement which is stipulated in the CMA order, please see Appendix 2 for details. A scanned copy of a signed statement will need to be submitted by email to this address: [RemediesMonitoringTeam@cma.gov.uk](mailto:RemediesMonitoringTeam@cma.gov.uk).
- At some point the Department for Work and Pensions (“DWP”) will amend current legislation so that the CMA requirements become part of legislation. [The DWP’s consultation regarding draft regulations](#) closed on 2 September 2019 but we are still waiting for relevant legislation to come into force from both DWP for Trustee based schemes and the Department for Levelling Up Housing and Communities (DLUHC) to translate the requirements into LGPS regulations. Until then the CMA rules apply.
- The CMA order only requires trustees to confirm that they have complied with the requirements over the last 12 months and had objectives in place. However, reviewing our performance against the objectives that the Fund has set is part of ongoing good governance.
- This is in line with [guidance](#) from The Pensions Regulator (“TPR”) which suggests performance is monitored annually, with a detailed review every three years. TPR also suggests checking that objectives are still appropriate at least every three years.

### Assessing performance against objectives

As noted above, by 7 January 2022 the Fund must have submitted a compliance statement to the CMA confirming compliance with Part 7 of the CMA, by setting strategic objectives for their investment consultant, however, there is not an obligation to have assessed your consultant’s performance against these objectives by that date.

We would note we have not proposed amending any of the objectives and the suitability and assessment of the objectives should be owned by the Fund.

**Next steps**

- Report compliance relative to the CMA's requirements to the CMA by 7 January 2022 – see Appendix 2; and
- Confirm the objectives remain appropriate during the coming year. As best practice, we would suggest also assessing our performance against the objectives at the same time.

Prepared by: -

Philip Pearson, Senior Investment Consultant  
Emma Sim, Senior Investment Consultant

For and on behalf of Hymans Robertson LLP

December 2021

**General Risk Warning**

Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investments in developing or emerging markets may be more volatile and less marketable than in mature markets.

Exchange rates may also affect the value of an overseas investment. As a result, an investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance.



## Appendix 1: CMA objectives

Leicestershire County Council Pension Fund Objectives	Investment consultant objectives
<p><b>Strategic</b></p> <p>Ensure members' benefits are met as they fall due.</p> <p>Support a long-term funding approach that is consistent with a stable and affordable contribution approach from the employers.</p> <p>The implications of required returns of this funding objective will be reassessed at each actuarial valuation. The current strategic return target is between 3-4% per annum in excess of CPI.</p> <p>Reduce the deficit recovery period for the Fund.</p>	<p>Advise on a suitable investment strategy and amendments to the strategy reflecting changes in market conditions, to deliver the required real return to support progress towards a long term steady state of funding and reduction in the deficit recovery time period going forward.</p> <p>Deliver an investment approach with suitable diversification and focus on predictable returns that supports meeting the Fund's cashflow, and likely evolution, and minimises the risk of forced disinvestment.</p> <p>Deliver strategic advice with an expected range of outcomes that captures the downside risk tolerance preferences of the Committee.</p>
<p><b>Implementation</b></p> <p>Ensure the Fund's investment approach is aligned with the objectives of pooling and associated guidance.</p> <p>Ensure cost efficient implementation of the Fund's investment strategy.</p> <p>Ensure an orderly transition to LGPS Central (where applicable).</p>	<p>Advise on the cost efficient implementation of the Fund's investment strategy.</p> <p>Advise on the use of solutions provided by LGPS Central as a vehicle for implementing the agreed investment strategy, and where appropriate help in the specification of LGPS Central solutions to meet the Fund's needs.</p>
<p><b>Governance</b></p> <p>Ensure the Fund's approach reflects relevant regulatory and legislative requirements.</p> <p>Develop the Committee's Responsible Investment policy and ensure this is reflected in ongoing governance and decision making processes.</p> <p>Ensure the Fund's investment objectives are supported by an effective governance framework.</p>	<p>Ensure our advice complies with relevant pensions' regulations, legislation and supporting guidance.</p> <p>Ensure our advice reflects the Committee's own policies and beliefs, including those in relation to Responsible Investment and climate risk, with such considerations reflected in investment recommendations and the Strategic Asset Allocation (SAA) where appropriate.</p> <p>Provide relevant and timely advice.</p>

## Appendix 2 – CMA compliance statements – the details

### Background

- The Investment Consultancy and Fiduciary Management Market Investigation Order 2019 requires pension scheme trustees to set strategic objectives for their investment consultants before they enter into a contract or continue to receive services from them.
- Part 7 of the Order sets out this requirement. Specifically, stating:  
*“Pension Scheme Trustees must not enter into a contract with an Investment Consultancy Provider for the provision of Investment Consultancy Services or continue to obtain Investment Consultancy Services from an Investment Consultancy Provider unless the Pension Scheme Trustees have set Strategic Objectives for the Investment Consultancy Provider.”*
- Pension scheme trustees must submit statements to confirm that they have complied with the above requirement.
- **Completing the statement below and submitting it to the CMA between 10 December 2021 and 7 January 2022 will fulfil the requirement to report back to the CMA.**
- We have drafted the compliance statements for the Fund on the following page. A scanned copy of a signed statement should be submitted by email to this address: [RemediesMonitoringTeam@cma.gov.uk](mailto:RemediesMonitoringTeam@cma.gov.uk).

**Leicestershire County Council Pension Fund**

**Investment Consultancy and Fiduciary Management Market Investigation Remedy Compliance Statement for the Leicestershire County Council Pension Fund**

I, ....., confirm on behalf of the Leicestershire County Council Pension Fund that during the period commencing on 10 December 2020 and ending on 9 December 2021, the Leicestershire County Council Pension Fund has complied with Part 7 of the Investment Consultancy and Fiduciary Management Market Investigation Order 2019.

**Additional Compliance Reporting**

- (a) this Compliance Statement has been prepared in accordance with the requirements of the Order; and
- (b) for the period to which the Compliance Statement relates, the Leicestershire County Council Pension Fund has complied in all material aspects with the requirements of the Order and reasonably expect to continue to do so.

For and on behalf of the Leicestershire County Council Pension Fund

Signature: .....

Name: .....

Title: .....

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## **LOCAL PENSION COMMITTEE – 21 JANUARY 2022**

### **REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

#### **DRAFT RESPONSIBLE INVESTMENT PLAN**

##### **Purpose of the Report**

1. For the Committee to approve the Responsible Investment (RI) Plan 2022 (Appendix A) to enable the Leicestershire Pension Fund (the Fund) to further improve management of responsible investment risks.

##### **Background**

2. The term ‘responsible investment’ refers to the integration of financially material environmental, social and corporate 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.
3. 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.”
4. RI is an essential part of the Fund’s approach to investing. This is reflected in the Investment Strategy Statement (ISS) which incorporates ESG, a component of which is RI. The ISS also acknowledges LGPS Central’s (Central) responsible investment and engagement policy. The Fund invests in Central investment products where the underlying managers are selected with RI a key component of the selection policy.
5. The first Responsible Investing plan was approved at the January 2020 Local Pension Committee meeting with a second plan at the January 2021 meeting, a progress updated is attached as Appendix B.
6. Leicestershire County Council Officers have developed a 2022 RI plan with LGPS Central’s in-house RI team. Outputs and recommendations from the Leicestershire Climate Risk Report delivered to the Local Pension Committee in November 2021 have been incorporated into the 2022 draft plan.

##### **Responsible Investment Plan 2022**

7. The draft 2022 plan builds on the 2020 and 2021 plan's and improves on the approach and beliefs detailed in the Fund's ISS with the addition a Climate Strategy which members approved work for at the November 2021 Pension Committee meeting.
8. The draft RI plan for 2022 is shown below, some highlights below:
- Regular updates on the development of the Fund's Climate Strategy (CS). The plan to develop a CS will develop into a number of workstreams that the Committee will have the opportunity to shape over the year.
  - Update the ISS to complement the findings and proposals contained within the Fund's CS.
  - Continuation of quarterly reporting of the stewardship report and inclusion of voting metrics from listed equity investments. (not shown on table below)
  - Reviews of investment managers ESG approach's alongside presentations to the Committee.

<b>Financial Quarter</b>	<b>Title</b>	<b>Description</b>
Q4 21/22	Communicate draft RI Plan to Pension Committee	Publication of the Fund's 2022 RI plan.
	Manager review	ESG approach alongside presentation to Committee
	Climate Change Strategy	Begin work on the production of a LCCPF Climate Change Strategy with a view to publication in late-2022.
	Climate Strategy Workshop	Meeting of the Fund's Officers and Pension Fund Committee to discuss and plan the Fund's Climate Change Strategy.
Q1 22/23	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
	Manager review	ESG approach alongside presentation to Committee
Q2 22/23	Climate Strategy Update	Pension Fund Committee meeting to discuss progress of Climate Change Strategy.
	Manager review	ESG approach alongside presentation to

		Committee
Q3 22/23	Receive Climate Risk Report (CRR)	CRR 2022 containing updated carbon risk metrics results measured against the baseline from the previous two reports.
	Climate Risk Training	Further training of pension fund officers, Pension Committee and possibly Pension Board on the risks and opportunities associated with climate change.
	Climate Change Strategy Publication	Publish the Fund's draft Climate Change Strategy. This should be consistent with the TCFD Recommendations and be monitored regularly by the Pension Fund Committee.
	Governance Review	Publish updated draft Funding Strategy Statement and Investment Strategy Statements for consultation in line with the Fund's new Climate Change Strategy. Final approval in Q4 22/23.
	Manager review	ESG approach alongside presentation to Committee
TBC	Review of company engagements and TCFD recommendations	

**Recommendation**

8. It is recommended that the Local Pension Committee approves the Responsible Investment Plan 2022.

**Equality and Human Rights Implications**

9. None.

**Appendix**

Appendix A: Progress against 2021 RI Plan

**Background Papers**

None

**Officers to Contact**

Mr C Tambini, Director of Corporate Resources  
Tel: 0116 305 6199      Email: Chris.Tambini@leics.gov.uk

Mr D Keegan, Assistant Director Strategic Finance and Property  
Tel: 0116 305 7668      Email: Declan.Keegan@leics.gov.uk

Mr B Kachra, Senior Finance Analyst - Investments  
Tel: 0116 305 1449      Email: Bhulesh.Kachra@leics.gov.uk



## Appendix A: 2021 RI plan and progress

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 Nov – 21 LGPS Central Active equities
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.	Ongoing, there is a recommendation in the CRR to carry into 2022.
	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.	Prioritising climate strategy ahead of stewardship code.

Q3 21/22	Receive Climate Risk Report (CRR)	CRR 2021 containing updated carbon risk metrics results measured against the 2020 baseline.	Delivered Nov 2021
	Climate Risk Training	Further training of pension fund officers, Pension Committee and possibly Pension Board on the risks and opportunities associated with climate change.	In line with delivery of climate strategy – workshop initially planned to improve overall understanding of risks
	Strategy review	Conduct a review of the Fund’s current approach to managing climate risk, with a view to drafting a Climate Strategy in 2022.	Proposal for approval at Nov 2021. Approved by LPC. Plan to deliver a climate strategy in 2022 for approval.
	Annual Report	Revised report including new RI content (summary of annual voting activity; summary of Climate Risk Report in a manner consistent with the TCFD Recommendations), review by board before approval at Committee	Complete
Q4 21/22	Investment Strategy Statement Review	Annual review	Delay into H2 2022 once Climate Strategy is approved.
TBC	Review of Good Governance Review findings & SAB guidance on RI	Review findings and recommendations into annual RI plan where appropriate	Update from independent consultant Jun 21

## **LOCAL PENSION COMMITTEE – 21 JANUARY 2022**

### **REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

#### **OVERVIEW OF THE ASSET STRATEGY AND STRUCTURE**

##### **Purpose of the Report**

1. The purpose of this report is to inform the Committee of the annual review of the Leicestershire Pension Fund's (the Fund) strategic investment allocation and structure.

##### **Background**

2. The nature of the Fund's liabilities is long-term. The strategic investment benchmark is structured to reflect the nature of liabilities by focusing on the need for long-term returns and a degree of inflation-linked returns. Market fluctuations will cause the Fund's actual asset allocation to vary from the agreed strategic asset allocation and investment within asset classes in which funding is 'drawn down' over a period of time will create further variation. The strategic benchmark should, therefore, be considered an 'anchor' around which the actual asset allocation is managed.
3. The Fund is part invested in funds administered by LGPS Central (Central), a private company jointly owned by the fund and seven other administering authorities. By pooling investment, Central aims to reduce costs and improve investment returns to the ultimate benefit of Fund employers.
4. Central's product offer continues to develop and the strategy review has been undertaken with this in mind like previous years. Dialogue continues with Central and other partner funds on a regular basis to ensure that Central's offer meets the goals of the Fund. Pooling of Fund assets continues, with a number of investments made over the last year, the Fund has made good progress regarding an orderly transition to Central products to date. Existing Fund assets that are unlisted and illiquid will take longer to transition where an appropriate product exists at Central.
5. As at September 30<sup>th</sup> 2021, the value of pooled funds directly managed by Central and low cost index trackers from Legal and General totals £3.0 billion or 54% of the Fund's total value. The Fund has made additional commitments to a number of Central products including private equity, private debt and infrastructure funds totalling c£0.25 billion that have not yet been called and are not included in the £3.0 billion figure above.
6. Any decision on the appropriate investment allocation is inherently difficult and will inevitably come down to a 'trade-off' between expected risk and return. Whilst historic measures for risk and return can be instructive about how different asset classes are correlated to each other, they clearly give no guarantee that these historic links will persist, as a result an 'optimal' asset mix does not exist. This does

not detract from the desirability to agree a strategic asset allocation benchmark that makes intuitive sense in terms of the risks being taken to achieve a required return.

### **Summary of last years (Jan 2021) proposals and progress**

<b>Proposal</b>	<b>Actions</b>
<b>Growth assets</b>	
Private Equity – increase target by 1% to 5.75%. Increase in strategic target reflecting existing allocations. Consider opportunistic investment in Adam St Secondaries	The Fund is overweight to this asset class as a result of good performance. Taking into account the future expected distributions as a result of having a mature portfolio officers recommended an investment into an Adam Street Secondaries Fund in 2021.
Targeted Return 7.5% target – to consider the Central pooled offering when available.	The Central offer is not available for investment. It is expected to be available for investment in early 2022. The Fund was overweight to target (7.5%) to this asset class and during the year the two holdings were divested from to partially Fund an investment into a Central product.
<b>Income assets</b>	
Infrastructure – 9.75% target weight. Review the use of a Central offer.	Central launched a core/core plus offer which the Fund committed to invest into in 2021. The value add/opportunistic offer will be considered once the manager line up is completed per the advice from Hymans.
Property – 10% target weight. Consider introducing a residential property allocation and LGPS Central direct property product.	The Fund added to residential property during the year via the mandate with LaSalle who manage the indirect holdings. In addition, to address the underweight LaSalle were instructed to increase investments that would suit the portfolio. Central's direct property offer will be available in 2022.
Global credit - liquid sub investment grade – 4.0% target weight. Exit the JP Morgan Credit holding, reduce target return allocation to fund.	The Fund invested into the Central MAC (multi asset credit) fund in 2021 to satisfy this proposal. At the same time, the JP Morgan credit holding was divested, and two targeted return managers were trimmed to raise cash for this investment. The Fund also utilised existing cash.
Global credit – private debt 10.5% target weight. Distressed debt opportunity with existing managers new offering if appropriate.	The Fund was underweight this asset class. The existing distressed debt manager had key personnel depart. Central launched a new product

	incorporating a low return product and higher returning product. With the funds being returned by an existing private debt manager the Fund committed funds into three products, two from Central and one from an existing manager.
<b>Protection assets</b>	
Investment grade credit – 3.0% target weight. Including c0.5% in a short dated investment bond Fund to generate extra yield relative to cash.	This proposal was completed in 2021 with a 0.5% allocation to short dated bond fund.
Currency hedge – adjust the benchmark hedge of foreign currency assets from 50% to 30%	This proposal was enacted by Aegon, the Fund's currency hedge manager in April 2021.

### **Summary of 2022 proposals**

7. The summary of proposals made by Hymans have been assessed by officers. Officers have shared the proposals with LGPS Central in order to gain further insight with respect to future pooling. Due to the short timeframe between receiving a final SAA proposal from Hymans and the publication of papers for the Committee meeting Officers held a call with LGPS Central to talk through the proposals and discuss any inconsistencies with the direction of travel of Central product development and performance of their products. In addition, sharing with Central the Fund's future plans helps with their understanding and development of products and is complimentary with the spirit of pooling.
8. For 2022, Hymans do not propose the Fund make changes to the Fund's target asset allocations, as was previously agreed by the Committee in January 2021, but have included proposals relating to reviews which may lead to changes within asset classes. These are covered within the Hymans report which is included as part of the private session on the agenda.

	Proposed target weight (%)
<b>Growth (55.25%)</b>	
Listed equity	42.0 (40.0-44.0)
Private equity (inc secondaries)	5.75
Targeted return	7.5
<b>Income (36.75%)</b>	
Infrastructure (inc timberland and infracap)	9.75
Property	10.0
Emerging market debt	2.5
Global credit – liquid sub inv grade markets	4.0
Global credit - private debt (inc M&G/CRC)	10.5
<b>Protection (8%)</b>	
Inflation-linked bonds	4.5
Investment grade credit	3.0
Currency hedge	0.5
<b>Total</b>	<b>100.0</b>

## Growth

### Listed Equity

9. No target weight changes are recommended having transitioned a sizeable proportion of passive equity (c£750m) into the LGPS Central Climate balanced multi factor fund during that last quarter of 2020.
10. Hymans note the development of the Fund's Climate / Net Zero Strategy and as such recognise there could be change once complete. It is proposed that the Fund carries out a review of its listed equity portfolio, taking into account geographic mix, active/passive split, style exposure as well as climate risks and opportunities. This would incorporate the simplification of the LGIM passive mandates as recommended in the 2021 strategy review. Hymans further recommend this includes a review of the LGPS Central's active equity holdings to ensure that they are meeting the Fund's requirements and performing in line with expectations.
11. In advance of the formal review it is worth noting the individual performances of the main listed equity positions the Fund holds.
12. The Fund holds a number of regional passive funds with Legal and General (LGIM). Part of the holding was divested in Q4 2020 when the Fund made an investment into the Central climate factor fund. At 30<sup>th</sup> September 2021 the holding totalled £954m, circa 17% of total fund assets. The table below compares the return of this investment versus the Vanguard passive FTSE all world product which holds investments in nearly 50 countries and covers circa 95% of the global investable market capitalisation.

	1 yr	3 yr pa	5 yr pa
Total passive equity LCCPF LGIM (at 30.09.21)	24.8%	8.4%	10.1%
All world passive (at 31.12.21)	18.3%	20.2%	14.2%

It is worth noting that although the Fund's performance is lower over longer timeframes there will be a number of reasons of differing performance not all of

which may be suitable for the Funds strategy. There are too many variables to consider without a fuller review as proposed by Hymans.

13. Per the above the Fund also has a significant holding in Central's climate factor fund. This Fund is passive and its holdings are tilted towards favourable climate characteristics. The Fund was launched in October 2019 with Leicestershire Pension Fund investing in December 2020. Comparing the climate fund to a passive FTSE All world product would seem reasonable, whilst bearing in mind the short timescales. The table below shows since inception performance versus the benchmark for the fund and the FTSE all world index.

Performance (%)	3 Months	6 Months	1 Year	Since Fund Launch
Climate Fund Return	2.23%	9.85%	19.41%	14.86%
Benchmark	2.16%	9.74%	19.08%	14.64%
Difference	0.07%	+0.11%	0.33%	0.22%
FTSE AW (Net of Tax)	1.43%	8.79%	22.20%	15.53%

14. It can be seen that the Climate factor fund has performed in line with its benchmark as can be expected for a passive product but has fallen short of the FTSE all world passive. Again, this can be for a number of reasons which will be considered within a wider review. However, the timeframes considered are short and the climate fund provides the Fund with other benefits that at the time of the decision included balancing the factor exposures the Fund was exposed to from a higher value factor exposure to a more balanced factor exposure.
15. A side benefit of the Climate factor fund investment is that it has a lower carbon footprint than the equivalent FTSE all world product. The difference at 30<sup>th</sup> September amounts to a 60% reduction in tonnes of CO<sub>2</sub> equivalent per million dollars of revenue from the benchmark index.

#### Private Equity

16. Hymans propose maintaining the existing weighting at 5.75%. The Fund has made a number of commitments to private equity over the last two years and currently has an overweight position at 7.2% of total Fund assets, helped by favourable near term performance versus other asset classes. The recent commitments will be drawn over a number of years and as such will continue to gradually be drawn into the market, whilst the mature nature of the private equity portfolio will mean cash is returned to the Fund over time to reduce the weighting towards the target.

#### Targeted Return

17. The target weight for this asset class is 7.5% and is currently marginally overweight at 8.2% having been trimmed in 2021 to fund the LGPS Central MAC commitment.
18. The three current strategies combined have delivered in excess over the longer term benchmark with returns of 4.5% pa (+0.1% to benchmark) and 5.3% since inception (+0.9% to benchmark).
19. Targeted return performance versus whole Fund performance is shown below:

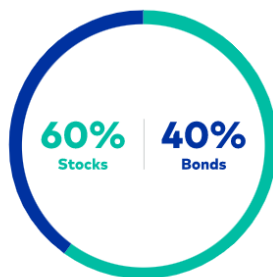
	1 yr	3 yr pa	5 yr pa

Targeted Return (3 managers)	15.7%	6.2%	4.5%
Targeted Return Benchmark (cash + 4%)	3.9%	4.3%	4.4%
Whole Fund	18.4%	7.8%	8.3%
Whole Fund Benchmark	13.8%	7.5%	7.6%

It is worth discussing the relative merits of an allocation to this mandate where investment risk is assumed to be lower which is represented by a lower target. Hymans are supportive of an allocation to this asset class to provide diversification from equities and capture market opportunities within the growth element of the Fund's portfolio.

20. For note the proposed SAA has roughly a 70% equity to 30% bond split when excluding property, infrastructure and cash and at present given the overweight to equity the actual position is roughly 75% equity and 25% bonds.
21. Historically a 60/40 portfolio (equity and bonds) has been seen as the guidepost for a moderate risk investor. This split has displayed growth through the inclusion of equities whilst bonds smooth the volatility, offer income and generally lower the risk of the portfolio through the contrasting returns pattern versus equities.
22. Taken from Vanguard, (a large US based investment company) the returns on a historical 60/40 portfolio is shown below. Losses are incurred in just under a quarter of all years in the sample with an average return well in excess of the required return of the Leicestershire Pension Fund.

#### 60% stocks / 40% bonds



#### Historical Risk/Return (1926-2020)

Average annual return: 9.1%  
 Best year (1982): 36.7%  
 Worst year (1931): -26.6%  
 Years with a loss: 22 of 95

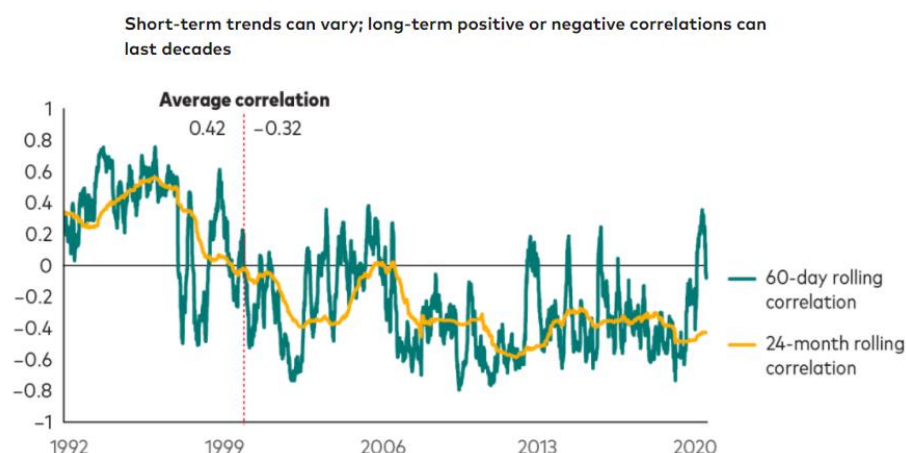
23. The table below compares the Fund's current 75/25 equity bond allocation and performance to a passive 60/40 and 80/20 portfolio. The Leicestershire Pension Fund returns are lower over an annualised three year period to both the passive portfolios whilst being in line over the longer five year period. Reference portfolio performance is taken from Vanguard.

	1 yr	3 yr pa	5 yr pa
60/40 portfolio (31.12.21)	9.9%	11.0%	7.5%
LCCPF 75/25 portfolio (30.09.21)	18.4%	7.8%	8.3%
80/20 portfolio (31.12.21)	14.4%	13.3%	9.1%

24. For a long term investor, like the Fund, the reduced volatility is important as it should help avoid sharp drawdowns which would impact on employers contribution rates if actuarial valuation were to be conducted during a drawdown. The table below shows the average correlation of stocks and bonds from 1992 to 2020 on a rolling 60 day and 24 month time frames. The conclusion is that there is a negative correlation between stocks and bonds over the longer term time frame from around



2000. Nb a -1 reading shows a perfect negative (opposite) correlation, or totally uncorrelated.



Sources: Vanguard, based on data from Refinitiv from January 1, 1990, through July 26, 2021. Data appear on chart only at the start of 1992 to reflect the end of the first 24-month rolling correlation.

25. The Fund's two active equity funds managed by Central have had mixed performance as illustrated in the table below. Active equity funds should outperform their benchmarks over longer time frames and as such fees are generally higher when compared to passive equity funds. Both funds are nearly 3 years old and will be included in the wider listed equity review to take place later in 2022.

	1 yr	3 yr pa	Since inception pa	Start
Central Emerging Markets Equity - ACTIVE	-4.23%	n/a	6.37%	19/07/2019
FTSE emerging market - BENCHMARK	-4.33%	n/a	6.73%	
Central Global Equity - ACTIVE	28.70%	n/a	17.07%	12/03/2019
FTSE all world - BENCHMARK	22.67%	n/a	15.88%	

## Income

### Infrastructure

26. Hymans recommendation is to maintain the 9.75% weighting. The Fund is currently underweight with a 7.3% weighting. There are a number of commitments that are yet to be called that will close the gap to the target which include two commitments made recently, LGPS Central core infrastructure at £70m and JP Morgan infrastructure income fund at \$32m. Officers estimate that once called the difference to target weight will be closer to 1%. This will mean that further commitment will need to be made as distributions will continue to return from closed ended investments.
27. Hymans see infrastructure as an attractive asset class and cite the original rationale for investing as:

- a. A wide opportunity set – the asset class offers exposure to an increasingly diverse set of assets. Overall transaction volumes fluctuate from year to year, but the trend is broadly stable. Decarbonisation and Build Back Better policies should increase the supply of opportunities, but many long-standing obstacles to originating new deals persist.

- b. Attractive risk-adjusted returns – headline returns have fallen (see chart below for core infrastructure), but the premium paid to investors for taking infrastructure risk has remained remarkably stable.
- c. Long-dated income streams, often index-linked - remain a key characteristic of core, operational infrastructure assets.
- d. Diversification – returns are driven by a wide range of factors and, in many cases, are less sensitive to the economic cycle than equities generally.
- e. Strong downside protection – core infrastructure assets typically have a role in delivering essential public services and may benefit from contracted revenue, so downside risk is typically limited.
- f. Positive environmental and social impacts – infrastructure assets will play a key role in decarbonisation and there is strong evidence that well targeted investment in infrastructure boost local prosperity.

### Property

28. Hymans recommend maintaining the current allocation target of 10.0%, the Fund is currently underweight by 2.6% with a current weight of 7.4%. The Fund has committed additional money during 2021 with LaSalle, the indirect fund property manager.
29. Like infrastructure, Hymans reiterate the rationale for investment into property as:
- a. Attractive risk-adjusted returns, with moderate linkage to inflation over the long-term. The headline returns of property have fallen, but the premium investors receive for taking property risk – estimated as the difference between the initial yield and government bond yields remains.
  - b. Downside protection. Stable income yields derived from rental income on multi-year leases have traditionally underpinned commercial property returns. Unfortunately, capital values have experienced periods of extreme volatility and the last few years have been no exception. Capital values in retail and office have come under pressure from long-term trends including online retail and remote working. The pandemic exacerbated these trends and adversely impacted other sectors such as hospitality and leisure which had previously flourished. By contrast, industrial/logistics and alternative sectors such as datacentre, laboratories, student accommodation have performed very strongly. In residential property, both rental income streams and capital values have historically been much more stable, at least in the UK.
  - c. Diversification. Returns on commercial property depend on the economic “health” of companies in the pool of prospective tenants, and on the availability of affordable finance, so are not immune to economic conditions. But commercial property is less sensitive to the economic cycle than equities generally and more influenced by idiosyncratic factors. Residential property is similarly influenced by the economic cycle, but demographics, government policy and local market factors also play a significant role

30. In summary, Hymans believe the investment rationale for Property remains valid. Furthermore, they note that there should be significant opportunities in the coming years to reposition surplus retail and office assets as the economic recovery continues and property requirements in the post-pandemic world become clearer.

### Credit markets

31. The Fund has a target allocation of 17% of higher yielding credit markets, comprising 4% liquid multi-asset credit (MAC), 10.5% private debt and 2.5% Emerging Market Debt (EMD), these three classes sit within the income portion of the Fund's portfolio. The Fund also has a 3% allocation to investment grade credit which sits within the Protection portfolio of which 2.5% is invested within a LGPS Central product and 0.5% is within the Aegon short-dated credit fund.
32. Whilst the actual allocations to EMD and MAC are largely in line, the allocation to private lending is below target and currently at 6.3% which is 4.2% below target. The Fund has taken steps during the year to address this with commitments to a number of funds including two products with LGPS Central totalling £160m and two others with existing manager new vintages totalling £112m. Taken together officers expect the gap to target weight for private debt to close materially over the course of 2022, even whilst money is returned to the Fund from older investments which are in their distribution phase.
33. Hymans have reviewed the complete list of investments within credit and although they note some overlap in investment scope of the LGPSC MAC fund and the standalone Emerging Market Debt and private debt sub-funds they are generally satisfied with the structure.
34. Hymans highlighted the material allocation to subordinated debt and quasi-equity (via the CRC CRF and M&G DOF funds and to a less extent the Partners MAC and LGPS Central Private Debt High Return funds). But in the context of the overall credit portfolio they are comfortable with the allocations.
35. Overall, Hymans are happy with the allocation and allocating to a well diversified set of higher yielding credit strategies and are satisfied with the composition of the target portfolio in terms of risk profile, asset type, geography and seniority. They do propose further commitments to distressed debt as part of the broader allocation to higher yielding credit, but timing (of commitments and realisations) is critical. It is recommended that a review is undertaken in mid 2022, when the strength of the opportunity set during this cycle should be becoming clearer.

### Cash management

36. As at end September 2021, the Fund had cash holdings totalling £203m, or 3.7% of assets. The strategic allocation to cash is 0%, although there is a recognition that it will be necessary to hold cash to manage day-to-day running of the Fund. It is expected that typically the cash balance would not persistently exceed 1% of assets, noting that the cash balance will fluctuate based on inflow and outflows which will be managed by the Officers.
37. Hymans note that the Fund may hold cash for a number of reasons:
- Operational cash holdings – held to pay benefits and expenses

- Portfolio management – held to fund capital drawdowns for closed-ended mandates or to collateralise hedging programmes
- Strategic – a tactical decision to hold cash at a time when all asset classes are deemed expensive, i.e. reflecting investment views.

38. Hymans recognise that while the Fund continues to allocate to private assets which are typically closed-ended and draw down funds over a period of time, it is increasingly common for the Fund to be overweight to cash and underweight to the corresponding private asset class (e.g. infrastructure, property and private credit).

39. Another part of the reason the Fund has higher cash balance than normally expected is due to LGPS Central's product development process which has sometimes taken longer than expected to result in an investable product given the collective building of mandates between all partner funds. At present the size of commitments made, versus expected distributions, is likely to materially reduce the cash balance.

40. Given Central has created a number of funds over the last two or three years and is now moving into a 'business as usual' phase, the majority of development is largely complete and as such investing into Central funds should be smoother. For example, additional private debt investments could be considered into current open vintages or planned for a new vintage which are planned at 18 month intervals at present.

### **Rebalancing Principals**

41. Over time the relative performance of different asset classes and managers will mean that asset allocations will deviate from the agreed targets. These deviations increase the risk of unforeseen and undesirable investment outcomes. For example, if the Fund were persistently underweight the strategic target allocation to equities then the strategy would be unlikely to meet the expected return requirements.

42. The current deviations by asset class is illustrated below and is largely described as follows:

- Overweight equities – helped by strong performance in 2021
- Overweight cash
- Underweight illiquid assets, property and infrastructure

	Current Target	Actual	Above or below target
Equities incl. private equity	45.75 – 49.75%	52.6%	++
Target return	7.5%	8.2%	+
Infrastructure (incl. timber)	9.75%	7.3%	--
Property	10.0%	7.4%	--
EMD	2.5%	2.4%	-
Liquid multi-asset credit	4.0%	3.7%	-
Global credit private debt	10.5%	6.3%	--
IG credit	3.0%	2.4%	-
Inflation-linked gilts	4.5%	4.5%	
Currency hedge (collateral)	0.5%	0.5%	
Cash	-	3.7%	++
<b>Total</b>	<b>100%</b>	<b>100%</b>	

The underweight to private debt as shown has commitments that will close the deficit to target weight over the coming years.

43. Hymans propose a 2% deviation from target weight at strategic asset class level would be a trigger for rebalancing, and is the point that the benefits of the switch are expected to outweigh the costs involved. Officers will need to be mindful if considering a divestment from a pooled fund that may trigger a levy. As part of the review of the Investment Statement Strategy it is proposed that the Fund formalise and documents its Rebalancing principals through the review of the Investment Strategy Statement.

### **Investment objectives and required return**

44. The strategic investment benchmark is designed around the required future investment return and an acceptable level of risk. Without this clarity it would be possible to have a strategy that targets a return that is very high but takes overly large risks and as a result has too high a possibility of failing to achieve its target – thereby putting unnecessary upward pressure onto employers’ contribution rates. Likewise, a target that is too low may be easily achieved but has very little probability of producing the returns needed to lessen future employers’ contribution increases.
45. The current objectives of the Fund are summarised below:
- a. Ensure members benefits are met as they become due
  - b. Support a long term funding approach that is consistent with a stable and affordable approach from the employers
  - c. Remove the funding shortfall over 17 years with a view to reduce this recovery period where possible
46. The Fund currently targets an investment return of 5.9% pa which is in line with Funding Strategy being adopted post the 2019 triennial review.
47. Hymans have reviewed the Funds current estimated investment return alongside required returns and have estimated (before the 2022 actuarial results) it is expected that the Fund will be running a higher level of investment risk than required. It is felt that this is not excessive and allows employer contribution levels to remain stable and more affordable. The balance between investment risk and contributions will be revisited in the 2023 Investment Strategy Statement review once the triennial valuation results are finalised.
48. The next full Fund valuation is due in March 2022 (with results available later in 2022) and will align investment return expectations with liability forecasts. The Fund can then reassess the investment return required alongside a full liability forecast.

### **Supplementary Information**

49. An exempt paper providing further detail of the proposals for the Fund’s asset strategy and structure, which is of a sensitive nature, is included elsewhere on the agenda.

**Recommendation**

50. It is recommended that the Local Pension Committee note the report.

**Equality and Human Rights Implications**

51. None.

**Background Papers**

22 January 2021 – Local Pension Committee - Annual Review of the Asset Strategy and Structure

<https://politics.leics.gov.uk/ieListDocuments.aspx?CId=740&MId=6522&Ver=4>

**Officers to Contact**

Mr C Tambini, Director of Corporate Resources

Tel: 0116 305 6199

Email: [Chris.Tambini@leics.gov.uk](mailto:Chris.Tambini@leics.gov.uk)

Mr D Keegan, Assistant Director Strategic Finance and Property

Tel: 0116 305 7668

Email: [Declan.Keegan@leics.gov.uk](mailto:Declan.Keegan@leics.gov.uk)

Mr B Kachra, Senior Finance Analyst - Investments

Tel: 0116 305 1449

Email: [Bhulesh.Kachra@leics.gov.uk](mailto:Bhulesh.Kachra@leics.gov.uk)

By virtue of paragraph(s) 3, 10 of Part 1 of Schedule 12A of the Local Government Act 1972.

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