



Meeting: **Local Pension Board**

Date/Time: **Wednesday, 16 February 2022 at 10.00 am**

Location: **Microsoft Teams**

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

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

AGENDA

<u>Item</u>	<u>Report by</u>	
1. Election of Chairman.		
2. Election of Vice-Chairman.		
3. Minutes of the meeting held on 8 November 2022.		(Pages 3 - 8)
4. Question Time.		
5. To advise of any other items which the Chairman has decided to take as urgent elsewhere on the agenda.		
6. Declarations of interest in respect of items on the agenda.		
7. Pension Fund Administration Report October to December 2021 - Quarter Three.	Director of Corporate Resources	(Pages 9 - 28)
8. Business Plan and Budget 2022/23.	Director of Corporate Resources	(Pages 29 - 50)



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|---|---------------------------------|-----------------|
| 9. Continuous Improvements Report. | Director of Corporate Resources | (Pages 51 - 64) |
| 10. Revised Training Policy. | Director of Corporate Resources | (Pages 65 - 72) |
| 11. Risk Management and Internal Controls. | Director of Corporate Resources | (Pages 73 - 90) |
| 12. LGPS Central Joint Committee and Annual General Meeting Update. | Director of Corporate Resources | (Pages 91 - 96) |
| 13. Date of Next Meeting – 4 May 2022 10am | | |
| 14. Any other items which the Chairman has decided to take as urgent. | | |

TO:

Employer representatives

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

Employee representatives

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



Minutes of a meeting of the Local Pension Board held at County Hall, Glenfield on Monday, 8 November 2021.

PRESENT

Mrs. R. Page CC (in the Chair)

Mr. R. Shepherd CC

Mr. M. Saroya

Ms. C. Fairchild

Apologies

Apologies were received from Ms. R. Gilbert and Cllr E. Pantling.

111. Chairman's Announcements

The Chairman reported the resignation of Ms. D. Haller from her role on the Board the Chairman and all members of the Board thanked Ms. D. Haller for her long-standing commitment and contribution to the Leicestershire Pension Fund as an employee representative since the Board's inception in 2015.

112. Minutes.

The minutes of the meeting held on 23 August 2021 were taken as read, confirmed and signed.

113. Question Time.

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

114. To advise of any other items which the Chairman has decided to take as urgent elsewhere on the agenda.

There were no items for consideration.

115. 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.

Mr Shepherd CC declared a personal interest in respect of Agenda Item 5 Pension Fund Administration Report July to September 2021 as a Member on the Management Committee of East Midlands Shared Services and ESPO, and as a Member of Charnwood Borough Council.

Mrs. R. Page CC also declared a personal interest in Agenda Item 5 as a Member of Harborough Borough Council.

116. Administration Report July to September 2021 - Quarter Two.

The Board received a report from the Director of Corporate Resources regarding administration of the Fund July to September 2021. A copy of the report marked 'Agenda Item 5' is filed with these minutes.

Arising from the discussion the following points were noted:-

- i. As with other pension schemes, the Leicestershire Pension Fund had started to receive an increasing number of claims from Claim Management Companies, related to previous Fund members who had transferred out their benefits to a scam, or on bad advice. The Fund had taken external legal advice due to the high transfer values involved. The Ombudsmen would consider any claim and could require the Fund to make a compensatory payment to reinstate Member benefits into the scheme, or an element of compensation to pay the pension for the cost of their pension benefits. The Pensions Manager would continue to monitor the situation, and keep the Board informed.
- ii. The Pensions Manager informed the Board that there had been progression on the 2016 cost cap breach in October, and that HM treasury planned to proceed with all three proposed changes. As a result, the chance of a cost cap breach would be reduced for future valuations, from the 2020 exercise.
- iii. Due to the McCloud judgement it was not expected that the 2016 breach would remain breached once the McCloud costs had been included. However, Members noted that it did not resolve the ongoing challenge from Unions, as the outcome of the Judicial Review was still unknown. If the Unions were to win, scheme member benefits would still need to be recalculated.
- iv. The Fund had started to receive enquiries from a small number of multi academy trusts considering full transfers out to other funds, where the main source of the academy sat. Members noted that the process to transfer out employers was very time consuming for the administration. The Board were pleased to note a policy had been developed to manage the cases.
- v. For bulk transfers, the Fund looked at all active members, pensioners and reserve members for an employer and provided the information to the Actuary who assessed the Fund and liability. The Fund's Actuary would then agree with the Actuary of the receiving scheme a cost value based on the Membership, which would be paid across to remove all assets and liabilities. This meant the Fund would no longer have any responsibility, even for preserved and retired members. The Pension Manager could only speculate on the benefit for multi academy trust's transfers out, which likely related to an administrative benefit by minimising the number of Fund's it needed to liaise with and provide information to. Any bulk transfer would ultimately be approved by the Secretary of State, meaning academies could not renege on their decision.
- vi. Members were concerned to note that the admission agreement for Beacon Academy to Hutchinson Catering remained outstanding as Hutchinson wanted to wait for the completion of their commercial contract with Beacon.

- vii. Members noted the outstanding bond and admission agreements and were pleased that since publication of the report there had been progress with the completion of LIFE MAT to Total Swim.
- viii. Members noted that 14 scheme members did not receive an annual statement, which involved members who worked for Hutchinson and Atalian Servest. Members noted had once the admission agreement had been signed the scheme members would receive their annual benefit statement. The Pensions Manager assured the Board that the delays were due to the employers, not administration of the Fund.

RESOLVED:

- a) That the report be noted.
- b) That the Chairman write to Hutchinson Catering and Beacon Academy expressing concern regarding the outstanding admission agreement.

117. Continuous Improvements Report.

The Board considered a reported of the Director of Corporate Recourses providing an update on progress in respect of areas identified improvement within the Pensions Section. A copy of the report, marked 'Agenda Item 6', is filed with these minutes.

The Board noted that the current cost impact of McCloud, in relation to Fund resource was limited to an additional IT system interface tool procured from a current system provider.

RESOLVED:

That the report be noted.

118. Pension Fund Annual Report and Accounts 2020/21.

The Board considered the Fund's draft Annual and Accounts for 2020/21. A copy of the report marked 'Agenda Item 7' is filed with these minutes.

The Board welcomed the report and were pleased that it presented the Fund as being in a healthy position.

Arising from the report, the following points were noted:

- i) The Board noted the delay in the result of the External Audit of Leicestershire County Council and the Pension Fund, and that the delay was consistent with work across local authorities.
- ii) The Fund was cash flow positive, which meant it had more flexibility in changing its asset allocation, as it could buy assets with cash, rather than divesting current investments. It was recognised in future years cash flow was expected to decline.
- iii) It was evident to the Board that responsible investment was an increasing focus as demonstrated by the extended section within the Annual Report. Members were pleased to note LGPS Central supported the Fund on the matter as Central had a dedicated Responsible Investment (RI) Team.
- iv) The Director informed the Board that the next step for the Fund regarding Climate Change was to set its own targets. The Fund could not divest from all carbon emitters due to benefits some companies provided in the creation of green energy.

- v) The Annual report covered up to 31st March 2021, since year-end membership had changed, following the County Council election.
- vi) The Board requested that a glossary be produced for the report to explain the acronyms within the report.

RESOLEVD:

That the draft Pension Fund Annual Report be welcomed, and comments submitted as part of the report to the Local Pension Committee on 26 November 2021.

119. Local Pension Board Annual Report 2020/21.

The Board considered the draft Local Pension Board Annual Report which summarised some of the key highlights of the Board's work undertaken during 2020/21. A copy of the report marked 'Agenda Item 8' is filed with these minutes.

RESOLVED:

That the Local Pension Board Annual Report be approved.

120. Pension Fund Policy Report.

The Board considered a report of the Director of Corporate Resources which provided an update on the Pension Fund's policies. The report also sought the Board's views on new and amended policies. A copy of the report marked 'Agenda Item 9' is filed with these minutes.

Arising from the discussion the following points were noted:-

- i) Regarding administration charges, Members were assured that Employers were aware from their initial contact with the Pension Section, and that the detail was available in documentation issued to them.
- ii) Cases of overpayment were rare and usually related to overpayment of an ongoing pension, due to human error. For example, a widower pension would be paid at a higher rate for a period which would move to a lower rate, in one case had been missed, as previously reported to Board and Committee. The new tool Insight allowed for regular reporting to pick up such cases earlier. Ultimately each case would be considered on its own merit.

RESOLVED:

That the new and amended policies be supported.

121. Responsible Investment Update.

The Board considered a report by the Director of Corporate Resources, the purpose of which was to provide an overview of progress on the Fund's 2021 Responsible Investment Plan. A copy of the report marked 'Agenda Item 10' is filed with these minutes.

The Board noted that the Fund supported engagement, rather than exclusion as it was more compatible with the Fund's fiduciary duty and more supported of responsible investment as it provided the opportunity to influence companies through stewardship, that would be waived with divestment.

RESOLVED:

That the report be noted.

122. Risk Management and Internal Controls.

The Board considered a report by the Director of Corporate Resources, the purpose of which was to detail any concerns relating to the risk management and internal controls of the Fund. A copy of the report marked 'Agenda Item 11' is filed with these minutes.

Arising from discussion, the following points were made:-

- i. The Fund used the Faraday Tracing Bureau to identify the death of pensioners, to prevent overpayment, potential fraud or irregularity. The system did not work for overseas pensioners. The National Fraud Intelligence Bureau mortality screening, was able to check deaths of UK citizens abroad however only took place every two years. The Fund would consider changing it to biannually.
- ii. Members suggested that Claim Management Companies, the 2016 cost cap, and its link to the McCloud case, be incorporated into the risk register.
- iii. Members were informed that Risk 11 was expected to remain a significant risk as it would pose a significant impact to the Fund if it went awry, however it was not considered appropriate to increase it past eight.

RESOLVED:

That the risk register be reviewed inline with the comments set out by the Board

123. Date of Next Meeting.

RESOLVED:

That the next meeting of the Local Pension Board be Wednesday 16 February 2021 at 10.00am.

CHAIRMAN

08 November 2021

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LOCAL PENSION BOARD – 16 FEBRUARY 2022

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PENSION FUND ADMINISTRATION REPORT
OCTOBER to DECEMBER 2021 - QUARTER THREE

Purpose of the Report

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

Background

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

Performance Indicators

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

Performance of Pensions Section

4. The results for the October to December 2021 quarter are included as Appendix A
5. The Pension Section continues to deal with a large volume of work and the situation remains challenging. Workloads are reviewed and managed daily with resource moved to deal with the most pressing areas. Resource available to deal with member emails reduced during the quarter. The overall member experience dealing with the Pension Section remains strong at 91%.

Governance – Service Delivery**General Workloads**

6. The tables show the position in the key work areas, October to December 2021.

October 2021

Area	Cases completed in the period	Remaining cases at the end of the period	Maximum Number of Cases at Month End
Preserved benefits	191	1,356	900
Retirement Options	277	260	250
Retirements Paid	204	444	250
Deaths	92	202	100
Refunds	156	234	400
Pension Estimates	120	140	250
Transfers in	42	233	200
Transfers out (excluding interfunds out)*	27	41	100
Aggregations	96	741	1,000
New starters set up on the pension system	719	n/a	n/a

November 2021

Area	Cases completed in the period	Remaining cases at the end of the period	Maximum Number of Cases at Month End
Preserved benefits	190	1,647	800
Retirement Options	273	249	250
Retirements Paid	258	415	250
Deaths	126	200	100
Refunds	75	218	400
Pension Estimates	150	81	250
Transfers in	62	240	200
Transfers out (excluding interfunds out)*	28	48	100
Aggregations	89	1,029	650
New starters set	1,198	n/a	n/a

up on the pension system			
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December 2021

Area	Cases completed in the period	Remaining cases at the end of the period	Maximum Number of Cases at Month End
Preserved benefits	255	1,551	750
Retirement Options	236	228	300
Retirements Paid	191	405	300
Deaths	98	197	100
Refunds	58	213	400
Pension Estimates	84	56	250
Transfers in	60	243	200
Transfers out (excluding interfunds out)*	34	33	100
Aggregations	116	1,191	450
New starters set up on the pension system	1,434	n/a	n/a

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

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

7. The main points to note;

- Preserved benefits and aggregations remain high even after a concerted effort to reduce these over recent months. High levels of resource are still required to deal with large volumes of retirements and deaths which is impacting on the ability to reduce preserved benefits and aggregations. This remains the priority for the Fund valuation on the 31 March 2022.
- In preparation for the valuation an exercise was completed in December and January 2022 to investigate cases that may be leavers or may have transferred roles within the same job. This has identified cases that need further investigation with the employers. It is expected there will be an increase in preserved and aggregations totalling approximately 3,500.
- Officers are working with the system provider to develop reports to enhance the new bulk preserved process, to help manage the career average revalued earnings (CARE) cases more efficiently moving forwards.

- Throughout 2020/21, deaths have remained at approximately 200 per month and retirements at approximately 600 per month. The Pensions Manager is reviewing the maximum target numbers for 2022/23.

Complaints – Internal Disputes Resolution

8. The Pension Section deals with complaints through the Local Government Pension Scheme's formal Internal Dispute Resolution Procedure (IDRP). However, complaints are usually resolved informally, avoiding the need for the IDRP to commence. Initial complaints are often caused by misunderstandings or human error and can quickly be resolved.
9. In the period October to December 2021 there was one new IDRP Stage 2 appeal.
 - The case relates to the member challenging their employer's decision, not to qualify for ill health benefits.

There was progress on one existing Stage 2 case.

- This was referred back to the member's previous employer to reconsider their Stage 1 decision.
10. The Fund has two ongoing challenges brought by a Claims Management Company (CMC) against the Administering Authority, relating to scheme members who transferred out their Local Government pension benefits to alternative arrangements many years ago. These are currently with an external Legal Company that is assisting the Fund.

The claims have been brought by the same CMC who are acting on behalf of the members, on a "no win, no fee, basis".

Data Improvement

11. The Pension Section continues a phased implementation of monthly postings using i-Connect as part of the Leicestershire Fund's data improvement plan. The main developments since the Pension Board meeting in November 2021 relate to the following:
 - A total of 37 employers have gone live on i-Connect, including the following Phase 1 employers: Lutterworth Academies Trust, Rutland County Council and Stephenson Melton Brooksby Group (SMB Group).
 - All Phase 2 & 3 employers are live on i-Connect. This has been achieved by using the online return method for smaller employers, where figures are manually

typed into the i-Connect system. Smaller employers generally find this method more user friendly than the report upload process.

- There are 14 employers outstanding but St Thomas Aquinas, South Leicester College and Lady Jane Grey Primary School are all expected to go live in the next two months.
- Within the 14 employers outstanding, EPM administer the payroll for 6 of these employers. Officers have not had a response from this payroll provider since October 2021 despite reminders. It is expected employers using the EPM payroll will not go live until 2022/23.
- The following outstanding employers have not provided a report or have not replied in recent months: Capita Services ex Charnwood contract, Capita IT City of Leicester and Futures Trust (Hinckley Academy). These employers will not go live until 2022/23.
- The Pension Section is continuing to upload the following employers i-Connect reports to control the timing and ensure the quality of data: Leicestershire County Council, Leicestershire County Council Academies Fusion, Leicester City Council and Melton Borough Council.

Overview

12. As at the 31st January 2022, 92% of employers are live & approximately 96% of active members are live on i-Connect.

As at 31 January 2022	Employers	Active Members (approx.)
Total Fund	184	35,720
Live on i-Connect monthly posting	170	34,360
Not live on i-Connect (annual posting)	14	1,360
Percentage monthly posting	92% (previous quarter 72%)	96% (previous quarter 93%)

13. A full list of all employers monthly posting implementation as at 31st January 2022 can be found in Appendix B

14. The priorities over the coming months are;

- To implement the remaining employers.
- Ensure timely receipt and posting of data from the active employers in preparation for 2021/22 year-end.
- Ensure balancing discrepancies are queries quickly and resolved in advance of 2021/22 year-end.

Breaches Log

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

Governance – Audit

17. During the quarter October to December 2021, there were two Internal Audit reports received.
18. Firstly on 2021/22 contribution banding changes. This audit checks a sample of member's contribution bandings to salary, to highlight if people are paying incorrect pension scheme contributions.
 - a. All sample cases checked on payroll 23 (schools) were correct.
 - b. Two cases from a sample of 50 on payroll 10 (non-schools) did not reconcile so a further sample is being checked. However, the check took place using data from the first go live month for Leicestershire County Council on a new payroll system, so this could have contributed to these discrepancies.
19. Counter Fraud – National Fraud Initiative (NFI). The NFI exercise highlights pensioners that may have subsequently died, yet the Fund is continuing to pay a pension to the member.
 - a. Four cases were highlighted during the exercise. Fund Officers have investigated the four cases and there is no indication of fraud. There is a total overpayment of approximately £19.5K. Recovery investigation is underway, but where this may not be possible, a request for the amount/s to be written off will be made using the Fund's over/under payment policy.
 - b. Following the NFI exercise the Pensions Manager has agreed to more frequent NFI checks for overseas pensioners. Instead of a check every two years, the checks will be twice each year.

Governance - Regulations

20. A regulation change on the 30 November 2021 introduced new administration requirements designed to protect members from transfer out scams.
21. Transfers to pension arrangements, other than public sector (e.g. NHS, Teachers, Civil Service, Police, Fire, Local Government), authorised master trust schemes or authorised defined contribution schemes, require additional steps to be completed by the transferring out Pension Fund administrator.

22. The regulatory change to the transfer process is detailed separately in the Improvement Report that is included later in the Board agenda.

Governance – National Update (GAD Section 13 Report)

23. In November 2021 The Government Actuary's Department (GAD) published its [Section 13 report](#) that relates to Local Government Pension Fund valuations in England and Wales as at the 31 March 2019. The purpose of the Section 13 report of the Public Service Pensions Act 2013 was to consider issues of compliance, consistency, solvency and long terms cost efficiency across the various LGPS Funds.

24. Each Fund was assessed across the four categories and scored using a "coloured flag" to highlight material issues, warnings or satisfaction against each Fund's position.

- Red flag – indicates a material issue that may result in the aims of Section 13 not being met.
- Amber flag – indicates a potential material issue that funds should be aware of. In isolation this would not usually contribute to a recommendation for remedial action.
- White flag – an advisory flag that highlights a general issue but one which does not require an action in isolation.
- Green flag – indicated that there are no material issues that may contribute to a recommendation for remedial action.

25. Specific areas covered in the GAD Section 13 report and its appendix include.

- How the ranking of local funding levels varies when results are restated onto the Scheme Advisory Board (SAB) standardised basis.
 - i. As at the 31 March 2019 using the fund specific basis the Leicestershire Fund was 89% funded, however using the SAB standardised basis this increases to 103% funded.
- Pre-retirement discount rates
- Assumed asset out performance with discount rates
- Commutation assumptions for pre and post 2008 benefits
- Solvency measures
- Long term cost efficiency measures by Fund

26. The Leicestershire Fund scored a green flag in all areas.

27. Officers are working with the Fund Actuary, as part of the forthcoming valuation, to assess the Funds scores to see if changes should be made in any of the areas, to

further improve the Funds overall position. Further detail will be provided to the Local Pensions Committee throughout 2022 as part of the valuation exercise.

Governance – Fund Policies

28. Following the Board meeting on the 8 November 2021, the following Fund Policies were approved by the Committee as its meeting on the 21 January 2022.
- Revised administration and communication strategy
 - Distribution of death grant policy
 - Over and under payment policy
 - Revised Investment Advisor Objectives
29. The Committee also noted the Funds discretions. These had previously been approved by the Director of Corporate Resources who has delegated authority.

Governance – Actuarial

Valuation Preparation

30. Fund Officers have been working on investigating records where the pension scheme member may have left the scheme or changed employment role within the same employer, but the Pension Section had not been informed or more information is required.
31. It is expected that approximately 3,500 records will become preserved or have aggregations. Officers are working with employers on requesting further information where necessary, to enable Fund Officers to calculate these members pension benefits.

Governance – The Pensions Regulator Code of Practise

32. In 2021 The Pensions Regulator (TPR) completed a consultation on amalgamating their current codes into one single code.
33. The new code is expected to be published shortly and is likely to include some changes and additions that Funds will need to comply with.
34. The Fund's Actuary has indicated they will be comparing the current codes and the new single code via a "gap" analysis to assist Funds.
35. This will be a wide-ranging review of TPR code of practise, so the Pension Manager feels it will be beneficial for the Board to "deep dive" during 2022/23. A deep dive is included in the Fund's proposed Business Plan that is included later in the Board agenda. This exercise may involve external training.

Governance – Employer Risk

36. Fund Officers continue to regularly review employer risk. Where there are outstanding admission agreements or bonds, these are reported to the Board each quarter.
37. There are currently several outstanding cases that Pension Officers and internal Legal colleagues continue to try and resolve.
38. In the table below, the outstanding cases are listed in risk order, highest to lowest. The highest risk cases are the longest unsigned admission agreements. Unsigned admission agreements mean, the staff that have transferred to the new employer are currently not active LGPS members. Once the admission agreement is legally signed, the pension start date for the staff will be backdated to the date of transfer, so the staff do not lose any scheme membership.
39. Medium or lower risk cases tend to be where bonds are outstanding. The risk level is assessed by either bond value or the type of employer that provided the outsourcing and their ability to act as guarantor to the Fund.
40. When scheme members reach age 55 the risk increases because if those members are made redundant or retire on interests of efficiency, they qualify for unreduced pension benefits. A strain cost is generated that must be paid in full by the employer.
41. At the time of writing the report, 31 January 2022, there are several cases outstanding, but internal Legal colleagues are confident that some of these will be complete in February 2022.

Letting employer and Contractor	Outstanding Issue	Type of admission agreement and start date if outstanding	Full or Capital Cost Bond / Value and End Date	Comments (position at October 2021)	Fund Risk Level
LIFE MAT to Total Swim	Admission agreement and bond	Pass through 7 June 2021 7 members affected – they have been written to explaining the situation	Capital Cost Bond of £4,000	Draft bond and admission agreement circulated May 2021 Officers have contacted both parties to pursue signature of the admission agreement, while the bond is still being agreed. Officers continue to chase both parties for signature. Last chased January 2022	High
MEAD Educational	Admission agreement	Pass through 1	Capital Costs of £12,000	Draft bond and admission agreement circulated in	High

Letting employer and Contractor	Outstanding Issue	Type of admission agreement and start date if outstanding	Full or Capital Cost Bond / Value and End Date	Comments (position at October 2021)	Fund Risk Level
Trust to Taylor Shaw (Elior)	and bond	August 2021 9 members affected – they have been written to explaining the situation		October. Officers continue to chase both parties for approval for the documents. Last chased January 2022	
City Council (Glebelands) to Compass Services	Admission Agreement	Pass through 8 August 2021	N/A	Draft admission agreement circulated July 2021 Completion in full expected in February /March 2022	Medium/ High
City Council (Marriott) to Compass Services	Admission agreement and bond	Pass through 23 August 2021	Capital Costs of £36,000	Bond and admission agreement approved by all parties. Completion in full expected in February 2022	Medium/ High
South Charnwood High School to MCS Cleaning (2021 Contract)	Admission agreement and bond	Pass through 1 September 2021	Capital Costs of £10,000	Bond and admission agreement approved by all parties. Completion in full expected in February 2022	Medium/ High
The MEAD Educational Trust (Secondary schools) to Caterlink	Bond	Pre April 19 (Contract extended to 31/7/2022)	Full £160,000 to 31/7/2022 (previous bond lapsed on 31/7/2021 when original contract was due to end)	Officers were notified that the contract had been extended to July 2022. Officers are working with Legal colleagues on reinstating the bond	Medium
The MEAD Educational Trust (Primary Schools) to Caterlink	Bond	Pre April 19 (Contract extended to	Full £158,000 to 31/7/2022 (previous bond	Officers were notified that the contract had been extended to July 2022. Officers are working with Legal colleagues on	Medium

Letting employer and Contractor	Outstanding Issue	Type of admission agreement and start date if outstanding	Full or Capital Cost Bond / Value and End Date	Comments (position at October 2021)	Fund Risk Level
		31/7/2022)	lapsed on 31/7/2021 when original contract was due to end)	reinstating the bond	
Leicestershire County Council to Rushcliffe CARE	Bond (previously not required but member is age 55)	Pre April 2019	Capital Cost bond of £61,000 March 2021 3 years	Bond has been agreed and has been issued for signature	Low
Tudor Grange (Samworth) to CSE Ltd	Bond	Pre April 2019 (contract extended to 31/3/2022	Full. £58,000 to 31/3/2022 (previous bond lapsed on 31/3/2020 when original contract was due to end)	Bond has been agreed and has been issued for signature	Low
City Council to East West Community Centre Ltd	Bond (previously not required but member age 55)	Pre April 2019	Capital Cost bond of £16,000 March 2021 3 years	East West have requested clarification on the bond requirement. Officers responded in January 2022	Low

41. The cases completed in the quarter are listed below;

- Beacon Academy to Hutchinson – Admission agreement and bond (backdated to 1 January 2021)
- City Council (City of Leicester College) to Atalian Servest – Admission agreement and bond (backdated to 13 February 2021)
- City Council to G4S – bond only
- Blaby District Council (2019 contract) to SLM – bond only

Governance – Knowledge and Understanding

42. Board and Committee Members have access to the Fund Actuaries online LGPS training. The training is in manageable sections and covers a wide range of topics.

The Pensions Manager receives a monthly update, detailing which areas of the training Members have completed.

43. Officers believe this is a valuable tool, individually detailing which topics will be useful to assist Member's knowledge and understanding.

Recommendation

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

Equality and Human Rights Implications

None specific

Appendix

Appendix A – Key Performance Indicators October to December 2021

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

Appendix C – [GAD 31 March 2019 Section 13 Report and Appendices – 2021](#)

Officers to Contact

Ian Howe
Pensions Manager
Telephone: (0116) 305 6945
Email: Ian.Howe@leics.gov.uk

Declan Keegan
Assistant Director of Strategic Finance and Property
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Email: Declan.Keegan@leics.gov.uk

APPENDIX A

Quarter - October to December 2021									
Business Process Perspective	Target	This Quarter	Previous quarter	Customer Perspective - Feedback	Target	This Quarter	Previous Quarter		
Retirement Benefits notified to members within 10 working days of paperwork received	92%	85%	▼	87%	Establish members understanding of info provided - rated at least mainly ok or clear	95%	98%	▲	98%
Pension payments made within 10 working days of receiving election	95%	96%	▲	96%	Experience of dealing with Section - rated at least good or excellent	95%	91%	▶	91%
Death benefits/payments sent to dependant within 10 working days of notification	90%	89%	▶	89%	Establish members thoughts on the amount of info provided - rated as about right	92%	93%	▲	92%
					Establish the way members are treated - rated as polite or extremely polite	97%	98%	▲	100%
Good or better than target	▲				Email response - understandable	95%	89%	▼	96%
Close to target	▶				Email response - content detail	92%	90%	▶	97%
Below target	▼				Email response - timeliness	92%	83%	▼	95%

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APPENDIX : Position as at 31st Jan 2022

TOTAL EMPLOYERS: 184	Payroll / size of employer	Live on iConnect?	Phase	Current Status	Oracle / Fusion payroll	Handed over to ER	Recent Notes
Live on i-Connect (170 employers)							
Lutterworth Academies Trust / Lutterworth College	Medium	Yes	1	Live		Yes	Went live Nov 21
Rutland CC (Hoople payroll only)	Large	Yes	1	Live		Yes	Went live Nov 21
Stephenson Melton Brooksby Group (SMB)	Large	Yes	1	Live		Yes	Went live Jan 22
ASHBY TOWN COUNCIL	Small	Yes	2	Live		Yes	Went live Jan 22
Atalian Servest (City of Leics)	Small	Yes	2	Live		Yes	Went live Jan 22 - online return process
Caterlink (DRET)	Small	Yes	2	Live		Yes	Went live Nov 21
Caterlink (Mead ET Primaries)	Small	Yes	2	Live		Yes	Went live Nov 21
Caterlink (Mead ET Sec)	Small	Yes	2	Live		Yes	Went live Nov 21
Caterlink (The Futures Trust)	Small	Yes	2	Live		Yes	Went live Nov 21
Caterlink (Tudor Grange AT)	Medium	Yes	2	Live		Yes	Went live Nov 21
Caterlink (WQE1 Group)	Small	Yes	2	Live		Yes	Went live Nov 21
Mitie Care (Chief Constable)	Small	Yes	2	Live		Yes	Went live Jan 22 - online return process
Quadron Services	Small	Yes	2	Live		Yes	Went live Dec 21
Ridge Crest Cleaning	Small	Yes	2	Live		Yes	Went live Dec 21 - online return process
Ryhall CE Academy	Small	Yes	2	Live		Yes	Went live Oct 21
Stephenson Studio School	Small	Yes	2	Live		Yes	Went live Jan 22 - online return process
Turning Point (City Council)	Medium	Yes	2	Live		Yes	Went live Oct 21
Turning Point (County Council)	Medium	Yes	2	Live		Yes	Went live Oct 21
ANSTEY PARISH COUNCIL	Small	Yes	3	Live		Yes	Went live Oct 21 - online return process
Bagworth & Thornton PC	Small	Yes	3	Live		Yes	Went live Dec 21 - online return process
Blaby Parish Council	Small	Yes	3	Live		Yes	Went live Nov 21 - online return process
Chartwells	Small	Yes	3	Live		Yes	Went live Nov 21 - online return process
Churchill Contract Services	Small	Yes	3	Live		Yes	Went live Dec 21 - online return process
Cleantec Services (AET)	Small	Yes	3	Live		Yes	Went live Dec 21 - online return process
Compass Services (City, Shaf)	Small	Yes	3	Live		Yes	Went live Jan 22 - online return process
East Goscote Parish Council	Small	Yes	3	Live		Yes	Went live Dec 21 - online return process
East West Community Centre	Small	Yes	3	Live		Yes	Went live Dec 21 - online return process
G4S (City Council)	Small	Yes	3	Live		Yes	Went live Oct 21
Groby Parish Council	Small	Yes	3	Live		Yes	Went live Nov 21 - online return process
Hutchinson Catering	Small	Yes	3	Live		Yes	Went live Jan 22 - online return process
Kirby Muxloe PC	Small	Yes	3	Live		Yes	Went live Jan 22 - online return process
Oakham TC	Small	Yes	3	Live		Yes	Went live Jan 22 - online return process
Rushcliffe Care Ltd	Small	Yes	3	Live		Yes	Went live Nov 21 - online return process
Solo Service Group (Leics CC)	Small	Yes	3	Live		Yes	Went live Nov 21 - online return process

TOTAL EMPLOYERS: 184	Payroll / size of employer	Live on iConnect?	Phase	Current Status	Oracle / Fusion payroll	Handed over to ER	Recent Notes
Solo Service Group (Mowbray ET)	Small	Yes	3	Live		Yes	Went live Nov 21 - online return process
Thurcaston & Cropston PC	Small	Yes	3	Live		Yes	Went live Nov 21 - online return process
Waterloo Housing Group (Platform Housing Group)	Small	Yes	3	Live		Yes	Went live Nov 21 - online return process
ASHBY WOULD'S TOWN COUNCIL	Small	Yes		Live		Yes	
Aspens (City Crown Hills)	Small ER	Yes		Live		Yes	
Aspens (Lutterworth AT)	Small ER	Yes		Live		Yes	
Aspens (Mowbray Ed Trust)	Small ER	Yes		Live		Yes	
Aspens (Nova ET)	Small ER	Yes		Live		Yes	
Atalian Servest (Soar and Moat)	Small ER	Yes		Live		Yes	
Avanti School Trust	Medium	Yes		Live		Yes	
Barwell Parish Council	Small	Yes		Live		Yes	
BEACON ACADEMY MAT	Medium	Yes	1	Live		Yes	
Bellrock Management	Small	Yes		Live		Yes	
Better Futures MAT (Gateway 6th form college)	EMSS	Yes		Live	Oracle	Yes	
Blaby DC	Large	Yes		Live		Yes	
Bottesford PC	Small	Yes	3	Live		Yes	
Bradgate Park Trust	EMSS	Yes		Live	Fusion - Oct 20	No	
BRAUNSTONE TOWN COUNCIL iConnect	Small	Yes		Live		Yes	
Brookvale High School	Large	Yes		Live		Yes	
Broughton Astley PC	City	Yes		Live		Yes	
Charnwood BC	Large	Yes		Live		Yes	
Coombes Catering Ltd	Small ER	Yes		Live		Yes	
COUNTESTHORPE PC iConnect	Small	Yes		Live		Yes	
CSE (Samworth Tudor Grange)	Small	Yes	3	Live		Yes	
David Ross Education Trust	Medium	Yes		Live		Yes	
De Montfort University	Large	Yes		Live		Yes	
East Midland Shared Services	EMSS	Yes		Live	Fusion - April 21	No	
Embrace AT (incl. Brockington College)	Large	Yes		Live		Yes	
EMH Group (East midlands homes/housing group)	Small	Yes		Live		Yes	
Enderby Parish Council	Small	Yes		Live		Yes	
ESPO	EMSS	Yes		Live	Fusion - April 21	Yes	
FIRE SERVICE CIVILIANS iConnect	Large	Yes		Live		Yes	
GLEN PARVA PARISH COUNCIL	Small	Yes		Live		Yes	
Govindas (Avanti Schools)	Small	Yes		Live		Yes	
Harborough DC	City	Yes		Live		Yes	
Hinckley & Bosw'th BC	Large	Yes		Live		Yes	
Inspiring Primaries Academy Trust	Large - Academy	Yes		Live	Dataplan	Yes	
Learn Academy Trust	Medium	Yes		Live		Yes	
Leicester City Council	City	Yes		Live		No	
Leicester College	Large	Yes		Live		Yes	

TOTAL EMPLOYERS: 184	Payroll / size of employer	Live on iConnect?	Phase	Current Status	Oracle / Fusion payroll	Handed over to ER	Recent Notes
Leicestershire CC (payroll 10 & 23)	EMSS	Yes		Live	Fusion - April 21	No	
Leics Forest East PC	Small	Yes		Live		Yes	
Long Field Academy	Medium	Yes		Live		Yes	
Lough University	Large	Yes		Live		Yes	
Loughborough College	Large	Yes		Live		Yes	
LUTTERWORTH T C	Small	Yes		Live		Yes	
MARKET BOSWORTH PARISH COUNCIL	Small	Yes		Live		Yes	
Melton B C	City	Yes		Live		No	
Melton Learning Hub	Small	Yes		Live		Yes	
Midland Academies Trust	Medium	Yes		Live		Yes	
Mountsorrel PC	Small	Yes		Live		Yes	
MOWBRAY EDUCATIONAL TRUST	Medium	Yes		Live		Yes	
North West Leics D C	Large	Yes		Live		Yes	
Nova Ed Trust (Melton Vale)	Medium	Yes	1	Live		Yes	
Oadby and Wigston BC iConnect	EMSS	Yes		Live	Oracle	Yes	
OAK MAT	Medium	Yes		Live		Yes	
Priory AT Belvoir Academy, The	Medium	Yes		Live		Yes	
Queensmead Primary Academy	Medium	Yes		Live		Yes	
Rawlins Academy	Large	Yes		Live		Yes	
Rendell Primary School	Medium	Yes		Live		Yes	
Rise A CofE MAT (was Diocese of Leicester AT) SAAF payroll	Large	Yes		Live		Yes	
Rutland & District Schools' Federation	Medium ER	Yes		Live		Yes	
Scraptoft PC	Small	Yes		Live		Yes	
SHEPSHED TOWN COUNCIL	Small	Yes	2	Live		Yes	
SILEBY PARISH COUNCIL	Small	Yes	3	Live		Yes	
SLM (Blaby DC 2006 contract)	Small	Yes		Live		Yes	
SLM (Blaby DC 2019 contract)	Small	Yes		Live		Yes	
SLM (Oadby and Wig)	Small	Yes		Live		Yes	
SLM Everyone active (NW Leisure)	Large	Yes		Live		Yes	
SYSTON TOWN COUNCIL	Small	Yes		Live		Yes	
The Chief Constable & The OPCC	Large	Yes		Live		Yes	
The Mead Educational Trust	Medium	Yes		Live		Yes	
The Vines Academy Trust	Large	Yes	1	Live		Yes	
THURMASTON PARISH COUNCIL iConnect	Small	Yes		Live		Yes	
Voluntary Action Leicester	Small	Yes	2	Live		Yes	
Welland Park CC	Medium	Yes		Live		Yes	
Whetstone PC	Small	Yes		Live		Yes	
Woodbrook Vale School	Medium ER	Yes		Live		Yes	
WQE and Regent College group	Large	Yes		Live		Yes	
Wigston Academies Trust	Medium	Yes		Live	Fusion - Oct 20	No	

TOTAL EMPLOYERS: 184	Payroll / size of employer	Live on iConnect?	Phase	Current Status	Oracle / Fusion payroll	Handed over to ER	Recent Notes
DISCOVERY SCHOOLS MAT	Large - Academy	Yes		Live	Fusion - Oct 20	No	
Dorothy Goodman School	Large - Academy	Yes		Live	Fusion - Oct 20	No	
Forest Way School	Large - Academy	Yes		Live	Fusion - Oct 20	No	
Gartree High School	Large - Academy	Yes		Live	Fusion - Oct 20	No	
Kirby Muxloe Primary School	Large - Academy	Yes		Live	Fusion - Oct 20	No	
LIFE Academy Trust	Large - Academy	Yes		Live	Fusion - Oct 20	No	
Lutterworth High School	Large - Academy	Yes		Live	Fusion - Oct 20	No	
Mountfields Lodge School	Large - Academy	Yes		Live	Fusion - Oct 20	No	
Redmoor Academy	Large - Academy	Yes		Live	Fusion - Oct 20	No	
South Wigston High School	Large - Academy	Yes		Live	Fusion - Oct 20	No	
Stanton under Bardon Primary	Large - Academy	Yes		Live	Fusion - Oct 20	No	
Success Academy Trust	Large - Academy	Yes		Live	Fusion - Oct 20	No	
The Pastures Primary School	Large - Academy	Yes		Live	Fusion - Oct 20	No	
Apollo Partnership Trust	Large - Academy	Yes		Live	Oracle	No	
Asfordby Hill Primary School	Large - Academy	Yes		Live	Oracle	No	
Ash Field Academy	Large - Academy	Yes		Live	Oracle	No	
Ashby Hill Top Primary School	Large - Academy	Yes		Live	Oracle	No	
Ashby School	Large - Academy	Yes		Live	Oracle	No	
Attenborough Learning Trust	Large - Academy	Yes		Live	Oracle	No	
Barwell CofE Academy	Large - Academy	Yes		Live	Oracle	No	
Battling Brook Primary School	Large - Academy	Yes		Live	Oracle	No	
Birkett House School	Large - Academy	Yes		Live	Oracle	No	
Bottesford CofE Primary School	Large - Academy	Yes		Live	Oracle	No	
Bradgate Education Partnership	Large - Academy	Yes		Live	Oracle	No	
Castle Donington College	Large - Academy	Yes		Live	Oracle	No	
Church Hill CofE Junior School	Large - Academy	Yes		Live	Oracle	No	
Cobden Primary School	Large - Academy	Yes		Live	Oracle	No	
Falcon Primary School	Large - Academy	Yes		Live	Oracle	No	
Frisby CE Primary School	Large - Academy	Yes		Live	Oracle	No	
Glebelands Prim Sch (City)	Large - Academy	Yes		Live	Oracle	No	
Hall Orchard Primary School	Large - Academy	Yes		Live	Oracle	No	
Hastings High School	Large - Academy	Yes		Live	Oracle	No	
Herrick Primary School	Large - Academy / City	Yes		Live	Oracle	No	
Holywell Primary School	Large - Academy	Yes		Live	Oracle	No	
LIONHEART MAT	Large - Academy	Yes		Live	Oracle	No	
Loughborough CofE Primary	Large - Academy	Yes		Live	Oracle	No	
Measham CofE Primary School	Large - Academy	Yes		Live	Oracle	No	
Odyssey Education Trust	Large - Academy	Yes		Live	Oracle	No	
Old Dalby CofE Primary School	Large - Academy	Yes		Live	Oracle	No	
Outwoods Edge Primary School	Large - Academy	Yes		Live	Oracle	No	
Oval Learning Partnership	Large - Academy	Yes		Live	Oracle	No	

TOTAL EMPLOYERS: 184	Payroll / size of employer	Live on iConnect?	Phase	Current Status	Oracle / Fusion payroll	Handed over to ER	Recent Notes
OWLS MAT	Large - Academy	Yes		Live	Oracle	No	
Queniborough CofE Primary Sch	Large - Academy	Yes		Live	Oracle	No	
Robert Bakewell Primary School	Large - Academy	Yes		Live	Oracle	No	
Rothley CofE Primary School	Large - Academy	Yes		Live	Oracle	No	
Scholars Academy Trust	Large - Academy	Yes		Live	Oracle	No	
South Charnwood High School	Large - Academy	Yes		Live	Oracle	No	
St Mary & St John Rutland	Large - Academy	Yes		Live	Oracle	No	
St.Peters CofE Primary Academy	Large - Academy	Yes		Live	Oracle	No	
Stonebow Primary School	Large - Academy	Yes		Live	Oracle	No	
Symphony Learning Trust	Large - Academy	Yes		Live	Oracle	No	
The Learning without Limits AT	Large - Academy	Yes		Live	Oracle	No	
The Market Bosworth School	Large - Academy	Yes		Live	Oracle	No	
Thringstone Primary School	Large - Academy	Yes		Live	Oracle	No	
Thrussington CofE Primary Sch	Large - Academy	Yes		Live	Oracle	No	
Townlands CofE Primary Academy	Large - Academy	Yes		Live	Oracle	No	

Phase 1: Outstanding Employers (14 employers)

Brooke Hill Academy Trust	EPM payroll	No	1	With ER			EPM payroll: Await reply and amended report
CASTERTON B&EC AT	EPM payroll	No	1	With ER			EPM payroll: Await reply and amended report
L.E.A.D ACADEMY MAT	EPM payroll	No	1	With ER			EPM payroll: Await reply and amended report
Rutland CC (paid by EPM)	EPM payroll	No	1	With ER			EPM payroll: Await reply and amended report
Tudor Grange Academies Trust	EPM payroll	No	1	With ER			EPM payroll: Await reply and amended report
UPPINGHAM COMMUNITY COLLEGE	EPM payroll	No	1	With ER			EPM payroll: Await reply and amended report
The Rutland Learning Trust	Access Group payroll	No	1	With ER			Access payroll: First report draft received Jan 22
Capita IT City of Leicester	Medium	No	1	With ER			Capita: Await reply
Capita Services ex Charnwood	Medium	No	1	With ER			Capita: Await reply
Futures Trust (Hinckley Academy)	Medium	No	1	With ER			Futures Trust: Await report
Lady Jane Grey Primary School	Medium	No	1	With ER			Handover date TBC
SOUTH LEICS COLLEGE	Medium	No	1	With ER			Handover arranged 03/02
St Therese of Lisieux / St Gilbert of Sempringham	Small	No	1	With ER			Focus on St. Thomas Aquinas (same payroll)
St Thomas Aquinas CMAT	Large	No	1	With ER			Handover arranged 08/02

Phase 2: Outstanding Employers (0 employers)

Phase 3: Outstanding Employers (0 employer)

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LOCAL PENSION BOARD

16 FEBRUARY 2022

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PENSION FUND – BUSINESS PLAN AND BUDGET 2022/23

Purpose of the Report

1. The purpose of this report is to inform the Board of the Pension Section's Business Plan and Pension Fund budget for 2022/23.

Background

2. To demonstrate good governance the Pension Fund Budget and Business Plan are presented to the Board for consideration. This approach was introduced for the 2021/22 Budget and Business Plan.
3. The 2022/23 Business Plan and Budget will then be submitted to the Committee in March 2022 for approval to ensure the Pension Section is adequately resourced to continue to provide the level of service required by scheme members and Fund employers over the next financial year.

Business Plan

4. The Pension Section's Business Plan details the main changes that impact on the Pension Fund in 2022/23. The most significant are implementing a solution for the national Pensions Dashboards, implementation of McCloud, developing new bulk processes to assist with pensions administration and implementing the Pension Regulator's new Code of Practice. 31 March 2022 is the Fund's valuation date so a significant amount of time and resource will be working on valuation throughout 2022/23.
5. The key points are detailed in points 1, 4, 5, 6 and 10 within the Pension Administration business plan, attached as Appendix A.
6. The investments business plan covers five main areas, training, policies, asset allocation, fund valuation and reporting. The main areas of focus during the year will be developing the Fund's first Climate Strategy and ensuring it is aligned with the Strategic Asset Allocation. Full details of individual work and deliverables are included within Appendix B.

Pension Fund Budget

7. Is it important to note the Pension Fund budget is independent of the Council's budget and its finances are managed separately. The Director of Resources, as the Fund's designated senior officer, has reviewed the Pension Fund budget independently considering the full need of the service. Whilst the Good Governance project has not been finalised, Phase 3 of the report includes the proposal;
- Each administering authority must ensure their committee is included in the business planning process. Both Committee and LGPS senior officer must be satisfied with the resource and budget allocated to the deliver the LGPS service over the next financial year.
8. The budget is for one year (2022/23) but the projected estimated amounts have been included for 2023/24 and 2024/25. The 2021/22 budget and forecast are included for comparison purposes. The 2022/23 budget is expected to be sufficient to meet the Fund's statutory requirements.

Budget Heading	2020/21 Actual £'000s	2021/22 Budget £'000s	2021/22 Forecast £'000s	2022/23 Forecast £'000s	2023/24 Forecast £'000s	2024/25 Forecast £'000s
Investment Management Expenses (split into three areas)						
o Management	23,284	25,400	25,600	27,400	29,200	31,100
o Transaction	7,071	9,810	7,760	8,490	9,250	10,060
o Performance	13,241	5,490	10,900	11,920	13,000	14,130
Sub Total	43,595	40,700	44,260	47,810	51,450	55,290
LGPS Central costs (Governance, operator running costs, product development)	993	1004	972	986	969	1003
Staffing	1,202	1,400	1,400	1,470	1,540	1,615
IT costs	425	500	500	510	520	530
Actuarial costs	77	150	150	400	150	150
Support Services / other	451	400	400	410	420	430
Total	46,743	44,154	47,682	51,586	55,049	59,018
% of assets under management	0.99%	0.89%	0.92%	0.91%	0.89%	0.88%
Average assets under management in year	4,709,355	4,961,124	5,168,369	5,652,630	6,163,524	6,702,518

Investments

9. The Fund holds no reserves and has no capital expenditure planned.

10. Officers will consider how to monitor performance against certain elements of the budget that are not dependent on investment performance.
11. The total budget being requested for approval is £51.6 million for 22/23. A breakdown of the expenses is set out below.

Investment Management Expenses

12. Investment Management Expenses have been split into three sections, management fees, transaction costs and performance fees. There could be deviations from these numbers given the changes within fee structures and changes of investment manager. For example, reduced investment manager fees, as a direct or indirect result of asset pooling.
13. The 2020/21 investment management expenses are an estimate and will be subject to investment market returns, however the Fund has assumed a prudent long-term investment return for the purpose of this budget estimate.
14. This estimated increase in investment management expenses from £43.6 million in 2020/21 to an estimated £44.3 million for 2021/22 is mostly due to increases in management fees due to Fund's assets under management increasing, as most investment managers charge a percentage-based fee, thus as assets under management grow, so do management fees and associated transaction fees.
 - i. Management fees (£27.4 million) – Are paid to investment managers based on a percentage of the assets under management. Officers have assumed marginally lower management fees as a percentage of assets under management (AUM) in 22/23 based on investments in Central products that have lower fees generally versus a similar product with a legacy manager.
 - ii. Transaction costs (£8.5 million) – Contain costs relating to trading within the fund by the underlying investment managers whilst attempting to achieve the funds mandate.
 - iii. Performance fees (£11.9 million) - some investment managers have performance fees built into the agreed mandates which are paid once a performance hurdle is achieved. This can be highly variable given the Fund would not expect meaningful performance fees when general market returns are depressed.

LGPS Central costs oversight, governance and product development

15. The budget for LGPS Central and costs borne to the Fund, concerning oversight, governance and product development have not yet been approved. The Shareholder meeting is scheduled for February 22nd 2022. This request for budget approval is based on provisional estimates that could change.
16. The Fund's expected share of costs has been estimated at £0.97 million. These governance costs are split equally between the eight local authorities. Operator running costs are split based on assets under management and product development costs are allocated based on products that our Fund has expressed an interest in. As time has

passed the level of product development fees has reduced as the majority of Central products have been bought forward. There is likely to continue to be product development as Partner Funds have their own investment advisors with differing allocations and strategies being approved each year.

Staffing

17. The Pensions Administration staffing budget covers staffing related costs for 35 full time equivalent staff. This includes one apprentice. Staff numbers increased in 2020/21 to primarily assist on the McCloud project but to also to help with Fund employer work.
18. Whilst the final McCloud remedy remains outstanding, there is greater certainty on the outcome, so the Pensions Manager will advertise for two new permanent Pension Assistants in 2022 to help on McCloud and other administration areas. This will take place in March 2022, towards the end of the current kick-starters temporary contracts, and both will be available to apply.

IT Costs

19. Following a full tender process, the Pension Section invested in a new pensions administration system in 2018/19 including pensioner payroll, IConnect for employers to submit data monthly, the main core system, workflow and image, and member self-service.
20. The cost of the system was detailed in the tender and annual costs remains at £500,000 each year, plus an element for annual inflation. The Pension Section purchased a new reporting tool “Insights” from the pension system provider Heywood in November 2021. Officers are currently writing reports to improve efficiency and reduce risk.

Actuarial Charges

21. Actuarial charges are usually budgeted as £150,000 each year. However, in valuation years the budget increases to £400,000 to account for the significant increase in actuarial work. 2022/23 is a valuation year so the budget is £400,000.

Support Services

22. Support Services are made up of strategic financial and operational finance charges from East Midlands Shared Services, e.g. for providing the pensioner payroll service. The charge also includes the Fund’s legal costs.

Budget Summary

23. Over 85% of the budget is spent on investment manager related expenses. Given that most investment manager expenses are based on a percentage of assets under management any increase in asset values, for example an increase in stock market/equity returns, will result in higher management fees paid in total.

24. Investment management costs are volatile and are likely to be higher than budgeted if investment performance exceeds assumptions. Therefore, the costs detailed in the report could significantly change if returns exceed expectations.
25. A high level cash flow forecast is included in the table below. The Fund would expect to reduce cash in the year by around £80m to end the year 22/23 at around £100million.
26. This would be achieved through reinvestment activity in the main which would be offset by investment income (mainly infrastructure and property) and non-investment income owing to the fact the Fund collects more in employee and employer contributions than it pays in pensions.

Type of cashflow	£m	Description
Forecast Opening cash	180	Forecast opening cash position at April 2022.
Net investment activity	-172	Most mandates don't provide income distribution with reinvestment preferred whilst the Fund is cashflow positive. We are guided by managers with respect to net cashflows but these can be uncertain and as such these forecasts can have wide degree of uncertainty. The largest underweight positions are in private markets where money once committed takes time to be called. The largest two underweight positions are in infrastructure and property which will undergo a review in 2022. The outcomes of the review will take time to enact as described earlier. As a consequence of monies committed and not called and new commitment that need to be made we currently expect net outflows from private credit of £100m and infra of £35m. These will be offset by other markets such as PE where a net inflow is expected.
Management expenses	-5	These are investment management expenses paid directly by the Fund. Majority of fees are paid from the investments held with the managers.
Investment income	30	Primarily from property and infrastructure investments
Non investment cashflow	63	Employer and employee contributions exceed the benefit payments made. Only moves gradually compared to the previous year, unless a step change following the tri-annual valuation.
Currency Hedge	0	No cashflow forecast estimated given the inherent difficulty in doing so. The Fund currently has c£60m in collateral. This deemed adequate and would provide enough collateral for a 10% adverse movement in the Fund's 3 major foreign currency exposures, US Dollar, Euro and Yen. No forecast cashflow effect given no strong view on whether the Pound will strengthen or weaken over 22/23.
Change in 22/23 cash position	-84	The aim is to keep cash as low as possible by reinvesting in line with the strategic asset allocation. The use of a shorter term home where cash can be 'parked' awaiting calls from private market managers has been assumed in the calculation for net investment activity.
Forecast closing cash	96	

Recommendation

It is recommended that the Board notes the Administration and Investment Business Plans and proposed Pension Fund budget for 2022/23.

Equality and Human Rights Implications

None

Appendix

Appendix A: The Pension Section's Business Plan 2022/23

Appendix B: Leicestershire County Council Investment business plan 2022/23

Officers to Contact

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**Pensions Administration
Business Plan
2022-2023**

Level One – Changes that impact on the Pension Fund or Leicestershire County Council - (resourced from Pension Fund)

	Priority (Not business as usual)	Key Actions	Performance measures / KPI	Impact	Support required from another service	Customer	Timescale/ Due Date
1	Implement a solution for the national “pensions dashboard” project	<ul style="list-style-type: none"> • Write new reports via Insights to identify data improvements • Data cleanse member data • Reduce backlogs of preserved benefits and aggregations • Find a technical solution that meets the national dashboards requirements • Link the solution to the Fund’s current member self-service solution • Communicate dashboards to employers and fund members 	<ul style="list-style-type: none"> • Develop a new KPI to measure improvement in the take up of the Fund’s member self-service linked from the national dashboard 	<ul style="list-style-type: none"> • Increased administration cost for the solution • Resource required for report writing and data cleansing • Improved take up of the Fund’s member self-service • Review and amend communications and letters to include the national pensions dashboard 	<ul style="list-style-type: none"> • Heywood (system provider) • Fund employers 	<ul style="list-style-type: none"> • Pension Sections 98,000 scheme members 	<ul style="list-style-type: none"> • Project work – phased development and improvement • March 2023
2	Complete the implementation of a phased roll out of	<ul style="list-style-type: none"> • Phased roll out to all Funds employers 	<ul style="list-style-type: none"> • Report progress to the Local Pension Board on a 	<ul style="list-style-type: none"> • Reduces year-end queries • Assists 	<ul style="list-style-type: none"> • All employers’ payrolls and their external payroll 	<ul style="list-style-type: none"> • Remaining 22 fund employers 	<ul style="list-style-type: none"> • All remaining employers

	Connect with all the Funds employers	<ul style="list-style-type: none"> Continue to work with employers and their third-party payrolls on the specification 	<p>quarterly basis</p> <ul style="list-style-type: none"> Funds admin and comms strategy makes monthly posting a scheme requirement under TPR governance arrangements 	<p>employers</p> <ul style="list-style-type: none"> Member modellers are more accurate Validation in built to negate wrong data at source Meets TPR improvement plan requirements Improves overall efficiency 	<p>providers</p> <ul style="list-style-type: none"> Heywood (system provider) 	<p>with active members, 160 already completed. (182 employers in total)</p>	<p>by August 2022</p>
3	SAB – Good Governance Project	<ul style="list-style-type: none"> Implement the final areas of recommendation from the Good Governance Project 	<ul style="list-style-type: none"> Continue to watch the national position Guided by Hymans 	<ul style="list-style-type: none"> Improve the governance of the Fund Reduce risk 	<ul style="list-style-type: none"> Hymans Legal (potentially) Other Funds (potentially) Pensions Board, Committee and Democratic Services CIPFA SAB 	<ul style="list-style-type: none"> Scheme members 	<ul style="list-style-type: none"> No deadline set by SAB (on-going)
4	Implement the McCloud remedy	<ul style="list-style-type: none"> Continue to collect hour changes from employers from 1 April 2014 to 31 March 2022 Load the missing hours and service breaks into the pension system 	<ul style="list-style-type: none"> Revise benefits and adjust payments where necessary Develop a KPI for amending the benefits for scheme members 	<ul style="list-style-type: none"> Resource in the Pension Section (a temporary sub-team of 2 has been set up to initiate the work) Monitor the impact on the other teams in 	<ul style="list-style-type: none"> Pension colleagues (internal) Payroll colleagues (EMSS) Heywood (system changes) LGA Legal Services (potential for legal appeals) 	<ul style="list-style-type: none"> All scheme members and their dependants 	<ul style="list-style-type: none"> After remedy is known (currently unclear)

		<ul style="list-style-type: none"> Recalculate pension benefits for members since April 2014 Potentially offer aggregations to those members who previously decided against transferring Write to all impacted scheme members 		<p>the Pension Section – including the data loading requirements</p> <ul style="list-style-type: none"> Increased work and complexity for the Fund’s employers (reporting and extracting the data) 			
5	Develop new bulk processes	<ul style="list-style-type: none"> Move to bulk processes to run large admin areas (e.g. preserved benefits, refunds, certain estimates) Amend processes Set up new letters/workflows Devise simplified checking processes Negate the need for a leavers form (for some cases) 	<ul style="list-style-type: none"> Set new KPIs – showing cases run via the bulk processes (compared to case by case calculations) 	<ul style="list-style-type: none"> Internal resource available to work on other pressing areas Risk needs to be considered and managed appropriately 	<ul style="list-style-type: none"> Heywood (system provider) Employers Internal Audit 	<ul style="list-style-type: none"> All scheme members 	<ul style="list-style-type: none"> June 2022
6	Review and implement The Pension Regulators new Code of Practice	<ul style="list-style-type: none"> Review the new code Check the Fund’s compliance 	<ul style="list-style-type: none"> Report progress to the Pension Board 	<ul style="list-style-type: none"> Failure to comply could cause breaches of pension law 	<ul style="list-style-type: none"> Legal Services Hymans LGA Internal IT (on 	<ul style="list-style-type: none"> All scheme members 	<ul style="list-style-type: none"> Currently unknown but the new code

		<p>against all areas of the new code</p> <ul style="list-style-type: none"> • Make any necessary changes 			cyber security requirements)		is expected in 2022
7	Agree with the Chair of the Pension Board an area for the Board to “Deep Dive”	<ul style="list-style-type: none"> • Training (internal and/or external) 	<ul style="list-style-type: none"> • Report/s to the Board 	<ul style="list-style-type: none"> • Reduce risk • Increase awareness • Further support the Administering Authority 	<ul style="list-style-type: none"> • All Board Members • Pensions Manager • Hymans • Legal Services • External Trainer 	<ul style="list-style-type: none"> • Board Members • Admin Authority • Scheme members 	<ul style="list-style-type: none"> • March 2023
Level Two – Changes that impact on Corporate Resources							
8	Implementation of a postage, printing and scanning solution	<ul style="list-style-type: none"> • Finalise the arrangements with the temporary current provider • Investigate outsourced options • Potential for an external tender 	<ul style="list-style-type: none"> • Agree a detailed SLA with the provider covering – turn round times, escalation process, GDPR requirements, charges • Reduce postage using greater member self-service online solutions • Develop a digitised solution for post 	<ul style="list-style-type: none"> • Improve efficiency • Reduce the need for office working • Reduce costs • Reduce risk of failure if Pensions had to fully work from home (Covid) 	<ul style="list-style-type: none"> • Central Print • Internal IT • Pension colleagues • Procurement • Legal Services 	<ul style="list-style-type: none"> • Scheme members 	<ul style="list-style-type: none"> • June 2022

Level Three – Pension Section (continuous improvement) – (Resourced from the Pension Fund) – All Business as Usual and continually monitored

	Priority (Business as usual)	Key Actions	Performance measures / KPI	Impact	Support required from another service	EHRIA required Y/N	Officer	Timescale/ Due Date
9	Maintain the Local Government KPIs at or above target, for all areas of Local Government pension administration.	<ul style="list-style-type: none"> • Key focus on making payments to scheme members within the current KPI and customer satisfaction • Work closely with Pension Team Managers • Monitor changes in legislation • Monitor workloads • Monitor CIPFA benchmarking KPIs • Demonstrate value for money 	<ul style="list-style-type: none"> • Report the 3-business process and 7 customer perspective KPIs to the Local Pension Board each quarter 	<ul style="list-style-type: none"> • Maintain and improve customer service • Highlights any falls in service so these can be addressed quickly • Increased officer morale – positive feedback is very welcome 	<ul style="list-style-type: none"> • All fund employers 	N	Ian Howe	On-going Quarterly reports to the Local Pension Board
10	<p>Fund Valuation 31 March 2022</p> <p>To be completed by 31 March 2023</p> <p>Sets employer rates from 1 April 2023 to 31 March 2026</p>	<ul style="list-style-type: none"> • Calculate the Funds funding position • Confirm all employer contribution rates for the following three years • Consult with 	<ul style="list-style-type: none"> • Reduce employer risk • Reduce employer deficits • Increase employer security • Agree suitable and reasonable 	<ul style="list-style-type: none"> • Reduce Fund risk • Facilitates longer term employer budget planning • Significant resource required from the Pension Section • Increased administration and actuarial costs 	<ul style="list-style-type: none"> • Hymans • Pension Committee • Pension Board • All Fund employers 	N	Ian Howe	31 March 2023

		<p>employers on the ISS and FSS</p> <ul style="list-style-type: none"> • Agree Fund assumptions • Assess employer risk 	<p>employer rates</p>					
11	Implement ongoing customer service improvements	<ul style="list-style-type: none"> • Team Managers to explore ongoing customer service improvement opportunities • Implementation more online processes • Maintain the high standard within the customer help desk • Expansion of Member self-service and system modellers where possible 	<ul style="list-style-type: none"> • Implement new KPI's and review measuring techniques 	<ul style="list-style-type: none"> • Ensure the highest level of service available • Continually look to enhance and improve the customer experience 	N	N	Ian Howe	On-going
12	Develop a suit of Insight reports	<ul style="list-style-type: none"> • Monthly reconciliation between pensions admin and pensioner payroll 	<ul style="list-style-type: none"> • Monthly checks to be reported by Team Managers to the Pensions 	<ul style="list-style-type: none"> • Improves efficiency • Reduces risk (e.g. over or under payments) • Potentially eases workloads at year-end (spreading this 	N	N	Ian Howe	On-going

		<ul style="list-style-type: none"> Identify admin and payroll changes monthly e.g. short term to long term spouse's benefit Identify data improvement requirements Look at various options on how Insights will improve efficiency covering all Teams 	Manager	throughout the year)				
13	<p>Manage and reduce employer risk</p> <p>Keep the employer tracking system (EPIC) updated for monitoring employer changes and risks</p>	<ul style="list-style-type: none"> Continue to review bonds and guarantors Continue to guide new TUPE outsourcings to pass-through pooling Work with the remaining CABs and higher risk Education bodies on reducing their Fund risk 	<ul style="list-style-type: none"> Negating the need for full bonds where possible Assess bond values and take necessary action Inform the Board each quarter 	<ul style="list-style-type: none"> Reduce fund related employer risk Reduce full bond values by moving to pass-through when appropriate Reduce outsourcing pension costs and risk Reduce the risk of default by new employers at TUPE 	<ul style="list-style-type: none"> Hymans Legal services Employers 	N	Ian Howe	On-going
14	Achieve all the statutory deadlines – ABS by 31 August and	<ul style="list-style-type: none"> Work closely with Fund employers 	<ul style="list-style-type: none"> Regulatory statutory deadlines 	<ul style="list-style-type: none"> Failure is a reportable “material breach” of pension rules 	<ul style="list-style-type: none"> All fund employers and their 	N	Ian Howe	31 August 6 October

	pension taxation statements by 6 October			<ul style="list-style-type: none"> Reportable to The Pensions Regulator Inform the Local Pension Board Reputational damage 	payroll providers <ul style="list-style-type: none"> EMSS 			
15	Improve staff sickness levels within the Pension Section	<ul style="list-style-type: none"> Team Managers to continue to manage sickness 	<ul style="list-style-type: none"> Pension Section target of 5.0 	<ul style="list-style-type: none"> Increased sickness – negative impact on morale, KPIs and targets, increased risk of failure with customer service standards and increases time for work completion 	N	N	Ian Howe	On-going
16	Continue to improve home working solutions	<ul style="list-style-type: none"> Continue to reduce post moving more to MSS Improve workflow processes Maintain close contact with all colleagues working from home 	<ul style="list-style-type: none"> Increase MSS take up Target specific employers on MSS take up Team Managers to liaise at least one a week with each member of their team Pulse survey after each Office Meeting 	<ul style="list-style-type: none"> Maintain staff morale Improved efficiency Reduced risk 	N	N	Ian Howe	On-going

Pensions Administration

Overview

- Provides a statutory service administering the Local Government Pension Scheme to over 190 employers in the Leicestershire Fund with over 98,000 scheme members.
- Rated highly by customers for providing a positive customer experience
- Reports to the Leicestershire Local Pension Board and Pensions Committee, made up of both employee and employer representatives

Key drivers

- Continue to achieve or better, key performance indicators in business processes and customer satisfaction
- Continue to develop processes on-line to improve the customer experience, concentrating on improved efficiency, reduced risk and improved home working
- Develop bulk processes internally to improve efficiency and make resource available in other key work areas
- Implement the McCloud remedy
- Complete the Fund valuation
- Improve reporting and efficiency via Insights
- Implement a solution to the national dash boards exercise
- Complete monthly postings of contributions from employers to negate the significant peak of year-end work, spreading this throughout the year
- Continue to build on the home working solution to make this more efficient and maintaining staff morale
- Maintain staff wellbeing throughout the on-going pandemic and beyond

Business plan 2022/23 – Investments

Item	Key in year deliverables	Aims	Support	Timescales
Training				
Continuous training of the Local Pension Committee	<ul style="list-style-type: none"> • Officers to review training policy and training needs self assessment for members • Publicise the annual RI / stewardship meeting LGPS Central organise • Share details of quarterly LAPFF (Local Authority Pension Fund Forum) meetings with Members allowing opportunity to attend (virtually/in person) • New Members to have induction with relevant officer(s) and induction pack • Hymans training module 1 – intro to the LGPS • Hymans training for all officers and members in 22/23: <ul style="list-style-type: none"> • Mod 2- LGPS Governance • Mod 4 – Funding and actuarial matters • Mod 5 - Investments • Create plan for 23/24 based on self assessments 	<ul style="list-style-type: none"> • Training needs to understand individual requirements, officers to advise Member accordingly • To build RI understanding whilst developing Climate Strategy for the Fund • LAPFF highlight engagement success and progress as well as informing of new areas of RI. • Hymans online training to generally improve knowledge in the most important areas for Committee members and officers 	Training from external sources can include Hymans, LGPS Central, LAPFF, Funds investment managers	<ul style="list-style-type: none"> • March 2023
Policies				
Deliver a comprehensive climate strategy for the Fund	<ul style="list-style-type: none"> • Officers to propose a workplan for approval • Recruit appropriate resource • Schedule meetings with members as needed to form direction of travel, improve 	<ul style="list-style-type: none"> • To deliver a robust climate strategy in line with a recognised framework (IIGCC) that can be used to 	External support / resource as required to be defined for selected workstreams,	<ul style="list-style-type: none"> • Plan to be delivered in March 2022 with proposal

	<p>understanding and make decisions</p> <ul style="list-style-type: none"> • Climate strategy to include: <ul style="list-style-type: none"> • Governance and strategy • Targets – long and medium term with review policy • How strategic asset allocation may be utilised to reach targets • Asset class alignment – includes setting goals of increasing AUM in asset classes aligned to achieving net zero • implementation plan for the Climate Strategy • Consultation with employers and employees • Design and Publication of strategy 	<p>manage the carbon ambitions for the Fund.</p> <ul style="list-style-type: none"> • To communicate to scheme members and interested parties. 	<p>Hymans, LGPS Central, other external body or LCC resource</p>	<ul style="list-style-type: none"> • Draft strategy available for consultation in June for employers and employees • Implementation plan proposed following approval of a Climate Strategy
Update Investment Strategy Statement (ISS)	<ul style="list-style-type: none"> • Annual update of ISS to include changes from 2021 Strategic Asset Allocation review • Inclusion of approach to cash management • Include from Climate Strategy how investment strategy may be affected 	<ul style="list-style-type: none"> • Annual refresh to set the parameters within which the Fund’s assets can be invested 		<ul style="list-style-type: none"> • January 2023
Asset allocation				
Enact the 2022 decisions from the Strategic Asset Allocation (SAA)	<ul style="list-style-type: none"> • Perform asset class reviews for: <ul style="list-style-type: none"> • Property, • infrastructure and • listed equity • Create and propose implementation plan for associated outcomes • Enact other decisions as approved by the Committee in Jan 2022: <ul style="list-style-type: none"> • Decision on Central targeted return product • Distressed debt opportunity • Use of short duration products to ‘park’ excess cash 	<p>To complete Fund decisions proposed by Hymans and approved by Committee in Jan 2022</p>	<ul style="list-style-type: none"> • The Fund’s investment advisor Hymans Robertson 	<ul style="list-style-type: none"> • Property – April 2021 • Infrastructure – July 2021 • Listed Equity tbc pending outcomes from Climate Strategy

	<ul style="list-style-type: none"> • Develop the Funds rebalancing principles to approve during the year 			
Investment manager presentations	<ul style="list-style-type: none"> • Four manager presentations covering 4 differing asset classes at Pension Committee. Infrastructure–(IFM), Active equities / Private Markets (Central), Passive equities / Timberland • Each manager to cover the following: <ul style="list-style-type: none"> • ESG – eg how they identify, assess, and manage climate risks • Performance • Market outlook general & their sector 	<ul style="list-style-type: none"> • To improve the Committee understanding of related mandate • Question manager on the ESG polices and performance versus mandate goals 		<ul style="list-style-type: none"> • Investment managers TBC for committee meetings in March, June, September and November
2023 Strategic asset allocation preparatory work	<ul style="list-style-type: none"> • Produce 2023 investment strategy refresh, including: <ul style="list-style-type: none"> • climate strategy proposals • March 2022 actuarial fund valuation • Asset class reviews 	<ul style="list-style-type: none"> • To provide the Fund the right level of return taking into account all risks, assets and liabilities 	<ul style="list-style-type: none"> • The Fund’s investment advisor Hymans and any third party with respect to Climate strategy 	<ul style="list-style-type: none"> • The SAA is normally delivered for approval at the January Local Pension Committee meeting
Valuation				
Triannual valuation	<ul style="list-style-type: none"> • Update the Committee on progress with the Fund’s valuation • Invite Hymans and Vita (longevity analysis) to Committee during the year • Revised funding Strategy, including new employer rates for consultation and approval 	<ul style="list-style-type: none"> • To update and decide on key assumptions 	<ul style="list-style-type: none"> • Hymans Robertson, Club Vita 	<ul style="list-style-type: none"> • During 2022
Reporting				
Reporting	<ul style="list-style-type: none"> • Review volume of information the Committee receives. Manager reports, for example add a fair proportion to the overall size of the pack. 	<ul style="list-style-type: none"> • To improve the effectiveness of Committee meetings 		<ul style="list-style-type: none"> • During 2022

2022/23 RI Plan	<ul style="list-style-type: none"> ○ Include recommendations from climate risk reports 21/22 and 22/23 into the RI plan.:Updating of the governance policy statement to explain how climate risks are governed ○ ○ Develop climate strategy and communication of climate risks ○ Consider reporting against the stewardship code ○ Review as part of the FSS the extent to which climate risks could affect other risks noted in the FSS ○ Implementation of the approved climate strategy (multi-year activity) ● Reporting against the Fund’s TCFD (taskforce on climate financial disclosures) recommendations which will include various disclosures covering the following: <ul style="list-style-type: none"> ○ Governance ○ Strategy ○ Risk management ○ Metrics and targets ● Deliver the third climate risk report for the Fund 	<ul style="list-style-type: none"> ● To be compliant with the recommendations from the Fund’s TCFD report ● Improve appreciation of climate risks from the 3rd iteration of the report ● Improve the measurement of carbon metrics by investigating how previously uncalculated asset classes could be measured. 	<ul style="list-style-type: none"> ● LGPS Central 	<ul style="list-style-type: none"> ● Climate Risk report to be delivered during the second half of the year, usually November
LGPS Central	<ul style="list-style-type: none"> ● Update Committee with Shareholder and customer activity with respect to actions or decisions taken at the Joint Committee and Company (central) meetings 	<ul style="list-style-type: none"> ● In line with good governance of the Fund 		<ul style="list-style-type: none"> ● As appropriate through 2022/23

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LOCAL PENSION BOARD

16 FEBRUARY 2022

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PENSION FUND CONTINUOUS IMPROVEMENTS REPORT

Purpose of the Report

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

Background

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

Member Self Service (MSS)

3. Pensions provide a Member Self Service facility through the website for scheme members and encouraging them to sign up is a key aim. All scheme members have the opportunity to register for an MSS account which allows them instant access to their pension details. It allows members to see the current value of their pension benefits as well as the ability to transfer documents securely to and from the pensions section. Active and deferred members are able to perform their own pension calculations, whilst pensioner members are able to download and print off payslips and P60s. A demonstration of the system was most recently provided to the Board following the meeting on 8th February 2021
4. The latest figures, provided in Appendix A continue to show a steady increase in the number of members registering for MSS, with Leicestershire Police now having over half of their members either partially or fully registered.

Improvements to Starter Process

5. Officers have begun work on amendments to the current process with regards to the initial documentation that is issued to new scheme joiners.
6. Currently, a letter welcoming members to the scheme is issued along with a Membership Form, which contains information regarding the LGPS as well as the opportunity to declare any previous public sector membership for possible transfer. The letter also advises that the member can tell the Fund about beneficiaries that they would wish to receive all or part of a Death Grant in the event of their death. As well as requires that the member submit copies of their birth certificate, plus marriage certificate where applicable.
7. The new approach is intended to direct scheme members to the website where they can refer to information about the scheme and register for MSS (where they can complete a Death Grant Expression of Wish form and also to download a Transfer form where required). The requirement to submit certificates at this stage of the process would be removed, instead this would be requested upon leaving. Members who do not have access to the internet would be asked to contact the section to obtain a paper 'Starter Pack'.
8. There are two main aims of this approach. Firstly, to encourage more users to register for MSS and secondly, to reduce the amount of paper coming into the office.
9. It is intended to launch this approach from April, as this will coincide with an amendment to the letters that refer to the auto enrolment process that are issued by employers to members when their employment commences. A bulletin will be issued to employers in late February.

Insights Reporting Tool

10. The Insights Reporting Tool, referred to in the November 2021 report, which is part of the Heywood suite of products, has now been purchased. Three initial training sessions have taken place for officers who will be responsible for developing reports. The intention is now for those officers to develop reports of their own and several reports have been earmarked for internal development.
11. In addition, Heywood are assisting Fund officers on two reports specifically for the Leicestershire Fund:
12. The first report is to provide a reconciliation between the admin and the payroll elements of the Altair system. The intention is that this will automatically notify Officers in the Payments and Taxation Team of discrepancies via an email, giving them the opportunity to investigate the issue highlighted. An initial early version has been produced and is with officers for testing. Once the report has been signed off, then an initial

exercise of working through any cases will be undertaken with a view to having the new report working from April.

13. The second report is to assist officers with checking deferred benefits calculated in bulk. This will automatically run comparisons between CARE pay and pension contributions (and provide allowances for a small variance between the figures) to ensure that the figures look reasonable. It will also highlight any significant fluctuations in pay by comparing the annual figures submitted at the end of each tax year. A tolerance level can be set by the Officer running the report.
14. The bulk calculations will be mainly performed on cases where the data has been submitted through iConnect and the report will help give officers assurance that the data provided is reasonable. This will also strengthen the intention to remove the requirement for ePen3 leaver forms for this category of cases. This report is expected to be ready for sign off by the end of February 2022.

Customer Satisfaction Surveys

15. As stated in the previous Continuous Improvement report, Customer Satisfaction Surveys are now being issued electronically on a monthly basis to members who have registered for MSS and were provided with their documentation through the online portal. I am able to report an increase in return rates this quarter, although the figures are still relatively low, i.e.:
- October: 28 (22.05% of members contacted)
 - November: 22 (16.3%)
 - December: 23 (13.61%)
16. Figures do not include paper forms issued and returned. Rates continue to be monitored.

Cyber Security

17. An annual review of the Pensions Information Security Risk Assessment was conducted by Leicestershire County Council's Information Governance team in October 2021. The Fund is pleased to report that no issues were identified and the process was signed off on October 29th 2021.

Changes to Pensions Transfer Legislation

18. The Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021 were introduced with effect from 30th November 2021. These regulations introduced legal restrictions to the scheme member's statutory right to transfer. The regulations give Funds tools to act where suspicions about the circumstances that have prompted the transfer request are identified. It will no longer be the case that the member can insist on a statutory transfer taking place in such circumstances. Note that this legislation does not apply to cash transfer sums, i.e. where a member with an

- entitlement to a frozen refund (where membership of the scheme is under two years) elects to transfer out.
19. The changes to the legislation mean that officers must ensure specific checks are made before complying with a member's request to transfer their pension. This forms part of the due diligence process for transfer requests.
 20. The checks will determine whether the request meets the conditions to enable a statutory right to transfer, including whether a member is required to have guidance from 'Money Helper', a government backed organisation that provides financial information. Officers must take a risk-based approach to the decision making based on the information obtained from the process.
 21. Whilst most transfer requests are likely to be straightforward and will be completed before the statutory six month deadline, a minority of cases will require more investigation.
 22. There are some receiving schemes to which a transfer can proceed with no further checks. If the receiving scheme is not one of these, further assessments will need to be carried out before officers can confirm that a transfer can be paid.
 23. Other than when a transfer is to a public service scheme, master trust or collective money purchase schemes, funds must decide if there are 'red flags' or 'amber flags' present. **If there are red flags, the transfer must not be paid.** If there are amber flags the transfer must be paused until the member can provide evidence that they have received pension scams guidance from Money Helper. This guidance is **in addition** to the appropriate independent advice that the member must take for cases where the value of the transfer is £30,000 and above, which must be taken at their own cost.

Due Diligence Process

24. During the transfer process the following checks must be carried out to determine which conditions apply to the transfer and whether it is possible to proceed with a statutory transfer.
25. It is important to note that no single piece of basic due diligence can definitively rule out the risk of a pension scam and Officers must make a decision using evidence from all the checks carried out.
26. Officers should also be aware of member vulnerability. People can become vulnerable at any time and some members may need more support to avoid being scammed. There are examples of factors used to identify vulnerability in the PSIG guide (Appendix E).
27. Broadly there are two conditions that need to be assessed in order to establish if a transfer can proceed.

28. Firstly, Officers must check if the scheme is either a Public Sector Scheme, an Authorised Master Trust or a Collective Defined Contribution Scheme. If this condition is satisfied, then the transfer can be paid.
29. Secondly, Officers must check for an employment link (where the transfer is to an occupational scheme), overseas residency (where the transfer is to an overseas scheme) and red and amber flags.
30. Following this check, Officers must decide whether the transfer is able to proceed, be paused due to the presence of Amber Flags or stopped due to the presence of Red Flags.

Red and Amber Flags

31. Where, during the due diligence process it is established that one or more of the following scenarios apply, known as 'Red Flags', then Officers will need to stop the transfer:
32. Where, during the due diligence process it is established that one or more of the following scenarios apply, known as 'Amber Flags', then Officers must direct the scheme member to 'Money Helper' for further advice. The meeting must be for the scheme member themselves, not someone acting on their behalf. The scheme member will also need to provide evidence that the appointment took place.

Money Helper

33. Money Helper is an independent body set up by the government, the purpose of which is to help identify common risks involved in transfers, highlight the dangers of scams and allow the member to consider whether to proceed with their transfer. This service does not replace the due diligence that Funds will still need to undertake.
34. Sessions must be booked and attended by the scheme member, not someone acting on their behalf. This would be required even if the member has already received financial advice from an approved financial adviser.
35. It is considered good practice to ask the member to confirm once they have booked the appointment. Once they have attended, they will be provided with a unique reference number, which must be forwarded to the Fund. If they do not, this is considered a Red Flag and will be considered grounds for stopping the transfer.
36. Where a member, having received the Money Helper guidance decides to proceed with the transfer, this will need to be recorded on his pension record and then the transfer can be paid. If they decide not to proceed then Officers will need to consider whether to report the transfer as a potential scam.

Clean List

37. Funds may wish to keep 'Clean Lists'. A clean list is a record of low risk occupational and personal pension schemes. These records allow you to maintain a smooth transfer process where your due diligence analysis shows little or no risk. This list should be reviewed regularly to make sure that schemes continue to present low risk.
38. Officers are currently considering how to put this into practice, starting initially with a review of schemes that transfers have been paid to previously. Where there were no issues it is likely that they will be added to the list. The bank details of the scheme will also be included on the list and before any future payments are made, these will be checked to ensure that this hasn't changed. The Local Government Association has been asked about the possibility of a national clean list but at the time of writing there has been no real indication if this is likely to happen.

Changes to Process

39. To comply with the new legislation, Officers are currently taking steps to update our processes.
40. To help with this, there are two key documents available to refer to as part of the planning. The Local Government Association (LGA) have produced a [Non Club Transfer Guide](#) which has been updated to reflect the new requirements. In addition, the Pension Scams Industry Group, 'PSIG' have updated their guide '[Combating Pension Scams – A Code of Good Practice](#)', and both documents have been taken into account when establishing the changes that need to be made. In addition, guidance has also been published on [The Pension Regulator website](#).
41. The key changes to be made to the existing process are:
- Ensure that the initial letter that is sent to members following their initial request is updated to advise that their transfer request could be refused;
 - The existing transfer quotation letters are updated to reflect the changes in the requirements;
 - Update due diligence checks following receipt of requests for the transfer to proceed to ensure checks around Red and Amber Flag issues are covered;
 - Update process notes for colleagues and provide training.
42. The LGA produce transfer documentation which is available on their website for Funds to use. Since the changes they have produced a new template of an acknowledgement letter for use in transfer cases. This letter is designed to be issued to scheme members following receipt of a request for a 'statement

of entitlement' i.e. a transfer quotation and Officers have incorporated the content into our own letter to ensure this is now compliant with the new changes.

43. In addition, the LGA have stated that work has begun on the creation of a 'transfer pack' which is designed to replace their existing forms currently in use. The introduction of the transfer pack is also intended to simplify the process to a degree. However, it is likely to be up to six months before the pack is ready for use.
44. Until the transfer pack is circulated to Funds then existing letters will need to be amended to ensure that they are compliant with the legislative changes and at the time of writing Officers are working through these.
45. The regulations stated that the changes must be in place made for all transfer requests received within one month of 30th November 2021, i.e. the implementation date. To comply with this, a short term change was made to the initial acknowledgement letter that was sent out, prior to the change made following the production of the LGA template, in order to ensure that the initial stage of the process was compliant.
46. Officers will monitor all transfers received from 1st January 2022 to keep records of numbers received and where the member is potentially transferring to, plus any problems that may arise, to help identify any potential increase in resource in this area of work.
47. An update on progress made in this area of work will be provided to the Board in six months.

Normal Minimum Pension Age

48. In a separate development, the Finance (No2) Bill 2021/22, currently in draft form includes a clause that introduces an increase in the normal minimum pension age (NMPA) to age 57 from 6th April 2028. This clause states that members of registered pension schemes who had a right to take their entitlement to a benefit under their scheme before age 57 before 4th November 2021 will have a protected pension age. A protected pension age will only affect the age at which an LGPS member can take their pension if the responsible authority makes changes to the scheme rules to implement the protected pension age. We do not yet know whether the responsible authorities plan to make such changes.
49. The draft bill states that members will continue to benefit from a protected pension age after completing a transfer. Members who join the LGPS on or after 4th November 2021 will not meet the entitlement condition.

50. Where a member who joined the LGPS before 4th November 2021 transfers out, informing the receiving scheme that the member met the entitlement condition in the LGPS.
51. Where a member joined on or after this date then it may be the case that additional information may need to be supplied if the member's LGPS benefits include a transfer in has been 'ringfenced'. Ringfencing benefits that a member who met the entitlement condition in their previous scheme transfers into the LGPS on or after 4th November 2021. It is likely that the solution will be in the hands of our software suppliers
52. The LGA have suggested that Funds may wish to consider making changes to their processes in anticipation of these changes now. Officers will therefore need to consider whether this additional information can be included in transfer documentation to reduce the likelihood of having to re-visit cases in the future.

Recommendation

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

Equality and Human Rights Implications

54. None specific

Appendix

Appendix A: Member Self Service Registrations 14th January 2022

Appendix B: Areas of Improvement January 2022

Appendix C: [The Occupational and Personal Pension Schemes \(Conditions for Transfers\) Regulations 2021](#)

Appendix D: [Non Club Transfer Guide \(Local Government Association\)](#)

Appendix E: ['Combating Pension Scams – A Code of Good Practice'](#) (Pension Scams Industry Group)

Appendix F: [Statutory Timeline for processing transfers](#)

Appendix G: [Details of Red and Amber Flags](#)

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Appendix A Member Self Service Statistics as at 14th January 2022
Figures show members who have partially or completely registered for MSS

	Current Figures for Board Report dated 16th February 2022	Figures for Board Report dated 8th November 2021	Current Figures for Board Report dated 16th February 2022	Figures for Board Report dated 8th November 2021	Current Figures for Board Report dated 16th February 2022	Figures for Board Report dated 8th November 2021	Current Figures for Board Report dated 16th February 2022	Figures for Board Report dated 8th November 2021
	All Employers	All Employers	County	County	City	City	Police	Police
Active Members	14,006 (37.88%)	13,471 (37.5%)	3,121 (38.04%)	3,059 (39.0%)	3,084 (36.64%)	2,973 (35.9%)	860 (50.12%)	833 (48.6%)
0-39	2762 (23.58%)	2623 (23.9%)	651 (25.81%)	625 (27.3%)	540 (21.41%)	511 (21.1%)	211 (32.16%)	197 (29.9%)
40-49	3139 (33.73%)	3007 (32.7%)	692 (31.68%)	682 (32.4%)	618 (30.84%)	593 (29.6%)	169 (48.42%)	161 (46.3%)
50-59	5497 (48.57%)	5306 (47.3%)	1194 (47.91%)	1176 (48.0%)	1237 (46.43%)	1202 (45.3%)	332 (64.97%)	333 (64.6%)
60+	2608 (56.18%)	2535 (55.5%)	584 (57.99%)	576 (57.1%)	689 (56.11)	667 (55.7%)	148 (74.00%)	142 (73.5%)
Deferred Members	8,344 (27.44%)	8,020 (26.6%)	2,504 (26.15%)	2,457 (25.4%)	1,844 (24.10%)	1,801 (23.5%)	332 (34.16%)	314 (32.7%)
0-39	1286 (16.94%)	1209 (16.0%)	284 (14.93%)	283 (14.5%)	255 (13.88%)	246 (13.1%)	87 (22.14%)	79 (20.2%)
40-49	2013 (23.39%)	1938 (22.6%)	559 (21.55%)	551 (20.9%)	456 (20.21%)	443 (19.7%)	91 (35.83%)	88 (34.5%)
50-59	4105 (35.09%)	3978 (34.2%)	1353 (32.48%)	1318 (31.6%)	939 (32.08%)	927 (31.5%)	124 (45.76%)	120 (45.4%)
60+	940 (37.36%)	895 (36.5%)	308 (33.62%)	305 (33.5%)	194 (30.79%)	185 (29.9%)	30 (55.56%)	27 (52.9%)
Pensioner Members	12,090 (42.76%)	11,596 (41.5%)	4,141 (38.94%)	3,995 (37.8%)	3,003 (41.85%)	2,878 (40.7%)	461 (53.86%)	445 (52.7%)
Dependant Members	617 (21.57%)	609 (21.4%)	226 (22.14%)	222 (21.6%)	161 (21.67%)	159 (21.7%)	19 (23.46%)	19 (24.3%)

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Area	Affected Team	Aim	Target Completion Date	Comments added 23082021	Comments added 08112021	Comments added 18012022
Member Self Service	Continued Improvements	To increase number of scheme member registrations, by raising awareness through online demos, articles and targeted comms with various categories of members, e.g. pensioners, deferreds, actives.	On-going	Meetings held with Leicestershire Police and County to promote MSS with articles and include references in existing documents. In addition, an article sent to other employers for inclusion in their comms, to remind members that Annual Benefit Statements will be available through MSS.	A further ten employers have been contacted, including Leicester City Council, to offer articles on MSS for publication on internal websites.	More employers have been contacted, bringing the total up to 35. These employers will also be contacted again around March/April 2022.
Member Self Service	Continued Improvements	To use MSS facilities to allow letters to be uploaded to members to reduce postage, and allow for them to return their forms in the same way.	On-going	This is being used where possible now for retirement, estimate and aggregation letters that do not require a response. In addition option forms are now available online for use where a member has been provided with their retirement options.	Officers currently working on further option forms to be published online for increased use of MSS upload facilities which will result in a further reduction of incoming paper documents.	-
Printing/Scanning Solutions	Continued Improvements / Early Leavers	To explore alternative approaches to printing and scanning with a view to enabling all pensions staff to work from home.	Summer 2021	Scanning now dealt with by LCC's Central Print with training on-going for printing.	Awaiting formal costs and a Service Level Agreement from colleagues in Central Print.	SLA still outstanding from Central Print.
Employer Risk	Continued Improvements / Employers and iConnect	To purchase or develop an employer tracker system, to assist officers in monitoring employer related data including contribution payments and bonds, resulting in a reduction of risk. Consider whether overlaps between Pensions contribution monitoring work and work carried out by Investments can be addressed.	Summer 2021	EPIC System now purchased. Preparatory work to be completed by 30/7 to allow test version to be released in mid August with live version scheduled for September.	EPIC in live and is being used by officers. Work currently on-going digitalising archive employer documents for use on the system.	-
Governance	Continued Improvements / Payments and Taxation / Employers and iConnect	Development and maintenance of office training manual covering all aspects of section administration. Also to review existing office processes including altair workflows, to streamline and improve whilst assessing potential for fraud and manual errors, reducing these wherever possible	Initial document in place 31 March 2021	Initial processes in place. Work on-going regarding the refining and improvement of processes on-going, including a review around member requirements that must be in place before releasing payments.	Work still on-going, nothing further to report currently.	-
Governance	Continued Improvements / Payments and Taxation / Employers and iConnect	Examine areas of governance, including the implementation of the recommendations made by SAB's 'Good Governance' Project, ensuring that the section is compliant in all areas	On-going	Awaiting further guidance from MHCLG due Autumn.	Guidance still awaited	Guidance still outstanding.
Employer Training	Continued Improvements	To increase comms with employers, mainly through use of MS Teams	On-going	Nothing scheduled currently.	Training with two employers in place for October/November with two others to follow.	A number of presentations to employers have taken place since the last update. These are currently through Teams but the intention is to revert to Face to Face as soon as national Covid restrictions ease.

Area	Affected Team	Aim	Target Completion Date	Comments added 23082021	Comments added 08112021	Comments added 18012022
McCloud Project Phase 1	McCloud / Continued Improvements	Employers to provide member data to Pensions, i.e. hours changes and service breaks covering the period April 2014 to March 2022, which we will need to upload to our records prior to implementation of the 'remedy' once confirmed, to assess whether pension benefits will need to be adjusted in light of the McCloud/Sargeant ruling.	30/06/22	Work on-going with this exercise, with data being formatted ready for uploading to pensions administration system.	Uploading issue identified. Currently awaiting further guidance from Aquila Heywood on how to proceed. Further details in main report.	This issue is with Aquila Heywood. They have identified a possible solution and an update is awaited.
McCloud Project Phase 2	McCloud / Continued Improvements	Implementation of the 'remedy', including the recalculation and amendment of benefits, plus communication to scheme members of the changes. Remedy may also include other aspects, e.g. possible option for members to aggregate any separate records, yet to be confirmed.	31/12/22	Draft regulations expected later this year.	-	-
Actuarial Tender	Continued Improvements	Tender has been issued for the appointment of a Scheme Actuary	01/05/21	Completed	-	-
Data Quality Issues	Continued Improvements	Data Errors raised through the annual Common Data / Scheme Specific Data reports need to be cleared in order to improve the TPR 'Data Score'. Other data errors raised through Hymans' Data Portal as part of preparation for Mid Term Valuation Exercise.	TPR Reports 31/7/2021: Mid Term Valuation Exercise 30/9/2021	Work has been done in both areas and will continue.	Work completed, barring an apparent systems issue in two errors currently being investigated. Hymans are aware and deadline has been extended to 31/10/2021	The two errors referred to previously were resolved and the data was submitted to Hymans.
Cyber Security	Continued Improvements	In preparation for the annual Cyber Security review in October, an internal review of Officers' permissions on the altair administration system to be performed.	31/10/21	Preparation on this has begun, to assess for any inconsistencies between officers performing similar duties.	Officers permissions review is currently in progress and the annual review took place on 12th October 2021. No issues identified but official sign off not available at the time of writing - will cover this at next Board meeting.	The review was completed and signed off. See main report.
Governance	Payments and Taxation	A review of processes in place for the release of payments	31/10/21	Initial conversation has taken place identifying some initial improvements that can be undertaken.	Three areas identified for initial improvements and work has begun to put these in place.	Work continues on updating processes.
Insights Reporting Tool	Continued Improvements		On-going			Insights was purchased in December 2021 and initial training was provided by Heywood. Heywood currently working on two reports for Leicestershire. Details in main report.



PENSION BOARD – 16 FEBRUARY 2022

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PENSION FUND TRAINING POLICY

Purpose of the Report

1. The purpose of this report is to seek the Board's feedback on the draft Training Policy for members of the Local Pension Committee and Local Pension Board.

Background

2. The Pensions Regulator (TPR) identifies good governance as essential for a pension scheme to be successful. The following extract from TPR's website explains the link to training:

“There is a clear link between good governance and good fund performance so it is an essential part of effective scheme management. Without good governance, you are unlikely to achieve good outcomes for members. Good governance is about having motivated, knowledgeable and skilled people involved with running the scheme. It's also about having the right structures and processes to enable effective, timely decisions and risk management, and to provide clear scheme objectives. It helps you to effectively oversee:

- administration and record-keeping
- investment and funding (in local government schemes)
- communications with members

You should spend time and resources getting your scheme governance right. This will help you to minimise risk and maximise opportunities for your scheme and your members. Investing in good governance is likely to save you in the long run, delivering good value for members and employers, and improving member outcomes.”

3. TPR places specific responsibilities on Pension Board members, they must:
 - be conversant with (i.e. have a working knowledge of) your scheme rules and any document recording policy about the administration of your scheme
 - have knowledge and understanding of the law relating to pensions scheme rules and administration policies

- You must have a working knowledge of your scheme rules and documented administration policies in enough detail to know where they are relevant to an issue understand and if necessary challenge any advice that you're given.
4. The Fund's Training Policy was first agreed 8 November 2019 by the Local Pension Committee. The training policy is being refreshed and will be taken to the next Local Pension Committee meeting with feedback incorporated for approval.

Training Policy

5. Members of both the Local Pension Board and Committee should demonstrate a suitable level of knowledge and understanding. The Training Policy sets out the Fund's approach to delivery, assessment and recording plans.
6. Board and Committee Members are asked to complete a Training Needs Assessment on a yearly basis. The Board's anonymised results are attached as Appendix B. The results of the questionnaire, together with the current priorities for the Fund are used to decide on the approach and topics of training offered. As of 7 February 2022 five out of six members had completed the assessment.
7. Officers, on a regular basis, inform Committee and Board members of relevant training opportunities, including:
- Face-to-face sessions provided by external bodies e.g. Local Government Association.
 - Face-to-face sessions held internally, delivered by officers and/or the Fund's providers e.g. actuary, investment advisers, investment managers. Sessions may be held jointly with both Committee and Board, or held separately, depending on priorities and availability. Some sessions may be held adjacent to scheduled meetings and may be linked to specific issues on the agenda.
 - Recommended reading material to keep up-to-date with pensions issues.
 - Modules of the Hymans on-live training package
8. In addition, induction training will be made available for all new members of the Committee and Board, including potential substitute members.
9. Each Member of the Committee will also receive an Information Pack which will contain information key to their role as set out in the Training Policy. The contents of this pack is shown below and will be subject to change over time. The pack is focused on investment related areas in the main and hence Committee members are asked to bring a copy to meeting whilst Board members are not.

1	Title	Purpose
1	AGM Presentation	General Background
2	Investment Strategy Statement	Provides the structure in relation to how the Fund's investments are managed
3a	Asset Strategy and Structure	Details the allocation of assets to specific classes, the rational and expected return
3b	Investment Mapping to LGPS Central Pool	Comparison of current investments to LGPS Central's expected offering
4	Responsible Investment and Engagement Framework (LGPS)	Explains how Environmental, Social and Corporate Governance (ESG) factors are accounted for in LGPS Central's investment process

5	Actuarial Valuation Report	High level outcomes from the 2016 actuarial valuation
6	Funding Strategy Statement	Governs how employers pay their liabilities
7	Active Equities Newsletter	Explain use of Style Analytics in manager monitoring
8	Investment Performance Overview	Demonstration and Explanation of Portfolio Evaluation's manager performance reports
9	LGPS central accounts	Updated annually. Year end March. Accounts available during Q2/Q3 later in the year.
10	Hymans 2019 valuation	This is the actuaries valuation of the Fund and is completed every 3 years.
11	Summary of member benefits	Shows the key features of the LGPS
12	Local fund governance	To cover: ToR for local pension committee and pension board, current members of both
13	Web links covering National Governance	To cover: Regulations for governance, benefits and investments, guidance, scheme advisory board, pensions regulator code of practice, section 13 review of funding by government actuary, cost cap mechanism
14	Training	Web link to pensions regulator toolkit Our training programme

11. The Training Policy was reviewed January 2021 and is included as Appendix A. One addition was proposed to reference the additional training material from Hymans for both Committee and Board Members. These modules are web based and include a video summary from pensions professionals, printable slides if needed and knowledge checks at the end of the module. There are six modules to complete which cover the following:

- a. Module 1 – an introduction to the LGPS
- b. Module 2 – LGPS Governance and oversight bodies
- c. Module 3 – administration and fund management
- d. Module 4 – Funding and actuarial matters
- e. Module 5 – investments
- f. Module 6 – current issues

12. Hymans are able to provide feedback to the Fund on the regarding take up and completion of the modules by officers and members on a monthly basis.

13. Recording and reporting of training and will be completed for Committee and Board members, with inclusion in the Fund's Annual Report.

Recommendation

14. The Board is asked to comment on the revised Training Policy ahead of the Local Pension Committee meeting on 25 March 2022, where approval will be sought.

Equality and Human Rights Implications

15. None.

Appendices

Appendix A - Training Policy for the Local Pension Committee and the Pension Board
Appendix B – 2021 Board Members Training Needs Assessment

Background Papers

None

Officers to Contact

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DRAFT TRAINING POLICY FOR THE LOCAL PENSION COMMITTEE AND PENSION BOARD**Introduction**

This policy demonstrates to stakeholders the Pension Committee's and Pension Board's recognition of the importance of knowledge and understanding of pension issues in the effective management of the Leicestershire Pension Fund ('the Fund').

This policy, and regular training, is deemed necessary due to:

- the distinction of fiduciary duty owed to the Fund, compared to members and officers usual business.
- the complexity of pension and investment issues.
- inevitable changes in the membership due to the election cycles.
- the Fund being treated by investment managers as a professional client.
- the potential consequences of not administering the Fund in an appropriate manner.
- Responsible investing, and how the Fund achieves this

This policy applies to all members and substitute members of the Pension Committee, the Pension Board and officers involved in the management of the Fund.

Programme of Training

An assessment of the training needs of the members of the Pension Committee and Pension Board and relevant officers will be undertaken on a periodic basis to inform the programme of training. Individual training plans will be developed.

All members (including substitutes) of the Pension Committee and Pension Board are required to undertake induction training before taking up their role.

Members of the Pension Committee and Pension Board are strongly encouraged to complete the Pensions Regulator's Toolkit for Public Service Schemes and undertake relevant training from the online Hymans courses.

All members (including substitutes) of the Pension Committee and Pension Board are encouraged to undertake training on a regular basis. The Fund's programme of training will have regard to relevant codes of practice and guidelines issued by the Pensions Regulator and CIPFA, the training needs of the Committee and Board, and the Fund's current priorities.

Key areas for training will include:

- Governance, including legislation, role of the administering authority, stakeholders, Scheme Advisory Board, the Pensions Regulator and investment pooling;
- Funding including the role of the actuary, the actuarial valuation, employer covenant and employers joining/exiting from the Fund;
- Financial markets and investment strategy;
- Pension's administration.
- Responsible investing

The depth of understanding required will vary depending upon the issues expected to be faced by the Fund and whether the individual is involved with the Pension Committee or the Pension Board. For Example Financial markets and investment strategy will be most relevant to Committee members and Pension's administration matters most relevant to Board members.

Monitoring and Reporting

Officers will maintain records of attendance at training sessions and completion of the online Hymans training package to support development of individual training plans.

Members who attend external events will be required to report back to the Committee/Board (as relevant) to share their knowledge with other members.

The Pension Committee and Pension Board will receive an update on progress made against this policy at least annually.

A report on training will be included in the Fund's annual report.

Appendix B - Members completed Training Needs Assessment as at 7 February 2022 (5 out of 6 Members)

	1	2	3	4	5
General Understanding					
General pensions legislative framework in the UK, for example defined benefit, defined contribution, tax treatment and auto-enrolment	2	3	3	3	3
The roles and powers of the UK Government in relation to the LGPS	1	3	2	2	3
The main features of the LGPS legislation relating to benefits, administration and investment	2	4	3	3	3
The role of the Council as administering authority in relation to the LGPS in relation to the Fund	3	4	3	3	3
The stakeholders of the pension fund (including members and employers) and the nature of their interests	3	4	3	3	3
Investment pooling and the role of LGPS Central	3	3	2	3	3
The role of the LGPS Scheme Advisory Board and how it interacts with other bodies in the governance structure	2	3	2	3	3
The roles and powers of the Pensions Regulator	2	3	3	2	3
Awareness of the Pensions Regulator's Code of Practice for public sector pension schemes	2	2	2	2	3
The role of the Pension Board	3	4	4	4	3
The roles of the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of LGPS	2	4	2	3	3
The role and statutory responsibilities of the Administering Authority's treasurer and monitoring officer	2	3	3	2	3
Accounting and Audit Regulations and legislative requirements relating to internal controls and proper accounting practice	1	2	4	2	3
How the Fund communicates with stakeholders and consults with them on changes	1	3	4	3	3
Key risks facing the Fund	2	4	3	3	3
How pension fund management risks are monitored and managed	2	3	4	3	3
Potential conflicts of interest, how they are identified and managed	2	4	4	3	3
An understanding of how breaches in law are reported	2	4	4	3	2
Pensions Administration - PB					
The Fund's pensions administration strategy and how the service is delivered to the Fund's members and employers	2	4	4	3	3
The Fund's strategy of communicating with key stakeholders including members and employers	2	4	4	3	3
Understanding of the required and adopted scheme policies and procedures relating to: • Member data maintenance and record-keeping processes • Internal dispute resolution • Contributions collec...	2	4	4	3	3
LGPS discretions and how employers' discretionary policies impact on the pension fund	1	4	3	2	3
The tax treatment of pensions including pensions, retirement lump sums, annual allowance and lifetime allowance	3	3	4	2	3
The Fund's Additional Voluntary Contribution (AVC) arrangements, the choice of investments offered to members and the oversight of the provider's performance	3	4	3	2	3
Statutory deadlines and Key Performance Indicators (KPIs)	2	4	4	3	3

1 =
2 =
3 =
4 =

I have no knowledge
I have some, but limited, knowledge
I am reasonably familiar but additional
I am fully conversant

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LOCAL PENSION BOARD – 16 FEBRUARY 2022

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

RISK MANAGEMENT AND INTERNAL CONTROLS

Purpose of the Report

1. The purpose of this report is to inform the Board of any changes relating to the risk management and internal controls of the Pension Fund, as stipulated in the Pension Regulator's Code of Practice.

Background

2. The Pension Regulator's (TPR) code of practice on governance and administration of public service pension schemes requires that administrators need to record, and members be kept aware of 'risk management and internal controls. The code states this should be a standing item on each Pension Board and Pension Committee agenda.
3. In order to comply with the code the risk register and an update on supporting activity is included on each agenda.

Risk Register

4. The updated risk register has been attached as an appendix to this report. Following the Local Pension Board meeting on the 8 November 2021, and subsequent developments, the Board's requested changes to the register are incorporated below. All four changes do not change the overall risk scores. In addition, there is a new risk (risk 10).

- Risk 2 - If the Pension Fund Fails to receive accurate and timely data from employers, scheme members pension benefits could be incorrect or late.

Failure in this area is low and controls are already in place and work well. However, to improve this area further the Pensions Manager is investigating great use of bulk processes to enable greater automation and less requirement from the Fund employers for certain types of leavers, relying on the IConnect monthly submissions. Improved changes will be made working with Internal Audit.

- Risk 4 - McCloud Remedy – Increased administration.

The Board identified the 2016 Cost Cap challenge could result in the Pension Section potentially revising certain scheme member benefits. Because revising member benefits is already within the McCloud resolution, the Board suggested the 2016 Cost Cap is incorporated into the McCloud risk, given the increased administration.

- Risk 7 - If transfer out checks are not completed fully there could be future bad advice challenges brought against the Fund.

The Board suggested the current “no win no fee” challenges the Fund is receiving from Claims Management Companies on historic transfers out should be incorporated into the current transfer risk. The Fund is currently mitigating this risk working closely with an external Legal Company that specialise in this pensions area.

- Risk 9 - Failure to identify the death of a pensioner causing an overpayment, or potential fraud or other financial irregularity.

Following the recent Internal Audit and National Fraud Initiative (NFI) work, the Pensions Manager has implemented a change to how often overseas NFI checks are completed. This will now take place twice a year, rather than once every two years.

- Risk 10 - Human error in the Pension Section when calculating and paying a pension.

Following the overpayment of a pension where the widows short term pension continued in error, the Pensions Manager has introduced a new risk to the Fund risk register. Officers have developed a new over and underpayment policy that was approved by the Local Pension Committee on the 21 January 2022. Officers are developing a detailed report, using the new Insights product, to identify discrepancies between the administration and payroll sides of the pensions administration system more quickly.

5. To meet Fund Governance best practise, the risk register has been shared with Internal Audit. Internal Audit have considered the register and are satisfied with the current position.

Recommendation

6. It is recommended that the Board notes the revised risk register of the Pension Fund.

Equality and Human Rights Implications

None

Appendix

Appendix - Risk Register

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Appendix - Leicestershire Pension Fund Risk Register February 2022

Risk no	Service	Risk	Causes (s)	Consequences	Risk Owner	List of current controls	I	L	Current Risk Score	Risk Response; <i>Tolerate Treat Terminate Transfer</i>	Further Actions / Additional Controls	I	L	Residual Risk Score	Action owner
1	Pens	If the Pension Fund fails to hold all pensioner data correctly, including Guaranteed Minimum Pension (GMP) data, individual member's annual Pensions Increase results could be wrong.	From 2018 the pensions section has had responsibility for GMPs creating the need to ensure that this is accounted for in the pensions increases	Overpaying pensions (i.e. for GMP cases pension increases are lower) Reputation	Ian Howe	Checking of HMRC GMP data to identify any discrepancies. Internal Audit run an annual Pensions Increase result test and provide an annual report of findings	3	3	9	Treat	Officers run the HMRC GMP check on a case by case basis and input the results into member records at retirement	2	1	3	Ian Howe
2	Pens	If the pensions fund fails to receive accurate and timely data from employers, scheme members pension benefits could be incorrect or late This includes data at year-end	A continuing increase in Fund employers is causing administrative pressure in the Pension Section. This is in terms of receiving accurate and timely data from these new employers who have little or no pension knowledge and employers that change payroll systems so require new reporting processes	Late or inaccurate pension benefits to scheme members Reputation Increased appeals Greater administrative time being spent on individual calculations Failure to meet statutory year-end requirements	Ian Howe	Training provided for new employers Guidance notes provided for employers Amended SLA and communication and administration guide distributed to employers making IConnect a statutory requirement by 31/3/2022) Year-end specifications provided	3	3	9	Treat	Implement IConnect with the remaining employers so they provide monthly data in a secure and timely manner Inform the Local Pension Board each quarter on progress made Proposed development of wider bulk calculations Proposed greater automation and less leaver data required from employers	3	2	6	Ian Howe
3	Pens		Pensions database now	Diminished public trust in ability of	Ian	Regular LCC	5	2	10	Treat	Work with LCC ICT and	5	1	5	Stuart

Risk no	Service	Risk	Causes (s)	Consequences	Risk Owner	List of current controls	I	L	Current Risk Score	Risk Response; <i>Tolerate</i> <i>Treat</i> <i>Terminate</i> <i>Transfer</i>	Further Actions / Additional Controls	I	L	Residual Risk Score	Action owner
		If the Pensions Section fails to meet the information/cyber security and governance requirements, then there may be a breach of the statutory obligations.	hosted outside of LCC. Employer data submitted through online portal. Member data accessible through member self-service portal (MSS). Data held on third party reporting tool (DART). Greater awareness of information rights by service users.	Council to provide services. Loss of confidential information compromising service user safety. Damage to LCC reputation. Financial penalties.	Howe	Penetration testing and enhanced IT health checks in place. LCC have achieved PSN compliance. New firewall in place providing two layers of security protection in line with PSN best practice.					Aquila Heywood (software suppliers) to establish processes to reduce risk, e.g. can Aquila Heywood demonstrate that they are carrying out regular penetration testing and other related processes take place. Liaise with Audit to establish if any further processes can be put in place in line with best practice. Report the findings to the Board.				Wells
4	Pens	The resolution of the McCloud case and 2016 Cost Cap challenge could increase administration significantly resulting in difficulties providing the ongoing pensions administration service	Mr McCloud winning his appeal on age discrimination on public sector pension schemes and the protection afforded to older members during the move to career average benefits, followed by Government losing their right of appeal. The Unions challenge on the 2016 cost cap, could result in possible benefit recalculations if the challenge is successful	Ultimate outcome on both McCloud and the cost cap are currently unknown but likelihood is; Increasing administration Revision of previous benefits Additional communications Complaints/appeals Increased costs	Ian Howe	Guidance from LGA, Hymans, Treasury	3	3	9	Treat once details are confirmed	Employer bulletin to employers making them aware of the current situation on McCloud Await proposed resolution from the employment tribunal Assisting the LGA on the employer McCloud data template (missing hours April 2014 to date) No statutory deadline to be set for completion of the work Team set up in the Pension Section to deal	2	3	6	Ian Howe

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											with McCloud casework Data being received from the employers and loaded into the administration system System provider to resolve current data loading issues				
5	Pens	If contribution bandings and contributions are not applied correctly, the Fund could receive lower contributions than expected	Errors by Fund employers payroll systems when setting the changes	Lower contributions than expected. Incorrect actuarial calculations made by the Fund. Possibly higher employer contributions set than necessary	Ian Howe	Pension Section provides employers with the annual bandings each year. Pension Section provides employers with contributions rates (full and 50/50) Internal audit check both areas annually and report their findings to the Pensions Manager	4	2	8	Treat	Pension Officers check sample cases at year-end Pension Officers to report major failings to internal audit before the annual audit process Major failings to be reported to the Pensions Board	4	1	4	Ian Howe
6	Pens	If immediate payments are not applied correctly, scheme members one off payments could be wrong	Human error when setting up immediate payments System failures Unable to meet weekly deadlines	Reputation Complaints/appeals Time resource used to resolve issues Members one off payments, not paid, paid late, paid incorrectly	Ian Howe	Benefit Team Tracker process Benefits checked and authorised by different Officers Additional Assistant Team Manager resource provided	5	2	10	Treat	A more automated process now set up Internal audit to review the process Officers re-engineering the retirement process Monitor the structure of the Pension Section to resource the area sufficiently	5	1	5	Ian Howe

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											Officers requested further system security checks on immediate payments (bank account checks)				
7	Pens	<p>If all the transfers out checks are not completely fully there could be future bad advice challenges brought against the Fund's pension administration</p> <p>There are some challenges being lodged from Claims Management Companies on historic transfers out</p>	<p>Increasing demand for transfers out from members</p> <p>Increased transfer out activity from Companies interested in tempting people to transfer out their pension benefits</p> <p>Increased complexity on how the receiving schemes are set up</p> <p>Increased challenges on historic transfers</p>	<p>Reputation</p> <p>Future bad advice claims brought against the Fund</p> <p>IDRP appeals (possible compensation payments)</p> <p>Increased administration time and cost</p>	Ian Howe	<p>TPR checks</p> <p>Follow LGA guidance</p> <p>Queries escalated to Team Manager then Pensions Manager</p>	3	3	9	Treat	<p>Escalation process to Internal Legal Colleagues to check IFA, Company set up, alleged scam activity</p> <p>Further escalation process to external Legal Colleagues</p> <p>Signed up to The Pension Regulator's national pledge "To Combat Pension Scams"</p> <p>National changes potentially forthcoming for checks on the receiving scheme's arrangements</p>	3	2	6	Ian Howe
8	Pens	<p>If the Funds In House AVC provider (The Prudential) does not meet its service delivery requirements the Pension Fund is late in making payment of benefits to scheme members</p>	<p>The Fund must offer AVCs as per the Regulations</p> <p>Prudential implemented a new administration system in November 2020</p> <p>Covid lockdown restrictions and home working</p>	<p>Failure to meet key performance target for making payments of retirement benefits to members</p> <p>Complaints</p> <p>Reputational damage</p> <p>Members may</p>	Ian Howe	<p>Written to all active scheme members with AVCs</p> <p>Reported it to the Chair of the Pension Boards and Senior Officers</p> <p>Reported to the LGA and other Funds</p> <p>Discussed with the</p>	3	3	9	Treat	<p>Reported the delayed payment of benefits (due to the Prudential's delays) as a material breach to the Pensions Regulator</p> <p>Prudential attended a meeting with the Local Pension Board</p> <p>Prudential working through an</p>	3	1	3	Ian Howe

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				cease paying AVCs		Prudential Weekly list of outstanding cases sent to the Prudential for priority					improvement plan Prudential engage with Fund Officers positively to quickly resolve issues				
9	Pens	Failure to identify the death of a pensioner causing an overpayment, or potential fraud or other financial irregularity	Late or no notification of a deceased pensioner. Fraudulent attempts to continue to claim a pension	Overpayments or financial loss Legal cases claiming money back Reputational damage	Ian Howe	Faraday monthly reporting process of UK registered deaths Life certificates for overseas pensioners Defined process governing bank account changes	3	3	9	Treat	A move to 6 monthly checks, (from one check every 2 years) National Fraud mortality screening for overseas pensioners Targeted review of status for pensioners where the Fund does not hold the current address e.g. care of County Hall or Solicitors	3	1	3	Ian Howe
10	Pens	Human error in the Pension Section when calculating and paying a pension	Over or underpayments	Distress to the member or their family Increased administration Failure to meet statutory deadlines Potential legal costs Board or Committee	Ian Howe	Benefits are run through the pension administration system Training is provided to new staff Benefits are checked by a colleague Pension figures are provided to the member so they can check the values are correct on payroll	5	2	10	Treat	Officers to develop an Insights report to identify discrepancies between the administration and payroll sides of the pensions administration system more quickly Ongoing development of the office training notes Development of the workflow tasks Funds over and under	4	1	4	Ian Howe

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				Members informed Reputational damage							payment policy				
11	Invs	Employer and employee contributions are not paid accurately and on time	Error on the part of the scheme employer CV19 may reduce some employer's income so they are unable to make payment	Potentially reportable to The Pensions Regulator as late payment is a breach of The Pensions Act.	Ian Howe	Receipt of contributions is monitored, and late payments are chased quickly. Communication with large commercial employers with a view to early view of funding issues.	2	4	8	Treat	Late payers will be reminded of their legal responsibilities.	2	3	6	Declan Keegan
12	Invs	Assets held by the Fund are ultimately insufficient to pay benefits due to individual members	Ineffective setting of employer contribution rates over many consecutive actuarial valuations	Significant financial impact on scheme employers due to the need for large increases in employer contribution rates.	Chris Tambini	Input into actuarial valuation, including ensuring that actuarial assumptions are reasonable and the manner in which employer contribution rates are set does not bring imprudent future financial risk	5	2	10	Treat	Actuarial assumptions need to include an element of prudence, and Officers need to understand the long-term impact and risks involved with taking short-term views to artificially manage employer contribution rates. The 2019 valuation assessed the contribution rates with a view to calculating monetary contributions alongside employer percentages of salaries where appropriate. Regular review of market conditions and dialogue with the	4	2	8	Bhulesh Kachra

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											schemes biggest employers with respect to the direction of future rates. Planning for the 2022 valuation has commenced with the actuary.				
13	Pens/ Invs	Sub-funds of individual employers are not monitored to ensure that there is the correct balance between risks to the Fund and fair treatment of the employer	Changing financial position of both sub-fund and the employer	<p>Significant financial impact on employing bodies due to need for large increases in employer contribution rates.</p> <p>Risk to the Fund of insolvency of an individual employer. This will ultimately increase the deficit of all other employers.</p>	Ian Howe/ Declan Keegan	Ensuring, as far as possible, that the financial position of each employer is understood. On-going dialogue with them to ensure that the correct balance between risks and fair treatment continues.	5	2	10	Treat	<p>Dialogue with the employers, particularly in the lead up to the setting of new employer contribution rates.</p> <p>Include employer risk profiling as part of the Funding Strategy Statement update. To allow better targeting of default risks</p> <p>Investigate arrangements to de-risk funding arrangements for individual employers.</p> <p>Ensure that the implications of the independent, non-public sector status, of further education, sixth form colleges, and the autonomous, non-public sector status of higher education corporations is fully accounted for in the Funding Strategy</p>	4	2	8	Ian Howe/ Declan Keegan

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14	Invs	Market investment returns are consistently poor, and this causes significant upward pressure onto employer contribution rates	Poor market returns most probably caused by poor economic conditions and/ or shocks e.g. CV19.	Significant financial impact on employing bodies due to the need for large increases in employer contribution rates	Chris Tambini	Ensuring that strategic asset allocation is considered at least annually, and that the medium-term outlook for different asset classes is included as part of the consideration	5	2	10	Treat	Making sure that the investment strategy is sufficiently flexible to take account of opportunities and risks that arise but is still based on a reasonable medium-term assessment of future returns.	4	2	8	Bhulesh Kachra
15	Invs	Market returns are acceptable, but the performance achieved by the Fund is below reasonable expectations	Poor performance of individual managers including LGPS Central, or poor asset allocation policy.	Opportunity cost in terms of lost investment returns, which is possible even if actual returns are higher than those allowed for within the actuarial valuation. Lower returns will ultimately lead to higher employer contribution rates than would otherwise have been the case	Chris Tambini	Ensuring that the causes of underperformance are understood and acted on where appropriate Shareholders' Forum, Joint Committee and Practitioners' Advisory Forum will provide significant influence in the event of issues arising. Appraisal of each LGPS Central investment product before a commitment to transition is made	3	3	9	Treat	After careful consideration, take decisive action where this is deemed appropriate. It should be recognised that some managers have a style-bias and that poorer relative performance will occur. Decisions regarding manager termination to consider multiple factors including performance versus mandate and reason for original inclusion. The set-up of LGPS Central is likely to be the most difficult phase. The Fund will continue to monitor closely how the company evolves Programme of LGPS Central internal audit activity, which has been designed in	2	2	4	Bhulesh Kachra

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											collaboration with the audit functions of the partner funds				
16	Invs	Failure to take account of ALL risks to future investment returns within the setting of asset allocation policy and/or the appointment of investment managers	Some assets classes or individual investments perform poorly as a result of incorrect assessment of all risks inherent within the investment.	Opportunity cost within investment returns, and potential for actual returns to be low. This will lead to higher employer contribution rates than would otherwise have been necessary.	Chris Tambini	Ensuring that all factors that may impact onto investment returns are taken into account when setting the asset allocation. Only appointing investment managers that integrate responsible investment (RI) into their processes. Utilisation of dedicated RI team at LGPS Central and preparation of a RI plan for the fund.	3	4	12	Treat	Responsible investment aims to incorporate environmental (including Climate change), social and governance (ESG) factors into investment decisions, to better manage risk and generate sustainable, long-term returns. Annual refresh of the Fund's asset allocation allows an up to date view of risks to be incorporated and avoids significant sort term changes to the allocation. Asset allocation policy allows for variances from target asset allocation to take advantage of opportunities and negates the need to trade regularly where investments under and over perform in a short period of time.	2	2	4	Bhulesh Kachra
17	Invs	Investment decisions are made without having sufficient	The combination of knowledge at Committee, Officer and	Poor decisions likely to lead to low returns, which will	Chris Tambini	Continuing focus on ensuring that there is sufficient expertise	3	3	9	Treat	On-going process of updating and improving the knowledge of	2	2	4	Bhulesh

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		expertise to properly assess the risks and potential returns	Consultant level is not sufficiently high	require higher employer contribution rates		to be able to make thoughtfully considered investment decisions					everybody involved in the decision-making process				Kachra
18	Invs	The transition of investment assets to LGPS Central is not successful	<p>Pooling does not reduce the on-going management costs of assets</p> <p>Transition costs are significantly higher, for example the cost of selling the existing investments and buying new ones.</p>	Savings available do not justify the transition costs and on-going cost of running LGPS Central	Chris Tambini	<p>Central maintains the flexibility to run funds internally.</p> <p>Specialist transition manager being appointed, with independent specialist oversight.</p> <p>Formal review follows each transition.</p> <p>Implementation being phased, allowing capacity to be managed and lessons learned.</p>	2	3	6	Treat	<p>Approach for each transition assessed independently.</p> <p>Views from 8 partners sought throughout the transition process.</p> <p>LGPS Central's Internal Audit plan includes an assessment of the governance surrounding the transition</p>	2	2	4	Bhulesh Kachra

Risk Impact Measurement Criteria

Scale	Description	Departmental Service Plan	Internal Operations	People	Reputation	Financial per annum / per loss
1	Negligible	Little impact to objectives in service plan	Limited disruption to operations and service quality satisfactory	Minor injuries	Public concern restricted to local complaints	Pension Section <£50k Investments Losses expected to be recovered in the short term
2	Minor	Minor impact to service as objectives in service plan are not met	Short term disruption to operations resulting in a minor adverse impact on partnerships and minimal reduction in service quality.	Minor Injury to those in the Council's care	Minor adverse local / public / media attention and complaints	Pension Section £50k-£250k Minimal effect on budget/cost Investments Some underperformance, but within the bounds of normal market volatility
3	Moderate	Considerable fall in service as objectives in service plan are not met	Sustained moderate level disruption to operations / Relevant partnership relationships strained / Service quality not satisfactory	Potential for minor physical injuries / Stressful experience	Adverse local media public attention	Pension Section £250k - £500k Small increase on budget/cost: Handled within the team/service Investment Underperformance by a manager requiring review by the Investment Sub-committee

Scale	Description	Departmental Service Plan	Internal Operations	People	Reputation	Financial per annum / per loss
4	Major	Major impact to services as objectives in service plan are not met.	Serious disruption to operations with relationships in major partnerships affected / Service quality not acceptable with adverse impact on front line services. Significant disruption of core activities. Key targets missed.	Exposure to dangerous conditions creating potential for serious physical or mental harm	Serious negative regional criticism, with some national coverage	Pension Section £500-£750k. Significant increase in budget/cost. Service budgets exceeded Investment Underperformance of significant proportion of assets leading to a review of the Investment or Funding strategy
5	Very High/Critical	Significant fall/failure in service as objectives in service plan are not met	Long term serious interruption to operations / Major partnerships under threat / Service quality not acceptable with impact on front line services	Exposure to dangerous conditions leading to potential loss of life or permanent physical/mental damage. Life threatening or multiple serious injuries	Prolonged regional and national condemnation, with serious damage to the reputation of the organisation i.e. front-page headlines, TV. Possible criminal, or high profile, civil action against the Council/Fund, members or officers	Pension Section >£750k Large increase on budget/cost. Investment Employer contributions expect to increase significantly above Funding Strategy requirement

Risk Likelihood Measurement Criteria

Rating Scale	Likelihood	Example of Loss/Event Frequency	Probability %
1	Very rare/unlikely	EXCEPTIONAL event. This will probably never happen/recur.	<20%
2	Unlikely	Event NOT EXPECTED. Do not expect it to happen/recur, but it is possible it may do so.	20-40%
3	Possible	LITTLE LIKELIHOOD of event occurring. It might happen or recur occasionally.	40-60%

4	Probable /Likely	Event is MORE THAN LIKELY to occur. Will probably happen/recur, but it is not a persisting issue.	60-80%
5	Almost Certain	Reasonable to expect that the event WILL undoubtedly happen/recur, possibly frequently.	>80%

Risk Scoring Matrix

		<u>Impact</u>				
5 Very High/Critical	5	10	15	20	25	
4 Major	4	8	12	16	20	
3 Moderate	3	6	9	12	15	
2 Minor	2	4	6	8	10	
1 Negligible	1	2	3	4	5	
	1	2	3	4	5	
	Very Rare/Unlikely	Unlikely	Possible/Likely	Probable/Likely	Almost certain	
	<u>Likelihood of risk occurring over lifetime of objective (i.e. 12 mths)</u>					

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LOCAL PENSION BOARD

16 FEBRUARY 2022

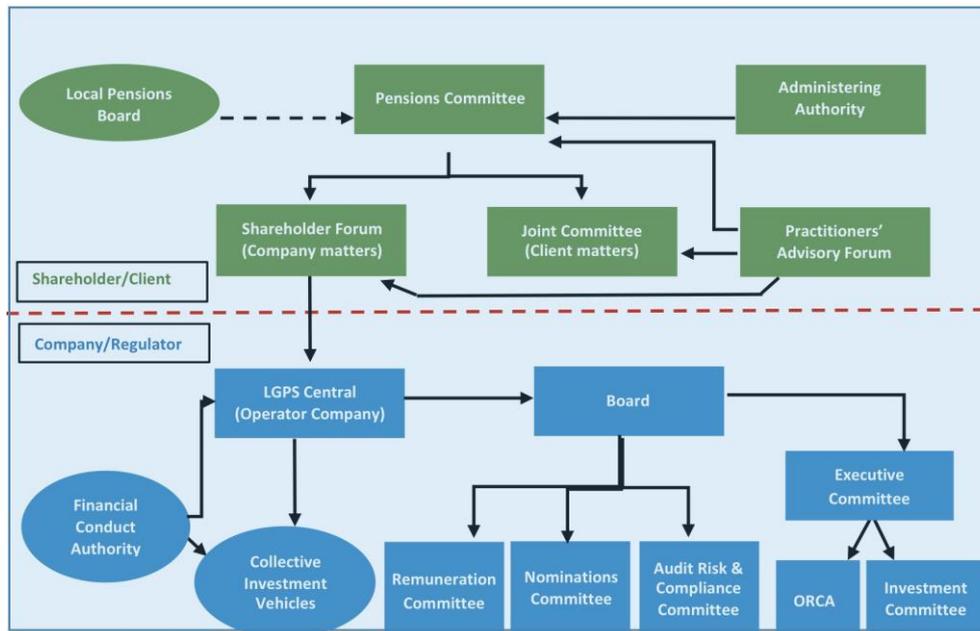
REPORT OF THE DIRECTOR OF CORPORATE RESOURCES **LGPS CENTRAL JOINT COMMITTEE AND ANNUAL GENERAL** **MEETING UPDATE**

Purpose of the Report

1. The purpose of this report is to provide the Pension Board with an update regarding LGPS Central's (Central) Joint Committee and Annual General Meeting and other relevant matters.

Background

2. Government instigated 'pooling' of pension funds in 2015 with the publication of criteria and guidance on pooling of Local Government Pension Scheme (LGPS) assets. Administering authorities formed their own groups and eight asset pools were formed, which are now all operational. The scale of each pool gives significant buying power in the investment market, that would not normally be accessible to funds.
3. The Leicestershire Pension Fund (Fund) is a stakeholder from two different perspectives:
 - a co-owner of the company (shareholder) and
 - as a recipient of investment services
4. These interests are managed through the Shareholders Forum and the Joint Committee as well as Leicestershire Pension Fund's Funding Strategy Statement, Investment Statement Strategy and Conflict of Interest Policy



5. The Joint Committee, deals with the 'Investor' functions related to Fund's investment in the collective investment vehicles. The Joint Committee meets twice a year. It is comprised of eight members, representing each of the partner funds, these representatives may be different to those on the Shareholders' Forum, dependent on the authority. This is a public forum for Councils within the pool to receive oversight of the delivery of the objectives of the pool, the delivery of client service, the delivery against the LGPS Central business case and to deal with common investor issues.
6. The Joint Committee provides assistance, guidance and recommendations to the individual councils, taking into consideration the conflicting demands and interests of the participants within the pool. The Joint Committee does not have delegated authority to make binding decisions on behalf of the participating councils.
7. The supervisory body of Central is the Shareholders' Forum, which focuses on shareholder issues. The Shareholder's Forum includes representatives from each of the eight pension funds. The members are elected representatives, typically the Chairs of the Local Pension Committee, but this is at the discretion of the individual funds.
8. The Shareholders Forum meets at least twice a year to agree certain reserved matters; this provides a greater degree of control than for most private companies. Their powers as shareholders are set out in a Shareholder Agreement and include:
 - Amending or adopting new strategic plans
 - Admitting new members to the Pool
 - Appointment and removal of Directors
 - Approve accounts and appoint auditors

- Approving capital expenditure over £5million
9. The Shareholders' forum normally precedes general meetings of the company, this allows discussion in advance of decisions being made at the meeting.

Joint Committee – 18 June 2021

10. A meeting of the Joint Committee (JC) was held as a virtual meeting on the 18th June and broadcast live. It was attended by councillors and partner fund representatives as well as a number of LGPS Central employees. The Chair of the Local Pension Committee represented Leicestershire at the meeting.
11. The meeting is clerked by Cheshire West and Chester Council with agendas and papers available on the site, <https://www.cheshirepensionfund.org/members/about-us/how-we-manage-the-fund/governance-structure/pfc/>
12. There were a number of actions agreed or reports noted which are listed below:
- a. Some minor changes to the terms of reference and its provisions be reviewed annually was approved.
 - b. A Practitioners' Advisory Forum update was given. The JC noted the report and asked when an update to the cost savings (from pooling) across all partner funds would be updated. Central advised that the update to the cost savings model was due to be presented at the next JC currently planned for early 2022. This meeting took place on the 14th January 2022, minutes are not yet available. There will be an update to the Board on this matter at the next update paper.
 - c. JC members received the Pool risk register which was noted. JC members questioned whether succession planning risks were considered. Central confirmed this was taken seriously and reviewed regularly by the Central Board.
 - d. There were 10 public questions submitted in advance of the JC covering topics such as arms, fossil fuels and human rights which were answered by LGPS Central.

Special Resolution – transfer pricing change – August 2021

13. In August 2021 the company proposed a change in the transfer pricing agreements. This was a special resolution requiring shareholder approval that proposed reducing the mark up applied from 20% to 10% with effect from 1st April 2021. This resolution was approved by all partner funds outside of a scheduled meeting.

14. Given LGPS Central's ownership structure and financial objectives, the company is not free to follow private sector pricing and profit practices. However, it remains a commercial venture whose activities should rightly give rise to taxable income.
15. The Company is therefore subject to 'transfer pricing', which refers to the rules that apply to the pricing of transactions between entities under common control. Under HMRC transfer pricing rules, LGPS Central Limited (the Company) must apply a mark-up on services to the Authorised Contractual Schemes (ACS) (the pool's tax-transparent collective investment vehicle).
16. The company is free to levy any transfer pricing mark-up, but it must create a level of taxable income which is deemed appropriate by HMRC for the Company's activities and its risk profile. Generally, a lower mark-up is preferable from a Corporation Tax perspective (lower mark-up equates to lower profits and in turn lower tax).
17. LGPS Central had taken advice from PwC (it's tax advisor) on this matter. While PwC's work identified that a wide range of mark-ups were being applied, their conclusion was that a percentage mark-up of 10% would provide an appropriate taxable income for the Company.

AGM – 28 September 2021

18. This is the annual meeting led by the LGPS Central and chaired by Joanne Segars. Present for the Company are the directors and non executive directors with partner funds represented by the nominated shareholder for the Local Authority. The Leicestershire County Council Pension Fund was represented by the Chairman of the Local Pension Committee..
19. The virtual meeting was held on the 28th September where the following were agreed or noted:
- a. All shareholder resolutions proposed by the Company were approved which included:
 - i. Re-election of all directors
 - ii. Adoption of the company report and accounts for the year ended 31st March 2021
 - iii. Approval of the individual remuneration packages for the Chair and Directors
20. In addition to the above the following items were noted:
- a. Shareholders requested that Board subcommittee updates (audit, nominations and remuneration) were to be considered as written rather than oral updates in future
 - b. The Board asked that consideration is given to revive three working groups that were launched last year to progress client/shareholder and

company goals, these are governance, road map and trust and confidence work groups.

21. The next Company general meeting is scheduled on the 22nd February 2022. Leicestershire County Council will be represented by the Chairman of the Local Pension Committee.

Recommendation

The Board is asked to note this report.

Officers to Contact

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