



Meeting: **Local Pension Board**

Date/Time: **Wednesday, 4 May 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. Minutes of the meeting held on 16 February 2022.		(Pages 3 - 6)
2. Question Time.		
3. To advise of any other items which the Chairman has decided to take as urgent elsewhere on the agenda.		
4. Declarations of interest in respect of items on the agenda.		
5. Pension Fund Administration Report January to March 2022 - Quarter Four.	Director of Corporate Resources	(Pages 7 - 32)
6. Continuous Improvements Report.	Director of Corporate Resources	(Pages 33 - 48)
7. Responsible Investing Update.	Director of Corporate Resources	(Pages 49 - 54)



- | | | | |
|-----|---|---------------------------------|-----------------|
| 8. | LGPS Central Joint Committee and Annual General Meeting Update. | Director of Corporate Resources | (Pages 55 - 60) |
| 9. | Internal Audit Arrangements (Including Internal Audit Work conducted During 2021-22) and the Internal Audit Plan 2022-23. | Director of Corporate Resources | (Pages 61 - 68) |
| 10. | Risk Management and Internal Controls. | Director of Corporate Resources | (Pages 69 - 90) |
| 11. | Date of Next Meeting - 17 August 2022. | | |
| 12. | Any other items which the Chairman has decided to take as urgent. | | |

TO:

Employer representatives

Mrs R. Page CC
Mr. R. Shepherd CC
Cllr. D. Bajaj

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 Wednesday, 16 February 2022.

PRESENT

Mrs. R. Page CC
Mr. R. Shepherd CC

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

1. Election of Chairman.

RESOLVED:

That Mrs. R. Page CC be appointed Chairman of the Local Pension Board.

Mrs. R. Page CC in the Chair

2. Election of Vice-Chairman.

RESOLVED:

That Mrs. C. Fairchild be appointed Vice Chairman on the Local Pension Board.

3. Minutes.

The minutes of the meeting held on 8 November 2021 were taken as read, confirmed and signed.

4. Chairman's Announcement - Clare Scott.

The Chairman reported that Clare Scott had stepped down from her role as Independent Advisor to the Fund, and Members joined the Chairman in passing on their best wishes to Clare.

5. Question Time.

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

6. 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.

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

The Chairman invited members who wished to do so to declare any interest in respect of items on the agenda for the meeting.

No declarations were made.

8. Pension Fund Administration Report October to December 2021 - Quarter Three.

The Board received a report from the Director of Corporate resources on relevant issues in the administration of Fund benefits, including the performance of the Pensions Section against its Performance Indicators. A copy of the report marked 'Agenda Item 7' is filed with these minutes.

Arising from the discussion the following points arose:-

- i. Part of the Administration Business Plan included the review and implementation of the Pension Regulator's new code of practice that was expected at some point in 2022. It was proposed that the Board undertake a deep dive on the matter at a future meeting to review the Fund's compliance against all areas of the new code.
- ii. In relation to general workload, preserved benefits and aggregations remained high along with retirements and deaths. The Board was assured that the section prioritised retirements and death cases to ensure benefits were paid within the timeline set.
- iii. Members were pleased to note the Fund had achieved a 'green flag' rating for all areas of the Government Actuary's Departments Section 13 report that related to fund valuations as at 31 March 2019. Which denoted there were no material issues that required remedial action.
- iv. Concern was raised regarding the continued outstanding admission and bond agreements for Mowbray Education Trust to Taylor Shaw (Elior).

RESOLVED:

- a) That the report be noted.
- b) That a letter expressing the Boards concern be sent to Mowbray Education Trust and Taylor Shaw (Elior), in relation to the outstanding admission and bond agreements.

9. Business Plan and Budget 2022/23.

The Committee considered a report of the Director of Corporate Resources on the Pension Section's Business Plan and the Pension Fund's proposed budget for 2022/23. A copy of the report, marked 'Agenda Item 8' is filed with these minutes.

Arising from the discussion the following points arose:-

- i. There were significant pressures on the Pension Section with upcoming pieces of work over business as usual, which included the Fund's actuarial valuation, the pensions dashboard project, McCloud, the Good Governance project and the Pensions Regulator new Code of Practice.

- ii. In response to a query regarding adequacy of resource the Pension Manager informed the Board that any issue with capacity would become apparent by the end of April when the Section received data from its employers and could clarify how many queries needed to be resolved ahead of the 31 August annual benefit statements statutory deadline. Members were assured that the management team would continue to monitor the situation.
- iii. There would likely be an increase in Pension Section costs in comparison to previous years as a result of the previously discussed pressures on the Pension Section. Members noted that the Pensions Manager would complete a value for money statement as part of the Fund's Annual Report.
- iv. Members recognised the importance of continued training, and noted that Board Members were recommended to complete modules on the Hymans Aspire training website.

RESOLVED:

That the report be noted.

10. Continuous Improvements Report.

The Board considered a report 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 9', is filed with these minutes.

Arising from the discussion the following points were noted:-

- i. The Government had announced a proposed increase in the normal minimum pension age from 55 to 57 with effect from 6 April 2028. The change stated that members of registered pension schemes, who had a right to take their entitlement to a benefit under their scheme before age 57 before 4 November 2021 would have a protected pension age. The Pensions Section would consider the effects of the changes and communicate with members accordingly.
- ii. Changes had been made to the new starter processes to encourage users to register for Member Self Service.
- iii. Changes had been made to the Pensions Transfer Legislation to give funds the tools to refuse transfers where there was a heightened risk it may be part of a scam. The Fund would look to keep a 'Clean List' which would act as a record of low risk occupational and personal pensions schemes, to ensure low risk transfers were completed without delay. In terms of higher risk transfer requests, it was noted that it is expected there will be less than half a dozen a year that will require the transfer to cease, but numbers would continue to be monitored.

RESOLVED:

That the report be noted.

11. Revised Training Policy.

The Board received a report of the Director of Corporate Resources on the revised Pension Fund Training Policy. A copy of the report marked 'Agenda Item 10' is filed with these minutes.

Members supported the revisions to the training policy for the Board and Local Pension Committee members which would help ensure that good governance of the Fund was maintained.

The Board would continue to receive training on a rolling basis and were encouraged to complete modules on the Aspire Hymans Learning website.

RESOLVED:

That the Board note the revised training policy.

12. 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.

The Board welcomed changes to the risk register that arose following the meeting on 8 November 2021 and subsequent developments set out by the Pensions Manager.

RESOLVED:

That the report be noted.

13. LGPS Central Joint Committee and Annual General Meeting Update.

The Board considered a report by the Director of Corporate Resources, the purpose of which was to update Members on the LGPS Central Joint Committee and Annual General Meeting. A copy of the report marked 'Agenda Item 12' is filed with these minutes.

RESOLVED:

That the report be noted.



LOCAL PENSION BOARD – 4 MAY 2022

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PENSION FUND ADMINISTRATION REPORT
JANUARY to MARCH 2022 - QUARTER FOUR

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 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 January to March 2022 quarter are included as Appendix A.
5. In the quarter nine out of ten Key Performance Indicators (KPIs) were at or above target.
6. The results for the year April 2021 to March 2022 are included as Appendix B.

7. The years KPIs are very pleasing with half of the KPIs at or above target. The other half were just slightly under target. Given the demands and pressures on the service, the Pensions Manager is pleased with the overall year's results.

Governance – Service Delivery

General Workloads

8. The tables show the position in the key work areas, January to March 2022.

January 2022

Area	Cases completed in the period	Remaining cases at the end of the period	Maximum Number of Cases at Month End
Preserved benefits	212	1,446	750
Retirement Options	222	260	250
Retirements Paid	103	408	250
Deaths	117	189	100
Refunds	70	210	400
Pension Estimates	90	96	250
Transfers in	49	257	200
Transfers out (excluding interfunds out) *	30	31	100
Aggregations	133	1,287	300
New starters set up on the pension system	347	n/a	n/a

February 2022

Area	Cases completed in the period	Remaining cases at the end of the period	Maximum Number of Cases at Month End
Preserved benefits	354	1,231	750
Retirement Options	206	286	250
Retirements Paid	225	379	250
Deaths	103	186	100
Refunds	48	225	400
Pension Estimates	81	119	250
Transfers in	84	261	200
Transfers out (excluding interfunds out) *	31	32	100
Aggregations	300	970	250

New starters set up on the pension system	846	n/a	n/a
---	-----	-----	-----

March 2022

Area	Cases completed in the period	Remaining cases at the end of the period	Maximum Number of Cases at Month End
Preserved benefits	227	1,139	750
Retirement Options	217	259	300
Retirements Paid	160	403	300
Deaths	81	189	100
Refunds	97	249	400
Pension Estimates	84	124	250
Transfers in	40	296	200
Transfers out (excluding interfunds out)*	46	40	100
Aggregations	237	981	250
New starters set up on the pension system	590	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.

9. The main point to note.

- Preserved benefits and aggregations are reducing and remain priority for the Fund valuation on the 31 March 2022.

10. Due to increasing scheme membership and demand, the Pensions Manager has produced new maximum workloads target for 2022/23. In all cases Officers try and keep workloads below the maximum target values but these act as a management tool to assist with resource planning. This is attached as Appendix C.

11. Officers purchased Insights, a detailed reporting tool from the pensions administration provider in 2021, that enables Officers the ability to delve deeper into the tasks. From April 2022 the Pensions Manager will be able to detail how many of the remaining cases are with the Pension Section to proceed and how many are "external". External cases cannot proceed until something outside of the Pension Section is completed, e.g., a scheme member returns their retirement option form, an employer provides pay details etc.

Value for Money Statement

12. The Chartered Institute of Public Finance and Accountancy (CIPFA) guidance states Pension Funds need to produce a Value for Money Statement for inclusion in the Fund's annual report.

13. The guidance is not particularly prescriptive and is included in full below

“This statement should demonstrate the efficiency and effectiveness of each fund's scheme administration and the commitment to enhancing the value for money of this function. This should include reflecting on the level of resources and comparability of key performance indicators over time and to national averages. There should also be a comment on the current levels of data quality on common data standards which are fundamental for both the valuation of the funds' liabilities and how this is subsequently reported in the fund accounts and risk management arrangements.”

14. The Value for Money Statement for 2021/22 will be included in the annual report and taken to Committee in 2022.

15. The Value for Money Statement is in respect of

- Administration costs
- Service to scheme members
- Workloads
- Data quality
- Fund risk management

16. The pension administration costs include staffing, IT, actuarial and support services. It does not include the costs relating to investment activity.

17. The Pension Fund budget is independent of the Council's budget and its finances are managed separately. The Director of Resources reviews the Pension Fund budget independently considering the full need of the service.

18. The Pension Fund budget for 2022/23 was approved by Committee on the 25 March 2022. This also included a forecast for 2023/24.

19. Officers must demonstrate value for money. The cost per member is calculated using the total cost for staffing, IT, actuarial and support services divided by the scheme membership at the 31 March. To compare the 2021/22 costs, information from three years prior is included.

20. Administration Cost

Year	Members	Full Time Equivalent – Pensions Administration	Administration Costs £000	Cost per member (admin cost / members)
2018/19	93,046	31	2,300 [^]	£24.72
2019/20	95,401	33	2,300	£24.11
2020/21	97,530	33	2,155	£22.10
2021/22	99,240	36*	2,556	£25.76
2022/23 – Forecast	103,000	35**	2,790	£27.09

[^]Total was £2,400,000 but reduced by £100,000 income.

*Includes two Kick Starters from the Government's initiative to introduce graduates into work.

**Includes an apprentice.

Administration costs are made up primarily from four areas staffing, IT, actuarial and support services.

There was increased spend in all the four key areas in 2021/22 compared to 2020/21, as detailed in the following table.

Year	Staffing	IT	Actuarial	Support Services	Other
2020/21	1,202,000	423,000	77,000	393,000	58,000
2021/22	1,373,000	445,000	183,000	466,000	89,000
Increase	171,000	22,000	106,000	73,000	31,000

21. Staffing

The increase in staff costs were for the additional three colleagues primarily assisting on McCloud. There was also an inflationary increase to staff salaries and pay progression for colleagues moving through the pay bands.

22. IT

IT costs increased to cover system changes for McCloud and the purchase of Insights which is a new reporting tool provided by the system provider.

23. Actuarial

Every three years the Fund must complete an actuarial valuation. The valuation exercise includes a significant amount of time from the Fund's Actuary Hymans Robertson. Therefore, in a valuation year the actuarial costs increase. The expected actuarial cost for the valuation was budgeted in 2022/23. However, the stabilised employer valuation work was brought forward into 2021/22 thereby

increasing the cost spend in 2021/22. A lower expected increase in 2022/23 is anticipated.

24. Support Services

There were increases in the support services to cover increasing workloads in certain areas, inflationary increases and the implementation of the new print/post/scanning solution.

25. Other

These relate to other general costs e.g., LGA training, CIPP qualifications, Club Vita membership, tracing service, SAB annual levy etc.

26. Fund Administration Charge

Funds charge a percentage of the employer primary contribution rate to fund pension administration. Given the differences in the demographics of Funds this is not considered a reliable measure of costs between Funds. For example, a Fund with a greater percentage of active members and low fund maturity will receive more income, compared with a more mature Fund that has a greater percentage of pensioners and preserved members.

Officers feel the cost per member provides a more transparent way to measure administration cost between Funds.

Service to Scheme Members

27. Fund Officers measure key performance indicators (KPIs) for both business process and customer satisfaction. The January to March 2022 quarter and full year April 2021 to March 2022 KPIs were referenced earlier in the report as Appendix A and B.

28. The KPIs demonstrate a good service continues to be provided to the Fund's scheme members.

29. During 2021/22 the Fund had three Stage 2 complaints via the formal Disputes process.

Workloads

30. Workloads have been included in the Value for Money work as it demonstrates the volumes completed in the year and is required in the Fund's Annual Report. The 2021/22 figures are included in the table below.

Area of work	Cases Completed
Preserved Benefits	2,034
Retirement Options	2,675
Retirements Paid	2,113
Deaths	1,196
Refunds Paid	1,148
Estimates	1,206
Transfers in and out (excluding interfunds out) *	287
Aggregations	1,593
New starters	7,397

*Interfunds out have a one-year window for a member decision and are therefore excluded.

Details of new pensioner analysed by retirement type.

Type of retirement	Cases Completed
Early	1,524
Ill Health	46
Normal	153
Late	243
Redundancy/Efficiency/Flexible	147
Total	2,113

Scheme Membership in the last three years is.

Year	Active Members	Preserved Members	Pensioner Members	Total
2019/20	35,779	30,586	29,036	95,401
2020/21	36,972	30,469	30,089	97,530
2021/22	37,139	30,704	31,397	99,240

Data Quality

31. Officers monitor and improve annually data quality. This is reported to The Pensions Regulator each year. Data is split between common and scheme specific data.
32. Common data is primarily used to hold members information e.g., NI number, Date of Birth etc.
33. Scheme specific data is primarily used in the calculation of member benefits.
34. The Fund data scores in the last three years.

Year	Common Data Score	Scheme Specific Data Score
2019/20	99.20%	90.40%
2020/21	99.20%	90.90%
2021/22	97.20%	97.59%

With the introduction of Insights further data analysis is now available and it has emerged the previously submitted score needed a slight adjustment and the 2021/22 scores reflect this. However overall, the latest scores are more favourable.

Fund Risk Management

35. Officers monitor risk and record risk on the Pension Fund risk register. The register is presented to the Board and Committee each quarter.
36. The Fund has two Business Plans for administration and investments. These were approved by Committee in March 2022. These are used to highlight any significant changes and help identify where resource changes maybe required to continue to deliver the service.
37. A list of the Fund's strategies and policies can be found on the following link.

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

Staffing Update

38. Two experienced Team Managers will be leaving the Pensions Section during May. With 40 years' and 20 years' service in the section respectively.
39. An experienced Officer from another LG Pension Fund has been recruited who will join the section in June, subject to completion of the formal recruitment process. This has also led to minor reshuffle to ensure the impact of the departure is minimised and the new Officer is supported as he settles into his new role.

Complaints – Internal Disputes Resolution

40. 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.
41. In the period January to March 2022 there were no new IDRP Stage 2 appeals.

There was progress on two existing Stage 2 cases.

- One was referred back to the member's previous employer to reconsider their Stage 1 decision.
- One that had already been referred back to the member's previous employer to reconsider their earlier decision, was still not resolved. This then formed a new Stage 2, but the member has refused to proceed with the IDR process and has proceeded directly to the Ombudsman.

Data Improvement

42. The Pension Section has almost completed the phased implementation of monthly postings using i-Connect as part of the Leicestershire Fund's data improvement plan. Below are the main developments since the last Pension Board meeting up to 31 March 2022

- A total of 10 large employers have gone live on i-Connect, all from Phase 1. These include St Thomas Aquinas, The Rutland Learning Trust, South Leicester College, Lady Jane Grey Primary School and employers using the EPM payroll provider.
- 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, Leicester City Council and Melton Borough Council.
- From January 2022 all EMSS payrolls transferred to the new Fusion payroll system, this had a data synchronisation impact on i-Connect. This created a significant amount of work completing data checks and resolving discrepancies before uploading the report.
- The Fusion reports are still proving challenging to resolve due to inaccuracies in the data which means increased checks are needed before and during the upload process.

Outstanding Employers

43. There are only six small to medium employers outstanding which account for less than 1% of active members, see employer details below.

44. These employers will carry out the old Year End process and Officers aim to go live with i-Connect in early 2022/23.

- Compass Services (City, Marriott Primary School)
- Compass Service (City, Glebelands Primary School)
- Capita IT City of Leicester
- Capita Services ex Charnwood
- Futures Trust (Hinckley Academy)

- St Therese of Lisieux / St Gilbert of Sempringham
45. There are always new employers joining the Fund and they are required to use i-Connect but naturally this takes a few months to set up with new employers.

Overview as of 31st March 2022

At 31 March 2022	Employers	Active Members (approx.)
Total Fund	186	37,139
Live on i-Connect monthly posting	180	37,029
Not live on i-Connect (annual posting)	6	110
Percentage monthly posting	97% (previous quarter 92%)	99.7% (previous quarter 96%)

46. A full list of all employers monthly posting implementation as of 31 March 2022 can be found in Appendix D.

Plan for 2022/23

47. The priorities over the coming months are:
- Year End process: Liaise with the Investments Department and carry out data checks in preparation for the benefit statement 31 August 2022 deadline.
 - Go-live with the outstanding employers - work can begin on this after Year End data has been provided and the April payroll has run.
 - Work with East Midlands Shared Services to ensure any remaining issues with the i-Connect reports are resolved.

2021/22 Year-End

48. Officers started preparing for 2021/2022 year-end in February 2022 and sent a bulletin to all the employers using i-Connect detailing the data that needs to be submitted.
49. A separate correspondence was sent to the six employers not using i-Connect in March 2022 explaining what information is required and how to submit the data.
50. The deadline for employers to submit all the year-end data is 30th April and any queries that are generated will need to be resolved by 31st July. This will allow the Pension Section sufficient time to prepare the Annual Benefit Statements

before 31st August deadline. A control sheet has been setup to monitor the progress of each employer to ensure that all the deadlines are met.

51. As at the 20 April 2022 84 employers have uploaded their March 2022 data and 25 year-end returns have been received. Officers are pleased with the current year-end position and will continue to monitor this closely.

Breaches Log

52. 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.

53. There were no new or open breaches in the quarter.

Governance – Audit

54. During the quarter January to March 2022, there was one Internal Audit report received on the 2021/22 pension contribution calculations. All cases checked were correct and there were no recommendations made.

Governance - Regulations

55. There were no significant Local Government Pension Scheme regulator changes in the quarter.

Governance – National Update

Russian Investments

56. In March 2022 Department Levelling Up Housing and Communities (DLUHC) wrote to all Funds to request them to consider their Russian investments. At the time Leicestershire had approximately 0.15% in Russian investments and this is likely to have fallen since. DLUHC remain keen for Funds to continue to review these investments, especially Funds with greater than 1% invested.

Sharia Law

57. A legal opinion commissioned by the LGPS advisory board has found that a discrimination claim was possible, against LGPS employers, over employees concerns the LGPS is not compliant with sharia law.

58. It is suggested employers may need to consider offering an alternative pension arrangement to negate this possible discrimination claim, but that would have obvious implications for employers and Funds and could lead to a cheaper scheme with worse benefits.

59. The LGPS advisory board are seeking further advice on the legal opinion.

Governance – Fund Policies/Changes

60. The Pensions Manager provided a report to the Local Pension Board on the 23 August 2021 confirming Officers are working with the Fund's Actuary Hymans Robertson on an informal review of Local Government AVC providers. This followed the issues highlighted to the Board during 2021 with the Fund's current AVC provider the Prudential.

61. The informal review has been completed and Officers will assess the results and decide how to proceed. It is unlikely this will proceed significantly during 2022 whilst the priority must remain the valuation, McCloud and preparing for dashboards.

Governance – Actuarial

Valuation

62. On 25 March 2022 Pensions Committee approved proposed employer rates for the stabilised employers for the period 1 April 2023 to 31 March 2026.

63. The Pension Manager has written to the stabilised employers, and they have until the 3 May 2022 to request further information.

64. Fund Officers are now actively working through the data for the non-stabilised employers. All Fund data will be provided to the Fund actuary by the 31 August 2022.

Governance – The Pensions Regulator Code of Practise

65. In 2021 The Pensions Regulator (TPR) completed a consultation on amalgamating their current codes into one single code.

66. 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. Officers and The Fund's Actuary will compare the current codes and the new single code via a "gap" analysis.

Governance – Employer Risk

67. Fund Officers continue to regularly review employer risk. Where there are outstanding admission agreements or bonds, these are reported to the Board each quarter.

68. There are currently several outstanding cases that Pension Officers and internal Legal colleagues continue to try and resolve.

69. 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.

70. 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.

71. 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.

72. At the time of writing the report, 20 April 2022, there are several cases outstanding.

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 20 April 2022)	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 April 2022.	High
South Charnwood High School to MCS Cleaning (2021 Contract)	Admission agreement and bond	Pass through 1 September 2021 2 members affected – they have been written to	Capital Costs of £10,000	Bond and admission agreement approved by all parties. Admission agreement has been signed by MCS, but Officers await South Charnwood to sign. This continues to be chased.	Medium/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 20 April 2022)	Fund Risk Level
		explaining the situation			
Odyssey Ed Trust (Humberstone Primary School) to Caterlink	Admission agreement and bond	Pass through 1 January 2022 3 members affected – they have been written to explaining the situation	Capital Cost of £27,000	Admission agreement has been agreed and circulated for signing. Bond still needs agreeing and Officers have chased both parties.	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 continue to work with Legal colleagues on reinstating the bond	Medium
The MEAD Educational Trust (Primary Schools) to Caterlink	Bond	Pre April 19 (Contract extended to 31/7/2022)	Full £158,000 to 31/7/2022 (previous bond lapsed on 31/7/2021 when original contract was due to end)	Officers were notified that the contract had been extended to July 2022. Officers continue to work with Legal colleagues on reinstating the bond	Medium
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 signed by the bank. Officers continue to chase Rushcliffe CARE for signature.	Low
City Council to East West Community Centre Ltd	Bond (previously not required but	Pre April 2019	Capital Cost bond of £16,000 March 2021	East West are questioning the need for the bond and have requested further information.	Low

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 20 April 2022)	Fund Risk Level
	member age 55)		3 years		
MET to Taylor Shaw (Elior)	Bond	Passthrough 1 August 2021	Capital Costs of £12,000	Admission completed. Officers continue to chase for completion of the bond	Low

71. The cases completed in the quarter are listed below.

- City (Marriott Primary School) to Compass – Admission agreement and bond (backdated to 23/08/2021)
- City (Glebelands School) to Compass – Admission agreement backdated to 08/08/2021
- Mowbray Educational Trust to Taylor Shaw – Admission agreement backdated to 01/08/2021
- Tudor Grange (Samorth) to CSE – bond only

Governance – Knowledge and Understanding

72. 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.

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

74. The Fund's 2021-22 Annual Report will include details on Member training.

Recommendation

75. 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 January to March 2022

Appendix B – Key Performance Indicators April 2021 to March 2022

Appendix C – Revised Monthly targets from April 2022

Appendix D – Fund's position on the role out of monthly postings (31 March 2022)

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
Telephone: (0116) 305 6199
Email: Declan.Keegan@leics.gov.uk

APPENDIX A

Quarter - January to March 2022									
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%	93%	▲	85%	Establish members understanding of info provided - rated at least mainly ok or clear	95%	99%	▲	98%
Pension payments made within 10 working days of receiving election	95%	95%	▲	96%	Experience of dealing with Section - rated at least good or excellent	95%	93%	▶	91%
Death benefits/payments sent to dependant within 10 working days of notification	90%	90%	▲	89%	Establish members thoughts on the amount of info provided - rated as about right	92%	93%	▲	93%
					Establish the way members are treated - rated as polite or extremely polite	97%	98%	▲	98%
Good or better than target	▲				Email response - understandable	95%	100%	▲	89%
Close to target	▶				Email response - content detail	92%	99%	▲	90%
Below target	▼				Email response - timeliness	92%	98%	▲	83%

APPENDIX B

Full Year - 1 April 2021 to 31 March 2022								
Business Process Perspective	Target			Customer Perspective - Feedback	Target			
Retirement Benefits notified to members within 10 working days of paperwork received	92%	89%	▶	Establish members understanding of info provided - rated at least mainly ok or clear	95%	99%	▲	
Pension payments made within 10 working days of receiving election	95%	95%	▲	Experience of dealing with Section - rated at least good or excellent	95%	92%	▶	
Death benefits/payments sent to dependant within 10 working days of notification	90%	87%	▶	Establish members thoughts on the amount of info provided - rated as about right	92%	93%	▲	
					Establish the way members are treated - rated as polite or extremely polite	97%	99%	▲
Good or better than target	▲				Email response - understandable	95%	93%	▶
Close to target	▶				Email response - content detail	92%	94%	▲
Below target	▼				Email response - timeliness	92%	91%	▶

Appendix C

Pension Maximum Workload Targets 2022/23

In all cases Officers will try and keep workloads as low as possible and not exceed these values.

The values act as a management tool to monitor workloads and amend resource as required.

	April	May	June	July	August	September	October	November	December	January	February	March
Preserved Benefits	1,000	1,000	1,000	1,000	1,000	1,000	900	900	900	800	800	800
Retirement Options	350	300	300	300	350	300	300	300	350	300	300	350
Retirements Paid	350	300	300	300	350	300	300	300	350	300	300	350
Deaths	200	200	200	200	200	200	200	200	200	200	200	200
Refunds	400	400	400	400	400	400	400	400	400	400	400	400
Estimates	250	250	250	250	250	250	250	250	250	250	250	250
Transfers In	200	200	200	200	200	200	200	200	200	200	200	200
Transfers Out*	100	100	100	100	100	100	100	100	100	100	100	100
Aggregations	1,000	1,000	1,000	1,000	1,000	1,000	900	800	700	600	600	600

*excluding interfunds

Pensions Manager 4/4/22

This page is intentionally left blank

APPENDIX D: Position as at 31 March 2022

TOTAL EMPLOYERS: 186	Payroll / size of employer	Live on iConnect?	Phase	Handed over to ER	Provider	Recent Notes
Live on i-Connect (180 employers)						
St Thomas Aquinas CMAT	Large	Yes	1	Yes	District	Went live Feb 22
The Rutland Learning Trust	Access Group payroll	Yes	1	Yes	Access	Went live Mar 22
Brooke Hill Academy Trust	EPM payroll	Yes	1	Yes	EPM	Went live Mar 22
CASTERTON B&EC AT	EPM payroll	Yes	1	Yes	EPM	Went live Mar 22
L.E.A.D ACADEMY MAT	EPM payroll	Yes	1	Yes	EPM	Went live Mar 22
Rutland CC (paid by EPM)	EPM payroll	Yes	1	Yes	EPM / District	Went live Mar 22
Tudor Grange Academies Trust	EPM payroll	Yes	1	Yes	EPM	Went live Mar 22
UPPINGHAM COMMUNITY COLLEGE	EPM payroll	Yes	1	Yes	EPM	Went live Mar 22
Lady Jane Grey Primary School	Medium	Yes	1	Yes	District	Went live Feb 22
SOUTH LEICS COLLEGE	Medium	Yes	1	Yes	District	Went live Feb 22
ANSTEY PARISH COUNCIL	Small	Yes		Yes	District	
ASHBY TOWN COUNCIL	Small	Yes		Yes	District	
ASHBY WOULDS TOWN COUNCIL	Small	Yes		Yes	District	
Aspens (City Crown Hills)	Small ER	Yes		Yes	District	
Aspens (Lutterworth AT)	Small ER	Yes		Yes	District	
Aspens (Mowbray Ed Trust)	Small ER	Yes		Yes	District	
Aspens (Nova ET)	Small ER	Yes		Yes	District	
Atalian Servest (City of Leics)	Small	Yes		Yes	District	
Atalian Servest (Soar and Moat)	Small ER	Yes		Yes	District	
Avanti School Trust	Medium	Yes		Yes	Access	
Bagworth & Thornton PC	Small	Yes		Yes	District	
Barwell Parish Council	Small	Yes		Yes	District	
BEACON ACADEMY MAT	Medium	Yes		Yes	District	
Bellrock Management	Small	Yes		Yes	District	
Better Futures MAT (Gateway 6th form college)	EMSS	Yes		Yes	EMSS	
Blaby DC	Large	Yes		Yes	District	
Blaby Parish Council	Small	Yes		Yes	District	
Bottesford PC	Small	Yes		Yes	District	
Bradgate Park Trust	EMSS	Yes		No	EMSS	
BRAUNSTONE TOWN COUNCIL iConnect	Small	Yes		Yes	District	
Brookvale High School	Large	Yes		Yes	District	
Broughton Astley PC	City	Yes		Yes	City / NWLDC	
Castle Donington College (EMET)	Large	Yes		Yes	Dataplan	Payroll moved to Dataplan 01/01/2022
Caterlink (DRET)	Small	Yes		Yes	Caterlink	
Caterlink (Mead ET Primaries)	Small	Yes		Yes	Caterlink	
Caterlink (Mead ET Sec)	Small	Yes		Yes	Caterlink	
Caterlink (The Futures Trust)	Small	Yes		Yes	Caterlink	
Caterlink (Tudor Grange AT)	Medium	Yes		Yes	Caterlink	
Caterlink (WQE1 Group)	Small	Yes		Yes	Caterlink	

TOTAL EMPLOYERS: 186	Payroll / size of employer	Live on iConnect?	Phase	Handed over to ER	Provider	Recent Notes
Charnwood BC	Large	Yes		Yes	District	
Chartwells (LeicsCC Ravenhurst)	Small	Yes		Yes	District	
Churchill Contract Services	Small	Yes		Yes	District	
Cleantec Services (AET)	Small	Yes		Yes	District	
Compass Services (City, Shaf)	Small	Yes		Yes	District	
Coombes Catering Ltd	Small ER	Yes		Yes	District	
COUNTESTHORPE PC iConnect	Small	Yes		Yes	District	
CSE (Samworth Tudor Grange)	Small	Yes		Yes	District	
David Ross Education Trust	Medium	Yes		Yes	Dataplan	
De Montfort University	Large	Yes		Yes	District	
East Goscote Parish Council	Small	Yes		Yes	District	
East Midland Shared Services	EMSS	Yes		No	EMSS	
East West Community Centre	Small	Yes		Yes	District	
Embrace AT (incl. Brockington College)	Large	Yes		Yes	District	
EMH Group (East midlands homes/housing group)	Small	Yes		Yes	District	
Enderby Parish Council	Small	Yes		Yes	District	
ESPO	EMSS	Yes		Yes	EMSS	
FIRE SERVICE CIVILIANS iConnect	Large	Yes		Yes	WCC	
G4S (City Council)	Small	Yes		Yes	G4S	
GLEN PARVA PARISH COUNCIL	Small	Yes		Yes	District	
Govindas (Avanti Schools)	Small	Yes		Yes	Access	
Groby Parish Council	Small	Yes		Yes	District	
Harborough DC	City	Yes		Yes	City / NWLDC	
Hinckley & Bosw'th BC	Large	Yes		Yes	District	
Hutchinson Catering	Small	Yes		Yes	District	
Inspiring Primaries Academy Trust	Large - Academy	Yes		Yes	Dataplan	
Kindred (formerly Ridge Crest)	Small	Yes		Yes	District	
Kirby Muxloe PC	Small	Yes		Yes	District	
Learn Academy Trust	Medium	Yes		Yes	Dataplan	
Leicester City Council	City	Yes		No	City	
Leicester College	Large	Yes		Yes	District	
Leicestershire CC (payroll 10 & 23)	EMSS	Yes		No	EMSS	
Leics Forest East PC	Small	Yes		Yes	District	
Long Field Academy	Medium	Yes		Yes	Dataplan	
Lough University	Large	Yes		Yes	District	
Loughborough College	Large	Yes		Yes	District	
Lutterworth Academies Trust / Lutterworth College	Medium	Yes		Yes	District	
LUTTERWORTH T C	Small	Yes		Yes	District	
MARKET BOSWORTH PARISH COUNCIL	Small	Yes		Yes	District	
Melton B C	City	Yes		No	City	
Melton Learning Hub	Small	Yes		Yes	District	
Midland Academies Trust	Medium	Yes		Yes	District	
Mitie Care (Chief Constable)	Small	Yes		Yes	District	
Mountsorrel PC	Small	Yes		Yes	District	
MOWBRAY EDUCATIONAL TRUST	Medium	Yes		Yes	Dataplan	
North West Leics D C	Large	Yes		Yes	District	

TOTAL EMPLOYERS: 186	Payroll / size of employer	Live on iConnect?	Phase	Handed over to ER	Provider	Recent Notes
Nova Ed Trust (Melton Vale)	Medium	Yes		Yes	District	
Oadby and Wigston BC iConnect	EMSS	Yes		Yes	EMSS	
OAK MAT	Medium	Yes		Yes	Dataplan	
Oakham TC	Small	Yes		Yes	District	
Priory AT Belvoir Academy, The	Medium	Yes		Yes	District	
Quadron Services	Small	Yes		Yes	District	
Queensmead Primary Academy	Medium	Yes		Yes	District	
Rawlins Academy	Large	Yes		Yes	District	
Rendell Primary School	Medium	Yes		Yes	District	
Rise A CofE MAT (was Diocese of Leicester AT) SAAF payroll	Large	Yes		Yes	District	
Rushcliffe Care Ltd	Small	Yes		Yes	District	
Rutland & District Schools' Federation	Medium ER	Yes		Yes	District	
Rutland CC (Hoople payroll only)	Large	Yes		Yes	District	
Ryhall CE Academy	Small	Yes		Yes	District	
Scraptoft PC	Small	Yes		Yes	District	
SHEPSHED TOWN COUNCIL	Small	Yes		Yes	District	
SILEBY PARISH COUNCIL	Small	Yes		Yes	District	
SLM (Blaby DC 2006 contract)	Small	Yes		Yes	SLM	
SLM (Blaby DC 2019 contract)	Small	Yes		Yes	SLM	
SLM (Oadby and Wig)	Small	Yes		Yes	SLM	
SLM Everyone active (NW Leisure)	Large	Yes		Yes	SLM	
Solo Service Group (Leics CC)	Small	Yes		Yes	District	
Solo Service Group (Mowbray ET)	Small	Yes		Yes	District	
Stephenson Melton Brooksby Group (SMB)	Large	Yes		Yes	District	
Stephenson Studio School	Small	Yes		Yes	District	
SYSTON TOWN COUNCIL	Small	Yes		Yes	District	
The Chief Constable & The OPCC	Large	Yes		Yes	District	
The Mead Educational Trust	Medium	Yes		Yes	Dataplan	
The Vines Academy Trust	Large	Yes		Yes	District	
Thurcaston & Cropston PC	Small	Yes		Yes	District	
THURMASTON PARISH COUNCIL iConnect	Small	Yes		Yes	District	
Turning Point (City Council)	Medium	Yes		Yes	District	
Turning Point (County Council)	Medium	Yes		Yes	District	
Voluntary Action Leicester	Small	Yes		Yes	District	
Waterloo Housing Group (Platform Housing Group)	Small	Yes		Yes	District	
Welland Park CC	Medium	Yes		Yes	Dataplan	
Whetstone PC	Small	Yes		Yes	District	
Wigston Academies Trust	Medium	Yes		No	EMSS	
Woodbrook Vale School	Medium ER	Yes		Yes	District	
WQE and Regent College group	Large	Yes		Yes	District	
DISCOVERY SCHOOLS MAT	Large - Academy	Yes		No	EMSS - Acad	
Dorothy Goodman School	Large - Academy	Yes		No	EMSS - Acad	
Forest Way School	Large - Academy	Yes		No	EMSS - Acad	
Gartree High School	Large - Academy	Yes		No	EMSS - Acad	
Kirby Muxloe Primary School	Large - Academy	Yes		No	EMSS - Acad	
LIFE Academy Trust	Large - Academy	Yes		No	EMSS - Acad	

TOTAL EMPLOYERS: 186	Payroll / size of employer	Live on iConnect?	Phase	Handed over to ER	Provider	Recent Notes
Lutterworth High School	Large - Academy	Yes		No	EMSS - Acad	
Mountfields Lodge School	Large - Academy	Yes		No	EMSS - Acad	
Redmoor Academy	Large - Academy	Yes		No	EMSS - Acad	
South Wigston High School	Large - Academy	Yes		No	EMSS - Acad	
Stanton under Bardon Primary	Large - Academy	Yes		No	EMSS - Acad	
Success Academy Trust	Large - Academy	Yes		No	EMSS - Acad	
The Pastures Primary School	Large - Academy	Yes		No	EMSS - Acad	
Apollo Partnership Trust	Large - Academy	Yes		No	EMSS - Acad	
Asfordby Hill Primary School	Large - Academy	Yes		No	EMSS - Acad	
Ash Field Academy	Large - Academy	Yes		No	EMSS - Acad	
Ashby Hill Top Primary School	Large - Academy	Yes		No	EMSS - Acad	
Ashby School	Large - Academy	Yes		No	EMSS - Acad	
Attenborough Learning Trust	Large - Academy	Yes		No	EMSS - Acad	
Barwell CofE Academy	Large - Academy	Yes		No	EMSS - Acad	
Battling Brook Primary School	Large - Academy	Yes		No	EMSS - Acad	
Birkett House School	Large - Academy	Yes		No	EMSS - Acad	
Bottesford CofE Primary School	Large - Academy	Yes		No	EMSS - Acad	
Bradgate Education Partnership	Large - Academy	Yes		No	EMSS - Acad	
Church Hill CofE Junior School	Large - Academy	Yes		No	EMSS - Acad	
Cobden Primary School	Large - Academy	Yes		No	EMSS - Acad	
Falcon Primary School	Large - Academy	Yes		No	EMSS - Acad / City	
Frisby CE Primary School	Large - Academy	Yes		No	EMSS - Acad	
Glebelands Prim Sch (City)	Large - Academy	Yes		No	EMSS - Acad	
Hall Orchard Primary School	Large - Academy	Yes		No	EMSS - Acad	
Hastings High School	Large - Academy	Yes		No	EMSS - Acad	
Herrick Primary School	Large - Academy / City	Yes		No	EMSS - Acad / City	
Holywell Primary School	Large - Academy	Yes		No	EMSS - Acad	
LIONHEART MAT	Large - Academy	Yes		No	EMSS - Acad / EPM	
Loughborough CofE Primary	Large - Academy	Yes		No	EMSS - Acad	
Measham CofE Primary School	Large - Academy	Yes		No	EMSS - Acad	
Odyssey Education Trust	Large - Academy	Yes		No	EMSS - Acad	
Old Dalby CofE Primary School	Large - Academy	Yes		No	EMSS - Acad	
Outwoods Edge Primary School	Large - Academy	Yes		No	EMSS - Acad	
Oval Learning Partnership	Large - Academy	Yes		No	EMSS - Acad	
OWLS MAT	Large - Academy	Yes		No	EMSS - Acad	
Queniborough CofE Primary Sch	Large - Academy	Yes		No	EMSS - Acad	
Robert Bakewell Primary School	Large - Academy	Yes		No	EMSS - Acad	
Rothley CofE Primary School	Large - Academy	Yes		No	EMSS - Acad	
Scholars Academy Trust	Large - Academy	Yes		No	EMSS - Acad	
South Charnwood High School	Large - Academy	Yes		No	EMSS - Acad	
St Mary & St John Rutland	Large - Academy	Yes		No	EMSS - Acad	
St.Peters CofE Primary Academy	Large - Academy	Yes		No	EMSS - Acad	
Stonebow Primary School	Large - Academy	Yes		No	EMSS - Acad	
Symphony Learning Trust	Large - Academy	Yes		No	EMSS - Acad	
The Learning without Limits AT	Large - Academy	Yes		No	EMSS - Acad	
The Market Bosworth School	Large - Academy	Yes		No	EMSS - Acad	
Thringstone Primary School	Large - Academy	Yes		No	EMSS - Acad	

TOTAL EMPLOYERS: 186	Payroll / size of employer	Live on iConnect?	Phase	Handed over to ER	Provider	Recent Notes
Thrussington CofE Primary Sch	Large - Academy	Yes		No	EMSS - Acad	
Townlands CofE Primary Academy	Large - Academy	Yes		No	EMSS - Acad	
Phase 1: Outstanding Employers (6 employers)						
Compass Services (City, Marriott Primary School)	Small	No	1		Compass	Delay due to admission agreement finalised in March 22. Go-live from April 22
Compass Service (City, Glebelands Primary School)	Small	No	1		Compass	Delay due to admission agreement finalised in April 22. Go-live from April 22
Capita IT City of Leicester	Small	No	1		Capita	Go-live from April 22
Capita Services ex Charnwood	Medium	No	1		Capita	Go-live from April 22
Futures Trust (Hinckley Academy)	Medium	No	1		District	Go-live from April 22
St Therese of Lisieux / St Gilbert of Sempringham	Small	No	1		Nottingham Roman Catholic I	Go-live from April 22
Phase 2: Outstanding Employers (0 employers)						
Complete						
Phase 3: Outstanding Employers (0 employer)						
Complete						

This page is intentionally left blank



LOCAL PENSION BOARD - 4 MAY 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. Appendix D 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. The latest MSS figures have been provided in Appendix A and continue to show a steady increase in registrations across all employers. This section will be removed from future reports but the figures will continue to be provided in an appendix.

Improvements to Starter Process

4. Further to the Continuous Improvements report dated 16th February 2022, Officers introduced changes to the new scheme members 'Starter' process with effect from 1st April 2022. A bulletin was issued to employers on 3rd March 2022.
5. The new approach introduces a revised letter that is issued to all new starters which confirms membership of the LGPS but removes the requirement for a paper 'Membership' form to be completed and instead directs new members to register for the Member Self Service facility and obtain any required forms from the website, which can then be uploaded back through the website, or in some cases completed online.
6. The new process will be monitored for the first few months, but it is expected that the number of members registering for Member Self Service will increase

and fewer paper forms will be sent to the office, resulting in a reduction in the amount of documents to be scanned, streamlining this process.

Improvements to Leaver Process

7. Officers will shortly introduce changes to the current 'Leaver' process which removes the requirement for scheme employers to provide a Pensions Leaver Form for all scheme members who cease their employment or opt out of the LGPS.
8. Where a scheme employer has registered for iConnect, data is provided on a monthly basis directly to Altair, the Pensions administration system. Currently, when scheme members cease their employment, employers are obliged to complete a leavers form, which confirms date of leaving, plus other data relating to their final year of pensionable employment.
9. In the context of this process, there are two categories of member:
 - i) The scheme members that have CARE pension benefits only, i.e. pensionable service accrued on or after 1st April 2014. For these members there is no additional data required for employers to provide on the Leaver Form that has not been previously submitted through the iConnect system.
 - ii) The scheme members that have CARE and Final Salary benefits, i.e. pensionable service accrued both before and after 1st April 2014. For these members then there is a requirement for employers to provide additional pension data on the form that has not already been submitted through the iConnect system.
10. On this basis, the following initial approach is proposed:

Employers should continue to automatically provide a Leaver Form where scheme members have either:

- Reached the age of 55 or over
- Retired on the grounds of permanent ill health
- Or died

In all the remaining cases, where the members that fall into the first category, i.e. where a form is not required, cases can be processed based on the information already held on the record.

Where the members fall into the second category, i.e. a form is required, an Insights report will identify those members and a list of cases will be emailed to each employer securely.

11. Where there is any doubt over the information provided through iConnect, employers have been advised that forms may be requested to provide clarification of previously supplied data.

12. In addition, employers will be advised that leaver forms will need to be uploaded securely through iConnect instead of continuing with secure email, which is the current practice. This method will allow for forms to be directly sent to individual pension records without the need for documents to be scanned individually and indexed manually to those records. It also offers a clear audit trail regarding when the document was sent.
13. Removing the need for a leaver form in many cases streamlines processes:
- Eliminates delays between the notification of members leaving and Officers calculating benefits
 - Scheme members will receive their benefit notifications earlier
 - Employers will need to complete less forms.
14. It is intended that this process will be introduced by June.

Improvements to Pensioner Payroll

15. When pensioner payroll transferred from Oracle to Altair in February 2019 a different approach had to be taken in respect of how data was held for those scheme members with more than one pension in payment. This would typically affect those members who had more than one period of pension scheme membership in the Fund and had elected not to join those periods together.
16. Oracle payroll had been able to combine those records at the point of payment to ensure that only one payment per pensioner was made each month. This approach was required so that tax deductions were calculated correctly across those multiple records and also to ensure that savings were made by avoiding the additional costs that would occur if multiple payments were made to one person. There are currently just under 5,000 records relating to a member who has more than one pension in payment.
17. The Altair system did not have this facility and to be able to continue with this approach, a single payroll record had to be created for each pensioner, which meant combining existing payroll records.
18. Recent developments to Altair payroll now mean it is possible to revert to the original approach and a system upgrade is scheduled for early summer.
19. The change will split out the combined data to create one payroll record per pensioner and those records can once again be combined at the point of payment.
20. Note that these changes will not affect the payment of the pensions in question, nor will pensioners see any difference in how their pension data is presented on Member Self Service.

21. Once this change has been implemented, the immediate benefit for Officers within the Payments and Taxation team will be the simplification of how the payroll data is displayed, resulting in a smoother process and less issues when creating new records following the retirement of a member.
22. Looking ahead, this will allow for future changes to be made that will result in further streamlining of the process, with the possibility of introducing the automation of payroll record creation following the processing of a retirement. This is likely to be implemented in 2023.

Cyber Security

23. As a result of the current situation in Ukraine, cyber threats are likely to increase. Whilst the Fund does not know the form of attacks that will emerge, it is clear that there is a need for Fund Officers to be vigilant. A refresher training course has been circulated amongst colleagues to ensure that best practice is being followed with regards to the use of strong passwords and knowing how to spot any “phishing” emails that carry a potential threat of viruses that may be sent to accounts.
24. In addition, Heywood, the Fund’s admin system supplier have contacted clients to advise of the additional steps they have taken in response to the situation. These include:
- Frequent internal threat simulations
 - Enforcing strict infrastructure configuration
 - Engaged a leading UK security consultancy to provide incident response services
25. Full details of the steps taken by Heywood can be found in Appendix B
26. As part of a wider picture, The Pensions Regulator’s new single code of practice, which includes steps to be taken around cyber security is expected to come into force later in 2022.
27. The draft version of the code of practice states which measures need to be adopted, including:
- Ensure there is knowledge and understanding of cyber risk
 - Ensure there are clearly defined roles and responsibilities to identify cyber risks and breaches, and to respond to cyber incidents
 - Ensuring cyber is on the risk register
 - Ensuring appropriate controls are in place and are up to date, e.g. anti-virus software
28. As part of the work planned to ensure compliance, Officers will be reviewing current practices in relation to cyber and creating a policy document for publication on the Pensions website.

Data Quality

29. In 2015, the Pensions Regulator (TPR) assumed responsibility for Public Sector Pension Schemes. Prior to this, in June 2010, TPR issued guidance on the approach that they considered to be good practice for measuring the presence of member data. Specific targets were set for data TPR deemed as 'Common' and to a lesser degree they also outlined what should be deemed as 'Scheme Specific'. There are a series of checks that are carried out on the data and based on the number of passes and failures, a score is derived. Each score is submitted to The Pension Regulator annually.
30. The scores will also be included in the 'Value for Money' statement as part of the Fund's Annual Report which is referred to in the latest Board Administration Report.
31. Since 2018 Heywood have been commissioned to provide a score in respect of both the Common and Scheme Specific data for Officers for submission to TPR.
32. Following the acquisition of the Insights reporting tool at the beginning of 2022, Officers are now able to obtain the information, including a breakdown of cases where action needed to be taken in respect of any data issues, whenever required. This means that it is now possible to provide regular scores to the Board to demonstrate progress in this exercise.
33. Insights also carries out additional checks not required by TPR, however our main focus is on the areas that are set by TPR. The scores have been included annually in the Pension Report and to date the figures are:

2018/19 Report	Common Data 99.2%	Scheme Specific Data: 88.7%
2019/20 Report	Common Data 99.2%	Scheme Specific Data 90.4%
2020/21 Report	Common Data 99.2%	Scheme Specific Data 90.9%

The current calculation of the scores as at 6th April 2022 show that the current scores are:

Common Data: 97.2% Scheme Specific Data: 97.59%

34. Now that Insights is the source for the data scores, it has emerged that the previously submitted scores needed a slight adjustment and the current scores reflect this. However, overall, the latest scores are more favourable.

Common Data Score

35. The Common Data checks are divided into 8 sub-categories and in many cases the scores are shown as 100%.
36. The only category that shows a score under 98% is 'Addresses' which scores 96.05%. Of these cases over 89% relate to members who have left the scheme and either have an unclaimed entitlement to a refund or have a deferred benefit. Officers have a policy of tracing addresses for deferred members immediately prior to their 55th birthday, which is the earliest date that the pension can be claimed. Currently members with an unclaimed refund are contacted shortly after their original leaving date only. The other categories of members will need some investigation, but the cases are relatively low in number.

Scheme Specific Data Score

37. The Scheme Specific Data checks are divided into 5 sub-categories and all score over 98%, with the highest category scoring 99.6%.
38. The lowest scoring category is 'Contracting Out' which scores 98.07%. A further breakdown of the information in respect of both categories is provided in Appendix C.
39. Officers will continue to monitor the scores regularly and from next month a regular update on the scores will appear in the 'Areas of Improvement' Appendix.

Insights Update

40. The Insights reporting tool is now being regularly utilised by Officers. The reports available are a mixture of those developed by Heywood and others created by Officers. In addition, there is now an 'Insights Community Reports' area that allows sharing between Funds.
41. Currently in use and referred to elsewhere in this report are the two Data Quality reports, as well as the report developed to identify where a Pensions Leaver Form is required from employers.
42. Also in use is the 'Leavers Checking Report' which identifies cases suitable for use with bulk calculation processes. This is a developing process that will streamline current practice once finalised.
43. A 'Payroll Reconciliation' report is also available to compare the pension values held on both the administration and payroll and highlights where those values differ. This report be used as part of a regular monthly process effective from 1st June 2022.

44. From the end of April 'Monthly Task' reports that have been developed will replace those used previously to collate data for monthly Key Performance Indicator reports. Insights allows the data to be produced in more user-friendly fashion and requires less formatting after production, resulting in a more efficient process.
45. A new iConnect 'dashboard' has been made available for use in the last month, that stores several iConnect related reports in one place and this will also be used in future.
46. Several other minor reports have also been developed and are used to assist with internal processes.
47. Future minor updates will appear for noting in the 'Areas of Improvement' appendix.

Recommendation

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

Equality and Human Rights Implications

49. None specific

Appendix

Appendix A: Member Self Service Registrations 6th April 2022

Appendix B: Heywood Heightened Cyber Threat Document 3rd March 2022

Appendix C: Data Quality Scores as at 6th April 2022

Appendix D: Areas of Improvement as at 6th April 2022

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

Telephone: (0116) 305 6199

Email: Declan.Keegan@leics.gov.uk

This page is intentionally left blank

Member Self Service Statistics as at 6th April 2022

Figures show members who have partially or completely registered for MSS

	Current Figures for Board Report dated 6th April 2022	Figures for Board Report dated 16th February 2022	Current Figures for Board Report dated 6th April 2022	Figures for Board Report dated 16th February 2022	Current Figures for Board Report dated 6th April 2022	Figures for Board Report dated 16th February 2022	Current Figures for Board Report dated 6th April 2022	Figures for Board Report dated 16th February 2022
	All Employers	All Employers	County	County	City	City	Police	Police
Active Members	14505 (39.07%)	14,006 (37.88%)	3237 (39.81%)	3121 (38.04%)	3158 (38.25%)	3,084 (36.64%)	876 (51.14%)	860 (50.12%)
0-39	2885 (24.53%)	2762 (23.58%)	679 (27.47%)	651 (25.81%)	560 (22.84)	540 (21.41%)	220 (33.59%)	211 (32.16%)
40-49	3212 (34.74%)	3139 (33.73%)	719 (33.35%)	692 (31.68%)	615 (31.62%)	618 (30.84%)	169 (48.99%)	169 (48.42%)
50-59	5666 (49.87%)	5497 (48.57%)	1226 (49.6%)	1194 (47.91%)	1263 (48.34%)	1237 (46.43%)	339 (66.34%)	332 (64.97%)
60+	2741 (57.61%)	2608 (56.18%)	613 (59.46%)	584 (57.99%)	720 (57.78%)	689 (56.11)	148 (73.27%)	148 (74.00%)
Deferred Members	8711 (28.33%)	8344 (27.44%)	2579 (26.84%)	2,504 (26.15%)	1930 (24.99%)	1,844 (24.10%)	349 (35.22%)	332 (34.16%)
0-39	1366 (17.83%)	1286 (16.94%)	294 (15.42%)	284 (14.93%)	275 (14.86%)	255 (13.88%)	94 (23.04%)	87 (22.14%)
40-49	2104 (24.20%)	2013 (23.39%)	564 (21.89%)	559 (21.55%)	480 (21.15%)	456 (20.21%)	97 (37.45)	91 (35.83%)
50-59	4254 (36.12%)	4105 (35.09%)	1381 (33.29%)	1353 (32.48%)	973 (32.96%)	939 (32.08%)	130 (47.79%)	124 (45.76%)
60+	987 (37.64%)	940 (37.36%)	340 (34.73%)	308 (33.62%)	202 (32.27%)	194 (30.79%)	28 (53.85%)	30 (55.56%)
Pensioner Members	12711 (43.01%)	12,090 (42.76%)	4230 (39.60%)	4,141 (38.94%)	3096 (42.73%)	3,003 (41.85%)	424 (54.86%)	461 (53.86%)
Dependant Members	660 (21.09%)	617 (21.57%)	229 (22.39%)	226 (22.14%)	166 (22.10%)	161 (21.67%)	19 (23.17%)	19 (23.46%)

This page is intentionally left blank

03 March 2022

Heightened Cyber Security Threat Level

This Bulletin summarises our response to the heightened cyber security threat level resulting from the current situation in Ukraine.

In response to the heightened threat, we have conducted focused threat simulations based upon potentially malicious email traffic, reinforced organisational awareness of the threat landscape and raised vigilance through additional staff training and blocked access/internet traffic from specific countries.

As a matter of course, we continually review all aspects of our physical and logical security and implement improvements on an ongoing basis. Some of the more important elements of our current security posture are outlined below:

- Frequent internal threat simulations, to increase our employee's awareness of (and test their response to) phishing emails and other cyber threats
- Enforce strict infrastructure configuration and hardening policies. All network interlinks are firewalled, with rules to restrict communication based on source destination. Only specifically defined traffic is allowed to the destination. All firewall communication is logged. Traffic from trusted/untrusted networks is encrypted and passes through a web application firewall and Identity Access Management System. All servers are CIS level 2 hardened and are built from the same gold build. Server builds are tested independently as part of our annual cyber security review. All servers are subject to anti-virus scanning and logging
- Review all guidance and advice issued by The National Cyber Security Centre (NCSC). We are a member of CiSP, the Cyber Security Information Sharing Partnership, which is a joint industry and government initiative run by the NCSC
- ISO 27001: 2013 certified. Our Information Security Management System is externally audited every six months by the British Assessment Bureau
- Cyber Essentials certified. This is a UK government backed scheme, which demonstrates that we have technical controls in place to defend against the most common cyber-attacks
- Engaged a leading UK security consultancy, Pen Test Partners LLP, to provide us with incident response services
- We conduct a programme of annual cyber security reviews, subjecting our software

products and our internal and external IT infrastructure to comprehensive security tests. These are carried out by our independent security consultants, Pen Test Partners LLP. These were last completed in January 2022, and we received very positive feedback in relation to the security controls that we have in place.

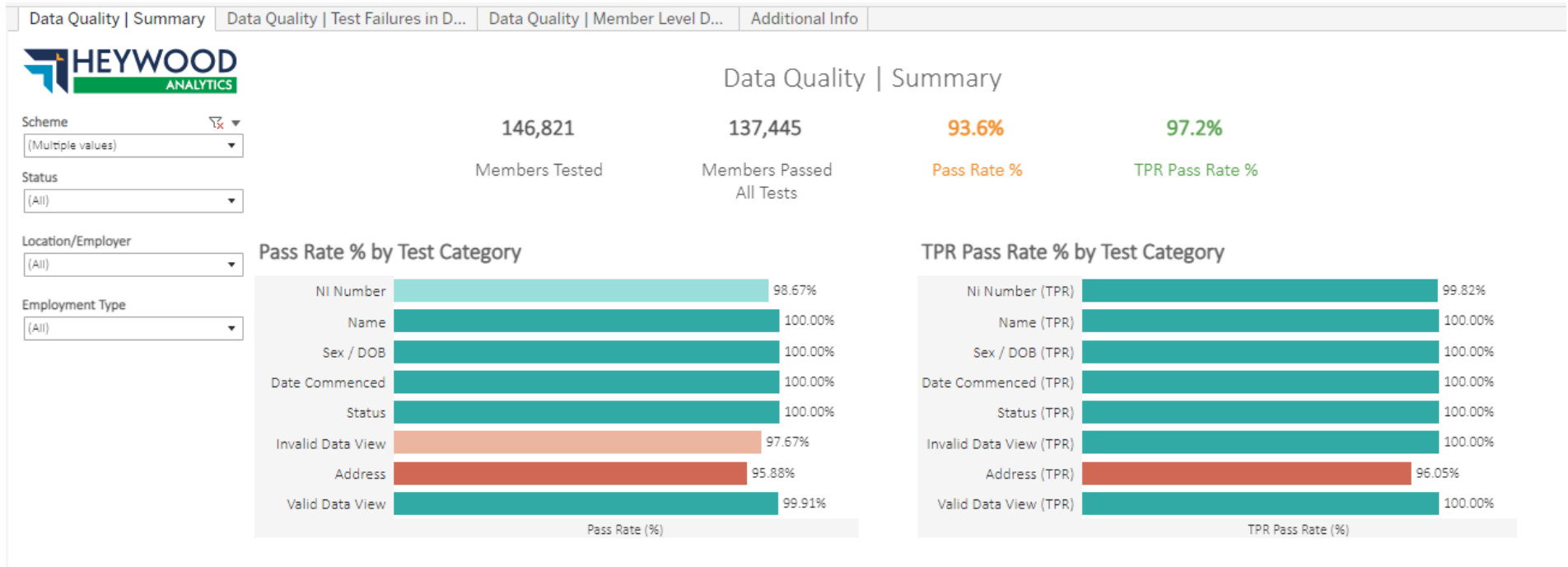
- All employees complete mandatory information security assignments each month.

We will continue to closely monitor the cyber threat landscape, particularly threats connected with events in Ukraine. When necessary, we will take immediate action to mitigate against new threats as they emerge.



Appendix C: Data Quality Scores

Common Data Score as at 6th April 2022



Scheme Specific Date Score as at 6th April 2022

Overall Summary | Category Summaries | Member Details | Member Benefits | CARE | HMRC | Contracting Out | Member Summary Fail List | Member Fail List | Additional I | >

LGPS Scheme Specific Data Quality | Overall Summary

	176,324	109,067	15,706	91.09%	97.59%
	Member Records	Members Tested	Members Failed	Pass Rate %	TPR Pass Rate %

Scheme: (Multiple values)

Status Description: (All)

Location/Employer: (All)

Employment Type: (All)

Member Age at Today: 2 to 137

Test Variables
 Note that scores are based on the following dates.
 Last AA PIP End Date: 05/04/2021
 Last PI Date: 12/04/2021
 Last Scheme Posting Date (Year End):

Grand Total | Pass Rate %

Overall	91.09%
---------	--------

Grand Total | TPR Pass Rate %

Overall TPR	97.59%
-------------	--------

Grand Total | Pass Rate % by Test Category

Member Details	91.63%
Member Benefits	94.23%
CARE	97.54%
HMRC	99.16%
Contracting Out	97.83%

Grand Total | TPR Pass Rate % by Test Category

Member Details	99.60%
Member Benefits	99.13%
CARE	98.56%
HMRC	99.29%
Contracting Out	98.07%

Appendix D - Areas of Improvement

Area	Affected Team	Aim	Target Completion Date	Comments added 23082021	Comments added 08112021	Comments added 18012022	Comments added 08042022
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.	A further 13 employers have been contacted since the last update.
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.	-	Work continues on these 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.	Details of costs have been received from Central Print and have been agreed. SLA is expected by the end of May.
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.	-	Officers have started looking at Employer Risk elements with Hymans Robertson as part of the Fund Valuation work. Initially this has consisted of risk checks on colleges and the largest academies.
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.	Guidance expected later this year.
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.	Presentations continue to take place as required, though currently still online whilst Covid cases are still high.
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.	Update is expected on this from Heywood at the end of April.

Area	Affected Team	Aim	Target Completion Date	Comments added 23082021	Comments added 08112021	Comments added 18012022	Comments added 08042022
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.	-	-	Regulations expected this year.
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.	As per the main report, Current Common and Scheme Specific Data scores to be included each report. Figures as at 6th April 2022 are: Common Data: 97.2%; Scheme Specific Data: 97.59%
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.	As per the main report, a Cyber Policy Document will be developed later this year.
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.	Following a recent audit of processes in respect of payments for pensions, lump sums and death grants, substantial assurance was given that the controls in place are adequate and are being managed effectively.
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.	Insights now in regular usage as Officers develop reports for the tool. Further details in the main report, but future developments will appear here.



LOCAL PENSION BOARD – 4 MAY 2022

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

RESPONSIBLE INVESTING UPDATE

Purpose of the Report

1. To update the Board regarding the Fund's position with respect to direct Russian exposure.
2. To update the Board on progress versus the Responsible Investment (RI) Plan 2022, specifically in relation to Net Zero Climate Strategy (NZCS).

Background

3. The term 'responsible investment' refers to the integration of financially material Environmental, Social and Governance ("ESG") factors into investment processes. It has relevance both before and after the investment decision and is a core part of our fiduciary duty. It is distinct from 'ethical investment', which is an approach in which the moral persuasions of an organisation take primacy over its investment considerations.
4. The Fund's approach, as stated within the Investment Strategy Statement (ISS) is to ensure RI through engagement of companies to forward responsible investing aims rather than divest our holdings, thus forgoing any influence. This policy is reviewed annually with any proposed changes consulted upon and approved by the Pension Committee.
5. The Local Pension Committee approved the current RI plan at the January 2022 meeting which was developed with LGPS Central's in-house RI team. The Fund has a continual focus on raising RI standards. The current annual RI plan is the third such plan, with the first being approved by the Pension Committee in January 2020.
6. The Fund's first report on climate related disclosures, in line with the recommendations from the Taskforce on Climate Financial Disclosures (TCFD), was completed in 2021, with any references to portfolio holdings based on the Fund as at 31st December 2019 and presented to the Local Pension Committee. Summary information was included in the Fund's Annual Report. The TCFD guidance aims to improve transparency by companies, asset managers, asset owners, banks, and insurance companies with respect to how climate-related risks

and opportunities are being managed. Official supporters of the TCFD total 930 organisations representing a market capital of over \$11trillion.

7. A climate stewardship plan was delivered in 2021 and included a list of companies the Fund has exposure to. The nine companies included within the plan are those which face a high level of climate risk and are of particular significance to the Fund's portfolio. Eight of these companies are captured by the Climate Action 100+ (CA100+) engagement project, in which the Fund's pooling company LGPS Central is an active participant.
8. At the November 2021 Local Pension Committee the Fund's second Climate risk report was delivered which when compared to the associated benchmarks carbon metrics showed the Leicestershire Fund is circa 17% more carbon efficient at total equity level and circa 52% more carbon efficient at total active equities level.
9. At the November 2021 Local Pension Committee meeting members approved officers commence work on delivering the Fund's first Climate Strategy. A progress update was provided to Pension Committee members in March 2022.

The Fund's position with respect to Russian investments

10. The Russian invasion of Ukraine prompted the Fund to identify investments in Russian (and Belarus) companies. Officers contacted the investment managers, in March, and estimated the total value of holdings to be c£10m or 0.15% of the total Fund.
11. As with many investing decisions the Fund needs to consider short and long term financial considerations, incorporating Environmental, Social and Governance factors, as well as the moral outrage felt by many.
12. The Fund's Russia exposure is largely as a result of Russia being a constituent of the main index providers emerging markets (EM) index. However, as the conflict has continued the providers have removed Russia from their indexes. As a result, Russia does not have a weighting in popular EM indexes, and it is not usual for a manager to invest outside developed and EM markets given Russian investments will fall outside many investable mandates and will be subject to wide ranging sanctions.
13. Looking through the Environment, Social and Governance lens further highlights the unattractiveness with free press suppression, the heightened risks of owning local physical assets, uncertainty of economic performance, foreign exchange risk or currency in Russian banks subject to capital controls will not be appealing to many managers.
14. Consequently, the Fund has spoken to managers and asked when possible and appropriate the Fund would like positions to be sold. This is a similar message to that sent from other LGPS funds within the Central pool. At this point where governance and access to Company boards has broken down the Fund see's little benefit from maintaining positions with responsible investing and financial considerations in mind, which in line with fiduciary duty.

15. The timing of exiting positions will depend upon the restrictions that the Russian government has in place to prevent withdrawal of funds held by foreign clients (both legal entities and Individuals), and residents of the countries who issued sanctions against the Russian Federation. For holdings that are not listed (private equity for example) there could be an extended period of time before divestment could be achieved.
16. The Funds position is in line with the public statements of most other LGPS funds and in line with correspondence from the Secretary of State for Levelling Up, Housing and Communities to LGPS Committee Chairs. The letter reminded Chairs to decide, “how best to manage your investments in the best interests of your members and within your legal and fiduciary duties”.
17. An update outlining the exposure has been sent to employers. An update has also been posted to the employee section of the Leicestershire LGPS website. Both Pension Committee and Board members received an email update from officers.
18. The speed of developments in Russia’s economic position is without precedent. Even during the Cold War, Russian exports of oil and gas continued. Swift and co-ordinated action by global Governments as well as Russia’s own actions made the decisions regarding Russian investment reasonably straight forward.
19. Future decisions for the Fund may not be as straight forward, where there is public concern, but a less coherent response by global governments.. The Fund will need to consider the changing geopolitical landscape over the course of the year.

Responsible Investment Plan 2022/23

20. The Pension Committee are given an update to the current years RI plan at each quarterly meeting. The quarterly update from March 2022 is shown below.

Financial Quarter	Title	Description	Quarterly update
Q4 21/22	Communicate draft RI Plan to Pension Committee	Publication of the Fund’s 2022 RI plan.	Complete
	Manager review	ESG approach alongside presentation to Committee	Complete IFM infrastructure
	Climate Change Strategy	Begin work on the production of a LCCPF Climate Change Strategy with a view to publication in late-2022.	Commenced, update in March 2022 to members of LPC
	Climate Strategy Workshop	Meeting of the Fund’s Officers and Pension Fund Committee to discuss and plan the Fund’s Climate Change Strategy.	Due March 2022
Q1 22/23	TCFD Report (Taskforce on Climate related Financial Disclosures)	Public-facing report of the Fund’s approach to climate risk, set out in alignment with the recommendations of the Taskforce on Climate-related	

		Financial Disclosures	
	Manager review	ESG approach alongside presentation to Committee	TBC - LGPS Central equity / private markets
Q2 22/23	Climate Strategy Update	Pension Fund Committee meeting to discuss progress of Climate Change Strategy.	
	Manager review	ESG approach alongside presentation to Committee	TBC – Stafford Timberland
Q3 22/23	Receive Climate Risk Report (CRR)	CRR 2022 containing updated carbon risk metrics results measured against the baseline from the previous two reports.	
	Climate Risk Training	Further training of pension fund officers, Pension Committee and possibly Pension Board on the risks and opportunities associated with climate change.	
	Climate Change Strategy Publication	Publish the Fund’s draft Climate Change Strategy. This should be consistent with the TCFD Recommendations and be monitored regularly by the Pension Fund Committee.	
	Governance Review	Publish updated draft Funding Strategy Statement and Investment Strategy Statements for consultation in line with the Fund’s new Climate Change Strategy. Final approval in Q4 22/23.	
	Manager review	ESG approach alongside presentation to Committee	TBC – LGIM passive equity
TBC	Review of company engagements and TCFD / CRR recommendations	<p>Schedule time at LPC for discussion of climate related risks and strategy.</p> <p>Schedule one training session on general RI matters and one climate specific training per year.</p> <p>Develop climate change strategy.</p> <p>Integrate comms on climate risk into communications strategy.</p> <p>Update governance policy statement to explain how</p>	<p>Ongoing, progress to date:</p> <p>20/21 Pension accounts included summary of climate risk report</p> <p>Stewardship code reporting pushed to 2023 to accommodate NZCS work</p> <p>NZCS work commenced</p>

		<p>climate risks are governed. Review as part of the FSS the extent to which climate risks could affect other risks noted in the FSS. Make clear the roles of key governance committees in the ISS</p>	
--	--	--	--

Net Zero Climate Strategy update

21. Local Pension Committee members have had the opportunity to shape the Net Zero Climate Strategy (NZCS) and will continue to have the opportunity to do while the NZCS is being developed. There are a number of activities identified by officers that will need to be completed and included in a comprehensive NZCS.
22. The Fund is using a broad and thorough framework developed by the institutional investors group on climate change (IIGCC) to base the Fund's first NZCS upon. This framework allows the Fund to publish a NZCS that meets best practice.
23. Members of the Committee were also able to share thoughts on which targets criteria should be included within the NZCS for the Fund based on the IIGCC framework.
24. Fund officers are currently developing the plan to deliver the NZCS workstreams alongside internal and external bodies such LGPS Central and Hymans Robertson, the Fund's investment advisor.
25. At present the Fund has plans to run an engagement exercise and will further update on the scope and timing of this exercise when finalised. The Fund intends to bring to the Committee later in 2022 a NZCS proposal for approval.
26. There will be additional work once a NZCS is approved which will depend on the outcome of the strategy. This could include updates to Fund's policies such as the investment strategy statement (ISS), communication and publishing of the NZCS, setting expectations for external investment managers that the Fund has invested with and review of the strategic asset allocation (SAA) for example.

Supplementary Information

27. None

Recommendation

28. That the Pension Board note the report.

Equality and Human Rights Implications

None.

Background Papers

None

Officers to Contact

Mr C Tambini, Director of Corporate Resources

Tel: 0116 305 6199 Email: Chris.Tambini@leics.gov.uk

Mr D Keegan, Assistant Director Strategic Finance and Property

Tel: 0116 305 7668 Email: Declan.Keegan@leics.gov.uk

Mr B Kachra, Senior Finance Analyst - Investments

Tel: 0116 305 1449 Email: Bhulesh.Kachra@leics.gov.uk



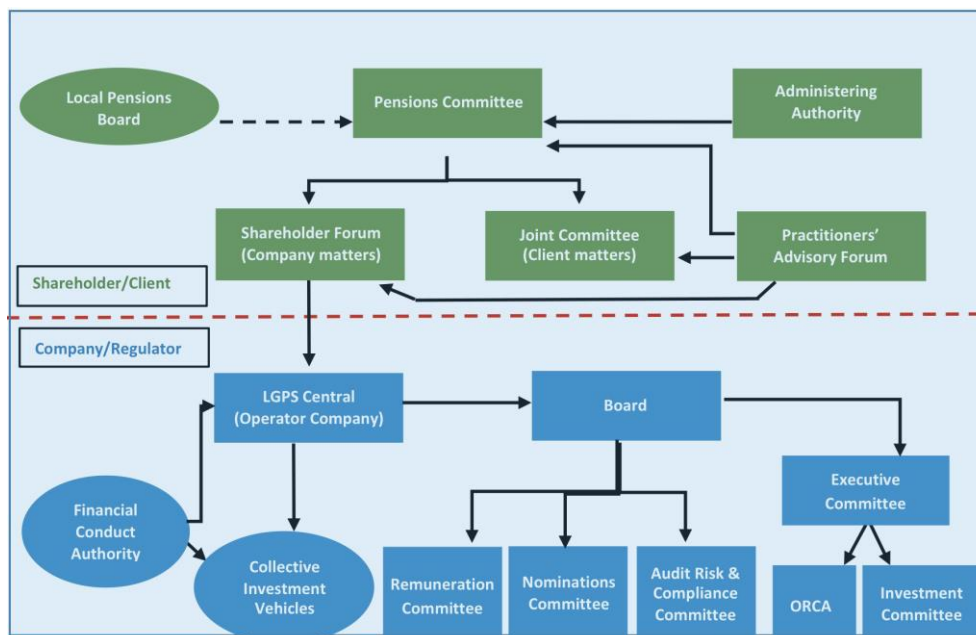
LOCAL PENSION BOARD – 4 MAY 2022
REPORT OF THE DIRECTOR OF CORPORATE RESOURCES
LGPS CENTRAL JOINT COMMITTEE AND ANNUAL GENERAL
MEETING UPDATE

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 Meetings 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 usually 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, with Central advising that, "LGPS Central is on target to provide Partner Funds with cost savings of £270m net by 2033/34"..
 - 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.

Annual General Meeting – 28 September 2021

18. The Annual General Meeting was led by 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) would be considered as written rather than oral updates in future
- b. The Board asked that consideration be 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.

Company General Meeting – 22 February 2022

21. A Company General Meeting was convened on the on the 22nd February 2022. Leicestershire County Council was represented by the Chairman of the Local Pension Committee.
22. The shareholders were presented an operations update and a review of the past years activities, performance and proposed budget for note.
23. There were seven resolutions on the agenda of which four were tabled and approved, these were:
 - a. Appointment of External Auditors
 - b. Approval of the Board development plan and the succession of Non-Executive Directors
 - c. Approval of the Strategic Plan (which includes a proposed budget) and Regulatory Capital Statement for the period 1 April 2022 to 31 March 2023
 - d. Approve the adoption of the revised Articles of Association for the Company
24. The remaining three resolutions were not tabled whilst additional clarifications were being sought. The Meeting was adjourned by the Chair of General Meeting Joanne Segars with a view to working with shareholders and the representatives of the local authorities to gain further clarity on the remaining resolutions before reconvening the meeting. This work has now completed with a new company meeting date set for the 27th May 2022.

Joint Committee June 2022

25. The next Committee meeting is currently scheduled for Thursday 23rd June. Invitations have been sent to shareholders and their respective section 151 officers.

Recommendation

The Board is asked to note this report.

Officers to Contact

Mr C Tambini, Director of Corporate Resources

Tel:0116 305 6199 Email: Chris.Tambini@leics.gov.uk

Mr D Keegan, Assistant Director Strategic Finance and Property

Tel:0116 305 7668 Email: Declan.Keegan@leics.gov.uk

Mr B Kachra, Senior Finance Analyst - Investments

Tel: 0116 305 1449 Email: Bhulesh.Kachra@leics.gov.uk



LOCAL PENSION BOARD – 4 MAY 2022

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

INTERNAL AUDIT ARRANGEMENTS (INCLUDING INTERNAL AUDIT WORK CONDUCTED DURING 2021-22) AND THE INTERNAL AUDIT PLAN 2022-23

Purpose of the Report

1. The purpose of this report is to inform the Local Pension Board (the Board) about: -
 - a. the internal audit arrangements for the Leicestershire County Council Pension Fund (the Fund)
 - b. to summarise the outcomes of audits conducted during 2021-22 and outline the internal audit plan for 2022-23

Background

2. The Terms of Reference for the Leicestershire Local Pension Board (the Board) record that it shall, '*...assist (Leicestershire) County Council (the Council), as administering authority, in ensuring the effective and efficient governance and administration of the (Local Government Pension) Scheme*'.
3. The Council is required to make arrangements for the proper administration of the financial affairs of the Fund and to secure that one of its officers has the responsibility for the administration of those affairs. That officer is the Council's Director of Corporate Resources who undertakes the role and responsibilities of the Fund's Treasurer (the Treasurer).
4. The Council's Financial Procedure Rules apply to the administration of the Fund, and specifically rule 4F (15) which places responsibility on the Director of Corporate Resources for arranging a continuous internal audit of the County Council's financial management arrangements. This responsibility is derived from the Local Government Act 1972 and the Accounts and Audit Regulations 2015. Leicestershire County Council Internal Audit Service (LCCIAS) managed by the Head of Internal Audit and Assurance Service (HoIAS), provides the internal audit function to the Fund.
5. The Board's constituted responsibility for ensuring effective and efficient governance, allows for reporting plans for, and the results of internal audit activity to the Fund's designated governing body.

The Internal Audit Function

6. The Public Sector Internal Audit Standards (PSIAS), Revised 2017, define internal audit as: - 'An independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.
7. The PSIAS require that after the closure of the audit year, the nominated Head of Internal Audit Service (at the County Council, the Head of Internal Audit & Assurance Service undertakes this role), reports to those charged with governance (the Board), on work conducted during the year containing a summary of findings, recommendations and opinions. The PSIAS also require that at the beginning of the audit year, an annual plan of audits should be agreed with the Treasurer and noted by the Board.
8. Most planned audits are 'assurance' type, which requires undertaking an objective examination of evidence to reach an independent opinion on whether risk is being mitigated. Other planned audits are 'consulting' type, which are primarily advisory and allow for guidance to be provided to management. These are intended to add value, for example, by commenting on the effectiveness of controls designed before implementing a new system. Unplanned 'investigation' type audits may also be required.
9. For each audit, Terms of Engagement are agreed with the Treasurer or his representative. After the audit, the Treasurer receives a report containing any findings and recommendations for control improvements and an 'opinion' on what level of assurance can be given that risks are being managed. There are four assurance levels: full; substantial; partial; and little. If any recommendations are graded high importance (HI) i.e. denoting either an absence of a key control or evidence that a key control is not being operated and as such the system is open to material risk exposure, this would normally mean that the opinion would be graded as only 'partial' assurance. HI recommendations would be reported to the Local Pensions Committee and would remain in that Committee's domain until the HoIAS was satisfied that corrective action had been implemented. Additionally, because of the County Council's statutory duty to administer the Fund, HI recommendations will continue to be tabled at meetings of the Corporate Governance Committee.
10. The Board may choose to ask the HoIAS to explain HI recommendations and especially any slippage beyond agreed dates in implementing actions.

Internal Audit Work Conducted During 2021-22

11. Appendix 1 contains a brief summary of the work conducted by LCCIAS during 2021-22. One audit, outstanding from the previous year was concluded and four assurance audits were undertaken. The assurance grading was overall positive. There were no HI recommendations. Final reports for all completed audits were shared with the Fund's External Auditor (Grant Thornton LLP) in order to inform

their audit risk assessment in preparation for their annual audit of the Fund's accounts.

12. LCCIAS also co-ordinated the County Council's requirements for the biennial National Fraud Initiative (NFI) counter fraud data matching exercise. The exercise identified four cases where pensions were continuing to be paid to deceased persons so monthly payments were immediately suspended, and the cases were subjected to further investigation. The Pensions Service confirmed that, whilst not high in value (just over £18,000 in total), staff were continuing seek repayment, but this was hindered by deaths occurring overseas and the impact of covid-19 on General Register Office services. As a result of the overpayments identified, process changes have been introduced to prevent recurrence. Firstly, the Pensions Service is undertaking a full review of any current pension payments where "care of" addresses are held for the individual, e.g. c/o a firm of solicitors. Secondly, a decision has been taken to subscribe to the NFI Mortality Screening Service which, for an additional nominal fee, will see data on overseas pensioners matched against the DWP's Deceased Persons database on a twice-yearly basis in an attempt to identify deaths earlier in the process, thus facilitating earlier suspension of payment and investigation/recovery of any amounts overpaid. The first data matching took place in November 2021 and no issues of concern arose from the output received. Additionally, the Internal Audit Service (IAS) subscribes to the National AntiFraud Network (NAFN) and in conjunction with the Pensions Service is exploring what additional (call off) products are available that could be utilised in recovery situations.
13. Whilst the risk register is the responsibility of the Pensions Manager and is maintained and updated by him, Internal Audit continue to review and comment on any updates. This has resulted in the increase in client management time, which has been amended to reflect this, moving forward.
14. Ongoing collaborative work with partner fund internal auditors, continues with Leicestershire staff providing feedback, as part of the wider Internal Audit Working Group (IAWG). Leicestershire concluded a review of LGPS Central Investments with an overall 'substantial' opinion, as part of the four year rolling programme of audits agreed with the IAWG. Note: Work on this audit was initially started as part of the 2020/21 Internal Audit plan. The 2021/22 audits were assigned to colleagues at Nottinghamshire County Council (Investments), and Worcestershire County Council (Governance). Work on the Investments audit is complete with a draft report issued. Early indications are positive with a 'substantial' opinion offered. The Governance audit is currently work in progress, yet to be concluded.
15. The table overleaf shows planned against actual performance both in terms of number of audits and days allocated.

Table 1 : Overall performance against 2021-22 internal audit plan

	Audits	Complete @ 31/3/22	Incomplete @ 31/3/22	Plan days	Actual days	Diff
Carried f/d Jobs	1	1	0	4	9	+5
Planned+Advisory	9	6	3	66	63	-3
Client management	1	1	0	5	8	+3
Total	11	8	3	75	80	+5

16. The total charge to the Fund for all internal audit work undertaken during 2021/22 was £27,920.

The Internal Audit Plan 2022-23

17. Appendix 2 contains a brief summary of audits planned during 2022-23. To compile the plan, the HoIAS held discussions with the Fund Treasurer and the Pensions Manager. An assumption has been made that in their audit of the Fund's accounts, the External Auditors (Grant Thornton) will continue to utilise LCCIAS's work in their audit risk assessment.
18. The final part of the plan is client management and includes the HoIAS duties of planning, reporting and attending the Board, and includes additional time for input to the Risk Management process mentioned in Para.13 above.
19. The cost of the planned 86 days of internal audit work is charged to the administration costs of the Fund and is likely to be in the region of £30,014.

Recommendation

20. The Board is asked to note the report.

Equality and Human Rights Implications

None specific

Appendices

- Appendix 1 - Internal Audit Work Conducted in 2021-22
Appendix 2 - Internal Audit Plan 2022-23

Officers to Contact

Neil Jones (Head of Internal Audit & Assurance Service) neil.jones@leics.gov.uk
(0116) 305 7629

Chris Tambini (Fund Treasurer) Chris.tambini@leics.gov.uk (0116) 305 6199)

Internal Audit Work Conducted in 2021 - 22**Appendix 1**

Audit Title	Audit objective...to ensure...	Opinion
	Work c/f from previous year (20/21), now concluded as follows: - Investment Risks (LGPS)	Substantial
Contribution Banding Changes ¹	Pension contribution banding changes for a sample of LCC employees have been accurately applied with effect from April 2021.	Substantial
Contribution Calculations ¹	Contributions to the Pension Fund have been correctly applied from April 2021 from the following: o Leicestershire County Council (LCC) o Other Employing Bodies, where LCC does/does not administer the payroll on their behalf.	Full
Pension Increase ¹	The validity and accuracy of the annual Pensions Increase is applied correctly and on time.	Full
Good Governance Project	Recommendations from the Good Governance Project have been adequately addressed and implemented.	Ongoing
McCloud – Data Collection and Input	Guidance received is followed in relation to any members affected by the judgement.	Ongoing
Pension Creation ¹	Payments for new pensioners, including lump sum payments and death grants are valid and accurate.	Ongoing
Pension Pooling – Transitions	Arrangements in place to manage the transition process are adequate	Full
LGPS Central (Investments)	Company Risks – Review of AAF Control Report and feedback as part of the wider Internal Audit Group.	Complete

National Fraud Initiative (NFI)	Pension matches (normally continuing payments after death) are investigated and monitored.	Complete (Advisory)
Client management	To include: - <ul style="list-style-type: none"> • Research and any advice to the Fund's officers. • Annual planning and reporting including attendance at the Local Pension Board. 	Complete

¹ These audits will be used by the External Auditor (Grant Thornton UK LLP) to inform their audit risk assessment.

Internal Audit Plan 2022 - 23

Audit Title	Audit objective...to ensure...	Days
	Work in progress at the end of March 2022 as follows: <ul style="list-style-type: none"> - Good Governance Project (Phase 1) - McCloud – Data Collection and Input (Phase 1) - Pension Creation 	7
Contribution Banding Changes ¹	Pension contribution banding changes for a sample of LCC employees have been accurately applied with effect from April 2021.	6
Contribution Calculations ¹	Contributions to the Pension Fund have been correctly applied from April 2021 from the following: <ul style="list-style-type: none"> o Leicestershire County Council (LCC). o Other Employing Bodies, where LCC does/does not administer the payroll on their behalf. 	7
Pension Increase ¹	The validity and accuracy of the annual Pensions Increase is applied correctly and on time.	6
Good Governance Project	Phase 2 - Recommendations from the Good Governance Project have been adequately addressed and implemented.	10
McCloud – Data Collection and Input	Phase 2 - Guidance received is followed in relation to any members affected by the judgement.	6
Pension Transfers ¹	Transfers in an out of the Local Government Pension Scheme (LGPS) are valid and accurate.	10
Investments	Investment performance information is accurate and timely.	12
Code of Practice	Requirements of the new Code of Practice have been adequately addressed.	5

LGPS Central (Investments)	Company Risks – Review of AAF Control Report and feedback as part of the wider Internal Audit Group.	3
National Fraud Initiative (NFI)	Pension matches (normally continuing payments after death) are investigated and monitored.	6
Client management	To include: - <ul style="list-style-type: none"> • Research and any advice to the Fund’s officers, including review of risk register updates. • Annual planning and reporting including attendance at the Local Pension Board. • External audit liaison. 	8
Total days		86

¹ These audits will be used by the External Auditor (Grant Thornton UK LLP) to inform their audit risk assessment.



LOCAL PENSION BOARD – 4 MAY 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. Following Hymans suggested best practice the Fund's existing risk register has been reviewed and the risks split into six different risk areas. The risk areas are.
 - Investment risk
 - Liability risk
 - Employer risk
 - Governance risk
 - Operational risk
 - Regulatory risk
5. The new risk register was presented to and approved by the Local Pension Committee in March 2022 and is attached as an appendix to this report. In addition to the six risk areas, Officers have made several changes as follows.

- Risk 3 (Investments) – 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

The residual risk has increased whilst Officers work on the Fund's Climate Strategy.

- Risk 5 (Employers) - 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 greater use of bulk processes to enable improved 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 9 (Governance) – Sub-funds of the individual employers are not monitored to ensure there is the correct balance between risk to the Fund and fair treatment of the employer

The residual risk score has increased while Officers assess the employers Fund risk as part of the Fund Valuation.

- Risk 13 (Operational) - Human error in the Pension Section in calculating a pension.

Following the overpayment of a pension where the widows short term pension continued in error, the Pensions Manager has expanded the existing risk to include the Fund's 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.

- Risk 14 (Operational) - 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 15 (Operational) - 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 16 (Regulatory) - McCloud Remedy – Increased administration.

As identified at the last meeting 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.

6. 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

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

Equality and Human Rights Implications

None

Appendix

Appendix - Risk Register

Officers to Contact

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

Mr I Howe, Pensions Manager
Tel: 0116 305 6945 Email: Ian.Howe@leics.gov.uk

This page is intentionally left blank

Appendix - Leicestershire Pension Fund Risk Register March 2022

In the Fund's new style risk register there are six risk groups. Each risk sits within a risk group.

Risk Groups

1. Investment Risk
2. Liability Risk
3. Employer Risk
4. Governance Risk
5. Operational Risk
6. Regulatory Risk

Investment Risk

Risk no	Risk Area	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
1	Investments	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
2	Investments	Invs	Market returns are acceptable, but the performance achieved by the Fund is below reasonable expectations	Poor performance of individual managers including LGPS Central, poor asset allocation policy or costs of transition of assets to LGPS Central is higher than expected	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	Chris Tambini	Ensuring that the causes of underperformance are understood and acted on where appropriate Shareholders' Forum, Joint Committee and Practitioners'	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	2	2	4	Bhulesh Kachra

Risk no	Risk Area	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
					ultimately lead to higher employer contribution rates than would otherwise have been the case		<p>Advisory Forum will provide significant influence in the event of issues arising.</p> <p>Appraisal of each LGPS Central investment product before a commitment to transition is made.</p> <p>Where appropriate specialist transition manager being appointed, with independent specialist oversight.</p> <p>Transitions are phased over time to allow capacity to be managed and lessons learned</p>					<p>performance will occur. Decisions regarding manager termination to consider multiple factors including performance versus mandate and reason for original inclusion.</p> <p>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</p> <p>Programme of LGPS Central internal audit activity, which has been designed in collaboration with the audit functions of the partner funds</p> <p>Each transition's approach is independently assessed with views from 8 partners sought.</p>				
3	Investments	Invs	Failure to take account of ALL risks to future investment returns within the setting of asset allocation	Some assets classes or individual investments perform poorly as a result of incorrect assessment of all	Opportunity cost within investment returns, and potential for actual returns to be low. This will lead to	Chris Tambini	Ensuring that all factors that may impact onto investment returns are taken into account when	3	4	12	Treat	Responsible investment aims to incorporate environmental (including Climate change), social and	3	3	9	Bhulesh Kachra

Risk no	Risk Area	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
			policy and/or the appointment of investment managers	risks inherent within the investment.	higher employer contribution rates than would otherwise have been necessary.		<p>setting the asset allocation.</p> <p>Only appointing investment managers that integrate responsible investment (RI) into their processes.</p> <p>Utilisation of dedicated RI team at LGPS Central and preparation of a RI plan for the fund.</p> <p>Development of a Fund Climate Change Strategy</p>					<p>governance (ESG) factors into investment decisions, to better manage risk and generate sustainable, long-term returns.</p> <p>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.</p> <p>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.</p>				

Liability Risk

Risk no	Risk Area	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
4	Liability	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 schemes biggest employers with respect to the direction of future rates. Planning for the 2022 valuation has commenced with the actuary.	4	2	8	Bhulesh Kachra

Risk no	Risk Area	Service	Risk	Causes (s)	Consequences	Risk Owner	List of current controls	I	L	Current Risk Score	Risk Response; Tolerate Treat Terminate Transfer	Further Actions / Additional Controls	I	L	Residual Risk Score	Action owner
												GAD Section 13 comparisons. Funding Strategy Statement approach to increase the fund to over 100% funded.				

Employer Risk

Risk no	Risk Area	Service	Risk	Causes (s)	Consequences	Risk Owner	List of current controls	I	L	Current Risk Score	Risk Response; Tolerate Treat Terminate Transfer	Further Actions / Additional Controls	I	L	Residual Risk Score	Action owner
5	Employer	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	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	3	2	6	Ian Howe

Risk no	Risk Area	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
				processes								from employers				
6	Employer	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
7	Employer	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. Internal Audit review on an annual basis and report findings to the Pensions Manager	2	4	8	Treat	Late payers will be reminded of their legal responsibilities.	2	3	6	Declan Keegan

Risk no	Risk Area	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

Governance

Risk no	Risk Area	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
8	Governance	Pens	If the Funds In House AVC provider (The Prudential) does not meet its service delivery requirements the Pension Fund is late in making payment of benefits to scheme members	The Fund must offer AVCs as per the Regulations Prudential implemented a new administration system in November 2020 Covid lockdown restrictions and home working	Failure to meet key performance target for making payments of retirement benefits to members Complaints Reputational damage Members may cease paying AVCs	Ian Howe	Written to all active scheme members with AVCs Reported it to the Chair of the Pension Boards and Senior Officers Reported to the LGA and other Funds Discussed with the Prudential Weekly list of outstanding cases sent to the Prudential for priority	3	3	9	Treat	Reported the delayed payment of benefits (due to the Prudential's delays) as a material breach to the Pensions Regulator Prudential attended a meeting with the Local Pension Board Prudential working through an improvement plan Prudential engage with Fund Officers positively to quickly resolve issues	3	1	3	Ian Howe
9		Pens/Invs	Sub-funds of individual employers are not monitored to	Changing financial position of both sub-fund and the	Significant financial impact on employing bodies due to need for	Ian Howe/ Declan	Ensuring, as far as possible, that the financial position of each employer is	5	2	10	Treat	Dialogue with the employers, particularly in the lead up to the	4	2	8	Ian Howe and Declan Keegan

Risk no	Risk Area	Service	Risk	Causes (s)	Consequences	Risk Owner	List of current controls	I	L	Current Risk Score	Risk Response; Tolerate Treat Terminate Transfer	Further Actions / Additional Controls	I	L	Residual Risk Score	Action owner
	Governance		ensure that there is the correct balance between risks to the Fund and fair treatment of the employer	employer	large increases in employer contribution rates. Risk to the Fund of insolvency of an individual employer. This will ultimately increase the deficit of all other employers.	Keegan	understood. On-going dialogue with them to ensure that the correct balance between risks and fair treatment continues.					setting of new employer contribution rates. Include employer risk profiling as part of the Funding Strategy Statement update. To allow better targeting of default risks Investigate arrangements to de-risk funding arrangements for individual employers. 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				
10		Invs	Investment decisions are made without having sufficient expertise to properly assess	The combination of knowledge at Committee, Officer and Consultant level is not	Poor decisions likely to lead to low returns, which will require higher employer	Chris Tambini	Continuing focus on ensuring that there is sufficient expertise to be able to make	3	3	9	Treat	On-going process of updating and improving the knowledge of everybody involved	2	2	4	Bhulesh Kachra

Risk no	Risk Area	Service	Risk	Causes (s)	Consequences	Risk Owner	List of current controls	I	L	Current Risk Score	Risk Response; Tolerate Treat Terminate Transfer	Further Actions / Additional Controls	I	L	Residual Risk Score	Action owner
	Governance		the risks and potential returns	sufficiently high	contribution rates		thoughtfully considered investment decisions					in the decision-making process				

Operational

Risk no	Risk Area	Service	Risk	Causes (s)	Consequences	Risk Owner	List of current controls	I	L	Current Risk Score	Risk Response; Tolerate Treat Terminate Transfer	Further Actions / Additional Controls	I	L	Residual Risk Score	Action owner
11	Operational	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
12		Pens		Pensions database now hosted outside of LCC. Employer data submitted through online portal.	Diminished public trust in ability of Council to provide services. Loss of confidential information compromising	Ian Howe	Regular LCC Penetration testing and enhanced IT health checks in place.	5	2	10	Treat	Work with LCC ICT and Aquila Heywood (software suppliers) to establish processes to reduce risk, e.g. can Aquila	5	1	5	Stuart Wells

Risk no	Risk Area	Service	Risk	Causes (s)	Consequences	Risk Owner	List of current controls	I	L	Current Risk Score	Risk Response; Tolerate Treat Terminate Transfer	Further Actions / Additional Controls	I	L	Residual Risk Score	Action owner
	Operational		If the Pensions Section fails to meet the information/cyber security and governance requirements, then there may be a breach of the statutory obligations.	Member data accessible through member self-service portal (MSS). Data held on third party reporting tool (DART). Greater awareness of information rights by service users.	service user safety. Damage to LCC reputation. Financial penalties.		LCC have achieved PSN compliance. New firewall in place providing two layers of security protection in line with PSN best practice.					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. Good governance project and the expected TPR new code of practice Report the findings to the Board.				
13	Operational	Pens	If immediate payments are not applied correctly, or there is human error in calculating a pension, scheme members pensions or the one off payments could be wrong	Human error when setting up immediate payments or calculating a pension 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 Over or under payments	Ian Howe	Benefit Team Tracker process Benefits checked and authorised by different Officers Additional Assistant Team Manager resource provided Training provided to new staff Benefits are checked by a colleague	5	2	10	Treat	A more automated one-off payment process in place Officers re-engineered the retirement process Monitor the structure of the Pension Section to resource the area sufficiently Officers requested further system security checks on immediate	5	1	5	Ian Howe

Risk no	Risk Area	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
							Figures are provided to the member so they can see the value and check these are correct					<p>payments (bank account checks)</p> <p>Officers to develop an Insights report to identify discrepancies between administration and payroll sides of the system</p> <p>Ongoing officer training notes</p> <p>Continued develop the workflow tasks</p> <p>Funds over and under payment policy</p>				
14	Operational	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</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</p>	3	2	6	Ian Howe

Risk no	Risk Area	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
				historic transfers								forthcoming for checks on the receiving scheme's arrangements				
15	Operational	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

Regulatory

Risk no	Risk Area	Service	Risk	Causes (s)	Consequences	Risk Owner	List of current controls	I	L	Current Risk Score	Risk Response; Tolerate Treat Terminate Transfer	Further Actions / Additional Controls	I	L	Residual Risk Score	Action owner
16	Regulatory	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 with McCloud casework Data being received from the employers and loaded into the administration system System provider to resolve current data loading issues Internal Audit review of progress	2	3	6	Ian Howe

Risk no	Risk Area	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
												to date.				
17	Regulatory	Pens	The implication of the national dashboard project could increase administration resulting in difficulties providing the ongoing pensions administration service	National decision to implement pension dashboards thereby enabling people to view all their pension benefits via one single dashboard	Increased administration Data cleaning exercise on member records Increased system costs Additional communications Timing of the national exercise (April 2024) potentially conflicts with McCloud (October 2023)	Ian Howe	Initial data cleaning started Contract made with the system provider on building the data link	3	3	9	Treat once final details are confirmed	Work with LCC's internal IT Team Security checked on the required link to allow the access to secure member pension data GDPR requirements	3	2	6	Ian Howe

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
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

Scale	Description	Departmental Service Plan	Internal Operations	People	Reputation	Financial per annum / per loss
5	Very High/Critical	Significant fall/failure in service as objectives in service plan are not met	Long term serious interruption to operations / Major partnerships under threat / Service quality not acceptable with impact on front line services	Exposure to dangerous conditions leading to potential loss of life or permanent physical/mental damage. Life threatening or multiple serious injuries	Prolonged regional and national condemnation, with serious damage to the reputation of the organisation i.e. front-page headlines, TV. Possible criminal, or high profile, civil action against the Council/Fund, members or officers	Pension Section >£750k Large increase on budget/cost. Investment Employer contributions expect to increase significantly above Funding Strategy requirement

Risk Likelihood Measurement Criteria

Rating Scale	Likelihood	Example of Loss/Event Frequency	Probability %
1	Very rare/unlikely	EXCEPTIONAL event. This will probably never happen/recur.	<20%
2	Unlikely	Event NOT EXPECTED. Do not expect it to happen/recur, but it is possible it may do so.	20-40%
3	Possible	LITTLE LIKELIHOOD of event occurring. It might happen or recur occasionally.	40-60%
4	Probable /Likely	Event is MORE THAN LIKELY to occur. Will probably happen/recur, but it is not a persisting issue.	60-80%
5	Almost Certain	Reasonable to expect that the event WILL undoubtedly happen/recur, possibly frequently.	>80%

Risk Scoring Matrix

Impact

5 Very High/Critical

4 Major

3 Moderate

2 Minor

1 Negligible

5	10	15	20	25
4	8	12	16	20
3	6	9	12	15
2	4	6	8	10
1	2	3	4	5
1	2	3	4	5

Very Rare/Unlikely

Unlikely

Possible/Likely

Probable/Likely

Almost certain

Likelihood of risk occurring over lifetime of objective (i.e. 12 mths)

This page is intentionally left blank