



Meeting: **Local Pension Board**

Date/Time: **Wednesday, 18 October 2023 at 10.00 am**

Location: **Microsoft Teams**

Contact: **Mrs A. Smith (0116 305 2583).**

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AGENDA

<u>Item</u>		<u>Report by</u>
1. Minutes of the meeting held on 2 August 2023.		(Pages 3 - 8)
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. Consultation: Next Steps on Investment.	Director of Corporate Resources	(Pages 9 - 16)
6. Pension Fund Administration Report, July to September 2023 - Quarter Two.	Director of Corporate Resources	(Pages 17 - 30)
7. Pension Fund Continuous Improvements Report.	Director of Corporate Resources	(Pages 31 - 42)
8. Risk Management and Internal Controls.	Director of Corporate Resources	(Pages 43 - 52)



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

TO:

Employer representatives

Mrs. R. Page CC
Mr. R. Shepherd CC
Vacant: Leicester City Council

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, 2 August 2023.

PRESENT

Mrs R. Page CC (in the Chair)

Mrs. C. Fairchild
Mrs. R. Gilbert

Mr. R. J. Shepherd CC

1. Appointment of Chairman.

RESOLVED:

That Mrs R. Page CC be appointed Chairman for the period ending with the date of the Annual Meeting of the County Council 2024.

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 up to the Pension Fund Annual General Meeting, 11 December 2023.

3. Minutes.

The minutes of the meeting held on 26 April 2023 were taken as read, confirmed and signed.

4. Question Time.

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

5. 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.

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

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

Mr. R. Shepherd declared an Other Registrable Interest in Agenda Item 7 'Pension Fund Administrative Report April to June 2023 – Quarter One' and Agenda Item 11 'Pension

Fund Continuous Improvements Report' as the reports covered the period he had been a member of the East Midlands Shared Services Joint Committee, though he had stood down from the Committee in May 2023.

Mr. R. Shepherd declared an Other Registrable Interest in Agenda Item 9 'Pension Fund Annual Report and Accounts 2022/23', referencing page 106 as he had worked with Mr. L. Breckon, Cabinet Lead Member for Corporate Resources, who had signed the Statement of Responsibilities for Leicestershire County Council Pension Fund.

Whilst not declared under this item, later in the meeting during consideration of Agenda Item 10 'Community Admission Bodes – Voluntary Action Leicester and Bradgate Park Trust', Mr. R. Shepherd CC declared an Other Registrable Interest in this item as he was a Cabinet Member which would receive the report for approval on behalf of the County Council.

7. Pension Fund Administration Report April to June 2023 - Quarter One.

The Board considered a report from the Director of Corporate Resources which provided information on the main administrative actions in the first quarter period from April to June 2023. The report covered governance areas including administration of Fund benefits and the performance of the Pensions Section against its Performance Indicators. A copy of the report marked 'Agenda Item 7' is filed with these minutes.

In presenting the report, the Director Highlighted that:

- i. Of the two legal admission agreements having not been completed, the Leicester City Council (Mellor School) to Caterlink case had now been concluded, leaving only one outstanding (Herrick School).

Arising from the discussion, the following point arose:

- ii. In response to a Member question, the Director advised that the report had been drafted before the deadline of 31st July which was when employers were required to respond to queries raised by the Pensions Team. The vast majority of benefit statements would still be sent out to pension fund members whilst some employers were finalising information.

RESOLVED:

That the Pension Fund Administration Report for the period April to June 2023, Quarter One, be noted.

8. Change to the Order of Business

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

9. Pension Fund Annual Report and Accounts.

The Board considered a report of the Director of Corporate Resources which sought the Board's comments on the Annual Report and Accounts of the Pension Fund for the

financial year 2022/23. A copy of the file marked 'Agenda Item 9' is filed with these minutes.

Arising from the discussion, the following points arose:

- i. A Member queried the statistics under administration costs. It was explained that the total when comparing the budget of £2,870,000 to actual spend of £2,919,000 showed an overspend of £49,000. The budget comprised of five areas of staffing, IT, actuarial, support services and other costs. It was noted there was an underspend of £150,000 of what had been budgeted for 2022/23 actuarial costs.
- ii. A Member questioned why it had not been considered necessary to levy interest on overdue contributions of employers. The Director undertook to clarify the position and provide an update to Board Members after the meeting.

RESOLVED:

- a. That the Pension Fund Annual Report and Accounts for the financial year 2022/23 be noted.
- b. That the Pensions Manager be requested to clarify and provide an update to Members of the Board as to why interest on overdue contributions of employers had not been levied

10. Report of the Local Pension Board - Annual Report 2022/2023.

The Board considered a report of the Director of Corporate Resources which sought the Board's approval of the Local Pension Board Annual Report for the financial year 2022/2023. A copy of the report marked 'Agenda Item 8' is filed with these minutes.

The Board supported the contents of the report, which would be reported to the Local Pension Committee on 8 September, and at the Fund's Annual General Meeting on 11 December 2023.

RESOLVED

That the Local Pension Board Annual Report be approved.

11. Community Admission Bodies - Voluntary Action Leicester and Bradgate Park Trust.

The Board considered a report of the Director of Corporate Resources which sought the Board's views on the proposed transfer of Voluntary Action Leicester pension fund assets and liabilities to Leicestershire County Council and Bradgate Park Trust pension fund assets and liabilities equally to Leicestershire County Council and Leicester City Council, thereby reducing Pension Fund risk. It was noted the report would be presented to the Local Pension Committee on 8 September 2023, and to Cabinet for Leicestershire County Council Employer approval in the Autumn. A copy of the report marked 'Agenda Item 10' is filed with these minutes.

Mr Shepherd declared a non-registrable interest in this item as a Member of the County Council's Cabinet which would receive the report.

Arising from the discussion, the following points arose:

- i. A Member raised concern that, though small, there was still some degree of risk for the County and City Council in assuming responsibility for the liabilities of both organisations, and asked how this would be managed. It was noted that so far as the pension fund was concerned the proposal would effectively remove risk by providing the two small employers with a guarantor. The risk to the County and City Council's would be offset by the transfer of assets. It was further noted that for the County and City the cost of the transfers was of negligible value, but to a smaller employer this would be significant.
- ii. Members noted that with reference to the ongoing basis for return assumption with a 75% chance of this being achieved, there was still a 25% risk but in using the same approach as the 2022 valuation it was considered the fairest approach.
- iii. A Member queried if the smaller employers would be able to accommodate the higher contribution rate required to be paid. It was explained that this would be a decision for both VAL and the Bradgate Park Trust. They would need to consider on balance whether to pay a slightly higher contribution rate, but with the benefit and knowledge that risk had been removed or to keep the risk and pay the existing level of contributions. The two employers had seen the report and proposed rates, as had the Treasurer of the Bradgate Park Trust, and would ultimately make a decision through their relevant management teams and committees.
- iv. In response to questions raised the Director explained that if an employer agreed to cease their current admission agreement, a new legal admission agreement would be prepared and circulated before the current agreement ended to ensure a seamless transition.

RESOLVED:

- a. That the report on the Community Admission Bodies – Voluntary Action Leicester and Bradgate Park Trust be noted and that the proposed transfers be supported;
- b. That the comments now made by the Board be forwarded to the Local pension Committee for consideration at its meeting on 8 September 2023.

12. Pension Fund Continuous Improvements Report.

The Board considered a report of the Director of Corporate Resources which provided an update regarding progress in respect of areas of identified improvement within the Pensions Section. A copy of the report marked 'Agenda Item 11' is filed with these minutes.

Arising from the discussion, the following points arose:

- i. The LGPS tender framework under development would be used by funds when looking to review or replace their Additional Voluntary Contributions (AVC) provider.
- ii. Once the implementation of the McCloud regulations came into effect from 1 October 2023, there would be some expected increase in staff time spent on retirement cases for those who left or whose pension was due from that date. This would impact on some key performance indicators and staff workloads and the position would be monitored.

- iii. Members recognised the increased workload for officers since the legislation had been introduced and congratulated the team on the tremendous job undertaken.

RESOLVED:

That the Pension Fund Continuous Improvements report and update be noted.

13. Pension Overpayments Report.

The Board considered a report of the Director of Corporate Resources which provided information on how Officers sought to minimise overpayment of pensions and the steps in place regarding overpayments that occurred. A copy of the report marked 'Agenda Item 12' is filed with these minutes.

RESOLVED:

That the report on Pension Overpayments be noted.

14. Risk Management and Internal Controls.

The Board considered a report of the Director of Corporate Resources which provided information on any changes relating to the risk management and internal controls of the Pension Fund, as stipulated in the Pension Regulator's Code of Practice. A copy of the report marked 'Agenda Item 13' is filed with these minutes.

Members asked that an additional column to show risk score changes be included in the Risk Register appended to future reports to make clear what the direction of travel was for the risks identified. It was not currently clear which risks were increasing and which were decreasing, or which remaining constant for the time being. .

RESOLVED:

- (a) That the report on Risk Management and Internal Controls be noted;
- (b) That the Risk Register be amended to include a column showing risk score changes.

15. Dates of Future Meetings.

The dates of future meetings of the Local Pension Board scheduled to take place on the following dates, all at 10.00am, were noted:

18 October 2023
 7 February 2024
 17 April 2024
 31 July 2024
 16 October 2024

Members were also asked to note the Fund's Annual General Meetings had been scheduled to take place at 12 Noon on the following dates, and these would be open to all scheme members to attend:

- 11 December 2023
- 9 December 2024

10.00am to 11.26am
02 August 2023

CHAIRMAN



LOCAL PENSION BOARD – 18 OCTOBER 2023

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

CONSULTATION: NEXT STEPS ON INVESTMENT

Purpose of the Report

1. The purpose of this report is to inform the Board of a consultation paper issued by the Department for Levelling Up, Housing and Communities (DLUHC) on 11 July 2023, titled “Next Steps on Investment” and an overview of the Fund’s response.

Policy Framework and Previous Decisions

2. The Fund is a participating scheme in the Local Government Pension Scheme (LGPS) Central Pool (Central) alongside Cheshire, Derbyshire, Nottinghamshire, Shropshire, Staffordshire, West Midlands and Worcestershire. As set out in the Investment Strategy Statement it is the Fund’s intention to invest its assets through Central as and when suitable pool investment solutions become available.
3. Central has been in operation since 1 April 2018. As at 31 July 2023 Leicestershire County Council Pension Fund (the Fund) has circa £2.2bn invested in Central, as well as over £350m in uncalled commitments which will increase its overall pooled exposure. Outside of Central the Fund has £942m (as at 30 June 2023) invested in low-cost passive equity with LGIM (Legal and General Investment Management). The Fund would consider these LGIM investments to be pooled given the investment management savings originally achieved from the joint procurement with other LGPS funds.

Background

4. The Government instigated the ‘pooling’ of pension funds in 2015 with the publication of criteria and guidance on pooling of LGPS assets. Administering authorities formed their own groups and eight asset pools were established, 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 individual funds.
5. In July 2023 the Government launched a long-awaited consultation seeking views on proposals relating to LGPS investments, covering asset pooling, levelling up, opportunities in private equity, investment consultancy services and the definitions of investments.

6. The consultation proposes to accelerate and expand LGPS pooling, setting a March 2025 deadline for funds to transition all listed assets, at a minimum, to their pool. The Government has also confirmed a target for funds to invest up to 5% of assets to support levelling-up in the UK and has set an ambition for funds to have 10% of their assets invested in private equity. The deadline for consultation responses was 2 October 2023.
7. The Local Pension Committee considered a report setting out the Fund's proposed stance on key issues at its meeting 8 September 2023 from which a response was provided to the consultation on behalf of the Fund following consultation with the Local Pension Committee Chairman. The response took into account key messages from the Committee which are set out later in this report.

Main themes of consultation

8. There are five key areas within the consultation on [Local Government Pension Scheme \(England and Wales\): Next steps on investments](#). While the consultation does not look to mandate asset allocations and investment decisions, the Government has set expectations that funds set targets related to pooling, levelling up and private markets investments. Throughout the response to the consultation it was made clear that its first priority is looking for appropriate risk adjusted returns; if investments presented good value and risk adjusted returns, the Fund would invest.
9. There are arguments for and against the Government's proposals. From the Fund's perspective pooling and the benefits it receives in terms of value for money and net performance is supported. However, there remain some circumstances where there may be value in the Fund continuing to invest outside of the pool. The Fund's response emphasised the importance of funds retaining some flexibility to be able to take decisions that are different to other funds; a one-size-fits-all approach will mean that it is likely to fit no-one perfectly.
10. At the same time, it was recognised that if LGPS funds look to implement niche individual investment strategies there is a risk of dilution of economies of scale if pools try to offer too many investment options. There will be room and opportunity for further collaboration between partner funds, pools and investment advisors in product development and strategic asset allocation setting which will be key in driving pooling forward.

Asset pooling

11. The Government has made clear that it wishes to see pooling move further and faster to substantially increase scale and drive better value for money. It is the Government's view that benefits of scale are present in the £50-75bn range and improve up to £100bn, which could eventually lead to further proposals by the Government to subsume or merge pools.

12. Partner funds within Central have assets under management of £55bn. As at 31 March 2023, 49% of those assets have been transitioned to the pool, whereas another 32% are currently externally passively managed. When looking to compare pooling levels across the LGPS there is a clear lack of consistency with reporting what constitutes pooled, under pool management and not pooled, with some pools including investments like external passive products, which Central does not do.
13. Within the Fund's response it objected to any proposal to subsume Central into another pool or vice versa. This is largely due to cost, complexity, timing and issues around accountability and governance. Instead, there are plenty of opportunities remaining for collaboration with partner funds, investment advisors and pools to support the primary aims of funds and pooling objectives.
14. The Government proposed to set a deadline requiring administering authorities to transition all listed assets to their LGPS pool by March 2025. As presented to the Committee in June 2023 Leicestershire is the second most pooled fund within Central. As at 31 July 2023 the Fund has over £2.2billion in pooled products. While the Fund continues to hold £900m in external passively managed funds through LGIM. Historically, the Funds LGIM investments have been considered to be pooled given the savings originally achieved, which is unlikely to be bettered by Central given the scale of LGIM, and the breadth of products available.
15. There remains a lack of clarity over whether such low-cost external passive holdings can be classed as pooled, given the different approaches across pools. The Fund has requested that Government clarify that these low-cost passive holdings can be classed as pooled.
16. The response further highlighted that a deadline to pool is not achievable. While the Fund considers its strategic asset allocation annually, often asset allocations are most fundamentally reviewed following actuarial valuations; the next such valuation for the Fund being in March 2025. Fund's must also consider transition costs, timing and what is most appropriate for a fund.
17. The response instead highlights opportunities where funds and pools can collaborate further. This includes making the most of any areas where funds can align their approaches, such as involving pools in the development phase of the strategic asset allocation processes, while retaining ultimately any approval of the SAA at a local level. As well as consider whether it would be appropriate to procure one joint investment advisor firm per pool, which could support cost reduction and possible alignment of investment approaches.
18. The Government further proposes a requirement for administering authorities to have a training policy in place for Committee members. Given that the Fund already has a Training Policy in place is proposed that this be supported along with any additional formal guidance which can further support the Local

Pension Committee in discharging its functions.

19. The Government also proposes further guidance for reporting on pooling levels and net returns. The Fund in its response has stressed the importance that any comparison exercise recognises funds have different approaches to risk and return as dictated by their funding levels. There also needs to be guidance on how savings achieved are reported, which may be difficult if funds are not pooling like-for-like investments.

Levelling Up

20. The Government's Levelling Up White Paper (LUWP) sets out its ambition for LGPS funds to invest in projects that aim to tackle the uneven distribution of opportunity in the UK.
21. The consultation provides clarity on the definition of a "levelling up" investment, identifying 12 medium-term levelling up missions: living standards, research and development, transport, digital connectivity, education, skills, health, well-being, pride in place, housing, crime and local leadership. Local investment is defined as supporting **any** local area within the United Kingdom. The consultation asks whether respondents agree with the proposed definition. As highlighted earlier the Fund has stressed its primary purpose in paying pensions.
22. It will also be key that the Government clearly define what would contribute a 'measurable contribution', as it is hard to think of many UK based investments which would not feasibly fit in some way under the levelling up ambition, even if an investment was not made expressly for that purpose. However, as suggested at the Local Pension Committee by a member there may be value in Government seeking to better understand current LGPS investments within the UK, which may enable the Government to consider where it can support funds with their ambitions if objectives can be co-delivered alongside funds primary purpose.
23. The Government proposes amending regulations to require funds to set a plan to invest up to 5% of assets in levelling up the UK, including a timeline, and to report annually on progress against that plan. It is proposed that pool companies assist decision-making over investments made locally, in order to avoid any actual or perceived conflicts of interest between funds and administering authorities.
24. The Fund has disagreed with this requirement. Any investment would need to stand independently on its own merit and within the Fund's SAA and meet the fiduciary duty. There is also a concern that if all funds look to invest in this way it could result in pools and funds competing for the same investments. If there is not sufficient supply for opportunities this could result in higher bid prices, and ultimately lower returns.
25. While there are not currently reporting mechanisms to reflect levelling up missions, the Fund has previously worked with LGPS Central and external

investment managers to understand its exposure to the UK.

26. Within equity, infrastructure and property the Fund's investment in the UK is well above the UK's market share. It is important to note that it is not clear from the consultation which asset classes could be considered as part of the measurement of levelling up indicators which the Government will need to clarify. Across the Fund's portfolio UK exposure currently equates to circa 21%.
27. Given the estimated exposure to the UK across all asset classes, it is likely that the Fund already exceeds the 5% and therefore, if this proposal were to be implemented, the only impact on the Fund would result in increased reporting requirements from investment managers and LGPS Central which may ultimately result in increased costs and a reporting burden for an issue not directly linked with the Fund's fiduciary duty.
28. The Government has recognised many funds will already have some investments which contribute to levelling up, and in some cases, this may exceed 5%, and some funds may wish to increase their investment above this threshold, which "will be for funds to decide the appropriate level of investment and types of investments". The Fund would agree with this statement; however, this must ultimately precede all investment decisions and is a matter for local consideration and determination by the Local Pension Committee subject to the aim and purpose of the Fund, which is to maximise investment returns within reasonable risk parameters.
29. It is not the role of the Fund to put non-financial beliefs, such as political, ethical, moral, social, and local preference factors, above those of the employers funding the pension scheme.
30. By the Fund earning a commercial return it supports local authorities (and other employers) to keep employer contributions lower than they otherwise could be. This assists those employers that may wish to support local priorities directly and take into account non-financial factors over and above any requirements to achieve commercial returns. The Fund cannot do this as it is limited in its fiduciary duty and other factors that may complicate matters such as conflicts of interest, and additional governance and monitoring impact of each new manager appointment.

Investment Opportunities in private equity

31. As part of the Mansion House speech, the Chancellor laid out plans to make UK pensions capital available to support UK companies whilst seeking to boost the retirement incomes of pension savers. The initiative focuses on providing investment in high-growth, innovative technology companies.
32. For the LGPS, the stated ambition is to target a 10% allocation to growth equity and venture capital. There is no explicit stipulation that these investments must be UK-based, although significant inference to this is ultimately made throughout the consultation.

33. It was subsequently clarified by Government ministers that it is possible that a fund may be able to legitimately claim that an investment in UK-based private equity contributes to both the ambitions for LGPS investment in private equity, as well as the levelling up requirements.
34. The Fund currently targets 7.5% in Private Equity (PE) and the majority of this is split between LGPS Central and Adams Street Partners. Of the £425m invested in PE, £30m (7%) is currently invested in the UK, this compares favourably to the UK share in the MSCI world index 4%.
35. While it is recognised PE can provide attractive returns, this must sit alongside other asset classes which on a risk adjusted basis may look as attractive (for example, certain classes of infrastructure).
36. As stressed at the Local Pension Committee meeting in September 2023 the Fund is fundamentally against Government prescribed allocation decisions. Ultimately it is for funds to agree their risk appetite with advice from their respective investment advisors and actuary. Funds must manage their liquidity levels, and while PE is often focused on high-growth companies these are also far riskier, especially in regard to venture capital, and have a higher management cost. Funds and pools could end up bidding up the price for a limited pool of UK based PE opportunities to the detriment of future returns.

Improving the Provision of Investment Consultancy Services to the LGPS

37. The essence of the Government's proposal is to clarify that all LGPS funds would be formally required to set objectives in relation to the Competition and Markets Authority's (CMA) Investment Consultancy and Fiduciary Management Market Investigation Order 2019 (the Order) for investment consultants.
38. The Fund already sets its investment advisor strategic objectives in line with the CMA which are presented to the Local Pension Committee annually so supported the proposal. The Fund questioned the continued exclusion of LGPS pools given the Government suggested elsewhere within the consultation that pools may be able to advise funds on strategic investment decisions.
39. The Fund has further requested that the Government provide guidance on the position of non-FCA regulated advisors and whether they can advise committees and what they can and cannot provide advice on, for example, investment matters, product selection and manager advice.

Updating the LGPS Definition of Investments

40. The Government proposes to make a technical change to the definition of investments within LGPS regulations, adding the word "partnership" to their definition of unquoted securities investments. The response supported this change.

Local Pension Committee Comments

41. The Director of Corporate Resources, in consultation with the Chairman of the Local Pension Committee formulated a response that took into account the above points, and comments from the Committee. These include:
- i. The Committee emphasised the importance of maintaining local control over investment decisions and expressed opposition to prescribed asset allocation decisions, citing the fiduciary duty of the Local Pension Committee and Fund.
 - ii. The Committee acknowledged that the Fund's passive equity investment with LGIM was initially agreed upon as part of the 'Seven Shires' agreement which was cost-effective for the Fund. They expressed concern about transitioning these assets merely as a procedural formality if it led to additional management and transition costs, as well as increased risk.
 - iii. Recognition that different funds had varying requirements, demands and objectives and that the Fund would continue to work with LGPS Central.
 - iv. The Committee called for more data to support the objectives of the Government's consultation. This includes evidence related to efficiencies achieved through pool scaling, and how the Fund could contribute to levelling up goals.
 - v. The Committee noted that 21% of the Fund's investments are in the UK. It was recognised that these investments could potentially contribute to levelling up ambitions in some form or another, given their wide range of missions.

Next Steps

42. The consultation has now closed, the Fund will await further detail on developments that arise from the consultation. The Fund will continue discussions with LGPS Central and partner funds regarding further collaboration through 'moving pooling forward' discussions.

Resource Implications

43. The pooling consultation will look to set the direction for the future structure for LGPS funds. It notes while pooling has delivered substantial benefits so far, progress needs to accelerate to deliver, and government stands ready to take further action if needed. This may result in a smaller number of pools in excess of £50bn (underlying pooled assets from Local Authorities) to gain benefits of scale, and/or expecting funds to accelerate the transfer of assets. The Fund will await the outcome of the consultation for further information on

timescales, approach, expectations for cost savings, and increased reporting requirements which may impact Fund resources.

Recommendation

44. That the report be noted.

Equality Implications

45. There are no equality implications arising from the recommendations in this report.

Human Rights Implications

46. There are no human rights implications arising from this report.

Background Papers

11 July 2023 Local Government Pension Scheme (England and Wales): Next steps on investments

<https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-next-steps-on-investments/local-government-pension-scheme-england-and-wales-next-steps-on-investments>

8 September 2023 Local Pension Committee Pooling Consultation: Next Steps on Investment and LGPS Central Meetings Update (Agenda Item 9)

<https://politics.leics.gov.uk/ieListDocuments.aspx?CId=740&MId=7204&Ver=4>

Officers to Contact

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LOCAL PENSION BOARD – 18 OCTOBER 2023

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PENSION FUND ADMINISTRATION REPORT
JULY to SEPTEMBER 2023 - QUARTER TWO

Purpose of the Report

1. The purpose of this report is to inform the Local Pension Board of the main administrative actions in the second quarter period from July to September 2023. The report covers governance areas including administration of Fund benefits and 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 103,000 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, namely 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 quarter July to September 2023 are included as Appendix A.
5. KPIs for business processes and customer feedback remain above or close to target.

Governance – Service Delivery

General Workloads

6. The tables show the volumes in each work area during the months July to September 2023.
7. The Pensions Manager has included a RAG rating to each work area to highlight which areas are below target, close to target, or good or better than target.
8. The rating compares the cases that can be processed to the maximum target number of cases at month end. This is designed to assist Officers identify the work areas that require the greatest immediate attention.

Target	Rating
Below target	▼
Close to target	▶
Good or better than target	▲

July 2023

Area	Cases completed (calculated and checked) in the period	Cases that require more information (cases that are on hold)	Cases that can be processed (cases that can be worked on)	Total cases	Maximum target number of cases that be processed at month end	Rating
Preserved Benefits	131	269	1,573	1,842	1,000	▼
Retirement Options	204	225	117	342	300	▲
Retirements Paid	207	405	111	516	300	▲
Deaths	104	127	69	196	200	▲
Refunds	172	193	64	257	400	▲
Pension Estimates	73	15	119	134	250	▲
Transfers in	34	135	99	234	200	▲
Transfers out (excluding interfunds out) *	66	20	24	44	100	▲
Aggregations	213	210	1,348	1,558	1,000	▼

New starters set up**	344	n/a	n/a	n/a	n/a	n/a

August 2023

Area	Cases completed (calculated and checked) in the period	Cases that require more information (cases that are on hold)	Cases that can be processed (cases that can be worked on)	Total cases	Maximum target number of cases that be processed at month end	Rating
Preserved Benefits	113	264	1,612	1,876	1,000	▼
Retirement Options	262	231	142	373	350	▲
Retirements Paid	190	428	100	528	350	▲
Deaths	88	144	73	217	200	▲
Refunds	107	229	66	295	400	▲
Pension Estimates	50	21	141	162	250	▲
Transfers in	35	145	113	258	200	▲
Transfers out (excluding interfunds out) *	44	23	17	40	100	▲
Aggregations	70	201	1,359	1,560	1,000	▼
New starters set up**	1,070	n/a	n/a	n/a	n/a	n/a

September 2023

Area	Cases completed (calculated and checked) in the period	Cases that require more information (cases that are on hold)	Cases that can be processed (cases that can be worked on)	Total cases	Maximum target number of cases that be processed at month end	Rating
Preserved Benefits	152	277	1,646	1,923	1,000	▼

Retirement Options	254	212	178	390	300	▲
Retirements Paid	155	464	110	574	300	▲
Deaths	96	150	57	207	200	▲
Refunds	106	203	77	280	400	▲
Pension Estimates	66	17	156	173	250	▲
Transfers in	71	140	147	287	200	▲
Transfers out (excluding interfunds out) *	31	24	20	44	100	▲
Aggregations	36	195	1,423	1,618	1,000	▼
New starters set up**	399	n/a	n/a	n/a	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. Aggregations and preserved benefits remain stable but continue to be above target. Following the completion of year-end, work continues reviewing recent new starters to check if they already have existing pension records. The Pensions Manager expects an increase in aggregations over the coming months because of this exercise.

Governance – General

Complaints – Internal Disputes Resolution

10. 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.
11. In the second quarter period there were no new IDRP Stage 2 appeals.
12. There were no changes to earlier cases already at Stage 2 of the IDRP process.

Breaches Log

13. 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.
14. It transpired in the quarter that one of the Fund's small admission bodies have inadvertently paid a single member's additional voluntary contributions (AVCs) to the Pension Fund rather than directly to the Prudential.
15. Fund Officers, the member's employer and the Prudential are arranging for this to be rectified. Officers have investigated the case and found this to be an isolated incident. As all parties are working positively to resolve it without causing financial detriment to the member, the Pensions Manager has not deemed this a material breach.
16. The Pensions Manager has updated the 2023/24 breaches log. This is attached as Appendix B.

McCloud and Dashboards

17. The Board has requested McCloud and Dashboards are standing items at each quarterly report.
18. A summary update is included in the Improvements report further in the Board's agenda pack.

2022/23 Year-End

19. The 2022/23 year-end was completed successfully with 36,322 active, 31,481 deferred and 41 Councillor annual benefit statements produced by the 31 August 2023 statutory deadline.
20. One employer, consisting of two scheme members, did not receive their annual benefit statement by the 31 August 2023 due to the legal admission agreement not being completed in time. Statements will be sent once the legal position is finalised and all data received. Officers continue to work positively with all parties to resolve this.
21. The two members affected have received annual benefit statements in the past, they have been written to explaining the reason for the delay and they will receive statements once the admission agreements are signed. On this basis the Pensions Manager does not deem this a material breach of legislation.
22. The 2022/23 annual allowance exercise was completed by the 6 October statutory deadline. There were 56 breaches and the members have been provided with their taxation statements.

Governance – Audit

23. During the quarter there were two Internal Audit reports received relating to administrative work on Pension Contribution Bandings and Pensions Increase.

Pension Contribution Bandings

24. The audit objective is to ensure pension contributions banding changes for County Council employees have been accurately applied from April 2023.

25. The sample testing found a small number of discrepancies. The Pensions Manager and Payroll Manager agreed a further sample of cases will be checked and any discrepancies found will be investigated and rectified. Evidence of checks will be retained for future reference.

Pensions Increase

26. The audit objective is to ensure the validity and accuracy of the annual Pensions Increase.

27. There were no issues highlighted with the calculation and implementation of the April 2023 pensions increase.

28. The Pensions Manager has agreed to a recommendation that annual pensions increase work is recorded and signed off by the Pensions Manager.

McCloud

29. The Pensions Manager and Internal Audit Manager have agreed an internal audit covering the implementation of the first phase of McCloud calculations. This is planned in the fourth quarter of 2023/24 covering new “in scope” retirements from active status and preserved from active status.

30. The Pensions Manager will provide an update to the Board once the audit has been concluded.

Governance – The Pensions Regulator Code of Practise

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

32. There have been various delays, but the new code is expected in 2023.

33. Officers and The Fund’s Actuary will compare the current codes and the new single code via a “gap” analysis.

Governance – Employer Risk

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

35. In the table below, the outstanding cases are listed in risk order, highest to lowest. The highest risk cases tend to be 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.

36. 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.

37. 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 in these cases that must be paid in full by the employer.

38. The position on 30 September 2023 is as follows.

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	Fund Risk Level
Aspens - Leicester City Council (Herrick Primary)	Admission Agreement and Bond	Pass-through 1 September 2022	£25,000	Draft Admission Agreement circulated and approved. Bond approval outstanding so alternative security being considered. Members have been written to explaining the delay. Officers continue to chase Aspens.	High
Relish (5 LCC maintained schools)	Admission Agreement and Bond	Pass-through 15 July 2023	£29,000	Draft Admission Agreement and bond circulated for approval. Officers continue to chase Relish	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	Fund Risk Level
CleanTEC (Lionheart AT)	Admission Agreement and Bond	Pass-through 1 September 2023	£165,000	Draft Admission Agreement and bond circulated for approval.	Medium/High
Caterlink (Cobden Primary)	Admission Agreement	Pass-through 1 August 2023	n/a	Draft admission agreement circulated for approval.	Medium/High
Bam FM (Tudor Grange Academies Trust)	Admission Agreement	Pass-through 1 August 2023	n/a	Draft admission agreement is ready to be circulated. Awaiting a finalised list of members transferring.	Medium/High
CSE (Tudor Grange Academies Trust) (2023 Contract)	Admission Agreement	Pass-through 1 September 2023	n/a	Draft admission agreement has been approved. Signed agreement received from TGAT and received LCC's sealed agreement. Awaiting CSE's signed counterpart.	Medium/High
Atalian Servest (City of Leicester)	Bond (previously set at £86,000)	n/a	£112,000	Bond extension notices issued to Atalian Servest to pass to guarantor to authorise. Officers have chased completion.	Low
Atalian Servest (Soar & Moat)	Bond (previously set at £66,000)	n/a	£92,000	Bond extension notices issued to Atalian Servest to pass to guarantor to authorise. Officers have chased completion.	Low
Coombs Catering - Hastings High School	Bond	n/a	£16,700	Bond Agreement approved by Coombs and the bank. Awaiting approval from the school to issue final engrossment.	Low
Taylor Shaw (Elior) - MET	Bond	n/a	£12,000	Officers continue to liaise with MET regarding security.	Low

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

- Leicester City Council (Mellor School) to Caterlink 2022 Contract - Admission Agreement and Bond Agreement
- St Edwards Primary (LCC LTS) to Coombs 2023 Contract - Admission Agreement
- Hemington Primary (LCC LTS) to Coombs 2023 Contract - Admission Agreement
- Chief Constable to Mitie Care - Bond Extension - Amount from £190,000 to £213,000
- MEAD Education Trust to Compass (Primary School Staff) 2022 Contract - Bond Agreement
- MEAD Education Trust to Compass (Secondary School Staff) 2022 Contract - Bond Agreement
- Ashby Hill Top Primary to Coombs Catering - Trust opted to proceed without a bond following the recent Dept for Education changes to their guarantor. This was agreed with Fund Officers.
- Leicestershire County Council (Belvoirdale School) to Dolce 2023 Contract - Admission Agreement
- Bradgate Education Partnership (Wreake Valley Academy) to CleanTEC 2023 Contract - Admission Agreement
- Leicestershire County Council (Sir John Moore CofE Primary School) to Dolce 2023 Contract - Admission Agreement

Governance – Knowledge and Understanding

40. On the 1 June 2023, the Fund Actuary launched its new online knowledge and understanding training tool for the Fund’s Committee and Board Members.
41. The new online service has been developed after considering Member’s comments on the previous version. There are now more, shorter, easier to navigate modules.
42. Board Members are requested to complete the “current issues module” as this includes a useful summary on the McCloud remedy. It also includes other helpful items including Dashboards and Cyber Risk.

Recommendation

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

Equality Implications

44. There are no equality implications arising from the recommendations in this report.

Human Rights Implications

45. There are no human rights implications arising from the recommendations in this report.

Appendices

Appendix A – Key Performance Indicators July to September 2023

Appendix B – 2023/24 Breaches Log

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APPENDIX A

Quarter One – 1 July 2023 to 30 September 2023

Quarter - July to September 2023									
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%	▲	94%	Establish members understanding of info provided - rated at least mainly ok or clear	95%	99%	▲	100%
Pension payments made within 10 working days of receiving election	95%	96%	▲	94%	Experience of dealing with Section - rated at least good or excellent	95%	94%	▶	95%
Death benefits/payments sent to dependant within 10 working days of notification	90%	89%	▶	79%	Establish members thoughts on the amount of info provided - rated as about right	92%	95%	▲	91%
					Establish the way members are treated - rated as polite or extremely polite	97%	98%	▲	100%
Good or better than target	▲				Email response - understandable	95%	100%	▲	100%
Close to target	▶				Email response - content detail	92%	100%	▲	98%
Below target	▼				Email response - timeliness	92%	95%	▲	98%

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Leicestershire Pension Fund – 2023/24 Breaches Log

Key breaches are recorded. Material breaches are reported to the Pensions Regulator.

Date	Who identified the breach	Cause	Effect	Reaction	Wider Implications	Material or not	If material – date reported to TPR	Outcome
31/8/2023	Pensions Manager	New admission body and outsourcing employer were late signing the admission agreement thereby not enabling completion of the 22/23 year-end	Failure to provide annual benefit statements by the 31/8/23 deadline for the two members impacted.	The statements will be run and provided once the admission agreement is signed, and the final year-end process is completed.	Statements not received by the deadline. These members received statements in previous years and have the online modeller available, should they wish to use it.	No	n/a	Work ongoing to complete the exercise. Members have been informed of the delay.
September 2023	Pension Officer	One of the Fund's smallest employers has inadvertently been paying a member's AVCs to the Fund instead of the Prudential	Member currently has no AVC account for use at retirement	Officers, the member's employer and Prudential are working to resolve the situation	No other members are impacted.	No	n/a	The Fund will repay the AVC monies to the employer. The employer is likely to have to compensate the member for the lost AVC investment and pay this value to the

								Prudential, alongside the AVC value.
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September 2023



LOCAL PENSION BOARD - 18 OCTOBER 2023

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PENSION FUND CONTINUOUS IMPROVEMENTS REPORT

Purpose of the Report

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

Background

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

McCloud Update

3. On 8th September 2023, The Department for Levelling Up, Housing and Communities (DLUHC) laid The Local Government Pension Scheme (Amendment) (No.3) Regulations 2023. The regulations implement the McCloud remedy and change the existing 'underpin' to ensure it works effectively and consistently for qualifying scheme members. The regulations take effect from 1st October 2023 but will be backdated to 1st April 2014. A report containing full details of the McCloud Judgment was presented to the Board at the meeting held on 8th February 2023.

LGA

4. The Local Government Association (LGA) is currently reviewing the regulations and plan to issue guidance in the coming weeks. It is also developing documents for members including a member factsheet, frequently asked questions, a video, and an interactive tool for members to establish if they are affected by the changes.

5. The LGA also has plans to host McCloud ‘surgeries’ for administering authorities at the end of October, to assist with any initial issues that may arise.

System Developments

6. The fund system supplier Heywood has confirmed that individual calculations for leavers, deferred and pensioner members have been updated to include the calculation of the McCloud underpin and are available for use.
7. There are some areas though where development is still outstanding. Following DLUHC’s confirmation that members with previous unaggregated LGPS service, or membership of any public service pension scheme that has not been transferred into the Fund on or before 31st March 2012 will qualify for underpin protection on LGPS membership during the remedy period, work still needs to be done to amend the system so that members with ‘unaggregated’ service will be identified as eligible service for this exercise.
8. Flexible Retirement cases will need to be calculated manually.
9. Outwards ‘Club’ transfers, such as transfers to other public service pension schemes, may also require further development, and Heywood is awaiting further information from the Government Actuary Department (GAD) before deciding how to proceed.
10. Legislation relating to ‘Excess Teacher’s Service’ is still outstanding and further consultation on this issue is expected.
11. Heywood will also be offering training and weekly ‘drop-in’ sessions will be available from 11th October.
12. The Pensions Manager will monitor the time taken for in-scope retirements to see what impact McCloud is having on resource. This will be expanded to other areas as McCloud implementation continues.

Records Update

13. Officers continue to update member records with details of changes to contractual hours, either manually or via system automation, and the latest position regarding updated records is below.

	Position as at 11/07/2023	Position as at 14/09/2023
Number of employers that have provided all required data and records have been updated:	32	89

Number of employers that have provided all required data and are currently being worked on:	40	7
Number of employers that provided all required data and are ready to be worked on:	22	76
Number of employers that provided all required data but has been returned to the employer:	68	2
Number of employers that have provided some of the data, or have not provided any data:	35	25
Employers with miscellaneous issues:	2	0

14. The number of data lines identified that are unsuitable for automatic loading are below. This data only relates to employers where all data has been provided and have either been completed or are work in progress. These figures are not the final amount and will increase as work progresses. However, the amount that these figures will increase cannot be quantified at this stage.

Employer	Lines identified at 14/9/2023	Lines dealt with at 14/9/2023 (that will be automatically loaded)	Lines remaining at 14/9/2023 (that will require manual input)
Leics. County Council	5,193	0	5,193
Leicester City Council	18,455	15,958	2,497
Other Employers	15,498	15,498	0
Total	39,146	31,456	7,690

Internal Processes

15. Initially, officers will be focussing on incorporating changes to processes for active scheme members who leave, and their cases are processed from 1st October 2023 with an entitlement to deferred or immediate benefits.
16. Processes have been created for these cases and Officers will need to establish whether a member is in-scope for a possible underpin. Cases that are not in-scope can continue to be processed using established procedures.
17. Scheme members will be in-scope if:
 - They were contributing to the LGPS or another public service pension scheme before 1st April 2012
 - They were also paying into the LGPS between 1st April 2014 and 31st March 2022 and;
 - They do not have a break of five years or more, when the member was not contributing into any public service pension scheme (applies to breaks after 1st April 2012).
18. Where a member is deemed in-scope then officers will need to ensure that the service history (i.e., full details of changes to contractual hours) is up to date. The case can then be processed and if an underpin is payable then this will be included in the calculation.
19. Revised retirement letters have been drafted, advising scheme members that their benefits have been assessed for an entitlement to an underpin.
20. Further adjustments will be made to other business as usual processes over the next few months.
21. When the process of updating member records with contractual hours changes is completed, then a process will be drafted to address the cases where retrospective increases to pension benefits are payable, including the calculation of arrears, namely post April 2014 leavers whose benefits were processed prior to 1st October 2023.
22. Whilst the retrospective recalculation of benefits back to April 2014 will be a significant exercise, the expected number of cases requiring recalculation is likely to be low, given that benefits in the Career Average Revalued Earnings (CARE) scheme are based on a 1/49th accrual rates and also the rate of inflation.

AVC Framework Update

23. Further to the report presented at the last Board meeting, officers have continued to work with National LGPS Frameworks (administered by Norfolk County Council) to establish an AVC tender framework for use by LGPS funds.
24. An 'Invitation to Tender' (ITT) document has been drafted and continues to be developed. All interested parties will be required to complete this document and it will form the basis of their submission.
25. In September 2023, a letter was submitted to the interested parties, formally advising of National LGPS Frameworks' intention to begin the procurement.
26. Officers continue to meet regularly with National LGPS Frameworks, and the launch is still scheduled for March 2024. An update will be included in this report at the next meeting.

Pension Dashboard Project

27. The last major update regarding the Pension Dashboard Project (PDP) was presented to the Board at the meeting on 26th October 2022. A brief update was included in the Continuous Improvements report dated 26th April 2023 to advise that national deadlines have been put on hold to allow additional time to deliver a solution.
28. On 8th June 2023, a further ministerial statement was issued advising that rather than setting out a revised staging deadline in legislation, that this will be set out in guidance, which will give PDP the flexibility it needs to ensure this complex project is completed effectively.
29. Subsequently, The Pension Dashboards (Amendment) Regulations came into force on 9th August 2023 and confirmed that a single deadline of 31st October 2026 had been introduced. A revised staging timetable will be set out in guidance, and this will indicate when individual schemes are set to connect, based on their size and type. The staging timetable has not yet been developed and will be included in a future update.

Review of Employer Discretions

30. Scheme employers are required to publish and keep under review a statement of policy to explain how it will apply certain discretions that exist within the LGPS regulations. This allows employers flexibility in managing some issues relating to LGPS benefits for their scheme members, although exercising these discretions can have immediate costs that would need to be funded.
31. There are four main areas where mandatory discretions exist and several other discretionary areas of the regulations where employers can choose to have a policy, though many of these are unlikely to be required. However,

there are some areas where Officers recommend to employers that it would be good practice to have a policy:

32. The table below describes the mandatory and non-mandatory discretions that currently exist.

<u>Mandatory Discretions</u>	
Additional pension	<p>Employers can decide to award a scheme member additional pension of up to £7,579 per year (2022-23 rate) within six months of leaving to a member whose employment was terminated on the grounds of redundancy or business efficiency.</p> <p>Where an active member in the main section of the scheme elects to enter into arrangements to pay additional pension contributions (APCs) by regular contributions or a lump sum, such costs may be funded in whole or part by the member's scheme employer. Employers will need to determine a policy on whether it will make a contribution towards the purchase of extra pension.</p>
Waiving actuarial reductions	<p>Employers can decide, under several retirement scenarios, to waive actuarial reductions on compassionate grounds (though compassionate grounds is not defined within the regulations).</p>
Switch on the 'rule of 85' before age 60	<p>The 'rule of 85' is a protection for members who were in the LGPS prior to 1st October 2006 and is the point when their age plus length of membership in the scheme totals 85. Generally, this protects pension benefits that accrued prior to 1st April 2008 and where a member retires aged 60 or over.</p> <p>Where a member is aged between 55 and 60, employers can decide to 'switch on' the rule of 85 and allow a member to have a smaller reduction applied to their benefits.</p>
Flexible retirement	<p>An active member who has attained the age of 55 or over who reduces working hours or grade of an employment may, with the employer's consent, elect to take 'flexible retirement' and receive immediate payment of pension benefits.</p> <p>Employers need to determine the conditions under which a flexible retirement would be allowed.</p>

<u>Non-Mandatory Discretions</u>	
Election to transfer within 12 months	Employers may decide to extend the 12 month limit a member has in which to elect to transfer other pension rights into the LGPS. This has to be with the agreement of the Administering Authority.
Election to aggregate within 12 months of commencement	Employers may decide to extend the 12 month limit a member has within which they must elect not to have deferred benefits aggregated with their new LGPS employment.
<u>Allocation of contribution band</u>	Employers may determine which contribution band is allocated on joining the scheme and at each April. They can also determine the circumstances when an employee's band may be reviewed.

33. As part of good governance, Officers are currently conducting a review of this area. Although 85% of employers with active members have a published policy, approximately 70% are over five years old and it is good practice for these documents to be reviewed more regularly.

Next steps

34. The existing policy document issued to employers will be refreshed and a completion guide created to allow employers to make informed decisions when deciding whether to update their existing policies. The new documents will then be circulated to employers via an employer bulletin and returns will be monitored.

35. Pension Officers will monitor the return of the latest employer discretions and provide a future summary to the Board.

Recommendation

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

Equality and Human Rights Implications

37. Nonspecific.

Background Papers

Local Pension Board – 8 February 2023 – McCloud Remedy Progress Report:

<https://politics.leics.gov.uk/ieListDocuments.aspx?CId=1122&MId=7234&Ver=4>

Appendices

38. Appendix A: MSS Registration Figures
Appendix B: Areas of improvement

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Member Self Service Statistics as at 14th September 2023
 Figures show members who have partially or completely registered for MSS

Appendix A

	Current Figures for Board Report dated 14th September 2023	Current Figures for Board Report dated 22nd June 2023	Current Figures for Board Report dated 14th September 2023	Current Figures for Board Report dated 22nd June 2023	Current Figures for Board Report dated 14th September 2023	Current Figures for Board Report dated 22nd June 2023	Current Figures for Board Report dated 14th September 2023	Current Figures for Board Report dated 22nd June 2023	Current Figures for Board Report dated 14th September 2023	Current Figures for Board Report dated 22nd June 2023	Current Figures for Board Report dated 14th September 2023	Current Figures for Board Report dated 22nd June 2023	Current Figures for Board Report dated 14th September 2023	Current Figures for Board Report dated 22nd June 2023*
	All Employers	All Employers	County	County	City	City	Police	Police	Lough Uni	Lough Uni	DMU	DMU	Lionheart	Lionheart
Active Members	18286 (47.51%)	18013 (46.86%)	3897 (48.34%)	3826 (47.31%)	3883 (45.78%)	3839 (45.27%)	1002 (56.83%)	990 (56.31%)	663 (44.56%)	669 (43.64%)	938 (59.97%)	945 (59.32%)	409 (41.23%)	342 (41.06%)
0-39	4136 (34.15%)	4049 (33.37%)	914 (37.18%)	881 (35.940%)	787 (31.13%)	766 (30.17%)	270 (40.12%)	260 (39.22%)	202 (31.76%)	202 (30.01%)	293 (50.69%)	301 (49.67%)	89 (26.97%)	80 (28.27%)
40-49	4226 (43.97%)	4161 (43.43%)	920 (43.01%)	901 (41.95%)	817 (40.33%)	809 (40.27%)	196 (56.00%)	196 (56.00%)	131 (44.41%)	136 (44.74%)	273 (63.64%)	269 (63.74%)	84 (35.59%)	72 (36.55%)
50-59	6554 (57.62%)	6479 (56.85%)	1373 (57.96%)	1363 (56.79%)	1410 (54.89%)	1403 (54.257%)	368 (71.88%)	367 (70.99%)	228 (59.22%)	233 (60.21%)	261 (66.58%)	265 (66.08%)	158 (53.38%)	126 (50.4%)
60+	3370 (62.43%)	3324 (62.42%)	690 (62.96%)	681 (62.59%)	869 (63.94%)	861 (63.97%)	168 (73.68%)	167 (73.25%)	102 (59.30%)	98 (57.99%)	111 (67.27%)	110 (67.07%)	78 (60%)	64 (62.14%)
Deferred Members	10560 (33.32%)	10343 (32.763%)	3034 (31.82%)	2985 (31.207%)	2270 (29.52%)	2232 (29.05%)	434 (41.45%)	428 (41.04%)	482 (33.52%)	473 (33.12%)	625 (38.34%)	607 (37.61%)	78 (43.58%)	72 (41.62%)
0-39	1658 (22.20%)	1626 (21.63%)	354 (20.17%)	353 (19.67%)	307 (18.49%)	294 (17.65%)	126 (30.73%)	120 (29.20%)	145 (28.49%)	144 (28.13%)	137 (29.65%)	132 (28.76%)	16 (25.40%)	16 (26.23%)
40-49	2558 (28.24%)	2517 (27.94%)	659 (25.68%)	640 (25.01%)	587 (24.73%)	586 (24.72%)	112 (39.58%)	110 (40.00%)	113 (28.46%)	110 (28.13%)	164 (34.82%)	163 (34.46%)	19 (42.22%)	15 (37.50%)
50-59	4968 (41.54%)	4883 (40.98%)	1569 (38.63%)	1564 (38.43%)	1119 (38.68%)	1009 (35.03%)	145 (51.79%)	149 (52.28%)	177 (42.86%)	174 (42.75%)	275 (45.83%)	270 (45.84%)	35 (64.81%)	35 (60.34%)
60+	1376 (42.91%)	1317 (41.64%)	452 (39.20%)	428 (37.41%)	257 (33.64%)	253 (32.99%)	51 (48.92%)	49 (68.06%)	47 (39.50%)	45 (38.14%)	49 (50.52%)	42 (45.16%)	8 (47.06%)	6 (42.86%)
Pensioner Members	15163 (48.74%)	14787 (47.96%)	4900 (44.61%)	4799 (43.91%)	3710 (48.25%)	3611 (47.48%)	588 (61.64%)	565 (60.62%)	544 (45.91%)	533 (45.05%)	602 (53.18%)	591 (52.67%)	94 (72.31)	93 (72.66)
Dependant Members	766 (24.13%)	757 (23.98%)	250 (24.80%)	248 (24.60%)	193 (24.90%)	191 (24.77%)	29 (31.52%)	26 (28.26%)	26 (20.97%)	26 (21.31%)	29 (29.00%)	29 (28.16%)	3 (75.00%)	3 (75.00%)

*Adjusted after an error was spotted in previous report

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Area	Affected Team	Aim	Target Completion Date	Comments added 30032023	Comments added 04072023	Comments added 20092023
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	Online Retirement Process is being worked on for deferred members approaching retirement. This is expected to be launched on a trial basis during April.	A small number of cases have been processed through the online process and the trial will continue throughout July.	Trial temporarily on oldwhilst Heywood are reviewing functionality around online retirements with further developments expected.
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	Guidance still outstanding. More detail in main report.	Guidance still outstanding	Guidance still outstanding
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	Latest figures as at 30th March 2023 are: Common Data: 97.3%; Scheme Specific Data: 97.75%	Latest figures as at 30th June 2023 are: Common Data: 97.1%; Scheme Specific Data: 97.36%	Latest figures as at 22nd September 2023 are: Common Data: 97.4%; Scheme Specific Data: 97.67%
Internal Processes	Aggregation Process	Review of Aggregation Process underway with the aim of simplifying Processes and reducing outstanding cases	30/09/23	Details provided in main report.	A revised set of letters relating to aggregations is being worked on by the LGA to act as templates for funds to use. Once these are available we will review our current letters and update where appropriate. Meanwhile training of team members continues to expand their knowledge of the various types of cases.	LGA templates were reviewed but no changes have currently been made to existing letters. Review now completed.
Payroll Conversion Project	Continued Improvements	Upgrades to payroll facilities to increase automation relating to monthly pensions processes and other payments	Autumn 2023		Work on this project has begun again following a temporary halt to focus on other areas. Heywood are upgrading the system 'build' in 'test' versions of payroll to allow testing to resume on cases.	final testing is on-going with go-live expected late October.

Letter improvements	Continued Improvements	Examine estimate and retirement option letters with the aim of reducing the amount of manual input required.	31/12/23		Initial work is in respect of the standard estimate letter. Testing and development on-going.	Estimate letter has been updated and this improved process is live. Exploration of multiple retirement option letters to begin in October with the aim of automating several fields that currently require manual input.
Overpayment Processes	Continued Improvements	Improving process in respect of outstanding invoices relating to overpaid pensions	31/10/23			New process in place where closer monitoring of outstanding debts is being managed by Pension Officers on a monthly basis. Completed.
Bank Account Verification Improvements	PAT/Early Leavers Team	Expanding use of Bank Account Verification wherever possible.	31/10/23			Already in use for PAT team, now being rolled out to Early Leavers team in respect of the payment of contribution refunds. Also now using NatWest's "Confirmation of Payee" facility to verify business bank accounts for payment of transfers to other schemes or LGPS funds. Completed.



LOCAL PENSION BOARD – 18 OCTOBER 2023
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 Local Pension 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.

Policy Framework and Previous Decisions

2. The Local Pension Board's Terms of Reference state that the responsibility and role of the Board is to secure compliance with the LGPS Regulations and other legislation relating to the governance and administration of the LGPS; securing compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator; such other matters as the LGPS regulations may specify.

Background

3. 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 Local Pension Board and Local Pension Committee agenda.
4. In order to comply with the code, the risk register and an update on supporting activity is included on each agenda for this Board.

Risk Register

5. The 18 risks are split into six different risk areas. The risk areas are:
 - Investment
 - Liability
 - Employer

- Governance
 - Operational
 - Regulatory
6. Risks are viewed by impact and likelihood and the two numbers multiplied to provide the **current risk score**. Officers then include future actions and additional controls, and the impacts and likelihoods are then rescored. These numbers are multiplied to provide the **residual risk score**.
 7. The current and residual risk scores are tracked on a traffic light system red (high), amber (medium), green (low).
 8. The latest version of the Fund's risk register was approved by the Local Pension Committee on the 8 September 2023.
 9. There have been no changes to the risk scores since the 8 September 2023, however wording has been updated on regulatory risk 17, to reflect the McCloud legislation being laid.
 10. 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.
 11. The risk register is attached at Appendix A and Risk Scoring Matrix and Criteria at Appendix B.

Regulatory Risk

Risk 17 – The resolution of the McCloud remedy.

12. The Regulations were laid on the 8 September 2023 and became active on the 1 October 2023. The legislation requires Fund Officers to review and calculate in scope member's pension benefits, backdated to April 2014 when the LGPS commenced the career average revalued earnings scheme.
13. Final system changes are being developed by the system provider. These require testing.
14. Communications are being developed.
15. Internal Audit will commence an audit on the first phase of McCloud implementation in the final quarter of 2023/24.
16. Fund Officers are adopting a phased approach starting with new in scope retirements and leavers.
17. Phase two requires a review of existing in scope pension benefits with revision and payment of any arrears, as necessary.

18. Quarterly updates to the Pension Board will continue.

Recommendation

19. The Local Pension Board is asked to note the report.

Equality Implications

20. There are no equality implications arising from the recommendations in this report.

Human Rights Implications

21. There are no human rights implications arising from this report.

Background Papers

None

Appendix

Appendix A – Risk Register

Appendix B – Risk Scoring Matrix and Criteria

Officers to Contact

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Leicestershire County Council Pension Fund : Risk Register

Appendix A
All risks owned by the Director of Corporate Resources

Risk no	Category	Risk	Causes (s)	Consequences	List of current controls	Impact	Likelihood	Current Risk Score	Risk Response	Further Actions / Additional Controls	Residual Impact	Residual Likelihood	Residual Risk Score	Residual Risk Change since June 2023	Action owner
1	Investments	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, global recessions	Significant financial impact on employing bodies due to the need for large increases in employer contribution rates	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. Last reviewed January 2023.	4	2	8	—	Investments - SFA
2	Investments	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 ultimately lead to higher employer contribution rates than would otherwise have been the case	Ensuring that the causes of underperformance are understood and acted on where appropriate. Shareholders' Forum, Joint Committee and Practitioners' Advisory Forum will provide significant influence in the event of issues arising. Appraisal of each LGPS Central investment product before a commitment to transition is made.	3	3	9	Treat	After careful consideration, take decisive action where this is deemed appropriate. It should be recognised that some managers have a style-bias and that poorer relative performance will occur. Decisions regarding manager divestment to consider multiple factors including performance versus mandate and reason for original inclusion and realignment of risk based on revised investment strategy. The set-up of LGPS Central is likely to be the most difficult phase. The Fund will continue to monitor how the company and products delivered evolve. Programme of LGPS Central internal audit activity, which has been designed in collaboration with the audit functions of the partner funds. Each transition's approach is independently assessed with views from 8 partners sought.	3	2	6	—	Investments - SFA
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	Some assets classes or individual investments perform poorly as a result of incorrect assessment of all risks inherent within the investment. These risks may include, but are not limited to the risk of global economic slowdown and geopolitical uncertainty and failure to consider Environmental, Social and Governance factors effectively.	Opportunity cost within investment returns, and potential for actual returns to be low. This will lead to higher employer contribution rates than would otherwise have been necessary.	Ensuring that all factors that may impact onto investment returns are taken into account when setting the annual strategic asset allocation. Only appointing investment managers that integrate responsible investment (RI) into their processes.Utilisation of dedicated RI team at LGPS Central and preparation of an annual RI plan. The Fund is also member of the Local Authority Pension Fund Forum (LAPFF) and supports their work on shareholder engagement which is focused on promoting the highest standards of corporate governance and corporate responsibility. The Committee has approved a Net Zero Climate Strategy to take into account the risk and opportunities related to climate change. Climate Risk Report and Climate Stewardship Report. The Fund also produces an annual report as part of the Taskforce on Climate-related Financial Disclosures.	3	4	12	Treat	Responsible investment aims to incorporate environmental (including Climate change), social and governance (ESG) factors into investment decisions, to better manage risk and generate sustainable, long-term returns. Annual refresh of the Fund's asset allocation allows an up to date view of risks to be incorporated and avoids significant short term changes to the allocation. This can take into account geopolitical uncertainty, the impact of climate change on the portfolio including risk from stranded assets. 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. LGPS Central are in the process of developing an ESG report for the Fund which can be used to monitor the Fund's portfolio exposure, and support engagement with underlying companies	3	3	9	—	Investments - SFA

4	Investments	Risk to Fund assets and liabilities arising from climate change	The impact on global markets and investment assets from the transition to a low carbon economy, and/or the failure to achieve an orderly transition in line with the Paris agreement.	<p>Failure of meeting return expectations due to risks, or missed investment opportunities, related to the transition to a low carbon economy, and/or the failure to achieve an orderly transition. Resulting in increased employer contributions costs.</p> <p>Some asset classes, and carbon intensive sectors may be overexposed to transition risks, and/or the risk of stranded assets</p>	<p>Net Zero Climate Strategy, targeting by 2050 with an ambition for sooner. Climate metrics, including decarbonisation targets monitored annually through the Climate Risk Report, and reporting under TCFD recommendations. Supporting real world emissions reduction with partners (LAPFF, and LGPS Central) as part of the Fund's Climate Stewardship Plan.</p> <p>Consideration of climate change in investment decisions including investment in climate solutions and funds titled towards climate factors. Climate scenario analysis is undertaken biennially on impact to Fund assets.</p> <p>The Funding Strategy Statement's resilience to climate risk was also tested through the 2022 triennial valuation</p>	3	4	12	Treat	<p>Annual refresh of the Fund's asset allocation allows for an up to date view of climate risks and opportunities to be incorporated and avoids significant short term changes to the allocation. This will take into account the Fund's latest Climate Risk report. Increased asset coverage for climate metric reporting. Increased engagement with investment managers and underlying companies through Net Zero Climate Strategy and further collaboration. Expected regulatory change on climate monitoring</p>	3	3	9	—	Investments - SFA
5	Liability	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	<p>Significant financial impact on scheme employers due to the need for large increases in employer contribution rates.</p> <p>Early engagement with the Fund's higher risk employers to assess their overall financial position.</p> <p>Ongoing review of Community Admission Bodies (CABs)</p>	<p>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</p> <p>The 2022 valuation assessed the contribution rates with a view to calculating monetary contributions alongside employer percentages of salaries where appropriate.</p> <p>Regular review of market conditions and dialogue with the schemes biggest employers with respect to the direction of future rates.</p> <p>GAD Section 13 comparisons.</p> <p>Funding Strategy Statement approach is to target funding level of 110%.</p>	5	2	10	Treat	<p>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.</p>	4	2	8	—	Pensions Manager
6	Employer	If the pensions fund fails to receive accurate and timely data from employers, scheme members pension benefits could be incorrect or late. This includes data at year end.	A continuing increase in Fund employers is causing administrative pressure in the Pension Section. This is in terms of receiving accurate and timely data from these new employers who have little or no pension knowledge and employers that change payroll systems so require new reporting processes	<p>Late or inaccurate pension benefits to scheme members</p> <p>Reputation</p> <p>Increased appeals</p> <p>Greater administrative time being spent on individual calculations</p> <p>failure to meet statutory year-end requirements.</p>	<p>Training provided for new employers alongside guidance notes for all employers.</p> <p>Communication and administration policy</p> <p>Year-end specifications provided</p> <p>Employers are monthly posting</p> <p>Inform the Local Pension Board quarterly regarding admin KPIs and customer feedback.</p>	3	2	6	Treat	<p>Continued development of wider bulk calculations.</p> <p>Implemented automation of certain member benefits using monthly data posted from employers.</p> <p>Pensions to develop a monthly tracker for employer postings</p>	3	1	3	—	Pension Manager
7	Employer	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	<p>Lower contributions than expected.</p> <p>Incorrect actuarial calculations made by the Fund.</p> <p>Possibly higher employer contributions set than necessary</p>	<p>Pension Section provides employers with the annual bandings each year.</p> <p>Pension Section provides employers with contributions rates (full and 50/50)</p> <p>Internal audit check both areas annually and report their findings to the Pensions Manager</p> <p>Finance reconcile monthly contributions to payroll schedule</p>	3	2	6	Treat	<p>Pension Officers check sample cases</p> <p>Pension Officers to report major failings to internal audit before the annual audit process</p> <p>Major failings to be reported to the Pensions Board</p>	3	1	3	—	Pensions Manager
8	Employer	Employer and employee contributions are not paid accurately and on time	Error on the part of the scheme employer	<p>Potentially reportable to The Pensions Regulator as late payment is a breach of The Pensions Act.</p>	<p>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.</p> <p>Internal Audit review on an annual basis and report findings to the Pensions Manager</p>	2	3	6	Tolerate	<p>Late payers will be reminded of their legal responsibilities.</p>	2	3	6	—	Pensions Manager

9	Governance	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	Prudential implemented a new administration system in November 2020	Failure to meet key performance target for making payments of retirement benefits to members Complaints Reputational damage Members may cease paying AVCs	Reported it to the Chair of the Pension Boards and Senior Officers Reported to the LGA and other Funds Discussed with the Prudential Prudential attended a meeting with the Local Pension Board with improvement plan agreed	3	3	9	Treat	Prudential continue to engage with Fund Officers positively to quickly resolve issues National meetings with LGPS Funds and the Prudential continue to develop improvements. A national Framework is being scoped to enable Funds to review and select AVC providers. Leicestershire LGPS will be a founder member of the framework.	3	1	3	—	Pensions Manager
10	Governance	Sub-funds of individual employers are not monitored to ensure that there is the correct balance between risks to the Fund and fair treatment of the employer	Changing financial position of both sub-fund and the employer	Significant financial impact on employing bodies due to need for 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.	Ensuring, as far as possible, that the financial position of each employer is understood. On-going dialogue with them to ensure that the correct balance between risks and fair treatment continues.	5	2	10	Treat	Dialogue with the employers, particularly in the lead up to the 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	4	2	8	—	Pensions Manager
11	Governance	Investment decisions are made without having sufficient expertise to properly assess the risks and potential returns	The combination of knowledge at Committee, Officer and Consultant level is not sufficiently high	Poor decisions likely to lead to low returns, which will require higher employer contribution rates	Continuing focus on ensuring that there is sufficient expertise to be able to make thoughtfully considered investment decisions. Improved training at Committee. Additional experience at LGPS Central added who make investment decisions on behalf of the Fund.	3	3	9	Treat	On-going process of updating and improving the knowledge of everybody involved in the decision-making process	2	2	4	—	Investments - SFA
12	Operational	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	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 Officers run the HMRC GMP check on a case by case basis and input the results into member records at retirement	3	2	6	Treat	Ongoing monitoring on a case by case basis	2	1	2	—	Pensions Manager
13	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.	Pensions database now hosted outside of LCC. Employer data submitted through online portal. Member data accessible through member self-service portal (MSS). Data held on third party reporting tool (DART). Greater awareness of information rights by service users.	Diminished public trust in ability of Council to provide services. Loss of confidential information compromising service user safety. Damage to LCC reputation. Financial penalties.	Regular LCC Penetration testing and enhanced IT health checks in place. LCC have achieved Public Sector Network (PSN) compliance. New firewall in place providing two layers of security protection in line with PSN best practice. Contractual arrangements in place with system provider regarding insurance. Work with LCC ICT and Aquila Heywood (software suppliers) to establish processes to reduce risk, e.g. can Aquila Heywood demonstrate that they are carrying out regular penetration testing and other related processes take place. Developed a new Cyber risk policy	5	2	10	Treat	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 to include internal audit reviews of both areas. Report the findings to the Board.	5	1	5	—	Pensions Manager

14	Operational	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 Over or under payments Unable to meet weekly deadlines	Reputation Complaints/appeals Time resource used to resolve issues Members one off payments, not paid, paid late, paid incorrectly Officers re-engineered the retirement process using member self service (MSS) which speeds up process and reduces risk New immediate payments bank account checks system Use of insights report to identify discrepancies between administration and payroll sides of the system Funds over and under payment policy	Task management used within pensions administration Segregation of duties, benefits checked and authorised by different Officers Training provided to new staff Figures are provided to the member so they can see the value and check these are correct	4	1	4	Tolerate	Monitor the structure of the Pension Section to resource the area sufficiently Ongoing officer training notes Continued develop the workflow tasks	4	1	4	—	Pensions Manager
15	Operational	If transfer out checks are not completed fully there may be bad advice challenges against the Fund There are some challenges being lodged from Claims Management Companies on historic transfers out	Increasing demand for transfers out from members Increased transfer out activity from Companies interested in tempting people to transfer out their pension benefits Increased complexity on how the receiving schemes are set up Increased challenges on historic transfers	Reputation Financial consequence from 'bad advice' claims brought against the Fund IDRP appeals (possible compensation payments) Increased administration time and cost	The Pensions Regulator (TPR) checks Follow LGA guidance Queries escalated to Team Manager then Pensions Manager Legislative checks enable the Fund to withhold a transfer in certain circumstances. Signed up to The Pension Regulator's national pledge "To Combat Pension Scams"	2	3	6	Tolerate	Escalation process to Internal Legal Colleagues to check IFA, Company set up, alleged scam activity Further escalation process to external Legal Colleagues National change requires checks on the receiving scheme's arrangements Internal audit review of both transfers in and out of the Fund.	3	2	6	—	Pension Manager
16	Operational	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	Tracing service provides monthly UK registered deaths Life certificates for overseas pensioners Defined process governing bank account changes Moved to 6 monthly checks, (from one check every 2 years) National Fraud mortality screening for overseas pensioners	3	1	3	Tolerate	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	—	Pensions Manager
17	Regulatory	The resolution of the McCloud case and 2016 Cost Cap challenge could increase administration significantly resulting in difficulties providing the ongoing pensions administration service	The Regulations were laid on the 8 September 2023 and became active on the 1 October 2023. The legislation requires Fund Officers to review and calculate in scope member's pension benefits, backdated to April 2014 when the LGPS commenced the career average revalued earnings scheme. The Unions challenge on the 2016 cost cap, could result in possible benefit recalculations if the challenge is successful	Increasing administration Revision of previous benefits Additional communications Complaints/appeals Increased costs	Guidance from LGA, Hymans, Treasury Employer bulletin to employers making them aware of the current situation on McCloud Team set up in the Pension Section to deal with McCloud casework. Quarterly updates to the Board.	3	3	9	Treat	Final system changes are being developed by the system provider. These require testing. Internal Audit will commence an audit on the first phase of McCloud implementation in the final quarter of 2023/24. Fund Officers are adopting a phased approach starting with new in scope retirements and leavers. Phase two will require a review of existing in scope pension benefits with revision and payment of any arrears, as necessary.	2	2	4	—	Pensions Manager
18	Regulatory	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	Initial data cleaning started Contract made with the system provider on building the data link	3	3	9	Treat	Work with LCC's internal IT Team Security checked on the required link to allow the access to secure member pension data GDPR requirements Quarterly updates to the Board	3	2	6	—	Pensions Manager

Appendix B: Risk Scoring Matrix

Impact




5 Very High/Critical	5	10	15	20	25
4 Major	4	8	12	16	20
3 Moderate	3	6	9	12	15
2 Minor	2	4	6	8	10
1 Negligible	1	2	3	4	5
	1	2	3	4	5
	Very Rare/Unlikely	Unlikely	Possible/Likely	Probable/Likely	Almost certain

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

Impact Risk Scoring Criteria

Scale	Description	Departmental Service Plan	Internal Operations	People	Reputation
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
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
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
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
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

Residual Risk Score Change since last meeting indicator

-  Risk Increase
-  No Change
-  Risk Decrease

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

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