



Meeting: **Local Pension Board**

Date/Time: **Wednesday, 17 April 2024 at 10.00 am**

Location: **Microsoft Teams**

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

Email: **Angie.Smith@leics.gov.uk**

AGENDA

<u>Item</u>	<u>Report by</u>	
1. Minutes of the meeting held on 7 February 2024		(Pages 3 - 10)
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. LGPS Central Update.	Director of Corporate Resources	(Pages 11 - 16)
6. Pension Fund Administration Report January to March 2024 - Quarter Four.	Director of Corporate Resources	(Pages 17 - 42)
7. Internal Audit Arrangements Including Internal Audit Work Conducted During 2023-24 and the Internal Audit Plan 2024-25.	Director of Corporate Resources	(Pages 43 - 54)



- | | | | |
|-----|--|---------------------------------------|-----------------|
| 8. | Risk Management and Internal Controls. | Director of
Corporate
Resources | (Pages 55 - 66) |
| 9. | Training Policy Review. | Director of
Corporate
Resources | (Pages 67 - 80) |
| 10. | Date of Next Meeting - 31 July 2024, 10.00am | | |
| 11. | Any other items which the Chairman has
decided to take as urgent. | | |

TO:

Employer representatives

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

Employee representatives

Mr. A Cross
Ms. R. Gilbert
Mr. M. Saroya



Minutes of a meeting of the Local Pension Board held online on Microsoft Teams on Wednesday, 7 February 2024.

PRESENT

Mrs. R. Page CC (in the Chair)

Mr. A. Cross
Cllr. E. Cutkelvin
Mrs. R. Gilbert

Mr. M. Saroya
Mr. R. J. Shepherd CC

In Attendance

Mr. A. Stewart

25. Election of Chairman.

RESOLVED:

That Mrs R. Page CC be appointed Chairman on the Local Pension Board up to the Pension Fund Annual General Meeting scheduled to be held on 9 December 2024.

Mrs. R. Page CC in the Chair

26. Election of Vice Chairman.

RESOLVED:

That Mr. M. Saroya be appointed Vice Chairman on the Local Pension Board up to the Pension Fund Annual General Meeting scheduled to be held on 9 December 2024.

27. Minutes.

The minutes of the meeting held on 18 October 2023 were taken as read, confirmed and signed.

28. Question Time.

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

29. Urgent Items.

There were no items for consideration.

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

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

No declarations were made.

31. Pension Fund Administration Report, October to December 2023 - Quarter Three.

The Board considered a report of the Director of Corporate Resources the purpose of which was to inform the Board of the main administrative actions in the third quarter period from October to December 2023. The report also covered governance areas including administration of the Fund benefits and the performance of the Pensions Section against its performance indicators. The Board was recommended to raise any areas of concern to be reported to the Local Pensions Committee. The report marked 'Agenda Item 7' is filed with these minutes.

Arising from discussion, the following points were made:

- i. It was noted that under the purpose of the report, it should be amended to read *third* quarter period.
- ii. In response to a Member's question, the Director advised that the McCloud Remedy was the biggest cause for concern, resulting in more manual work to resolve cases. There were further concerns that, although upward tracking of Key Performance Indicators (KPIs) was good, this was not at the level needed. It was reported that there were other pressures of some employers moving payrolls and additional personnel moved to assist.
- iii. Members questioned if additional resources would be required in the Pensions Section. The Director reported that when looking at budget and resources in place, the Pensions Section was in as good a position as it could be. Two apprentices would be starting for 2024/25 who would take on the more basic administration work, which would alleviate some of the pressure. There was temporary resource working on McCloud, with contracts having been extended to March 2025. It was further reported that the statutory requirement for year-end preparation and more pressing work would be tackled first.
- iv. A Member questioned, with regards to retirement benefit notifications, if the deterioration in the satisfaction rating was because they were not being kept informed of delays with implementation of the remedy. The Director reported that wider communications on McCloud had been sent to all scheme members and not specifically to retirees. However, if there were specific delays, people affected would be contacted on an individual basis.

RESOLVED:

That the report be noted.

32. Net Zero Climate Strategy Progress Update.

The Board considered a report from the Director of Corporate Resources which provided an update on the latest Climate Risk Management Report for the Leicestershire County

Council Pension Fund and activities of the Fund since approval of the Net Zero Climate Strategy (NZCS). A copy of the report marked 'Agenda Item 8' is filed with these minutes.

Arising from the discussion, the following points were made:

- i. A Member asked if the information on the Fund's positive steps taken to go carbon neutral could be circulated more widely. For example, on the Pension Fund website, given the recent motions put by other councils requesting the Fund invest in low carbon investments. The Director reported that focus would be given to improving communications, including an improved newsletter to scheme members which would set out in simple terms work taking place towards delivery of the Fund's NZCS targets.
- ii. A Member suggested using a RAG (red, amber, green) status with regards to investment in green initiatives, to show if funding was on target, as this would be a simpler form of communicating information to scheme members. The Director reported that the Fund was well funded. Quarterly valuations of the total fund were reported to the Local Pension Committee, and good progress was being made, along the weighted carbon intensity reduction of 50%, but there was a fine line to tread between funding level and the primary purpose of paying pensions. The Local Pension Committee would receive a report at its December 2024 meeting, with a snapshot of the Fund's position taken to the Board thereafter.
- iii. With reference to paragraph 22 of the report, the Director explained that the Fund would measure alignment with targets going forward, which would include how a company's portfolio aligned to Net Zero and how this was measured. Members noted, however, that the metrics needed to be improved, as the understanding of Net Zero and how companies achieving that progressed was limited as there was currently no industry standard on how to do this.

RESOLVED:

That the Climate Risk Management Report for the Leicestershire County Council Pension Fund and activities of the Fund since approval of the Net Zero Climate Strategy be noted.

33. Pension Fund - Business Plan and Budget 2024/25.

The Board considered a report from the Director of Corporate Resources which provided information on the Pension Fund's Administration and Investment Business Plans and Pension Fund budget for 2024/25. A copy of the report marked 'Agenda Item 9' is filed with these minutes.

Arising from the discussion, the following points were made:

- i. Whilst the Fund did not hold reserves and no capital expenditure was planned, a Member queried what would happen if expenditure were required in future. The Director explained that the budget was based on prudent assumptions, and reasonable provision was made if more resources were needed, for example, as had been the case for the implementation of the McCloud Remedy. In terms of investment, reasonable assumptions around management costs were built into the budget. Members noted that it would not be appropriate for the Fund to retain reserves and there was no need for capital expenditure.

- ii. A Member questioned why the actuarial costs for 2025/26 at £400,000 was so high. The Director explained that this was due to the valuation period, where costs rose at the point of the actuarial valuation due to further work and costs incurred.
- iii. A Member queried, with the Government asking funds to look at pooling to reduce costs, when those costs reductions would be known. The Director reported that as Government policy became clearer and as the consultation process on pooling continued, information would become available on the impact on funds' management costs. It was noted that the budget was based on the current level of pooling and strategy.

RESOLVED:

That the report on the Pension Fund's Administration and Investment Business Plans and Pension Fund budget for 2024/25 be noted.

34. Pension Fund Continuous Improvements Report.

The Board considered a report from 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 10' is filed with these minutes.

Arising from the discussion, the following were made:

- i. A Member recalled at the last Board meeting concern had been expressed about Government directing LGPS funds on where they should invest, and asked if officers had concerns. The Director reported that the suggestion had arisen from the next steps of investment consultation and was not a current requirement. It was noted that if brought in by regulation or Government recommendation, it would require a plan on investing 5% of assets in UK levelling up projects, and a previous report to the Local Pension Committee showed the Fund had hit that requirement already.
- ii. The Director reported that the Government wanted by 2030 or after, larger pools of around £200billion. It was noted that currently LGPS Central was in a good place with about £50billion in funds, and would continue to grow with continued investment, noting that the smaller pools across the LGPS would probably be picked up as a result.
- iii. Members noted that the LGPS had submitted its response to the consultation outlining concerns regarding complexity, the cost of transitioning versus the costs of savings achieved. Currently the Fund was pooled with low-cost passive funds, and it was not yet clear whether these could be included in what constituted as pooled.
- iv. A Member queried with regards to Additional Voluntary Contribution (AVC) providers, if after the tenders had been evaluated and a new provider selected, scheme members would be required to transfer to the new provider. The Director reported that it would most likely result in an additional provider, rather than members having to transfer across, though the framework in terms of selection was still being put together.
- v. In response to a Member question on pensioner payroll, it was noted that this was still a separate function within the Payroll section. Though the duties of the Pension Team

were becoming more involved on the admin side because of automation, the BACS system was run by Payroll.

RESOLVED:

- a) That the Pension Fund Continuous Improvements Report be noted.
- b) That the report on the Fund's response to the consultation on the Next Steps on Investment be circulated to Members.

35. Pension Fund Training Needs Self Assessment.

The Board considered a report from the Director of Corporate Resources which provided an update on Training Needs Self Assessments undertaken by Members, identified training Members of the Local Pension Board were expected to complete in order to demonstrate a suitable level of knowledge and understanding, and set out options for the Committee to consider as part of the planned review of the current Training Policy. A copy of the report marked 'Agenda Item 11' is filed with these minutes.

Arising from the discussion, the following points were made:

- i. Members commented that whilst knowledge was required and it was good practice to evidence this, the previous method of training delivered after meetings was effective and efficient. Some found the Hyman's modules time consuming and difficult to diaries due to other substantial commitments. Members further commented that new Members joining the Board might find the training programme daunting, and suggested that a simplified training schedule be developed which could be completed over a four-year cycle. The Director noted that, whilst the Hyman's online training had been invested in, it was appreciated that people approached learning in different ways.
- ii. Members noted that a collective training session on a Hyman's module had been arranged to take place online for Board and Committee Members following the meeting, following which Members would be asked to provide feedback. The Director reported that a training plan would be developed that combined different types of training that worked for Members.
- iii. A Member suggested that the cycle of meetings for the Board be brought in line with the Council's Municipal Year, in order to avoid problems with a change in Chairman should the Member fail to be a Member of the Board following re-election during an election year, or following Annual Council. The Director undertook to look at the logistics of the election of Chairman and Vice-Chairman following the Annual General Meeting of the Pension Fund.

RESOLVED:

- a) That the report on the Pension Fund Training Needs Self-Assessment be noted;
- b) That all Members should complete the training needs assessment if not yet completed by 14 February 2024. The link would be recirculated to Members;

- c) That Members committed to progressing completion of Hymans Aspire modules, and noted that a record would be taken as at 31 March 2024 for the Fund's Annual report;
- d) That Members feedback on the current approach to the Fund's Training Policy be considered as part of the review.
- e) That the Director be requested to consider re-aligning the cycle of Local Pension Board Meetings with the Municipal Year of the County Council, giving consideration to the election of Chairman and Vice-Chairman.

36. Pension Fund Policy Report.

The Board considered a report from the Director of Corporate Resources which provided the annual update of the Pension Fund's current strategies and policies, covering any new policies that had been introduced or amendments that had been made. A copy of the report marked 'Agenda Item 12' is filed with these minutes.

Arising from the discussion, the following points were made:

- i. A Member referenced a previous report on the agenda, with regards to the Scheme Advisory Board (SAB) statement on surpluses and tailored employer investment strategies, which the Member considered to be a risk. The Director reported it was generally seen as a way of employers trying to take advantage of the strong funding position some were currently in and influencing investment and funding strategies.
- ii. Members noted officers' concerns regarding the suggestion of individual strategies which would significantly increase administration and costs to the Administering Authority, and potential impact on other employers. It was noted that this was not something the Administering Authority would be in favour of. In response to questions raised, Members noted that the Administering Authority had not been approached by any employers to tailor approaches. Members added their concerns and echoed officers views, confirming that it would not advocate tailored investment strategies.

RESOLVED:

- a) That the annual update of the Pension Fund's current strategies and policies, covering any new policies that had been introduced or amendments that had been made, be noted.
- b) That the comments now made by the Board be forwarded to the Local Pension Committee for consideration at its meeting on 8 March 2024.

37. 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 noted Risk 11 'Investment decisions are made without having sufficient expertise to properly assess the risks and potential returns' and remarked that this was

more geared towards the Local Pension Committee, as the Local Pension Board did not make investment decisions, and should be so reflected in the risk register.

RESOLVED:

That the report on Risk Management and Internal Controls be noted.

38. Date of next meeting.

RESOLVED:

That the next meeting be held on 17 April 2024, at 10.00am.

10.00am to 11.53am
07 February 2024

CHAIRMAN

This page is intentionally left blank



LOCAL PENSION BOARD - 17 APRIL 2024

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

LGPS CENTRAL UPDATE

Purpose of the Report

1. The purpose of this report is to inform the Local Pension Board of the following with respect to LGPS Central:
 - The recent Joint Committee's meetings held in July 2023 and February 2024;
 - Outcome from the AGM held in September 2023 and CEO appointment;
 - The Fund's pooling progress with respect to investing in LGPS Central investment products;
 - The Fund's listed equity exposure to the United Kingdom.

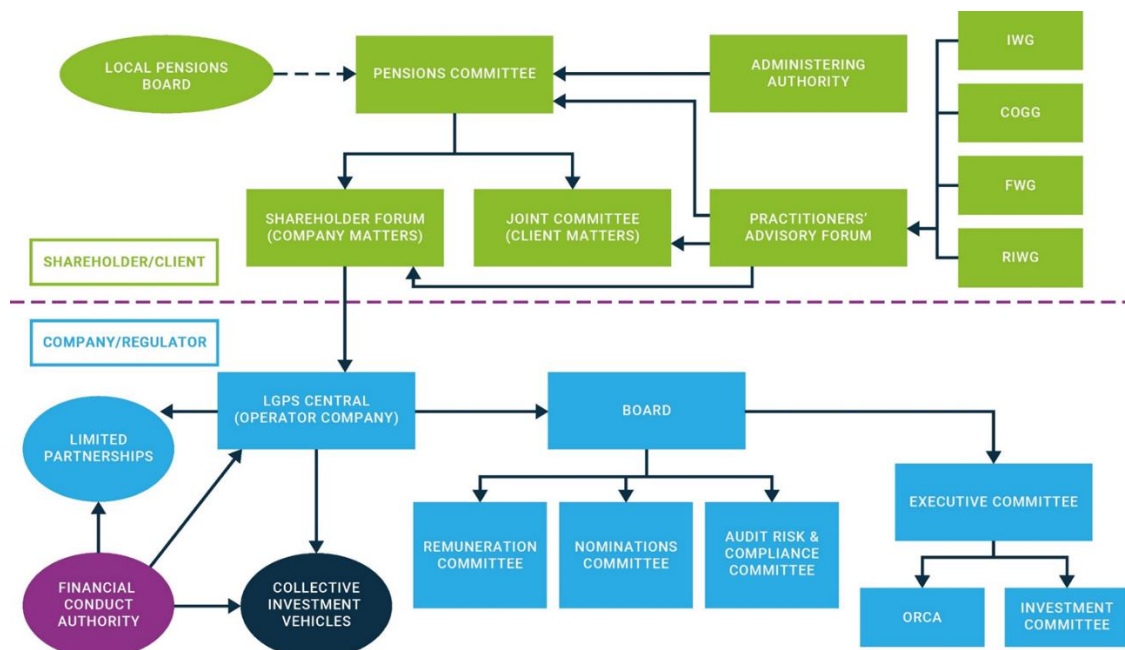
Policy Framework and Previous Decisions

2. On 15 November 2016 the Local Pension Committee approved the proposed governance structure for the investment pool that was established to manage the assets of eight Midlands-based Local Government Pension Funds. This was subsequently approved by the meeting of the County Council on 22 March 2017.
3. It was agreed that the Chairman of the Local Pension Committee should act as the Fund's representative on the Shareholders' Forum and Joint Committee.

Background

4. The Government instigated the 'pooling' of pension funds in 2015 with the publication of criteria and guidance on pooling of Local Government Pension Scheme (LGPS) assets. Administering authorities formed their own groups and eight asset pools were formed, which are now all operational. The scale of each pool gives significant buying power in the investment market, that would not normally be accessible to funds.

5. LGPS Central has been in operation since 1 April 2018. The Leicestershire County Council Pension Fund (Fund) is a stakeholder from two different perspectives:
- a co-owner of the company (shareholder); and
 - a recipient of investment services.
6. These interests are managed through the Shareholders' Forum and the Joint Committee as well as Leicestershire Pension Fund's Funding Strategy Statement, Investment Statement Strategy and Conflict of Interest Policy. The figure below illustrates the relationships between the various bodies.



7. The Joint Committee (JC) deals with the 'Investor' functions related to Fund's investment in the collective investment vehicles. The JC meets twice a year. It is comprised of eight members, representing each of the partner funds. These representatives may be different to those on the Shareholders' Forum, who are dependent on the authority.
8. The JC is a public forum for Councils within the pool which had oversight of the delivery of pool objectives, delivery of client service, delivery against the LGPS Central business case and to deal with common investor issues. It also provides assistance, guidance and recommendations to the individual councils, taking into consideration the conflicting demands and interests of the participants within the pool. The JC does not have delegated authority to make binding decisions on behalf of the participating councils.
9. The supervisory body of Central is the Shareholders' Forum, which focuses on shareholder issues. The Shareholder's Forum includes representatives from each of the eight pension funds. The members are usually elected representatives, typically the Chairs of the Local Pension Committee, but this is at the discretion of the individual funds.

10. The Shareholders Forum meets at least twice a year to agree certain reserved matters and provides a greater degree of control than for most private companies. Their powers as shareholders are set out in a Shareholder Agreement and include:
 - Amending or adopting new strategic plans
 - Admitting new members to the Pool
 - Appointment and removal of Directors
 - Approve accounts and appoint auditors
 - Approving capital expenditure over £5million
11. The Shareholders' Forum normally precedes general meetings of the company, allowing discussions to take place in advance of decisions being made at the meeting.
12. As at the end of December 2023 the total assets under management at LGPS Central was £21.6bn over 24 investment products covering passive and active equity, private equity, fixed income, property, infrastructure and private credit.

LGPS Joint Committee meetings

13. At the Joint Committee on 21st July 2023 there were a number of reports and updates noted which are listed below:
 - Scheme Advisory Board: Update including the code of transparency, the Boycott, Divestment and Sanction bill, confirmation from Government that there would be no new duties on funds until 2024 at the earliest with regards to climate reporting, and the next steps on investment consultation.
 - Practitioners Advisory Forum Update: No recommendations had arisen from the audit which was positive, noting Cheshire West and Chester Council was leading on the annual investment audit. That the annual cost saving review continued, and the cost sharing model.
 - Pool Risk Register: It was noted it was last updated pre consultation thus did not reflect developments.
 - LGPS Central Update: John Burns, interim CEO presented on the key focus areas for 2023/24 with a view on Central's development journey since 2018.
14. At the meeting on 2 February 2024 the Chairman of the Leicestershire Local Pension Committee was appointed as Chair to the LGPS Central Joint Committee. At the meeting there were a number of reports and updates noted which are listed below:
 - Public questions on issues of the Next Steps on LGPS Investments consultation, responsible investment and climate change.

- A review of the Joint Committee Terms of Reference which set out a protocol for dealing with public questions, and reinstated partner funds shared objectives into the terms of reference was approved.
- A Practitioners Advisory Forum Update: which noted LGPS Central's business planning processes, submission of annual returns to the Department for Levelling Up, Housing and Communities, a review of the cost sharing principles, fund launches, a review of stewardship themes, the moving pooling forward exercise and the development of a future vision for pooling.
- The Pool Risk Register Review which updated risks associated with the outcome of the consultation on the future of LGPS investments and pooling, resourcing across the Pool, and other regulatory change.
- A presentation from the Internal Audit Working Group.
- A performance and responsible investment update from LGPS Central.

Outcomes from September 2024 AGM and CEO appointment

15. LGPS Central held an Annual General Meeting on 26 September 2023 at the meeting shareholders received a report from the Chair, a Non-Executive Director and the Interim Chief Executive Officer. There were a number of items for shareholder approval which were agreed by shareholders as follows:
 - Adoption of Company Report and Accounts for the year ended 31 March 2023
 - Re-appointment of Deloitte LLP as external auditor of the Company
 - Authorisation of the Board to agree the external Auditor's Remuneration
 - Approval to extend the term of office of the current Board Chair by 18 months
 - Re-election of Joanne Segars, Susan Martin, Ian Armfield, Ciaran Barr, Belinda Moore and John Burns to the Board.
16. Following the departure of LGPS Central's CEO in May 2023 John Burns, Deputy CEO has been acting as Interim CEO while the LGPS Central Board recruited to the position. Following a recruitment process Central have now announced Mr. Richard Law-Deeks as the new CEO. The appointment will start in early summer, subject to regulatory approval.
17. Mr. Law-Deeks is currently chief executive of the Royal Mail Pension Plan and spent the early part of his career working in local government on pensions and wider finance roles.

The Fund's Pooling progress

18. The Fund views LGPS Central as the first port of call when initiating a new investment or top up to an existing asset class. Where appropriate, advice is sought from the Fund's investment advisor, Hymans Robertson in advance of a new investment or top up.

19. As at 31 December 2023 the Fund was valued at £6.09bn. The Legal and General (LGIM) passive equity investments, which were collectively procured prior to the commencement of pooling and which attract a low management fee were valued at £983m or 16% of the total Fund's value. The Fund's largest manager in terms of assets under management is LGPS Central, the total value as at 31 December was £2.3bn or 38% of the total Fund.
20. Taking both the LGIM and Central investments together, the total value of pooled investments is £3.27bn or 54% of total Fund assets.
21. The Fund has plans to invest with Central and this is illustrated by the value of investment commitments made to LGPS Central products that are yet to be 'called'. As at the time of writing these uncalled commitments are valued at £385m or 6% of total fund assets (this is in addition to the 38% invested directly with LGPS Central as described earlier). These uncalled commitments span a number of investment products including, private credit, private equity, direct property and infrastructure.
22. In addition, there a number of planned investments to existing LGPS Central investment products through 2024 which will also increase the proportion of pooled investments but if invested into a Central product would take a number of years to fully invest.

The Fund's listed equity UK exposure

23. The Fund's UK listed equity exposure as at 31 December 2023 is £231m. Taken as a percentage of listed equity this is around 9.3%. The 9.3% weighting reflects the Fund's overweight exposure to the UK which, depending on the index used for comparison, the UK represents around 3.4% of worldwide equity indices (MSCI All Country World Index, February 2024). The table below illustrates the actual UK exposure split by listed equity fund for the Leicestershire County Council Pension Fund.

	31 December 2024 % AUM	AUM £m
LGIM		
• UK Equity Index Fund	100%	125
• Low Carbon Transition Fund	3.56%	7
• All World Equity Fund	3.78%	24
LGPS Central		
• Global Equity Fund	5.68%	33
• Climate Multi Factor Fund	5.46%	42

24. The Fund will look to fully capture its exposure to the UK within other asset classes such as private equity and infrastructure as well as any appropriate classification for Levelling Up themes. The Fund will report as required in line with government guidance.

Recommendation

25. It is recommended that the Board notes the contents of this report.

Equality Implications

26. There are no direct implications arising from the recommendations in this report. The Fund incorporates financially material Environmental, Social and Governance (“ESG”) factors into investment processes. This has relevance both before and after the investment decision and is a core part of the Fund’s fiduciary duty. The Fund will not appoint any manager unless they can show evidence that responsible investment considerations are an integral part of their decision-making processes. This is further supported by the Fund’s approach to stewardship and voting through voting, and its approach to engagement in support of a fair and just transition to net zero. There are no changes to this approach as a result of this paper.

Human Rights Implications

27. There are no direct implications arising from the recommendations in this report.

Officers to Contact

Mr D Keegan, Director of Corporate Resources

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

Simone Hines, Assistant Director Finance, Strategic Property and Commissioning

Tel: 0116 305 7066 Email: Simone.Hines@leics.gov.uk

Mr B Kachra, Senior Finance Analyst - Investments

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



LOCAL PENSION BOARD – 17 APRIL 2024

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PENSION FUND ADMINISTRATION REPORT
JANUARY to MARCH 2024 - QUARTER FOUR

Purpose of the Report

1. The purpose of this report is to inform the Local Pension Board of the main administrative actions in the fourth quarter period from January to March 2024. 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.
3. The usual Continuous Improvement report has been incorporated into this report to avoid duplication in respect of topics such as McCloud, Pension Dashboards and The Pension Regulator's Code of Practice. The usual appendices relating to Member Self Service (MSS) registration figures and Areas of Improvement are also included, though in future the MSS data will be presented on an annual basis only as differences between quarters are minimal.

Performance Indicators

4. 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

5. The results for the quarter January to March 2024 are included as Appendix A and the full year April 2023 to March 2024 are included as Appendix B. Whilst Key Performance Indicators have fallen since November since the implementation of McCloud, over the full year they have been generally static or close to target when compared to the previous year.

Governance – Service Delivery

General Workloads

6. The tables show the volumes in each work area during the months January to March 2024.
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.
9. There are two areas rated red, Preserved Benefits and Aggregations. As these areas are low risk, there are periods during the year when completed cases will drop. Whilst this is not ideal there has been a recent focus on training more officers in these areas which should begin to address the situation. Completed Aggregation cases have begun to increase and Preserved Benefits are a key area that is being focussed on over the summer months as part of early valuation preparations. In addition there are 130 Preserved Benefits that have been calculated and are awaiting checking, so completed cases should increase over the next quarter.

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

January 2024

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	197	317	1825	2142	1,000	▼
Retirement Options	251	227	225	452	300	▲
Retirements Paid	164	300	71	371	300	▲
Deaths	111	164	115	279	200	▲
Refunds	72	106	157	263	400	▲
Pension Estimates	81	16	170	186	250	▲
Transfers in	41	136	172	308	200	▲
Transfers out (excluding interfunds out) *	43	24	20	44	100	▲
Aggregations	17	203	2314	2517	1,000	▼
New starters set up**	673	n/a	n/a	n/a	n/a	n/a

February 2024

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	209	332	1800	2132	1,000	▼
Retirement Options	223	253	233	486	350	▲
Retirements Paid	194	273	79	352	350	▲
Deaths	132	139	93	232	200	▲
Refunds	66	87	165	252	400	▲
Pension Estimates	75	43	158	201	250	▲
Transfers in	30	142	189	331	200	▲
Transfers out (excluding interfunds out) *	30	23	20	43	100	▲

Aggregations	125	200	2436	2636	1,000	▼
New starters set up**	1405	n/a	n/a	n/a	n/a	n/a

March 2024

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	317	1812	2129	1,000	▼
Retirement Options	258	247	189	436	300	▲
Retirements Paid	165	276	68	344	300	▲
Deaths	105	140	102	242	200	▲
Refunds	50	99	185	284	400	▲
Pension Estimates	98	42	122	164	250	▲
Transfers in	52	135	206	341	200	▲
Transfers out (excluding interfunds out) *	35	26	24	50	100	▲
Aggregations	142	203	2341	2544	1,000	▼
New starters set up**	1112	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 I-Connect interfaces load files provided by the employers.

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 fourth quarter period there were two ongoing complaints that reached the Pension Ombudsman.
12. In one case Leicestershire County Council Officers have provided the Ombudsman with details regarding the member's complaint against their former employer.
13. In the other case, the Ombudsman has requested details of an historic transfer out that a scheme member made. Leicestershire County Council Officers are working on the case and a reply will be provided in April 2024 to meet the Ombudsman's request.
14. There were no new IDRP stage 2 complaints.
15. As can be seen from the data at Appendices A and B, customer feedback in general remains positive and meets or exceeds target in most areas.

Breaches Log

16. 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.
17. There were no material breaches in the quarter.

Pensions Increase Exercise

18. The exercise to update payroll and admin systems with the annual pensions increase began in March. The system suppliers Heywood have notified users of some issues which can be resolved with workaround solution but another issue is still outstanding. Officers are holding urgent talks with Heywood to understand the scale of the issue and will plan a way forward once this is established.
19. This could mean that some members will not get their full increase in April and targeted communications will be put in place once the full impact becomes clear. A verbal update on this situation will be given at the meeting.

McCloud and Dashboards

20. The Board has requested McCloud and Dashboards are standing items at each quarterly report.

McCloud

21. The McCloud remedy is now part of 'business as usual' for most processes. The significant error highlighted in the Continuous Improvement report to the Board dated 7 February 2024 has now been fixed, which has reduced the level of manual intervention required by officers.
22. Guidance detailing how transfers are calculated for members 'in-scope' is now available. The Fund's system suppliers are continuing to review the new guidance to establish what changes are needed to the calculations. Whilst developments are planned, nothing has yet been firmly scheduled and it is unlikely that any changes will be made until at least summer.
23. Until the changes are made the only way to process such cases is manually. The process for the manual calculation of transfers affected by McCloud is complex and these cases will take longer to work through, though the Local Government Association have provided a spreadsheet that will calculate the McCloud remedy element of the transfer in respect of cases where the member is transferring to a private sector pension scheme.
24. The McCloud ruling also applied to deceased members who were active contributors during the remedy period and assessing whether such members were entitled to additional pension is proving time consuming, as the process requires officers to re-visit the original pension calculations. This is required regardless of whether additional pension is due. If it established that additional pension is due, the outstanding entitlement would need to be paid to the estate.
25. Records continue to be updated with service details in preparation for the task of assessing records for possible additional benefits who left between April 2014 and November 2023. The latest position is stated below.

	Position as at 27/03/2024	Position as at 12/12/2023
Number of employers that have provided all required data and records have been updated:	99	99
Number of employers that have provided all required data and are currently being worked on:	4	4
Number of employers that provided all required data and	108	108

are ready to be worked on:		
Number of employers that provided all required data but has been returned to the employer:	0	0
Number of employers that have provided some of the data, or have not provided any data:	62 (11 employers have provided some data, 51 employers have not provided any data)	62
Employers with miscellaneous issues:	0	0

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

Employer	Lines identified at 27/03/2024	Lines dealt with at 27/03/2024	Lines remaining at 27/03/2024
Leics County Council	6,273	3,535	2,738
Leicester City Council	18,455	18,455	0
EMSS Academies	10,901	104	10,797
Other Employers	15,498	15,498	0
Total	51,127	37,592	13,535

27. Once all data lines have been input officers will be able to process bulk calculations which will allow all retrospective leavers to be assessed for their entitlement to the McCloud remedy. The bulk calculations will also update active members with McCloud data which will assist officers processing future leavers. Until then, McCloud cases will continue to be very time consuming.

28. On 1 March 2024, the Department for Levelling Up, Housing and Communities (DLUHC) began a closed consultation on the draft McCloud statutory guidance. The draft guidance was sent to the McCloud statutory guidance working group, the Scheme Advisory Board (SAB) and software providers. The statutory guidance group includes Leicestershire, who represent the East Midlands Pensions Officers Group.

29. A reply from the East Midlands region was sent that incorporated the view of Leicestershire Fund Officers.

30. The guidance covers several issues relating to the McCloud remedy, including:

- Data collection and verification
- Identifying members in-scope
- Prioritisation
- Compensation

31. Views are being sought on the content of the document generally, but in particular:

- The proposed approaches
- Whether the guidance is clear and contains sufficient information on the topics
- Whether there are any other topics that should be included in the guidance

32. The consultation closed on 12 April 2024.

Pension Dashboards Programme

Integrated Service Provider (ISP)

33. Fund officers have now signed a contract with the Fund's existing system provider Heywood, for the provision of an Integrated Service Provider, which will be required to link the Leicestershire pension data to the Dashboards.

AVCs

34. As reported at the previous Board meeting, Leicestershire officers have been working with West Yorkshire and Prudential to develop a process regarding the reconciliation of member records held on both LGPS administration and Prudential systems. Findings have been collated and fed back to the National LGPS Technical AVC sub-group on 7 March 2024.

35. The sub-group will work through the findings and recommend a standard approach for all Funds to follow.

AVC Framework

36. Further to the Continuous Improvement 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.

37. The process is now at the final contractual stage with National LGPS Frameworks. It is expected to be finalised and published in the coming weeks with a go live date in the first quarter of 2024/2025.

Abolition of Lifetime Allowance

38. The Government has introduced legislation to abolish the pensions lifetime allowance (LTA), which placed limits on the amount pension savings members can accrue without a tax charge, from 6 April 2024.
39. It has now introduced new limits that restrict the amount of tax-free cash a member can receive over their lifetime. As with the LTA, very few LGPS members will be affected by these limits.
40. The declaration form that retiring members were asked to complete in relation to LTA has now been updated to reflect the new limits.

2023/24 Year-End Preparation

41. An employer bulletin has been sent out detailing the requirements for year end and that the deadline for submitting the March 2024 data report is 30 April 2024.
42. I-Connect is used to update Altair each month with individual members' pension data and ensures that Pensions have all the information needed to complete the year end work, including the necessary data checks.
43. Between 1 April 2023 and 31 August 2023 all the maintained County Council schools (80) and academies (43) that were paid by East Midlands Shared Service (EMSS) left and joined various new payroll providers. As at 27 March 2024, 73 maintained schools and 30 academies have gone live on I-Connect. Officers are working with the payroll providers to make sure that the outstanding schools and academies go live on I-Connect before the year-end deadline.
44. There are approximately 6,000 members that are involved in these payroll moves. This has created a substantial amount of additional pension work for this year end exercise because each time an employer changes payroll provider, the I-Connect report needs to be checked to make sure that it meets the specifications to be uploaded for each scheme member.
45. 93 schools and academies moved to a single payroll provider. The final reports were received in December 2023 from this payroll provider, several months later than required. Fund Officers have carried out the specifications checks on the reports and found several issues with the reports such as data in columns that should not be populated, or mandatory fields not being populated. Unfortunately, there were also inconsistencies between reports for the various schools and academies.

46. After a significant amount of liaison from August 2023 to January 2024 between officers and the payroll provider team, the reports were finally approved on the 19 January 2024. Officers have instructed the schools and academies that the reports can now be uploaded assuming the member mismatching checks have been completed first.

47. Within the 6,000 member cases that moved to new payroll providers 1,196 member data mismatches were identified. A number of these are due to variances on how multiple employment data is held on the different types of payroll systems. A breakdown of these and progress made to 27 March 2024 are detailed in the table below.

Type of Mismatches	Mismatches at the start of the exercise	Mismatches resolved	Remaining mismatches
Multiple employments e.g. (2 posts on I-Connect report but only 1 record on Altair)	383	375	8
No record on Altair but appears on the I-Connect report	734	734	0
No record on the I-Connect report but appears on Altair	79	79	0

48. Due to the progress made in the member matching exercise and with only eight cases left to investigate, the two members of staff from the early leavers team who were helping have moved back to that team.

49. Officers are chasing any outstanding employers who are not currently up to date with their I-Connect uploads to ensure that they are able to meet the year-end deadline.

50. Officers will provide the Board with a further year-end update at the next meeting.

Governance – Audit

51. During the quarter there were two Internal Audit reports received relating to implementation of the McCloud Remedy and the annual 'Life Certificates' exercise for overseas pensioners.

McCloud Remedy

52. The audit objective is to provide assurances to management that the guidance received is followed in relation to any members affected by the judgement.

53. The report gave substantial assurance that the guidance was being followed, and no material issues were found. No recommendations were made.

54. Officers propose a follow-on internal audit on McCloud in early 2025/26, as it is expected the hours inputted will have been completed by this time in readiness for the 31 March 2025 annual benefit statements, and all guidance and system changes will have been completed.

Overseas Life Certificates

55. The audit objective is to provide assurances that the annual life certification process with regard to overseas pensioners is administered effectively in order to gain assurances that overseas members of the Fund remain alive.

56. Whilst the report gave substantial assurance, some recommendations were made that Fund officers agreed to.

- Include information in the procedure notes to raise staff awareness of fraud risk, for example, forged signatures and advice on how suspicions coming to light during the process can be escalated.
- Revise notes on long-term suspensions to reflect actual practices regarding the progression of cases where there is a lack of absolute clarity regarding a member who is likely to have died. Also, to seek views of other authorities regarding their processes relating to such cases.
- Revise notes to reinforce the requirement for witnesses to be unrelated to the subject.
- Update certificate to include details of next of kin and contact details for overseas pensioners.

57. Changes to the Life Certificate processes will be made during the first quarter of 2024/25.

Governance – The Pensions Regulator Code of Practice

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

59. On 10 January 2024 the new TPR General Code of Practice was laid before Parliament which came into force on 27 March 2024.

60. Officers will compare the current codes and the new single code via a “gap” analysis. To assist with this a Code of Practice compliance checker tool, developed by the Fund’s actuary will be used. The tool is designed to allow Funds to self-assess their levels of compliance. We aim to complete this by the end of June 2024 and will report the finding to the Board at the meeting on 31 July 2024.

61. The Code of Practice is split into 15 modules and a section has been allocated to each module on the compliance checker. The sections contain details of the requirements of the code that apply or relate to the LGPS, along with some supporting commentary. Users can then assess their own risk rating by selecting from the appropriate entry from the drop-down list that is available. The tool also has the ability to produce editable progress reports suitable for presentations to stakeholders.
62. Further information will be provided to future Pension Board and Pension Committee meetings as the outcomes of the new code are worked through.

Governance – Employer Risk

63. Fund officers continue to regularly review employer risk. Where there are outstanding admission agreements or bonds, these are reported to the Board each quarter.
64. 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.
65. 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.
66. 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.
67. The position on 2 April 2024 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
Relish (5 LCC maintained schools)	Admission Agreement and Bond	Pass-through 15 July 2023	£29,000	Draft admission agreement and bond agreement circulated for approval. Relish have approved the admission agreement.	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
				<p>Relish is in the final stages of putting the bond in place. Once finalised, the bond agreement can be signed alongside the admission agreement.</p> <p>Members have been written to explaining the delay.</p> <p>Officers continue to chase Relish.</p>	
Coombs Catering (LCC, St Bartholomews)	Admission Agreement and Bond	Pass-through 1 January 2024	£22,000	<p>Draft admission agreement and bond agreement circulated for approval.</p> <p>Coombs is in the process of sourcing a bond.</p> <p>Members have been written to explaining the delay.</p> <p>Officers continue to chase Coombs.</p>	High
ABM Catering (City, Crown Hills)	Admission Agreement and Bond	Pass-through 1 January 2024	£15,000	<p>Draft admission agreement and bond agreement circulated for approval.</p> <p>Agreements approved by ABM. Awaiting approval from City.</p> <p>ABM is in the process of sourcing a bond.</p> <p>Member has been written to explaining the delay.</p> <p>Officers continue to chase ABM and City.</p>	High
Taylor Shaw (United Learning Trust)	Admission Agreement	Pass-through 1 December 2023	n/a	Final admission agreement circulated for signature.	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)	Bond	n/a	£165,000	CleanTEC is in the process of sourcing a bond. Officers continue to chase CleanTEC.	Low
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 explained the capital cost risk to City of Leicester (Aspire Learning Partnership). They are also chasing Atalian Servest. Officers continue to chase both parties.	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 explained the capital cost risk to Soar Valley (Aspire Learning Partnership). They are also chasing Atalian Servest. Officers continue to chase both parties.	Low
Coombs Catering - Hastings High School	Bond	n/a	£16,700	Final bond agreement circulated for signature. Officers continue to chase Coombs and Hastings High School.	Low
Taylor Shaw (Elior) - MET	Bond	n/a	£12,000	Draft bond agreement circulated again. Taylor Shaw have approved the bond agreement and are sourcing a bond. The	Low

Letting employer and Contractor	Outstanding Issue	Type of admission agreement and start date if outstanding	Full or Capital Cost Bond / Value and End Date	Comments	Fund Risk Level
				<p>guarantor made some amendments. These have been reviewed and counter amendments have been sent for approval.</p> <p>Officers continue to chase Taylor Shaw.</p>	

68. The high-risk cases are all being chased and monitored by Fund Officers, who keep the Pensions Manager informed of the position. He will then make recommendations to the Board in respect of each case before deciding whether to escalate.

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

- Leicester City Council (Herrick Primary) to Aspens 2022 Contract - Admission Agreement and Cash Deposit Agreement
- Lionheart Academies Trust to CleanTEC 2023 Contract - Admission Agreement
- Tudor Grange Academies Trust to BAM FM - 2023 Contract - Admission Agreement

70. The situation regarding Bradgate Park Trust (BPT), who moved from an old-style admission agreement to a pass-through admission agreement from 1 October 2023, is on-going, as amendments proposed by BPT to the draft admission agreement are reviewed by Leicestershire County Council and Leicester City legal officers.

Governance – Knowledge and Understanding

71. On the 1 June 2023 the Fund Actuary launched its new on-line knowledge and understanding training tool for the Fund's Committee and Board Members.

72. Board Members are encouraged to complete the modules during 2024, starting with Module 3 Administration, which includes Additional Voluntary Contributions, Policies and Procedures.

73. Following the Board meeting in February it was agreed that sessions would be held in person at County Hall for Committee and Board members to complete the modules, supported by officers and would include presentations where appropriate.

74. A training plan was created and taken to the Local Pensions Committee in March 2024 (shown below).

Date	Modules	Time
8 April 2024	Module 3: AVC (11m), Policies and Procedure (20m) Module 5: Procurement (11m) Current Issues, climate change, McCloud and dashboards.	2hr
31 May 2024	Module 1: Introduction to the LGPS Module 2: Governance A presentation from the Head of Law on governance and fiduciary duty and other areas. Module 8: Actuarial Training Module 4: Accounting and Audit	3hr
17 September 2024	TBC	3hr
1 November 2024	Module 6: Investments Module 7: Financial Markets and Products	3hr

75. These sessions will not replace the normal training that is completed as part of, and following, Committee and Board meetings.

Recommendation

76. It is recommended the Board considers the report and raises any areas of concern with the Local Pension Committee, giving particular consideration to the on-going impact of McCloud on the workload and performance of the Pension Section and whether additional resources are needed to manage the impact.

Equality Implications

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

Appendices

Appendix A – Key Performance Indicators January to March 2024

Appendix B – Key Performance Indicators April 2023 to March 2024

Appendix C – MSS Registration Figures

Appendix D – Areas of Improvement

Officers to Contact

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

Stuart Wells
Pensions Project Manager
Telephone: (0116) 305 6944
Email: Stuart.Wells@leics.gov.uk

Simone Hines
Assistant Director Finance, Strategic Property and Commissioning
Telephone: (0116) 305 7066
Email: Simone.Hines@leics.gov.uk

This page is intentionally left blank

APPENDIX A

Quarter Four – 1 January 2024 to 31 March 2024

Quarter Four - 1 January 2024 to 31 March 2024										
Business Process Perspective	Target	This Quarter	Ave. days	Previous Quarter	Customer Perspective - Feedback	Target	This Quarter	Previous Quarter		
Retirement Benefits notified to members within 10 working days of paperwork received	92%	82%	▼	5	83%	Establish members understanding of info provided - rated at least mainly ok or clear	95%	97%	▲	95%
Pension payments made within 10 working days of receiving election	95%	91%	►	5	95%	Experience of dealing with Section - rated at least good or excellent	95%	93%	►	89%
Death benefits/payments sent to dependant within 10 working days of notification	90%	74%	▼	10	88%	Establish members thoughts on the amount of info provided - rated as about right	92%	93%	▲	94%
					Establish the way members are treated - rated as polite or extremely polite	97%	100%	▲	97%	
Below target	▼				Email response - understandable	95%	91%	►	100%	
Close to target	►				Email response - content detail	92%	100%	▲	100%	
Good or better than target	▲				Email response - timeliness	92%	94%	▲	92%	

This page is intentionally left blank

APPENDIX B

1 April 2023 to 31 March 2024

Full Year - 1 April 2023 to 31 March 2024						
Business Process Perspective	Target			Customer Perspective - Feedback	Target	
Retirement Benefits notified to members within 10 working days of paperwork received	92%	88%	▶	Establish members understanding of info provided - rated at least mainly ok or clear	95%	98% ▲
Pension payments made within 10 working days of receiving election	95%	94%	▶	Experience of dealing with Section - rated at least good or excellent	95%	93% ▶
Death benefits/payments sent to dependant within 10 working days of notification	90%	83%	▼	Establish members thoughts on the amount of info provided - rated as about right	92%	93% ▲
				Establish the way members are treated - rated as polite or extremely polite	97%	99% ▲
Below target	▼			Email response - understandable	95%	98% ▲
Close to target	▶			Email response - content detail	92%	100% ▲
Good or better than target	▲			Email response - timeliness	92%	95% ▲

This page is intentionally left blank

Member Self Service Statistics as at 20th March 2024
Figures show members who have partially or completely registered for MSS

	Current Figures for Board Report dated 20th March 2024	Current Figures for Board Report dated 14th December 2023	Current Figures for Board Report dated 20th March 2024	Current Figures for Board Report dated 14th December 2023	Current Figures for Board Report dated 20th March 2024	Current Figures for Board Report dated 14th December 2023	Current Figures for Board Report dated 20th March 2024	Current Figures for Board Report dated 14th December 2023	Current Figures for Board Report dated 20th March 2024	Current Figures for Board Report dated 14th December 2023	Current Figures for Board Report dated 20th March 2024	Current Figures for Board Report dated 14th December 2023	Current Figures for Board Report dated 20th March 2024	Current Figures for Board Report dated 14th December 2023
	All Employers	All Employers	County	County	City	City	Police	Police	Lough Uni	Lough Uni	DMU	DMU	Lionheart	Lionheart
Active Members	19905 (49.93%)	18698 (47.94%)	4294 (50.80%)	3957 (49.23%)	4039 (48.98%)	3892 (47.02%)	1059 (58.64%)	1012 (57.50%)	725 (45.00%)	664 (42.65%)	988 (60.47%)	955 (58.23%)	409 (45.24%)	391 (39.86%)
0-39	4617 (36.58%)	4195 (34.16%)	1001 (39.82%)	922 (37.77%)	844 (35.02%)	787 (32.31%)	293 (42.28%)	272 (40.18%)	237 (31.85%)	203 (29.64%)	318 (50.72%)	298 (46.71%)	98 (31.31%)	88 (27.24%)
40-49	4589 (46.62%)	4320 (44.55%)	1007 (45.40%)	934 (44.20%)	879 (35.02%)	826 (40.95%)	215 (58.90%)	204 (57.79%)	152 (50.17%)	134 (46.05%)	276 (63.162%)	272 (62.82%)	87 (41.63%)	83 (33.88%)
50-59	6969 (59.93%)	6712 (58.38%)	1510 (59.99%)	1411 (59.06%)	1404 (57.80%)	1396 (56.24%)	377 (73.20%)	365 (73.00%)	217 (58.97%)	219 (58.40%)	272 (68.17%)	271 (67.92%)	147 (56.32%)	149 (52.28%)
60+	3730 (64.593%)	3471 (62.73%)	776 (64.51%)	690 (63.01%)	912 (66.47%)	883 (65.75%)	174 (75.98%)	171 (74.35%)	119 (60.71%)	108 (58.40%)	122 (72.19%)	114 (67.86%)	77 (63.64%)	71 (62.28%)
Deferred Members	11121 (34.95%)	10743 (33.93%)	3178 (33.48%)	3072 (32.32%)	2377 (30.89%)	2298 (29.96%)	451 (42.55%)	439 (42.05%)	508 (35.01%)	495 (34.28%)	638 (38.88%)	630 (38.63%)	93 (48.69%)	88 (47.31%)
0-39	1734 (23.72%)	1672 (22.67%)	378 (22.53%)	361 (21.07%)	323 (19.73%)	313 (18.91%)	127 (32.40%)	129 (32.82%)	150 (35.01%)	147 (28.71%)	143 (31.15%)	139 (30.15%)	18 (28.57%)	16 (25.81%)
40-49	2725 (29.89%)	2612 (28.81%)	706 (27.31%)	671 (25.97%)	609 (25.62%)	592 (25.12%)	123 (40.20%)	112 (38.49%)	126 (30.81%)	116 (29.15%)	172 (36.13%)	168 (35.67%)	23 (48.94%)	23 (50.00%)
50-59	5229 (43.21%)	5055 (42.24%)	1638 (40.11%)	1589 (39.18%)	1157 (40.24%)	1130 (39.29%)	158 (53.74%)	148 (51.57%)	188 (45.30%)	184 (44.44%)	271 (45.55%)	275 (45.91%)	39 (67.24%)	37 (67.27%)
60+	1433 (44.00%)	1404 (43.19%)	456 (39.86%)	451 (39.15%)	288 (36.55%)	263 (33.59%)	43 (64.18%)	50 (69.44%)	44 (40.37%)	48 (44.04%)	52 (50.00%)	48 (50.00%)	13 (56.52%)	12 (57.14%)
Pensioner Members	16016 (50.44%)	15314 (50.15%)	5105 (46.03%)	5007 (45.33%)	3936 (49.90%)	3836 (49.14%)	637 (64.08%)	610 (62.76%)	568 (47.57%)	559 (46.78%)	647 (55.73%)	625 (54.59%)	110 (73.33)	104 (73.76)
Dependant Members	798 (25.01%)	738 (25.17%)	263 (25.99%)	251 (24.93%)	199 (25.32%)	195 (24.97%)	29 (30.53%)	29 (31.18%)	30 (23.62%)	27 (21.77%)	28 (26.67%)	29 (27.88%)	3 (42.86%)	3 (75.00%)

This page is intentionally left blank

APPENDIX D

Area	Affected Team	Aim	Target Completion Date	Comments added 04072023	Comments added 20092023	Comments added 02012024	Comments added 22032024
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 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%	Latest figures as at 2nd January 2024 are: Common Data: 97.4%; Scheme Specific Data: 97.7%	Latest figures as at 22nd March 2024 are: Common Data: 98.0%; Scheme Specific Data: 97.61%
Review of Deaths and Retirements Processes	Continued Improvements	Following on from the successful implementation of new payroll functionality, officers from pensions and payroll to review how the new facilities can help to streamline the existing process relating to the creation of new pensioners. This will then link to a broader review of the retirements and deaths processes.	On-going			Initial meetings including officers from Pensions and Payroll scheduled for the end of January 2024.	Initial meeting delayed following McCloud and EA2P bedding in but rescheduled for end of April 2024.
Employer Discretions	Continued Improvements	Conduct a review of current discretionary policies in place for scheme employers and refresh related documentation.	30/09/23			New discretionary policy template and guide issued to scheme employers for completion by 31/3/2024. Employers invited to login to a Teams Q and A session in mid-January to aid completion of new template.	28 Policies received so far (as at 27th March 2024). Reminder was uploaded to the employer website on 22nd March 2024.
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	Guidance still outstanding	Guidance still outstanding	Good Governance guidance still outstanding, but Code of Practice due to go live at the end of March - details in the main report.
Checking Processes	Continued Improvements/PAT Team/Early Leavers	Following the 2023/24 Pension Creation exercise, Officers created a "Checking Process" document following a recommendation from Audit that formalised the process officers follow when checking retirements and deaths.	On-going			Document to be kept under review and expand contents to eventually cover all areas of checking.	-
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	A small number of cases have been processed through the online process and the trial will continue throughout July.	Trial temporarily on hold whilst Heywood are reviewing functionality around online retirements with further developments expected.	-	-

This page is intentionally left blank



LOCAL PENSION BOARD – 17 APRIL 2024

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

INTERNAL AUDIT ARRANGEMENTS INCLUDING INTERNAL AUDIT WORK CONDUCTED DURING 2023-24 AND THE INTERNAL AUDIT PLAN 2024-25

Purpose of the Report

1. The purpose of this report is to inform the Local Pension Board (the Board) about: -
 - a. the internal audit arrangements for the Leicestershire County Council Pension Fund (the Fund) and LGPS Central.
 - b. to summarise the outcomes of audits conducted during 2023-24 and outline the internal audit plan for 2024-25.

Background

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

5. The Board's constituted responsibility for ensuring effective and efficient governance, allows for reporting plans for, and the results of internal audit activity to the Fund's designated governing body.

The Internal Audit Function

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

Internal Audit Work Conducted During 2023-24

11. Appendix 1 contains a summary of the work conducted by LCCIAS during 2023-24. The assurance grading was overall positive. All planned audits completed during the year resulted in a 'substantial' opinion with a small number of medium-term recommendations. Examples of some recommendations included the need to have formal written procedures outlining roles and responsibilities within the Pension

Creation process, cover arrangements for key staff within the Investments Section to ensure business continuity specifically in relation to inputting contributions received from external organisations, promptly onto the accounting system, and the need to complete spot checks at the start of the year when contribution bandings are most likely to change. Three planned audits have been deferred into 2024-25, purely due to delayed developments nationally. However, one of the three was replaced with an alternative audit, covering Life Certificates (Overseas Pensioners). Final reports for all completed audits were shared with the Fund's External Auditor (Grant Thornton LLP) in order to inform their audit risk assessment in preparation for their annual audit of the Fund's accounts.

12. LCCIAS also co-ordinated the County Council's requirements for the biennial National Fraud Initiative (NFI) counter fraud data matching exercise. Reports for the latest exercise (2022/23) were released late January 2023. This exercise identified four cases where pensions were continuing to be paid to deceased persons. For one case, the overpayment was recovered from the spouse's pension. The remaining three cases, totalling around £4K, continue to be pursued by the Pensions Service. The next biennial exercise is due to be undertaken during 2024/25 with reports available around January 2025.
13. In addition to the biennial NFI exercise, the Pensions Service has continued to subscribe to the six monthly NFI Mortality Screening Service (MSS), where pensions records are checked against DWP's Deceased Persons database. Following the success of the first exercise in June 2022, which identified six cases where pensions were continuing to be paid to deceased persons, subsequent exercises, i.e., June and November 2023 were expanded to include all pension records. Previously, only overseas pensions data was submitted. An advantage of the MSS is that the Pension Section can become aware of deaths at an earlier stage in the process. This enables pensions to be suspended at an early point in time which can limit financial risk, e.g., of non-recovery of large debts.
14. The June 2023 exercise identified three cases where pensions were continuing to be paid to deceased persons. One case amounting to over £10K was recovered from the death grant. The remaining two cases, totalling around £2.6K continue to be pursued by the Pension Service.
15. The November 2023 exercise also identified three cases where payments had continued for deceased persons, totalling over £15K. However, a widow has been identified for the largest overpayment of £12.6K and the Pension Service are seeking to offset the overpayment from her entitlement.
16. Whilst the risk register is the responsibility of the Pensions Manager and is maintained and updated by him, Internal Audit continue to review and comment on any updates. The last risk register was taken to the Pension Committee on 8th March 2024, and this referenced the new corporate risk management policy statement. No changes were made to the scores.
17. Regarding the internal audit arrangements for LGPS Central, ongoing collaborative work with partner fund internal auditors, continues with Leicestershire staff providing feedback, as part of the wider Internal Audit Working Group (IAWG). The first four-year cycle of agreed internal audits have now been completed, namely, 2018/19 to 2022/23 as part of this arrangement, and a revised four-year

plan of audit work from 2023/24 to 2027/28 has been agreed, outlined in Appendix 2. The 2023/24 audits were assigned to colleagues at West Midlands (Governance), and Staffordshire County Council (Investments). Leicestershire County Council are due to complete audit work during 2024/25, on behalf of the IAWG. The audit will be Governance focussed with further discussions to take place to agree the scope.

18. One of the roles of the IAWG is to review the AAF/0106 Control Report (Type 2). However, LGPS Central External Auditors experienced some difficulties in producing the latest report on a timely basis, i.e. The year ending December 2022 was not available for review until January 2024 and was 'Qualified.' Due to the time taken in producing the AAF/0106 Control Report, LGPS Central asked all partner fund internal auditors to discuss with their External Auditors and S151 Officers, the possibility of agreeing an alternative approach on a short-term basis. The alternative approach was for a 'Type 1' report and an assurance stack.

Note:

Type 1 – Provides a report of procedures/controls an organisation has put in place at a point in time.

Type 2 – Provides evidence of how an organisation operated its controls over a set period, e.g. A year.

19. The views of the External Auditor (Grant Thornton) were sought, and they expressed some concerns at the proposal for a Type 1 report. Without assurance on operating effectiveness of controls over valuations, Grant Thornton said that they would need to look directly at valuations of individual fund managers generating a significant increase in work.
20. Based on this, Leicestershire requested a Type 2 report, as did other Partners. However, Central have recently confirmed that after assessing all factors, including the late completion of the 2022 report, the desire to reset the scope of the report in certain areas increase coverage and include further relevant controls, and move the reporting period in line with the year-end partner funds, the company's Audit Risk and Compliance Committee and Board have concluded that the right approach to adopt is to reset the process and have asked the Executive to:
 - commence work on a Type 1 AAF report as at 31 March 2024, which would aim to be delivered in August 2024;
 - carry out pre-control and other work in support of an aim to commence work on a Type 2 AAF (for the period April 2024 - March 2025) in September 2024; and
 - continue to support Partner Funds with access to any other forms of assurance that are being performed in respect of the period to 31 March 2024 such as the results of relevant internal audit or compliance testing.
21. In addition, the current 2023/24 budget for LGPS Central was not able to meet the increased costs of a Type 2 AAF 01/20 report. This will inevitably increase costs for individual partner funds as external Audit will need to complete further testing, as mentioned earlier. We will need to discuss this with Grant Thornton.

Overall performance against 2023-24 internal audit plan

22. The table below shows planned against actual performance both in terms of number of audits and days allocated.

	<u>Audits</u>	<u>Complete @ 31/3/24</u>	<u>Incomplete @ 31/3/24</u>	<u>Plan days</u>	<u>Actual days</u>	<u>Diff</u>
Planned	6	6	0	47	49	+2
Advisory	2	2	0	9	11	+2
Deferred	3	n/a	n/a	17	0	-17
Replacements	n/a	1	0	0	5	+5
Client management	1	1	0	8	11	+3
Total	12	10	0	81	76	-5

23. The total charge to the Fund for all internal audit work undertaken during 2023/24 was £29,807.

The Internal Audit Plan 2024-25

24. Appendix 3 contains a summary of audits planned during 2024-25. To compile the plan, the HoIAS held discussions with the Fund Treasurer and the Pensions Manager. Risk registers were also reviewed as part of the process. An assumption has been made that in their audit of the Fund's accounts, the External Auditors (Grant Thornton) will continue to utilise LCCIAS's work in their audit risk assessment.
25. The final part of the plan is client management and includes the HoIAS duties of planning, reporting, and attending the Board.
26. The cost of the planned 87 days of internal audit work is charged to the administration costs of the Fund and is likely to be in the region of £34k.

Recommendation

27. The Board is asked to note the report.

Equality Implications

None.

Human Rights Implications

None.

Appendices

Appendix 1 - Internal Audit Work Conducted in 2023-24

Appendix 2 - Cyclical Programme of Collective Internal Audit Work (2023-2027)

Appendix 3 - Internal Audit Plan 2024-25

Officers to Contact

Simone Hines (Assistant Director - Finance)

Simone.Hines@leics.gov.uk (0116) 305 7066)

Neil Jones (Head of Internal Audit & Assurance Service)

neil.jones@leics.gov.uk (0116) 305 7629

Appendix 1

Internal Audit Work Conducted in 2023 - 24

Audit Title	Audit objective...to ensure...	Opinion
Contribution Banding Changes ¹	Pension contribution banding changes for a sample of LCC employees have been accurately applied with effect from April 2023.	Substantial
Contribution Calculations ¹	Contributions to the Pension Fund have been correctly applied from April 2023 from the following: o Leicestershire County Council (LCC). o Other Employing Bodies, where LCC does/does not administer the payroll on their behalf.	Substantial
Pension Increase ¹	The validity and accuracy of the annual Pensions Increase is applied correctly and on time.	Substantial
Good Governance Project	Phase 2 - Recommendations from the Good Governance Project have been adequately addressed and implemented. (This audit has been deferred into 2024/25)	N/A
Pensions Dashboard Programme – Deferred. Replacement Job: Life Certificates (Overseas Pensioners)	Phase 1 - The programme is on track, in accordance with any prescribed timescales. A further phase will be planned towards the end of the programme. Note: This job has been deferred into 2024/25, but replaced with: The process with regard to overseas pensioners is administered effectively in order to gain assurances that overseas members to the Fund remain alive.	N/A Substantial
McCloud – Data Collection and Input	Phase 2 - Guidance received is followed in relation to any members affected by the judgement.	Substantial

Pension Creation ¹	Payments for new pensioners, including lump sum payments and death grants are valid and accurate.	Substantial
Investments	Adequate segregation of duties, and approvals are within the agreed limits, for payments made from the Pension Fund.	Substantial
Code of Practice	Requirements of the new Code of Practice have been adequately addressed. (This audit has been deferred into 2024/25)	N/A
LGPS Central Asset Pooling	Company Risks – Review of AAF Control Report, including annual planning and attend meetings of the Internal Audit Working Group (IAWG) with regards to the Local Government Pension Scheme (LGPS) Asset Pooling.	Ongoing
National Fraud Initiative (NFI)	Pension matches (normally continuing payments after death) are investigated and monitored.	Ongoing
Client management	To include: - <ul style="list-style-type: none"> • Research and any advice to the Fund's officers, including review of risk register updates. • Annual planning and reporting including attendance at the Local Pension Board. • External audit liaison. 	Ongoing

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

Cyclical Programme of Collective Internal Audit Work (2023 – 2027)

Partner Pension Fund IA Function/Collective IA Review	Staffordshire County Council	West Midlands	Shropshire County Council	Leicestershire County Council	Worcestershire County Council	Nottingham County Council	Cheshire West & Chester	Derbyshire County Council
2023/2024								
Governance	✗	✓	✗	✗	✗	✗	✗	✗
Investment	✓	✗	✗	✗	✗	✗	✗	✗
AAF/0106 Control Report	✓	✓	✓	✓	✓	✓	✓	✓
2024/2025								
Governance	✗	✗	✗	✓	✗	✗	✗	✗
Investment	✗	✗	✓	✗	✗	✗	✗	✗
AAF/0106 Control Report	✓	✓	✓	✓	✓	✓	✓	✓
2025/2026								
Governance	✗	✗	✗	✗	✗	✓	✗	✗
Investment	✗	✗	✗	✗	✓	✗	✗	✗

Cyclical Programme of Collective Internal Audit Work (2023 – 2027)

AAF/0106 Control Report and Feedback	✓	✓	✓	✓	✓	✓	✓	✓
2026/2027								
Governance	✗	✗	✗	✗	✗	✗	✓	✗
Investment	✗	✗	✗	✗	✗	✗	✗	✓
AAF/0106 Control Report	✓	✓	✓	✓	✓	✓	✓	✓

Appendix 3

Internal Audit Plan 2024 - 25

Audit Title	Audit objective...to ensure...	Days
Contribution Banding Changes ¹	Pension contribution banding changes for a sample of LCC employees have been accurately applied with effect from April 2024.	6
Contribution Collections ¹	Contributions to the Pension Fund have been correctly applied from April 2024 from the following: o Leicestershire County Council (LCC). o Other Employing Bodies, where LCC does/does not administer the payroll on their behalf.	7
Pension Increase ¹	The validity and accuracy of the annual Pensions Increase is applied correctly and on time.	6
Pension Transfers ¹	Transfers in and out of the Local Government Pension Scheme (LGPS) are valid and accurate.	10
Good Governance Project	Phase 2 - Recommendations from the Good Governance Project have been adequately addressed and implemented.	6
Pensions Dashboard Programme	Phase 1 - The programme is on track, in accordance with any prescribed timescales. A further phase will be planned towards the end of the programme.	6
Code of Practice	Requirements of the new Code of Practice have been adequately addressed.	5
Investments	To be confirmed	12
Governance Risks (LGPS Central)	A review of Governance arrangements will be undertaken by Leicestershire in accordance with the Collaborative IA Partner Authority approach. The scope of the audit is to be agreed with the IAWG prior to the audit commencement (Q3)	12

LGPS Central (Investments)	Company Risks – Review of AAF Control Report, including annual planning and attend meetings of the Internal Audit Working Group (IAWG) with regards to the Local Government Pension Scheme (LGPS) Asset Pooling.	3
National Fraud Initiative (NFI)	Pension matches (normally continuing payments after death) are investigated and monitored.	6
Client management	To include: - <ul style="list-style-type: none"> • Research and any advice to the Fund's officers, including review of risk register updates. • Annual planning and reporting including attendance at the Local Pension Board. • External audit liaison. 	8
Total days		87

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



LOCAL PENSION BOARD – 17 APRIL 2024
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 19 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 March 2024.
 9. There have been no changes to the risk scores since the 8 March 2024 meeting however there have been some minor changes which are highlighted below.
 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 to the report at Appendix A and Risk Scoring Matrix and Criteria at Appendix B.

Revisions to the Risk Register

Changes to Risk Response Categorisation

12. In discussion with Internal Audit the following risks have been moved from 'Treat' to 'Tolerate' recognising the low residual risk level.
 - Risk 6: 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.
 - Risk 7: If contribution bandings and contributions are not applied correctly, the Fund could receive lower contributions than expected.
 - Risk 12: 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.

Risk 14: 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

13. Additional wording has been set out in the current controls column to reflect an additional control relating to a type of bank account verification which has been expanded to include all pensions and transfer payments.

Change to the Risk Management Policy Statement and Strategy

14. At Full Council on 21 February 2024 a revised Leicestershire County Council Corporate Risk Management Policy Statement and Strategy was agreed. This contains the framework for risk management which the Pension Fund follows. This included a change to the Risk Impact Measurement Criteria, which has been updated (impact on the environment). No changes to any risks have arisen from this change given consideration on climate related impacts have already been considered through the Fund's approach to risk.

Recommendation

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

Equality Implications

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

Human Rights Implications

17. 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

Simone Hines, Assistant Director Finance, Strategic Property and Commissioning

Tel: 0116 305 7066

Email: Simone.Hines@leics.gov.uk

Ian Howe, Pensions Manager

Tel: 0116 305 6945






Email: Ian.Howe@leics.gov.uk

This page is intentionally left blank



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 January 2024	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 2024.	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

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 January 2024	Action owner
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	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	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>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>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>	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> <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 120%.</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	Tolerate	<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	Tolerate	<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	Potentially reportable to The Pensions Regulator as late payment is a breach of The Pensions Act.	<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	Late payers will be reminded of their legal responsibilities.	2	3	6	—	Pensions Manager

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 January 2024	Action owner
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. Members undertake Training Needs Assessment and get issued individual training Plans. Members and Officers are urged to complete all modules of the Hymans Aspire Online Training. The Training Policy to be reviewed in 2024 together with Terms of Reference.	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	Tolerate	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

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 January 2024	Action owner
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 A type of bank account verification applied to all pensions and transfer payments.	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	<div></div>	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 officers 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	<div></div>	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. Informal review of tracing service arrangements.	3	1	3	<div></div>	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	Ultimate outcome on both McCloud and the cost cap are currently unknown but likelihood is; Increasing administration Revision of previous benefits Additional communications Complaints/appeals Increased costs	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. Internal Audit completed an audit on the first phase of McCloud implementation in the final quarter of 2023/24.	3	3	9	Treat	Final system changes have been loaded into the system. 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	<div></div>	Pensions Manager

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 January 2024	Action owner
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 Work with the Prudential regarding the transfer of AVC information	3	2	6		Pensions Manager
19	Regulatory	Proposed changes to LGPS regulations and guidance requires changes to the Fund's investment, pooling and governance processes.	National pressure to reform the LGPS, and/or direct investment decisions towards specific asset classes that may not completely correlate with the Fund's fiduciary duty.	Conflicting pressure on the Fund to make specific investments or investment transitions contrary to the Fund's investment approach. Some proposed changes may present additional management fees. Changes to the Fund's pooling approach and subsequent reduction in pools in the medium-term which may lead to administrative, legal and transition burdens and pressure on the Fund if not managed appropriately.	Response provided to the DLUHC consultation on 'Next Steps in Investing' alongside LGPS Central partners on challenges that may arise from proposed changes. Productive participation with LGPS Central at officer and Joint Committee level. Investment in pool products where possible and in line with the Fund's strategy as approved by it's investment advisor.	3	4	12	Tolerate	Officers to review all relevant guidance and/or regulation changes. Continue to work with the Fund's Investment Advisor and LGPS Central on progressing pooling. Continually monitor national position.	3	4	12		Investments - SFA

This page is intentionally left blank

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	Impact on the Environment
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	None or insignificant damage
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	Minor local impact
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	Moderate local impact
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	Major Local Impact
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	Major regional or national impact

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%

This page is intentionally left blank



LOCAL PENSION BOARD – 17 APRIL 2024
REPORT OF THE DIRECTOR OF CORPORATE RESOURCES
TRAINING POLICY REVIEW

Purpose of the Report

1. The purpose of this report is to seek the views of the Local Pension Board on the draft Training Policy in advance of it being presented to the Local Pension Committee for approval, and note the Training Plan for 2024, appended to the report at Appendices A and B respectively.

Policy Framework and Previous Decisions

2. The Local Pension Committee first agreed a Training Policy on 8 November 2019 in line with best practice at the time. The latest version of the Training Policy was approved by the Committee on 25 March 2022.
3. The policy, and regular training, is required because of:
 - the distinction of fiduciary duty owed to the Fund, compared to members and officers' usual business.
 - the complexity of pension and investment issues.
 - inevitable changes in the membership due to the election cycles
 - the Fund being treated by investment managers as a professional client and requirement to comply with the Markets in Financial Instruments Directive (MiFID II).
 - the potential consequences of not administering the Fund in an appropriate manner.
 - responsible investing, net zero and how the Fund achieves this.
4. Training requirements are also reflected in the Terms of Reference of both the Committee and the Local Pension Board.

Background

5. Since the Local Pension Board's formation there has been legislation which sets that Board members have a personal responsibility to have an appropriate level of knowledge and understanding for the purposes of enabling them to exercise properly their functions as a member of the Local Pension Board.
6. As part of the 2023 consultation 'Next Steps on Investment' the Government proposed that each administering authority set a training policy for Committee members, and that the administering authority report regularly on training undertaken and whether this is in line with the training policy. The Fund has historically reported training undertaken by both Committee and Board Members annually within the Fund's Annual Report as part of best practice, and as recommended by the Scheme Advisory Board's Good Governance review.
7. As identified by the Pension Regulator, good governance is essential for a pension scheme to be successful, with a clear link between good governance and good fund performance.
8. Hymans Robertson Aspire online training has been accessible to Committee and Board members for a number of years. During 2023 Hymans reviewed the offering and issued new refreshed modules which reset all members Aspire training records at zero as of September 2023. Members were encouraged to undertake these modules in light of the updated information and as part of the Fund's Training Policy.

Training Policy Review

9. A review of the Training Policy has been undertaken having regard to Government legislation, other relevant guidance and having considered the terms of reference of other similar funds, as well as expectations for future requirements on the Local Pension Committee, and best practice.
10. Officers have also considered the views of the Local Pension Committee and Local Pension Board as part of previous reports summarising the training needs analysis in early 2024.
11. Officers are aware of the pressures on members and does not want to set unreasonable standards which create difficulties for members serving on the Committee or Board. Individuals are not expected to become technical experts, and levels of knowledge will vary depending on experience. It is also acknowledged that some have been members of the Committee or Board for a number of years and so have, over time, built up good knowledge and experience. However, ultimately both need to demonstrate that it possesses the expertise, experience and knowledge required to be capable of serving on the Committee and Board, with the Committee needing to satisfy those providing investment services that it also possesses those requirements to be capable of making its own investment decisions, understands the risks involved, and undertakes training as required as an accepted way to provide

such assurance.

12. While the main features of the original Training Policy have been retained, such as the objectives, areas of training and differing methods of training, the revised Training Policy, at Appendix A offers far more detail and clarity on expectations of members and officers and how success can be measured against the Policy.
13. The Board's attention is specifically drawn to the following key changes:
 - (i) Differentiation between training expectations on the Board, Committee and Fund officers.
 - (ii) Set requirements to complete the online Hymans Learning within 6 months of appointment, or upon any revision of the modules and criteria that the Fund can report on a successful Training Policy as part of the Annual Report.
 - (iii) Flexibility of training to suit members and how these online modules can be completed.
 - (iv) That the Chairman of the Board and Committee be kept updated on members' progress against the Training Policy.

Next Steps

14. Having taken on board comments from Committee and Board Members and in recognition of the varying approaches to training and need for flexibility, a Training Plan of in-person sessions was put in place following a trial after the February Local Pension Board meeting. The first in-person session took place on 8 April 2024 with 10 members attending alongside Fund officers and this was followed by discussions on the training modules.
15. This year's training plan at Appendix B supports upcoming agenda items for the year ahead. It is recognised that certain areas such as Investment Performance, Financial Markets and Product Knowledge may be less relevant for Local Pension Board members, however, they are still invited to attend if they wish.
16. If members do not wish to, or are unavailable to attend, in line with the revised Training Policy they are required to complete the relevant modules online by the relevant month end.
17. A record of completion of all training, including Hymans on-line training, undertaken by Committee and Board members is included within the Fund's Annual Report. Essentially training progress will be shown as a snapshot of the position as at 31 March each year. The relevant Chairman will be kept updated on matters.

Recommendations

18. It is recommended that the Local Pension Board supports the revised Training Policy and Plan attached as Appendices A and B respectively.

Equality Implications

19. None.

Human Rights Implications

20. None

Legal Implications

21. The Director of Law and Governance has been consulted on this report.
22. Under MiFID II (Markets in Financial Instruments Directive) local and public authorities must satisfy a qualitative test that allows them to be treated as a professional investor with the capacity to make investment decisions. This test requires the Local Pension Committee to satisfy those providing investment services that it possesses the expertise, experience and knowledge required to be capable of making its own investment decisions and understanding the risks involved.
23. The Local Pension Committee's Terms of Reference sets out that members must demonstrate to the Administering Authority their capacity to attend and prepare for meetings or to participate in required training in order to reach the required standard in line with MiFID II and the Fund's Terms of Reference. It is for the Scheme Manager (the Administering Authority) to be satisfied that those appointed have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Committee.
24. In line with these duties under their role, Committee members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date on anything that would fall within the remit of their role. A written record of all relevant training and development (whether internal or external) undertaken by Committee members should be maintained. All members will undertake an annual personal training needs analysis and regularly review their skills, competencies, and knowledge to identify gaps or weaknesses as well as the mandatory training that the Scheme Manager considers is required to ensure the Board and Committee operates as effectively as possible. All information in relation to training and development of all members shall be made available to the Committee and Board as part of the Review Process.
25. It is important that members are trained appropriately so that decisions are made from a sound knowledge base thereby minimising the risk of any legal challenge.

Background Papers

Local Pension Board – 7 February 2024 – Training Needs Self-Assessment
<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=1122&MId=7545>

Local Pension Committee – 26 January 2024 - Training Needs Self-Assessment

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=740&MId=7538>

Local Pension Committee – 25 March 2022 – Training Policy

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=740&MId=6758&Ver=4>

Appendices

Appendix A: Revised Training Policy

Appendix B: Training Plan 2024

Officers to Contact

Declan Keegan, Director of Corporate Resources

Tel: 0116 305 7668

Email: Declan.Keegan@leics.gov.uk

Simone Hines, Assistant Director Finance, Strategic Property and Commissioning

Tel: 0116 305 7066

Email: Simone.Hines@leics.gov.uk

Bhulesh Kachra, Senior Finance Analyst - Investments

Tel: 0116 305 1449

Email: Bhulesh.Kachra@leics.gov.uk

Cat Tuohy, Responsible Investment Analyst

Tel: 0116 305 5483

Email: Cat.Tuohy@leics.gov.uk

This page is intentionally left blank

LEICESTERSHIRE COUNTY COUNCIL PENSION FUND TRAINING POLICY

Introduction

1. This policy demonstrates to stakeholders the Local Pension Committee's (Committee), the Local Pension Board's (Board), and Officers' recognition of the importance of knowledge and understanding of pension issues in the effective management of the Leicestershire Pension Fund ('the Fund').
2. This policy, and regular training, is deemed necessary due to:
 - the distinction of fiduciary duty owed to the Fund, compared to members and officers usual business.
 - the complexity of pension and investment issues.
 - inevitable changes in the membership due to the election cycles.
 - the Fund being treated by investment managers as a professional client and requirement to comply with the Markets in Financial Instruments Directive II
 - the potential consequences of not administering the Fund in an appropriate manner.
 - Responsible investing, net zero and how the Fund achieves this.
3. In addition the Terms of Reference for the Committee and Board state that members 'must demonstrate to the Administering Authority their capacity to attend and prepare for meetings or to participate in required training.'
4. This policy applies to all members and substitute members of the Committee, Board, and officers involved in the management of the Fund.

Core Knowledge Areas

5. The Fund adopts the principles contained within the Chartered Institute of Public Finance and Accounting (CIPFA) published guidance on Pensions Knowledge and Skills in 2021.
6. The guidance identifies eight core areas where appropriate knowledge and skills should be achieved and maintained:
 - a. Pensions legislation and guidance
 - b. Pensions governance
 - c. Funding strategy and actuarial methods
 - d. Pensions administration and communications
 - e. Pensions financial strategy, management, accounting, reporting and audit standards
 - f. Investment strategy, asset allocation, pooling, performance, and risk management
 - g. Financial markets and products

- h. Pension services procurement, contact management and relationship management

Local Pension Committee and Local Pension Board Requirements

7. For the Committee and Board, members are not expected to become technical experts, and levels of knowledge will vary depending on experience and time served. Ultimately the aim is that the breadth of knowledge and understanding achieved should be sufficient to allow members to understand fully any advice they are given, to challenge that advice if it seems sensible to do so and to enter fully into all decision-making processes.
8. As set out in the Pensions Act 2013 Board members have a personal responsibility to have an appropriate level of knowledge and understanding for the purposes of enabling them to exercise properly their function in assisting the Administering Authority in ensuring the effective and efficient governance and administration of the LGPS including, securing compliance with LGPS Regulations, other legislation and the requirements of the Pensions Regulator.
9. The Committee also have a collective responsibility to have appropriate knowledge and understanding to satisfy the Markets in Financial Instruments Directive II. It is further understood that it is the policy direction that Committee members have the same individual responsibility for knowledge and understanding as the Board. This plan reflects best practice and expected future requirements at this time.
10. The depth of understanding required will vary depending upon the issues expected to be faced by the Fund and whether the individual is involved with the Pension Committee or the Pension Board. For example financial markets and investment strategy will be most relevant to Committee members and Pension's administration matters most relevant to Board members.

i. On Appointment

11. Upon appointment to Board or Committee (including substitutes), members must:
 - be provided with an information pack providing key documents and strategies related to the Committee or Board.
 - undertake induction training with officers before taking up their role.
 - be provided access to LGPS Online Learning Academy which contains LGPS specific learning modules which reflect the eight core knowledge areas set out above and complete recommended modules as set out by Officers.

ii. Ongoing Commitment to Training

12. An assessment of the training needs of the members of Committee and Pension Board and relevant officers will be undertaken annually to inform the programme of training, and will be reported to Committee and Board. In line with this individual training plans will be developed.
13. Training Needs Analysis will allow officers to provide training plans depending on level of experience. A rolling Training Plan will be developed, which will take into account individual training needs, topical issues, such as when decisions are required in relation to complex issues, or in new areas not previously considered, as well as general awareness.
14. Training will be provided in a variety of ways, using methods including:
 - In-house training sessions provided by officers or external providers, either before, during or after meetings.
 - Group training sessions, including group Hymans LGPS Online Learning Academy (LOLA) sessions.
 - Individual completion of the on-demand Hymans LOLA modules.
 - External training opportunities through conferences, webinars and seminars such as those organised by the Local Government Association and LGPS Central.
 - Circulation of reading material, including Committee and Board report and minutes.
 - The Fund's Information Pack which contains relevant Fund policies and documents.
15. At a minimum, within 6 months of appointment, or a refresh of e-learning, all members are expected to complete all LOLA modules within the Training Plan. Requirements of timescales of completion in year are reported annually. The Fund recognises different training styles of members and therefore provides for flexibility in approaches taken to completion.
16. Board and Committee members have expressed a preference for joint training sessions with officers using the LOLA. This is reflected in the training plan but if members are not able to attend these sessions, then individual completion of the modules will be required.

iii. Other External Training Opportunities

17. A number of external training opportunities take place across the year. Further information will be provided to Committee members when opportunities become available, as well as any other suitable events. Further details of these will be circulated by officers and will be paid for by the Pension Fund.

Fund Officer Requirements

18. It is important that Officers in the Fund have the necessary skills and knowledge to carry out the tasks of managing the Fund's investments and administering the payment of benefits.
19. The knowledge and skills required of staff are set out in their job descriptions, including any formal qualifications required for the role. The Officers should be familiar with the requirements of the CIPFA Code of Practice on Knowledge and Skills and should have knowledge of the six areas of the framework.
20. Alongside access to the Hymans LOLA system, officers will attend relevant training events and seminars during the year to ensure they remain up to date with latest requirements. In addition, officers are also required to keep up to date with relevant issues affecting the pension fund.

Cost

21. Where there is a cost involved in providing the training this will be met directly by the Fund.

Key Risks

22. The key risks to the delivery of this policy are outlined below. The Chairmen of the Committee and Board, with the assistance of Fund Officers, will monitor these and other key risks and consider how to respond to them.
 - Changes to Board or Committee membership.
 - Poor attendance and/or lack of engagement at training and/or formal meetings by members and/or officers resulting in a poor standard of decision making, administration and/or monitoring.
 - Insufficient resources being available to deliver or arrange the required training.
 - The quality of advice or training provided not being of an acceptable standard.
 - The requirements placed on members create difficulties for them.

Monitoring and Reporting

23. To identify whether the objectives of the Policy are being met, fund officers will maintain a training log to record training attended by members and officers. Members must notify officers of any training they have completed outside of the Fund, in order that the log be kept up to date.
24. Members who attend external events will be required to report back to the Committee/Board (as relevant) to share their knowledge with other members.
25. Reporting against this policy will be presented to the Fund Committee and Pension Board as part of the Fund Annual Report and Accounts. This will

report successful completion of training using the following criteria, as well as training undertaken during the year:

- a. Completion of mandatory induction training.
- b. Completion of the LOLA modules mandatory training within six months of appointment.
- c. Fulfilment of the Committee and/or Board's respective Terms of Reference.
- d. Compliance with all applicable legislation and regulation.

26. The Chair of the Local Pension Board and Committee will be kept updated on Members progress against the policy.

27. Failure to complete the required training is in breach of the Training Policy and Terms of References. Membership of the Committee or Board may be terminated prior to the end of the term of office if they are no longer able to demonstrate they have the capacity to attend and prepare for meetings, or participate in the required training.

28. Officers involved in the management and administration of the Fund are set annual objectives which will include an element of professional development. These objectives are monitored as part of each individual's annual appraisal.

Approved by the

This page is intentionally left blank

Appendix B: Training Plan 2024

Dates for in-person participation in Hymans Modules, where Members are unable to attend, they are expected to complete the modules at times to suit them, and complete by the end of the month of the in person modules.

These will be supported by officers and will include presentations from officers where necessary.

Date	Modules	Time
8 April 2024	Module 3: AVC (11m), Policies and Procedure (20m) Module 5: Procurement (11m) Current Issues, climate change, McCloud and dashboards.	2hr
31 May 2024	Module 1: Introduction to the LGPS Module 2: Governance A presentation from the Head of Law on governance and fiduciary duty and other areas. Module 8: Actuarial Training Module 4: Accounting and Audit	3hr
17 September	TBC	3hr
1 November 2024	Module 6: Investments Module 7: Financial Markets and Products	3hr

This training does not replace the normal training that is completed as part of, and following, Committee and Board meetings. External training opportunities will also be presented to members where applicable.

This page is intentionally left blank