

# LOCAL PENSION BOARD ANNUAL REPORT

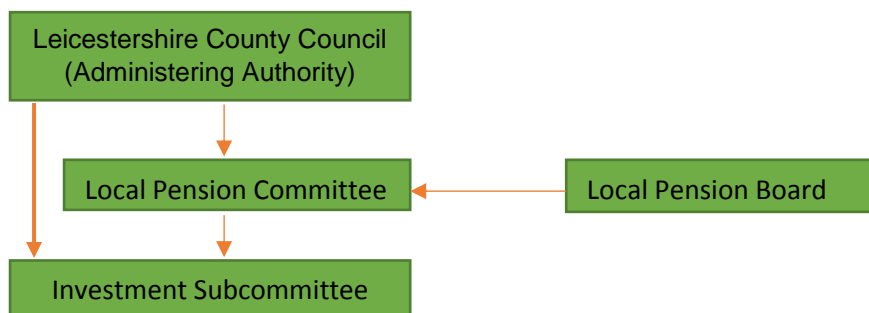
## What is the Local Pension Board

The Local Government Pension Scheme (LGPS) Regulations (“the Regulations”) established Leicestershire County Council as the administering authority for the Leicestershire Pension Fund, with responsibility for managing and maintaining the Fund.

The Regulations further required that Leicestershire County Council in its capacity as administering authority established a Local Pension Board. It’s purpose is to assist the Administering Authority:-

- secure compliance with the Regulations, other legislation relating to the governance and administration of the LGPS, and the requirements imposed by the Pension Regulator in relation to the LGPS; and
- ensure the effective and efficient governance and administration of the LGPS

While the Local Pension Board was established by the County Council it does not sit within the typical arrangements that apply to local authority committees, including those that apply to the Local Pension Committee. Instead the Board operates outside of the usual local authority committee structure and serves an advisory and compliance role for the Fund as set out within its Terms of Reference. The Board cannot be delegated to carry out the functions and responsibilities that legally pertain to the administering authority. The structure of the Fund is set out below.



The Local Pension Board is comprised of;

- Three scheme member representatives,
- Three employer representatives
- One substitute scheme member representative.

Details of how the Members of the Local Pensions Board are appointed can be found in the [terms of reference](#).

As at 31 March 2021 the Board is constituted of the following members:-

Employer Representatives

**Mrs. Rosita Page CC - Chairman**  
*Leicestershire County Councillor*

**Mr. Richard Shepherd CC**  
*Leicestershire County Councillor*

**Cllr. Elaine Pantling**  
*Leicester City Councillor*

Scheme Member Representatives

**Ms. Caroline Fairchild – Vice Chairman**

**Ms. Ruth Gilbert**

**Ms. Divya Haller**

**Mr. M. Saroya** became the Substitute Scheme Member Representative at the December 2020 AGM.

While there is no statutory obligation for the Local Pension Board to publish a report, it is recognised as best practice for the Board to report on its activities for the year and its future plans.

The Public Service Pensions Act 2013 requires an administering authority to publish information about its Local Pension Board, this is included on the County Council's [Website](#), and as part of the Governance Compliance Statement within Leicestershire Pension Fund's Annual Report.

## Foreword by the Chair of the Local Pension Board

This is the second Annual Report of the Local Pension Board of the Leicestershire Pension Fund. This report covers the period from 1 April 2020 to 31 March 2021, to align with the Fund's Annual Report.

Scheme Members should be assured that the Local Government Pension Scheme is a defined benefit pension arrangement, that will pay a retirement income based on your salary and the number of years you have worked for the employer, rather than the amount of money you have contributed. The Fund invests the contributions it receives into long term investments, and though the market will always fluctuate investment performance does not affect Members pensions.

Last year the Board was worried that the pandemic could present an opportunity for scammers to prey on those in vulnerable situations, however we are pleased that there have been no such cases to report. Transfers out and refund requests have remained stable, and we continue to encourage all Scheme Members to carefully consider their situation when transferring their pension to another scheme as not to put them at financial risk.

Ultimately the focus of the Board has been to ensure that the Fund's governance complies with Public Service Pensions Act, the LGPS Advisory Board, the Chartered Institute of Public Finance and Accounting and The Pensions Regulator, which we have continued to achieve.

Importantly, the opinion of the Board is that we do not have any concerns about Leicestershire Pension Fund or its Administration.

I would like to place on record the Board's appreciation for the support and transparent advice of officers and Independent Advisor Clare Scott as part of the Fund's Governance Review, who plays a valuable role in supporting us and our oversight and scrutiny of the Fund.

This Annual Report is just a short precis of our work during the year. We hope it reflects the variety of issues we have considered during another busy year and that you enjoy reading it. Find out more about our [meetings here](#).

**Mrs. R. Page CC**

Chairman of the Local Pension Board

## Member Attendance

The Board has met on three occasions during the year and attendance has been positive with employer and employee representatives freely giving their time and commitment.

	20 April 2020	10 August 2020	26 October 2020	8 Feb 2021
<b>Mrs. R. Page</b>	<i>Cancelled due to COVID-19. Papers were circulated to Members for comment.</i>	✓	✓	✓
<b>Mr. R. Shepherd</b>		✓	✓	✓
<b>Cllr. E. Pantling</b>		✓	✓	✓
<b>Ms. C. Fairchild</b>		✓	✓	✓
<b>Ms. D. Haller</b>		✓	✓	x
<b>Ms. R. Gilbert</b>		✓	✓	✓
<b>Manjit (Reserve Representative)</b>		n/a	n/a	✓

The Board held three meetings during the year. Which have covered the following:

- **Pension Fund Administration Reports** – The Board was updated at each meeting on the performance of the Pension’s Section against its performance indicators. Including updates on breaches, complaints and appeals.
- **Risk Management and Internal Controls** –The Board was updated at each meeting on the risk management and internal controls of the Fund.
- **Pension Fund Valuation** – The Board received an update on the consultation with employers on the Funding Strategy Statement.
- **Investment Strategy Statement Update** – An update on the revised Investment Statement Strategy, which the Board supported.
- **Draft Responsible Investment Strategy** – A report on the Fund’s approach to improving the management of responsible investment risks, which was welcomed by the Board.
- **The Pension Regulator ‘Deep Dive’ Findings** – The Board noted areas of improvement that the Pension Regulator identified in other funds that the Leicestershire Fund would undertake where appropriate.
- **LGPS Transfer of Pension Rights** – An update concerning minor changes to Leicestershire’s acceptance of transfer values from certain external pension schemes.
- **Updates on Conferences Attended** - The Chairman and Ms. D. Haller both updated the Board on information gleaned from the LGPS Central Conference.
- **Member Self Service** – The Board received an update on improvements to the Self-Service system following training received
- **Transfers Out** - A report on issues relating to pension transfer out requests and the risk of scam activity.

- **Exit Credit Policy** – Proposed Changes to the Fund’s Exit Credit Policy and consultation.
- **LGPS Scheme Advisory Board’s Good Governance Review** – Update reports to meetings on progress towards the Good Governance Phase 2 Report.

## Breaches

The Board has a responsibility to report any matter that appears to be materially significant. There were no significant issues of concern raised with, or by the Board, throughout the year.

## Highlights

Below is a selection of highlights of the items considered this year:-

### Transfer of Undertakings Protection of Employment (TUPE)

In 2019/20 the Chairman had written to employers, on behalf of the Local Pension Board, where it held concern over the lack of bond or admission agreements and their failure to sign legal documents in relation to Transfer of Undertakings Protection of Employment, which resulted in a delay for scheme members joining the scheme. Following further warnings from the Pension Manager we were pleased to note that the outstanding cases had been completed as at February 2021. We will continue to monitor employer risk including the bond values and contract dates through the quarterly Administration reports.

### Transfers Out

The Pensions Manager regularly updated us regarding scheme member requests to transfer out to non-public service schemes. It was clear there was a conflict between scheme members who wished to transfer quickly, versus the Scheme Manager wishing to undertake sufficient due diligence. We were pleased to note the level of due diligence that the Fund undertook provided security for members before transfers were completed. It was concerning that even some Financial Conduct Authority approved schemes were not always in the best long-term interests for scheme members. Concluding our discussion, we recommended that the Pension Manager review the wording incorporated into documents circulated to scheme members as part of the Stage 1 letter to ensure it set out time scales, managed service expectations and advised of the Fund’s position in relation to due diligence. While the Pensions Section was not aware of any scam activity within the Leicestershire Fund, we noted the importance of remaining vigilant, a theme we revisited at future meetings.

Ultimately, we would encourage any scheme member considering transferring out to consider the costs, risks and loss of benefits involved, and to take independent financial advice as necessary.

## McCloud

We continued to await the impact of the McCloud judgement, which found that when public service pension schemes changed in 2014 and 2015 they had discriminated on the grounds of age, by only providing protection for older members. It seems clear that Government's intention is to fix unlawful discrimination in the public service pension schemes, and we await the expected further consultation on draft LGPS regulations. As a result, we expect a major strain on the Pensions Team resourcing with the requirement recalculate member's benefits and potentially to re-aggregate cases. We undertook further training on the matter to further explain the potential impact as well as the Sargeant ruling and will continue to monitor effect of the case.

## 95k Exit Cap

We considered, in the Board's role as regulatory body for the Leicestershire Pension Fund, Government's response to the 95k Exit Cap consultation. While the cap was primarily an employer issue it also impacted on the administration of the Fund in relation to the pension strain (costs that occurred when there is a clear shortfall in the assumed level of funding needed to provide an unreduced pension benefit, for example if a member drew their benefit a lot earlier than expected). We will continue to monitor the situation as it remains a key issue with the potential impact it may have on the Fund. It is clearly concerning that the 95k exit cap could affect a lot of public sector workers, especially those who may have long service such as nurses and social workers if not linked to inflation. We were pleased to note that the Pensions Manager had written to all employers making them aware of the change and informing them they must contact any impacted staff. We were also aware employers were looking at the implications and that Unison were also lobbying against the cap in its current form. We continue to encourage any scheme member of the fund who is concerned to contact their employer.

## Looking ahead to 2021/22.

The Board will maintain oversight of the Fund and continue to receive regular reports on admin, governance and risk. As previously identified we await further guidance and information relating to the impact of the McCloud ruling on the Fund and whether it will require recalculation of post 2014 scheme benefits and the impact this could have on resource within the Pensions Section.

The focus on employer risk and governance also continues to grow for the Pensions Section, and the required resource will be allocated accordingly. We also continue to await guidance arising from Scheme Advisory Board's Good Governance Phase 3 report, and the continuing the work in response to Clare Scott's Independent Governance Report, such as the introduction of a Conflict of Interest Policy for the Fund.

Importantly, we will look to scrutinise the Prudential, the Fund's Additional Voluntary Contribution (AVC) provider, following concerns raised by the Pensions Manager that they were breaching service standards. We will look to monitor the service that they provide and look to invite them to a future meeting to answer for the service provided and understand what mitigation would be put in place to avoid such issues

in future, as it is a significant concern to the Board that problems could impact on members ability to receive funding in a timely manner.

## Training

The Fund's **Training Policy** was adopted in November 2019 and applies to all members of the Local Pension Committee, Local Pension Board and senior officers involved in the management and administration of the Fund. The Training Policy has regard to relevant codes of practice and guidelines issued by the Pensions Regulator, CIPFA, the training needs of the Committee and Board and the Fund's current priorities.

The 2013 Public Service Pension Act requires that members of Local Pension Boards have an appropriate level of knowledge and understanding in order to carry out their role. Any individual appointed to a local pension board must be conversant with;

- The regulations of the Local Government Pension Scheme, including historical regulations and transitional provisions, to the extent that they still affect members; and
- any document recording policy about the administration of the scheme Local Pension Board members must also have knowledge and understanding of;
- the law relating to pensions, and
- such other matters as may be prescribed in other legislation

The degree of knowledge and understanding required by Board members is appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the Local Pension Board. The Leicestershire Pension Fund is committed to supporting Local Pension Board members to achieve the level of knowledge and understanding they require by providing the appropriate level of training and assistance.

Members of the Board complete self-evaluation forms on an annual basis assessing their knowledge in terms of General Understanding, Funding and Pension Administration. A personal Training Plan is then developed for each Member based on the results of these assessments and is supplemented, where appropriate, to cover matters arising in the course of managing the Fund as part of reports to the Board and following meetings delivered by officers or the Fund's providers such as the Actuary and independent adviser.

The Board undertook a comprehensive knowledge review and training programme in December . This provided each Member with a thorough information base to build upon.

While this Annual Report is written from – 30 November it is worth noting that following adoption of the Training Policy in November the Board undertook a comprehensive training programme to refresh all Board Members knowledge, to provide each Member with a thorough information base to build upon.

The attendance log for training undertaken following Board Meetings is as follows:

	<b>General Training</b>	<b>Member Self Service</b>	<b>McCloud</b>
<b>Mrs. R. Page</b>	✓	✓	✓
<b>Mr. R. Shepherd</b>	✓	x	✓
<b>Cllr. E. Pantling</b>	✓	x	✓
<b>Ms. C. Fairchild</b>	✓	✓	✓
<b>Ms. R. Gilbert</b>	✓	✓	✓
<b>Ms. D. Haller</b>	✓	✓	✓

Given there have been a number of recent changes both within the LGPS, and externally in the broader pension's environment all Board Members are encouraged to complete The Pension Regulator's online training and other external training as held by the Scheme Advisory Board, Local Government Association, Hymans Robertson as well as LGPS Central. Some of the events include:-

- Pension Fundamentals Webinars October 2020
- Local Government Association LGPS Update January 2021
- Local Government Association Local Pension Board Training
- LGPS Central Annual Investment Day – Mar 2021

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