

# LOCAL PENSION BOARD ANNUAL REPORT

## What is the Local Pension Board

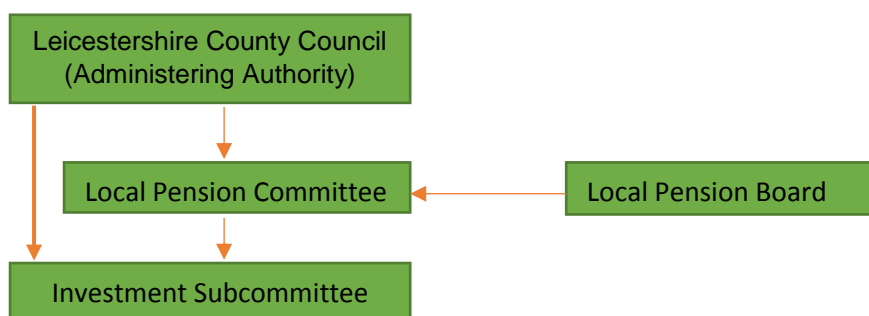
The Local Government Pension Scheme (LGPS) Regulations (“the Regulations”) established Leicestershire County Council as the administering authority for the Leicestershire Pension Fund, with responsibility for managing and maintaining the Fund.

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 in:-

- securing 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
- ensuring 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, however, they do perform activities to support the Local Pension Committee and can escalate issues with the Committee and the Pensions Regulator where it expresses concern.

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 2022 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. Deepak Bajaj**  
*Leicester City Councillor*

Scheme Member Representatives

**Ms. Caroline Fairchild – Vice Chairman**

**Ms. Ruth Gilbert**

**Mr. M. Saroya**

(Vacancy for Scheme Member Reserve Representative)

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

On behalf of the Local Pension Board I am delighted to be able to present the third Annual Report of the Local Pension Board of the Leicestershire Pension Fund. This report covers the period from 1 April 2021 to 31 March 2022, to align with the Fund's Annual Report.

As a defined benefit scheme for our 99,000 Members the Leicestershire Pension Fund pays scheme members a retirement income based on salary and the number of years worked for the employer. The Fund invests contributions made by employers into long term investments, and though the market will always fluctuate investment performance does not affect Members pensions. As of 31 March 2022 the Fund contained £5billion of assets.

Throughout the year we have complemented the Administering Authority, ensuring compliance with the Public Service Pensions Act, the LGPS Advisory Board, the Chartered Institute of Public Finance and Accounting and The Pensions Regulator.

I was particularly pleased to note the Fund achieved a 'green flag' rating for all areas of the Government Actuary Departments Section 13 report that related to fund valuations as of 31 March 2019. This denotes there were no material issues that required remedial action.

The Board has not got any concerns about the Leicestershire Pension Fund or its Administration.

We will continue to support the Pensions Manager, and we are confident he will continue to administer the Fund efficiently and effectively despite ongoing pressures..

I would like to place on record the Board's appreciation for the support and transparent advice of the officers.

To keep the Annual Report succinct it is difficult to reflect the variety of issues we have considered during another busy year. If you want to find our more about our work I have attached a link. Please click [here](#).

Despite the continual challenges, I am looking forward to another successful year ahead

**Mrs. R. Page CC**

Chairman of the Local Pension Board

Approved: 17 August 2022

## Member Attendance

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

	24 May 2021	23 August 2021	8 November 2021	16 Feb 2022
<b>Mrs. R. Page</b>	✓	✓	✓	✓
<b>Mr. R. Shepherd</b>	✓	✓	✓	✓
<b>Cllr. D. Bajaj</b> <i>Appointed March 2022</i>				
<b>Ms. C. Fairchild</b>	✓	✓	✓	✓
<b>Ms. R. Gilbert</b>	✓	✓	x	✓
<b>Ms. D. Haller</b> <i>Resigned November 2021</i>	x	x	x	
<b>Mr. M. Saroya</b> <i>Reserve Representative to December 2021 - Elected Board Representative December 2021</i>	Substitute for Ms. D. Haller	x	Substitute for Ms. D. Haller	✓

The Board held four 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.
- **Additional Voluntary Contributions** – The Board considered concerns regarding the Fund’s Additional Voluntary Contribution provider the Prudential.
- **Funding Strategy Statement Employer Risk and Exits** – The Board supported changes to the Funding Strategy Statement following regulation changes to employer risk and exits and proposed changes to the Fund’s policy on Employer Risk.
- **Cyber Risk** – The Board monitored the impact of cyber risk on the Pensions Section.
- **Continued Improvements and Systems** – The Board was updated at each meeting on the continuous improvements of the Pension Section.
- **Internal Audit work conducted during 2020-21 and Audit plan 2021-22** – The Board welcomed the outcome of the 2020-21 audit report which resulted in positive assurance grading with no high importance recommendations.
- **Funding Updates** – The Board received a Funding Update as at 31 March 2021 from the mid-valuation.
- **Pension Fund Policies** – Training, Administration and Communications, Distribution of Death Grant, Over and Underpayment policy, Conflict of Interest Policies- before seeking approval from the Local Pension Committee

- **Responsible Investment Update** – A report on the Fund’s progress of its 2021 Responsible Investment Plan. The Board noted the Fund supported engagement, rather than exclusion, as it was more compatible with the Fund’s fiduciary duty.
- **Member Self Service** – The Board received an update on improvements to the Self-Service system following training received
- **LGPS Scheme Advisory Board’s Good Governance Review** – Update reports to meetings on progress towards the Good Governance Phase 3 Report.
- **LGPS Central Joint Committee and Annual General Meeting Update** – The Board received an update on the work of LGPS Central the Fund’s asset pool, through the Fund’s role as co-owner of the company and as a recipient of its investment services.

## Breaches

The Board has a responsibility to report any matter that appears to be materially significant.

The Pensions Manager, in agreement with the Chair of the Board self-reported a material breach to the Pensions Regulator in May 2021 due to delays in paying retirement benefits to the Fund’s AVC paying scheme members, resultant from the Prudential (the Fund’s AVC provider) delay in providing the Fund with accurate and timely data. The Pension Regulator requested an improvement plan by 30 June 2021 which were largely completed with a marked improvement. The Board agreed to continue to monitor the issue.

The Board wrote to four employers throughout the year in concern of outstanding bond or admission agreements. As a result, agreements were reached, and no breach was reported

There were no other significant issues of concern raised with, or by the Board, throughout the year. Furthermore, no issues were escalated to the Local Pension Committee.

## Highlights

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

### **Additional Voluntary Contributions**

The Board scrutinised the Prudential, the Fund’s Additional Voluntary Contribution (AVC) provider, following concerns raised by the Pensions Manager that they had breached service standards. Following a report on the matter we remained concerned due to delays in service and their lack of communication with members affected, following the migration of their systems. As a result we agreed to write to Prudential, setting out nine points and questions along with our concerns over the problems it could cause for members in receiving funding in a timely manner, inviting them to attend a meeting on the 23 August 2021.

We were pleased to note following our meetings and letter to Prudential, affected member cases had progressed, though we agreed to continue to monitor the situation.

### **Risk Management and Internal Controls**

Throughout the year we continued to review the risk register at each of our meetings and were pleased to note changes had been made to the risk register arising from comments regarding Claim Management Companies, the 2016 cost cap, and its link to the McCloud case, and their inclusion within the report.

We continued to monitor employer risks including outstanding bond and admission agreements, having been made aware that 14 scheme members did not receive an annual benefit statement due to delays with two employers following TUPE transfers from existing Fund employers. We noted that once the admission agreements had been signed the scheme members would receive their annual benefit statement, and were assured that the delays were due to the employers, not administration of the Fund. We agreed to write to employers where appropriate to remind them of their duties.

We further supported the Fund's approach to not allow reviews of employer contributions, from employer requests, outside of the usual Fund valuation process. In exceptional cases where a Fund employer experienced genuine financial difficulty, we acknowledge the need for the Fund to look to review the contribution rate if it were to increase the chance of repayment. The risk would first be considered alongside risk to other Fund employers and would be assessed to consider putting additional security in place, which we agreed was fair.

### **Business Plan and Budget**

Prior to the Budget and Business Plan's consideration and approval by the Local Pension Committee the Board scrutinised the report. We questioned the significant pressure on the Pension Section resultant from upcoming pieces of work over business as usual, which included the Fund's actuarial valuation, the pensions dashboard project, McCloud, the Good Governance project and the Pensions Regulator new Code of Practice.

The Pension Manager assured us that any issue with capacity would become apparent by the end of April when the Section received data from its employers and could clarify how many queries needed to be resolved ahead of the 31 August annual benefit statements statutory deadline, and that the management team would continue to monitor the situation.

### **Admission Agreements Transfers Out**

The Pensions Manager regularly updated us regarding scheme member requests to transfer out to non-public service schemes. The Board recognised the 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.

However we raised concern that even some Financial Conduct Authority approved schemes were not always in the best long-term interests for scheme members. 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 will continue to revisit.

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.

Looking ahead to 2022/23.

The Board will maintain oversight of the Fund and continue to receive regular reports on admin, governance and risk. We will continue to receive reports on the ongoing actuarial valuation where appropriate.

It is clear that there are a lot of policies, initiatives and schemes in the pipeline outside of the Fund's control which we will monitor and support implementation of given the impact it may have on already heavy administration pressure. This will involve the Government's Pension Dashboard scheme, the impact of McCloud, the Scheme Advisory Board's Good Governance report, as well as a deep dive on the Pension Regulator's new code of practice, where we will review the Fund's compliance.

## Training

The Fund's **Training Policy** was adopted in November 2019, and refreshed March 2022 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 May. This provided each Member with a thorough information base to build upon.

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

	<b>Joint Board and Committee Training 1 June 2021</b>	<b>Hymans Robertson Actuarial Valuation 23 July 2021</b>	<b>Admission Agreements and Full Transfers Out 6 January 2022</b>	<b>LGPS Conference Topics Update 16 February 2022</b>
<b>Mrs. R. Page</b>	✓	✓	✓	✓
<b>Mr. R. Shepherd</b>	✓		✓	✓
<b>Vacant Leicester City Council</b>				
<b>Ms. C. Fairchild</b>	✓	✓	✓	✓
<b>Ms. R. Gilbert</b>	✓	✓	✓	✓
<b>Mr. M. Saroya</b>	✓	✓	✓	✓

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

In November 2021 the Fund introduced online training via the Fund's Independent Advisor Hymans Robertson. Members are recommended to complete certain topics on the Hymans Aspire Training depending on their knowledge/understanding. Progress within the modules is as follows.



	<b>An Introduction to the LGPS</b>	<b>LGPS Governance and Oversight Bodies</b>	<b>Administration and Fund Management</b>	<b>Funding and Actuarial Matters</b>	<b>Investments</b>
<i>Mrs. R. Page</i>	P	P	P	P	P
<i>Mr. R. Shepherd</i>	S	P	P	P	P
<i>City Council Vacancy</i>					
<i>Mr. M. Saroya</i>	C	S	S	P	S
<i>Ms. C. Fairchild</i>	C	C	C	C	C
<i>Ms. R. Gilbert</i>	C	C	S	C	C

S – Subscribed

P – In progress

C - Completed

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