



LOCAL PENSION BOARD - 26 OCTOBER 2022
REPORT OF THE DIRECTOR OF CORPORATE RESOURCES
PENSION FUNDS STRATEGIES AND POLICIES

Purpose of the Report

1. The purpose of this report is to present for the Board's consideration the annual update of the Pension Fund's current strategies and policies, covering any new policies that have been introduced or amendments that have been made.

Background

2. The responsibility of the Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013, is to assist the Administering Authority as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme (LGPS). Part of its role is to review the Fund's Governance and Policy documents, as set out below.
3. This is an annual report to provide the Board with a summary of current policies or strategies. Any new or amended policies will be brought to the Board and then presented to the Pensions Committee for approval at a subsequent meeting, as the body responsible for the governance of the Fund.

Summary of Current Policies

4. All current policies covering both administration and investments, are listed below. Updated policy documents are attached to this report, other policies can be found on the Pension Fund website [here](#).

Policy	Existing Policy (Yes/No)	Changes Made (Yes/No)	Changes	Date Last Updated	Date Next Review Scheduled
Investment Strategy Statement	Yes	No	-	February 2021	November 2022
Investment Advisor Objectives	Yes	No	-	December 2020	December 2022
Responsible Investment Plan	Yes	No	-	January 2021	January 2023
Net Zero Climate Strategy (target set of Net Zero by 2050)	No – due for consultation November 2022	No		N/A	November 2025
Funding Strategy Statement	Yes	Yes – redrafted layout with some minor changes	See comments later in the report	January 2021	December 2022
Administration and Communication Strategy	Yes	No	-	November 2021	October 2023
Fund Training Policy	Yes	-	-	March 2022	March 2023
Pension Fund Budget and Business Plan	Yes	Updated to reflect the 22/23 Business Plan	The two key points were the introduction of Dashboards and Insight reports	March 2022	February 2023
Conflict of Interest Policy	Yes	No	-	June 2021	June 2024
Fund Employer Risk Policy	Yes	No	-	June 2021	June 2023
Administering Authority (Fund) Discretions Policy	Yes	Yes	-	September 2021	September 2023
Administering Authority Distribution of	Yes	-	-	November 2021	November 2023

Death Grant Policy					
Administering Authority Over and Underpayment Policy	Yes	-	-	November 2021	November 2023
Cyber Policy	No – draft October 2022	-	New draft policy. Separate report provided	October 2022	October 2023

Net Zero Climate Strategy

5. The Local Pension Committee agreed at its meeting on 26 November 2021 to commence work on producing the Fund's first Climate Strategy, recognising the systematic impact climate change could have on the Fund. At the 10 June 2022 meeting it was agreed to engage on proposed metrics and targets that were in line with the Net Zero Investment Framework developed by the Institutional Investors Group on Climate Change. The engagement took place from 5 July to 18th September and the Fund received over 1000 responses from scheme members, employers, investment managers and others which are being utilised to shape the Fund's Net Zero Climate Strategy (NZCS)
6. The outcome of the engagement, alongside the draft NZCS will be presented to the Local Pension Committee on 18 November, prior to further consultation with a final version of the NZCS scheduled to be presented to the Committee for approval in March 2023.

Pension Fund Budget and Business Plan

7. The Pension Fund Budget and Business Plan was approved by the Local Pension Committee on 25th March 2022.

Funding Strategy Statement (FSS)

8. Each LGPS administering authority has a statutory obligation to have an actuarial valuation carried out every three years and all Funds in England and Wales have a valuation carried out as of 31 March 2022.
9. The major purpose of the actuarial valuation is for the actuary to set employer contribution rates for a three-year period, that commences one year after the valuation date (i.e. for the period 1 April 2023 to 31 March 2026). To set these contribution rates the actuary must take account of a large number of factors, most of which are assumptions of what will happen in the future.

10. In addition to the assumptions that remain under review, Officers must review and update the Fund's Funding Strategy Statement (FSS). The FSS underpins the Fund policies and includes a table detailing the Fund's framework for setting contribution rates for differing employer groups.

11. An updated FSS has been drafted and is due to be presented to the Local Pension Committee on 18 November 2022. The document has already been included in the Board's pack, in the earlier Funding Strategy Statement (FSS) and Whole Fund Results report. Much of the information in the draft document remains the same as the Fund's previous FSS, but for ease the key changes are highlighted in yellow. This replicates the information in the earlier report but is listed here for completeness. These are detailed as follows;
 - Contribution reductions (page 4 – Point 2.3). This sets out the Fund's proposal on how to deal with employer rates, especially with the improved funding position since the 2019 valuation, for those well-funded employers in surplus.
 - Prepayment of contributions (page 6 – Point 2.9). There is no change to the Fund's current approach for the prepayment of contributions, however this is now more explicit in the FSS.
 - Early retirement on ill-health grounds (page 7 – Point 3.2). There is no change to the Fund's current approach to ill health risk mitigation, however this is now more explicit in the FSS.
 - Risk and control – For best practice the FSS now includes a link to the Fund's risk register (Appendix C – C1). The risk register will continue to be reviewed by Officers.
 - Employer covenant assessment and monitoring (Appendix C – C6). There is no change to the Fund's current approach, however this is now more explicit in the FSS.
 - Climate risk and Task Force on Climate-related Financial Disclosures reporting (Appendix C – C7). This makes the Fund's approach more explicit in the FSS and will align with the Net Zero Climate Strategy currently in development.
 - The Fund has updated the assumptions applied at cessation following an employer's exit from the Fund (Appendix D – D5). This is a proposed change and moves away from a gilts-based cessation for employer's exiting the Fund with no guarantor. Further information will be brought to Committee on this.

12. After the strategy has been approved by the Pensions Committee, it will then go for consultation with the Fund Employers from November to January.

Cyber Policy

13. A new policy outlining the Fund's approach to Cyber Risk has been drafted and is included as this report's appendix. Fund officers worked with LCC's Technical Security Officer to ensure that the policy can demonstrate that the Fund has robust governance arrangements in place and to provide assurance to the Fund's stakeholders that any risks are well managed.
14. The policy covers actions in respect of systems, particularly the Altair network of systems and covers the checks Officers have in place to ensure regular Cyber Security checks continue to be performed and also the processes that Heywood have in place with regards to combatting Malware attacks.
15. The policy also covers the processes in place for staff. Many of these align with LCC policy, including actions taken in respect of any data breaches, password controls and sending emails securely.

Recommendation

16. The Board is asked to comment on the revised policies and strategies ahead of the Local Pension Committee meeting on 18th November 2022, where approval will be sought.

Equality and Human Rights Implications

17. None specific

Appendix

Draft Cyber Policy Document

Background Papers

Report to the Local Pension Committee on 10 June 2022 "Responsible Investing Update"

<https://politics.leics.gov.uk/ieListDocuments.aspx?CId=740&MId=6759&Ver=4>

Report to the Local Pension Committee on 23 March 2022 "Business Plan and Budget 2022/23"

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

Report to the Local Pension Committee on 21 November 2021 "Responsible Investing Update"

<https://politics.leics.gov.uk/ieListDocuments.aspx?CId=740&MId=6526&Ver=4>

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