



## **Pension Section**

### **Internal Controls Document February 2025**

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## Introduction

In March 2024 The Pensions Regulator (TPR) combined various codes of practice into a single General Code of Practice (the code) which is applicable to most public and private occupational pension schemes, including the Local Government Pension Scheme.

References to internal controls occur throughout the code in slightly different contexts. The document aims to collate these references into one document to demonstrate that Fund is fully compliant in these areas and has all required controls in place.

The code can be found on [The Pension Regulator website](#).

### Internal Controls

Under section 249a of the Pensions Act 2004, scheme managers of public service schemes, including the Local Government Pension Scheme, are required to establish and operate internal controls, which are adequate for the purpose of securing that the scheme is administered and managed in accordance with the scheme rules and with the requirements of the law.

Internal controls refer to all the following:

- The arrangements and procedures to be followed in the administration and management of the scheme.
- The systems and arrangements for monitoring that administration and management and
- Arrangements and procedures to be followed for the safe custody and security of the assets of the scheme.

Before designing internal controls, the governing body should identify risks, record them, review them regularly, and evaluate them. The evaluation of risks will help the governing body to determine which risks require internal controls to be put in place to reduce their incidence and impact.

## **Casework Controls**

### **Procedure Notes**

Notes are held centrally within LCC Sharepoint and are reviewed regularly in respect of each casework area. Further information relating to GAD guidance and factors are located on the [LGA website](#).

### **Career Grade/Training**

Full training is given to officers in respect each area of work allocated to them. Training records are stored centrally.

Job Descriptions for Pension Assistants and Pension Officers and the Pension Career Grade documents provide more information on this, including the assessments that are required to enable officers to progress along their career path.

Recommendations for Career Grade progressions are sent to the Pensions Manager for approval.

### Checking and authorisation of payments

Officers that check the accuracy of calculations are experienced in dealing with the process that they are tasked with and tread the same path they follow when processing a case of that type.

They will be assigned checking when the Team Manager uses their judgment to decide that they are experienced and skilled enough to do this. Initially, their checking will be spot checked until the Team Manager is confident that this is no longer required.

All casework listed below is checked without exception.

Below is a summary of the main areas of work and the level of the officers involved. This is all detailed on the relevant job description documents for each grade.

If an issue is raised that the checker requires further clarification, they will initially raise this with their own line manager, who may also need to escalate. External advice may also be sought, for example from the system supplier, LGA or legal services, depending on the issue.

If an error is spotted, this is usually returned to the processor for correction, but also raised with the system supplier dependant on the nature of the issue.

Area of work	Processed by Grade	Checked by Grade
Additional Pension Contributions (Quotes and Actuals)	6	7 or higher
Refunds and Frozen Refunds	6	7 or higher
CARE-only 'aggregations' and 'concurrents' cases	6	7 or higher
Deferred Benefits	6	7 or higher
Interfund Adjustments ins/out (Quotes and Actuals)	7	8 or higher
Retirement Estimates	7	8 or higher
All types of 'aggregations' and 'concurrents' cases	7	8 or higher
Retirement Benefits (option stage only: from deferred status; except ill health retirements or where a member has an AVC)	8	8 or higher
Retirement Benefits (Option and Payment stages, but see above)	8	ATM or higher
Transfers in/out (Quotes)	8	9
Death cases (no survivor benefits or death grants)	8	9
Divorce (Quotes)	8	9
Transfers in/out (Actuals)	8	ATM or higher

Death cases (survivor benefits and or death grant payable)	9	ATM or higher
Divorce (Actuals)	9	ATM or higher

### Authorisation of Payments

The authorisation of payments is processed in accordance with the following values. This includes the payment of transfers and retirement lump sums.

There is also an additional check with Legal for transfers out of the fund to a private sector pension scheme. Further information can be found in the Transfers process document.

#### Assistant Team Managers: Grade 10

Value of Payment	Check	Authorise	Check and Authorise
£0 - £59,999.99	Yes	Yes	Yes
£60,000 - £99,999.99	Yes	No	No
£100,000-£499,999.99	Yes	No	No
£500,000+	Yes	No	No

#### Team Managers: Grade 12

Value of Payment	Check	Authorise	Check and Authorise
£0 - £59,999.99	Yes	Yes	Yes
£60,000 - £99,999.99	Yes	Yes	Yes
£100,000-£499,999.99	Yes	No	No
£500,000+	Yes	No	No

If TM unavailable, PPM can authorise up to £99,999.99 and will sign the payment

If PPM unavailable, PM can authorise

#### Pensions Manager or Pensions Project Manager: Grade 14+

Value of Payment	Check	Authorise	Check and Authorise
£0 - £59,999.99	Yes	Yes	Yes
£60,000 - £99,999.99	Yes	Yes	Yes
£100,000-£499,999.99	Yes	Yes	Yes
£500,000+	Yes	Yes, subject to Assistant Director approval	Yes, subject to Assistant Director approval

If Pension Manager or Pensions Project Manager unavailable, Team Manager to email Assistant Director to authorise sign off. Team Managers to then sign initial 'Authorise Payment' form as Assistant Director and attach email to Altair record.

Whilst there is no technical solution in place to prevent officers from authorising a payment higher than their limit, officers have developed a report which will highlight any cases where the authorisation level exceeds the agreed limits and these will be investigated on a monthly basis.

### Checklists

The following are checklists of areas for officers must cover when checking.

### Checking of Deferred Benefits

Action	Checked?
Is the member under 55	
Check ePen3 form – DOL/Reason for leaving/Pay figures/address	
Do conts balance with CARE figures	
If FS service is pay higher than pays on Pen Rem screen or could be a previous year	
Is CARE pay screen up to date	
Is there an AVC	
Is the member in-scope for McCloud	
Is the service reasonable	
Have we re-calculated the employers Pen Pay	
Letter – does content look reasonable and address correct	
Check if member is registered for MSS – Publish letter otherwise post	
Complete task	

### Checking of Retirement Options (from active status)

Action	Checked?
Is the member over 55 (not ill-health)	
Do figures compare to recent estimates	
Check ePen3 form – DOL/Reason for leaving/Pay figures/address	
Have we re-calculated the employers Pen Pay [PENCALCS}	
Do conts balance with CARE figures	
Is FS higher than pays on Pen Rem screen or could be a previous year	
Reason for leaving – if not age retirement do we have documentary evidence	
Is CARE pay screen up to date	
Is there transferred in service – is this recorded correctly?	
Is there a GMP	
Is there an AVC – check factors if annuity applies	
Is there an APC/ Added years	
Is the member in-scope for McCloud	
Is the service reasonable	
Is there a Triv Comm – check factors	
Letter – check all manual input on letters: Pen/LS/Unreduced Date/Unreduced figures/LTA	
Letter – has bank account info been removed if we already have this	
Check if member is registered for MSS – Publish letter otherwise post	
Input data for KPIs on UDS	
Update task to RD stage, plus add any relevant comments	



**Checking of Retirement Options (from deferred status)**

<b>Action</b>	<b>Checked?</b>
Is the member over 55 (not ill-health)	
If ill- health ensure relevant documentation has been provided and signed by authorised officer	
Do figures compare with data on deferred details screen	
Is there a GMP	
Is there an AVC	
Is the member in-scope for McCloud	
Letter – check all manual input on letters: Pen/LS/Unreduced Date/Unreduced figures/LTA	
Letter – has bank account info been removed if we already have this	
Check if member is registered for MSS – Publish letter otherwise post	
Input data for KPIs on UDS	
Update task to RD stage, plus add any relevant comments	

### Checking of Retirement Benefits (Payment stage)

Action	Checked?
Is a GMP due for payment	
Date pension due to be paid	
Is there an AVC	
Have bank account details been verified	
Check address	
Two forms of ID	
Do calculation figures match figures on option form	
Is there interest due on lump sum	
Is Annual Allowance screen up to date	
Is Pension details up to date	
Spouses details correct?	
LTA correct?	
Is there a Retirement Basic Details screen and is the data accurate	
Check split of pension between CARE and Final Salary	
Check EA2P	
Authorise	
Update User Defined Screen	
Check pension memo	
Check Lump sum on Imm Payments Form	
Letter – check all manual input on letters	
Check if member is registered for MSS – Publish letter otherwise post	

## Checking of Death cases

Action	Checked?
DOD / 'Tell us Once' / Certs	
Are BOP figures are correct	
Status of record i.e. If from active, <u>then follow retirement process</u> if 4, 5 or 6 continue	
Marital status / co-hab check eligibility	
Children (Full birth certs & NI required)	
Children's education documents	
NI Database	
Executor or NOK	
Bank details	
Spouses DOB	
Spouses NI	
Marriage cert	
BOP Gross Tax - Small Estates form or Grant of Probate?	
Prev & current pensions match	
DG is calculated correctly look out for E115B cases	
GMP	
DG nom form or request a Will or beneficiaries	
Long - Term / Short -Term pensions	
Compounded Factors	
Check all manually entered data within letter, i.e. figures for pension BOP etc	
Check Letter to solicitor if applicable	
User defined screen	
Complete Task – Has one been created for BOP or DG	
BOP owing to LCC invoice task to be Reply Rec'd	
Memo's and Immpay forms	
Check EA2P/Manually	

Appendix A details how the different aspects of casework are kept separate.

## Pensioner Payroll

### Running of monthly pensioner payroll

Prior to the final “Gross to Net” run that creates the BACS file and sends payments over to pensioners, the following checks are performed by the Control Team which is based in the Payroll Section:

- Send payroll a list of suspended records
- Send payroll a list of people and their payment methods to ensure everyone has one in place
- Check for any errors on the arrears calcs
- Print file the calculation highlighting to payroll anyone with less than £0 net pay, anyone with net pay over £5000 and any tax refunds over £500
- Send 60% report (earning 60% more or less) to Payroll to check

Once that final “Gross to Net” is processed, the following further checks are also performed by the Control Team:

- Ensure everyone has a “run” in place (if not suspended or otherwise) and also ensure no errors are outstanding
- Ensure that no-one is over the employee BACS limit (if so wait for authorisation, then uplift etc)
- Ensure that the total file isn't over the total BACS file limit (if so wait for authorisation, then uplift etc)
- Ensure there is no cheque payments
- Check BACS total to previous months amount
- Check BACS total to reports ran prior (Rec reports)

### Other Checks

#### Monthly Payroll/Admin Reconciliation Report

A report is produced each month to highlight discrepancies between pensioner amounts held on payroll and Altair. If there is a difference of over £12 per annum, these cases are investigated and corrected. Where an underpayment has occurred, arrears due are paid. In the event of an overpayment, cases are processed in accordance with the “Overpayment of Pension Internal Process Document”.

#### Suspended Pensions

A report is produced each month to detail current pensioners that are shown as ‘suspended’, i.e. not currently in payment. This could be for a number of reasons, but often is where a payment was returned from their bank or there is a possibility (but not confirmed) that the member has died. These cases are investigated and payment will be re-introduced and backdated if required.

## Local Pension Committee and Local Pension Board

The Local Pension Committee is responsible for the governance of the Fund. [The Committee Terms of Reference can be found here.](#)

The Local Pension Board is responsible for assisting the scheme manager (also known as the administering authority) in securing compliance with Local Government Pension Scheme regulations and other pension legislation and the requirements of The Pensions Regulator, including the Code of Practice. [The Board Terms of Reference can be found here.](#)

Fund officers keep both the Committee and Board regularly informed of issues in respect of internal controls.

### Local Pension Board

An annual 'Pension Fund Policy Report' is presented to the Board detailing all policies that are due for review. The Board are invited to comment on the policies before they are submitted to the Committee for approval.

A quarterly admin report is presented to the Board that details:

Details of new, on-going and completed Internal Disputes Resolution Procedures that have reached stage two of the process.

An updated breach log, detailing any new breaches of law that occurred within the quarter and whether they are considered material.

Details of any audits conducted within the quarter including any recommendations made. (An annual Internal Audit report is also presented to the Board each April detailing their work carried out in the previous year with the schedule for Audit to be conducted in the year ahead).

Details of any changes to 'employer risk', charting progress in respect of outstanding admission agreements or bonds and the Board may recommend specific actions, e.g. a letter from the Board to the employer. Any concerns are subsequently presented to the Committee.

A 'Risk Management and Internal Controls Report' details any changes made to the risk register in the last quarter.

The Fund Annual Report is also presented to the Board which contains summaries of many of the elements submitted throughout the year.

### Local Pension Committee

An annual 'Pension Fund Policy and Breaches Report' is presented to the Committee detailing all policies that are due for review. The Committee are given a recommendation to approve the policies. This report is presented to the Local Pension Board first and the committee must have regard of any comments that the Local Pension Board may have made.

A 'Risk Management and Internal Controls Report' details any changes made to the risk register in the last quarter and is presented to the Committee for approval.

An annual Internal Audit report is presented to the Committee each April detailing audits carried out in the previous year with the schedule for audits to be conducted in the year ahead.

The Fund Annual Report is also presented to the Committee which contains summaries of many of the elements submitted throughout the year.

## Other Areas

### Data Improvement

There are multiple controls/processes in place to maintain data quality. Details of BAU processes can be found in Appendix D.

An annual Data Improvement report is presented to the Board in February detailing specific plans or projects for the year ahead, along with the latest version of the BAU processes as an appendix.

### Substantial Changes to the Scheme

In the event of substantial changes to the scheme, officers will:

- Establish what changes are required and the creation of processes for the teams
- Work with system suppliers to ensure necessary changes are made. This would include attending meetings with suppliers and other funds and participation in testing working groups
- Updating of process notes to include new requirements
- Present a report to the Local Pensions Board detailing the changes
- Develop comms for website and members
- Inform employers of changes via an Employer Bulletin
- Make changes where required to Admin and Comms Strategy
- Once changes are in place, work with audit to obtain assurance that the new process is satisfactory

The actions above related to comms are also detailed in the Fund Admin and Comms strategy.

### Issues with existing controls

If an issue arises with an existing control, then officers will revisit the process, establish how this may be improved and implement changes as soon as is practical. Process notes would be updated to reflect the new approach.

Where a change was deemed to be material, then officers would contact Audit for advice before implementation.

### Audit and Assurance Reports

The Internal Audit and Assurance Service work with the Pension Section to agree a timetable of audits each year which is shared with the Local Pension Committee and Local Pension Board. A sample plan is available in the appendices.

External Audit also conduct their own plan of work that includes the Fund. Some of the audits conducted by Internal Audit is used to inform External Audit's risk assessment.

Assurance reports are used to help establish if the internal controls in place are adequate. Any recommendations are shared with the Local Pension Board.

The following audits are conducted annually:

<b>Audit Title</b>	<b>Audit Objective</b>
Contribution Banding Changes	To ensure pension contribution banding changes for a sample of LCC employees have been accurately applied with effect from April.
Contribution Collections	To ensure contributions to the Pension Fund have been correctly applied from April 2024 from LCC and other employers where LCC does not administer the payroll on their behalf.
Pension Increase	To ensure the validity and accuracy of the annual pensions increase is applied correctly and on time.
National Fraud Initiative	To ensure pensions do not continue to be paid after death.

The following audits are conducted on a bi-annual basis:

<b>Audit Title</b>	<b>Audit Objective</b>
Pension Creation	To ensure payments for new pensioners, including lump sum payments and death grants are valid and accurate.
Pension Transfers	To ensure transfers in and out of the LGPS are valid and accurate

In addition, other audits in respect of other areas will be conducted as and when required.

Audit reports for all of the above are used by the External Auditor to inform their audit risk assessment.

### **Risk Register**

The Fund Risk Register is reviewed and presented to the Local Pension Committee and Local Pension Board at each meeting as a standing item, including an update on supporting activity.

### **Late payment of Pension Contributions**



Processes in respect of the late payment of pension contributions by employers are detailed in the Fund 'Monitoring Contributions Process' document. This also links to the Fund 'Reporting Breaches of Law' document.

**Business Continuity Plan**

The fund's BC plan is reviewed every two years by officers and the LCC BC team. Updates are then made as part of the review.

**Safe custody and Security of the Assets of the Scheme**

The Fund Investment Strategy Statement (section 6.3) details the controls in place in regard to custody risk, which includes monitoring and managing risks through a process of regular scrutiny of the Fund's investment managers and audit of the operations conducted for the Fund.

## Appendices

Appendix A: Separation of Duties

Appendix B: Career Grade

Appendix C: Job Descriptions

Appendix D: Data Improvement Processes

## Other Policies

[The policies referenced in this document are stated below and can be found here.](#)

**Overpayment of Pensions**

**Cyber**

**Administration and Communication Strategy**

**Overpayment of Pensions**

**Investment Strategy Statement**

**Reporting Breaches of Law**

**Monitoring Contributions Process**