



## Local Government Pensions Board

**Date:** TUESDAY, 4 FEBRUARY 2020  
**Time:** 1.45 pm  
**Venue:** COMMITTEE ROOM - 2ND FLOOR WEST WING, GUILDHALL

**Members:** James Tumbridge (Chairman)  
Jon Avern  
Yvette Dunne  
Christina McLellan  
Martin Newnham (Deputy Chairman)  
Mark Wheatley

**Enquiries:** Chris Rumbles  
tel. no.: 020 7332 1405  
christopher.rumbles@cityoflondon.gov.uk

Lunch will be served in the Guildhall Club at 1pm

**NB: Part of this meeting could be the subject of audio or video recording**

**John Barradell**  
Town Clerk and Chief Executive

## **AGENDA**

1. **APOLOGIES**
2. **MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**
3. **MINUTES OF THE PREVIOUS MEETING**  
To agree the public minutes of the meeting on 7 October 2019.  
  
**For Decision**  
(Pages 1 - 4)
4. **OUTSTANDING ACTIONS**  
Report of the Town Clerk.  
  
**For Information**  
(Pages 5 - 6)
5. **TERMS OF REFERENCE**  
Report of the Town Clerk.  
  
**For Decision**  
(Pages 7 - 10)
6. **THE CITY OF LONDON: LOCAL GOVERNMENT PENSION SCHEME - REVISION TO THE RISK REGISTER**  
Report of the Chamberlain.  
  
**For Decision**  
(Pages 11 - 28)
7. **THE CITY CORPORATION'S PENSIONS SCHEME - UPDATE**  
Report of the Chamberlain.  
  
**For Information**  
(Pages 29 - 56)
8. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE BOARD**
9. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**

## LOCAL GOVERNMENT PENSIONS BOARD

Monday, 7 October 2019

**Minutes of the meeting of the Local Government Pensions Board held at the Guildhall EC2 at 1.45 pm**

### **Present**

#### **Members:**

James Tumbridge (Chairman)  
Jon Averbs  
Yvette Dunne

Martin Newnham (Deputy Chairman)  
Mark Wheatley

#### **Officers:**

James Graham	- Group Accountant
Caroline Al-Beyerty	- Deputy Chamberlain
Jeff Henegan	- Assistant Pensions Manager
Matt Mott	- Pensions Manager
Christopher Rumbles	- Town Clerk's Department

### **1. APOLOGIES**

Apologies were received from Christina McLellan.

The Chairman conveyed his apologies for missing the last meeting owing to urgent business. The Chairman also took the opportunity to congratulate the Deputy Chairman on his election at the last meeting.

### **2. MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**

There were no declarations of interests.

### **3. MINUTES OF THE PREVIOUS MEETING**

**RESOLVED** – That the public minutes and non-public summary of the previous meeting held on 10<sup>th</sup> June 2019 be approved as an accurate record.

### **4. WORK PROGRAMME**

The Board noted that there were no outstanding actions remaining from previous meetings.

### **5. TRAINING PRESENTATION**

The Group accountant provided the Board with an introduction to investment and asset pooling in the Local Government Pension Scheme and talked through the main aspects of this. This included understanding and valuing liabilities; investment strategy regulatory requirements, investment objectives, asset allocation, strategy implementation; investment performance, key

investment risks, a responsible investment approach; asset pooling as part of the London Collective Investment Vehicle.

The Chairman referred to the deficit on the fund and the Deputy Chamberlain explained the plan to recover the deficit over a period of time through a variety of investments, each with varying degrees of risk and against an agreed investment strategy.

The Chairman asked for a periodic update to be brought to the Board setting out funding gaps and showing what was being done to close the deficit.

The Group Accountant further explained that Fund Managers were given clear targets, with more than one manager appointed offering different styles and each reacting differently to any change in markets. It was confirmed that current performance was ahead of target and in a good position with the investment portfolio outperforming what had been asked of it.

The Board noted the City Corporation was part of a London Collective Investment Vehicle with the 32 London local authorities and with this having £9bn of assets under its management at present.

The Chairman highlighted that the City Corporation had been actively involved in investment pooling from a very early stage. The Board acknowledged that the City Corporation was fortunate in having a range of Members that were familiar with investment pooling. The Group accountant assured the Board that the City Corporation was fully plugged in and very pro-active on investment pooling across London with a number of Members sitting on Boards. The City Corporation had been leading the way in facilitating investment pooling.

It was noted that further guidance on Collective Investment Vehicles was expected from the Secretary of State by the end of the year. Eight investment pools have been established in England and Wales with fresh guidance on lessons learned and moving forward due to be provided.

A Member questioned the City Corporation's policy on the social environment, its shape going forward and impact on the fund. The Group Accountant explained that the City Corporation had signed up to a responsible investment strategy. Environmental, Sustainability and Governance risks have never been more important, and the City Corporation takes the issue very seriously, as do its Fund Managers.

The Deputy Chamberlain remarked that a number of the City Corporation's most sustainable investments offered higher risk returns. It was stressed that the City Corporation was a long-term investor and that sustainable investments were good for the long-term.

The Chairman thanked the Group Accountant for his presentation and for updating the Board.

**6. THE CITY CORPORATION'S PENSIONS SCHEME - UPDATE**

The Board received a report of the Chamberlain providing an update on a range of topics relating to the City Corporation's Local Government Pension Scheme (the Scheme).

The Pensions Manager clarified that documents presented within the report were the same as last year with no substantial changes. Officers had considered it appropriate to maintain a level of consistency with the information provided to the Board, with the intention of seeking Members' views on their preferences going forward. Clarity was sought on whether the Board wanted to see big ticket items only, updates on those items that have been changed or to maintain a consistent approach year on year with the information being provided.

The Chairman proposed leading with the risk register. It was acknowledged that the risk register was in a good place at the present time, but it was suggested leading with this item to bring out those areas that required the Board's focus.

The Deputy Chamberlain questioned if the Board would benefit from a separate item on risk to allow the Board an appropriate level of focus on the key areas of risk. The Chairman remarked that he welcomed the additional documentation within the update report and acknowledged this offered a helpful reminder of what was being produced and also allowed for a sense check of whether officers were on track. The Chairman proposed the pack be structured differently going forward to allow a focus on areas of risk. A communications pack could then be provided separately to allow the Board continued oversight and understanding of all that was happening.

A Member referred to feedback from Scheme Members being brought out and highlighted to the Board. The Pensions Manager explained that all communications and documentation had generally been received quietly and positively by Scheme Members. The Deputy Chairman endorsed this comment highlighting the feedback he had received from people approaching him had demonstrated the newsletter was being received, it was being read and that it was fit for purpose.

The Chairman suggested a summary of contact during the year be included within the main report with feedback received summarised in a short paragraph beneath each heading. The Chairman also suggested that going forward the Pension Scheme update be split into two items. One item being a risk update coupled with the annual schedule of events and a second item including communications that have gone out, any communications back and feedback given.

The Pension Manager explained that there had been some feedback regarding annual benefits statements of which most was about the understanding of current and projected pension values. These are shown in sections 2 and 5 of the statement. The Board noted the intention to change the format of the Personal Benefit Statement in future to allow these sections of key interest to

be brought forward. It was agreed that in the interim the covering letter accompanying the Personal Benefit Statement would draw attention to sections 2 and 5 of the statement as the key sections for people to focus on.

The Chairman thanked the team for providing all the documentation, acknowledging the Board were happy with the pack and with it showing them what they needed to know.

**7. QUESTIONS ON MATTERS RELATING TO THE WORK OF THE BOARD**

There were no questions.

**8. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**

There was no other business.

**The meeting closed at 2.58pm.**

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Chairman

**Contact Officer: Chris Rumbles**  
**tel. no.: 020 7332 1405**  
**christopher.rumbles@cityoflondon.gov.uk**

## Local Government Pension Board - Outstanding Actions List

Date raised	Action	Officer responsible	To be completed/ progressed to next stage	Comment
7.10.2019	Term of Membership of Christina McClellan due to expire in April 2020 to be updated.	Chris Rumbles	14.11.2019	Membership term extended to April 2024.
7.10.2019	Local Government Pensions Board to attend Annual Pensioners' Association Luncheon.	Chris Rumbles	3.12.2019	Chairman of Pensioners' Association has agreed to raise the issue at the next lunch Organising Committee at its next meeting.

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<b>Committee(s)</b>	<b>Dated:</b>
Local Government Pensions Board	4 <sup>th</sup> February 2020
<b>Subject:</b> Terms of Reference: Annual Review	<b>Public</b>
<b>Report of:</b> Town Clerk	<b>For Decision</b>
<b>Report author:</b> Chris Rumbles – Town Clerk's Department	

## Summary

As part of the post-implementation review of the changes made to the City Corporation's governance arrangements in 2011, it was agreed that all Committees should review their terms of reference annually. This is to enable any proposed changes to be considered in time for the annual reappointment of Committees by the Court of Common Council.

The terms of reference of the Local Government Pensions Board are attached at Appendix 1 to this report for consideration.

## Recommendations

It is recommended that:

- the terms of reference of the Board, subject to any comments, be approved for submission to the Court in April 2020.

## Appendices

- Appendix 1 – Terms of Reference

### Chris Rumbles

Town Clerk's Department

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## **LOCAL GOVERNMENT PENSIONS BOARD**

### **1. Constitution**

A Non-Ward Committee consisting of,

- Three Employer Representatives, of which;
  - Two will be Members of the Court of Common Council (who may not be Members of the Investment Committee, Financial Investment Board or Establishment Committee);
  - One will be an Officer of the Corporation, nominated by the Town Clerk and Chief Executive; and
- Three Member Representatives, selected by an appointment method determined by the Town Clerk and Chief Executive.

In addition, the Board has the power to appoint one co-opted member (with no voting rights) as an independent advisor to the Board, should the Board require further technical guidance.

### **2. Quorum**

The quorum consists of any three Members, including one Employer Representative and one Member Representative.

### **3. Membership 2019/20**

#### **Three Employer Representatives**

- 5 (6) James Richard Tumbridge
- 1 (4) Mark Wheatley

Jon Avern, Port Health and Public Protection Director

#### **Three Member Representatives**

Christina McLellan (*appointed for a four-year term expiring April 2024*)

Yvette Dunne (*appointed for a five-year term expiring April 2021*)

Martin Newnham (*appointment for a six-year term expiring April 2022*)

together with the co-opted Member referred to in paragraph 1 above, if required, and one Member to be appointed this day.

Each Board Member should endeavour to attend all Board meetings during the year. In the event of consistent non-attendance by any Board member, then the tenure of that membership should be reviewed by the other Board members in liaison with the Scheme Manager.

Board Members must be satisfied that they:

- are conversant with the legislation and associated guidance of the Local Government Pension Scheme (LGPS);
- are conversant with documents recording policy about the administration of the LGPS by the City of London Corporation;
- Have knowledge and understanding of the law relating to pensions and any other matters which are prescribed in regulations, including undertaking appropriate training to develop this knowledge;
- conduct themselves in line with the seven principles of public life;
- do not have any conflict of interest with their role on the Pensions Board.

### **4. Terms of Reference**

In line with the requirements of the Public Services Pensions Act 2013 for the management of the City of London Corporation's Pension Scheme, to be responsible for:

(a) assisting the Scheme Manager (the City of London Corporation) in the following matters:

- Securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme that it is connected to;
- Securing compliance with requirements imposed in relation to the scheme and any connected scheme by the Pensions Regulator; and
- Other such matters as the scheme regulations may specify.

(b) securing the effective and efficient governance and administration of the LGPS for the City of London Pension Fund

The Pension Board will ensure it effectively and efficiently complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

The Pension Board will also help ensure that the City of London Corporation Pension Fund is managed and administered effectively and efficiently and complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

The Pension Board shall meet at least three times per year.

### **5. Chairmanship**

Any Member of the Board will be eligible to be Chairman. However, to allow reporting to the Court of Common Council, either the Chairman or Deputy Chairman must be a Member of the Court of Common Council.

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# Agenda Item 6

<b>Committee:</b>	<b>Date:</b>
Local Government Pensions Board	4 February 2020
<b>Subject:</b> The City of London: Local Government Pension Scheme – Revision to the Risk Register	<b>Public</b>
<b>Report of:</b> The Chamberlain	<b>For Decision</b>
<b>Report author:</b> Matt Mott – Chamberlain’s Department	

## Summary

To comply with current requirements of the Corporation the current Local Government Pension Scheme Risk Register is required to be converted to the new corporate format.

Independently of the above requirement the Pension Board at their meeting on 7 October 2019 requested the Risk Register should be included separately at each meeting as a standing agenda item to be updated/reviewed at each meeting.

When reviewing the risks the Board should be aware that generic risks are also included in the City of London Police Pension Scheme Pension Board risk register. The risks are CHB LGPS 03 Legislative Compliances, 04 Pension Scheme Administration, 05 Fraud and 07 Cyber security.

Attached at Appendix A(i) is the revised draft Risk Register, with the original Risk Register at Appendix A(ii) and the Risk Matrix at Appendix A (iii).

## **Recommendation**

Members are asked to:

- review the existing risks and actions present on the Police Pension Board’s Risk Register, and confirm that appropriate control measures are in place; and
- confirm that there are no further risks relating to the pension administration overseen by the Police Pension Board

## **Appendices:**

Appendix A (i)– Revised Risk Register  
Appendix A (ii) – Original Risk Register  
Appendix A (iii) - Risk Matrix

## **Contact:**

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**Report Author:** Matt Mott  
**Generated on** 23 January 2020

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
Pension Fund LGPS  Insufficient assets          17-Dec-2019 Chamberlain	<p><b>Cause:</b> The asset allocation of the Pension Fund is unable to fund long term liabilities.</p> <p><b>Event:</b> There are insufficient assets to meet liabilities.</p> <p><b>Effect:</b> Reduced income or lower than anticipated growth . Participating employers are required to provide further funding through increased contributions to finance liabilities.</p>	<div style="display: flex;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">Likelihood</div> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">Impact</div> </div>	8	This is a Financial Investment Board (FIB) Risk: The Pension Fund's Investment Strategy review carried out in October 2017 required no changes to the Fund's existing asset allocation. FIBs agreed to amend the Pension Fund's absolute return target to 5.7% from 1st April 2018. As at 30 September 2019, the Fund is outperforming its absolute return target over one, three and five years.  <b>11 November 2019</b>	<div style="display: flex;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">Likelihood</div> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">Impact</div> </div>	8	31-Mar-2020	Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB LGPS 001a	The Investment strategy of the Pension Fund is reviewed at least every three years by the Financial Investment Board with proper advice from the Investment Consultant.	The Pension Fund's triennial liability valuation is carried out by the Fund's actuary as required by statute every three years and this serves as foundation for the Pension Fund's Investment Strategy. The Pension Fund's Investment Strategy review was completed in October 2017.	Caroline Al-Beyerty; Kate Limna	11-November-2019	23-September-2020
CHB LGPS 001b	The investment performance of the Pension Fund is measured against absolute return targets required to meet long term objectives. This is reported to the Financial Investment Board throughout the year and is supplemented by market insight from the Corporation's Investment Consultant who will assist any strategic decisions required in between the three-year formal strategy reviews.	Individual Fund investment performance is brought to each Financial Investment Board for consideration.	Kate Limna, James Graham;	20-June-2019	31-March-2020





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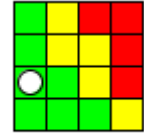
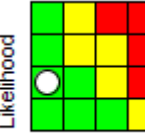

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB LGPS 004a	Job descriptions used at recruitment to attract candidates with skills and experience related to LGPS administration. The appraisals process to monitor progress and assess training needs.	Ensuring that candidates with the necessary skills and abilities are employed by the City. Once in post, staff continue to receive relevant training and attend courses, seminars and conferences when appropriate. Have trained multiple team members for extra duties due to parental leave cover	Matt Mott	<b><u>21 Jan 2020</u></b>	31-Mar-2020
CHB LGPS 004b	Scheme administrators are trained to use the pensions administration software.	Ensuring that administrators are fully trained to use the pension administration software to enable them to provide accurate and efficient calculations. In addition, administrators should know the correct process to report to the software provider any errors encountered with the system in order that they can be investigated and resolved.	Matt Mott	<b><u>21 Jan 2020</u></b>	31-Mar-2020
CHB LGPS 004c	Accurate and appropriate checking procedures in place at all areas of administration.	Rigorous and thorough checking procedures are created and implemented to ensure all calculations and letters are checked for accuracy and legislative compliance	Matt Mott	<b><u>21 Jan 2020</u></b>	31-Mar-2020
CHB LGPS 004d	Practical disaster recovery/succession plans in place to ensure continuity in the event that key staff leave or are unable to work for a prolonged period of time.	Ensuring that skill sets are not restricted to one staff member alone. Priority cases and work types are identified to ensure continuation in the event that staff or other resources become unavailable	Matt Mott	<b><u>21 Jan 2020</u></b>	31-Mar-2020

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
<b>CHB LGPS 007 Cyber security</b>  <b>Page 18</b> 17-Dec-2019 Chamberlain	<b>Cause:</b> (i) Ineffective procedures. (ii) Inadequately trained staff. (iii) IT system failure (iv) Data Accuracy. (v) Lack of resources. <b>Event:</b> Breach of Corporate IT systems and Cyber security. <b>Effect:</b> (i) Inaccurate benefits paid or delayed. (ii) Increased costs of inefficiencies. (iii) Financial penalties/sanctions. (iv) Breach of Data Protection regulations. (v) Loss/corruption of data	 Likelihood Impact	4	A malicious breach of Corporate IT systems may lead to a failure of the pensions administration system and/or a breach of Data Protection regulations.  A failure of the pensions administration system or a breach of the DP regulations may mean a failure or inability to calculate benefits accurately and on time which may lead to financial penalties and sanctions being imposed by the governing industry bodies such as the Pensions Regulator or Information Commissioner's Office.  <b>4-Feb-2020</b>	 Likelihood Impact	4		Constant

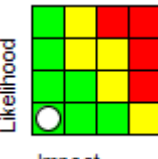
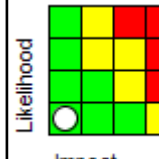

Action no	Action description	Latest Note			Action owner	Latest Note Date	Due Date
CHB LGPS 007a	Pensions administration staff to be aware of the corporate policy regarding cyber security and to follow the guidelines given.	Corporate online training regarding cyber-security to be carried out by all staff and reviewed as required.			<b>Matt Mott</b>	<b>31 Dec 2019</b>	31-Mar-2020
CHB LGPS 007b	Corporate and departmental specific software to be updated as required to ensure the latest and most secure version is being used.	To ensure the most up-to-date software is being used, staff should update their computers as and when prompted.			Matt Mott	<b>21 Jan 2020</b>	31-Mar-2020
CHB LGPS 007c	Ensuring that the pensions administration software is included in the departmental business continuity plans	Updating the business impact analysis details used in the departmental continuity plan as required.			Matt Mott	<b>21 Jan 2020</b>	31-Mar-2020
CHB LGPS 007d	Pensions administration staff to be aware of Data Protection legislation	Corporate online training regarding Data Protection to be carried out by all staff and reviewed as required.			Matt Mott	<b>21 Jan 2020</b>	31-Mar-2020
Risk no, title,	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score	Risk Update and date of update	Target Risk Rating & Score	Target Date	Current	

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Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB LGPS 003a	Robust recruitment and training processes.	Ensuring that suitable staff are recruited at the correct salary levels and that appropriate training is provided will help to prevent non-compliance with legislative requirements	Matt Mott	<b><u>21 Jan 2020</u></b>	31-Mar-2020
CHB LGPS 003b	The governing legislation may change or evolve over time and it is therefore important that staff maintain accurate and up-to-date knowledge of the Regulations.	Regular attendance at seminars, forums, webinars and user groups will ensure that knowledge of the relevant legislation is kept up-to-date and accurate.	Matt Mott	<b><u>21 Jan 2020</u></b>	31-Mar-2020

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CHB LGPS 005 Fraud  17-Dec-2019 Chamberlain	<b>Cause:</b> (i) Not notified of death. (ii) Staff acting inappropriately <b>Event:</b> Fraudulent claim of pension benefits. <b>Effect:</b> (i) Continued payment of pensions following death. (ii) Overpaid pensions. (ii) Financial loss	 Likelihood	2	If the death of a LGPS beneficiary is not reported, their pension may continue to be paid when there is no longer an entitlement.  This may be a deliberate failure to report the death or may be where there is no fraudulent intention, but in either case it will lead to benefit overpayment and a potential financial loss.  <b>4-Feb-2020</b>	 Likelihood	2	31-Mar-2020	  Constant

Action no	Action description	Latest Note		Action owner	Latest Note Date	Due Date
CHB LGPS 005a	Robust fraud protection/detection processes.	Use of Mortality Screening Service and Tell Us Once Service [Government initiative that allows us to be notified of a death when registered]. Participation in the National Fraud Initiative. Annually sending Life Certificates to Overseas Pensioners.		Matt Mott	<b><u>21-Jan-2020</u></b>	31-Mar-2020

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
<b>CHB LGPS 002 Actuarial valuation</b>  17-Dec-2019 Chamberlain	<b>Cause:</b> (i) Inappropriate assumptions used by the Actuary (ii) Inaccurate data supplied to the Actuary. <b>Event:</b> Unsuitable triennial actuarial valuation. <b>Effects:</b> Employer rates unsuitable to maintain long term cost efficiency & solvency.		1	The latest full actuarial valuation of the Pension Fund, using member data and investment asset information as at 31 March 2019, is being finalised. Using updated financial and demographic assumptions, the actuary has been able to generate an accurate picture of the Pension Fund's funding position (assets compared to liabilities) which will be used to establish appropriate employer contribution rates for use from 1 April 2020.  <b>21 January 2020</b>		1	31-Mar-2020	  Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB LGPS 002a	Regular meetings with the Actuary to ensure that assumptions are appropriate involving nominated Members of the Finance Cttee, with final report to Finance Cttee.	Nominated Members of the Finance Cttee together with relevant officers met with the Actuary in October and November 2019 to discuss the preliminary triennial valuation results and the robustness of the financial and demographic assumptions used in the valuation process. The final triennial valuation results will be reported to the Finance Cttee at its meeting on 18 February 2020.	Matt Mott		31-Mar-2020
CHB LGPS 002c	Robust Year End procedures and updates.	The Pension Fund Accounts and Annual Report for 2016/17, 2017/18 and 2018/19 (covering the most recent triennial valuation period) were finalised on time and audited without qualification.	Matt Mott		31-Mar-2020
CHB LGPS 002d	Checking for errors or inconsistencies in valuation extract report before submission to the Actuary	Officers review data quality prior to submission to the actuary. Additionally, member data is submitted separately from employer level cash flow data, which are held on two distinct management information systems. As a result, errors are more easily identified during the valuation process itself. For example, if the member data demonstrates that a given number of members belonging to a single employer retired during the valuation period then this should also be evident from the benefit payments reported in the cash flow data.	Matt Mott		31-Mar-2020





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## City of London LGPS Risk Register for the LGPS Pensions Board - FOR CONSIDERATION

Risk No.	Risk (Short description)	Risk Owner	Cause	Effect	Existing Controls	Current Risk				Planned Actions	Target Risk		
						Likelihood	Impact	Rating	Direction		Likelihood	Impact	Rating
1	Inappropriate Investment Strategy	Chamberlain	(i) Inappropriate investment advice. (ii) Advice ignored	(i) Inappropriate risk/return profile. (ii) Opportunities not maximised to progress towards full funding (iii) Ramifications on employers contributions.	Investment strategy devised to reduce financial risk through use of asset allocation and a range of Fund Managers implementing different investment mandates. Monitoring of fund managers' performance by Chamberlain & Financial Investment Board. Information on market conditions provide by Investment Consultant.	Unlikely	Major	Amber 8	↔	Review of asset allocation by Investment Consultant following triennial valuation	Unlikely	Major	Amber 8
2	Unsuitable triennial actuarial valuation leading to inappropriate employer rates	Chamberlain	(i) Inappropriate assumptions used by the Actuary (ii) Inaccurate data supplied to the Actuary	Employer rates unsuitable to maintain long term cost efficiency & solvency.	(i) Regular meetings with the Actuary to ensure that assumptions are appropriate involving nominated Members of the Finance Cttee, with final report to Finance Cttee. (ii) prompt clearance of queries from Actuary. (iii) Robust Year End procedures and updates. (iv) Checking for errors or inconsistencies in valuation extract report before submission to the Actuary.	Rare	Minor	Green 1	↔	Continue existing controls	Rare	Minor	Green 1
3	Failure to comply with legislative requirements.	Chamberlain	(i) Lack of consultation with appropriate persons. (ii) Lack of training/appropriately skilled staff	(i) Inaccurate benefits paid. (ii) Financial loss. (iii) Increase in Appeals. (iv) Fines from Pensions Regulator (v) Reputational damage	(i) Recruitment of suitable staff appropriate salary levels. (ii) Formal Institute of Payroll Professionals training. (iii) Attendance at seminars and Forums, webinars and user groups. (iv) Knowledge updates via LGA training sessions	Possible	Minor	Green 3	↔	Continue existing controls	Possible	Minor	Green 3
4	Pension Scheme Administration	Chamberlain	(i) Ineffective succession planning. (ii) Inadequately trained staff. (iii) Absences/increased staff turnover. (iv) IT system failure. (v) Data Accuracy. (vi) Lack of resources.	(i) Inaccurate benefits paid or delayed. (ii) Increased costs. (iii) Financial penalties/ sanctions.	(i) Recruitment and training of staff. (ii) Ensuring software is the latest version and any known errors are reported. (iii) Ensure IT have sufficient back-ups and Disaster Recovery. (iv) Ensuring training opportunities are shared. (v) Robust checking procedures in place at all stages of record management from new starters, transfers received, career changes, pension top-ups, leaving and benefit payment. (vi) If staff or other resources are lacking ensure priority cases are covered and all checking levels maintained.	Unlikely	Serious	Green 4	↔	Continue existing controls	Unlikely	Serious	Green 4
5	Pension Fund Fraud	Chamberlain	(i) Not notified of death. (ii) Staff acting inappropriately	(i) Continued payment of pensions following death. (ii) Overpaid pensions. (iii) Financial loss to the Pension Fund	(i) Use of Mortality Screening Service and Tell Us Once Service (Government initiative that allows us to be notified of a death when registered). (ii) Participation in the National Fraud Initiative. (iii) Sending Life Certificates to Overseas Pensioners.	Unlikely	Minor	Green 2	↔	Continue existing controls	Unlikely	Minor	Green 2
6	Employer becomes insolvent or is abolished with insufficient funding to meet liabilities	Chamberlain/ Comptroller & City Solicitor	Processes not in place to capture or review covenant of individual employers.	Fund would pick up the liabilities potentially leading to increased contribution rates for other employers.	Bond/guarantor sought for potential new admitted bodies and incorporated into admission agreements where appropriate.	Possible	Serious	Amber 6	↔	Annual review of employer covenants particularly where bonds/guarantors are required	Unlikely	Serious	Green 4
7	Cyber-Security	Chamberlain	(i) Ineffective procedures. (ii) Inadequately trained staff. (iii) IT system failure (iv) Data Accuracy. (v) Lack of resources.	(i) Inaccurate benefits paid or delayed. (ii) Increased costs of inefficiencies. (iii) Financial penalties/ sanctions. (iv) Breach of Data Protection regulations. (v) Loss/corruption of data	Training of staff plus (i) Ensuring software is the latest version and any known errors are reported. (ii) Ensure IT have sufficient back-ups and Disaster Recovery. (iii) Ensure cyber-security procedures are robust and adhered to. (iv) Following DPA18 legislation	Unlikely	Serious	Green 4	↔	Continue existing controls	Unlikely	Serious	Green 4

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## City of London Corporation Risk Matrix (Black and white version)

Note: A risk score is calculated by assessing the risk in terms of likelihood and impact. By using the likelihood and impact criteria below (top left (A) and bottom left (B) respectively) it is possible to calculate a risk score. For example a risk assessed as Unlikely (2) and with an impact of Serious (2) can be plotted on the risk scoring grid, top right (C) to give an overall risk score of a green (4). Using the risk score definitions bottom right (D) below, a green risk is one that just requires actions to maintain that rating.

(C) Risk scoring grid

		Unlikely (2)	Possible (3)	Likely (4)
Criteria	Less than 10%	10 – 40%	40 – 75%	More than 75%
Probability	Has happened rarely/never before	Unlikely to occur	Fairly likely to occur	More likely to occur than not
Time period	Unlikely to occur in a 10 year period	Likely to occur within a 10 year period	Likely to occur once within a one year period	Likely to occur once within three months
Numerical	Less than one chance in a hundred thousand (<10-5)	Less than one chance in ten thousand (<10-4)	Less than one chance in a thousand (<10-3)	Less than one chance in a hundred (<10-2)

Likelihood		Impact			
	X	Minor (1)	Serious (2)	Major (4)	Extreme (8)
	Likely (4)	4 Green	8 Amber	16 Red	32 Red
	Possible (3)	3 Green	6 Amber	12 Amber	24 Red
	Unlikely (2)	2 Green	4 Green	8 Amber	16 Red
	Rare (1)	1 Green	2 Green	4 Green	8 Amber

(B) Impact criteria

Impact title	Definitions
Minor (1)	<b>Service delivery/performance:</b> Minor impact on service, typically up to one day. <b>Financial:</b> financial loss up to 5% of budget. <b>Reputation:</b> Isolated service user/stakeholder complaints contained within business unit/division. <b>Legal/statutory:</b> Litigation claim or find less than £5000. <b>Safety/health:</b> Minor incident including injury to one or more individuals. <b>Objectives:</b> Failure to achieve team plan objectives.
Serious (2)	<b>Service delivery/performance:</b> Service disruption 2 to 5 days. <b>Financial:</b> Financial loss up to 10% of budget. <b>Reputation:</b> Adverse local media coverage/multiple service user/stakeholder complaints. <b>Legal/statutory:</b> Litigation claimable fine between £5000 and £50,000. <b>Safety/health:</b> Significant injury or illness causing short-term disability to one or more persons. <b>Objectives:</b> Failure to achieve one or more service plan objectives.
Major (4)	<b>Service delivery/performance:</b> Service disruption > 1 - 4 weeks. <b>Financial:</b> Financial loss up to 20% of budget. <b>Reputation:</b> Adverse national media coverage 1 to 3 days. <b>Legal/statutory:</b> Litigation claimable fine between £50,000 and £500,000. <b>Safety/health:</b> Major injury or illness/disease causing long-term disability to one or more people <b>objectives:</b> Failure to achieve a strategic plan objective.
Extreme (8)	<b>Service delivery/performance:</b> Service disruption > 4 weeks. <b>Financial:</b> Financial loss up to 35% of budget. <b>Reputation:</b> National publicity more than three days. Possible resignation leading member or chief officer. <b>Legal/statutory:</b> Multiple civil or criminal suits. Litigation claim or find in excess of £500,000. <b>Safety/health:</b> Fatality or life-threatening illness/disease (e.g. mesothelioma) to one or more persons. <b>Objectives:</b> Failure to achieve a major corporate objective.

(D) Risk score definitions

RED	Urgent action required to reduce rating
AMBER	Action required to maintain or reduce rating
GREEN	Action required to maintain rating

This is an extract from the City of London Corporate Risk Management Strategy, published in May 2014.

Contact the Corporate Risk Advisor for further information. Ext 1297

Version date: December 2015

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# Agenda Item 7

<b>Committee:</b>	<b>Date:</b>
Local Government Pensions Board	4 February 2020
<b>Subject:</b> The City Corporation's Pensions Scheme - Update	<b>Public</b>
<b>Report of:</b> The Chamberlain	<b>For Information</b>
<b>Report author:</b> Matt Mott – Chamberlain's Department	

## Summary

At the Board's meeting on 20 October 2016, it was agreed that information regarding a range of topics in relation to the Corporation's Local Government Pensions Scheme (the Scheme) would be provided at each meeting. Members have indicated that information regarding communications be provided on an annual basis and all of the other items of information will be provided at each meeting except for when there is no updated information since the previous meeting

<b>Item</b>	<b>Update</b>
Annual schedule of events for the Pensions Scheme	Update provided (Appendix A).
Information of Scheme Record Keeping	No amendments since the last Board meeting.
A record of any complaints or disputes under the Scheme's complaints procedure	<p>No new complaints.</p> <p>The Internal Dispute Resolution Procedure (IDRP) reported on 7 October has been concluded. The appeal has been upheld and the scheme member will be re-assessed against the ill health retirement criteria.</p> <p>Please note, that decisions regarding ill health retirement are made by the Corporation in their role as the employer rather than a decision made by the Pensions Office on behalf of the Corporation as the Adminstrating Authority.</p>
Public Service Pensions: Reporting Breaches of Pension Law	None to report
Any audit reports relating to the administration of the Scheme	None to report
Any reports relating to the administration of the Pension Scheme which have been considered by other Committees	<p>Scheme members may elect to pay Additional Voluntary Contributions (AVC) to increase their overall pension values at retirement.</p> <p>Equitable Life were the sole provider of AVCs until 2002 when by Standard Life and Prudential were appointed.</p>

In August 2019 Equitable Life proposed a transfer of all their business to Utmost Life and Pensions.

Equitable Life had struggled to meet investment guarantees since 1999 and since 2000 have not accepted any new business. They felt the transfer proposal was the best option for their scheme members.

Scheme trustees, such as the City of London Corporation, had to vote on the transfer by 30 October 2019. Following this vote the proposal also had to go before the High Court for formal approval.

The proposal was an agenda item at Establishment Committee meeting on 29 October. They were asked to consider the proposal and vote on behalf of the Corporation. The Establishment Committee voted in favour of the transfer. The vote was formally completed online by the Pensions Office on the afternoon of 29 October.

The result of the overall vote was overwhelmingly in favour of the proposal which was formally approved by the High Court on 22 November. The transfer became affective from 1 January 2020.

The City of London Pension Fund had 24 scheme members with an Equitable Life AVC scheme on 1 January 2020.

As part of the proposal scheme members who had Equitable Life with-profits investments received an uplift to their AVC values which have been invested in Utmost Life and Pensions unit linked investments.

Scheme members who had Equitable Life unit linked investments have no change to their investments, except for a change in name only to Utmost Life and Pensions.

Investment information was provided by Equitable Life as part of the transfer proposal, which included a default option. The default option transferred all funds on 1 January 2020 into the Utmost Life and Pension Secure Cash Investment where it is invested for the first 6 months after transfer. In the following 6 months the investment will be moved into the Utmost Life and Pensions Investing by Age.

The Pension Office wrote to scheme members confirming the default position and explaining they can at any time elect to move



	<p>their AVC into any alternative Utmost Life and Pensions investment.</p> <p>Report sent to the Establishment Committee on 29 October 2019 (Appendix B (i)) includes Equitable Life Proposal Document, letter sent to scheme members with Equitable Life AVC on 9 October 2019 and Local Government Association (LGA) background document.</p> <p>Establishment Committee Minutes (Appendix B (ii))</p> <p>Investment confirmation letter sent to Scheme members with Equitable Life AVC on 20 December 2019. (Appendix B (iii))</p>
Guaranteed Minimum Pensions (GMP) Reconciliation	<p>Pension data is continuing to be analysed and JLT are liaising with HMRC.</p> <p>HMRC advised that they would issue a final report for each Scheme once final queries had been responded to in April 2019.</p> <p>HMRC have still not provided a specific date for the final report. JLT are in communication with HMRC to establish when the final report will be provided.</p> <p>JLT will undertake a final analysis of HMRC and Scheme data. Due to the delays by HMRC we would expect this now to be completed by the end of March 2020.</p> <p>A report will be brought to the Board when the process has been completed</p>
City Print Contract	<p>The service provided by APS continues to be monitored both by the Pensions Office and the Corporation</p> <p>The Pension Office has commenced discussions with APC regarding all print requirements including costs and deliveries, including the statutory delivery of annual benefit statements.</p>
Changes to administration	<p>A staff member has just commenced a period of parental leave and is due back to work in mid-April.</p> <p>The administration also has a vacancy which is currently being recruited to and any successful candidate will require training. This will be a challenging time for the Pension Office resources.</p> <p>To ensure the high standards of administration are maintained some changes to processes have been implemented.</p>

	<p>LGPS workloads that may be affected by the absence have been distributed around the office, senior officers undertaking calculations whilst junior officers undertaking record maintenance. All staff members will continue to engage with scheme members on a daily basis with regards to pension queries mainly by phone or email.</p> <p>Furthermore, a review of general administration practices have enabled the Pensions Office to implement some criteria for estimate requests and update the email auto response.</p> <p>These changes are designed to reduce requests for estimates that may be deemed unnecessary (previously all requests were usually provided). In addition, when scheme members provide amended personal details by email confirmation was provided by letter. With effect from January no confirmation will be provided, and this is advised in the email auto response. The Email auto response is at Appendix C.</p> <p>Reducing the number of calculations (where appropriate) and the number of confirmation letters, will allow the Pensions Office to better manage its resource enabling the administration to focus on the more important aspects of the scheme administration.</p> <p>Consideration will also be given to providing information in the letter that accompanies the annual benefit statements in August. The intention is to reinforce the email auto response message including new estimate criteria ensuring all active scheme members are informed.</p> <p>Additionally, a similar letter will be considered for inclusion with the deferred annual benefit statements which are usually distributed in July.</p>
Public Sector Pensions Legal Challenge Update	<p><u>Lord Chancellor and Secretary of State for Justice v McCloud and others</u></p> <p>The Court of Appeal has ruled that reforms made to the judges and firefighters pension schemes were discriminatory on behalf of age.</p> <p>This has raised some concerns that all public sector pensions schemes, including the LGPS, may also be discriminatory on behalf of age.</p>

	<p>The Government requested the right to appeal to the Supreme Court, however, this was request was denied. All Public sector schemes may now need to review their regulations and possibly make amendments to them.</p> <p>No details have yet been provided concerning the LGPS, although it is understood stakeholders such as Ministry of Housing, Communities and Local Government (MHCLG), the Local Government Association (LGA), scheme actuaries and the Scheme Advisory Board (SAB) are in discussion with regards to the effect of this ruling and what possible changes may be required.</p> <p>More information will be brought to the Board when it is available.</p>
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### **Recommendation**

The Board is recommended to consider the information provided in the following reports and provide any comments in relation to this information.

### **Appendices:**

Appendix A - Annual Schedule of Events

Appendix B (i) - Equitable Life report to the Establishment Committee 29 October 2019

Appendix B (ii) - Establishment Committee Minutes 29 October 2019

Appendix B (iii) - Letter sent to scheme members with Equitable Life AVC) December

Appendix C - Email auto response

### **Contact:**

**Matt Mott**

Pensions Manager | Chamberlain's Department

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**Local Government Pensions - Schedule of Events 2019/20**

<b>Date Due</b>	<b>Event</b>	<b>Completed</b>
March 2019 Within 2 weeks of quarter date	Tax return for Quarter 4 (to 31/3/2019)	1 April 2019
1 April 2019	Employee Contribution band review/ implementation.	1 April 2019
1 April 2019	Revaluation of CARE benefits.	1 April 2019
1 Monday in April following the 6 <sup>th</sup>	Pensions Increase (PI) – Annual Inflation increase.	8 April 2019
31 May 2019	Publish City Fund Accounts (including the Pension Fund Accounts)	31 July 2019
1 June 2019	Automatic Enrolment re-enrolment date	1 June 2019
June 2019 Within 2 weeks of quarter date	Tax return for Quarter 1 (to 30/06/2019)	1 July 2019
30 June 2019	Target date for the issue of Annual Benefit Statement (ABS) to Deferred members.	3 July 2019 (deadline 31 August)
TBA July 2019	Draft accounts to Audit & Risk Management Cttee and Finance Cttee	Finance Committee 23 July 2019 ARM 16 July 2019
31 July 2019	Publish signed City Fund Accounts (including the Pension Fund Accounts) and the Pension Fund Annual Report	31 July 2019
31 <sup>st</sup> August 2019	Issue of Annual Benefit Statements deadline.	13 August 2019
September 2019 Within 2 weeks of quarter date	Tax return for Quarter 2 (to 30/09/2019)	3 October 2019
30 September 2019	Employee Contribution Band review	1 November 2019
1 October 2019	Office of National Statistics (ONS) Survey	1 October 2019
5 October 2019	Issue of Annual Allowance (AA) Saving Statements deadline	4 October 2019
31 October 2019	Automatic Enrolment Re-declaration	13 September 2019
6 November 2019	Scheme Return to the Pensions Regulator	18 October 2019
30 November 2019	Publication of Pension Fund Accounts and Annual Report	1 August 2019
December 2019 Within 2 weeks of quarter date	Tax Return for Quarter 3 (to 31/12/2019)	14 January 2020
31 <sup>st</sup> January 2020	HMRC Event 22 Report – List of Annual Allowance cases exceeding the Previous years' threshold.	21 January 2020
31 March 2020	End of GMP Reconciliation Project	
1 April 2020	Employee Contribution band review/ implementation.	
1 April 2020	Revaluation of CARE benefits.	

**Appendix A**

1st Monday in April following the 6 <sup>th</sup>	Pensions Increase (PI) – Annual Inflation increase.	
31 May 2020	Publish City Fund Accounts (including the Pension Fund Accounts)	
1 June 2020	Automatic Enrolment re-enrolment date	
June 2020 Within 2 weeks of quarter date	Tax return for Quarter 1 (to 30/06/2019)	
30 June 2020	Target date for the issue of Annual Benefit Statement (ABS) to Deferred members.	

<b>Committee:</b> Establishment	<b>Date:</b> 29 October 2019
<b>Subject:</b> Transfer of Equitable Life to Utmost Life and Pensions	<b>Public</b>
<b>Report of:</b> The Chamberlain	<b>For Decision</b>
<b>Report author:</b> Matt Mott	

### Summary

The City of London Corporation in its capacity as an administering authority for the Local Government Pension Scheme (LGPS) offers scheme members the option to invest in further pension savings by way of an additional voluntary contribution (AVC) arrangement.

Originally this was provided solely by Equitable Life and more recently by Prudential Assurance Company and Standard Life. There remains 24 Corporation pension scheme members who have an AVC with Equitable Life, of which 16 invest in the With Profits Fund.

### Recommendation

The recommendation is for the Establishment Committee consider the proposal and

- a) agree the Corporation is to vote,
- b) vote for the transfer of Equitable Life business to Utmost Life and Pensions.

The vote must be completed no later than 10am on 30 October 2019.

### Main Report

#### Background

1. Equitable Life have since 1999 struggled to meet investment guarantees for scheme members in the With Profits Fund. They have not accepted new business since December 2000 and have been seeking a solution to these issues.
2. City of London Corporation in its capacity as an administering authority of the LGPS is also the sole Policyholder and the Eligible Member of the Equitable Life AVC arrangement.

#### Current Position

3. Equitable Life are proposing a transfer of their business to Utmost Life and Pensions. Policyholders and Eligible Members have been asked to vote on this proposal in their capacity as the administering authority.
4. It is not mandatory to vote, indeed it is possible to object to the proposal if the Corporation's pension scheme would be adversely affected. The City of London Pension Fund (LGPS) would not be adversely affected by the transfer of

Equitable Life business to Utmost Life and Pensions. Two votes are required for the proposal to go ahead:

**Vote 1 - The Scheme**

- increasing with-profits investments with an immediate one-off 'Uplift'
- removing any investment guarantees, and
- converting with-profits policies to unit-linked investments

**Vote 2 - The Transfer**

- To transfer to Utmost Life and Pensions the business of Equitable Life

5. The vote on the transfer must be completed by 30 October 2019 and a hearing is scheduled at the High Court for the 22 November 2019. If the proposal is successful it is intended for the transfer to take full effect on 1 January 2020.

**Challenges For Equitable Life**

6. Since 1999 Equitable life have been trying to find a solution and applied to the High Court to reduce the amount of bonuses they were required to pay to their With Profits AVC policyholders. Initially this was agreed only for them to be denied by the Court of Appeal and then the House of Lords. In July 2000 Equitable Life decided it was in the interest of members to find a purchaser for the society and when this failed they announced in December 2000 they would not write any new business. They have been operating as a run-off since then. This means that without new investment into the With Profits Fund, the value of the assets within the fund reduces over time. This makes it increasingly challenging for Equitable Life to meet its obligation of investment guarantees in the future.

7. At this time administering authorities took action to either retain Equitable Life, appoint another provider in substitute for Equitable Life or appoint another provider in addition to Equitable Life.

**The Proposal and Corporation AVC members**

8. The information provided by Equitable life indicates that by applying the proposed uplift immediately upon transfer to Utmost Life and Pensions all AVC members would have potential unit linked fund values in excess of the With Profits fund values currently held with Equitable Life.
9. Under the proposal each member is estimated to receive an uplift upon transfer of the business to Utmost Life and Pensions of at least 68% of their with-profits policy value. This represents their share of the with-profits assets distribution to be made by Equitable Life.
10. If the proposal is agreed then the uplifted policy values will be invested in unit linked investments with Utmost Life and Pensions. This unit linked investment will not have any investment guarantees and the values could fall as well as rise.
11. If the proposal is rejected, then Equitable Life would continue to operate their business as a runoff and the ability for them to pay the With Profits investment guarantees in the future will decline over time. It is very likely, therefore, that Equitable Life's proposal to transfer the business to Utmost Life and Pensions could be the most beneficial option for the Corporation's AVC scheme members.
12. As part of the proposal Utmost Life and Pensions have provided details of their investment funds and they have a wide range of investments across all types of



risk. There has yet to be any communication between the Corporation and Utmost Life and Pensions with regards to fund selection, although this would be anticipated following the High Court hearing and confirmation the transfer is to proceed.

**Appendices**

Appendix A Equitable Life summary of the proposed transfer

Appendix B Letter to scheme members

Appendix C Local Government Association background document

**Contact:** Matt Mott

Telephone: 020 7332 1133

Email: [matt.mott@cityoflondon.gov.uk](mailto:matt.mott@cityoflondon.gov.uk)



READ CAREFULLY - THESE CHANGES MIGHT IMPACT THE  
VALUE OF YOUR PENSION SCHEME INVESTMENTS

Equitable Life

Definitions of terms in **bold italics** can be found in the  
glossary in the enclosed Explanatory Booklet Part B.

Private & Confidential

C / O Mr M Mott

The Administering Authority For The Corporation Of  
London

PO Box 270

Guildhall

LONDON

EC2P 2EJ

0000346



0000346

August 2019

CRN: GI-0000009080

This letter and the enclosed documents  
contain important information about a  
**Proposal** that affects your pension scheme.  
We strongly recommend you read them.

You are a **Scheme Policyholder** and a **Member**,  
so are able to:

- Vote on the **Scheme** and the **Change to the Articles**
- Object if you feel your pension scheme may be adversely affected by the **Scheme** or **Transfer**.

If you have any questions call us on 0800 139 1331.  
Opening hours are between 9am and 5pm on UK  
working days.

Dear Mr Mott

## Limited time to vote - these changes would affect your pension scheme

The time has come for us to ask you to vote. This pack provides full details about the **Proposal** we first told you about last year, so you can have your say on the future of the **Equitable**.

### What the **Proposal** is

**Part one**, which is referred to as the **Scheme**:

- ▶ Increases your members' with-profits investments with an Immediate one-off **Uplift**.
- ▶ Removes **Investment Guarantees** (including any guaranteed annual increases) and any **With-Profits Switching Rights**; and
- ▶ Converts with-profits investments to unit-linked investments.

**Part two**, known as the **Transfer**:

- ▶ Transfers the **Equitable's** business to Utmost Life and Pensions. The **Transfer** does not require a vote, but it does need approval by the **High Court**. Trustees and pension scheme members are able to object if they feel their pension scheme will be adversely affected by the **Transfer**.

Information contained later in this letter explains how exactly the **Proposal** affects your pension scheme investments.

### Why this pack is important to you

The **Proposal** can only go ahead if **Scheme Policyholders** and **Eligible Members** vote for it and the **High Court** approves it. There are two votes, and both need to be in favour and the **High Court** needs to approve the **Scheme** and the **Transfer** for the **Scheme** to become effective.

**Vote 1:** To approve the **Scheme**

**Vote 2:** To **Change the Articles** to make Utmost Life and Pensions the sole **Member** of the **Equitable**

Details about the **Scheme** and the **Change to the Articles** can be found later in this letter.

In this pack we have included the **Voting Forms** relevant to you. Details about the voting process can be found in **Section D of Explanatory Booklet Part B**.

If approved, these changes affect your pension scheme even if you voted against them or did not vote. This is why it is important that you read the information contained in this pack.

## Information included in this pack to help you make a decision

The *Equitable Board* considered a number of alternative options for the future of the *Equitable* before deciding on the *Proposal* (details of the alternative strategies considered can be found on pages 23 to 25 of the enclosed *Explanatory Booklet Part B*). The *Board's* conclusion is that the *Proposal* is in the best interests of *Policyholders*. If approved, the *Proposal* achieves our aim of getting capital back to *Policyholders* as quickly and as fairly as possible. However, it is **important you make your own decision** based on your own scheme's circumstances, and the information in this pack is designed to help you do that.

## Member Specific Data

If we hold a confirmed email address for your pension scheme, we will have sent a link to a secure portal where you can find member specific data. If we were unable to confirm with you an email address for your pension scheme, we have included the member specific data in this pack. We are providing you with the data in this way to enable you to pass this on to your members, to allow them to have their say.

This data shows how your members' with-profits investments may increase, and what *Investment Guarantee* would be removed, together with a projection showing how this might look at a particular point in the future, if the *Proposal* is approved. It also provides a comparable set of values should the *Proposal* not go ahead. We have also included the return required on the uplifted investments, to match the with-profits *Guaranteed Values* that would have been available at the member's retirement date we have on record, if the *Proposal* did not go ahead.

## Explanatory Booklet Part A



This booklet provides you with key information about the *Proposal* and how it would impact your pension scheme and other *Policyholders*. It highlights the individual investor considerations that may be relevant to your members, which may help you decide whether this *Proposal* is right for them.

## Explanatory Booklet Part B



This booklet provides details of the *Proposal* and describes the impact on your pension scheme. It covers the rationale for the *Proposal*, other options that have been considered and details of what support is available.

Summary reports from the *Policyholder Independent Expert* and the *Transfer Independent Expert* can be found in *Explanatory Booklet Part B* appendices VI and VIII. They consider the *Scheme* and the *Transfer* respectively.

**Chamberlain's Department**

Dr Peter Kane MA, MSc, CPFA  
Chamberlain (Finance Director)

Telephone 020 7332 1133

Fax 020 7710 8539

Email [matt.mott@cityoflondon.gov.uk](mailto:matt.mott@cityoflondon.gov.uk)

Date 9 October 2019

Dear

**Local Government Pension Scheme (LGPS)  
Changes to Equitable Life Additional Voluntary Contribution (AVC) scheme**

I am writing to inform you of the potential changes that will affect your AVC contract with Equitable Life.

Equitable life is proposing to transfer their AVC provision to Utmost Life and Pensions and change the way in which your AVC is invested. It is not yet confirmed that this will happen, it is currently a proposal and below are the relevant points of that proposal.

**The proposal**

**Part one**

- Increase With-Profits Policy Values with an immediate one-off uplift
- Remove investment guarantees (including any guaranteed increases and any with profits switching rights)
- Convert With-Profits Policies to Unit Linked Policies.

**Part two**

- Policy holders (such as the City of London Corporation) and Pension Trustees have been asked to vote on a decision to transfer or they can object if their pension scheme would be affected by the transfer. This is not legally required
- Approval by the High Court is legally required
- Transfer of Equitable Life business to Utmost Life and Pensions

The vote on the transfer must be completed by 1 November 2019 and a hearing is scheduled at the High Court for the 22 November 2019. If the proposal is successful it is intended for the transfer to take full effect on 1 January 2020.



Page 2 of 2

We will contact you again following the High Court hearing and share further information when we receive it. In the meantime should you have any questions please contact me on the details provided at the top of this letter.

Yours sincerely

Matt Mott  
Pensions Manager





# Equitable Life transfer to Utmost Life and Pensions

## Requirement to provide an AVC arrangement

LGPS administering authorities are legally obliged to provide access to an in-house Additional Voluntary Contribution (AVC) arrangement for their members. This was an overriding requirement between 6 April 1988 and 5 April 2006 but is now only a requirement under the LGPS regulations themselves.

The overriding requirement was provided for by:

- section 12 of the Social Security Act 1986 from 6 April 1988 until 6 February 1994
- section 111 of the Pension Schemes Act 1993 from 7 February 1994 until 5 April 2006.

The Scheme requirement is currently provided for by regulation 17 of the LGPS Regulations 2013:

*17. -(1) An active member may enter into arrangements to pay additional voluntary contributions ("AVCs") or to contribute to shared cost additional voluntary contribution arrangements ("SCAVCs") in respect of an employment.*

*(2) The arrangements mentioned in paragraph (1) must be a scheme established under an agreement between the appropriate administering authority and a body approved for the purposes under the Finance Act 2004 ("the AVC provider"), registered in accordance with that Act and administered in accordance with the Pensions Act 2004*

In predecessor regulations the requirement has been provided for by:

- Regulation 60 of the LGPS Regulations 1997
- Regulation 25 of the LGPS (Administration) Regulations 2008

## Equitable Life

Because of the legal requirement mentioned above, all LGPS administering authorities have entered into arrangements with one or more AVC providers. When the requirement was first introduced Equitable Life were a big player in the market and many funds appointed Equitable Life as their sole or joint AVC provider.

In 1999, Equitable Life launched court proceedings to enable it to force policyholders to accept bonus cuts. It won the first stage of its battle only to lose in the Court of Appeal and then the House of Lords.

Following the House of Lords ruling in July 2000 Equitable Life decided it was in the interest of members to find a purchaser for the Society. This failed and on 8

December 2000 it announced that it would not write any new business – it has been operating in run-off since then.

At this time LGPS administering authorities took action regarding:

- whether to retain Equitable Life as an AVC provider, and
- whether to appoint another AVC provider either in substitution for, or as an addition to, Equitable Life.

As a result, most LGPS administering authorities only hold AVC policies with Equitable Life in respect of historical AVCs but we think the amount invested across the whole of the LGPS is still significant.

### **The Proposal**

On 15 June 2018, Equitable Life announced that it has entered into an agreement to transfer its business to Utmost Life and Pensions (previously Reliance Mutual).

Equitable Life's Proposal is made up of two main parts:

**1. The Scheme –**

- increasing with-profits investments with an immediate one-off 'Uplift'
- removing any investment guarantees, and
- converting with-profits policies to unit-linked Investments

**2. The Transfer -**

To transfer to Utmost all of the business of Equitable Life except for certain excluded policies.

The Proposal involves three legal processes:

- (i) the 'Scheme', which is the legal process which would make the changes to the with-profits policies
- (ii) the Change to Articles, which would make Utmost the Equitable Life's only Member
- (iii) the Transfer, which is the legal process which would transfer the transferring business to Utmost.

In August 2019, Equitable Life wrote to all the LGPS administering authorities affected by the transfer (about 45) to advise them that as both 'Scheme Policy Holders' and 'Eligible Members' they are able to vote:

- 1. to approve the 'Scheme'
- 2. to 'Change the Articles'

Administering authorities are also able to object to the transfer of Equitable Life's business to Utmost Life and Pensions (which does not require a vote but does need the approval of the High Court).

The deadline for the receipt of postal and online votes is 10am on 30 October 2019.

## Key points

1. Scheme Policyholders cannot choose to opt out of the Scheme. The Scheme will only go ahead if the statutory majorities are obtained in the vote on the Scheme. These are:
  - a majority of more than 50% of the Scheme Policyholders vote in favour of the Scheme, and
  - the Scheme Policyholders who vote in favour of the Scheme hold 75% or more of the total Voting Value of all the Scheme Policyholders who vote.
2. The Change to the Articles requires approval of at least 75% of the votes cast. If the Change to the Articles is not passed the Scheme will not be implemented.
3. LGPS administering authorities are able to split their vote in a way that represents the preferences of their members.
4. The Scheme will also not become effective unless Utmost obtains a Changes in Control Approval from the Regulators (the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA)), as a result of them becoming the sole member of Equitable.
5. If enough Scheme Policyholders vote for the Scheme and the Change to Articles is passed, Equitable Life intends to return to the High Court to ask it to approve (or “sanction”) the Scheme and the Transfer. This hearing is likely to take place on 22 November 2019.
6. Although there is no policyholder vote on the Transfer, all policyholders of the Equitable are able to raise concerns or object if they believe they will be adversely affected by the Transfer.
7. If the Proposal does not become effective, no Scheme Policyholder would receive any uplift and Equitable would continue to run as it does currently. They would try to find a different solution to the challenges they currently face, which they state include:
  - policyholders choosing to retire or take their benefits later than Equitable expect
  - regulatory requirements to set aside assets to provide for risks, rather than distribute them to their With-Profits Policyholders
  - Equitable becoming too small to function efficiently or cost effectively, and
  - other risks that materialise which mean that future policy payments have to decrease.

Full details about the Proposal is available at  
[WWW.EquitableLife/website.co.uk.proposalaug2019/index](http://WWW.EquitableLife/website.co.uk.proposalaug2019/index) news



## **Establishment Committee Minutes 29 October 2019**

### **7. TRANSFER OF EQUITABLE LIFE TO UTMOST LIFE AND PENSIONS**

The Committee considered a Report of the Chamberlain concerning the Transfer of Equitable Life to Utmost Life and Pensions.

**RESOLVED** – that the Committee approved the following:

- a) agree the Corporation is to vote,
- b) vote for the transfer of Equitable Life business to Utmost Life and Pensions.

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**Chamberlain's Department**

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Chamberlain (Finance Director)

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**Date 20 December 2019**

Dear

**Local Government Pension Scheme (LGPS)  
Equitable Life proposal – Investment choices**

I refer to my letter of 9 October 2019 concerning the Equitable Life proposal to convert with-profits policies to unit-linked investments and to transfer its business to Utmost Life and Pensions.

You may have already heard that Equitable Life has announced that the proposals on the Scheme and the Change to the Articles were both passed by an overwhelming majority. Formal approval to implement the changes has been granted by the High Court and the transfer will take effect on 1 January 2020.

**Equitable Life With Profits Fund**

Default investment choice

If you have some or all of your AVC invested in the Equitable Life With-Profits Fund it will be transferred to Utmost Life and Pensions Secure Cash Investment on 1 January 2020 where it will remain for the first 6 months and then move gradually over the following 6 months into the automatic unit linked investment option, called Investing by Age, to minimise the impact of market fluctuations.

We believe the default investment choice provided by Utmost Life and Pensions is a sensible way of protecting your savings, including the expected uplift. However, if you would prefer your AVC to be invested in a different Utmost Life and Pensions investment you must make your election in writing to the Pensions Office and we will contact Utmost Life and Pensions on your behalf.

For information about the Secure Cash Investment, Investing by Age and other Utmost Life and Pensions investments please visit [www.equitable.co.uk](http://www.equitable.co.uk) or [www.utmost.co.uk](http://www.utmost.co.uk).

## **Equitable Life Unit Linked Investments**

Equitable Life will transfer all its business to Utmost Life and Pensions. If you have any of your AVC invested in Equitable Life unit linked investments they will also be transferred to Utmost Life and Pensions on 1 January 2020, however, the terms and conditions of your AVC policy will not be affected by the transfer.

There will not be a change to your investment except for a change to the investment name. Upon completion of the transfer to Utmost Life and Pensions your money will remain in the same unit linked investments it is currently invested in.

There is a table of the changes on the Equitable Life website

[https://www.equitable.co.uk/ProposalAug2019/pdf/Fund\\_Name\\_Table\\_Full\\_Funds%20List.pdf](https://www.equitable.co.uk/ProposalAug2019/pdf/Fund_Name_Table_Full_Funds%20List.pdf).

There are also factsheets for the UK funds on the Equitable Life website

<https://www.equitable.co.uk/unit-linked-funds/factsheets>.

Aberdeen Standard Investments will also continue to manage some underlying investments in those funds.

Should you have any queries please do not hesitate to contact us on the details provided.

Yours sincerely

Matt Mott  
Pensions Manager



## Email Auto Response

### City of London Pensions Office

**This is an automatically generated delivery status notification. Please do not reply to this message.**

Thank you for your enquiry, which is receiving our attention.

If you have supplied details of a change of address, an update to your expression of wish or a change to your personal circumstances please accept this as our acknowledgement that your record will be updated. We will not send another confirmation that this has happened.

For an indication of your retirement benefits please refer to your most recent annual benefit statement. Annual Benefit Statements for contributing scheme members are distributed by 31 August each year. Annual Benefit Statements for scheme members with deferred pension benefits are distributed in July of each year

**Please note:** If you require an estimate of pension benefits, we will only provide one estimate of voluntary early retirement if your intended retirement date is within the next 5 years and you have not previously received an estimate in the last 12 months. Please allow up to 20 working days to receive this information to your home address.

Estimates for non-voluntary retirement such as, redundancy, ill health and Flexible retirement will be provided to your employer/HR department as part of the formal process.

**HMRC Limits:** If your enquiry is about Annual Allowance (AA) limits we will provide you with an estimate of your personal values in your annual benefit statement. If we believe you may have exceeded the HMRC limits in City of London Corporation LGPS we will also provide you with a Savings Statement by 5 October.

For more information about the LGPS, and to print a variety of our forms please visit our website [www.yourpension.org.uk/cityoflondon](http://www.yourpension.org.uk/cityoflondon)

**If your enquiry is urgent**, such as reporting the death of a scheme member, requesting a Cash Equivalent Transfer Value (CETV) for divorce purposes, about an imminent retirement, or for information to assist you in rent and mortgage approvals please phone **020 7332 1133**.

For any other queries please write to:

Pensions Office

City of London

PO Box 270

Guildhall

London EC2P 2EJ

**Telephone:** 020 7332 1133

**Email:** [pensions@cityoflondon.gov.uk](mailto:pensions@cityoflondon.gov.uk) | [www.yourpension.org.uk/cityoflondon](http://www.yourpension.org.uk/cityoflondon).

**Office Hours:** Mon – Fri 09:00 – 17:00

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