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Local Government Pensions Board

Date: **MONDAY, 25 SEPTEMBER 2023**

Time: 1.45 pm

Venue: **COMMITTEE ROOM - 2ND FLOOR WEST WING, GUILDHALL**

Members: David Pearson, Christina McLellan, Paul Wilkinson, Mark Wheatley, Peter Lisley, Vacancy

Enquiries: **Raquel Pinto**
raquel.pinto@cityoflondon.gov.uk

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Ian Thomas CBE
Town Clerk and Chief Executive

AGENDA

1. **APOLOGIES**

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

3. **ORDER OF THE COURT OF COMMON COUNCIL**
To receive the Order of the Court of Common Council from Thursday 27th April 2023.

For Information
(Pages 5 - 6)

4. **ELECTION OF CHAIR**
To elect a Chair in accordance with Standing Order No. 29

For Decision

5. **ELECTION OF DEPUTY CHAIR**
To elect a Deputy Chair in accordance with Standing Order No. 30.

For Decision

6. **MINUTES**
To consider minutes as follows:-

a) To agree the public minutes and non-public summary of the meeting on 12th December 2022 (Pages 7 - 12)

For Decision

b) To note the public minutes of the Pensions Committee meetings on 8 February and 20 June 2023 (Pages 13 - 24)

For Information

7. **PENSION SCHEME - ADMINISTRATOR'S UPDATE**
Report of the Chamberlain.

For Information
(Pages 25 - 32)

8. **PENSIONS COMMITTEE UPDATE REPORT**
Report of the Chamberlain.

For Information
(Pages 33 - 80)

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

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

11. **EXCLUSION OF THE PUBLIC**
MOTION - That the public be excluded from the meeting for the following items that relate to business under the remit of the Court of Common Council acting in line with requirements of the Public Services Pensions Act 2013 relating to pensions scheme governance, to which Part VA and Schedule 12A of the Local Government Act 1972 public access to meetings provisions to not apply.

For Decision

Part 2 - Non-Public Agenda

12. **MINUTES**
To consider minutes as follows:-

a) To agree the non-public minutes of the meeting on 12th December 2022 (Pages 81 - 82)

b) To agree the confidential minutes of the Local Government Pensions Board meeting on 12th December 2022 (Pages 83 - 84)

For Decision

c) To note the non-public minutes of the Pensions Committee meetings on the 8 February and 20 June 2023 (Pages 85 - 94)

For Information

13. **PENSION SCHEME - ADMINISTRATOR'S UPDATE**
Report of the Chamberlain (non-public appendix B - to be read in conjunction with agenda item 7).

For Information
(Pages 95 - 96)

14. **PENSIONS COMMITTEE UPDATE REPORT**
Report of the Chamberlain. (non-public Appendix A to be read in conjunction with agenda item 8).

For Information
(Pages 97 - 98)

15. **PENSIONS COMMITTEE UPDATE REPORT (NON-PUBLIC)**
Report of the Chamberlain.

For Information
(Pages 99 - 106)

16. **LONDON CIV UPDATE**
Report of the Chamberlain.

For Information
(Pages 107 - 116)

17. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE BOARD**

18. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREES SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

LYONS, Mayor	**RESOLVED:** That the Court of Common Council holden in the Guildhall of the City of London on Thursday 27th April 2023, doth hereby appoint the following Committee until the first meeting of the Court in April, 2024.

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 2023/24**

Three Employer Representatives
Mark Wheatley
Vacancy
Paul Wilkinson

Three Member Representatives
David Pearson (appointed for a four-year term expiring April 2025)
Christina McLellan (appointed for a four-year term expiring April 2024)
Peter Lisley (appointed for a four-year term expiring in April 2027)

together with the co-opted Member referred to in paragraph 1 above, if required and one Member to be appointed this day. The further vacancy will be re-advertised for the May Court of Common Council meeting.

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.

LOCAL GOVERNMENT PENSIONS BOARD

Monday, 12 December 2022

Minutes of the meeting of the Local Government Pensions Board held at the Guildhall EC2 at 4.00 pm

Present

Members:

Mark Wheatley (Chairman)	Christina McLellan
James Tumbridge (Deputy Chairman)	Paul Wilkinson
David Pearson	

Officers:

Kate Limna	-	Chamberlain's Department
Jeff Henegan	-	Chamberlain's Department
Christopher Rumbles	-	Town Clerk's Department
Graham Newman	-	Chamberlain's Department
Amanda Luk	-	Chamberlain's Department
Sarah Port	-	Chamberlain's Department
Emma Moore	-	Chief Operating Officer

1. **APOLOGIES**
   There were none.

2. **MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**
   There were no declarations of interests.

3. **MINUTES**
   RESOLVED – That the public minutes and non-public summary of the Local Government Pensions Board meeting on 22 June 2022 be approved as an accurate record.

   The Chairman commented on the role of Pensions Committee as being the decision making body for all pensions related issues and questioned how this would align to the scrutiny role of Local Government Pensions Board.

   In response, the Chamberlain confirmed that Pensions Committee had been constituted on 1 April 2022 and had met on three occasions to date, with an update included within the papers presented today allowing Board Members an opportunity to review the decisions taken. It was further explained how the interaction between a Pensions Committee and Local Government Pensions Board varied between authorities. It was suggested Board Members may want to consider inviting the Chairman of Pensions Committee to a future meeting of the Board. The Chairman noted that there was no formal structure that had to be observed.

The Deputy Chairman proposed that an informal meeting be held between the Chairmen and Deputy Chairmen of Local Government Pensions Board and Pensions Committee to consider how the two bodies would interact with each other moving forwards, with the Town Clerk agreeing to facilitate a meeting which would include the Chamberlain.

4. **PENSION BOARD (LGPS) ADMINISTRATORS REPORT**

The Board received a report of the Chamberlain providing an update on Pensions Administration as well as providing an update on the work of Pensions Committee in relation to scheme administration and giving details of reporting since the last Local Government Pensions Board meeting on 22 June 2022.

The Deputy Chairman referred to a data breach referenced within the report and requested a further update on this and an assurance that all processes had been followed. The Chamberlain responded assuring Board Members that the data breach had been dealt with in accordance with agreed processes, whilst stressing that any further information would need to be taken during the non-public part of the agenda.

The Deputy Chairman sought an update on the McCloud judgment and whether any updated guidance had been received from Government on a remedy. Members noted that no further guidance had been received to date but with it being hoped that information would come through as soon as it possibly can, with officers proceeding on the basis of what was currently known, against expected changes and final legislation, with there being a target date of October 2023 for its implementation.

The Chairman sought an assurance on the City Corporation's ability to implement any remedy and changes proposed in response to the McCloud judgement, with the Chamberlain explaining how the nature of the Local Government Pensions Scheme, the size of the City Corporation, its workforce and the number of employees it has within the Local Government Pension Scheme, would see fewer Scheme Members affected by the McCloud Judgment than other pensions schemes. This was, however, based on what was known at this point with final legislation still awaited making the position clear, but with there being no concerns in this regard at this stage.

The Deputy Chairman referred to an issue that had been presented at Finance Committee in September 2022 relating to City Fund and Pension Fund Statement of Accounts, with these remaining unsigned owing to a national technical accounting and auditing issue. Finance Committee had agreed that relevant information and a proposed way forward would be passed on to Pensions Committee and Local Government Pensions Board to make them aware of the issue, with the Deputy Chairman noting there was no reference to this within the papers presented today and that he would welcome an update that could be formally recorded.

The Town Clerk responded confirming information relating to the position of the City Fund and Pension Fund Statement of Accounts had been circulated to Members of Local Government Pensions Board between meetings for their information as agreed, with this action to be formally recorded within the minutes of the meeting today for the record.

RESOLVED: That Members: -

- Receive the report and note its content.

5. **SUBJECT: PENSIONS COMMITTEE UPDATE REPORT (PUBLIC)**

The Board received a report of the Chamberlain summarising reports and decisions made by Pensions Committee during the public part of the agenda at their meetings on 11 July, 27 September and 29 November 2022.

The Deputy Chairman referred to Pensions Committee's risk register and how he considered it important to understand Local Government Pensions Board's role in providing oversight of this. The Deputy Chairman added how his understanding of the legal framework was that Local Government Pensions Board continued to have a focus on the compliance side with it reserving the option to request items for inclusion.

The Deputy Chairman noted that 3 additional risks had been added by Pensions Committee covering short term cashflow, Breach of GDPR / Data Protection Regulations and Pension Scheme Administration and sought clarity on the reasons for these risks having being added. The Chamberlain responded explaining how Pensions Committee had taken time to review potential risks under their remit, with there having been a wide ranging discussion and a number of areas raised as potentially presenting a risk, following which an updated risk register with additional risks had been presented and approved.

The Deputy Chairman responded adding how he considered it important that, where Pensions Committee had agreed changes to the risk register, it would be helpful for Local Government Pensions Board to understand why these had been added, which the Chamberlain agreed to review and provide clarity on.

The Deputy Chairman referred to the data breach as an area of concern and questioned whether there was anything in the public part of the agenda that could be provided on this. The Chamberlain responded assuring Board Members that the data breach was not something officers could have prevented, but with it not being possible to provide further detail on this during the public part of the agenda.

The Deputy Chairman referred to the planned informal meeting between the Chairmen and Deputy Chairman of Local Government Pensions Board and Pensions Committee during which they could look to clarify the responsibilities of each and agree the relationship between them. The Deputy Chairman added how it was important for the Board to understand decisions being taken by Pensions Committee, key risks identified and the reason for these. The Chairman added how the meeting would allow for a level of understanding to be agreed between the two bodies as one was developing.

A Board Member remarked on how they were struggling to understand the difference between the roles of Local Government Pensions Board and that of Pensions Committee; clarity was sought on whether Local Government Pensions Board was scrutinising Pensions Committee or if its role was to scrutinise officers at the City Corporation in their implementation of the Local Government Pensions Scheme. The Chamberlain responded clarifying that under the 2013 Public Services Pensions Act the role of a Local Government Pensions Board was to assist the Pensions Committee to ensure the effective and efficient governance and administration of the Local Government Pension Scheme, with its role being one of providing oversight and assurance; the role of Local Government Pensions Board was non-decision making, with Pensions Committee being responsible for taking decisions relating to the City of London Pension Fund.

The Chamberlain added how Local Government Pensions Board had a role in scrutinising and reviewing decisions taken by Pensions Committee.

RESOLED: That Board Members: -

- Receive the report and note its content.

6. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE BOARD**
There were no questions.

7. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**
There were no additional items of business.

8. **EXCLUSION OF THE PUBLIC**
RESOLVED: That the public be excluded from the meeting for the following items that relate to business under the remit of the Court of Common Council acting in line with requirements of the Public Services Pensions Act 2013 relating to pensions scheme governance, to which Part VA and Schedule 12A of the Local Government Act 1972 public access to meetings provisions to not apply.

Part 2 - Non Public Agenda

9. **PENSIONS COMMITTEE UPDATE REPORT (NON PUBLIC)**
The Board received a report of the Chamberlain providing a Pensions Committee Update.

10. **THE CITY CORPORATION'S PENSIONS SCHEME - UPDATE**
The Board received a non-public appendix to be read in conjunction with item 4.

11. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE BOARD**
There were none.

12. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREES SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**
There were no additional items of business.

Part 3 - Confidential Agenda

13. **MINUTES**

RESOLVED: That the confidential minutes of the Local Government Pensions Board meeting on 22nd June 2022 be approved as an accurate record of the meeting.

The meeting closed at time 5.07pm

Chairman

Contact Officer: Chris Rumbles
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PENSIONS COMMITTEE
Wednesday, 8 February 2023

Minutes of the meeting of the Pensions Committee held at Committee Room, West Wing 2nd Floor, Guildhall on Wednesday, 8 February 2023 at 2.00 pm

Present

Members:
Alderman Ian David Luder (Chairman)
Timothy Butcher (Deputy Chairman)
Clare James
David Sales
Deputy Madush Gupta
Deputy Andrien Meyers

Officers:

Caroline Al-Beyerty	-	The Chamberlain
Kate Limna	-	Chamberlain's Department
Graham Newman	-	Chamberlain's Department
Amanda Luk	-	Chamberlain's Department
Sarah Port	-	Chamberlain's Department
Chris Rumbles, Clerk	-	Town Clerk's Department

In attendance:
Lucy Tusa (Mercer)

1. **APOLOGIES**
Apologies were received from Henry Pollard and Sir David Wootton.

2. **MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**
There were no declarations.

3. **MINUTES**
RESOLVED – That the public minutes and non-public summary of the Pensions Committee meeting on 29 November 2022 be approved as an accurate record.

4. **PENSIONS COMMITTEE WORK PROGRAMME 22 / 23**
The Committee considered a report of the Chamberlain detailing a forward-looking Pensions Committee work programme.

RECEIVED

5. **RISK REGISTER FOR THE PENSIONS COMMITTEE**
The Committee considered a report of the Chamberlain presenting a Pensions Committee risk register for review.

The Chamberlain confirmed that there had been no changes to any of the risks since the last meeting. It was highlighted that on page 33 the target risk rating score for risk 13 'failure to discharge responsible investment duties' had not printed out and Members were asked to note that this had a score of four.

McCloud was highlighted as the biggest risk, with the position on this remaining unclear until regulations come through from Central Government. It was unknown at this point when the regulations would be published.

There was a question raised regarding any potential impact on the Local Government Pensions Scheme as a result of a nuance on the Teachers Pension Scheme and this impacting on McCloud, with the Chamberlain responding confirming she was not aware of this but would follow up with the actuary to establish the position.

A Member sought an assurance regarding short-term cashflow and any impacts as a result of inflation. The Chamberlain confirmed this was in hand with a paper due to follow at the next meeting providing a cash flow update. Currently enough cash flow was coming through to meet all Pension Fund obligations but with this being kept under review and Pensions Committee would be kept up to date.

The Chairman referred to the current approach of reviewing the Pensions Committee Risk Register at each meeting. Having established key risks in the early stages of the Committee and with these now being in place, the Chairman proposed a move to bi-annual reporting of the Risk Register and only where a score had worsened or where something was going awry would reporting be required. Members were in agreement with this change in reporting frequency, with an acknowledgement of the comprehensive risk review that had been undertaken during the early stages of the Committee in considering all potential risks and capturing these.

The Chamberlain proposed risk register reporting be done on a six-monthly basis. Where there were proposed changes to the risk register or where a target score was not being met this would continue to be reported as required. Members endorsed this revised this timetable for risk reporting.

RESOLVED: That Members

- Reviewed the existing risks and actions present on the Pensions Committee's Risk Register, and confirmed that appropriate control measures were in place; and
- Confirmed that there were no further risks relating to the services overseen by the Pensions Committee and that the Risk Register would be reviewed every six months.

6. **PENSIONS SCHEME - ADMINISTRATOR'S UPDATE**

The Committee received a report of the Chamberlain providing a summary of general information around a range of topics in relation to the administration of the Scheme since the last Committee meeting.

The Chamberlain highlighted the Key Performance Indicator (KPI) relating to Payment of lump sum death grants and meeting this target being dependent on all the required paperwork being received in the correct format and with the correct details being provided; this often involved a number of beneficiaries and requiring all the paperwork to be completed by each of them. There were also instances where no death grant form had been completed or where there was a struggle to identify a beneficiary Delays can often occur where paperwork has to be returned to request additional information, however the KPI starts from the date the application was received by the Pensions Office.

The Deputy Chairman remarked that a five-day target for death grants appeared very tight given all the paperwork involved, adding there was no benefit in having a target that cannot be met and suggesting it should be reviewed. The Chamberlain agreed to review the KPI target for payment of death grants and come back with a target that more accurately reflected the work involved in making the payment.

The Chairman added that the payment of lump sum death grant KPI had been impacted by two payments that had fallen below the target, with this small number having a big percentage impact on the overall target score. The Chairman suggested that officers could consider an appropriate scoring method to avoid a situation of multiple beneficiaries and a delay in one replying impacting on the overall KPI score.

Reference was made to complaints dealt with under the Scheme's Internal Disputes Resolution Process. Members noted that the detail of these complaints would need to be taken in the non-public part of the agenda.

A Member referred to the Pensions Dashboard and questioned if there was any information available on this, with Members noting it was being worked on in the background and that an update would follow. It was agreed that a Pensions Dashboard update would be included in future administration updates to keep Members up to date on progress with this area of work.

RESOLVED: That Members: -

- Receive the report and note its content.

7. **LOCAL GOVERNMENT PENSION SCHEME - ADMINISTRATION STRATEGY**
The Committee received an Administration Strategy document for the City of London Pensions Fund for their review and to provide feedback thereon.

The Chairman remarked on how the strategy document appeared to codify what was already being done, with the Chamberlain acknowledging this point and confirming the intention to bring the Administration Strategy back every two years for Members' consideration and review.

RECEIVED

8. **FUNDING STRATEGY STATEMENT**
The Committee considered a Funding Strategy Statement (the 'FSS') that had been produced in accordance with the Public Service Pension Act 2013.

A Member noted reference to consultation with key parties and questioned whether this had included consultation with all employers before the document was published, to which the Chamberlain responded confirming the City Corporation was the major employer in the fund at over 90% and with consultation taking place through Pensions Committee representing the City Corporation. There were other Admitted Bodies in the fund but with most of these having a small number of employees, it not being considered necessary to consult with them. The City Corporation at 90% of the fund would take precedence. The Chairman proposed that the Funding Strategy Statement be presented to Local Government Pensions Board for their information.

The Chairman noted reference within the document to the aims of the fund being to enable primary contribution rates to be kept as nearly constant as possible and suggested additional wording could be included to reference 'taking into account movements in secondary rates' as this had the potential to counteract any movement in the primary rate and therefore see the overall rate being maintained as constant. Following a brief discussion, Members agreed that it should be the overall contribution rate being kept as constant as possible and reference to 'primary' should be removed.

RESOLVED: That Members: -

- Agreed the revised Funding Strategy Statement, subject to removal of the word 'primary'.

9. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
There were none.

10. **ANY OTHER BUSINESS THAT THE CHAIR CONSIDERS URGENT**
There were no additional items of business.

11. **EXCLUSION OF THE PUBLIC**
RESOLVED: That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part I of the Schedule 12A of the Local Government Act.

12. **MINUTES**
RESOLVED – That the non-public minutes of the Pensions Committee meeting on 29 November 2022 be approved as an accurate record.

Complaints or disputes under the Scheme's Internal Disputes Resolution Process (IDRP)
At this point in the meeting, Members received an update on complaints that were being dealt with under the Scheme's Internal Disputes Resolution Process.

13. **PENSION FUND - FINAL DRAFT ACTUARIAL VALUATION AS AT 31 MARCH 2022**
The Committee considered a report of the Chamberlain presenting a Pension Fund – Final Draft Actuarial Valuation as at 31 March 2022.

14. **PERFORMANCE MONITORING PENSION FUND TO 31 DECEMBER 2022**

a) **City of London Corporation Pension Fund Quarterly Monitoring Report Q4 2022**

The Committee received a report of the Chamberlain providing a Pension Fund quarterly monitoring report for Q4 2022.

b) **Investment Performance Monitoring to 31 December 2022**

The Committee received a report of the Chamberlain providing an update on Investment Performance Monitoring to 31 December 2022.

17. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**

A question was raised in relation to the following item:

GMP Reconciliation

18. **ANY OTHER BUSINESS THAT THE CHAIR CONSIDERS URGENT AND THAT THE COMMITTEE AGREES SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

An additional item of business was considered as follows:

Responsible Investment Statement

The meeting ended at 3.00pm

Chairman

Contact Officer: Chris Rumbles
christopher.rumbles@cityoflondon.gov.uk

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PENSIONS COMMITTEE
Tuesday, 20 June 2023

Minutes of the meeting of the Pensions Committee held at Committee Room, 2nd Floor West Wing, Guildhall on Tuesday, 20 June 2023 at 2.00 pm

Present

Members:
Timothy Butcher (Chairman)
David Sales (Deputy Chairman)
Clare James
Alderman Ian David Luder
Deputy Andrien Meyers

In attendance (observing online)
Shahnan Bakth
Deputy Madush Gupta

Officers:

Caroline Al-Beyerty	-	The Chamberlain
Kate Limna	-	Chamberlain’s Department
Graham Newman	-	Chamberlain’s Department
Sarah Port	-	Chamberlain’s Department
Amanda Luk	-	Chamberlain’s Department
Chris Rumbles, Clerk	-	Town Clerk’s Department

In attendance:
Lucy Tusa (Mercer)
Greg Hall (Mercer)

With Alderman Ian Luder in the Chair.

1. **APOLOGIES**
Apologies were received from Henry Pollard.

2. **MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**
There were no declarations.

3. **ORDER OF THE COURT**
The Committee received an order of the Court of Common Council dated 27th April 2023 appointing the Committee and agreeing its terms of reference for the ensuing year.

RECEIVED

4. **ELECTION OF CHAIR**
The Committee proceeded to elect a Chair in accordance with Standing Order No. 29.

Timothy Butcher, being the only Member expressing their willingness to serve, was duly elected Chairman for the ensuing year.

5. **ELECTION OF DEPUTY CHAIR**
The Committee proceeded to elect a Deputy Chairman in accordance with Standing Order No 30.

David Sales, being the only Member expressing their willingness to serve, was duly elected Chairman for the ensuing year.

VOTE OF THANKS

Andrien Meyers moved a vote of thanks to Alderman Ian Luder, the immediate past Chairman.

RESOLVED UNANIMOUSLY: That, at the conclusion of his term of office as Chairman, the Members of Pensions Committee wish to express to:

Alderman Ian Luder

their sincere thanks and appreciation for the commitment, professionalism and leadership he has provided in overseeing all aspects of the work of the Committee, and for the exemplary manner in which he has presided over proceedings during his term as Chairman.

As Chairman of Pensions Committee since its creation in July 2022, Ian has provided a consistently high level of strategic leadership and direction in overseeing and guiding the work of the Committee through its initial phase. He has maintained a level of knowledge and understanding of the Local Government Pensions Scheme, its key policies and legal framework that has allowed him to steer the work of the Committee and its future direction.

Under Ian's Chairmanship, the Committee has continued to provide strategic oversight and direction of the Pension Fund, ensuring proper governance processes and procedures were being implemented and maintained, that key challenges and risks were regularly reviewed, identified and responded to, with communications strategies being developed and implemented in responding to emerging developments. Also, that the Pension Fund's aims and objectives were being met through regular review of the investment strategy, investment performance and through ensuring the asset allocation strategy responded to and aligned to the aims, objectives and commitments of the City Corporation's Responsible Business Strategy. Ian's leadership has been invaluable in guiding the Committee through these crucial areas of work along with the strategic direction he has provided.

Finally, the Committee wishes to place on record its recognition to Ian for his commitment to the work of the Committee, to convey their gratitude for the leadership he has provided and to offer him their best wishes for the future.

6. **MINUTES**
RESOLVED: That the public minutes of the Pensions Committee meeting on Wednesday 8 February 2023 be approved as an accurate record.

The Chairman proposed that moving forwards Local Government Pensions Board minutes should come to Pensions Committee for Members' information, with Pensions Committee minutes going to Local Government Pensions Board for Board Members' information.

7. **PENSIONS COMMITTEE WORK PROGRAMME**
The Committee considered a report of the Chamberlain detailing a forward-looking Pensions Committee work programme. The Chamberlain commented that as an aide memoire, a note would be added to the bottom of the work programme to indicate that the Administration Strategy would next be reviewed in February 2025.

RESOLVED: That Members: -

- Receive the report and note its content.

8. **PENSIONS SCHEME ADMINISTRATOR'S UPDATE REPORT**
The Committee received a report of the Chamberlain providing a summary of general information around a range of topics in relation to the administration of the Scheme since the last Committee meeting.

A Member questioned whether a message relating to McCloud would be included on payslips, with Members noting that payslips were now circulated electronically and with there being a limit to the amount of information you can include on these. The Chamberlain suggested that information relating to McCloud could be added to the intranet or included within the Town Clerk's monthly email to all City Corporation staff, with these providing an effective way of highlighting the issue to all staff.

The Chairman sought clarity on how any remedy from McCloud would be paid, with Members noting that the position remained unclear at this stage as to how any payment was to be made. The Chamberlain responded stating that while it is yet to be confirmed, it is expected that if there are any arrears owed they would be paid to the scheme member as a lump sum as soon as practicable.

A Member referred to the McCloud judgement, ramifications on Teachers' pensions and questioned any impact this may present on the City of London Corporation's Pensions Scheme, with the Chamberlain confirming a response on this would need to be given during the non-public session.

RESOLVED: That Members: -

- Receive the report and note its content.

9. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
There were no questions.

10. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**
There were no additional items of business.

11. **EXCLUSION OF THE PUBLIC**

RESOLVED: That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part I of the Schedule 12A of the Local Government Act.

12. **MINUTES**

RESOLVED: That the non-public minutes of the Pensions Committee meeting on 8 February 2023 be approved as an accurate record.

13. **PERFORMANCE MONITORING**

a) Quarterly Report to 31 March 2023

The Committee received a report of the Chamberlain providing a Pension Fund quarterly monitoring report for Quarter 1 2023.

b) Investment Performance Monitoring to 30 April 2023

The Committee received a report of the Chamberlain providing an update on Investment Performance Monitoring to 30 April 2023.

14. **LONDON COLLECTIVE INVESTMENT VEHICLE (LCIV) UPDATE**

The Committee received a report of the Chamberlain providing an update on the London CIV, the asset pool operator for London Local Government Pension Scheme Funds.

15. **PENSIONS FUND CASHFLOW FORECAST**

The Committee received a report of the Chamberlain reporting details of cashflow for the City of London Pension Fund.

16. **DECISIONS TAKEN UNDER DELEGATED AUTHORITY OR URGENCY POWERS**

The Committee received a report of the Deputy Town Clerk detailing decisions taken by the Town Clerk under delegated or urgency powers, in consultation with the Chairman and Deputy Chairman.

17. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**

There were no questions.

18. **ANY OTHER BUSINESS THAT THE CHAIR CONSIDERS URGENT AND THAT THE COMMITTEE AGREES SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

The following item of business was considered.

a) Investment Strategy/Strategic Asset Allocation Review

The Committee considered a report of the Chamberlain relating to an investment strategy and strategic asset allocation of the City of London Pension Fund.

The meeting ended at 3.42pm

Chairman

Contact Officer: Chris Rumbles
christopher.rumbles@cityoflondon.gov.uk

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Committee(s) Local Government Pensions Board	Dated: 25 September 2023
Subject: Pensions Scheme – Administrator's Update	**Public**
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	**N/A**
Does this proposal require extra revenue and/or capital spending?	**N**
If so, how much?	**N/A**
What is the source of Funding?	
Has this Funding Source been agreed with the Chamberlain's Department?	**N/A**
Report of: The Chamberlain	**For Information**
Report author: Graham Newman – Chamberlain's Department	

Summary

The City of London Corporation established a Pensions Committee (the Committee) in April 2022 and its first meeting was held on 11 July 2022. Meetings are held quarterly, with the most recent held on 12 September 2023. The Committee is responsible for all functions and responsibilities relating to the City of London Pension Fund including arrangements for the investments, administration and management of the fund

The Local Government Pensions Board has responsibility for assisting the Pensions Committee to ensure the effective and efficient governance and administration of the scheme. The role is one of providing oversight of assurance in the governance of the scheme administration and not in decision making.

The following table shows the scheme administration details that have reported to the Pensions Committee since the last Local Government Pensions Board meeting on 12 December 2022.

Item	Update
Annual schedule of events for the administration of the Pensions Scheme	**Appendix A** provides details of the events / dates that form the main diary of the Scheme administration.
Information of Scheme Record Keeping	As the Scheme's administrating authority, the City is responsible for making sure the scheme has good records. The City is required to ensure it has accurate, complete and up-to-date records and should have controls and processes in place to maintain these standards. Failure to maintain complete and accurate records can risk not meeting legal obligations as set by the Pensions Regulator which could lead to fines and/or enforcement action being taken. The City's scheme data is measured once a year and the data scores are submitted to the Pensions Regulator (tPR) in the annual scheme return.

Complaints or disputes under the Scheme's Internal Disputes Resolution Process (IDRP)	Two IDRP Stage Two complaints have been received, both of which have been completed.
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	None to report.
Guaranteed Minimum Pensions (GMP) Reconciliation	A requirement has been placed upon all UK Pension Schemes by the Department for Work and Pensions (DWP) and the Pensions Regulator (tPR) to ensure scheme data is accurate and this includes Guaranteed Minimum Pensions (GMP) data which is jointly held by each scheme and by HMRC. Due to the ceasing of Contracting Out with effect from April 2016 HMRC will no longer process GMPs, therefore, each pension scheme is responsible for checking the data they hold matches that of HMRC. Contracting Out enabled scheme members to opt out of the State Second Pension (S2P), formerly known as State Earning Related Pension Scheme (SERPS), which is the element of the state pension based on National Insurance contributions. In return the member would receive a pension equivalent to S2P (had they not contracted out) payable from the scheme the member had contracted out with. This is known as the Guaranteed Minimum Pension (GMP) Mercers (formally JLT) have been commissioned to facilitate this project and a report will be brought to the Committee following the conclusion of the reconciliation.
Pension Administration System	The City uses a pensions administration system known as Altair that is provided by the supplier Heywood. A project was started in 2021 to update the system and the pension data from the City's servers was successfully moved to a hosted environment provided by Heywood in November of that year. The Pensions Office is currently in the process of implementing the Member Self-Service system. This system has the potential to allow members to access their pension record, make amendments to selected personal data (i.e. name, partnership status, death grant

	nominees) and to run their own retirement estimates. It may also provide a platform for providing annual benefit statements and other bulk mailings. In-house User Acceptance Testing of the system is being undertaken, and the expected 'go live' date for active scheme member self-service will be the autumn, with self-service for deferred and pensioner members following at a later date.
Public Sector Pensions Legal Challenge	Lord Chancellor and Secretary of State for Justice v McCloud and others With effect from April 2015 (April 2014 for the LGPS) all public sector pension schemes were subjected to reforms that changed the way benefits were accrued and the date from which they would become payable. However, the legality of these reforms were successfully challenged and they were found to be discriminatory on the grounds of age. This challenge came to be referred to as 'McCloud'. The government consulted on what method of 'Remedy' should be used to remove the discrimination and on 10 March 2022 the Public Service Pensions and Judicial Offices Act 2022 received Royal Assent. The main purpose of the Act was to set out the intention of the 'McCloud Remedy' and implement it in the public service pension schemes. However, the Act did not provide specific information as to how the remedy is to be implemented for individual schemes and further guidance and legislation was required before any action can be taken in respect of the LGPS. In April 2023, the Scheme Advisory Board, in collaboration with the Department for Levelling Up, Communities and Housing (DLUHC), published a factsheet summarising the remedy for members. This factsheet has been added to the City's Pensions website and a link has been included in the 2023 Annual Benefit Statements (ABS). In addition, a link to the factsheet will be advertised on the City's intranet to coincide with the distribution of the Annual Benefit Statements. The draft scheme regulations which would implement the remedy have been published and can be found at: bit.ly/43sT9DG DLUHC published a consultation in respect of these regulations which closed on 30 June 2023 to seek views in respect of this document. The Local Government Association (LGA) responded to the consultation on behalf of local authorities and their response can be found at https://www.lgpsregs.org/schemeregs/consultations.php
Pension Board Training	All Members of the Board are asked to check their TPR online training and continue to complete any outstanding modules they may have. The link for the online training is: https://www.thepensionsregulator.gov.uk/en/public-service-

	pension-schemes/understanding-your-role/learn-about-managing-public-service-schemes Details in respect of training modules completed by each Member are included on the non-public agenda (**Appendix B**) The Pensions Manager will be reviewing topics for training to cover in the coming year.
Pensions Dashboards	Introduced by the Department for Work and Pensions (DWP), Pensions Dashboards have been designed to provide an online platform that will allow individuals to access details of their accrued pension benefits from multiple sources in one place. The intention is to support better planning for retirement, and help individuals reconnect with any pension pots they may have lost over time. In respect of Public Sector Pension Schemes, the initial expectation was that schemes would be required to connect to the online dashboard infrastructure by 30 September 2024. However a written Ministerial Statement made on 2 March 2023 stated that delays setting up the dashboard programme has meant that the original timetables have been re-considered. A revised staging timetable will be set on in guidance and all schemes in scope will need to connect by 31 October 2026. The staging timetable will indicate when schemes are scheduled to connect, based upon their size and type. The Pensions Regulator (TPR) updated its 'Failing to comply with dashboards duties' guidance in June 2023: (https://www.thepensionsregulator.gov.uk/en/trustees/contributions-data-and-transfers/dashboards-guidance/failing-to-comply-with-pensions-dashboards-duties). The purpose of the guidance is to outline what schemes will need to do to demonstrate that they have had regard to the staging timetable that will be set out in the connection guidance. TPR expectations of schemes to show they 'have regards to the connection guidance' includes: • Connect to dashboards by the connection deadline of 31 October 2026 that is set out in legislation. Failure to do so could result in regulatory action by TPR. • A revised staging timetable will be set out in guidance which will indicate when schemes are scheduled to connect. All trustees and scheme managers must have regard to this guidance. Failure to do so will be a breach. • Although the timelines in the guidance will not be mandatory, schemes will be expected to demonstrate how they have had regard to the guidance. • A phased approach to staging enables a controlled and well-planned connection, reduces the risk of provider capacity constraints and means savers can realise the benefits of dashboards as early as possible. • Continuing to prepare for dashboards by engaging with those who will support them and their dashboard duties.

	The Pensions Dashboards Programme (PDP) has updated their FAQs to reflect the new connection deadline announcement https://www.pensionsdashboardsprogramme.org.uk/faqs/

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 (Administration)
Appendix B – Member Training (NON PUBLIC)

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Appendix A

Local Government Pension Administration - Schedule of Events 2022/23

Date Due	Event	Completed
1 December 2021	Publication of 2020/21 Pension Fund Accounts and Annual Report	Draft accounts published only. Awaiting sign off on City Fund Accounts.
1 December 2022	Publication of 2021/22 Pension Fund Accounts and Annual Report	Draft accounts published only. Awaiting sign off on City Fund Accounts.
2 January 2023	Scheme Return to the Pensions Regulator	29 December 2022
31 January 2023	HMRC Event 22 Report – List of Annual Allowance cases exceeding the Previous years' threshold.	31 January 2023
February 2023	Tax Return for Quarter 3 (to 31/12/2022)	31 January 2023
1 April 2023	Employee Contribution band review/ implementation.	1 April 2023
1 April 2023	Revaluation of CARE benefits.	1 April 2023
1 Monday in April following Tax Year End	Pensions Increase (PI) – Annual Inflation increase.	10 April 2023
May 2023	Tax return for Quarter 4 (to 31/3/2023)	28 April 2023
31 May 2023	Pensioner P60s distributed	31 May 2023
31 May 2023	Publish draft City Fund Accounts 2022/23 (including the Pension Fund Accounts)	The Pension Fund accounts are ready in draft format, but the City Fund Accounts are yet to be finalised. A notice of delay has been published on the CoL website.
June/July 2023	Year-end data to the pension fund's actuary	April / May 2023
August 2023	Tax return for Quarter 1 (to 30/06/2023)	1 August 2023
31 August 2023	Issue of Annual Benefit Statements deadline.	31 August 2023
30 September 2023	Employee Contribution Band review	
5 October 2023	Issue of Annual Allowance (AA) Saving Statements deadline	
November 2023	Tax return for Quarter 2 (to 30/09/2023)	
1 December 2023	Publication of 2022/23 Pension Fund Accounts and Annual Report	

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Committee(s): Local Government Pensions Board	Dated: 25 September 2023
Subject: Pensions Committee Update Report (Public)	**Public**
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	**N/A**
Does this proposal require extra revenue and/or capital spending?	**N/A**
If so, how much?	**N/A**
What is the source of Funding?	**N/A**
Has this Funding Source been agreed with the Chamberlain's Department?	**N/A**
Report of: The Chamberlain	**For Information**
Report author: Kate Limna – Chamberlain's Department	

Summary

The Local Government Pensions Board has responsibility for assisting the Pensions Committee to ensure the effective and efficient governance and administration of the scheme. The role is one of providing oversight of assurance in the governance of the scheme administration and not in decision making. This report summarises the reports and decisions made by the Pensions Committee on the public agenda at their meetings on 8 February and 20 June 2023. A further meeting was held on 12 September but due to administrative deadlines, an update is not included in this report.

Recommendation

Members are asked to note the report.

Main Report

Background

1. This report summarises the reports and decisions made by the Pensions Committee on the public agenda at their meetings on 8 March and 20 June 2023.

2. The following Members were elected to the Pensions Committee by the Court during 2022.

   - Ian David Luder, J.P., Alderman (4 year term ending April 2026) (resigned from the Court on 12 July 2023)
   - James Henry George Pollard, Deputy (4 year term ending April 2026)
   - David James Sales (4 year term ending April 2026)
   - Sir David Wootton, Alderman (4 year term ending April 2026)
   - Shahnan Bakth, (2 year term ending April 2024)
   - Timothy Richard Butcher, (2 year term ending April 2024)
   - Deputy Madush Gupta ((2 year term ending April 2024)
   - Deputy Andrien Meyers (2 year term ending April 2024)

3. The Pensions Committee met for the first time on 11 July 2022 where Alderman Ian Luder was elected Chair and Timothy Butcher was elected Deputy Chair. At

this meeting, the Committee agreed to co-opt one independent member, Clare James. Ms James is an actuary who had been a Common Councillor until standing down at the last election. She is co-opted for 2 years.

4. At the meeting on 20 June 2023 Alderman Luder stepped down as Chair of the Pensions Committee and subsequently resigned from the Court on 12 July 2023. At the June meeting Timothy Butcher was elected Chair and David Sales was elected Deputy Chair.

Pension Committee Minutes

5. At the June Pensions Committee meeting, Members agreed that the minutes of the Pensions Committee should go to the Local Government Pensions Board for information and vice versa.

Training

6. All Members of the Pensions Committee are required to complete the Pension Regulator's (tPR) training modules in respect of the public sector pension schemes. Details of training modules completed by each Member are included on the non-public agenda (Appendix A).

Administration

7. At each meeting the Pensions Committee has received the Administrators Update and there is a separate report covering this on today's Agenda.

Risk Register

8. The Risk Register for the Pensions Committee was previously reviewed at each meeting. At the September meeting, Members reviewed the risks and confirmed that the appropriate controls were in place and there were no further risks relating to the service. They had previously agreed to review the Risk Register every 6 months. The Risk Register is attached at Appendix B (i) with the CoL Risk Matrix attached as Appendix B (ii). The report to the Pensions Committee can be found here and table 1 below provides a summary of the risks.

Table 1: Risk Summary

Risk code	Risk title	Current Risk Score	Current Risk Score Indicator
CHB Pensions 009	McCloud Remedy	16	
CHB Pensions 001	Insufficient assets - Pensions Fund	8	
CHB Pensions 010	Targeted returns – Pension Fund	6	
CHB Pensions 003	Short term Cash flow	4	
CHB Pensions 004	Breach of GDPR/Data Protection regulations	4	
CHB Pensions 006	Employer Insolvency	4	
CHB Pensions 007	Cyber Security	4	
CHB Pensions 008	Pension Scheme Administration	4	
CHB Pensions 011	Service provider failure	4	
CHB Pensions 012	Governance/Legislative Compliance	4	
CHB Pensions 013	Failure to discharge responsible investment duties	4	
CHB Pensions 005	Fraud	2	
CHB Pensions 002	Actuarial Valuation	1	

Funding Strategy Statement

9. All Local Government Pension Scheme (LGPS) Funds are required to prepare, maintain and publish a Funding Strategy Statement (FSS) in accordance with the Public Service Pension Act 2013. The FSS governs how employer liabilities are measured, the pace at which these liabilities are funded, and how employers, or pools of employers, pay for their own liabilities. In preparing, maintaining and reviewing the FSS, the administering authority must have regard to guidance published by CIPFA. The latest guidance was published in September 2016. It is subject to periodic review at least every three years and has been amended following the 2022 triennial actuarial review.

10. The FSS was last revised in 2020 and included amendments for the McCloud/Sargent judgement on age discrimination, regular reviews of contribution rates between valuations and procedures for admission bodies exiting the Fund (known as deferred debt arrangements). For this review, a new section has been included on “Climate Change Risk and opportunities”.

11. The FSS is a “living” document and is subject to periodic review at least every three years.

12. Having reviewed the FSS at their February meeting, Members asked for a minor amendment around the wording to the aims of the fund and following a discussion it was agreed that it should be the overall contribution rate being kept as constant

as possible and reference to “primary” should be removed. The FSS is attached at Appendix C to this report (with the amendment highlighted) and is also included in the Pension Fund Annual Report; the report to the February Pensions Committee can be found here.

Conclusion

13. The Pensions Committee met on 8 February and 20 June 2023. This report is a summary of the reports and decisions made under the public side of the agenda. A further meeting was held on 12 September but due to administrative deadlines, an update is not included in this report.

Appendices

- Appendix A Pension Committee Member Training (NON PUBLIC)
- Appendix B (i) Pensions Committee Risk Register
- Appendix B (ii) CoL Risk Matrix
- Appendix C Funding Strategy Statement

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Appendix 1

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 right (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.

(A) Likelihood criteria

	Rare (1)	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)

(B) Impact criteria

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

(C) Risk scoring grid

		Impact			
Likelihood	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**

(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

October 2015

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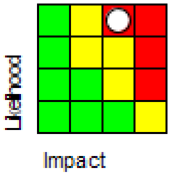
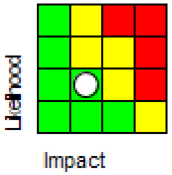
CHB PENSIONS COMMITTEE Detailed risk register EXCLUDING COMPLETED ACTIONS

Report Author: Amanda Luk
Generated on: 11 August 2023

Rows are sorted by Risk Score

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/Risk Approach	Current Risk score change indicator
CHB Pensions 009 McCloud Remedy	**Cause**: Implementation of the proposed remedy following new pension legislation and scheme specific regulations for the removal of age discrimination from the LGPS due to the McCloud judgement. **Event:** The impact of scheme amendments upon scheme members, Pensions Office and scheme employers due to implementation of the proposed remedy for McCloud. **Effect**: The Pensions Office is unable to adequately comply with legislative and regulatory amendments arising from the proposed McCloud remedy.		**16**	In December 2018, the Court of Appeal ruled that the "underpin protection" included in the 2014 LGPS reforms directly discriminated against some younger pension scheme members – this is now referred to as the McCloud Judgement or McCloud. On 15 July 2019 the government confirmed that the difference in treatment would be remedied in the LGPS and subsequently published a consultation document that set out options for how the government proposed to remove the discrimination. In February 2021 HM Treasury published its response to the consultation document and set out its preferred remedy choice.		**4**	01-Oct-2023	

20-Jan-2022 Kate Limna				Further legislative changes are required before the remedy can be implemented, however, due to the complexity of the proposed remedy pension administrators and pension systems providers have commenced development of systems and processes based on current understandings to enable the remedy to be implemented. On 10 March 2022 the Public Services and Judicial Offices Act 2022 received Royal Assent. The main purpose of the Act was to support the implementation of the McCloud remedy, however further guidance and legislation is required before it can be applied directly to the LGPS. **11 Aug 2023**				Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB Pensions 009a	DLUHC has confirmed the proposed remedy and the intention to introduce legislation to the statute books from 1 April 2023 but applied retrospectively to 31 March 2012 and 31 March 2014. The Pensions Office will need to understand what this means, develop processes and calculations to apply the regulations for the amended schemes and should be aware of all relevant correspondence issued by the DLUHC, LGA & HMRC and regularly attend seminars, forums, webinars and user groups.	Continue with membership of working groups including South East Counties Senior Officer Group (SECSOG), Aquila Heywood Remedy Implementation Group, to ensure development of software and understanding of legislation. Attend conferences, webinars, forums and seminars as appropriate and keep up to date with bulletins and guidance from the Home Office.	Graham Newman	11-Aug-2023	01-Oct-2023
CHB Pensions 009b	Identification of eligible scheme members who will qualify for the remedy. All data must be reviewed and if necessary	Perform data review exercise in bulk and individually to identify scheme members who may qualify and/or identify missing data.	Graham Newman	11-Aug-2023	01-Oct-2023

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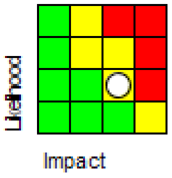
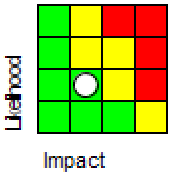
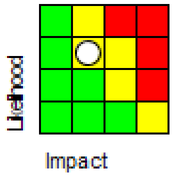
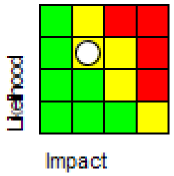
	amended. In some cases data may be missing and must be requested from employers and previous pension providers.	Software provider currently developing systems to identify qualifying scheme member on bulk reports. Develop data process to request missing information and scheme member record update.			
CHB Pensions 009c	System Development Calculation/Revaluation	Software provider currently developing calculations and recalculations of deferred benefits and those already in receipt of pension to identify incorrect values and any over/underpayments. Development should include bulk calculations and calculations for individuals, include revised pension amounts, arrears payable/collectible (benefits and contributions) plus interest payable if applicable.	Graham Newman	11-Aug-2023	01-Oct-2023
CHB Pensions 009d	Working in conjunction with LGA to prepare communications and standard responses (FAQs) to be sent to affected scheme members.	It will be essential for communications to be regular and clear. Further detail about the proposed remedy and delivery of it, including scheme members who may be affected, must be known prior to any specific remedy communications. The Pensions Office website carries current information from various sources including DLUHC. Further communications will be added when they are released. The Annual Benefit Statements (ABS) contain a statement on McCloud provided by the LGA and in 2023 will also include a link to a leaflet that was created by the LGA in conjunction with the Scheme Advisory Board (SAB). This leaflet is also already available on the City's Pension Website. The ABS will need to be amended following implementation of the amended regulations as ~~it is anticipated~~ McCloud data will need to be included for each scheme member. Scheme members who may be affected will need a final communication confirming if benefit values have been amended and if so by how much, including value of arrears and interest if applicable.	Graham Newman	11-Aug-2023	01-Oct-2023

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/Risk Approach	Current Risk score change indicator
CHB Pensions 001 Insufficient Assets 17-Dec-2019 Kate Limna	**Cause:** The asset allocation of the Pension Fund portfolio is unable to fund long term liabilities due to market movements **Event:** There are insufficient assets to meet liabilities **Effect:** Reduced income or lower than anticipated growth. Participating employers are required to provide further funding through increased contributions to finance liabilities.		**8**	The Pension Fund's absolute return target has been set at 5.2% annually from 1st April 2020 by the Financial Investment Board (which is consistent with the strategy for funding the Fund's liabilities). As at 31 July 2023, the Fund is outperforming its absolute return target over three years but underperformed over one and five years; the Fund has produced a positive return over all time frames. This is largely as a result of global equity markets which performed well in the first seven months of the year following a difficult 2022. ~~Financial Markets have been very volatile over the last year due to the war in Ukraine, increasing inflation and interest rates and the effect of the September mini budget which was shortly u-turned on. This has affected stock markets, with the MSCI AC World and MSCI World all returning negatively for the year ended 31 December but despite global turmoil FTSE All share ended on a modest annual gain.~~ **11 Aug 2023**		**4**	31-Mar-2024	Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB Pensions 001a	The Investment strategy of the Pension Fund is reviewed at least every three years following the triennial valuation with proper advice from the Investment Consultant.	The Pension Fund Investment Strategy was reviewed following the completion of the 2019 triennial valuation of the Fund's liabilities, by the Financial Investment Board in July 2020. This ensured that the investment strategy remained appropriate in the context of the Fund's updated liabilities valuation and the current investment environment. The 2022 triennial actuarial valuation has been finalised ~~is currently being finalised~~ by the scheme Actuary, Barnett Waddingham and ~~once this is completed~~, the Investment Strategy Statement is being ~~will be~~ reviewed by the Pensions Committee.	Caroline Al-Beyerty; Kate Limna	11-Aug-2023	31-Mar-2024
CHB Pensions 001b	The investment performance of the Pension Fund is measured against absolute return targets required to meet long term objectives. This will be reported to the Pensions Committee 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.	The investment performance of the Pension Fund will be brought to each Pensions Committee for consideration.	Kate Limna	11-Aug-2023	31-Mar-2024

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/Risk Approach	Current Risk score change indicator
CHB Pensions 010 Targeted returns 06-Mar-2018 Caroline Al-Beyerty	**Cause:** Fund managers (including the London CIV) fail to achieve the targeted investment returns because • unsuitable fund managers are appointed, • individual fund managers underperform against the benchmarks agreed by the Committee, • aggregate fund manager performance fails to achieve the long-term targets, • Number of investors in a fund may diminish below a minimum level causing the fund to close. **Event:** Failure to be seen to manage the funds responsibly. **Effect:** Supervisory intervention over management of the Funds.		**6**	The performance of fund managers and their aggregate performance is reported against target to the Pensions Committee. The Pensions Committee will set a diversified investment strategy to mitigate volatility and as such it expects different parts of the strategy to outperform at different times. The London CIV is a pooling vehicle for which the City of London Pension Fund is a shareholder. Currently ~~21~~ 20% of CoL PF assets under management are held in two funds – Global Alpha Growth Fund (managed by Baillie Gifford) and Alternative Credit Fund (managed by CQS). **11 Aug 2023**		**6**	31-Mar-2024	Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB Pensions 010a	Investment managers' performance and their aggregate performance is measured against appropriate benchmarks and will be monitored by the Pensions Committee throughout the year. It is supplemented by market insight from the Corporation's investment consultants which provides peer group comparisons; checks on movement of key officers; and reviews on the incorporation of ESG considerations in implementing their investment strategies. Fund managers are invited to meet with Officers and	The performance report for the Pension Fund to ~~31 December 2022~~ 31 July 2023, along with the Investment Consultant's quarterly report (to June 2023 ~~December~~) is reported to the Pensions Committee on 12 September ~~8 February~~ 2023	Kate Limna; Sarah Port	11-Aug-2023	31-Mar-2024

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	Members to account for their performance as and when deemed necessary/as required.				
CHB Pensions 010b	Under the Government pooling agenda, London CIV is the asset pool operator for London LGPS funds. The LCIV holds monthly updates for Shareholders advising on latest developments for examples, product development and ESG/Climate related actions.	At the ~~October~~ August 2023 monthly meeting, the LCIV had no changes to the monitoring status of funds but were keeping a close watch on how Fund Manager performance particularly in this volatile market. At a ~~recent~~ meeting in late 2022, the ~~5 current~~ investors in the Global Alpha Growth Fund (of which there were 5) were advised that should the number of investors fall below 3, an orderly exit from the fund may be considered. The current number of investors remains at 5.	Kate Limna; Sarah Port	11-Aug-2023	31-Mar-2024

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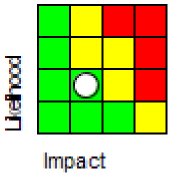
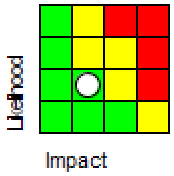
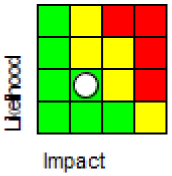
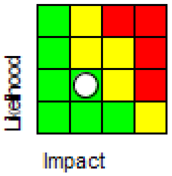
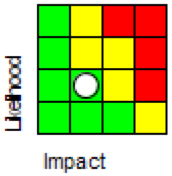
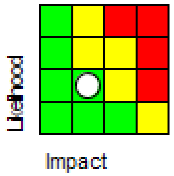
Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
CHB Pensions 003 Short term Cash flows 17-Dec-2019	**Cause:** Inadequate cash flow planning and monitoring. **Event**: Delayed settling of benefits/ assets disinvested at an opportune time **Effects:** Illiquidity or insufficient liquid assets to meet short term obligations		**4**	Insufficient liquidity to meet pension benefit payments, transfer payments and other costs, or to meet cash calls from fund managers. **11 Aug 2023**		**4**	31-Mar-2024	Constant

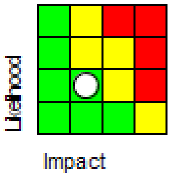
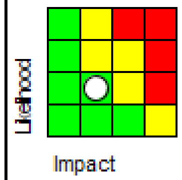
Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB Pensions 003a	The Pension Fund asset allocation is established to ensure appropriate exposure to asset classes.	The Pension fund asset allocation remains within tolerance of control ranges established by Financial Investment Board.	Kate Limna; Sarah Port	11-Aug-2023	31-Mar-2024
CHB Pensions 003b	Alert fund managers in advance of transferring new monies and Fund managers are required to provide sufficient notice of cash calls and redemption payments.	Fund Managers are aware of the contractual notification period of 10 working days for any drawdowns and Officers alert fund managers Trading + X number of working days in in advance of a withdrawal (X is dependent on the fund manager).	Kate Limna; Sarah Port	11-Aug-2023	31-Mar-2024
CHB Pensions 003c	Cash flow forecasting to ensure adequate monitoring and planning.	A Cash flow forecast has been created ~~is currently being refined~~ to ensure the Pension Fund is able to meet any obligations required of it. This is reported to Committee on a quarterly basis.	Kate Limna; Sarah Port	11-Aug-2023	31-Mar-2024

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/Risk Approach	Current Risk score change indicator
CHB Pensions 004 Breach of GDPR / Data Protection regulations 10-Nov-2022	**Cause:** (i) Ineffective procedures. (ii) Inadequately trained staff. (iii) Data Accuracy. (iv) Lack of resources. **Event**: Scheme members' personal data is released to an unauthorised third party. **Effect:** (i) Breach of GDPR / Data Protection regulations. (ii) Financial penalties/ sanctions. (iii) Reputational damage		**4**	Personal data may be accidentally issued to an incorrect third party or body – e.g. an old postal address may be held for a scheme member or an error is made whilst typing an email address. A breach of the GDPR / DP regulations may lead to financial penalties and sanctions being imposed by the governing industry bodies such as the Pensions Regulator or Information Commissioner's Office. **11 Aug 2023**		**4**	31-Mar-2024	Constant

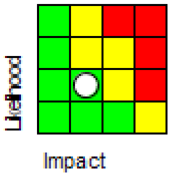
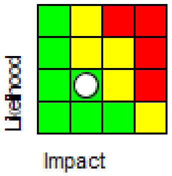
Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB Pensions 004a	Pensions administration staff to be aware of the corporate policy regarding data security and to follow the guidelines given.	Corporate online training regarding data-security to be carried out by all staff and reviewed as required.	Graham Newman	11-Aug-2023	31-Mar-2024
CHB Pensions 004b	Ensuring that any data sent electronically is sent securely / password protected with the password sent separately.	All staff are trained in how to protect documents and send emails securely. However, it is important that this training is kept up to date as technology / processes evolve and are changed.	Graham Newman	11-Aug-2023	31-Mar-2024
CHB Pensions 004c	Ensuring that member address details are kept up-to-date and that records are updated when the Pensions Office is made aware that the information held is no longer valid.	Notating the member records when the Pensions Office is made aware that the data held is no longer valid prevents their inclusion in any automated bulk mailshots.	Graham Newman	11-Aug-2023	31-Mar-2024
CHB Pensions 004d	Pensions administration staff to be aware of GDPR / Data Protection legislation.	GDPR / Data Protection reviewed and all staff reminded of the legislation and its importance. Processes amended for hybrid working, ensuring the protection of scheme member data.	Graham Newman	11-Aug-2023	31-Mar-2024

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/Risk Approach	Current Risk score change indicator
CHB Pensions 006 Employer Insolvency 17-Dec-2019 Kate Limna	**Cause:** Processes not in place to capture or review covenant of individual employers. **Event:** Employer becomes insolvent or is abolished with insufficient funding to meet liabilities. **Effect:** Fund would pick up the liabilities potentially leading to increased contribution rates for other employers.		**4**	Since 2013 the LGPS regulations generally require all admission bodies to enter into an indemnity or bond to cover the possibility of an employer becoming insolvent or prematurely leaving the Fund. This would mean the Fund and the remaining employers would have to meet the outgoing employer's liabilities in the Fund. The actuary assesses the value of these risks to the Fund and sets the value for a bond, generally for a three-year period. It is generally a requirement of the City of London for all new admission agreements to have a bond and the responsibility of the admission body to arrange and regularly reassess the bond. **11 Aug 2023**		**4**	31-Mar-2024	Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB Pensions 006a	Bond indemnity/guarantee required for admitted bodies and incorporated into admission agreements where appropriate.	Recent admissions to the scheme have provided a bond.	Graham Newman	11-Aug-2023	31-Mar-2024

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/Risk Approach	Current Risk score change indicator
CHB Pensions 007 Cyber Security 17-Dec-2019 Kate Limna	**Cause:** IT system failures due to ineffective procedures, or Inadequately trained staff. **Event**: Breach of Corporate IT systems and Cyber security. **Effect:** Inaccurate benefits paid or delayed to scheme members. Financial penalties/ sanctions. Breach of Data Protection regulations. Loss/corruption of data		**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 Data Protection 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. **11 Aug 2023**		**4**	31-Mar-2024	Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB Pensions 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.	Graham Newman	11-Aug-2023	31-Mar-2024
CHB Pensions 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.	Graham Newman	11-Aug-2023	31-Mar-2024
CHB Pensions 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.	Graham Newman	11-Aug-2023	31-Mar-2024
CHB Pensions 007d	Pensions administration staff to be aware of Data Protection legislation	Data Protection reviewed and all staff reminded of the legislation and its importance. Processes amended for home working, ensuring the protection of scheme member data.	Graham Newman	11-Aug-2023	31-Mar-2024

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/Risk Approach	Current Risk score change indicator
CHB Pensions 008 Pension Scheme Administration	**Cause:** (i) Ineffective succession planning. (ii) Inadequately trained staff. (iii) Absences/increased staff turnover. (v) Data Accuracy. (vi) Lack of resources. **Event:** The failure of administrators to accurately calculate and pay the correct level of benefits. **Effect:** (i) Inaccurate benefits paid or delayed. (ii) Increased costs. (iii) Financial penalties/ sanctions.		**4**	The Regulations of the Local Government Pension Scheme (LGPS) set out how LGPS pensions should be calculated; the procedures to be followed in certain circumstances (i.e. normal retirement and ill health retirement); the timeframes/deadlines to be adhered to; and the notifications to be provided to Scheme members. Other bodies such as the Pensions Regulator, HM Revenue & Customs, the Office of National Statistics and the Financial Conduct Authority also impose rules that work alongside the Scheme Regulations or may even supersede them. Incorrect member data, lack of administrative knowledge and skills could lead to incorrect calculation of pension benefits and delays in payment. This may lead to financial penalties and sanctions being imposed by the governing industry bodies such as the Pensions Regulator.		**4**	31-Mar-2024	
17-Dec-2022				**11 Aug 2023**				Constant

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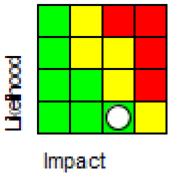
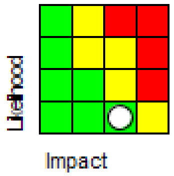
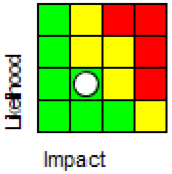
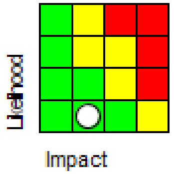
Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB Pensions 008a	Job descriptions used at recruitment to attract candidates with skills and experience related to LGPS administration. The appraisals process to monitor progress and assess training needs.	Ensuring that candidates 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.~~	Graham Newman	11-Aug-2023	31-Mar-2024
CHB Pensions 008b	Pensions administrator staff 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.	Graham Newman	11-Aug-2023	31-Mar-2024
CHB Pensions 008c	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. Disaster Recovery reviewed in light of hybrid working	Graham Newman	11-Aug-2023	31-Mar-2024
CHB Pensions 008e	Accurate and appropriate checking procedures in place at all areas of administration.	All checking procedures reviewed and where necessary amended due to take account of hybrid working.	Graham Newman	11-Aug-2023	31-Mar-2024
CHB Pensions 008f	Scheme Member records are kept up to date, with any amendments being made as appropriate.	Ensuring that all administrative staff are aware of the amendments that must be made to a member record during the course of their scheme membership and that they are trained in how to make the necessary changes and updates.	Graham Newman	11-Aug-2023	31-Mar-2024

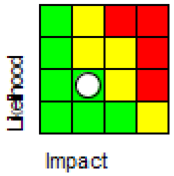
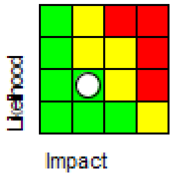
Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
CHB Pensions 011 Service provider failure 08-Mar-2018 Kate Limna	**Cause:** Corporate, financial, economic or cybersecurity threats result in service provision withdrawal or liquidation of partner organisations. **Event:** Failure of fund manager, investment consultant or other service provider without notice. **Effect:** Pension Fund asset valuations at risk or a period of time without service provision.		**4**	Officers meet regularly with fund managers, investment consultants and other service providers. Officers write to all counterparties requesting latest internal control report from fund managers and custodian ahead of the closure of accounts. **11 Aug 2023**		**4**	31-Mar-2024	Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB Pensions 011a	Detailed due diligence is carried out when new fund managers, investment consultant or other service provider are appointed.	New manager due diligence undertaken in consultation with investment consultant. There are currently no plans to appoint any additional managers. The investment consultant contract was recently re-tendered via the National LGPS procurement framework. Following a rigorous and competitive exercise Mercer were appointed to the role in October 2021.	Kate Limna; Sarah Port	11-Aug-2023	31-Mar-2024
CHB Pensions 011b	Review of internal control reports on annual basis.	Corporate Treasury compile an archive of the most up to date relevant annual internal control reports issued by all issuing fund managers and custodian as part of statement of account compilation across Funds. All internal control reports from the pooled fund managers have been received where available. Officers are in the process of reviewing the findings of the reports to ensure they remain satisfied with the control environments operated by the Corporation’s appointed asset managers.	Kate Limna; Sarah Port	11-Aug-2023	31-Mar-2024
CHB Pensions 011c	Monitor markets regularly through financial publications and seek advice of managers and investment consultant when appropriate.	Officers regularly monitor financial press and industry publications particularly in search of any news regarding entities that have an existing relationship across the Corporation's Funds.	Kate Limna; Sarah Port	11-Aug-2023	31-Mar-2024

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/Risk Approach	Current Risk score change indicator
CHB Pensions 012 Governance/Legislative Compliance 08-Mar-2018 Kate Limna	**Cause:** Lack of understanding of the applicable statutory requirements such as investment regulations, prudential code etc. Inadequate oversight of the operations and developments at the regional pool operator, the London CIV. **Event:** Committee Members and officers do not have appropriate skills or knowledge to discharge their responsibilities including the calculation and payment off benefits. Regulatory breach. The Pension Fund's pooled assets are managed inappropriately. **Effect:** Inappropriate decisions are made leading to a financial impact or a breach of legislation or service not provided in line with best practice and legal requirements. Potential regulatory fines. The financial value of the Pension Fund's assets is impaired.	 	**4**	~~As the Committee has recently been established,~~ Officers will produce a comprehensive training plan incorporating best practice to ensure committee members have access to acquiring the appropriate levels of knowledge and understanding. **11 Aug 2023**	 	**2**	31-Mar-2024	Constant

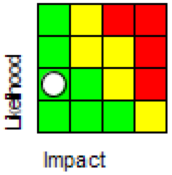
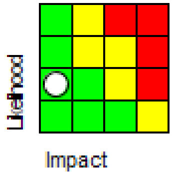
Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB Pensions 012a	Training provided to Committee Members on a range of investment topics and asset classes on a needs basis. Continued Professional Development (CPD) records maintained and updated annually.	A review will be undertaken of the skills set of the Members of the new Pension Committee. All Members of the Committee will be expected to complete the Pension Regulator's Public Services Toolkit within 12 months of joining the Committee.	Kate Limna; Sarah Port	11-Aug-2023	31-Mar-2024
CHB Pensions 012b	Job descriptions used at recruitment to attract candidates with skills and experience related to investment finance. The Corporation maintains membership of CIPFA's Pension Network, the LAPFF, LPFA and PLSA – all providing access to training opportunities via courses, seminars and conferences.	Officers continue to attend training courses, seminars forums, webinars, user groups and conferences were deemed appropriate to enhance understanding of markets, financial instruments, regulatory and statutory reporting issues and administration. The team has successfully recruited to a number of posts following a redesign of the team structure.	Caroline Al-Beyerty; Kate Limna	11-Aug-2023	31-Mar-2024
CHB Pensions 012c	Training plans in place for all staff as part of the performance appraisal arrangements, which are reviewed every six months.	Performance and development appraisals continue to be carried out in line with corporate policy.	Caroline Al-Beyerty; Kate Limna	11-Aug-2023	31-Mar-2024

CHB Pensions 012d	External professionaladvice sought where required.	The investment consultant attends each meeting of the Pensions Committee providing advice on investment matters.	Kate Limna; Sarah Port	11-Aug-2023	31-Mar-2024
CHB Pensions 012e	The Committee maintains regular oversight of the London CIV.	The Chair of the Pension's Committee is the City's representative on the London CIV (with the Deputy chair acting as the alternate representative). The Chair is expected to attend 2 general meetings a year and also sits on the Shareholder Committee (4 meetings a year)	Kate Limna; Sarah Port	11-Aug-2023	31-Mar-2024

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/Risk Approach	Current Risk score change indicator
CHB Pensions 013 Responsible investment duties 20-Jun-2019 Kate Limna	**Cause:** Insufficient attention is paid to the environmental, social and governance (ESG) dimensions of the Corporation's financial investments. **Event:** The Corporations' financial investments include an underappreciated exposure to negative ESG risks and the means to effectively manage such risks is not understood. **Effect:** The Corporation suffers reputational or financial damage.		**4**	The ~~newly formed~~ Pension Committee inherits an advanced approach to responsible investment and asset stewardship. The Corporation (via the Financial Investment Board) has formally recognised its asset stewardship role and the need to manage ESG risks through its Responsible Investment Policy which also outlines the Corporation's approach in this area. The City of London Corporation (as a whole) is a signatory to the Principles for Responsible Investment. The Financial Investment Board undertook an in depth review of its climate risk exposure in 2021 resulting in a commitment to achieve net zero carbon emissions by 2040 together with the development of interim goals via a transition pathway. **11 Aug 2023**		**4**	31-Mar-2024	Constant

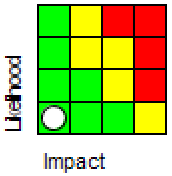
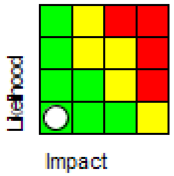
Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB Pensions 013a	Reporting on responsible investment activities to the Principles for Responsible Investment is completed on an annual basis. The Committee (along with other relevant Committees/Boards) will receive an annual Transparency Report from the PRI from which it can evaluate progress	The Corporation's assessment report was reported to this Committee in November 2022. The new PRI framework ~~is due to be~~ was released on 26 January 2023 and the next submission is due 6 September 2023.	Kate Limna; Sarah Port	11-Aug-2023	31-Mar-2024

	against responsible investment goals.				
CHB Pensions 013b	As part of the regular management and monitoring of investment mandates, the Pensions Committee and responsible officers challenge investment managers on ESG issues arising in the portfolio. The Investment Consultant will report to the Committee on its monitoring of ESG risks on a quarterly basis.	The Committee will receive regular updates on ESG standings amongst its appointed investment managers from the Investment Consultant on a quarterly basis. As part of the City's Climate Action Strategy, new climate risk expectations for existing and potential investment managers have been established and these form part of the regular ongoing monitoring of managers' performance.	Kate Limna; Sarah Port	11-Aug-2023	31-Mar-2024
CHB Pensions 013c	There is a general commitment by the City Corporation to meeting the standards of the new 2020 UK Stewardship Code and needs to ensure compliance is developed. The Committee (reviews asset stewardship across its investment mandates on an annual basis and uses the exercise to encourage better ESG outcomes amongst its existing managers (this will need to be done in conjunction with other committees which now have investment oversight responsibilities).	~~Officers anticipate that the Corporation as an organisation will prepare its first Annual Stewardship Report for assessment by the Financial Reporting Council in 2022/23.~~ All of the Pension Fund's UK-based pooled fund managers (i.e. excluding the alternative assets portfolio) are signatories to the Stewardship Code.	Kate Limna; Sarah Port	11-Aug-2023	31-Mar-2024
CHB Pensions 013d	The Committee (along with other relevant Boards/Committees) has been assigned several key actions which will enable the Corporation to deliver its Climate Action Strategy. Key to this is achieving a clear plan on how to achieve Paris-alignment by 2040.	With the support of a specialist external consultancy firm, an in depth review of the climate risk exposure involving the use of scenario analysis, the development of a transition pathway consistent with a net zero by 2040 commitment, and the establishment of expectations for existing and potential mandates has been completed. The transition pathway itself involves a series of specific actions with various deadlines which the Committee (along with other relevant Boards and Committees) will target over the coming years.	Kate Limna; Sarah Port	11-Aug-2023	31-Mar-2024

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/Risk Approach	Current Risk score change indicator
CHB Pensions 005 Fraud Page 57 17-Dec-2019 Kate Limna	**Cause:** (i) Not notified of death. (ii) Staff acting inappropriately (iii) Pension transfer scams **Event**: (i) Fraudulent claim of pension benefits (ii) pension benefits transferred to an inappropriate / unauthorised body. **Effect:** (i) Continued payment of pensions following death. (ii) Overpaid pensions. (iii) Financial loss for the Fund (iv) Financial loss for the scheme member (v) Financial penalties / sanctions (vi) Reputational damage		**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. Scammers design attractive offers to persuade members to transfer their pension pot to them or to release funds from it. It is then invested in unusual and high-risk investments or simply stolen outright. **11 Aug 2023**		**2**	31-Mar-2024	Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB Pensions 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.	Graham Newman	11-Aug-2023	31-Mar-2024
CHB Pensions	Ensuring all members that are considering transferring	All correspondence sent to scheme members considering a transfer-out of the scheme must	Graham	11-Aug-	31-Mar-

005b	their benefits out of the scheme are made aware of the potential for transfer scams.	contain warnings in respect of transfer scams. In addition, website links to appropriate bodies such as the Money Helpline and the Pensions Regulator are included as well as any advisory literature provided by these and similar bodies.	Newman	2023	2024
CHB Pensions 005c	Ensuring all staff are aware of the guidance / instructions provided by the LGA and the Pensions Regulator in respect of transfers-out of the scheme.	All staff dealing with transfers should be proficient with the guidance / instructions that have been provided in respect of transfers-out of the scheme. This will help to spot a transfer scam and/or prevent a payment being made if there is any uncertainty about the receiving scheme.	Graham Newman	11-Aug-2023	31-Mar-2024
CHB Pensions 005d	Robust identity verification processes	Controls in place to verify and ensure the legitimacy of any signed discharge form. This must also include timeframes in respect of how long a letter of authority from a scheme member is valid.	Graham Newman	11-Aug-2023	31-Mar-2024

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/Risk Approach	Current Risk score change indicator
CHB Pensions 002 Actuarial valuation Page 59 17-Dec-2019 Kate Limna	**Cause:** Inappropriate assumptions used by the Actuary/ Inaccurate data supplied to the Actuary for the triennial valuation. **Event**: Unsuitable triennial actuarial valuation. **Effects:** Employer contribution rates insufficient 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~~ 31 March 2022, has been completed. 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 has been used to establish appropriate employer contribution rates for use from ~~1 April 2020~~ 1 April 2023. ~~The 2022 initial actuarial valuation results were presented to the November Pensions Committee and is currently being finalised. Once completed, it will set the employers rates from 1 April 2023.~~ **11 Aug 2023**		**1**	31-Mar-2024	Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB Pensions 002a	Regular meetings with the Actuary to ensure that assumptions are appropriate involving Officers and Members of the Pensions Committee.	At Pensions Committee on 11 July 2022, a working group was set up to discuss the preliminary triennial valuation results and the robustness of the financial and demographic assumptions used in the valuation process. This working group met on 14 November 2022 and the draft triennial valuation results were reported to the Pensions Committee on 29 November 2022. The final triennial valuation results were reported to Committee on 8 February 2023 and the Actuary signed the final valuation certificates on 31 March 2023.	Kate Limna; Graham Newman	11-Aug-2023	31-Mar-2024
CHB Pensions	Robust Year End procedures and updates	~~The Pension Fund Accounts for the year ending 31 March 2021 have been published in draft~~	Kate	11-Aug-	31-Mar-

002b		~~form, formal sign off has been delayed until the City Fund audit is completed. Whilst the City Fund accounts have been completed, a wider issue has arisen within local government around accounting for infrastructure assets; this has meant that any local authority accounts that were not signed off prior to this issue being raised cannot be finalised until the issue is resolved. A formal resolution in consultation with CIPFA has recently been agreed and guidance is being issued. The draft Annual Report for 2020/21 was published on the City's LGPS website by the statutory date of 1 December 2021.~~ ~~The Pension Fund Accounts for the year ending 31 March 2022 are currently awaiting publication in draft format within the City Fund Accounts. The City Fund accounts have been completed but have been delayed by the 2020/21 accounting for infrastructure assets issue. A formal resolution has recently been agreed and guidance is being issued . The draft Pension Fund Annual Report for 2021/22 was uploaded onto the City of London Pensions website by 1 December 2022.~~ The Pension Fund Statement of Accounts for the year ending 31 March 2023 were published in draft format within the City Fund Accounts on the 12 July 2023. The Pension Fund Financial Statements along with the City Fund Accounts (of which they form part) for 2020/21 and 2021/22 have not yet been signed off due to delays around the accounting treatment for infrastructure assets (which has now been resolved) and systemic challenges within the local authority audit framework where resourcing pressures have impacted the delivery of audits across all reporting local bodies in England. There has also been a change in auditor, with BDO LLP being the external auditors for 2020/21 and Grant Thornton LLP being the external auditors for 2021/22 onwards. Grant Thornton LLP cannot sign off the 2021/22 accounts until BDO LLP have signed off the 2020/21 accounts. The delays are beyond Pension Fund control and have no material impact on the Fund's position. The 2022/23 Pensions Fund audit is currently underway. .	Limna; Graham Newman	2023	2024
CHB Pensions 002c	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, scheme 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 scheme member data demonstrates that a given number of scheme 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.	Kate Limna; Graham Newman	11-Aug-2023	31-Mar-2024

FUNDING STRATEGY STATEMENT

Introduction

This is the Funding Strategy Statement for the City of London Corporation Pension Fund (the Fund). It has been prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 as amended (the Regulations) and describes the City of London Corporation's strategy, in its capacity as administering authority, for the funding of the City of London Corporation Pension Fund.
The Fund's employers and the Fund Actuary, Barnett Waddingham LLP, have been consulted on the contents of this statement.

This statement should be read in conjunction with the Fund's Investment Strategy Statement (ISS) and has been prepared with regard to the guidance (*Preparing and Maintaining a funding strategy statement in the LGPS 2016 edition)* issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Purpose of the Funding Strategy Statement

The purpose of this Funding Strategy Statement (FSS) is to:

- Establish a clear and transparent fund-specific strategy that will identify how employers' pension liabilities are best met going forward;
- Support the desirability of maintaining as nearly constant a primary contribution rate as possible, as defined in Regulation 62(6)(b) of the Regulations;
- Ensure that the regulatory requirements to set contributions to meet the future liability to provide Scheme member benefits in a way that ensures the solvency and long-term cost efficiency of the Fund are met; and
- Take a prudent longer-term view of funding those liabilities.

Aims and purpose of the Fund

The aims of the Fund are to:

- Manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due;
- Enable total contribution rates to be kept as nearly constant as possible and (subject to the administering authority not taking undue risks) at reasonable cost to all relevant parties (such as the taxpayers, scheduled, resolution and admitted bodies), while achieving and maintaining Fund solvency and long-term cost efficiency, which should be assessed in light of the risk profile of the Fund and employers, and the risk appetite of the administering authority and employers alike; and
- Seek returns on investment within reasonable risk parameters.

The purpose of the Fund is to:

- Pay pensions, lump sums and other benefits to Scheme members as provided for under the Regulations;
- Meet the costs associated in administering the Fund; and
- Receive and invest contributions, transfer values and investment income.

Funding objectives

Contributions are paid to the Fund by Scheme members and the employing bodies to provide for the benefits which will become payable to Scheme members when they fall due.
The funding objectives are to:

- Ensure that pension benefits can be met as and when they fall due over the lifetime of the Fund;
- Ensure the solvency of the Fund;
- Set levels of employer contribution rates to target a 100% funding level over an appropriate time period and using appropriate actuarial assumptions, while taking into account the different characteristics of participating employers;
- Build up the required assets in such a way that employer contribution rates are kept as stable as possible, with consideration of the long-term cost efficiency objective; and
- Adopt appropriate measures and approaches to reduce the risk, as far as possible, to the Fund, other employers and ultimately the taxpayer from an employer defaulting on its pension obligations.

In developing the funding strategy, the administering authority should also have regard to the likely outcomes of the review carried out under Section 13(4)(c) of the Public Service Pensions Act 2013. Section 13(4)(c) requires an independent review of the actuarial valuations of the LGPS funds; this involves reporting on whether the rate of employer contributions set as part of the actuarial valuations are set at an appropriate level to ensure the solvency of the Fund and the long-term cost efficiency of the Scheme so far as relating to the pension Fund. The review also looks at compliance and consistency of the actuarial valuations.

Key parties

The key parties involved in the funding process and their responsibilities are set out below.

<u>The administering authority</u>

The administering authority for the Fund is City of London Corporation. The main responsibilities of the administering authority are to:

- Operate the Fund in accordance with the LGPS Regulations;
- Collect employee and employer contributions, investment income and other amounts due to the Fund as stipulated in the Regulations;
- Invest the Fund's assets in accordance with the Fund's Investment Strategy Statement;
- Pay the benefits due to Scheme members as stipulated in the Regulations;
- Ensure that cash is available to meet liabilities as and when they fall due;
- Take measures as set out in the Regulations to safeguard the Fund against the consequences of employer default;
- Manage the actuarial valuation process in conjunction with the Fund Actuary;
- Prepare and maintain this FSS and also the ISS after consultation with other interested parties;
- Monitor all aspects of the Fund's performance;
- Effectively manage any potential conflicts of interest arising from its dual role as both Fund administrator and Scheme employer; and

- Enable the Local Pension Board to review the valuation process as they see fit.

Scheme employers

In addition to the administering authority, a number of other Scheme employers participate in the Fund.

The responsibilities of each employer that participates in the Fund, including the administering authority, are to:

- Collect employee contributions and pay these together with their own employer contributions, as certified by the Fund Actuary, to the administering authority within the statutory timescales;
- Notify the administering authority of any new Scheme members and any other membership changes promptly;
- Develop a policy on certain discretions and exercise those discretions as permitted under the Regulations;
- Meet the costs of any augmentations or other additional costs in accordance with agreed policies and procedures; and
- Pay any exit payments due on ceasing participation in the Fund

Scheme members

Active Scheme members are required to make contributions into the Fund as set by the Department for Levelling Up, Housing and Communities (DLUHC).

Fund Actuary

The Fund Actuary for the Fund is Barnett Waddingham LLP. The main responsibilities of the Fund Actuary are to:

- Prepare valuations including the setting of employers' contribution rates at a level to ensure Fund solvency and long-term cost efficiency after agreeing assumptions with the administering authority and having regard to the FSS and the Regulations;
- Prepare advice and calculations in connection with bulk transfers and the funding aspects of individual benefit-related matters such as pension strain costs, ill-health retirement costs, compensatory added years costs, etc.;
- Provide advice and valuations on the exiting of employers from the Fund;
- Provide advice and valuations relating to new employers, including recommending the level of bonds or other forms of security required to protect the Fund against the financial effect of employer default;
- Assist the administering authority in assessing whether employer contributions need to be revised between valuations as permitted or required by the Regulations;
- Ensure that the administering authority is aware of any professional guidance or other professional requirements which may be of relevance to their role in advising the Fund; and
- Advise on other actuarial matters affecting the financial position of the Fund.

Funding strategy

The factors affecting the Fund's finances are constantly changing, so it is necessary for its financial position and the contributions payable to be reviewed from time to time by means of an actuarial valuation to check that the funding objectives are being met.

The most recent actuarial valuation of the Fund was carried out as at 31 March 2022. The results of the 2022 valuation are set out in the table below:

2022 valuation results	
Surplus (Deficit)	(£35m)
Funding level	98%

On a whole Fund level, the primary rate required to cover the employer cost of future benefit accrual was 18.5% of payroll p.a.

The individual employer contribution rates are set out in the Rates and Adjustments Certificate which forms part of the Fund's 2022 valuation report.

The actuarial valuation involves a projection of future cashflows to and from the Fund. The main purpose of the valuation is to determine the level of employers' contributions that should be paid to ensure that the existing assets and future contributions will be sufficient to meet all future benefit payments from the Fund. A summary of the methods and assumptions adopted is set out in the sections below.

Funding method

The key objective in determining employers' contribution rates is to establish a funding target and then set levels of employer contribution rates to meet that target over an agreed period.

The funding target is to have sufficient assets in the Fund to meet the accrued liabilities for each employer in the Fund.

For all employers, the method adopted is to consider separately the benefits accrued before the valuation date (past service) and benefits expected to be accrued after the valuation date (future service). These are evaluated as follows:

- The past service funding level of the Fund. This is the ratio of accumulated assets to liabilities in respect of past service. It makes allowance for future increases to members' pay and pensions. A funding level in excess of 100% indicates a surplus of assets over liabilities; while a funding level of less than 100% indicates a deficit; and
- The future service funding rate (also referred to as the primary rate as defined in Regulation 62(5) of the Regulations) is the level of contributions required from the individual employers which, in combination with employee contributions is expected to cover the cost of benefits accruing in future.

The adjustment required to the primary rate to calculate an employer's total contribution rate is referred to as the secondary rate, as defined in Regulation 62(7). Further details of how the secondary rate is calculated for employers is given below in the Deficit recovery/surplus amortisation periods section.

The approach to the primary rate will depend on specific employer circumstances and in particular may depend on whether an employer is an “open” employer – one which allows new recruits access to the Fund, or a “closed” employer – one which no longer permits new staff access to the Fund. The expected period of participation by an employer in the Fund may also affect the total contribution rate.

For open employers, the actuarial funding method that is adopted is known as the Projected Unit Method. The key feature of this method is that, in assessing the future service cost, the primary rate represents the cost of one year’s benefit accrual only.

For closed employers, the actuarial funding method adopted is known as the Attained Age Method. The key difference between this method and the Projected Unit Method is that the Attained Age Method assesses the average cost of the benefits that will accrue over a specific period, such as the length of a contract or the remaining expected working lifetime of active members.

The approach by employer may vary to reflect an employer’s specific circumstance, however, in general the closed employers in the Fund are admission bodies who have joined the Fund as part of an outsourcing contract and therefore the Attained Age Method is used in setting their contributions. All other employers (for example councils, higher education bodies and academies) are generally open employers and therefore the Projected Unit Method is used. The administering authority holds details of the open or closed status of each employer.

Valuation assumptions and funding model

In completing the actuarial valuation, it is necessary to formulate assumptions about the factors affecting the Fund's future finances such as price inflation, pay increases, investment returns, rates of mortality, early retirement and staff turnover etc.
The assumptions adopted at the valuation can therefore be considered as:

- The demographic (or statistical) assumptions which are essentially estimates of the likelihood or timing of benefits and contributions being paid, and
- The financial assumptions which will determine the estimates of the amount of benefits and contributions payable and their current (or present) value.

Future price inflation

The base assumption in any valuation is the future level of price inflation over a period commensurate with the duration of the liabilities, as measured by the Retail Price Index (RPI). This is derived using the 20 year point on the Bank of England implied Retail Price Index (RPI) inflation curve, with consideration of the market conditions over the six months straddling the valuation date and adjusted for the shape of the inflation curve as well as an inflation risk premium. The 20 year point on the curve is taken as 20 years is consistent with the average duration of an LGPS Fund.

Future pension increases

Pension increases are linked to changes in the level of the Consumer Price Index (CPI). Inflation as measured by the CPI has historically been less than RPI due mainly to different calculation methods. A deduction of 0.35% p.a. is therefore made to the RPI assumption to derive the CPI assumption.

Future pay increases

As some of the benefits are linked to pay levels at retirement, it is necessary to make an assumption as to future levels of pay increases. Historically, there has been a close link between price inflation and pay increases with pay increases exceeding price inflation in the longer term. The long-term pay increase assumption adopted as at 31 March 2022 was CPI plus 1.0% p.a. which includes allowance for promotional increases.

Future investment returns/discount rate

To determine the value of accrued liabilities and derive future contribution requirements it is necessary to discount future payments to and from the Fund to present day values.

The discount rate that is adopted may depend on the funding target adopted for each Scheme employer.

The standard discount rate that is applied to all projected liabilities reflects a prudent estimate of the rate of investment return that is expected to be earned from the Fund's long-term investment strategy by considering average market yields in the six months straddling the valuation date. The discount rate so determined may be referred to as the "ongoing" discount rate.

It may be appropriate for an alternative discount rate approach to be taken to reflect an individual employer's situation. This may be, for example, to reflect an employer targeting a cessation event or to reflect the administering authority's views on the level of risk that an employer poses to the Fund. The Fund Actuary will incorporate any such adjustments after consultation with the administering authority.

A summary of the financial assumptions adopted for the 2022 valuation is set out in the table below:

Financial assumptions as at 31 March 2022	
RPI inflation	3.2% p.a.
CPI inflation	2.9% p.a.
Pension/deferred pension increases and CARE revaluation	In line with CPI inflation
Pay increases	CPI inflation + 1.0% p.a.
Discount rate	4.6% p.a.

Asset valuation

For the purpose of the valuation, the asset value used is the market value of the accumulated fund at the valuation date, adjusted to reflect average market conditions during the six months straddling the valuation date. This is referred to as the smoothed asset value and is calculated as a consistent approach to the valuation of the liabilities.

The Fund's assets are notionally allocated to employers at an individual level by allowing for actual Fund returns achieved on the assets and cashflows paid into and out of the Fund in respect of each employer (e.g. contributions received and benefits paid).

Demographic assumptions

The demographic assumptions incorporated into the valuation are based on Fund-specific experience and national statistics, adjusted as appropriate to reflect the individual circumstances of the Fund and/or individual employers.

Further details of the assumptions adopted are included in the Fund's 2022 valuation report.

McCloud/Sargeant judgements

When the Government reformed public service pension schemes in 2014 and 2015 they introduced protections for older members. In December 2018, the Court of Appeal ruled that younger members of the Judges' and Firefighters' Pension schemes have been discriminated against because the protections do not apply to them. The Government has confirmed that there will be changes to all main public sector schemes, including the LGPS, to remove this age discrimination. A consultation has been run in relation to the changes proposed for the LGPS and legislation is now being drafted to bring forward these changes. The updated Regulations are to be consulted on over the course of 2022 with the earliest effective date expected to be October 2023.

For the 2022 valuation, as instructed by DLUHC, it has been assumed that the legislation will bring forward the changes as currently proposed, and benefits have been valued in line with this. There still remains uncertainty over the long-term effects of the McCloud judgment but where data has been available an estimate of the impact of McCloud on individual employers and funding positions and contributions have been set accordingly.

Further details of this can be found below in the Regulatory risks section below.

Guaranteed Minimum Pension (GMP) indexation and equalisation

As part of the restructuring of the state pension provision, the government needs to consider how public service pension payments should be increased in future for members who accrued a Guaranteed Minimum Pension (GMP) from their public service pension scheme and expect to reach State Pension Age (SPA) post-December 2018. In addition, a resulting potential inequality in the payment of public service pensions between men and women needs to be addressed.

Information on the current method of indexation and equalisation of public service pension schemes can be found here.

On 23 March 2021, the Government published the outcome to its GMP Indexation consultation, concluding that all public service pension schemes, including the LGPS, will be directed to provide full indexation to members with a GMP reaching State Pension Age (SPA) beyond 5 April 2021. This is a permanent extension of the 'interim solution' that has applied to members with a GMP reaching SPA on or after 6 April 2016. Details of the consultation outcome can be found here.

As with the previous valuation, the assumption is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, it is assumed that the Fund will be required to pay the entire inflationary increase.

Deficit recovery/surplus amortisation periods

Whilst one of the funding objectives is to build up sufficient assets to meet the cost of benefits as they accrue, it is recognised that at any particular point in time, the value of the accumulated assets will be different to the value of accrued liabilities, depending on how the actual experience of the Fund differs to the actuarial assumptions. This theory applies down to an individual employer level; each employer in the Fund has their own share of deficit or surplus attributable to their section of the Fund.

Where the valuation for an employer discloses a deficit then the level of required employer contributions includes an adjustment to fund the deficit over a maximum period of 11 years. The adjustment may be set either as a percentage of payroll or as a fixed monetary amount.

Where the valuation for an employer discloses a significant surplus then the level of required employer contribution may include an adjustment to amortise the surplus over a number of years.

The deficit recovery period or amortisation period that is adopted for any particular employer will depend on:

- The significance of the surplus or deficit relative to that employer's liabilities;
- The covenant of the individual employer (including any security in place) and any limited period of participation in the Fund;
- The remaining contract length of an employer in the Fund (if applicable); and
- The implications in terms of stability of future levels of employers' contribution.

Pooling of individual employers

The policy of the Fund is that each individual employer should be responsible for the costs of providing pensions for its own employees who participate in the Fund. Accordingly, contribution rates are set for individual employers to reflect their own particular circumstances.

However, certain groups of individual employers are pooled for the purposes of determining contribution rates to recognise common characteristics or where the number of Scheme members is small.

The funding pools adopted for the Fund at the 2022_valuation are summarised in the table below:

Pool	Type of pooling	Notes
City of London	Past and future service pooling	All employers in the pool pay the same total contribution rate
Academies	Past and future service pooling	All academies in the pool pay the same total contribution rate. New academies are expected to join the pool and pay the pool rate.

The main purpose of pooling is to produce more stable employer contribution levels, although recognising that ultimately there will be some level of cross-subsidy of pension cost amongst pooled employers.

Forming/disbanding a funding pool

Where the Fund identifies a group of employers with similar characteristics and potential merits for pooling, it is possible to form a pool for these employers. Advice should be sought from the Fund Actuary to consider the appropriateness and practicalities of forming the funding pool.

Conversely, the Fund may consider it no longer appropriate to pool a group of employers. This could be due to divergence of previously similar characteristics or an employer becoming a dominant party in the pool (such that the results of the pool are largely driven by that dominant employer). Where this scenario arises, advice should be sought from the Fund Actuary.

Funding pools should be monitored on a regular basis, at least at each actuarial valuation, in order to ensure the pooling arrangement remains appropriate.

Risk-sharing

Employers may participate in the Fund with a risk-sharing arrangement in place with another employer in the Fund.

For example, employers may participate in the Fund with pass-through provisions: under this arrangement the pass-through employer does not take on the risk of underfunding as this risk remains with the letting authority or relevant guaranteeing employer. When the pass-through employer ceases participation in the Fund, it is not responsible for making any exit payment, nor receiving any exit credit, as any deficit or surplus ultimately falls to the letting authority or relevant guaranteeing employer.

New employers joining the Fund

When a new employer joins the Fund, the Fund Actuary is required to set the contribution rates payable by the new employer and allocate a share of Fund assets to the new employer as appropriate. The most common types of new employers joining the Fund are admission bodies and new academies. These are considered in more detail below.

Admission bodies

New admission bodies in the Fund are commonly a result of a transfer of staff from an existing employer in the Fund to another body (for example as part of a transfer of services from a council or academy to an external provider under Schedule 2 Part 3 of the Regulations). Typically, these transfers will be for a limited period (the contract length), over which the new admission body employer is required to pay contributions into the Fund in respect of the transferred members.

Funding at start of contract

Generally, when a new admission body joins the Fund, they will become responsible for all the pensions risk associated with the benefits accrued by transferring members and the benefits to be accrued over the contract length. This is known as a full risk transfer. In these cases, it may be appropriate that the new admission body is allocated a share of Fund assets equal to the value of the benefits transferred, i.e. the new admission body starts off on a fully funded basis. This is calculated on the relevant funding basis and the opening position may be different when calculated on an alternative basis (e.g. on an accounting basis).
However, there may be special arrangements made as part of the contract such that a full risk transfer approach is not adopted. In these cases, the initial assets allocated to the new admission body will reflect the level of risk transferred and may therefore not be on a fully funded basis or may not reflect the full value of the benefits attributable to the transferring members.

Contribution rate

The contribution rate may be set on an open or a closed basis. Where the funding at the start of the contract is on a fully funded basis then the contribution rate will represent the primary rate only; where there is a deficit allocated to the new admission body then the contribution rate will also incorporate a secondary rate with the aim of recovering the deficit over an appropriate recovery period.

Depending on the details of the arrangement, for example if any risk sharing arrangements are in place, then additional adjustments may be made to determine the contribution rate payable by the new admission body. The approach in these cases will be bespoke to the individual arrangement.

Security

To mitigate the risk to the Fund that a new admission body will not be able to meet its obligations to the Fund in the future, the new admission body may be required to put in place a bond in accordance with Schedule 2 Part 3 of the Regulations, if required by the letting authority and administering authority.

If, for any reason, it is not desirable for a new admission body to enter into a bond, the new admission body may provide an alternative form of security which is satisfactory to the administering authority.

Risk-sharing

Although a full risk transfer (as set out above) is most common, subject to agreement with the administering authority where required, new admission bodies and the relevant letting authority may make a commercial agreement to deal with the pensions risk differently. For example, it may be agreed that all or part of the pensions risk remains with the letting authority.

Although pensions risk may be shared, it is common for the new admission body to remain responsible for pensions costs that arise from:

- above average pay increases, including the effect on service accrued prior to contract commencement; and
- redundancy and early retirement decisions.

The administering authority may consider risk-sharing arrangements as long as the approach is clearly documented in the admission agreement, the transfer agreement or any other side agreement. The arrangement also should not lead to any undue risk to the other employers in the Fund.

Legal and actuarial advice in relation to risk-sharing arrangements should be sought where required.

New academies

When a school converts to academy status, the new academy (or the sponsoring multi-academy trust) becomes a Scheme employer in its own right.

Funding at start

On conversion to academy status, the new academy will become part of the academies funding pool and will be allocated assets based on the funding level of the pool at the conversion date.

Contribution rate

The contribution rate payable when a new academy joins the Fund will be in line with the contribution rate certified for the Academies funding pool at the 2022 valuation.

Cessation valuations

When a Scheme employer exits the Fund and becomes an exiting employer, as required under the Regulations, the Fund Actuary will be asked to carry out an actuarial valuation in order to determine the liabilities in respect of the benefits held by the exiting employer's current and former employees. The Fund Actuary is also required to determine the exit payment due from the exiting employer to the Fund or the exit credit payable from the Fund to the exiting employer.

Any deficit in the Fund in respect of the exiting employer will be due to the Fund as a single lump sum payment, unless it is agreed by the administering authority and the other parties involved that an alternative approach is permissible. For example:

- It may be agreed with the administering authority that the exit payment can be spread over some agreed period;
- the assets and liabilities relating to the employer may transfer within the Fund to another participating employer; or
- the employer's exit may be deferred subject to agreement with the administering authority, for example if it intends to offer Scheme membership to a new employee within the following three years.

Similarly, any surplus in the Fund in respect of the exiting employer may be treated differently to a payment of an exit credit, subject to the agreement between the relevant parties and any legal documentation.

In assessing the value of the liabilities attributable to the exiting employer, the Fund Actuary may adopt differing approaches depending on the employer and the specific details surrounding the employer's cessation scenario.

Exit credit policy

Under advice from DLUHC, administering authorities should set out their exit credit policy in their Funding Strategy Statement. Having regard to any relevant considerations, the administering authority will take the following approach to the payment of exit credits

- Any employer who cannot demonstrate that they have been exposed to underfunding risk during their participation in the Fund will not be entitled to an exit credit payment. This will include the majority of pass-through arrangements. This is on the basis that these employers would not have not been asked to pay an exit payment had a deficit existed at the time of exit.

- The administering authority does not need to enquire into the precise risk sharing arrangement adopted by an employer but it must be satisfied that the risk sharing arrangement has been in place before it will pay out an exit credit. The level of risk that an employer has borne will be taken into account when determining the amount of any exit credit. It is the responsibility of the exiting employer to set out why the arrangements make payment of an exit credit appropriate.

- Any exit credit payable may be subject to a maximum of the actual employer contributions paid into the Fund.
- As detailed above, the Fund Actuary may adopt differing approaches depending on the specific details surrounding the employer's cessation scenario. The default approach to calculating the cessation position will be on a full cessation basis unless it can be shown that there is another employer in the Fund who will take on financial responsibility for the liabilities in the future. If the administering authority is satisfied that there is another employer willing to take on responsibility for the liabilities (or that there is some other form of guarantee in place) then the cessation position may be calculated on the ongoing funding basis.
- The administering authority will pay out any exit credits within six months of the cessation date where possible. A longer time may be agreed between the administering authority and the exiting employer where necessary. For example, if the employer does not provide all the relevant information to the administering authority within one month of the cessation date the administering authority will not be able to guarantee payment within six months of the cessation date.
- Under the Regulations, the administering authority has the discretion to take into account any other relevant factors in the calculation of any exit credit payable and they will seek legal advice where appropriate.

Bulk transfers

Bulk transfers of staff into or out of the Fund can take place from other LGPS Funds or non-LGPS Funds. In either case, the Fund Actuary for both Funds will be required to negotiate the terms for the bulk transfer – specifically the terms by which the value of assets to be paid from one Fund to the other is calculated.

The agreement will be specific to the situation surrounding each bulk transfer but in general the Fund will look to receive the bulk transfer on no less than a fully funded transfer (i.e. the assets paid from the ceding Fund are sufficient to cover the value of the liabilities on the agreed basis).

A bulk transfer may be required by an issued Direction Order. This is generally in relation to an employer merger, where all the assets and liabilities attributable to the transferring employer in its original Fund are transferred to the receiving Fund.

Links with the Investment Strategy Statement (ISS)

The main link between the Funding Strategy Statement (FSS) and the ISS relates to the discount rate that underlies the funding strategy as set out in the FSS, and the expected rate of investment return which is expected to be achieved by the long-term investment strategy as set out in the ISS.

As explained above, the ongoing discount rate that is adopted in the actuarial valuation is derived by considering the expected return from the long-term investment strategy. This ensures consistency between the funding strategy and investment strategy.

Risks and counter measures

Whilst the funding strategy attempts to satisfy the funding objectives of ensuring sufficient assets to meet pension liabilities and stable levels of employer contributions, it is recognised that there are risks that may impact on the funding strategy and hence the ability of the strategy to meet the funding objectives.

The major risks to the funding strategy are financial, although there are other external factors including demographic risks, regulatory risks and governance risks.

Financial risks

The main financial risk is that the actual investment strategy fails to produce the expected rate of investment return (in real terms) that underlies the funding strategy. This could be due to a number of factors, including market returns being less than expected and/or the fund managers who are employed to implement the chosen investment strategy failing to achieve their performance targets.

The valuation results are most sensitive to the real discount rate (i.e. the difference between the discount rate assumption and the price inflation assumption). Broadly speaking an increase/decrease of 0.1% p.a. in the real discount rate will decrease/increase the valuation of the liabilities by 1.7%, and decrease/increase the required employer contribution by around 0.7% of payroll p.a.

However, the Pensions Committee regularly monitors the investment returns achieved by the fund managers and receives advice from investment consultant and officers on investment strategy.
The Committee may also seek advice from the Fund Actuary on valuation related matters.

In addition, the Fund Actuary provides funding updates between valuations to check whether the funding strategy continues to meet the funding objectives.

Demographic risks

Allowance is made in the funding strategy via the actuarial assumptions for a continuing improvement in life expectancy. However, the main demographic risk to the funding strategy is that it might underestimate the continuing improvement in longevity. For example, an increase of one year to life expectancy of all members in the Fund will increase the liabilities by approximately 3%.

The actual mortality of pensioners in the Fund is monitored by the Fund Actuary at each actuarial valuation and assumptions are kept under review. For the past three funding valuations, the Fund has commissioned a bespoke longevity analysis by Barnett Waddingham's specialist longevity team in order to assess the mortality experience of the Fund and help set an appropriate mortality assumption for funding purposes.

The liabilities of the Fund can also increase by more than has been planned as a result of the additional financial costs of early retirements and ill-health retirements. However, the administering authority monitors the incidence of early retirements; and procedures are in place that require individual employers to pay additional amounts into the Fund to meet any additional costs arising from early retirements.

Maturity risk

The maturity of a Fund (or of an employer in the Fund) is an assessment of how close on average the members are to retirement (or already retired). The more mature the Fund or employer, the greater proportion of its membership that is near or in retirement. For a mature Fund or employer, the time available to generate investment returns is shorter and therefore the level of maturity needs to be considered as part of setting funding and investment strategies.

The cashflow profile of the Fund needs to be considered alongside the level of maturity: as a Fund matures, the ratio of active to pensioner members falls, meaning the ratio of contributions being paid into the Fund to the benefits being paid out of the Fund also falls. This therefore increases the risk of the Fund having to sell assets in order to meets its benefit payments.

The government has published a consultation (*Local government pension scheme: changes to the local valuation cycle and management of employer risk*) which may affect the Fund's exposure to maturity risk. More information on this can be found in the regulatory risks section below.

Regulatory risks

The benefits provided by the Scheme and employee contribution levels are set out in Regulations determined by central government. The tax status of the invested assets is also determined by the government.

The funding strategy is therefore exposed to the risks of changes in the Regulations governing the Scheme and changes to the tax regime which may affect the cost to individual employers participating in the Scheme.

However, the administering authority participates in any consultation process of any proposed changes in Regulations and seeks advice from the Fund Actuary on the financial implications of any proposed changes.

There are a number of general risks to the Fund and the LGPS, including:

- If the LGPS was to be discontinued in its current form it is not known what would happen to members' benefits.
- The potential effects of GMP equalisation between males and females, if implemented, are not yet known.

- More generally, as a statutory scheme the benefits provided by the LGPS or the structure of the scheme could be changed by the government.
- The State Pension Age is due to be reviewed by the government in the next few years.

At the time of preparing this FSS, specific regulatory risks of particular interest to the LGPS are in relation to the McCloud/Sargeant judgements, the cost cap mechanism and the timing of future funding valuations consultation. These are discussed in the sections below.

McCloud/Sargeant judgements and cost cap

The 2016 national Scheme valuation was used to determine the results of HM Treasury's (HMT) employer cost cap mechanism for the first time. The HMT cost cap mechanism was brought in after Lord Hutton's review of public service pensions with the aim of providing protection to taxpayers and employees against unexpected changes (expected to be increases) in pension costs. The cost control mechanism only considers "member costs". These are the costs relating to changes in assumptions made to carry out valuations relating to the profile of the Scheme members; e.g. costs relating to how long members are expected to live for and draw their pension. Therefore, assumptions such as future expected levels of investment returns and levels of inflation are not included in the calculation, so have no impact on the cost management outcome.

The 2016 HMT cost cap valuation revealed a fall in these costs and therefore a requirement to enhance Scheme benefits from 1 April 2019. However, as a funded Scheme, the LGPS also had a cost cap mechanism controlled by the Scheme Advisory Board (SAB) in place and HMT allowed SAB to put together a package of proposed benefit changes in order for the LGPS to no longer breach the HMT cost cap. These benefit changes were due to be consulted on with all stakeholders and implemented from 1 April 2019.

However, on 20 December 2018 there was a judgement made by the Court of Appeal which resulted in the government announcing their decision to pause the cost cap process across all public service schemes. This was in relation to two employment tribunal cases which were brought against the government in relation to possible discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. Transitional protection enabled some members to remain in their pre-2015 schemes after 1 April 2015 until retirement or the end of a pre-determined tapered protection period. The claimants challenged the transitional protection arrangements on the grounds of direct age discrimination, equal pay and indirect gender and race discrimination.

The first case (McCloud) relating to the Judicial Pension Scheme was ruled in favour of the claimants, while the second case (Sargeant) in relation to the Fire scheme was ruled against the claimants. Both rulings were appealed and as the two cases were closely linked, the Court of Appeal decided to combine the two cases. In December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounts to unlawful discrimination. On 27 June 2019 the Supreme Court denied the government's request for an appeal in the case. A remedy is still to be either imposed by the Employment Tribunal or negotiated and applied to all public service schemes, so it is not yet clear how this judgement may affect LGPS members' past or future service benefits. It has, however, been noted by government in its 15 July 2019 statement that it expects to have to amend all public service schemes, including the LGPS.

At the time of drafting this FSS, it is not yet known what the full effect on the current and future LGPS benefits will be.

Climate change risks and opportunities

As part of the 2022 valuation process, scenario analysis has been used to identify the impact of shorter term climate risk (transition risk) and longer term climate risk (physical risk) on potential funding outcomes. This analysis was developed for LGPS funds based on the DWP regulations, as final regulations which apply directly to the LGPS are awaited. The analysis was discussed with GAD, who agreed a set of four key principles for how LGPS funds would undertake climate change scenario analysis as part of the 2022 valuation.

The analysis considered the potential impact on the future investment return outlook (and therefore discount rate) and inflation (and therefore inflation-linked assumptions), for the purpose of projecting asset and liability values and primary rates. Additional elements such as the potential impact on life expectancy changes and employer covenant have been considered. The analysis supports the level of prudence in the funding strategy.

Consultation: Local government pension scheme: changes to the local valuation cycle and management of employer risk

On 8 May 2019, the government published a consultation seeking views on policy proposals to amend the rules of the LGPS in England and Wales. The consultation covered:

- amendments to the local fund valuations from the current three year (triennial) to a four year (quadrennial) cycle;
- a number of measures aimed at mitigating the risks of moving from a triennial to a quadrennial cycle;
- proposals for flexibility on exit payments;
- proposals for further policy changes to exit credits; and
- proposals for changes to the employers required to offer LGPS membership.

The consultation is currently ongoing: the consultation was closed to responses on 31 July 2019 and an outcome is now awaited. This FSS will be revisited once the outcome is known and reviewed where appropriate.

Timing of future actuarial valuations

LGPS valuations currently take place on a triennial basis which results in employer contributions being reviewed every three years. In September 2018 it was announced by the Chief Secretary to HMT, Elizabeth Truss, that the national Scheme valuation would take place on a quadrennial basis (i.e. every four years) along with the other public sector pension schemes. This results of the national Scheme valuation are used to test the cost control cap mechanism and HMT believed that all public sector scheme should have the cost cap test happen at the same time with the next quadrennial valuation in 2020 and then 2024.

The next Fund valuation is assumed to be carried out at 31 March 2025 in accordance with the current Regulations. However, it remains to be seen whether this will change in light of the outcome of the consultation.

Managing employer exits from the Fund

The consultation covers:

- Proposals for flexibility on exit payments. This includes:
  - Formally introducing into the Regulations the ability for the administering authority to allow an exiting employer to spread the required exit payment over a fixed period.
  - Allowing employers with no active employers to defer payment of an exit payment in return for an ongoing commitment to meeting their existing liabilities (deferred employer status).
- Proposals for further policy changes to exit credits. DLUHC issued a partial response to this part of the consultation on 27 February 2020 and an amendment to the Regulations comes into force on 20 March 2020, although have effect from 14 May 2018. The amendment requires Funds to consider the exiting employer's exposure to risk in calculating any exit credit due (for example a pass through employer who is not responsible for any pensions risk would likely not be due an exit credit if the amendments are made to the Regulations) and to have a policy to exit credits in their FSS which has been included earlier in this version.

Changes to employers required to offer LGPS membership

At the time of drafting this FSS, under the current Regulations further education corporations, sixth form college corporations and higher education corporations in England and Wales are required to offer membership of the LGPS to their non-teaching staff.

With consideration of the nature of the LGPS and the changes in nature of the further education and higher education sectors, the government has proposed to remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer new employees access to the LGPS. Given the lack of significance of these types of employers in the Fund, this is not likely to impact on the level of maturity of the Fund and the cashflow profile.

Employer risks

Several employers participate in the Fund. Accordingly, it is recognised that a number of employer-specific events could impact on the funding strategy including:

- Structural changes in an individual employer's membership;
- An individual employer deciding to close the Scheme to new employees; and
- An employer ceasing to exist without having fully funded their pension liabilities.

However, the administering authority monitors the position of employers participating in the Fund, particularly those which may be susceptible to the events outlined, and takes advice from the Fund Actuary when required. In the case of admitted bodies, the Fund has a policy of requiring some form of security from the employer, in the form of a guarantee or a bond, in case of employer default where the risk falls to the Fund. Where the risk of default falls on the liabilities of an original letting authority, the Fund provides advice to the letting authority to enable them to make a decision on whether a guarantee, some other form of security or a bond should be required.
In addition, the administering authority keeps in close touch with all individual employers participating in the Fund to ensure that, as administering authority, it has the most up to date information available on individual employer situations. It also keeps individual employers briefed on funding and related issues.

Governance risks

Accurate data is necessary to ensure that members ultimately receive their correct benefits. The administering authority is responsible for keeping data up to date and results of the actuarial valuation depend on accurate data. If incorrect data is valued then there is a risk that the contributions paid are not adequate to cover the cost of the benefits accrued.

Monitoring and review

This FSS is reviewed formally, in consultation with the key parties, at least every three years to tie in with the triennial actuarial valuation process.

The most recent valuation was carried out as at 31 March 2022, certifying the contribution rates payable by each employer in the Fund for the period from 1 April 2023 to 31 March 2026.

The next funding valuation will be due as at 31 March 2025 for which the contribution rates payable by each employer in the Fund for the period from 1 April 2026 to 31 March 2029 will be certified.

The administering authority also monitors the financial position of the Fund between actuarial valuations and may review the FSS more frequently if necessary.

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Agenda Item 13

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Agenda Item 16

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