



Pensions Committee

Date: TUESDAY, 19 MARCH 2024
Time: 2.00 pm
Venue: COMMITTEE ROOM - 2ND FLOOR WEST WING, GUILDHALL

Members: Deputy Timothy Butcher (Chairman)
David Sales (Deputy Chairman)
Deputy Madush Gupta
Clare James
Deputy Henry Pollard
Deputy Christopher Boden
Timothy James McNally
Vacancy

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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. **MINUTES**
 - a) To agree the public minutes and non-public summary of the Pensions Committee meeting on 21 November 2023
For Decision
(Pages 5 - 8)
 - b) To note the draft public minutes and non-public summary of the Local Government Pensions Board meeting on 19 January 2024
For Information
(Pages 9 - 14)
4. **WORK PROGRAMME**
Report of the Chamberlain.
For Information
(Pages 15 - 16)
5. **RISK REGISTER FOR THE PENSIONS COMMITTEE**
Report of the Chamberlain.
For Decision
(Pages 17 - 46)
6. **PENSION SCHEME ADMINISTRATOR'S UPDATE**
Report of the Chamberlain.
For Discussion
(Pages 47 - 56)
7. **INVESTMENT CONSULTANT STRATEGIC OBJECTIVES (PREVIOUSLY CMA) - ANNUAL REVIEW**
Report of the Chamberlain.
For Decision
(Pages 57 - 62)
8. **GOVERNMENT RESPONSE - DLUHC CONSULTATION ON LGPS**
Report of the Chamberlain.
For Information
(Pages 63 - 68)

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

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

11. **EXCLUSION OF THE PUBLIC**

MOTION - 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.

For Decision

12. **MINUTES**

- a) To agree the non-public minutes of the Pensions Committee meeting on 21 November 2023

For Decision
(Pages 69 - 76)

- b) To note the draft non-public minutes of the Local Government Pensions Board meeting on 19 January 2024

For Information
(Pages 77 - 82)

13. **TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) REPORT TO 31 MARCH 2023**

Report of the Chamberlain and Executive Director of Innovation & Growth.

For Discussion
(Pages 83 - 106)

14. **PRI 2023 ASSESSMENT REPORT UPDATE**

Report of the Chamberlain.

For Discussion
(Pages 107 - 120)

15. **PERFORMANCE MONITORING**

- a) Quarterly Monitoring Report to 31 December 2023
Report of Mercer.

For Information
(Pages 121 - 140)

- b) Investment performance Monitoring to 31 January 2024
Report of the Chamberlain.

For Discussion
(Pages 141 - 160)

16. **LCIV UPDATE**
Report of the Chamberlain.
- For Discussion**
(Pages 161 - 172)
17. **LCIV GLOBAL ALPHA GROWTH FUND (BAILLIE GIFFORD) - MERCER'S REVIEW**
Report of the Chamberlain.
- For Decision**
(Pages 173 - 192)
18. **PENSION FUND CASHFLOW FORECAST 2023/24 TO 2026/27**
Report of the Chamberlain.
- For Decision**
(Pages 193 - 198)
19. **ACTUARIAL TENDER**
Report of the Chamberlain.
- For Information**
(Pages 199 - 200)
20. **REPORT OF ACTION TAKEN**
Report of the Town Clerk.
- For Information**
(Pages 201 - 204)
21. **NON-PUBLIC APPENDIX - PENSION SCHEME ADMINISTRATOR'S UPDATE**
Report of the Chamberlain. To be read in conjunction with item 6.
- For Information**
(Pages 205 - 206)
22. **NON PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
23. **ANY OTHER BUSINESS THAT THE CHAIR CONSIDERS URGENT AND THAT THE COMMITTEE AGREES SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

PENSIONS COMMITTEE **Tuesday, 21 November 2023**

Minutes of the meeting of the Pensions Committee held at Committee Rooms, 2nd Floor West Wing, Guildhall on Tuesday, 21 November 2023 at 2.00 pm

Present

Members:

Deputy Timothy Butcher (Chairman)
David Sales (Deputy Chairman)
Deputy Henry Pollard

Officers:

Kate Limna	-	Chamberlain's Department
Graham Newman	-	Chamberlain's Department
Sarah Port	-	Chamberlain's Department
Amanda Luk	-	Chamberlain's Department
Raquel Pinto	-	Town Clerk's Department

In attendance:

Deputy Madush Gupta
Clare James
Lucy Tusa (Mercer)
Gregory Hall (Mercer)

1. APOLOGIES

Apologies were received from Deputy Madush Gupta and Clare James who were in attendance online.

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 of the Pensions Committee meeting on 12 September 2023 be approved as an accurate record.
- That the draft public minutes of the Local Government Pensions Board on 25 September 2023 be noted.

4. WORK PROGRAMME

The Committee considered a report of the Chamberlain detailing a forward-looking Pensions Committee work programme.

RESOLVED: That Members: -

- Received the report and noted its content.

5. **CITY FUND AND PENSION FUND STATEMENT OF ACCOUNTS UPDATE**

The Committee received a report of the Chamberlain, which provided an update on the audit of the 2020-21 and 2021-22 Statement of Accounts, and the publication and audit of the 2022-23 Statement of Accounts.

The Chamberlain advised that this report had been to the Audit and Risk Management Committee and Finance Committee, with the Pension Fund sections coming to this Committee. Since the reports had been published, the 2020-2021 accounts had been signed and published. The 2021-2022 accounts were expected to be signed by the end of the month by the external auditors, Grant Thornton, who were currently reviewing BDO's audit file (BDO were the external auditors for the 2020-2021 accounts). The 2022-2023 accounts were expected to be signed off early in the new year.

The Committee noted the three appendices particularly appendix 4, page 349, and page 545, which were the audit findings for the years ended 31 March 2022 and 31 March 2023. Auditors produce an audit finding report following each audit, and each finding showed that there were no major issues around the pension fund audit.

Members enquired whether the delays were a situation unique to the Corporation or whether this was across the country. The Chamberlain advised that the delay had been due to an infrastructure accounting issue across the country, and the Corporation had also been delayed by the change in external auditors.

The Chairman wanted to express the Committee's thanks to officers for the amount of work that was put in with regard to the accounts, Members were pleased to hear that the 2020-2021 accounts had been signed off, with 2021-2022 following suit in December.

RESOLVED: That Members: -

- Received the report and noted its content.

6. **PENSION 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 Chairman noted that on Appendix C, page 33, for Quarter 1 and 2, the running total did not show an improvement, which did not reflect on the work of the officers. The Chairman requested that an extra column be added so Members can understand what the percentages truly mean and see the number of cases, as one or two cases could skew the numbers. The Deputy Chairman added that these were internal targets that were being measured against, and reassurance was provided that from a mandatory target point of view the department was in full compliance.

RESOLVED: That Members: -

- Received the report and noted its content.

7. **LGPS - COMMUNICATIONS ISSUED TO SCHEME MEMBERS**

The Committee received a report of the Chamberlain which presented letters / communications that had been changed in the intervening period for information.

The Chairman requested that on page 40 with regards to the wording on annual allowance, that officers make it clear that taxable earnings included all income. This included investment income or from the letting of a property. It was suggested that paragraph three on page 41 was moved next to the paragraph on page 40.

The Committee noted that feedback was received regarding these letters particularly on annual allowance, as this topic always raised a number of questions, due to its complexity. Suggestions on how to make communications clearer were welcomed from all involved. The Committee also noted that they believed the word 'judgement' had been misspelled throughout the report and wanted to know if this was a legal term, or whether the American version was used. The Chamberlain noted this and would look into the matter.

RESOLVED: That Members: -

- Received the report and noted its content.

8. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**

There were no questions.

9. **ANY OTHER BUSINESS THAT THE CHAIR CONSIDERS URGENT**

The Chairman raised that in light of the membership of the Committee, given the number of recent vacancies, that the Terms of Reference be reviewed and amended, under Standing Order 41(B) to delegate authority to the Town Clerk in consultation with the Chairman and Deputy Chairman.

RESOLVED: That Members

- Agree to delegate authority to the Town Clerk in consultation with the Chairman and Deputy Chairman of the Pensions Committee to review and amend the Pensions Committee Terms of Reference.

10. **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.

11. **MINUTES**

RESOLVED:

- That the non-public minutes of the Pensions Committee meeting on 12 September 2023 be approved as an accurate record.
- That the draft non-public minutes of the Local Government Pensions Board meeting on 25 September 2023 be noted.

12. FUNDING OPTIONS

The Committee considered a report of the Chamberlain regarding the LCIV Funding Options.

13. PERFORMANCE MONITORING

The Committee received a presentation from Mercer regarding the Pension Fund Quarterly Monitoring Report Q3 2023 and a report of the Chamberlain relating to the Investment Performance of the Pension Fund as at 30 September 2023.

14. LCIV UPDATE

The Committee received a report of the Chamberlain providing an update on the London CIV (LCIV), the asset pool operator for London LGPS Funds and in which the Pension Fund is invested in.

15. NON-PUBLIC APPENDIX

The Committee received a non-public appendix which was read in conjunction with agenda item 6.

16. NON PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE

There were no questions.

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

There were no additional items of business.

The meeting ended at 3.35 pm

Chairman

Contact Officer: Raquel Pinto
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LOCAL GOVERNMENT PENSIONS BOARD

Friday 19 January 2024

Minutes of the meeting of the Local Government Pensions Board held at Committee Room – 2nd Floor West Wing, Guildhall, Friday 19 January 2024, at 1:45pm.

Present

Members:

Mark Wheatley (Chairman)
Peter Lisley (Deputy Chairman)
David Pearson
Christina McLellan
Paul Wilkinson

Officers:

Kate Limna	-	Chamberlain's Department
Graham Newman	-	Chamberlain's Department
Sarah Port	-	Chamberlain's Department
Blair Stringman	-	Town Clerk's Department

1. APOLOGIES

There were no apologies for absence.

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

Members raised concerns regarding a draft code of conduct consultation which had been circulated for comments. Members were not aware that being a member of a political party was a disclosable matter. The Town Clerk advised that Member's should always disclose if there were any interests. It was suggested this issue was discussed outside of the Committee.

3. MINUTES RESOLVED –

- That the public minutes and non-public summary of the Local Government Pensions Board meeting on 25 September 2023 be approved as an accurate record of the meeting.
- That the public minutes of and non-public summary of the Pensions Committee meeting on 12 September and 21 November 2023 be noted.

Matters arising:

A Member asked for an update regarding the meeting between this Board and the Pensions Committee Chairs and Deputy Chairs. The Member also had subsequent questions regarding their relationship and their responsibilities as a Board Member, as these were unclear and raised corners over accountability. Furthermore, the Member advised that they were unable to locate the Terms of Reference of the Pensions Committee on the Corporation's website. The Chairman confirmed that the Board's Terms of Reference were on the Corporation's website and would be discussed in the following item: these set

out the Board's role around compliance and oversight. The Chairman also added that the joint meeting between the Chairs and Deputy Chairs of this Board and the Pensions Committee would take place the following week. The Chamberlain confirmed that the role of the Local Government Pensions Board was to scrutinise, and it did not have any decision-making powers, however, questions could be put back to the Pensions Committee. The Pensions Committee had only been established in recent years, and prior to that the Financial Investment Board managed the Pension Fund investments. The Pensions Committee had taken over-all decision-making responsibilities in respect of pensions investments and administration.

Regarding the Pensions Committee minutes, a Member raised a question regarding the McCloud Remedy, and it being given the highest risk on the risk register and queried when this Board would receive the risk register. The Chamberlain explained that the Pensions Committee agreed to receive the risk register every six months and the last iteration of this was received in September. It was expected that this particular risk would be reduced when this was next presented to the Committee and the Board. The Chamberlain also clarified that the reason this was a high risk on the register was that at that point in time, the formal regulations around the implementation of the McCloud Remedy had not been passed.

4. **TERMS OF REFERENCE**

The Board received a report of the Town Clerk with the Board's Terms of Reference (ToR), for annual review.

The Chamberlain advised Members that the ToRs required a few amendments as follows:

- Under Constitution it should read "Two will be Members of the Court of Common Council (who may not be Members of the Pensions Committee or the Corporate Services Committee.)" With reference to the Financial Investment Board being removed as the Board no longer exists and the Establishment Committee has been re-named as Corporate Services Committee.
- Any reference to the Local Government Pensions Board be referred to in its full name, as there is a Police Pensions Board, and this would avoid any confusion.

RESOLVED – That

- the terms of reference of the Board, be approved (following any amendments) for submission to the Court in April 2024, and that any further changes required in the lead up to the Court's appointment of Committees be delegated to the Town Clerk in consultation with the Chairman and Deputy Chairman.

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

The Board received a report of the Chamberlain providing information on the scheme administration details that have been reported to the Pensions Committee since the last Local Government Pensions Board meeting on 25 September 2023.

The Deputy Chairman queried the number of Members affected by the McCloud judgement since 2014. The Board noted that there had been 1100 retirements since 2014, however, not all would have been eligible for the McCloud Remedy. The Pensions Team were assessing the eligibility of all those who had already retired prior to the implementation of McCloud and would be contacting them in due course in respect of their options. In addition, a Remedial Service Statement must be issued to all eligible active and deferred members by the 31 August 2025 to provide details of their pension scheme benefits as a result of the Remedy. At the next meeting, there would be some further clarity and data for the Board to consider. The Deputy Chairman enquired as to what would happen if a pensioner were to pass away before they had been provided with their Remedy options. The Chamberlain advised that remediation must take place regardless of the status of the individual and in the event that the pensioner passes away before a Remedy decision has been made the Authority would initially look to make contact with those who may be eligible for a survivor benefit. Since October 2023, there had been 96 retirements, all of which had been processed with reference to the provisions of the McCloud Remedy.

RESOLVED – that the report be received, and its content noted.

6. **PENSIONS COMMITTEE UPDATE REPORT**

The Board received a report of the Chamberlain which summarised the reports and decisions made by the Pensions Committee on the public agenda at their meetings on 12 September and 22 November 2023.

The Chamberlain provided the Board with the following updates following its last meeting:

- Two new Members have joined the Pensions Committee bringing the vacancies down to two. They will attend their first meeting in March.
- Bite size training from Barnet Waddingham (Enlighten!) has been rolled out to Members of the Board and to Members of the Pensions Committee to complete at Members' own leisure. The Pensions team would monitor Members' completion and whether they had passed, and this would be included in reports going forward.
- The City Fund and Pensions Fund financial statements for the year ended 31 March 2022 were signed off in November 2023.
- Auditors were looking at finalising the financial statements for the year ending 31st of March 2023, which would be completed in the coming weeks.
- The Grant Thornton audit findings report for the years ended 31 March 2022 and 2023 went to Audit and Risk Committee and Pensions Committee. The auditors (Grant Thornton) reported that there were no major issues with the pension fund accounts.
- On the Pension Fund annual report for 2022-2023, there was a statutory deadline for publishing this on the 1st of December following the scheme end year. As the City Fund accounts (which include the Pension Fund accounts) for the year ended 31 March 2023 had not been signed off by this date, the Pension Fund Annual Report 2022/23 has been published in draft form.

A Member queried as to whether the links for the training had been sent to Members yet, as they had not received anything. Other Members confirmed they had received the link. The Chamberlain advised that they would follow up with correspondence to all Members to ascertain this had been received and asked Members to check their junk inbox – the e-mail link would have come from Barnet Waddingham directly rather than the City Corporation officers.

RESOLVED – that the report be received, and its content noted.

7. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE BOARD**
There were no questions.
8. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**
There was no other business.
9. **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.
10. **MINUTES**
RESOLVED – That
 - The non- public minutes of the Local Government Pensions Board meeting on 25 September 2023 be approved as an accurate record of the meeting.
 - The non- public minutes of the Pensions Committee meeting on 12 September and 21 November 2023 be noted.
11. **PENSIONS COMMITTEE UPDATE REPORT (NON-PUBLIC)**
The Board received a report of the Chamberlain which summarised the reports and decisions made by the Pensions Committee on the non-public agenda at their meetings on 12 September and 22 November 2023.
12. **LONDON CIV UPDATE**
The Committee received a report of the Chamberlain providing an update on the London CIV (LCIV), the asset pool operator for London LGPS Funds and in which the Pension Fund is invested in.
13. **PENSIONS SCHEME - ADMINISTRATORS' UPDATE (NON-PUBLIC APPENDIX)**
RECEIVED.
14. **PENSIONS COMMITTEE UPDATE REPORT (NON-PUBLIC APPENDIX)**
RECEIVED.

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

There were no non-public questions.

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

There was no other business.

The meeting closed at 2.46 pm

Chairman

Contact Officer: Blair Stringman
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PENSION COMMITTEE WORK PROGRAMME 2023/24

Timescale	Funding	Investment	Governance	Administration & Communication	Training Items #
Standing items		<ul style="list-style-type: none"> Investment Monitoring (inc. CAS update) LCIV/Pooling Update 	<ul style="list-style-type: none"> Work programme 	<ul style="list-style-type: none"> Administration Update 	
2023/24					
Q4 2023/24 (March)	<ul style="list-style-type: none"> Cashflow forecast 	<ul style="list-style-type: none"> Investment Manager Review (Baillie Gifford) Principles of Responsible Investment TCFD report 2023 	<ul style="list-style-type: none"> Investment Consultant Strategic Objectives Actuarial Tender Review Risk Register Government consultation response 		
2024/25					
Q1 2024/25 (June)		<ul style="list-style-type: none"> Responsible Investment Policy Review* 	<ul style="list-style-type: none"> tPR General Code Policies review 		<ul style="list-style-type: none"> Responsible investment/climate action (in house)
Q2 2024/25 (September)	<ul style="list-style-type: none"> Cashflow forecast 		<ul style="list-style-type: none"> Risk Register 	<ul style="list-style-type: none"> Updates to member communication letters (if required) 	<ul style="list-style-type: none"> Pooling (LCIV)
Q3 2024/25 (December)			<ul style="list-style-type: none"> Pension Fund Annual Report 2023/24 		
Q4 2024/25 (tbc)	<ul style="list-style-type: none"> Cashflow forecast 		<ul style="list-style-type: none"> Risk Register 	<ul style="list-style-type: none"> Updates to member communication letters (if required) 	

In addition to training provided either in house or by third party organisations, all Members will be expected to register for tPR online training and complete the modules in respect of **public sector pension schemes** within 12 months of joining the Committee

*Responsible investment activities are undertaken in conjunction with Investment Committee.

Notes

Pensions Administration Strategy to be reviewed every 2 years. Next review: February 2025.

Future Triennial Review to be taken at same time as Investment Strategy review (2025).

Cashflow forecast and Risk Register are reviewed every 6 months.

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Committee: Pensions Committee	Dated: 19 March 2024
Subject: Risk Register for the Pensions Committee	Public
Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?	All
Does this proposal require extra revenue and/or capital spending?	No
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 Decision
Report author: Amanda Luk – Chamberlain’s Department	

Summary

This report reviews the Risk Register for the Pensions Committee. The Risk Register details the key risks that have been identified alongside a risk score which indicates the likelihood of a risk being realised together with the potential impact to the organisation and the appropriate mitigations.

When reviewing the risks, the Pensions Committee should be aware that some similar/generic risks are also included in the (CoL) Police Pension Board or the Investment Committee (previously Financial Investment Board, prior to its dissolution) Risk Registers: risks CHB Pensions 009 McCloud Remedy, 007 Cyber security and 005 Fraud are on the CoL Police Pensions Board Risk Register and risk CHB Pensions 013 (Responsible Investment Duties) is on the Investment Committee Risk Register.

The narrative “risk update” and “latest note” on associated actions has been amended where necessary.

The Risk Register is included at Appendix 2 and Members of the Committee are asked to review the risks and actions and confirm that appropriate measures are in place.

Recommendations

Members are asked to:

- review the existing risks and actions present on the Pensions Committee’s Risk Register, and confirm that appropriate control measures are in place; and
- confirm that there are no further risks relating to the services overseen by the Pensions Committee.

Main Report

Background

1. Prior to the formation of the Pensions Committee, responsibility for the CoL Corporation Pension Fund fell to a number of different Committees, most notably the Financial Investment Board (FIB) around investments. In addition to this, the Local














Government Pensions Board (LGP Board), which scrutinises/oversees the operation of the Pension Fund, instigated its own Risk Register.

- Now that the Pensions Committee has been established and is responsible for all matters relating to pensions, it is logical that the LGP Board's Risk Register forms the basis of the Pensions Committee Risk Register with relevant investment risks moving across from the FIB Risk Register. At the Pensions Committee meeting on 12 September 2023, Members reviewed the existing actions and confirmed that appropriate controls were in place, and that there were no other risks relating to the services overseen by the Committee. The Committee further determined they wished to review the Risk Register every 6 months.

Review of Risks

- The method of assessing risk reflects the City of London's standard approach to risk assessment as set out in its Risk Management Strategy approved by the Audit and Risk Management Committee in May 2014. The City of London Corporation risk matrix, which explains how risks are assessed and scored, is attached at **Appendix 1** of this report. Risk scores range from one, being lowest risk, to the highest risk score of thirty-two. These scores are summarised into 3 broad groups, each with increasing risk, and categorised "green", "amber" or "red".
- The Risk Register to be reviewed is set out in **Appendix 2**.

Table 1: Risk Summary

Risk code	Risk title	Current Risk Score	Current Risk Score Indicator
CHB Pensions 009	McCloud Remedy	12	
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	

5. The Risk Register contains thirteen risks which are summarised above. In the table, “Current Risk Score indicator” displays the current “RAG” rating for each risk. Each risk presented in the Risk Register is accompanied by one or more “action(s)” which reflect how the risk is managed and mitigated. A “due date” for required completion is set against each action. Due to the nature of the risks overseen by the Committee, in many cases it is impossible to entirely eliminate a risk, and therefore corresponding actions will always remain live. These ongoing actions are necessary in order to maintain the current risk score. Where this is the case the Risk Register includes an annual due date, which will be renewed each year.
6. Officers have reviewed the Risk Register to establish whether the risk environment has changed and whilst all scores have been maintained at their previous levels each has been reviewed and updated where necessary in the Register itself. Updates to the Risk Register are underlined throughout.
7. There has been one significant change to the risk register, the risk ‘*CHB Pensions 009 – McCloud Remedy*’, had previously been given an overall risk score of red 16. However, the release of the final regulations with effect from 1 October 2023 has allowed officers to reduce the risk score to amber 12. The changes made to the Local Government Pension Scheme as a result of the McCloud Judgement are guaranteed, but the release of the implementation regulations has meant the likelihood has decreased to ‘Possible’ as the number of unknowns has decreased. The impact of the changes is still potentially very high and it therefore continues to be recorded as ‘Major’. At this stage officers consider that it is appropriate to reduce the likelihood of this risk, with the expectation that it will continue to be reduced as the implementation continues.
8. Officers have also considered whether any new risks have emerged since the last review. Although the Committee’s operating environment continually changes, officers have determined that the existing Register captures the material risks facing the Committee.

Conclusion

9. The risks overseen by the Pensions Committee are primarily of low likelihood but represent substantial impact, particularly with regards to financial loss and reputational damage.
10. The Pensions Committee is requested to review the risks and confirm that appropriate control measures are in place for these risks and that there are no other risks that should be added to the Risk Register.

Appendices

- Appendix 1 – City of London Corporation Risk Matrix
- Appendix 2 – Pensions Committee Risk Register

Amanda Luk

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

Note: A risk score is calculated by assessing the risk in terms of likelihood and impact. By using the likelihood and impact criteria below (top left (A) and bottom 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

Likelihood	X	Impact			
		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: 27 February 2024



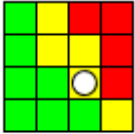
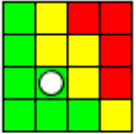

Rows are sorted by Risk Score

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	<p>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.</p> <p>Event: The impact of scheme amendments upon scheme members, Pensions Office and scheme employers due to implementation of the proposed remedy for McCloud.</p> <p>Effect: The Pensions Office is unable to adequately comply with legislative and regulatory amendments arising from the proposed McCloud remedy.</p>	<p>Lielihood</p> <p>Impact</p>	<p>16</p> <p><u>12</u></p>	<p>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.</p> <p>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.</p> <p>In February 2021 HM Treasury published its response to the</p>	<p>Lielihood</p> <p>Impact</p>	<p>4</p>	<p>01-Oct-2023</p>	

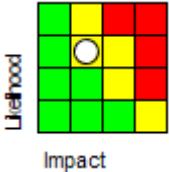
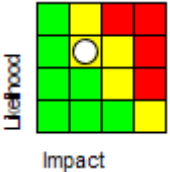
<p>11-Aug-2022 Kate Limna</p>			<p>consultation document and set out its preferred remedy choice.</p> <p>Further legislative changes are required before the remedy can be implemented, however, due to the complexity of the proposed remedy pension administrators and pension systems providers have commenced development of systems and processes based on current understandings to enable the remedy to be implemented.</p> <p>On 10 March 2022 the Public Services and Judicial Offices Act 2022 received Royal Assent.</p> <p>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.</p> <p><u>The finalised LGPS (Amendment) (No.3) Regulations 2023 came into force from 1 October 2023 and amended the LGPS Regulations 2013 accordingly.</u></p> <p><u>Since this date, all new retirements have been calculated with reference to the Remedy.</u></p> <p>27 Feb 2024</p>				<p>Decreased</p>
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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 (SEC SOG), 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	27-Feb-2024	31-Aug-2024
CHB Pensions 009b	Identification of eligible scheme members who will qualify for the remedy. All data must be reviewed and if necessary amended. In some cases data may be missing and must be requested from employers and previous pension providers.	Perform data review exercise in bulk and individually to identify scheme members who may qualify and/or identify missing data. 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.	Graham Newman	27-Feb-2024	31-Aug-2024
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. <u>The software has been updated to allow for calculations and recalculations of deferred benefits and those already in payment to identify where the Remedy will affect the benefits already calculated. The calculators are kept under constant review to ensure that they work as intended and regular updates are provided as they are developed by the software supplier.</u> Development should <u>has</u> included bulk calculations and calculations for individuals, <u>and</u> include revised pension amounts, arrears payable/collectible (benefits and contributions) plus interest payable <u>where</u> if applicable.	Graham Newman	27-Feb-2024	31-Aug-2024
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, <u>and</u> clear <u>and ongoing</u> . Further detail about the proposed <u>Updates in respect of the</u> remedy and delivery of it, including scheme members who may be affected, must be <u>provided as appropriate</u> known prior to any specific <u>remedy communications</u> . The Pensions Office website carries current information from various sources including DLUHC. Further communications will be added when they are released.	Graham Newman	27-Feb-2024	31-Aug-2024

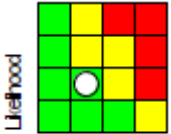
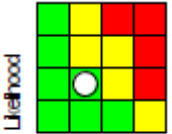

		<p>The <u>2023</u> Annual Benefit Statements (ABS) contain a statement on McCloud provided by the LGA and in 2023 will also included a link to a leaflet that was created by the LGA in conjunction with the Scheme Advisory Board (SAB). This leaflet is <u>was</u> also already available on the City's Pension Website.</p> <p>The ABS will <u>now</u> need to be amended following implementation of the amended regulations as McCloud data will need to be included for each scheme member.</p> <p>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.</p>			
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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
<p>CHB Pensions 001 Insufficient Assets</p> <p>17-Aug-2022 Kate Limna</p>	<p>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.</p>	<p></p> <p>Liability Impact</p>	<p>8</p>	<p>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 31 January 2024, the Fund is outperforming its absolute return target over three five years but underperformed over one and five three 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. despite ending the third quarterly negatively, rebounding in the fourth quarter as financial markets witnessed a robust end to 2023. This was as a result of growing optimism that inflation was cooling, which led to markets pricing in significant rates cuts in 2024. However, following an unexpected increase in UK inflation, UK equities fell over the month of January 2024 as expectations for when interest rates may begin to be cut were pushed out.</p> <p>27 Feb 2024</p>	<p></p> <p>Liability Impact</p>	<p>4</p>	<p>31-Mar-2025</p>	<p></p> <p>Constant</p>

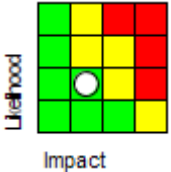
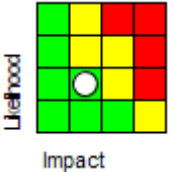

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB Pensions 001a	The Investment strategy of the Pension Fund is reviewed at least every three years following the triennial valuation with proper advice from the Investment Consultant.	<p>The Pension Fund Investment Strategy was reviewed following the completion of the 2019 <u>2022</u> triennial valuation of the Fund's liabilities, by the Financial Investment Board <u>Pensions Committee</u> in September 2023 <u>July 2020</u>. <u>New Investments into Corporate Bonds, Renewable Infrastructure and broad private markets were agreed to</u> This ensured that the investment strategy remained appropriate in the context of the Fund's updated liabilities valuation and the current investment environment.</p> <p>The 2022 triennial actuarial valuation has been finalised by the scheme Actuary, Barnett Waddingham and the Investment Strategy Statement is being reviewed by the Pensions Committee.</p>	Caroline Al-Beyerty; Kate Limna	27-Feb-2024	31-Mar-2025
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	27-Feb-2024	31-Mar-2025

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
<p>CHB Pensions 010 Targeted returns</p> <p>17-Aug-2022 Caroline Al-Beyerty</p>	<p>Cause: Fund managers (including the London CIV) fail to achieve the targeted investment returns because</p> <ul style="list-style-type: none"> • 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. <p>Event: Failure to be seen to manage the funds responsibly.</p> <p>Effect: Supervisory intervention over management of the Funds.</p>		<p>6</p> <p>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.</p> <p><u>Following the revised Strategic Asset Allocation, which agreed investment into three new asset classes including Corporate Bonds in September 2023, the Pension Fund invested into the LCIV Buy and Maintain funds (Corporate bonds) in December 2023. Therefore 35% of CoL PF assets are now under Pool management.</u> The London CIV is a pooling vehicle for which the City of London Pension Fund is a shareholder. Currently 20% of CoL PF assets under management are held in two <u>four</u> funds – Global Alpha Growth Fund (managed by Baillie Gifford), and Alternative Credit Fund (managed by CQS), <u>Buy and Maintain Fund – Short duration and Buy and Maintain Fund – Long duration (managed by Insight).</u> <u>In addition there is a commitment of £75m to the Renewable Infrastructure Fund</u></p> <p>27 Feb 2024</p>		<p>6</p> <p>31-Mar-2025</p>	<p>■</p> <p>Constant</p>

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 Members to account for their performance as and when deemed necessary/as required.	The performance report for the Pension Fund to 31 July 2023 <u>31 January 2024</u> , along with the Investment Consultant's quarterly report (to June 2023 <u>December 2024</u>) is reported to the Pensions Committee on 12 September 2023 <u>19 March 2024</u> .	Kate Limna; Sarah Port	27-Feb-2024	31-Mar-2025
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 August 2023 <u>February 2024</u> 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 meeting in late 2022, the 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	27-Feb-2024	31-Mar-2025

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 16-Jan-2023	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	 Likelihood Impact	4	Insufficient liquidity to meet pension benefit payments, transfer payments and other costs, or to meet cash calls from fund managers. 27 Feb 2024	 Likelihood Impact	4	31-Mar-2025	 Constant

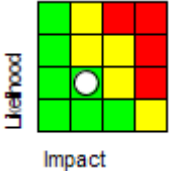
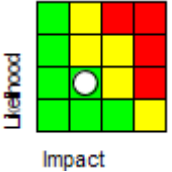
Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB Pensions 003a	The Pension Fund asset allocation is established to ensure appropriate exposure to asset classes.	The Pension fund asset allocation remains within tolerance of control ranges established by Financial Investment Board <u>Pensions Committee under the revised Strategic Asset allocation as agreed by Committee in September 2023.</u>	Kate Limna; Sarah Port	27-Feb-2024	31-Mar-2025
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 advance of a withdrawal (X is dependent on the fund manager).	Kate Limna; Sarah Port	27-Feb-2024	31-Mar-2025
CHB Pensions 003c	Cash flow forecasting to ensure adequate monitoring and planning.	A Cash flow forecast has been created to ensure the Pension Fund is able to meet any obligations required of it. This is reported to Committee on a quarterly <u>half yearly</u> basis.	Kate Limna; Sarah Port	27-Feb-2024	31-Mar-2025

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 16-Jan-2023	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. 27 Feb 2024		4	31-Mar-2025	 Constant

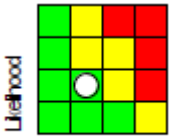
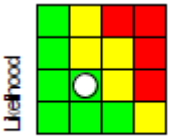
Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB Pensions 004a	Pensions administration staff to be aware of the corporate policy regarding data security and to follow the guidelines given.	Corporate online training regarding data-security to be carried out by all staff and reviewed as required.	Graham Newman	27-Feb-2024	31-Mar-2025
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	27-Feb-2024	31-Mar-2025
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	27-Feb-2024	31-Mar-2025
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	27-Feb-2024	31-Mar-2025

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-Aug-2022 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.		4	31-Mar-2025	

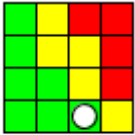
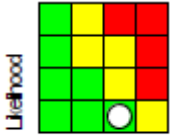

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB Pensions 006a	Bond indemnity/guarantee required for admitted bodies and incorporated into admission agreements where appropriate.	Recent admissions to the scheme have provided a bond.	Graham Newman	27-Feb-2024	31-Mar-2025

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-Aug-2022 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. 27 Feb 2024		4	31-Mar-2025	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	27-Feb-2024	31-Mar-2025
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	27-Feb-2024	31-Mar-2025
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	27-Feb-2024	31-Mar-2025
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	27-Feb-2024	31-Mar-2025

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
<p>CHB Pensions 008 Pension Scheme Administration</p> <p>16-Jan-2023</p>	<p>Cause: (i) Ineffective succession planning. (ii) Inadequately trained staff. (iii) Absences/increased staff turnover. (v) Data Accuracy. (vi) Lack of resources.</p> <p>Event: The failure of administrators to accurately calculate and pay the correct level of benefits.</p> <p>Effect: (i) Inaccurate benefits paid or delayed. (ii) Increased costs. (iii) Financial penalties/ sanctions.</p>	 <p>Lifelood Impact</p>	<p>4</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>27 Feb 2024</p>	 <p>Lifelood Impact</p>	<p>4</p>	<p>31-Mar-2025</p>	<p>Constant</p>

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	27-Feb-2024	31-Mar-2025
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	27-Feb-2024	31-Mar-2025
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	27-Feb-2024	31-Mar-2025
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	27-Feb-2024	31-Mar-2025
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	27-Feb-2024	31-Mar-2025

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 17-Aug-2022 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.	 Likelihood Impact	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. 27 Feb 2024	 Likelihood Impact	4	31-Mar-2025	 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	27-Feb-2024	31-Mar-2025
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	27-Feb-2024	31-Mar-2025
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	27-Feb-2024	31-Mar-2025

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 17-Aug-2022 Kate Limna	<p>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.</p> <p>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.</p> <p>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.</p>	<p>Likelihood</p> <p>Impact</p>	4	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. 27 Feb 2024	<p>Likelihood</p> <p>Impact</p>	2	31-Mar-2025	 Constant

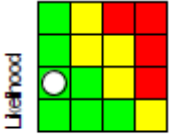
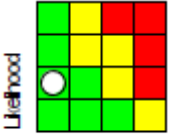
Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB Pensions 012a	Training provided to Committee Members on a range of investment topics and asset classes on a needs basis. Continued Professional Development (CPD) records maintained and updated annually.	A review will 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. <u>Members of the Committee are also expected to complete the new Enlighten! Training provided by Barnett Waddingham (Actuary).</u>	Kate Limna; Sarah Port	27-Feb-2024	31-Mar-2025
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	27-Feb-2024	31-Mar-2025
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	27-Feb-2024	31-Mar-2025

CHB Pensions 012d	External professional advice sought where required.	The investment consultant attends each meeting of the Pensions Committee providing advice on investment matters.	Kate Limna; Sarah Port	27-Feb- 2024	31-Mar- 2025
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	27-Feb- 2024	31-Mar- 2025

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 17-Aug-2022 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.	 Likelihood Impact	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. 27 Feb 2024	 Likelihood Impact	4	31-Mar-2025	 Constant

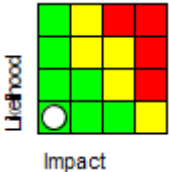
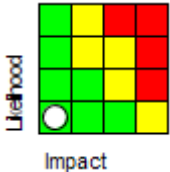

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB Pensions 013a	Reporting on responsible investment activities to the Principles for Responsible Investment is completed on an annual basis. The Committee (along with other relevant Committees/Boards) will receive an annual Transparency Report from the PRI from which it can evaluate progress against responsible investment goals.	<p>The Corporation's assessment report was reported to this Committee in November 2022. The new PRI framework was released on 26 January 2023 and the next submission is due 6 September 2023</p> <p><u>The PRI reporting period opened on 14 June 2023 and was expected to close on 6 September 2023. However, the PRI experienced some IT issues and as a consequence the submission</u></p>	Kate Limna; Sarah Port	27-Feb-2024	31-Mar-2025

		<p><u>deadline was extended by a couple of weeks. The full 2022/23 PRI results were released in January 2024, and the results are presented under separate cover to this March Pensions Committee.</u></p> <p><u>The PRI have advised that the 2023/24 assessment is expected to open in May 2024.</u></p>			
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	27-Feb-2024	31-Mar-2025
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).	All of the Pension Fund's UK-based pooled fund managers (i.e. excluding the alternative assets portfolio) are signatories to the Stewardship Code.		27-Feb-2024	31-Mar-2025
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.		27-Feb-2024	31-Mar-2025

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
<p>CHB Pensions 005 Fraud</p> <p>17-Aug-2022 Kate Limna</p>	<p>Cause: (i) Not notified of death. (ii) Staff acting inappropriately (iii) Pension transfer scams</p> <p>Event: (i) Fraudulent claim of pension benefits (ii) pension benefits transferred to an inappropriate / unauthorised body.</p> <p>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</p>	<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg); font-size: small;">Likelihood</div>  <div style="margin-left: 10px;">2</div> </div>	<p>If the death of a LGPS beneficiary is not reported, their pension may continue to be paid when there is no longer an entitlement.</p> <p>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.</p> <p>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.</p> <p>27 Feb 2024</p>	<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; font-size: small;">Likelihood</div>  <div style="margin-left: 10px;">2</div> </div>	<p>31-Mar-2025</p>	<p style="text-align: center;">■</p> <p style="text-align: center;">Constant</p>

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	27-Feb-2024	31-Mar-2025
CHB Pensions 005b	Ensuring all members that are considering transferring their benefits out of the scheme are made aware of the potential for transfer scams.	All correspondence sent to scheme members considering a transfer-out of the scheme must contain warnings in respect of transfer scams. In addition, website links to appropriate bodies	Graham Newman	27-Feb-2024	31-Mar-2025

		such as the Money Helpline and the Pensions Regulator are included as well as any advisory literature provided by these and similar bodies.			
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	27-Feb-2024	31-Mar-2025
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	27-Feb-2024	31-Mar-2025

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 17-Aug-2022 Kate Limna	<p>Cause: Inappropriate assumptions used by the Actuary/ Inaccurate data supplied to the Actuary for the triennial valuation.</p> <p>Event: Unsuitable triennial actuarial valuation.</p> <p>Effects: Employer contribution rates insufficient to maintain long term cost efficiency & solvency.</p>		1	<p>The latest full actuarial valuation of the Pension Fund, using member data and investment asset information as at 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 2023.</p> <p>27 Feb 2024</p>		1	31-Mar-2025	 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	27-Feb-2024	31-Mar-2025
CHB Pensions 002b	Robust Year End procedures and updates	<p>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 and were signed off by the External Auditors on 26 February 2024.</p> <p>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</p>	Kate Limna; Graham Newman	27-Feb-2024	31-Mar-2025

		<p>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.</p> <p>The 2022/23 Pensions Fund audit is currently underway.</p>			
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	27-Feb-2024	31-Mar-2025

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Agenda Item 6

Committee(s) Pensions Committee	Dated: 19 March 2024
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 Discussion
Report author: Graham Newman – Chamberlain’s Department	

Summary

The administration of the City of London Local Government Pension Scheme (the Scheme) is undertaken by the Pensions Team within the Chamberlain’s Department.

The table below provides a summary of general information around a range of topics in relation to the administration of the Scheme since the last Committee meeting on 12 September 2023. Members are asked to note the report and provide feedback.

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)	None to report.
Public Service Pensions	None to report.

Reporting Breaches of Pension Law	
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	<p>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.</p> <p>GMP reconciliation in the Local Government Pension Scheme (LGPS) involves ensuring that pension benefits provided by the LGPS are in compliance with the GMP requirements as outlined by HM Revenue and Customs (HMRC) in the context of contracted-out pension schemes.</p> <p>These are the key points for the GMP reconciliation currently being carried out:</p> <ol style="list-style-type: none"> 1. <i>Data Collection</i>: Collect pension scheme data, including member records, contributions, and service history, to review compliance with GMP regulations. 2. <i>Identification of GMPs</i>: Identify members who have GMP rights within the LGPS. These are individuals who were contracted out of the State Earnings-Related Pension Scheme (SERPS) or the State Second Pension (S2P) while they were LGPS members. 3. <i>HMRC Reconciliation</i>: Compare pension records with those held by HMRC to ensure that GMP entitlements are accurately recorded. This may involve reviewing past National Insurance contributions and contracted-out service. 4. <i>Rectification of Discrepancies</i>: If discrepancies or inaccuracies are found, take steps to rectify them. This could involve updating member records, adjusting pension benefits, or providing members with additional GMP benefits. 5. <i>Communication</i>: Inform affected scheme members of any changes to their GMP entitlements and pension benefits resulting from the reconciliation process. <p>GMP reconciliation in the LGPS is essential to ensure that members receive their correct pension entitlements and that the scheme remains compliant with legal requirements.</p> <p>Mercers (formally JLT) have been commissioned to facilitate this project and are currently working through Stage 3 of this process map, comparing the City's data with that held by HMRC. Several adjustments to the reporting requirements since the project started</p>

	<p>have caused the end dates to slip, but it is hoped that we will move to Stage 4 shortly.</p> <p>Stage 4 of the process map may require decisions to be made by the Committee. The Committee may wish to set certain parameters in respect of any discrepancies and how they should be dealt with – for example, setting a threshold amount for overpaid pensions that need to be reclaimed with any amount below the threshold being written off.</p> <p>Once Stage 3 has been completed and the details have been provided, a report will be brought to the Committee.</p>
<p>Pension Administration System</p>	<p>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 will also provide a platform for providing annual benefit statements and other bulk mailings.</p> <p>In-house User Acceptance Testing of the system has been finalised and was followed by a roll-out to small test groups of the active scheme membership. The results of this test roll-out are being assessed and once satisfied the full roll-out date for active scheme members will begin, with the roll-out for deferred and pensioner members following on at a later date.</p>
<p>Public Sector Pensions Legal Challenge</p>	<p><u>Lord Chancellor and Secretary of State for Justice v McCloud and others</u></p> <p>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.</p> <p>However, the legality of these reforms was successfully challenged and they were found to be discriminatory on the grounds of age. This challenge came to be referred to as ‘McCloud’.</p> <p>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.</p> <p>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.</p> <p>Further consultation determined the form the Remedy would take in respect of the LGPS and the regulations were formally laid and then implemented with effect from 1 October 2023.</p> <p>For active scheme members retiring after the implementation date, their McCloud eligibility will be assessed by the Pensions Office and if appropriate their benefits will be based upon the terms of the Remedy. In addition, from September 2025 onwards, all Annual Benefit Statements issued to active and deferred members must include details in respect of the Remedy and how it affects their individual benefits.</p>

	<p>With regards to retired members, all retirements since the introduction of the career average scheme in April 2014 will need to be assessed for eligibility for the McCloud Remedy. For those deemed to be eligible, their benefits in payment will need to be recalculated under the terms of the Remedy and any appropriate adjustments made and arrears paid. This process will also apply for the pensions being paid to the survivors/dependants of an eligible member who passed away before the Remedy was implemented.</p> <p>The Pensions Office has implemented the Remedy in respect of active scheme members and all retirements that have occurred since the implementation date (i.e. 1 October 2023) have been processed on this basis.</p> <p>The Pensions Office, in conjunction with each individual Scheme employer, is currently compiling the details of all retirements since April 2014 to assess eligibility and begin the process of re-calculating benefits where appropriate. Active and deferred scheme members must be provided with details by 31 August 2025 and it is expected that all retired scheme member will have been contact by then.</p> <p>Updates regarding the implementation of the McCloud Remedy will continue to be brought to each Committee meeting.</p>
<p>Pension Committee Training</p>	<p>All Members of the Committee are expected to register for tPR online training and complete the modules in respect of <u>public sector pension schemes</u>.</p> <p>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</p> <p><u>Following a trial period by officers, Members of the Committee have recently agreed to complete the new online LGPS training that has been created by our actuary Barnett Waddingham. The training module is called 'Enlighten' and is specifically directed at LGPS Committees, Boards and officers. There are currently three courses available; each consisting of several bitesize videos and followed by a quiz.</u></p> <p>Details in respect of training modules completed by each Member are included on the non-public agenda (Appendix B).</p> <p>Members are expected to re-do the tPR training modules every 3 years.</p>
<p>Pensions Office Key Performance Indicators</p>	<p>As requested at the Committee meeting of 29 November 2022, Appendix C provides statistics in relation to the performance of the Pension Scheme Administration.</p> <p>The working processes followed by the Pensions Team are regularly reviewed to ensure the statistics accurately reflect the work involved.</p>
<p>Pensions Dashboards</p>	<p>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</p>

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 out 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/>

To support funds with the upcoming requirements of the PDP, the National LGPS Framework has been working to establish a framework that includes Integrated Service Providers (ISP) which will be crucial for dashboard readiness as it provides the administrator with connectivity to the dashboard 'ecosystem'.

	<p>The framework will provide LGPS fund with a compliant route to market for an ISP, as well as support with data quality and dashboard readiness.</p>
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	<p>The tender documents have been issued and it is hoped that the Framework will be launched in early April 2024.</p>
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Recommendation

The Committee is asked to note the report and provide any feedback in relation to this information.

Appendices:

Appendix A – Annual Schedule of Events (Administration)

Appendix B – Member Training (NON PUBLIC)

Appendix C – KPI Details

Graham Newman

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Local Government Pension Administration - Schedule of Events 2022/23 and 2023/24

Date Due	Event	Completed
1 December 2021	Publication of 2020/21 Pension Fund Accounts and Annual Report	2020/21 City Fund Accounts formally signed off 8 November 2023.
1 December 2022	Publication of 2021/22 Pension Fund Accounts and Annual Report	2021/22 City Fund Accounts formally signed off 7 December 2023.
31 August 2023	Issue of Annual Benefit Statements deadline.	31 August 2023
30 September 2023	Employee Contribution Band review	29 September 2023
5 October 2023	Issue of Annual Allowance (AA) Saving Statements deadline	4 October 2023
November 2023	Tax return for Quarter 2 (to 30/09/2023)	18 October 2023
1 December 2023	Publication of 2022/23 Pension Fund Accounts and Annual Report	2022/23 City Fund Accounts formally signed off 26 February 2024.
25 January 2024	Scheme Return to the Pensions Regulator	25 January 2024
31 January 2024	HMRC Event 22 Report – List of Annual Allowance cases exceeding the Previous years' threshold.	31 January 2024
February 2024	Tax Return for Quarter 3 (to 31/12/2023)	31 January 2024
1 April 2024	Employee Contribution band review/implementation.	
1 April 2024	Revaluation of CARE benefits.	
1 Monday in April following Tax Year End	Pensions Increase (PI) – Annual Inflation increase.	
May 2024	Tax return for Quarter 4 (to 31/3/2024)	
31 May 2024	Pensioner P60s distributed	
31 May 2024	Publish draft City Fund Accounts 2023/24 (including the Pension Fund Accounts)	
June/July 2024	Year-end data to the pension fund's actuary	
August 2024	Tax return for Quarter 1 (to 30/06/2024)	
31 August 2024	Issue of Annual Benefit Statements deadline.	
30 September 2024	Employee Contribution Band review	
5 October 2024	Issue of Annual Allowance (AA) Saving Statements deadline	

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City of London Local Government Pension Scheme - Administration Key Performance Indicators

Task	Target (Working Days)	Result 2022/23	Result 2021/22	Result 2020/21
Initial payment of retirement benefits	5 days	97.35 %	98.61 %	97.58 %
Process refund and make payment	5 days	94.85 %	98.44 %	100.00 %
Statement notifying estimate of retirement benefits	20 days	97.04 %	96.17 %	97.78 %
Statement detailing transfer-in credit	20 days	100.00 %	100.00 %	100.00 %
Transfers-out payments	20 days	100.00 %	100.00 %	100.00 %
Answering general correspondence:	10 days	96.50 %	96.83 %	96.41 %
Payment of lump sum death grants:	5 days	92.59 %	100.00 %	95.45 %
Letters to dependants in respect of benefits due:	5 days	98.36 %	94.44 %	100.00 %

Task	Target (Working Days)	Quarter 1 01/04/2023 – 30/06/2023	Quarter 2 01/07/2023 – 30/09/2023	Quarter 3 01/10/2023 – 31/12/2023	Number of cases in Quarter 3*	Running total for the year 01/04/2023 – 31/12/2024
Initial payment of retirement benefits	5 days	95.52 %	92.00 %	94.64 %	56 (3)	94.43 %
Process refunds and make payments	5 days	93.10 %	100.00 %	94.12 %	17 (1)	94.32 %
Statement notifying estimate of retirement benefits	20 days	95.92 %	97.44 %	97.56 %	41 (1)	96.62 %
Statement detailing transfer-in credit	20 days	100.00 %	100.00 %	100.00 %	4 (0)	100.00 %
Transfers-out payments	20 days	100.00 %	0 cases	100.00 %	6 (0)	100.00 %
Answering general correspondence	10 days	100.00 %	96.40 %	92.23 %	103 (8)	96.18 %
Payment of lump sum death grants	14 days	100.00 %	100.00 %	100.00 %	3 (0)	100.00 %
Letters to dependant's in respect of benefits due	5 days	100.00 %	100.00 %	100.00 %	14 (0)	100.00 %

* The figure in brackets is the number of cases completed outside of target.

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Committee(s): Pensions Committee	Dated: 19 March 2024
Subject: Investment Consultant Strategic Objectives - Annual Review	Public
Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?	ALL
Does this proposal require extra revenue and/or capital spending?	N/A
If so, how much?	£
What is the source of Funding?	N/A
N/A	Y/N
Report of: The Chamberlain	For Decision
Report author: Amanda Luk, Chamberlain’s	

Summary

This report updates the Pensions Committee on the performance of the Fund’s Consultant, Mercer Ltd (Mercer) against the aims and objectives set and approved at the Financial Investment Board (FIB) (prior to the establishment of the Pensions Committee, who first met on 11 July 2022) and which forms part of the Investment Consultant contract.

Recommendation

Members are asked to approve the Investment Consultant Review for 2023 and delegate authority to the Chamberlain to sign the Compliance Statement.

Main Report

Background

1. In November 2019, FIB (prior to the establishment of the Pensions Committee, who first met on 11 July 2022) received a report on the implications of the Competition and Market Authority’s (CMA) *Investment Consultancy and Fiduciary Management Market Investigation Order 2019 (the “Order”)*. The Order came into force on 10 December 2019. Whilst the Local Government Pension Scheme (LGPS) was largely out of scope for much of the Order, following clarification from the Government and the Scheme Advisory Board (SAB), it was established that one obligation – “Part 7” did apply. This required administrative authorities of the LGPS, such as the City of London Corporation, to set strategic objectives for its Investment Consultants.
2. Members agreed seven strategic objectives noting that these applied to the investment consultancy services delivered in respect of the City of London Pension Fund. The objectives agreed by FIB are set out in Appendix 1.
3. In 2022, the CMA order requirements were brought into legislation by the Department of Work and Pensions (DWP) under Part 6, Chapter 3 of *The Occupational Pension*

Schemes (Scheme Administration) regulations 1996 (the scheme administration regulations) and the regulation of the obligations transferred from the CMA to the Pensions Regulator (tPR).

Performance

4. In line with best practice, the performance of the investment consultant against the objectives should be reviewed on an annual basis and the objectives updated at least every three years or where there has been a material change in the investment approach.
5. Appendix 2 details the objectives and aims for the investment consultant, Mercer, against which the consultant's performance has been assessed and reviewed for the year to 31 December 2023. Each objective has been assigned a rating.
6. The review of Mercer's performance over the last year was undertaken by Officers in conjunction with Mercer on 6 February 2024. Mercer have performed well over the past year with all aims and objectives achieved to at least a satisfactory standard. Officers are pleased with the work produced by the consultant.

Compliance Statement

7. The CMA order previously included a requirement for LGPS funds to submit an annual compliance statement confirming compliance with "Part 7". Under the scheme administration regulations, this is no longer a requirement, however compliance should be documented as a matter of good practice. A draft compliance statement is set out in Appendix 3.

Conclusion

8. Officers, in conjunction with Mercer, completed the review of Mercer's performance against the aims and objectives set and approved at the Financial Investment Board (FIB) (prior to the establishment of the Pensions Committee, who first met on 11 July 2022) and which forms part of the Investment Consultant contract to the year ending 31 December 2023. Mercer have performed well over the past year and Officers are pleased with the work produced by the consultant.

Appendices

Appendix 1 - Strategic Objectives for Investment Consultancy Services: City of London Corporation Pension Fund

Appendix 2 - Investment Consultant Performance Review

Appendix 3 - Draft Compliance Statement

Background Papers

FIB: 29 November 2019: Investment Consultant Strategic Objectives (LGPS only)

Amanda Luk

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Strategic Objectives for Investment Consultancy Services: City of London Corporation Pension Fund (the “Fund”)

Overall objective

The overall objective of the Fund is to:

- achieve and maintain a funding level at or close to 100% of the Fund’s estimated liabilities;
- and in conjunction with the funding strategy, to minimise the cost and variability of cost to employers. (The “Overall Objective”).

The Pension Committee has concluded that, subject to being consistent with the agreed investment consultancy services to be provided by the Investment Consultant (IC) Provider, the following objectives for the IC Provider will, if well executed, contribute towards achieving the Fund’s Overall Objective:

1. Alignment of services with Overall Objective

The IC Provider should take into account the Overall Objective above and, in doing so, will give due consideration to relevant circumstances of the Fund. Those relevant circumstances include, but are not limited to, the employers’ contributions policy, perceived strength of covenant, mortality and longevity experience, developments in the funding level of the Fund from whatever cause, the tolerance for investment risk of the Fund and the employers, economic and market conditions and outlook, and ancillary objectives and requirements.

2. Consideration of responsible investment requirements

The IC Provider will give due consideration to the responsibilities of the Fund to consider environmental, social and governance (ESG) factors (including climate change) and stewardship risks.

3. Investment strategy objective

The IC Provider should guide the Fund in determining appropriate investment objectives, appropriate levels of investment risk, and an appropriate and diversified investment strategy. In addition, the IC Provider should advise the Fund on new investment opportunities and emerging risks and periodically propose amendments to the investment strategy where appropriate. Investment Strategy advice should contribute to the Overall Objective by way of either improved performance and/or of management of investment risk over the long term.

4. Investment manager selection objective

Under the Government’s pooling agenda it is expected that the IC Provider will have less input into manager selection advice going forward but, where appropriate, the

IC Provider should make recommendations on the appointment and retention of appropriate investment managers and on portfolio construction with those managers' strategies and funds, consistent with the overall investment objectives and the chosen investment strategy. The IC Provider should recommend investment managers that the IC Provider believes have a high degree of confidence in achieving the objective set for the investment manager after fees over a market cycle. Manager selection therefore, should contribute to implementing the investment strategy of the Fund by way of either managing risk and/or achieving the long-term return expected.

5. Implementation objective

Where appropriate, the IC Provider should assist with achieving timely and cost-effective implementation of the Fund's investment decisions.

6. Investment Strategy Statement

The IC Provider should provide guidance on any matters in respect of which the Fund is required by law to seek advice in relation to the preparation or revision of the Fund's Investment Strategy Statement.

7. Monitoring objective

The IC Provider should assist with measuring the success of the Fund's chosen investment strategy and investment manager structure against the Overall Objective.

Investment Consultant Performance Review to year ended 31 December 2023.

Rating	Key
Excellent	E
Good	G
Satisfactory	S
Unsatisfactory	U

Objective Number	Objective	Officer Commentary	Rating
1	Alignment of services with Overall Objective	Mercer have reviewed the Investment Strategy whilst considering the expected return requirements determined by the Fund Actuary, and made changes to the investment strategy required to align the assets with the return expectations. Mercer's review considered current and forward looking economic and market conditions in assessing the level of expected return for the Fund.	E
2	Consideration of responsible investment requirements	Mercer provides regular quarterly monitoring reports with updates on the Investment manager's ESG ratings.	G
3	Investment Strategy	Mercer have reviewed the Investment Strategy and proposed a new strategic asset allocation and the introduction to corporate bonds, broad private markets and renewable infrastructure. Mercer also provide quarterly monitoring reports on the Pension Fund's portfolio considering how the investment managers are performing relative to their benchmarks and with regards to the Mercer rating scale as well as a review of general market conditions.	E
4	Investment manager selection	Mercer's quarterly report highlights any manager changes/developments over the quarter. Mercer also provides advice as to the appropriateness of LCIV vehicles.	E
5	Implementation	Mercer assisted with the implementation of a secondary market purchase in the Aviva Lime fund.	G
6	Investment Strategy Statement (ISS)	Mercer assisted with a review of the Fund's ISS in July 2023.	G
7	Monitoring	Mercer reviews the Fund's investment portfolio on a quarterly basis, completing both a high-level review of the Fund's assets and performance, as well as any developments of the underlying investment managers.	G

Draft Compliance Statement

I {insert name}, confirm on behalf of the City of London Pension Fund that during the year to 31 December 2023, the City of London Pension Fund has complied with Part 6, Chapter 3 of The Occupational Pension Schemes (Scheme Administration) regulations 1996 (the scheme administration regulations).

This Compliance Statement has been prepared in accordance with the good practice as per The Occupational Pension Schemes (Scheme Administration) regulations 1996 (the scheme administration regulations).

For the period to which this Compliance Statement relates, the City of London Pension Fund have complied in all material respects with the requirements of Part 6, Chapter 3 of the scheme administration regulations and reasonably expect to do so.

For and on behalf of the City of London Pension Fund.

Signature.....

Name:.....

Title:.....

Date:.....

Committee(s): Pensions Committee	Dated: 19 March 2024
Subject: Government Response - DLUHC Consultation on LGPS	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	ALL
Does this proposal require extra revenue and/or capital spending?	N/A
If so, how much?	£
What is the source of Funding?	N/A
N/A	Y/N
Report of: The Chamberlain	For Information
Report author: Amanda Luk, Chamberlain's	

Summary

On 11 July 2023 the Department for Levelling Up, Housing & Communities (DLUHC) issued a consultation on the Local Government Pension Scheme entitled "*Local Government Pension Scheme (England and Wales) Next Steps on Investments*". The Consultation sought views on proposals relating to investments of the Local Government Pension Scheme (LGPS) and covered the areas of asset pooling, levelling up, opportunities in private equity, investment consultancy services and the definition of investments. The scope of the consultation was on proposals for new requirements on LGPS administering authorities. The consultation was open for 12 weeks from 11 July to 2 October 2023 and Officers responded during this period.

The Government published their response on the 22 November 2023 and this report summarises their response.

Recommendation

Members are asked to note this report.

Main Report

Background

1. The Government believes that whilst the primary purpose of the Pension Fund investments is for long term stable returns to pay pensions for its members, there is scope to deliver substantial benefits to the UK as a whole at the same time. Good management of the LGPS is important for financial stability of local councils and ultimately is in the interests of local taxpayers.
2. Administering authorities are responsible for the asset allocations of their Fund and these are set to ensure stable employer contribution rates and that pensions can be paid out now and in the future. Each Fund's asset allocation will depend on their funding position, deficit recovery plan and how mature they are.

Consultation

3. At Pensions Committee held on 12 September 2023, a paper was circulated summarising the consultation and its proposals. Members can find the paper [here](#).
4. As a reminder the Consultation sought views on the following five areas:
 - a) The acceleration and expansion of pooling with administering authorities confirming how they invest their funds and why. There is a proposal for a deadline for listed asset transition by March 2025, and going forward the government wants to see a transition towards fewer pools to maximise the benefit of scale.
 - b) Funds will be expected to have a plan to invest up to 5% of assets to support levelling up in the UK.
 - c) Proposals of an ambition to increase investment into high growth companies via unlisted equity, including venture capital and growth equity.
 - d) Proposed amendments to the LGPS Regulations to implement requirements in pension funds that use investment consultants. These amendments are needed to implement the requirements of an order made by the Competition and Markets Authority (CMA) in respect of the LGPS.
 - e) A technical change to the definition of investments within the LGPS regulations.
5. There was a total of 15 questions and the full consultation document can be found [here](#).

Consultation responses

6. The response to the consultation was delegated to the Chamberlain and Officers submitted a response on the 2 October 2023 following liaison with the London CIV and other administering authorities in addition to input from the Chairman of the Pensions Committee. The formal response was circulated to Members of the Pensions Committee and Local Government Pensions Board on 3 October 2023.
7. In total, the Government received 152 responses from across the sector. There were a broad range of responses considered by DLUHC, however there was a clear message of collective commitment to making pooling work well.
8. The Government published their response on the 22 November 2023. A summary of the Government's response to each section of the Consultation can be found in Appendix 1. The full response can be found [here](#).
9. Following the Consultation, the Government will now be implementing the proposals set out below in order to accelerate and expand pooling, and increase investment in levelling up and private equity.
 - a) Revise Investment Strategy Statement Guidance (ISS) that funds should transfer **all assets** to their pool by **31 March 2025** and set out in their ISS which assets are pooled, under pool management and not pooled. Funds will also need to state the rationale, value for money, and date for review if not pooled(i.e. comply or explain).
 - b) Revise pooling guidance to set out preferred model of pooling, including delegation of manager selection and strategy implementation.

- c) Implement a requirement in guidance for administering authorities to set a Pensions Committee training policy, and to report against the policy, in order to align the expectations for Pensions Committee Members with those for Local Pension Board Members.
- d) Issue revised guidance on Annual Reports to include a standard asset allocation, proportion of assets pooled, a comparison between actual and strategic asset allocation, net savings from pooling and net returns for each asset class against their chosen benchmark.
- e) Make changes to LGPS official statistics to include a standard asset allocation and the proportion of assets pooled, and the net savings of pooling. The government will work with the Scheme Advisory Board (SAB) to consider the design of the annual return, noting the preference for consistency with other defined benefit and defined contribution schemes.
- f) Amend regulations to require funds to set a plan to invest up to 5% of assets in Levelling Up the UK and to report annually on progress against the plan. The guidance will provide clarity on the definition of “levelling up”, but administering authorities should seek opportunities which they feel will have “beneficial impacts”.
- g) Revise ISS guidance to require funds to consider investments to meet the government’s ambition of a **10% allocation to private equity**. This ambition is considered to “*help drive investment, in a way that allows everyone in the UK to benefit from growth, by boosting LGPS investment returns, incentivising companies to grow and list in the UK...*” However, it is not proposed to restrict this ambition to investments in private equity in the UK only. In addition, to support the 10% ambition, LGPS pools are encouraged to develop and strengthen partnerships with the British Business Bank (BBB) to explore opportunities in venture capital and growth equity.
- h) In addition, the Government will also amend the regulations to require funds to set objectives for investment consultants and correct the definition of investment in the 2016 investment regulations; and more widely, monitor progress over the current valuation period to 31 March 2025, on transition, governance, reporting and how effective these are in delivering improvements in efficiency, cost, and performance.

Conclusion

10. The Government believes that while the primary purpose of the investments is for long term stable returns in order to pay pensions for its members, there is scope to deliver substantial benefits to the UK as a whole at the same time. Having published their responses to the Consultation, the Government will be implementing the proposals set out in the Consultation. Officers are awaiting formal guidance on how and when the Government will be implementing these proposals.

Appendices

- Appendix 1 - Summary of Government responses to the *LGPS: Next Steps on Investments* Consultation

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Summary of Government responses to the LGPS: Next Steps on Investments Consultation

Chapter 2: Asset Pooling in the LGPS

The Government have confirmed that there is no intention to take steps to mandate a move to fewer pools in the immediate term and that focus in the short term should remain on accelerating transition of assets, improving governance and ensuring greater transparency and accountability. However in the longer term, the Government believes that the transition of assets alone will not deliver the benefits of pooling.

Driving greater scale through fewer pools

Using the Government Actuary's Department (GAD) estimation of LGPS assets in 2040 (could reach £950bn), DLUHC believe a smaller number of pools with assets under management (AUM) of £200m average is the future. In the meantime, pools should move towards greater collaboration and consider specialisation to deliver further benefits of scale and limit unnecessary duplication.

A timetable for transition

DLUHC expect all assets, not just listed, to be transitioned by March 2025. If Funds fail to meet this deadline, they will need to set out in the Investment Strategy Statement (ISS) a detailed rationale for each asset remaining outside the pool including value for money considerations. This will be a 'comply or explain' regime.

For assets transitions which are difficult or undesirable to transition by March 2025, Funds should include the above information under the 'comply or explain' regime, in addition to why it is not appropriate to pool the asset by March 2025, and the plan with regard to pooling the asset. The rationale should also set out when the decision will be reviewed on each asset and what the plan is to transition by a later date.

Governance and decision making

The Government have confirmed that guidance on pooling will be revised as proposed as this will set a clear direction for all funds to move towards the delegation of strategy implementation and manager selection to deliver benefits of scale.

Whilst the Government recognise there are several models of pooling and they all have some benefits, the revised guidance will include a preferred model of pooling which DLUHC expect pools to adopt over time. This model will be based on characteristics and outcomes rather than particular structures, encouraging inter-pool collaboration.

DLUHC do not consider pools providing funds with advice on investments as a conflict of interest as pools are controlled by their partner funds, exist to provide services to the funds and do not benefit financially if funds take their advice.

Improving training for Pension Committee Members

The Government will revise guidance on annual reports to require all funds to publish a formal training policy for pension committee members, to report on training undertaken and to align expectation for pension committee members with those for local pension board members.

Transparency and Accountability

Guidance will be revised to implement proposed changes working with the Scheme Advisory Board (SAB) to ensure that data and commentary on pooling progress and asset allocation is available earlier is consistent across the scheme and statistics/annual reports.

The Government will require funds to report performance in annual reports for each asset class against the benchmark of their choice.

Scheme Annual Report

DLUHC have agreed with the SAB to expand the content of the Scheme Annual Report to include an update on pooling and asset allocation as per the transparency and accountability section of the consultation. This will be in a table which divides assets by category as well as pooling status (pooled, not pooled or under pool management).

Chapter 3: LGPS investments and levelling up

Definition of Levelling Up

On the definition of levelling up, the Government noted requests for additional clarity and have advised this will be addressed in guidance, however maintain that a broad definition allows funds to seek out opportunities which they feel have beneficial impacts.

The Government encourage funds to invest in levelling up projects through their pool but recognise that some levelling up investments in local projects may be below the necessary scale to attract pool investment and therefore funds may wish to continue to invest outside the pool.

Enabling investment to support Levelling Up

Guidance on pooling is to be revised to set out circumstances where it would be appropriate for LGPS funds to invest through their pool in another pool's investment vehicle.

Requirement to publish plans for increasing local investment

The Government will revise guidance on investment strategy statements to require funds to have a plan to invest in up to 5% in levelling up projects. Public market investments in providers such as housebuilders, construction, utilities companies will generally not be eligible.

Funds may invest more than 5% if they consider it appropriate with a diversified strategy, or Funds may invest less than 5% if there is not sufficient opportunity for good returns.

Reporting requirements on Levelling Up investments

The Government will revise advice on Annual Reports to include guidance on reporting progress against the Fund's plans on levelling up investments. This will be done by designing a template in consultation with the SAB and practitioners. Government expect the annual report to include:

Appendix 1

- a. The percentage of assets under management (AUM) invested in levelling up projects compared to projects and to the plan for the year, percentage in the prior year, and ambition set by the fund;
- b. Amount and type of levelling up investments made through the pool and outside the pool;
- c. Narrative account explaining changes in AUM and rationale for investing/not investing through the pool.

Chapter 4: Investment opportunities in private equity

The Government will set a new ambition for funds to invest 10% of assets in private equity in guidance on investment strategy statements. This does not mandate investment and Administering authorities continue to be under the same requirement as current to act in the interests of members under their fiduciary duty.

British Business Bank (BBB)

LGPS pools will be encouraged to develop and strengthen partnerships with the BBB to explore opportunities in venture capital and growth equity.

Chapter 5: Improving the provisions of investment consultancy services to the LGPS

The Government have confirmed they will bring forward amendments to the *Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016* and associated guidance to implement requirements on LGPS funds that use investment consultants. LGPS funds will be required to set and review strategic objectives for any investment consultant they use.

Chapter 6: Updating the LGPS definition of investments

The Government will be amending regulations to make the technical change to the definition of investments to provide consistency and clarity.

Chapter 7: Public Sector equality duty

DLUHC believe that the reforms will not affect any particular group with protected characteristics adversely as there will be no change to member contributions or benefits as a result.

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