



Local Government Pensions Board

Date: WEDNESDAY, 20 OCTOBER 2021
Time: 1.45 pm
Venue: COMMITTEE ROOM - 2ND FLOOR WEST WING, GUILDHALL

Members: James Tumbridge (Chairman)
Martin Newnham (Deputy Chairman)
David Pearson
Christina McLellan
Jon Averbs
Mark Wheatley

Enquiries: Chris Rumbles
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christopher.rumbles@cityoflondon.gov.uk

Accessing the public meeting

Members of the public can observe this public meeting at the below link:
<https://youtu.be/7ZEVvZLP8lw>

Lunch will be served for Board Members in the Guildhall Club at 1pm

John Barradell
Town Clerk and Chief Executive

AGENDA

1. **APOLOGIES**

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

3. **MINUTES OF THE PREVIOUS MEETING**
To agree the public minutes and non-public summary of the Local Government Pensions Board meeting on 8th June 2021.

For Decision
(Pages 5 - 12)

4. **OUTSTANDING ACTIONS**
Report of the Town Clerk.

For Information
(Pages 13 - 14)

5. **PRESENTATION - GOVERNANCE TRAINING**
Presentation by Barnett Waddingham.

For Information

6. **THE CITY CORPORATION'S PENSIONS SCHEME - UPDATE**
Report of the Chamberlain.

For Information
(Pages 15 - 20)

7. **THE CITY OF LONDON: LOCAL GOVERNMENT PENSION SCHEME - RISK REGISTER**
Report of the Chamberlain.

For Decision
(Pages 21 - 42)

8. **LOCAL GOVERNMENT PENSION SCHEME - MCCLOUD UPDATE**
Report of the Chamberlain.

For Information
(Pages 43 - 46)

9. **LGP BOARD -PENSION FUND INVESTMENT ACTIVITIES 1 APRIL 2020 TO 31 MARCH 2021**
Report of the Chamberlain.

For Information
(Pages 47 - 50)

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

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

12. **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 Schedule 12A of the Local Government Act.

For Decision

Part 2 - Non-Public Agenda

13. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**

To agree the non-public minutes of the meeting held on 8 June 2021.

For Decision
(Pages 51 - 52)

14. **PENSION FUND - DRAFT ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2021**

Report of the Chamberlain.

For Information
(Pages 53 - 152)

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

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

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LOCAL GOVERNMENT PENSIONS BOARD

Tuesday, 8 June 2021

Minutes of the meeting of the Local Government Pensions Board held as a virtual public meeting and livestreamed at https://www.youtube.com/watch?v=9CX5tAo_hd8 on Tuesday 8 June 2021.

N.B. This meeting was held informally, with the views reached by the Board approved formally by the Chamberlain after the meeting, in accordance with the Court of Common Council's Covid Approval Procedure. This process reflects the current position in respect of the holding of formal Local Authority meetings and the Court's decision of 15 April 2021 to continue with virtual meetings, with formal confirmation of decisions provided through a delegation to the Town Clerk, or his nominated representative, after the informal meeting has taken place and the will of the Committee is known.

Present

Members:

James Tumbridge (Chairman)
Christina McLellan

Jon Averbs
Mark Wheatley

Officers:

Kate Limna	- Corporate Treasurer
Matt Mott	- Pensions Manager
Christopher Rumbles	- Town Clerk's Department
Jeff Henegan	- Chamberlain's Department
Aqib Hussain	- Chamberlain's Department

The Town Clerk took the opportunity to update the board on the recent recruitment and selection process for the Scheme Member Representative vacancy on Local Government Pensions Board having resulted in the appointment of David Pearson. The Chairman added that the Board would look forward to welcoming David at the next meeting.

1. APOLOGIES

Apologies were received from Martin Newnham and David Pearson.

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

There were no declarations of interests.

3. MINUTES

- a) The public minutes of the Local Government Pension Board meeting held on 8th March 2021 were approved as a correct record.
- b) The public minutes of the Local Government Pensions Board meeting held on 6th May 2021 were approved as a correct record.

4. **OUTSTANDING ACTIONS**

The Board considered a report of the Town Clerk which set out outstanding actions from previous meetings of the Board.

Target Operating Model - The Chairman confirmed he had written to the Town Clerk and Chief Executive highlighting the the Board's concerns in ensuring independence of the Pension Scheme within the new proposed Target Operating Model. The Chairman referred to an acknowledgement of his letter, but no formal response having been received to date. The Town Clerk agreed to follow up with the Town Clerk and Chief Executive on behalf of the Chairman.

Resolved, that the report be received.

At this point in the meeting the Board agreed with the Chairman's proposed re-ordering of the agenda to allow items 6 and 7 to be dealt with in advance of item 5.

6. **CITY OF LONDON LOCAL GOVERNMENT PENSION SCHEME - RISK REGISTER**

The Board received a report of the Chamberlain presenting the existing Risk Register and seeking views on whether the Board considered there to be any further risks relating to the pension administration overseen by the Local Government Pensions Board.

The Chairman referred to two current risks relating to Pension Administration Software and LGPS having sufficient assets showing as amber and questioned what was being done to help improve the position on these risks with the aim of eventually seeing an overall improvement and allowing them to move to green.

The Corporate Treasurer agreed that it would be welcome to see all risks as green. It also had to be recognised that with certain risks no matter how much you mitigate it would not always be possible to get everything down into a green risk. The Corporate Treasurer proposed cross-referencing the risk with Financial Investment Board to ensure they align. The Chairman welcomed the Corporate Treasurer's proposal to cross reference the risk with Financial Investment Board, whilst stressing the Board should not be bound to exactly the same position given the differing roles of the two Board's.

The Chairman accepted it would be unlikely to move the risk into the bottom green, but suggested consideration should be given to targeting an improvement and moving the risk down.

The Chairman stressed he considered it important to be clear on whether there was room for improvement on key risks or to at least have a modest target to look to move towards.

The Pensions Manager updated the Board on the Pension Scheme Administration risk confirming the contract award was likely to be in advance of the next Board meeting when the risk would move to green. The Chairman

acknowledged the ongoing risk but suggested the risk should already have been showing as being targeted towards green given the ongoing work in putting a contract in place.

A Board Member questioned whether it would be appropriate to add a risk relating to the McCloud judgment given the potential resourcing issues. The Board agreed to consider this point as part the presentation at item 5 and to consider at this point whether a risk should be added.

The Board agreed to the risk register as presented. The Chairman commented on a clear steer having been given to Officers that the Board would like risks considered further with a view to targeting these differently moving forward.

Resolved, that the Board endorse the existing risks and actions presented on the Local Government Pension Board's Risk Register.

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

The Board received a report of the Chamberlain providing information on a range of topics in relation to the City Corporation's Local Government Pension Scheme.

The Chairman referred to the McCloud judgement and Target Operating Model as being two key issues, both of which had been otherwise addressed on the agenda. The Chairman confirmed he would update the Board on any reply he receives from the Town Clerk, which he hoped a chaser might elicit.

Resolved, that the Board note the update.

5. **PRESENTATION ON MCLOUD**

The Pensions Manager presented to the Board and explained how the McCloud judgment came about, offered a summary of the journey to date, talked through implications on Public Service Pension Schemes, possible next steps, a proposed remedy and the challenges presented through its implementation.

The Chairman questioned whether it was possible to provide any estimate on the number of scheme members affected by this judgement and the Pensions Manager explained it would not be possible to calculate exactly until the remedy criteria had been agreed. The Pensions Manager further clarified that out of approximately 1300 people that had retired over the last six years 20 have benefited from the current underpin since its introduction in the 2014 regulations.

A Board Member thanked the Pensions Manager for his helpful update and the clarity it provided. The Board Member referred to a question that had been put to him by a Scheme Member following the McCloud judgement. This being as follows:

Would members of the Local Government Pensions Scheme be allowed to stick to the original final salary pension scheme, rather than move over to the changes that have happened subsequently? Would they be eligible to do so in light of the decision?

The Pensions Manager explained that Scheme Members cannot stay in the pre-2014 scheme as everyone was transferred over to the CARE scheme on 1st April 2014, effectively closing the final salary scheme to further accrual or membership. Only scheme members who qualify for the underpin may receive benefits from the pre 2014 scheme to the date of leaving as the underpin process provides two values, one from the CARE scheme and one from the pre 2014 scheme. The pension paid is automatically the higher of the two calculations.

A Board Member remarked on there being the potential of having to carry out a calculation for all Scheme Members and the Pensions Manager clarified that potentially anyone who was a Scheme Member on 31st March 2014 may qualify for an assessment of underpin protection.

The Pensions Manager responded to a further question relating to resourcing implications and explained how resourcing requirements would depend on how well the software would be able to assist with the process. The Pensions Manager confirmed that there were likely to be issues to bring back to the Board as they start to understand the remedy and how the software would be able to assist. The Pensions Manager confirmed an update would be brought back to the Board as work progressed.

A Board Member remarked on it being very complicated to understand and suggested this could present a logistical challenge when sending out information and notes explaining the position and in looking to minimise the number of enquiries coming back.

The Chairman commented on there being four key areas for inclusion in a written report to the next Board meeting. These being:

- Legislative reporting requirements would require an additional line to account for the McCloud element.
- There was now a need to include McCloud on the risk register.
- As part of the procurement exercise for new software, what has been said to the software provider as it would be better to flag it now and get it guaranteed as part of the offering.
- With the position having now been reviewed, and in light of the Deputy Chairman's comment at the last Board meeting, it would be sensible and appropriate to start drafting a communication around McCloud for the benefit of Scheme Members.

The Pensions Manager acknowledged the importance of software in moving forward and offered an assurance to the Board that the software provider used was also the provider to 80 other Local Government Pension Funds, which means they have a huge investment in getting it right. The Pensions Manager confirmed he was one of 80 Pensions Managers across the country feeding into the development of the software and the City Corporation's Pension Scheme was well positioned to receive the software and to understand it.

The Pensions Manager agreed that McCloud should be included as part of the Risk Register relating to calculations, communications, software and resourcing and to be reported at each meeting.

The Chairman reiterated how he considered it would be sensible to produce a suitable briefing note for Scheme Members. The Chairman questioned whether the communication should be targeted or sent to all Scheme Members. The Board agreed that a targeted communication to those affected would be the preferred option. The Chairman agreed to this and suggested it be left to officers to identify an appropriate subset of Scheme Members.

The Chairman referred to Scheme Members having previously raised their concerns with Board Members. The Chairman suggested he would like to put in place a timetable for getting a communication out to Scheme Members, with the aim of getting this out during July, which the Board supported. The Chairman proposed officers work in consultation with him in providing an appropriate communication to Scheme Members during July.

The Pensions Manager responded and explained that throughout the summer the team would be preparing annual benefits statements that would include a note about McCloud. This would be one of the busiest periods for the team and if any extra enquiries were generated as a result of a communication it would increase pressure on the team. The Pensions Manager proposed a communication be drafted for presentation to the Board at the next meeting in October post annual benefits statements with the aim to release it to Scheme Members late October through to November, at which point there may be more information coming out on the remedy and the Working Groups.

The Chairman responded and suggested he was not minded to agree to the Pensions Manager's proposed timetable. The Chairman referred to a request of the Deputy Chairman at the last meeting to get on a produce a communication to Scheme Members and there being a group of people that were beginning to ask questions now; waiting until November seemed a fair distance off to start communicating. The Chairman proposed an update of no more than one or two pages referring to McCloud, confirming it was being reviewed, that it may impact a small number of individuals that had been in the scheme for a long time and that further detail would follow in November.

The Board agreed that some form of communication should be sent out, if possible, indicating McCloud was being dealt with and the position was under review.

The Pensions Manager reiterated a key concern being the generation of additional queries at one of the busiest periods in the Pensions Office. The Chairman suggested the communication could make clear it was an interim matter and suggested any queries that come through could potentially assist with any proposed further communication in the autumn.

The Chairman added that the Board needed to be responding to the concerns of Scheme Members. As two Board Members had been approached it shows a

genuine interest among Scheme Members in this issue. The Chairman raised a concern that the Board would look as though it was not responding to the concerns of Scheme Members unless some form of communication was put together and circulated.

The Pensions Manager referred to the annual benefits statements going out at the end of August, with a statement on McCloud from the LGA to be included. An additional one-page communication could be put into every annual benefit statement. This would allow more time to deliver, queries would come in at one specific time and it would be easier for the printers to print, thereby reducing the cost.

The Chairman responded confirming a proposal that suggested waiting until the autumn was not persuading him that the Board would be dealing with the issue they were concerned about, which was the Board reflecting the interests and concerns of Scheme Members in letting staff running the scheme know what was exercising concern. As such, the Chairman suggested something should be done to assure those that have asked questions of Board Members that the Board were considering it.

The Corporate Treasurer referred to the significant cost involved in a mailout and suggested tying this up with the Annual Benefits Statements at the end of August where possible. This would result in a saving of few thousand pounds.

The Chairman confirmed his position would be to identify a subset of people that were likely to be interested and or concerned about this matter. The Chairman confirmed he would like to see a communication produced as soon as possible. A short note explaining the high-level position, that the Board were aware of the decision, noting it may impact some people, confirming it was under review and confirming more information would follow.

The Chairman proposed officers come back to him with a suggested subset of Scheme Members and presenting communication options. The Chairman would make a final determination about when a communication was to be put out and on what basis. The Chairman confirmed he was happy to be flexible but that he would like to put something to go out promptly.

The Chairman asked the Pensions Manager to come back to him with what would be possible, with the intention getting a communication out before the August break given Scheme Members have been asking questions of Board Members.

The Board were agreement with the Chairman's proposed approach.

8. QUESTIONS ON MATTERS RELATING TO THE WORK OF THE BOARD

There were no questions.

9. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT

There were no additional items of business.

10. **EXCLUSION OF THE PUBLIC**

Resolved, that under section 100(A) of the Local Government Act 1972, that 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 Schedule 12A of the Local Government Act.

11. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**

RESOLVED – That the non-public minutes of the previous meeting on 8th March 2021 be approved as an accurate record.

12. **NON-PUBLIC APPENDIX: THE CITY CORPORATION'S PENSION SCHEME UPDATE**

The Board received a non-public appendix relating to the City Corporation's Pension Scheme Update.

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

There were no non-public questions.

14. **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 3.00pm.

Chairman

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Local Government Pension Board – Public Outstanding Actions List

Date raised	Action	Officer responsible	To be completed/ progressed to next stage	Comment
8.3.21	<p>Mc Cloud Judgement Update to be given to the Board to allow consideration of options for further communication of the judgement. Proposal for a communication to be sent to Scheme Members updating them on the McCloud confirming the position was under review and an update would follow.</p>	Pensions Manager	August 2021	There is an update report on today's agenda.

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Agenda Item 6

Committee:	Date:
Local Government Pensions Board	20 October 2021
Subject: The City Corporation's Pensions Scheme - Update	Public
Report of: The Chamberlain	For Information
Report author: Matt Mott – Chamberlain's Department	

Summary

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

Item	Update
Annual schedule of events for the Pensions Scheme	Update provided (Appendix A).
Documentation of communications which are circulated to Members	No documents have been amended or created in 2021 due to the pandemic.
Information of Scheme Record Keeping	No amendments since the last Board meeting.
A record of any complaints or disputes under the Scheme's complaints procedure	1 IDRP
Public Service Pensions Reporting Breaches of Pension Law	None to report
Any audit reports relating to the administration of the Scheme	None to report
Any reports relating to the administration of the Pension Scheme which have been considered by other Committees	None to report.
Guaranteed Minimum Pensions (GMP) Reconciliation	In light of the delays caused by HMRC and by the pandemic Mercer has sought an extension to the contract, to complete by 31 March 2023. This request has been asked of all their LGPS clients. An update will provided at the next Board meeting and it is still intended to bring a report to the Board once the reconciliation has been completed.
Covid 19	In response to the government lifting restrictions, the Corporation has set out its

	<p>approach for staff returning to the workplace and all office based staff are to be back in their place of work for at least 2 days a week (pro-rata for part time staff).</p> <p>For the Pension and Office, a rota is in place and on a usual working day the Pension Office may have up to four members of staff in the office.</p> <p>The Pensions regulator (TPR), Local Government Association (LGA) & Scheme Advisory Board (SAB) guidance remains and 3 key services should be retained at all times and they are:</p> <ul style="list-style-type: none"> • Continued payment of pension benefits to existing pension members • Commencement of pension benefits to new retirees • Ceasing of pension payments due to notification of death. <p>Generally communication continues to be by email and phone calls. Where scheme members have not or are unable to verify their details, letters are still posted.</p> <p>The Pensions Office has created a shared team folder which staff access when they visit the office to print and post letters. It is not the intention of the Pension Office to return to posting letters as a primary communication strategy and it promotes, wherever possible, the use of email.</p> <p>Incoming post is now sorted and assessed daily.</p>
Procurement of Pension Administration System	<p>The contract has been signed by both parties and commenced with effect from 14 October 2021.</p> <p>The first stage of the contract is to move all scheme member data from the Corporation's servers to a hosted solution provided by the supplier, Heywood. Arrangements to move all scheme data are currently progressing with all stakeholders including Heywood, Agilisys and the Pensions Office.</p>
City Print contract	<p>APS have now successfully completed 5 mailings, including the annual benefit statements (ABS).</p>

	<p>The statements for deferred scheme members were sent to the APS for print and distribution on 1 July 2021 and the active ABS's were distributed on 23 August well within the statutory deadline of 31 August.</p> <p>APS have to date printed and distributed approximately 16,000 items in 2021.</p> <p>The service provided by APS will continue to be monitored both by the Pensions Office and the Corporation.</p>
Public Sector Pensions Legal Challenge	<p><u>Lord Chancellor and Secretary of State for Justice v McCloud and others</u></p> <p>There has not been any further communication from the Government with regards to legislation and regulation. Neither has there been any amendments to guidance.</p> <p>The City of London Pension Fund is compliant with current guidance and all available information has been recorded on the Fund's website, www.cityoflondonpensions.org</p> <p>A McCloud statement has also been included in the both the active and deferred annual benefit statements (ABS) and also in the pensioner newsletters.</p> <p>There is a separate report on today's agenda covering the four key areas of McCloud implementation.</p>
Flexible Retirement Opportunity	<p>The Flexible Retirement Opportunity provided by the Corporation for its scheme members has now been completed.</p>
Pension Board Training	<p>Governance requirements of LGPS Pension Funds are constantly developing. Since the last Governance training the Chairman and Deputy Chairman have changed and there are also new Board members. The Fund has, therefore, invited Barnet Waddingham, the Fund actuary, to the meeting to deliver training on Governance at this meeting.</p>

Recommendation

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

Appendices:

Appendix A – Annual Schedule of Events

Contact:

Matt Mott

Pensions Manager | Chamberlain's Department

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Local Government Pensions - Schedule of Events 2021/22

Date Due	Event	Completed
1 April 2021	Pensioner Newsletter and Board Vacancy Advert	26 March 2021
March 2021 Within 2 weeks of quarter date	Tax return for Quarter 4 (to 31/3/2021)	1 April 2021
1 April 2021	Employee Contribution band review/ implementation.	1 April 2021
1 April 2021	Revaluation of CARE benefits.	1 April 2021
1 Monday in April following Tax Year End	Pensions Increase (PI) – Annual Inflation increase.	12 April 2021
31 May 2021	Pensioner P60s distributed	21 May 2021
June 2021 Within 2 weeks of quarter date	Tax return for Quarter 1 (to 30/06/2021)	14 July 2021
31 July 2021	Publish signed City Fund Accounts (including the Pension Fund Accounts)	30 July 2021
31 August 2021	Issue of Annual Benefit Statements deadline.	23 August 2021
September 2021 Within 2 weeks of quarter date	Tax return for Quarter 2 (to 30/09/2018)	4 October 2021
30 September 2021	Employee Contribution Band review	30 September 2021
5 October 2021	Issue of Annual Allowance (AA) Saving Statements deadline	1 October 2021
6 November 2021	Scheme Return to the Pensions Regulator	
30 November 2021 and 7 December 2021	Draft accounts to Audit & Risk Management Cttee and Finance Cttee	
1 December 2021	Publication of Pension Fund Accounts and Annual Report	
December 2021 Within 2 weeks of quarter date	Tax Return for Quarter 3 (to 31/12/2020)	
31 January 2022	HMRC Event 22 Report – List of Annual Allowance cases exceeding the Previous years' threshold.	
March 2022 Within 2 weeks of quarter date	Tax return for Quarter 4 (to 31/3/2019)	

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Committee:	Date:
Local Government Pensions Board	20 October 2021
Subject: The City of London: Local Government Pension Scheme – Risk Register	Public
Report of: The Chamberlain	For Decision
Report author: Matt Mott – Chamberlain’s Department	

Summary

This report reviews the Risk Register for the Local Government Pensions Board. The Risk Register details the key risks that the Board has identified alongside a risk score which indicates the likelihood of a risk being realised together with the potential impact and the appropriate mitigations.

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

Officers have conducted a preliminary review of the Risk Register and with the exception of risk CHB008 (Pensions Administration Software), are not recommending any changes to the current scores. In addition, and as requested by the Board at its October meeting a new risk around McCloud has been included.

The Risk Register is included at Appendix A(i) with risk updates underlined throughout. The Risk Register is reviewed at each meeting by the Local Government Pensions Board and more frequently by officers, who report any material changes or new risks identified in between reviews on an exceptions basis.

Recommendation

Members are asked to:

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

Main Report

Background

1. The Local Government Pension Board instituted a Risk Register on 20 October 2016 to help identify and manage the strategic risks facing the Board in discharging its responsibilities to oversee the City's Pension Fund. The current Risk Register, as agreed by the Board on 5 October 2020, is included as Appendix A (i).
2. The Board reviews the Risk Register at each meeting. Officers review the register more frequently and report any material changes between reviews on an exceptions basis to the Board. This is in line with standard risk review procedures across the rest of the City of London Corporation.

Review of Risks

3. 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 A (ii) 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".

Update on risks

4. The Revised Risk Register is attached at Appendix A(i) and the Risk Matrix at Appendix (ii).
5. At its meeting on 8 June 2021 the Board requested a new risk to be added to the Risk Register concerning the proposed remedy by MHCLG (now DLUHC) to remove age discrimination from the LGPS. This is known as the McCloud ruling or McCloud. Risk CHB LGPS 009 McCloud Remedy, identifies the risks associated with the proposed changes to scheme regulations including development of the pension administration system, Altair, changes to existing processes and calculations, communication of the remedy to scheme members and stakeholders which will enable CoL to continue to meet its statutory obligation as an Adminstrating Authoring of LGPS. The likelihood of being unable to implement the remedy is currently dependant on changes to pension legislation, scheme regulation and development of Altair. If the necessary changes were not delivered, the City of London Pension Fund (and all other LGPS Funds) would not be able to implement the remedy. Until then risk CHB LGPS 009, remains scored as 16 and is red.
6. The risk CHB 008 Pension Administration Software has reduced from Red 16 to Green 4 as the contract has now been formally signed, with a commencement date of 14 October 2021. At the meeting on 8 June 2021 the Chairman commented the target for this risk was Amber 8 and that on completion of the contract the target should actually be recorded as green. The target risk for Risk CHB 008 has been amended to Green 4.

7. The scores for other risks have been maintained at their previous levels, although these risks have each been reviewed and updated where necessary in the Register itself. Updates to the Risk Register are underlined throughout.
8. Officers have also considered whether in addition to risk CHB LGPS 009, any new further risks have emerged since the last review. Although the Board's operating environment continually changes officers have determined that the existing Register captures the material risks facing the Board and enables the Board to concentrate on the most prescient risks.
9. 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 Board, 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.

Conclusion

10. With the exception of the new risk for McCloud, the risks overseen by the Local Government Pension Board are primarily of low likelihoods but represent substantial impact, particularly with regards to financial loss and reputational damage. The Board is requested to 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 A (i)– Risk Register
- Appendix A (iii) - Risk Matrix

Contact:

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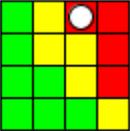
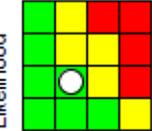
CHB LGPS Detailed risk register EXCLUDING COMPLETED ACTIONS

Report Author: Matt Mott

Generated on: 29 September 2021



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
<p>009a McCloud Remedy</p>	<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. Event: The impact of scheme amendments upon scheme members, Pensions Office and scheme employers due to implementation of the proposed remedy for McCloud. Effect: The Pensions Office is unable to adequately comply with legislative and regulatory amendments arising from the proposed McCloud remedy.</p>	<p>Likelihood</p>  <p>Impact</p>	<p>16</p>	<p><u>In 2014 the LGPS was reformed. These reforms included an ‘Underpin protection’, for people closer to retirement. In December 2018, the Court of Appeal ruled that this directly discriminated against some younger pension scheme members – this is now referred to as the McCloud Judgement or McCloud.</u></p> <p><u>On 15 July 2019 the government confirmed that the difference in treatment would be remedied in the LGPS.</u></p> <p><u>On 16 July 2020 the government published a consultation document that set out options for how the government proposed to remove the discrimination.</u></p>	<p>Likelihood</p>  <p>Impact</p>	<p>4</p>	<p><u>April 2023</u></p>	<p>—</p>

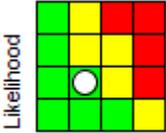
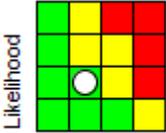
<p>Page 26</p> <p>September 2021</p> <p>Coline Al-Beyerty</p>			<p><u>On 4 February 2021 HM Treasury published its response to the consultation document and set out its preferred remedy choice.</u></p> <p><u>DLUHC have produced a document that gives general details as to how the remedy proposal would work for the LGPS.</u></p> <p><u>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.</u></p>				
			<u>29 September 2021</u>				<u>Constant</u>

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB LGPS 009b	<u>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.</u>	<p><u>Continue with membership of working groups including South East Counties Senior Officer Group (SECSOG), Aquila Heywood Remedy Implementation Group, to ensure development of software and understanding of legislation.</u></p> <p><u>Attend conferences, webinars, forums and seminars as appropriate and keep up to date with bulletins and guidance from the Home Office</u></p>	<u>Matt Mott</u>	<u>29-Sept-2021</u>	<u>1-Apr - 2022</u>
CHB LGPS	<u>Identification of eligible scheme members who will qualify</u>	<u>Perform data review exercise in bulk and individually to identify scheme members who may</u>	<u>Matt Mott</u>	<u>29-Sept-</u>	<u>1-Apr -</u>

009c	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	<p>qualify and/or identify missing data. <u>Software provider currently developing systems to identify qualifying scheme member on bulk reports.</u></p> <p><u>Develop data process to request missing information and scheme member record update</u></p>		<u>2021</u>	<u>2022</u>
CHB LGPS 009d	<u>System Development calculation/revaluation</u>	<p><u>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></p> <p><u>Development should include bulk calculations and calculations for individuals, include revised pension amounts, arrears payable/collectible (benefits and contributions) plus interest payable if applicable.</u></p>	Matt Mott	<u>29-Sept-2021</u>	<u>1-Apr - 2022</u>
CHB LGPS 009e	<u>Working in conjunction with LGA to prepare communications and standard responses (FAQs) to be sent to affected scheme members.</u>	<p><u>It will be essential for communications to be regular and clear. Further detail about the proposed remedy and delivery of it, including scheme members who may be affected, must be known prior to any specific remedy communications.</u></p> <p><u>The Pensions Office website carries current information from various sources including DLUHC. Further communications will be added when they are released.</u></p> <p><u>The Annual Benefit Statements (ABS) contain a statement on McCloud provided by the LGA</u></p> <p><u>The ABS will need to be amended following implementation of the amended regulations as it is anticipated McCloud data will need to be included for each scheme member.</u></p> <p><u>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.</u></p>	Matt Mott	<u>29-Sept-2021</u>	<u>1-Apr - 2022</u>

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 LGPS 001 Insufficient assets Page 28	<p>Cause: The asset allocation of the Pension Fund is unable to fund long term liabilities</p> <p>Event: There are insufficient assets to meet liabilities</p> <p>Effect: Reduced income or lower than anticipated growth. Participating employers are required to provide further funding through increased contributions to finance liabilities.</p>	<p>Likelihood</p> <p>Impact</p>	8	The Pension Fund's absolute return target has been set at 5.2% annually from 1st April 2020 by the Financial Investment Board (which is consistent with the strategy for funding the Fund's liabilities). <u>The Fund's investment assets have continued to perform strongly during this financial year (2021/22). As at 31 July 2021, the Fund is exceeding its absolute return target over all time horizons (the last quarter, one year, three years and five years). The Fund trails its asset allocation benchmark over the past quarter and the past five years but has outperformed this benchmark over the last one and three years. The score for this risk has been maintained to reflect the judgement that the likelihood of this risk materialising is "unlikely".</u>	<p>Likelihood</p> <p>Impact</p>	8	31-Mar-2022	■
				<u>29 Sept 2021</u>				
17-Dec-2019 Caroline Al-Beyerty								

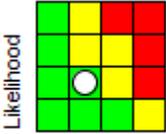
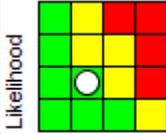
Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB LGPS 001a	The Investment strategy of the Pension Fund is reviewed at least every three years by the Financial Investment Board with proper advice from the Investment Consultant.	Following shortly after the completion of the 2019 triennial valuation of the Fund's liabilities, the Financial Investment Board reviewed the Pension Fund investment strategy at its meetings in June and July 2020. This ensured that the investment strategy remained appropriate in the context of the Fund's updated liabilities valuation and the current investment environment.	Caroline Al-Beyerty; Kate Limna	29-Sept-2021	31-Mar-2023

CHB LGPS 001b	The investment performance of the Pension Fund is measured against absolute return targets required to meet long term objectives. This is reported to the Financial Investment Board throughout the year and is supplemented by market insight from the Corporation's Investment Consultant who will assist any strategic decisions required in between the three-year formal strategy reviews.	Individual Fund investment performance is brought to each Financial Investment Board for consideration.			Kate Limna; Matt Mott	29-Sept-2021	31-Mar-2022	
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 LGPS 008 Pension Administration Software 17 Jun-2021 Matt Mott	Cause: (i) Contract expires and is not replaced. (ii) Contract expires and replacement is delayed. Event: Unable to meet statutory obligations of the LGPS or PPS Effect: (i) Pensions not paid (ii) sanctions and fine (iii) Complaints and loss of reputation	 Likelihood	4	<u>The contract has now been signed by both parties. The new contract will be effective from 14 October 2021</u> Matt Mott 29 September 2021	 Likelihood	4	31-Mar-2022	 Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
008a	Commencement of data hosting by provider	<u>Work has commenced on the first part of the contract. Heywood, Agilisys, the Corporation and the Pension Office are actively working to move data from the Corporations servers to Heywood's servers.</u>	Matt Mott	29-Sept-2021	1-Dec-2021
008b	Removal of single person dependencies	As we move into implementation of the contract and system improvements further members of the Pensions Office will become involved.	Matt Mott	29-Sept-2021	1-Dec-2021
008c	Resourcing - Work with the successful vendor on resource requirements are identified from the onset. This will be part of a wider mobilisation plan	Project Management resource allocated from IT Project office to help manage post tender award to be confirmed and will commence once contract has been signed.	Matt Mott	29-Sept-2021	1-Dec-2021
008d	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.	David Clelland	29-Sept-2021	1-Dec-2021

008e	Include Data migration and Exit management in the requirement to vendors.	<p>All system data identified; Analysis carried out on all data sets. Estimated budget allocated to each data migration event. Decommissioning of On-Premise legacy systems can be carried out under the current support contract.</p> <p>Contractual obligation for migration support from the Incumbent exists.</p>	Matt Mott	29-Sept-2021	1-Dec-2021

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB LGPS 004a	Job descriptions used at recruitment to attract candidates with skills and experience related to LGPS administration. The appraisals process to monitor progress and assess training needs.	Ensuring that candidates with the necessary skills and abilities are employed by the City. Once in post, staff continue to receive relevant training and attend courses, seminars and conferences when appropriate. Have trained multiple team members for extra duties due to parental leave cover.	Matt Mott	29-Sept-2021	31-Mar-2022
CHB LGPS 004b	Scheme administrators are trained to use the pensions administration software.	Ensuring that administrators are fully trained to use the pension administration software to enable them to provide accurate and efficient calculations. In addition, administrators should know the correct process to report to the software provider any errors encountered with the system in order that they can be investigated and resolved.	Matt Mott	29-Sept-2021	31-Mar-2022
CHB LGPS 004c	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 COVID 19 and officers having worked from home since 23 March 2020.	Matt Mott	29-Sept-2021	31-Mar-2022
CHB LGPS 004e	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 COVID 19 and officers having worked from home since 23 March 2020.	Matt Mott	29-Sept-2021	31-Mar-2022

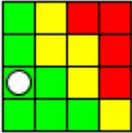
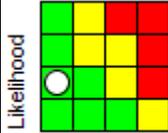
Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
CHB LGPS 007 Cyber security Page 34 Dec-2019 Caroline Al-Beyerty	Cause: (i) Ineffective procedures. (ii) Inadequately trained staff. (iii) IT system failure (iv) Data Accuracy. (v) Lack of resources. Event: Breach of Corporate IT systems and Cyber security. Effect: (i) Inaccurate benefits paid or delayed. (ii) Increased costs of inefficiencies. (iii) Financial penalties/sanctions. (iv) Breach of Data Protection regulations. (v) Loss/corruption of data	 Likelihood	4	A malicious breach of Corporate IT systems may lead to a failure of the pensions administration system and/or a breach of Data Protection regulations. A failure of the pensions administration system or a breach of the DP regulations may mean a failure or inability to calculate benefits accurately and on time which may lead to financial penalties and sanctions being imposed by the governing industry bodies such as the Pensions Regulator or Information Commissioner's Office.	 Likelihood	4		Constant
							21 Jun 2021	

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB LGPS 007a	Pensions administration staff to be aware of the corporate policy regarding cyber security and to follow the guidelines given.	Corporate online training regarding cyber-security to be carried out by all staff and reviewed as required.	Matt Mott	29-Sept-2021	31-Mar-2022
CHB LGPS 007b	Corporate and departmental specific software to be updated as required to ensure the latest and most secure version is being used.	To ensure the most up-to-date software is being used, staff should update their computers as and when prompted.	Matt Mott	29-Sept-2021	31-Mar-2022
CHB LGPS 007c	Ensuring that the pensions administration software is included in the departmental business continuity plans	Updating the business impact analysis details used in the departmental continuity plan as required.	Matt Mott	29-Sept-2021	31-Mar-2022

CHB LGPS 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 since 23 March 2020, ensuring the protection of scheme member data.	Matt Mott	29-Sept-2021	31-Mar-2022
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Caroline Al-Beyerty							
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Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB LGPS 003a	Robust recruitment and training processes.	Robust recruitment and training processes.	Matt Mott	29-Sept-2021	31-Mar-2022
CHB LGPS 003b	The governing legislation may change or evolve over time and it is therefore important that staff maintain accurate and up-to-date knowledge of the Regulations.	Regular attendance at seminars, forums, webinars and user groups will ensure that knowledge of the relevant legislation is kept up-to-date and accurate.	Matt Mott	29-Sept-2021	31-Mar-2022

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 LGPS 005 Fraud 17 Dec-2019 Caroline Al-Myerty	Cause: (i) Not notified of death. (ii) Staff acting inappropriately Event: Fraudulent claim of pension benefits. Effect: (i) Continued payment of pensions following death. (ii) Overpaid pensions. (ii) Financial loss	Likelihood  Impact	2	If the death of a LGPS beneficiary is not reported, their pension may continue to be paid when there is no longer an entitlement. This may be a deliberate failure to report the death or may be where there is no fraudulent intention, but in either case it will lead to benefit overpayment and a potential financial loss. 21 Jun 2021	Likelihood  Impact	2	31-Mar-2022	Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB LGPS 005a	Robust fraud protection/detection processes.	Use of Mortality Screening Service and Tell Us Once Service [Government initiative that allows us to be notified of a death when registered]. Participation in the National Fraud Initiative. Annually sending Life Certificates to Overseas Pensioners.	Matt Mott	29-Sept-2021	31-Mar-2022

CHB LGPS 002d	Checking for errors or inconsistencies in valuation extract report before submission to the Actuary	Officers review data quality prior to submission to the actuary. Additionally, member data is submitted separately from employer level cash flow data, which are held on two distinct management information systems. As a result, errors are more easily identified during the valuation process itself. For example, if the member data demonstrates that a given number of members belonging to a single employer retired during the valuation period then this should also be evident from the benefit payments reported in the cash flow data.	Matt Mott	29-Sept-2021	31-Mar-2022
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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

Minor (1)	Definitions 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	Impact			
	Minor (1)	Serious (2)	Major (4)	Extreme (8)
X				
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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Committee:	Date:
Local Government Pensions Board	20 October 2021
Subject: Local Government Pension Scheme – McCloud Update	Public
Report of: The Chamberlain	For Information
Report author: Matt Mott – Chamberlain’s Department	

Summary

At the Board Meeting on 8 June the Chairman highlighted four key areas around McCloud and requested a separate report be brought to this meeting. as

The four key areas identified are:

- Legislative reporting requirements would require an additional line to account for the McCloud element.
- There was now a need to include McCloud on the risk register.
- As part of the procurement exercise for new software, what has been said to the software provider as it would be better to flag it now and get it guaranteed as part of the offering.
- With the position having now been reviewed, it would be sensible and appropriate to start drafting a communication around McCloud for the benefit of Scheme Members.

This report provides an update on each area.

Recommendation

Members are asked to note this report.

Main Report

Background

1. In 2014 the LGPS was reformed. These reforms included an ‘Underpin protection’, for people closer to retirement. In December 2018, the Court of Appeal ruled that this directly discriminated against some younger pension scheme members – this is now referred to as the McCloud Judgement or McCloud.
2. Following this Judgement, the Government made a number of announcements as follows:
 - 15 July 2019: the government confirmed that the difference in treatment would also need to be remedied in the LGPS.
 - 16 July 2020: the government published a consultation document that set out options for how the government proposed to remove the discrimination. This is known as the Remedy.

- February 2021: HM Treasury published its response to the consultation document and set out its preferred remedy choice.
 - MHCLG have produced a document that gives general details as to how the remedy proposal would work for the LGPS.
3. 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.
 4. At your June meeting the Chairman highlighted four key areas around McCloud and asked for a report to be brought to this meeting. Each key area is discussed in more detail below.

Key areas

Legislative reporting requirements would require an additional line to account for the McCloud element

5. It is expected that on implementation of the Remedy, reporting requirements will be required by authority bodies such as the Local Government Association (LGA), the Pensions Regulator (TPR) and scheme actuaries.
6. Currently there is not any legislation or scheme regulation to implement the McCloud remedy and until there are it is not possible to understand what information will need to be reported. In the meantime LGPS Funds are developing procedures based on the known guidance and proposed extension of the Underpin.

There was now a need to include McCloud on the risk register

7. A draft the McCloud risk has been included on the Risk Register which is a separate item on today's agenda.

As part of the procurement exercise for new software, what has been said to the software provider as it would be better to flag it now and get it guaranteed as part of the offering.

8. The develop of the administration system has been underway for several months. The proposal is to first identify the scheme members affected, then build in capability to calculate the underpin as either a singular calculation or in bulk for all types of scheme members. Finally the data and result of the underpin are to be retained on the member record.
9. The first phase of development is expected by early 2022 and the final phase expected by April 2023. However, Member should note that this is all dependant on regulations and guidance being in place.

With the position having now been reviewed, it would be sensible and appropriate to start drafting a communication around McCloud for the benefit of Scheme Members

10. A note has been sent to Board Members regarding McCloud communications to scheme members. The note sets out the current advice from the Local Government Association (LGA) and advises on which communications have

been/will be distributed throughout the year and include some information on McCloud. This includes a statement regarding McCloud in newsletters and the annual benefit statements. The latest information can be found on the Fund's website www.cityoflondonpensions.org

Conclusion

11. As requested by the Board, this report provides an update on 4 key areas around McCloud. Members should note that currently there is no legislation or scheme regulation to enable the implement the McCloud remedy

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Agenda Item 9

Committee: Local Government Pensions Board	Date: 20 October 2021
Subject: LGP Board –Pension Fund Investment Activities 1 April 2020 to 31 March 2021	Public
Report of: The Chamberlain	For Information
Report author: Kate Limna – Chamberlain’s Department James Graham – Chamberlain’s Department	

Summary

At their meeting on 4 February 2020, the Local Government Pensions Board (the LGP Board) passed a resolution asking the Financial Investment Board to provide an annual summary of investment activity in relation to the Pension Fund.

The Appendix provides a summary on the investment activity of the Pension Fund from 1 April 2020 to 31 March 2021.

Recommendations

Members are asked to

- (i) Note the report; and
- (ii) Provide any additional comments for the Local Government Pensions Board.

Appendices

Appendix – Summary of Pension Fund Investment Activity 1 April 2020 to 31 March 2021.

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Appendix: Summary of Pension Fund Investment Activity 1 April 2020 to 31 March 2021

Introduction

1. This Summary Note sets out the investment activity of the Pension Fund over the financial year 2020/21. As at 31 March 2021 the total value of the Pension Fund's investment assets was £1,294m (versus £1,024m as at 31 March 2020). The table below sets out the asset allocation of the Fund as at 31 March 2020 and 31 March 2021.

	Position @	Position @		Strategic Target @		
	31/03/2020	31/03/2021		2020/21		
	£M	£M	%	£M	%	Range
Equities	577	745	58%	648	50%	35-65%
Artemis	80	94	8%	108	8%	
LCIV Alpha Growth Fund (Baillie Gifford)	118	184	14%	108	8%	
C WorldWide	116	141	11%	108	8%	
Lindsell Train	46	48	4%	54	4%	
Harris	70	107	8%	108	8%	
Majedie	33	40	3%	54	4%	
Veritas	114	131	10%	108	8%	
Multi-Asset	272	360	28%	387	30%	20-40%
LCIV MAC Fund (CQS)	59	117	9%	129	10%	
Pyrford	125	137	11%	129	10%	
Ruffer	88	106	8%	129	10%	
Property	78	88	6%	129	10%	5-15%
Aviva Lime Fund	29	29	2%			
M&G SPIF	30	30	2%			
M&G UK Residential	19	29	2%			
Infrastructure	62	63	5%	65	5%	0-10%
IFM	41	42	3%			
DIF	21	21	2%			
Private Equity	35	38	3%	65	5%	0-10%
TOTAL	1,024	1,294	100%	1,294	100%	

2. All asset class allocations remain within tolerance of the control ranges established by the Financial Investment Board via the Investment Strategy Statement. Within these control ranges, the portfolio is currently overweight to equities versus its strategic target (50%) and underweight in most other asset classes.

Performance

3. The investment performance of the Pension Fund is subject to regular monitoring by the City of London's custodian BNY Mellon, City Officers, the Investment Consultant and the Financial Investment Board (FIB). The table below sets out the performance of the Pension Fund as at 31 March 2021.

	2020/21 %	Last 3 Years % p.a.	Last 5 Years % p.a.
Pension Fund Returns*			
Fund Return	+27.7	+9.5	+9.9
Return Benchmark (5.2% p.a.)	+5.2	+5.5	+6.1
Relative Return	+22.5	+4.0	+3.8

*The above table only reflects the returns on financial assets monitored by the Pension Fund's custodian and therefore does not include holdings in Private Equity, DIF Infrastructure IV or the Pension Fund's shareholding in the London CIV Ltd, which combined represents approximately 5% of the Pension Fund's overall value.

- The Pension Fund delivered a very strong return of +27.7% over the financial year which was +22.5% ahead of the Fund's absolute return target of +5.2% per annum. These gains were delivered in the context of a durable recovery in global financial markets following the sharp downturn at the end of the previous financial year (the Board may recall that the Pension Fund generated a negative return of -4.1% in the 2019/20).
- The strong outperformance over the course of the year means that the Pension Fund's long term performance figures have also improved markedly: the Fund has achieved average returns of +9.5% per annum and +9.9% per annum over the past three years and five years, respectively. Both figures are significantly ahead of the Fund's return targets over these time horizons.

Movement in Funds during 2020/21

- After finalising the investment strategy review in July 2020 (as previously reported to the Local Government Pensions Board), FIB agreed to rebalance the portfolio by transferring assets valued at £40m from the Fund's equity managers (excluding the LCIV Alpha Growth Fund) to the LCIV MAC Fund. This exercise was undertaken over two tranches in August and September 2020.
- An outstanding commitment of £10.4m to the M&G UK Residential Fund (within the property allocation) was drawn down during the year in two separate tranches. As a result, the Pension Fund's original £90m commitment to property made in May 2017 is now fully invested.

Movement in Funds after 31 March 2021

- At its meeting on 30 June 2021, the Financial Investments Board increased the Fund's commitment to property by £45m (split equally between the three existing investments in this asset class). This action increased the original commitment of £90m to £135m and was undertaken to ensure the Fund's exposure to property remains aligned the strategic asset allocation of 10%.

Funding Update

- The most recent full actuarial valuation of the fund took place in 2019/20, where the overall funding level of the Pension Fund was found to have increased from 84% as at 31 March 2016 to 90% as at 31 March 2019.

10. Barnett Waddingham, the City's actuary, provided a funding update report as at 31 March 2021, which was reviewed by the Financial Investment Board at its meeting on 22 May 2021. The funding update report found that the funding level has improved from 90% to 93% in the two years since 31 March 2019.

London LGPS CIV

11. Since 2014 the City Corporation has been a shareholder in the London Local Government Pension Scheme Collective Investment Vehicle (the London CIV). The London CIV is an FCA Regulated fund manager that represents the pooled investments of the 32 London Local Authority Pension Funds (including the City of London). It was originally set up as a collaborative venture between the London Local authorities under London Councils to enable the Capital's Pension Funds to work closely together to deliver benefits of scale and efficiency savings to the participating Authorities via a voluntary pooling arrangement. Pooling for the Local Government Pension Schemes (LGPS) is now mandatory.

12. The LCIV currently hosts 19 sub-funds on its platform across public and private markets. The LCIV is continuing to build out its product offering and the fund development pipeline includes the Passive Equity Progressive Paris Aligned (PEPPA) Fund, the Sterling Credit Fund, the LCIV Alternative Credit Fund, the LCIV Global Bond Fund and the LCIV Renewable Infrastructure Fund.

13. As at 31 March 2021, the London CIV's assets under management amounted to £11.1bn. £301m (23%) of the City of London's Pension Fund's investment assets have been "pooled" via the London CIV. The proportion of pooled assets is expected to increase over time in line with statutory guidance as and when sub-fund products that meet the Pension Fund's needs are available.

Pension Fund Investment Strategy Statement (ISS)

14. As the administrating authority for the City of London Pension Fund, the City of London is required, under The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, to publish an Investment Strategy Statement and to review it periodically at least every three years. The purpose of this Investment Strategy Statement (the 'ISS') is to document the principles, policies and beliefs by which the Corporation manages the Fund's investment assets.

15. The ISS has remained unchanged from the version reviewed by the Local Government Pensions Board at its meeting on 5 October 2020.

Climate Risk

16. During 2020/21, the Financial Investment Board has undertaken in depth analysis of the Pension Fund's exposure to climate risks and opportunities. A verbal update on this aspect of FIB's work will be provided at the Board meeting.

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