



Pensions Committee

Date: MONDAY, 11 JULY 2022
Time: 10.30 am
Venue: COMMITTEE ROOMS, WEST WING, GUILDHALL

Members: Shahnan Bakth
Timothy Butcher
Deputy Madush Gupta
Alderman Ian David Luder
Deputy Andrien Meyers
Deputy Henry Pollard
David Sales
Alderman Sir David Wootton

Enquiries: Joseph Anstee
joseph.anstee@cityoflondon.gov.uk

Accessing the virtual public meeting

Members of the public can observe this virtual public meeting at the below link:

<https://youtu.be/yjIAX5RmPT8>

A recording of the public meeting will be available via the above link following the end of the public meeting for up to one municipal year. Please note: Online meeting recordings do not constitute the formal minutes of the meeting; minutes are written and are available on the City of London Corporation's website. Recordings may be edited, at the discretion of the proper officer, to remove any inappropriate material.

Lunch will be served in the Guildhall Club at 1.00pm.

John Barradell
Town Clerk

AGENDA

1. APOLOGIES

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

3. ORDER OF THE COURT OF COMMON COUNCIL

To receive the Order of the Court of Common Council dated 21st April 2022, appointing the Committee and setting its Terms of Reference.

For Information
(Pages 5 - 6)

4. ELECTION OF CHAIR

To elect a Chair in accordance with Standing Order No.29.

For Decision

5. ELECTION OF DEPUTY CHAIR

To elect a Deputy Chair in accordance with Standing Order No.30.

For Decision

6. PENSIONS COMMITTEE WORK PROGRAMME

Report of the Chamberlain

For Decision
(Pages 7 - 10)

7. PENSIONS SCHEME - ADMINISTRATOR'S UPDATE

Report of the Chamberlain

For Information
(Pages 11 - 42)

8. RISK REGISTER FOR THE PENSIONS COMMITTEE

Report of the Chamberlain

For Decision
(Pages 43 - 66)

9. ASSET POOLING IN THE LGPS

Report of the Chamberlain

For Information
(Pages 67 - 78)

10. QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE

11. ANY OTHER BUSINESS THAT THE CHAIR 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 the Schedule 12A of the Local Government Act.

For Decision

13. INVESTMENT PERFORMANCE MONITORING REPORTS

a) **Quarterly Report to 31 March 2022**

Report of Mercer

For Information
(Pages 79 - 98)

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

Report of the Chamberlain

For Information
(Pages 99 - 114)

14. APPOINTMENT OF AN INDEPENDENT MEMBER

Report of the Chamberlain

For Decision
(Pages 115 - 118)

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

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

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KEAVENY, Mayor	RESOLVED: That the Court of Common Council holden in the Guildhall of the City of London on Thursday 21 st April 2022, doth hereby appoint the following Committee until the first meeting of the Court in April, 2023.
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PENSIONS COMMITTEE

1. **Constitution**

A non-ward committee consisting of:

- Up to eight Members elected by the Court of Common Council, at least one of whom shall have fewer than five years' service on the Court at the time of their appointment
- Up to three independent members (i.e., non-Members of the Court of Common Council) co-opted to the Committee on the advice of the Chamberlain, with voting rights.

N.B. - No Member of the Pension Committee shall be a Member of the Local Government Pensions Board, or be the Chair or Deputy Chair of the Corporate Services Committee, the Finance Committee, or the Policy & Resources Committee simultaneously.

2. **Quorum**

The quorum consists of any three elected Members.

3. **Membership**

- 1 (1) Ian David Luder, J.P., Alderman
- 1 (1) James Henry George Pollard, Deputy
- 1 (1) David James Sales
- 1 (1) Sir David Wootton, Alderman
- 1 (1) Shahnan Bakth, *for two years*
- 1 (1) Timothy Richard Butcher, *for two years*

Together with:-

- Up to three independent Members referred to in paragraph 1 above; and
- Up to a further two Members to be elected by the Court of Common Council, to initial two-year terms expiring April 2024.

4. **Terms of Reference**

To undertake statutory functions on behalf of the Local Government Pension Scheme (LGPS) and ensure compliance with the Local Government Pensions Scheme Regulations ("the Regulations"), relevant legislation, and best practice as advised by the Pensions Regulator.

To be responsible for: -

- a) formulating, publishing and periodically review strategies and policies around the Pension Fund, for example (but not limited to) investments, responsible investment, funding, and administration.
- b) selecting and appointing suitability qualified external service providers, such as investment managers and advisors as required.
- c) monitoring the Pension Fund's investment arrangements including asset allocation, the performance of investment managers and advisors, and asset pooling arrangements (noting that the Pension Fund is a shareholder of the London CIV pool).
- d) monitoring liabilities, making arrangements for the triennial actuarial valuation of the Pension Fund, and considering and approving the required employer contribution levels for each employer within the Fund.
- e) dealing with the admission and cessation of employers as and when necessary and to review the ability of admitted bodies to meet their obligations to the Pension Fund.
- f) ensuring the Corporation effectively discharges its obligations to scheme members and employers as an administering authority.
- g) considering and approving the Pension Fund's Annual Report as well as all other statutory statements required under the Regulations.
- h) working with, receiving and considering comments from the Local Government Pensions Board (a scrutiny and non-decision-making body established under the Regulations) in pursuit of good governance of the LGPS.
- i) ensuring that arrangements are in place for consultation with stakeholders as necessary.
- j) developing and maintaining the appropriate level of knowledge and understanding to carry out their duties effectively (including completion of the Pensions Regulator's Public Service toolkit).

NOTE: whilst it is the expectation and intention that corporate policies are applied in respect of the Pension Committee's activities, such matters must always be considered in light of the specific regulatory requirements that apply to the administration of the LGPS. Therefore, where relevant and insofar as such policies impact the Pension Fund, they will need to be reviewed by the Pension Committee.

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Committee: Pensions Committee	Dated: 11 July 2022
Subject: Pensions Committee Work Programme	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: James Graham, Chamberlain's	

Summary

The Work Programme has been established to support the Pension Committee's business planning in its inaugural year. The proposed Work Programme schedules the key business items that are due to take place in the municipal year 2022/23, organised under four key pillars, namely:

- **Funding** – undertaking a formal actuarial valuation of the Pension Fund's liabilities on a triennial basis, determining employer contribution requirements and devising a funding strategy that identifies how employers' pension liabilities are best met going forward.
- **Investments** – developing an investment strategy and strategic asset allocation that supports and coheres with the Fund's funding objectives and meets regulatory requirements; establish effective processes for monitoring the performance of the Fund's investment strategy and investment risks;
- **Governance** – robust governance arrangements that enable informed decision making, supported by appropriate advice and documented policies and strategies. and
- **Administration and Communication** – administering the Fund in a cost effective and efficient way, providing a high quality, professional, proactive, timely and customer focused administration services to members and the Fund's other stakeholders.

In addition, the Work Programme includes an indicative schedule of training items to support the development and maintenance of an appropriate knowledge and skills base on the Committee.

The Work Programme is expected to be fluid and will evolve over time in accordance with emerging issues. For example, at present the Work Programme does not include

specific items on McCloud, GMP Reconciliation or TCFD report but these are just some of the important items that the Committee will need to consider in due course.

Officers recommend that the Work Programme is included as a standing item at every meeting of the Committee.

Recommendation

Members are asked to note this report and agree the Pension Committee Work Programme at Appendix 1.

Appendices

- Appendix 1 – Pension Committee Work Programme 2022/23

Kate Limna

Corporate Treasurer

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APPENDIX 1 - PENSION COMMITTEE WORK PROGRAMME 2022/23

Timescale	Funding	Investment	Governance	Administration & Communication	Training Items #
Standing items		<ul style="list-style-type: none"> Investment Monitoring LCIV/Pooling Update Responsible Investment Update 	<ul style="list-style-type: none"> Work programme 	<ul style="list-style-type: none"> Administration Update 	
2022/23					
July 2022			<ul style="list-style-type: none"> Risk Register Work programme 		<ul style="list-style-type: none"> Governance Training (Barnett Waddingham)
Q2 2022/23 (Sep/Oct)*	<ul style="list-style-type: none"> Valuation Assumptions Longevity Analysis 		<ul style="list-style-type: none"> Draft Annual Report CIPFA Knowledge and Skills Framework/Annual Training Plan 		<ul style="list-style-type: none"> Responsible investment/climate action (in house)
Q3 2022/23 (Nov/Dec)*	<ul style="list-style-type: none"> Triennial Valuation Initial Results 	<ul style="list-style-type: none"> Responsible Investment Policy Review* 	<ul style="list-style-type: none"> LGPS Consultation (expected) Risk Register 	<ul style="list-style-type: none"> Administration Strategy 	<ul style="list-style-type: none"> Valuation Training (Barnett Waddingham)
Q4 2022/23 (March)*	<ul style="list-style-type: none"> Triennial Valuation Final Results Funding Strategy Statement 	<ul style="list-style-type: none"> Stewardship Report* 	<ul style="list-style-type: none"> Business Plan/Annual Budget 		<ul style="list-style-type: none"> Pooling (LCIV)
Future years					
2023/24		<ul style="list-style-type: none"> Investment Strategy Review Investment Strategy Statement Annual PRI Report 			<ul style="list-style-type: none"> Investment Training (Mercer)

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 BHE Board and Financial Investment Board.

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Agenda Item 7

Committee(s)	Dated:
Pensions Committee	11 July 2022
Subject: Pensions Scheme – Administrator's Update	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	N/A
Does this proposal require extra revenue and/or capital spending?	N
If so, how much?	N/A
What is the source of Funding?	
Has this Funding Source been agreed with the Chamberlain's Department?	N/A
Report of: The Chamberlain	For Information
Report author: Graham Newman – Chamberlain's Department	

Summary

The 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. This is modelled on a similar report that goes to each meeting of the Local Government Pensions Board. 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	<p>As the Scheme's administrating authority, the City is responsible for making sure the scheme has good records.</p> <p>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.</p> <p>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.</p> <p>The City's scheme data is measured once a year and the data scores are submitted to the Regulator in the annual scheme return – the next Return is due to be submitted in October 2022.</p>
Complaints or disputes under the Scheme's Internal Disputes Resolution Process (IDRP)	If a scheme member is not satisfied with any decision that affects them with relation to the Scheme they have the right to ask for it to be looked

	<p>at again under the formal complaints procedure. The procedure's official name is the Internal Dispute Resolution Procedure (IDRP).</p> <p>The IDRP Guide for scheme members is provided at Appendix B.</p> <p>There are currently 2 IDRPS in progress.</p>
Public Service Pensions Reporting Breaches of Pension Law	<p>In the event that there is a breach of pension law a decision needs to be taken as to whether the breach should be reported to the Pensions Regulator (tPR) and in some cases the Information Commissioner.</p> <p>The decision to report requires two key judgements:</p> <ol style="list-style-type: none"> 1. Is there reasonable cause to believe there has been a breach of the law; 2. if so, is the breach likely to be of material significance to the Pensions Regulator. <p>Not every breach needs to be reported to the (tPR).</p> <p>The City's policy document in respect of reporting breaches of the law for Public Service Pensions is included at Appendix C. This covers both the LGPS and the City of London Police Pensions Scheme</p>
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>Due to the ceasing of Contracting Out with effect from April 2016 HMRC will no longer process GMPs, therefore, each pension scheme is responsible for checking the data they hold matches that of HMRC.</p> <p>Contracting Out enabled scheme members to opt out of the State Second Pension (S2P), formerly known as State Earning Related Pension Scheme (SERPS), which is the element of the state pension based on National Insurance contributions. In return the member would receive a pension equivalent to S2P (had they not contracted out) payable from the scheme the member had contracted out with. This is known as the Guaranteed Minimum Pension (GMP)</p>

	<p>Mercers (formally JLT) have been commissioned to facilitate this project which is expected to complete by 31 March 2023. A report will be brought to the Committee following the conclusion of the reconciliation.</p>
Covid 19	<p>Following the Covid 19 pandemic, working practices within the City have changed.</p> <p>From 28/02/2022 Chamberlain's staff have been attending the office for a minimum 3 days per week.</p> <p>During the pandemic and enforced home-working, all communication was required to be made electronically.</p> <p>Since returning to the office this practice has continued and generally communication continues to be by email and phone calls. However, where scheme members have not or are unable to verify their details, letters are still posted.</p> <p>It is not the intention of the Pension Office to return to posting letters as a primary communication strategy and promotes, wherever possible, the use of email.</p> <p>During the pandemic the Pensions regulator (TPR), Local Government Association (LGA) & Scheme Advisory Board (SAB) provided guidance to schemes and this guidance still remains in place. It stated that 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.
Pension Administration System	<p>The City uses a pensions administration system known as Altair that is provided by the supplier Heywood.</p> <p>A project was started in 2021 to update the system and the pension data from the City's servers was successfully moved to a hosted environment provided by Heywood in November of that year.</p> <p>The Pensions Office is now in discussion with Heywood's to start the second stage of the 'project' in respect of updating/modernising the task and procedure workflow system and the document production system.</p>

	<p>It is also the intention to introduce a Member Self-Service system that will allow scheme members to directly access their data, run basic estimate calculations and update their personal details. This system may also be used for providing Annual Benefit Statements.</p>
Public Sector Pensions Legal Challenge	<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 were 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>However, the Act did not provide specific information as to how the remedy is to be implemented for individual schemes and further guidance and legislation is required before any action can be taken in respect of the LGPS.</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,</p> <p>www.cityoflondonpensions.org/resources/</p> <p>A statement in respect of McCloud was included in both the active and deferred 2021 annual benefit statements (ABS) and also in the pensioner newsletters. An update will be provided with the 2022 statements.</p>
Pension Committee Training	<p>All Members of the Committee are asked to register for tPR online training and complete the modules in respect of public sector pension schemes.</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>

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 – Employee's Guide to the Internal Dispute Resolution Procedure

Appendix C – Reporting Breaches of Law – City of London Policy & Procedure (Public Services Pensions)

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Local Government Pension Administration - Schedule of Events 2022/23

Date Due	Event	Completed
1 December 2021	Publication of Pension Fund Accounts and Annual Report	Draft accounts published only. Awaiting sign off on City Fund Accounts.
December 2021 Within 2 weeks of quarter date	Tax Return for Quarter 3 (to 31/12/2021)	12 January 2022
31 st January 2022	HMRC Event 22 Report – List of Annual Allowance cases exceeding the Previous years' threshold.	26 January 2022
March 2022 Deadline 15 th May	Tax return for Quarter 4 (to 31/3/2022)	29 April 2022 – Successfully migrated to the new HMRC Managing Pension Schemes service
1 April 2022	Employee Contribution band review/ implementation.	1 April 2022
1 April 2022	Revaluation of CARE benefits.	1 April 2022
1 Monday in April following Tax Year End	Pensions Increase (PI) – Annual Inflation increase.	11 April 2022
31 May 2022	Pensioner P60s distributed	
1 June 2022	Automatic Enrolment for City of London Employees	1 June 2022
June/July 2022	Valuation data to the pension fund's actuary	
June 2022 Deadline 14 th August	Tax return for Quarter 1 (to 30/06/2022)	
31 July 2022	Publish draft City Fund Accounts (including the Pension Fund Accounts)	
31 st August 2022	Issue of Annual Benefit Statements deadline.	
September 2022 Deadline 14 th Nov	Tax return for Quarter 2 (to 30/09/2022)	
30 September 2022	Employee Contribution Band review	
5 October 2022	Issue of Annual Allowance (AA) Saving Statements deadline	
6 November 2022	Scheme Return to the Pensions Regulator	
1 December 2022	Publication of Pension Fund Accounts and Annual Report	
December 2022 Deadline 14 th Feb	Tax Return for Quarter 3 (to 31/12/2022)	
31 st January 2023	HMRC Event 22 Report – List of Annual Allowance cases exceeding the Previous years' threshold.	
March 2023 Deadline 15 th May	Tax return for Quarter 4 (to 31/3/2023)	

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Note : *This provides a straightforward guide to how the internal dispute resolution procedures operate in the Local Government Pension Scheme and is provided for general information only. It does not cover every aspect. It is not an interpretation of the scheme regulations. In the event of any unintentional differences, the scheme regulations will prevail. This does not confer any contractual or statutory rights.*

INTERNAL DISPUTE RESOLUTION PROCEDURE (IDRP) **EMPLOYEES' GUIDE**

ENQUIRIES

If you are not sure which benefits you are entitled to, or you have a problem with your benefits, please either phone the number on the letter your employer or administering authority sent you, or contact the Pensions Section of your administering authority:

The Pensions Manager, City of London,
Guildhall, PO Box 270, London EC2P 2EJ

Telephone: 07864 959555 / 020 4558 2261
Email: graham.newman@cityoflondon.gov.uk .

Many problems that members have are, in fact, resolved in this way. They may be caused by misunderstandings or wrong information, which can be explained or put right easily. An informal enquiry of this kind may save you a lot of time and trouble.

DECISIONS

From the day a person starts a job with an employer, to the day when benefits or dependant's benefits are paid, the employer and the Pension Scheme administering authority have to make decisions under the Pension Scheme rules that affect you (or your dependants). When you (this includes dependants) are notified of a decision you should check, as far as you can, that it is based on the correct details and that you agree with the decision.

COMPLAINTS

If you are not satisfied with any decision affecting you made in relation to the Scheme, you have the right to ask for it to be looked at again under the formal complaint procedure. You also have a right to use the procedure if a decision should have been made by your employer or administering authority, but it hasn't been. The complaint procedure's official name is the "internal dispute resolution procedure".

There are also a number of other regulatory bodies, such the Pensions Ombudsman, which may be able to help you. They are described in the "Additional Help" section.

The formal complaint procedure has two stages. Many complaints are resolved at the first stage. Any complaint you make should be treated seriously and considered thoroughly and fairly.

You can ask someone to take your complaint forward on your behalf. This could be, for instance, a trade union official, welfare officer, your husband, wife or partner, or a friend.

No charge is made at any stage for investigating a complaint under the internal dispute resolution procedure. But expenses that you will have to meet are your own (and/or your representative's) time, stationery and postage.

Please remember that, before going to the trouble of making a formal complaint, your Pensions Section may welcome the opportunity to try to resolve the matter about which you are dissatisfied in an informal way. It may be worth checking again that they know you are concerned, and why.

First stage

If you need to make a formal complaint, you should make it :

- in writing, using the application form at pages 6-8, and
- normally within 6 months of the day when you were told of the decision you want to complain about.

Your complaint will be considered carefully by a person nominated by the body that took the decision against which you wish to complain. This guide calls them the "nominated person" That person is required to give you their decision in writing.

If the nominated person's decision is contrary to the decision you complained about, the employer or administering authority that made that original decision will now have to deal with your case in accordance with the nominated person's decision.

If the decision you complained about concerned the exercise of a discretion by the employer or administering authority, and the nominated person decides that the employer or administering authority should reconsider how they exercised their discretion, they will be required to reconsider their original decision.

Second Stage

You can ask the pension scheme administering authority to take a fresh look at your complaint in any of the following circumstances:

- you are not satisfied with the nominated person's first-stage decision,
- you have not received a decision or an interim letter from the nominated person, and it is 3 months since your lodged your complaint,
- it is one month after the date by which the nominated person told you (in an interim letter) that they would give you a decision, and you have still not received that decision.

This review would be undertaken by a person not involved in the first stage decision.

You will need to send the appropriate administering authority your complaint in writing. The time limits for making the complaint are set out in the table on pages 9-10. The administering authority will consider your complaint and give you their decision in writing.

If you are still unhappy following the administering authority's second stage decision, you can take your case to the Pensions Ombudsman provided you do so within 3 years from the date of the original decision (or lack of a decision) about which you are complaining.

ADDITIONAL HELP

Pensions Ombudsman

The Early Resolution Service

If you need help raising your concerns, or just to discuss a potential complaint with a member of the team, you can use the Ombudsman helpline service.

Their staff will listen to your issue and if possible, help you there and then; for more complex problems or issues where a number of documents are involved they may pass you on to the Early Resolution Team who can go into more detail. If this happens you will be asked to sign a consent form that allows them to handle your documents and speak to third parties on your behalf.

Using this service will not affect your right to apply to the Ombudsman for formal adjudication if you later choose to do so.

Formal Adjudication

The Ombudsman investigates complaints and settles disputes about pension schemes. However, before contacting the Ombudsman, the Pensions Ombudsman's Office would normally expect you to have :

- been given first-stage and second-stage internal dispute resolution procedure decisions by the Local Government Pension Scheme; a

The Pensions Ombudsman is completely independent and acts as an impartial adjudicator. His role and powers have been decided by Parliament.

There is no charge for using the Pensions Ombudsman's services.

The Ombudsman cannot investigate matters where legal proceedings have already started but, subject to that, he can settle disputes about matters of fact or law as they affect occupational pension schemes.

He can also investigate and decide any complaint or dispute about the maladministration of a pension scheme. "Maladministration" is about the way that a decision is taken, rather than about the merits of the decision. Examples of maladministration would be unreasonable delay, neglect, giving wrong information and discrimination.

The Ombudsman's decision is final and binding on all the parties, subject to any appeal made to the High Court on a point of law.

You must refer your complaint to the Ombudsman within 3 years of the event about which you are complaining, or within 3 years of when you first became aware of the problem.

The Ombudsman's address is:

The Pensions Ombudsman
11 Belgrave Road
London
SW1V 1RB

Other ways to contact him are :

Tel : 0800 917 4487

Email : helpline@pensions-ombudsman.org.uk

The website address is : <http://www.pensions-ombudsman.org.uk>

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Application under the Internal Dispute Resolution Procedure

You can use this form :

- a) to apply to the nominated person at stage 1 of the internal dispute resolution procedure if you want them to investigate a complaint concerning your pension; and
- b) to apply to the administering authority if you want them to reconsider a determination made by the nominated person.

Please write clearly in ink, and use capital letters in boxes 1, 2 and 3.

1. Member's details :

If you are the member (the person who is or was in the Scheme), or a prospective member (a person who is eligible to be a member of the Scheme), please give your details in this box. You can then go straight to box 4.

If you are the member's dependant (for example, their husband, wife or child), please give the member's details in this section, and then go to box 2.

If you are representing the person with the complaint, please give the member's details in this section, and then go to box 2.

Full Name	
Address	
Date of Birth	
Employer	
National insurance number	

2. Dependant's details :

If you are the member's dependant and the complaint is about a benefit for you, please give **your** details in this box and then go to box 4.

If the complaint is about a benefit for a dependant and you are the dependant's representative, please give the dependant's details in this box and then go to box 3.

Full Name	
Address	
Date of Birth	
Relationship to member	

3. Representative's details :

If you are the member's or dependant's representative, please give your details in this box.

Full Name	
Address	
The address response letters should be sent to	

4. Your complaint

Please give full details of your complaint in this box. Please try to explain exactly why you are unhappy, giving any dates or periods of Scheme membership that you think are relevant.

If there is not enough space, please go on to a separate sheet and attach it to this form.

Remember to write your name and national insurance number at the top of any separate sheet if you are a member. Or, if you are not a member, put the member's name and national insurance number at the top of any separate sheet.

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5. Your signature

I would like my complaint to be considered and a decision to be made about it. I am a :

<ul style="list-style-type: none">• Scheme member/former member/prospective member *• Dependant of a former member *• Member's representative/dependant's representative * <p>* delete as appropriate</p>	
Signed :	Date :

6. Please enclose a copy of any notification of the decision you are complaining of which has been issued by the employer or administering authority. Also enclose any other letter or notification that you think might be helpful.

PLEASE SEND THIS FORM TO:

Stage 1 of the internal dispute resolution process

Kate Limna, Corporate Treasurer, City of London, Guildhall, PO Box 270, London EC2P 2EJ

Stage 2 of the internal dispute resolution procedure

Caroline Al-Beyerty, The Chamberlain, City of London, Guildhall, PO Box 270, London EC2P 2EJ

Time limits under the Internal Dispute Resolution Procedure

Your situation	To complain to	Time Limit
You have received a decision on your benefits under the pension scheme from your employer/administering authority, and there seem to be good grounds for complaining.	The nominated person under the first stage of the procedure.	6 months from the date when you were notified of the decision ¹
You have received a first stage decision on your complaint from the nominated person, but you are not satisfied.	The relevant administering authority under the second stage of the procedure.	6 months from the date of the nominated person's decision
You made your complaint in writing to the nominated person, with all the information they needed but, 3 months later, you have not received their decision on your complaint or any interim reply.	The relevant administering authority under the second stage of the procedure.	9 months from the date when you submitted your complaint.
You received an interim reply to your complaint to the nominated person, within 2 months of applying to them. Their reply promised you a decision by a specified date but, one month after the specified date, you still have not received their decision.	The relevant administering authority under the second stage of the procedure.	7 months from the date by which you were promised you would receive a decision
Your complaint is that your employer or administering authority have failed to make any decision about your benefits under the pension scheme	The nominated person under the first stage of the procedure	6 months from the date when the employer or administering authority should have made the decision ² .
Your complaint went to the administering authority under the second stage of the procedure. You received their decision but you are still not satisfied.	The Pensions Ombudsman.	3 years from the date of the original decision about which you are complaining.

¹ The nominated person can extend the 6 month time limit for a reasonable period where there are special circumstances.

² The nominated person can extend the 6 month time limit for a reasonable period where there are special circumstances.

Your situation	To complain to	Time Limit
You have taken your complaint to the administering authority under the second stage of the procedure but, 2 months after your complaint was received by the authority, you have not received their decision on your complaint or any interim reply.	The Pensions Ombudsman.	3 years from the date of the original decision about which you are complaining.
You received an interim reply to your second stage complaint to the administering authority, within 2 months of applying to them. Their reply promised you a decision by a certain date but, by that date, you still have not received their decision	The Pensions Ombudsman.	3 years from the date of the original decision about which you are complaining.

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Public Service Pensions

Reporting Breaches of Law - City of London Policy & Procedure

Introduction

This document sets out the policy and procedure within the City of London for recording and reporting breaches of the law connected to the Public Service Pension Schemes for whom it is Scheme Manager.

It describes who has a legal requirement to report breaches, to whom and how they should report and provides processes to follow to assess and consider suspected breaches to ensure that they are reported appropriately.

This policy and procedure was approved by the Local Government Pensions Board and the Police Pensions Board on 17 April 2018. It will be kept under review and reissued should personnel, the law, statutory or other guidance or best practice change. As a minimum, it will be formally reviewed every three years.

This document is published on the City of London website at www.cityoflondon.gov.uk and the City of London Pensions Website at www.yourpension.or.uk/cityoflondon. It takes account of guidance and information issued by the Pension Regulator (tPR) in Code of Practice 14 and their Public Service Toolkit and includes text from them. Where text has been used, the tPR's copyright applies. The content does not override the requirements of prevailing legislation and statutory guidance, which should be followed at all times.

Any questions about the policy or procedure should be raised with the Corporate Treasurer in the first instance. The contact details are provided on the attached sheet.

All those with a legal duty to report breaches of the law should ensure that they are familiar with this Policy and its operation.

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1. The Legal Responsibility to Report Breaches of the Law and to whom it Applies

Legislation requires that where certain people have reasonable cause to believe that:

- a legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with
- the failure to comply is likely to be of material significance to the Regulator in the exercise of any of its functions

they must report breaches of the law to the Pensions Regulator (tPR).

The people who are subject to the reporting requirement ('reporters') for public service pension schemes are:

- scheme managers
 - For the Local Government Pension Scheme this is the Corporation of London
 - For the Police Pension Scheme this is the Commissioner of Police for the City of London for the members of City of London Police Force and the Common Council for the Commissioner of Police for the City of London
- members of pension boards
 - For the Local Government Pension Scheme this is the members of the Local Government Pensions Board. Details of the members can be found here:
<http://democracy.cityoflondon.gov.uk/mgCommitteeDetails.aspx?ID=1187>
 - For the Police Pension Scheme this is the members of the Police Pensions Board. Details of the members can be found here:
<http://democracy.cityoflondon.gov.uk/mgCommitteeDetails.aspx?ID=1206>
- any person who is otherwise involved in the administration of a public service pension scheme
 - For example, the committees, other boards, and officers dealing with the pension schemes
- participating employers whether a breach relates to, or affects, members who are its employees or those of other employers in the scheme
- professional advisers including auditors, actuaries, legal advisers and fund managers, whether required or not to be appointed by the scheme
- any person who is otherwise involved in advising the managers of the scheme in relation to the scheme

Reporters should not rely on waiting for others to report. They should follow the processes and procedures set out in this document.

Reports must be made in writing as soon as reasonably practicable. Failure to comply, without reasonable excuse, with the law on reporting breaches of the law is a civil offence and can attract a fine. tPR can also issue improvement notices.

Applicable laws and Code of Practice

Relevant law includes the Pensions Acts 2004 (section 70) and 1995, and the Public Service Pensions Act 2013.

In addition, tPR's Code of Practice 14, entitled Governance and administration of public service pension schemes, sets out the legal requirements and explains the expectations of tPR.

The Code of Practice is not a statement of law. However, when determining whether the legal requirements have been met, a court or tribunal must take any relevant provisions of a code of practice into account. Following the Code will help to ensure compliance with requirements and expectations.

2. To whom Breaches of the Law are Reported

Material breaches of the law must be reported to tPR, ie the Pensions Regulator or 'the Regulator'.

All breaches, and suspected breaches under consideration must be reported immediately to the Comptroller and City Solicitor, the Deputy Chamberlain, or the Corporate Treasurer, who will take a decision as to whether the breach or suspected breach is so serious that it requires immediate reporting to tPR.

The contacts sheet attached gives details of the Corporate Treasurer, Deputy Chamberlain and the Comptroller and City Solicitor, and also includes details of the persons who will act in their absence.

Unless the breach is so serious that it should be reported to tPR immediately, this document provides a process for investigating concerns that the law may have been breached and for facilitating objective consideration of breaches to enable reporters to decide within a reasonable timeframe whether they must report the breach. As noted above, reporters should not rely on waiting for others to report.

The Corporate Treasurer is the person who is responsible for the day to day running of the policy and maintaining the Register. They will alert the Deputy Chamberlain that a potential or actual breach is being investigated. They will also keep Members of the appropriate Pensions Board informed.

The Deputy Chamberlain is the person who is responsible for this Policy and for making the decision on whether to report a breach to tPR in consultation with the Comptroller and City Solicitor acting as Monitoring Officer.

All actual breaches will be recorded in the Breaches of the Law Register (the Register), along with the decision made as to whether or not to report to tPR and the relevant considerations taken. The Register is presented to each Pension Board meeting for review.

Further details are provided below on these aspects.

3. Procedure for Assessing and Considering Suspected Breaches

This section sets out the procedure and processes for assessing and considering suspected breaches of the law and determining whether they should be reported to tPR.

To ensure breaches are reported in a timely manner, each action should be completed within five working days of receipt or notification, including responding to questions raised. Dates of actions and decisions should be recorded on the Register. A final decision to report the breach to the tPR should be taken and the report made by no later than 21 days (3 weeks) after the initial identification of the breach; EXCEPT:

- Where a breach is identified that is so serious that it must always be reported, each stage should be dealt with immediately and the Deputy Chamberlain and Comptroller and City Solicitor notified.
- If there is an immediate risk to the scheme, such as if there is an indication of dishonesty, only necessary immediate checks should be made and those that may alert the people implicated, avoided. Reporters should use the quickest possible means to alert tPR.

All breaches must be recorded on the Register along with the details and considerations taken as detailed below whether or not they are reported to tPR.

3.1 Establishing the facts

Having 'reasonable cause' to believe that a breach has occurred means more than merely having a suspicion that cannot be substantiated.

Reporters should ensure that where a breach is suspected, they carry out checks to establish whether or not a breach has in fact occurred. This will involve establishing the facts and also whether there is another explanation.

For example, a member of a funded pension scheme may allege that there has been a misappropriation of scheme assets where they have seen in the annual accounts that the scheme's assets have fallen. However, the real reason for the apparent loss in value of scheme assets may be due to the behaviour of the stock market over the period. This would mean that there is not reasonable cause to believe that a breach has occurred.

Where the reporter does not know the facts or events around the suspected breach, it will usually be appropriate to check with those in a position to know such as the Director of Finance, or the Pensions Manager to check what has happened.

However, as noted earlier, it would not be appropriate to check in cases of theft, suspected fraud or other serious offences where discussions might alert those implicated or impede the actions of the police or a regulatory authority. Under these circumstances the reporter should alert tPR without delay.

In establishing whether there is reasonable cause to believe that a breach has occurred, it is not necessary for the reporter to gather all the evidence which tPR may require before taking legal action. A delay in reporting may exacerbate or increase the risk of the breach.

Should you have difficulty establishing the facts, please report this to the Corporate Treasurer – *see note on page one*] who will provide further guidance.

3.2 Clarification of the law

In determining if a breach has occurred, if the reporter is unclear about the relevant legal provision, they should clarify their understanding of the law to the extent necessary to form a view.

If assistance is required in order to do so, once you have established the facts, you may contact the director of finance, or the pensions manager, or the Corporation of London's legal team for further advice.

Should you encounter any difficulties establishing the law, please report this to the Corporate Treasurer who will provide further guidance.

3.3 Considering the material significance

Having clarified the facts and the law and established that a breach has occurred, the next step is to consider whether it is of material significance and should therefore be reported to tPR.

In order to do so, reporters should consider the cause of the breach, the effect of the breach, the reaction to it and its wider implications. These aspects should be considered together and take account of expert or professional advice, where appropriate.

Consideration of previously recorded breaches on the Register, whether reported to tPR or not, can assist with this process. A copy should be obtained from the Corporate Treasurer.

Dialogue may also take place with the Scheme Manager or Pension Board. Reporters may approach the Scheme Manager or members of the Pension Board at any time to discuss matters. In addition, the Register is presented to each meeting of the Pension Board for consideration and discussion with the Scheme Manager's officers.

Code of Practice 14 provides guidance on each of the four aspects and this is included below.

A. Cause of the breach

The breach is likely to be of material significance to tPR where it was caused by:

- dishonesty
- poor governance or administration
- slow or inappropriate decision-making practices
- incomplete or inaccurate advice, or
- acting (or failing to act) in deliberate contravention of the law.

When deciding whether a breach is of material significance, those responsible should consider other reported and unreported breaches of which they are aware. However, historical information should be considered with care, particularly if changes have been made to address previously identified problems.

Where changes are made, City of London officers should inform the Corporate Treasurer who should record the changes on the Register to assist with future determinations.

tPR notes that a breach will not normally be materially significant if it has arisen from an isolated incident, for example resulting from teething problems with a new system or procedure, or from an unusual or unpredictable combination of circumstances, but that in such a situation, it is also important to consider other aspects of the

breach, such as the effect it has had and to be aware that persistent isolated breaches could be indicative of wider scheme issues.

Action should be taken to put the breach right whether it is of material significance or not.

Reporters should summarise the cause of the breach.

B. Effect of the breach

Reporters need to consider the effects of any breach, but with tPR's role in relation to public service pension schemes and its statutory objectives in mind, Code of Practice 14 notes that the following matters in particular should be considered likely to be of material significance to tPR:

- pension board members not having the appropriate degree of knowledge and understanding, which may result in the Board not fulfilling its role, the scheme not being properly governed and administered and/or the scheme manager breaching other legal requirements
- pension board members having a conflict of interest, which may result in them being prejudiced in the way that they carry out their role, ineffective governance and administration of the scheme and/or the scheme manager breaching legal requirements
- adequate internal controls not being established and operated, which may lead to the scheme not being run in accordance with the scheme's regulations and other legal requirements, risks not being properly identified and managed and/or the right money not being paid to or by the scheme at the right time
- accurate information about benefits and scheme administration not being provided to scheme members and others, which may result in members not being able to effectively plan or make decisions about their retirement
- appropriate records not being maintained, which may result in member benefits being calculated incorrectly and/or not being paid to the right person at the right time
- pension board members misappropriating any assets of the scheme, or being likely to do so, which may result in scheme assets not being safeguarded, and
- any other breach which may result in the Fund being poorly governed, managed or administered.

Reporters need to take care to consider the effects of the breach, including any other breaches occurring as a result of the initial breach and the effects of those resulting breaches.

Reporters should summarise the effect of the breach.

C. Reaction to the breach

Where prompt and effective action is taken to investigate and correct the breach and its causes and, where appropriate, to notify any affected members, tPR will not normally consider this to be materially significant.

A breach is likely to be of concern and material significance to tPR where a breach has been identified and those involved:

- do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence
- are not pursuing corrective action to a proper conclusion
- fail to notify affected scheme members where it would have been appropriate to do so.

All reporters should keep records of the actions taken and submit these to the Corporate Treasurer who will record these on the Register.

Reporters should summarise the reaction to the breach.

D. Wider implications of the breach

Reporters should consider the wider implications of a breach when they assess which breaches are likely to be materially significant to tPR.

For example, a breach is likely to be of material significance where the fact that the breach has occurred makes it appear more likely that other breaches will emerge in the future. This may be due to the Scheme Manager or Pension Board members having a lack of appropriate knowledge and understanding to fulfil their responsibilities or where other pension schemes may be affected. For instance, public service pension schemes administered by the same organisation may be detrimentally affected where a system failure has caused the breach to occur.

For this reason, and to enable prompt actions to be taken to prevent or reduce the risk of further breaches, the City of London's policy is to maintain one Breaches of the Law Register covering all the schemes and Scheme Managers detailed on page 3, recording in which scheme the breach occurred.

Reporters should summarise the wider implications of the breach.

3.4 Deciding whether to report to the Pensions Regulator

The reporter should assess their view on whether the breach is of material significance and should be reported to tPR. Once assessed, they should submit their summaries of the breach and their categorisations and reasons for them, to the Corporate Treasurer who will update the Register and submit it all to the Deputy Chamberlain and to the Comptroller and City Solicitor as Monitoring Officer. The Deputy Chamberlain will make the decision whether to report the breach to tPR after liaising with the Comptroller and City Solicitor. They will review the categorisation and may discuss it or raise questions with the reporter in the first instance, and they will, in turn request the Corporate Treasurer to update the Register with their decision and reason for it.

tPR's traffic light framework should be used to assist in these assessments and decisions.

The Pension Regulator's Traffic Light Framework

tPR provide a traffic light framework which should be used to assist with deciding whether a breach of the law is likely to be of material significance to them and should therefore be reported.

Example breaches of the law and assessment of the cause, effect, reaction and wider implications against the traffic lights are available on tPR's website at <http://www.thepensionsregulator.gov.uk/docs/PS-reporting-breaches-examples-traffic-light-framework.pdf>

The reporter should consider their summaries of the cause of the breach, the effect of the breach, the reaction to it and its wider implications against the traffic lights and assess a colour category for each.

They should then determine an overall colour category considering all four together and include details of why they have assigned a category such as their considerations and actions in regard to each of the four areas and overall. These should be submitted to the Corporate Treasurer as noted above.

The copy of the current Register should be reviewed in considering the assessments.

The tPR's framework for overall consideration of the breach is summarised below together with an example.

Red breaches

Where the cause, effect, reaction and wider implications of a breach, when considered together, are likely to be of material significance, the breach is 'red'.

These must be reported to tPR.

Example:

Several members' benefits have been calculated incorrectly. The errors have not been recognised and no action has been taken to identify and tackle the cause or to correct the errors.

Amber breaches

Where the cause, effect, reaction and wider implications of a breach, when considered together, may be of material significance, the breach is 'amber'. They might consist of several failures of administration that, although not significant in themselves, have a cumulative significance because steps have not been taken to put things right.

Reporters will need to exercise their own judgement to determine whether the breach is likely to be of material significance and should be reported.

Example:

Several members' benefits have been calculated incorrectly. The errors have been corrected, with no financial detriment to the members. However, the breach was caused by a system error which may have wider implications for other public service schemes using the same system.

Green breaches

Where the cause, effect, reaction and wider implications of a breach, when considered together, are not likely to be of material significance, the breach is 'green'.

These should be recorded but do not need to be reported.

Example:

A member's benefits have been calculated incorrectly. This was an isolated incident, which has been promptly identified and corrected, with no financial

detriment to the member. Procedures have been put in place to mitigate against this happening again.

In addition, pages 41 to 44 of the Regulator's Code of Practice 14 provides further information about reporting contribution payment failures which are likely to be of material significance to the Regulator. The Code can be found here: <https://www.thepensionsregulator.gov.uk/public-service-schemes/code-of-practice.aspx>

3.5 Determining difficult cases

Where there is a difficult case to determine, reporters should contact the Deputy Chamberlain who will discuss the case with them, and if necessary refer the case on to the Corporation of London's legal team, the Pension Board, Members of the Committee, tPR or other officers or advisors for further assistance, before making their determination.

4. Reporting to the Pensions Regulator

A final decision to report the breach to the tPR should be taken and the report made by no later than 21 days (3 weeks) after the initial identification of the breach. However, where a case is so urgent that it must immediately be reported to tPR or where it is decided after following the procedure above that a breach should be reported, it should be reported without delay.

The Members of the relevant Pensions Board will be notified of the circumstances of the breach before the report is made to tPR when practicable, or will be notified simultaneously where the breach is so serious that it must be reported immediately. A Special Meeting of the Board may be called subsequently to consider the breach.

Breaches will normally be reported by the Deputy Chamberlain.

Reports should be made in writing via tPR online Exchange system which is available via their website at <https://login.thepensionsregulator.gov.uk/whatsavailable>

It contains a standard format for reporting. The following information should be gathered:

- details of the reporter
- name of the scheme, and scheme manager/employer
- a high-level summary of the breach and relevant dates
- why it has occurred, including whether a third party, such as an employer, has caused the breach of the legal requirement
- how many members and what categories of members are affected, eg. active or deferred, and the total number of scheme members in each category
- the reason the breach is thought to be of material significance and whether it has been reported before
- what action is being taken to address the issue and, if possible, a robust improvement plan outlining what is being done to resolve it, who is responsible and when the breach will be rectified by
- how future breaches of this nature will be prevented and effects on members minimised

Urgent reports should be clearly marked urgent and attention drawn to matters considered by the reporter to be particularly serious. If is appropriate, the reporter should call tPR before submitting the written report.

As noted earlier, if there is an immediate risk to the scheme, such as if there is an indication of dishonesty, only necessary immediate checks should be made and those that may alert the people implicated, avoided. Reporters should use the quickest possible means to alert tPR.

The reporter should ensure that they receive an acknowledgment from tPR and that this is retained with the other papers and recorded on the Register. Acknowledgements should be received within five working days.

tPR may request further information.

4.1 Whistleblowing protection and confidentiality

Code of Practice 14 notes that:

- the Pensions Act 2004 makes clear that the statutory duty to report overrides any other duties a reporter may have such as confidentiality and that any such duty is not breached by making a report and that tPR understands the potential impact of a report on relationships, for example, between an employee and their employer.
- the statutory duty to report does not, however, override 'legal privilege'. This means that oral and written communications between a professional legal adviser and their client, or a person representing that client, while obtaining legal advice, do not have to be disclosed. Where appropriate a legal adviser will be able to provide further information on this.
- tPR will do its best to protect a reporter's identity, if desired, and will not disclose the information except where lawfully required to do so. It will take all reasonable steps to maintain confidentiality, but it cannot give any categorical assurances as the circumstances may mean that disclosure of the reporter's identity becomes unavoidable in law. This includes circumstances where tPR is ordered by a court to disclose it.
- the Employment Rights Act 1996 (ERA) provides protection for employees making a whistleblowing disclosure to tPR. Consequently, where individuals employed by firms or another organisation having a statutory duty to report disagree with a decision not to report to tPR, they may have protection under the ERA if they make an individual report in good faith. tPR expects such individual reports to be rare and confined to the most serious cases.

5. Recording Breaches of the Law

All breaches of the law must be recorded in the Breaches of the Law Register (the Register) whether or not reported to tPR.

This is to ensure that patterns are identified, to help determine systemic issues and material significance, to identify where procedural change or further education may be required, and to help determine whether future breaches should be reported to tPR.

It also provides a record of action and considerations taken should a breach be reported to tPR by another reporter and investigated by tPR.

5.1 Breaches of the law register

The Breaches of the Law Register is maintained by the Corporate Treasurer. All reporters and others involved in dealing with any breach of the law should submit the information and details as described above in order for them to do so.

The Register covers the Police and LGPS Pension Schemes to enable issues common to all to be identified and appropriate action taken to prevent and reduce the risk of further breaches occurring.

Each action and decision taken should have a date recorded against it to enable monitoring that timescales are being adhered to, and breaches promptly dealt with and reported in a timely manner.

Where changes are subsequently made to address previously identified problems, Officers should submit details to the Corporate Treasurer who will update the Register to record the changes made to assist with future determinations of material significance.

Similarly, the progress of and actions taken to put right a breach should be included on the Register.

A sample Register is provided in Appendix 1. This should be reviewed while in use and additional columns added where helpful.

5.2 Reporting to the Pension Board and reviewing the Register

The Breaches of the Law Register should be presented to each meeting of each Pension Board for review and consideration. This may result in dialogue with the Deputy Chamberlain and/or the Scheme Manager over whether items should be considered as materially significant and reported to tPR, or if other actions should be taken to improve compliance or enhance efficiency.

The Pension Board will consider the Register and how they can assist the Scheme Manager, making recommendations as appropriate.

Appendix 1 – Sample Breaches of the Law Register

Where not specifically noted, dates for all actions and decisions should be recorded in each field.

The reference can be used to match background papers and contact details of those involved.

Fields can be expanded on electronic version. Print on A3 paper

				EG Late Conts/ABS			Fill fields with traffic light colour when determined Include summaries and reasons								
Ref	Date reported	Scheme	Employer / Third Party	Type of Breach	Details of breach	Date of breach & ref no. if occurred before	Cause	Effect	Reaction Include actions planned/ taken to correct	Wider implications	Overall category & reporting recommendation	Final category & reporting decision	Reported by /date	tPR ack received	Date breach corrected
											Yes/No	Yes/No			
											Yes/No	Yes/No			
											Yes/No	Yes/No			
											Yes/No	Yes/No			
											Yes/No	Yes/No			
											Yes/No	Yes/No			
											Yes/No	Yes/No			
											Yes/No	Yes/No			
											Yes/No	Yes/No			
											Yes/No	Yes/No			

Public Service Pensions

Reporting Breaches of Law - City of London Policy & Procedure

Contact details

Officer	Email and Telephone
Corporate Treasurer	Kate.Limna@cityoflondon.gov.uk 020 7332 3592
In the absence of the Corporate Treasurer, The Pensions Manager	graham.newman@cityoflondon.gov.uk 020 4558 2261

The Chamberlain	Caroline.Al-Beyerty@cityoflondon.gov.uk 020 7332 1300
In the absence of the Chamberlain, the Financial Services Director	sonia.virdee@cityoflondon.gov.uk 07511 047554

The Comptroller and City Solicitor	Michael.Cogher@cityoflondon.gov.uk 020 73323699
In the absence of the Comptroller, an Assistant City Solicitor as nominated.	Contact via the Comptroller's PA Alexandra.Reid@cityoflondon.gov.uk 73323699

Committee: Pensions Committee	Dated: 11 July 2022
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: Kate Limna – 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.

The risks are an amalgamation of the risks that were on the Local Government Pensions Board Risk Register and relevant risks that were on the Financial Investment Board risk register. 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 Financial Investment Board (FIB) Risk Registers: risks CHB Pensions 05 Fraud, 07 Cyber security and 09 McCloud Remedy are on the CoL Police Pensions Board Risk Register and risk CHB Pensions 013 (Responsible Investment Duties) is on the FIB 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. Members are also asked to consider whether they wish to review the Risk Register at each meeting or twice a year.

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;
- confirm that there are no further risks relating to the services overseen by the Pensions Committee; and
- confirm whether they wish to review the Risk Register at each meeting or twice a year.











Main Report

Background

1. Prior to the formation of the Pensions Committee, responsibility for the City of London 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.
2. 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.
3. The Pensions Committee is asked to consider whether it wishes to review the Risk Register at each meeting or twice a year.

Review of Risks

4. 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".
5. The Risk Register to be reviewed is set out in **Appendix 2**. There are 10 risks as follows:

Risk code	Risk title	Current Risk Score	Current Risk Score Indicator
CHB Pensions 009	McCloud Remedy	16	
CHB Pensions 001	Insufficient assets - Pensions Fund	8	
CHB Pensions 010	Targeted returns – Pension Fund	6	
CHB Pensions 006	Employer Insolvency	4	
CHB Pensions 007	Cyber Security	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	

6. 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

7. 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. There is one red risk around the McCloud remedy (CHP Pensions 009). Whilst the Public Services and Judicial Offices Act 2022 has received Royal Assent, its main purpose is to support the implementation of the McCloud remedy, however further guidance and legislation is required before it can be applied to the Local Government Pension Scheme. Once this guidance and legislation is issued, the risk rating and score is expected to decrease substantially.
8. The Pensions Committee 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. In addition, the Committee is asked to determine whether it wishes to review the Risk Register at each meeting or twice a year.

Appendices

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

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Appendix 1

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

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

(A) Likelihood criteria

	Rare (1)	Unlikely (2)	Possible (3)	Likely (4)
Criteria	Less than 10%	10 – 40%	40 – 75%	More than 75%
Probability	Has happened rarely/never before	Unlikely to occur	Fairly likely to occur	More likely to occur than not
Time period	Unlikely to occur in a 10 year period	Likely to occur within a 10 year period	Likely to occur once within a one year period	Likely to occur once within three months
Numerical	Less than one chance in a hundred thousand (<10-5)	Less than one chance in ten thousand (<10-4)	Less than one chance in a thousand (<10-3)	Less than one chance in a hundred (<10-2)

(B) Impact criteria

Impact title	Definitions
Minor (1)	Service delivery/performance: Minor impact on service, typically up to one day. Financial: financial loss up to 5% of budget. Reputation: Isolated service user/stakeholder complaints contained within business unit/division. Legal/statutory: Litigation claim or fine 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 fine 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			
	X	Minor (1)	Serious (2)	Major (4)
	Likely (4)	4 Green	8 Amber	16 Red
	Possible (3)	3 Green	6 Amber	12 Amber
	Unlikely (2)	2 Green	4 Green	8 Amber
	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 LGPS Detailed risk register EXCLUDING COMPLETED ACTIONS

Report Author: XXX
Generated on: XXX



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>	<div><div>Likelihood</div><div><div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div><div>Impact</div></div></div>	16	<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 consultation document and set out</p>	<div><div>Likelihood</div><div><div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div><div>Impact</div></div></div>	4	01-Oct-2023	<div></div>

20-Jan-2022 Caroline Al-Beyerty				<p>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>					Constant
				24 Jun 2022					

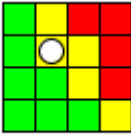
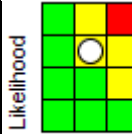

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB Pensions 009a	DLUHC has confirmed the proposed remedy and the intention to introduce legislation to the statute books from 1 April 2023 but applied retrospectively to 31 March 2012 and 31 March 2014. The Pensions Office 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.	<p>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.</p> <p>Attend conferences, webinars, forums and seminars as appropriate and keep up to date with bulletins and guidance from the Home Office.</p>	Graham Newman	24-Jun-2022	01-Oct-2023

CHB Pensions 009b	Identification of eligible scheme members who will qualify for the remedy. All data must be reviewed and if necessary amended. In some cases data may be missing and must be requested from employers and previous pension providers	<p>Perform data review exercise in bulk and individually to identify scheme members who may qualify and/or identify missing data.</p> <p>Software provider currently developing systems to identify qualifying scheme member on bulk reports.</p> <p>Develop data process to request missing information and scheme member record update.</p>	Graham Newman	24-Jun-2022	01-Oct-2023
CHB Pensions 009c	System Development Calculation/Revaluation	<p>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.</p> <p>Development should include bulk calculations and calculations for individuals, include revised pension amounts, arrears payable/collectible (benefits and contributions) plus interest payable if applicable.</p>	Graham Newman	24-Jun-2022	01-Oct-2023
CHB Pensions 009d	Working in conjunction with LGA to prepare communications and standard responses (FAQs) to be sent to affected scheme members.	<p>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.</p> <p>The Pensions Office website carries current information from various sources including DLUHC. Further communications will be added when they are released.</p> <p>The Annual Benefit Statements (ABS) contain a statement on McCloud provided by the LGA.</p> <p>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.</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>	Graham Newman	24-Jun-2022	01-Oct-2023

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
CHB Pensions 001 Insufficient assets 17-Dec-2019 Caroline Al-Beyerty	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.	 Likelihood Impact	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). The Fund's investment assets have continued to perform strongly during this financial year (2021/22). As at 31 March 2022, the Fund is exceeding its absolute return target over all time horizons (except the last quarter).. 24 Jun 2022	 Likelihood Impact	4	31-Mar-2023	 Decreasing

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 triennial valuation of the Fund's liabilities, by the Financial Investment Board in July 2020. This ensured that the investment strategy remained appropriate in the context of the Fund's updated liabilities valuation and the current investment environment.</p> <p>The 2022 triennial actuarial valuation is currently being undertaken by the scheme Actuary, Barnett Waddingham and once this is completed, the Investment Strategy Statement will be reviewed by the Pensions Committee.</p>	Caroline Al-Beyerty; Kate Limna	24-Jun-2022	31-Mar-2023
CHB Pensions 001b	The investment performance of the Pension Fund is measured against absolute return targets required to	The investment performance of the Pension Fund will be brought to each Pensions	Kate Limna	23-Jun-2022	31-Mar-2023

	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.	Committee for consideration.			
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Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
CHB Pensions 10 Targeted returns - Pension Fund 08-Mar-2018 Caroline Al-Beyerty	Cause: Fund managers fail to achieve the targeted investment returns because <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 s long-term targets Event: Failure to be seen to manage the funds responsibly. Effect: Supervisory intervention over management of the Funds.	 Likelihood	6	The performance of fund managers and their aggregate performance is reported against target to The Pensions Committee. The Pensions Committee will set a diversified investment strategy to mitigate volatility and as such it expects different parts of the strategy to outperform at different times. 19 Nov 2021	 Likelihood	6	31-Mar-2023	 Constant

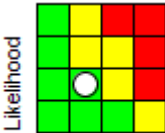
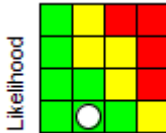
Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB Pensions 10a	Investment managers' performance and their aggregate performance is measured against appropriate benchmarks and will be monitored by the Pensions Committee throughout the year. It is supplemented by market 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 March 2022, along with the Investment Consultant's quarterly report is reported to the Pensions Committee on 11 July 2022	James Graham; Kate Limna	28 June 2022	31-Mar-2023

8

007c	included in the departmental business continuity plans	as required.	Newman	2022	2023
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 since 23 March 2020, ensuring the protection of scheme member data.	Graham Newman	24-Jun-2022	31-Mar-2023

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
CHB Pensions 011Service provider failure - Pension Fund 08-Mar-2018 Caroline Al-Beyerty	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. 19 Nov 2021	 Likelihood Impact	4	31-Mar-2023	 Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB Pensions 11a	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.	James Graham; Kate Limna	28 June 2022	31-Mar-2023
CHB Pensions 11b	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.	James Graham; Kate Limna	28 June 2022	31-Mar-2023
CHB Pensions 11c	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.	James Graham; Kate Limna	28 June 2022	31-Mar-2023

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
CHB Pensions 12 Governance/ Legislative Compliance 08-Mar-2018 Caroline Al-Beyerty	<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>	 Likelihood Impact	4	As the committee has recently been established, officers will produce a comprehensive training plan incorporating best practice to ensure committee members have access to acquiring the appropriate levels of knowledge and understanding. 19 Nov 2021	 Likelihood Impact	2	31-Mar-2023	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. Those	James Graham; Kate Limna	28 June 2022	31-Mar-2023
CHB Pensions 12b	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 is currently recruiting to a number of posts following a redesign of the team structure.	Caroline Al-Beyerty; Kate Limna	28 June 2022	31-Mar-2023
CHB Pensions 12c	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	28 June 2022	31-Mar-2023

			Limna		
CHB Pensions 12d	External professional advice sought where required.	The investment consultant attends each meeting of the Pensions Committee providing advice on investment matters.	James Graham; Kate Limna	28 June 2022	31-Mar- 2023
CHB Pensions 12e	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 eth Deputy hair acting as the alternate representative). The Chair will be expected to attend a <u>minimum</u> of 2 general meetings a year	James Graham; Kate Limna	28 June 2022	31-Mar- 2023

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
CHB Pensions 013 Failure to discharge responsible investment duties 20-Jun-2019	<p>Cause: Insufficient attention is paid to the environmental, social and governance (ESG) dimensions of the Corporation's financial investments.</p> <p>Event: The Corporations' financial investments include an underappreciated exposure to negative ESG risks and the means to effectively manage such risks is not understood.</p> <p>Effect: The Corporation suffers reputational or financial damage.</p>	<p>Likelihood</p> <p>Impact</p>	4	<p>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.</p> <p>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</p> <p>20 May 2022</p>	<p>Likelihood</p> <p>Impact</p>	4	31-Mar-2023	
								Decreasing

Action no	Action description	Latest Note			Action owner	Latest Note Date	Due Date
CHB Pensions 13a	Reporting on responsible investment activities to the Principles for Responsible Investment is completed	Officers submitted the latest annual submission to the PRI, which covered the City Corporation's responsible investment activities in the calendar year 2020, ahead of			James Graham;	28 June 2022	31-Mar-2023

	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.	the PRI's deadline on 10 May 2021. Owing to operational issues at the PRI, the Corporation's assessment report is now expected to be received in the second half of 2022 and will be reported to this Committee and other Boards which now have investment oversight responsibilities at the earliest opportunity.	Kate Limna		
CHB Pensions 13c	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.	James Graham; Kate Limna	28 June 2022	31-Mar-2023
CHB Pensions 13e	There is a general commitment by the City Corporation to meeting the standards of the new 2020 UK Stewardship Code and needs to ensure compliance is developed. The Committee (reviews asset stewardship across its investment mandates on an annual basis and uses the exercise to encourage better ESG outcomes amongst its existing managers (this will need to be done in conjunction with other committees which now have investment oversight responsibilities).	Officers anticipate that the Corporation as an organisation will prepare its first Annual Stewardship Report for assessment by the Financial Reporting Council in 2022/23. All of the Pension Fund's UK-based pooled fund managers (i.e. excluding the alternative assets portfolio) are signatories to the Stewardship Code.	Kate Limna	28 June 2022	31-Mar-2023
CHB Pensions 13f	The Committee (along with other relevant Boards/Committees) has been assigned several key actions which will enable the Corporation to deliver its Climate Action Strategy. Key to this is achieving a clear plan on how to achieve Paris-alignment by 2040.	With the support of a specialist external consultancy firm, an in depth review of the climate risk exposure involving the use of scenario analysis, the development of a transition pathway consistent with a net zero by 2040 commitment, and the establishment of expectations for existing and potential mandates has been completed. The transition pathway itself involves a series of specific actions with various deadlines which the Committee (along with other relevant Boards and Committees) will target over the coming years..	Kate Limna	28 June 2022	31-Mar-2023

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
CHB Pensions 005 Fraud 17-Dec-2019 Caroline Al-Beyerty	Cause: Pensions Admin Team not notified of death. Event: Fraudulent claim of pension benefits. Effect: (i) Continued payment of pensions following death. (ii) Overpaid pensions. (ii) Financial loss to the Pension fund	 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. 24 Jun 2022	 Likelihood Impact	2	31-Mar-2023	 Constant

Action no	Action description	Latest Note			Action owner	Latest Note Date	Due Date
CHB Pensions 005a	Robust fraud protection/detection processes.	Use of Mortality Screening Service and Tell Us Once Service [Government initiative that allows us to be notified of a death when registered]. Participation in the National Fraud Initiative. Annually sending Life Certificates to Overseas Pensioners.			Graham Newman	24-Jun-2022	31-Mar-2023

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.	Previously, nominated Members of the Finance Cttee together with relevant officers met with the Actuary in October and November 2019 to discuss the preliminary triennial valuation results and the robustness of the financial and demographic assumptions used in the valuation process. The final triennial valuation results were reported to the Finance Cttee at its meeting on 18 February 2020. The 2022 triennial valuation has commenced and the results will be reported to the Pensions Committee	Graham Newman/ Kate Limna	24-Jun-2022	31-Mar-2023
CHB Pensions 002c	Robust Year End procedures and updates.	The Pension Fund Accounts for the year ending 31 March 2021 have been published in draft form, formal sign off has been delayed until the City Fund audit is completed.	Graham Newman/	24-Jun-2022	31-Mar-2023

		<p>Whilst the City Fund accounts have been completed, a wider issue has arisen within local government around accounting for infrastructure assets; this has meant that any local authority accounts that were not signed off prior to this issue being raised cannot be finalised until the issue is resolved. CIPFA is currently conducting an urgent consultation on how to resolve this issue.</p> <p>The delays are beyond Pension Fund control and have no material impact on the Fund's position.</p>	Kate Limna		
CHB Pensions 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, 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.	Graham Newman/ Kate Limna	24-Jun-2022	31-Mar-2023

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Committee: Pensions Committee	Dated: 11 July 2022
Subject: Asset Pooling in the 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?	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 Information
Report author: James Graham, Chamberlain's	

Summary

This report provides background on asset pooling in the LGPS, and the London LGPS Collective Investment Vehicle (LCIV) – the asset pool of which the City of London Corporation Pension Fund is a member. The report also provides a status update on the LCIV and the Pension Fund's current pooling position.

Recommendation

Members are asked to note this report.

Main Report

BACKGROUND

ASSET POOLING IN THE LGPS

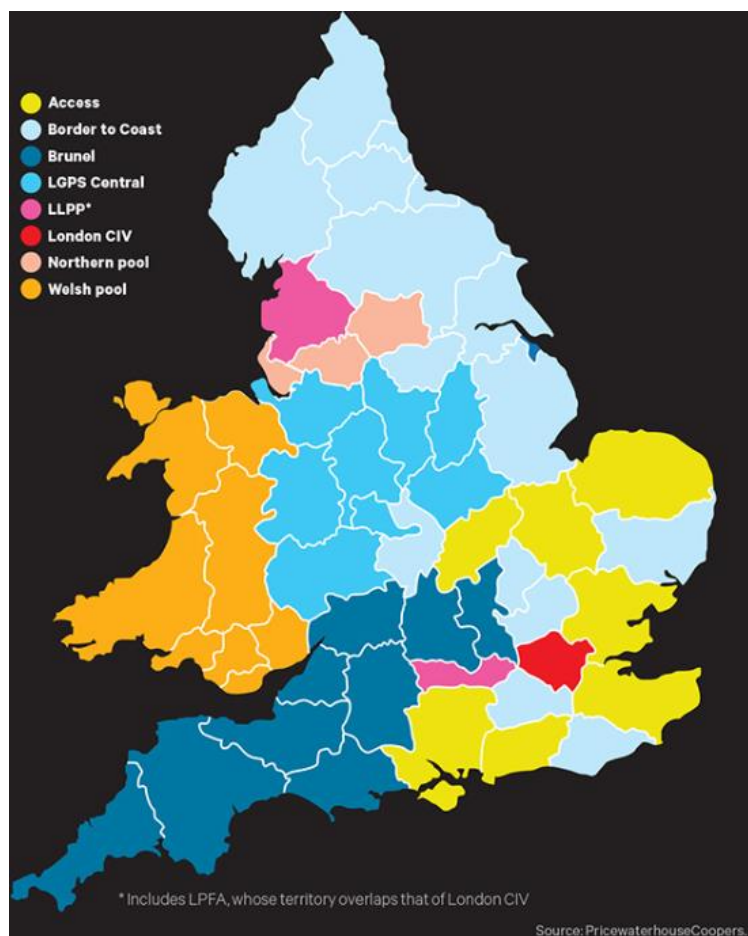
1. In 2015, the UK Government initiated a major reform of the Local Government Pension Scheme (LGPS) when it invited administering authorities in England and Wales to develop asset pools for investment.
2. The Government set out its original ambitions through the publication of [guidance](#) on pooling, specifying that the new asset pools should achieve four specific criteria, namely:
 - a) achieve the benefits of scale;
 - b) strong governance and decision making;
 - c) reduced costs and excellent value for money; and
 - d) improve the LGPS' capacity to invest in infrastructure.¹
3. Subsequent to this announcement pooling was given a statutory footing via the [LGPS Investment Regulations 2016](#), which stipulated that within their investment strategies LGPS funds in England and Wales must include their approach to pooling

¹ London Government Pension Scheme: Investment Reform Criteria and Guidance (2015)

investments, including the use of collective investment vehicles and shared services.²

4. Aside from the four criteria listed above, one of the most significant implications of the pooling regime for LGPS funds is that while administering authorities continue to retain authority over all strategic asset allocation decisions, pools are now responsible for fund manager selection and appointment.
5. Eight asset pools have now been established (largely on a regional basis) across England and Wales as shown in figure 1.

Figure 1: LGPS asset pool map (source: PricewaterhouseCoopers)



6. In January 2019, the then Ministry for Housing, Communities and Local Government (MHCLG) launched an informal consultation on revised pooling guidance. The proposed amendments to the guidance sought to capitalise on lessons learned during the process of asset pool formation but did not suggest a fundamental change in the Government's ambitions for pooling, with a clear expectation that LGPS pension funds should seek to pool assets over a "relatively short period". Although the consultation (in which the City of London participated) generated a healthy response, as yet the Government has not produced final guidance (partially due to the advent of the pandemic in 2020). Officers now understand that the Department for Levelling Up, Housing and Communities (DLUHC) intends to consult further on a range of issues affecting the LGPS, including asset pooling in the autumn of 2022. As at the time of writing, officers are unclear on the substance of

² Local Government Pension Scheme Investment Regulations 2016 para. 7(2)(d)

any potential future changes and therefore Members should note that there is some uncertainty over the future of the asset pooling framework at present.

THE LONDON LGPS COLLECTIVE INVESTMENT VEHICLE (LCIV)

7. The London LGPS Collective Investment Vehicle (LCIV) is the regional asset pool for the 32 London administering authorities (including the City of London). The LCIV was formally established in 2015 (prior to LGPS pooling being mandated) as a collaborative venture to enable the capital's LGPS pension funds to work closely together to deliver benefits of scale and efficiency savings to the participating authorities via a voluntary pooling arrangement.
8. The London CIV's governance structure has evolved over time but the current arrangements are characterised by the following key features:
 - a) The 32 London administering authorities are both shareholders and investor-clients of the LCIV. Shareholders exercise their powers over the LCIV Board (see c) below) via a shareholder agreement and general meetings that take place twice annually (an AGM and a budget meeting).
 - b) A shareholder committee composed of 8 pension committee chairs (including the City's representative) provides a consultative role on strategy and business plans, financial and corporate performance, responsible investment and emerging issues.
 - c) All major decisions not reserved to shareholders are a matter for the LCIV Board, which provides the overall strategic direction, management and general policy of the LCIV. The Board's activities are overseen internally by the Investment Oversight Committee; the Compliance/Audit/Risk Committee; and the Remuneration and Nomination Committee.
 - d) The Executive Committee is responsible for the day-to-day operations of the company.
9. Officers and Members from each of the London pension funds also participate informally via the client fund engagement process, which is broadly carried out via four mechanisms:
 - a) The fund launch governance and engagement framework. As part of its product development process, the LCIV has established seed investor groups (SIGs) for each new mandate comprised of pension fund officers and Members from interested clients.
 - b) The Responsible Investment Reference Group provides a sounding board to steer the development of the LCIV's responsible investment and stewardship activity.
 - c) The Cost Transparency Working Group supports the LCIV's work in reviewing its funding model and developing cost transparency.
 - d) The London CIV also hosts monthly business updates attended by officers.
10. Assets are managed by specialist external fund managers, appointed by the LCIV to mandates developed in concert with clients.
11. The Corporation has been a key enabler of the LCIV and has influenced its development. Prior to the establishment of the Pension Committee, the Chairman of the Financial Investment Board sat on the LCIV's Shareholder Committee (a role

which is now expected to be discharged by the Chair of the Pension Committee), whilst the Chamberlain belongs to the LCIV's Responsible Investment Reference Group and in the past officers have provided input to the Cost Transparency and Working Group. The LCIV is also an admitted body of the City of London Corporation Pension Fund.

CURRENT POSITION

The LCIV

12. Over the past seven years the London CIV has built out a platform of 21 sub-funds across various asset classes to enable its member funds to progress their pooling plans.
13. As at the 31 May 2022, the London CIV's total assets under management amount to £26.7bn. This consists of:
 - £12.5bn invested in the "Authorised Contractual Scheme" (ACS) which houses actively managed, liquid asset classes (listed equities, fixed income, and multi asset);
 - £2.2bn funded commitments within private markets (infrastructure, private debt and property); and
 - £12.0bn which is invested in passively managed mandates with LGIM and Blackrock and deemed pooled.A full listing of current sub-funds (including performance information) is presented at Appendix 1.
14. Aside from existing funds, the LCIV has an active development pipeline for future fund. At present there are two funds in the pipeline – the LCIV Sterling Credit Fund and the London CIV UK Housing Fund. These funds are in early stage development and the LCIV is currently assessing client demand.

City of London Corporation Pension Fund

15. The Pension Fund's current policy is to pool investment assets as and when suitable products are available.³
16. As reported to the Pension Committee elsewhere in today's agenda, as at 31 March 2022, 21% of the Fund is pooled via the LCIV. £196m (12%) of the Fund is invested in the LCIV Global Alpha Growth Fund managed by Baillie Gifford and a further £120m (9%) of the Fund is invested in the LCIV ACF, currently managed by CQS.
17. As such, the Pension Fund currently holds 79% of assets outside of the pool. There are various underlying reasons why the Fund continues to hold assets outside of the pool including:
 - a) **Value for money** – The Corporation has long standing relationships with its current managers across its three major funds (Pension Fund, BHE and City's Cash) which have enabled favourable fee deals, including with managers shared with the LCIV (Ruffer and Pyrford)
 - b) **Product availability** – This can be further categorised as follows:
 - The Corporation has sought to achieve diversification through manager style in the listed equity allocation. Whilst the LCIV has growth, core and quality managers on its platform it does not provide a value style mandate.

³ City of London Corporation Investment Strategy Statement

However, the LCIV has recently indicated that it wishes to explore a product in this place and officers will participate in this process.

- In recent years the Pension Fund has initiated new investments in property because at the time this asset class was unavailable on the LCIV's platform.

c) Cost of exiting existing investments – The Fund's private equity investments as well as its real asset investments (property and infrastructure) are illiquid in nature and thus it is punitively expensive to exit these now. As these investments mature, the Corporation should expect to reinvest the proceeds via the pool (provided suitable products are available. At present private equity is yet to be built out).

d) Strategy development - The most recent investment strategy review (2020) did not recommend any major changes to the existing strategic asset allocation and the Corporation avoided making any major asset transitions (beyond rebalancing) whilst it was developing its climate action plans in 2021. Now that the transition pathway work has concluded, officers expect the next strategic asset allocation (SAA) review (following the 2022 Triennial Valuation and scheduled for late 2022/23) to serve as an opportunity to review this position and further progress pooling where possible. This will also allow the Committee to take advantage of the anticipated future guidance on pooling (as reference in paragraph 6 above) and the Corporation's climate action strategy as it applies to financial investments.

18. An illustrative "map" of the factors listed in paragraph 16 against the Pension Fund's current holdings is shown at Appendix 2. This presentation does not constitute a formal pooling plan, but is intended to aid discussion at today's meeting.

CONCLUSION

19. This report provides background on asset pooling in the LGPS, and the London LGPS Collective Investment Vehicle (LCIV) – the asset pool of which the City of London Corporation Pension Fund is a member. The report also provides a status update on the LCIV and the Pension Fund's current pooling position.

APPENDICES

- Appendix 1 – LCIV Current Fund Offering
- Appendix 2 – Pension Fund Indicative Pooling Status

BACKGROUND PAPERS

- Local Government Pension Scheme: Investment Reform Criteria and Guidance 2015
- Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016
- City of London Corporation Pension Fund Investment Strategy Statement

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APPENDIX 1 – LCIV CURRENT FUND OFFERING

ACS	Size	QTD	1 Year %	3 Years p.a. %	5 Years p.a. %	Since Inception p.a. %	Inception Date	No. of Investors
GLOBAL EQUITIES								
LCIV Global Alpha Growth Fund	£1,965m	(8.59)	(15.78)	9.09	9.03	13.60	11/04/2016	9
MSCI All Country World Gross Index (in GBP)+2%		(3.68)	7.51	14.51	12.21	15.65		
Performance Against Investment Objective		(4.91)	(23.29)	(5.42)	(3.18)	(2.05)		
MSCI All Country World Gross Index (in GBP)		(4.00)	5.40	12.26	10.01	13.38		
Performance Against Benchmark		(4.59)	(21.18)	(3.17)	(0.98)	0.22		
LCIV Global Alpha Growth Paris Aligned Fund	£1,060m	(9.73)	(18.62)	n/a	n/a	(18.96)	13/04/2021	6
MSCI All Country World Gross Index (in GBP)+2%		(3.68)	7.51	n/a	n/a	6.09		
Performance Against Investment Objective		(6.05)	(26.13)	n/a	n/a	(25.05)		
MSCI All Country World Gross Index (in GBP)		(4.00)	5.40	n/a	n/a	4.01		
Performance Against Benchmark		(5.73)	(24.02)	n/a	n/a	(22.97)		
LCIV Global Equity Fund	£712m	(4.80)	3.19	11.40	9.75	10.04	22/05/2017	3
MSCI All Country World Index Total Return (Gross)+1.5%		(3.43)	7.19	13.92	11.72	11.95		
Performance Against Investment Objective		(1.37)	(4.00)	(2.52)	(1.97)	(1.91)		
MSCI All Country World Index Total Return (Gross)		(3.67)	5.61	12.24	10.07	10.29		
Performance Against Benchmark		(1.13)	(2.42)	(0.84)	(0.32)	(0.25)		
LCIV Global Equity Core Fund	£546m	(3.04)	5.38	n/a	n/a	6.15	21/08/2020	2
MSCI All Country World Index (with net dividends reinvested)		(4.11)	4.93	n/a	n/a	11.74		
Performance Against Benchmark		1.07	0.45	n/a	n/a	(5.59)		
LCIV Global Equity Focus Fund	£881m	(1.33)	6.88	11.10	n/a	9.70	17/07/2017	5
MSCI World (GBP)(TRNet)+2.5%		(3.74)	10.04	15.47	n/a	13.10		
Performance Against Target		2.41	(3.16)	(4.37)	n/a	(3.40)		
MSCI World (GBP)(TRNet)		(4.14)	7.36	12.65	n/a	10.34		
Performance Against Benchmark		2.81	(0.48)	(1.55)	n/a	(0.64)		

ACS	Size	QTD	1 Year %	3 Years p.a. %	5 Years p.a. %	Since Inception p.a. %	Inception Date	No. of Investors
GLOBAL EQUITIES								
LCIV Emerging Market Equity Fund	£534m	(4.04)	(14.12)	2.35	n/a	0.09	11/01/2018	8
MSCI Emerging Market Index (TR) Net+2.5%		(0.50)	(7.31)	7.63	n/a	4.09		
Performance Against Investment Objective		(3.54)	(6.81)	(5.28)	n/a	(4.00)		
MSCI Emerging Market Index (TR) Net		(0.91)	(9.57)	5.00	n/a	1.54		
Performance Against Benchmark		(3.13)	(4.55)	(2.65)	n/a	(1.45)		
LCIV Sustainable Equity Fund	£1,263m	(5.99)	(2.87)	12.23	n/a	12.34	18/04/2018	8
MSCI World Index Total Return (Net) in GBP+2%		(3.82)	9.51	14.91	n/a	14.21		
Performance Against Investment Objective		(2.17)	(12.38)	(2.68)	n/a	(1.87)		
MSCI World (GBP)(TRNet)		(4.14)	7.36	12.65	n/a	11.97		
Performance Against Benchmark		(1.85)	(10.23)	(0.42)	n/a	0.37		
LCIV Sustainable Equity Exclusion Fund	£411m	(6.09)	(1.95)	n/a	n/a	24.58	11/03/2020	3
MSCI World Index Total Return (Net) in GBP+2%		(3.82)	9.51	n/a	n/a	22.36		
Performance Against Investment Objective		(2.27)	(11.46)	n/a	n/a	2.22		
MSCI World (GBP)(TRNet)		(4.14)	7.36	n/a	n/a	19.96		
Performance Against Benchmark		(1.95)	(9.31)	n/a	n/a	4.62		
LCIV Passive Equity Progressive Paris Aligned Fund	£526m	(5.63)	n/a	n/a	n/a	(8.44)	01/12/2021	2
S&P Developed Ex-Korea LargeMidCap Net Zero 2050		(5.69)	n/a	n/a	n/a	(8.59)		
Paris-Aligned ESG Index (GBP)								
Performance Against Index		0.06	n/a	n/a	n/a	0.15		

ACS	Size	QTD	1 Year %	3 Years p.a. %	5 Years p.a. %	Since Inception p.a. %	Inception Date	No. of Investors
MULTI ASSET								
LCIV Global Total Return Fund	£227m	0.64	3.89	3.81	2.08	3.47	17/06/2016	3
RPI + 5%		5.35	16.37	10.23	9.47	9.40		
Performance Against Target		(4.71)	(12.48)	(6.42)	(7.39)	(5.93)		
LCIV Diversified Growth Fund	£922m	(3.17)	(3.21)	2.56	2.05	4.21	15/02/2016	9
UK Base Rate +3.5%		0.72	3.82	3.85	3.93	3.91		
Performance Against Target		(3.89)	(7.03)	(1.29)	(1.88)	0.30		
LCIV Absolute Return Fund	£1,203m	0.16	4.73	10.36	5.65	6.76	21/06/2016	10
SONIA (30 day compounded) +3% (from 1 January 2022, previously 1m LIBOR +3%)		0.63	3.28	3.31	3.40	3.39		
Performance Against Target		(0.47)	1.45	7.05	2.25	3.37		
LCIV Real Return Fund	£177m	(1.22)	(2.43)	4.66	3.69	4.47	16/12/2016	2
SONIA (30 day compounded) + 3% (from 1 October 2021, previously 1m LIBOR +3%)		0.63	3.27	3.31	3.40	3.39		
Performance Against Investment Objective		(1.85)	(5.70)	1.35	0.29	1.08		

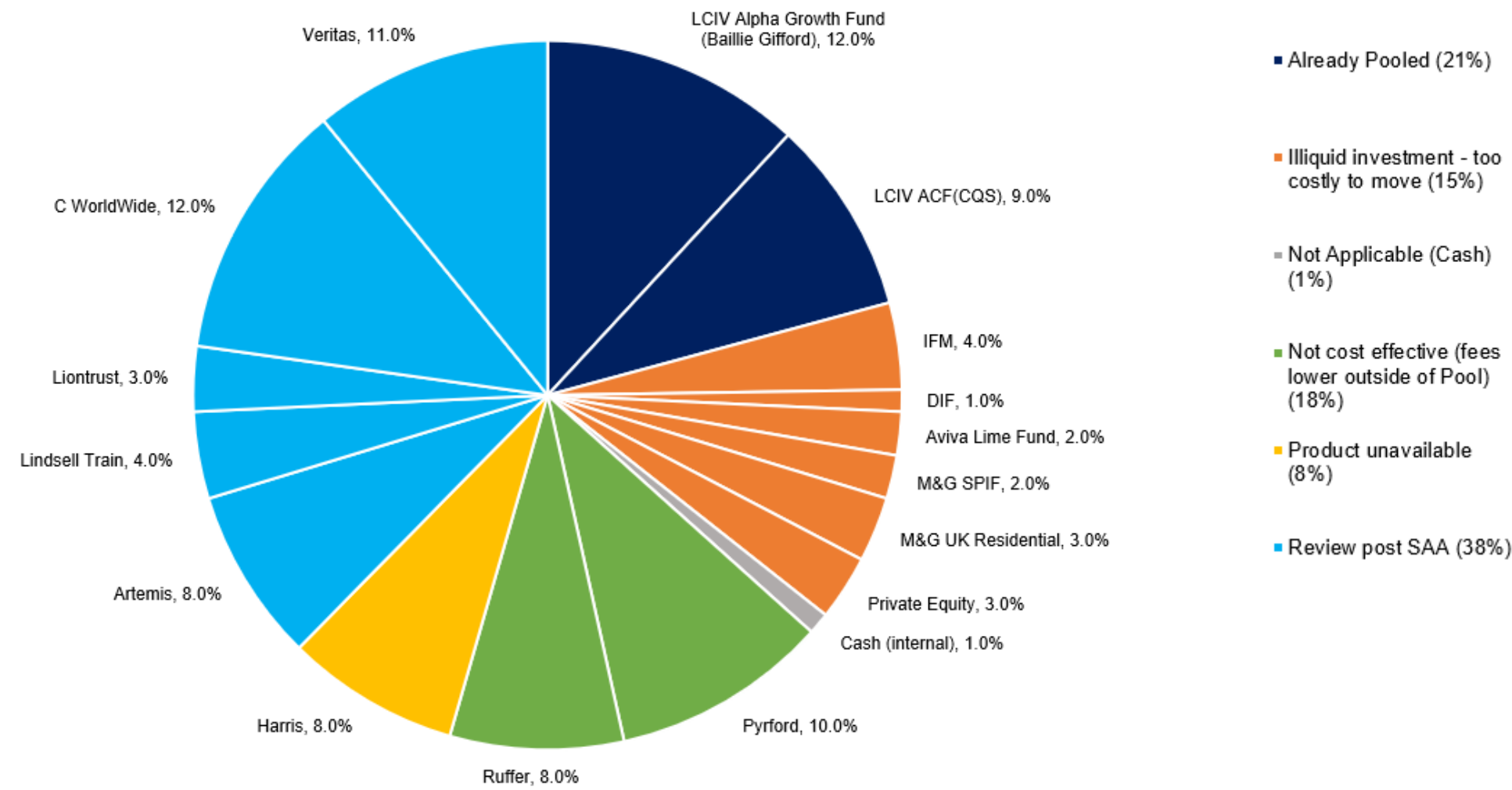
ACS	Size	QTD	1 Year %	3 Years p.a. %	5 Years p.a. %	Since Inception p.a. %	Inception Date	No. of Investors
FIXED INCOME								
LCIV Global Bond Fund	£610m	(4.46)	(10.21)	(0.63)	n/a	1.41	30/11/2018	7
Bloomberg Global Aggregate Credit Index – GBP Hedged		(4.03)	(9.88)	(0.53)	n/a	1.32		
Performance Against Benchmark		(0.43)	(0.33)	(0.10)	n/a	0.09		
LCIV MAC Fund	£1,075m	(2.94)	(2.05)	1.98	n/a	2.26	31/05/2018	11
SONIA (30 day compounded) +4.5% (from 1 January 2022, previously 3m LIBOR +4.5%)		0.87	4.80	4.86	n/a	4.98		
Performance Against Investment Objective		(3.81)	(6.85)	(2.88)	n/a	(2.72)		
LCIV Alternative Credit Fund	£377m	(3.54)	n/a	n/a	n/a	(4.72)	31/01/2022	3
SONIA (30 day compounded) +4.5%		0.87	n/a	n/a	n/a	1.67		
Performance Against Investment Objective		(4.41)	n/a	n/a	n/a	(6.39)		
Total LCIV ACS Assets Under Management	£12,490m							

Source: London CIV data as at 31 May 2022.
 Since inception p.a.% figures have been annualised where the fund has been live for more than a year. For periods under a year they are not annualised.

Private Markets	31 May 2022 Total Commitment	Called to Date	% Invested	Undrawn Commitments	31 March 2022 Fund Value	% Committed	Inception Date	No. of Investors
EUUT	£'000	£'000		£'000	£'000			
LCIV Inflation Plus Fund	213,000	206,262	97%	6,738	202,070	100%	11/06/2020	3
LCIV Infrastructure Fund	399,000	168,261	42%	230,739	183,934	83%	31/10/2019	6
LCIV Private Debt Fund	540,000	228,104	42%	311,896	230,764	95%	29/03/2021	7
LCIV Renewable Infrastructure Fund	853,500	206,743	24%	475,757	200,289	92%	29/03/2021	10
SLP	£'000	£'000		£'000	£'000			
The London Fund	195,000	40,844	21%	154,156	24,268	52%	15/12/2020	2
Total	2,200,500	850,214		1,350,286	841,325			

APPENDIX 2 - PENSION FUND INDICATIVE POOLING STATUS

City of London Pension Fund Pooling Status (31 March 2022)



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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
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