Public Document Pack

Pensions Committee

Date: **WEDNESDAY, 8 FEBRUARY 2023**

Time: 2.00 pm

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

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

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

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https://www.youtube.com/@CityofLondonCorporation/streams

A recording of the public meeting will be available via the above link following the end of the public meeting for up to one civic 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.

Whilst we endeavour to livestream all of our public meetings, this is not always possible due to technical difficulties. In these instances, if possible, a recording will be uploaded following the end of the meeting.

Michael Cogher
Acting Town Clerk and Chief Executive

AGENDA

Future Meeting Dates 2023

- Tuesday 20th June 2023 2.00pm
- Tuesday 12th September 2023 2.00pm
- Tuesday 21st November 2023 2.00pm

1. **APOLOGIES**

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

3. **MINUTES**

   To agree the public minutes and summary of the Pensions Committee meeting held on 29 November 2022.

   For Decision
   (Pages 5 - 8)

4. **PENSIONS COMMITTEE WORK PROGRAMME 22 / 23**

   Report of the Chamberlain.

   For Information
   (Pages 9 - 10)

5. **RISK REGISTER FOR THE PENSIONS COMMITTEE**

   Report of the Chamberlain.

   For Decision
   (Pages 11 - 38)

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

   For Information
   (Pages 39 - 46)

7. **LOCAL GOVERNMENT PENSION SCHEME - ADMINISTRATION STRATEGY**

   Report of the Chamberlain.

   For Discussion
   (Pages 47 - 58)

8. **FUNDING STRATEGY STATEMENT**

Report of the Chamberlain.

For Decision
(Pages 59 - 82)

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

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

11. **EXCLUSION OF THE PUBLIC**

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

For Decision

12. **MINUTES**

To agree the non-public minutes of the Pensions Committee meeting held on 29 November 2022.

For Decision
(Pages 83 - 88)

13. **PENSION FUND - FINAL DRAFT ACTUARIAL VALUATION AS AT 31 MARCH 2022**

Report of the Chamberlain.

For Decision
(Pages 89 - 128)

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

a) City of London Corporation Pension Fund Quarterly Monitoring Report Q4 2022 (Pages 129 - 148)

Report of the Chamberlain.

b) Investment Performance Monitoring to 31 December 2022 (Pages 149 - 166)

Report of the Chamberlain.

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**

PENSIONS COMMITTEE
Tuesday, 29 November 2022

Minutes of the meeting of the Pensions Committee held at Committee Rooms, West Wing, Guildhall on Tuesday, 29 November 2022 at 2.30 pm

Present

Members:
Alderman Ian David Luder (Chairman)
Timothy Butcher (Deputy Chairman)
Shahnan Bakth
Deputy Henry Pollard
David Sales
Clare James

In attendance (observing online)
Madush Gupta

Officers:

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

Also in attendance:
Lucy Tusa (Mercer)
Graham Muir (Barnett Waddingham)

1. **APOLOGIES**
   Apologies were received from Andrien Meyers, Sir David Wootton and Madush Gupta.

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

3. **MINUTES**
   RESOLVED – That the public minutes and non-public summary of the Pensions Committee meeting on 27th September 2022 be approved as an accurate record.

4. **PENSIONS COMMITTEE WORK PROGRAMME 2022/23**
   The Committee received a report of the Chamberlain detailing a forward-looking Pensions Committee work programme.

RECEIVED

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

The Chairman referred to some adjustments to the risk register following feedback from Members at the last meeting, with new risks having been added and an updated risk register now being presented for approval and to allow Members an opportunity to confirm that there were no further risks relating to the services overseen by this Committee.

RESOLVED: That Members:-

- Noted the existing risks and actions present on the Pensions Committee's Risk Register, confirming that appropriate control measures were in place; and
- Confirmed that there were no further risks at this time relating to the services overseen by Pensions Committee.

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

The Chamberlain referred to an Internal Disputes Resolution Process case and confirmed that any questions relating to this would need to be taken during non-public session.

RESOLVED: That Members: -

- Note the report and receive its content.

7. **LGPS - COMMUNICATIONS ISSUED TO SCHEME MEMBERS**
The Committee received a report of the Chamberlain providing Members with an update and copy of all standard letter and communications issued to members of the Local Government Pension Scheme.

The Chairman referred to the report presenting key papers and communications issued to Scheme members. A key point being Members being satisfied with the information being provided, whilst noting advice was not being offered. The City Corporation was not an advisor, but it was important to ensure that all correspondence being issued to Scheme members was clear and easy to understand.

A Member remarked on being reassured having seen all the documentation warning of potential scams, with the Chairman agreeing that it was a very good set of papers. The Chairman confirmed the intention to present on an annual basis any letters which get changed for any reason, with others carrying forward as shown and only those changing being presented moving forward.

The Chairman confirmed that he would note with satisfaction the set of papers.

RESOLVED: That Members:-

- Note the report and receive its content.

8. **LOCAL GOVERNMENT PENSION SCHEME - KEY PERFORMANCE INDICATORS**

The Committee received a report of the Chamberlain providing statistics in respect of the work carried out by the Pensions Administration Office in relation to the Local Government Pensions Scheme.

The Chairman referred to a previous request of Members to receive information on key performance indicators as part of a separate report. The Chairman confirmed this report would be appended to the Administrator's Update Report moving forward.

The Chairman referred to a benchmark figure and achieving a standard of 95% against the targets, but on occasions the figure falling below this owing to complex cases that were taking time to resolve or where there was a delay in the respondent replying. The Chairman had suggested to officers that, where the target time was below 95%, that it would be helpful for Members to know the median figure and with further explanation and detail being provided so that Members were able to take an informed view on the data.

RESOLVED: That the report be received and its content noted.

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

There were no questions.

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

There were no additional items of business.

11. **EXCLUSION OF THE PUBLIC**

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

12. **MINUTES**

RESOLVD: That the non-public minutes of the Pensions Committee meeting on 27th September be approved as an accurate record of the meeting.

13. **PENSION FUND - INITIAL 2022 ACTUARIAL VALUATION RESULTS**

The Committee considered a report of the Chamberlain presenting Pension Fund – Initial Actuarial Valuation Results.

14. **PENSION FUND - DRAFT ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2022**

The Committee received a report of the Chamberlain presenting Pension Fund – Draft Annual Report for the year ended 31 March 2022.

15. **PRI 2021 ASSESSMENT UPDATE**
The Committee received a report of the Chamberlain introducing the Principles for Responsible Investment (PRI) report for 2021.

16. **PERFORMANCE MONITORING**

a) City of London Corporation Pension Fund Quarterly Monitoring Report Q3 2022
The Committee received a report of Mercer providing a City of London Corporation Pension Fund quarterly monitoring report.

b) Investment Performance Monitoring to 30 September 2022
The Committee received a report of the Chamberlain relating to investment performance monitoring to 30 September 2022.

17. **NON PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
There were no questions.

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

The meeting ended at 3.25pm

Chairman

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

PENSION COMMITTEE WORK PROGRAMME 2022/23

Timescale	Funding	Investment	Governance	Administration & Communication	Training Items #
Standing items		• Investment Monitoring • LCIV/Pooling Update • Responsible Investment Update	• Work programme	• Administration Update	
			2022/23		
Q4 2022/23 (Feb)*	• Triennial Valuation Final Results • Funding Strategy Statement		• Risk Register	• Administration Strategy	
Q1 2023/24 (June)		• Investment Strategy Review • Investment Strategy Statement • Responsible Investment Policy Review*	• Business Plan/Annual Budget • Risk Register		• Responsible investment/climate action (in house)
Q2 2023/24 (Sep)			• Risk Register	• Updates to member communication letters (if required)	• Pooling (LCIV)
Q3 2023/24 (Nov)					
			Future years		
2024/25					

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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Committee: Pensions Committee	Dated: 8 February 2023
Subject: Risk Register for the Pensions Committee	**Public**
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	**All**
Does this proposal require extra revenue and/or capital spending?	**No**
If so, how much?	**N/A**
What is the source of Funding?	**N/A**
Has this Funding Source been agreed with the Chamberlain's Department?	**N/A**
Report of: The Chamberlain	**For Decision**
Report author: Amanda Luk – Chamberlain's Department	

Summary

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

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

Recommendations

Members are asked to:

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

Main Report

Background

1. Prior to the formation of the Pensions Committee, responsibility for the CoL Corporation Pension Fund fell to a number of different Committees, most notably the Financial Investment Board (FIB) around investments. In addition to this, the Local Government Pensions Board (LGP Board), which scrutinises/oversees the operation of the Pension Fund, instigated its own Risk Register.

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. At the first meeting of the Pensions Committee on 11 July 2022, Members determined they wished to review the Risk Register at each meeting for the coming year.

Review of Risks

3. The method of assessing risk reflects the City of London's standard approach to risk assessment as set out in its Risk Management Strategy approved by the Audit and Risk Management Committee in May 2014. The City of London Corporation risk matrix, which explains how risks are assessed and scored, is attached at **Appendix 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".

4. The Risk Register to be reviewed is set out in **Appendix 2**.

<u>Table 1: Risk Summary</u>

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

5. The Risk Register contains thirteen risks which are summarised above. In the table, "Current Risk Score indicator" displays the current "RAG" rating for each risk. Each risk presented in the Risk Register is accompanied by one or more "action(s)" which reflect how the risk is managed and mitigated. A "due date" for required completion is set against each action. Due to the nature of the risks overseen by the Committee, in

many cases it is impossible to entirely eliminate a risk, and therefore corresponding actions will always remain live. These ongoing actions are necessary in order to maintain the current risk score. Where this is the case the Risk Register includes an annual due date, which will be renewed each year.

6. Officers have reviewed the Risk Register to establish whether the risk environment has changed and whilst all scores have been maintained at their previous levels each been reviewed and updated where necessary in the Register itself. Updates to the Risk Register are underlined throughout.

7. Officers have also considered whether any new risks have emerged since the last review. Although the Committee's operating environment continually changes, officers have determined that the existing Register captures the material risks facing the Committee.

Conclusion

8. 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 (CHB 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.

9. The Pensions Committee is requested to review the risks and confirm that appropriate control measures are in place for these risks and that there are no other risks that should be added to the Risk Register.

Appendices

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

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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)

(C) Risk scoring grid

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

(B) Impact criteria

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

(D) Risk score definitions

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

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

Contact the Corporate Risk Advisor for further information. Ext 1297

October 2015

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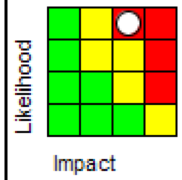
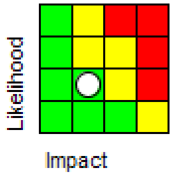
CHB PENSIONS COMMITTEE Detailed risk register EXCLUDING COMPLETED ACTIONS

Report Author: Amanda Luk
Generated on: 17 January 2023

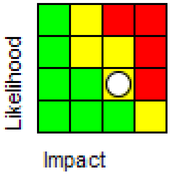
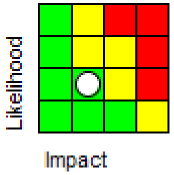
Rows are sorted by Risk Score

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
CHB Pensions 009 McCloud Remedy	**Cause**: Implementation of the proposed remedy following new pension legislation and scheme specific regulations for the removal of age discrimination from the LGPS due to the McCloud judgement. **Event:** The impact of scheme amendments upon scheme members, Pensions Office and scheme employers due to implementation of the proposed remedy for McCloud. **Effect**: The Pensions Office is unable to adequately comply with legislative and regulatory amendments arising from the proposed McCloud remedy.		**16**	In December 2018, the Court of Appeal ruled that the "underpin protection" included in the 2014 LGPS reforms directly discriminated against some younger pension scheme members – this is now referred to as the McCloud Judgement or McCloud. On 15 July 2019 the government confirmed that the difference in treatment would be remedied in the LGPS and subsequently published a consultation document that set out options for how the government proposed to remove the discrimination. In February 2021 HM Treasury published its response to the consultation document and set out its preferred remedy choice.		**4**	01-Oct-2023	

20-Jan-2022 Caroline Al-Beyerty				Further legislative changes are required before the remedy can be implemented, however, due to the complexity of the proposed remedy pension administrators and pension systems providers have commenced development of systems and processes based on current understandings to enable the remedy to be implemented. On 10 March 2022 the Public Services and Judicial Offices Act 2022 received Royal Assent. The main purpose of the Act was to support the implementation of the McCloud remedy, however further guidance and legislation is required before it can be applied directly to the LGPS. **17 Jan 2023**				Constant

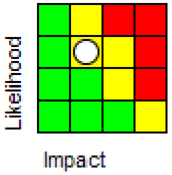
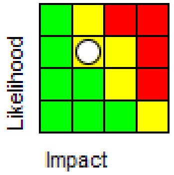
Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB Pensions 009a	DLUHC has confirmed the proposed remedy and the intention to introduce legislation to the statute books from 1 April 2023 but applied retrospectively to 31 March 2012 and 31 March 2014. The Pensions Office will need to understand what this means, develop processes and calculations to apply the regulations for the amended schemes and should be aware of all relevant correspondence issued by the DLUHC, LGA & HMRC and regularly attend seminars, forums, webinars and user groups.	Continue with membership of working groups including South East Counties Senior Officer Group (SECSOG), Aquila Heywood Remedy Implementation Group, to ensure development of software and understanding of legislation. Attend conferences, webinars, forums and seminars as appropriate and keep up to date with bulletins and guidance from the Home Office.	Graham Newman	17-Jan-2023	01-Oct-2023
CHB Pensions 009b	Identification of eligible scheme members who will qualify for the remedy. All data must be reviewed and if necessary	Perform data review exercise in bulk and individually to identify scheme members who may qualify and/or identify missing data.	Graham Newman	17-Jan-2023	01-Oct-2023

	amended. In some cases data may be missing and must be requested from employers and previous pension providers.	Software provider currently developing systems to identify qualifying scheme member on bulk reports. Develop data process to request missing information and scheme member record update.			
CHB Pensions 009c	System Development Calculation/Revaluation	Software provider currently developing calculations and recalculations of deferred benefits and those already in receipt of pension to identify incorrect values and any over/underpayments. Development should include bulk calculations and calculations for individuals, include revised pension amounts, arrears payable/collectible (benefits and contributions) plus interest payable if applicable.	Graham Newman	17-Jan-2023	01-Oct-2023
CHB Pensions 009d	Working in conjunction with LGA to prepare communications and standard responses (FAQs) to be sent to affected scheme members.	It will be essential for communications to be regular and clear. Further detail about the proposed remedy and delivery of it, including scheme members who may be affected, must be known prior to any specific remedy communications. The Pensions Office website carries current information from various sources including DLUHC. Further communications will be added when they are released. The Annual Benefit Statements (ABS) contain a statement on McCloud provided by the LGA. The ABS will need to be amended following implementation of the amended regulations as it is anticipated McCloud data will need to be included for each scheme member. Scheme members who may be affected will need a final communication confirming if benefit values have been amended and if so by how much, including value of arrears and interest if applicable.	Graham Newman	17-Jan-2023	01-Oct-2023

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
CHB Pensions 001 Insufficient Assets 17-Dec-2019 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.	 	**8**	The Pension Fund's absolute return target has been set at 5.2% annually from 1st April 2020 by the Financial Investment Board (which is consistent with the strategy for funding the Fund's liabilities). As at ~~30~~-31 December ~~September~~ 2022, the Fund is underperforming its absolute return target across all time horizons except the quarter. Financial Markets have been very volatile over the last year~~6-9 months~~ due to the war in Ukraine, increasing inflation and interest rates and the effect of the September mini budget which was shortly u-turned on. This has affected stock markets, with the ~~FTSE All Share~~, MSCI AC World and MSCI World all returning negatively for the year ended ~~30 September~~ 31 December but despite global turmoil FTSE All share ended on a modest annual gain. **17 Jan 2023**	 	**4**	31-Mar-2023	Constant

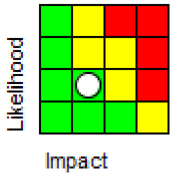
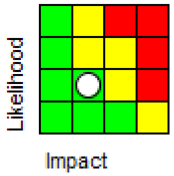
Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB Pensions 001a	The Investment strategy of the Pension Fund is reviewed at least every three years following the triennial valuation with proper advice from the Investment Consultant.	The Pension Fund Investment Strategy was reviewed following the completion of the 2019 triennial valuation of the Fund's liabilities, by the Financial Investment Board in July 2020. This ensured that the investment strategy remained appropriate in the context of the Fund's updated liabilities valuation and the current investment environment.	Caroline Al-Beyerty; Kate Limna	17-Jan-2023	31-Mar-2023

		The 2022 triennial actuarial valuation is currently being ~~undertaken~~ finalised by the scheme Actuary, Barnett Waddingham and once this is completed, the Investment Strategy Statement will be reviewed by the Pensions Committee.			
CHB Pensions 001b	The investment performance of the Pension Fund is measured against absolute return targets required to meet long term objectives. This will be reported to the Pensions Committee throughout the year and is supplemented by market insight from the Corporation's Investment Consultant who will assist any strategic decisions required in between the three-year formal strategy reviews.	The investment performance of the Pension Fund will be brought to each Pensions Committee for consideration.	Kate Limna	17-Jan-2023	31-Mar-2023

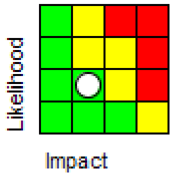
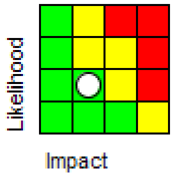
Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
CHB Pensions 010 Targeted returns 08-Mar-2018 Caroline Al-Beyerty	**Cause:** Fund managers (including the London CIV) fail to achieve the targeted investment returns because • unsuitable fund managers are appointed, • individual fund managers underperform against the benchmarks agreed by the Committee, • aggregate fund manager performance fails to achieve the long-term targets • Number of investors in a fund may diminish below a minimum level causing the fund to close. **Event:** Failure to be seen to manage the funds responsibly. **Effect:** Supervisory intervention over management of the Funds.		**6**	The performance of fund managers and their aggregate performance is reported against target to the Pensions Committee. The Pensions Committee will set a diversified investment strategy to mitigate volatility and as such it expects different parts of the strategy to outperform at different times. The London CIV is a pooling vehicle for which the City of London Pension Fund is a shareholder. Currently ~~20%~~ 21% of CoL PF assets under management are held in two funds – Global Alpha Growth Fund (managed by Baillie Gifford) and Alternative Credit Fund (managed by CQS). **17 Jan 2023**		**6**	31-Mar-2023	Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB Pensions 010a	Investment managers' performance and their aggregate performance is measured against appropriate benchmarks and will be monitored by the Pensions Committee throughout the year. It is supplemented by market insight from the Corporation's investment consultants which provides peer group comparisons; checks on movement of key officers; and reviews on the incorporation of ESG considerations in implementing their investment strategies. Fund managers are invited to meet with Officers and	The performance report for the Pension Fund to ~~30~~ 31 December ~~September~~ 2022, along with the Investment Consultant's quarterly report (to ~~September~~ December) is reported to the Pensions Committee on 8 February 2023~~29 November 2022.~~	Kate Limna; Sarah Port	17-Jan-2023	31-Mar-2023

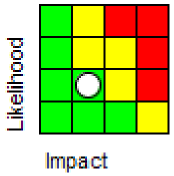
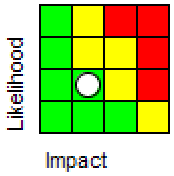
	Members to account for their performance as and when deemed necessary/as required.				
CHB Pensions 010b	Under the Government pooling agenda, London CIV is the asset pool operator for London LGPS funds. The LCIV holds monthly updates for Shareholders advising on latest developments for examples, product development and ESG/Climate related actions.	At the October monthly meeting, the LCIV had no changes to the monitoring status of funds but were keeping a close watch on how Fund Manager performance particularly in this volatile market. At a recent meeting the 5 current investors in the Global Alpha Growth Fund were advised that should the number of investors fall below 3, an orderly exit from the fund may be considered.	Kate Limna; Sarah Port	17-Jan-2023	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 003 Short term Cash flows 17-Dec-2019	**Cause:** Inadequate cash flow planning and monitoring. **Event**: Delayed settling of benefits/ assets disinvested at an opportune time **Effects:** Illiquidity or insufficient liquid assets to meet short term obligations		**4**	Insufficient liquidity to meet pension benefit payments, transfer payments and other costs, or to meet cash calls from fund managers. **17 Jan 2023**		**4**		Constant

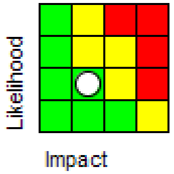
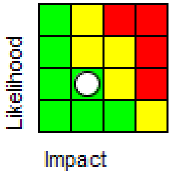
Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB Pensions 003a	The Pension Fund asset allocation is established to ensure appropriate exposure to asset classes.	The Pension Fund asset allocation remains within tolerance of control ranges established by Financial Investment Board	Kate Limna; Sarah Port	17-Jan-2023	31-Mar-2023
CHB Pensions 003b	Alert fund managers in advance of transferring new monies and Fund managers are required to provide sufficient notice of cash calls and redemption payments.	Fund Managers are aware of the contractual notification period of 10 working days for any drawdowns and Officers alert fund managers Trading + X number of working days in in advance of a withdrawal (X is dependent on the fund manager).	Kate Limna; Sarah Port	17-Jan-2023	31-Mar-2023
CHB Pensions 003c	Cash flow forecasting to ensure adequate monitoring and planning.	A Cash flow forecast is currently being refined to ensure the Pension Fund is able to meet any obligations required of it.	Kate Limna; Sarah Port	17-Jan-2023	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 004 Breach of GDPR / Data Protection regulations	**Cause:** (i) Ineffective procedures. (ii) Inadequately trained staff. (iii) Data Accuracy. (iv) Lack of resources. **Event**: Scheme members' personal data is released to an unauthorised third party. **Effect:** (i) Breach of GDPR / Data Protection regulations. (ii) Financial penalties/ sanctions. (iii) Reputational damage		**4**	Personal data may be accidentally issued to an incorrect third party or body – e.g. an old postal address may be held for a scheme member or an error is made whilst typing an email address. A breach of the GDPR / DP regulations may lead to financial penalties and sanctions being imposed by the governing industry bodies such as the Pensions Regulator or Information Commissioner's Office.		**4**		
10-Nov-2022				**17 Jan 2023**				Constant

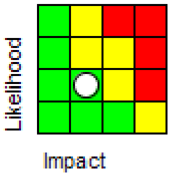
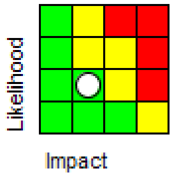
Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB Pensions 004a	Pensions administration staff to be aware of the corporate policy regarding data security and to follow the guidelines given.	Corporate online training regarding data-security to be carried out by all staff and reviewed as required.	Graham Newman	17-Jan-2023	31-Mar-2023
CHB Pensions 004b	Ensuring that any data sent electronically is sent securely / password protected with the password sent separately	All staff are trained in how to protect documents and send emails securely. However, it is important that this training is kept up to date as technology / processes evolve and are changed.	Graham Newman	17-Jan-2023	31-Mar-2023
CHB Pensions 004c	Ensuring that member address details are kept up-to-date and that records are updated when the Pensions Office is made aware that the information held is no longer valid.	Notating the member records when the Pensions Office is made aware that the data held is no longer valid prevents their inclusion in any automated bulk mailshots.	Graham Newman	17-Jan-2023	31-Mar-2023
CHB Pensions 004d	Pensions administration staff to be aware of GDPR / Data Protection legislation	GDPR / Data Protection reviewed and all staff reminded of the legislation and its importance. Processes amended for hybrid working, ensuring the protection of scheme member data.	Graham Newman	17-Jan-2023	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 006 Employer Insolvency 17-Dec-2019 Caroline Al-Beyerty	**Cause:** Processes not in place to capture or review covenant of individual employers. **Event:** Employer becomes insolvent or is abolished with insufficient funding to meet liabilities. **Effect:** Fund would pick up the liabilities potentially leading to increased contribution rates for other employers.		**4**	Since 2013 the LGPS regulations generally require all admission bodies to enter into an indemnity or bond to cover the possibility of an employer becoming insolvent or prematurely leaving the Fund. This would mean the Fund and the remaining employers would have to meet the outgoing employer's liabilities in the Fund. The actuary assesses the value of these risks to the Fund and sets the value for a bond, generally for a three-year period. It is generally a requirement of the City of London for all new admission agreements to have a bond and the responsibility of the admission body to arrange and regularly reassess the bond. **17 Jan 2023**		**4**	31-Mar-2023	Constant

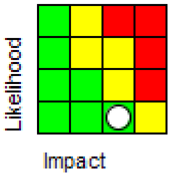
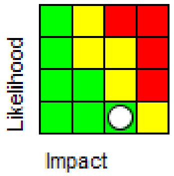
Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB Pensions 006a	Bond indemnity/guarantee required for admitted bodies and incorporated into admission agreements where appropriate.	Recent admissions to the scheme have provided a bond.	Graham Newman	17-Jan-2023	31-Mar-2023

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 007 Cyber Security 17-Dec-2019 Caroline Al-Beyerty	**Cause:** IT system failures due to ineffective procedures, or Inadequately trained staff. **Event**: Breach of Corporate IT systems and Cyber security. **Effect:** Inaccurate benefits paid or delayed to scheme members. Financial penalties/ sanctions. Breach of Data Protection regulations. Loss/corruption of data		**4**	A malicious breach of Corporate IT systems may lead to a failure of the pensions administration system and/or a breach of Data Protection regulations. A failure of the pensions administration system or a breach of the Data Protection Regulations may mean a failure or inability to calculate benefits accurately and on time which may lead to financial penalties and sanctions being imposed by the governing industry bodies such as the Pensions Regulator or Information Commissioner's Office. **17 Jan 2023**		**4**	31-Mar-2023	Constant

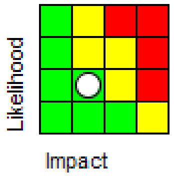
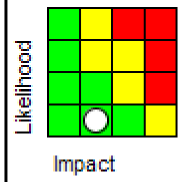
Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB Pensions 007a	Pensions administration staff to be aware of the corporate policy regarding cyber security and to follow the guidelines given.	Corporate online training regarding cyber-security to be carried out by all staff and reviewed as required.	Graham Newman	17-Jan-2023	31-Mar-2023
CHB Pensions 007b	Corporate and departmental specific software to be updated as required to ensure the latest and most secure version is being used.	To ensure the most up-to-date software is being used, staff should update their computers as and when prompted.	Graham Newman	17-Jan-2023	31-Mar-2023
CHB Pensions 007c	Ensuring that the pensions administration software is included in the departmental business continuity plans	Updating the business impact analysis details used in the departmental continuity plan as required.	Graham Newman	17-Jan-2023	31-Mar-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, ensuring the protection of scheme member data.	Graham Newman	17-Jan-2023	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 008 Pension Scheme Administration 17-Dec-2022	**Cause:** (i) Ineffective succession planning. (ii) Inadequately trained staff. (iii) Absences/increased staff turnover. (v) Data Accuracy. (vi) Lack of resources. **Event:** The failure of administrators to accurately calculate and pay the correct level of benefits. **Effect:** (i) Inaccurate benefits paid or delayed. (ii) Increased costs. (iii) Financial penalties/ sanctions.		**4**	The Regulations of the Local Government Pension Scheme (LGPS) set out how LGPS pensions should be calculated; the procedures to be followed in certain circumstances (i.e. normal retirement and ill health retirement); the timeframes/deadlines to be adhered to; and the notifications to be provided to Scheme members. Other bodies such as the Pensions Regulator, HM Revenue & Customs, the Office of National Statistics and the Financial Conduct Authority also impose rules that work alongside the Scheme Regulations or may even supersede them. Incorrect member data, lack of administrative knowledge and skills could lead to incorrect calculation of pension benefits and delays in payment. This may lead to financial penalties and sanctions being imposed by the governing industry bodies such as the Pensions Regulator. **17 Jan 2023**		**4**		Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB Pensions 008a	Job descriptions used at recruitment to attract candidates with skills and experience related to LGPS administration. The appraisals process to monitor progress and assess training needs.	Ensuring that candidates with the necessary skills and abilities are employed by the City. Once in post, staff continue to receive relevant training and attend courses, seminars and conferences when appropriate. Have trained multiple team members for extra duties due to parental leave cover.	Graham Newman	17-Jan-2023	31-Mar-2023
CHB Pensions 008b	Pensions administrator staff are trained to use the pensions administration software.	Ensuring that administrators are fully trained to use the pension administration software to enable them to provide accurate and efficient calculations. In addition, administrators should know the correct process to report to the software provider any errors encountered with the system in order that they can be investigated and resolved.	Graham Newman	17-Jan-2023	31-Mar-2023
CHB Pensions 008c	Practical disaster recovery/succession plans in place to ensure continuity in the event that key staff leave or are unable to work for a prolonged period of time.	Ensuring that skill sets are not restricted to one staff member alone. Priority cases and work types are identified to ensure continuation in the event that staff or other resources become unavailable. Disaster Recovery reviewed in light of hybrid working	Graham Newman	17-Jan-2023	31-Mar-2023
CHB Pensions 008e	Accurate and appropriate checking procedures in place at all areas of administration.	All checking procedures reviewed and where necessary amended due to take account of hybrid working.	Graham Newman	17-Jan-2023	31-Mar-2023
CHB Pensions 008f	Scheme Member records are kept up to date, with any amendments being made as appropriate.	Ensuring that all administrative staff are aware of the amendments that must be made to a member record during the course of their scheme membership and that they are trained in how to make the necessary changes and updates.	Graham Newman	17-Jan-2023	31-Mar-2023

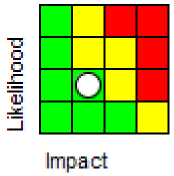
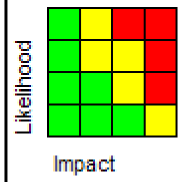
Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
CHB Pensions 011 Service provider failure – Pension Fund 08-Mar-2018 Caroline 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.		**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. **17 Jan 2023**		**4**	31-Mar-2023	Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB Pensions 011a	Detailed due diligence is carried out when new fund managers, investment consultant or other service provider are appointed.	New manager due diligence undertaken in consultation with investment consultant. There are currently no plans to appoint any additional managers. The investment consultant contract was recently re-tendered via the National LGPS procurement framework. Following a rigorous and competitive exercise Mercer were appointed to the role in October 2021.	Kate Limna; Sarah Port	17-Jan-2023	31-Mar-2023
CHB Pensions 011b	Review of internal control reports on annual basis.	Corporate Treasury compile an archive of the most up to date relevant annual internal control reports issued by all issuing fund managers and custodian as part of statement of account compilation across Funds. All internal control reports from the pooled fund managers have been received where available. Officers are in the process of reviewing the findings of the reports to ensure they remain satisfied with the control environments operated by the Corporation's appointed asset managers.	Kate Limna; Sarah Port	17-Jan-2023	31-Mar-2023
CHB Pensions 011c	Monitor markets regularly through financial publications and seek advice of managers and investment consultant when appropriate.	Officers regularly monitor financial press and industry publications particularly in search of any news regarding entities that have an existing relationship across the Corporation's Funds.	Kate Limna; Sarah Port	17-Jan-2023	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 012 Governance/Legislative Compliance 08-Mar-2018 Caroline Al-Beyerty	**Cause:** Lack of understanding of the applicable statutory requirements such as investment regulations, prudential code etc. Inadequate oversight of the operations and developments at the regional pool operator, the London CIV. **Event:** Committee Members and officers do not have appropriate skills or knowledge to discharge their responsibilities including the calculation and payment off benefits. Regulatory breach. The Pension Fund's pooled assets are managed inappropriately. **Effect:** Inappropriate decisions are made leading to a financial impact or a breach of legislation or service not provided in line with best practice and legal requirements. Potential regulatory fines. The financial value of the Pension Fund's assets is impaired.		**4**	As the committee has recently been established, officers will produce a comprehensive training plan incorporating best practice to ensure committee members have access to acquiring the appropriate levels of knowledge and understanding. **17 Jan 2023**		**2**		Constant

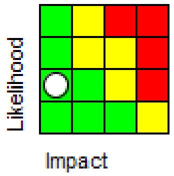
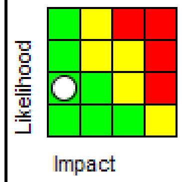
Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB Pensions 012a	Training provided to Committee Members on a range of investment topics and asset classes on a needs basis. Continued Professional Development (CPD) records maintained and updated annually.	A review will be undertaken of the skills set of the Members of the new Pension Committee. All Members of the Committee will be expected to complete the Pension Regulator's Public Services Toolkit within 12 months of joining the Committee.	Kate Limna; Sarah Port	17-Jan-2023	31-Mar-2023
CHB Pensions 012b	Job descriptions used at recruitment to attract candidates with skills and experience related to investment finance. The Corporation maintains membership of CIPFA's Pension Network, the LAPFF, LPFA and PLSA – all providing access to training opportunities via courses, seminars and conferences.	Officers continue to attend training courses, seminars forums, webinars, user groups and conferences were deemed appropriate to enhance understanding of markets, financial instruments, regulatory and statutory reporting issues and administration. The team has successfully recruited to a number of posts following a redesign of the team structure.	Caroline Al-Beyerty; Kate Limna	17-Jan-2023	31-Mar-2023
CHB Pensions 012c	Training plans in place for all staff as part of the performance appraisal arrangements, which are reviewed every six months.	Performance and development appraisals continue to be carried out in line with corporate policy.	Caroline Al-Beyerty; Kate Limna	17-Jan-2023	31-Mar-2023
CHB Pensions	External professional advice sought where required.	The investment consultant attends each meeting of the Pensions Committee providing advice	Kate	17-Jan-	31-Mar-

012d		on investment matters.	Limna; Sarah Port	2023	2023
CHB Pensions 012e	The Committee maintains regular oversight of the London CIV.	The Chair of the Pension's Committee is the City's representative on the London CIV (with the Deputy chair acting as the alternate representative). The Chair is expected to attend 2 general meetings a year and also sits on the Shareholder Committee (4 meetings a year)	Kate Limna; Sarah Port	17-Jan-2023	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 Caroline Al-Beyerty	**Cause:** Insufficient attention is paid to the environmental, social and governance (ESG) dimensions of the Corporation's financial investments. **Event:** The Corporations' financial investments include an underappreciated exposure to negative ESG risks and the means to effectively manage such risks is not understood. **Effect:** The Corporation suffers reputational or financial damage.		**4**	The newly formed pension committee inherits an advanced approach to responsible investment and asset stewardship. The Corporation (via the Financial Investment Board) has formally recognised its asset stewardship role and the need to manage ESG risks through its Responsible Investment Policy which also outlines the Corporation's approach in this area. The City of London Corporation (as a whole) is a signatory to the Principles for Responsible Investment. The Financial Investment Board undertook an in depth review of its climate risk exposure in 2021 resulting in a commitment to achieve net zero carbon emissions by 2040 together with the development of interim goals via a transition pathway. **17 Jan 2023**			31-Mar-2023	Constant

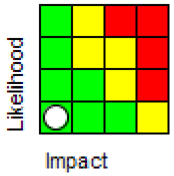
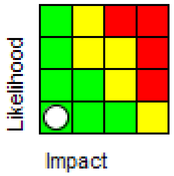
Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB Pensions 013a	Reporting on responsible investment activities to the Principles for Responsible Investment is completed on an annual basis. The Committee (along with other relevant Committees/Boards) will receive an annual Transparency Report from the PRI from which it can evaluate progress	~~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 the PRI's deadline on 10 May 2021. Owing to operational issues at the PRI, assessment reports for PRI Signatories were not released until September 2022.~~ The Corporation's assessment report was reported ~~will be reported~~ to this Committee in November 2022. The new PRI framework is due	Kate Limna; Sarah Port	17-Jan-2023	31-Mar-2023

	against responsible investment goals.	to be released on 26 January 2023. ~~and other Boards which now have investment oversight responsibilities at their next meetings.~~			
CHB Pensions 013c	As part of the regular management and monitoring of investment mandates, the Pensions Committee and responsible officers challenge investment managers on ESG issues arising in the portfolio. The Investment Consultant will report to the Committee on its monitoring of ESG risks on a quarterly basis.	The Committee will receive regular updates on ESG standings amongst its appointed investment managers from the Investment Consultant on a quarterly basis. As part of the City's Climate Action Strategy, new climate risk expectations for existing and potential investment managers have been established and these form part of the regular ongoing monitoring of managers' performance.	Kate Limna; Sarah Port	17-Jan-2023	31-Mar-2023
CHB Pensions 013e	There is a general commitment by the City Corporation to meeting the standards of the new 2020 UK Stewardship Code and needs to ensure compliance is developed. The Committee (reviews asset stewardship across its investment mandates on an annual basis and uses the exercise to encourage better ESG outcomes amongst its existing managers (this will need to be done in conjunction with other committees which now have investment oversight responsibilities).	All of the Pension Fund's UK-based pooled fund managers (i.e. excluding the alternative assets portfolio) are signatories to the Stewardship Code. Officers will review the requirements of the 2020 UK Stewardship Code.		17-Jan-2023	31-Mar-2023
CHB Pensions 013f	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.		17-Jan-2023	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:** (i) Not notified of death. (ii) Staff acting inappropriately (iii) Pension transfer scams **Event**: (i) Fraudulent claim of pension benefits (ii) pension benefits transferred to an inappropriate / unauthorised body. **Effect:** (i) Continued payment of pensions following death. (ii) Overpaid pensions. (iii) Financial loss for the Fund (iv) Financial loss for the scheme member (v) Financial penalties / sanctions (vi) Reputational damage		**2**	If the death of a LGPS beneficiary is not reported, their pension may continue to be paid when there is no longer an entitlement. This may be a deliberate failure to report the death or may be where there is no fraudulent intention, but in either case it will lead to benefit overpayment and a potential financial loss. Scammers design attractive offers to persuade members to transfer their pension pot to them or to release funds from it. It is then invested in unusual and high-risk investments or simply stolen outright. **17 Jan 2023**		**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	17-Jan-2023	31-Mar-2023
CHB Pensions	Ensuring all members that are considering transferring	All correspondence sent to scheme members considering a transfer-out of the scheme must	Graham	17-Jan-	31-Mar-

005b	their benefits out of the scheme are made aware of the potential for transfer scams.	contain warnings in respect of transfer scams. In addition, website links to appropriate bodies such as the Money Helpline and the Pensions Regulator are included as well as any advisory literature provided by these and similar bodies.	Newman	2023	2023
CHB Pensions 005c	Ensuring all staff are aware of the guidance / instructions provided by the LGA and the Pensions Regulator in respect of transfers-out of the scheme.	All staff dealing with transfers should be proficient with the guidance / instructions that have been provided in respect of transfers-out of the scheme. This will help to spot a transfer scam and/or prevent a payment being made if there is any uncertainty about the receiving scheme.	Graham Newman	17-Jan-2023	31-Mar-2023
CHB Pensions 005d	Robust identity verification processes	Controls in place to verify and ensure the legitimacy of any signed discharge form. This must also include timeframes in respect of how long a letter of authority from a scheme member is valid.	Graham Newman	17-Jan-2023	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 002 Actuarial valuation 17-Dec-2019 Caroline Al-Beyerty	**Cause:** Inappropriate assumptions used by the Actuary/ Inaccurate data supplied to the Actuary for the triennial valuation. **Event**: Unsuitable triennial actuarial valuation. **Effects:** Employer contribution rates insufficient to maintain long term cost efficiency & solvency.		**1**	The latest full actuarial valuation of the Pension Fund, using member data and investment asset information as at 31 March 2019, has been completed. Using updated financial and demographic assumptions, the actuary has been able to generate an accurate picture of the Pension Fund's funding position (assets compared to liabilities) which has been used to establish appropriate employer contribution rates for use from 1 April 2020. The 2022 initial actuarial valuation results were presented to the November Pensions Committee and is currently being finalised. ~~has now commenced and~~ Once completed, it will set the employers rates from 1 April 2023. **17 Jan 202**		**1**	31-Mar-2023	Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB Pensions 002a	Regular meetings with the Actuary to ensure that assumptions are appropriate involving Officers and Members of the Pensions Committee.	~~The 2022 triennial valuation has commenced and the draft results will be reported to the November 2022 Pensions Committee.~~ At Pensions Committee on 11 July 2022, a working group was set up to discuss the preliminary triennial valuation results and the robustness of the financial and demographic assumptions used in the valuation process. This working group met on 14 November 2022 and the draft triennial valuation results were reported to the Pensions Committee on 29 November 2022.	Kate Limna; Graham Newman	17-Jan-2023	31-Mar-2023
CHB Pensions	Robust Year End procedures and updates	The Pension Fund Accounts for the year ending 31 March 2021 have been published in draft	Kate	17-Jan-	31-Mar-

002b		form, formal sign off has been delayed until the City Fund audit is completed. Whilst the City Fund accounts have been completed, a wider issue has arisen within local government around accounting for infrastructure assets; this has meant that any local authority accounts that were not signed off prior to this issue being raised cannot be finalised until the issue is resolved. A formal resolution in consultation with CIPFA has recently been agreed and guidance is being issued. ~~CIPFA is currently conducting an urgent consultation on how to resolve this issue.~~ The draft Annual report for 2020/21 was published on the City's LGPS website by the statutory date of 1 December 2021. The Pension Fund Accounts for the year ending 31 March 2022 are currently awaiting publication in draft format within the City Fund Accounts. The City Fund accounts have been completed but have been delayed by the ~~are awaiting the resolution of the~~ 2020/21 accounting for infrastructure assets issue. A formal resolution has recently been agreed and guidance is being issued. The draft Pension Fund annual report for 2021/22 was ~~will be~~ uploaded ~~in~~ onto the City of London Pensions website by 1 December 2022. The delays are beyond Pension Fund control and have no material impact on the Fund's position.	Limna; Graham Newman	2023	2023
CHB Pensions 002c	Checking for errors or inconsistencies in valuation extract report before submission to the Actuary	Officers review data quality prior to submission to the actuary. Additionally, scheme member data is submitted separately from employer level cash flow data, which are held on two distinct management information systems. As a result, errors are more easily identified during the valuation process itself. For example, if the scheme member data demonstrates that a given number of scheme members belonging to a single employer retired during the valuation period then this should also be evident from the benefit payments reported in the cash flow data.	Kate Limna; Graham Newman	17-Jan-2023	31-Mar-2023

Committee(s)	Dated:
Pensions Committee	8 February 2023
Subject: Pensions Scheme – Administrator's Update	**Public**
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	**N/A**
Does this proposal require extra revenue and/or capital spending?	**N**
If so, how much?	**N/A**
What is the source of Funding?	
Has this Funding Source been agreed with the Chamberlain's Department?	**N/A**
Report of: The Chamberlain	**For Information**
Report author: Graham Newman – Chamberlain's Department	

Summary

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

The table below provides a summary of general information around a range of topics in relation to the administration of the Scheme since the last Committee meeting on 29 November 2022. Members are asked to note the report and provide feedback.

Item	Update
Annual schedule of events for the administration of the Pensions Scheme	Appendix A provides details of the events / dates that form the main diary of the Scheme administration.
Information of Scheme Record Keeping	As the Scheme's administrating authority, the City is responsible for making sure the scheme has good records. The City is required to ensure it has accurate, complete and up-to-date records and should have controls and processes in place to maintain these standards. Failure to maintain complete and accurate records can risk not meeting legal obligations as set by the Pensions Regulator which could lead to fines and/or enforcement action being taken. The City's scheme data is measured once a year and the data scores are submitted to the Pensions Regulator (tPR) in the annual scheme return.
Complaints or disputes under the Scheme's Internal Disputes Resolution Process (IDRP)	Two IDRP Stage One complaints have been received. Two IDRP Stage Two complaints have been received.
Public Service Pensions Reporting Breaches of Pension Law	None to report.

Any audit reports relating to the administration of the Scheme	None to report.
Any reports relating to the administration of the Pension Scheme which have been considered by other Committees	None to report.
Guaranteed Minimum Pensions (GMP) Reconciliation	A requirement has been placed upon all UK Pension Schemes by the Department for Work and Pensions (DWP) and the Pensions Regulator (tPR) to ensure scheme data is accurate and this includes Guaranteed Minimum Pensions (GMP) data which is jointly held by each scheme and by HMRC. Due to the ceasing of Contracting Out with effect from April 2016 HMRC will no longer process GMPs, therefore, each pension scheme is responsible for checking the data they hold matches that of HMRC. Contracting Out enabled scheme members to opt out of the State Second Pension (S2P), formerly known as State Earning Related Pension Scheme (SERPS), which is the element of the state pension based on National Insurance contributions. In return the member would receive a pension equivalent to S2P (had they not contracted out) payable from the scheme the member had contracted out with. This is known as the Guaranteed Minimum Pension (GMP) Mercers (formally JLT) have been commissioned to facilitate this project which is expected to complete by 31 March 2023. A report will be brought to the Committee following the conclusion of the reconciliation.
Pension Administration System	The City uses a pensions administration system known as Altair that is provided by the supplier Heywood. A project was started in 2021 to update the system and the pension data from the City's servers was successfully moved to a hosted environment provided by Heywood in November of that year. The Pensions Office is currently in the process of implementing the Member Self-Service system. Once in place, this 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. Testing will begin shortly and the system will go live in the new financial year.
Public Sector Pensions Legal Challenge	<u>Lord Chancellor and Secretary of State for Justice v McCloud and others</u> With effect from April 2015 (April 2014 for the LGPS) all public sector pension schemes were subjected to

	reforms that changed the way benefits were accrued and the date from which they would become payable. However, the legality of these reforms were successfully challenged and they were found to be discriminatory on the grounds of age. This challenge came to be referred to as 'McCloud'. The government consulted on what method of 'Remedy' should be used to remove the discrimination and on 10 March 2022 the Public Service Pensions and Judicial Offices Act 2022 received Royal Assent. The main purpose of the Act was to set out the intention of the 'McCloud Remedy' and implement it in the public service pension schemes. However, the Act did not provide specific information as to how the remedy is to be implemented for individual schemes and further guidance and legislation is required before any action can be taken in respect of the LGPS. The City of London Pension Fund is compliant with current guidance and all available information has been recorded on the Fund's website, www.cityoflondonpensions.org/resources/ An update was included with the 2022 Annual Benefit Statements.
Pension Committee Training	All Members of the Committee are asked to register for tPR online training and complete the modules in respect of **public sector pension schemes**. The link for the online training is: https://www.thepensionsregulator.gov.uk/en/public-service-pension-schemes/understanding-your-role/learn-about-managing-public-service-schemes Details in respect of training modules completed by each Member will be circulated at the meeting under the Non-Public agenda
Pensions Office Key Performance Indicators	As requested at the Committee meeting of 29 November 2022, Appendix B provides statistics in relation to the performance of the Pension Scheme Administration.

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 – KPI Details

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Appendix A

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.
1 Monday in April following Tax Year End	Pensions Increase (PI) – Annual Inflation increase.	11 April 2022
May 2022	Tax return for Quarter 4 (to 31/3/2022)	29 April 2022 – Successfully migrated to the new HMRC Managing Pension Schemes service
31 May 2022	Pensioner P60s distributed	23 May 2022
1 June 2022	Automatic Enrolment for City of London Employees	1 June 2022
June/July 2022	Valuation data to the pension fund's actuary	6 July 2022
31 July 2022	Publish draft City Fund Accounts (including the Pension Fund Accounts)	TBC
August 2022	Tax return for Quarter 1 (to 30/06/2022)	18 August 2022
31st August 2022	Issue of Annual Benefit Statements deadline.	11 August 2022
30 September 2022	Employee Contribution Band review	30 September 2022
5 October 2022	Issue of Annual Allowance (AA) Saving Statements deadline	5 October 2022
31 October 2022	Automatic re-enrolment declaration to the Pensions Regulator	31 October 2022
November 2022	Tax return for Quarter 2 (to 30/09/2022)	15 November 2022
1 December 2022	Publication of Pension Fund Accounts and Annual Report	30 November 2022
2 January 2023	Scheme Return to the Pensions Regulator	29 December 2022
31st January 2023	HMRC Event 22 Report – List of Annual Allowance cases exceeding the Previous years' threshold.	31 January 2023
February 2023	Tax Return for Quarter 3 (to 31/12/2022)	31 January 2023
1 April 2023	Employee Contribution band review/ implementation.	
1 April 2023	Revaluation of CARE benefits.	

1 Monday in April following Tax Year End	Pensions Increase (PI) – Annual Inflation increase.	
May 2023	Tax return for Quarter 4 (to 31/3/2023)	
31 May 2023	Pensioner P602 distributed	
31 May 2023	Publish draft City Fund Accounts 2022/23 (including the Pension Fund Accounts)	

Appendix B

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

Task	Target	Result 2021/22	Result 2020/21	Result 2019/20
Initial payment of retirement benefits	5 days	98.61 %	97.58 %	98.88 %
Process refund and make payment	5 days	98.44 %	100.00 %	100.00%
Statement notifying estimate of retirement benefits	20 days	96.17 %	97.78 %	97.03 %
Statement detailing transfer-in credit	20 days	100.00 %	100.00 %	100.00 %
Transfers-out payments	20 days	100.00 %	100.00 %	100.00 %
Answering general correspondence:	10 days	96.83 %	96.41 %	96.42 %
Payment of lump sum death grants:	5 days	100.00 %	95.45 %	96.51 %
Letters to dependants in respect of benefits due:	5 days	94.44 %	100.00 %	93.75 %

Task	Target	November 2022	December 2022	Result to-date 01/04/2022 – 31/12/2022
Initial payment of retirement benefits	5 days	100.00 %	100.00 %	98.02 %
Process refunds and make payments (1)	5 days	100.00 %	100.00 %	94.37 %
Statement notifying estimate of retirement benefits	20 days	100.00 %	100.00 %	95.93 %
Statement detailing transfer-in credit	20 days	100.00 %	100.00 %	100.00 %
Transfers-out payments	20 days	100.00 %	100.00 %	100.00 %
Answering general correspondence	10 days	100.00 %	100.00 %	95.67 %
Payment of lump sum death grants (2)	5 days	100.00 %	0 cases	90.91 %
Letters to dependant's in respect of benefits due	5 days	100.00 %	100.00 %	97.82 %

Notes:

1. 'Process refunds and make payments': During the reporting period (01/04/2022 – 31/12/2022) there were a total of 71 cases of which 67 were completed within target. Payment of the refund is reliant upon the scheme member returning the required paperwork in the correct format and with the correct information. Where claim forms need to be returned to the member (for example they have completed it too early, failed to sign it or they have provided incorrect bank details) the target we set ourselves may not be met as the countdown will have started as the original paperwork was received.

2. Payment of lump sum death grants. During the reporting period (01/04/2022 – 31/12/2022) there were a total of 22 cases of which 20 were completed within target. Payment of the death grant is reliant on the correct completion of the claim forms from all of the parties that are making a claim. The target countdown begins the moment that the first completed claim forms are received, but where the grant is being paid to several recipients the countdown does not stop until the final completed form is received and processed. The 2 cases where the target was not met were caused by delays in receiving the necessary paperwork from all claimants.

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Committee(s)	Dated:
Pensions Committee	8 February 2023
Subject: Local Government Pension Scheme – Administration Strategy	**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/ Discussion**
Report author: Graham Newman – Chamberlain's Department	

Summary

The Pension Committee Work programme for 2022/23 includes the creation of an Administration Strategy document for the City of London Pension Fund.

The City of London Pension Fund (CoLPF) is the Administering Authority of the Local Government Pension Scheme for the City of London Corporation and several scheduled and admitted bodies that includes the Museum of London, Multi Academy Trust and The Honourable The Irish Society.

The purpose of the strategy document is to provide clarity on the key roles and responsibilities of CoLPF and its scheme employers and sets expectations and targets that both CoLPF and its employers need to work to.

The strategy document concentrates on the roles and deadlines of all parties, performance standards and communications and brings together these policies and procedures in one place. The document will be issued to all fund employers and will be published on our website.

The strategy document is attached at Appendix A.

Recommendation

Members are asked to review the strategy document and provide any feedback in relation to this.

Appendices:
Appendix A: City of London Pension Fund Administration Strategy.

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The City of London Pension Fund

Administration Strategy

Pensions Committee – 8 February 2023

Introduction

The role of administering authority for the City of London Corporation (the City) is discharged by the City of London Pension Fund (CoLPF) within the Chamberlain's Department.

The pensions administration strategy ("the strategy") sets out the key roles and responsibilities of the CoLPF and its scheme employers in administering the Local Government Pension Scheme (LGPS).

The strategy has been created with regards to regulation 59 of the Local Government Pension Scheme Regulations 2013 and shall be reviewed at least every three years.

There are currently three sections of the strategy:

- Roles and Deadlines of all parties
- Performance standards
- Communications

Roles and Deadlines

Each of the parties to the LGPS has specific roles and responsibilities. It is important that this is clear to ensure they are discharged accurately.

Role	Deadline
The City of London Pension Fund – The Administering Authority	
Appoint a fund actuary, investment advisors, custodians and fund managers	As required
Lead and publish the triennial valuation (as at 31st March 2022 and every three years thereafter) and annual summary valuation	Every three years and annually
Publish the audited pension fund annual accounts	Annually
Publish a pension fund annual report	Annually
Publish a funding strategy statement	At least every three years
Publish an investment strategy statement	At least every three years
Publish a governance compliance statement	At least every three years
Maintain the fund risk register	As required
Manage fund cash and bank accounts	As required
Monitor fund investments and performance reporting	At least quarterly
Complete the SF3 and other investment returns	Annually and as required

Complete the quarterly Office for National Statistics Financial Survey of Pension Schemes	Quarterly
Monitor the financial position of scheme employers	Annually
Sign off admission agreement terms regarding the financial arrangements between the parties	As required
Set up and amend admission agreements for admitted bodies	As soon as practicable
Publish annual benefit statements to all active and deferred members	31st August
Publish pensions saving statements to scheme members that may have breached their annual and/or lifetime allowances	6th October
Manage the internal dispute resolution procedure	In accordance with the procedure
Provide information and manage the production of admission, cessation and FRS 102 / IAS19 / IAS26 (financial statement) reports via the fund actuary and share those reports with scheme employers	As required
Maintain a ‘breaches of law’ register and notify The Pension Regulator (tPR) of any materially significant breaches, which may result from: ● A failure to issue annual benefit statements or pension savings statements in time ● Errors and omissions identified by the internal dispute resolution procedure ● Scheme employers failing to pay contributions on time or accurately ● Other breaches of a legal requirement	As soon as practicable
Support the Pensions Committee/ and the Local Government Pension Board	As required
Maintain a membership database	Not applicable
Undertake an annual data review and complete The Pension Regulator (tPR) scheme return notice	As directed by The Pension Regulator (tPR)

Process tasks in accordance with the performance standards	Not applicable
Pay pensioners their monthly LGPS benefits	Last working day of the month
Apply the annual pensions increase as directed by HM Treasury	April pensioner payroll cut-off
Issue pension payslips in March and if the net monthly pension changes by £2 or more	Issued on the relevant pay date
Submit a quarterly tax return to HM Treasury and pay the required tax charges	14th day of the second month following the end of the relevant period
Scheme employers	
Submit the monthly contributions return in the required format	19th day of the month after which the deductions are made
Pay the monthly contributions to the fund pursuant to the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014	Payment received by 19th day of the month after which the deductions are made
Submit an annual return in the required format	7th May
Calculate and pay redundancy and/or severance payments	As soon as practicable
Provide the data required for FRS102 / IAS19 / IAS26 (retirement benefits) calculations if requested	20 working days prior to the accounting date
Provide any additional data required for interim and/or cessation valuations	As soon as practicable
Publish a statement of policy about the exercise of discretionary function	Within six months of becoming a scheme employer
Calculate pensionable pay and determine a scheme member's final pay, when required	As required
Admit its employees into the LGPS	By their starting date or auto enrolment / re-enrolment date
Ensure the correct scheme member contribution rate is applied	Immediately on commencing scheme membership and in line with the CoLPF's policy on banding changes and, as a minimum, in each April payroll thereafter

Inform CoLPF about new scheme members, members leaving the scheme, or changes to employment (working hours, unpaid leave, unauthorised absences, reductions in pay and 50/50 scheme elections) using the required form or template	20 working days after their starting date, leaving date or date of the change
Notify CoLPF of any material changes in scheme members' circumstances (e.g. marital or civil partnership status) using the method stipulated by the Fund	As soon as practicable
Give notice of a scheme member's intention to retire	20 working days prior to the intended retirement date
Make the first instance decision about an ill-health retirement following receipt of the independent registered medical practitioner's report	As soon as practicable
Review tier 3 ill-health pension at 18 months and, if required at the third year after payment commenced	In line with regulations and advice of independent registered medical practitioner (IRMP). Notify CoLPF within 10 days of decision taken to uplift to tier 2 or cease payment of tier 3
Respond to general queries from CoLPF	As soon as practicable
Respond to errors or missing information identified by CoLPF	As soon as practicable
Commence the deduction of additional contributions (APCs or AVCs) following an election from the scheme member or instruction from CoLPF	As soon as practicable
Appoint person for stage 1 of the Internal Dispute Resolutions Procedure (IDRP) and provide full details to CoLPF	Within 30 days of becoming a scheme employer or following the resignation of the current adjudicator
Scheme members	
Notify CoLPF of any changes to personal details	As soon as possible
Complete an expression of wish form for any potential death grant payment	Not applicable
Give notice to their scheme employer of an intention to retire	As soon as practicable based upon their contractual notice periods
When joining, complete a previous service form to notify CoLPF about any existing LGPS pension benefits	1 year from date of joining

Fund Actuary	
Undertake the triennial valuation (including the recommended contribution schedules) and annual summary valuations	Every 3 years and annually
Produce admission, cessation, conversion and FRS 102 (financial statement) reports	As required

Performance standards for processing tasks

The targets have been set after taking account of any legal requirements and to achieve a suitable service level for scheme members.

Task	Target	Legal Requirement
Send a notification of joining the LGPS to a scheme member	2 months from the date of joining the scheme	2 months from the date of joining the scheme
Notify the amount of final retirement benefits	5 days	One month from date of retirement if on or after normal pension age or two months from date of retirement if before normal pension age
Initial payment of retirement benefits	5 days	Not applicable*
Inform a member who left the scheme of their calculated benefits (refund and/or deferred)	30 days	As soon as practicable and no more than two months from date of initial notification (from employer or from scheme member)
Process refunds and make payments for early leavers with a refund entitlement	5 days	Not applicable*
Provide a retirement estimate (limited to 1 every 12 months)	20 days	No more than 2 months from date of request, unless an estimate has been made within the last 12 months
Obtain transfer details for transfer in, and calculate and provide quotation to member	20 days	Two months from the date of request
Statement detailing transfer-in credit	20 days	Not applicable
Provide details of transfer value for transfer out or divorce proceedings, on request	20 days	Three months from date of request
Transfer-out payments to a new pension provider	20 days	Six months from the guarantee date provided in the transfer value quotation
Answering general correspondence	10 days	Not applicable

Letters to dependants in respect of benefits due	5 days	As soon as possible but in any event no more than two months from date of becoming aware of death, or from date of request by a third party (e.g. personal representative)

* Several targets do not have a legal requirement, but may be subject to interest charges if payment is not made within a set number of days.

Communications

Effective communication between the CoLPF and its stakeholders is essential to the delivery of the pensions service. This statement sets out the aims and the target audiences of the communications policy and the method of delivery of the policy. The Pensions Committee reviews all communications with scheme members on an on-going basis.

Aims

Accuracy & Timeliness	Information needs to be compliant with legislation and supplied at an appropriate time.
Effective Information	Messages need to be clear and understood by target audience.
Accessible	Communication should be available to all and should meet the needs of a wide range of recipients.

Audiences

- Scheme Members and Potential Members
- Pensioners and Deferred Members
- Corporate HR
- Other Employers within the Fund
- Pensions Committee
- Local Government Pensions Board
- CoLPF Staff

Method of Delivery

Scheme Members and Potential Members

Scheme Guides	Available to all eligible employees via website, direct mail or email.
Forms and leaflets	Available on the CoLPF website and appropriate forms supplied to all new employees and leavers via personnel/administration officers.
Newsletters	Produced as appropriate and in particular as scheme changes occur.

Annual Benefit Statements	Pension Statements supplied to those scheme members who are active at year end (31st March) as soon as possible after year end.
Presentations	One-off seminars, regular pension "top-up" sessions, insight lunches and pre-retirement courses.
Induction	Supply support to the Employers Induction courses as appropriate.
Intranet & Internet	Provide news on scheme changes, develop and maintain internet with links to relevant sites. Publicise website updates and newsletters via the Intranet.

Pensioners and Deferred Pensioners

Pensioners should be supplied with monthly payslips as appropriate; Newsletters; and annual pensions increase letters. Deferred Pensions will be provided with an annual benefit statement. Both will be supplied with information on scheme changes as they affect the appropriate category of ex-scheme member.

City of London Personnel and Payroll

Guides on technical, legislative and general day-to-day administration requirements and responsibilities issued as and when required and as scheme changes affect procedures, including links to centrally produced guides.

Presentations	Personnel Group meeting updates and individual departmental sessions as appropriate.

Other Employers within the fund

Guides on technical, legislative and general day-to-day administration requirements and responsibilities issued as and when required and as scheme changes affect procedures, including links to centrally produced guides.

Presentations for appropriate personnel staff, committees & groups of employees.

Pensions Committee and Local Government Pensions Board

Reports	Update Pensions Committee and Local Government Pensions Board on scheme changes and developments and provide reports in a clear and accurate manner in order that appropriate responses and actions follow.
Presentations	Provide the Pensions Committee and Local Government Pensions Board with updates where appropriate.

CoLPF Staff

Provide updates and information on scheme and legislative changes.

Team Meetings	Maintain staff's awareness and knowledge via monthly meetings and one-off sessions as appropriate.

General Communication

Letters, emails and phone calls answered clearly, accurately and timely.

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Committee: Pensions Committee	**Dated:** 8 February 2023
Subject: Funding Strategy Statement	**Public**
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	**All**
Does this proposal require extra revenue and/or capital spending?	**No**
If so, how much?	**N/A**
What is the source of Funding?	**N/A**
Has this Funding Source been agreed with the Chamberlain's Department?	**N/A**
Report of: The Chamberlain	**For Decision**
Report author: Amanda Luk – Chamberlain's Department	

Summary

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

The FSS was last revised in 2020 and included amendments for the McCloud/Sargent judgement on age discrimination, regular reviews of contribution rates between valuations and procedures for admission bodies exiting the Fund (known as deferred debt arrangements).

Following the 2022 Triennial Valuation, the Funding Strategy Statement has been revised and reviewed by the Fund's Actuary, Barnett Waddingham, and is attached as an appendix to this report.

Recommendations

Members are asked to agree the revised Funding Strategy Statement.

Main Report

Background

1. All LGPS Funds are required to prepare, maintain and publish a Funding Strategy Statement (FSS) in accordance with the Public Service Pension Act 2013. The FSS is subject to periodic review at least every three years and has been amended following the 2022 triennial actuarial review.

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

3. The FSS is a "living" document and is subject to periodic review at least every three years.

Current Position

4. As the administering authority of the City of London Pension Fund (the 'Fund'), the City of London Corporation has a duty to set out the main aims of the Fund and explain how employers' contribution rates are set to achieve those aims. The FSS also has links with two other key strategic documents:

   - The Investment Strategy Statement ('ISS'), documents the principles, policies and beliefs by which the Corporation manages the Fund's investment assets.
   - The Governance Compliance Statement which sets out the structure of delegations of responsibilities for the Fund.

   Both Statements along with the Funding Strategy Statement are incorporated into the Pension Fund Annual Report.

5. The FSS objectives are to:
   - reflect different employers' **characteristics** to set their contribution rates, using a **transparen**t funding strategy;
   - where appropriate, ensure **stable employer contribution rates;**
   - use a **balanced investment strategy** to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency;
   - take a **prudent long-term view** to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants; and
   - use reasonable measures to **reduce the risk** of an employer defaulting on its pension obligations.

6. The FSS has been prepared in line with the latest guidance published by CIPFA, September 2016.The Fund's Actuary, Barnett Waddingham , have, in consultation with Officers reviewed and updated the FSS (attached at Appendix 1) with all amendments highlighted and underlined.

Conclusion

7. As the administrating authority for the City of London Pension Fund, a Funding Strategy Statement must be prepared, maintained, published and reviewed periodically, but at least every three years. The attached FSS has been reviewed following the 2022 triennial valuation.

Appendices

- Appendix 1 – Funding Strategy Statement

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FUNDING STRATEGY STATEMENT

Introduction

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

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

Purpose of the Funding Strategy Statement

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

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

Aims and purpose of the Fund

The aims of the Fund are to:

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

The purpose of the Fund is to:

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

Funding objectives

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

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

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

Key parties

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

The administering authority

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

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

- Effectively manage any potential conflicts of interest arising from its dual role as both Fund administrator and Scheme employer; and
- Enable the Local Pension Board to review the valuation process as they see fit.

Scheme employers

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

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

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

Scheme members

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

Fund Actuary

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

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

- Advise on other actuarial matters affecting the financial position of the Fund.

Funding strategy

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

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

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

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

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

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

Funding method

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

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

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

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

individual employers which, in combination with employee contributions is expected to cover the cost of benefits accruing in future.

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

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

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

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

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

Valuation assumptions and funding model

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

The assumptions adopted at the valuation can therefore be considered as:

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

Future price inflation

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

Future pension increases

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

Future pay increases

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

Future investment returns/discount rate

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

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

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

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

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

Financial assumptions as at 31 March 2022	
RPI inflation	3.2% p.a.
CPI inflation	2.9% p.a.

Pension/deferred pension increases and CARE revaluation	In line with CPI inflation
Pay increases	CPI inflation + 1.0% p.a.
Discount rate	4.6% p.a.

Asset valuation

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

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

Demographic assumptions

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

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

McCloud/Sargeant judgements

~~The McCloud/Sargeant judgements were in relation to two employment tribunal cases which were brought against the government in relation to possible age and gender discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. These judgements were not directly in relation to the LGPS, however, they do have implications for the LGPS.~~

~~In December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounted to unlawful discrimination. On 27 June 2019, the Supreme Court denied the government's request for an appeal in the case. A remedy is still to be either imposed by the Employment Tribunal or negotiated and applied to all public service schemes, so it is not yet clear how this judgement may affect LGPS members' past or future service benefits. It has, however, been noted by government in its 15 July 2019 statement that it expects to have to amend all public service schemes, including the LGPS.~~

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

~~At the time of drafting this FSS, we still await the Government's response to the 2020 consultation and so it is still not totally clear how this will affect current and future LGPS benefits. As part of the Fund's 2019 valuation, in order to mitigate the risk of member benefits being uplifted and becoming more expensive, the potential impact of McCloud was covered by the prudence allowance in the discount rate assumption. As the remedy is still to be agreed the cost~~

~~cannot be calculated with certainty, however, the Fund Actuary expects it is likely to be less than 0.05% of the discount rate assumption.~~

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

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

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

Guaranteed Minimum Pension (GMP) indexation and equalisation

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

~~On 22 January 2018, the government published the outcome to its *Indexation and equalisation of GMP in public service pension schemes* consultation, concluding that the requirement for public service pension schemes to fully price protect the GMP element of individuals' public service pension would be extended to those individuals reaching SPA before 6 April 2021. HMT published a Ministerial Direction on 4 December 2018 to implement this outcome, with effect from 6 April 2016. Details of this outcome and the Ministerial Direction can be found here.~~

~~The 2019 valuation assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the government providing the remainder of the inflationary increase. For members that reach SPA after this date, it is assumed that the Fund will be required to pay the entire inflationary increase.~~

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

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

Deficit recovery/surplus amortisation periods

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

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

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

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

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

Pooling of individual employers

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

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

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

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

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

Forming/disbanding a funding pool

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

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

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

Risk-sharing

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

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

New employers joining the Fund

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

Admission bodies

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

Funding at start of contract

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

Contribution rate

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

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

Security

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

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

Risk-sharing

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

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

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

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

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

New academies

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

Funding at start

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

Contribution rate

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

Cessation valuations

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

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

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

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

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

Exit credit policy

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

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

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

- Any exit credit payable may be subject to a maximum of the actual employer contributions paid into the Fund.

- As detailed above, the Fund Actuary may adopt differing approaches depending on the specific details surrounding the employer's cessation scenario. The default approach to calculating the cessation position will be on a ~~minimum-risk~~ full cessation basis unless it can be shown that there is another employer in the Fund who will take on financial responsibility for the liabilities in the future. If the administering authority is satisfied that there is another employer willing to take on responsibility for the liabilities (or that there is some other form of guarantee in place) then the cessation position may be calculated on the ongoing funding basis.

- The administering authority will pay out any exit credits within six months of the cessation date where possible. A longer time may be agreed between the administering authority and the exiting employer where necessary. For example, if the employer does not provide all the relevant information to the administering authority within one month of the cessation date the administering authority will not be able to guarantee payment within six months of the cessation date.

- Under the Regulations, the administering authority has the discretion to take into account any other relevant factors in the calculation of any exit credit payable and they will seek legal advice where appropriate.

Bulk transfers

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

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

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

Links with the Investment Strategy Statement (ISS)

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

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

Risks and counter measures

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

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

Financial risks

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

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

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

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

Demographic risks

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

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

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

Maturity risk

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

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

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

Regulatory risks

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

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

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

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

- If the LGPS was to be discontinued in its current form it is not known what would happen to members' benefits.
- The potential effects of GMP equalisation between males and females, if implemented, are not yet known.
- More generally, as a statutory scheme the benefits provided by the LGPS or the structure of the scheme could be changed by the government.
- The State Pension Age is due to be reviewed by the government in the next few years.

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

McCloud/Sargeant judgements and cost cap

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

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

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

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

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

Climate change risks and opportunities

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

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

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

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

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

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

Timing of future actuarial valuations

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

The next Fund valuation is assumed to be carried out at 31 March 2025 in accordance with the current Regulations. However, it remains to be seen whether this will change in light of the outcome of the consultation. ~~will be at 31 March 2022. It remains to be seen if the subsequent Fund valuation will be in 2024 in line with the Scheme valuation or will be in 2025 in accordance with the current Regulations.~~

Managing employer exits from the Fund

The consultation covers:

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

Changes to employers required to offer LGPS membership

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

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

Employer risks

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

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

However, the administering authority monitors the position of employers participating in the Fund, particularly those which may be susceptible to the events outlined, and takes advice from the Fund Actuary when required. In the case of admitted bodies, the Fund has a policy of requiring some form of security from the employer, in the form of a guarantee or a bond, in case of employer default where the risk falls to the Fund. Where the risk of default falls on the liabilities of an original letting authority, the Fund provides advice to the letting authority to enable them to make a decision on whether a guarantee, some other form of security or a bond should be required.

In addition, the administering authority keeps in close touch with all individual employers participating in the Fund to ensure that, as administering authority, it has the most up to date information available on individual employer situations. It also keeps individual employers briefed on funding and related issues.

Governance risks

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

Monitoring and review

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

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

The next funding valuation will be due as at 31 March 2025 for which the contribution rates payable by each employer in the Fund for the period from 1 April 2026 to 31 March 2029 will be certified.~~2 but the period for which contributions will be certified remains unconfirmed.~~

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

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