



Pensions Committee

Date: TUESDAY, 12 SEPTEMBER 2023

Time: 2.00 pm

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

Members:

Timothy Butcher (Chairman)	Deputy Andrien Meyers
David Sales (Deputy Chairman)	Alderman Sir David Wootton
Clare James	Vacancy
Deputy Henry Pollard	Vacancy
Deputy Madush Gupta	

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

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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.

Ian Thomas CBE
Town Clerk and Chief Executive

AGENDA

Future Meeting Dates

- 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 20 June 2023.

For Decision
(Pages 7 - 12)

4. **WORK PROGRAMME**

Report of the Chamberlain.

For Information
(Pages 13 - 14)

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

Report of the Chamberlain.

For Decision
(Pages 15 - 42)

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

Report of the Chamberlain (to be read in conjunction with non-public appendix B at item 20).

For Information
(Pages 43 - 52)

7. **CITY FUND AND PENSION FUND AUDIT PLAN 22-23**

Report of the Chamberlain.

For Information
(Pages 53 - 74)

8. **DEPARTMENT FOR LEVELLING UP, HOUSING & COMMUNITIES (DLUHC)
CONSULTATION ON LOCAL GOVERNMENT PENSION SCHEME**

Report of the Chamberlain.

For Information
(Pages 75 - 78)

9. **CLIMATE ACTION STRATEGY UPDATE**

Joint report of the Director of Innovation & Growth and Chamberlain. (To be read in conjunction with non-public appendices 2 and 4 at item 21).

For Information
(Pages 79 - 90)

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

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

12. **EXCLUSION OF THE PUBLIC**

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

For Decision

13. **MINUTES**

To agree the non-public minutes of the Pensions Committee meeting held on 20 June 2023.

For Decision
(Pages 91 - 96)

14. **CITY OF LONDON PENSION FUND - UPDATED FUNDING POSITION AS AT 31ST MARCH 2023**

Actuary to be heard.

For Information

15. **STRATEGIC ASSET ALLOCATION REVIEW**

Report of the Chamberlain.

For Decision
(Pages 97 - 132)

16. **PERFORMANCE MONITORING**

For Discussion

- a) City of London Corporation Pension Fund Quarterly Monitoring Report Q2 2023
(Pages 133 - 152)

Report of the Chamberlain.

- b) Investment Performance Monitoring to 31 July 2023 (Pages 153 - 168)

Report of the Chamberlain.

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

Report of the Chamberlain.

For Discussion
(Pages 169 - 178)

18. **PENSION FUND CASHFLOW FORECAST**

Report of the Chamberlain.

For Decision
(Pages 179 - 184)

19. **PENSION FUND - DRAFT ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2023**

Report of the Chamberlain.

For Information
(Pages 185 - 284)

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

Report of the Chamberlain (non-public appendix B - to be read in conjunction with agenda item 6).

For Information
(Pages 285 - 286)

21. **CLIMATE ACTION STRATEGY UPDATE**

Joint report of the Director of Innovation & Growth and Chamberlain (non-public appendices 2 and 4 - to be read in conjunction with agenda item 9).

For Information
(Pages 287 - 306)

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

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

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PENSIONS COMMITTEE **Tuesday, 20 June 2023**

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

Present

Members:

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

In attendance (observing online)

Shahnan Bakth
Deputy Madush Gupta

Officers:

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

In attendance:

Lucy Tusa (Mercer)
Greg Hall (Mercer)

With Alderman Ian Luder in the Chair.

1. APOLOGIES

Apologies were received from Henry Pollard.

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

There were no declarations.

3. ORDER OF THE COURT

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

RECEIVED

4. ELECTION OF CHAIR

The Committee proceeded to elect a Chair in accordance with Standing Order No. 29.

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

5. **ELECTION OF DEPUTY CHAIR**

The Committee proceeded to elect a Deputy Chairman in accordance with Standing Order No 30.

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

VOTE OF THANKS

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

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

Alderman Ian Luder

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

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

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

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

6. **MINUTES**

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

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

7. PENSIONS COMMITTEE WORK PROGRAMME

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

RESOLVED: That Members: -

- Receive the report and note its content.

8. PENSIONS SCHEME ADMINISTRATOR'S UPDATE REPORT

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

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

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

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

RESOLVED: That Members: -

- Receive the report and note its content.

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

There were no questions.

10. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT

There were no additional items of business.

11. EXCLUSION OF THE PUBLIC

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

12. **MINUTES**

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

13. **PERFORMANCE MONITORING**

a) Quarterly Report to 31 March 2023

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

b) Investment Performance Monitoring to 30 April 2023

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

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

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

15. **PENSIONS FUND CASHFLOW FORECAST**

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

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

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

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

There were no questions.

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

The following item of business was considered.

a) Investment Strategy/Strategic Asset Allocation Review

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

The meeting ended at 3.42pm

Chairman

Contact Officer: Chris Rumbles
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PENSION COMMITTEE WORK PROGRAMME 2023/24

Timescale	Funding	Investment	Governance	Administration & Communication	Training Items #
Standing items	<ul style="list-style-type: none"> Quarterly Cashflow forecast 	<ul style="list-style-type: none"> Investment Monitoring LCIV/Pooling Update Responsible Investment Update - CAS 	<ul style="list-style-type: none"> Work programme 	<ul style="list-style-type: none"> Administration Update 	
2022/23					
Q2 2023/24 (Sep)		<ul style="list-style-type: none"> Investment Strategy Statement/Asset Allocation Review 	<ul style="list-style-type: none"> Risk Register Draft Pension Fund Annual Report 2022-23 PF Consultation update 		
Q3 2023/24 (Nov)		<ul style="list-style-type: none"> Responsible Investment Policy Review* 	<ul style="list-style-type: none"> Actuarial Tender Review 	<ul style="list-style-type: none"> Updates to member communication letters (if required) 	<ul style="list-style-type: none"> Responsible investment/climate action (in house)
Q4 2023/24 (Pending)			<ul style="list-style-type: none"> Risk Register 		<ul style="list-style-type: none"> Pooling (LCIV)
Future years					
2024/25			<ul style="list-style-type: none"> Risk Register 	<ul style="list-style-type: none"> Updates to member communication letters (if required) 	

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

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

Notes

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

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

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Committee: Pensions Committee	Dated: 12 September 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 Investment Committee (previously Financial Investment Board, prior to its dissolution) Risk Registers: risks CHB Pensions 009 McCloud Remedy, 007 Cyber security and 005 Fraud are on the CoL Police Pensions Board Risk Register and risk CHB Pensions 013 (Responsible Investment Duties) will be on the new Investment Committee Risk Register.

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

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

Recommendations

Members are asked to:

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

Main Report

Background

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














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

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 Pensions Committee meeting on 8 February 2023, Members reviewed the existing actions and confirmed that appropriate controls were in place, and that there were no other risks relating to the services overseen by the Committee. The Committee further determined they wished to review the Risk Register every 6 months.

Review of Risks

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**.

Table 1: Risk Summary

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

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

Amanda Luk

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

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

(A) Likelihood criteria

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

(B) Impact criteria

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

(C) Risk scoring grid

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

(D) Risk score definitions

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

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

Contact the Corporate Risk Advisor for further information. Ext: 1297

October 2015

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CHB PENSIONS COMMITTEE Detailed risk register EXCLUDING COMPLETED ACTIONS

Report Author: Amanda Luk

Generated on: 11 August 2023



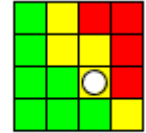
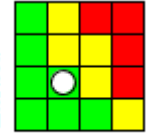

Rows are sorted by Risk Score

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

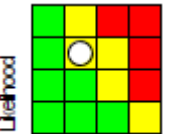
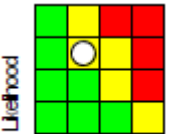

20-Jan-2022 Kate Limna			<p>Further legislative changes are required before the remedy can be implemented, however, due to the complexity of the proposed remedy pension administrators and pension systems providers have commenced development of systems and processes based on current understandings to enable the remedy to be implemented.</p> <p>On 10 March 2022 the Public Services and Judicial Offices Act 2022 received Royal Assent.</p> <p>The main purpose of the Act was to support the implementation of the McCloud remedy, however further guidance and legislation is required before it can be applied directly to the LGPS.</p> <p>11 Aug 2023</p>				Constant
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Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB Pensions 009a	DLUHC has confirmed the proposed remedy and the intention to introduce legislation to the statute books from 1 April 2023 but applied retrospectively to 31 March 2012 and 31 March 2014. The Pensions Office will need to understand what this means, develop processes and calculations to apply the regulations for the amended schemes and should be aware of all relevant correspondence issued by the DLUHC, LGA & HMRC and regularly attend seminars, forums, webinars and user groups.	<p>Continue with membership of working groups including South East Counties Senior Officer Group (SECSOG), Aquila Heywood Remedy Implementation Group, to ensure development of software and understanding of legislation.</p> <p>Attend conferences, webinars, forums and seminars as appropriate and keep up to date with bulletins and guidance from the Home Office.</p>	Graham Newman	11-Aug-2023	01-Oct-2023
CHB Pensions 009b	Identification of eligible scheme members who will qualify for the remedy. All data must be reviewed and if necessary	Perform data review exercise in bulk and individually to identify scheme members who may qualify and/or identify missing data.	Graham Newman	11-Aug-2023	01-Oct-2023

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

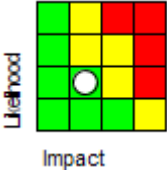
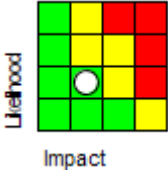

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
CHB Pensions 001 Insufficient Assets 17-Dec-2019 Kate Limna	<p>Cause: The asset allocation of the Pension Fund portfolio is unable to fund long term liabilities due to market movements</p> <p>Event: There are insufficient assets to meet liabilities</p> <p>Effect: Reduced income or lower than anticipated growth. Participating employers are required to provide further funding through increased contributions to finance liabilities.</p>	 <p style="text-align: center;">Lifehood</p> <p style="text-align: center;">Impact</p>	8	<p>The Pension Fund’s absolute return target has been set at 5.2% annually from 1st April 2020 by the Financial Investment Board (which is consistent with the strategy for funding the Fund’s liabilities). <u>As at 31 July 2023, the Fund is outperforming its absolute return target over three years but underperformed over one and five years; the Fund has produced a positive return over all time frames. This is largely as a result of global equity markets which performed well in the first seven months of the year following a difficult 2022.</u> Financial Markets have been very volatile over the last year due to the war in Ukraine, increasing inflation and interest rates and the effect of the September mini budget which was shortly u turned on. This has affected stock markets, with the MSCI AC World and MSCI World all returning negatively for the year ended 31 December but despite global turmoil FTSE All share ended on a modest annual gain.</p> <p>11 Aug 2023</p>	 <p style="text-align: center;">Lifehood</p> <p style="text-align: center;">Impact</p>	4	31-Mar-2024	 Constant

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

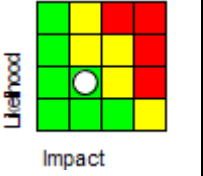
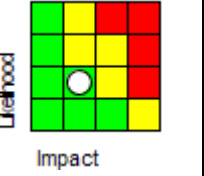
Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
<p>CHB Pensions 010 Targeted returns</p> <p>08-Mar-2018 Caroline Al-Beyerty</p>	<p>Cause: Fund managers (including the London CIV) fail to achieve the targeted investment returns because</p> <ul style="list-style-type: none"> unsuitable fund managers are appointed, individual fund managers underperform against the benchmarks agreed by the Committee, aggregate fund manager performance fails to achieve the long-term targets, Number of investors in a fund may diminish below a minimum level causing the fund to close. <p>Event: Failure to be seen to manage the funds responsibly.</p> <p>Effect: Supervisory intervention over management of the Funds.</p>	 <p>6</p>	<p>6</p>	<p>The performance of fund managers and their aggregate performance is reported against target to the Pensions Committee. The Pensions Committee will set a diversified investment strategy to mitigate volatility and as such it expects different parts of the strategy to outperform at different times.</p> <p>The London CIV is a pooling vehicle for which the City of London Pension Fund is a shareholder. Currently 21 20% of CoL PF assets under management are held in two funds – Global Alpha Growth Fund (managed by Bailie Gifford) and Alternative Credit Fund (managed by CQS).</p> <p>11 Aug 2023</p>	 <p>6</p>	<p>31-Mar-2024</p>	<p></p> <p>Constant</p>	

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

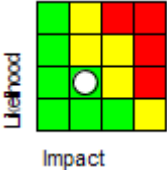
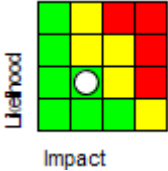

	Members to account for their performance as and when deemed necessary/as required.				
CHB Pensions 010b	Under the Government pooling agenda, London CIV is the asset pool operator for London LGPS funds. The LCIV holds monthly updates for Shareholders advising on latest developments for examples, product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

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

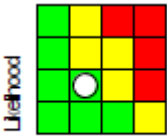
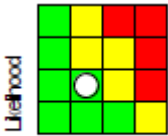

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB Pensions 003a	The Pension Fund asset allocation is established to ensure appropriate exposure to asset classes.	The Pension fund asset allocation remains within tolerance of control ranges established by Financial Investment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

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
CHB Pensions 004 Breach of GDPR / Data Protection regulations 10-Nov-2022	Cause: (i) Ineffective procedures. (ii) Inadequately trained staff. (iii) Data Accuracy. (iv) Lack of resources. Event: Scheme members' personal data is released to an unauthorised third party. Effect: (i) Breach of GDPR / Data Protection regulations. (ii) Financial penalties/ sanctions. (iii) Reputational damage	 Likelihood Impact	4	Personal data may be accidentally issued to an incorrect third party or body – e.g. an old postal address may be held for a scheme member or an error is made whilst typing an email address. A breach of the GDPR / DP regulations may lead to financial penalties and sanctions being imposed by the governing industry bodies such as the Pensions Regulator or Information Commissioner's Office. 11 Aug 2023	 Likelihood Impact	4	31-Mar-2024	Constant

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

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
CHB Pensions 006 Employer Insolvency 17-Dec-2019 Kate Limna	Cause: Processes not in place to capture or review covenant of individual employers. Event: Employer becomes insolvent or is abolished with insufficient funding to meet liabilities. Effect: Fund would pick up the liabilities potentially leading to increased contribution rates for other employers.		4	Since 2013 the LGPS regulations generally require all admission bodies to enter into an indemnity or bond to cover the possibility of an employer becoming insolvent or prematurely leaving the Fund. This would mean the Fund and the remaining employers would have to meet the outgoing employer's liabilities in the Fund. The actuary assesses the value of these risks to the Fund and sets the value for a bond, generally for a three-year period. It is generally a requirement of the City of London for all new admission agreements to have a bond and the responsibility of the admission body to arrange and regularly reassess the bond. 11 Aug 2023		4	31-Mar-2024	 Constant

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

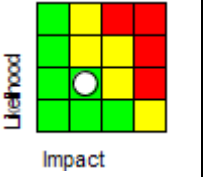
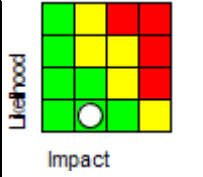

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
CHB Pensions 007 Cyber Security 17-Dec-2019 Kate Limna	Cause: IT system failures due to ineffective procedures, or Inadequately trained staff. Event: Breach of Corporate IT systems and Cyber security. Effect: Inaccurate benefits paid or delayed to scheme members. Financial penalties/ sanctions. Breach of Data Protection regulations. Loss/corruption of data	 Likelihood Impact	4	<p>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.</p> <p>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.</p> <p>11 Aug 2023</p>	 Likelihood Impact	4	31-Mar-2024	 Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB Pensions 007a	Pensions administration staff to be aware of the corporate policy regarding cyber security and to follow the guidelines given.	Corporate online training regarding cyber-security to be carried out by all staff and reviewed as required.	Graham Newman	11-Aug-2023	31-Mar-2024
CHB Pensions 007b	Corporate and departmental specific software to be updated as required to ensure the latest and most secure version is being used.	To ensure the most up-to-date software is being used, staff should update their computers as and when prompted.	Graham Newman	11-Aug-2023	31-Mar-2024
CHB Pensions 007c	Ensuring that the pensions administration software is included in the departmental business continuity plans	Updating the business impact analysis details used in the departmental continuity plan as required.	Graham Newman	11-Aug-2023	31-Mar-2024
CHB Pensions 007d	Pensions administration staff to be aware of Data Protection legislation	Data Protection reviewed and all staff reminded of the legislation and its importance. Processes amended for home working, ensuring the protection of scheme member data.	Graham Newman	11-Aug-2023	31-Mar-2024

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB Pensions 008a	Job descriptions used at recruitment to attract candidates with skills and experience related to LGPS administration. The appraisals process to monitor progress and assess training needs.	Ensuring that candidates with the necessary skills and abilities are employed by the City. Once in post, staff continue to receive relevant training and attend courses, seminars and conferences when appropriate. Have trained multiple team members for extra duties due to parental leave cover.	Graham Newman	11-Aug-2023	31-Mar-2024
CHB Pensions 008b	Pensions administrator staff are trained to use the pensions administration software.	Ensuring that administrators are fully trained to use the pension administration software to enable them to provide accurate and efficient calculations. In addition, administrators should know the correct process to report to the software provider any errors encountered with the system in order that they can be investigated and resolved.	Graham Newman	11-Aug-2023	31-Mar-2024
CHB Pensions 008c	Practical disaster recovery/succession plans in place to ensure continuity in the event that key staff leave or are unable to work for a prolonged period of time.	Ensuring that skill sets are not restricted to one staff member alone. Priority cases and work types are identified to ensure continuation in the event that staff or other resources become unavailable. Disaster Recovery reviewed in light of hybrid working	Graham Newman	11-Aug-2023	31-Mar-2024
CHB Pensions 008e	Accurate and appropriate checking procedures in place at all areas of administration.	All checking procedures reviewed and where necessary amended due to take account of hybrid working.	Graham Newman	11-Aug-2023	31-Mar-2024
CHB Pensions 008f	Scheme Member records are kept up to date, with any amendments being made as appropriate.	Ensuring that all administrative staff are aware of the amendments that must be made to a member record during the course of their scheme membership and that they are trained in how to make the necessary changes and updates.	Graham Newman	11-Aug-2023	31-Mar-2024

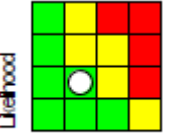
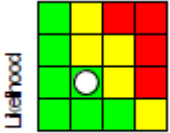

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
CHB Pensions 011 Service provider failure 08-Mar-2018 Kate Limna	Cause: Corporate,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

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

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
CHB Pensions 012 Governance/Legislative Compliance 08-Mar-2018 Kate Limna	<p>Cause: Lack of understanding of the applicable statutory requirements such as investment regulations, prudential code etc. Inadequate oversight of the operations and developments at the regional pool operator, the London CIV.</p> <p>Event: Committee Members and officers do not have appropriate skills or knowledge to discharge their responsibilities including the calculation and payment off benefits. Regulatory breach. The Pension Fund's pooled assets are managed inappropriately.</p> <p>Effect: Inappropriate decisions are made leading to a financial impact or a breach of legislation or service not provided in line with best practice and legal requirements. Potential regulatory fines. The financial value of the Pension Fund's assets is impaired.</p>		4	<p>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.</p> <p>11 Aug 2023</p>		2	31-Mar-2024	 Constant

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

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

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
		Lifehood	Impact		Lifehood	Impact		
<p>CHB Pensions 013 Responsible investment duties</p> <p>20-Jun-2019 Kate Limna</p>	<p>Cause: Insufficient attention is paid to the environmental, social and governance (ESG) dimensions of the Corporation's financial investments.</p> <p>Event: The Corporations' financial investments include an underappreciated exposure to negative ESG risks and the means to effectively manage such risks is not understood.</p> <p>Effect: The Corporation suffers reputational or financial damage.</p>	 Lifehood Impact	4	<p>The newly formed Pension Committee inherits an advanced approach to responsible investment and asset stewardship. The Corporation (via the Financial Investment Board) has formally recognised its asset stewardship role and the need to manage ESG risks through its Responsible Investment Policy which also outlines the Corporation's approach in this area. The City of London Corporation (as a whole) is a signatory to the Principles for Responsible Investment.</p> <p>The Financial Investment Board undertook an in depth review of its climate risk exposure in 2021 resulting in a commitment to achieve net zero carbon emissions by 2040 together with the development of interim goals via a transition pathway.</p> <p>11 Aug 2023</p>	 Lifehood Impact	4	31-Mar-2024	
								Constant

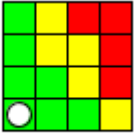
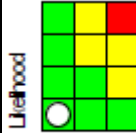
Action no	Action description	Latest Note		Action owner	Latest Note Date	Due Date
CHB Pensions 013a	Reporting on responsible investment activities to the Principles for Responsible Investment is completed on an annual basis. The Committee (along with other relevant Committees/Boards) will receive an annual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

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

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
CHB Pensions 005 Fraud 17-Dec-2019 Kate Limna	<p>Cause: (i) Not notified of death. (ii) Staff acting inappropriately (iii) Pension transfer scams</p> <p>Event: (i) Fraudulent claim of pension benefits (ii) pension benefits transferred to an inappropriate / unauthorised body.</p> <p>Effect: (i) Continued payment of pensions following death. (ii) Overpaid pensions. (iii) Financial loss for the Fund (iv) Financial loss for the scheme member (v) Financial penalties / sanctions (vi) Reputational damage</p>	<p>Lifehood Impact</p>	2	<p>If the death of a LGPS beneficiary is not reported, their pension may continue to be paid when there is no longer an entitlement.</p> <p>This may be a deliberate failure to report the death or may be where there is no fraudulent intention, but in either case it will lead to benefit overpayment and a potential financial loss.</p> <p>Scammers design attractive offers to persuade members to transfer their pension pot to them or to release funds from it. It is then invested in unusual and high-risk investments or simply stolen outright.</p> <p>11 Aug 2023</p>	<p>Lifehood Impact</p>	2	31-Mar-2024	Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB Pensions 005a	Robust fraud protection/detection processes	Use of Mortality Screening Service and Tell Us Once Service [Government initiative that allows us to be notified of a death when registered]. Participation in the National Fraud Initiative. Annually sending Life Certificates to Overseas Pensioners.	Graham Newman	11-Aug-2023	31-Mar-2024
CHB Pensions	Ensuring all members that are considering transferring	All correspondence sent to scheme members considering a transfer-out of the scheme must	Graham	11-Aug-	31-Mar-

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

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
CHB Pensions 002 Actuarial valuation 17-Dec-2019 Kate Limna	<p>Cause: Inappropriate assumptions used by the Actuary/ Inaccurate data supplied to the Actuary for the triennial valuation.</p> <p>Event: Unsuitable triennial actuarial valuation.</p> <p>Effects: Employer contribution rates insufficient to maintain long term cost efficiency & solvency.</p>	 <p>Liability Impact</p>	1	<p>The latest full actuarial valuation of the Pension Fund, using member data and investment asset information as at 31 March 2019 <u>31 March 2022</u>, 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 <u>1 April 2023</u>. The 2022 initial actuarial valuation results were presented to the November Pensions Committee and is currently being finalised. Once completed, it will set the employers rates from 1 April 2023.</p> <p>11 Aug 2023</p>	 <p>Liability Impact</p>	1	31-Mar-2024	Constant

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

002b		<p>form, formal sign off has been delayed until the City Fund audit is completed. Whilst the City Fund accounts have been completed, a wider issue has arisen within local government around accounting for infrastructure assets; this has meant that any local authority accounts that were not signed off prior to this issue being raised cannot be finalised until the issue is resolved. A formal resolution in consultation with CIPFA has recently been agreed and guidance is being issued. The draft Annual Report for 2020/21 was published on the City's LGPS website by the statutory date of 1 December 2021.</p> <p>The Pension Fund Accounts for the year ending 31 March 2022 are currently awaiting publication in draft format within the City Fund Accounts. The City Fund accounts have been completed but have been delayed by the 2020/21 accounting for infrastructure assets issue. A formal resolution has recently been agreed and guidance is being issued. The draft Pension Fund Annual Report for 2021/22 was uploaded onto the City of London Pensions website by 1 December 2022.</p> <p><u>The Pension Fund Statement of Accounts for the year ending 31 March 2023 were published in draft format within the City Fund Accounts on the 12 July 2023. The Pension Fund Financial Statements along with the City Fund Accounts (of which they form part) for 2020/21 and 2021/22 have not yet been signed off due to delays around the accounting treatment for infrastructure assets (which has now been resolved) and systemic challenges within the local authority audit framework where resourcing pressures have impacted the delivery of audits across all reporting local bodies in England. There has also been a change in auditor, with BDO LLP being the external auditors for 2020/21 and Grant Thornton LLP being the external auditors for 2021/22 onwards. Grant Thornton LLP cannot sign off the 2021/22 accounts until BDO LLP have signed off the 2020/21 accounts.</u> The delays are beyond Pension Fund control and have no material impact on the Fund's position.</p> <p><u>The 2022/23 Pensions Fund audit is currently underway.</u></p>	Limna; Graham Newman	2023	2024
CHB Pensions 002c	Checking for errors or inconsistencies in valuation extract report before submission to the Actuary	Officers review data quality prior to submission to the actuary. Additionally, scheme member data is submitted separately from employer level cash flow data, which are held on two distinct management information systems. As a result, errors are more easily identified during the valuation process itself. For example, if the scheme member data demonstrates that a given number of scheme members belonging to a single employer retired during the valuation period then this should also be evident from the benefit payments reported in the cash flow data.	Kate Limna; Graham Newman	11-Aug- 2023	31-Mar- 2024

Agenda Item 6

Committee(s) Pensions Committee	Dated: 12 September 2023
Subject: Pensions Scheme – Administrator’s Update	Public
Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?	N/A
Does this proposal require extra revenue and/or capital spending?	N
If so, how much?	N/A
What is the source of Funding?	
Has this Funding Source been agreed with the Chamberlain’s Department?	N/A
Report of: The Chamberlain	For Information
Report author: Graham Newman – Chamberlain’s Department	

Summary

The 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 20 June 2023. Members are asked to note the report and provide feedback.

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

Reporting Breaches of Pension Law	
Any audit reports relating to the administration of the Scheme	None to report.
Any reports relating to the administration of the Pension Scheme which have been considered by other Committees	None to report.
Guaranteed Minimum Pensions (GMP) Reconciliation	<p>A requirement has been placed upon all UK Pension Schemes by the Department for Work and Pensions (DWP) and the Pensions Regulator (tPR) to ensure scheme data is accurate and this includes Guaranteed Minimum Pensions (GMP) data which is jointly held by each scheme and by HMRC.</p> <p>Due to the ceasing of Contracting Out with effect from April 2016 HMRC will no longer process GMPs, therefore, each pension scheme is responsible for checking the data they hold matches that of HMRC.</p> <p>Contracting Out enabled scheme members to opt out of the State Second Pension (S2P), formerly known as State Earning Related Pension Scheme (SERPS), which is the element of the state pension based on National Insurance contributions. In return the member would receive a pension equivalent to S2P (had they not contracted out) payable from the scheme the member had contracted out with. This is known as the Guaranteed Minimum Pension (GMP)</p> <p>Mercers (formally JLT) have been commissioned to facilitate this project and a report will be brought to the Committee following the conclusion of the reconciliation.</p>
Pension Administration System	<p>The Pensions Office is currently in the process of implementing the Member Self-Service system. This system has the potential to allow members to access their pension record, make amendments to selected personal data (i.e. name, partnership status, death grant nominees) and to run their own retirement estimates. It may also provide a platform for providing annual benefit statements and other bulk mailings.</p> <p>In-house User Acceptance Testing of the system is being undertaken, and the expected 'go live' date for active scheme member self-service is September 2023, with self-service for deferred and pensioner members following at a later date.</p>
Public Sector Pensions Legal Challenge	<p><u>Lord Chancellor and Secretary of State for Justice v McCloud and others</u></p> <p>With effect from April 2015 (April 2014 for the LGPS) all public sector pension schemes were subjected to reforms that changed the way</p>

	<p>benefits were accrued and the date from which they would become payable.</p> <p>However, the legality of these reforms was successfully challenged and they were found to be discriminatory on the grounds of age. This challenge came to be referred to as ‘McCloud’.</p> <p>The government consulted on what method of ‘Remedy’ should be used to remove the discrimination and on 10 March 2022 the Public Service Pensions and Judicial Offices Act 2022 received Royal Assent.</p> <p>The main purpose of the Act was to set out the intention of the ‘McCloud Remedy’ and implement it in the public service pension schemes.</p> <p>However, the Act did not provide specific information as to how the remedy is to be implemented for individual schemes and further guidance and legislation was required before any action can be taken in respect of the LGPS.</p> <p>In April 2023, the Scheme Advisory Board, in collaboration with the Department for Levelling Up, Communities and Housing (DLUHC), published a factsheet summarising the remedy for members. This factsheet has been added to the City’s Pensions website and a link has been included in the 2023 Annual Benefit Statements (ABS). In addition, a link to the factsheet will be advertised on the City’s intranet to coincide with the distribution of the Annual Benefit Statements.</p> <p>The draft scheme regulations which would implement the remedy have been published and can be found at: bit.ly/43sT9DG DLUHC published a consultation in respect of these regulations which closed on 30 June 2023 to seek views in respect of this document.</p> <p>The Local Government Association (LGA) responded to the consultation on behalf of local authorities and their response can be found at https://www.lgpsregs.org/schemeregs/consultations.php</p>
<p>Pension Committee Training</p>	<p>All Members of the Committee are asked to register for tPR online training and complete the modules in respect of public sector pension schemes.</p> <p>The link for the online training is: https://www.thepensionsregulator.gov.uk/en/public-service-pension-schemes/understanding-your-role/learn-about-managing-public-service-schemes</p> <p>Details in respect of training modules completed by each Member are included on the non-public agenda (Appendix B)</p>
<p>Pensions Office Key Performance Indicators</p>	<p>As requested at the Committee meeting of 29 November 2022, Appendix C provides statistics in relation to the performance of the Pension Scheme Administration.</p> <p>The working processes followed by the Pensions Team are regularly reviewed to ensure the statistics accurately reflect the work involved.</p>

<p>Pensions Dashboards</p>	<p>Introduced by the Department for Work and Pensions (DWP), Pensions Dashboards have been designed to provide an online platform that will allow individuals to access details of their accrued pension benefits from multiple sources in one place. The intention is to support better planning for retirement, and help individuals reconnect with any pension pots they may have lost over time.</p> <p>In respect of Public Sector Pension Schemes, the initial expectation was that schemes would be required to connect to the online dashboard infrastructure by 30 September 2024.</p> <p>However a written Ministerial Statement made on 2 March 2023 stated that delays setting up the dashboard programme has meant that the original timetables have been re-considered. A revised staging timetable will be set out in guidance and all schemes in scope will need to connect by 31 October 2026. The staging timetable will indicate when schemes are scheduled to connect, based upon their size and type.</p> <p>The Pensions Regulator (TPR) updated its 'Failing to comply with dashboards duties' guidance in June 2023: (https://www.thepensionsregulator.gov.uk/en/trustees/contributions-data-and-transfers/dashboards-guidance/failing-to-comply-with-pensions-dashboards-duties). The purpose of the guidance is to outline what schemes will need to do to demonstrate that they have had regard to the staging timetable that will be set out in the connection guidance.</p> <p>TPR expectations of schemes to show they 'have regards to the connection guidance' includes:</p> <ul style="list-style-type: none"> • Connect to dashboards by the connection deadline of 31 October 2026 that is set out in legislation. Failure to do so could result in regulatory action by TPR. • A revised staging timetable will be set out in guidance which will indicate when schemes are scheduled to connect. All trustees and scheme managers must have regard to this guidance. Failure to do so will be a breach. • Although the timelines in the guidance will not be mandatory, schemes will be expected to demonstrate how they have had regard to the guidance. • A phased approach to staging enables a controlled and well-planned connection, reduces the risk of provider capacity constraints and means savers can realise the benefits of dashboards as early as possible. • Continuing to prepare for dashboards by engaging with those who will support them and their dashboard duties. <p>The Pensions Dashboards Programme (PDP) has updated their FAQs to reflect the new connection deadline announcement https://www.pensionsdashboardsprogramme.org.uk/faqs/</p>
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Recommendation

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

Appendices:

Appendix A – Annual Schedule of Events (Administration)

Appendix B – Member Training (NON PUBLIC)

Appendix C – KPI Details

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Local Government Pension Administration - Schedule of Events 2022/23

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

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

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

Task	Target	Quarter 1: 01/04/2023 – 31/07/2023	Result for the year 01/04/2023 – 31/03/2024
Initial payment of retirement benefits	5 days	95.52 %	95.52 %
Process refunds and make payments	5 days	93.10 %	93.10 %
Statement notifying estimate of retirement benefits	20 days	95.92 %	95.92 %
Statement detailing transfer-in credit	20 days	100.00 %	100.00 %
Transfers-out payments	20 days	100.00 %	100.00 %
Answering general correspondence	10 days	100.00 %	100.00 %
Payment of lump sum death grants	14 days	100.00 %	100.00 %
Letters to dependant's in respect of benefits due	5 days	100.00 %	100.00 %

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Committees: Audit and Risk Management Committee – For information Pensions Committee – For Information	Dated: 11 September 2023 12 September 2023
Subject: City Fund and Pension Fund Audit Plan 22-23	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?	N/A
Has this Funding Source been agreed with the Chamberlain’s Department?	N/A
Report of: The Chamberlain	For Information
Report author: Daniel Peattie, Assistant Director – Strategic Finance	

Summary

The attached External Auditor’s report outlines their work plan for undertaking the audit of the City Fund and Pension Fund Accounts for 2022/23. In addition, the report outlines the work they will undertake to reach a Value for Money conclusion on the Authority’s arrangements to secure economy, efficiency and effectiveness in the use of resources. The report also identifies specific risks and includes a statement of their fees.

Recommendations

The **Audit and Risk Management** Committee is asked to:

- **Note** the Indicative City Fund Audit Plan for 2022/23 as set out in Appendix 1.
- **Note** the Indicative Pension Fund Audit Plan for 2022/23 as set out in Appendix 2.

The **Pensions Committee** is asked to:

- **Note** the indicative Pension Fund Audit Plan for 2022/23 as set out in Appendix 2.

Main Report

Background and Current Position

1. The Audit and Risk Management Committee oversees the City of London Corporation’s systems of internal control and makes recommendations to the Finance Committee relating to the approval of the Annual Statements of Accounts – this includes the Pension Fund accounts.
2. The Authority published its draft accounts for the 2022/23 financial year on 12th July 2023, these can be found [here](#) and the audit of the draft accounts is expected to commence in September 2023 in-line with this plan.

3. Grant Thornton (GT) will be carrying out the external audit of the City Fund and Pension Fund accounts for 2022/23. It is considered good practice and part of the assurance framework for the External Auditor to report to the Audit and Risk Management Committee at regular intervals.
4. Grant Thornton will report the findings arising from their work on the 2022/23 audit to the Audit & Risk Committee on 6th November 2023.
5. As the Pension Fund accounts form part of the City Fund accounts as a whole, the Audit and Risk Management Committee retain ultimate responsibility for receiving and considering audit plans as well as receiving any reports arising from the audit. The Pension Fund Audit Plan for 2022/23 is included in Appendix 2; the audit plan and any reports arising from the audit will also be reported to the Pension Fund Committee.

Corporate & Strategic Implications

6. Strategic implications – There are no specific links to the Corporate Plan. However, the accounts assist the Authority in maintaining a clear and transparent dialogue regarding the its activities with residents and other stakeholders.
7. Financial implications – The fees for the audits are included within the appendices and can be met from the existing budget provision.
8. Legal implications – The recommendations of the report request the Audit and Risk Management Committee to note indicative Audit Plans for 2022/23, which outlines Grant Thornton’s planning and approach to the audit, including the audit timetable. The Committee is not requested to make any decision and there are no significant legal implications arising from the content of this report.

Conclusion

9. The attached External Auditor’s report outlines their work plan for undertaking the audit of the City Fund and Pension Fund Accounts for 2022/23. In addition, the report also outlines the work they will undertake to reach a Value for Money conclusion on the Authority’s arrangements to secure economy, efficiency and effectiveness in the use of resources. The report also identifies specific risks and includes a statement of their fees which have been reviewed and queried by officers as appropriate.

Appendices

- Appendix 1 – City Fund Audit Plan 22-23 (Audit & Risk Committee only)
- Appendix 2 – Pension Fund Audit Plan 22-23

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City of London Pension Fund audit plan

Year ending 31 March 2023

July 2023



Contents



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Key matters



Pension Fund developments and National context

In accordance with statutory regulations a Triennial valuation of the Pension Fund was completed by the City's independent consulting actuaries, Barnett Waddingham LLP, as at 31 March 2019 using the projected unit method and the resulting employers' contribution were implemented for the three financial years commencing 1 April 2020. A more recent valuation was undertaken as at 31 March 2022, and found that the Pension Fund's funding position had improved to 98% (from 90% as at 31 March 2019). Employers' contributions are set based on Triennial actuarial funding valuations. Since the last such valuation was at 31 March 2022, employer contribution rates resulting from this exercise will apply from 1 April 2023. For 2022/23, employer contribution rates range from 15.0% to 21.0% of pensionable pay.

The net investments have slightly decreased by £2.9m for the year ending 31 March 2023 with a valuation of £1,366.2m. This was £1,369.1m as at 31 March 2022. The net assets available to fund benefits as at 31 March 2023 have also decreased by £12.7m, to £1,375.4m (£1,388.1m as at 31 March 2022).

For the general population, rising inflation, in particular for critical commodities such as energy, food and fuel, is pushing many households into poverty and financial hardship, including those in employment.

The pressures on household income have raised concerns that members will look at their pension contributions as a way of cutting back on their monthly costs. The cost-of-living crisis is having a detrimental impact on pension savings, with some even dipping into their savings to supplement short-term needs and several members are also requesting early access to their pension after age 55 as a means to financially manage their commitments. The cost of living crisis makes it even more important that lowly paid workers have access to a good quality pension.

In planning our audit, we will take account of this context in designing a local audit procedures which are tailored to your risks, circumstances and also directed by the Triennial valuation report which may lead us to perform more detailed assessment of the data input in the valuation.

Key matters



Our Response

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out further in our Audit Plan, has been agreed with the Financial Services Director.
- We will continue to provide you and your Audit & Risk Management Committee with sector updates providing our insight on issues from a range of sources and other sector commentators.
- We hold annual financial reporting workshops for our clients to access the latest technical guidance and interpretation, discuss issues with our experts and create networking links with other clients to support consistent and accurate financial reporting across the sector.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of City of London Pension Fund ('the Pension Fund') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed engagement letter and contract. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Pension Fund's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit & Risk Management Committee).

The audit of the financial statements does not relieve management or the Audit & Risk Management Committee of your responsibilities. It is the responsibility of the Pension Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Pension Fund is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Pension Fund's business and is risk based.



Introduction and headlines

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management Override of Controls
- Valuation of Level 3 Investments

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality as a whole to be £15.8m (PY £13.9m) for the Pension Fund, which equates to 1.2% of your reported draft gross investment assets as at 31 March 2023.

We have also determined fund account - specific planning materiality to be £4.3m, which equates to 7.5% of your reported draft fund gross expenditure as at 31 March 2023.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.81m (PY £0.69m).

Audit logistics

Our interim visit will take place in July 2023 and our final visit will take place between August and September 2023. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our proposed fee for the audit will be £53k (PY 42k) for the Pension Fund, subject to the Pension Fund delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

New Auditing Standards

There are two auditing standards which have been significantly updated this year. These are ISA 315 (Identifying and assessing the risks of material misstatement) and ISA 240 (the auditor's responsibilities relating to fraud in an audit of financial statements). We provide more detail on the work required later in this plan.

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Presumed risk of fraud in revenue recognition ISA (UK) 240	Pension Fund	<p>Under ISA (UK) 240, there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> - there is little incentive to manipulate revenue recognition - opportunities to manipulate revenue recognition are very limited - the culture and ethical frameworks of local authorities, including City of London and Pension Fund, mean that all forms of fraud are seen as unacceptable <p>Therefore, we do not consider this to be a significant risk for City of London Pension Fund.</p>	Significant risk rebutted
Management over-ride of controls	Pension Fund	<p>Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Pension Fund faces external scrutiny of its spending and its stewardship of its funds, this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for the Pension Fund, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Evaluate the design effectiveness of management controls over journals. • Analyse the journals listing and determine the criteria for selecting high risk unusual journals. • Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration. • Gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence. • Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Level 3 investments	Pension Fund	<p>You value your investments on an annual basis with the aim of ensuring that the carrying value of these investments is not materially different from their fair value at the balance sheet date.</p> <p>By their nature, Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (PY: £203m) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Under ISA 315, significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>Management utilise the services of investment managers as valuation experts to estimate the fair value as at 31 March 2023.</p> <p>We therefore have identified Valuation of Level 3 Investments as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes for valuing Level 3 investments and gain an understanding over the role of the custodian in the valuation process; • review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met; • independently request year-end confirmations from investment managers and the custodian; • for a sample of investments, test the valuation by obtaining and reviewing the audited accounts, at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconcile those values to the values at 31 March 2023 with reference to known movements in the intervening period; • in the absence of available audited accounts, we will evaluate the competence, capabilities and objectivity of the valuation expert; and • review investment manager service auditor report on design and operating effectiveness of internal controls.

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.' (ISA (UK) 315).

Management should expect engagement teams to challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto. Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Other risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Local Government Pension Scheme triennial valuation	Pension Fund	<p>Regulation 62 of the Local Government Pension Scheme (LGPS) requires pension fund administering authorities to obtain an actuarial valuation of the fund's assets and liabilities every three years. Triennial funding valuation reports as at 31 March 2022 were required to be obtained by 31 March 2023.</p> <p>The LGPS is a complex pension scheme with numerous participants, investment portfolios, and various financial and actuarial assumptions. The valuation process involves assessing the fund's assets and liabilities, projecting future cashflows, and making assumptions about investment returns, inflation rates, life expectancies, and other variables.</p>	<p>We will:</p> <ul style="list-style-type: none"> review the methods used to calculate the estimate, including the models used.; review the actuarial reports and assess the reasonableness of the assumptions made in the reports; perform tests on the accuracy and completeness of the data used in the valuation process. This includes examining source documents and reconciling data to supporting records. evaluate the adequacy and accuracy of the disclosures related to the LGPS triennial valuation within the financial statements.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report.

'In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them.' (ISA (UK) 315).

Other matters

Other work

The Pension Fund is administered by The City of London Corporation (the 'Authority'), and the Pension Fund's accounts form part of the Authority's financial statements.

Therefore, as well as our general responsibilities under the Code of Practice a number of other audit responsibilities also follow in respect of the Pension Fund, such as:

- We read any other information published alongside the Authority's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.
- We consider our other duties under legislation and the Code, as and when required, including:
 - Giving electors the opportunity to raise questions about your 2022/23 financial statements, consider and decide upon any objections received in relation to the 2022/23 financial statements;
 - Issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State.
 - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
 - Issuing an advisory notice under Section 29 of the Act.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
1	<p>Determination</p> <p>We have determined financial statement materiality based on the following:</p> <ul style="list-style-type: none"> Materiality as a whole – planning materiality has been determined as £15.8m (PY £13.9m) for the Pension Fund, which equates to 1.2% of your reported draft gross investment assets as at 31 March 2023. Fund account - specific materiality has been set for transactions within the fund account other than those related to investment activities. Planning materiality has been determined as £4.3m, which equates to 7.5% of your reported draft fund gross expenditure as at 31 March 2023. <p>We have reassessed the materiality levels set for Pension Funds for our public sector audits nationally. This has led to this revised approach of setting two materiality's for the Fund account and another for the remaining balances. This reflects the disparity in value between the Fund Accounts and the Pension Funds asset base. Our view is this will provide a more proportionate level of focus on both aspects of our audit work.</p>	<p>We determine planning materiality in order to:</p> <ul style="list-style-type: none"> establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; assist in establishing the scope of our audit engagement and audit tests; determine sample sizes and; assist in evaluating the effect of known and likely misstatements in the financial statements.
2	<p>Other factors</p> <p>An item does not necessarily have to be large to be considered to have a material effect on the financial statements.</p>	<p>An item may be considered to be material by nature where it may affect instances when greater precision is required. We have identified transactions in the Fund account (contributions, benefit payments, management expenses) as transactions where we will apply a lower materiality level due to the following:</p> <ul style="list-style-type: none"> paying pensions and collecting contributions are core aspects of what a LGPS fund does; current pensioners and prospective pensioners will want assurance that pension payments are accurate; employers and prospective pensioners will want assurance that contributions are accurate. <p>We have set a materiality of £4.3m for the fund account transactions.</p>

Our approach to materiality

Matter	Description	Planned audit procedures
3	<p>Reassessment of materiality</p> <p>Our assessment of materiality is kept under review throughout the audit process.</p>	<p>We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.</p>
4	<p>Other communications relating to materiality we will report to the Audit and Risk Management Committee</p> <p>Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>	<p>We report to the Audit and Risk Management Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.</p> <p>In the context of the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.81m (PY £0.69m). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Risk Management Committee to assist it in fulfilling its governance responsibilities.</p>

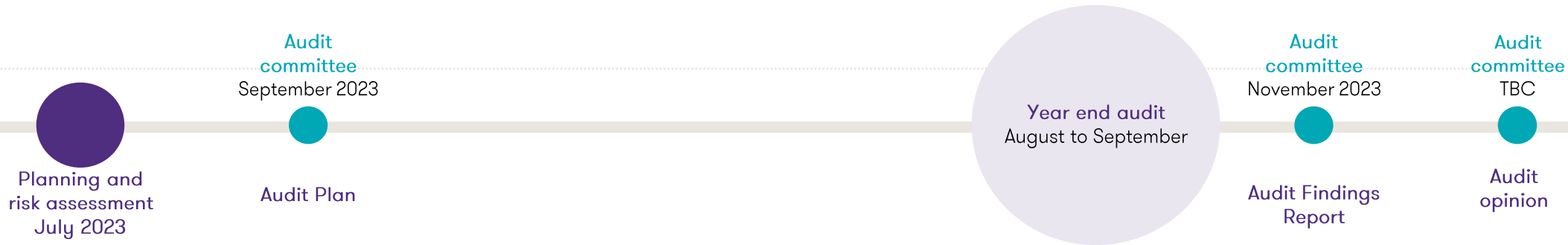
IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs. We say more about ISA 315 Revised on slide 17.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
Oracle E-Business Suite (General ledger)	Financial reporting	The IT Audit Team have carried out a review of the design and implementation of the City of London Corporation's (administering authority) general ledger, Oracle EBS - CBIS (Main ERP system hosted by City of London Corporation, used by the City of London Corporation Pension Fund).
Altair	Pension Administration	We will review the general IT controls in place for Altair.

Audit logistics and team



Paul Dossett, Key Audit Partner

Paul is the Engagement Lead, for the Pension Fund, leads the work performed on the audit. Signs the audit opinion and holds regular meetings with senior officers.



Nick Halliwell, Audit Manager

Nick is responsible for the overall management of the Pension Fund's audit and the quality assurance of audit work and output. Nick will attend Audit and Risk Management Committee, undertake reviews of the team's work and draft reports.



Antoinette Mtembu, Assistant Manager

Antoinette is the key audit contact responsible for the day-to-day management and delivery of the audit work.

Audited Entity responsibilities

Where audited entities do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. Where the elapsed time to complete an audit exceeds that agreed due to an entity not meeting its obligations, we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an entity not meeting their obligations, we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to :

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes;
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you;
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing;
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit;
- respond promptly and adequately to audit queries.

Audit fees and updated Auditing Standards including ISA 315 Revised

In 2022, we were awarded a contract of audit for City of London Pension Fund to begin with effect from 2021/22. The fee agreed in the contract was £35k. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2022/23 audit. For details of the changes which impacted on years up to 2021/22 please see our prior year Audit Plan.

The major change impacting on our audit for 2022/23 is the introduction of ISA (UK) 315 (Revised) - Identifying and assessing the risks of material misstatement ('ISA 315'). There are a number of significant changes that will impact the nature and extent of our risk assessment procedures and the work we perform to respond to these identified risks. Key changes include:

- Enhanced requirements around understanding the Pension Fund's IT Infrastructure, IT environment. From this we will then identify any risks arising from the use of IT. We are then required to identify the IT General Controls ('ITGCs') that address those risks and test the design and implementation of ITGCs that address the risks arising from the use of IT.
- Additional documentation of our understanding of the Pension Fund's business model, which may result in us needing to perform additional inquiries to understand the Pension Fund's end-to-end processes over more classes of transactions, balances and disclosures.
- We are required to identify controls within a business process and identify which of those controls are controls relevant to the audit. These include, but are not limited to, controls over significant risks and journal entries. We will need to identify the risks arising from the use of IT and the general IT controls (ITGCs) as part of obtaining an understanding of relevant controls.
- Where we do not test the operating effectiveness of controls, the assessment of risk will be the inherent risk, this means that our sample sizes may be larger than in previous years.

These are significant changes which will require us to increase the scope, nature and extent of our audit documentation, particularly in respect of your business processes, and your IT controls. We will be unable to determine the full fee impact until we have undertaken further work in respect of the above areas. However, for a Pension Fund of your size, we estimate an initial increase of £4,500. We will let you know if our work in respect of business processes and IT controls identifies any issues requiring further audit testing. There is likely to be an ongoing requirement for a fee increase in future years, although we are unable yet to quantify that.

The other major change to Auditing Standards in 2022/23 is in respect of ISA 240 which deals with the auditor's responsibilities relating to fraud in an audit of financial statements. This Standard gives more prominence to the risk of fraud in the audit planning process. We will let you know during the course of the audit should we be required to undertake any additional work in this area which will impact on your fee.

Taking into account the above, our proposed work and fee for 2022/23, as set out below, is detailed overleaf (and has been agreed with the Financial Services Director).

Audit fees

Proposed fee
2022/23

City of London Pension Fund tendered Audit fee	£35,000
Pension Fund Letters requested by other auditors- same as in prior year	£6,000
IAS 19 letters requested by BDO- same as prior year	£1,000
ISA 315	£4,500
Additional IAS 19 letters requested by Crowe	£1,000
Additional file sharing and work requested by Crowe	£1,500
Total audit fees (excluding VAT)	£49,000

- As Auditor of the pension fund, we are required to provide assurance to the auditors of admitted bodies in the of IAS 19 Assurance letters. This is an additional requirement to provide assurance for the pension fund financial statements. As this additional work is to support the IAS 19 for admitted bodies, the Pension Fund will need to determine whether to recharge the cost to these bodies.
- Note that fees for IAS 19 letters for admitted bodies were classed as non-audit fees prior to 2022/23. The National Audit Office have confirmed that the provision of IAS 19 assurances should be considered work undertaken under the Code of Audit Practice for 2022/23 audits onwards.
- Therefore, worth noting that the fee reported last year was £35k and a further £7k of non-audit fees. For comparability reasons have therefore shown this fee with both elements included in the above table.

Assumptions

In setting the above fees, we have assumed that the Pension Fund will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Independence

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund.

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud (deliberate manipulation) involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.



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Agenda Item 8

Committee(s): Pensions	Dated: 12 September 2023
Subject: Department for Levelling Up, Housing & Communities (DLUHC) Consultation on Local Government Pension Scheme	Public
Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?	ALL
Does this proposal require extra revenue and/or capital spending?	N/A
If so, how much?	£
What is the source of Funding?	N/A
N/A	Y/N
Report of: The Chamberlain	For Information
Report author: Kate Limna – Corporate Treasurer	

Summary

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

The Government believes that while the primary purpose of the investments is for long term stable returns in order to pay pensions for its members, there is scope to deliver substantial benefits to the UK as a whole at the same time. Good management of the LGPS is important for financial stability of local councils and ultimately is in the interests of local taxpayers.

As a reminder, administering authorities are responsible for the asset allocations of their Fund and these are set so as to ensure stable employer contribution rates and that pensions can be paid out now and in the future. Each Fund’s asset allocation will depend on their funding position, deficit recovery plan and how mature they are.

The consultation is seeking views on proposals in 5 areas as follows:

- The acceleration and expansion of pooling with administering authorities confirming how they invest their funds and why. There is a proposal for a deadline for listed asset transition by March 2025, and going forward the government wants to see a transition towards fewer pools to maximise the benefit of scale.
- Funds will be expected to have a plan to invest up to 5% of assets to support levelling up in the UK.
- Proposals of an ambition to increase investment into high growth companies via unlisted equity, including venture capital and growth equity.

- Proposed amendments to the LGPS Regulations to implement requirements in pension funds that use investment consultants. These amendments are needed to implement the requirements of an order made by the Competition and Markets Authority (CMA) in respect of the LGPS.
- A technical change to the definition of investments within the LGPS regulations.

There are a total of 15 questions and these are set out in the Appendix and the full consultation document can be found [here](#).

Responses to consultations are delegated to the relevant Chief Officer, in this case the Chamberlain and we will be formalising the response over the next few weeks. Key concerns are around the practicalities of transferring assets within a short time frame and definitions around levelling up and private equity. We will be liaising with the London CIV and other administering authorities.

Recommendation:

Members are asked to note the report.:

Appendix

Appendix – Consultation Questions: Local Government Pension Scheme (England and Wales): Next Steps on Investments:

Kate Limna

Corporate Treasurer – Chamberlain’s Department

T: 020 7332 3952

E: kate.limna@cityoflondon.gov.uk

**Consultation Questions: Local Government Pension Scheme (England and Wales):
Next Steps on Investments**

Chapter 2: Asset pooling in the LGPS

No	Question
1	Do you consider that there are alternative approaches, opportunities or barriers within LGPS administering authorities' or investment pools' structures that should be considered to support the delivery of excellent value for money and outstanding net performance?
2	Do you agree with the proposal to set a deadline in guidance requiring administering authorities to transition listed assets to their LGPS pool by March 2025?
3	Should government revise guidance so as to set out fully how funds and pools should interact, and promote a model of pooling which includes the characteristics described above?
4	Should guidance include a requirement for administering authorities to have a training policy for pensions committee members and to report against the policy?
5	Do you agree with the proposals regarding reporting? Should there be an additional requirement for funds to report net returns for each asset class against a consistent benchmark, and if so, how should this requirement operate?
6	Do you agree with the proposals for the Scheme Annual Report?

Chapter 3: LGPS investments and levelling up.

Qu	Question
7	Do you agree with the proposed definition of levelling up investments?
8	Do you agree that funds should be able to invest through their own pool in another pool's investment vehicle?
9	Do you agree with the proposed requirements for the levelling up plan to be published by funds?
10	Do you agree with the proposed reporting requirements on levelling up investments?

Chapter 4: Investment opportunities in private equity

Qu	Question
11	Do you agree that funds should have an ambition to invest 10% of their funds into private equity as part of a diversified but ambitious investment portfolio? Are there barriers to investment in growth equity and venture capital for the LGPS which could be removed?
12	Do you agree that LGPS should be supported to collaborate with the British Business Bank and to capitalise on the Bank's expertise?

Chapter 5: Improving the provision of investment consultancy services to the LGPS.

Qu	Question
13	Do you agree with the proposed implementation of the Order through amendments to the 2016 Regulations and guidance?

Chapter 6: Updating the LGPS definition of investments.

Qu	Question
14	Do you have any comments on the proposed amendment to the definition of investments?

Chapter 7: Public sector equality duty

Qu	Question
15	Do you consider that there are any particular groups with protected characteristics who would either benefit or be disadvantaged by any of the proposals? If so, please provide relevant data or evidence

Committee(s): Pensions	Dated: 12 September 2023
Subject: Climate Action Strategy Update	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	All
Does this proposal require extra revenue and/or capital spending?	N/A
If so, how much?	£
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain's Department?	N/A
Report of: Director of Innovation & Growth and The Chamberlain	For Information
Report author: Simi Shah, Director of Climate Action, Innovation and Growth Kate Limna, Corporate Treasurer, Chamberlains	

Summary

This paper provides information on the history, current status and future plans for the Financial Investments workstream under the Climate Action strategy. This is the first update provided to support Members of the Pensions Committee in any future decision making regarding aligning the Corporation's pension investments with the Climate Action Strategy (CAS). Progress on Climate action will be reported to this Committee 2 to 3 times a year depending on the Committee cycle.

The Year 3 (23-24) plan has 4 sub-workstreams

1. Engagement with Fund managers- progress has been good and we follow an engagement first approach working with managers to challenge them to be more ambitious where needed to incite sustainable change in the asset management sector and then wider market.
2. Taskforce for Climate Related Financial Disclosures is produced on financial investments, split by Fund. The report is expected to be finalised in the autumn and will go to the Policy & Resources Committee for approval
3. Track KPIs - Members will note that there are issues in terms of measuring and accuracy of data around emissions, particularly for government and sovereign bonds and that officers are working to find a solution.
4. Memberships and networks

Recommendations

Members are asked to note the report.

Main report

Background

1. The Climate Action Strategy (the Strategy) was adopted by the Court of Common Council for the City Corporation, both as Trustee of BHE and in delivering its wider functions and activities, on the 8 October 2020. This marked the start of a new and transformative programme of action. It set out three interlinked primary objectives for the City Corporation (including Bridge House Estates (BHE) of which it is a trustee) and the Square Mile
 - to support the achievement of net-zero emissions,
 - to build resilience, and
 - to champion sustainable growth.
2. The Strategy was adopted with action plans across thirteen delivery areas to collectively achieve overall targets of:
 - Net Zero in our own operations by 2027
 - Net Zero in our value chain including our investments and supply chain by 2040.
 - Net Zero in the Square Mile by 2040
 - Climate resilient in our buildings, public spaces and infrastructure
3. Implementation of the Strategy is done under programme management of thirteen workstreams held in six departments reporting to over 10 committees. Policy & Resources Committee serves as the central oversight committee for activities under City Fund and City Cash, and Bridge House Estates (BHE) Investment Committee for activities under BHE funds.
4. Key CAS terminology is set out in Appendix 1.
5. The Financial Investments workstream looks after the alignment of our financial long-term portfolios for all three funds (Pensions, City's Cash and Bridge House Estates). Controlling emissions arising from our investments into underlying assets is Scope 3 and relates to the 2040 goal to reduce the Corporation's value chain emissions. The workstream is a joint endeavour between the CAS Strategic Implementation Team in Innovation & Growth and the Corporate Treasury Team within the Chamberlain's Department in consultation with the Sustainable Finance Policy team in Innovation & Growth. This combined effort ensures alignment with the Climate Action Strategy but also the wider work of the Corporation around the UK as a leader in sustainable finance. This workstream has a primary objective of managing the Corporation's Fund Managers against the responsible investment policy. It has a secondary objective to incite change in the wider market by demonstrating leadership within our portfolios. Decisions on climate are integrated with other factors such as performance, portfolio diversification etc. This integration is aligned and integral to practices across the Climate Action programme.
6. Interim targets have been set for each workstream in aggregate across all Funds. Progress against these targets is reviewed every year in an annual carbon footprinting exercise conducted across the entire value chain and reported in the Climate Action Strategy Annual Report. This report is then presented to internal officer and Member governance, published publicly and used to inform the next

year's business planning under CAS. This ensures that the CAS programme is both consistent to original targets but nimble in approach to achieving them successfully. The 2023 report will be issued in the autumn, following approval from Policy & Resources Committee and BHE Investment Committee. The report also includes any achievements or challenges in meeting those targets.

7. The interim targets for the financial investments are as follows:
 - 24% reduction in absolute emissions by 2025 from the 2019 baseline figure.
 - 55% reduction in absolute emissions by 2030 from the baseline figure.
8. Management and target KPIs are also set across the programme and are reported quarterly on the public dashboard located on the City Corporation website. The KPI set for each workstream has been set from a baseline and new KPIs have been added to the yearly plans and public Dashboard where relevant. The Dashboard can be found [here](#).
9. The plan for each workstream is prepared on an annual basis and presented across the Climate Action Programme in summary form to Members at the Policy & Resources Committee in April of each year. The Year 3 (2023-24) Plan (which covers Pension Fund, City's Cash and Bridge House Estates financial investments) is attached at Appendix 2 on the non-public agenda, for information. The financial investment workstream is in a state of evolution and refinement. As part of the CAS and to assist with the financial investments workstream funding has been provided for a Responsible Investment & Engagement Manager post, which was recruited to in June 2022.
10. These Plans describe the activities for the year, notes risks and opportunities and reports governance plans, staffing and KPIs for the year ahead. The Y3 (2023-24) plan for financial investments covers activities for all three funds (Pensions, City's Cash and Bridge House Estates) under the same workstream. Progress during the year against the full Climate Action Strategy plan is reported to Policy & Resources on a quarterly basis. The progress reports to service committees are different for each workstream. The previous practice with the Financial Investment Board (FIB) was 3 times a year as FIB only conducted 5 meetings a year. Officers recommend that progress should be reported 2 to 3 times per annum depending on the Committee cycle.
11. Every two years, a Taskforce for Climate Related Financial Disclosure (TCFD) is also produced on financial investments, split by Fund. In Year 3 of CAS (2023-2024), the report is expected to be finalised in the autumn and will go to the Policy & Resources Committee for approval.
12. At the time of the adoption of the Climate Action Strategy, the London Collective Investment Vehicle (LCIV) had a net zero target of 2050. Recognising the misalignment with Corporation targets, an early action in the Financial Investments workstream was to work with the LCIV for a more ambitious target. Fortunately, the LCIV was on a similar trajectory and set its 2040 goal in October 2021.
13. During the adoption of the CAS strategy there was operational and Member discussion on whether or not the Corporation could go faster than the original commitment of 66% Paris alignment in the portfolios by 2040 which was the target during when adopted by Court in October 2020. Therefore, as a planned onwards development of the Climate Action Strategy, Aon was commissioned to look at an

accelerated exercise for BHE and City Cash to determine if the target of net zero by 2040 for financial investments could be brought forward.

14. This was presented to Members of the (then current) Financial Investments Board (FIB), the BHE Chair and the Chair and Deputy Chair of the Finance Committee in a series of workshops held in the summer of 2021. It was collectively concluded at the time that an acceleration within the 2040 net zero target was advisable. It was recommended and accepted to extend the 2040 target to 100% of financial investments being included in net zero as compared to the previously determined 66%. This was adopted by the Financial Investments Board and the Policy & Resources Committee in October 2021 for the Corporation as well as the Court. Interim targets were redrawn to take this decision into account.
15. Achieving net zero by 2030 or 2035 was rejected at the workshop stage for all the funds due mainly to the expected short-term devaluation to the portfolio, the lack of suitable investment vehicles and for the Pension Fund, the expectation of specific regulations and Pooling.
16. Following adoption of CAS, it was an early action of the FIB to redraft the Responsible Investment Policy (RI Policy) to align with the new Strategy. The updated and current RI Policy notes that the Corporation is a long-term investor across all three funds and as such takes an engagement first approach as compared to divestment; the RI Policy is attached at Appendix 3. At the time of adoption, the FIB discussed the strength of the leadership position of the Corporation in challenging managers to work with holdings that were not compliant and then evidence around the lack of market changes with a divestment approach. Finally, the Corporation works with its investment advisors, Mercer, in identifying opportunities to join with other investors to engage managers to apply pressure to underlying holdings to manage a successful transition to net zero.
17. This Committee is currently reviewing the asset allocation of the Pension Fund following the 2022 triennial valuation and there is a separate paper on today's agenda. Members will also be aware of the current consultation from DLUHC on *the LGPS: Next Steps on Investments*. Whilst this does not cover climate action, there are potentially other obligations around the pooling agenda and levelling up.
18. The governance for the CAS programme has evolved with the changes made under Lisvane. Previously, a progress report on the Financial Investments workstream practice across the funds has always been in a state of evolution as the CAS matures.

Current Position

19. The Year 3 (23-24) plan has 4 sub-workstreams:
 - *Engagement with Fund Managers*: This is the bulk of the volume of activity under the workstream. An engagement plan is designed at the beginning of the year, held operationally and then adjusted quarterly. Fund Managers have a requirement to report figures and progress against net zero quarterly. These are collected and analysed by the internal team who identify points of further engagement for Managers who are reporting information which is not aligned with progress towards interim targets. The policy is again an engagement first approach working with managers to challenge them to be more ambitious where needed as this is what will incite sustainable change in the asset management sector and then wider market. Engagement is more complex with

regards to the LCIV but we have a good and open dialogue with the responsible investment and wider teams there.

- *Produce TCFD report:* refer to paragraph 11 above.
- *Track KPIs:* This is done quarterly for internal governance and to inform future areas of action. It is also used to prepare the Climate Action Strategy Annual Report and assists with the annual carbon footprint exercise,
- *Memberships and networks:* For financial investments, we consider what memberships and networks the Corporation should join. The teams monitor which initiatives are worth the investment of time and money.

Engagement with Managers

20. Over the last 12 months, initial engagement meetings have been undertaken with a number of fund managers to gain insight into their methodology and approach to climate change. Within UK Equity, Global Equity, Multi-Asset and Alternative Credit asset classes, all the managers are signatories to the PRI and produce reports in line with the TCFD recommendations. All fund managers, excluding Harris, also have net-zero commitments in place. Details of engagement meetings are set out in Appendix 4 on the non-public side of the agenda.

21. The challenges of the workstream are as follows:

- Recalculation of emissions associated with the bond portion of the portfolio for multi-asset managers.
- Managing differences in reported emissions between fund managers.
- Lack of national/international standards on data inclusion/measuring.

22. Pension Fund Regulations/Requirements The CAS programme keeps an extensive risk register across all 13 workstreams. The recognised risks of the financial workstream are as follows:

- The timing of strategic asset allocation: failure to implement CAS performance targets due to new or existing asset allocation.
- Degradation of international relationships/ public reputation due to CAS performance. Risking a loss of political support for CAS.
- Slow action on climate risks may have an impact on financial performance – loss in portfolio value.

Carbon Emission Data

23. Whilst undertaking this year's annual carbon footprint exercise, it has come to light that the multi-asset fund managers do not account for the UK Government and Sovereign bond holdings within their portfolio. Instead, the equity portion of their portfolio was scaled up to 100%, thus overstating the level of emissions associated with their portfolio. Following subsequent conversations with these fund managers, the main reason behind this is because carbon data for these types of holdings is still in its infancy and there is an absence of any 'industry standard' for non-corporate bonds.

24. The lack of maturity on carbon data and absence of industry standard for non-corporate bonds is a widely recognised issue within the industry and recognised by the Science-Based Targets Initiative (SBTi – a global initiative that defines and promotes best practice in emissions reductions and net-zero targets in line with

climate science) which states that sovereign bonds are not required to be included in financial investments inventories. Discussions with the Responsible Investment team at the London CIV confirmed that they follow the SBTi approach.

25. Two of the multi-asset managers have a significant portion of their portfolio in Government and Sovereign bonds, and officers are currently in the process of finalising a robust method that will enable the Corporation to more accurately reflect the emissions associated with these investments.
26. Once the carbon foot printing exercise has been completed and the issues around the Government and Sovereign bonds has been resolved, the data will be included in the CAS Annual Report, which once published, will be circulated to Members of this Committee.

Summary

27. This paper provides Members of the Pensions Committee with a history and current status update on the Climate Action Strategy. Members will note that there are issues in terms of measuring and the accuracy of data around emissions (particularly around government and sovereign bonds) and that officers are working to find a solution. In addition, the Pension Fund is subject to various Regulations and there is currently a consultation on pooling and investments (*LGPS: Next Steps on Investments*) and Members are currently reviewing the asset allocation for the Pension Fund, following the triennial valuation.

Appendices

Appendix 1 - Key Terminology

Appendix 2 - Y3 (2023-24) Plan (Non-Public)

Appendix 3 - RI Policy

Appendix 4 - Fund Manager Engagement Meeting Details (Non-Public)

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Key Terminology

Absolute Emissions – absolute emissions are the attributed share of total GHG emissions for a portfolio and is expressed in Tonnes of CO₂.

Carbon Intensity – the emissions rate per £m sales.

Carbon Footprint – the emissions rate per £m invested.

Science Based Targets Initiative (SBTi) - a partnership between CDP, the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). SBTi mobilises the private sector to take the lead on climate action. Whilst also showing companies and financial institutions how much and how quickly they need to reduce their greenhouse gas (GHG) emissions to prevent the worst effects of climate change.

Scope 1 Emissions – refer to direct greenhouse gas (GHG) emissions that occur from sources that are controlled or owned by an organisation.

Scope 2 Emissions – are indirect GHG emissions associated with the purchase of electricity, steam, heat, or cooling.

Scope 3 Emissions – all indirect emissions (not included in scope 2) that occur in the value chain.

TCFD – The Financial Stability Board (FSB) created the TCFD to develop recommendations on the types of information that companies should disclose to support investors, lenders, and insurance underwriters in appropriately assessing and pricing a specific set of risks—risks related to climate change.

PRI - The Principles of Responsible Investment works to:

- understand the investment implications of environmental, social and governance (ESG) factors;
- support its international network of investor signatories in incorporating these factors into their investment and ownership decisions

CITY OF LONDON CORPORATION RESPONSIBLE INVESTMENT POLICY

The City of London Corporation (the Corporation) is committed to being a Responsible Investor and the long term steward of the assets in which it invests. It expects this approach to protect and enhance the value of the assets over the long term.

The Corporation recognises it is consistent with its fiduciary duty to manage Environmental, Social and Corporate Governance ('ESG') issues that may be financially material. This policy sets out the Corporation's approach to Responsible Investment (RI) and details the actions the Corporation, and its external providers, take on its and other stakeholders behalf, to protect the Corporation and its assets from ESG and reputational risks.

As a long-term investor, the Corporation recognises that it should manage ESG risks including climate related financial risk that can be both long-term and short-term in nature. In addition, the Corporation seeks to identify investment opportunities and managers aligned with its long-term objectives. The Corporation is a signatory of the Principles for Responsible Investment (PRI). The foundations of the Corporation's approach are its **RI Beliefs**, which are set out below:

The City of London Corporation's Responsible Investment Beliefs

- The Corporation is a long-term investor and seeks to deliver **long-term sustainable returns**. Taking a sustainable investment view is more likely to create and preserve long-term investment capital.
- The identification and management of ESG risks that may be financially material is **consistent with our fiduciary duty**.
- The Corporation seeks to **integrate ESG issues including climate related financial risk at all stages of its investment decision-making process**, from setting investment strategy to monitoring its investment managers.
- **Active ownership** helps the realisation of long-term shareholder value. The Corporation has a **duty to exercise its stewardship and active ownership responsibilities** (voting and engagement) effectively by using its influence as a long-term investor to encourage responsible investment behaviour.
- The Corporation recognises that taking a **collaborative approach** with other investors can help to achieve wider and more effective outcomes.
- The Corporation seeks to identify **sustainable investment opportunities** where aligned with its broader investment objectives.
- It is important that the Corporation be **transparent and accountable** to members and stakeholders with respect to its RI activities.
- **Engagement for change** is our starting position but this will be kept under review as the Corporation reviews progress on delivering against its targets and commitments to responsible investment and managing financial risk.

- The Corporation recognises that climate change presents a systemic and material risk with the potential to impact our holdings throughout the portfolio. The Corporation is **committed to aligning our approach with the objectives of the Paris Agreement (2015)** for a below 2 degrees world. The Corporation works with managers, partners and networks who are seeking to do the same.

Implementation

The Corporation seeks to **integrate RI across its investment decision-making process**. The Corporation adopts a flexible approach to managing the investment strategies and asset allocation of its Funds in order to ensure they are robust from a risk and return perspective.

In setting and implementing its investment strategy, the Corporation takes advice from professional investment advisors. The Corporation **expects its investment advisors to consider proactively and integrate ESG issues including climate related financial risk** when providing investment advice.

The Corporation's assets are managed by third-party investment managers responsible for the day-to-day investment decisions, including undertaking voting and engagement activities on behalf of the Corporation. The Corporation **considers the approach to ESG integration and active ownership when selecting and monitoring investment managers**.

The Corporation will be looking to actively manage a downward trajectory path on the carbon emissions of the portfolio and set interim targets. Progress against reductions, Paris alignment and PRI agreements will be regularly monitored and reported annually.

The Corporation expects its external investment advisors and investment managers, including the London Collective Investment Vehicle (London CIV), to be signatories, and demonstrate commitment, to the PRI and any disclosure requirements in the jurisdictions in which they are regulated. The Corporation expects that UK asset managers are actively preparing for TCFD disclosure ahead of regulation and encourages non-UK based managers to consider the same.

Active Ownership

The Corporation recognises that it has **responsibilities as a shareholder**, as well as rights, and is an **active owner**. The Corporation seeks to exercise its voice through engagement with its investment managers (and consequently portfolio companies) as part of its active ownership, or stewardship, duties to its beneficiaries.

- The Corporation **aims to exercise its voting rights in all markets** and its investment managers are required to vote at all company meetings or give the Corporation notice when is not practical to do so. A record of voting should be made available on request.
- The Corporation supports **the UK Stewardship Code** (Code) and expects its investment managers to comply with the Code. Non UK managers will be expected to sign up to an equivalent Code in their country of origin. The Corporation has outlined its approach to stewardship, including voting and engagement, in its **UK Stewardship Code - Statement of Commitment** It remains a signatory to the UK Stewardship Code 2012 until the first list of signatories to the new Code is

published in 2021. The Corporation fully intends to achieve compliance with the new Code and is aiming to publish its first Annual Stewardship Report in 2022.

- The Corporation delegates voting and engagement to its investment managers and **monitors how its investment managers undertake voting and engagement activities** in comparison to relevant codes of practice. The Corporation expects its investment managers to implement appropriate escalation procedures for its stewardship activities.
- The Corporation expects fund managers to be **engaging with holdings to build credible pathways** to either adapt or actively drive their transition to a low carbon economy and to disclose climate related risks in line with latest best practice guidelines, such as those of the Financial Stability Board's Taskforce on Climate-related Financial Disclosures (TCFD).

Collaboration

The Corporation recognises that **collaboration with other investors is a powerful tool to influence** the behaviour of companies, policy makers and other industry stakeholders. The Corporation seeks to work with and support the initiatives of other bodies with similar goals, including via its investment managers and investment advisor. For example, the City of London Corporation Pension Fund is an active member of the Local Authority Pension Fund Forum (LAPFF) and the Pension and Lifetime Savings Association (PLSA). As a member fund of the London CIV, the City of London Corporation Pension Fund also collaborates within the pool to influence responsible investments.

Reporting and Stakeholder Engagement

The Corporation recognises that **transparency and disclosure** is an important aspect of being a responsible investor. The Corporation expects transparency and disclosure from its investment managers, including reporting on engagement progress and success on climate related financial risk.

Our Commitment

We acknowledge that the Corporation's approach to RI will need to continually evolve, both due to the changing landscape with respect to responsible investment as well as broader industry developments. We are committed to making ongoing improvements to the Corporation's approach and the processes that underpin the delivery of this policy to ensure it remains relevant.

Approved by the Financial Investment Board on 9 February 2021.

Glossary

ESG - Environmental, social and corporate governance issues

RI - Responsible Investment – This refers to the incorporation of environmental, social and corporate governance considerations into investment processes, as these are absent in much traditional financial analysis. RI was very focused on company level analysis, but climate change and sustainability challenges increasingly require a more strategic, forward looking, portfolio view. There are 4 levers that an investor can use in its responsible investment approach: integration, stewardship, thematic investment and exclusions.

PRI - Principles for Responsible Investment – The PRI was formed by the UK in 2006 and has two main goals; to understand the investment implications of environmental, social and corporate governance (ESG) issues; and to support signatories in integrating these issues into investment and ownership decisions. The PRI believes that an economically efficient, sustainable global financial system is a necessity for long-term value creation. The PRI will work to achieve this sustainable global financial system by: encouraging adoption of the Principles, collaborating on their implementation, fostering good governance, integrity and accountability and addressing obstacles to a sustainable financial system that lie within market practices, structures and regulation.

Stewardship and Active Ownership – The principle that shareholders should not be passive in their role as providers of capital and should take an active approach to using the voting rights attached to their shares and engaging with the companies they invest in (where appropriate) to encourage best practise and maximise shareholder value. For pooled fund clients, good stewardship and active ownership can be demonstrated through the review and ongoing monitoring of the pooled fund managers' activities in the areas of voting and engagement and the managers demonstrating the potential value of their actions.

UK Stewardship Code – Introduced for institutional investors in 2010, the UK Stewardship Code aims to incentivise investors to seek increased accountability from company boards and encourage them to seek on-going dialogue with their investors. The Stewardship Code has seven Principles and it is a mandatory requirement of the Financial Conduct Authority (FCA) that UK authorised asset managers disclose their compliance with the Code or explain otherwise through a public 'Statement of Commitment'.

Paris Aligned Investments – Investments with a business model that is adequately prepared for and/or actively contributing to the transition to a low carbon economy necessary to meet the goals of the Paris Climate Agreement (2015).

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