



Pensions Committee

Date: TUESDAY, 21 NOVEMBER 2023
Time: 2.00 pm
Venue: COMMITTEE ROOMS, 2ND FLOOR WEST WING, GUILDHALL

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

Enquiries: Raquel Pinto
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Ian Thomas CBE
Town Clerk and Chief Executive

AGENDA

1. **APOLOGIES**

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

3. **MINUTES**

- a) To agree the public minutes of the Pensions Committee meeting on 12 September 2023

For Decision
(Pages 5 - 8)

- b) To note the draft public minutes of the Local Government Pensions Board meeting on 25 September 2023

For Information
(Pages 9 - 14)

4. **WORK PROGRAMME**

Report of the Chamberlain.

For Information
(Pages 15 - 16)

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

Report of the Chamberlain.

The Appendices can be found on the separate information pack.

For Information
(Pages 17 - 24)

6. **PENSION SCHEME ADMINISTRATOR'S UPDATE**

Report of the Chamberlain.

For Information
(Pages 25 - 34)

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

Report of the Chamberlain.

For Information
(Pages 35 - 54)

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

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

10. **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

11. **MINUTES**

- a) To agree the non-public minutes of the Pensions Committee meeting on 12 September 2023

For Decision
(Pages 55 - 60)

- b) To note the draft non-public minutes of the Local Government Pensions Board meeting on 25 September 2023

For Information
(Pages 61 - 64)

12. **FUNDING OPTIONS**

Report of the Chamberlain.

For Decision
(Pages 65 - 118)

13. **PERFORMANCE MONITORING**

- a) Quarterly Report to 30 September 2023
Report of Mercer.

For Information

- b) Investment Performance Monitoring to 30 September 2023
Report of the Chamberlain.

For Discussion
(Pages 119 - 136)

14. **LCIV UPDATE**

Report of the Chamberlain.

For Discussion
(Pages 137 - 146)

15. **NON-PUBLIC APPENDIX**

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

For Information
(Pages 147 - 148)

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

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

PENSIONS COMMITTEE **Tuesday, 12 September 2023**

Minutes of the meeting of the Pensions Committee held at Committee Room, 2nd Floor West Wing, Guildhall on Tuesday, 12 September 2023 at 2.00 pm

Present

Members:

Timothy Butcher (Chairman)
Clare James
Deputy Henry Pollard
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
Raquel Pinto	-	Town Clerk's Department

In attendance:

Lucy Tusa (Mercer)
Graeme Muir (Actuary)

1. APOLOGIES

Apologies were received from David Sales and Sir David Wootton.

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

There were no declarations.

3. MINUTES

RESOLVED: That the public minutes of the Pensions Committee meeting on 20 June 2023 be approved as an accurate record.

4. WORK PROGRAMME

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

RESOLVED: That Members: -

- Receive the report and note its content.

5. RISK REGISTER FOR THE PENSIONS COMMITTEE

The Committee considered a report of the Chamberlain, which reviews the Risk Register for the Pensions Committee.

The Chamberlain advised that there were no changes in the register, although it was noted that there was one red risk around the McCloud remedy. The risk rating and score for this risk was expected to decrease substantially once the guidance and legislation was issued.

RESOLVED: That Members: -

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

6. PENSIONS SCHEME - ADMINISTRATOR'S UPDATE

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

The Chairman noted that there had been one reporting breach, whilst also noting that the detail behind this breach would need to be taken during the non-public session.

RESOLVED: That Members: -

- Received the report and noted its content.

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

The Committee received a report of the Chamberlain which included the External Auditor's report that outlined their work plan for undertaking the audit of the City Fund and Pension Fund Accounts for 2022/23.

RESOLVED: That Members: -

- Received the report and noted its content.

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

The Committee received a report of the Chamberlain concerning the Department for Levelling Up, Housing & Communities (DLUHC) Consultation on Local Government Pension Scheme and its next steps on Investments.

RESOLVED: That Members: -

- Received the report and noted its content.

9. CLIMATE ACTION STRATEGY UPDATE

The Committee received a joint report of the Director of Innovation & Growth and The Chamberlain concerning information on the history, current status and

future plans for the Financial Investments workstream under the Climate Action strategy.

The Director of Innovation & Growth introduced the report and confirmed this was the first update to Members of the Pensions Committee. Members noted that a further paper was being prepared, and that an update on this strategy would be reported to the Pensions Committee twice a year.

RESOLVED: That Members: -

- Received the report and noted its content.

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

There were no questions.

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

There were no additional items of business.

12. **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.

13. **MINUTES**

That the non-public minutes of the Pensions Committee meeting on 20 June 2023 be approved as an accurate record.

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

The Actuary provided the Committee with a presentation which covered a range of areas and provided an update on the funding position as of 31 March 2023.

15. **STRATEGIC ASSET ALLOCATION REVIEW**

The Committee considered a report of the Chamberlain regarding the Strategic Asset Allocation review.

16. **PERFORMANCE MONITORING**

The Committee received a presentation from Mercer regarding the Pension Fund Quarterly Monitoring Report for Q2 2023 and a report of the Chamberlain relating to the Investment Performance of the Pension Fund as at 31 July 2023.

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

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

18. **PENSION FUND CASHFLOW FORECAST**
The Committee received a report of the Chamberlain concerning the cashflow for the Pension Fund for the four-year period 2023/24 to 2026/27.
19. **PENSION FUND - DRAFT ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2023**
The Committee received a report of the Chamberlain concerning the Pension Fund's Draft Annual report for the year ended 31 March 2023.
20. **PENSIONS SCHEME - ADMINISTRATOR'S UPDATE**
The Committee received a report of the Chamberlain providing a record of the Pensions Regulator Training (tPR).
21. **CLIMATE ACTION STRATEGY UPDATE**
The Committee received non-public appendices 2 and 4 which were to be read in conjunction with agenda item 9.
22. **NON PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
There were no questions.
23. **ANY OTHER BUSINESS THAT THE CHAIR CONSIDERS URGENT AND THAT THE COMMITTEE AGREES SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**
There were no additional items of business.

The meeting ended at 3.20 pm

Chairman

Contact Officer: Raquel Pinto
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LOCAL GOVERNMENT PENSIONS BOARD Monday, 25 September 2023

Minutes of the meeting of the Local Government Pensions Board held at Committee Room - 2nd Floor West Wing, Guildhall on Monday, 25 September 2023 at 1.45 pm

Present

Members:

Christina McLellan
Paul Wilkinson
Mark Wheatley
Peter Lisley

Officers:

Kate Limna	-	Chamberlain's Department
Graham Newman	-	Chamberlain's Department
Amanda Luk	-	Chamberlain's Department
Chris Rumbles, Clerk	-	Town Clerk's Department
Raquel Pinto	-	Town Clerk's Department

With Paul Wilkinson in the Chair.

The Chairman extended a warm welcome to Peter Lisley, with this being his first Board meeting following his appointment as a Scheme Member Representative in May.

1. APOLOGIES

Apologies were received from David Pearson.

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

There were no declarations of interests.

3. ORDER OF THE COURT OF COMMON COUNCIL

The Board received an Order of the Court of Common Council dated 21st April 2022 appointing the Committee and agreeing its terms of reference for the ensuing year.

RECEIVED.

4. ELECTION OF CHAIR

The Board proceeded to elect a Chair in accordance with Standing Order No. 29. Mark Wheatley, being the only Board Member expressing their willingness to serve, was duly elected Chairman for the ensuing year.

The Chairman wanted to bring a few matters to the Board's attention. Firstly, regarding the frequency of meetings, which were now twice a year. Secondly

regarding Members conflict of interests which might affect Members availability to stand for the Board. Finally, the Chairman asked that an email be sent to the Court of Common Council to invite Members of the Court to join the Board. The Town Clerk advised that a letter had been sent to the Court of Common Council advising of all vacancies and encouraging Members to join.

5. **ELECTION OF DEPUTY CHAIR**

The Board proceeded to elect a Deputy Chair in accordance with Standing Order No. 30. Peter Lisle, being the only Member expressing their willingness to serve, was duly elected Deputy Chairman for the ensuing year.

6. **MINUTES**

RESOLVED –

- That the public minutes of the meeting on 12 December 2022 be approved as an accurate record of the meeting.
- That the public minutes of the Pensions Committee meetings on 8 February and 20 June 2023 be received.

Matters arising:

A Member noted that a meeting was alluded to in the minutes between the Chairman of the Board and the Chairman of the Pensions Committee which had not yet happened. The Chairman advised that this meeting had been organised but was subsequently cancelled and would be re-scheduled.

7. **PENSION SCHEME - ADMINISTRATOR'S UPDATE**

The Board received a report of the Chamberlain providing information on the scheme administration details that have been reported to the Pensions Committee since the last Local Government Pensions Board meeting on 12 December 2022.

The Board noted that the final legislation regarding McCloud was laid before Parliament, and this would take effect from the 1 October 2023. This in turn would affect the risk register which would be adjusted accordingly. The Board also noted that there had been a minor data breach which would be further explained during the non-public section of the meeting.

A Member of the Board raised a question regarding McCloud and whether there would be any financial implications from the resolution. Members heard that the financial implications were currently unknown, however these were expected to be minor.

The Deputy Chairman raised a question regarding the pensions administration system, specifically what was planned for the administration system and the timeline. The Chamberlain explained the Pensions Team was testing a member self-service system which once they were satisfied with it, would be rolled out in phases. The Board noted that the aim was to have self-service available to all scheme members by the end of the financial year but recognising that deferred and pensioner scheme members may choose not to sign up. Members raised concerns regarding those who have difficulties accessing content online as to

whether paper notifications would still be made available. It was noted that although there was encouragement for scheme members to sign up to using the self-service system, if the deferred and pensioner scheme members chose not to, they would continue to receive communications in the same format they currently did (and this would include newsletters).

The Chamberlain brought to the Board's attention a report that went to Finance Committee and Audit & Risk Management Committee regarding the City Fund and Pension Fund accounts. Members noted that the City Fund and Pension Fund accounts could not be signed off separately and that the 2020/2021 accounts which had been delayed following a national infrastructure issue were undergoing final checks and were expected to be signed off in the next couple of weeks. The Board noted that a new set of auditors were being used from 2021/2022 onwards and this work was also undergoing final checks. The 2022/23 audit was being undertaken, with most of the Pension Fund work now complete and the 2022/23 accounts were expected to be signed off before the end of the calendar year.

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

8. **PENSIONS COMMITTEE UPDATE REPORT**

The Board received a report of the Chamberlain which summarised the reports and decisions made by the Pensions Committee on the public agenda at their meetings on 8 February and 20 June 2023.

The Chamberlain advised that since the report had been finalised a further vacancy had arisen on the Pensions Committee, and these were being advertised to Members of the Court. On the risk register, the Board heard that the risk surrounding McCloud, (currently the highest risk), was expected to decrease following the regulations being laid before Parliament and the implementation of the McCloud Remedy with effect from 1 October 2023. Members noted that the Pensions Committee agreed the Funding Strategy Statement which was a document that was required to be reviewed every three years following an actuarial valuation, and it formed part of the Pension Fund Annual Report.

The Chamberlain went on to brief the Board that papers that had been reported at the Pensions Committee in September would be shared with the Board, in particular the City Fund and Pension Fund Audit Plan 2022-23 and the Department for Levelling Up, Housing and Communities (DLUHC) Consultation. The response regarding the consultation was delegated to the Chief Officer, however, once the response was submitted, this would be shared with Members for information. An update report on the Climate Action Strategy was also presented at the Pensions Committee which would be circulated to Members via email.

The Deputy Chairman sought assurance regarding the impact of McCloud and whether the Pensions Office had sufficient resources to effectively implement the Remedy. The Board noted that at this time, current staffing levels were expected to be sufficient to cope with the additional workloads that the Remedy

implementation would bring. However, should the administrative impact of implementation prove to be a greater burden than originally expected, additional resources may need to be requested.

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

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

The Chairman asked if the City of London Corporation were confident that the potential impact of climate change had been fully factored into fund valuations and that risk is most widely appreciated and considered within the portfolio. The Chamberlain explained that they were confident on these issues, as they have a specialist Responsible Investment and Engagement (RI&E) Manager in place, who collects quarterly data around climate action. Climate action was a new area where the collection of data and how it is monitored and managed continues to evolve. The RI&E Manager maintained close contact with the Innovation and Growth team and continued to engage and work collaboratively with the rest of the Corporation. As a supplementary, the Chairman enquired if there had been any legal challenge on this in the UK, to which the Chamberlain explained that they were not aware of any instances.

The Deputy Chair enquired if there were other issues, that guided the investment principles in the funding strategy, for example not investing in certain classes of business. The Chamberlain explained that the Board would have sight of this once the climate report was shared. However, the policy was collaboration and engagement and not exclusion.

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

There were no additional items of business.

Members wanted to record their thanks to the current Committee Clerk for all his work on clerking this Board as this was his last meeting.

11. **EXCLUSION OF THE PUBLIC**

RESOLVED - That the public be excluded from the meeting for the following items that relate to business under the remit of the Court of Common Council acting in line with requirements of the Public Services Pensions Act 2013 relating to pensions scheme governance, to which Part VA and Schedule 12A of the Local Government Act 1972 public access to meetings provisions to not apply.

12. **MINUTES**

The Town Clerk advised in relation to the minutes at 12b, whilst these were discussed in the confidential session, on reflection the wording and details included within in the minutes were not confidential. It was proposed that these minutes be combined into one non-public set of minutes, pending the Board's agreement.

The Chamberlain provided more information regarding a data breach.

RESOLVED –

- That the non-public minutes of the meeting on 12 December 2022 and the confidential minutes of the Local Government Pensions Board meeting on 12 December 2022 be merged into one non-public set of minutes and;
- That these minutes be approved as an accurate record of the meeting.

13. PENSION SCHEME - ADMINISTRATOR'S UPDATE

The Board received a report of the Chamberlain providing a record of its Pensions Regulator Training (tPR).

14. PENSIONS COMMITTEE UPDATE REPORT

Members received a report of the Chamberlain providing a record of the Pensions Committee tPR training.

15. PENSIONS COMMITTEE UPDATE REPORT (NON-PUBLIC)

Members received a report regarding a summary of the non-public reports and decisions made by Pensions Committee during the non-public part of the agenda at their meetings on 8 February and 20 June 2023.

16. LONDON CIV UPDATE

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

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

There were no non-public questions.

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

There was no other business.

The meeting ended at 2.43 pm

Chairman

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PENSION COMMITTEE WORK PROGRAMME 2023/24

Timescale	Funding	Investment	Governance	Administration & Communication	Training Items #
Standing items		<ul style="list-style-type: none"> Investment Monitoring LCIV/Pooling Update 	<ul style="list-style-type: none"> Work programme 	<ul style="list-style-type: none"> Administration Update 	
2023/24					
Q3 2023/24 (Nov)		<ul style="list-style-type: none"> LCIV Fund Options 	<ul style="list-style-type: none"> CF and PF Statement of Accounts Update 	<ul style="list-style-type: none"> Updates to member communication letters (if required) 	
Q4 2023/24 (March)	<ul style="list-style-type: none"> Cashflow forecast 	<ul style="list-style-type: none"> Responsible Investment Policy Review* Responsible Investment Update – CAS 	<ul style="list-style-type: none"> Investment Consultant Strategic Objectives Actuarial Tender Review Risk Register 		<ul style="list-style-type: none"> Responsible investment/climate action (in house)
Future years					
2024/25	<ul style="list-style-type: none"> Cashflow forecast 	<ul style="list-style-type: none"> Responsible Investment Update – CAS 	<ul style="list-style-type: none"> Risk Register 	<ul style="list-style-type: none"> Updates to member communication letters (if required) 	<ul style="list-style-type: none"> Pooling (LCIV)

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

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

Notes

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

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

Cashflow forecast, Responsible Investment Update – CAS and Risk Register are reviewed every 6 months.

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Agenda Item 5

Committee(s): Audit and Risk Management Committee – For information Finance Committee – For information Pensions Committee – For Information	Dated: 06/11/2023 08/11/2023 21/11/2023
Subject: City Fund and Pension Funds Statement of Accounts 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?	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

This report provides an update on the audit of the 2020-21 and 2021-22 Statement of Accounts, and the publication and audit of the 2022-23 Statement of Accounts.

Recommendations

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

- **Note** the progress made on the 2020-21 Statement of Accounts.
- **Consider** the Audit Findings Report for the City Fund 2021-22 as set out in Appendix 3.
- **Consider** the Audit Findings Report 2021-22 for the Pension Fund as set out in Appendix 4.
- **Consider** the Audit Progress Report for the City Fund 2022-23 as set out in Appendix 6.
- **Consider** the Audit Findings Report for the Pension Fund 2022-23 as set out in Appendix 7.
- **Note** the responses from Management as per Appendix 8 and Appendix 9.

The **Finance Committee** is asked to:

- **Note** the progress made on the 2020-21 accounts.
- **Consider** the Audit Findings Report for the City Fund 2021-22 as set out in Appendix 3.
- **Consider** the Audit Findings Report 2021-22 for the Pension Fund as set out in Appendix 4.
- **Consider** the Audit Progress Report for the City Fund 2022-23 as set out in Appendix 6.
- **Consider** the Audit Findings Report for the Pension Fund 2022-23 as set out in Appendix 7.
- **Note** the responses from Management as per Appendix 8 and Appendix 9.

The **Pensions Committee** is asked to:

- **Note** the progress made on the 2020-21 Statement of Accounts.
- **Consider** the Audit Findings Report 2021-22 for the Pension Fund as set out in Appendix 4.
- **Consider** the Audit Findings Report for the Pension Fund 2022-23 as set out in Appendix 7.
- **Note** the responses from Management as per Appendix 9.

Main Report

Background

1. In the last Committee meeting of September 2023, an overview of the City Fund and Pension Fund accounts was presented, encompassing the following key points:

2020-21 Accounts

2. The 2020-21 City Fund and Pension Fund accounts were submitted to the Audit and Risk Management Committee in November 2021 and later to the Finance Committee in December 2021 for approval. Despite minor unresolved matters, the audit was largely completed. The Chamberlain, in consultation with the Finance Committee Chairman and Deputy Chairman, was delegated the authority for final sign-off.
3. Delays occurred due to a late audit issue related to a disclosure note supporting the cashflow statement and a national technical accounting concern regarding infrastructure asset accounting. Resolution came with the release of temporary accounting code variations by CIPFA in January 2023.

2021-22 Accounts

4. The audit of the draft 2021-22 accounts commenced in November 2022. Revisions were necessary in February 2023 to address technical matters concerning infrastructure assets. By the time of the last update, 90% of the audit samples had been cleared by auditors.
5. Outstanding items included completing the 2020-21 accounts audit by previous auditors BDO, concerns about the appropriateness of accounting treatment for lease premia (£176.9m), and addressing the impact of the latest triennial valuation of the pension fund on the City Corporation's pension fund liabilities.
6. The City Corporation commissioned updated actuarial reports to assess the impact of the triennial valuation on the City Corporation's pension fund liability. This assessment indicated a £37.8m change in the value reported on the balance sheet. Due to the significant movement, the accounts needed to be restated. A working paper demonstrating the impact and the affected areas of the accounts was shared with the auditors. External audit procedures were undertaken to validate this conclusion using underlying data.
7. Updated actuarial reports for the Pension Fund itself were commissioned and were expected imminently.

8. The issue concerning the accounting for lease premia was largely resolved, and the City Corporation's approach was agreed upon. The auditors were in the final stages of their work in this area.
9. With the majority of the work on the 2021-22 audit completed and the 2020-21 audit opinion expected in the coming weeks, it was anticipated that Grant Thornton would be able to issue their audit opinion on the 2021-22 accounts by the end of September 2023. The Chamberlain, in consultation with the Finance Committee Chairman and Deputy Chairman, was delegated the authority for final sign-off.

2022-23 Accounts

10. The audit of the 2022-23 accounts was set to commence in September 2023. Grant Thornton's work plan for this audit of the City Fund and Pension Fund Accounts for 2022-23 was presented as a separate agenda item for the Audit and Risk Management Committee meeting on 11th September 2023.

Current Position

2020-21 Accounts

11. The latest version of the 2020-21 City Fund and Pension Fund accounts are included in Appendix 1 of this report. Apart from some minor changes to wording, this revised version incorporates one significant change to the version of the accounts last presented to Committee in November 2021:
 - Reclassification of creditors (£91.3m) – balances owed to Central Government in respect of S31 Grant for NNDR reliefs were incorrectly recognised as short-term creditors in 2020-21. These monies should have been recognised as Grants and Contributions Received in Advance. This error has been rectified in the revised financial statements and is purely a reclassification with no impact on the overall City Fund position.
12. Currently, the 2020-21 City Fund and Pension Fund accounts are undergoing BDO's internal quality review process, there have been significant delays due to:
 - a. BDO moving onto NHS audit work and not having the resources to finalise their audit opinion;
 - b. Subsequent delays have meant, queries raised by Grant Thornton during 2021/22 and 2022/23 audit work has led to further work on 2020/21.
13. As a consequence of the above, the auditors have now raised concerns around the potential impact of Reinforced Autoclaved Aerated Concrete (RAAC) on any of the assets owned by the Corporation. The Corporation have initiated a comprehensive evaluation of properties constructed with RAAC. This evaluation involved meticulous desktop exercises, visual inspections, and consultant evaluations to identify structures potentially affected by the RAAC issue.
14. As of October 2023, the inspections related to RAAC have not necessitated adjustments to the carrying amounts of property, plant, and equipment included in these financial accounts. The assessment revealed no immediate need for

impairment or significant adjustments related to the RAAC issue. The inspection process is ongoing, and further evaluations may potentially lead to adjustments.

15. Audit sign-off is anticipated by the end of October, contingent upon the outcome of ongoing evaluations.

2021-22 Accounts

16. The revised version of the 2021-22 City Fund and Pension Fund Statement of Accounts can be found in Appendix 2. This revised version incorporates six significant changes identified during the audit of the accounts:

- Balance sheet misstatement (£30m) - It was identified that the Balance sheet was misstated with Grants Received in Advance having a typo and being misstated by £30m.
- Pension liability (£37.8m) – the pension liability in the draft 2021-22 accounts was based on the triennial valuation carried out at 31 March 2019, which was the latest information available at the time. However, since publication of the draft accounts, the valuation at 31 March 2022 became available. As a result, the auditors requested revised reports, detailing what impact this updated information had on the net pension liability disclosures at 31 March 2022. The updated information highlighted a reduction in the net liability of £37.8m. This also meant that the pension schemes note relating to the LGPS scheme required updating.
- Overstatement of debtors and creditors (£2m) – this was due to coding errors when an error relating to a PO was incorrectly adjusted to the wrong Balance sheet code.
- Lease premiums (£47m) – lease premium accounting principles incorrectly applied to two key items. This resulted in an increase to the Investment property valuations by £47m. The impact of this is to increase the Authority's asset base but due to statutory accounting does not impact the City Fund balance.
- Reclassification of creditors (£131.9m) – balances owed to Central Government in respect of S31 Grant and CARF monies were incorrectly recognised as short-term creditors in 2021/22. These monies should have been recognised as Grants and Contributions Received in Advance. This error has been rectified in the revised financial statements and is purely a reclassification with no impact on the overall City Fund position.
- Revenue Expenditure Financed by Capital Under Statue (REFCUS) correction (£21m) – A review of the EFA and depreciation charges identified that £21m of REFCUS expenditure had been erroneously included within the depreciation, amortisation and impairments line in the Income and Expenditure analysed by nature disclosure note. This error has been rectified in the revised financial statements and is purely a reclassification with no impact on the overall City Fund position.

17. The majority of the audit work has been completed, and the findings have been incorporated into this version. However, as of the latest update, Grant Thornton (GT) are in the midst of their final review process and are awaiting the conclusion of the 2020-21 audit by BDO before they can conclude the 2021-22 audit.

18. The audit findings reports for 2021-22 are available in Appendices 3 and 4 (for the City Fund and Pension and respectively). GT will present a comprehensive overview during the Committee meeting. It is expected that an unqualified opinion will be issued based on the work conducted up to this point.

2022-23 Accounts

19. The updated version of the 2022-23 City Fund and Pension Fund Statement of Accounts is provided in Appendix 5. This revised version incorporates three significant changes identified during the audit of the published accounts:

- Lease premiums (£224m) – during the audit of the 2021-22 accounts, the auditors raised concerns about the appropriateness of the accounting treatment applied to lease premia by the Corporation. At that point in time officers did not have access to sufficient information to satisfy the auditors concerns and therefore the lease premium adjustments were removed from the 2022-23 accounts that were published. However, upon further investigation, officers were able to provide the auditors with detailed justification of the previous accounting treatment and therefore the lease premium adjustments have now been added back in this version of the accounts.
- Reclassification of creditors (£57m) – balances owed to Central Government in respect of S31 Grant and CARF monies were incorrectly recognised as short-term creditors in 2021-22. These monies should have been recognised as Grants and Contributions Received in Advance. This error has been rectified in the revised financial statements and is purely a reclassification with no impact on the overall City Fund position.
- REFCUS correction (£4.6m) – During the preparation of the accounts for City's Cash, officers identified that £4.6m of REFCUS expenditure relating to City's Cash had been incorrectly recognised in the City Fund accounts and were financed from the Major Projects Reserve. This error has been rectified in the revised financial statements and has resulted in an increase in a £4.6m increase in the Major Projects Reserve balance.

20. The audit process commenced in September 2023 for City Fund and is progressing smoothly. Auditors have noted significant improvements since the audit of the 2021-22 accounts. It is expected that the majority of the fieldwork will be completed by date of the Committee meeting, indicating a positive pace in the audit proceedings. The audit of the Pension Fund accounts commenced in August 2023 and has been successfully concluded, with only minor changes required, detailed in Appendix 7.

21. As part of their audit procedures, the auditors have engaged in a series of inquiries with the management regarding various aspects such as fraud and compliance with laws and regulations. The responses to these inquiries are presented in Appendices 8 and 9 (for the City Fund and the Pension Fund respectively) for your review. Members are encouraged to take note of these responses and provide any additional comments for further consideration.

Corporate & Strategic Implications

22. Strategic implications – There are no specific links to the Corporate Plan. However, the accounts assist the City Corporation in maintaining a clear and transparent dialogue regarding its activities with residents and other stakeholders.

Conclusion

23. At present, there are no remaining queries regarding the 2020-21 accounts. The external auditor is conducting final reviews of the Statement of Accounts, and an audit opinion is expected to be issued by BDO by the end of October.

24. The 2021-22 audit has now reached substantial completion. It is expected that an unqualified opinion will be issued based on the work conducted up to this point.

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Appendices

- Appendix 1 – Revised City Fund Accounts 2020-21
- Appendix 2 – Revised City Fund Accounts 2021-22
- Appendix 3 – City Fund Audit Findings Report 2021-22 (only for A&RM and Finance Cttees)
- Appendix 4 – Pension Fund Audit Findings Report 2021-22
- Appendix 5 – Revised City Fund Accounts 2022-23
- Appendix 6 – City Fund Audit Progress Report 2022-23 (only for A&RM and Finance Cttees)
- Appendix 7 – Pension Fund Audit Findings Report 2022-23
- Appendix 8 – Enquiries of Management (City Fund) 2022-23 (only for A&RM and Finance Cttees)
- Appendix 9 – Enquiries of Management (Pension Fund) 2022-23

Background Papers

- Audit and Risk Management Committee – Tuesday 30th November 2021 – Item 4: City Fund and Pension Fund Statement of Accounts 2020-21
- Finance Committee – Tuesday 7th December 2021 – Item 9: 2020-21 City Fund and Pension Fund Statement of Accounts
- Finance Committee – Tuesday 25th January 2022 – Item 15a: City Fund Accounts
- Finance Committee – Tuesday 20th September 2022 – Item 7: 2020-21 City Fund and Pension Fund Statement of Accounts – Delegation of Approval
- Audit and Risk Management Committee – Tuesday 22nd November 2022 – Item 6: 2020-21 City Fund and Pension Fund Statement of Accounts Approval
- Audit and Risk Management Committee – Monday 16th January 2023 – Item 9: City Fund Audit Progress report and sector update

- Audit and Risk Management Committee – Monday 13th March 2023 – Item 7: Auditor’s Annual Report on the City of London Corporation: City Fund
- Audit and Risk Management Committee – Monday 13th March 2023 – Item 15a: Audit Progress Report
- Audit and Risk Management Committee – Monday 13th March 2023 – Item 15b: Audit Findings Report: Pension Fund
- Audit and Risk Management Committee – Monday 11th September 2023 – Item 7: City Fund and Pension Fund Statement of Accounts Update
- Audit and Risk Management Committee – Monday 11th September 2023 – Item 8: City Fund and Pension Fund Audit Plan 22-23
- Finance Committee – Tuesday 19th September 2023 – Item 8: City Fund and Pension Fund Statement of Accounts Update

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Agenda Item 6

Committee(s) Pensions Committee	Dated: 21 November 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 Discussion
Report author: Graham Newman – Chamberlain’s Department	

Summary

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

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

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

Public Service Pensions Reporting Breaches of Pension Law	There was one data breach which was verbally reported to the last Committee meeting.
Any audit reports relating to the administration of the Scheme	None to report.
Any reports relating to the administration of the Pension Scheme which have been considered by other Committees	None to report.
Guaranteed Minimum Pensions (GMP) Reconciliation	<p>A requirement has been placed upon all UK Pension Schemes by the Department for Work and Pensions (DWP) and the Pensions Regulator (tPR) to ensure scheme data is accurate and this includes Guaranteed Minimum Pensions (GMP) data which is jointly held by each scheme and by HMRC.</p> <p>GMP reconciliation in the Local Government Pension Scheme (LGPS) involves ensuring that pension benefits provided by the LGPS are in compliance with the GMP requirements as outlined by HM Revenue and Customs (HMRC) in the context of contracted-out pension schemes.</p> <p>These are the key points for the GMP reconciliation currently being carried out:</p> <ol style="list-style-type: none"> 1. <i>Data Collection:</i> Collect pension scheme data, including member records, contributions, and service history, to review compliance with GMP regulations. 2. <i>Identification of GMPs:</i> Identify members who have GMP rights within the LGPS. These are individuals who were contracted out of the State Earnings-Related Pension Scheme (SERPS) or the State Second Pension (S2P) while they were LGPS members. 3. <i>HMRC Reconciliation:</i> Compare pension records with those held by HMRC to ensure that GMP entitlements are accurately recorded. This may involve reviewing past National Insurance contributions and contracted-out service. 4. <i>Rectification of Discrepancies:</i> If discrepancies or inaccuracies are found, take steps to rectify them. This could involve updating member records, adjusting pension benefits, or providing members with additional GMP benefits. 5. <i>Communication:</i> Inform affected scheme members of any changes to their GMP entitlements and pension benefits resulting from the reconciliation process.

	<p>GMP reconciliation in the LGPS is essential to ensure that members receive their correct pension entitlements and that the scheme remains compliant with legal requirements.</p> <p>Mercers (formally JLT) have been commissioned to facilitate this project and are currently working through Stage 3 of this process map, comparing the City's data with that held by HMRC. Several adjustments to the reporting requirements since the project started have caused the end dates to slip, but it is hoped that we will move to Stage 4 shortly.</p> <p>Stage 4 of the process map may require decisions to be made by the Committee. The Committee may wish to set certain parameters in respect of any discrepancies and how they should be dealt with – for example, setting a threshold amount for overpaid pensions that need to be reclaimed with any amount below the threshold being written off.</p> <p>Once Stage 3 has been completed and the details have been provided, a report will be brought to the Committee.</p>
<p>Pension Administration System</p>	<p>The Pensions Office is currently in the process of implementing the Member Self-Service system. This system has the potential to allow members to access their pension record, make amendments to selected personal data (i.e. name, partnership status, death grant nominees) and to run their own retirement estimates. It will also provide a platform for providing annual benefit statements and other bulk mailings.</p> <p>In-house User Acceptance Testing of the system has been finalised and the system has been delivered (handed over) to the Pensions Office.. The Pensions Office is now starting the process of rolling the system out to small test groups of the active scheme membership. Once this test roll-out has been concluded satisfactorily the full roll-out date for active scheme members will begin, with the roll-out for deferred and pensioner members following on at a later date.</p>
<p>Public Sector Pensions Legal Challenge</p>	<p><u>Lord Chancellor and Secretary of State for Justice v McCloud and others</u></p> <p>With effect from April 2015 (April 2014 for the LGPS) all public sector pension schemes were subjected to reforms that changed the way benefits were accrued and the date from which they would become payable.</p> <p>However, the legality of these reforms was successfully challenged and they were found to be discriminatory on the grounds of age. This challenge came to be referred to as 'McCloud'.</p> <p>The government consulted on what method of 'Remedy' should be used to remove the discrimination and on 10 March 2022 the Public Service Pensions and Judicial Offices Act 2022 received Royal Assent.</p> <p>The main purpose of the Act was to set out the intention of the 'McCloud Remedy' and implement it in the public service pension schemes.</p>

	<p>Further consultation determined the form the Remedy would take in respect of the LGPS and the regulations were formally laid and then implemented with effect from 1 October 2023.</p> <p>For active scheme members retiring after the implementation date, their McCloud eligibility will be assessed by the Pensions Office and if appropriate their benefits will be based upon the terms of the Remedy. In addition, from September 2025 onwards, all Annual Benefit Statements must include details in respect of the Remedy and how it affects the individual member.</p> <p>With regards to retired members, all retirements since the introduction of the career average scheme in April 2014 will need to be assessed for eligibility for the McCloud Remedy. For those deemed to be eligible, their benefits in payment will need to be recalculated under the terms of the Remedy and any appropriate adjustments made and arrears paid. This process will also apply for the pensions being paid to the survivors/dependants of an eligible member who passed away before the Remedy was implemented.</p> <p>The Pensions Office, in conjunction with each individual Scheme employer, is currently compiling the details of all retirements since April 2014 to begin the process of assessing eligibility. However, the Government has indicated that further guidance will be provided in this respect and the full assessments will not begin until this has been received.</p> <p>The McCloud Remedy constitutes a 'material change to basic scheme information'. To satisfy the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, the administering authority (the CoL) must tell all members who might be affected by the changes about the changes.</p> <p>For 'active' scheme members, the Pensions Office will use the intranet to post an article in respect of McCloud to communicate with all City of London employees. The same article will be passed to individual Scheme employers to pass to their Scheme members.</p> <p>For 'deferred' and 'pensioner' members, once identified, the Pensions Office will write to them / email them directly to confirm what has happened and what will happen next.</p> <p>In addition, a generic statement will be posted to the City of London's external pensions webpage that will provide details of the McCloud Remedy and how it affects the LGPS.</p>
<p>Pension Committee Training</p>	<p>All Members of the Committee are expected to register for tPR online training and complete the modules in respect of <u>public sector pension schemes</u>.</p> <p>The link for the online training is: https://www.thepensionsregulator.gov.uk/en/public-service-pension-schemes/understanding-your-role/learn-about-managing-public-service-schemes</p> <p>Details in respect of training modules completed by each Member are included on the non-public agenda (Appendix B). Members are expected to re-do the training modules every 3 years.</p>

<p>Pensions Office Key Performance Indicators</p>	<p>As requested at the Committee meeting of 29 November 2022, Appendix C provides statistics in relation to the performance of the Pension Scheme Administration.</p> <p>The working processes followed by the Pensions Team are regularly reviewed to ensure the statistics accurately reflect the work involved.</p>
<p>Pensions Dashboards</p>	<p>Introduced by the Department for Work and Pensions (DWP), Pensions Dashboards have been designed to provide an online platform that will allow individuals to access details of their accrued 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.

	The Pensions Dashboards Programme (PDP) has updated their FAQs to reflect the new connection deadline announcement https://www.pensionsdashboardsprogramme.org.uk/faqs/
Scheme Member Communications	<p>Committee Members were provided with copies of all standard letters and communications issued by the Pensions Office at their meetings of 27 September 2022 and 29 November 2022.</p> <p>It was resolved that going forward, Members would be presented annually with any letters / communications that had been changed in the intervening period. Appendix D provides these letters.</p>

Recommendation

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

Appendices:

Appendix A – Annual Schedule of Events (Administration)

Appendix B – 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 and report published only. Awaiting sign off on City Fund Accounts.
1 December 2022	Publication of 2021/22 Pension Fund Accounts and Annual Report	Draft accounts and report 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	29 September 2023
5 October 2023	Issue of Annual Allowance (AA) Saving Statements deadline	4 October 2023
November 2023	Tax return for Quarter 2 (to 30/09/2023)	18 October 2023
1 December 2023	Publication of 2022/23 Pension Fund Accounts and Annual Report	

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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	Quarter 2	Running total for the year 01/04/2023 – 31/03/2024
Initial payment of retirement benefits	5 days	95.52 %	92.00 %	94.35 %
Process refunds and make payments	5 days	93.10 %	100.00 %	94.34 %
Statement notifying estimate of retirement benefits	20 days	95.92 %	97.44 %	96.35 %
Statement detailing transfer-in credit	20 days	100.00 %	100.00 %	100.00 %
Transfers-out payments	20 days	100.00 %	0 cases	100.00 %
Answering general correspondence	10 days	100.00 %	96.40 %	98.10 %
Payment of lump sum death grants	14 days	100.00 %	100.00 %	100.00 %
Letters to dependant's in respect of benefits due	5 days	100.00 %	100.00 %	100.00 %

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Agenda Item 7

Committee(s) Pensions Committee	Dated: 21 November 2023
Subject: LGPS – Communications issued to Scheme Members	Public
Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?	N/A
Does this proposal require extra revenue and/or capital spending?	N
If so, how much?	N/A
What is the source of Funding?	
Has this Funding Source been agreed with the Chamberlain’s Department?	N/A
Report of: The Chamberlain	For Discussion
Report author: Graham Newman – Chamberlain’s Department	

Summary

At the Committee’s meetings of 27 September 2022 and 29 November 2022, Members were provided with copies of all standard letters and communications issued by the Pensions Office.

It was agreed that going forward, Members would be presented annually with any letters / communications that had been changed in the intervening period for information. Those communications that have been amended are detailed below and provided as appendices 1 to 3.

Appendix 1 is the notes that accompanied the 2023 Annual Benefit Statement. As these are annually issued documents, the only amendment made in addition to the dates was the inclusion of a weblink in respect of the McCloud Remedy.

Appendix 2 is the 2022/23 Pensions Savings Statement that was issued to members that had exceeded the annual allowance during the financial year. Again, as an annual letter the only amendments made have been to the dates quoted.

Appendix 3 provides draft paragraphs in respect of the McCloud Remedy that are planned to be added to five letters in the coming weeks once the final wording and terminology has decided upon by the Pensions Office.

All letters have been written with reference to the legislative details set out in the Scheme Regulations and, where possible, using templates provided by the Local Government Association.

Recommendation

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

Appendices:

Appendix 1: 2023 Annual Benefit Statement accompanying notes

Appendix 2: 2022/23 Pension Savings Statement template

Appendix 3: provisional paragraphs to be added to standard letters in respect of the McCloud Remedy

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Local Government Pension Scheme (LGPS) **Annual Benefit Statement 2023**

Enclosed is your annual pension benefit statement for 2023. It is important that you read this statement and these explanatory notes.

If you believe any of the details on the statement are not correct (as at 31st March 2023) please email – pensions@cityoflondon.gov.uk

Annual Benefit Statement Contents

Sections

1. Your personal details including pensionable pay
2. The total value of your pension at 31 March & your nomination details
3. CARE pension value in the 12 months to 31 March & total CARE value built up to 31 March
4. Final Salary pension values at 31 March
5. Total projected pension at your normal pension age & Annual Allowance estimate
6. Final Salary scheme membership details

Since 1 April 2014 the LGPS has been a Career Average Revalued Earnings (CARE) Scheme, benefits build up at the rate of a 1/49th of your pensionable pay (if you are a member of the main section of the Scheme), or at the rate of 1/98th of your pensionable pay (if you are a member of the 50/50 section of the Scheme) and then revalued in line with increases in the Consumer Price Index (CPI) on 1 April each year.

The CARE benefits shown on this statement have had the 2022 inflationary increase of 3.1% applied to them.

All benefits built up to 31 March 2014 will continue to be based on final pensionable pay. This statement shows that benefits have been calculated on the 1/80th pension and automatic 3/80ths lump sum basis in respect of membership up to 31 March 2008, plus 1/60th pension with no automatic lump sum from membership built up between 1 April 2008 and 31 March 2014.

If there is no survivor's pension shown and you are married, in a civil partnership or have a co-habiting partner, then we have not seen verification that you are in a qualifying relationship. Therefore, please send to the Pensions Office either the appropriate certificate or a completed Notification of Co-habiting Partner form available on the pensions office website - <https://www.cityoflondonpensions.org/resources/>

Also, if the "Nomination Details" section is blank you should complete an "Expression of Wish" form (also available on the Pensions Office website) in order to indicate to whom you would like the Death Grant to be paid.



When can I retire?

Since 1 April 2014 you can choose to leave your employment and receive payment of your pension anytime from age 55 but the longer you work the more your pension will be. Your pension will be reduced if you choose to retire before your normal pension age and increased if you retire later.

Normal pension age is no longer fixed at 65; it will be the same as your current state pension age - with 65 as the earliest age but see the protection section below. If you are unsure of your state pension age have a look at - www.gov.uk/calculate-state-pension

If you were age 55 or over as at 31 March 2021 your figures do not show any early retirement reduction which would apply had you retired on this date.

Also included in your statement is a projection to your normal pension age. **If you were over your Normal Pension Age as at 31 March 2023 section 5 has been left blank intentionally.**

Protections

If you were a member of the Scheme on 1 April 2014, you automatically joined the career average pension scheme and will continue to build up benefits in the LGPS. The entire pension you have built up in the LGPS before this date is fully protected.

All benefits built up before 1 April 2014 will continue to be based on your final year's pay when you leave or retire, as these benefits were built up in the final salary scheme. That means that all the membership you built up to 31 March 2014 will be used to calculate your final salary benefits when you leave.

Your Normal Pension Age is also protected. This means that the benefits you built up before 1 April 2014 retain their Normal Pension Age under final salary scheme rules, which for almost all scheme members is age 65.

Rule of 85

If you have rule of 85 protection this continues to apply from 1 April 2014. The only occasion where this protection does not automatically apply is if you choose to voluntarily receive payment of your pension on or after age 55 and before age 60, further information can be found here - <https://www.lgpsmember.org/more/eightyfive.php>

Underpin

Protections are in place if you are nearing retirement to ensure that you will get a pension at least equal to that which you would have received in the scheme had it not changed on 1 April 2014. This protection is known as the 'underpin'.



The underpin generally applies to you if you were: Paying into the Scheme on 31 March 2012 and, you were within 10 years of your Normal Pension Age on 1 April 2012, further information can be found here - <https://www.lgpsmember.org/more/pre2014.php>

This underpin protection has now been extended to apply if you were an active member of a different public service pension scheme (e.g. Civil Service Pension Scheme) on 31 March 2012 and you were within 10 years of age 65 on 1 April 2012; if you transfer the pension benefits from the other public service pension schemes into the LGPS and part or all of that transfer buys final salary benefits in the LGPS the underpin will apply to you.

This change is being backdated to take effect from 1 April 2014.

Age Discrimination

When the LGPS changed from a final salary to a career average pension scheme in 2014, protections for older scheme members were introduced. Similar protections were provided in other public sector pension schemes. The Court of Appeal ruled that younger members of the Judges' and Firefighters' Pension schemes have been discriminated against because the protections do not apply to them. The Government has confirmed that there will be changes to all main public sector schemes, including the LGPS, to remove this age discrimination. This ruling is often called the 'McCloud judgment'.

The Government is still finalising the changes need to be made to remove the discrimination from the LGPS. This means it has not been possible to reflect the impact of the judgment in your annual benefit statement this year. If you qualify for protection it will apply automatically - you do not need to make a claim.

For more information, visit our website www.cityoflondonpensions.org , read the McCloud judgement factsheet at <https://www.cityoflondonpensions.org/media/fahfmuaa/mccloud-factsheet-april-2023.pdf> or see frequently asked question on the national website www.lgpsmember.org

Transfers into the LGPS

If you have been a member of the LGPS with City of London Pension Fund for less than 12 months you can elect to transfer your previous pension rights into the scheme. However, you do need to make an election before the 12 months expires.

Additional Contributions (if applicable)

If you are paying or have paid to Purchase Additional Years the value at 31 March 2023 is **included** in the illustration amounts

If you are paying or have paid Additional Regular Contributions (ARCS) the value at 31 March 2023 is **included** in the illustration amounts



If you are paying or have paid Additional Pension Contributions (APC) the value at 31 March 2023 is **included** in the illustration amounts

If you are paying or have paid Additional Voluntary Contributions (AVC) values are **not included** in the illustration amounts. AVC annual statements will be provided separately by your AVC provider.

Changes to Pre - April 2014 AVC contracts

If you pay or have paid Additional Voluntary Contributions (AVCs) and the contract to pay those AVCs started before 1 April 2014, you will see some changes to your AVC plans and how you can receive payment of them.

When you take the main scheme benefits you will no longer be able to leave the AVC invested and take it at a later date.

All scheme members can now buy additional pension from the LGPS with the AVC plan when they take their benefits from the scheme. Previously, this option was only available to scheme members who took immediate payment of their main scheme benefits (i.e. pension and lump sum) and their AVC plan when they left the scheme.

If you die before taking the AVC and a lump sum is to be paid from your AVC plan, the pension fund now has absolute discretion over who to pay that sum to (rather than it having to be paid to the estate). If the lump sum is paid at the discretion of the pension fund it does not form part of the estate and will not be subject to inheritance tax.

For scheme members currently paying AVCs:

- You can now pay up to 100% (rather than 50%) of your pensionable pay into the AVC plan.
- AVCs will now also be deducted from any voluntary overtime you work (if you pay AVCs as percentage of your salary).

Divorce Pension Debits

If you have been divorced and your former spouse awarded part of your LGPS benefits as part of the divorce settlement your pension values will be reduced. The current and projected pension values shown are before the pension debit has been deducted.

Annual Allowance (AA)

This is the amount by which your pension can grow before you may have to pay additional tax. The 2022/23 limit was **£40,000**, but if your taxable earnings were over **£200,000** for the tax year 22/23 the limit may be reduced to a minimum of **£4,000**.

We will write to all scheme members who we think may be affected by 6 October 2023.



Most scheme members will not be affected by the annual allowance tax charge, however, we have included the estimated value of your pension input amount in this year's statement based on the information we hold with regard to your LGPS benefits up to 31 March 2023. You should add this value to any other pension benefits you have accrued during the year.

If you exceed the annual allowance you may be allowed to bring forward any unused allowance for the last three years to off-set the excess. This means that even if the value of your pension savings increase by more than £40,000 in a year you may not be liable to pay the annual allowance tax charge.

There are, however, some things that the Fund will not know about but could affect your AA. For example, income from other employments, income from property rental and any other pension provision you may have.

If you think you are at risk of exceeding the annual allowance you should seek advice. Further information can be found at - <https://www.gov.uk/tax-on-your-private-pension/annual-allowance>

If your LGPS benefits exceed the threshold for AA in 2022/23 we will contact you separately in October.

Membership Details

The membership used for calculating your final salary benefits are recorded under section 6 of the statement. The final salary scheme ended on **31 March 2014** and if you were a member on this date your membership of the final salary scheme ended on this date.

With effect from 1 April 2014 the LGPS introduced the CARE scheme and the pension values you have built up in the CARE scheme, including any pensions transfers purchasing CARE benefits, are recorded under Section 3 of the statement.



City of London Pension Fund

Contact Details

Email: pensions@cityoflondon.gov.uk

Change of address forms and Expression of Wish forms can be found on our website (see below). Both forms need your signature, so please print and sign, then send to the email address above as an attachment.

Web: www.cityoflondonpensions.org

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

If you have a query regarding this statement, please email:
pensions@cityoflondon.gov.uk

**Nothing in this statement can override the provisions of
the Local Government Pension Scheme Regulations**

**YOU SHOULD NOT MAKE ANY FINANCIAL COMMITMENT BASED ON THIS
STATEMENT**

Important

It is important to note that your annual benefit statement is for guidance only and you should not base an irreversible decision to retire solely on the figures in this statement.

The benefit values shown in this statement are illustrative values ONLY, based on the LGPS regulations in force at the time of production and do not constitute an offer to pay the benefit values shown.



The Local Government Pension Scheme (LGPS) City of London Pension Fund Pension Savings Statement 2022/23

I am required by HM Revenue & Customs (HMRC) to issue you with a Pension Savings Statement as the growth of your LGPS benefits in the City of London Pension Fund has exceeded the Annual Allowance (AA) limit for the tax year 2022/23. This growth is known as the Pensions Input Amount (PIA).

The enclosed statement contains your pension growth for 2022/23 and the three preceding years, plus the total value of any unused allowance for these periods. The unused amount is referred to as Carry Forward and is used to reduce the potential liability to a tax charge if your pension growth is in excess of the AA limit (£40,000) for this year.

If your pension growth has exceeded the 2022/23 AA limit and your Carry Forward from the three preceding years is not sufficient to offset the excess, you may be subject to a tax charge.

If your charge liability exceeds £2,000 you can request the City of London Pension Fund pays the charge to HMRC on your behalf in return for a permanent reduction to your pension benefits. This is known as Scheme Pays and the reduction is referred to as the Debit. If this is your preference, please complete the enclosed Scheme Pays form instructing us of the amount of the tax charge you want the Fund to pay on your behalf.

If your pension growth in the City of London Pension Fund, less the value of any available Carry Forward from the three preceding years, is **greater** than £40,000 I have enclosed an illustration of the estimated tax charge liability and the value of the potential Debit amount should you elect for Scheme Pays to meet this charge.

If your total pension growth, less the value of any available Carry Forward from the three preceding years, is **less** than £40,000 you will not need to take any further action.

Pension Savings Statement 2022/23

Name:	
National Insurance Number:	

City of London Pension Fund 'Pension Scheme Tax Reference' (PSTR) number:	00329946RE
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Pension Input Period (PIP)	Standard Annual Allowance	Pension Input Amount (PIA)	Unused Allowance
2019/20	£40,000		
2020/21	£40,000		
2021/22	£40,000		
Total Carry Forward to 2022/23			

Pension Input Period (PIP)	Standard Annual Allowance	Pension Input Amount (PIA)	Unused / Excess Allowance
2022/23	£40,000		

If your 'Unused / Excess Allowance' figure for 2022/23 is a **negative value** and having applied the 'Total Carry Forward to 2022/23' it is still negative you will be subject to a tax charge. Please read the 'illustration page' and the further information enclosed.

Please note, this information is based upon your LGPS benefits with the City of London Pension Fund only. Should you have further pension provision you must add the PIA from each scheme together to determine the full potential taxable excess.

<p>This Pension Savings Statement should be retained for future reference.</p>

For the tax year 2022/23 a Tapered Annual Allowance (TAA) may also apply. The TAA is applicable for individuals whose “threshold income” is more than £200,000 per year and whose “adjusted income” is more than £240,000 per year; in these circumstances their personal AA limit may be reduced to a minimum of £4,000. If I believe you may be affected by the TAA I have included an additional illustration of these values and the appropriate Voluntary Scheme Pays election form.

	Definition	Limit
Threshold Income	Broadly, your taxable income after the deduction of your pension contributions (including AVCs deducted under the net pay arrangement).	£ 200,000
Adjusted Income	Broadly, your threshold income plus pensions savings built up over the year.	£ 240,000

Threshold income includes all sources of income that are taxable, e.g. property income, savings income, dividend income, pension income, social security income (where taxable), state pension income etc.

Please use the links below to find further information about AA and TAA which may assist you in deciding what action you need to take. I have also enclosed a factsheet, notes and a table of responsibility for your attention.

<https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm057100>

<https://www.gov.uk/tax-on-your-private-pension/annual-allowance>

<https://www.moneyhelper.org.uk/en/pensions-and-retirement/tax-and-pensions/the-annual-allowance?source=tpas#>

<http://www.hmrc.gov.uk/tools/pension-allowance/>

Please note, I am unable to provide you with any financial or taxation advice. It is your responsibility to determine your personal tax liability and report it to HMRC on your Self-Assessment tax return.

This is a complex issue and the contents of this letter are based upon my understanding of the legislation as it currently stands. The relevant regulations will be used to reach a decision in any dispute or disagreement. You may wish therefore to consider seeking independent financial or taxation advice before making an irreversible decision.

Yours sincerely

Notes

- If you exceed the AA or TAA limits you may carry forward unused allowance from the previous 3 years
- If you do not have sufficient unused allowance you will have a tax charge up to your highest rate of income tax
- If you are making in house Additional Voluntary Contributions (AVCs) the PIA shown will include any additional contributions paid in the relevant PIP
- You must notify HMRC, usually on your self-assessment return, of any tax charge
 - **Post, by 31 October 2023**
 - **Online, by 31 January 2024**
- If the charge is more than £2,000 you may elect for “scheme pays”. If this is your intention, please complete and return the enclosed election form.
- If you elect for “scheme pays” your LGPS pension will be actuarially reduced
- If your adjusted income is in excess of £240,000 your AA limit will be reduced by £1 for every £2 you exceed £240,000
- All values are based on information provided by your employer
- If you are unsure about anything relating to AA and TAA you should seek independent financial or taxation advice
- If you have other pension provision outside of the City of London Pension Fund you must add the PIA values for all schemes together
- A lower AA may apply if you have accessed any pension savings using the pension freedoms introduced in April 2015

Timeline & Responsibility

Dates	Action	Responsibility
5 October 2023	Pension Saving Statement	The Fund
31 December 2023	Notify Fund of Scheme Pays Election TAA	Scheme Member
31 January 2024	Self-Assessment Tax Return	Scheme Member
31 July 2024	Notify Fund of Scheme Pays Election AA	Scheme Member
14 February 2025	Payment of AA tax charge	The Fund (Scheme Pays) or Scheme Member

The notes above are for information purposes only and are intended to provide you with a general overview of scheme rules. In the event of any dispute over your pension, the appropriate legislation will apply.

Annual Allowance Illustration 2022/23

You will need to determine the exact charge by completing a self-assessment tax return. The following is for illustrative purposes only and shows the possible reduction to your annual pension if you elect for Scheme Pays. It is based on our understanding of pension legislation in force at the time of calculation.

The tax charge will be based on your marginal rate of tax and I have illustrated Scheme Pays under both a 40% and 45% tax rate.

Based on City of London Pension Fund benefit values only;

Excess over the Annual Allowance:	£
Less Carry Forward of Unused Allowance:	£
Annual Allowance Subject to Tax Charge:	£

Marginal Rate of Tax	Tax Charge	Debit Amount (Reduction to annual pension under Scheme Pays)
40%	£	£
45%	£	£

Please Note: The Debit amount is based on retirement at your normal pension age and may vary to the value shown:

- The amount is linked to the Consumer Price Index (CPI) for the period between the year of the charge and your date of retirement.
- If you retire earlier than your normal pension age the Debit amount will be reduced to take account of early payment.
- If you retire after your normal pension age the Debit amount will be increased to take account of late payment.

If you wish the City of London Pension Fund to make payment of your AA tax charge on your behalf and make a reduction to the value of your annual pension, then you should complete and return the enclosed Scheme Pays election form.

Your request for this option must be received by the Fund no later than 31 July following the tax year to which the charge relates, or your date of retirement if earlier. For example, if the charge was accrued in 2022/23 your notification must be received no later than 31 July 2024.

To be eligible for Scheme Pays the tax charge must exceed £2,000 and must be solely in relation to the pension benefits held with the City of London.

Annual Allowance 'SCHEME PAYS ELECTION FORM – LGPS Tax Year 2022/23

Part A: Personal Details									
Title:				Full Name:					
NI Number:								Date of Birth:	
Home Address:									
							Postcode:		
Tel Number							Email:		
Part B: Annual Allowance (AA) Charge Information									
Tax Year to which my AA charge relates:					06/04/20..... - 05/04/20.....				
Amount of AA charge I wish the Scheme to pay on my behalf (please indicate if this is an estimated figure)					£				

Important Notes (please ensure that you read these before completing Part C)

1. You can only elect to use the 'Scheme Pays' facility if your total annual allowance tax charge for any tax year exceeds £2,000, and this charge relates to pension growth associated with the LGPS benefits in the City of London Pension Fund.
2. If you are taking all of your benefits from the LGPS during the tax year to which your annual allowance charge liability relates, your election for 'Scheme Pays' must be received by the City of London Fund prior to your retirement date.
3. Please note, you cannot elect for the 'Scheme Pays' facility (charge on the excess above £40,000 AA limit) until after the end of the tax year in which the annual allowance charge arises. You must elect for 'Scheme Pays' no later than 31 July 2024.
4. If you have declared an estimated annual allowance tax charge figure, there is a time limit for you to notify City of London Pension Fund of the correct amount of the annual allowance charge that you want the Scheme to pay. The Fund must receive the revised information no later than the 31 July following the end of the period of 4 years from the end of the tax year to which your annual allowance tax charge liability relates. For example, if your annual allowance charge relates to the tax year 2022/23, then your request to change your previous 'Scheme Pays' declaration must be received by the Fund no later than 31 July 2027.

Please turn over

PART C: Annual Allowance ‘Scheme Pays’ Member Declaration (please read declaration before signing)

I, hereby, declare that:

- *I have read and understood the ‘Important Notes’ detailed overleaf.*
- *the amount of annual allowance tax charge liability that I wish the Scheme to pay, on my behalf, has been calculated using the correct marginal tax rate.*
- *I understand that I cannot withdraw this election once this has been received by the City of London Pension Fund*
- *I understand that this election must be received by the City of London Pension Fund by the statutory cut-off date if the scheme is to become jointly and severally liable to the annual allowance charge.*
- *I am aware that my LGPS benefits will be reduced to take account of the annual allowance tax that will be paid, on my behalf, by the Scheme.*
- *where applicable, I have stated that the annual allowance tax charge is an estimated figure; and I will subsequently notify the City of London Pension Fund regarding the revised annual allowance tax charge liability once this is known.*

Signed _____ **Dated** ____/____/____

Please return your completed election form to:

City of London Corporation, PO Box 270, Guildhall, London EC2P 2EJ

Email: pensions@cityoflondon.gov.uk

“Appropriate information contained on this form will be held on computer files and/or relevant filing systems for the purposes of General Data Protection Regulation (GDPR) and may be shared with other relevant establishments and agencies for the purpose of providing the appropriate service or meeting legislative requirements”.



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Paragraphs to be added to Pensions Office letters

Following the implementation of the McCloud Remedy, many of the letters issued by the Pensions Office will need to be updated to advise scheme members that their benefits have been calculated with reference to the Remedy.

The following paragraphs have been drafted (*and are shown in italics*) and will be added to the necessary correspondence in the coming weeks once the final wording and terminology has been agreed:

Letter 1 – ‘Compulsory’ Retirements

This paragraph is for retirement illustration letters if the retirement date is compulsory and the scheme member cannot elect to defer payment to a later date. In these cases, the final assumed benefits, final underpin amount and any final guarantee amount are fixed and will not change.

This paragraph will be used for retirement quote letters if the protected member is:

- retiring on ill health grounds from active status
- retiring on redundancy or efficiency grounds, or
- retiring from active or deferred status at the Scheme’s upper age limit – age 75.

McCloud Judgment

*Following the age discrimination case commonly known as McCloud, your pension has been tested to see if you are affected by the judgment. If you are entitled to extra pension, this is shown as a ‘McCloud Final Underpin Pension Payable’ on your illustration and is included in the annual pension figure shown. **Please note that very few members are affected.***

You can find out more about the judgment by reading the McCloud pages of the national LGPS member website: www.lgpsmember.org/mccloud-remedy

Letter 2 – ‘Optional’ Retirements

This paragraph is for retirement illustration letters if the scheme member can choose to defer payment to a later date. It will be used for voluntary retirements from deferred or active status, as long as the member is below the upper age limit for Scheme membership – age 75.

McCloud Judgment

*Following the age discrimination case commonly known as McCloud, your pension has been tested to see if you are affected by the judgment. If you are entitled to extra pension, this is shown a ‘McCloud Final Underpin Pension Payable’ on your illustration and is included in the annual pension figure shown. **Please note that very few members are affected.***

Please be aware that any ‘McCloud Final Underpin Pension Payable’ shown will be paid if you take your pension straight away. If you take your pension later, the

'McCloud Final Underpin Pension Payable' may be higher, lower or may not apply. The final amount depends on a number of factors including your age when you retire.

You can find out more about the judgment by reading the McCloud pages of the national LGPS member website: www.lgpsmember.org/mccloud-remedy

Letter 3 – Retirement Estimate

This paragraph will be added to estimate letters sent at the scheme member's request.

McCloud Judgment

*Following the age discrimination case commonly known as McCloud, your estimated pension has been tested to see if you are affected by the judgment. If the results show that you would be entitled to extra pension if you retired on the date of the estimate, this is shown as a 'McCloud Final Underpin Pension Payable' on your estimate and is included in the annual pension figure shown. **Please note that very few members are affected.***

You can find out more about the judgment by reading the McCloud pages of the national LGPS member website: www.lgpsmember.org/mccloud-remedy

Letter 4 – Deferred calculation

This paragraph will be added to the letters sent to a newly deferred protected scheme member who leaves the Scheme before their 2008 Scheme normal pension age.

McCloud Judgment

Following the age discrimination case commonly known as McCloud, your deferred benefits have been tested to see if you are affected by the judgment. If the results show that you may be entitled to extra pension, this is shown as 'McCloud Current Provisional Underpin Pension Payable' on your statement and is included in your annual pension figure.

*Please be aware that this is not a guaranteed figure. We will work out your 'McCloud Final Underpin Pension Payable' when you take your pension. The final amount depends on a number of factors, including your age when you retire. The 'McCloud Final Underpin Pension Payable' may be higher, lower or may not apply when you retire. **Please note that very few of our members are affected.***

You can find out more about the judgment by reading the McCloud pages of the national LGPS member website: www.lgpsmember.org/mccloud-remedy

Letter 5 – Survivor pension

This paragraph will be added to the letter about a survivor pension payable when a protected scheme member dies.

McCloud Judgment

*Following the age discrimination case commonly known as McCloud, your pension includes any 'Dependant's Guarantee Amount' that you are entitled to. **Please note that very few members are affected.***

You can find out more about the judgment by reading the McCloud pages of the national LGPS member website: www.lgpsmember.org/mccloud-remedy

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