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INTRODUCTION

The purpose of this guidance is to assist local government pension funds with the preparation and publication of the annual report for the years 2023/24 and onward, as required by The Local Government Pension Scheme Regulations 2013 (in respect of England and Wales) and Regulation 55 of The Local Government Pension Scheme (Scotland) Regulations 2018.

The annual report is a key component of communication between pension funds and their stakeholders, who range from individual members and employing bodies to trades unions, government departments, analysts, and commentators. It is used by pension funds to report on the financial, management, governance, and administrative performance of the pension fund, in addition to providing a detailed commentary on investment policy and performance during the year.

In Scotland and Wales the pension fund accounts are no longer included in the administering authority's financial statements therefore their annual reports must contain sufficient information to meet the demands of this diverse readership and to be read and understood in isolation

Publication

A annual report must be published on or before 1st December following the Scheme year end in England, Wales and Scotland. In Scotland and Wales, the pension fund annual report is the only publication required to contain the full year-end statement of accounts, whereas in England the pension fund accounts are also published as part of the administering authority's audited financial statements.

It is expected that the annual report will be made available on the pension fund or administering authority's website, with hard copies available upon request.

When publishing the annual report on a public sector body website, additional steps may be needed, to ensure it complies with the Public Sector Bodies (Websites and Mobile Applications) (No. 2) Accessibility Regulations 2018.

Statutory requirements in England and Wales are that full text versions of the following documents must be included in the annual report:

- the funding strategy statement

- the investment strategy statement (in Scotland the statement of investment principles),,
- the governance compliance statement, and
- the communication policy.

However, it is acceptable that a valid hyperlink is used to provide access to full text versions stored externally (and how to access the full text versions is made clear to users). If hard copies of the annual report are made available, they should include full hard copies of any required, hyperlinked document to ensure the accessibility of those documents. Other information may be provided using hyperlinks or signposting to alternative sources of information as appropriate. The policies and strategy documents in place at year-end should be published, as opposed to those in place at the date of sign off of the Annual Report.

Statutory Background

For England and Wales, regulation 57¹ of The Local Government Pension Scheme Regulations 2013 requires that all administering authorities must prepare a document, known as “the pension fund annual report”, to be published each year on or before the 1st December following the end of the scheme year. Authorities must have regard to this guidance document in the preparation and publication of the pension fund annual report.

In England and Wales, the Department for Levelling Up, Housing and Communities has adopted this guidance as statutory guidance for the purposes of the 2013 Regulations. In Scotland this guidance is advisory only however those funds are encouraged to adopt it on a ‘best practice’ basis.

In Scotland Regulation 55 of the LGPS (Scotland) Regulations 2018 mirrors Regulation 57 of the England and Wales requirements except that:

- Scottish pension funds are required to publish a Statement of Investment Principles under the LGPS (Management and Investment of Funds) (Scotland) Regulations 2010 in place of an Investment Strategy Statement
- Scottish pension fund annual reports are required to include details of external borrowing (section N refers).

As stand-alone documents comprising year-end financial statements, annual reports in Scotland and Wales are required to contain specific information in order to meet the requirements of CIPFA’s Code of Practice on Local Authority Accounting in the United Kingdom, and the Accounts and Audit Regulations in these jurisdictions. Section 4 provides further details.

Preparation of the Pension Fund Annual Report

In applying this guidance, pension funds should ensure that:

¹ <https://lgpsregs.org/schemeregs/lgpsregs2013/timeline.php#r57>

1. All mandatory requirements (as outlined in Regulation 57) are reported against in the pension fund annual report. To support funds in this regard, this guidance follows a structure that includes a section for each of the requirements listed in Regulation 57.
2. They have regard to any supplementary guidance by the Scheme Advisory Board (SAB) when compiling the annual report.
3. Reporting using a consistent method across the scheme aims to make the annual report process simpler for funds and more consistent for readers to directly compare data.
4. The annual report is suitable for the relevant readership. This will require the exercise of local judgement, consideration of matters specific to the pension fund in question, and decisions regarding the level of detail provided in the report or appendices, subject to the scope allowed by legislative requirements and the discretionary elements of this guidance.
5. This guidance uses the following terms for different elements:

Must	Compliance is mandatory. Any non-compliance should be clearly identified in the annual report and an explanation provided.
Should	Compliance is anticipated but is discretionary. Where non-compliance may be significant or material for the readers the non-compliance should be identified and explained.
May	Compliance is recommended but is discretionary.

Additionally, pension funds should consider the following:

6. To ensure annual reports are published in a consistent manner across the LGPS, funds should follow the ordering, structure and terminology used in this guidance and SAB guidance when setting out individual fund reports.
7. This guidance is intended to apply to 2023/24 Annual Reports and later years. As the guidance will come into force around the end of 2023/24 pension funds should use their best endeavours to comply fully with the requirement but exercise judgement where, because of changes to the previous content, to do so would require disproportionate effort or cost. Where significant variation from this guidance is considered appropriate an explanation should be provided.
8. The annual report should be formally reviewed by those charged with governance at the pension fund and authorised by the chair of the pensions committee and the appropriate senior officer of the pension fund. (or their equivalents). This should not be confused with the separate process for the review and approval of the administering

authority's annual accounts, which is a legal requirement under each jurisdiction's Accounts and Audit Regulations.

9. Local pension boards are not decision-making bodies but do have a specific remit under the Local Government Pension Scheme Regulations 2013 to ensure that pension funds meet all relevant legal requirements, and any requirements imposed by the Pensions Regulator.
10. Local pension boards, as part of their remit, should therefore review the pension fund financial statements and the annual report prior to their publication. See the SAB website www.lgpsboard.org for further guidance including other duties which should be considered.

1 OVERALL FUND MANAGEMENT

Scheme management and advisers

The report **must** list the names and, where appropriate for external parties, include relevant contact details, such as website address for:

- Name and job title of the senior officers responsible for the pension fund
- the asset pool and asset pool operator (England & Wales)
- investment managers used by the fund, (where the length of this section is significant, the name and website address of the manager can be included funds should consider providing an external link to this information to support the accessibility of the annual report)
- the fund custodian and actuary
- AVC providers
- Fund legal advisors and bankers to the fund
- the fund accountant/director of finance
- the external auditor
- scheme administrators (if functions are outsourced)
- any independent advisors retained by the fund (e.g. for investment and governance).

Risk management

The report **should** contain a commentary on the arrangements for the identification

and management of risk which is consistent with (and cross references to) disclosures regarding the use of financial instruments in the year-end accounts. An summary of the relevant information from the fund's risk register, outlining the approach to the key fund risks should be provided in the report. Investment (including pooling), governance and administration risk should be covered. Pension funds **may** for example wish to explain:

- how risk management is integrated within the governance structure;
- how risks are identified, managed and reviewed;
- what actions are being taken to mitigate the key risks (covering investment, governance and administration) ;
- Cyber risk should be commented on separately whilst considering the appropriate confidentiality of the pension fund's internal controls.
- specific risks relating to investment and pooling arrangements;
- the approach taken to managing third party risk such as late payment of contributions and data by scheme employers and overall performance by scheme employers

CONSIDERATION SHOULD BE GIVEN TO RISKS WHICH ARE INFLUENCED BY THE FUND'S RELATIONSHIP TO THE ADMINISTERING AUTHORITY, WHERE RELIANCE IS PUT ON AND THERE ARE SHARED POLICES AND RESOURCES. IN PLACE. 2 FINANCIAL PERFORMANCE

Whilst other sections of the annual report consider the management of pension fund investments, this section **must** provide an overview of the fund's financial performance, focused primarily on income, expenditure and cash flows.

Pension funds **must** meet this requirement by providing an analysis or narrative explanation of in-year expenses and income together with a comparison over time or against budget. This **should** separately identify all major categories of income and expenditure, for example:

- staff costs (both direct and internal recharges), premises, IT, supplies and services, costs of democracy and any other administration costs and miscellaneous income;
- benefits payable, transfers in and out, investment management and governance expenses;
- members' and employers' contributions;
- net inflows and outflows to the fund in respect of dealings with members.

As a minimum, pension funds **should** explain the relationship between changes to costs and income and factors such as changes in membership numbers, age profile of pensioners, bulk transfers etc.

Pension fund annual reports **must** also include the following information:

- a brief commentary on any significant changes to non-investment assets and liabilities during the year;
- employers' and employees' contributions as a percentage of pensionable pay, details of late and overdue contributions, and of whether the option to levy interest on overdue contributions has been exercised;
- analysis of pension overpayments, recoveries and any amounts written off;
- commentary on actions taken to deal with fraud (including participation in Nation Fraud Initiative and areas such as data matching, overpayments identified or the use of other data quality and tracing resources)
- other examples of fraud, credit losses, provisions, contingent liabilities or impairments.

3 FUND ACCOUNT, NET ASSETS STATEMENT AND NOTES

The annual report **must** include a fund account and net asset statement with supporting notes and disclosures prepared in accordance with proper accounting practices for each of its pension funds. The financial statements **must** be drawn up in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom issued by CIPFA/LASAAC which sets out the proper accounting practices to be followed.

Detailed guidance on the accounting and disclosure requirements for LGPS financial statements is published by CIPFA. This guidance includes a Code disclosure checklist.

Currently in England, the primary financial reporting of the pension fund is through the annual statement of accounts for the pension fund administering authority, therefore the pension fund accounts in the annual report **must** match those in the administering authority's annual statement of accounts. In Scotland and Wales, the annual report is the only reporting route for the pension fund annual accounts.

4 INVESTMENT POLICY AND PERFORMANCE REPORT

This section of the annual report is intended to demonstrate how the Investment

Strategy Statement has been put into practice during the year and how this links to the Funding Strategy Statement. It should set out the fund's investment management arrangements and the risks, returns and management costs associated with the investment portfolio.

The annual report **must** refer to the strategic asset allocation as set out in the most recent Investment Strategy Statement (ISS). There **must** be a clear comparison between the strategic asset allocation and the actual asset allocation at the effective date. The comparison **should** show the percentage allocation to each asset class alongside the equivalent percentages as shown in the ISS, for ease of comparison. An alternative suitable format **may** be presented where appropriate, for example where the ISS does not express the strategic allocation in percentages. The actual asset allocation in this section **should** be clearly consistent with the figures shown in the asset table referred to in the next section.

This section of the report **must** also include a commentary on the implementation and application of the Funding Strategy Statement during the reporting period or cross-refer to where this Statement is provided in the annual report. Reference should be made to what extent these policies are compliant with statutory guidance and explain any reasons for non-compliance.

This section of the report **must** include details of investment administration and custodianship and describe who looks after which part of the portfolio (if not already provided elsewhere). Investment performance for each fund manager or asset class **must** be reported alongside an appropriate benchmark chosen by the authority. Benchmarks **should** not change from year to year, and if a new benchmark is adopted, there **must** be an explanation given.

The pension fund should provide details of the environmental, social and governance issues, and other initiatives such as engagement with companies and any collaborative ventures with other funds. This might include, for example:

- whether the fund is a signatory to the UK Stewardship Code
- details of any bodies of which the fund is an active member, subscriber, or signatory, such as Chartered Institute of Public Finance and Accountancy (CIPFA), Pensions and Lifetime Savings Association (PLSA), Local Authority Pension Fund Forum (LAPFF), United Kingdom Sustainable Investment and Finance Association (UKSIF), United Nations Principles for Responsible Investment (UNPRI), etc
- summary information on where and how voting rights have been exercised
- information on responsible investing
- actions taken to comply with investment principles or similar codes of practice.

- links to Climate Risk Reports or other relevant reports
- Links to Responsible Investment policies and commentary on actions taken during the year

The CIPFA publication “Accounting for Local Government Pension Scheme Management Expenses” / the relevant accounting guidance recommends that this section of the annual report **should** also be used to:

- identify fees and costs incurred by 3rd parties which affect overall investment returns
- explain the relationship between fees, risk and investment return.
- indicate how the pension fund is responding to the Scheme Advisory Board’s Transparency Code, and the use being made of data provided by fund managers using the transparency code templates.

Asset table

All funds **must** complete the asset table below in their annual reports.

This section sets out how funds should allocate assets between the categories. Definitions intended to be broad in order to avoid difficulty in separating out multi-asset funds, which is not needed. The data in the table should include all of the assets of the fund, and the “total assets” in each column should be the sum of the data in that column.

Unlike in the previous annual reporting guidance, there is no requirement to provide a calculation of savings from participation in one of the eight LGPS Investment Pools. Instead and in line with the recent Government consultation, the annual report should include data in the supplementary table sets out below. This guidance also sets out how the asset classes in the net asset statement should be allocated to the supplementary table. Some of the categories are not mutually exclusive, for example some private equity meets the definition of levelling up, in which case the value should be included in both boxes. As this section has been introduced part way through 2023/24, then for that year it should be completed on a best endeavours basis. In future years, completion will be mandatory. Do not include undrawn commitments to the asset classes.

Definitions

In both tables, assets must be divided into “pooled”, “under pool management” and “not pooled”. We refer here only to the LGPS asset pools, which at time of writing are ACCESS, Border to Coast Pensions Partnership, Brunel Pension Partnership, LGPS Central, London Collective Investment Vehicle, Local Pensions Partnership, Northern

LGPS and Wales Pension Partnership.

“Pooled” means that the investment has been made in an investment vehicle which is owned or managed by one or more LGPS asset pools.

“Under pool management” means that the asset is not invested in an investment vehicle owned or managed by the LGPS asset pool, but that the pools are involved in oversight or decision making. Passive funds which have been jointly procured by partner funds should be included in this section.

“Not pooled” means that the asset is held and managed outside of the LGPS asset pools.]

Asset table

Workstream suggested the below asset classes:

Equities
Bonds
Property
Infrastructure
Private Equity
Multi-asset credit
Private debt
Other
DGF
Cash
LDI
Hedge funds
Derivatives

£m Asset values as at 31 March 20XX	Pooled	Under pool management	Not pooled	Total
Asset classes				
Equities (listed)				
Fixed income (listed)				
Private markets				
Property				
Cash / net current assets				
Other				
Total Assets				

Supplementary table				
<i>Of which</i>				
UK Equities				
UK Infrastructure				
Overseas infrastructure				
UK Private Equity				
Overseas private equity				
Additional memorandum				
UK Levelling up				

Equities (listed)	<p>All listed equity investments. This category may also include convertible bonds where they are classified as equity-like.</p> <p>Where an asset includes both private-market and listed investments, an approximation of the underlying allocation to private markets should be shown on a best endeavours basis.</p>
Fixed-income (listed)	<p>Include listed bonds and debt-like investments. Indexed linked as well as fixed income, government and company.</p> <p>Where an asset includes both listed and private-market bonds, an approximation of the underlying allocation to listed bonds should be shown on a best endeavours basis.</p>
Private markets	<p>All private market invested assets, including private credit, private equity and infrastructure.</p> <p>Where an asset includes both private-market and listed investments, an approximation of the underlying allocation to private markets should be shown on a best endeavours basis.</p>
Property	<p>Assets that should be captured here include:</p>

	<ul style="list-style-type: none"> • all UK and overseas land or property (commercial, residential and industrial) • any land or property owned by the pension scheme that is occupied by a scheme sponsor • holdings in non-listed property funds (for example, property unit trusts) • Agriculture/forestry <p>Listed property funds such as Real Estate Investment Trusts (REITS) may be included here where the holding is explicitly intended to provide exposure to the property sector. However, small concentrations of these held as part of a larger equity portfolio do not need to be separately identified and can be included with equities.</p>
Cash / net current assets	<p>Cash investments have high liquidity and short maturities (usually 90 days or less).</p> <p>Include in this category:</p> <ul style="list-style-type: none"> • Cash in any currency or denomination • Cash held in savings accounts, bank accounts, money market funds, negotiable certificates of deposit (CDs), commercial paper and floating rate notes (FRNs)
Other	Any assets which do not fall into the above categories

<i>Supplementary table</i>	
UK Equities	Include all UK quoted equity investment.
UK Levelling up	<p>Include all assets which make a measurable contribution to one of the levelling up missions set out in the Levelling Up White Paper² and supports any local area within the United Kingdom. In practice we do not expect this to include public market investments.</p> <p>[to be updated to refer to statement of levelling up missions due to be laid under s1 of the Levelling Up and Regeneration Act 2023 by 25 January 2024]</p>
UK Infrastructure	Include all infrastructure investment in the UK.

² [Levelling Up the United Kingdom: Executive Summary \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)

Overseas infrastructure	Include all infrastructure investment outside of the UK.
UK Private Equity	Include all unquoted UK equity investment, including private equity, unquoted shares, venture capital and leveraged buy outs.
Overseas private equity	Include all unquoted overseas equity investment, including private equity, unquoted shares, venture capital and leveraged buy outs.

Private equity

Should we insert a date here to give it context? The government has set an ambition for 10% of the LGPS to be invested in private equity, which may include global and UK private equity.

Levelling up [subject to change on exact statutory requirement]

The government set out in the 2022 Levelling Up White Paper that funds would be required to publish plans for increasing local investment, including setting an ambition of up to 5% of assets invested in projects which support local areas. The Government confirmed alongside in the 2023 Autumn Statement that it would proceed with this commitment. This section applies where a fund has published a Levelling Up Plan. The annual report must include a section detailing progress against the fund's Levelling Up Plan. This must include:

- the percentage of assets under management (AUM) invested in levelling up projects compared to the fund's plan for that year, the percentage in the previous year, and the ambition set by the fund,
- the amount and type of levelling up investments that have been made through the fund's LGPS pool, and outside the pool.
- a narrative account explaining the changes in AUM allocated and the progress against the fund's plan, and the rationale for investing through the pool or outside the pool.

4 SCHEME ADMINISTRATION

The scheme administration section of the annual report must cover the following areas:

- Reporting of standard administration Key Performance Indicators (KPIs)
- A summary of activities undertaken by the service during the year
- A statement on value for money achieved by the administration function
- An explanation of organisational arrangements i.e. how the service is delivered

Funds should also report other data and information such as members' satisfaction with the service provided, communication with members and employers and resolution of complaints.

Summary of activity

This section should outline the work undertaken by the administration section of the pension fund during the year. The pension fund may, for example, include information in respect of:

- major pieces of work/projects planned and undertaken (e.g. data quality review or compliance with new/upcoming legislation), summarising action taken during the year, progress achieved and next steps for the following year, where applicable
- technological or pensions administration systems developments taking place during the year, including details of the impact that they have/will have. For instance, improvements in the timeliness and accuracy of data received from employers and communication activities
- action being taken to improve data quality, outlining data quality audit arrangements and funds should disclose the scores reported to The Pensions Regulator (TPR) in the TPR Scheme Return on Common and Scheme Specific Data in the administration KPI table.

The report **should** also contain a commentary on how the fund has met the commitments set out in the communications policy statement including:

- how scheme information has been provided to members, their representatives and employers
- in what format and how frequently information has been provided
- what steps the fund has taken to promote scheme membership to prospective members.

This section of the annual report must include an annual update on the key services provided to all scheme members and employing bodies.

[check for consistency with rest of section]

This should cover, for example:

- information on communication and technological developments throughout the year which may impact members and employers e.g., changes to self-service portals or systems affecting data collection for employers
- key information sources for members such as websites, helpdesk facilities and workplace representatives, which must consider the digital literacy and access of members e.g., those who cannot use or access digital resources effectively
- for both scheme membership records and benefits administration, a broad outline of the arrangements in place including who undertakes each activity and how they can best be contacted
- arrangements in place for ensuring accuracy, cyber security and confidentiality.

Where administration functions have been outsourced, annual reports should explain how these arrangements operate in practice and how the pension fund monitors these operations.

Key performance indicators

Pension fund must report on the outcome of administration KPIs set out in the relevant SAB guidance found on the SAB website.

The purpose of this list is to highlight, as clearly as possible to the reader, how the pension fund is performing in key areas of administration.

Further to reporting of the data items in the SAB guidance pension funds should consider applying an appropriate commentary such that readers can understand and put the data into context.

Option 1: As a minimum, pension funds must report on the KPI's listed in the SAB guidance as 'core' administration statistics. These cover areas such as monthly data collection, resourcing, data quality and employer performance.

Or

Option 2: As a minimum, pension funds must report on the KPI's listed in the SAB guidance as 'core' administration statistics. These are cover below and further guidance is available in SAB guidance.

Casework KPI
Communication issued with acknowledgement of death of active, deferred, pensioner and survivor member

Communication issued confirming the amount of dependents pension
Communication issued to deferred member with confirmation of pension and lump sum options (actual)
Communication issued to active member with confirmation of pension and lump sum options (actual)
Payment of lump sum (both actives and deferreds)
Communication issued with deferred benefit options
Resources
Total number of all administration staff (FTE)
Number of administration staff vacancies occurred in the year
Number of number of the vacancies filled as at 31 March
Ratio of all administration staff to total number of scheme members (all staff including management)

Data quality
Annual Benefit Statements
Percentage of annual benefit statements issued as at 31 August
Short commentary if less than 100%
Data category
Common data score
Scheme specific data score
Percentage of active, deferred and pensioner members recorded as 'gone away' with no home address held or address is known to be out of date
Percentage of active, deferred and pensioner members with an email address held on file
Employer performance
Percentage of employers set up to make monthly data submissions
Percentage of employers who submitted data on time during the year

]

Fund membership

The administration section of the annual report must also contain:

- Analysis of the fund's membership data (active, deferred, pensioner (including survivor beneficiaries) and undecided leavers (i.e., those members who are no longer accruing service and to whom a refund of contributions or transfer out may be due)

Fund employers

- Provide the total number and a list of names for the contributing employers. Larger funds may present summary information about the range of contributing employers where listing them is impractical. Employers should be analysed by admitted, scheduled and designated body status (corresponding to Schedule 2 Parts 1-3 respectively of the Local Government Pension Scheme Regulations 2013) and showing the value of contributions received from both employer and employees during the year (this can be shown as an appendix to improve useability of the annual report).

- A summary of the number of employers in the fund analysed by scheduled bodies, admitted and designated bodies which are active (with active members) and ceased (no active members but with some outstanding liabilities). This data should be shown in tabular format as follows:

	Active	Ceased	Total
Scheduled body	x	x	xx
Admitted body	xx	xx	xxxx
Designated body			
Total	xxx	xxx	xxxxxx

Value for Money Statement

This statement should demonstrate the efficiency and effectiveness of each fund's scheme administration and the commitment to enhancing the value for money of this function.

This should include an overview of each fund's ambitions for the year compared to its performance, giving a sense of how value for money has changed over the year and why.

This should include reflecting on the level of resources and comparability of key performance indicators over time.

Dispute resolution

This section of the annual report should include an outline of the fund's internal dispute resolution procedure (IDRP), with information and commentary on:

- any new IDRP cases arising during the year and how these have been resolved
- formal complaints received (not through the IDRP),
- summary of satisfaction levels of employers and members based on surveys, questionnaires or other feedback received
- number of complaints referred to the pension's ombudsman, with a year-on-year comparison and brief commentary of the nature of each complaint

5 ACTUARIAL REPORT ON FUNDS

All LGPS funds are required to commission an actuarial valuation of their funds on 31st March every three years. Under Regulation 57 of the Local Government Pension Scheme Regulations 2013 in England and Wales (Regulation 55 in Scotland) the annual report **must** disclose a statement by the actuary who carried out the most recent valuation of the assets

and liabilities of the level of funding as reported by the actuary at the last actuarial valuation.

For ease, this section of the annual report **should** also include either the actuary's full report or a hyper link to the actuary's report on the pension fund website.

6 GOVERNANCE AND TRAINING

In this section, funds **should** report on how their governance works and how the pension fund has complied with its Governance Compliance Statement (GCS) required Regulation 55 of the LGPS Regulations 2013 (Regulation 53 in Scotland) by setting out:

- the fund governance structure showing members of the pension committee and the local pension board, panel or sub-committee showing the respective roles and responsibilities
- a matrix showing each member's voting rights, record of attendances at meetings and training and any changes during the year how the relevant Knowledge and Skills Frameworks and training policies have been applied
- a commentary on the work undertaken during the year by both the pensions committee (or equivalent) and the local pension board;
- copy or summary of any annual report produced by the Pensions Committee (or equivalent) and/or the Local Pension Board
- how the fund handles conflicts of interest
- how members are represented
- expectations on expertise and training for pension committee members and local pension board members and a report on the training undertaken by each committee and board member and how the pension fund's training policy has been applied throughout the year
- how the fund meets the requirements of the DLUHC governance statutory guidance
- how oversight and governance of the asset pool takes place
- other key elements of the governance structure (eg key officers, risk management arrangements)

8 EXTERNAL AUDIT OPINION

The external auditor's opinion on the pension fund's statement of accounts **must** be included in the annual report. For Welsh pension funds this will be a standalone audit opinion, whereas in England a separate pension fund audit opinion is provided but coupled with the administering authorities own audit in the same audit engagement.

As each pension fund does not make separate audit appointments, it will be the administering authority's appointed external auditor who carries out the audit work and issues the opinion.

There is no requirement to audit the pension fund annual report as a separate exercise, therefore the scope of the audit will primarily be restricted to the financial statements included in the annual report, rather than the content of the annual report overall. However, where audited accounts are published alongside other financial information, auditors have a responsibility to ensure that the audited and unaudited information being presented to the reader is internally consistent. In practice this means that:

- The external auditor will need to receive and review not just a set of financial statements but also a draft of the annual report before a separate opinion on the pension fund can be issued
- The auditor is likely to query any information reported in other sections of the annual report which appears to be materially inconsistent with the information contained in the accounts. Where information is different eg because sub-fund expenses have been added into investment management costs in order to meet Transparency Code requirements, reconciliations between the two sets of figures should be prepared and made available for audit.

Scottish and Welsh pension funds

As a stand-alone set of financial statements, to meet CIPFA Code of Practice requirements Scottish and Welsh annual reports **must** include the following:

- a Statement of Responsibilities for the Statement of Accounts;
- Member approval and publication dates;
- an Annual Governance Statement setting out how the pension fund complied with the CIPFA/SOLACE publication "Delivering Good Governance in Local Government: Framework".

Following either statutory requirements or best practice, annual governance reports are normally produced as the outcome of annual "governance reviews" carried out by management which consider, amongst other things:

- The overall governance and risk management structures in place;

- Any changes made to these arrangements since last year;
- How the organization complies with the CIPFA/SOLACE publication “Delivering Good Governance in Local Government: Framework”;
- Assurance provided through Internal Audit work or third parties;
- Assurance reviews carried out by service managers.

In Scotland Local Government Finance Circular 1/2018 advises that pension funds adopt one of the following two approaches:

- a single Governance Statement with two sections. The first section being the Annual Governance Statement, and the second section being the Governance Compliance Statement; or
- two separate statements. The first statement is to be the Annual Governance Statement, followed immediately by the Governance Compliance Statement.

At the date of publication, the Welsh Government was considering a similar approach for Welsh pension funds to follow.

Additional information

Although Regulation 57 of the LGPS Regulations 2013 (Regulation 55 of the Scottish Regulations) prescribe what must be included in the pension fund annual report, pension funds are free to include other information as they see fit. For example, funds **may** wish to include :

- the statement of compliance with the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills;
- evidence to demonstrate compliance with the Code of Practice, such as a report on officer and member training undertaken during the year (if not reported elsewhere), skills and knowledge reviews undertaken, etc;
- the role played by Internal Audit in providing assurance and managing risk, and a summary of assurance activity undertaken during the year (including any key points arising from such reviews or from the review of ISAE 3402 controls assurance reports);
- a summary of Freedom of Information requests;
- a glossary of commonly used pension fund terms to aid readers.

ANNEX 1 – ANNUAL REPORT CHECKLIST

TBC