



Department for Levelling Up,  
Housing & Communities

**Preparing the Pension Fund Annual Report**  
**Guidance for Local Government Pension Scheme Funds**  
**April 2024**



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## ACKNOWLEDGEMENTS

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This guidance has been jointly produced by the Scheme Advisory Board (SAB), the Chartered Institute of Public Finance and Accountancy (CIPFA) and, Department for Levelling Up, Housing and Communities (DLUHC) in consultation with funds, industry experts and other interested stakeholders. The SAB, CIPFA and DLUHC would like to acknowledge the contribution of those involved in the production of this guidance, in particular:

- members of the Annual Reporting Working Group within the SAB's Compliance and Reporting Committee.
- the fund officers who met with the SAB Secretariat to provide feedback
- members of the National LGPS Technical Group and
- the national Pension Officer Groups.

## 1 INTRODUCTION

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1. The purpose of this guidance is to assist local government pension funds with the preparation and publication of the pension fund annual report, as required by regulation 57 of 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. It also aims to ensure that reporting across the scheme is consistent and provides comparable data for all funds.
2. This guidance applies to 2023/24 annual reports and later years. For annual reports covering 2023/24, funds should use their best endeavours to comply fully with this guidance, 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, funds should provide an explanation.
3. 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.

## Publication

4. An annual report must be published on or before 1<sup>st</sup> 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.
5. 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.
6. Current statutory requirements in England and Wales are that the current version of the following documents must be included in the annual report:
  - the funding strategy statement
  - the investment strategy statement
  - the governance compliance statement, and
  - the communications policy
7. Statutory requirements in Scotland are that full text versions of the following documents must be included in the annual report:
  - the funding strategy statement
  - the statement of investment principles
  - the governance compliance statement, and
  - the communications policy
8. However, it is acceptable for pension funds in England and Wales to use a valid hyperlink to provide access to full text versions stored externally. Where this method is used, it should be made clear to readers how the full text versions can be accessed. If hard copies of the annual report are made available, they should include full hard copies of any required 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 signing off the Annual Report.

## Statutory Background

9. For England and Wales, regulation 57<sup>1</sup> 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 1<sup>st</sup> 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.
10. In England and Wales, the Department for Levelling Up, Housing and Communities (DLUHC) has adopted this guidance as statutory guidance for the purposes of the 2013 Regulations. In Scotland this guidance is advisory only, but those funds are encouraged to adopt it on a ‘best practice’ basis.
11. 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.
12. As stand-alone documents comprising year-end financial statements, annual reports in Scotland and Wales are required to contain specific information to meet the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA’s) Code of Practice on Local Authority Accounting in the United Kingdom, and the applicable Accounts and Audit Regulations<sup>2</sup>.

## Preparation of the Pension Fund Annual Report

13. In applying this guidance, pension funds **should** ensure that:
  - All mandatory requirements<sup>3</sup> are reported against in the pension fund annual report.
  - They have regard to any supplementary guidance issued by the Scheme Advisory Board (SAB), CIPFA or other relevant body when compiling the annual report.
  - The annual report is suitable for the relevant readership. This will require the

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

<sup>2</sup> Refers to the Accounts and Audit Regulations 2015 in respect of England, the Accounts and Audit (Wales) Regulations 2014 in respect of Wales, and the Local Authority Account (Scotland) Regulations 2014 in respect of Scotland.

<sup>3</sup> As required by regulation 57 of 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

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.

14. This guidance uses the following terms for different elements:

<b>Must</b>	Compliance is strongly expected. Any non-compliance should be clearly identified in the annual report and an explanation provided.
<b>Should</b>	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.
<b>May</b>	Compliance is recommended but is discretionary.

15. Additionally, pension funds **should** consider the following:

- 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 when setting out individual fund reports.
- 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 the applicable Accounts and Audit Regulations.
- Local pension boards are not decision-making bodies but do have a specific remit under regulation 106 of the Local Government Pension Scheme Regulations 2013 (in respect of England and Wales), and regulation 5 of the Local Government Pension Scheme Regulations (Governance) 2015 (in respect of Scotland), to assist the administering authority to meet all relevant legal requirements, and any requirements imposed by The Pensions Regulator.
- 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](http://www.lgpsboard.org) for further guidance on local pension boards.

## 2 OVERALL FUND MANAGEMENT

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### Scheme management and advisers

16. The report **must** list the names and, where appropriate for external parties, include relevant contact details, such as the website address for:
- the senior officers responsible for the pension fund and their job title
  - 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
  - the fund actuary
  - AVC providers
  - fund legal advisors
  - the fund bankers
  - the fund accountant/director of finance
  - the external auditor
  - scheme administrators (if functions are outsourced)
  - any independent advisors or consultants retained by the fund (e.g. for investment and governance).

### Risk management

17. 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.
18. A 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)

- the approach taken to managing cyber risk, while protecting appropriate confidentiality for the pension fund's internal controls
- the approach taken to 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
- the approach taken to risks which arise because of the fund's relationship to the administering authority, such as where reliance is put on shared policies and resources

### 3 GOVERNANCE AND TRAINING

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19. In this section, funds **should set out** their governance structure and how the pension fund has complied with its Governance Compliance Statement (GCS)<sup>4</sup> by setting out:

- the fund governance structure including the pension committee, panel or sub-committee and the local pension board and their respective roles and responsibilities
- the chair and members of the pension committee or equivalent, and of the local pension board, and any changes during the year
- for each member of the pension committee and board, voting rights and record of attendances at meetings
- how scheme members and employers are represented
- the fund's expectations on expertise and training for pension committee members and local pension board members and how the relevant Knowledge and Skills Frameworks and pension fund training policies have been applied through the year
- report on the training undertaken by each committee and board member
- 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 oversight and governance of the asset pool takes place
- other key elements of the governance structure (e.g. key officers)

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<sup>4</sup> Required by Regulation 55 of the Local Government Pension Scheme Regulations 2013 (Regulation 53 in Scotland)



## 4 FINANCIAL PERFORMANCE

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20. Whilst other sections of the annual report consider the management of pension fund investments, this section **must**<sup>5</sup> provide an overview of the fund's financial performance, focused primarily on income, expenditure, and cash flows.

21. 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.

22. 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.

23. 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 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 the National 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.

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<sup>5</sup> As required by regulation 57(1)(a) of the Local Government Pension Scheme Regulations 2013 (in respect of England and Wales) and regulation 55(1) of the Local Government Pension Scheme (Scotland) Regulations 2018

## 5 FUND ACCOUNT, NET ASSETS STATEMENT AND NOTES

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24. The annual report **must**<sup>6</sup> 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<sup>7</sup> issued by CIPFA/LASAAC (the “CIPFA Code”) which sets out the proper accounting practices to be followed.
25. Detailed guidance on the accounting and disclosure requirements for LGPS financial statements is published by CIPFA. This guidance includes:
- a Code disclosure checklist.
  - LGPS Pension Fund Accounts - example pension fund accounts and disclosure checklist; and
  - Accounting for Management Costs.
26. 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.

## 6 INVESTMENTS AND FUNDING

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27. This section of the annual report **must** demonstrate how the Investment Strategy Statement (ISS) has been put into practice during the year and how this links to the Funding Strategy Statement (FSS). It **must** set out the fund’s investment management arrangements and the risks, returns and management costs associated with the investment portfolio.
28. This section of the report **must** also include a commentary on the implementation and application of the FSS during the reporting period. Reference **should** be made to what extent the ISS and FSS are compliant with

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<sup>6</sup> As required by regulation 57(1)(f) of the Local Government Pension Scheme Regulations 2013 (in respect of England and Wales) and regulation 55(1)(a) of the Local Government Pension Scheme (Scotland) Regulations 2018

<sup>7</sup> [Code of Practice 2022/23 online | CIPFA](#)

statutory guidance and explain any reasons for non-compliance.

29. 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).
30. Investment performance net of fees for the 12 months corresponding to the accounting period for each fund manager or asset class **must** be reported alongside an appropriate benchmark chosen by the authority and the choice of benchmark **must** be stated. Benchmarks **should** not change from year to year, and if a new benchmark is adopted, there **must** be an explanation given.
31. The 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 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 regarding the fund's policies 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.
32. The CIPFA publication "Accounting for Local Government Pension Scheme Management Expenses" and the relevant accounting guidance recommends that this section of the annual report **should** also be used to:
  - identify fees and costs incurred by third 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 Code of Transparency, and the use being made of data provided by fund managers using the Code templates.

## Strategic asset allocation

33. The annual report **must** compare the strategic asset allocation as set out in the most recent ISS with the actual allocation of assets at the end of the accounting period. 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.
34. The remainder of this section (investments and funding) of the guidance is only applicable to pension funds in England and Wales, under Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

## Pooling

35. This section of the annual report **must** also provide a commentary and data on how the fund has implemented the policy on pooling its assets in its chosen LGPS pool during the year as set out in its ISS and a narrative on the pace of pooling and an explanation for assets which have not been pooled.
36. Throughout this guidance there are references to pools and pooling. These refer exclusively to the LGPS investment pools, which as at the date this guidance is issued are ACCESS, Border to Coast Pensions Partnership, Brunel Pension Partnership, LGPS Central, London LGPS CIV, Local Pensions Partnership, Northern LGPS and Wales Pension Partnership.
37. Funds **must** report the costs incurred, gross savings achieved, and the net savings achieved as a result of pooling assets. These figures **must** be shown in relation to the accounting year in question, and in addition a cumulative total from the inception of pooling to the end of the accounting period **must** be shown. This must be done in line with the single methodology agreed by all LGPS pools.
38. Funds **must** also report on their progress in pooling their assets in this section through the asset table and the supplementary table. In both tables, assets **must** be divided into “pooled”, “under pool management” and “not pooled”.
- “Pooled” means that the investment has been made in a collective investment vehicle or segregated management arrangement for which the LGPS asset pool is accountable (by regulation or contract). Assets invested through the fund’s chosen pool in a vehicle managed by another LGPS pool are considered pooled.

- “Under pool management” means that the pool is responsible for the oversight or discretionary management of the investment, whether or not procured through the pool, (including passive market index tracker funds procured before pooling). In these cases, a description of the nature of the pool’s role in oversight or management should be added.
- “Not pooled” means that the asset is neither pooled nor under pool management.

### Asset table

39. All funds **must** set out their asset allocation at the end of the accounting period by completing the asset table below. The aim of including this new table is to present information that ought to be available already from the fund account and net asset statement (with supporting notes and disclosures) in a more accessible and consistent format.

40. This table therefore uses the asset categorisation in the CIPFA Code which also mirrors the requirements of the Pension Statement of Recommended Practice<sup>8</sup> (“SoRP”), which sets out the underlying asset classes used by funds to allocate assets. The key difference is that while the CIPFA Code and SoRP require the accounts to show amounts within “pooled investment vehicles”, with disclosure elsewhere of the underlying asset classes, funds should use the table below in the annual report to show the underlying asset classes directly, rather than as part of “pooled investment vehicles”.

41. The data in the table **should** include all the assets of the fund, and the “total assets” in each column should be the sum of the data in that column. Pension fund administering authorities should ensure that the content of the table below reconciles back to the analysis of investment assets included in the pension fund accounts. Figures should reflect actual rather than strategic allocations.

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<sup>8</sup> [Statements of Recommended Practice \(SORPs\) \(frc.org.uk\)](http://frc.org.uk)

## Asset Table

£m Asset values as at 31 March 20XX	Pooled	Under pool management	Not pooled	Total
Equities (including convertible shares)				
Bonds				
Property				
Hedge funds				
Diversified Growth Funds (including multi-asset funds)				
Private equity				
Private debt				
Infrastructure				
Derivatives				
Cash and net current assets				
Other				
<b>Total</b>				

### Supplementary table

42. The annual report **must** also include data in the supplementary table set out below, to provide additional information on investment in the UK. This data covers some but not all of the assets included in the asset classes in the net asset statement, and it is not expected that it sums to 100% of assets. Some of the categories are not mutually exclusive and may overlap. For example, some private equity meets the definition of levelling up assets, in which case the value should be included in both boxes. The pooling categories are as described in the notes to the asset table above. This table should be completed using estimates where data is not available. Figures should reflect actual asset holdings rather than allocations set out in the fund's Investment Strategy Statement.

## Supplementary table

<b>£m Asset values as at 31 March 20XX</b>	<b>Pooled</b>	<b>Under pool management</b>	<b>Not pooled</b>	<b>Total</b>
UK Listed Equities				
UK Government Bonds				
UK Infrastructure				
UK Private Equity				

43. The next section sets out background and definitions to assist funds in completing the asset table and supplementary table.

### UK listed equities

44. Government wishes to maintain an understanding of the LGPS's allocation to UK public markets. For this reason, authorities **must** set out the amount which has been allocated to UK listed equity investment in the supplementary table, including through the pools. In this table, UK listed means amounts invested in equities listed on a recognised UK exchange (irrespective of the underlying operations of the company).

### UK Government Bonds

45. Government wishes to maintain an understanding of the LGPS's allocation to UK public markets. For this reason, authorities **must** set out the amount which has been allocated to UK government bonds in the supplementary table, including through the pools. In this table, include amounts invested in all UK government bonds (including index linked) and other bonds with explicit UK government guarantees, for example, supnationals with UK government guarantees.

### UK Infrastructure

46. A key aim of LGPS asset pooling reforms<sup>9</sup> was to improve capacity and capability to invest in infrastructure. Authorities **must** set out the amount which has been allocated to UK infrastructure investment in the supplementary table, including through the pools. UK infrastructure refers to amounts invested in infrastructure assets that are located on the land or territorial waters of the UK (or where the physical cable / asset connection is to the UK), irrespective of the domicile of the vehicle through which the investment is made. This should include any undrawn commitments.

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<sup>9</sup> [Local Government Pension Scheme: Investment Reform Criteria and Guidance. November 2015.](#)

## Private equity

47. Government has an ambition for 10% of the LGPS to be invested in private equity. While this is not limited to the UK, Government also takes an interest in the UK private equity allocation. Investment in UK and global private equity helps to increase LGPS investment returns, to grow companies in the UK, and to increase productive investment for the future. For this reason, authorities **must** set out the amount which has been allocated to global private equity (in the above asset table) and UK private equity investment in the supplementary table. This should include any undrawn commitments.

## UK Levelling Up

48. The Government has confirmed<sup>10</sup> that funds will be required to publish plans for increasing investment in line with an ambition of up to 5% of assets to be invested in projects which support levelling up. “Levelling up” refers to assets which make a measurable contribution to one of the missions set out in the Government’s Statement of Levelling Up Missions<sup>11</sup> (which is made under Section 1 of the Levelling Up and Regeneration Act 2023) and support any local area within the United Kingdom. In practice we do not expect this to include public market investments.

49. While the requirement has not yet been introduced, funds **may** wish to report against the expectations for a levelling up plan in line with the Government’s policy:

- the amount and type of levelling up investments that have been made through the fund’s LGPS pool, and outside the pool. This may be included in the supplementary table in the format below.
- the percentage of assets 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,
- a narrative account explaining the changes in assets allocated and the progress against the fund’s plan, and the rationale for investing through the pool or outside the pool.

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<sup>10</sup> [Local Government Pension Scheme \(England and Wales\): Next steps on investments - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/local-government-pension-scheme-england-and-wales-next-steps-on-investments)

<sup>11</sup> [Statement of Levelling Up Missions - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/statement-of-levelling-up-missions)



£m Asset values as at 31 March 20XX	Pooled	Under pool management	Not pooled	Total
<b>Additional memorandum:</b> UK Levelling up				

## 7 ADMINISTRATION

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50. The administration section of the annual report **must** cover the following areas:

- A summary of activities undertaken by the administration function during the year
- Report on performance against administration Key Performance Indicators (KPIs)
- Report on member and employer numbers by category
- Report on actions taken to deliver the communications policy
- Report on value for money achieved by the administration function
- Report on complaints and dispute resolution.

51. Funds **should** also report other data and information such as members' satisfaction with services provided, communications with members and employers, and resolution of complaints.

### Summary of activity

52. 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 projects undertaken and planned (e.g. to comply with new legislation), summarising action taken during the year, progress achieved and next steps for the following year, where applicable
- IT or pensions administration systems developments taking place during the year, including details of the impact that they have had or will have
- action being taken to improve data quality, outlining data quality audit arrangements.

53. This section of the annual report **must** include an annual update on the key services provided to all fund members and employers. This **should** cover:

- key information sources for members such as websites, helpdesk facilities and workplace representatives and should include arrangements for members 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

- arrangements in place for ensuring accuracy, cyber-security and confidentiality.

54. 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**

55. Pension funds **must** report on the outcome of administration KPIs set out in Annex 1 and **should** also provide an appropriate commentary such that readers can understand and put the data into context.
56. The list of KPIs in Annex 1 is designed to provide measures of performance on providing an effective administrative service for both members and employers. Reporting against this list and including a commentary for readers will allow funds to demonstrate clearly how the pension fund is performing in key areas of administration, including highlighting areas of best practice and improvement over time.
57. The list of KPIs includes monthly data collection and data quality indicators which are designed to encourage more consistent and effective data management, both internally and when supporting employers.
58. 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.

### **Fund members and employers**

59. This section of the annual report **must** also contain:

#### Fund members

- the total number of scheme members, and the number of members in each category (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

- the total number and a list of names for the contributing employers. Funds may present summary information about the range of contributing employers where listing them is impractical. Employers should be reported by type (e.g., scheduled, admitted and designated body) 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).

### **Communications policy**

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

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

### **Value for Money Statement**

61. This statement **should** demonstrate the efficiency and effectiveness of each fund's 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**

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

- any new IDRP cases arising during the year and how these have been resolved
- the number of 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 or disputes referred to the Pension Ombudsman, and brief commentary of the nature of each complaint

## 8 ACTUARIAL REPORT ON FUNDS

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63. Each administering authority is required to obtain an actuarial valuation of each of their pension funds on 31<sup>st</sup> March every three years. Under Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013 in England and Wales (Regulation 55(1)(d) 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.
64. For ease, this section of the annual report **should** also include either the actuary's full report or a hyperlink to the actuary's report on the pension fund website.

## 9 EXTERNAL AUDIT OPINION

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65. The external auditor's opinion on the pension fund's statement of accounts **must** be included in the annual report. For Welsh and Scottish 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 authority's own audit in the same audit engagement.
66. 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.
67. Where the audit opinion has not been issued on or before 1st December, the pension fund administering authority is still under a statutory obligation to publish the annual report by the due date. Funds in this position **must** publish the annual report without an audit opinion making it clear that this is the case and then re-publish the report when the audit opinion is finally issued.
68. 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**

69. As a stand-alone set of financial statements, to meet CIPFA Code 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”

70. 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 organisation 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

71. 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.

## 10 ADDITIONAL INFORMATION

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72. Although Regulation 57 of the LGPS Regulations 2013 (Regulation 55 of the Scottish Regulations) prescribes 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 A – ADMINISTRATION KEY PERFORMANCE INDICATORS

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Table A - Total number of casework

Ref	Casework KPI	Total number of cases open as at 31 March (starting position)	Total number of new cases created in the year (1 April to 30 March)	Total number of cases completed in year	Total % of cases completed in year	Total number of cases completed in previous year	Total % of cases completed in previous year
A1	Deaths recorded of active, deferred, pensioner and dependent members						
A2	New dependent member benefits						
A3	Deferred member retirements						
A4	Active member retirements						
A5	Deferred benefits						
A6	Transfers in (including interfunds in, club transfers)						
A7	Transfers out (including interfunds out, club transfers)						
A8	Refunds						
A9	Divorce quotations issued						
A10	Actual divorce cases						
A11	Member estimates requested either by scheme member and employer						
A12	New joiner notifications						

Ref	Casework KPI	Total number of cases open as at 31 March (starting position)	Total number of new cases created in the year (1 April to 30 March)	Total number of cases completed in year	Total % of cases completed in year	Total number of cases completed in previous year	Total % of cases completed in previous year
A13	Aggregation cases						
A14	Optants out received after 3 months membership						

**Table B - Time taken to process casework**

Ref	Casework KPI	Suggested fund target*	% completed within fund target in year	% completed in previous year
B1	Communication issued with acknowledgement of death of active, deferred, pensioner and dependent member	5 days		
B2	Communication issued confirming the amount of dependents pension	10 days		
B3	Communication issued to deferred member with pension and lump sum options (quotation)	15 days		
B4	Communication issued to active member with pension and lump sum options (quotation)	15 days		
B5	Communication issued to deferred member with confirmation of pension and lump sum options (actual)	15 days		
B6	Communication issued to active member with confirmation of pension and lump sum options (actual)	15 days		
B7	Payment of lump sum (both actives and deferreds)	15 days		
B8	Communication issued with deferred benefit options	30 days		



B9	Communication issued to scheme member with completion of transfer in	15 days		
B10	Communication issued to scheme member with completion of transfer out	15 days		
B11	Payment of refund	10 days		
B12	Divorce quotation	45 days		
B13	Communication issued following actual divorce proceedings i.e application of a Pension Sharing Order	15 days		
B14	Communication issued to new starters	40 days		
B15	Member estimates requested by scheme member and employer	15 days		

\*Days in this column are a suggested fund target for completion and not the statutory timescale.

**Table C - Communications and engagement**

<b>Ref</b>	<b>Engagement with online portals</b>	<b>Percentage as at 31 March</b>
C1	% of active members registered	
C2	% of deferred member registered	
C3	% of pensioner and survivor members	
C4	% total of all scheme members registered for self-service	
C5	Number of registered users by age	
C6	% of all registered users that have logged onto the service in the last 12 months	
	<b>Communication</b>	
C7	Total number of telephone calls received in year	

C8	Total number of email and online channel queries received	
C9	Number of scheme member events held in year (total of in-person and online)	
C10	Number of employer engagement events held in year (in-person and online)	
C11	Number of active members who received a one-to-one (in-person and online)	
C12	Number of times a communication (i.e newsletter) issued to:	
	a) Active members	
	b) Deferred members	
	c) Pensioners	

#### Administration KPI table D – Resources

<b>Ref</b>	<b>Resources</b>
D1	Total number of all administration staff (FTE)
D2	Average service length of all administration staff
D3	Staff vacancy rate as %
D4	Ratio of all administration staff to total number of scheme members (all staff including management)
D5	Ratio of administration staff (excluding management) to total number of scheme members

**Table E - Data Quality**

	<b>Annual Benefit Statements</b>	
E1	Percentage of annual benefit statements issued as at 31 August	
	Short commentary if less than 100%	
	<b>Data category</b>	
E3	Common data score	
E4	Scheme specific data score	
E5	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	
E6	Percentage of active, deferred and pensioner members with an email address held on file	
	<b>Employer performance</b>	
E7	Percentage of employers set up to make monthly data submissions	
E8	Percentage of employers who submitted monthly data on time during the reporting year	

**Administration KPIs guidance notes**

<b>Definitions for casework KPIs</b>	
Measurement starts	Measurement of working days starting on the day of receipt of all relevant, accurate and full information to process the casework. This should generally be the same day of the notification by email, phone, employer, in-person, self-service. If use following day, this should be stated.

Measurement ends	When the processing casework is completed. If the casework is completed when payment made, rather than payment set up date, this should be stated.
Internal delays	Any internal team delays should be included in the measurement in the time taken
External delays	Any external delays should be deducted from the time taken if the case cannot proceed. Example external delays are. delayed or missing information from employers or other teams, scheme member or family/next of kin delays
Days to complete	Working days

<b>Ref</b>	<b>Guidance Notes for specific KPIs</b>
A13	Notes to table should state whether this KPI also includes post number changes, internal transfers, actual aggregations, concurrent record etc.
A14	It is acknowledged that funds may not hold the opt out data for employees who opt out in the first 3 months.
B1	First communication following notification according to internal fund process. This could be from the initial notification following Tell Us Once, email, phone call or upon receipt of death certificate
B2	Payment of death grant and money due to the estate not included because this is often complex casework with multiple external factors. This KPI should measure how quickly survivor benefits are communicated following confirmation that a survivor benefit is due under the regulations and following receipt of all relevant and accurate information.
B3	This KPI records the time taken from receipt of all relevant and accurate information to provide scheme member with pre-retirement scheme benefit options i.e lump sum conversion options
B4	This KPI records the time taken from receipt of all relevant and accurate information to provide scheme member with pre-retirement scheme benefit options i.e lump sum conversion options
B5	Confirmation of benefits payable and payment date notification following receipt of all relevant and accurate information from scheme member

B6	Confirmation of benefits payable and payment date notification following receipt of all relevant and accurate information from scheme member
B7	Following receipt of all relevant and accurate information from scheme member, the time taken to make the payment of the lump sum. If fund's internal process means casework is completed when payment made, rather than payment set up date, this should be stated.
B8	Note that measurement of time taken starts when all relevant information received.
B9	Funds to confirm whether this included interfund transfers. KPI measurement should only take place when all required and full information received by the fund to proceed.
B10	Funds to confirm whether this included interfund transfers. KPI measurement should only take place when all required and full information received by the fund to proceed.
B11	Starting point is from receipt of all relevant and accurate information to proceed with payment of the refund. If fund's internal process means casework is completed when payment made, rather than payment set up date, this should be stated.
B12	Funds may also be providing relevant death and normal pension age benefits with this quotation, if this is the case, this should be stated as this may be more time consuming and reflected in statistics.
B13	When all relevant and full information received. Recognising this is complex casework. Measurement should only take place when all required and full information received by the fund.
B14	Following receipt of relevant and full information from employer.
B15	Measurement of issuing an individual member estimate to scheme member following a request and receipt of all relevant and full information
D2	Include non-processing staff (i.e systems, communications, employer support staff and management involved in administration)
D3	Include non-processing staff (i.e systems, communications, employer support staff and management involved in administration)
E5	Include all individual active, deferred and pensioner/survivor records
E6	Include all individual active, deferred and pensioner/survivor records

## ANNEX B – ANNUAL REPORT CHECKLIST

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To assist readers, funds are strongly encouraged to follow the structure and terminology within the guidance. The checklist should be used in conjunction with the guidance, but the main body text should be followed as it provides the fuller detail of what to include in each section of the Annual Report.

### Section 1 – Overall Fund Management

<b>Scheme Management and Advisors</b>	
1.1	The senior officers responsible for the pension fund and their job title
1.2	The asset pool and asset pool operator (England & Wales)
1.3	Investment managers used by the fund
1.4	The fund custodian
1.5	The fund actuary
1.6	AVC providers
1.7	Fund legal advisors
1.8	The fund bankers
1.9	The fund accountant/director of finance
1.10	The external auditor
1.11	Scheme administrators (if functions are outsourced)
1.12	Any independent advisors or consultants retained by the fund
<b>Risk Management</b>	
1.13	How risk management is integrated within the governance structure
1.14	How risks are identified, managed, and reviewed
1.15	What actions are being taken to mitigate the key risks (covering investment, governance, and administration)
1.16	The approach taken to managing cyber risk, while protecting appropriate confidentiality for the pension fund's internal controls
1.17	The approach taken to risks relating to investment and pooling arrangements
1.18	The approach taken to managing third party risk such as late payment of contributions and provision of data by scheme employers and overall performance by scheme employers
1.19	The approach taken to risks which arise because of the fund's relationship to the administering authority, such as where reliance is put on shared polices and resources

## Section 2 – Governance and Training

2.1	Funds should set out their governance structure and how the fund has complied with its Governance Compliance Statement
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## Section 3 – Financial Performance

3.1	The report must provide an overview of the fund's financial performance, focused primarily on income, expenditure, and cash flows
3.2	An analysis or narrative explanation of in-year expenses and income together with a comparison over time or against budget.
3.3	Explain the relationship between changes to costs and income and factors such as changes in membership numbers, age profile of pensioners, bulk transfers etc.
3.4	Include: <ul style="list-style-type: none"><li>• a brief commentary on any significant changes to non-investment assets and liabilities during the year</li><li>• 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</li><li>• analysis of pension overpayments, recoveries and any amounts written off</li><li>• commentary on actions taken to deal with fraud (including participation in the National Fraud Initiative and areas such as data matching, overpayments identified or the use of other data quality and tracing resources)</li><li>• other examples of fraud, credit losses, provisions, contingent liabilities, or impairments</li></ul>

## Section 4 – Fund account, net assets statement and notes

4.1	Must include a fund account and net asset statement with supporting notes and disclosures prepared in accordance with proper accounting practices
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## Section 5 – Investments and Funding

5.1	Demonstrate how the ISS has been put into practice during the year and how this links to the FSS
5.2	Set out the fund's investment management arrangements and the risks, returns and management costs associated with the investment portfolio
5.3	Provide a commentary and data on how the fund has implemented the policy on pooling its assets in its chosen LGPS pool during the year as set out in its ISS, a narrative on the pace of pooling and an explanation for assets which have not been pooled
5.4	Include a commentary on the implementation and application of the FSS during the reporting period. Reference should be made to what extent the ISS and FSS are compliant with statutory guidance and explain any reasons for non-compliance
5.5	Include details of investment administration and custodianship and describe who looks after which part of the portfolio (if not already provided elsewhere)
5.6	Investment performance net of fees for the 12 months corresponding to the accounting period for each fund manager or asset class must be reported alongside an appropriate benchmark chosen by the authority and the choice of benchmark must be stated
5.7	Provide details of the environmental, social and governance issues, and other initiatives such as engagement with companies and any collaborative ventures with other funds
5.8	<p>The CIPFA publication "Accounting for Local Government Pension Scheme Management Expenses" and the relevant accounting guidance recommends that this section of the annual report should also be used to:</p> <ul style="list-style-type: none"> <li>• identify fees and costs incurred by third parties which affect overall investment returns</li> <li>• explain the relationship between fees, risk and investment return</li> <li>• indicate how the pension fund is responding to the Scheme Advisory Board's Code of Transparency, and the use being made of data provided by fund managers using the transparency Code templates</li> </ul>
5.9	Must compare the strategic asset allocation as set out in the most recent ISS with the actual allocation of assets at the end of the



	accounting period
5.10	Should provide a commentary and data on how the fund has implemented the policy on pooling its assets in its chosen LGPS pool during the year as set out in its ISS
5.11	The costs incurred, gross savings achieved, and the resulting net savings achieved as a result of pooling assets
5.12	Progress in pooling their assets in this section through the asset table and the supplementary table. In both tables, assets must be divided into “pooled”, “under pool management” and “not pooled”
5.13	All funds must set out their asset allocation at the end of the accounting period by completing the asset table. Definitions/guidance are provided for each aspect of this table
5.14	The annual report must also include data in the supplementary table, to provide additional information on investment in the UK. Definitions/guidance are provided for each aspect of this table

### **Section 6 – Administration**

6.1	A summary of activities undertaken by the administration function during the year
6.2	Report on performance against administration Key Performance Indicators (KPIs)
6.3	Report on member and employer numbers by category
6.4	Report on actions taken to deliver the communications policy
6.5	Report on value for money achieved by the administration function
6.6	Report on complaints and dispute resolution cases

### **Section 7 – Actuarial reports on funds**

7.1	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
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### **Section 8 – External audit opinion**

8.1	The external auditor’s opinion on the pension fund’s statement of accounts
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## Section 9 – Additional Information

9.1	The statement of compliance with the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills
9.2	Evidence to demonstrate compliance with the Knowledge Code of Practice
9.3	The role played by Internal Audit in providing assurance and managing risk, and a summary of assurance activity undertaken during the year
9.4	A summary of Freedom of Information requests
9.5	A glossary of commonly used pension fund terms

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