

# AUDIT & RISK COMMITTEE

## MINUTES

**Date:** Thursday 27 February 2025

**Time:** 10:00 – 12:30

**Location:** MS Teams

**Present:**

Conrad Hall	Committee Member and Chair
Richard Olszewski	Committee Member
Mandy Kaur-Sadler	Committee Member
Debbie Rees	Committee Member

**In Attendance:**

Audrey Allen-Chitwa	LPFA Head of Finance and Accountancy
Mark Anderson	LPFA Head of Compliance Risk and Pensions
Aaron Bendasiuk	PwC Senior Manager
Ashley Durkan	LPFA Governance Manager
Stephanie Edenborough	PwC Partner
Martin Visagie	Ernst & Young Manager
Lana Watson	LPFA Funding and Investment Director (Item 10 & 11)

**Apologies:**

Mark Hodgson	Ernst & Young Partner
Christina Thompson	LPFA S151 Officer

**The Committee held a closed session of the meeting with the internal and external auditors 10:00am – 10:15am**

### 1. ARC819 – Introductory Matters

#### Chair's welcome, apologies, and declarations

1.1 The Chair welcomed those present to the meeting and confirmed that the meeting was quorate. Apologies were received from Christina Thompson and Mark Hodgson. No new declarations of interest were made.

#### Minutes of the Meeting held on 25 November 2024

1.2 The minutes of the previous meeting were considered. No comments were raised, and the minutes were accepted as an accurate record. It was noted that one member had left the previous meeting early, and this would be checked and amended accordingly.

#### Action Points

1.3 The Committee reviewed the action log:

- **AVC Review** – Included in the agenda, action considered complete.
- **Risk Dashboard** – To be addressed under the relevant risk agenda item.
- **Actions 814 and 813** – Due in June, with no concerns raised.
- **IT Disaster Recovery** – Noted as due in March. The Committee agreed to address this under the internal audit report rather than as a separate action.

1.4 The Committee **RESOLVED** to:

- a) **NOTE** the apologies received.
- b) **APPROVE** the minutes of the previous meeting, subject to a minor correction regarding attendance.
- c) **CONFIRM** that the action log was reviewed and that outstanding actions would be addressed under the relevant agenda items

## 2. **ARC820 – External Audit**

### **External Audit Planning for 2025-26**

- 2.1 The Ernst and Young Manager provided a summary of the Auditor's Annual Report for 2023-24, noting that it outlined the audit work undertaken, the value-for-money assessment, and any associated recommendations. No prior year recommendations were included, and a follow-up on past recommendations would be conducted in the next cycle.
- 2.2 The report largely mirrored the final version of the Auditor's Results Report, and no significant weaknesses were identified in financial sustainability, governance, or efficiency and effectiveness. The annexes included details on arrangements, recommendations, and audit independence, along with fee details.
- 2.3 The Committee acknowledged that much of the report confirmed previously reported findings and invited questions on substantive matters. No concerns were raised.
- 2.4 The Committee considered arrangements for the 2024-25 accounts. The interim audit was scheduled to commence on 10 March 2025, with preparatory work underway. The revised accounts format, introduced the previous year to align with local authority standards, had been automated to improve efficiency. The draft accounts were due for publication by 31 May 2025, with final accounts to be completed by 30 September 2025.
- 2.5 The Committee noted ongoing efforts with LPPI to receive fund accounts as early as possible and acknowledged the best endeavours commitment from LPPI to expedite the process.
- 2.6 EY confirmed that the audit was scheduled in accordance with the agreed timetable and was fully resourced.
- 2.7 The Committee reviewed lessons learned from the prior year's audit. It was noted that the report primarily highlighted process improvements for LPFA, while the External Auditor confirmed that an internal review within EY was also planned to ensure further efficiencies. The Committee requested that lessons learned by EY be better reflected in future reports.
- 2.8 The Committee reviewed the proposed audit variation fee of £67,000, noting that this figure was subject to approval by the PSAA. The contractual relationship between EY and PSAA was reiterated, clarifying that LPFA was not directly responsible for setting or approving the fee.
- 2.9 The Committee **RESOLVED** to:
  - a) **NOTE** the Auditor's Annual Report and the absence of significant weaknesses.
  - b) **NOTE** the status of the 2024-25 audit preparation and the planned timetable.
  - c) **REQUEST** that lessons learned from EY's internal processes be better captured in future reports.
  - d) **NOTE** the proposed audit variation fee of £67,000, subject to PSAA approval.

### 3. ARC821 – Internal Audit

3.1 The Internal Audit update was introduced by Stephanie Edenborough, PwC Partner and Aaron Bendasiuk, PwC Manager, covering the status of the 2024-25 audit plan. The key areas of focus included:

- The Compliance Review, the report for which was included in the meeting pack.
- The Pensions Administration Review, with observations currently with LPPA for response and management actions.
- Cyber Security and IT Disaster Recovery (ITDR), which was prioritised following previous discussions.

#### Cyber Security and IT Disaster Recovery (ITDR)

3.2 The Committee received an update on the planned Cyber Security and ITDR audit work. The Internal Auditor confirmed that workshops had been proposed as part of the review process, focusing on:

- Industry good practice and expectations for a scheme of LPFA's size.
- Identifying opportunities for improving LPFA's assurance over LPPI's outsourced IT services.

3.3 The Committee discussed the level of oversight and assurance LPFA had over LPPI's IT infrastructure. It was noted that IT services were fully outsourced to LPPI, with no dedicated IT function or Chief Information Security Officer (CISO) within LPFA. The Compliance and Risk Director confirmed that while LPPI's FCA regulation provided a strong framework for IT security, there was an opportunity to improve LPFA's oversight and reporting mechanisms.

3.4 The Committee discussed the need for clearer assurance on LPPI's IT controls, particularly in relation to formalised reporting and contractual arrangements. It was agreed that defining roles and responsibilities more explicitly, strengthening governance structures, and enhancing the flow of information would support LPFA's oversight in this area.

3.5 To support this, Internal Audit proposed a series of two workshops designed to:

- Share industry best practices for IT security and disaster recovery in the pensions sector, including regulatory expectations.
- Identify how LPFA can improve its assurance framework for IT services outsourced to LPPI, ensuring appropriate reporting and risk management processes are in place.

3.6 The Committee welcomed this approach and requested that the workshops be prioritised and scheduled as early as possible. It was noted that discussions were ongoing with management to finalise timing, with a preference for early March.

#### LPPA Pensions Administration Review

3.7 The Committee was provided with a summary of the LPPA Pensions Administration Review, which contained 18 audit observations currently under review by LPPA. The key themes identified included:

- Weaknesses in the operation of key controls, with instances where policies existed but were not consistently followed.

- Lack of documented procedures and investigation records for key pension administration processes.
- Deficiencies in evidence of reconciliation processes and management oversight of identified issues.

3.8 The Committee expressed concern over the number and nature of findings, particularly in relation to debt management processes and timeliness of responses to member issues. It was noted that while LPPA was making progress in addressing historical backlog issues, further improvements in data management and performance reporting were required.

3.9 The discussion also highlighted concerns that LPPA's reporting metrics focused on isolated process steps rather than the overall member experience. The Committee requested that future performance reporting take a more holistic view of service delivery and customer impact.

#### Follow-Up on Outstanding Audit Actions

3.10 The Committee reviewed the table of outstanding audit actions and noted:

- A 2021-22 benefits calculation audit remained incomplete due to delays in implementing digital verification solutions at LPPA. While progress had now been made, the Committee noted the prolonged timeframe for resolution.
- Several actions relating to third-party administrator oversight remained open. The Compliance and Risk Director confirmed that vendor risk management processes were under review and improvements were being developed.

3.11 The Committee raised concerns about the continued deferral of agreed actions and requested that future reporting provide clearer prioritisation of outstanding items, with defined timelines for completion.

#### Proposed Amendment to the 2025-26 Internal Audit Plan

3.12 The Committee considered a request to defer the planned Employee Contributions Audit from 2025-26 to 2026-27 due to resource constraints and the need to embed recent process changes.

3.13 The Committee noted that while the deferral was understandable, there was a risk of continued postponements impacting assurance over key areas. The Committee agreed to defer consideration of this request to a later discussion.

3.14 The Committee **RESOLVED** to:

- NOTE** the Internal Audit update and ongoing audit work.
- REQUEST** that the ITDR and Cyber Security workshops be prioritised and scheduled as soon as possible.
- REQUEST** that LPPA's performance reporting be revised to provide a clearer focus on the overall member experience.
- NOTE** the ongoing audit actions and **REQUEST** a clearer prioritisation framework for outstanding items.
- DEFER** the decision on the proposed deferral of the Employee Contributions Audit to a later discussion.

#### 4. ARC822 – Finance Report

- 4.1 The Committee reviewed the Finance Report, noting a significant underspend against budget, which was projected to continue through to year-end.
- 4.2 It was acknowledged that an underspend was not necessarily a positive outcome, as some planned projects had been delayed rather than cancelled. The arrival of the new CEO was expected to inform decisions on consultancy costs that had been earmarked for the current financial year but were now likely to be deferred into the following year.
- 4.3 The Committee discussed the broader implications of the underspend, noting two key perspectives:
- Whether the budget was too generous, leading to headroom that was not required.
  - Whether resourcing constraints were preventing the timely deployment of available funds, contributing to delays in planned activities.
- 4.4 The discussion also considered the impact of recent pension arrangements, which resulted in a £305,000 saving that had not been reflected in the original budget. The Committee agreed that the budget should be reviewed in two parts, excluding pension-related savings, to ensure that financial decisions were being assessed appropriately.
- 4.5 The Committee acknowledged that some underspend related to consultancy costs and ongoing recruitment, which would take time to resolve due to necessary handover and training periods.
- 4.6 In light of discussions on internal audit resourcing (ARC821), the Committee considered whether some of the available budget could be reallocated to prioritise audit activities, particularly the deferred Employee Contributions Audit. The Committee agreed that this should be raised at Board level for further discussion.

#### Treasury Management and Cash Flow Forecast

- 4.7 The Committee reviewed the Treasury Management and Cash Flow Forecast, noting that cash balances were being actively managed in line with the Treasury policy. It was confirmed that:
- The Treasury buffer was consistently maintained at approximately £30 million.
  - A sufficient balance was retained to meet pension payments and operational requirements.
  - Treasury processes with LPPI continued to function smoothly, with timely notifications ensuring payment obligations were met.
- 4.8 The forecast to 2029 included outdated assumptions that would be updated in the next report to reflect revised financial projections. The Committee noted that these adjustments might lead to shifts in projected figures.
- 4.9 The Committee **RESOLVED** to:
- a) **NOTE** the Finance Report and the projected underspend.
  - b) **RECOMMEND** that the Board review the potential reallocation of available budget to address audit resourcing constraints.
  - c) **NOTE** the Treasury Management and Cash Flow Forecast, acknowledging that updated assumptions would be incorporated into the next iteration.

## 5. ARC823 – Pension Fund Annual Report Timetable

- 5.1 The Committee reviewed the proposed timetable for the Pension Fund Annual Report, noting two key considerations:
- Whether to proceed with restructuring the report in line with the April 2024 guidance or retain the current format.
  - The overall timeline for drafting, approval, and publication.

### Restructuring of the Annual Report

- 5.2 It was noted that new guidance on report structure and content had been issued in April 2024. While some changes had been incorporated last year, the full restructuring had been deferred to this cycle.
- 5.3 The Committee considered whether to proceed with the revisions or retain the existing format, given ongoing government consultations that might lead to further changes. While acknowledging the potential for additional amendments in the future, the Committee agreed that aligning with the latest guidance was the preferred approach, ensuring compliance and reinforcing LPFA's position as a proactive and transparent fund.
- 5.4 The Committee also recognised that adopting the updated format could differentiate LPFA positively in any future industry developments or potential fund mergers.

### 5.5 Timetable for Approval and Publication

- 5.6 The draft report was expected to be available in June 2025, with additional updates following the completion of the audit and input from LPPI. A near-final version would be presented to the Audit and Risk Committee (ARC) on 23 September 2025, ahead of Board approval on 30 September 2025.
- 5.7 The Committee discussed the timing of final approval relative to publication, noting that the final report was due to be published by 30 November 2025, with a preference to release it earlier if feasible.
- 5.8 The Committee noted that final amendments following Board approval typically involved a review by the CEO and S151 Officer. However, it was suggested that efforts be made to streamline this process, ensuring that only minor refinements were required post-Board approval.
- 5.9 The Committee also considered whether LPFA could benefit from publishing the report earlier than other funds, enhancing transparency and reinforcing LPFA's reputation in the sector. While recognising the necessity of final audit sign-off, the Committee encouraged management to explore opportunities to accelerate the finalisation process where possible.
- 5.10 The Committee agreed that the executive summary of the report should remain clear and accessible, encouraging wider engagement from scheme members.
- 5.11 The Committee **RESOLVED** to:
- a) **APPROVE** the proposed restructuring of the annual report in line with the latest guidance.
  - b) **NOTE** the annual report timetable, with draft versions expected in June and final approval

scheduled for 30 September 2025.

c) **REQUEST** that management explore opportunities to expedite publication where possible, balancing accuracy with timely release.

d) **ENDORSE** the continued use of an executive summary to enhance engagement with scheme members.

## 6. ARC824 – Compliance Report

6.1 The Compliance Report for Q3 2024-25 was presented, covering Gifts and Hospitality, LPPA casework performance, breaches, and data protection matters.

### Gifts and Hospitality

6.2 It was confirmed that there were no declarations of gifts or hospitality for the reporting period.

### Casework Performance

6.3 The Committee was informed that LPPA's casework performance continued to improve quarter-on-quarter, although some fluctuations were noted:

- Death claims had increased by approximately 48-50% in January, which was expected to impact processing times in the short term.
- Retirement processing had improved significantly, with increased automation reducing deferred retirement timescales from months to hours or days.
- Work was ongoing to further streamline manual processes for cases that fall outside automation.

6.4 The 8,500 address records recently added to LPFA's database were discussed in relation to The Pensions Regulator (TPR) scoring methodology. The Committee was assured that the current score reflected the updated position.

### Breaches and Data Security

6.5 The Committee reviewed the reporting of data breaches, noting that LPFA was working with LPPA to strengthen reporting and mitigation processes. While most breaches were minor (e.g., misdirected letters due to system issues), a more significant breach involving 1,800 members' details had occurred when a spreadsheet was incorrectly shared externally.

6.6 The Committee was assured that additional controls had been introduced at LPPA to prevent similar incidents, including:

- Stronger pre-release checks before data is sent externally.
- Escalation process improvements to ensure LPFA is notified of breaches promptly.
- A new secure portal (via the Protecht system) to ensure incidents are reported and tracked systematically.

6.7 It was confirmed that some breaches had been reportable to the ICO, and LPFA had strengthened its internal oversight and escalation protocols. The Committee requested further details on the ICO-reported breaches, including:

- Whether 72-hour reporting deadlines had been met.
- The outcome of any ICO engagement following reports.

- The actions taken by LPPA to mitigate future risks.
- 6.8 The Committee discussed clarity of roles and responsibilities in data protection. It was noted that LPPA had recently redefined its role as a sub-processor, with LPP as the processor, rather than a processor in its own right. The Committee observed that this highlighted the need for clearer contractual definitions and greater oversight.
- 6.9 The broader reputational implications of data breaches were considered, particularly in light of potential sector-wide consolidation and LPFA's role as a potential model for future pooling arrangements. The Committee emphasised the importance of tightening oversight and strengthening data security controls to mitigate risks.

#### Escalation Protocol for Breaches

- 6.10 The Committee reviewed the escalation process for serious data breaches. It was confirmed that:
- All breaches are reported to the Compliance and Risk Director upon discovery.
  - Serious or uncontrolled breaches are escalated to the Board Chair, particularly where external exposure poses a material risk. This process would normally be directed to the CEO and will revert back from the 1 April 2025
  - LPFA is continuing to refine its escalation protocols to ensure timely and appropriate Board-level notification of critical breaches.
- 6.11 The Committee **RESOLVED** to:
- a) **NOTE** the Compliance Report, including improvements in LPPA casework performance.
  - b) **REQUEST** further details on ICO-reported breaches, including compliance with reporting requirements and corrective actions taken.
  - c) **REQUEST** that LPFA continues to work with LPPA to strengthen clarity on data protection roles and responsibilities.
  - d) **NOTE** that escalation protocols for serious breaches were in place and would continue to be reviewed for effectiveness.

### **7. ARC825 – Travel and Expense**

- 7.1 The Committee reviewed the proposed Travel and Expenses Policy, which had been updated as part of a broader constitutional review. It was noted that the previous policy, last reviewed in 2022, had been consolidated with other governance policies and aligned with best practice and legislative updates.
- 7.2 A key update was the separation of the Travel and Expenses Policy from the Gifts and Hospitality Policy, ensuring that both had clear, standalone guidance. The revised Gifts and Hospitality Policy was still under development and would be presented at the next meeting.
- 7.3 The Committee was informed that the policy aimed to streamline existing arrangements by consolidating multiple travel and expense policies covering employees, board members, and contractors into a single document.
- 7.4 The Committee discussed the approach to board member travel expenses, noting that the policy provided a clear framework for claims and reimbursements. It was confirmed that unclaimed expenses for board members for the 2024-25 period would be handled in line with

the updated policy.

- 7.5 The Committee agreed that the policy was comprehensive and aligned with best practice, with no concerns raised regarding its content.
- 7.6 The Committee **RESOLVED** to:
- a) **RECOMMEND** the Travel and Expenses Policy for submission to the Board for approval in March.
  - b) **NOTE** that the Gifts and Hospitality Policy would be presented at the next meeting.

## 8. ARC826 – ARC Terms of Reference

- 8.1 The Committee reviewed proposed revisions to the ARC Terms of Reference, with changes primarily focused on clarifying responsibilities and streamlining decision-making processes.
- 8.2 It was noted that many of the changes were wording amendments to improve clarity. One key revision was to grant ARC the authority to establish and implement day-to-day operational policies for the fund, while ensuring that public policy statements (e.g., Investment Strategy Statement, Funding and Investment Strategy Statement) remained subject to Board approval.
- 8.3 The Committee also considered a substantive change at 6.4.3(h) regarding Additional Voluntary Contribution (AVC) arrangements. It was explained that the amendment aimed to delegate decision-making authority to ARC for non-material operational matters, reducing the need for Board approval where it was not necessary. This was based on previous instances where delays had occurred due to procedural requirements.
- 8.4 The Committee agreed that the revisions were appropriate and supported efforts to improve efficiency while maintaining governance oversight.
- 8.5 The Committee **RESOLVED** to:
- a) **APPROVE** the proposed revisions to the ARC Terms of Reference
  - b) **RECOMMEND** the revised Terms of Reference to the Board for approval.

## 9. ARC826 – LPFA Risk Dashboard & Register

- 9.1 The Committee reviewed the Risk Dashboard and Register, noting that it provided an integrated view of key risks, actions, and controls. The report also incorporated new outputs from the risk management system, allowing for improved tracking of incidents and mitigation efforts.
- 9.2 The key risks highlighted in the report aligned with earlier discussions, particularly regarding:
- IT tenancy, cyber security, and IT disaster recovery
  - Business continuity and resilience
- 9.3 The Committee welcomed the coherence between discussions and risk reporting, noting that several emerging risks would benefit from further qualitative analysis to ensure appropriate prioritisation.

### Risk Archiving and Action Prioritisation

- 9.4 The Committee sought clarification on the process for archiving risks, confirming that risks were only archived when they were either:

- Transitional in nature and no longer relevant, or
- Reworded or merged with new risk categories. The system retained all archived risks for audit and tracking purposes.

9.5 The Committee discussed high-risk and overdue actions, requesting that future reports provide a clear breakdown of the overlap between high-risk items and overdue actions. It was noted that while some overdue actions may not be urgent, high-risk overdue actions should be prioritised for scrutiny.

9.6 It was confirmed that refinements to reporting were underway, with the risk team working to strengthen risk ownership and enhance exception reporting for overdue actions.

#### Risk Appetite Statement Review

9.7 The Committee noted that the Risk Appetite Statement and Risk Management Principles were due for review, with an updated version to be presented at the next meeting. Input from ARC members was welcomed, and it was suggested that a short working group be convened to support the review.

9.8 The Committee agreed that the changing external environment, particularly potential government policy changes and sector-wide developments, should be reflected in the updated risk framework. It was acknowledged that LPFA's risk register should incorporate a forward-looking assessment of how the organisation may need to adapt in response to sectoral shifts.

#### Cyber Security Risk Scoring

9.9 The Committee reviewed the cyber security risk profile, which currently showed an inherent risk rating of 'severe' but a residual rating of 'moderate', with all associated controls marked as 'green and effective'.

9.10 Given previous discussions on cyber security risks, the Committee challenged the current risk assessment, noting that:

- Several key issues had been identified in the meeting, suggesting that not all controls were fully effective.
- The residual risk rating should reflect the uncertainties around IT governance and assurance.
- Controls should be scrutinised more rigorously before being marked as fully effective.

9.11 The Committee advised that cyber security controls should be marked 'amber' until further scrutiny and assurance work had been completed. It was suggested that a 'pressure switch approach' be used, where risks were assumed to be higher until fully evidenced otherwise.

## General Observations on Risk Reporting

- 9.12 The Committee noted that while the current risk register provided a comprehensive snapshot of operational risks, there was a need to:
- Incorporate a forward-looking risk assessment to reflect external changes.
  - Ensure that risks are prioritised effectively, particularly those that LPFA has limited control over.
- 9.13 It was agreed that revisions should be made to the risk register before it was submitted to the Board, particularly regarding the treatment of cyber security and overdue high-risk actions.
- 9.14 The Committee **RESOLVED** to:
- a) **NOTE** the Risk Dashboard and Register, recognising improvements in reporting and risk tracking.
  - b) **REQUEST** that future reports provide a clearer breakdown of overdue actions, particularly where they overlap with high-risk items.
  - c) **SUPPORT** the formation of a working group to contribute to the Risk Appetite Statement review.
  - d) **REQUEST** that the cyber security risk scoring be revised, with controls reassessed before being marked as 'effective'.
  - e) **AGREE** that amendments should be made before the risk register is submitted to the Board, ensuring appropriate prioritisation and risk scoring adjustments.

## **10. ARC828 – EMS Update Report**

- 10.1 The Committee received an update on the Employee Management Services (EMS) team's activities, focusing on employer engagement, valuation planning, and cessation arrangements. It was noted that the team continued to engage with employers ahead of the upcoming valuation, ensuring a clear understanding of funding arrangements and employer covenant classifications. Progress had also been made in closing off historical cases related to employer payments and membership finalisations over the past few months.
- 10.2 The discussion covered the further education employer reclassification process, with six employers seeing an improvement in their covenant rating and six others remaining classified as Category A with security. The EMS team was in the process of issuing updated rates and adjustment certificates, which would take effect from 1 April 2025.
- 10.3 The Committee considered the valuation process and its impact on employer engagement. It was confirmed that actuarial assumptions underlying the minimum risk calculations were being reviewed as part of the valuation cycle. The Committee was assured that there was discretion within the funding policy to make adjustments where market conditions warranted and that the team was working with Barnett Waddingham to ensure methodologies remained appropriate in the current economic climate.
- 10.4 The approach to employer cessations was also reviewed, particularly in relation to surplus payments and managing risks associated with transfers-in. The Committee sought reassurance that surplus payments were being managed prudently and that the Fund was not at risk of overpaying departing employers. It was confirmed that each case was reviewed individually, with actuarial advice ensuring that employer exits were handled fairly. The methodology used for calculating minimum risk was also under review in light of recent market fluctuations, particularly changes in gilt yields.

- 10.5 On transfers-in, the Committee queried the security of new employers such as New City College and OHCAT. It was confirmed that New City College was covered under the government's new guarantee and therefore qualified as Category A in terms of covenant classification. The Fund Actuary had reviewed the transfer-in terms to ensure that appropriate asset coverage was in place to support the associated liabilities.
- 10.6 The Committee further discussed the impact of market fluctuations on transfer values, with reference to recent private sector pension schemes where transfer values had fallen by as much as 35% over a single year. Given the movement in gilt yields, the Committee sought assurance that LPFA's approach was sufficiently responsive to market conditions. The EMS team confirmed that while the formal methodology for minimum risk calculations had not yet been revised, market changes were factored into actuarial assessments. The Fund continued to monitor whether adjustments were needed to ensure fair treatment of employers while managing financial risk.
- 10.7 The discussion also covered the audit trail maintained for significant surplus payments, including the £68 million cessation surplus for SSAFA, ensuring transparency and scrutiny. The Committee welcomed these reassurances but emphasised the importance of regularly reviewing assumptions to avoid financial exposure, particularly as the valuation process could reset many underlying assumptions.
- 10.8 The Committee **NOTED** the EMS Update Report, and the progress made in employer engagement and covenant management.

## 11. ARC829 – AVC Review

- 11.1 The Committee reviewed the AVC Fee Reduction Proposal, noting that the proposed changes would result in a cost reduction for members of c12bps.
- 11.2 The Committee sought clarification on the conditional nature of the fee reduction, which was subject to LPFA remaining with the provider for the foreseeable future. It was confirmed that, in this context, "foreseeable future" referred to at least the next 12 months, during which pension contributions would continue to be received. The Committee acknowledged that while this was not a precisely defined contractual term, it was understood in practice to mean a one-year commitment. It was agreed that any final agreement with the provider should aim to explicitly clarify this timeframe where possible.
- 11.3 The Committee noted that an earlier concern regarding a potential error in AVC literature had been reviewed and confirmed not to be a mistake, which was a positive outcome.
- 11.4 It was confirmed that ARC had delegated authority from the Board (as per the December meeting) to approve the fee reduction proposal without requiring further Board approval.
- 11.5 The Committee **APPROVED** the AVC Fee Reduction Proposal, noting the financial benefit to members.

## 12. ARC830 – AOB & Forward Planner

- 12.1 The Committee reviewed the Forward Plan, noting that no significant changes were required. It was confirmed that, at the next meeting, LPPI and LPPA would normally provide annual assurance on their compliance functions. However, given that the AAF reporting would not be available until May, it was proposed that the annual assurance session be moved to a later meeting.
- 12.2 The Committee considered matters for escalation to the Board and agreed that three key issues should be raised:
- Cyber security, disaster recovery, and IT governance: The Committee emphasised the need for greater visibility over roles and responsibilities and stronger oversight of LPFA's assurance over IT controls.
  - Potential deferral of the contributions audit: In light of the financial position and resourcing constraints, the Committee agreed that the Board should consider whether it was more appropriate to maintain the original timetable and allocate resources accordingly.
  - Data breach reporting: While the Board Chair had been informed of a significant data breach, the Committee agreed that the matter should be raised more broadly at the Board meeting, as some Board members were likely to have an interest in discussing the lessons learned and oversight improvements.
- 12.3 The Committee further discussed the resourcing challenges associated with IT security and compliance functions. It was noted that these issues were closely linked to cyber security concerns and governance responsibilities. The Committee agreed that greater clarity was needed on roles and priorities, ensuring that appropriate investment in external support or additional resources was considered where necessary. The new CEO's appointment was also expected to provide an opportunity to review LPFA's organisational structure and resource allocation, which would be discussed at future meetings.
- 12.4 The Committee discussed an outstanding matter from the PwC report related to the Investment Strategy and Objectives. PwC had escalated a request to ARC to determine if an extension was required for the AMA review, as the current deadline of 31 October 2024 was not met. The Committee agreed that an extension would be necessary and requested an update from the Funding and Investment Director regarding a realistic timeframe for completion.
- 12.5 There being no further business, the meeting was concluded.

**Conrad Hall, Chair**

**Date: 10 June 2025**

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