



PENSION BOARD

Date: TUESDAY, 20 OCTOBER 2020 at 2.00 pm

Microsoft Teams Meeting

**Enquiries to: sarah.assibey@lewisham.gov.uk
Telephone: 0208 3148975 (direct line)**

MEMBERS

Stephem Warren
Elizabeth Sclater
Gary Cummins
Rowann Limond
Suki Binjal

Members are summoned to attend this meeting

**Kim Wright
Chief Executive
Lewisham Town Hall
Catford
London SE6 4RU
Date: Thursday 15 October 2020**



INVESTOR IN PEOPLE

ORDER OF BUSINESS – PART 1 AGENDA

Item No		Page No.s
3.	Action Log and Work Plans	1 - 13
4.	Draft Risk Register 2020/21	14 - 36
5.	General Update	37 - 72
7.	London Borough of Lewisham Strategic Update	73 - 167



Lewisham



INVESTOR IN PEOPLE

The public are welcome to attend our committee meetings, however occasionally committees may have to consider some business in private. Copies of reports can be made available in additional formats on request.



Pension Board

Action Plans and Work Programme

Date: 20 October 2020

Key decision: No.

Class: Part 1.

Ward(s) affected: None specifically

Contributors: Director of Corporate Resources

Outline:

This paper presents updated action plans to the Board for addressing areas of partial and non-compliance to the Pension Regulator's Code of Practice and Scheme Advisory Board (SAB) guidance.

Recommendations:

The Board is asked to:

1. Review and agree to the plan as set out for the Board;
2. Review and comment on the plan as set out for the administering authority;
3. Agree to schedule an updated compliance check in early 2021; and
4. Review and agree to the updated forward work programme.

Timeline of engagement and decision-making

- April 2019 – Aon compliance review against the Pension Regulator's Code of Practice and SAB Guidance on the Creation and Operation of Local Pension Boards.

REASONS FOR URGENCY AND LATENESS

Lateness: This report was not available for the original dispatch due to staff resourcing issues.

Urgency: The action plans are a standing item on the Pension Board agenda and are important for setting the forward work plan of both the Board and the administering authority.

Where a report is received less than 5 clear days before the date of the meeting at which the matter is being considered, then under the Local Government Act 1972 Section 100(b),(4) the Chair of the Committee can take the matter as a matter of urgency if he is satisfied that there are special

circumstances requiring it to be treated as a matter of urgency. These special circumstances have to be specified in the minutes of the meeting.

1. Summary

- 1.1. This report presents updated action plans to the Board for addressing areas of partial and non-compliance to the Pension Regulator's Code of Practice and Scheme Advisory Board (SAB) guidance, and a work programme for the next twelve months.

2. Recommendations

- 2.1. The Board is recommended to:
 - 2.1.1. Review and agree to the plan as set out for the Board;
 - 2.1.2. Review and comment on the plan as set out for the administering authority;
 - 2.1.3. Agree to schedule an updated compliance check in early 2021; and
 - 2.1.4. Review and agree to the updated forward work programme.

3. Policy Context

- 3.1. The overriding policy context for the Pension Board are the pension regulations and legislation that governs the Local Government Pension Scheme (LGPS) and the guidance on the creation and operation of local pension boards issued by the LGPS Scheme Advisory Board.

4. Background

- 4.1. At the meeting of the Board held in May 2019, officers presented Board members with the results of the Fund's first independent compliance review undertaken by Aon. The report identified areas of partial and non-compliance to the Pension Regulator's Code of Practice, as well as the Scheme Advisory Board's Guidance on the Creation and Operation of Local Pension Boards.
- 4.2. In order to address those areas of non-compliance, the Board requested that two action plans be drawn up detailing the steps to be taken to achieve compliance with the regulations, and a suggested timeframe for completing them.
- 4.3. The first drafts of these plans were presented to the Board at the last meeting in October 2019. The Board requested that updates to the plans and progress on implementation be reported at each subsequent meeting.

5. Action Plans

- 5.1. The action plan for the Administering Authority is attached at Appendix 1, and is mostly concerned with those actions the administering authority is required to complete to meet the requirements of the Pension Regulator's Code of Practice. The plan for the Pension Board is attached at Appendix 2, and comprises actions for the Board to undertake in response to the recommendations of the SAB Guidance.
- 5.2. Each plan outlines the requirements of the relevant regulation and the

Is this report easy to understand?

Please give us feedback so we can improve.

Page 2

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

recommendations put forward by Aon to address non-compliance. Actions are mostly in direct response to those recommendations, with suggested due-by dates in line with likely quarterly Board meetings. Many of these actions remain outstanding since the Board last met, and as such the due dates have been rolled forward, where applicable, to realistic estimates of completion.

- 5.3. The original compliance check was undertaken in April 2019 and, in line with discussions at previous meetings, officers recommend that the Board agree a new compliance check is undertaken in early 2021 to gauge progress over the two year period. This review can be undertaken internally using the previously paid for reporting tool as provided by Aon; officers can return the model to Aon who will ensure it still meets with their internal standards, before returning it to us free of charge for our own continued use.
- 5.4. Aon also offer an alternative version of the model which will monitor the changes when the tool is updated, i.e. it will show where non-compliant items are now partially compliant, partially compliant are now compliant, etc. This will incur an as yet unknown additional cost, but officers will make the relevant enquiries and report back to members at the next meeting.

6. Work Programme

- 6.1. The forward looking work programme is attached at Appendix 3 for the Board's review, to be developed on an ongoing basis, and has been updated to reflect the revised action plans at Appendices 1 and 2.

7. Financial implications

- 7.1. There are no direct financial implications arising from this report.

8. Legal implications

- 8.1. The London Borough of Lewisham Pension Fund is governed by the Public Service Pensions Act 2013 and administered in accordance with the Local Government Pension Scheme Regulations 2013 and other secondary legislation (together the "Regulations"). Section 5 of the Public Service Pensions Act 2013 and Regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended) makes provision for the establishment of a Pension Board, with responsibility for assisting the scheme manager in relation to:
 - Securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme that is connected with it;
 - Securing compliance with requirements imposed in relation to the scheme and any connected scheme by the Pensions Regulator; and
 - Such other matters as the scheme regulations may specify.
- 8.2. Members must comply with the requirements of the relevant legislation in fulfilling their roles on the Board.

9. Equalities implications

9.1. There are no direct equalities implications arising from this report.

10. Climate change and environmental implications

10.1. There are no direct climate or environmental implications arising from this report.

11. Crime and disorder implications

11.1. There are no direct crime and disorder implications arising from this report.

12. Health and wellbeing implications

12.1. There are no direct health and wellbeing implications arising from this report.

13. Background papers

13.1. The following papers are appended to this report:

- *Administering Authority Action Plan (October 2020)*
- *Pension Board Action Plan (October 2020)*
- *Pension Board Work Programme (October 2020)*

14. Report author and contact

14.1. David Austin, Director of Corporate Resources.

APPENDIX 1

Compliance Action Plan – Administering Authority (October 2020)

Compliance Area	Ref	TPR/SAB Requirement	Compliance Level: April 2019	Recommendations	LBL Actions	Due By Date	Resp. Officer	Direction of Travel	Additional Comments
Knowledge and Understanding	B1	Are there policies and arrangements in place to support pension board members in acquiring and retaining knowledge and understanding?	Partially Compliant	1. The Knowledge and Understanding policy should include the objectives of the policy. 2. Specify how training will be recorded and monitored. 3. Date the policy and make available online.	Update Board policy per recommendations.	Q1 2021	RB	↔	Original date of Q1 2020 pushed back; no progress to date.
Knowledge and Understanding	B2	Has a person been designated to take responsibility for ensuring the framework is developed and implemented?	Partially Compliant	1. Identify and name a designated person in the policy.	Update Board policy to name the Chair as the designated person, with delegated authority to a designated officer supported by the Principal Accountant. Take back to PB for review and adoption.	Q1 2021	RB	↔	Original date of Q1 2020 pushed back; no progress to date.
Knowledge and Understanding	B6	Have all pension board members got access to copies of the scheme rules and relevant Fund documentation?	Partially Compliant	1. The Fund needs to put in place a Governance Compliance Statement. 2. Not all policies are available online. A review of this should be undertaken and any missing policies added. 3. The Full Scheme guide on the Fund's website is out of date and needs updating.	Draft a Governance Compliance Statement and Policy for the Fund. Upload policies to Fund website where missing. Update scheme guide on Fund website.	Q2 2021 Q1 2021 Q1 2021	RB RB RB	↔ ↔ ↔	Original dates pushed back; no progress to date.
Knowledge and Understanding	B9	Does the Fund offer pre-appointment training for new pension board members or mentoring by existing members?	Partially Compliant	1. Ensure approach for new members is documented in formal Knowledge and Understanding Policy, and is monitored and adhered to.	Document induction practices in Knowledge Policy and append an induction pack.	Q1 2021	RB	↔	Original dates pushed back; no progress to date.

Compliance Area	Ref	TPR/SAB Requirement	Compliance Level: April 2019	Recommendations	LBL Actions	Due By Date	Resp. Officer	Direction of Travel	Additional Comments
Conflicts of Interest	C1	Does the Fund have a conflict of interest policy and procedure, which includes identifying, monitoring and managing potential conflicts of interest?	Partially Compliant	1. Date the policy and make available on the Fund's website. 2. Consider extending the reach of the policy to cover both PIC and Officers as well as the Pension Board.	Update the Board policy per recommendations.	Q2 2021	RB	↔	Consider if we need a separate policy for AA and PB? Does existing policy cover the PB or do we need to split it out? RB to investigate
Conflicts of Interest	C9	Do those involved know how to report a conflict of interest?	Partially Compliant	1. Make it clear in the policy who conflicts should be reported to.	Update Board policy to make it clear that decisions are reported to the Chair and to a designated officer for record-keeping purposes.	Q2 2021	RB	↔	Original date pushed back; no progress to date.
Publishing Information About Schemes	D2	Does the Administering Authority Publish other useful related information about the Pension Board?	Non-compliant	1. Add additional information from Code of Practice paragraph 96 about the Pension Board and Committee members onto the Fund website.	Update Fund website per recommendations.	N/A	RB	↑	Complete – to be removed from log
Publishing Information About Schemes	D3	Is all the information about the Pension Board kept up-to-date?	Partially Compliant	1. Ensure public information about the Board is kept fully up-to-date and correct.	Update Fund website per recommendations.	N/A	RB	↑	Complete – to be removed from log
Managing Risk and Internal Controls	E1	Is there an agreed process for identifying and recording scheme risks?	Non-compliant	1. Develop a Risk Policy. 2. Consider developing Fund objectives which help drive the content on the risk register. 3. Ensure that the Fund's risk register contains all areas of the administration and management of the	Create a Risk Management Policy for the Fund (to be approved by PIC). Develop/identify a set of Fund objectives. Update Fund risk register.	Q1 2021	RB	↔ ↔ ↑	Final Risk Policy to go to PIC in November 2020. First draft complete

Compliance Area	Ref	TPR/SAB Requirement	Compliance Level: April 2019	Recommendations	LBL Actions	Due By Date	Resp. Officer	Direction of Travel	Additional Comments
				Fund, not just investment related items.					
Managing Risk and Internal Controls	E7	Does the Administering Authority have adequate systems, arrangements and procedures in place for the administration and management of the Fund and are they documented?	Partially Compliant	1. Create an Administration Policy. 2. Create internal process notes documenting the various procedures specific to Lewisham.	Create Fund Administration Policy and process notes per recommendations. Admin Policy to document relationship with AVC providers (terms of engagement etc.).	Q2 2021	SA/DD	↔ ↔	Policy in progress
Maintaining Accurate Member Data	F9	Is a data improvement plan in place which is being monitored with a defined end date?	Non-compliant	1. Create a Data Improvement Plan to address areas where data is incomplete/potentially inaccurate	Create plan per recommendations.	Q2 2021	SA/DD	↔	Original date pushed back; no progress to date.
Maintaining Contributions	G8	Is there a satisfactory process in place to assess the materiality of any payment failures and ensure that those which are material are reported to the Regulator within a reasonable period?	Non-compliant	1. The Fund should formalise their reporting and monitoring processes in formal procedure notes, in the Fund's Administration Policy, and in the Breaches Procedure (when drafted), as appropriate.	Update Admin Policy once created to document procedures for payment failures and reporting processes (see TPR Code/guidance and legislation as a reference to determine processes for assessing and documenting payment failure. Determine levels of materiality for different circumstances, and take account of/assess impact of cumulative failures).	Q2 2021	SA/DD	↔	Original date pushed back; no progress to date.
Providing Information to Members and Others	H2 & H4	Do active and deferred Annual Benefit Statements (ABS) meet legal requirements in relation to the format?	Partially Compliant	1. Review active and deferred ABS to ensure compliance with HMT Directions	Review ABS per recommendation.	Q2 2021	SA/DD	↔	Original date pushed back; no progress to date.

Compliance Area	Ref	TPR/SAB Requirement	Compliance Level: April 2019	Recommendations	LBL Actions	Due By Date	Resp. Officer	Direction of Travel	Additional Comments
Providing Information to Members and Others	H12	Does the Administering Authority aim to design and deliver communications in a way that ensures scheme members are able to engage with their pension provision?	Non-compliant	1. Improve and monitor customer engagement; publish statistics on the Fund's website.	RB to check if Hymans can prepare analytics on website usage/visitor numbers/pages being looked at/when are they visiting/geographic location of visitors. Consider adding to tender documentation as a requirement of hosted website.	Q1 2021	RB	↔	Original date pushed back; no progress to date.
Internal Dispute Resolution	I2 & I3	Does the Administering Authority's internal dispute resolution procedure highlight or consider whether a dispute is exempt? Does the procedure clearly state the process to apply for a dispute to be resolved?	Non-compliant	1. Update the IDRPs to include exemption wording 2. Update IDRPs to include: - who it applies to - who the specified person is - the timescales involved - the information that an applicant must include - the process by which decisions are reached	Update Fund policy per recommendations.	Q2 2021	SA/DD	↔	Original date pushed back; no progress to date.
Internal Dispute Resolution	I8	Does the Administering Authority regularly assess the effectiveness of its arrangements?	Non-compliant	1. Review the IDRPs to ensure it is fully in line with current requirements and upload to Fund website. 2. State how often it will be reviewed.	Update Fund policy per recommendations.	Q2 2021	SA/DD	↔	Original date pushed back; no progress to date.
Reporting Breaches of the Law	J1 & J2	Is the Administering Authority satisfied that those responsible for reporting breaches under the legal requirements and TPR guidance understand the requirements? Are appropriate procedures in place to meet legal obligations	Non-compliant	1. A Breaches Policy should be in place. 2. Appropriate breaches training should be provided. 3. Set out appropriate procedures as required within the Breaches Policy.	Create Fund policy per recommendation. Arrange/suggest suitable training for the Board regarding breaches of the law.	Q2 2021	RB	↔ ↔	Original date pushed back; no progress to date.

Compliance Area	Ref	TPR/SAB Requirement	Compliance Level: April 2019	Recommendations	LBL Actions	Due By Date	Resp. Officer	Direction of Travel	Additional Comments
		for identifying and assessing breaches?							
Scheme Advisory Board Guidance	K1 2	A Local Pension Board should understand the Administering Authority's requirements, controls, and policies for FOIA compliance so that the Board is aware of them and can comply with them.	Partially Compliant	1. The Fund should ensure the Board is aware of requirements in this area.	Prepare a paper explaining LA's FOI policy and compliance statistics.	Q2 2022	RB	↔	Check with FOI team if any stats can be provided on compliance .

APPENDIX 2

Compliance Action Plan – Pension Board (October 2020)

Compliance Area	Ref.	SAB Requirement	Compliance Level: April 2019	Recommendations	PB Actions	Due By Date	Direction of Travel	Additional Comments
Managing Risk and Internal Controls	E6	Is there a standing item on the Pension Board agenda to review scheme risks?	Non-compliant	1. The Board should consider risks at each meeting and the Fund should consider adding a standing agenda item to consider risk.	Agree to add as a standing item to the Board agenda.	N/A	↑	Complete – added as a standing item on the agenda going forward.
Scheme Advisory Board Guidance	K3	Once established, a Local Pension Board should adopt a knowledge and understanding policy and framework (possibly in conjunction with the Pensions Committee if appropriate).	Partially Compliant	1. The policy should ideally include the objectives of the policy. It is noted that there is a separate learning log but the policy does not specify how training will be recorded and monitored. 2. The policy is not dated or available on the Fund's website.	Per SAB guidance, agree on a designated person to take responsibility for ensuring the Board's policy and framework is developed and implemented. This could be a member of the Pension Board or an external person, for example an officer of the Administering Authority or a professional advisor.	Q1 2021	↔	Officers yet to update policy on behalf of Board.
	K4	A Local Pension Board should designate a person to take responsibility for ensuring that the Knowledge and Understanding Policy and Framework is developed and implemented.	Partially Compliant	1. Decide on designated person as outlined. 2. Ensure officers update the Knowledge and Understanding Policy to include the designated person.	As per K3. The policy should be observed alongside the Learning Needs Analyses to be undertaken by Board members.	Q1 2021	↔	Officers yet to update policy on behalf of Board.
	K6	A Local Pension Board should prepare (and keep updated) a list of the core documents recording	Non-compliant	1. Prepare list of core documents and make available to Board members.	Prepare a list of core documents outlining required frequency of review, last updates, and	Q2 2021	↔	Delegated to officers – no progress to date.

		policy about the administration of the Fund and make the list and documents (as well as the rules of the LGPS) accessible to its members.			responsibility for maintenance.			
Scheme Advisory Board Guidance	K10	A Local Pension Board should establish and maintain a register of interests for its members.	Non-compliant	1. Prepare and maintain a register of interests for Board members. SAB guidance stipulates "...register of interest should be circulated to the Local Pension Board for ongoing review [...] [I]t should be made available to the Administering Authority and it should be published (for example, on the Fund's website).	As per recommendation	N/A	↑	Complete – added as a standing item on the agenda going forward.
Scheme Advisory Board Guidance	K12	A Local Pension Board should understand the Administering Authority's requirements, controls, and policies for FOIA compliance so that the Board is aware of them and can comply with them.	Partially Compliant	1. The Board should be aware of requirements in this area.	Officers to prepare a paper explaining LA's FOI policy and compliance statistics.	Q2 2022	↔	Original date pushed back; no progress to date.

APPENDIX 3**Lewisham Pension Board - Work Programme**

OPERATIONAL	Qtr 4 (Oct-Dec 2020)	Qtr 1 (Jan-Mar 2021)	Qtr 2 (Apr-Jun 2021)	Qtr 3 (Jul-Sep 2021)
Draft Pension Fund Statement of Accounts				X
Pension Fund Annual Report (must be published by 1 December): Includes: <ul style="list-style-type: none"> Administration update (including KPI monitoring) Final Statement of Accounts Pension Board Annual Report Governance Compliance Statement 		X		
Pension Fund Internal Audit Report			X	
Monitoring of Investment Performance: <i>see Hymans Robertson Performance Reports reported to PIC</i>	X	X	X	X
Triennial and Interim Actuarial Valuations			X	
Progress Reports on the Arrangements for Pooling	X	X	X	X
Risk Register	X	X	X	X
Board's Learning Needs and Training	X	X	X	X
Review of the Fund's Business Plan: <i>prepared by Hymans Robertson and reported to PIC</i>				X
Update on the work of the Scheme Advisory Board	X	X	X	X
Changes to the Scheme's Regulations	X	X	X	X

STRATEGIC Policies, where available, can be found at the following site: http://www.lewishampensions.org/lewisham-pension-fund/about-us/forms-and-publications/	Qtr 4 (Oct-Dec 2020)	Qtr 1 (Jan-Mar 2021)	Qtr 2 (Apr-Jun 2021)	Qtr 3 (Jul-Sep 2021)
Investment Strategy Statement: Oversight		X		
Funding Strategy Statement: Oversight Must be updated at least every 3 years (in line with the triennial valuation)		X		
Terms of Reference and Membership of the Board Should be reviewed at least annually		X		
Knowledge and Training Policy		X		
Administration Strategy <i>(To be created by Q2 2021)</i>			X	
Breaches of Law Policy <i>(To be created by Q2 2021)</i>			X	
Risk Management Policy				X
Internal Disputes Resolution Procedure			X	
Governance Compliance Statement <i>(To be created by Q2 2021)</i>			X	
Discretions Policy		X		
Communications Policy Statement		X		
Conflicts of Interest Policy Should be reviewed at least every 3 years, preferably annually			X	
Code of Conduct Policy Should be reviewed at least every 3 years, preferably annually		X		



Pension Board

Draft Risk Register 2020/21

Date: 20 October 2020

Key decision: No.

Class: Part 1.

Ward(s) affected: None specifically

Contributors: Director of Corporate Resources

Outline:

This paper presents the revised draft risk register for 2020/21 for feedback and comment by the Board.

Recommendation:

The Board is asked to:

1. Review and feedback on the draft 2020/21 risk register as appended to this report.

Timeline of engagement and decision-making

- Meeting of the Pension Board - 23 October 2018 – risk register first presented to the Board.
- Meeting of the Pension Board - 2 May 2019 – Aon compliance review identified the risk register as non-compliant with the Pension Regulator's Code of Practice. Action Plan drafted to review and update the register, to incorporate the recommendations of the review, for Q1 2020.

REASONS FOR URGENCY AND LATENESS

Lateness: This report was not available for the original dispatch due to staff resourcing issues.

Urgency: The Risk Register is a key Fund document and was designated as non-compliant when independently reviewed in April 2019. Originally scheduled to be revised and brought back to the Board in January 2020, it is essential that the Board now has an opportunity to review the updated

register so that it can be formally approved by the Pensions Investment Committee and become a standing item on the Board agenda going forward.

Where a report is received less than 5 clear days before the date of the meeting at which the matter is being considered, then under the Local Government Act 1972 Section 100(b),(4) the Chair of the Committee can take the matter as a matter of urgency if he is satisfied that there are special circumstances requiring it to be treated as a matter of urgency. These special circumstances have to be specified in the minutes of the meeting.

1. Summary

- 1.1. This report presents the revised and updated draft risk register as at October 2020 for Board members to review and provide feedback. It has been comprehensively redrafted following the results of the Aon compliance review undertaken in April 2019 and, once formally adopted by the Pensions Investment Committee, will be presented to the Board at every meeting to review progress against target risk scores.

2. Recommendations

- 2.1. The Board is recommended to:
 - 2.1.1. Review and feedback on the draft 2020/21 risk register as appended to this report.

3. Policy Context

- 3.1. The overriding policy context for the Pension Board are the pension regulations and legislation that governs the Local Government Pension Scheme (LGPS) and the guidance on the creation and operation of local pension boards issued by the LGPS Scheme Advisory Board.

4. Background

- 4.1. Pension Board members must be conversant with the scheme rules and documented administration policies currently in force for the scheme, as per The Pension Regulator's Code of Practice. 'Risk assessments/management and risk register policies for the scheme' is an area considered by the regulator as particularly pertinent and one in which Board members should be particularly conversant.
- 4.2. The Fund's risk register sets out the nature of the individual risks to the Fund, with an assessment of the level of risk, the controls and procedures in place to mitigate those risks, and a target level of risk. It is the responsibility of the Pensions Investment Committee (PIC) to review the register periodically to ensure risks are updated and the relevant mitigations in place are adequate. The Pensions Board can add value by carrying out additional reviews, either considering a separate area of the register at each meeting, looking at new risks as they arise, or focusing on the highest scoring risks.

5. Risk Register

5.1. The draft 2020/21 risk register as at October 2020 is attached at Appendix 1; its design is based on a template provided by The Pensions Regulator and incorporates six categories of risk in line with CIPFA guidance “Managing Risk in the Local Government Pension Scheme”. It is a live document to be updated and amended as necessary by officers, to be taken to PIC annually for approval and to Pension Board as a standing item on each meeting’s agenda. Risk ratings fall into four categories:

RISK CATEGORY/ SCORE	HOW THE RISK SHOULD BE MANAGED	NUMBER OF RISKS
Red (16-25)	Immediate action required; senior management involved.	1
Amber/Red (10-15)	Bring to the attention of senior management and specify responsibility.	10
Amber/Green (5-9)	Manage by specific monitoring or response procedures.	15
Green (1-4)	Manage by routine procedures, unlikely to require specific or significant application of resources to remedy.	10

5.2. In the current register, one risk has been identified as requiring immediate attention, specifically relating to regulatory risk (LI 07) and the Fund’s response to the upcoming challenges in implementing the outcomes of the McCloud and Godwin judgements, as well as changes to the exit payment cap.

5.3. Existing controls against all risks have been identified in the register, as well additional risk mitigating processes that could be implemented to potentially improve controls. The target scores are an estimation of the measure of acceptable risk given the controls in place, and at each future review of the register a previous score and direction of travel will be assigned to each risk to measure changes either to the risks themselves or the controls that have been put in place.

6. Financial implications

6.1. There are no direct financial implications arising from this report.

7. Legal implications

7.1. The London Borough of Lewisham Pension Fund is governed by the Public Service Pensions Act 2013 and administered in accordance with the Local Government Pension Scheme Regulations 2013 and other secondary legislation (together the “Regulations”). Section 5 of the Public Service Pensions Act 2013 and Regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended) makes provision for the establishment of a Pension Board, with responsibility for assisting the scheme manager in relation to:

- Securing compliance with the scheme regulations and other legislation relating

to the governance and administration of the scheme and any statutory pension scheme that is connected with it;

- Securing compliance with requirements imposed in relation to the scheme and any connected scheme by the Pensions Regulator; and
- Such other matters as the scheme regulations may specify.

7.2. Members must comply with the requirements of the relevant legislation in fulfilling their roles on the Board.

8. Equalities implications

8.1. There are no direct equalities implications arising from this report.

9. Climate change and environmental implications

9.1. There are no direct climate or environmental implications arising from this report.

10. Crime and disorder implications

10.1. There are no direct crime and disorder implications arising from this report.

11. Health and wellbeing implications

11.1. There are no direct health and wellbeing implications arising from this report.

12. Background papers

12.1. The following paper is appended to this report:

- *Lewisham Pension Fund Risk Register 2020/21*

13. Report author and contact

13.1. David Austin, Director of Corporate Resources.

Lewisham Pension Fund Risk Register 2020/21

Summary Dashboard

Risk Category	Risk Ref	Risk	Current Scoring	Target Score	Previous Score	Direction of Travel
Asset and Investment Risk	AI 01	Funding Risk	15	9	-	-
	AI 02	Concentration Risk	6	4	-	-
	AI 03	Liquidity Risk	12	3	-	-
	AI 04	Currency Risk	4	2	-	-
	AI 05	Transition Risk	4	2	-	-
	AI 06	Manager Underperformance Risk	9	6	-	-
	AI 07	Environmental, Social and Governance Risk	12	4	-	-
	AI 08	Investment Pooling Risk	12	3	-	-
Liability Risk	LI 01	Discount Rate Risk	6	4	-	-
	LI 02	Inflation Risk	4	4	-	Target reached
	LI 03	Salary Increase Risk	4	4	-	Target reached
	LI 04	Longevity Risk	6	4	-	-
	LI 05	Early Retirement Risk	6	4	-	-
	LI 06	Ill-Health Retirement Risk	4	4	-	Target reached
	LI 07	Regulatory Risk	20	12	-	-
Employer Risk	EM 01	Financial Risk	9	4	-	-
	EM 02	Administration Risk	4	4	-	Target reached
	EM 03	Reputational Risk	4	4	-	Target reached
Resource and Skill Risk	RS 01	Inadequate Staffing	12	4	-	-
	RS 02	Inadequate Resources for Support Staff	4	1	-	-
	RS 03	Inadequate Knowledge and Skills – Pensions Committee and Pension Board	12	4	-	-
	RS 04	Inadequate Knowledge and Skills - Officers	9	4	-	-
Administrative and Governance Risk	AG 01	Failure or Unavailability of ICT	6	4	-	-
	AG 02	Delays to Pensions Payroll	4	4	-	Target reached
	AG 03	Over-Reliance on/ Loss of Key Staff	12	2	-	-
	AG 04	Data Quality	6	3	-	-
	AG 05	Professional Advice	4	4	-	Target reached
	AG 06	Legislative and Regulatory Changes	12	6	-	-
	AG 07	Third Party Provider Risk	9	4	-	-
	AG 08	Data Protection Risk	6	6	-	Target reached
	AG 09	Fraud or Fraudulent Behaviour	6	2	-	-
	AG 10	Cyber Threats	15	10	-	-
	AG 11	Inappropriate Decision-making	9	6	-	-
	AG 12	Operational Disaster – Fire/ Flood/ Pandemic	10	4	-	-
Regulatory and Compliance Risk	RC 01	Non-compliance Risk – Statement of Accounts	9	6	-	-
	RC 02	Non-compliance Risk – Other	9	6	-	-

Scoring and Risk Owner Keys

Likelihood Key	Impact Key
1 – Rare	1 – Insignificant
2 – Unlikely	2 – Minor
3 – Possible	3 – Moderate
4 – Likely	4 – Major
5 – Almost Certain	5 – Extreme

Risk Scoring	Risk response	Number of Risks
Low (1-4)	Manage by routine procedures; unlikely to need specific or significant application of resources.	10
Low/Medium (5-9)	Manage by specific monitoring or response procedures.	15
Medium/High (10-15)	Senior management attention needed, and management responsibility specified.	10
High (16-25)	Immediate action and response required.	1

Risk Owner Key
Pensions Investment Committee - PIC
Pensions Board – PB
Executive Director of Corporate Resources - EDR
Director of Corporate Resources – DCR
Interim Head of Payroll and Pensions - HPP
Pensions Manager – PM
Principal Accountant – PA

Ref	Identification of Risk		Current Scoring			Risk Mitigation		Target Scoring			Review		
	Risk Overview	Risk Drivers	Likelihood	Impact	Risk rating	Existing Controls	Additional Requirements/ Controls	Likelihood	Impact	Risk rating	Previous Score	Direction of Travel	Risk Owner
Asset and Investment Risk													
AI 01	Funding risk – the risk that the Fund's assets fail to deliver returns as anticipated and/or fail to grow in line with the developing cost of liabilities over the medium-long term.	<ul style="list-style-type: none"> Unexpected inflation or pay growth may increase pension and benefit payments to a greater extent/at greater speed than asset returns. Unanticipated market movements may negatively impact asset growth compared to forecasts. 	3	5	15	<ol style="list-style-type: none"> Actuarial valuations take into account: <ul style="list-style-type: none"> Future investment performance/ discount rates, which are estimated on a relatively prudent basis to reduce risk of under-performance. Progress of all employers in the Fund, which is monitored at least annually. A Funding Strategy Statement is prepared at least every three years as part of the triennial valuation. 	<ul style="list-style-type: none"> Consider engagement of independent adviser to challenge/ confirm Investment Strategy decisions. 	3	3	9			EDR DCR PIC

Identification of Risk			Current Scoring			Risk Mitigation		Target Scoring			Review		
Ref	Risk Overview	Risk Drivers	Likelihood	Impact	Risk rating	Existing Controls	Additional Requirements/ Controls	Likelihood	Impact	Risk rating	Previous Score	Direction of Travel	Risk Owner
Page 20		<ul style="list-style-type: none"> The Fund's Investment Strategy Statement and/or Funding Strategy may contain flawed assumptions. 				<ol style="list-style-type: none"> An Investment Strategy Statement is prepared and considered an integral part of the Funding Strategy, with asset modelling used to determine the best benchmark allocation of assets to meet the Funding objectives. It is reviewed at least every three years. Asset allocation includes acceptable ranges of deviation to allow for market movements and rebalancing arrangements for when those limits are breached. Ongoing performance monitoring; monthly reporting from the Fund's custodians, quarterly reporting from the Fund's advisors, annual reporting from the Fund's benchmarking provider. 							
	AI 02	Concentration Risk	<ul style="list-style-type: none"> Concentration of assets in a single asset class, geography or manager where underperformance relative to expectations would result in difficulties meeting funding objectives. 	2	3	6	<ol style="list-style-type: none"> Assets are invested on the basis of professional, specialist advice, in a diversified manner across asset classes, geographies, managers etc. The Fund invests in a range of investment mandates each of which has a defined objective, performance benchmark and manager processes which, taken in aggregate, help reduce the Fund's asset concentration risk. 		2	2	4		

Identification of Risk			Current Scoring			Risk Mitigation		Target Scoring			Review		
Ref	Risk Overview	Risk Drivers	Likelihood	Impact	Risk rating	Existing Controls	Additional Requirements/ Controls	Likelihood	Impact	Risk rating	Previous Score	Direction of Travel	Risk Owner
AI 03	Liquidity Risk – the risk that the Fund is unable to meet its immediate liabilities due to insufficient liquid assets.	<ul style="list-style-type: none"> • Maturing fund – when the cost of pension payments exceeds contributions income, there will be pressure on the Fund to maintain liquidity and generate enough cash to meet day to day cash requirements. 	3	4	12	1. Liquidity management is featured as part of the strategic asset allocation, with a further 6-9% to be transitioned to income assets in the next 12 months.	<ul style="list-style-type: none"> • Cash flow projections for the short-medium term to evaluate liquidity risk, ensure adequate liquidity to meet pension payments/capital calls as they fall due, and avoid the likelihood of forced sales. Officers to discuss with advisers in Q4 2020. 	1	3	3			DCR PA
AI 04 Page 21	Currency Risk – where a variation in the prices of assets relative to liabilities is caused by movement in currency rates.	<ul style="list-style-type: none"> • Over exposure to volatile currencies. • The appreciation of sterling relative to other currencies, given the proportion of Fund's assets denominated in currencies other than sterling (approx. 10%). 	2	2	4	1. The Fund invests in a range of overseas markets which provides a diversified approach to currency markets.		1	2	2			PIC
AI 05	Transition Risk – the risk of incurring unexpected costs relating to the movement of assets among managers.	<ul style="list-style-type: none"> • Market movements e.g. the impact of Coronavirus on equity valuations. • Transition to a pooling vehicle may incur unknown costs. 	2	2	4	<ol style="list-style-type: none"> 1. The Fund's investment advisers provide advice on the inherent risks, timing and nature of transitions in line with the decisions of PIC, taken in the wider context of the Investment Strategy. 2. The Fund may appoint a specialist transition manager if necessary. 		1	2	2			PIC DCR PA

Identification of Risk			Current Scoring			Risk Mitigation		Target Scoring			Review		
Ref	Risk Overview	Risk Drivers	Likelihood	Impact	Risk rating	Existing Controls	Additional Requirements/ Controls	Likelihood	Impact	Risk rating	Previous Score	Direction of Travel	Risk Owner
AI 06	Manager Underperformance Risk – the failure of fund managers to achieve expected investment returns.	<ul style="list-style-type: none"> Markets perform against expectations, prevailing market conditions change contrary to a manager's style of management or fund structure, leading to periods of outperformance and underperformance. Due diligence and manager selection process not thorough enough. Departure of key personnel/high turnover of investment team. 	3	3	9	<ol style="list-style-type: none"> Passive management of approx. 70% of the Fund – reduces risk of underperformance, where managers generally deliver returns in line with benchmark expectations. The Fund has appointed several managers across diversified assets to reduce the risk of any one manager underperforming. Ongoing performance monitoring; monthly reporting from the Fund's custodian, quarterly reporting to PIC from the Fund's advisors, annual reporting from the Fund's benchmarking provider. Managers regularly present to, and update, PIC; officers regularly meet and engage with managers. Manager selection exercises are undertaken with assistance from Fund's advisers. 	<ul style="list-style-type: none"> Review of benchmarks used by custodian to ensure performance is being correctly recorded in performance reporting. 	2	3	6			PIC DCR PA
AI 07	Environmental, Social and Governance (ESG) Risks – the risk that ESG related factors reduce the Fund's ability to generate long-term returns.	<ul style="list-style-type: none"> Not investing in funds that manage social concerns appropriately, e.g. protection of consumers, labour rights, diversity and inclusion policies, human rights, health and safety etc. Funds which exhibit poor social practices are susceptible to litigation, and potentially poorer levels of financial performance. 	4	3	12	<ol style="list-style-type: none"> The Fund's overall ESG policy is included in its Investment Strategy Statement. The Fund has established a set of 5 Climate Objectives (CO) to drive future investment. PIC has established a Statement of Investment Beliefs (SIB) which sets out the overriding principles by which the Committee make investment decisions; this includes beliefs on governance, 	<ul style="list-style-type: none"> Carry out an audit of fund manager's ESG Policies to see if they are consistent with the Fund's ESG Policies and the Committee's beliefs. Improve engagement with managers to identify the extent to which ESG factors are considered within the investment process, and establish degree of comfort that 	2	2	4			PIC DCR PA

Identification of Risk			Current Scoring			Risk Mitigation		Target Scoring			Review		
Ref	Risk Overview	Risk Drivers	Likelihood	Impact	Risk rating	Existing Controls	Additional Requirements/ Controls	Likelihood	Impact	Risk rating	Previous Score	Direction of Travel	Risk Owner
Page 23		<ul style="list-style-type: none"> Investing in funds that suffer from corporate governance failures, e.g. use of child labour in overseas production, poor safety records resulting in death or injury, mis-selling scandals, rogue trading. Fossil fuel linked investments suffer losses due to stranded assets and reputational damage. Not managing exposure to environmental risk (including climate change risk) can leave the Fund susceptible to challenge from legal and pressure groups. 				<p>responsible investment, and climate change.</p> <ol style="list-style-type: none"> The majority of the Fund's managers have signed up to the UK Stewardship Code. The Fund is a member of the Local Authority Pension Fund Forum (LAPFF) which engages and acts on behalf of members by promoting high standards of corporate governance and responsibility. The Fund's advisers explicitly model potential government corporate policies on climate change when reviewing its Funding and Investment Strategies. The Fund takes advice from actuarial and investment advisers to improve understanding of ESG issues. The Fund's 2020-23 Investment Strategy actively seeks to transition its existing passive equity holdings into a low carbon passive-like mandate, and also allocates up to 6% of the Fund to new low-carbon mandates (including renewable infrastructure). 	<p>these risks are being appropriately managed on the Fund's behalf.</p> <ul style="list-style-type: none"> Create a formal Responsible Investment (RI) policy to incorporate SIB, CO and ESG Policies per the Investment Strategy Statement. 						
	AI 08	Investment Pooling Risk – the risk that the London CIV (LCIV) fails to meet the Fund's needs.	<ul style="list-style-type: none"> The transition of the Fund's assets to LCIV will see a transfer of some risks to the pool operator, changes to existing Fund risks, and the creation of new risks, including asset and investment risk, employer risk, resource 	3	4	12	<ol style="list-style-type: none"> The Fund is a founding shareholder of the LCIV and has shareholder input at Member and officer level. Member representation at LCIV's AGM. Member and officer involvement in LCIV mandate developments via consultation and Seed Investment Groups (SIG). 	<ul style="list-style-type: none"> More work required to understand the role of LCIV's oversight committee & its own risk management arrangements and processes. 	1	3	3		

Identification of Risk			Current Scoring			Risk Mitigation		Target Scoring			Review		
Ref	Risk Overview	Risk Drivers	Likelihood	Impact	Risk rating	Existing Controls	Additional Requirements/ Controls	Likelihood	Impact	Risk rating	Previous Score	Direction of Travel	Risk Owner
		<p>and skill risk, reputational risk, and regulatory and compliance risk.</p> <ul style="list-style-type: none"> Asset pooling may restrict the Fund's ability to fully implement its desired strategy. 				4. Officers maintain regular contact with LCIV via client meetings, business update meetings, and 'meet the manager' sessions.							
Liability Risk													
LI 01	Discount Rate Risk – the risk that the set discount rate (based on a prudent view of future investment returns) does not reflect actual returns or market volatility.	<ul style="list-style-type: none"> Largely a measurement risk since liability cash flows do not change, but risk largely driven by the actual cost of benefits being higher than expected due to investment returns being lower than originally assumed. 	3	2	6	1. The Fund adopts a prudent discount rate assumption at triennial valuation as a cushion against reductions in future investment returns.	<ul style="list-style-type: none"> Regular monitoring of changes in market conditions between triennial valuations, perhaps on a quarterly or bi-annual basis, can provide early warning of changes in the outlook for future investment returns. 	2	2	4			EDR DCR
LI 02	Inflation Risk – the risk of incorrect inflationary assumptions used in the Fund valuation.	<ul style="list-style-type: none"> Unexpected inflation or pay growth increases pension and benefit payments, and assets do not grow fast enough to meet the increased cost. 	2	2	4	<ol style="list-style-type: none"> The Fund adopts a prudent inflation assumption at triennial valuation as a cushion against increases in future inflation expectations. The Investment Strategy is set so as to provide exposure to assets providing inflation protected growth 		2	2	4			EDR DCR
LI 03	Salary Increase Risk – the risk of incorrect salary increase assumptions used in the Fund valuation.	<ul style="list-style-type: none"> When salary increases actually awarded are higher than the assumed increase in the triennial valuation. 	2	2	4	1. The Fund adopts a prudent salary increase assumption at triennial valuation as a cushion against unexpected salary increases.		2	2	4			EDR DCR

Identification of Risk			Current Scoring			Risk Mitigation		Target Scoring			Review		
Ref	Risk Overview	Risk Drivers	Likelihood	Impact	Risk rating	Existing Controls	Additional Requirements/ Controls	Likelihood	Impact	Risk rating	Previous Score	Direction of Travel	Risk Owner
						2. Employers may have some control over the award of salary increases through pay award negotiations.							
LI 04	Longevity Risk – the risk of incorrect life expectancy assumptions used in the Fund valuation.	<ul style="list-style-type: none"> Future life expectancy, and the allowance for future improvements in life expectancy, is uncertain. There is a risk that members will live longer than expected, resulting in benefits being paid for longer. Maturing fund – the proportion of active members declines relative to retired employees. 	3	2	6	<ol style="list-style-type: none"> The Fund set mortality assumptions with a prudent allowance for future increases in life expectancy, as a cushion against faster than expected improvements. Regular monitoring of longevity and other demographic factors through the triennial valuations and interim valuations; experience analyses provides early warning of any expected increase in contributions and costs. Regular updates from the fund actuary on general longevity experience within UK pension funds and national trends, e.g. from population statistics, through the Fund’s Club Vita membership 		2	2	4			EDR DCR
LI 05	Early Retirement Risk – the risk that members retire earlier than assumed in the Fund valuation.	<ul style="list-style-type: none"> Members retiring for financial freedom, or due to perceived unfavourable changes to working conditions. Liabilities for members who retire earlier than assumed in the triennial valuation and receive no reduction in benefits will be higher than expected. 	3	2	6	<ol style="list-style-type: none"> The Fund adopts a prudent assumption for early retirements at triennial valuation as a cushion against higher than expected retirement. Employers are required to make capital contributions in respect of pensions strain arising from early retirements as a result of redundancy or on efficiency grounds. Updates from the Fund actuary through the triennial valuation process or more regularly (and advises employers of the effect on their contributions). 		2	2	4			EDR DCR

Identification of Risk			Current Scoring			Risk Mitigation		Target Scoring			Review		
Ref	Risk Overview	Risk Drivers	Likelihood	Impact	Risk rating	Existing Controls	Additional Requirements/ Controls	Likelihood	Impact	Risk rating	Previous Score	Direction of Travel	Risk Owner
LI 06	Ill-Health Retirement Risk – the risk that more members retire due to ill health than assumed in the Fund valuation.	<ul style="list-style-type: none"> Where more members are granted higher tier benefits, the Fund's liabilities will increase and employer contributions may need to increase accordingly. 	2	2	4	1. Regular monitoring of ill-health experience through the triennial valuations and interim valuations/ experience analyses to provide early warning of changes in future costs.		2	2	4			EDR DCR
LI 07	Regulatory Risk – the extent to which legislative and regulatory changes impact the Fund.	<ul style="list-style-type: none"> Changes to the LGPS where benefits are governed by statute; for example, McCloud, Goodwin, exit payment cap etc. Changes by Government to particular employer participation in LGPS funds, leading to impacts on Funding and/or Investment Strategies. 	5	4	20	<ol style="list-style-type: none"> The Fund's actuary provides regular updates to Members and officers and assists in adhering to new regulations. Following SAB advice, an allowance for certain forthcoming regulatory changes (McCloud and Goodwin) were built into the triennial valuation of the Fund; in interim periods, further updates regarding the impact of regulatory change may be required. Officers consider all consultation papers issued by the Government, in conjunction with the Fund's advisers, and comments where appropriate. Members and officers keep abreast of regulatory changes through attendance at LGPS conferences and training, membership of national advisory bodies, and communication with the LGPS Scheme Advisory Board (or its working groups). 	<ul style="list-style-type: none"> Project planning for how to approach and manage the forthcoming regulatory and legislative changes. Resource planning for managing forthcoming regulatory and legislative changes. 	3	4	12			EDR DCR HPP PM
Employer Risk													
EM 01	Financial Risk – the risk that employers cannot	<ul style="list-style-type: none"> Rise in unanticipated ill-health or early retirements, 	3	3	9	1. Officers work with the Fund's actuary to make an objective assessment of the strength of an employer's covenant (to		2	2	4			EDR HPP PM

Identification of Risk			Current Scoring			Risk Mitigation		Target Scoring			Review		
Ref	Risk Overview	Risk Drivers	Likelihood	Impact	Risk rating	Existing Controls	Additional Requirements/ Controls	Likelihood	Impact	Risk rating	Previous Score	Direction of Travel	Risk Owner
Page 27	meet their obligations to the Fund, and/or other employers become liable for their deficits.	<p>leading to contribution shortfall.</p> <ul style="list-style-type: none"> Market conditions lead to employees opting out of LGPS, or employers deciding they can no longer afford the required level of contributions. 				<p>include an analysis of financial position, forward-looking prospects and the ongoing ability to pay the necessary employer contributions.</p> <p>2. Officers work with the Fund's actuary to calculate cessation valuations when an employer is due to leave the Fund.</p> <p>3. The Pensions Team maintains a close relationship with employing bodies to identify any potential issues at an early stage, and communicates required standards.</p> <p>4. Officers monitor and reconcile contributions received against those expected. Reminders are sent to employers when they fail to meet payment deadlines, or if payment amounts differ to that expected.</p>							
	EM 02 Administration Risk – the risk that employers maintain poor records and provide inaccurate information.	<ul style="list-style-type: none"> Poor employer knowledge bank and/or record-keeping maintained by the Council, or inadequate monitoring of records/information, which prevents the identification of employers that may pose the greatest risk. 	2	2	4	<p>1. Officers monitor and maintain records of employers in the Fund, e.g. number of participating members, promptness of contribution payments etc.</p> <p>2. Employers are made aware of their responsibilities and payment procedures when admitted to the scheme/ as part of their admission agreements.</p>		2	2	4			HPP PM
	EM 03 Reputational Risk – the risk of adverse publicity arising from interactions with, or failure of an employing authority.	<ul style="list-style-type: none"> Inaccurate information in the public domain leads to damage to reputation and loss of confidence. Complaints not handled appropriately or in time. 	2	2	4	<p>1. Officers maintain constructive relationships with Fund employers.</p> <p>2. Processes are in place for responding to FOIs, Member/Public questions, and employer queries.</p>		2	2	4			HPP PM

Identification of Risk			Current Scoring			Risk Mitigation		Target Scoring			Review		
Ref	Risk Overview	Risk Drivers	Likelihood	Impact	Risk rating	Existing Controls	Additional Requirements/ Controls	Likelihood	Impact	Risk rating	Previous Score	Direction of Travel	Risk Owner
Resource and Skill Risk													
RS 01	Inadequate Staffing	<ul style="list-style-type: none"> High staff turnover Regular staff absence Poor recruitment 	4	3	12	<ol style="list-style-type: none"> The Council has a standard recruitment policy in place. Utilisation of additional resourcing (e.g. Hymans Robertson and/or independent advice) if needed, where staff shortfalls prevent internal specialisation. 	<ul style="list-style-type: none"> Preparing annual business plans which identify short and long term resource requirements. Improved retention policies and procedures where skills are in high demand/short supply. 	2	2	4			EDR DCR
Page 28	Inadequate Resources for Support Staff	<ul style="list-style-type: none"> Out-of-date or inadequate software. A lack of basic office equipment, e.g. working from home due to the Coronavirus pandemic where staff may not have access to the same resources they would in the workplace. 	2	2	4	<ol style="list-style-type: none"> Budgetary provisions are made for staff and resources to meet demands of the service. Regular retendering of pensions administration contracts with third party suppliers to ensure required standards are included in contract specifications. The Council has a remote working policy, and a 'buy your own devices' policy to enable staff to purchase equipment needed to work from home. 		1	1	1			EDR DCR
	RS 03	Inadequate Knowledge and Skills – Pensions Committee and Pension Board.	<ul style="list-style-type: none"> Change of membership/high turnover of membership. Low attendance at meetings. New members not sufficiently inducted or signposted to learning 	4	3	12	<ol style="list-style-type: none"> Induction training is offered to new Members when joining PIC. Training is provided by the Fund's investment adviser, particularly in those specific asset classes relevant to the Fund and when acquiring new mandates. Officers signpost a quarterly selection of recommended conferences, workshops 	<ul style="list-style-type: none"> Induction programme to be developed for the Pension Board 	2	2	4		

Identification of Risk			Current Scoring			Risk Mitigation		Target Scoring			Review		
Ref	Risk Overview	Risk Drivers	Likelihood	Impact	Risk rating	Existing Controls	Additional Requirements/ Controls	Likelihood	Impact	Risk rating	Previous Score	Direction of Travel	Risk Owner
		<p>opportunities/ requirements.</p> <ul style="list-style-type: none"> Poorly designed training programmes. 				<p>and training events to PIC and Pension Board members.</p> <ol style="list-style-type: none"> PIC and Pension Board members are requested to complete the Pensions Regulator's Public Service Toolkit. Training logs are maintained and reported on in the Fund Annual Report. PIC Members have committed to attending a minimum of 5 hours of training each per year, to satisfy the requirements of MiFID II. Pension Board members are required to undertake learning needs analyses and identify their training requirements. Annual skills audits are conducted to ensure skills remain relevant to the roles being undertaken, identifying any learning gaps and preparing tailored training in response to these gaps. 							
RS 04	Inadequate Knowledge and Skills - Officers.	<ul style="list-style-type: none"> Lack of, or inadequate, staff training policies or opportunities. Knowledge is concentrated in a small number of officers, risking knowledge drain if those staff leave the authority. Increased workloads reduces time for skills development and training opportunities. 	3	3	9	<ol style="list-style-type: none"> The Fund is a member of, subscribes, and has access to several organisations that assist officers to maintain their knowledge and keep abreast of changes to the LGPS, e.g. LGA, GAD, LAPFF, LPFF, PLSA, SAB, etc. Actuarial, investment, independent advice is available where knowledge or skills fall short. Staff with professional qualifications relevant to their job roles. 	<ul style="list-style-type: none"> Succession planning for key roles to mitigate loss of knowledge from planned or unplanned departures. Improved networking with other LGPS administration teams, particularly those where senior members of the team have previously worked and relationships already exist, to improve knowledge sharing. 	2	2	4			EDR DCR HPP PM PA

Identification of Risk			Current Scoring			Risk Mitigation		Target Scoring			Review		
Ref	Risk Overview	Risk Drivers	Likelihood	Impact	Risk rating	Existing Controls	Additional Requirements/ Controls	Likelihood	Impact	Risk rating	Previous Score	Direction of Travel	Risk Owner
Administrative and Governance Risk													
AG 01	Failure or Unavailability of ICT.	<ul style="list-style-type: none"> • Unscheduled system maintenance, downtime, or outages. • Outdated or incompatible software. • Loss of data due to system failure. 	2	3	6	<ol style="list-style-type: none"> 1. Lewisham Information Security Policy – includes technical measures in place to maintain backups of files and emails. 2. Corporate Business Continuity Plan in place to respond to potential loss of critical infrastructure, systems and data. 3. Custodian and fund manager portals can be accessed from any browser/device outside of the Lewisham network. 4. The Fund's bank account can be monitored by phone, and payments processed manually as per the authority's Business Continuity Plans for Finance (covering Treasury Management and Financial Transactions). 5. IT maintenance is scheduled for non-working hours where possible. 		2	2	4			EDR
AG 02	Delays to Pensions Payroll	<ul style="list-style-type: none"> • ICT failure. • Staff absence. 	1	4	4	<ol style="list-style-type: none"> 1. Clear procedure notes in place for processing payroll. 	<ul style="list-style-type: none"> • Further training in payroll/ systems to be undertaken in Oracle Cloud. 	1	4	4			EDR HPP PM
AG 03	Over-Reliance on/ Loss of Key Staff	<ul style="list-style-type: none"> • Knowledge is concentrated in a small number of officers, risking knowledge drain if those staff leave the authority. • Unequal distribution of workloads creating reliance on certain staff. 	4	3	12	<ol style="list-style-type: none"> 1. Staff appraisal programme to identify opportunities for upskilling, job rotation, and fair distribution of work. 2. Comprehensive process notes developed and in place. 	<ul style="list-style-type: none"> • Succession planning helps to mitigate and manage the loss of key staff, and is currently being reviewed by the interim Head of Payroll and Pensions. 	1	2	2			EDR DCR HPP

Identification of Risk			Current Scoring			Risk Mitigation		Target Scoring			Review		
Ref	Risk Overview	Risk Drivers	Likelihood	Impact	Risk rating	Existing Controls	Additional Requirements/ Controls	Likelihood	Impact	Risk rating	Previous Score	Direction of Travel	Risk Owner
AG 04	Data Quality – the risk of complaints, fines, or incorrect valuation assumptions due to poor data quality.	<ul style="list-style-type: none"> Employers do not understand or meet their responsibilities, provide poor quality data, are unable to resource their pensions obligations, or have poor engagement with the Fund. Officers do not understand or are unaware of their responsibilities, maintain poor quality data, or do not ensure data is reviewed on a regular basis. 	2	3	6	<ol style="list-style-type: none"> Communications Strategy sets out how Fund will engage with all stakeholders. Reconciliations and review of the recording of pay and pensions by officers, as well as running Altair reports for verification. Segregation of duties so that reconciliations are reviewed by a second individual. 	<ul style="list-style-type: none"> Administration Policy to be developed. 	1	3	3			HPP PM PA
AG 05	Professional Advice – the risk that professional advice is not sought or heeded, or proves to be insufficient.	<ul style="list-style-type: none"> Not enough time to seek the appropriate level of advice. Advice is ignored or not acted upon. 	1	4	4	<ol style="list-style-type: none"> Members and officers maintain close contact with its specialist advisers. Investment advice is delivered via formal meetings involving elected Members and recorded appropriately. Actuarial advice is subject to professional requirements such as peer review. 	<ul style="list-style-type: none"> Retendering of actuarial (and investment advisory) services to take place in early 2021. 	1	4	4			EDR DCR PIC
AG 06	Legislative and Regulatory Changes – the risk of complaints or fines due to incorrect adoption or incorrect calculation of regulatory changes.	<ul style="list-style-type: none"> Challenging implementation of major regulatory reform. Complexity of new regulations gives rise to heightened risk of error in calculations 	3	4	12	<ol style="list-style-type: none"> Use of Altair to ensure calculations are correct (e.g. for transitional protections). Officers attend and enrol in professional forums and events to keep up to date with legislative or regulatory changes. Support is provided by LGA and the actuary where necessary. 		2	3	6			HPP PM

Identification of Risk			Current Scoring			Risk Mitigation		Target Scoring			Review		
Ref	Risk Overview	Risk Drivers	Likelihood	Impact	Risk rating	Existing Controls	Additional Requirements/ Controls	Likelihood	Impact	Risk rating	Previous Score	Direction of Travel	Risk Owner
AG 07	Third Party Provider Risk	<ul style="list-style-type: none"> Third party IT systems failing, or not adapting to meet regulatory changes. Underperformance of provider. Poorly resourced, poor contract management, incorrect contract specification. 	3	3	9	<ol style="list-style-type: none"> Third party suppliers used are reputable and fall within pension administration framework agreements. Appropriate oversight and monitoring by the Pensions Team for assurance of controls in place. Regular meetings with contractors to discuss performance and service improvements. 		2	2	4			HPP PM
AG 08	Data Protection Risk – the risk of financial penalty or reputational damage due to data mismanagement.	<ul style="list-style-type: none"> ICT failure. Fraud. Security of paper documents, especially when out of the office (e.g. handling paperwork at home due to the Coronavirus pandemic). 	2	3	6	<ol style="list-style-type: none"> Officers have completed compulsory GDPR training. Lewisham Information Security Policy – includes technical measures to help protect information including anti-virus updates, software patches, encryption, permissions management, and system backups. Secure email is available via the Council's standard email or via CJSM or Egress Switch. 		2	3	6			HPP PM
AG 09	Fraud or Fraudulent Behaviour – the risk that someone deliberately acts to deprive the Fund of its assets, or to obtain personal benefit from his or her position.	<ul style="list-style-type: none"> Opportunities to commit fraud can arise due to a temporary situation where the risk of being caught is low. Lapsed controls, or loopholes identified by those intent on fraudulent behaviour. 	2	3	6	<ol style="list-style-type: none"> Appropriate system of checks and authorisations for death and transfer cases. Separation of duties for upload, checking, approval, input and processing of payments from the Pension Fund bank account. “Confirmation of Payee” initiative used by bank to target and prevent impersonation fraud, invoice redirection and new payment fraud. 		1	2	2			EDR DCR HPP PM PA

Identification of Risk			Current Scoring			Risk Mitigation		Target Scoring			Review		
Ref	Risk Overview	Risk Drivers	Likelihood	Impact	Risk rating	Existing Controls	Additional Requirements/ Controls	Likelihood	Impact	Risk rating	Previous Score	Direction of Travel	Risk Owner
						<ul style="list-style-type: none"> 4. Monthly reconciliation of Pension Fund bank account to identify and code all income/payments. 5. Internal audit acts as an appraisal and advisory service and can review, identify and advise on internal controls regarding fraud prevention. 6. Fund managers are requested to submit internal control reports which are reviewed by external audit. 							
Page 33	<p>Cyber Threats – the risk of vulnerability to, and impact of, cyber-attacks that result in different types of breaches.</p>	<ul style="list-style-type: none"> • Failure of ICT. • Accidental loss of hardware (laptop, mobile, USB device). • Accidental loss of electronic data. • Generic malware. • Untargeted attacks from ‘hobbyist’ hackers. • Targeted attacks from ex-employees, customers, current employees or anonymous activists. • State-sponsored attacks, cyber-criminal/terrorists. 	3	5	15	<ul style="list-style-type: none"> 1. Lewisham Information Security Policy – includes technical measures to help protect IT systems including anti-virus updates, software patches, encryption, and firewalls. 2. ‘Spam email’ blocking software and a dedicated mailbox for reporting spam/phishing attacks. 3. Fund bank account can only be accessed by authorised users with access to a bank smartcard, card reader, and PIN unique to the card/user. 4. Fund bank account responsibilities are segregated so that no single user, whether compromised or not, can input and approve payments; any changes to these authorisations require confirmations from two system administrators. 	<ul style="list-style-type: none"> • Create a formal Fund Security Policy, to include an assessment of the scheme’s ‘cyber footprint’ – scheme’s key functions, systems and assets, vulnerabilities and impact of breaches. • Member/officer training required on cyber threats. • Undertake testing of security measures and protocols in place for the Fund; penetration testing, testing of staff to gauge reactions to typical threats. • Consider appointing an ICT Compliance Officer for reporting to the Pensions Board. 	2	5	10			EDR DCR HPP PM PA

Identification of Risk			Current Scoring			Risk Mitigation		Target Scoring			Review		
Ref	Risk Overview	Risk Drivers	Likelihood	Impact	Risk rating	Existing Controls	Additional Requirements/ Controls	Likelihood	Impact	Risk rating	Previous Score	Direction of Travel	Risk Owner
						5. Lewisham's ICT Acceptable Use Policy – to restrict use that may leave the Council's systems vulnerable to attack. 6. Lewisham managed devices are password protected to prevent unauthorised access.							
AG 11	Inappropriate Decision-making.	<ul style="list-style-type: none"> High staff turnover at officer, PIC or Pension Board level. Lack of oversight at senior officer, PIC or Pension Board level. Undisclosed conflicts of interest. Decision making process is too rigid. Poor monitoring of political and public sector landscape. 	3	3	9	1. Oversight by the Pension Board to assist the scheme secure compliance with relevant LGPS regulations; reviews and comments on governance, administration and decision-making within the scheme. 2. Knowledge and Training Policy in place for Pension Board members. 3. Investment Committee and Pension Board members are required to disclose conflicts of interest at meetings. 4. A Conflict of Interest Policy and Register of Interests is maintained. 5. Professional advice received from the Fund's investment adviser and actuary to aid decision-making.		2	3	6			EDR HCR PIC PB
AG 12	Operational Disaster – Fire/ Flood/ Pandemic	<ul style="list-style-type: none"> Covid-19 and its associated impact on the administration and governance of the Fund. 	5	2	10	1. Business Continuity Plans are in place. 2. Remote and flexible working practices and policies enable staff to work away from the office, e.g. increased use of digital platforms to communicate, multiple devices with which to work and communicate, etc. 3. Documentation is saved on Council IT network, available from any location via a		2	2	4			EDR DCR

Identification of Risk			Current Scoring			Risk Mitigation		Target Scoring			Review		
Ref	Risk Overview	Risk Drivers	Likelihood	Impact	Risk rating	Existing Controls	Additional Requirements/ Controls	Likelihood	Impact	Risk rating	Previous Score	Direction of Travel	Risk Owner
						<p>Council managed device or own devices via 2FA.</p> <p>4. Government guidelines to be followed in the event of a pandemic – Committee meetings continue virtually.</p>							
Regulatory and Compliance Risk													
RC 01	Non-compliance Risk – Statement of Accounts	<ul style="list-style-type: none"> Material misstatement due to incorrect accounting practices, poor judgement or breaches of the law that potentially result in a qualified audit opinion. Changes to accounting requirements that are incorrectly implemented. Poor quality of data and/or recordkeeping. 	3	3	9	<ol style="list-style-type: none"> Qualified CIPFA officers produce Statement of Accounts in accordance with the CIPFA Accounting Code of Practice. Accounts are reviewed by the Executive Director of Corporate Resources, also a qualified CIPFA accountant. Reconciliations of key control accounts, custodian valuations, manager valuations, and the Fund's ledger. Reconciliations are reviewed and signed off by a second officer. External audit of accounts identifies audit findings which if implemented will avoid a qualified opinion. 	<ul style="list-style-type: none"> Quarterly or bi-annual accounts could be produced to improve in-year monitoring and reduce workload/risk of error at year-end. 	2	3	6			EDR HCR
RC 02	Non-compliance Risk - Other	<ul style="list-style-type: none"> Weak business processes that give rise to non-compliance through either poorly designed processes, not understanding the regulatory requirements, or not knowing the requirements exist. 	3	3	9	<ol style="list-style-type: none"> Officers engage in statutory consultation periods to obtain early sight of planned changes to legislation and increase understanding of changes. Members and officers attend relevant training events and conferences. Members and officers engage with formal and informal networks. 	<ul style="list-style-type: none"> Plan a follow-up compliance review following initial review in April 2019. 	2	3	6			EDR HCR

Identification of Risk			Current Scoring			Risk Mitigation		Target Scoring			Review		
Ref	Risk Overview	Risk Drivers	Likelihood	Impact	Risk rating	Existing Controls	Additional Requirements/ Controls	Likelihood	Impact	Risk rating	Previous Score	Direction of Travel	Risk Owner
		<ul style="list-style-type: none"> Inadequate staffing or training of staff to understand their responsibilities 				<ol style="list-style-type: none"> Pension Board work plan is designed to cover all areas of applicable Fund governance and administration to help identify and avoid statutory breaches. A Breaches of the Law Policy and Breaches Log is in place. Professional advice from the Fund's investment adviser and actuary is available. Internal and external audit reviews. The Council provides legal support to review PIC papers, key fund documents, and provide general legal advice when required. Independent compliance reviews to assess the Fund's compliance to the Pension Regulator's Code of Practice and the Scheme Advisory Board Requirements. 							



Pension Board

General Update

Date: 20 October 2020

Key decision: No.

Class: Part 1.

Ward(s) affected: None specifically

Contributors: Director of Corporate Resources

Outline:

This paper updates the Board on a number of standing items on the agenda as part of its oversight responsibilities, and on several general matters to have arisen since the last meeting.

Recommendations:

The Board is asked to:

1. Review and note the current Register of Conflicts of Interest;
2. Delegate to the Chair the drafting of the Pension Board Annual Report 2019/20, for inclusion in the Pension Fund Annual Report, ahead of the statutory December deadline;
3. Review the Board's training record and advise of any amendments;
4. Complete and return to officers a Learning Needs Analysis by the end of November 2020; and
5. Note the remainder of the report.

Timeline of engagement and decision-making

- This report is an ongoing update paper prepared for the Pension Board to enable them to fulfil their terms of reference.

REASONS FOR URGENCY AND LATENESS

Lateness: This report was not available for the original dispatch due to staff resourcing issues.

Urgency: The general update includes a number of standing items that the Board must consider at

each meeting in order to fulfil its terms of reference, as well as other sector and Fund updates relevant to the role of the Board.

Where a report is received less than 5 clear days before the date of the meeting at which the matter is being considered, then under the Local Government Act 1972 Section 100(b),(4) the Chair of the Committee can take the matter as a matter of urgency if he is satisfied that there are special circumstances requiring it to be treated as a matter of urgency. These special circumstances have to be specified in the minutes of the meeting.

1. Summary

- 1.1. This report presents updates on a number of general pension related issues of relevance to the Fund, including updates on the London CIV (LCIV), upcoming regulatory change, updates from the Scheme Advisory Board, and consideration of Board members knowledge and skills.

2. Recommendations

- 2.1. The Board is recommended to:
 - 2.1.1. Review and note the current Register of Conflicts of Interest;
 - 2.1.2. Delegate to the Chair the drafting of the Pension Board Annual Report 2019/20, for inclusion in the Pension Fund Annual Report, ahead of the statutory December deadline;
 - 2.1.3. Review the Board's training record and advise of any amendments;
 - 2.1.4. Complete and return to officers a Learning Needs Analysis by the end of November 2020; and
 - 2.1.5. Note the remainder of the report.

3. Policy Context

- 3.1. The overriding policy context for the Pension Board are the pension regulations and legislation that governs the Local Government Pension Scheme (LGPS) and the guidance on the creation and operation of local pension boards issued by the LGPS Scheme Advisory Board.

4. Register of Conflict of Interests

- 4.1. The up-to-date Register of Conflict of Interests is attached to this report at Appendix 1. Members are asked to review and note the register.

5. Breaches of the Law Log

- 5.1. The Board has adopted the Pension Regulator's template for recording breaches of the law; at present there are no breaches in relation to the Fund that have been reported for further investigation.
- 5.2. The compliance review as reported in May 2019 identified the need to create a

Breaches Policy to clearly set out the requirements of those responsible for reporting breaches. The administering authority has added this as an action point, due for completion by Q2 2021, within its action plan presented elsewhere in this agenda.

6. Risk Register

- 6.1. The latest risk register is considered elsewhere in this agenda. Going forward, the risk register will be presented at each meeting for the Board's review.

7. Pooling Update

- 7.1. A number of key personnel changes have been made at the London Collective Investment Vehicle (LCIV) over the past twelve months, including the appointment of a permanent Chief Investment Officer and Head of Responsible Investment, as part of the pool's attempts to improve engagement with London boroughs and the development of mandates that meet the requirements of shareholders.
- 7.2. Following the governance progress review of 2019/20, a series of changes were agreed by the LCIV Board in March 2020 and the Shareholder Committee in April 2020, which include:
- Amendments to the Shareholder Committee Terms of Reference to make provision for the Trade Union Observer to have voting rights, as well as clarifying arrangements for appointing Committee members;
 - Proposals for a Disputes and Deadlock Procedure;
 - Enhanced arrangements to engage client funds in fund mandate development including 'Seed Investor Groups' (SIGs);
 - The creation of a Responsible Investment Reference Group (RIRG) and Cost Transparency Working Group (CTWG); and
 - Publication of Shareholder Committee papers and minutes, and Board minutes on the Client Portal on a "confidential to shareholders not for wider publication or distribution" basis.
- 7.3. In addition, from April 2020 LCIV has been running a new monthly series of 'Business Update' sessions which concentrate on recent developments and current priorities to give shareholders a better idea of how it is progressing as an organisation. The next meeting is due to take place on 16 October 2020.
- 7.4. As at 28 August 2020 the total value of funds under the direct management of LCIV was £9.5bn, up from £7.6bn at 31 March 2020. There is no change for Lewisham, which has no funds directly under management with LCIV, although LCIV do charge a levy for the reduced costs on Lewisham's passive BlackRock equity and bond mandate.
- 7.5. Lewisham has, however, since April 2020 been taking part in the SIG for a new renewable infrastructure fund. LCIV have now completed a procurement exercise to appoint an independent organisation to assist them with the manager selection exercise for the mandate, with an expected fund launch in Q1 2021. Further information on the Fund's investment strategy and proposed investment into this mandate is presented elsewhere in this agenda.

8. Internal Audit

- 8.1. The 2019/20 internal audit of the Pension Fund was somewhat delayed due to the outbreak of Covid-19 at the start of the year, and ultimately concluded at the end of July 2020; the audit received a substantial assurance rating, with two medium recommendations. The first relates to financial reconciliations undertaken by officers, with a recommendation that they be undertaken in a timelier manner with clearer evidence of review, and the second relates to the risk register, noting that it had not been reviewed by the Pensions Investment Committee since June 2018 and should be updated at least annually. The latter recommendation is addressed elsewhere in this agenda.

9. Updates from the Scheme Advisory Board

- 9.1. In November 2019 the Scheme Advisory Board (SAB) published the Phase II report of its Good Governance project, working in conjunction with Hymans Robertson to consider how best to accommodate LGPS functions within the democratically accountable local authority framework, in a way that ensures that potential conflicts of interest between the pensions function of administering authorities and their host local authority are addressed and managed appropriately; this report is appended at Appendix 2.
- 9.2. As part of Phase II, the Board commissioned two working groups to take forward the proposals from Phase I. Group one, the 'Standards and Outcomes Workstream', was asked to focus on specifying clearly the outcomes and standards that the SAB wishes to see achieved by funds under the proposed approach, and how these outcomes should be evidenced. Group two, the 'Compliance and Improvement Workstream', was asked to focus on establishing the compliance regime that will be required to independently assess funds against this framework.
- 9.3. Among the proposals put forward by the two workstreams, which it is expected will eventually be refined and enacted via new statutory governance guidance, was the requirement for funds to produce an enhanced annual governance compliance statement setting out details of how each fund has addressed key areas of fund governance, to be signed by the authority's s151 officer.
- 9.4. It is proposed that Phase III of the project will see MHCLG drafting the required changes to the statutory guidance and the SAB working with the LGPS National Framework to establish a new Independent Governance Review provider framework. The project was expected to continue in early 2020; however, at the Board's May 2020 meeting it was decided to stand down the Phase III Implementation Group until further notice, to allow local government officers to focus on priority matters during the coronavirus outbreak.
- 9.5. In April 2020 the SAB went live with its new cost transparency compliance system, delivered by Byhiras, to which all UK LGPS funds have been on-boarded. The system streamlines the collection of data on fees and expenses disclosed by asset managers to LGPS pension funds, and enables the reporting and comparison of investment costs. The platform is designed to ensure that managers comply with the voluntary LGPS Code of Transparency; over 130 asset managers have signed up to Code, representing an estimated 80% of LGPS assets under management.
- 9.6. The system makes use of standardised templates that managers complete and upload to the portal for their client LGPS funds; it will track when templates are due to funds and inform the SAB if they are late or missing. The SAB is prevented from accessing template level data by the system design and the user permission framework. It can only use the system for compliance reporting as well as the viewing of average and

Is this report easy to understand?

Please give us feedback so we can improve.

Page 40

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

total cost data for the scheme annual report on a combined national LGPS level. Byhiras is contractually prohibited from using, transferring or sharing in any way the physically separate LGPS data.

- 9.7. Of the Fund's eight fund managers, six are signatories to the Code and of those only two provided their cost template via the new portal for the year ending 31 March 2020 (with another providing the completed template via email); officers are working with the SAB to follow up with those managers that did not make use of the portal.
- 9.8. In late April 2020 the Supreme Court issued a judgement on LGPS boycotts in the case of R (on the application of Palestine Solidarity Campaign Ltd and another) Appellants) v Secretary of State for Housing, Communities and Local Government (Respondent), taking the position that the Government has the power to direct authorities on the approach they take to investment decisions but not the investments they make. This was in response to guidance issued in 2016 by the Government which purported to prohibit the adoption of investment policies that are contrary to UK foreign policy or UK defence; the Supreme Court ruled that in this instance, the Government had exceeded their powers.
- 9.9. Having sought legal counsel, the SAB issued a statement concluding that the fundamental duties and responsibilities of authorities are not altered by the judgement, and that in particular authorities remain responsible for investment decisions; divestment has always been possible on financial grounds, but if the authority wishes to consider non-financial factors in its investment decisions it may do so, taking into account the potential financial impact and the views of members. As a result, such consideration may legally result in boycotts or disinvestment should the authority decide to take such action.

10. Pension Fund Annual Report

- 10.1. The Local Government Pension Scheme Regulations 2013 require an administering authority of a Pension Fund to prepare an annual report which summarises the performance, management and administration of the Fund. It consolidates information from the accounts and a number of published statutory statements, including the Investment Strategy Statement and Funding Strategy Statement, into one document. The authority must publish the annual report on or before 1 December following the financial year end.
- 10.2. Included within that document should be a short report from the Pension Board summarising the role of the Board, its activities in the year, and any training its members have undertaken.
- 10.3. The 2019/20 annual report will be taken to the Pensions Investment Committee on 30 November 2020 for approval for publication. Due to the timing of this Board meeting, it has not been possible to prepare a draft document for the Board's input. Officers ask that members delegate the drafting of the Pension Board report to the Chair, to be included in the overall Pension Fund annual report published before the December deadline.

11. Knowledge and Skills, Learning Needs and Training

- 11.1. There is a statutory requirement for members of the Pension Board to have a level of knowledge and understanding of the law relating to pensions sufficient for them to exercise their role. Members should also be conversant with the rules of the scheme, and any document recording policy about the administration of the scheme, and it is the responsibility of the individual Board members to ensure they have the appropriate

degree of knowledge and understanding. The Board's Knowledge and Training Policy, as it currently stands, is attached at Appendix 3 for reference (please note the policy is due to be updated, as per the administering authority's action plan, by Q1 2021, and to be reviewed by the Board at the same time, per its work programme).

- 11.2. External training opportunities, workshops and conferences will be recommended by officers for members' attention at every meeting to assist with their obligations under the Knowledge and Training Policy. Appendix 4 lists a number of upcoming events; should members find any of the sessions of interest, or have identified and attended any other training or events, please keep the Principal Accountant informed so that the training log can be updated. Any training or events attended that are relevant to members' roles and duties for the Board should be recorded on the log as a record of members' commitment to undertake the required learning.
- 11.3. The latest member training log is attached at Appendix 5, which covers the period from April 2019 to date. All training for the financial year ending 31 March 2020 will be reported in the Fund's Annual Report, whilst training/events attended within the current financial year, from April 2020 to date, will be uploaded to the Fund's website on a quarterly basis. Officers ask that members review the training log and notify the Principal Accountant of any inaccuracies or omissions as soon as possible, particularly for 2019/20 so that they can be included in the Annual Report.
- 11.4. Officers continue to recommend that members complete the Pension Regulator's Public Service Toolkit, a self-learning modular resource which includes courses on areas that Board members are expected to be conversant with (the web link is included in the Knowledge and Training Policy).
- 11.5. A further tool to assist members identify their particular strengths and gaps in knowledge is the 'Learning Needs Analysis' template, issued by the Pensions Regulator and attached at Appendix 6. Officers recommend and ask that members complete the learning needs analysis, rating their skills to identify training needs which can be improved via the links to the Regulator's Pensions Education Portal, and return them to the Principal Accountant by 30 November 2020 (the Regulator's Code of Practice requires that training is informed by members' completed learning needs analyses).
- 11.6. Members are reminded that there is a small budget in place for training; please contact the Principal Accountant for further information should you wish to attend a fee-paying event.

12. Financial implications

- 12.1. There are no direct financial implications arising from this report.

13. Legal implications

- 13.1. The London Borough of Lewisham Pension Fund is governed by the Public Service Pensions Act 2013 and administered in accordance with the Local Government Pension Scheme Regulations 2013 and other secondary legislation (together the "Regulations"). Section 5 of the Public Service Pensions Act 2013 and Regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended) makes provision for the establishment of a Pension Board, with responsibility for assisting the scheme manager in relation to:
 - Securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension

Is this report easy to understand?

Please give us feedback so we can improve.

Page 42

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

scheme that is connected with it;

- Securing compliance with requirements imposed in relation to the scheme and any connected scheme by the Pensions Regulator; and
- Such other matters as the scheme regulations may specify.

13.2. Members must comply with the requirements of the relevant legislation in fulfilling their roles on the Board.

14. Equalities implications

14.1. There are no direct equalities implications arising from this report.

15. Climate change and environmental implications

15.1. There are no direct climate or environmental implications arising from this report.

16. Crime and disorder implications

16.1. There are no direct crime and disorder implications arising from this report.

17. Health and wellbeing implications

17.1. There are no direct health and wellbeing implications arising from this report.

18. Background papers

18.1. The following papers are appended to this report:

- *Register of Conflicts of Interest (October 2020)*
- *SAB Good Governance in the LGPS Phase II Report*
- *Knowledge and Training Policy*
- *Training and Events Programme (October 2020)*
- *Training Log*
- *Learning Needs Analysis (TEMPLATE)*

19. Report author and contact

19.1. David Austin, Director of Corporate Resources.

APPENDIX 1

Register of Conflicts of Interest: Lewisham Pension Board

Schemes should capture decisions about how any identified potential conflicts of interest will be managed in a Conflicts Register. The Register should be circulated to the Pension Board for ongoing review and published on the Lewisham Pensions website.

Date conflict identified	Name of PB member	Details of conflict	How notified of conflict	Action taken	Follow up required (Y/N)	Date resolved
06/03/18	Stephen Warren (Chair)	At the Board meeting held on this date, the Chair declared an interest in a separate scheme of which he is a Trustee Director, and which in the previous 18 months had invested in two of the managers chosen by the Pensions Investment Committee (PIC) to interview as part of the Fund's procurement of an infrastructure manager (which was carried out later that month on the 28 th .)	At Board meeting	None – The Chair did not reveal which of those managers shortlisted by Lewisham had been procured by the other scheme. He also had no input into the decision made by PIC Members, a decision which was made at a closed meeting following the interview of three separate managers. Those interviews were scored by panel members and results discussed to reach an agreed decision, independent of input from Pension Board members.	N	06/03/18

A photograph of a lush forest. The foreground is filled with a dense carpet of small purple flowers, likely bluebells, growing among green grass. The background consists of numerous tall, slender trees with vibrant green foliage, creating a thick canopy. Sunlight filters through the leaves, casting dappled light on the forest floor.

Good governance in the LGPS

Phase II report from Working Groups to SAB

November 2019

Process

Following on from the presentation of the Good Governance Report to the SAB on 8 July 2019, the Board agreed to constitute two working groups to take forward the proposals included in the report. Hymans Robertson were appointed to assist the working groups in this next phase of the good governance project.

The first working group (Standards and Outcomes Workstream) was asked to focus on specifying clearly the outcomes and standards that the SAB wishes to see achieved by funds under the proposed approach, and how these outcomes should be evidenced.

The second working group (Compliance and Improvement Workstream) was asked to focus on establishing the compliance regime that will be required to independently assess funds against this framework.

This report has been prepared for the SAB by both working groups and includes detailed implementation proposals for their workstream including a list of the changes required to guidance to implement this framework.

Thanks to contributors

Thank you to the following who contributed to the working groups and this report.

Euan Miller Assistant Director of Pensions (Funding and Business Development), Greater Manchester Pension Fund

Peter Moore Chair of CIPFA's Pensions Panel

Mark Wynn Director of Corporate Services at Cheshire West and Chester Council, SCT

Nick Gannon TPR

Con Hargrave MHCLG

Jenny Poole Head of Finance & Audit/GO Shared Services at Cotswold District Council

John Raisin Independent Advisor

Joe Dabrowski Head of DB, LGPS and Standards, PLSA

Karen McWilliam Consultant, Aon

Jeffrey Dong Chief Treasury Officer at City & County of Swansea, SWT

Caroline Holland Director of Corporate Services at London Borough of Merton, SLT

Nicola Mark Head of the Norfolk Pension Fund, Practitioner representative to SAB

Annemarie Allen Consultant, Barnet Waddingham

Chris Moore Director of Corporate Services and Section 151 Officer, Carmarthenshire County Council

Rachel Brothwood Director of Pensions, West Midlands Pension Fund

Robert Holloway SAB secretariat, LGA

Jeff Houston SAB secretariat, LGA

Jon Richards Unison

David Aldous National Audit Office

Yvonne Johnson Chair of the Pension Fund Panel, London Borough of Ealing, Scheme Employer Representative, SAB.

Hymans Robertson facilitators:

Catherine McFadyen, John Wright, Ian Colvin, Steven Law

Contents

Terminology	1
Workstream 1: Standards and outcomes	3
Workstream 2: Compliance and improvement	4
Next steps.....	6
Appendix A: Summary of recommendations.....	22

Terminology

Atypical administering authorities

This report has been drafted largely using terminology relevant to the majority of administering authorities who are local authorities. However, it is recognised that there are some administering authorities which do not fit this model. In taking forward any of the proposals outlined in this report it will be necessary to ensure that principles can be applied universally to LGPS funds and that any guidance recognises the unique position of some funds.

Use of terms

Throughout this document the following terms have a specific meaning unless the context makes clear that another meaning is intended:

Administering authority refers to a body listed in part 1 of Schedule 3 to the LGPS Regulations 2013 that is required to maintain an LGPS pension fund. In particular the term is used here when such a body is carrying out LGPS specific functions.

For example “Each administering authority must publish an annual report.”

Committee. A committee formed under s101 of the Local Government Act 1972 to which the administering authority delegates LGPS responsibilities and decision making powers. Alternatively, can refer to an advisory committee or panel which makes recommendations on LGPS matters to an individual to whom the administering authority has delegated LGPS decision making responsibility.

For example “The pensions committee should have a role in developing the business plan.”

Host authority refers to a council or other body that is also an administering authority but is used to refer to that body when it is carrying out wider non-LGPS specific functions.

For example “Delivery of the LGPS function must be constant with the constitution of the host authority.”

The fund carries a more general meaning and is used to refer to the various activities and functions that are necessary in order to administer the LGPS.

For example “Taking this course of action will improve the fund's administration”.

Alternatively, the term is used in the context of the scheme members and employers who contribute to the LGPS arrangements of a specific administering authority.

For example “The number of fund employers has increased in recent years.”

Workstream 1: Standards and outcomes

Proposals and background

A. General

1. It is envisaged that all the proposals made in this document will be enacted via the introduction of new statutory governance guidance which will supersede current and previous guidance, although it will contain elements of existing legislation and guidance where appropriate. This guidance would be issued on behalf of MHCLG, although MHCLG may seek assistance on drafting the guidance.
2. In order to improve the accountability for fund governance, it is proposed that each administering authority must have a single named officer who is responsible for the delivery of the pension function. (“the LGPS senior officer”). This may be the S151 officer, assuming they have the capacity, LGPS knowledge and internal assurance framework to assume that role. Alternatively, the LGPS senior officer role may be undertaken by another officer who has the remit of delivering the LGPS function in its entirety and who is likewise suitably qualified and experienced and has the capacity to assume this role. This should be a person close enough to the running of the fund that they have sight of all aspects of the fund’s business. The role of the responsible person should be assigned through the host authority’s scheme of delegation and constitution. If the person who undertakes this key role within the host authority changes it may be necessary for the role of the responsible person to be reviewed.
3. In order to improve the transparency and auditability of governance arrangements, each fund must produce an enhanced annual governance compliance statement, in accordance with the statutory governance guidance, which sets out details of how each fund has addressed key areas of fund governance. The preparation and sign off of this statement will be the responsibility of the LGPS senior officer and it must be co-signed by the host authority’s s151 officer, where that person is not also the LGPS senior officer. The expectation will also be that committees and local pension boards would be appropriately involved in the process.



A.1 MHCLG will produce statutory guidance to establish new governance requirements for funds to effectively implement the proposals below. (“the Guidance”).

A.2 Each administering authority must have a single named officer who is responsible for the delivery of all LGPS related activity for that fund. (“the LGPS senior officer”).

A.3 Each administering authority must publish an annual governance compliance statement that sets out how they comply with the governance requirements for LGPS funds as set out in the Guidance. This statement must be signed by the LGPS senior officer and, where different, co-signed by the S151 officer.



B. Conflicts of interest

1. Administering authorities must evidence that conflicts, and in particular, potential and perceived conflicts, as well as actual conflicts are being identified, monitored and managed. Some administering authorities currently only follow the conflicts of interest requirements of the host authority which are typically focused on the elected member register of interest and code of conduct. The Guidance should require all administering authorities to publish a specific LGPS conflicts of interest policy and should stipulate the areas that the policy should address. In addition to registering interests, this will include information on how it identifies, monitors and manages conflicts, including areas of potential conflict that are specific to the LGPS as listed:

- Any commercial relationships between the administering authority or host authority and other employers in the fund/or other parties which may impact decisions made in the best interests of the fund. These may include shared service arrangements which impact the fund operations directly but will also include outsourcing relationship and companies related to or wholly owned by the Council, which do not relate to pension fund operations.
- Contribution setting for the AA and other employers.
- Cross charging for services or shared resourcing between the AA and the fund
- Dual role of the AA as an owner and client of a pool
- Local investment decisions
- Any other roles within the Council being carried out by committee members or officers which may result in a conflict either in the time available to dedicate to the fund or in decision making or oversight. For example, some roles on other finance committees, audit or health committees or finance cabinet should be disclosed.

Each administering authority's policy should address:

- How potential conflicts of interest are identified and managed;
- How officers, employer and scheme member representatives, elected members, members of the local pension board and advisers and contractors understand their responsibilities in respect of ensuring that conflicts of interest are properly managed;
- Systems, controls and processes, including maintaining clear records, for managing and mitigating potential conflicts of interest effectively such that they never become actual conflicts;
- How the effectiveness of its conflict of interest policy is reviewed and updated as required;
- How a culture which supports transparency and the management and mitigation of conflicts of interest is embedded.
- How the specific conflicts that arise from its dual role as both an employer participating in the Fund and the administering authority responsible for delivering the LGPS for that fund are managed.
- In putting together such a policy it is recognised that membership of the LGPS is not, in and of itself, a conflict of interest.

Each fund should be required to make public its conflicts of interest policy.

2. During the Phase I survey a number of respondents said that it would be very helpful to define the extent of fiduciary duties in respect of the individuals, committees and boards involved in LGPS governance. The SAB working group came to the conclusion that that while clarification on the fiduciary question is desirable, the complex legal considerations mean that this is beyond the scope of this project. The Group is aware that the SAB has separately undertaken to collate various references to fiduciary duties and public law principles and provide a guide which illustrates how these might be applied to the LGPS. It would be helpful for The Guidance to make reference to the SAB's findings in this area.

B.1 Each fund must produce and publish a conflicts of interest policy which includes details of how actual, potential and perceived conflicts are addressed within the governance of the fund, including reference to key conflicts identified in the Guidance.

B.2 The Guidance should refer all those involved in the management of the LGPS, and in particular those on decision making committees, to the guide on statutory and fiduciary duty which will be produced by the SAB.

C. Representation

1. The initial phase of the Good Governance review highlighted that many pension committees now have non-administering authority employer and scheme member representatives although local practice varies as to whether these members have a vote. Primary legislation in the form of the Local Government Act 1972 allows local authorities wide discretion over committee appointments and delegations and this issue ultimately remains one of local democracy.

The Guidance should require that all administering authorities prepare, maintain and publish their policy on representation and to require that they provide:

- the rationale for their approach to representation for non-administering authority employers and local authority and non-local authority scheme members on any relevant committees; and
- the rationale as to whether those representatives have voting rights or not.

Best practice would suggest that scheme member representation in some form is a desirable goal for administering authorities. In addition to representation on committees, administering authorities should state other ways in which they engage their wider employer and Scheme membership

The Guidance should also acknowledge the important principle that administering authorities may wish to retain a majority vote on decision making bodies in order to reflect their statutory responsibilities for maintaining the fund.

C.1 Each fund must produce and publish a policy on the representation of scheme members and non-administering authority employers on its committees, explaining its approach to representation and voting rights for each party.



D. Skills and training

1. The Good Governance Review noted the need for enhanced levels of training for key LGPS individuals. While there exists a statutory duty on members of local pension boards to maintain an appropriate level of knowledge and understanding to carry out their role effectively, no such statutory duty applies to those sitting on s101 committees.

The Guidance should mandate a similar knowledge and understanding requirement for those carrying out a delegated decision-making role on s101 committees as well as officers involved in the fund. At committee, knowledge should be considered at a collective level and it should be recognised that new members will require a grace period over which to attain the requisite knowledge.

Training should be delivered as part of a supportive environment and committee and board members will not be required to undertake tests, although it is recognised that best practice would include assessments or other means to identify gaps in knowledge.

The Guidance should clarify that the expectation is that the TPR requirements that apply to Local Pension Boards should equally apply to Committee and senior officers within the context of an appropriate LGPS specific framework, for example the CIPFA knowledge and skills Code of Practice and Framework (currently being updated). As a minimum those sitting on pension committees or the equivalent should comply with the requirements of MiFID II opt-up to act as a professional client but the expectation is that a higher level and broader range of knowledge will be required.

Training records must be maintained.

2. There should be an LGPS training requirement for s151 officers (or those aspiring to the role) as part of their CPD. An appropriate level of LGPS knowledge must be attained by S151 officers of an administering authority. A level of LGPS knowledge should also be attained by S151 officers of other public bodies participating in the LGPS, although it is not expected that they should have the depth and breadth of knowledge required of the S151 officer of an administering authority. This should be specified and administered by an appropriate professional body.

D.1 Introduce a requirement in the Guidance for key individuals within the LGPS, including LGPS officers and pensions committee members, to have the appropriate level of knowledge and understanding to carry out their duties effectively.

D.2 Introduce a requirement for s151 officers to carry out LGPS relevant training as part of their CPD requirements to ensure good levels of knowledge and understanding.

D.3 Administering authorities must publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements.

D.4 CIPFA and other relevant professional bodies should be asked to produce appropriate guidance and training modules for s151 officers and to consider including LGPS training within their training qualification syllabus.

E. Service delivery for the LGPS function

The Good Governance Review proposed that LGPS funds should be able to evidence that their administration and other resource (quantity and competency) is sufficient to meet regulatory requirements and that their budget is appropriate to deliver this. In this context administration refers to all of the tasks and processes required to deliver the Scheme and is not limited to the calculation and payment of benefits. This definition encompasses a funds accountancy function, investment support, employer liaison, systems, communications etc.

1. Clarity around roles, responsibilities and decision making are central to good delivery of the LGPS function. The Guidance should require funds to document roles and responsibilities and develop, maintain and publish a “roles and responsibilities matrix” which sets out who within the organisation is responsible for final sign off, implementation, oversight and recommending the key decisions that the fund is required to make.

The “roles and responsibilities matrix” should reflect the host authority’s scheme of delegation and constitution and be supported by a clearly documented management structure.

2. The Guidance should require that each administering authority must develop, maintain and publish an administration strategy which sets out its approach to the matters mentioned in regulation 59 (2) of the LGPS Regulations 2013 and the Guidance. We recommend that the Board ask that this proposal to be implemented by MHCLG within the LGPS Regulations at their earliest opportunity.
3. A series of some 10 to 15 key indicators or measures of standards of LGPS service delivery to members and employers should be agreed. These indicators should be drawn wherever possible from current reporting structures. All administering authorities must be required to report against these as part of their governance compliance statement.

It is acknowledged that there are inherent difficulties in drawing conclusions when comparisons are not always on a true like for like basis but it is preferable to introduce measures now and seek to improve the measurement approach over time.

4. Each Administering Authority has a specific legal responsibility to administer the LGPS within their geographical region and to maintain a specific reserve for that purpose. It is important therefore that the fund’s budget is set and managed separately from the expenditure of the host authority.

Budgets for pension fund functions should be sufficient to meet all statutory requirements, the expectations of regulatory bodies and provide a good service to Scheme members and employers. The budget setting process should be one initiated and managed by the fund’s officers and the pension committee and assisted by the local pension board.

Required expenditure should be based on the fund’s business plan and deliverables for the forthcoming year. The practice should not simply be to update last year’s budget by an inflationary measure or specify an “available” budget and work back to what level of service that budget can deliver.

The body or individual with delegated responsibility for delivering the LGPS service should have a role in setting that budget. Typically, this will involve the pension committee being satisfied that the proposed budget is appropriate to deliver the fund’s business plan but it is recognised that other governance models exist within the LGPS. Whichever approach is used, it should be clearly set out in the roles and responsibilities matrix and be consistent with the host authority’s scheme of delegation and constitution.





E. Service delivery for the LGPS function (continued)

Where a proposed budget is approved, the senior LGPS officer will confirm in the governance compliance statement that the administering authority has approved the budget required to deliver the pensions function to the required standard. If the budget is not approved, the senior LGPS officer will declare that in the governance compliance statement, including the impact of that on service delivery as expressed in a reduced business plan.

These statements in the governance compliance statement will be co-signed by the S151 officer where this is not the same person as the senior LGPS officer.

5. Each Administering Authority has a duty to ensure that its pensions function is staffed such as to enable it to deliver an effective pensions service to the all fund employers and members. It is therefore important that the recruitment and retention practices applied to the pensions function facilitate this. For example, the use of market supplements may be necessary to recruit/retain both investment and pensions administration staff. Further, given that the pension fund budget is set and managed separately from the expenditure of the host authority, the impact of general council staffing policies such as recruitment freezes should not be applied to the pension fund by default.

E.1 Each administering authority must document key roles and responsibilities relating to its LGPS fund and publish a roles and responsibilities matrix setting out how key decisions are reached. The matrix should reflect the host authority's scheme of delegation and constitution and be consistent with role descriptions and business processes.

E.2 Each administering authority must publish an administration strategy.

E.3 Each administering authority must report the fund's performance against an agreed set of indicators designed to measure standards of service.

E.4 Each administering authority must ensure their committee is included in the business planning process. Both the committee and LGPS senior officer must be satisfied with the resource and budget allocated to deliver the LGPS service over the next financial year.

E.5 Each Administering Authority must give proper consideration to the utilisation of pay and recruitment policies, including as appropriate market supplements, relevant to the needs of their pension function. Administering Authorities should not simply apply general council staffing policies such as recruitment freezes to the pensions function.

Workstream 2: Compliance and improvement

F. Compliance and improvement

One of the key features of the original Good Governance Review was the view that in order to ensure required standards are adhered to consistently there needs to be regular independent review of administering authorities governance arrangements.

1. The new MHCLG guidance should set out a process for an Independent Governance Review, to include the features set out below.
 - a. It will be mandatory for each Fund to commission an Independent Governance Review (“IGR”) which will audit the fund’s Governance Compliance Statement and review compliance with the requirement of the new statutory guidance.
 - b. There should be a standardised framework and process for IGRs which covers all areas set out in new MHCLG guidance.
 - c. It is critical that the IGR should be conducted by appropriate persons who:
 - properly understand the LGPS;
 - are sufficiently at arm’s length from the administering authority’s pensions function, that is, they do not have an existing contractual relationship with the administering authority which conflicts with their ability to carry out a properly independent and objective assessment of governance standards and compliance with new statutory requirements; and
 - are in some way “accredited” to ensure consistent standards of review.
 - d. To ensure consistent standards from those conducting IGRs, a procurement framework should be put in place which sets out the standard requirements, standard reporting and standard fee for an LGPS IGR. Ideally this should be in place for 2020/21.
 - e. Suppliers who can demonstrate they are suitably qualified and knowledgeable may be appointed to the framework, from which any LGPS Funds may appoint an external supplier.
 - f. Alternatively, administering authorities may choose to have their IGR review carried out by their own internal audit or another appropriate party to the same standards as the framework.
 - g. Each administering authority should have an IGR completed biennially, by a date which will be notified by the SAB.
 - h. The SAB may direct, as a result of concerns about the governance of a fund (or for another reason), that an administering authority must have an IGR completed outside of the two-year cycle.
 - i. The IGR will report findings to the body and/or individual with delegated responsibility for delivery of the LGPS as set out in the roles and responsibilities matrix and to the local pension board.
 - j. The administering authority must develop an improvement plan to address any issues raised in the IGR.
 - k. The report from the IGR and improvement plan must be published and also be submitted to SAB and relevant SAB sub-committees.
 - l. SAB will put in place a panel of independent experts to scrutinise the IGR reports, looking for outliers and areas of concern. The panel of experts will be drawn from LGPS stakeholders to include the s151 community and other parties as appropriate.
 - m. The SAB panel may enter into discussions with funds where the panel find the IGR report or agreed improvement plan or progress against a previous improvement plan are considered to be unsatisfactory. Additionally, they may refer the unsatisfactory IGR to TPR or further escalate to MHCLG.
 - n. Failure to submit an IGR report by the required date will result in automatic referral.
 - o. A dry run is recommended in parallel with the timeline for drafting the required Guidance.
 - p. Nothing in this process overrides an individual’s responsibility to report breaches of the law under the Pensions Act 2004 or any other professional or legal whistleblowing obligations.





F. Compliance and improvement (continued)

2. LGA run a peer challenge process for some areas of local government. It is a process commissioned by a council and involves a small team of local government officers and councillors spending time at the council as peers to provide challenge and share learning. It is suggested that a similar peer challenge process is established for the LGPS.

F.1 Each administering authority must undergo a biennial Independent Governance Review and, if applicable, produce the required improvement plan to address any issues identified.

IGR reports to be assessed by a SAB panel of experts.

F.2 LGA to consider establishing a peer review process for LGPS Funds.

Summary of the compliance and improvement process

Annually, each administering authority to produce a governance compliance statement signed by the senior LGPS officer and S151 which demonstrates compliance with LGPS requirements.

Biennially, each administering authority to commission an Independent Governance Review (IGR).

IGR reports to senior LGPS officer, pensions committee and pensions board.

IGR report goes to a SAB panel of experts for assessment. Panel could request further details of improvement plans, make recommendations or report to TPR & MHCLG

Next steps

The Working Group recommends that SAB and MHCLG accept the recommendations in this report and initiate phase III of the project.

Phase III should contain the following elements:

1. MHCLG to draft the required changes to the Guidance.
2. SAB to ask the National Framework to begin work on establishing Independent Governance Review provider framework.
3. SAB to establish the 10-15 KPIs referred to within proposal E.3.
4. It is envisaged that the governance compliance statement will act as a summary, evidencing the Fund's position on all areas of governance and compliance. Where a fund is non-compliant in a certain area the statement should provide information within and accompanying improvement plan about the steps being taken in order to address non-compliance. SAB to consider drawing up a complete list of the topics that should be included within the governance compliance statement.



Appendix A

Summary of recommendations

Area	Proposal
A. General	A.1 MHCLG will produce statutory guidance to establish new governance requirements for funds to effectively implement the proposals below. (“the Guidance”).
	A.2 Each administering authority must have a single named officer who is responsible for the delivery of all LGPS related activity for that fund. (“the LGPS senior officer”).
	A.3 Each administering authority must publish an annual governance compliance statement that sets out how they comply with the governance requirements for LGPS funds as set out in the Guidance. This statement must be signed by the LGPS senior officer and, where different, co-signed by the S151 officer.
B. Conflicts of interest	B.1 Each fund must produce and publish a conflicts of interest policy which includes details of how actual, potential and perceived conflicts are addressed within the governance of the fund, including reference to key conflicts identified in the Guidance.
	B.2 The Guidance should refer all those involved in the management of the LGPS, and in particular those on decision making committees, to the guide on statutory and fiduciary duty which will be produced by the SAB.
C. Representation	C.1 Each fund must produce and publish a policy on the representation of scheme members and non-administering authority employers on its committees, explaining its approach to representation and voting rights for each party.
D. Knowledge and understanding	D.1 Introduce a requirement in the Guidance for key individuals within the LGPS, including LGPS officers and pensions committee members, to have the appropriate level of knowledge and understanding to carry out their duties effectively.
	D.2 Introduce a requirement for s151 officers to carry out LGPS relevant training as part of their CPD requirements to ensure good levels of knowledge and understanding.
	D.3 Administering authorities must publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements.
	D.4 CIPFA and other relevant professional bodies should be asked to produce appropriate guidance and training modules for s151 officers and to consider including LGPS training within their training qualification syllabus.
E. Service delivery for the LGPS function	E.1 Each administering authority must document key roles and responsibilities relating to its LGPS fund and publish a roles and responsibilities matrix setting out how key decisions are reached. The matrix should reflect the host authority’s scheme of delegation and constitution and be consistent with role descriptions and business processes.
	E.2 Each administering authority must publish an administration strategy.
	E.3 Each administering authority must report the fund’s performance against an agreed set of indicators designed to measure standards of service.
	E.4 Each administering authority must ensure their committee is included in the business planning process. Both the committee and LGPS senior officer must be satisfied with the resource and budget allocated to deliver the LGPS service over the next financial year.
	E.5 Each Administering Authority must give proper consideration to the utilisation of pay and recruitment policies, including as appropriate market supplements, relevant to the needs of their pension function. Administering Authorities should not simply apply general council staffing policies such as recruitment freezes to the pensions function.
F. Compliance and improvement	F.1 Each administering authority must undergo a biennial Independent Governance Review and, if applicable, produce the required improvement plan to address any issues identified. IGR reports to be assessed by a SAB panel of experts.
	F.2 LGA to consider establishing a peer review process for LGPS Funds.



APPENDIX 3 – KNOWLEDGE AND TRAINING POLICY

Lewisham Pension Board: Knowledge and Training Policy

Legal requirements

A member of the Pension Board of a public service pension scheme must be conversant with:

- the rules of the scheme, and
- any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme.

A member of a Pension Board must have knowledge and understanding of:

- the law relating to pensions, and
- any other matters which are prescribed in regulations.

The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the Pension Board.

Training policy

It is the responsibility of individual pension board members to ensure that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the pension board.

Areas of knowledge and understanding required

Being ‘conversant’ means having a working knowledge of the scheme regulations and policies, so that pension board members can use them effectively when carrying out their duties.

They must also have knowledge and understanding of the law relating to pensions (and any other matters prescribed in legislation) to the degree appropriate for them to be able to carry out their role, responsibilities and duties.

In terms of documented administration policies, the following are examples of administration policies which the Regulator considers to be particularly pertinent and would expect to be documented where relevant to a pension scheme, and with which pension board members must therefore be conversant where applicable. This list is not exhaustive and other documented policies may fall into this category:

Any scheme-approved policies relating to:

- conflicts of interest and the register of interests
- record-keeping
- internal dispute resolution

- reporting breaches
- maintaining contributions to the scheme
- the appointment of pension board members
- risk assessments / management and risk register policies for the scheme
- scheme booklets, announcements and other key member and employer communications, which describe scheme policies and procedures
- the roles, responsibilities and duties of the scheme manager, pension board and individual pension board members
- terms of reference, structure and operational policies of the pension board and / or any sub-committee
- statements of policy about the exercise of discretionary functions
- statements of policy about communications with members and scheme employers
- the pension administration strategy, or equivalent, and
- any admission body (or equivalent) policies.
- Policies relating to funding and investment matters. For example, they must be conversant with the statement of investment principles and the funding strategy statement.

Pension Board members must also be conversant with any other documented policies relating to the administration of the scheme. For example, where applicable, they must be conversant with policies relating to:

- the contribution rate or amount (or the range/variability where there is no one single rate or amount) payable by employers participating in the scheme
- statements of assurance (for example, assurance reports from administrators)
- third party contracts and service level agreements
- stewardship reports from outsourced service providers (for example, those performing outsourced activities such as scheme administration), including about compliance issues
- scheme annual reports and accounts
- accounting requirements relevant to the scheme
- audit reports, including from outsourced service providers, and
- other scheme-specific governance documents.

Degree of knowledge and understanding required

Pension Board members must have knowledge and understanding of the law relating to pensions (and any other prescribed matters) sufficient for them to exercise the functions of their role. Pension Board members should be aware of the range and extent of the law relating to pensions which applies to their scheme, and have sufficient understanding of the content and effect of that law to recognise when and how it impacts on their responsibilities and duties.

Pension Board members should be able to identify and where relevant challenge any failure to comply with:

- the scheme regulations
- other legislation relating to the governance and administration of the scheme
- any requirements imposed by the Regulator, or

- any failure to meet the standards and expectations set out in any relevant codes of practice issued by the Regulator.

Pension Board members' breadth of knowledge and understanding should be sufficient to allow them to understand fully and challenge any information or advice they are given. They should understand how that information or advice impacts on any issue or decision relevant to their responsibilities and duties.

Acquiring, reviewing and updating knowledge and understanding

Pension Board members should invest sufficient time in their learning and development alongside their other responsibilities and duties. Newly appointed Pension Board members should be aware that their responsibilities and duties as a Pension Board member begin from the date they take up their post. Therefore, they should immediately start to familiarise themselves with the scheme regulations, documents recording policy about the administration of the scheme and relevant pensions law.

Pension Board members should undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses. They should use a personalised training plan to document and address these promptly.

Learning programmes are flexible, and Lewisham Council will assist in acquiring the provision of relevant training.

The Regulator provides an e-learning programme to help meet the needs of Pension Board members, it is a requirement of Pension Board members to utilise this tool and document progress made on the learning modules. Definite and reasonable timescales must be set for members to complete the learning modules on the Regulator's website.

The link is provided below:

<http://www.thepensionsregulator.gov.uk/public-service-schemes/learn-about-managing-public-service-schemes.aspx#s16691>

APPENDIX 4 – Suggested Events Programme 2020 Q4 and 2021 Q1

Date	Conference/Event	Organiser	Venue	Cost & Additional Information
22/10/2020	Cybersecurity Seminar	The Pensions Management Institute	Webinar	10:00 – 16:00 Free Registration via Website (can select individual sessions): https://www.pensions-pmi.org.uk/events/cybersecurity/
29/10/2020	Climate Solutions for Pension Scheme Trustees	PLSA	Webinar	11:00 – 12:00 Free Registration via Website: https://www.plsa.co.uk/Events-and-training-Webinars-Climate-Solutions-For-Pension-Scheme-Trustees
04/11/2020 & 05/11/2020	Trusteeship – Part 1: The Theory	PLSA		09:00 – 12:40 on the 4 th , 09:00 – 12:20 on the 5 th £468 Registration via Website: https://www.plsa.co.uk/Education/Trustee-Training/Trusteeship-Part-1-The-Theory
12/11/2020	LGPS Investors: ESG, Responsible & Sustainable Investing	SPS Conferences	Virtual Conference	09:30 – 13:00 2 Free Places Enquiries via Website: www.spsconferences.com/conference-calendar
16/11/2020 & 17/11/2020	CIPFA Pensions Conference: The Hutton Review a decade on, but what now?	CIPFA	Webinar	Spread over two afternoons £295 for both days Registration via Website: https://www.cipfa.org/training/t/the-hutton-review-a-decade-on-but-what-now-20201116-online
18/11/2020	ESG and Climate Risk Insights	PLSA	Webinar	11:00 – 12:00 Free Registration via Website: https://www.plsa.co.uk/Events-and-training-Webinars-CACEIS-webinar-2
19/11/2020	ESG seminar	Pensions Management Institute	Online	10:00 – 16:00 Free Additional Information via Website: https://www.pensions-pmi.org.uk/events/esg-seminar/
18/02/2021	LGPS Local Pension Board Members Spring Seminar 2021	CIPFA	Barnett Waddingham, 2nd Floor, 2 London Wall Place, 123 London Wall, London	12:00 – 16:00 £140 Registration via Website: https://www.cipfa.org/training/l/lgps-local-pension-board-members-spring-seminar-2021-20210218-london

			EC2Y 5AU (subject to change depending on coronavirus restrictions)	
--	--	--	--	--

APPENDIX 5

Lewisham Pension Board

Training Log (from April 2019 to date)

	Date	Organiser	Event	Hours
<u>Chair</u> Stephen Warren	31/05/2019	Hymans Robertson	LGPS Good Governance Project (Webinar)	1.0
	30/01/2020	Hymans Robertson	Good Governance in the LGPS (Webinar)	2.0
	13/08/2020	Hymans Robertson	Keeping the LGPS Connected (Webinar)	0.5
	18/08/2020	Hymans Robertson	LGPS National Knowledge Assessment – the results (Webinar)	1.0
<u>Employee Rep</u> Elizabeth Sclater	26/06/2019	CIPFA	LGPS Local Pension Board Annual Event	6.0
<u>Employee Rep</u> Gary Cummins				
<u>Employer Rep</u> Suki Binjal				
<u>Employer Rep</u> Rowann Limond				
<u>Employer Rep (Former member)</u> Adam Bowles	26/06/2019	CIPFA	LGPS Local Pension Board Annual Event	6.0

Member Progress against the Pension Regulator's Public Service Toolkit

Module	Stephen Warren	Elizabeth Sclater	Gary Cummins	Suki Binjal	Rowann Limond
Courses					
Conflicts of interest	Pass				
Managing risk and internal controls	Pass				
Maintaining accurate member data	Pass				
Maintaining member contributions	Pass				
Providing information to members and others	Pass				

Resolving internal disputes	Pass				
Reporting breaches of the law	Pass				

Member Progress against the Pension Regulator's Toolkit

Module	Stephen Warren	Elizabeth Sclater	Gary Cummins	Suki Binjal	Rowann Limond
Core Modules					
Introducing pension schemes	Pass				
The trustees role	Pass				
Running a scheme	Pass				
Pensions law	Pass				
An introduction to investment	Pass				
Essential learning for trustees of DB schemes only					
How a DB scheme works	Pass				
Funding your DB scheme	Pass				
DB recovery plans, contributions and funding principles	Pass				
Investment in a DB scheme	Pass				
Essential learning for trustees of DC schemes only					
How a DC scheme works (2014)	Pass				
Investment in a DC scheme	Pass				

APPENDIX 6 – Learning Needs Analysis Template

Public service pension schemes: Learning needs analysis of certain governance and administration requirements					
Step 1 – Plan your learning					
Learning needs analysis			Personal development		
1 – My role, responsibilities and duties as a Pension Board member					
Do I know...?	Rate my skills 1 – no knowledge 5 – highly skilled	My objectives	Timescale	What learning am I planning to do?	Where to find information
Who The Pensions Regulator is	1 2 3 4 5				Introduction to public service pension schemes: www.tpr.gov.uk/PS-introduction
What my role, responsibilities and duties are	1 2 3 4 5				
How the Regulator’s code of practice will support me in assisting the scheme manager with running an effective and efficient scheme	1 2 3 4 5				
2 – The knowledge and understanding I need as a Pension Board member					
Do I know...?	Rate my skills	My objectives	Timescale	What learning am I planning to do?	Where to find information
What I need to know about my scheme as a Pension Board member	1 2 3 4 5				Knowledge and understanding duty on Pension Board members: www.tpr.gov.uk/PS-knowledge
What I need to know about pensions law as a Pension Board member	1 2 3 4 5				
How to plan, follow and record my training, knowledge and understanding	1 2 3 4 5				

3 – Conflicts of interest					
Do I know...?	Rate my skills	My objectives	Timescale	What learning am I planning to do?	Where to find information
What information I need to provide to the scheme manager	1 2 3 4 5				'Conflicts of interest' course in the Public Service toolkit: www.pensionseducationportal.com
How to disclose potential or actual conflicts of interest	1 2 3 4 5				
How to monitor and discuss the risk of potential or actual conflicts of interest	1 2 3 4 5				
4 – Publishing scheme information					
Do I know...?	Rate my skills	My objectives	Timescale	What learning am I planning to do?	Where to find information
What information needs to be published about the Pension Board	1 2 3 4 5				Publishing scheme information: www.tpr.gov.uk/PS-publishing
How that information is to be recorded and published	1 2 3 4 5				
What the Pension Board's role is regarding the publication of that information	1 2 3 4 5				
5 – Risk management and internal controls					
Do I know...?	Rate my skills	My objectives	Timescale	What learning am I planning to do?	Where to find information

How risks will be identified and assessed	1 2 3 4 5				'Managing risk and internal controls' course in the Public Service toolkit: www.pensionseducationportal.com
How internal controls will be set up	1 2 3 4 5				
How risk assessments will be documented	1 2 3 4 5				
How possible fraudulent activity will be identified and dealt with	1 2 3 4 5				
Who is involved in internal controls and risk management and their role	1 2 3 4 5				
What the Pension Board's role is in internal controls and risk management	1 2 3 4 5				
6 – Record-keeping					
Do I know...?	Rate my skills	My objectives	Timescale	What learning am I planning to do?	Where to find information
How an effective scheme record-keeping process will be set up	1 2 3 4 5				'Maintaining accurate member data' course in the Public Service toolkit: www.pensionseducationportal.com
How the required records of scheme members' data, transactions and pension board decisions will be kept	1 2 3 4 5				
Who is involved in record-keeping and their role	1 2 3 4 5				
What the Pension Board's role is in record-keeping	1 2 3 4 5				
7 – Maintaining contributions					

Do I know...?	Rate my skills	My objectives	Timescale	What learning am I planning to do?	Where to find information
How employer and employee payment contributions will be monitored and recorded	1 2 3 4 5				'Maintaining member contributions' course in the Public Service toolkit: www.pensionseducationportal.com
How late or failed payments which are likely to be of material significance to the Regulator will be reported to the Regulator	1 2 3 4 5				
What the Pension Board's role is in maintaining contributions and notifying the Regulator of late or failed payments	1 2 3 4 5				
8 – Communicating with members					
Do I know...?	Rate my skills	My objectives	Timescale	What learning am I planning to do?	Where to find information
What information must be provided to members about the administration of the scheme and their benefits	1 2 3 4 5				'Providing information to members and others' course in the Public Service toolkit: www.pensionseducationportal.com
How that information will be provided to members	1 2 3 4 5				
Who is involved in member communications	1 2 3 4 5				
What the Pension Board's role is in member communications	1 2 3 4 5				
9 – Resolving disputes					

Do I know...?	Rate my skills	My objectives	Timescale	What learning am I planning to do?	Where to find information
How disputes within my scheme will be resolved	1 2 3 4 5				'Resolving internal disputes' course in the Public Service toolkit: www.pensionseducationportal.com
How disputes within my scheme and their resolutions will be documented	1 2 3 4 5				
What the Pension Board's role is in the resolution of issues and disputes	1 2 3 4 5				
10 – Reporting breaches of the law					
Do I know...?	Rate my skills	My objectives	Timescale	What learning am I planning to do?	Where to find information
How to identify breaches of the law	1 2 3 4 5				'Reporting breaches of the law' course in the Public Service toolkit: www.pensionseducationportal.com
How breaches of the law will be assessed	1 2 3 4 5				
How breaches of the law likely to be of material significance to the Regulator will be reported	1 2 3 4 5				
What my responsibility is to report breaches	1 2 3 4 5				
Who else is under a duty to report breaches	1 2 3 4 5				

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

Document is Restricted

Document is Restricted

Document is Restricted