



---

# PENSION BOARD

**Date: WEDNESDAY, 14 DECEMBER 2022 at 2.00 pm**

**Council Chamber  
Civic Suite  
Lewisham Town Hall  
London SE6 4RU**

**Enquiries to: Claudette Minott  
Telephone: 0208 314 3417(direct line)**

## **MEMBERS**

Stephen Warren (Chair)	Pension Board
Mark Adu-Brobbey	
Gary Cummins	
Rowann Limond	Lewisham Homes

**Members are summoned to attend this meeting**

**Kim Wright  
Chief Executive  
Lewisham Town Hall  
Catford  
London SE6 4RU  
Date: 6 December 2022**

## ORDER OF BUSINESS – PART 1 AGENDA

Item No		Page No.
1.	Minutes	1 - 16
2.	Declarations of Interest	17 - 19
3.	Action log	20 - 52
4.	Breaches log	53 - 56
5.	Training log	57 - 58
6.	General update	59 - 103
7.	Work Programme	104 - 105
8.	Any Other Business	
9.	Future Meeting Dates	
10.	Exclusion of Press and Public Notice	106
11.	General update - confidential appendices	107 - 146



**Lewisham**

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.

# Agenda Item 1

PENSION BOARD		
<b>Report Title</b>	Minutes	
<b>Key Decision</b>		Item No. 1
<b>Ward</b>		
<b>Contributors</b>	CHIEF EXECUTIVE	
<b>Class</b>	Part 1	Date: 14 December 2022

## Recommendation

That the Minutes of the meeting of the Pension Board, which was open to press and public, held on 5 October 2022 (copy attached) be confirmed and signed as a correct record.

# MINUTES OF THE PENSION BOARD

Wednesday 5 October 2022 at 3.30 pm

## Members Present:

In Person: Stephen Warren (Chair), Mark Adu-Brobbey, Salena Mulhere

Virtually: Rowann Limond

## Officers Present:

In Person: Katharine Nidd (Lead Officer), Committee Officer

Virtually: Chris Flower (Treasury and Investments Manager (TIM))

Apologies: N/A

## 1. Minutes

RESOLVED that the minutes of the meeting of the Pensions Board held on 22 June 2022 be adopted.

## 2. Declarations of Interest

Salena Mulhere advised she was a Member of the Pension Fund and that she receives a small pension from the LGPS from a different local government employer. Rowan Limond and Mark Adu-Brobbey declared interests as members of the Pension Fund.

## 3. Action log

The report was presented to the Board by the Lead Officer, who provided an overview of the action log. Members were informed that the following actions remained ongoing:

- Board Members were required to complete the Pension Regulator's Toolkit within the next six months (by November 2022,) or within 6 months from their appointment
- An hour of training for Board members would be provided before each Board meeting.
- A routine learning and development item on each agenda, to include recording of the completion of any additional training Members had undertaken.
- The Discretions Policy would make clear in a future iteration that it was applicable only to the Council as an employer. The policy would also be legally reviewed.
- The Breaches Log (including a report, if appropriate) would be presented at each Board meeting to confirm that no breaches had arisen since the last meeting and in the event that any occurred between meetings, they were reported to the Chair and members of the Board promptly.
- There was a commitment to timely communication with Scheme members. The 'other bodies' section would be reviewed to ensure that all relevant parties were identified and service providers and advisors were identified by role rather than name, in order to minimise the risk of the Policy becoming out of date. There

would also be a clear articulation of the overall principles for communication, including accessibility.

- Process to establish internal controls. The Board would receive an update detailing the areas in procedures in place and the date of last the review. The Board would receive an update on the preparation of procedures for benefit calculations to the next meeting of the Board.
- Pooling - the respective responsibilities of the London CIV and the managers appointed by it; the associated control activities undertaken by the London CIV; and the mechanisms for obtaining assurance over the operation of controls operated by the London CIV. An update would be provided to the Board, at the next meeting, scheduled for December 2022.
- Officers would confirm that the work programme included: all areas required to be considered by the Board by legislation and guidance; and all current and planned Council policies relevant to the functions of the Board.

3.1 The Lead Officer also advised Members the following actions as outlined in the report, had been completed or would be completed by the end of the current meeting:

- Presentation of the Code and the Code of Conduct for Lewisham Council to the Board.
- Seeking professional advice with regard to the application of the Breach of Law Policy to the Board and report back recommendations to the next meeting in light of advice obtained.
- Amending the Training Policy to reflect the identification of collective training needs and the provision of collective training, and the amended wording being delegated to the Chair for approval. The Policy was amended and circulated as Appendix 2 to the Board.
- The Breaches Log, as no breaches had occurred.

3.2 The Board noted the Lead Officers advice and that the 'Expected date of completion' column of the action log, did not contain any information.

3.3 Action:

The Board agreed that as an assurance going forward, officers would provide expected and planned completion dates for actions in the appropriate columns of the action log. The action log complete with these dates, would then be presented to Members at each Board meeting.

3.4 The Board were asked to note the contents of the report.

3.5 RESOLVED

The Board reviewed and noted the report.

#### **4. Breaches log**

The Lead Officer presented the report to the board. The members were advised of the purpose of the breaches log and the Lead Officer confirmed that at the time of the meeting, there were no breaches.

4.1 The Board were asked to note the contents of the report.

#### 4.2 RESOLVED

The Board reviewed and noted the report.

### 5. Training log

The report was presented to the board by the Lead Officer, who advised the report should capture three types of training:

- That delivered by Council officers and advisors.
- Conferences/seminars
- Completion of modules of the Pension Regulators Toolkit.

5.1 Following a Members question, the Lead Officer advised the Board that the Members would be required to contact the Lead Officers with regard to training opportunities, as there were no automatic training notification system available to Members. The Chair advised that Members could generate certificates of completion of modules undertaken on the Pension Regulator Toolkit. This evidence of completion would be sufficient to present to Officers.

#### 5.2 Action:

The Board agreed that officers would notify Members of pension training opportunities, including via the Pension Regulator Toolkit.

5.3 The Board were asked to note the contents of the report.

#### 5.4 RESOLVED

The Board reviewed and noted the report.

### 6. General update

The Lead Officer presented the report and provided members with recommendations:

- review and note the Quarter 2 Investment report as presented to the Pension Investment Committee (PIC) on 06/09/2022
- review and note the Draft Pension Fund Statement of Accounts as presented to the Pension Investment Committee on 06/09/2022
- review and note the Risk Management Policy, as per section 3.20
- review and note the Risk Register, as per section 3.22
- review and note the Governance Compliance Statement, as per section 3.25
- review and note the processes in place to establish Internal Controls, as per section 3.28
- review and note the Internal Disputes Resolution Policy, as per section 3.29
- review the draft Administration Strategy as per section 3.30
- review and comment on the work plan, as per section 3.31
- note the remainder of the report.

6.1 The Lead Officer introduced the report. The report discussed standing items on the agenda and provided the Board with an update on several general matters that had arisen since the last meeting.

## 6.2 Monitoring of Investment Performance

The Lead Officer advised the Board of the Pension Investment Committee's (PIC) responsibility to ensure that the investment performance of the fund managers was regularly monitored against the agreed performance benchmarks for each mandate. Members were informed the Funding Strategy drove the creation of the Investment Strategy Statement, which would set the strategic asset allocations and expected performance benchmarks required for each asset class and mandate to ensure that this provided the level of return (balanced against risk) required, to ensure the Fund could meet the current and further liabilities of its Members.

- 6.3 This performance monitoring was undertaken in a variety of ways by officers, advisors and the Pension Investment Committee and these processes and actions as outlined below:
- 6.4 The Fund's custodian Northern Trust operated an email portal whereby all fund managers could send correspondence securely. When the facility was made available, all officers registered for access. That included the entire Treasury and Investments team, the Head of Strategic Finance, Planning and Commercial and the Director of Finance. The emails contained a variety of information that ranged from capital calls for funding, performance reporting, and possible changes to the mandates themselves. In addition to this, some fund managers were able to send direct communications through, but again this was always to multiple officers within the Council. Members were advised there was an annual process (as a minimum) to ensure that all contact details remain current. The emails would then be reviewed immediately, to ascertain the nature of the communication and the response/action that would be required.
- 6.5 The Board were informed that in addition, the online investment portal provided by Northern Trust allowed officers to access the different fund accounts at any point to review the current value of each mandate, which included available cash balances (where applicable) to assist with the cash flow management of the Fund.
- 6.6 Members were advised that at the end of each quarter Northern Trust produced a quarterly performance report for the Fund's investment advisors Hymans Robertson who in return produced a pack which would then presented to the Pension Investment Committee. The pack would include the following sections:
- a performance dashboard that conveyed the funds overall performance against benchmark for the previous quarter, previous 12 months, 3 years and since inception;
  - consideration of strategy and risk by comparing the actual asset allocations of each mandate and asset class against the agreed strategic allocations to consider whether the Fund was imbalanced (overweight or underweight) both within and between asset classes. This would also include metrics on sector and currency exposure;
  - individual fund manager performance against agreed benchmarks, again over the 3 month, 12 month, 3 year and inception time frames and including sector and currency exposure;

- manager ratings that utilised the Hymans ratings and the Responsible Investor ratings
  - discussion and consideration of the wider market background and considerations of the global markets
- 6.7 At each meeting of the PIC the Funds investment performance would be carefully considered in the following format: the Investment and Treasury Manager would review the report produced by Hymans and prepare an officers covering report which summarised the key issues of the previous quarterly report and clearly identified the recommendations that the Committee would be asked to consider. The report would be presented to the Committee, followed by the advisors pack, presented by the advisors to the Committee. The Lead Officer advised the Board that the quarterly performance report for Q2 was also appended to the report presented at the current meeting.
- 6.8 The Committee would then ask questions to ensure that any performance issues or risks raised in the report were fully discussed. The recommendations would be discussed and noted.
- 6.9 Finally officers and the investment advisors would work with the Committee to agree an annual work plan that was forward looking to ensure that any possible changes to the mandates were properly planned. This would then be brought to the Committee in advance of a decision, which allowed sufficient time for implementation. For instance the decision taken by the Committee at its February 2022 meeting to invest in the LCIV Private Debt mandate as the Fund had become underweight over time due to the closed ended nature of that particular asset class.
- 6.10 The Lead Officer advised the Board that LCIV had attended the September meeting, as part of a 'Meet the Manager' session and advised the Committees Members of the LCIV Structure and Governance and investment oversight.
- 6.11 In addition to the specific performance reporting, at each meeting of the Committee there would be a general update report presented, as tabled by officers. The report would also include any specific announcements made by fund managers in the previous period, for both information and decision-making purposes.
- 6.12 The Lead Officer advised the Board that report focused on the last quarter. Therefore the conversation at the last PIC meeting did not cover the more recent fiscal events and impact on the Funds' performance. It was advised that the next PIC meeting would probably therefore have discussion on the performance of gilts.
- 6.13 The Board were asked to review and note the Quarter 2 Investment report as presented to the Pension Investment Committee on 06/09/2022
- 6.14 RESOLVED  
The Board reviewed and noted the report.
- 6.15 Draft Pension Fund Statement of Accounts**

The Lead Officer advised the Board the local authority's external auditors, Grant Thornton had commenced the audit alongside the audit of the main accounts, which had been published in draft form on the local authority's website, alongside the main accounts, appearing from the third week of July 2022.

- 6.16 The Members were advised that the external auditor intended to complete the audit in October 2022, with the results to be presented to the Audit Panel in early November 2022. After that the results of the audit would go to PIC in early November 2022 along with the Pension Fund Annual Report. The local authority intended to have the final accounts published on the local authority's website by December 2022.
- 6.17 Members were informed that the accounts were in draft and could be subject to change before the final sign-off. The Lead Officer advised the Board that any such changes would be detailed in working papers for presentation to external audit, and brought to the Pension Investment Committee later in the year. The Board were advised that a lot more discussion was expected at the next Pension Investment Committee meeting and Members would be expected to ask questions with regard to the draft pension accounts for 2021/22.
- 6.18 The Chair noted there was not a lot of information reported about some of the wider governance of the Fund and its administration in the draft accounts and enquired if information would be provided in the Pension Fund Annual Report.
- 6.19 The Lead Officer assured the Board that there would be a lot more information provided in the Annual Report regarding the administration and governance of the Fund. The Annual Report and Statement of Accounts would be provided on the local authority's Pension Fund Account website.
- 6.20 The Chair asked whether the Annual Report would be presented to Members at the next Board meeting.
- 6.21 The Lead Officer advised that a draft could be circulated at the next Board meeting scheduled for the 14 December 2022.
- 6.23 Action:
- 6.24 The Board agreed that officers would present a draft of the Pension Fund Annual Report to Members at the next scheduled Board meeting.
- 6.25 The Board were asked to review and note the Draft Pension Fund Statement of Accounts as presented to the Pension Investment Committee on 06/09/2022
- 6.26 RESOLVED  
The Board reviewed and noted the report.
- 6.27 Risk Management Policy and Risk Register**
- 6.28 Members were advised by the Lead Officer that the Policy had not changed significantly.

- 6.29 The Board were advised that the document set out that the London Borough of Lewisham adopted best practice risk management, which supported a structured and focused approach to managing risks, and ensured risk management was an integral part in the governance of the Fund, at a strategic and operational level.
- 6.30 The Lead Officer informed the Board that the paper set out the Fund's risk register for the financial year 2022/23. The Board were advised that it was the responsibility of the PIC to review the register periodically, to ensure risks were updated and that the relevant mitigations put in place were adequate.
- 6.31 Members were advised that the Risk Register was reviewed by the PIC at their meeting held on 14 June 2022.
- 6.32 A Member advised that whilst they were satisfied with the content of the Policy, they noted during the 'High Level Valuation' training provided in the hour before the current meeting began, risk assessment was discussed, but the issue of risk appetite had not been addressed in the Risk Register. The Member stated that considering the training received and the current market situation, it would be worth mentioning risk appetite in the Policy.
- 6.33 The Lead Officer advised the Board that the Officer would make it clear in the Policy that the risk management is set to be effected in accordance with the risk appetite of the Fund, as set out in its investment strategy statement and the funding strategy statement. It would be made clear that the Policy works in accordance with that framework. Members were advised that this approach would be preferable to looking at risk appetite on a line by line basis. The Board were advised it would be best for the risk appetite of the fund would be set through investment strategy statement and the risk then managed accordingly.
- 6.34 The Chair noted there was no mention in the Policy of risk such as: long-term financial, funding, covenant risks or integrated risk management. The Chair recommended that work should be conducted with regard to the expression of risk in the context of a pension scheme. The Chair enquired if there would be any benefit of the inclusion of key risk areas, such as investment, funding, liquidity and government risks.
- 6.35 The Chair also noted that paragraph 7.1 of the Policy states that the PIC receive the Risk Register annually. It was expected that Governance bodies would inspect risk registers more frequently. The Lead Officer advised the Board that the term 'annually' in the report could be reviewed as a minimum of once a year, but usually the Risk Register was inspected by PIC usually 2 times a year. The Lead Officer stated the table in the report which used the term was generic and would be reviewed and improved. The Board were assured that the Risk Register would be circulated more frequently to the PIC at a minimum of twice annually.
- 6.36 Members were advised the criteria for the Risk Register was also set out in the investment strategy statement. The Lead Officer also noted that the Risk Register had been subject to review and consideration at the PIC June 2022 meeting. The minutes of the PIC June 2022 meeting noted that the Risk Registered had been considered.

- 6.37 The Chair and Members requested that the wording in the table at paragraph 6.2 of the Policy with regards to the likelihood and impact of risks be reviewed to make it more specific for the Pension Fund.
- 6.38 A Member asked a question with regard to risk ownership, noting that in the risk register the Risk Owner Key listed the Board as a risk owner. The Member commented that whilst the Board could only influence the risks owned by others listed in the key as the Board is not a decision making body, it would be useful to have the Boards own risks highlighted, because the Board would have to spend time on working to mitigate those risks identified.
- 6.39 The Chair advised that the Board operated as a quasi-audit committee, the Board would be required to identify its risks itself, as opposed to an external body doing so. The Chair advised that the Board was not managing risk, but making recommendations to the local authority.
- 6.40 The Board recommended to the local authority is that it should not place the Board as risk owners and that there should be a further session at the next Board meeting, where the Board would identify the most significant risks that it would like to focus its attention upon.
- 6.41 The Lead Officer identified two risks that the Board were responsible for:
- 1) inappropriate decision-making noting that the Boards oversight was required to assist the scheme secure compliance with relevant LGPS regulations, reviews and comments on governance, administration and decision-making within the scheme.  
The Lead Officer advised the Board the risk is with regard to matters, for example:
    - High staff turnover at officer, PIC or Pension Board level or
    - Lack of oversight at senior officer, PIC or Pension Board level.
    - Undisclosed conflicts of interest
- The Lead Officer noted that the risk was not the Boards alone and was shared with the Director of Resources and, as the Director of Finance sharing the risk.
- 2) Inadequate Knowledge and Skills  
The Lead Officer advised the Board this risk was shared with the PIC, the risk identified was that the Board did not have sufficient training to conduct risk mitigation. The Lead Officer noted that if there was concern with regard decision-making then that element of risk could be assessed. The Board were advised that the Director of Finance and two other named officers managed risk.
- 6.42 A Member appreciated that the Board represented part of the controls for risk and enquired if there were any other controls at the local authority's disposal, apart from the PIC where decisions were made.
- 6.43 Action:

- 6.44 Officers would review the wording of the Risk Management Policy and the Risk Register.
- 6.45 The Board were asked to review and note the Risk Management Policy, as per section 3.20
- 6.46 RESOLVED The Board reviewed and noted the report.
- 6.47 The Board were asked to review and note the Risk Register, as per section 3.22
- 6.48 RESOLVED The Board reviewed and noted the report.

**6.49 Annual Governance Compliance Statement (draft)**

The Lead Officer advised the Board that the Annual Governance Compliance Statement (AGCS) had never been a standalone document. It has always been produced by the officers, but was part of the Annual Statement of Accounts. Now the AGCS would be drawn out of the Annual Report and published on the local authority's website.

- 6.50 The Lead Officer informed the Members that the AGCS was presented to the Board at the current meeting for review and comment. It would then be reviewed and amended, as required. The AGCS would then be included in the 2021/22 Annual Report, as an appendix,
- 6.51 The Members were advised that the AGCS after review, would return to the Board again, when it was also published as usual, in the Annual Report.
- 6.52 The Chair expressed areas of concern in the AGCS and requested clarification. The areas of concern were:
- The secondary committee and the pensions table. The Chair enquired what the intention was.
  - Statements of compliance, when Board meetings had not been convened for part of the year and the statement that the Board meet quarterly, when it in fact did not.
- 6.53 The Chair made the recommendation that the wording of the AGCS should be reconsidered in the context that the Board had not been operational for a portion of the year being reported.
- 6.54 This draft statement sets out the Fund's Governance Structure, scheme of delegation, and the terms of reference for its Governing Bodies, the Pensions Committee and the Local Pensions Board.
- 6.55 A Member enquired if there was any back up documentation such as minutes available that would support statements made in the report, so that auditors would be able to review them as evidence of compliance or if the statements were challenged.

6.56 The Lead Officer informed the Board that according to the Boards terms of reference, the terminology advised meetings were to be conducted at least annually, with a recommendation of more frequent meetings. The Lead Officer advised the Members that the Board met once in 2021. The meetings are described as secondary or panel meetings at least twice a year and were synchronised. The Lead Officer acknowledged an error in the report and advised that amendments would be made to the report to reconcile it with the terms of reference. The Board were assured by the Lead Officer that the Board was performing at the minimum requirement.

6.57 The Lead Officer advised the Board that all back up documentation was available and that officers could also add a statement to the AGCS to confirm that fact.

6.58 A Member:

- Commented that from their experience compliance statements were like an external regulatory questionnaire that required completion by the local authority.
- Enquired:
  - If the local authority's compliance statement was the same type of regulatory document or documentation developed by the local authority? As the Lead Officer had just indicated they would be able to change the AGCS.
  - Could the AGCS be adapted?

6.59 The Lead Officer advised the Board:

- The AGCS had been issued by the pension's regulator.
- They would investigate whether the AGCS could be adapted. As the Lead Officer has seen from experience of reviewing other funds statements where there had been changes and amendments to the text. The Lead Officer assured Members they would investigate further.
- The terms of reference did stipulate that the Board meet annually and they were confident that the terms of reference were in accordance with the pension regulators' guidance.

6.60 The Chair recommended that back up documentation should be in place to support the AGCS.

6.61 Action:

- The Local authority would review whether the AGCS could be adapted.
- The Local authority would review what frequency of meetings the Regulator required for the Board.
- The local authority would ensure the required supporting documentation was made available to support the AGCS if requested.

## **6.62 Processes in place to establish Internal Controls**

The Lead Officer advised the Members the report under consideration, was an internal list of current processes and procedures that exist within the

administration team. It would be an ongoing exercise, to prepare what would eventually become a holistic and comprehensive statement of internal controls.

6.63 The Chair enquired if the report would return to the Board in the future. The Lead Officer advised the Board that the report should be reviewed at Board meetings, as part of the Work Programme. The Board were advised they could decide the regularity with which they would like to see the report for review.

6.64 The Chair asked the Board to consider whether it would want to be:

- Involved in reviewing the procedure notes and policy documentation.
- Updated on the adoption date of each procedure note and policy document.
- Assured of an internal audit review of the procedure notes and policy documentation.

6.65 The Lead Officer stated that despite there not yet being a single comprehensive statement of internal control, the satisfactory opinion from the most recent internal audit in 2022 provided confidence in the internal controls and that this would also be considered as part of the management actions arising from that audit and any future internal audits.

6.66 Action:

The Lead Officer will report back to the Board at the next scheduled meeting on their progress with the ongoing report and consider seeking support from internal audit for a review of the procedure notes and policy documentation.

6.67 The Board were asked to review the list of Internal Controls – see list of Processes and Procedures - Appendix 8

6.68 RESOLVED The Board reviewed and noted the report.

#### **6.69 Internal Disputes Resolution Policy (IDRP)**

The Lead Officer advised the Board that whilst a standard approach had been adopted to draft the Policy, it had been tailored and made bespoke to the local authority, it draws on best practice from the industry.

6.70 A Member commented that they were not clear who managed the stage 1 or stage 2 complaints. The Chair noted, there is reference to a nominated person, who dealt with the complaints.

6.71 The Lead Officer acknowledged the comments and noted that the addition of a glossary was required, that would identify roles, with pictures of the individuals holding those roles within the local authority.

6.72 Action:

The Lead Officer would review the Policy, so there would be clarity with regard the post holders performing functions, within the local authority.

6.73 The Board were asked to review the Internal Disputes Resolution Policy – see Appendix 9

6.74 RESOLVED  
The Board reviewed and noted the report.

### 6.75 Administration Strategy

The Lead Officer advised the Board the strategy was currently in its first draft form. There was a requirement to consult with all employers within the scheme. The Lead Officer confirmed that the consultation had not yet occurred. There was also a requirement for the document to be signed off by the PIC.

The Board were advised there was a lot of work put into the first draft, with professional input from the local authority's external advisors. It covers all the requirements as stipulated by the Pension regulator. The Board were assured the document presented was comprehensive, but had not yet been completed. The Board were informed there was more tailoring of the strategy required, it would then go out to consultation and then presented to the PIC for sign-off.

6.76 A Member sought clarification with regard to who would be consulted. The Lead Officer advised the Board just the employers and contractors would be consulted, such as Lewisham Homes, not all members of the scheme.

6.77 The Chair:

- Referred to the section 'Monitoring and Engagement' page 7 of the strategy. The Chair quoted from the section: '...Various means will be employed, as determined from time to time, to assist in monitoring compliance with this Strategy...' and enquired what were the mechanisms that would be employed to this end.
- Recommended that the strategy should be reviewed and the mechanisms identified in order to continue the refinement of the strategy to ensure that it was less generic and more specific to the local authority.

6.78 Action:

The local authority would review the strategy and provide specific clarification with regard to the mechanisms and timetables that would be employed for monitoring and engagement in the final draft.

6.79 The Board were asked to review the draft Administration Strategy – see Appendix 10

6.80 RESOLVED  
The Board reviewed and noted the report.

### 6.81 Work Programme

The Lead Officer informed the Board that the report was also accompanied by:

- Appendix 11.a to be developed on an ongoing basis, and which had been updated to reflect the high priority compliance issues identified from the Aon review.

- The work programme has been updated following completion of some of the tasks. Appendix 11.b show a list of the pension fund policies and reports that are required by the Pension Regulator.
- 6.82 Officers had provided dates of when the tasks were required to be completed or updated. Some of the tasks would be added to the work programme for the next meeting.
- 6.83 The Lead Officer advised the Board they could advise on what it would want to review over the next 12 month rolling period.
- 6.84 A Member advised there was a lot of information to consider during a limited amount of meeting time the Board had. The Member stated they would appreciate a steer from the Chair or Officer.
- 6.85 The Lead Officer advised Members that in the past an external body had conducted an independent review of the local authority's pension administration and governance. From this exercise a comprehensive document that contained all requirements in accordance to the Pension Regulators' best practice and guidance had been produced.
- 6.86 The Lead Officer assured the Board the guidance in the AON feedback documents had been used in drafting the work plan. The Lead Officer advised Members that the relevant officers work collectively on addressing the 'amber' highlighted issues until they are 'green'. The Lead Officer advised the approach was used to list and check all policies against the green/amber system. The Lead Officer advised the results of the exercise would be shared with the Chair, but Members were also asked to review the results to ascertain if the officers had missed anything, request further checks or agree to officer proposals. The Lead Officer also noted the pandemic meant there was a backlog.
- 6.87 The Chair:
- Noted there were not a lot of tasks listed for quarter 1/2023, but there were a lot listed for quarter 4/2022.
  - Suggested this imbalance would result in a demanding agenda for the Board in December 2022.
- 6.88 The Chair recommended that officers would review the listed tasks for quarter 4/2022 and some tasks would be moved to quarter 1/2023.
- 6.89 Action:
- Officers would review and amend the Work Programme, then return the proposal to the Chair initially, then routinely include the Work Programme to the Board meeting agendas, going forward.
- 6.90 A Member left the meeting at 4.40pm. The Clerk confirmed to the Chair the meeting was still quorate.
- 6.91 The Chair:

- Commented on the section included in the agenda pack: 'Code of Conduct Policy' stating it had not been discussed the current meeting.
- Quoted from Section 2 of the report: 2.1: 'As per the Terms of Reference and where relevant, Lewisham Pension Board adopts the existing Code of Conduct...' and enquired when the existing Code of Conduct is referred to the wording is inconsistent with the aforementioned as it refers to 'Members' requirements. The Chair noted that the principles listed could be adopted, but outside of that, there would be issues, as the Members of the Board were not elected Members of the local authority.
- Mentioned the training log was listed, noting that it had been discussed at the last meeting, but not at the current meeting.

6.92 The Lead Officer advised the Board the item was added to the action log that was discussed earlier in the meeting.

6.93 The Board were asked to note the contents of the report.

6.94 RESOLVED  
The Board reviewed and noted the report.

## 7. Work Programme

The Chair and Lead Officer confirmed the proposed work programme had just been discussed and did not require further discussion.

## 8. Any Other Business

The Lead Officer:

- Noted that the Board had a requirement under the Boards terms of reference for quorum to be maintained, that one of each representative type to be present at the meetings.
- Requested the Board consider and agree what is considered the definition of 'present' in terms of in person or virtual attendance.
- Advised that whilst the Board had similar council member meetings as the constituted council committees, the Board is not bound by legislation concerning meeting attendance.

8.1 The Chair recommended that at least the Chair and the Clerk be present in person and that all other Members may be present either in attendance or virtually.

## 9. Future Meeting Dates

The dates were confirmed as:

14 December 2022  
16 March 2023

9.1 Action:

Committee Officer to check availability of Members for the meetings set provisionally and also consult with the Chair and Members to set dates for the rest of the rest of 2023.

**10. Exclusion of Press and Public Notice**

Not required

**11. Appendix 3a - Quarterly Investment Monitoring Report - PIC Cover Report**

Presented as part of the Action Log in 3 above.

**12. Appendix 3b - Quarterly Investment Report Q2 2022**

Presented as part of the Action Log in 3 above.

The meeting ended at 4.50 pm

LOCAL PENSION BOARD		
<b>Report Title</b>	Declarations of Interest	
<b>Key Decision</b>		Item No. 2
<b>Ward</b>		
<b>Contributors</b>	CHIEF EXECUTIVE	
<b>Class</b>	Part 1	Date: 14 December 2022

## Declaration of Interests

Members are asked to declare any personal interest they have in any item on the agenda.

### Personal interests

There are two types of personal interest :-

- (a) an interest which you must enter in the Register of Members' Interests\*
- (b) an interest where the wellbeing or financial position of you, (or a "relevant person") is likely to be affected by a matter more than it would affect the majority of inhabitants of the ward or electoral division affected by the decision.

\*Full details of registerable interests appear on the Council's website.

("Relevant" person includes you, a member of your family, a close associate, and their employer, a firm in which they are a partner, a company where they are a director, any body in which they have securities with a nominal value of £25,000 and (i) any body of which they are a member, or in a position of general control or management to which they were appointed or nominated by the Council, and (ii) any body exercising functions of a public nature, or directed to charitable purposes or one of whose principal purpose includes the influence of public opinion or policy, including any trade union or political party where they hold a position of general management or control).

If you have a personal interest you must declare the nature and extent of it before the matter is discussed or as soon as it becomes apparent, except in limited circumstances. Even if the interest is in the Register of Interests, you must declare it in meetings where matters relating to it are under discussion, unless an exemption applies.

### Exemptions to the need to declare personal interest to the meeting

You do not need to declare a personal interest where it arises solely from membership of, or position of control or management on:

- (a) any other body to which you were appointed or nominated by the Council
- (b) any other body exercising functions of a public nature.

In these exceptional cases, unless your interest is also prejudicial, you only need to declare your interest if and when you speak on the matter.

### **Sensitive information**

If the entry of a personal interest in the Register of Interests would lead to the disclosure of information whose availability for inspection creates or is likely to create a serious risk of violence to you or a person living with you, the interest need not be entered in the Register of Interests, provided the Monitoring Officer accepts that the information is sensitive. Where this is the case, if such an interest arises at a meeting, it must be declared but you need not disclose the sensitive information.

### **Prejudicial interests**

Your personal interest will also be prejudicial if all of the following conditions are met:

- (a) it does not fall into an exempt category (see below)
- (b) the matter affects either your financial interests or relates to regulatory matters - the determining of any consent, approval, licence, permission or registration
- (c) a member of the public who knows the relevant facts would reasonably think your personal interest so significant that it is likely to prejudice your judgement of the public interest.

### **Categories exempt from being prejudicial interest**

- (a) Housing – holding a tenancy or lease with the Council unless the matter relates to your particular tenancy or lease; (subject to arrears exception)
- (b) School meals, school transport and travelling expenses; if you are a parent or guardian of a child in full time education, or a school governor unless the matter relates particularly to the school your child attends or of which you are a governor;
- (c) Statutory sick pay; if you are in receipt
- (d) Allowances, payment or indemnity for members
- (e) Ceremonial honours for members
- (f) Setting Council Tax or precept (subject to arrears exception)

### **Effect of having a prejudicial interest**

If your personal interest is also prejudicial, you must not speak on the matter. Subject to the exception below, you must leave the room when it is being discussed and not seek to influence the decision improperly in any way.

### **Exception**

The exception to this general rule applies to allow a member to act as a community advocate notwithstanding the existence of a prejudicial interest. It only applies where members of the public also have a right to attend to make representation, give evidence or answer questions about the matter. Where this is the case, the member

with a prejudicial interest may also attend the meeting for that purpose. However the member must still declare the prejudicial interest, and must leave the room once they have finished making representations, or when the meeting decides they have finished, if that is earlier. The member cannot vote on the matter, nor remain in the public gallery to observe the vote.

### **Prejudicial interests and overview and scrutiny**

In addition, members also have a prejudicial interest in any matter before an Overview and Scrutiny body where the business relates to a decision by the Executive or by a committee or sub committee of the Council if at the time the decision was made the member was on the Executive/Council committee or sub committee and was present when the decision was taken. In short, members are not allowed to scrutinise decisions to which they were party.

# Agenda Item 3

## Rolling Actions Log

As at December 2022

No.	Date of meeting	Action from Meeting	Owner	Comments	Expected date of completion	Date completed
1	March 2022	Completion of the Pension Regulators Toolkit within 6 months or within 6 months from appointment	Members	To be completed by end of November 2022	Dec 2022	Ongoing
2	March 2022	Provision of a training programme of a 1 hour session in advance of the Board meetings.	Officers		Every meeting	Ongoing
3	June 2022	A standing item should be included on the agenda for each of its meetings to receive the Breaches Log (including a report, if appropriate, that no breaches arose since the previous meeting; and that any breaches were reported to the Chair and members of the Board promptly between meetings.	SA	See Breaches Log agenda item 3.	Every meeting	Ongoing
4	March 2022	A routine learning and development item on each agenda so that there is recorded completion of self-assessments and the Regulators Toolkit.	CF	See Training log agenda item 4.	Every meeting	Ongoing
5	June 2022	Pooling - the respective responsibilities of the London CIV and the managers appointed by it; the associated control activities undertaken by the London CIV; and the mechanisms for obtaining assurance over the operation of controls operated by the London CIV.	KN	Update to be presented in the general update report	Dec 2022	Dec 2022
6	October 2022	The Board agreed that officers would notify Members of pension training opportunities, including pension regulator toolkits.	CF	List of training/workshops/conferences etc. - see Appendix 1.	Dec 2022	Dec 2022
7	October 2022	Officers would present a draft of the Annual Report to Members at the next scheduled Board meeting.	KN	See general report	Dec 2022	Dec 2022
8	October 2022	Officers would review the wording of the Risk Register.	CF	See Appendix 2.	Dec 2022	Dec 2022
9	October 2022	The Local authority would review whether the AGCS could be adapted. The Local authority would review what frequency of meetings the Regulator required for the Board. The local authority would ensure the required supporting documentation was made available to support the AGCS if requested.	KN	Verbal progress update	Dec 2022	
10	October 2022	Internal controls: Officers will report back to the Board at the next scheduled meeting on their progress with the ongoing report and arrangement of an internal audit of the procedure notes and policy documentation.	SA	Verbal progress update	Dec 2022	
11	October 2022	IDRP: Officers would review the Policy, so there would be clarity with regard the post holders performing functions, within the local authority.	SA	See Appendix 3.	Dec 2022	Dec 2022
12	October 2022	Administration Strategy: The local authority would review the strategy and provide specific clarification with regard to the mechanisms and timetables that would be employed for monitoring and engagement in the final draft.	SA	Verbal progress update	Jan/Feb 2023	
13						
14						
15						



Lewisham Pension Fund Risk Register 2022/23

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

Deleted: 4

Deleted: 4

Formatted: Highlight

Deleted: 12

Deleted: 20

Formatted: Highlight

Deleted: 10

Deleted: 9

**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 - <b>PIC</b>
Pensions Board – <b>PB</b>
Executive Director of Corporate Resources - <b>EDR</b>
Director of Corporate Resources – <b>DCR</b>
Interim Head of Payroll and Pensions - <b>HPP</b>
Pensions Manager – <b>PM</b>
Principal Accountant – <b>PA</b>

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	
<b>Asset and Investment Risk</b>														
AI 01	<b>Funding risk</b> – 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"> <li>Unexpected inflation or pay growth may increase pension and benefit payments to a greater extent/at greater speed than asset returns.</li> <li>Unanticipated market movements may negatively impact asset growth compared to forecasts.</li> </ul>	3	5	15	1. Actuarial valuations take into account: <ul style="list-style-type: none"> <li>Future investment performance/ discount rates, which are estimated on a relatively prudent basis to reduce risk of under-performance.</li> <li>Progress of all employers in the Fund, which is monitored at least annually.</li> </ul> 2. A Funding Strategy Statement is prepared at least every three years as part of the triennial valuation.	<ul style="list-style-type: none"> <li>Consider engagement of independent adviser to challenge/ confirm Investment Strategy decisions.</li> </ul>	3	3	9	15			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
		<ul style="list-style-type: none"> <li>The Fund's Investment Strategy Statement and/or Funding Strategy may contain flawed assumptions.</li> </ul>			6	<ol style="list-style-type: none"> <li>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.</li> <li>Asset allocation includes acceptable ranges of deviation to allow for market movements and rebalancing arrangements for when those limits are breached.</li> <li>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.</li> </ol>							
AI 02	Concentration Risk	<ul style="list-style-type: none"> <li>Concentration of assets in a single asset class, geography or manager where underperformance relative to expectations would result in difficulties meeting funding objectives.</li> </ul>	2	3	6	<ol style="list-style-type: none"> <li>Assets are invested on the basis of professional, specialist advice, in a diversified manner across asset classes, geographies, managers etc.</li> <li>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.</li> </ol>		2	2	4	6		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
AI 03	<b>Liquidity Risk</b> – the risk that the Fund is unable to meet its immediate liabilities due to insufficient liquid assets.	<ul style="list-style-type: none"> <li>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.</li> </ul>	3	4	12	<ol style="list-style-type: none"> <li>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.</li> <li><u>The Funds liquidity risk has increased marginally as the rebalancing has resulted in slightly lower levels of equities held, although marginally.</u></li> </ol>	<ul style="list-style-type: none"> <li>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.</li> </ul>	1	3	3	12		DCR PA
AI 04	<b>Currency Risk</b> – where a variation in the prices of assets relative to liabilities is caused by movement in currency rates.	<ul style="list-style-type: none"> <li>Over exposure to volatile currencies.</li> <li>The appreciation of sterling relative to other currencies, given the proportion of Fund's assets denominated in currencies other than sterling (approx. 10%).</li> </ul>	2	2	6	<ol style="list-style-type: none"> <li><u>The Fund invests in a range of overseas markets which provides a diversified approach to currency markets.</u></li> <li><u>The recent funding of low carbon equities mandates has meant a larger proportion of the Fund is now held in US\$.</u></li> </ol>		1	2	2	4		PIC
AI 05	<b>Transition Risk</b> – the risk of incurring unexpected costs relating to the movement of assets among managers.	<ul style="list-style-type: none"> <li>Market movements e.g. the impact of Coronavirus on equity valuations.</li> <li>Transition to a pooling vehicle may incur unknown costs.</li> </ul>	2	2	6	<ol style="list-style-type: none"> <li>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.</li> <li><u>The Fund appointed a specialist transition manager for the transfer to the three low carbon passive equity mandates in 2021 which reduced transition costs for the Fund, however until the final funding for the emerging market mandate is complete this risk remains higher than previously.</u></li> </ol>		1	2	2	4		PIC DCR PA

Page 25

- Formatted: Indent: Left: 0.06 cm, Hanging: 0.5 cm, Numbered + Level: 1 + Numbering Style: 1, 2, 3, ... + Start at: 1 + Alignment: Left + Aligned at: 0.63 cm + Indent at: 1.27 cm
- Formatted: Font: (Default) Arial, 9 pt
- Deleted: 4
- Formatted: Indent: Left: 0.06 cm, Hanging: 0.5 cm
- Formatted: Indent: Left: 1.27 cm, No bullets or numbering
- Deleted: 4
- Formatted:
- Formatted: Indent: Left: 0.06 cm, Hanging: 0.5 cm, Numbered + Level: 1 + Numbering Style: 1, 2, 3, ... + Start at: 1 + Alignment: Left + Aligned at: 0.63 cm + Indent at: 1.27 cm
- Deleted: <#>The Fund may appoint a specialist transition manager if necessary.¶

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	<b>Manager Underperformance Risk</b> – the failure of fund managers to achieve expected investment returns.	<ul style="list-style-type: none"> <li>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.</li> <li>Due diligence and manager selection process not thorough enough.</li> <li>Departure of key personnel/high turnover of investment team.</li> </ul>	3	3	9	<ol style="list-style-type: none"> <li>Passive management of approx. 70% of the Fund – reduces risk of underperformance, where managers generally deliver returns in line with benchmark expectations.</li> <li>The Fund has appointed several managers across diversified assets to reduce the risk of any one manager underperforming.</li> <li>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.</li> <li>Managers regularly present to, and update, PIC; officers regularly meet and engage with managers.</li> <li>Manager selection exercises are undertaken with assistance from Fund's advisers.</li> </ol>	<ul style="list-style-type: none"> <li>Review of benchmarks used by custodian to ensure performance is being correctly recorded in performance reporting.</li> </ul>	2	3	6	10		PIC DCR PA
AI 07	<b>Environmental, Social and Governance (ESG) Risks</b> – the risk that ESG related factors reduce the Fund's ability to generate long-term returns.	<ul style="list-style-type: none"> <li>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.</li> </ul>	4	3	6	<ol style="list-style-type: none"> <li>The Fund's overall ESG policy is included in its Investment Strategy Statement.</li> <li>The Fund has established a set of 5 Climate Objectives (CO) to drive future investment.</li> <li>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,</li> </ol>	<ul style="list-style-type: none"> <li>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.</li> <li>Improve engagement with managers to identify the extent to which ESG factors are considered within the investment process, and establish degree of comfort that</li> </ul>	2	2	4	12		PIC DCR PA

Formatted Table

Deleted: 12

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"> <li>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.</li> <li>Fossil fuel linked investments suffer losses due to stranded assets and reputational damage.</li> <li>Not managing exposure to environmental risk (including climate change risk) can leave the Fund susceptible to challenge from legal and pressure groups.</li> </ul>				<p>responsible investment, and climate change.</p> <ol style="list-style-type: none"> <li>The majority of the Fund's managers have signed up to the UK Stewardship Code.</li> <li>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.</li> <li>The Fund's advisers explicitly model potential government corporate policies on climate change when reviewing its Funding and Investment Strategies.</li> <li>The Fund takes advice from actuarial and investment advisers to improve understanding of ESG issues.</li> <li>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).</li> </ol>	<p>these risks are being appropriately managed on the Fund's behalf.</p> <ul style="list-style-type: none"> <li>Create a formal Responsible Investment (RI) policy to incorporate SIB, CO and ESG Policies per the Investment Strategy Statement.</li> </ul>							
AI 08	<b>Investment Pooling Risk</b> – the risk that the London CIV (LCIV) fails to meet the Fund's needs.	<ul style="list-style-type: none"> <li>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</li> </ul>	3	4	12	<ol style="list-style-type: none"> <li>The Fund is a founding shareholder of the LCIV and has shareholder input at Member and officer level.</li> <li>Member representation at LCIV's AGM.</li> <li>Member and officer involvement in LCIV mandate developments via consultation and Seed Investment Groups (SIG).</li> </ol>	<ul style="list-style-type: none"> <li>More work required to understand the role of LCIV's oversight committee &amp; its own risk management arrangements and processes.</li> </ul>	1	3	3	12		EDR DCR PIC 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
		and skill risk, reputational risk, and regulatory and compliance risk. <ul style="list-style-type: none"> <li>Asset pooling may restrict the Fund's ability to fully implement its desired strategy.</li> </ul>				4. Officers maintain regular contact with LCIV via client meetings, business update meetings, and 'meet the manager' sessions.							
<b>Liability Risk</b>													
LI 01	<b>Discount Rate Risk</b> – 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"> <li>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.</li> </ul>	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"> <li>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.</li> </ul>	2	2	4	6		EDR DCR
LI 02	<b>Inflation Risk</b> – the risk of incorrect inflationary assumptions used in the Fund valuation.	<ul style="list-style-type: none"> <li>Unexpected inflation or pay growth increases pension and benefit payments, and assets do not grow fast enough to meet the increased cost.</li> </ul>	2	2	4	1. The Fund adopts a prudent inflation assumption at triennial valuation as a cushion against increases in future inflation expectations.  2. The Investment Strategy is set so as to provide exposure to assets providing inflation protected growth		2	2	4	4		EDR DCR
LI 03	<b>Salary Increase Risk</b> – the risk of incorrect salary increase assumptions used in the Fund valuation.	<ul style="list-style-type: none"> <li>When salary increases actually awarded are higher than the assumed increase in the triennial valuation.</li> </ul>	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	6		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	<b>Longevity Risk</b> – the risk of incorrect life expectancy assumptions used in the Fund valuation.	<ul style="list-style-type: none"> <li>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.</li> <li>Maturing fund – the proportion of active members declines relative to retired employees.</li> </ul>	3	2	6	<ol style="list-style-type: none"> <li>The Fund set mortality assumptions with a prudent allowance for future increases in life expectancy, as a cushion against faster than expected improvements.</li> <li>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.</li> <li>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</li> </ol>		2	2	4	6		EDR DCR
LI 05	<b>Early Retirement Risk</b> – the risk that members retire earlier than assumed in the Fund valuation.	<ul style="list-style-type: none"> <li>Members retiring for financial freedom, or due to perceived unfavourable changes to working conditions.</li> <li>Liabilities for members who retire earlier than assumed in the triennial valuation and receive no reduction in benefits will be higher than expected.</li> </ul>	3	2	6	<ol style="list-style-type: none"> <li>The Fund adopts a prudent assumption for early retirements at triennial valuation as a cushion against higher than expected retirement.</li> <li>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.</li> <li>Updates from the Fund actuary through the triennial valuation process or more regularly (and advises employers of the effect on their contributions).</li> </ol>		2	2	4	6		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	<b>Ill-Health Retirement Risk</b> – the risk that more members retire due to ill health than assumed in the Fund valuation.	<ul style="list-style-type: none"> <li>Where more members are granted higher tier benefits, the Fund's liabilities will increase and employer contributions may need to increase accordingly.</li> </ul>	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	4		EDR DCR
LI 07	<b>Regulatory Risk</b> – the extent to which legislative and regulatory changes impact the Fund.	<ul style="list-style-type: none"> <li>Changes to the LGPS where benefits are governed by statute; for example, McCloud, Goodwin, exit payment cap etc.</li> <li>Changes by Government to particular employer participation in LGPS funds, leading to impacts on Funding and/or Investment Strategies.</li> </ul>	5	4	12	<ol style="list-style-type: none"> <li>The Fund's actuary provides regular updates to Members and officers and assists in adhering to new regulations.</li> <li>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.</li> <li>Officers consider all consultation papers issued by the Government, in conjunction with the Fund's advisers, and comments where appropriate.</li> <li>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).</li> </ol>	<ul style="list-style-type: none"> <li>Project planning for how to approach and manage the forthcoming regulatory and legislative changes.</li> <li>Resource planning for managing forthcoming regulatory and legislative changes.</li> </ul>	3	4	12	20		EDR DCR HPP PM
<b>Employer Risk</b>													
EM 01	<b>Financial Risk</b> – the risk that employers cannot	<ul style="list-style-type: none"> <li>Rise in unanticipated ill-health or early retirements,</li> </ul>	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	9		EDR HPP PM

Formatted Table

Deleted: 20

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
	meet their obligations to the Fund, and/or other employers become liable for their deficits.	leading to contribution shortfall. <ul style="list-style-type: none"> <li>Market conditions lead to employees opting out of LGPS, or employers deciding they can no longer afford the required level of contributions.</li> </ul>			4	include an analysis of financial position, forward-looking prospects and the ongoing ability to pay the necessary employer contributions. <ol style="list-style-type: none"> <li>Officers work with the Fund's actuary to calculate cessation valuations when an employer is due to leave the Fund.</li> <li>The Pensions Team maintains a close relationship with employing bodies to identify any potential issues at an early stage, and communicates required standards.</li> <li>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.</li> </ol>							
EM 02	<b>Administration Risk</b> – the risk that employers maintain poor records and provide inaccurate information.	<ul style="list-style-type: none"> <li>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.</li> </ul>	2	2	4	<ol style="list-style-type: none"> <li>Officers monitor and maintain records of employers in the Fund, e.g. number of participating members, promptness of contribution payments etc.</li> <li>Employers are made aware of their responsibilities and payment procedures when admitted to the scheme/ as part of their admission agreements.</li> </ol>		2	2	4	<u>4</u>		HPP PM
EM 03	<b>Reputational Risk</b> – the risk of adverse publicity arising from interactions with, or failure of an employing authority.	<ul style="list-style-type: none"> <li>Inaccurate information in the public domain leads to damage to reputation and loss of confidence.</li> <li>Complaints not handled appropriately or in time.</li> </ul>	2	2	4	<ol style="list-style-type: none"> <li>Officers maintain constructive relationships with Fund employers.</li> <li>Processes are in place for responding to FOIs, Member/Public questions, and employer queries.</li> </ol>		2	2	4	<u>4</u>		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
<b>Resource and Skill Risk</b>													
RS 01	Inadequate Staffing	<ul style="list-style-type: none"> <li>High staff turnover</li> <li>Regular staff absence</li> <li>Poor recruitment</li> </ul>	4	3	12	<ol style="list-style-type: none"> <li>The Council has a standard recruitment policy in place.</li> <li>Utilisation of additional resourcing (e.g. Hymans Robertson and/or independent advice) if needed, where staff shortfalls prevent internal specialisation.</li> </ol>	<ul style="list-style-type: none"> <li>Preparing annual business plans which identify short and long term resource requirements.</li> <li>Improved retention policies and procedures where skills are in high demand/short supply.</li> </ul>	2	2	4	12		EDR DCR
RS 02	Inadequate Resources for Support Staff	<ul style="list-style-type: none"> <li>Out-of-date or inadequate software.</li> <li>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.</li> </ul>	2	2	4	<ol style="list-style-type: none"> <li>Budgetary provisions are made for staff and resources to meet demands of the service.</li> <li>Regular retendering of pensions administration contracts with third party suppliers to ensure required standards are included in contract specifications.</li> <li>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.</li> </ol>		1	1	1	4		EDR DCR
RS 03	Inadequate Knowledge and Skills – Pensions Committee and Pension Board.	<ul style="list-style-type: none"> <li>Change of membership/high turnover of membership.</li> <li>Low attendance at meetings.</li> <li>New members not sufficiently inducted or signposted to learning</li> </ul>	4	3	12	<ol style="list-style-type: none"> <li>Induction training is offered to new Members when joining PIC.</li> <li>Training is provided by the Fund's investment adviser, particularly in those specific asset classes relevant to the Fund and when acquiring new mandates.</li> <li>Officers signpost a quarterly selection of recommended conferences, workshops</li> </ol>	<ul style="list-style-type: none"> <li>Induction programme to be developed for the Pension Board</li> </ul>	2	2	4	12		PIC PB 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
		opportunities/ requirements. • Poorly designed training programmes.				and training events to PIC and Pension Board members. 4. PIC and Pension Board members are requested to complete the Pensions Regulator's Public Service Toolkit. 5. 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. 6. Pension Board members are required to undertake learning needs analyses and identify their training requirements. 7. 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	<b>Inadequate Knowledge and Skills - Officers.</b>	• 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	1. 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. 2. Actuarial, investment, independent advice is available where knowledge or skills fall short. 3. Staff with professional qualifications relevant to their job roles.	• 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	19		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
<b>Administrative and Governance Risk</b>													
AG 01	Failure or Unavailability of ICT.	<ul style="list-style-type: none"> <li>• Unscheduled system maintenance, downtime, or outages.</li> <li>• Outdated or incompatible software.</li> <li>• Loss of data due to system failure.</li> </ul>	2	3	6	<ol style="list-style-type: none"> <li>1. Lewisham Information Security Policy – includes technical measures in place to maintain backups of files and emails.</li> <li>2. Corporate Business Continuity Plan in place to respond to potential loss of critical infrastructure, systems and data.</li> <li>3. Custodian and fund manager portals can be accessed from any browser/device outside of the Lewisham network.</li> <li>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).</li> <li>5. IT maintenance is scheduled for non-working hours where possible.</li> </ol>		2	2	4	6		EDR
AG 02	Delays to Pensions Payroll	<ul style="list-style-type: none"> <li>• ICT failure.</li> <li>• Staff absence.</li> </ul>	1	4	4	<ol style="list-style-type: none"> <li>1. Clear procedure notes in place for processing payroll.</li> </ol>	<ul style="list-style-type: none"> <li>• Further training in payroll/ systems to be undertaken in Oracle Cloud.</li> </ul>	1	4	4	4		EDR HPP PM
AG 03	Over-Reliance on/ Loss of Key Staff	<ul style="list-style-type: none"> <li>• Knowledge is concentrated in a small number of officers, risking knowledge drain if those staff leave the authority.</li> <li>• Unequal distribution of workloads creating reliance on certain staff.</li> </ul>	4	3	12	<ol style="list-style-type: none"> <li>1. Staff appraisal programme to identify opportunities for upskilling, job rotation, and fair distribution of work.</li> <li>2. Comprehensive process notes developed and in place.</li> </ol>	<ul style="list-style-type: none"> <li>• 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.</li> </ul>	1	2	2	12		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	<b>Data Quality</b> – the risk of complaints, fines, or incorrect valuation assumptions due to poor data quality.	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>	2	3	6	<ol style="list-style-type: none"> <li>Communications Strategy sets out how Fund will engage with all stakeholders.</li> <li>Reconciliations and review of the recording of pay and pensions by officers, as well as running Altair reports for verification.</li> <li>Segregation of duties so that reconciliations are reviewed by a second individual.</li> </ol>	<ul style="list-style-type: none"> <li>Administration Policy to be developed.</li> </ul>	1	3	3	6		HPP PM PA
AG 05	<b>Professional Advice</b> – the risk that professional advice is not sought or heeded, or proves to be insufficient.	<ul style="list-style-type: none"> <li>Not enough time to seek the appropriate level of advice.</li> <li>Advice is ignored or not acted upon.</li> </ul>	1	4	4	<ol style="list-style-type: none"> <li>Members and officers maintain close contact with its specialist advisers.</li> <li>Investment advice is delivered via formal meetings involving elected Members and recorded appropriately.</li> <li>Actuarial advice is subject to professional requirements such as peer review.</li> </ol>	<ul style="list-style-type: none"> <li>Retendering of actuarial (and investment advisory) services to take place in early 2021.</li> </ul>	1	4	4	4		EDR DCR PIC
AG 06	<b>Legislative and Regulatory Changes</b> – the risk of complaints or fines due to incorrect adoption or incorrect calculation of regulatory changes.	<ul style="list-style-type: none"> <li>Challenging implementation of major regulatory reform.</li> <li>Complexity of new regulations gives rise to heightened risk of error in calculations</li> </ul>	3	4	12	<ol style="list-style-type: none"> <li>Use of Altair to ensure calculations are correct (e.g. for transitional protections).</li> <li>Officers attend and enrol in professional forums and events to keep up to date with legislative or regulatory changes.</li> <li>Support is provided by LGA and the actuary where necessary.</li> </ol>		2	3	6	12		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	<b>Third Party Provider Risk</b>	<ul style="list-style-type: none"> <li>Third party IT systems failing, or not adapting to meet regulatory changes.</li> <li>Underperformance of provider.</li> <li>Poorly resourced, poor contract management, incorrect contract specification.</li> </ul>	3	3	9	<ol style="list-style-type: none"> <li>Third party suppliers used are reputable and fall within pension administration framework agreements.</li> <li>Appropriate oversight and monitoring by the Pensions Team for assurance of controls in place.</li> <li>Regular meetings with contractors to discuss performance and service improvements.</li> </ol>		2	2	4	10		HPP PM
AG 08	<b>Data Protection Risk</b> – the risk of financial penalty or reputational damage due to data mismanagement.	<ul style="list-style-type: none"> <li>ICT failure.</li> <li>Fraud.</li> <li>Security of paper documents, especially when out of the office (e.g. handling paperwork at home due to the Coronavirus pandemic).</li> </ul>	2	3	6	<ol style="list-style-type: none"> <li>Officers have completed compulsory GDPR training.</li> <li>Lewisham Information Security Policy – includes technical measures to help protect information including anti-virus updates, software patches, encryption, permissions management, and system backups.</li> <li>Secure email is available via the Council's standard email or via CJSM or Egress Switch.</li> </ol>		2	3	6	6		HPP PM
AG 09	<b>Fraud or Fraudulent Behaviour</b> – 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"> <li>Opportunities to commit fraud can arise due to a temporary situation where the risk of being caught is low.</li> <li>Lapsed controls, or loopholes identified by those intent on fraudulent behaviour.</li> </ul>	2	3	6	<ol style="list-style-type: none"> <li>Appropriate system of checks and authorisations for death and transfer cases.</li> <li>Separation of duties for upload, checking, approval, input and processing of payments from the Pension Fund bank account.</li> <li>"Confirmation of Payee" initiative used by bank to target and prevent impersonation fraud, invoice redirection and new payment fraud.</li> </ol>		1	2	2	6		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
						<ol style="list-style-type: none"> <li>Monthly reconciliation of Pension Fund bank account to identify and code all income/payments.</li> <li>Internal audit acts as an appraisal and advisory service and can review, identify and advise on internal controls regarding fraud prevention.</li> <li>Fund managers are requested to submit internal control reports which are reviewed by external audit.</li> </ol>							
AG 10	Cyber Threats – the risk of vulnerability to, and impact of, cyber-attacks that result in different types of breaches.	<ul style="list-style-type: none"> <li>Failure of ICT.</li> <li>Accidental loss of hardware (laptop, mobile, USB device).</li> <li>Accidental loss of electronic data.</li> <li>Generic malware.</li> <li>Untargeted attacks from 'hobbyist' hackers.</li> <li>Targeted attacks from ex-employees, customers, current employees or anonymous activists.</li> <li>State-sponsored attacks, cyber-criminal/terrorists.</li> </ul>	3	5	15	<ol style="list-style-type: none"> <li>Lewisham Information Security Policy – includes technical measures to help protect IT systems including anti-virus updates, software patches, encryption, and firewalls.</li> <li>'Spam email' blocking software and a dedicated mailbox for reporting spam/phishing attacks.</li> <li>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.</li> <li>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.</li> </ol>	<ul style="list-style-type: none"> <li>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.</li> <li>Member/officer training required on cyber threats.</li> <li>Undertake testing of security measures and protocols in place for the Fund; penetration testing, testing of staff to gauge reactions to typical threats.</li> <li>Consider appointing an ICT Compliance Officer for reporting to the Pensions Board.</li> </ul>	2	5	10	15		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"> <li>High staff turnover at officer, PIC or Pension Board level.</li> <li>Lack of oversight at senior officer, PIC or Pension Board level.</li> <li>Undisclosed conflicts of interest.</li> <li>Decision making process is too rigid.</li> <li>Poor monitoring of political and public sector landscape.</li> </ul>	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	9		EDR HCR PIC PB
AG 12	Operational Disaster – Fire/ Flood/ Pandemic	<ul style="list-style-type: none"> <li>Covid-19 and its associated impact on the administration and governance of the Fund.</li> </ul>	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	10		EDR DCR

Formatted Table

Deleted: 10

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
						Council managed device or own devices via 2FA.  4. Government guidelines to be followed in the event of a pandemic – Committee meetings continue virtually.							
<b>Regulatory and Compliance Risk</b>													
RC 01	<b>Non-compliance Risk – Statement of Accounts</b>	<ul style="list-style-type: none"> <li>Material misstatement due to incorrect accounting practices, poor judgement or breaches of the law that potentially result in a qualified audit opinion.</li> <li>Changes to accounting requirements that are incorrectly implemented.</li> <li>Poor quality of data and/or recordkeeping.</li> </ul>	3	3	9	<ol style="list-style-type: none"> <li>Qualified CIPFA officers produce Statement of Accounts in accordance with the CIPFA Accounting Code of Practice.</li> <li>Accounts are reviewed by the Executive Director of Corporate Resources, also a qualified CIPFA accountant.</li> <li>Reconciliations of key control accounts, custodian valuations, manager valuations, and the Fund’s ledger.</li> <li>Reconciliations are reviewed and signed off by a second officer.</li> <li>External audit of accounts identifies audit findings which if implemented will avoid a qualified opinion.</li> </ol>	<ul style="list-style-type: none"> <li>Quarterly or bi-annual accounts could be produced to improve in-year monitoring and reduce workload/risk of error at year-end.</li> </ul>	2	3	6	9		EDR HCR
RC 02	<b>Non-compliance Risk - Other</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>	3	3	9	<ol style="list-style-type: none"> <li>Officers engage in statutory consultation periods to obtain early sight of planned changes to legislation and increase understanding of changes.</li> <li>Members and officers attend relevant training events and conferences.</li> <li>Members and officers engage with formal and informal networks.</li> </ol>	<ul style="list-style-type: none"> <li>Plan a follow-up compliance review following initial review in April 2019.</li> </ul>	2	3	6	9		EDR HCR

Formatted Table  
Deleted: 9

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



# **LONDON BOROUGH OF LEWISHAM INTERNAL DISPUTE RESOLUTION PROCEDURE (IDRP) EMPLOYEES' GUIDE**

This guide shows how the internal dispute resolution procedures operate in the Local Government Pension Scheme, and is provided for general information only. It does not cover every aspect. It is not an interpretation of the scheme regulations. In the event of any unintentional differences, the scheme regulations will apply. This booklet does not confer any contractual or statutory rights.

## **Enquiries**

If you are not sure which benefits you are entitled to, or you have a problem with your benefits, please either phone the number on the letter your employer or the Pensions Team of your administering authority:

Address: London Borough of Lewisham  
Pensions Team  
4<sup>th</sup> Floor Laurence House  
1 Catford Road  
London SE6 4RU

Telephone: 020 8314 7277

E-mail: [pensionsteam@lewisham.gov.uk](mailto:pensionsteam@lewisham.gov.uk)

The Pensions Team will try to deal with the problem as quickly and efficiently as possible. The administering authority is the authority that looks after the pension fund.

Many problems that members have are, in fact, resolved in this way. They may be caused by misunderstandings or wrong information, which can be explained or put right easily. An informal enquiry of this kind may save you a lot of time and trouble.

## **Decisions**

From the day that you become a member of the Local Government Pension Scheme (LGPS), to the day when benefits or dependant's benefits are paid decisions are made about your pension rights. Some decisions are made by your employer and some decisions are made by Lewisham Pensions Team as the administering authority. When you (this includes dependants) are notified of a decision you should check, as far as you can, that it is based on the correct details and that you agree with the decision.

## **Complaints**

If you are not satisfied with any decision affecting you made in relation to the Scheme, you have the right to ask for it to be looked at again under the formal complaint procedure. You also have a right to use the procedure if a decision should have been made by your employer or administering authority, but it hasn't been. The complaint procedure's official name is the 'Internal Dispute Resolution Procedure' (IDRP).

There are also a number of other regulatory bodies, such as The Pension Advisory service (TPAS) and the Pensions Ombudsman, which may be able to help you. They are described in the 'Additional Help' section. You can contact TPAS for information and advice at any stage during the formal complaint procedure.

The formal complaint procedure has two stages, although many complaints are resolved at the first stage. Any complaint you make will be treated seriously, and considered thoroughly and fairly.

You can ask someone to take your complaint forward on your behalf. This could be, for instance, a trade union official, welfare officer, your husband, wife or partner, or a friend.

No charge is made at any stage for investigating a complaint under the internal dispute resolution procedure. But expenses that you will have to meet are your own (and/or your representative's) time, stationery and postage.

At any stage during the formal complaint procedure you can contact the Pensions Advisory Service for information and advice (see *Additional Help* section).

Please remember that, before going to the trouble of making a formal complaint, your Pensions Section may welcome the opportunity to try to resolve the matter about which you are dissatisfied in an informal way. It may be worth checking again that they know you are concerned, and why.

### **Exceptions where you cannot apply for IDR**

There are certain circumstances where you cannot apply for IDR. As detailed under Section 50(9) of the 1995 Pensions Act, IDR is not possible if any of the following applies:

- Proceedings have commenced in a court or tribunal
- The Pensions Ombudsman has started an investigation
- It is prescribed by regulations made by the Secretary of State

## **First stage**

If you need to make a formal complaint, you should make it:

- in writing, using the application form at the end of this guide, and
- within 6 months of the day when you were told of the decision you want to complain about.

Your complaint will be considered carefully by a person nominated by your employer or the administering authority that took the original decision you wish to appeal against. This guide calls them the 'Stage 1 Adjudicator' and they are required to give you their decision in writing.

The Stage 1 Adjudicator nominated by the administering authority will be The Head of Pensions and Payroll.

You should complete the IDRП form setting out the full details of your complaint. Please make sure that you include your full name, address, date of birth and National Insurance number.

Please send the completed form and any relevant evidence to:

Pensions Manager  
London Borough of Lewisham  
Pensions Team  
4<sup>th</sup> Floor Laurence House  
1 Catford Road  
London SE6 4RU

E-mail: [pensionsteam@lewisham.gov.uk](mailto:pensionsteam@lewisham.gov.uk)

## **What happens next?**

The facts of your case and any other supporting documentation will be examined, alongside the Scheme rules, and any legislation that is applicable. It is possible that you may be asked for more details, to help the Stage 1 Adjudicator fully understand your case. Your complaint will then be considered carefully and you will receive a written reply within 2 months of the date your complaint is received.

If it has not been possible for the Stage 1 Adjudicator to issue a decision within the 2 month period, a letter will be sent to you explaining the reasons for the delay and provide an expected date for issuing a decision.

## **Receiving a reply from the Stage 1 Adjudicator**

The Stage 1 Adjudicator will write to you, and to your representative if you have one, with a decision on your complaint. The letter will explain the decision and the details of any legislation or provisions of the Scheme Regulations which have been referred to in the decision making process.

The decision letter will also give you information about how to apply for Stage 2 of the IDRП should you wish to appeal against the Stage 1 decision.

If the decision you complained about concerned the exercise of a discretion by your employer or the administering authority, and the Stage 1 Adjudicator decides that your employer or the administering authority should reconsider how they exercised their decision, they will write to

notify them of their decision. In such cases, the Stage 1 Adjudicator cannot overturn the initial decision but can determine whether the discretion has been exercised reasonably and, in cases where this is found not to be the case, can refer the decision to be reconsidered. If you are still not satisfied with this decision after reconsideration, then you can take your appeal to Stage 2.

## Second Stage

You can ask the Pensions Team to take a fresh look at your complaint in any of the following circumstances:

- If you are not satisfied with the Adjudicator's first decision
- If you have not received a decision or an interim letter from the Adjudicator, and it is 3 months since you lodged your complaint,

You must apply for your complaint to be dealt with under Stage 2 within the time limits set out at the end of this guide and give a statement of the reasons why you are dissatisfied with that decision. Please send the completed application form, covering letter, all the details you provided at Stage 1 and a copy of the Stage 1 decision to:

London Borough of Lewisham  
Pensions Team  
4<sup>th</sup> Floor Laurence House  
1 Catford Road  
London SE6 4RU

E-mail: [pensionsteam@lewisham.gov.uk](mailto:pensionsteam@lewisham.gov.uk)

The person nominated by the administering authority as the *Stage 2 adjudicator* will let you and your representative, if you have one, know the decision within 2 months of your appeal being received and whether this confirms, changes or reverses the Stage 1 decision.

The Stage 2 Adjudicator nominated by the administering authority will be The Head of Legal.

You will be provided with a written statement explaining the decision, the provisions of the Scheme Rules and any legislation relevant to the matter.

In any case where the Stage 2 Adjudicator cannot give their decision within 2 months, you will be written to setting out reasons for the delay and an expected date for giving the decision.

If you are still unhappy following the administering authority's second stage decision, you can take your case to the Pensions Ombudsman provided you do so within 3 years from the date of the original decision (or lack of a decision) about which you are complaining.

## **Additional Help**

### **The Pensions Advisory Service (TPAS)**

TPAS provide independent and impartial information about pensions, free of charge, to members of the public. TPAS is available to assist members and beneficiaries of the scheme with any pension query they have or any general requests for information or guidance concerning their pension benefits. Visit the TPO at <https://www.pensionsadvisoryservice.org.uk>

If you have received a second-stage decision under the IDRPs, are not satisfied with that decision, and still think your complaint is well-founded, TPAS may be able to help to resolve your pension complaint or dispute. Before asking for TPAS' help in resolving a dispute, you must have already tried to settle it using the IDRPs described above.

A TPAS adviser cannot force a pension scheme to take a particular step but, if they think your complaint is justified, they will try to resolve the problem through conciliation and mediation. TPAS would need copies of all relevant documents, including the correspondence about your complaint under the internal complaints procedure and how it was dealt with.

Contact TPAS:

Website: <https://www.pensionsadvisoryservice.org.uk>

Telephone: 0800 011 3797

In Writing: The Money and Pensions Service, 120 Holborn, London EC1N 2TD

### **The Pensions Ombudsman (TPO)**

The TPO investigates complaints and settles disputes about pension schemes.

You have the right to refer your complaint to the TPO free of charge. Before you refer your complaint, you should first have tried to resolve it through the IDRPs and have consulted TPAS.

The TPO is completely independent and acts as an impartial adjudicator. His role and powers have been decided by Parliament. The TPO cannot investigate matters where legal proceedings have already started but, subject to that, he can settle disputes about matters of fact or law as they affect occupational pension schemes.

He can also investigate and decide any complaint or dispute about the maladministration of a pension scheme. Maladministration is about the way that a decision is taken, rather than about the merits of the decision.

The TPO's decision is final and binding on all the parties, subject to any appeal made to the High Court on a point of law.

You must refer your complaint to the Ombudsman within 3 years of the event about which you are complaining, or within 3 years of when you first became aware of the problem.

Contact TPO:

Telephone: 0800 917 4487

Email: [enquiries@pensions-ombudsman.org.uk](mailto:enquiries@pensions-ombudsman.org.uk)

In Writing: The Pensions Ombudsman, 10 South Colonnade, Canary Wharf E14 4PU

IDRP 2022

## INTERNAL DISPUTE RESOLUTION PROCEDURE

### Application to Adjudicator – Stage 1

### Local Government Pension Scheme

**You can use this form to apply to the Adjudicator if you want them to investigate a complaint concerning your pension. Please write clearly in black ink**

#### 1. Member's details:

If you are the member (the person who is or was in the Scheme), or a prospective member (a person who is eligible to be a member of the Scheme), please give your details in this section, and then go to **section 4**.

If you are the member's dependant (for example, their husband, wife or child), please give the member's details in this section, and then go to **section 2**.

If you are representing the person with the complaint, please give the member's details in this section, and then go to **section 3**.

Full Name	
Address	
Telephone Number	
Email address	
Date of Birth	
Employer name and address	
National insurance number	
Job Title	

**2. Dependant's detail:**

If you are the member's dependant and the complaint is about a benefit for you, please give **your** details in this section and then **complete section 4**.

If the complaint is about a benefit for a dependant and you are the dependant's representative, please give the dependant's details in this section and then go to **section 3**.

Full Name	
Address	
Telephone Number	
Relationship to Member	

**3. Representative's details:**

If you are the member's or dependant's representative, please give your details in this section then go to **section 4**.

Your Name	
Address	
Telephone Number	
The address response letters should be sent to	

#### **4. Your complaint**

Please give full details of your complaint in this box. Please try to explain exactly why you are unhappy, giving any dates or periods of Scheme membership that you think are relevant.

**If there is not enough space, please go on to a separate sheet and attach it to this form.** Remember to write your name and national insurance number at the top of any separate sheet if you are a member. Or, if you are not a member, put the member's name and national insurance number at the top of any separate sheet.

## 5. Declaration

Please tick the statement which applies to you:

- I am a scheme member/prospective scheme member/former scheme member
- I am a dependant of a former scheme member
- I am the scheme member's or dependant's representative\*

I would like the Adjudicator to investigate my complaint and make a decision about it. I understand the information I have provide will be shared with the Adjudicator. Information may also be provided by my (ex) employer and/or the Pensions Team. I can ask for copies of this information.

Signed \_\_\_\_\_ Date \_\_\_\_\_

If you are the scheme member's or dependant's representative, we require written permission from the scheme member or dependant to disclose information to you. The scheme member or dependant should complete the declaration below:

I \_\_\_\_\_ (scheme member or dependant's name)  
give permission for \_\_\_\_\_ (representative's  
name) to represent me.

I would/would not (delete as applicable) like to receive a copy of all correspondence.

Signed \_\_\_\_\_ Date \_\_\_\_\_

**Please enclose a copy of any notification you received from your employer or Lewisham Pensions Team about the decision you are complaining about, together with evidence in support of your appeal.**

**Please return this form to:**

Pensions Manager  
London Borough of Lewisham  
Pensions Team  
4<sup>th</sup> Floor Laurence House  
1 Catford Road  
London  
SE6 4RU

## Time limits under the Internal Dispute Resolution Procedure

<b>Your situation</b>	<b>To complain to</b>	<b>Time Limit</b>
You have received a decision on your benefits under the pension scheme from your employer/administering authority, and there seem to be good grounds for complaining.	The nominated person under the first stage of the procedure.	6 months from the date when you were notified of the decision <sup>1</sup>
You have received a first stage decision on your complaint from the nominated person, but you are not satisfied.	The relevant administering authority under the second stage of the procedure.	6 months from the date of the nominated person's decision
You made your complaint in writing to the nominated person, with all the information they needed but, 3 months later, you have not received their decision on your complaint or any interim reply.	The relevant administering authority under the second stage of the procedure.	9 months from the date when you submitted your complaint.
You received an interim reply to your complaint to the nominated person, within 2 months of applying to them. Their reply promised you a decision by a specified date but, one month after the specified date, you still have not received their decision.	The relevant administering authority under the second stage of the procedure.	7 months from the date by which you were promised you would receive a decision
Your complaint is that your employer or administering authority have failed to make any decision about your benefits under the pension scheme	The nominated person under the first stage of the procedure	6 months from the date when the employer or administering authority should have made the decision <sup>2</sup> .
Your complaint went to the administering authority under the second stage of the procedure. You received their decision but you are still not satisfied.	The Pensions Ombudsman. Note that the Ombudsman will normally expect you to have asked TPAS for help first.	3 years from the date of the original decision about which you are complaining.
You have taken your complaint to the administering	The Pensions Ombudsman. Note	3 years from the date of the original

<sup>1</sup> The nominated person can extend the 6 month time limit for a reasonable period where there are special circumstances.

<sup>2</sup> The nominated person can extend the 6 month time limit for a reasonable period where there are special circumstances.

<b>Your situation</b>	<b>To complain to</b>	<b>Time Limit</b>
<p>authority under the second stage of the procedure but, 2 months after your complaint was received by the authority, you have not received their decision on your complaint or any interim reply.</p>	<p>that the Ombudsman will normally expect you to have asked TPAS for help first.</p>	<p>decision about which you are complaining.</p>
<p>You received an interim reply to your second stage complaint to the administering authority, within 2 months of applying to them. Their reply promised you a decision by a certain date but, by that date, you still have not received their decision</p>	<p>The Pensions Ombudsman. Note that the Ombudsman will normally expect you to have asked TPAS for help first.</p>	<p>3 years from the date of the original decision about which you are complaining.</p>

## London Borough of Lewisham Administering Authority Breaches Process & Log

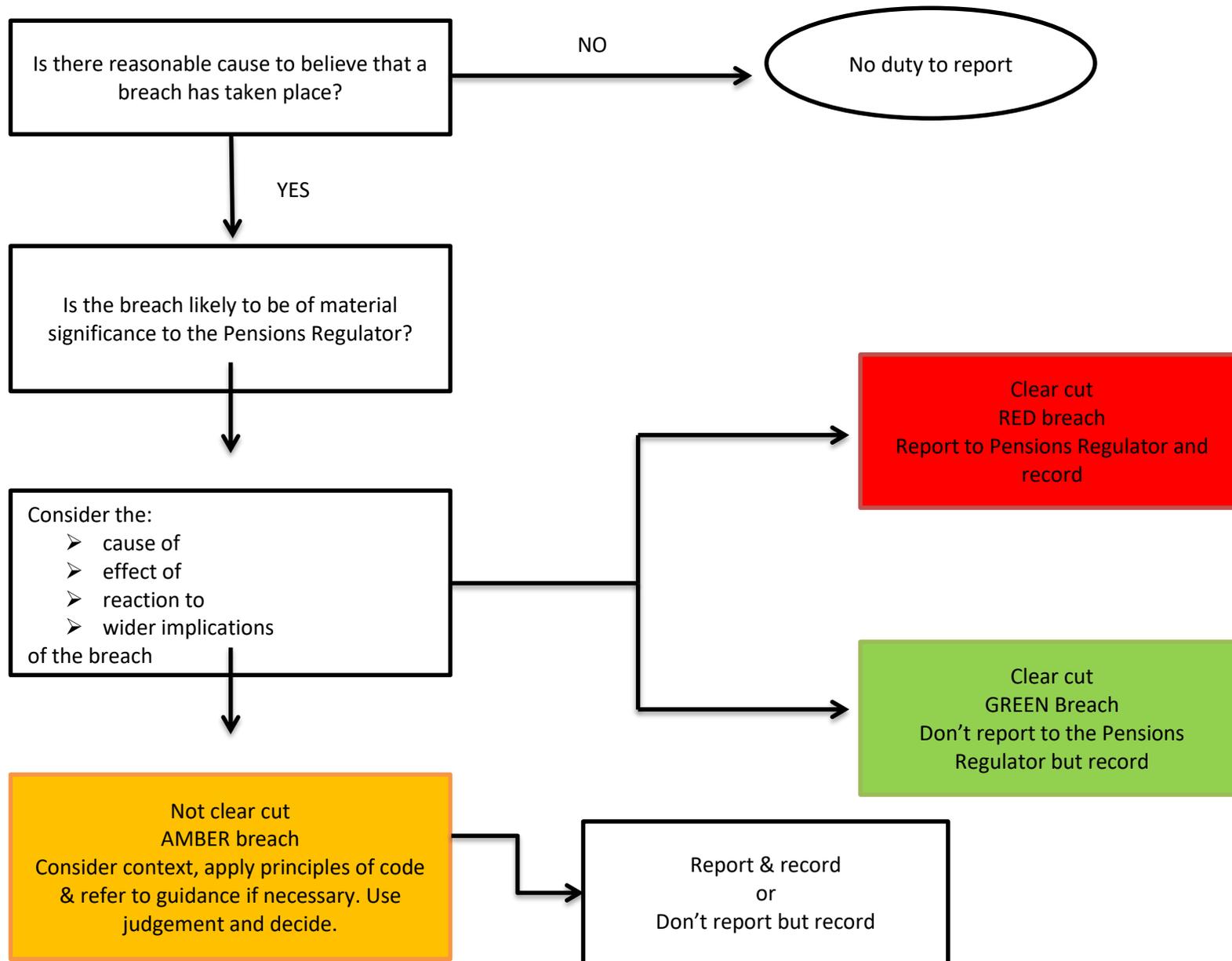
All breaches or likely breaches identified are to be reported to the Monitoring Officer (Jeremy Chambers) and Section 151 Officer (Kathy Freeman) as soon as they are identified. The Head of Payroll and Pensions (Shida Ashrafi) will log all breaches on the Council's breaches log once notified, this notification will include the following:

- the date the breach or likely breach was identified;
- name of the employer (where appropriate);
- any relevant dates;
- a description of the breach, its cause and effect, including the reason it is, or is not, believed to be of material significance;
- whether the breach is considered to be red, amber or green;
- a description of the actions taken to rectify the breach;
- a brief description of any longer term implications and actions required to prevent similar types of breaches re-occurring in the future.

The Monitoring Officer (Jeremy Chambers) will be responsible for ensuring the effective management and rectification of any breach identified, including the submission of any report to the Pensions Regulator. Any documentation supporting the breach will be maintained by the Head of Payroll and Pensions (Shida Ashrafi).



# Process Flow



# Breaches Log

Date Identified	Pensions Administration or Employer (if applicable)	Relevant Dates	Description	Red, Amber or Green	Actions Taken	Long Term Effects

# Agenda Item 5

## Lewisham Pension Board

### Training Log (from March 2022 to date)

	Date	Organiser	Event	Hours
<b><u>Chair</u></b> Stephen Warren	22/06/2022	Katharine Nidd	LGPS Governance, Regulatory Framework, Fund Administration and Fund Investment	1.0
	06/10/2022	Hymans Robertson	High Level Valuation Training	1.0
	14/12/2022	Katharine Nidd	Asset Liability Modelling Training	1.0
<b><u>Employee Rep</u></b> Salena Mulhere	22/06/2022	Katharine Nidd	LGPS Governance, Regulatory Framework, Fund Administration and Fund Investment	1.0
	06/10/2022	Hymans Robertson	High Level Valuation Training	1.0
	14/12/2022	Katharine Nidd	Asset Liability Modelling Training	1.0
<b><u>Employee Rep</u></b> Gary Cummins	22/06/2022	Katharine Nidd	LGPS Governance, Regulatory Framework, Fund Administration and Fund Investment	1.0
	06/10/2022	Hymans Robertson	High Level Valuation Training	1.0
	14/12/2022	Katharine Nidd	Asset Liability Modelling Training	1.0
<b><u>Employer Rep</u></b> Rowann Limond	22/06/2022	Katharine Nidd	LGPS Governance, Regulatory Framework, Fund Administration and Fund Investment	1.0
	06/10/2022	Hymans Robertson	High Level Valuation Training	1.0
	03/11/2022	Pension Regulator	Pension Regulator Toolkit	7.0
	14/12/2022	Katharine Nidd	Asset Liability Modelling Training	1.0
<b><u>Employer Rep</u></b> Mark Adu-Brobby	22/06/2022	Katharine Nidd	LGPS Governance, Regulatory Framework, Fund Administration and Fund Investment	1.0
	06/10/2022	Hymans Robertson	High Level Valuation Training	1.0
	14/12/2022	Katharine Nidd	Asset Liability Modelling Training	1.0

## Member Progress against the Pension Regulator's Toolkit

Module	Stephen Warren	Salena Mulhere	Gary Cummins	Rowann Limond	Mark Adu-Brobby
<b>Core modules</b>					
Conflicts of interest	Pass			Pass	
Managing risk and internal controls	Pass			Pass	
Maintaining accurate member data	Pass			Pass	
Maintaining member contributions	Pass			Pass	
Providing information to members and others	Pass			Pass	
Resolving internal disputes	Pass			Pass	
Reporting breaches of the law	Pass			Pass	

<b>PENSION BOARD</b>			
<b>REPORT TITLE</b>	Pensions Board – General Update		
<b>KEY DECISION</b>	No	<b>Item No:</b>	
<b>WARD</b>	N/A		
<b>CONTRIBUTORS</b>	Katharine Nidd - Head of Strategic Finance, Planning and Commercial Shida Ashrafi - Interim Head of Pensions and Payroll		
<b>CLASS</b>	Part 1	<b>Date:</b>	14 December 2022

## 1. PURPOSE

- 1.1. This paper presents any standing items on the agenda and provides the Board with an update on several general matters to have arisen since the last meeting.

## 2. RECOMMENDATIONS

- 2.1. Members are recommended to:

- review and note the Draft Pension Fund Annual Report as presented to the Pension Investment Committee on 08/11/2022
- review and note Q3 Investment Performance Report;
- review and note the progress report on the arrangements for Pooling;
- note the remainder of the report.

## 3. CURRENT CONSIDERATIONS

### **Draft Pension Fund Annual Report 2021/22 – see Appendix 4**

- 3.1. The LGPS (Administration) Regulations 2008 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.
- 3.2. Included within that document should be a report from the Pension Board summarising the role of the Board, its activities in the year, and any training its members have undertaken.

- 3.3. The Pension Investment Committee reviewed the draft pension fund Annual Report 2021/22 on 8 November 2022. The members scrutinised the annual report and asked questions of the officers regarding the report and asked for a few minor changes. The PIC approved the Draft Annual Report 2021/22 subject to the changes requested and any further amendments required through the finalisation of the audit.
- 3.4. The draft Pension Fund Annual Report 2021/22 was published on 1 December 2022 and once the external auditors have completed their audit the report will be updated to include the auditor's statement. It will return to the Pension Investment Committee in its final form at the February 2023 meeting.
- 3.5. Previously the Board had received and commented on a copy of the proposed Annual Governance Compliance Statement. It is to be noted that rather than have this as a separate document officers have combined this reporting requirement into the Annual Report. The inclusion of this was explicitly drawn to the Pension Investment Committee's attention.

### **Quarter 3 Investment Performance Report**

- 3.6. The latest quarterly performance report from the pension fund's advisors Hymans Robertson is attached in confidential Appendix A.
- 3.7. The report covers:
  - The value of the fund's assets and movements over the quarter to 30 September 2022.
  - The returns generated by the Fund (net of fees) over the quarter, and how these compare to the agreed benchmarks.
  - An assessment of the Fund Managers and any recommendations for the next quarter.

#### Hymans Q3 Investment Performance Report presented to PIC

- 3.8. The Head of Financial Strategy, Planning and Commercial (HFSPC) provided the PIC Members with an introduction to the quarterly performance report. Hymans then gave a presentation of the report to the Committee.
- 3.9. The Hymans Robertson quarterly performance report covered matters from the last quarterly period.
- 3.10. Members asked questions that were answered by Hymans and the HFSPC. Some of these questions included:
  - Whether LBL should broaden the scope of their investment and at what point should LBL be concerned with regard to the performance of their bonds investment?
  - Would LCIV's net zero goals for its own funds assist LBL achieve its own net zero investment goals?
- 3.11. Hymans answered the Members questions and the Committee were asked to note the contents of the report.

## Progress Reports on the Arrangements for Pooling

- 3.12. The Pension Board has previously asked how it can be assured that in delivering on the government mandate to pool, individual LGPS Pension funds can still demonstrate that there is sufficient rigour and robustness in the treatment of pooled fund managers on a par with that of any other fund manager. This is particularly pertinent when considering the London Pension Collective Investment Vehicle (LCIV) as the Authority is also a shareholder in this organisation.
- 3.13. Previously officers have provided content to the Pension Board which described both the extent of the pooling, which asset classes and mandates the Pension Fund had invested in, the regular monitoring of the performance of these, as well as setting out the due diligence and selection process undertaken by the Pensions Investment Committee with the support of Hymans Robertson to ensure that the LCIV mandates were as robustly assessed as all the other options shortlisted.
- 3.14. The Pension Board then asked further questions beyond performance management of existing mandates and selection of new funds, and instead asked how the Committee monitored and gained assurance that the LCIV also could demonstrate its strengths as a fund manager in terms of its governance, oversight, and track record on responsible investment.
- 3.15. This report now provides a further update on the extent of pooling and provides more detail as requested in paragraph 3.14 above.

### Update on level of pooling with the London Pension Collective Investment Vehicle (LCIV)

- 3.16. The LCIV Renewable Infrastructure fund has issued a number of drawdowns against the committed allocation of £90m and this brings the current investment to £27.2m (30%) as at the 30 September 2022 with further drawdowns scheduled in the financial year. The Fund is also now receiving equalisation payments as part of the capital call process and these funds are being used to fund further capital calls.
- 3.17. On the 10 February 2022 the Committee approved the investment into the LCIV Private Debt mandate to ensure that the Fund maintained its target allocation of 6% to private debt mandates. A further capital call of £ 340,510 was made on 9 November 2022 which brings the current investment to £49.9m (circa 59%) of the agreed allocation of £85m.
- 3.18. At the June 2022 meeting the Committee received an update on the funding of the Storebrand Global ESG Plus (developed markets) fund and the top up to the PEPPA fund, this top up resulted in the full allocation to PEPPA being achieved, which is 60% of the passive equity portfolio, and 30% of the entire pension fund.
- 3.19. The proportion of the Fund now pooled and under LCIV management continues to increase with the continued funding into the LCIV Renewable Infrastructure Fund, the top up to PEPPA and the funding of the LCIV Private Debt mandate as set out in section 3.6 above.

## London CIV Structure & Governance Investment Oversight

- 3.20. It was agreed that the Pension Investment Committee return to the practice of meeting with fund managers to monitor performance, operational assurance and to track market developments.
- 3.21. The London CIV attended the PIC meeting on 8 September 2022 and provided a presentation on the workings of LCIV. This included details of their governance arrangements as set out in their Investment Governance Document and the Stewardship and voting system.
- 3.22. LCIV also explained how their Investment Oversight Committee worked and how it selected funds for new investments.
- 3.23. LCIV have a Fund Manager Monitoring Framework that sets out how LCIV monitor the investment fund and the funds are scored on a Red, Amber or Green rating. Green being normal monitoring, Amber being enhanced monitoring and Red being on the Watch List.
- 3.24. LCIV explained their policy on Pathway to Net-Zero and ESG reporting and Members asked questions to help their understanding of LCIV processes and how LCIV plan to meet the TCFD reporting requirements in 2023.
- 3.25. LCIV provided detail of how the efficiencies and cost savings that they had achieved for the mandates were calculated on a fund and then authority level and offered to provide a more detailed explanation to the Committee if helpful.
- 3.26. The level of detail and extent of the content was appreciated by the Committee and the questions by Committee Members, officers and Hymans allowed the Committee to gain greater insight into the governance, control frameworks, and delivery of ESG and responsible investor objectives. The future sessions of 'meet the manager' are following a similar approach although tailored to each mandate as appropriate.

## LCIV Business Updates

- 3.27. In addition to the regular performance reporting and the specific 'meet the manager' sessions, the Pension Investment Committee (PIC) are kept abreast and invited to the regular sessions hosted by LCIV where they provide business updates. The most recent one was held in November and officers sent a copy of LCIV's business update to the Committee which gave a detailed report on their funds. The key messages from this report are as follows:
- 3.28. LCIV forecast that the overall level of Assets Under Management (AUM) will be impacted by adverse markets and slower pooling than budget (forecasting @£1.7bn lower than budget). They also state that inflation has impacted on their cost base.
- 3.29. LCIV state they will continue to work on achieving further net fee savings for client funds e.g. securities lending, MAC and ACF operating cost reductions allowing London CIV to participate in the benefits.
- 3.30. There is a continued focus on fund costs through external benchmarking and cost allocations and delivering value for money.

- 3.31. They do not anticipate an increase in fixed fees next year but an updated review of the funding model is proposed.

#### Chair & Vice Chair & Officers Pension Forum

- 3.32. Whilst not direct engagement with the LCIV, there is a forum titled the Chair, Vice Chairs and Officers Pension Forum that is regularly attended by officers and Members of the Pension Fund. The focus of this group is to provide an opportunity to specifically discuss pooling and how the Council can drive the new investment products to be brought forward by LCIV to meet collective Funds mandate requirements.
- 3.33. Value for money and the operational effectiveness of the LCIV is also discussed at the forum to seek to drive efficiencies within LCIV.
- 3.34. Officers and Committee Members continue to engage with the LCIV to ensure that both those assets under management and any potential suitable mandates are properly reviewed and assessed.
- 3.35. Finally, as recently highlighted as part of the initial results from the triennial valuation, the LCIV currently has no distributing funds, and given the maturity of the Fund and the increase in pension benefits as at 1 April 2023, officers will need to work with advisors to prepare a short and medium term cash flow for the Fund and then assess the options for and impact on investments. This will form part of the considerations and development of the new Investment Strategy Statement, but the requirement to continue to pool will need to be considered alongside this.

#### **Initial results of the Triennial Fund Valuation**

- 3.36. At the November meeting the Committee received a presentation from the actuary Hymans Robertson which set out the initial high level results from the triennial valuation. This is appended as a confidential appendix to this report. See confidential Appendix B
- 3.37. The initial results are broadly positive and officers are working with the Actuaries and the Advisors to ensure that the Funding Strategy Statement is prepared and ready for implementation for the 1 April 2023. More detail on this is in the sections below.

#### **4. FINANCIAL IMPLICATIONS**

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

#### **5. LEGAL IMPLICATIONS**

- 5.1. There are no direct legal implications arising from this report.

#### **6. CRIME AND DISORDER IMPLICATIONS**

- 6.1. There are no crime and disorder implications directly arising from this report.

#### **7. EQUALITIES IMPLICATIONS**

7.1. There are no equalities implications directly arising from this report.

## **8. ENVIRONMENTAL IMPLICATIONS**

8.1. There are no environmental implications directly arising from this report.

## **APPENDICES**

Part one

Appendix 4 – Draft Pension Fund Annual Report 2021/22

Part Two confidential:

Appendix A – Q3 Investment Fund Performance Report

Appendix B – Lewisham Pension Fund Valuation Results 2022

## **FURTHER INFORMATION**

If there are any queries on this report or you require further information, please contact either:

Katharine Nidd, Head of Strategic Finance, Planning and Commercial at  
[Katharine.Nidd@lewisham.gov.uk](mailto:Katharine.Nidd@lewisham.gov.uk)

Shida Ashrafi - Interim Head of Pensions and Payroll at  
[Shida.Ashrafi@lewisham.gov.uk](mailto:Shida.Ashrafi@lewisham.gov.uk)

Chris Flower, Treasury & Investments Manager at:  
[Chris.Flower@lewisham.gov.uk](mailto:Chris.Flower@lewisham.gov.uk)



---

# **London Borough of Lewisham Pension Fund 2021/22 Annual Report**

---

DRAFT

## Contents

1.	<a href="#"><u>Foreword by the Executive Director of Corporate Resources</u></a>	3
2.	<a href="#"><u>Foreword by the Chair of the Pensions Investment Committee</u></a>	5
3.	<a href="#"><u>Introduction</u></a>	7
	a. <a href="#"><u>Overview of the Scheme</u></a>	7
	b. <a href="#"><u>Management</u></a>	7
	c. <a href="#"><u>Asset Pooling</u></a>	7
4.	<a href="#"><u>Scheme Management, Risk and Budget</u></a>	8
	a. <a href="#"><u>Scheme Management and Administration</u></a>	8
	b. <a href="#"><u>Risk Management</u></a>	9
	c. <a href="#"><u>Financial Performance</u></a>	12
5.	<a href="#"><u>Investment Strategy and Performance</u></a>	13
	a. <a href="#"><u>Investment Strategy</u></a>	13
	b. <a href="#"><u>UK Stewardship Code</u></a>	14
	c. <a href="#"><u>Application of CIPFA Principles for Investment Decision Making</u></a>	16
	d. <a href="#"><u>Investment Performance</u></a>	17
6.	<a href="#"><u>Scheme Administration</u></a>	20
	a. <a href="#"><u>Scheme Administration/Pension Admin and Assurance</u></a>	20
	b. <a href="#"><u>Internal Dispute Resolution Procedure</u></a>	27
7.	<a href="#"><u>Actuarial Report on Fund</u></a>	28
8.	<a href="#"><u>Fund Governance</u></a>	28
	a. <a href="#"><u>Governance Structure</u></a>	28
	b. <a href="#"><u>Membership – Pensions Investment Committee</u></a>	29
	c. <a href="#"><u>Member Training</u></a>	29
9.	<a href="#"><u>Report from the Local Pension Board</u></a>	31
	a. <a href="#"><u>Introduction</u></a>	31
	b. <a href="#"><u>Membership of the Board</u></a>	32
	c. <a href="#"><u>Knowledge and Understanding</u></a>	32
	d. <a href="#"><u>Work Programme for the Future</u></a>	32
10.	<a href="#"><u>Asset Pooling</u></a>	33
	a. <a href="#"><u>Financial Year 2021/22</u></a>	33
	b. <a href="#"><u>At Time of Writing Annual Report</u></a>	33
11.	<a href="#"><u>Fund Account, Net Assets Statement and Notes</u></a>	34
12.	<a href="#"><u>Funding Strategy Statement</u></a>	34
13.	<a href="#"><u>Investment Strategy Statement</u></a>	35
14.	<a href="#"><u>Communications Policy Statement</u></a>	36
15.	<a href="#"><u>Additional Data</u></a>	36
16.	<a href="#"><u>Independent Auditor’s Consistency Report</u></a>	37
17.	<a href="#"><u>Governance Compliance Statement</u></a>	37

## Appendices

2021/22 Pension Fund Statement of Accounts

# 1. FOREWORD BY THE EXECUTIVE DIRECTOR OF CORPORATE RESOURCES

- 1.1. Welcome to the 2021/22 Annual Report for the Lewisham Pension Fund. The requirement for, and contents of, the annual report is set out in Regulation 57 of the Local Government Pension Scheme Regulations 2013.
- 1.2. The Pension Fund Annual Report details the financial position of the Fund and the performance of the managers appointed to administer the investment portfolio. It brings together a number of separate reporting strands into one comprehensive document that enables the public and employees to see how the Fund is managed and how it is performing.
- 1.3. Much of the current investment strategy to diversifying the Fund away from fossil fuels to low-carbon mandates has been achieved. This has been achieved by moving funds away from passive growth funds and investing into funds such as Passive Equity Progressive Paris Aligned Fund (PEPPA) and the proposed investment into Storebrand Global Plus Fund in 2022/23. Members and officers continue to work with the Fund's advisers and the London Collective Investment Vehicle (LCIV) to develop suitable mandates and a clear plan for the transition of assets into these mandates. The new investment strategy will be developed once the results of the March 2022 triennial valuation has been completed.
- 1.4. The London Borough of Lewisham, as administering authority, runs the Fund on behalf of its members, with the overriding objective of ensuring its assets are sufficient to pay the benefits owing to members. To achieve this, it must ensure:
  - The proper receipt of contributions from employers and employees;
  - The appropriate investment of those contributions to achieve both investment income and capital growth; and
  - The timely payment of benefits as and when members retire, for the rest of their lives, and their dependents where relevant.
- 1.5. To achieve these objectives the Fund operates within a framework of strategies, aligned with investment beliefs, which meet the requirements of the Regulations and clearly set out a route to achieve full funding of the Fund's obligations within a set timeframe. These take the form of the Funding Strategy Statement and Investment Strategy Statement and a Statement of Investment Beliefs formed by the Pensions Investment Committee, which is responsible for exercising all functions of the administering authority in relation to local government pensions. The Statement of Investment Beliefs sets out a list of high level overriding principles by which the Committee make investment decisions, including governance, investment strategy and structure, responsible investment, and climate change; the full statement is available on the Fund's website at [www.lewishampensions.org](http://www.lewishampensions.org).
- 1.6. Lewisham has also invested in pooling its assets with the London LGPS CIV (LCIV). Lewisham took action in 2021/22 to make our first direct investment with the pool which included investment into the LCIV Passive Equity Progressive Paris Aligned Fund (PEPPA) and the LCIV Renewable Infrastructure Fund. There are further pooling investments planned for 2022/23.

- 1.7. The results of the most recent triennial valuation, based on the Fund's position as at 31 March 2019, showed an improved funding level of 90% of its liabilities, compared to a funding level of 78% as at the 2016 valuation. The resulting deficit as at the 2019 valuation was £154m (£287m in 2016). The improved funding level and reduced deficit are predominantly the result of a large increase in the value of the Fund's assets since the previous valuation (£1.041bn at 31 March 2016 to £1.387bn at 31 March 2019), which partially offsets an increase in liabilities of £123m due to a reduction in the assumed rate of future investment returns. The next triennial valuation will take place as at 31 March 2022.
- 1.8. Over the three year valuation period, active membership decreased by approximately 2% whilst the number of the pensioners increased, by 4% and the deferred members decreased by 7%. The Fund continues to mature and the net cash withdrawal in 2021/22, excluding Fund management expenses, was £7.2m (£8.8m in 2020/21).
- 1.9. 2021/22 was the year following the global Covid pandemic and we saw signs of recovery from the large fall in global markets and the full recovery was expected to take several years. During the year the fund also saw a small recovery during the second and third quarters before the invasion of Ukraine. In 2021/22 the net asset value of the Fund rose by £130m, or 8.0%, from £1.617bn to £1.747bn (compared to an increase of £265m, or 19.6%, in 2020/21). The effects of the war in Ukraine were only just having an effect on the global markets at 31 March 2022 so we expect to see a fall in valuation during 2022/23. We expect global energy and food costs to increase and this will drive inflation up and interest rates as the Bank of England try to control inflation. However, performance for the year was over benchmark by 2.8% (compared to 1.14% under benchmark in 2020/21), which may be due to the bounce back from the effect of the global markets crash following Covid.
- 1.10. In February 2020, following the results of the 2019 triennial valuation, current funding and investment strategies for the Fund have a target for a fully funded position within 17 years, with a 70% likelihood of achieving this. However, the disruption caused by the coronavirus outbreak and now the war in Ukraine will have a mixed and uncertain impact on the underlying assumptions and required performance to meet this target. Officers and Members will continue to monitor the impact of the pandemic on funding levels, including working with employers to review their contribution rates if necessary following amendments to the LGPS regulations which now allow employer contributions to be reviewed outside of formal valuations.
- 1.11. The Pensions Investment Committee agreed a revised investment strategy which moved from the carbon foot-printing of the Fund's equity holdings, to agreeing a separate set of climate objectives. In doing so, ESG issues will remain a key consideration for the Fund going forward, which will continue to position itself to prioritise the interests and benefits of its members.

**Kathy Freeman**  
**Executive Director of Corporate Resources (S151 Officer)**

## 2. FOREWORD BY THE CHAIR OF THE PENSIONS INVESTMENT COMMITTEE

- 2.1. 2021/22 was a year of uncertainty in not knowing how the world economies and financial markets would come out of the Covid pandemic. Restrictions were being removed and the economy was trying to get back to normal and the financial markets were starting to look ahead with renewed optimism. The focus was on a recovery, which was reaffirmed by the modest growth of 1.3% in GDP for the quarter ending December 2021, and measures including other financial support packages for people and businesses.
- 2.2. In February 2022 Russia invaded Ukraine and we saw dramatic falls in the global markets however, by the end of March 2022 global equities partially recovered from the initial Russian sell-offs but still ended the quarter 4.6% down. Markets reacted to a variety of headwinds, including increasing inflation, hawkish monetary policy shifts and geopolitical uncertainty. UK equities significantly outperformed developed market peers given their above average weighting to energy, basic materials, and financial stocks. Europe was the worst performing region over the quarter, falling to the bottom of the rankings made worse by the high reliance on Russian energy imports and stronger trade links.
- 2.3. The Fund continues to perform broadly in line with its strategic benchmark over longer periods, with relative outperformance over the 1 and 3-year periods, and just behind its benchmark performance of 7.6% per annum since inception.
- 2.4. The war in Ukraine has had an impact on the cost of energy and food prices which has given rise to inflation and an increase in the cost of living. Lewisham's Pension Fund assets saw strong growth over the previous seven years, rising from £1.041bn in 2015/16 to £1.747bn in 2021/22. Despite the uncertainty and volatility in the market as a result of coronavirus, the Fund saw a healthy rise of £130m (8%) in the value of assets between 1 April 2021 and 31 March 2022. However, as the war in Ukraine started near the year end it is likely to have a detrimental affect on the Fund in the medium-term, not just in terms of asset values but the funding assumptions underlying the strategic direction of the Fund, remains uncertain.
- 2.5. Approximately 60% of the Fund at March 2022 was invested in growth assets, 20% in income assets and 20% in protection assets including passive bonds and cash. The last triennial valuation took place on 31 March 2019 with the next one taking place as at 31 March 2022. The Committee, in conjunction with officers, will analyse the results of the 2022 triennial valuation to determine a suitable Funding Strategy and Investment Strategy for the next three year cycle. The Committee continues to plan for a fully-funded position, the Fund having risen from 78% to 90% funded in the last three years, largely on the crest of equity investment returns.
- 2.6. The Fund's new Investment Strategy will see the transfer of existing passive equities into low-carbon rules-based ESG passive equity mandates, as well as new investments in low-carbon income generating assets. This will ensure the Fund continues to align investments with the wider climate objectives of the Fund, while still preserving the resources necessary for securing the long-term payment of members' benefits. These investments will include some diversification into a build-to-rent residential property mandate as a more illiquid and less volatile asset class with steady bond-like returns.

- 2.7. During the year Lewisham made its first investments into the London Collective Investment Vehicle (LCIV) low carbon passive equity fund PEPPA (Passive Equity Progressive Paris Aligned Fund) and the LCIV Renewable Infrastructure Fund. As a voluntary founding member of LCIV, the Fund remains committed to pooling our assets onto the platform. We are actively engaging with LCIV to identify mandates which are aligned with the beliefs of the Committee and the overall Fund strategy. Alongside most of the other 32 London Borough shareholders, we hope to see LCIV taking the opportunities of scale afforded to it to make significant and profitable investments in alternative asset classes which are already being successfully pursued by other UK Local Government Pension Funds in 'pools' and collaborations across the UK at present, and to develop closer and more informed working relationships with borough shareholders.
- 2.8. The Committee will continue to work to ensure the Fund is well managed to the benefit of all its members. I thank the members of the Pensions Investment Committee and the Council's officers for their work over the last year, and would like to thank the outgoing Chair in particular for his work to ensure the Fund is well managed and increasingly aligned with our wider climate objectives. I look forward to continuing to work with all concerned to ensure the Fund continues to be effectively and responsibly managed.

**Councillor Sian Eiles**

**Chair – Pensions Investment Committee**

### **3. INTRODUCTION**

#### **A. OVERVIEW OF THE SCHEME**

- 3.1. The London Borough of Lewisham Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS). The Fund was established under the Superannuation Act 1972, which requires the Council to maintain a Pension Fund for its own employees and employees admitted to the Fund under an admission agreement. It is governed by the Public Service Pensions Act 2013, and administered in accordance with secondary legislation including the Local Government Pension Scheme Regulations 2013 (as amended) and the Local Government Pensions Scheme (Management and Investment of Funds) Regulations 2016 (referred to henceforth as 'the Regulations').
- 3.2. The Fund's objectives as per its Investment Strategy Statement are to invest its assets so as to meet the long-term pension liabilities (as prescribed by the Local Government Pension Scheme Regulations 2013) for its members. The Fund's approach to investing is to optimise return consistent with a prudent level of risk, to ensure there are sufficient resources to meet the liabilities whilst ensuring the suitability of the assets in relation to the needs of the Fund.

#### **B. MANAGEMENT**

- 3.3. The Council has delegated the investment arrangements of the scheme to the Pensions Investment Committee (PIC). This Committee decides on, and has ultimate responsibility for, the investment policy most suitable to meet the liabilities of the Fund. It comprises eight elected representatives of the Council, all of whom have voting rights. Members of scheduled and admitted bodies to the Fund, and representatives of the Local Pension Board, may attend Committee meetings as observers but have no voting rights.
- 3.4. The Committee reports to Full Council and has full delegated authority to make investment decisions. The Committee obtains and considers advice from the Executive Director of Corporate Resources and her officers, and the Fund's appointed actuary, investment adviser and fund managers.
- 3.5. The Committee has delegated the management of the Fund's investments to professional investment managers, appointed in accordance with the Regulations, whose activities are specified in detailed investment management agreements and monitored on a quarterly basis.

#### **C. ASSET POOLING**

- 3.6. The London Borough of Lewisham is one of thirty-two shareholders in the London Collective Investment Vehicle (LCIV), one of eight pooling vehicles established as part of the reform of investment management in the LGPS which began in 2015 with the publication of criteria and guidance on pooling of LGPS assets to deliver significantly reduced costs while maintaining overall investment performance and achieving benefits of scale.
- 3.7. The new pools have significantly changed the previous approach to investing, although the responsibility for determining asset allocations and the investment strategy remains with each individual Pension Fund.

- 3.8. As at 31 March 2022, the London Borough of Lewisham Pension Fund had £484m invested in pooled assets with the LCIV. Further information on asset pooling is provided in section 10 of this report.

## 4. SCHEME MANAGEMENT, RISK AND BUDGET

### A. SCHEME MANAGEMENT AND ADMINISTRATION

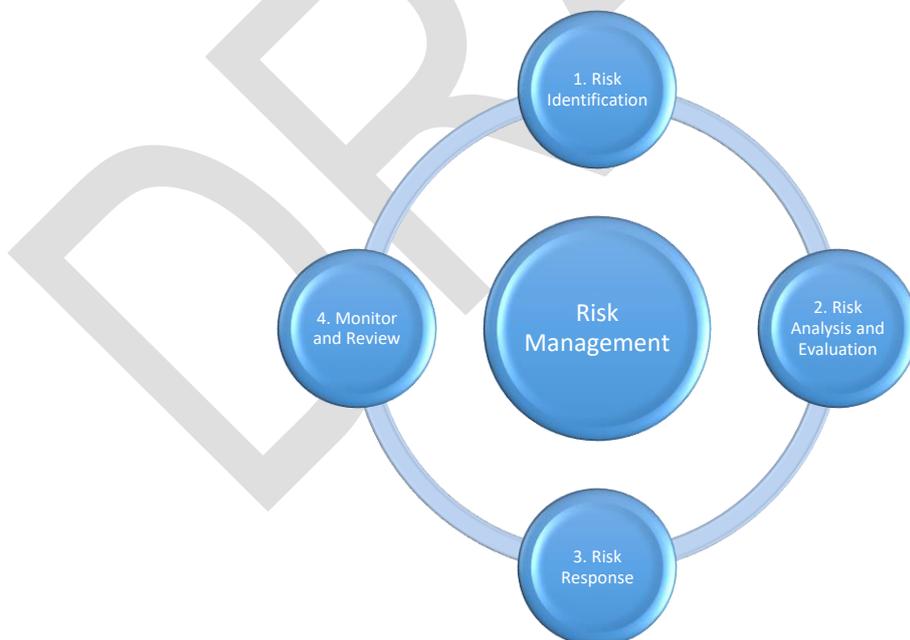
- 4.1. The individuals and organisations administering the Pension Fund are as set out below:

<b>Pensions Investment Committee:</b>	Cllr. Mark Ingleby – Chair (April 2021 – July 2021)
	Cllr. Louise Krupski - Vice Chair
	Cllr James Royston (Chair from September 2021)
	Cllr. Chris Best
	Cllr. Patrick Codd
	Cllr. Caroline Kalu
	Cllr. John Muldoon
	Cllr. Stephen Penfold
<b>Local Pension Board:</b>	Stephen Warren - Chair
	Rowann Limond - Employer Representative - Lewisham Homes
	Gary Cummins - Scheme Representative - LB Lewisham
<b>Administrator:</b>	Kathy Freeman - Executive Director of Corporate Resources
<b>Responsible Officers:</b>	Shida Ashrafi - Group Manager for Pensions & Payroll
	David Austin – Director of Finance
<b>Advisers:</b>	Hymans Robertson LLP
<b>Actuary:</b>	Hymans Robertson LLP
<b>Asset Pool:</b>	The London Collective Investment Vehicle (LCIV)
<b>Custodian:</b>	Northern Trust
<b>Legal Advisers:</b>	LB Lewisham Legal Services
<b>Bank:</b>	Barclays Bank
<b>Performance Measurement:</b>	Northern Trust, Hymans Robertson, PIRC
<b>AVC Providers:</b>	Clerical Medical and Utmost
<b>External Auditors:</b>	Grant Thornton UK LLP
<b>Asset Managers:</b>	BlackRock (Passive Equities and Bonds)
	HarbourVest (Private Equity)
	J.P. Morgan (Infrastructure)
	Legal & General Investment Management (Property)
	London Collective Investment Vehicle (LCIV) (Pooling)

	Partners Group (Multi Asset Credit)
	Pemberton (Multi Asset Credit)
	Schroders (Property)
	UBS (Passive Equities and Bonds)

**B. RISK MANAGEMENT**

- 4.2. The legal responsibility for the prudent and effective stewardship of the Fund’s assets rests with the PIC. This Committee has full delegated authority to make investment decisions, the terms of which are set out in its terms of reference in the Council’s constitution. It receives advice from the Chief Finance Officer and, as necessary, from the Fund’s appointed actuary, investment managers, custodian and investment adviser.
- 4.3. The Committee has regard to the Myners Principles which codify best practice in investment decision-making, as updated and consolidated post 2008 by the Government and set out in the Chartered Institute of Public Finance and Accountancy’s (CIPFA’s) Principles for Investment Decision Making and Disclosure in the LGPS (2012). The Committee manages the Pension Fund’s assets in accordance with the relevant Regulations.
- 4.4. The Fund maintains a Risk Management Policy which sets out the risk philosophy for the management of the Fund, the Fund’s attitudes to risk, and how risk management is implemented and monitored. The risk management process is consistent with the Regulations and guidance issued by CIPFA, Managing Risk in the Local Government Pension Scheme (2018), and is a continuous process as outlined in the table below.



<b>Risk Management Stage</b>	<b>Description of Process</b>
<p><b>1. Risk Identification</b></p>	<p>Assessing risks in the context of the objectives and targets of the Fund, which is both a proactive and reactive process. Risks are identified by a number of means, including:</p> <ul style="list-style-type: none"> <li>i/ Formal risk assessment exercises managed by the Pensions Investment Committee;</li> <li>ii/ Regular performance measurement against agreed objectives or benchmarks;</li> <li>iii/ Findings of internal and external audit;</li> <li>iv/ Feedback from Local Pensions Board, employers and other stakeholders;</li> <li>v/ Liaison with regional and national associations, professional groups and other sector organisations.</li> </ul> <p>Once identified, risks will be documented on the Fund's risk register, which is the primary control document for the analysis and classification, control and monitoring of those risks.</p>
<p><b>2. Risk Analysis and Evaluation</b></p>	<p>Once identified, the potential risks are assessed and scored according to their likelihood of occurring (from rare to almost certain) and the impact on the Fund should they occur (from insignificant to extreme).</p>
<p><b>3. Risk Response</b></p>	<p>These scores are then used to prioritise the risk from low risk to high risk according to the level of response required, as shown in the graphic below. Senior officers will review the extent to which the identified risks are mitigated by existing controls and whether any further action is required to address the risk. Before any such action can be taken, PIC approval may be required where appropriate officer delegations are not in place. Actions taken may result in risk elimination, risk reduction, or risk transfer.</p>
<p><b>4. Monitor and Review</b></p>	<p>The ultimate responsibility of PIC, in monitoring risk management activity the Committee will consider whether:</p> <ul style="list-style-type: none"> <li>i/ The risk controls in place achieve the desired outcomes;</li> <li>ii/ The procedures in place for assessing risk are appropriate;</li> <li>iii/ Greater knowledge of the risk and potential outcomes would have improved the decision-making process in relation to that risk;</li> <li>iv/ There are any lessons to be learned for the future assessment and management of risks.</li> </ul>

4.5. The risk register is incorporated within the annual business plan which is approved by Pension Investment Committee and reviewed periodically to ensure that risks are updated and the relevant mitigations are put in place to manage them. The Local Pension Board (PB) is also expected to consider risk at their meetings, and reviews the authority risk management adequately mitigates against risk and that the direction of travel shows movement towards target scores. Senior officers and those named as responsible officers on the register will review the extent to which the identified risks are covered by existing internal controls and determine whether any further action is required to control the risk, including reducing the

likelihood of a risk event occurring or reducing the severity of the consequences should it occur.

4.6. The Fund's Investment Strategy Statement also outlines a number of risks taken to meet the funding objectives and the approaches taken to managing those risks, and include the following:

1. **Funding Risks** – broken down into:

- a. **Insufficient asset growth** – the risk that the Fund assets fail to grow in line with the developing costs of meeting the liabilities. This is mitigated by the PIC setting a strategic asset allocation benchmark for the Fund which takes into account probability of success and downside risk, and monitoring allocation and returns relative to the benchmark. The PIC also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.
- b. **Changing demographics** – the risk that longevity improves and other demographic factors change, increasing the cost of Fund benefits. This is mitigated by the PIC seeking to understand the assumptions used in any analysis and modelling so they can be compared to their own views, and the level of risks associated with these assumptions can be assessed.
- c. **Systemic risk** – the possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the Fund's liabilities. The PIC seeks to mitigate this as much as it can through a diversified portfolio.

2. **Asset Risks** – specifically:

- a. **Concentration** – the risk that a significant allocation to any single asset class and its underperformance relative to expectation would result in difficulties achieving funding objectives. The PIC strategic asset allocation invests in a diversified range of asset classes and has in place rebalancing arrangements to ensure actual allocation does not deviate substantially from the target. The Fund invests in a range of mandates, each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, help to reduce the Fund's concentration risk.
- b. **Illiquidity** – the risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets. By investing in liquid asset classes such as listed quoted equities and bonds, as well as property, the PIC has recognised the need for access to liquidity in the short term.
- c. **Currency risk** – the risk that the currency of the Fund's assets underperforms relative to Sterling (i.e. the currency of the liabilities). The Fund invests in a range of overseas markets which provides a diversified approach to currency markets. The Fund has also considered, and will continue to consider at periodic intervals, the potential need for any currency hedging to reduce currency risk.
- d. **Environmental, Social and Governance (ESG)** – the risk of embedding ESG factors to the extent that the ability of the Fund to meet its long-term funding obligations is significantly reduced. The PIC expects all investment managers to undertake appropriate monitoring of investments with regards to their policies and practices on all issues which could present a material financial risk to the long-term performance of the Fund, including corporate governance and environmental factors. It expects managers to integrate material ESG factors within its investment analysis and decision making, and to use their

influence as major institutional investors to promote good practice in the investee companies and markets to which the Fund is exposed.

- e. **Manager underperformance** – the failure of managers to achieve the returns as set out in their mandates. The PIC has attempted to reduce this risk by appointing more than one manager and having a large proportion of the Fund managed on a passive basis. The PIC assesses manager performance on a quarterly basis and will take steps if underperformance persists.

**3. Other Provider Risk** – comprising:

- a. **Transition risk** – the risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the PIC seeks suitable professional advice.
- b. **Custody risk** – the risk of losing economic rights to Fund assets, when held in custody or being traded.
- c. **Credit default** – the possibility of default of a counterparty in meeting its obligations.
- d. **Stock-lending** – the possibility of default and loss of economic rights to Fund assets.

The PIC monitors and manages risks in these areas through a process of regular scrutiny of its providers, or has delegated such monitoring and management of risk to the appointed investment managers as appropriate (e.g. custody risk in relation to pooled funds). The PIC has the power to replace a provider should serious concerns exist.

- 4.7. The Pension Fund Statement of Accounts sets out additional financial risk management in place for the Fund and provides some sensitivity analysis of market price risk and currency risk, and the potential impact on the Fund's market value.
- 4.8. The Fund also gains assurance from the work of internal audit, which undertakes an annual audit to provide an opinion on the effectiveness of controls in place and to make recommendations to management on how to improve those controls. The findings of the 2020/21 internal audit were reported to the Pension Investment Committee in March 2022. The Fund achieving a limited assurance level and the recommendations from the audit included the need to regularly review accuracy of payments to pensioners along with the contribution rates of both the employee and employer to ensure no under/over payments. Reconciliation reviews and actions to resolve any variances will be undertaken to ensure that the procedure notes for calculating member pension benefits are kept up to date and regularly reviewed.
- 4.9. Areas that were identified by internal audit as working well include the segregation of duties as transfer calculations were completed by one officer and checked by a second officer for accuracy. Finally, employee contribution bandings and rates on Oracle matched those published on the LGPS website which shows payroll input was accurate.

## C. FINANCIAL PERFORMANCE

4.10. The administration expenses and investment expenses are set out below:

	2021/22 Actuals	2020/21 Actuals	Year on Year Variance	
	£'000	£'000	£'000	%
<b>Administration Expenses</b>	1,161	1,018	143	14.0
<b>Oversight and Governance Expenses</b>	420	509	(89)	(17.5)
	<b>1,581</b>	<b>1,527</b>	<b>54</b>	<b>3.5</b>
<b>Investment Management Expenses:</b>				
Transaction Costs	220	15	205	1366.7
Management Fees	1,954	2,332	(378)	(16.2)
Custody Fees	112	36	76	211.1
	<b>2,286</b>	<b>2,383</b>	<b>(97)</b>	<b>(4.1)</b>
<b>Total Expenses</b>	<b>3,867</b>	<b>3,910</b>	<b>(43)</b>	<b>(1.1)</b>

4.11. Administration expenses consist of all expenses the administering authority must incur in performing its duties to administer entitlements and provide benefit information. This includes staff costs, IT costs, general costs such as stationary and postage, membership fees, and costs associated with the provision of additional voluntary contributions. Oversight and governance expenses can include the cost of selection, appointment and performance monitoring of fund managers, investment advisory services, legal and actuarial services, and audit fees.

4.12. The large increase in transaction costs and custody fees in 2021/22 is the result of the appointment of Northern Trust as Transition Manager to undertake the transition of the Fund's passive equities out of Blackrock and UBS and into LCIV PEPPA and Storebrand Global ESG Plus funds which commenced in the second half of the financial year, concluding in the second quarter of the financial year 2022/23.

## 5. INVESTMENT STRATEGY AND PERFORMANCE

### A. INVESTMENT STRATEGY

5.1. The Council's investment policy statement was reviewed and updated in February 2022 and it encompasses its approach to funding its liabilities as per the Funding Strategy Statement (FSS) and is outlined in its Investment Strategy Statement (ISS) The FSS sets out the strategy for prudently meeting the Fund's future pension liabilities over the longer term. The ISS sets out the Fund's policies in respect of asset allocation, rebalancing, and the approach to risk including environmental, social and governance considerations. The ISS and the FSS can be found at <http://www.lewishampensions.org/>

5.2. The main outcomes of the 2019 triennial valuation (2019 – 2022) incorporated into the strategy include:

- Divesting from over £650m of current passive equity mandates and reinvesting into a single low carbon index 'passive like' tracking fund;

- Divesting over £75m from the current diversified growth fund mandate which has not performed in line with expectations;
- Identifying one or two new low carbon income mandates, most likely in the infrastructure and/or multi asset credit space which also deliver the necessary cash flows for the fund;
- Considering divestment from the current property fund over the next investment period and directing the fund's property investment to a more low carbon orientated mandate; and
- Rebalancing the other existing mandates where necessary in-line with the agreed investment strategy allocations.

5.3. The administration of the investment side of the Fund is managed internally by officers within the Council's Strategic Finance team. The Fund's custodian is the main depository for investment assets, and provides performance reporting and accounting support for all transactional activity in relation to the Fund's investments which is used to update the Fund's ledger and compile the annual accounts. The Fund also maintains its own bank account for day to day cash flow requirements.

## **B. UK STEWARDSHIP CODE**

5.4. In 2019 the Financial Reporting Council consulted on a new UK Stewardship Code that sets substantially higher expectations for investor stewardship policy and practice than the 2012 Code. The result of that consultation was the UK Stewardship Code 2020, which came into force on 1 January 2020.

5.5. The Code defines stewardship as the "responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society", and consists of twelve Principles for asset managers and owners, and six for service providers, to which signatories to the Code are expected to evidence compliance through the publication of an annual Stewardship Report. Managers, owners and service providers are tiered based on the quality of their Code statements, distinguishing between those who report well and demonstrate their commitment to stewardship, and those where reporting improvements are required.

5.6. Although not currently a direct signatory to the new Code, the Fund will consider its impact and align its expectations of asset managers and service providers accordingly. The Fund will use the revised Code as a basis for reviewing and strengthening its approach to responsible investment, and fully endorses the principles embedded within the Code. It expects its external fund managers to be signatories to the Code, and to seek to transition from the old 2012 Code to the new 2020 Code, reaching Tier One level of compliance or seeking to achieve it within a reasonable timeframe. The Pensions Committee believes that investor stewardship is a key component of the CIPFA Good Governance Framework and is committed to exercising this responsibility.

5.7. The twelve principles of the UK Stewardship Code 2020 are set out below with brief examples of how the Fund works to meet each one in line with the expectations set out in the Code, although this does not constitute a statement of compliance and is by no means exhaustive.

Category	Code Principle	Examples of Compliance
<b>Purpose and Governance</b>	<ol style="list-style-type: none"> <li>1. Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.</li> <li>2. Signatories' governance, resources and incentives support stewardship.</li> <li>3. Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.</li> <li>4. Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.</li> <li>5. Signatories review their policies, assure their processes and assess the effectiveness of their activities.</li> </ol>	<p>PIC Members have contributed to a Statement of Investment beliefs that when considered with the Funding Strategy Statement translate Fund objectives into a well-defined Investment Strategy. Taken in conjunction with PIC's Climate Objectives, the Fund seeks to make ESG focussed investments to achieve the overriding purpose of preserving the resources necessary to secure the long-term payment of members' benefits.</p> <p>The Fund's Pension Board assists the Council, as administering authority, to monitor adherence to legislation and best practice relating to the administration and governance of the Fund. PIC members declare any conflicts of interest before meetings begin. This is recorded in the minutes and published on the Council website. A decision is made by the Chair on the necessary steps to be taken to ensure the interests of the Fund and its beneficiaries are put first.</p> <p>The Fund's stewardship responsibilities are set out in the ISS, including its approach to systemic risks which includes maintaining a diversified portfolio to reduce the impact of any market or business group failure.</p> <p>The fund is audited, both externally and internally, annually. The Pension Board in April 2019 commissioned an external review to measure the Fund's compliance to the Pension Regulator's Code of Practice and the Local Government Pension Scheme Advisory Board's guidance.</p>
<b>Investment Approach</b>	<ol style="list-style-type: none"> <li>6. Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.</li> <li>7. Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate</li> </ol>	<p>The Fund publishes its Statement of Accounts and Annual Report every year which details the breakdown of the Fund and its investments, the membership of the Fund and how officers deal with member queries, and how decisions are taken to meet the Fund's liabilities and continue to pay member benefits. The FSS and ISS set out in greater detail the stewardship of the Fund, the former being consulted on with Fund employers prior to publication.</p> <p>The Fund has integrated stewardship and ESG factors into its new Investment Strategy, which has seen the Fund transition its equity holdings into low carbon ESG passive equities and pursue investments in other low carbon assets including renewable energy infrastructure, to continue to provide benefits for its members whilst addressing</p>

Category	Code Principle	Examples of Compliance
	<p>change, to fulfil their responsibilities.</p> <p>8. Signatories monitor and hold to account managers and/or service providers.</p>	<p>wider ESG issues such as climate change and decarbonisation.</p> <p>The Fund's custodian produces monthly performance reports, whilst the Fund's advisor prepares quarterly performance reports which are reported at PIC. Fund managers also prepare monthly and quarterly reports for officers' attention, and attend PIC at least annually to update Members on fund performance.</p>
<b>Engagement, Exercising Rights and Responsibilities</b>	<p>9. Signatories engage with issuers to maintain or enhance the value of assets.</p> <p>10. Signatories, where necessary, participate in collaborative engagement to influence issuers.</p> <p>11. Signatories, where necessary, escalate stewardship activities to influence issuers.</p> <p>12. Signatories actively exercise their rights and responsibilities.</p>	<p>The Fund has established a set of Investment Consultant Objectives which includes objectives on strategic advice, effective implementation and research, all of which require the Fund's advisers to use its more extensive resources and engage with asset managers and other stakeholders on the Fund's behalf.</p> <p>Officers regularly engage with asset managers on all issues of asset administration and performance. The Fund participates in collective engagement and is actively committed to the LCIV for the pooling of its assets into centrally managed Funds, whilst liaising and working with other shareholders of the LCIV to achieve shared objectives, outside of the larger pool if necessary but always in the spirit of collaboration to achieve shared goals.</p> <p>PIC has delegated the exercise of voting rights to its investment managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value.</p>

- 5.8. The Fund is also a member/subscriber of the following bodies:
- a. Pensions and Lifetime Savings Association (PLSA);
  - b. Local Authority Pension Fund Forum (LAPFF);
  - c. Local Government Pension Committee (LGPC).

**C. APPLICATION OF CIPFA PRINCIPLES FOR INVESTMENT DECISION MAKING**

- 5.9. The Fund is required to demonstrate compliance with CIPFA's Principles for Investment Decision Making and Disclosure, which reflect principles of good investment practice issued by government in response to the Myners review. Actions taken to comply with the principles are set out in the Investment Strategy Statement.
- 5.10. The Pension Fund has a paramount fiduciary duty to obtain the best possible financial return on Fund investments without exposing assets to unnecessary risk. Following good practice in terms of social, environmental and ethical issues is likely to have a favourable effect on the long-term financial performance and improve investment returns to shareholders.

## D. INVESTMENT PERFORMANCE

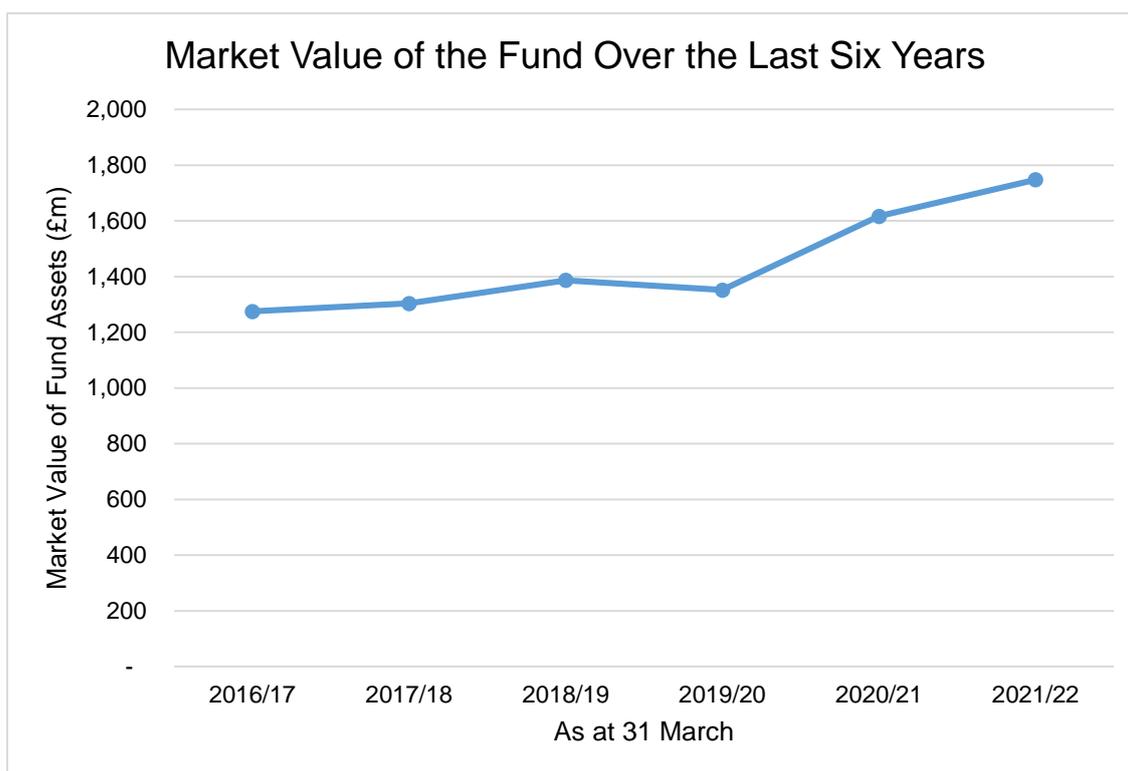
- 5.11. The overriding investment objective is to ensure that the Fund's investments increase the likelihood that benefits will be paid to members as they fall due, by maximising investment returns over the long term within acceptable risk tolerances. It is in the interest of both employees and the public that the Fund is well managed and continues to provide high returns and excellent value for money.
- 5.12. Since November 2012, the majority of the Fund has been under passive management (70.8% as at 31 March 2022). The investment strategy has previously allocated a significant proportion of the Fund for investment into growth assets. After the 2016 valuation, the strategy was adapted to seek a more diversified portfolio and reduce the heavy exposure to the volatility of equities by investing in income assets such as infrastructure and private debt. As at 31 March 2022 approximately 60% of the Fund was invested in growth assets, 20% in income assets and 20% in protection assets including passive bonds and cash.
- 5.13. The Fund's asset allocation as at 31 March 2022 has nine active managers with six mandates, as below.

### D1. STRATEGIC ASSET ALLOCATION AT 31 MARCH 2022:

Mandate	2021/22			2020/21
	Asset Value £'000	Target Allocation %	Actual Allocation %	Actual Allocation %
Passive Equities and Bonds	1,237,726	69.0	70.8	72.2
Property	163,871	10.0	9.4	6.9
Infrastructure	109,205	6.0	6.2	4.6
Private Equity	99,018	3.0	5.7	5.3
Multi-Asset Credit	72,720	6.0	4.2	4.4
Renewable Infrastructure	24,900	6.0	1.4	0.0
Cash and Net Current Assets	40,282	0.0	2.3	6.6
<b>Total</b>	<b>1,747,722</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

- 5.14. The differing short term performances of asset classes and fund managers inevitably results in the actual asset allocations deviating from their strategic targets over time. Periodically the Fund undertakes a re-balancing exercise to return to the agreed strategic allocation, whilst separate re-balancing arrangements are in place within the passive mandates as outlined within the ISS.
- 5.15. The graph below depicts the changing value of the Fund's assets as at 31 March over the last six years. The Fund has steadily increased in value over the period, from £1,041bn at 31

March 2016 to a high of £1,748bn at 31 March 2022. The Fund rose by approximately £131m in 2021/22.



5.16. The annualised return of the Fund's investments over the last 12 months was 9.41%, which was 2.78% above the benchmark return (a composite of the benchmarks employed by each mandate). Over the last five years, the Fund's absolute return on its investments is 7.07%, which is approximately 0.29% above the benchmark return of 6.78% as depicted in the below table.

**D2. AGGREGATE FUND – COMPARATIVE PERFORMANCE:**

As at 31 March 2022	One Year %	Three Year %	Five Years %
<b>Fund Performance</b>	9.41	8.43	7.07
<b>Benchmark</b>	6.63	7.64	6.78
<b>Relative performance</b>	<b>2.78</b>	<b>0.79</b>	<b>0.29</b>

5.17. Individual fund manager performance is assessed against customised benchmarks. The performance of each manager against their composite benchmark over a one year period, three year period and their inception is as set out in the table below.

**D3. INDIVIDUAL MANAGER PERFORMANCE:**

		<b>Blackrock</b>	<b>UBS</b>	<b>Schroders</b>	<b>J.P. Morgan</b>	<b>LCIV</b>	<b>HarbourVest</b>	<b>Partners Group</b>	<b>Pemberton</b>	<b>LGIM</b>
		<b>(Passive Equities &amp; Bonds)</b>	<b>(Passive Equities &amp; Bonds)</b>	<b>(Property)</b>	<b>(Infrastructure)</b>	<b>(Passive Equity)</b>	<b>(Private Equity)</b>	<b>(Multi-Asset Credit)</b>	<b>(Multi-Asset Credit)</b>	<b>(Property)</b>
		<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>1 year</b>	Absolute	(14.3)	20.3	20.9	8.5	N/A	54.7	3.5	4.7	N/A
	Benchmark	(14.6)	13.0	23.7	7.0	N/A	16.6	4.5	8.0	N/A
	<b>Relative</b>	<b>0.3</b>	<b>7.3</b>	<b>(2.8)</b>	<b>1.5</b>	<b>N/A</b>	<b>38.1</b>	<b>(1.0)</b>	<b>(3.3)</b>	<b>N/A</b>
<b>3 years</b>	Absolute	8.3	24.4	7.4	N/A	N/A	23.9	N/A	N/A	N/A
	Benchmark	8.2	5.3	8.4	N/A	N/A	15.8	N/A	N/A	N/A
	<b>Relative</b>	<b>0.1</b>	<b>19.1</b>	<b>(1.0)</b>	<b>N/A</b>	<b>N/A</b>	<b>8.1</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Since Inception*</b>	Absolute	29.0	0	5.4	5.0	(6.8)	17.6	3.9	6.0	0.0
	Benchmark	29.2	0	6.2	7.0	(7.0)	12.2	4.7	8.0	0.2
	<b>Relative</b>	<b>(0.2)</b>	<b>0.0</b>	<b>(0.8)</b>	<b>(2.0)</b>	<b>(0.2)</b>	<b>5.4</b>	<b>(0.8)</b>	<b>(2.0)</b>	<b>(0.2)</b>

\*Blackrock Nov 2012; UBS Nov 2012; Schroders Oct 2004; J.P. Morgan Jan 2019; LCIV Dec 2021; HarbourVest Dec 2006; Partners Group Apr 2018; Pemberton Jan 2018; LGIM Mar 2022.

5.18. The table above shows that there has been a varied performance over time. It is to be noted that Blackrock, UBS and LCIV are all passive funds which track their composite benchmarks instead of actively trying to outperform them, and account for approximately 72% of the Fund. No other managers, apart from Schroders and J.P. Morgan, accounts for more than 6% of the Fund, in line with their target allocations. Pemberton was a new fund in 2017/18, Partners Group and J.P. Morgan were new funds in 2018/19 and LCIV and LGIM were new funds this year (2021/22), hence the lack of historical performance data. The PIC continues to monitor the performance of all fund managers on a quarterly basis via the reports it receives from the Fund's advisors. In addition, whilst suspended during the Covid pandemic, as of September 2022 PIC has recommended the practice of ensuring that each manager is invited to discuss their performance at Committee meetings annually, and where necessary explain strategies for improvement.

5.19. A description of the benchmark for each fund manager is set out below.

**D4. FUND MANAGER BENCHMARKS:**

<b>Manager</b>	<b>Mandate</b>	<b>Benchmark / Performance Target</b>
<b>BlackRock</b>	Mixed Passive Mandate	Composite benchmark. Index Tracker Funds depending on market and asset class; performance should correspond to the average return.
<b>UBS</b>	Mixed Passive Mandate	Composite benchmark. Index Tracker Funds depending on market and asset class; performance should correspond to the average return.
<b>Schroders</b>	Property	To outperform the MSCI/AREF UK Quarterly Property Fund Index All Balanced Funds Weighted Average by 0.75% on a three year rolling basis net of fees.
<b>J.P. Morgan</b>	Infrastructure	Hurdle rate of 7%. The fund targets a return of 8-12% per annum net of fees.
<b>LCIV</b>	Passive Equity	The objective of the Fund is to track the performance of the S&P Developed Ex-Korea LargeMidCap Net-Zero 2050 Paris-Aligned ESG Index
<b>LCIV</b>	Renewable Infrastructure	focuses on renewable energy infrastructure assets, investing in greenfield and brownfield assets
<b>HarbourVest</b>	Private Equity	To outperform the Morgan Stanley Capital International (MSCI) World Index by 5% over a five year rolling period, net of fees.
<b>Partners Group</b>	Multi-Asset Credit	The fund targets a return of LIBOR +4-6% net of fees, with a 5% cash yield
<b>Pemberton</b>	Multi-Asset Credit	The fund targets a gross Internal Rate of Return (IRR) of 7-8%.
<b>LGIM</b>	Property	UK Build To Rent Fund. The target annualised return for the fund is 4.1%.

5.20. The value of assets under management (AUM) by asset class and fund manager is shown in the Pension Fund Accounts in Appendix A.

5.21. The Pension Fund’s top equity and unit trust holdings are also shown in the Pension Fund Accounts in Appendix A, under Section 5 - Investment Analysis.

**6. SCHEME ADMINISTRATION**

**A. SCHEME ADMINISTRATION / PENSIONS ADMINISTRATION AND ASSURANCE**

6.1. As at 31 March 2022 there were 26,139 members of the Fund; 6,759 of these were active, 10,996 deferred (undecided, deferred and frozen) and 8,384 retired. Besides the administering authority, the Fund also comprised 10 active scheduled bodies and 16 active admitted bodies, along with 1 admitted body that left the fund in 2021/22.

6.2. Scheme member administration and pensioner administration is undertaken by a small in-house Pensions team which is also responsible for other areas of pension work including providing data to the LPFA, TPA and the NHS pension schemes. The team also carries

out non-Pension Fund work such as providing estimates and calculating and paying redundancy and compensation payments. Further information about the administration of the scheme including forms and publications, information on complaints and disputes, and details on how members are kept informed, including relevant contact details, can be found on the Fund's website at [www.lewishampensions.org](http://www.lewishampensions.org). Scheme administration is audited annually and a short summary of the 2021/22 audit findings can be found in sections 4.8 and 4.9 of this report.

6.3. Pension transactions are completed monthly as they fall due, the in-house team also work through queries and respond to members and bodies as appropriate. Membership is updated regularly to ensure it is accurate.

6.4. The number of key administrative activities carried out in 2021/22 and across the previous four years are shown in the table below.

#### A1. KEY ADMINISTRATIVE ACTIVITIES:

	2021/22	2020/21	2019/20	2018/19	2017/18
New scheme members	279	638	1,072	1,181	1,157
Estimate of benefits	901	794	1,393	1,839	1,801
Responding to correspondence	1,143	1,714	1,472	557	557
Deferred benefits	296	290	298	330	186
Calculation of quotations and actuals relating to transfers into the Local Government Pension scheme	390	335	420	304	246
Retirements	381	322	410	410	335
Death cases (with dependants)	368	376	292	264	192
Calculation of quotations and actuals relating to transfers out of the Local Government Pension scheme	418	335	262	247	246
Additional contributions	23	25	50	46	40
Refunds of contributions	266	170	434	507	187
<b>Overall Performance</b>	<b>4,465</b>	<b>4,999</b>	<b>6,103</b>	<b>5,685</b>	<b>4,947</b>

6.5. The role of the pensions section in the administering authority during 2021/22 was carried out by five Full Time Equivalent (FTE) staff serving just over 26,000 members. Relevant data and staffing ratios are as set out below, and indicate an increasing number of transactions over time being undertaken by the same number of FTE staff.

#### A2. KEY STAFF INDICATORS:

FTE Staff:	2021/22	2020/21	2019/20	2018/19	2017/18
Lewisham	7.5	7.5	7.5	7.5	7.5
Made up of:					
Work for other schemes	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Other work	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
<b>Administration of LGPS</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>

Scheme Membership:	2021/22	2020/21	2019/20	2018/19	2017/18
Number of contributors	6,759	6,928	6,754	6,726	6,821
Number of deferred members	10,996	11,865	11,860	11,469	10,950

Number of pensioners	8,384	8,089	8,024	7,779	7,622
<b>Total</b>	<b>26,139</b>	<b>26,882</b>	<b>26,638</b>	<b>25,964</b>	<b>25,393</b>

<b>Staff Performance:</b>	<b>2021/22</b>	<b>2020/21</b>	<b>2019/20</b>	<b>2018/19</b>	<b>2017/18</b>
Ratio of members to 1 FTE staff	5,228	5,376	5,328	5,193	5,079
Transactions per member of staff	893	1,000	1,221	1,137	989

6.6. The age profile of the membership calculated as at 31 March 2022 is show in the table below.

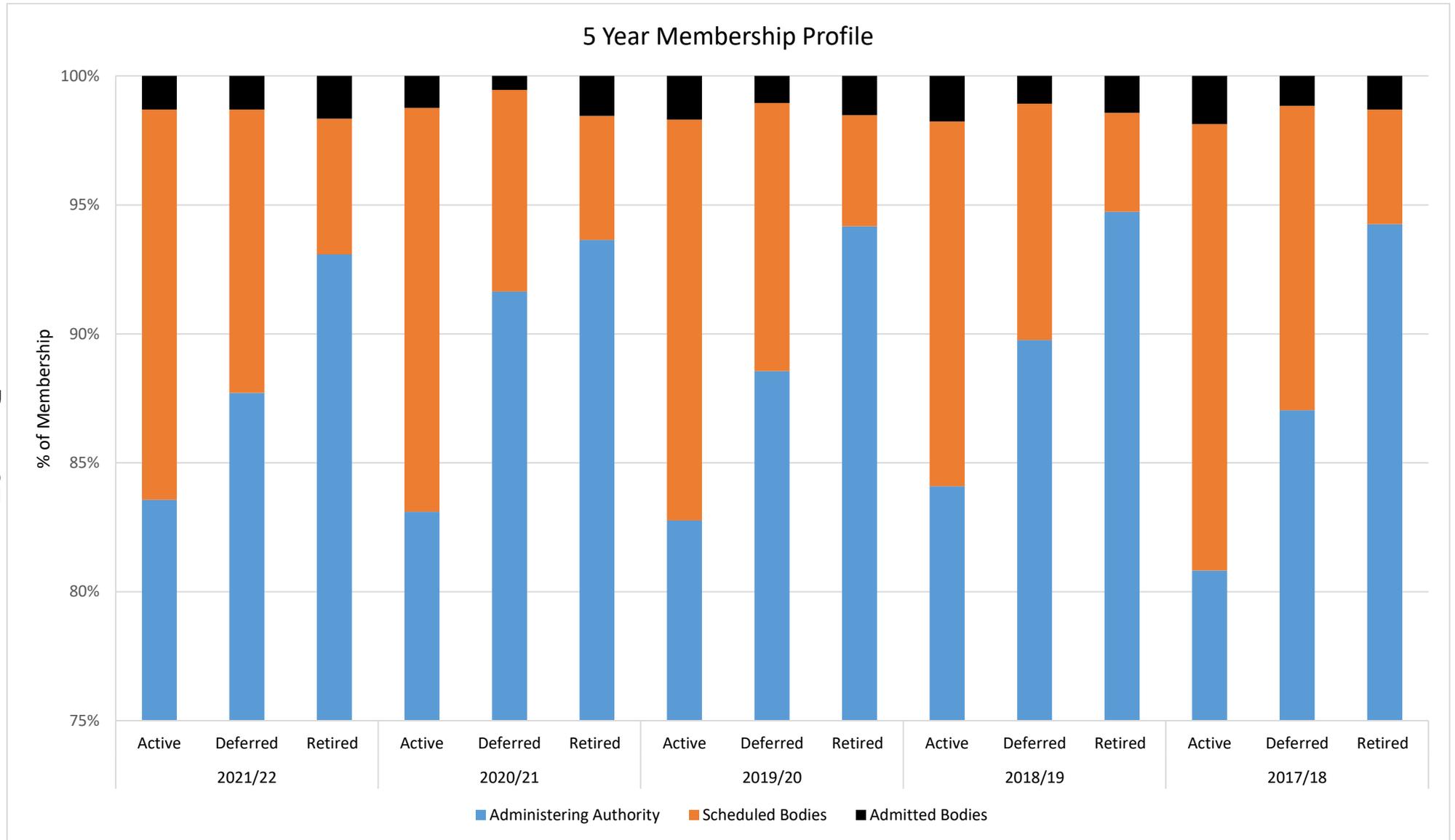
**A3. AGE PROFILE OF MEMBERSHIP:**

A	Contributing	Deferred	Pensioners/Dependents
0-4	0	0	3
5-9	0	0	2
10-14	0	0	18
15-19	17	0	28
20-24	230	9	22
25-29	455	116	3
30-34	558	429	1
35-39	671	687	5
40-44	750	844	10
45-49	832	902	16
50-54	1047	1415	47
55-59	1191	1772	411
60-64	731	964	1370
65-69	239	179	1852
70-74	39	41	1667
75-79		7	1270
80-84		4	844
85-89			535
90-94			225
95-99			47
100-104			8
<b>Total</b>	<b>6760</b>	<b>7369*</b>	<b>8384</b>

\*Does not include undecided leavers or frozen accounts shown in the deferred membership numbers above.

6.7. A five year analysis of the Fund's membership (active, deferred, and retired) is shown in the next graph and table. The table also provides the unit costs per active, deferred and retired member in terms of both administrative and investment management expenses. Administrative expenses in this context include oversight and governance expenses as outlined in section 4.11, whilst management expenses relate to fund manager fees, transaction costs and custody fees.

**A4. 5 YEAR MEMBERSHIP PROFILE:**



**A5. FIVE YEAR ANALYSIS: MEMBERSHIP AND ADMINISTRATIVE UNIT COSTS:**

	2021/22			2020/21			2019/20			2018/19			2017/18		
Membership	Active	Deferred	Retired	Active	Active	Active	Active	Deferred	Retired	Active	Deferred	Retired	Active	Deferred	Retired
Administering Authority	5,648	9,645	7,804	5,757	10,873	7,575	5,590	10,502	7,556	5,656	10,295	7,360	5,513	9,531	7,184
Scheduled Bodies	1,023	1,208	441	1,085	928	389	1,050	1,234	346	951	1,051	298	1,181	1,292	339
Admitted Bodies	88	143	139	86	64	125	114	124	122	119	123	111	127	127	99
<b>Total</b>	<b>6,759</b>	<b>10,996</b>	<b>8,384</b>	<b>6,928</b>	<b>11,865</b>	<b>8,089</b>	<b>6,754</b>	<b>11,860</b>	<b>8,024</b>	<b>6,726</b>	<b>11,469</b>	<b>7,769</b>	<b>6,821</b>	<b>10,950</b>	<b>7,622</b>
Unit Costs	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Administrative Unit Cost (£)	164	29	19	121	20	15	114	19	14	90	15	11	98	17	13
Investment Management Unit Cost (£)	237	42	27	241	40	29	258	42	31	205	34	25	100	18	13
<b>Total Unit Cost (£)</b>	<b>401</b>	<b>70</b>	<b>46</b>	<b>362</b>	<b>60</b>	<b>44</b>	<b>372</b>	<b>61</b>	<b>45</b>	<b>295</b>	<b>49</b>	<b>36</b>	<b>198</b>	<b>35</b>	<b>26</b>

6.8. A list of contributing employers and the amounts contributed by the employers in 2021/22 is shown below:

**A6. EMPLOYER CONTRIBUTIONS:**

Employer	Contributions Paid £'000	Comments
<b>Administering Authority</b>		
Lewisham Council	28,951	
<b>Scheduled Bodies</b>		
Lewisham Homes	3,521	
Haberdashers' Aske's Knights Academy	1,018	
Christ The King Sixth Form College	460	
St Matthew's Academy	190	
Childeric	165	
Tidemill Academy	170	
St George's	81	
Rushey Green	214	Started 01/04/2021
Rathfern	137	Started 01/07/2021
Sedgehill Academy	115	
<b>Admitted Bodies</b>		
Youth First Ltd	129	
Phoenix Agency Services	101	
Phoenix	116	
Lewisham Music	14	
Skanska	1	Ceased 30/04/2021
Change Grow Live	13	
Nviro	N/A	Ceased
NSL	0	
Fusions Leisure Management	N/A	Ceased
Quality Heating	N/A	Ceased
Housing 21	4	
Pre-School Learning Alliance	3	
Tower Services	2	
3 C's Support	0	
City West Services	2	
Greenwich Leisure Ltd (GLL)	10	
Harrison Catering Crayford	3	Started 18/07/2019
Harrison Catering Hatcham	88	Started 18/07/2019
Harrison Catering Knights	36	Started 18/07/2019
M Group	22	Started 01/05/2021

6.9. The Statement of Accounts summarises the contributions received from employees and employers by type of body; the total contributions received per establishment are shown in the table further below.

6.10. The Fund has a number of bodies which participate in the Fund either as scheduled or admitted bodies. Scheduled bodies are organisations which have a statutory entitlement

to be members of the scheme. Admitted bodies are those which have applied to join the scheme and the Council has formally approved their admission.

**A7. TOTAL CONTRIBUTIONS RECEIVED FROM EMPLOYEES AND EMPLOYERS:**

<b>Employer</b>	<b>Total Contributions Received £'000</b>	<b>% Returns Received by Due Date</b>
<b>Administering Authority</b>		
Lewisham Council	37,749	100%
<b>Scheduled Bodies</b>		
Lewisham Homes	4,878	100%
Haberdashers' Aske's Knights Academy	1,366	100%
Christ The King Sixth Form College	598	100%
St Matthew's Academy	256	92%
Childeric	207	100%
Tidemill Academy	218	100%
St George's	102	100%
Rushey Green	270	92%
Rathfern	171	78%
Sedgehill Academy	200	100%
<b>Admitted Bodies</b>		
Youth First Ltd	167	100%
Phoenix	177	8%
Phoenix Agency Services	135	50%
Lewisham Music	15	8%
Skanska	2	50%
Change Grow Live	18	100%
NSL	2	100%
Nviro	N/A	N/A
Fusions Leisure Management	N/A	N/A
Quality Heating	N/A	N/A
3 C's Support	4	0%
Housing 21	6	100%
Pre-School Learning Alliance	4	100%
Tower Services	2	100%
City West Services	2	0%
Greenwich Leisure Ltd (GLL)	13	100%
Harrison Catering Crayford	3	100%
Harrison Catering Hatcham	105	100%
Harrison Catering Knights	42	100%
M Group	28	55%

6.11. Although the LGPS is a national scheme, it is administered locally. Lewisham Council has a statutory responsibility to administer the pension benefits payable from the Pension Fund on behalf of the participating employers and the past and present members and their dependents. The following table outlines benefits payable in 2021/22.

<b>Benefits Payable</b>	<b>Employer</b>	<b>Amount Payable</b>
-------------------------	-----------------	-----------------------

		£'000
Pensions	Administering Authority	41,104
	Scheduled Bodies	2,717
	Admitted Bodies	1,121
Lump Sums: Retirement Allowances	Administering Authority	8,156
	Scheduled Bodies	1,247
	Admitted Bodies	488
Lump Sums: Death Grant	Administering Authority	930
	Scheduled Bodies	380
	Admitted Bodies	0

## **B. INTERNAL DISPUTE RESOLUTION PROCEDURE (IDRP)**

- 6.12. The Local Government Pensions Scheme Regulations 2013 set out a two-stage 'Internal Dispute Resolution Procedure' (IDRP). The Fund's internal dispute resolution procedure is shown below:
- 6.13. Stage one: the member's complaint is referred to the Executive Director of Corporate Resources, who is nominated by the London Borough of Lewisham to act as an independent adjudicator. Any decision made must be given in writing.
- 6.14. If the member is dissatisfied with the stage one decision, they can take the matter to stage two of the IDRP.
- 6.15. Stage two: the stage one decision is reviewed by the Director of Law, Governance and HR who is nominated by the London Borough of Lewisham to act as an independent referee.
- 6.16. There are time limits associated with each stage of the procedure, both for the applicant and the adjudicator. Appeals must normally be made within six months of the date of the decision that is being challenged and the adjudicator must normally give written notice of their decision within two months of the receipt of the appeal.
- 6.17. At any stage of the process, or before the process begins, the member can seek help and advice from The Pensions Advisory Service (TPAS). The Pensions Advisory Service is an independent non-profit organisation that provides free information and guidance to members of the public on pension matters generally. They can also help to resolve disputes and complaints about private pension arrangements (workplace pensions, personal pensions and stakeholder pensions).
- 6.18. The member has the right to refer the complaint to the The Pensions Ombudsman (TPO) free of charge. Before the complaint is put to the TPO the member should first have tried to resolve the complaint through the IDRP and consulted with TPAS. The TPO is completely independent and acts as an impartial adjudicator. Its role and powers have been decided by Parliament. The TPO cannot investigate matters where legal proceedings have already started but, subject to that, he can settle disputes about matters of fact or law as they affect occupational pension schemes.

- 6.19. Lewisham Pension Fund had one IDRPs case in 2021/22, this represents 0.0002% of complaints against caseload in the financial year.

## **7. ACTUARIAL REPORT ON FUND**

- 7.1. The Regulations require that every three years all Local Government Pension Schemes be subject to actuarial review. The actuarial review sets assumptions about the level of investment returns, life expectancy and other relevant factors to determine the assets and liabilities of the Fund and the corresponding funding level.
- 7.2. The last revaluation was undertaken as at 31 March 2019, and the final valuation report is available on the Lewisham Pensions website at [www.lewishampensions.org](http://www.lewishampensions.org). The actuarial review assessed the Fund as being 90% funded; this represents an increase of 12% in the funding level since the last valuation in 2016, from 78% funded.
- 7.3. The 2019 valuation resulted in the actuary assessing Lewisham's employers' contribution rate to provide for future pensions entitlements to be a minimum of 17.6% for financial years 2020/21 through to 2022/23, plus a lump sum component increasing year on year. The equivalent rate remains unchanged from the previous valuation at 22.5%.
- 7.4. Lewisham, as the administering authority for the Fund, set an employer contribution rate of 22.5% for 2021/22, which remains unchanged for 2021/22 as per the actuarial Rates and Adjustment certificate. It paid a lump sum employer contribution of £240,000 in 2021/22 to ensure that total contributions paid into the Fund across the valuation period remained in line with the actuarial recommendation.
- 7.5. The next triennial valuation will take place as at March 2022 but the final results are not expected before December 2022.

## **8. FUND GOVERNANCE**

### **A. GOVERNANCE STRUCTURE**

- 8.1. Lewisham's Annual Governance Statement has been adopted by the PIC on behalf of the Fund.
- 8.2. Article 9 of the Council's Constitution sets out the composition and terms of reference of the Pensions Investment Committee, to exercise all functions of the Council in relation to local government pensions under Section 7, 12 or 24 of the Superannuation Act 1972 and all other relevant pension legislation. This includes:
- To review with fund managers the investment performance of the Fund's assets on a quarterly basis;
  - To examine the portfolio of investments, and its market value, at the end of each quarter for suitability and diversification;
  - To inform fund managers of the Council's policy regarding investment of its funds, and to take advice on the possible effect on performance resulting from implementing the policy;
  - To review from time to time the appointment of fund managers;

- To determine the overall investment strategy and policies of the Fund, taking account of professional advice; and
- Responsibility for compliance with the six Myners principles set out in CIPFA's "Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom (2012)" and all other relevant guidance in relation to the Local Government Pension Scheme in force and issued by CIPFA from time to time.

8.3. Responsibility for day-to-day administration and preparation of the Pension Fund accounts and annual report has been delegated to the Executive Director for Corporate Resources.

8.4. Details of the Council's Code of Corporate Governance is set out in Part V of the Council's Constitution which is available at:

[www.lewisham.gov.uk/mayorandcouncil/aboutthecouncil/how-council-is-run/our-constitution](http://www.lewisham.gov.uk/mayorandcouncil/aboutthecouncil/how-council-is-run/our-constitution)

8.5. The Council's latest Annual Governance Statement is available with the main Council Statement of Accounts at the following link:

[www.lewisham.gov.uk/mayorandcouncil/aboutthecouncil/finances/statement-of-accounts](http://www.lewisham.gov.uk/mayorandcouncil/aboutthecouncil/finances/statement-of-accounts)

## B. MEMBERSHIP – PENSIONS INVESTMENT COMMITTEE

8.6. The Pensions Investment Committee comprises eight Members of the Council who have voting rights, and meets at least quarterly. At the start of each meeting Committee Members are invited to declare any financial or pecuniary interest related to specific matters on the agenda. The Committee takes advice from its independent investment consultant (Hymans Robertson) and permits attendance from non-voting observers comprised of pensioners, admitted and scheduled bodies, union officials, and members of the Local Pension Board.

8.7. The following table sets out attendance by the eight Councillors who were Members of the Pensions Investment Committee for the scheduled meetings in 2021/22. Note four meetings are scheduled in each financial year and each Councillor has one vote with the Chair having the casting vote.

Member	28 April 2021	24 June 2021	22 Sept 2021	10 Feb 2022
Cllr. Ingleby – Chair	✓	✓	✓	✓
Cllr. Krupski - Vice Chair	✓	✓	✓	✓
Cllr Royston – Chair for Feb 2022 meeting	Apologies	✓	✓	✓
Cllr. Best	✓	✓	Apologies	✓
Cllr. Codd	✓	Apologies	✓	✓
Cllr. Kalu	✓	Apologies	Apologies	✓
Cllr. Muldoon	Apologies	✓	Apologies	✓
Cllr. Penfold	✓	✓	✓	✓

## C. MEMBER TRAINING

8.8. Members attend training events and conferences to develop and maintain the relevant skills required as set out in the CIPFA Knowledge and Skills framework. The framework covers six key areas:

- 1) Legislative and governance framework
- 2) Accounting and auditing standards
- 3) Procurement of financial services and relationship management
- 4) Investment performance and risk management
- 5) Financial markets and investment products knowledge
- 6) Actuarial methods, standards and practices

8.9. During 2021/22 Members notified officers of their attendance at the following training sessions and events:

Date	Description	Provider	Members
Ongoing	Each week Cllr Muldoon undertakes at least one hour's unstructured CPD when he reads Citywire publications on market conditions, investment		Cllr Muldoon
28/04/2021	Low carbon equity training	Hymans Robertson	Councillor Ingleby, Councillor Krupski, Councillor Best, Councillor Codd, Councillor Kalu, Councillor Muldoon and Councillor Penfold.
29/07/2021	Three hour briefing on Thursday 29 July held by the European Pension Fund Investment Forum in Barber-Surgeons Hall discussing recovery from the effects of the COVID-19 pandemic.	European Pension Fund Investment Forum	Cllr Muldoon
22/09/2021	Hymans Robertson presentation on the Collective Investment Vehicle (LCIV) Passive Equity Progressive Paris Aligned Fund ("PEPPA")	Hymans Robertson	Councillor Ingleby, Councillor Krupski, Councillor Codd, Councillor Penfold, Councillor Royston
06/10/2021	SPS Conferences, Piccadilly: Property, Infrastructure & Real Asset Investing Strategies	SPS Conferences	Cllr. Ingleby
28/10/2021 And 29/10/2021	London Collective Investment Vehicle Conference, Teddington	LCIV	Cllr. Ingleby
10/02/2022	SPS Conferences, Piccadilly: Climate Change Investing.	SPS Conferences	Cllr. Ingleby
17/02/2022	TCFD training	Hymans Robertson	Councillor Royston, Councillor Krupski, Councillor Codd, Councillor Ingleby, Councillor Muldoon, Councillor Best, Councillor Kalu and Councillor Penfold

- 8.10. Members are also aware of their obligations under the Markets in Financial Instruments Directive (MiFID) II, under which the Fund has opted up to professional status with its fund managers and relevant service providers, committing to develop and maintain their knowledge of the LGPS in order to preserve the Fund's professional client status.
- 8.11. Members are provided with a schedule of suggested training events and conferences throughout the year, provided at each quarterly meeting of PIC. The events are intended to cover a range of skillsets and provide insight as appropriate to the needs of Members and the broader strategic direction of the Fund.
- 8.12. In addition, the Fund's advisors present training on relevant topics both within PIC meetings and as separate events; these cover a wide range of subjects, from the impact of legislative changes to asset specific training, which is also supported by presentations from fund managers on their respective asset classes.
- 8.13. Members are recommended, where they have not already, to make use of and complete the Pension Regulator's online toolkit for Trustees.

## **9. REPORT FROM THE LOCAL PENSION BOARD**

### **A. INTRODUCTION**

- 9.1. The Board is not decision-making body but does have a specific remit under The Public Service Pensions Act 2013 to ensure that pension funds meet all relevant legal requirements.
- 9.2. The Board has an important role of assisting the administering authority with the efficient management of the Fund and ensuring its compliance with legislation and best practice. The Board only met once in the 2021/22 financial year because of Covid and other staffing problems. New members have been appointed to make up the full board and quarterly meetings are planned for 2022/23.
- 9.3. A new Board has been established with planned quarterly meetings in 2022/23. The Board's focus has been on:
  - Enhancing its understanding of the arrangements put in place by the administering authority, including through consideration of minutes and agendas of the Pensions Investment Committee and receipt of documentation by management;
  - Reviewing the strategies and other reporting requirements to meet the administering authority's compliance with legislation and best practice. The Board has agreed its own work programme and plans to review this at each meeting; and
  - Ensuring that appropriate arrangements are put in place for developing and maintaining the knowledge and understanding of members of the Board.

Further information about the Board and its operation, including its terms of reference, is available on the Council's website at:

<https://councilmeetings.lewisham.gov.uk/ieListMeetings.aspx?CId=353&Year=0> and on the Fund's website at the following link:

## **B. MEMBERSHIP OF THE BOARD**

9.4. The Board consists of five members; two employer representatives, two scheme (member) representatives, and an Independent Chair. Since 1 April 2022 two new members have been appointed to complete the board requirements.

<b>Name</b>	<b>Capacity</b>	<b>Role</b>	<b>Meetings attended in 2021/22</b>
Stephen Warren	Independent Chair (Non-Voting)		1/1
Rowann Limond	Employer Representative	Director of Finance and Technology, Lewisham Homes	1/1
Gary Cummins	Scheme Representative	Housing Partnership and Contract Manager	1/1

## **C. KNOWLEDGE AND UNDERSTANDING**

9.5. Relevant training via attendance at external events is made available to members of the Board, officers also schedule relevant training sessions at the start of each meeting on the Board. A record of training, including completion of the Pension Regulator's Toolkit, is maintained.

## **D. WORK PROGRAMME FOR THE FUTURE**

9.6. The Board only met once in 2021/22 due to the impact of Covid-19 along with members leaving. New members have been appointed for 2022/23 and quarterly meetings have resumed.

9.7. The Board has agreed that:

- It will schedule four meetings a year;
- It will structure its workplan to ensure that there are regular reviews of all relevant Pension Fund policies and procedures in place such that these continue to comply with relevant legislation and Codes of Practice issued by the Pensions Regulator;
- It will monitor the implementation of the action plan prepared in response to external review commissioned to measure the Fund's compliance to the Pension Regulator's Code of Practice and the Local Government Pension Scheme Advisory Board's guidance;
- It will receive and review the administering authority's risk register and risk management policy for the Fund; and,
- It will evaluate the robustness of the administering authority's arrangements for obtaining assurance about the operation of pooled funds, specifically the London CIV, the collective investment vehicle for London Local Authorities' Pension Funds, as the Fund's levels of pooled investments has increased in recent years.

## **10. ASSET POOLING**

### **A. FINANCIAL YEAR 2021/22**

- 10.1. The London Collective Investment Vehicle (LCIV) is the investment vehicle established for the pooling of London Local Authority (LLA) Pension Fund assets, created to deliver broader investment opportunities and more enhanced cost efficiencies than LLAs can achieve individually. It is authorised and regulated by the Financial Conduct Authority (FCA) as an Alternative Investment Fund Manager (AIFM) with permission to manage authorised and unauthorised Alternative Investment Funds (AIFs) via an Authorised Contractual Scheme (ACS) pooling structure and as an Exempt Unauthorised Unit Trust (EUUT).
- 10.2. Each LLA is a shareholder in the LCIV, and the Fund has £150,000 of non-voting redeemable shares as a subscriber to the pool. It and contributes to the financial operation of the vehicle via an annual service charge and Development Funding Charge (DFC). The annual service charge is akin to a membership fee, providing access to LCIV services. The DFC is designed to cover the cash flow imbalance between the LCIV's annual revenues and annual costs until LCIV generates sufficient management fee income to cover annual operating costs.
- 10.3. As at 31 March 2022 the Fund has invested into two funds with LCIV £25m invested into the Renewable Infrastructure Fund and £459m invested into Passive Equity Progressive Paris Aligned Fund (PEPPA).
- 10.4. The Fund is committed to the principles of pooling and to the transitioning of assets to the LCIV or another LGPS pool. However, the nature of the LCIV's setup in its first few years meant the funds it had created and established had been of little interest to Lewisham, or incompatible with our strategy. The establishment of PEPPA and the Renewable Infrastructure Fund has increased the levels of funds pooled in 2021/22 and Fund officers and Members maintain a close relationship with the LCIV, and the PIC considers pooling obligations in all investment decisions.
- 10.5. Members and officers will continue to work with LCIV to develop mandates in line with the Fund's strategy.

### **B. AT TIME OF WRITING ANNUAL REPORT**

- 10.6. In respect of asset pooling, it is noted that at the time of writing the annual report (October 2022) the Fund had a further £7m investment into the LCIV Renewable Infrastructure Fund of the commitment of £90m; In investment of £48m, of the commitment of £85m into the LCIV Private Debt Fund. There has also been investment of £35m, of the commitment of £45m into LGIM Build to Rent and Storebrand Global Plus of £260m and Storebrand Emerging Markets £67m.

## **11. FUND ACCOUNT, NET ASSETS STATEMENT AND NOTES**

- 11.1 The Pension Fund accounts, prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, were approved by Council on XXXXX and have been audited by the Council's external auditors Grant Thornton. The Accounts are set out in Appendix A.

## 12 FUNDING STRATEGY STATEMENT

- 12.1 The Fund has a Funding Strategy Statement (FSS) which details the Fund's approach to funding its liabilities. The FSS is reviewed in detail at least every three years in line with the triennial valuation, and was last updated in November 2019, effective from 1 April 2020; it can be found on the Fund's website at the following link: [www.lewishampensions.org/resources](http://www.lewishampensions.org/resources) The Funding Strategy is updated after each Triennial Valuation so the new funding strategy it will be effective from April 2023.
- 12.2 The FSS is developed by the Council in conjunction with the Fund's actuary, Hymans Robertson, and after consultation with employers. The FSS sets out any changes in the Fund's liabilities and obligations to pay pensions in the coming years, and how those liabilities are funded by investments and contributions. The FSS has links to the Investment Strategy Statement.
- 12.3 The purpose of the FSS is to:
- Establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;
  - Support the regulatory framework to maintain as nearly constant employer contribution rates as possible; and
  - Take a prudent longer-term view of funding those liabilities.
- 12.4 The statement sets out how the administering authority has balanced the conflicting aims of affordability of contributions, transparency of processes, stability of employers' contributions, and prudence in the funding basis.
- 12.5 The administering authority normally targets the recovery of any deficit over a period not exceeding 20 years. The funding basis adopts an asset outperformance assumption of 2.0% per annum over and above long-term government bond yields at the time of the 2019 valuation.
- 12.6 The Fund has an active risk management programme in place. The measures that the administering authority has in place to mitigate key risks are summarised in the FSS under the following headings:
- Financial;
  - Demographic
  - Regulatory; and
  - Governance
- 12.7 The 2019 valuation specified the minimum employer contributions, expressed as a percentage of pensionable pay and shown in the Rates and Adjustment certificate, as follows:

Employer/Pool Name	Total Contribution Rate (%/£)		
	2020/21	2021/22	2022/23
LB Lewisham	17.6% plus £6,400,000	17.6% plus £6,400,000	17.6% plus £6,400,000
Christ The King Sixth Form College	22.4%	21.4%	21.4%
Haberdashers' Aske's Knights Academy	17.9% plus £170,000	17.9% plus £170,000	17.9% plus £170,000

Employer/Pool Name	Total Contribution Rate (%/£)		
	2020/21	2021/22	2022/23
Lewisham Homes	19.0%	19.0%	19.0%
St Matthew's Academy	17.6%	17.6%	17.6%
Tidemill Academy	22.0%	22.0%	22.0%
Childeric	23.6%	23.6%	23.6%
St George's	23.7%	23.7%	23.7%
NSL	0.0%	0.0%	0.0%
Phoenix	14.4%	14.4%	14.4%
Skanska	17.1%	17.1%	17.1%
3 C's Support	0.0%	0.0%	0.0%
One Housing	22.0% plus £13,000	22.0% plus £13,000	22.0% plus £13,000
Fusions Leisure Management	24.0%	24.0%	24.0%
Pre-School Learning Alliance	12.6%	12.6%	12.6%
Chartwells	25.7%	25.7%	25.7%
Change Grow Live	18.0%	18.0%	18.0%
Quality Heating	0.0%	0.0%	0.0%
Youth First	22.9%	22.9%	22.9%
Phoenix Agency Services	20.4%	20.4%	20.4%
DB Services	32.5%	32.5%	32.5%
Lewisham Music	33.2%	33.2%	33.2%
Nviro	36.6%	36.6%	36.6%

### 13. INVESTMENT STRATEGY STATEMENT

13.1. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require that administering authorities prepare, maintain and publish an Investment Strategy Statement (ISS) which must be in accordance with guidance issued by the Secretary of State. The Statement must include the following:

- A requirement to invest money in a wide variety of investments;
- The authority's assessment of the suitability of particular investments and types of investments;
- The authority's approach to risk, including the ways in which risks are to be measured and managed;
- The authority's approach to pooling investments, including the use of collective investment vehicles and shared services;

- The authority's policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and
- The authority's policy on the exercise of rights (including voting rights) attaching to investments.

13.2 The latest ISS for the Fund as at June 2022, which as well as the considerations above includes the Fund asset allocation, rebalancing policy, and compliance with CIPFA's Principles for Investment Decision Making. At the time of writing the annual report, our advisors have confirmed that the ISS will be updated to reflect the triennial valuation due in 2022 and the new strategy will be adopted by the Fund once it has been approved. Once complete, it will be available on the Fund's website at the following link:

[www.lewishampensions.org/resources](http://www.lewishampensions.org/resources)

## 14. COMMUNICATIONS POLICY STATEMENT

14.1 Pension Funds are required to prepare, maintain and publish a written statement of their policy concerning communication with members, representatives of members and employing authorities. Lewisham's most recently published Communications Statement is available on the Fund's website at the following link: [www.lewishampensions.org/resources](http://www.lewishampensions.org/resources)

14.2 The statement has been prepared to meet the provisions of Regulation 61 of The Local Government Pension Scheme Regulations (2013), as well as the Public Service Pensions Act (2013) and the Pensions Regulator's Code of Practice No.14, in particular by setting out the following:

- How scheme information is provided to members, their representatives, prospective members, employers (including admitted and scheduled bodies), the Pension Investment Committee, the Pension Board and to other bodies.
- In what format it is presented, how frequently it is presented, and the method of distributing information, and;
- The steps the Fund has taken to promote scheme membership to prospective members and their employers.

## 15. ADDITIONAL DATA

15.2 To assist in the production of the scheme annual report compiled by the LGPS Scheme Advisory Board, Funds are required to include the following:

15.3 A summary of the number of employers in the Fund analysed by scheduled bodies and admitted bodies which are active (with active members) and ceased (no active members).

	Active	Ceased
<b>Scheduled Bodies</b>	9	0
<b>Admitted Bodies</b>	22	1
<b>Total</b>	31	1

15.4 An analysis of Fund assets as at the reporting date, analysed as follows:

Asset Class	UK £m	Non-UK £m	Total £m
<b>Equities</b>	835	77	912

<b>Bonds</b>	213	113	326
<b>Property</b>	160	0	160
<b>Infrastructure</b>	0	119	119
<b>Private Equity</b>	0	79	79
<b>Multi-Asset Credit</b>	0	59	59
<b>Cash</b>	93	0	93
<b>Net Current Assets</b>	0	0	0
<b>Total</b>	<b>1301</b>	<b>447</b>	<b>1,748</b>

15.5 An analysis of investment income accrued during the reporting year, analysed as follows:

<b>Asset Class</b>	<b>UK £000</b>	<b>Non-UK £000</b>	<b>Total £000</b>
<b>Equities</b>	267	215	482
<b>Bonds</b>	323	159	482
<b>Property</b>	11,514	0	11,514
<b>Alternatives</b>	6,324	0	6,324
<b>Cash</b>	20	(47)	(27)
<b>Total</b>	<b>18,448</b>	<b>327</b>	<b>18,775</b>

## 16. INDEPENDENT AUDITOR'S CONSISTENCY REPORT

- 16.1 The Pension Fund annual report currently does not include an external auditor's consistency report with opinion which refers to that given on the statement of accounts, as they are yet to be signed off.
- 16.2 The report will be republished once the external auditor have issued an opinion on the main council's statement of accounts.

## 17. GOVERNANCE COMPLIANCE STATEMENT

- 17.1 Regulation 55 of the Local Government Pension Scheme regulations 2013 requires all administering authorities for local government pension schemes to publish a Governance Compliance Statement setting out the Fund's governance arrangements. It should outline the extent of the Fund's compliance with guidance issued by the Department of Levelling Up, Housing and Communities (DLUHC) and review that statement on an ongoing basis.
- 17.2 This statement sets out the Fund's Governance Structure, scheme of delegation, and the terms of reference for its Governing Bodies, the Pensions Committee and the Local Pensions Board and can be found on the Lewisham Pension fund's website.
- 17.3 The Fund fully complies with the best practice guidelines on governance, issued by (DLUHC). For details, see the table below.

<b>Principle</b>	<b>Fully Compliant</b>
<b>A - Structure</b>	
The Management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing Council.	✓

That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	✓
That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	✓
That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	N/A
<b>B - Representation</b>	
That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee (the Local Pensions Board) structure. These include: <ul style="list-style-type: none"> <li>• Employing authorities (including non-scheme employers (e.g. admitted bodies))</li> <li>• Scheme members (including deferred and pensioner scheme members)</li> <li>• Independent professional observers (where appropriate)</li> <li>• Expert advisers (on an ad hoc basis)</li> </ul>	✓
That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and access to papers and meetings, training and are given full opportunity to contribute to the decision-making process, with or without voting rights.	✓
meetings, training and are given full opportunity to contribute to the decision-making process, with or without voting rights.	
<b>Selection and Role of Lay Members</b>	
That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	✓
That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	✓
<b>Voting</b>	
The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	✓
<b>Training/Facility Time/Expenses</b>	
That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	✓
That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form or secondary forum.	✓
<b>Meetings</b>	
That the administering authority's main committee or committees meet at least quarterly.	✓

That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	✓
That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders be represented.	✓
<b>Access</b>	
That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	✓
<b>Scope</b>	
That administering authorities have taken steps to bring the wider scheme issues within the scope of their governance arrangements.	✓
<b>Publicity</b>	
That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	✓

DRAFT

**APPENDIX**

**Lewisham Pension Board - Work Programme – December 2022**

Page 104

	<b>OPERATIONAL</b>	<b>Officer leading</b>	<b>Qtr 4 Dec 2022</b>	<b>Qtr 1 - Mar 2023</b>	<b>Qtr 2 June 2023</b>	<b>Qtr 3 Sept 2023</b>
1	Draft Pension Fund Statement of Accounts	KN				X
2	Pension Fund Annual Report (must be published by 1 December): Includes: <ul style="list-style-type: none"> <li>• Administration update (including KPI monitoring)</li> <li>• Final Statement of Accounts</li> <li>• Pension Board Annual Report</li> <li>• Governance Compliance Statement</li> </ul>	KN	X			
3	Pension Fund Internal Audit Report	SA			X	
4	Monitoring of Investment Performance: <i>see Hymans Robertson Performance Reports reported to PIC</i>	KN	X	X	X	X
5	Triennial and Interim Actuarial Valuations	KN/SA	X			
6	Progress Reports on the Arrangements for Pooling	KN	X			X
7	Risk Management Policy	KN/SA				X
8	Risk Register	KN/SA			X	
9	Data improvement plan update	SA		X		

	<b>STRATEGIC</b> Policies, where available, can be found at the following site: <a href="https://www.lewishampensions.org/resources/">https://www.lewishampensions.org/resources/</a>	<b>Officer leading</b>	<b>Qtr 4 Dec 2022</b>	<b>Qtr 1 Mar 2023</b>	<b>Qtr 2 Jun 2023</b>	<b>Qtr 3 Sept 2023</b>
10	Process to assess the materiality of any payment failures and ensure that those which are material are reported to the Regulator within a reasonable period	SA/KN		X		
11	<b>Funding Strategy Statement: Oversight</b> Must be updated at least every 3 years (in line with the triennial valuation)	SA		X		
12	<b>Terms of Reference and Membership of the Board</b> Should be reviewed at least annually, and then published on the website	SA		X		
13	<b>Administration Strategy</b> (To be created)	SA		X		

# Agenda Item 10

PENSION BOARD		
<b>Report Title</b>	Exclusion of the Press and Public	
<b>Key Decision</b>		Item No. 10
<b>Ward</b>		
<b>Contributors</b>	Chief Executive	
<b>Class</b>	Part 1	Date: 14 December 2022

## Recommendation

It is recommended that under Section 100(A)(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraphs 3, 4 and 5 of Part 1 of Schedule 12(A) of the Act, as amended by the Local Authorities (Executive Arrangements) (Access to Information) (Amendments) (England) Regulations 2006:-

11.

- Appendix A. - LB Lewisham Q3 2022 Investment Report 30-09-22
- Appendix B - Lewisham Pension Fund Valuation Results 2022

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

Document is Restricted

Document is Restricted