



PENSION BOARD

Date: MONDAY, 25 SEPTEMBER 2023 at 2.00 pm

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

**Enquiries to: Hajera Khan
Email: Committees@lewisham.gov.uk**

INDEPENDENT MEMBERS

Stephen Warren
Mark Adu-Brobbey
Gary Cummins

Members are summoned to attend this meeting

Jeremy Chambers

A handwritten signature in black ink, appearing to read "Jeremy Chambers", written in a cursive style.

**Monitoring Officer
Laurence House
Catford
London SE6 4RU
Date: 14 September 2023**

ORDER OF BUSINESS – PART 1 AGENDA

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MINUTES OF THE PENSION BOARD

Monday, 26 June 2023 at 2.00 pm

Members Present:

In Person: Stephen Warren (Chair), Mark Adu-Brobbe, Sherene Russell Alexander

Present remotely: Garry Cummins (Unison)

Officers Present:

In Person: Chris Flower (Treasury and Investment Manager), Hajera Khan (Committee Officer)

Apologies: Rowann Limond, Katharine Nidd, Shida Ashrafi, Samantha Harlow

1. Minutes

RESOLVED that the minutes of the meeting of the Pensions Board held on 16 March 2023 be agreed.

2. Declarations of Interest

No interest was declared.

3. Action Log

The Treasury and Investment Manager presented the Action Log report to the Board.

The Board noted that outstanding actions listed in the Action Log report had been listed for consideration in the remaining part of the meeting.

RESOLVED that the report be noted.

4. Breaches Log

The Board received an update report relating to the Breaches Log presented by the Treasury and Investment Manager, and a confirmation that there had been no breach since the last meeting.

Action: A page should be included in the pack to note this item.

RESOLVED that the report be noted.

5. Training Log and Forthcoming Training and Events

The Treasury and Investment Manager gave an update report about training events that Board Members could attend. The Chair added that Board Members could also request to access training delivered by Hymans Robertson.

6. General Update - Part One

The Board received an update report from the Treasury and Investment Manager as follows:

- That the external auditors had finalised field work on the Council's accounts, but the report was pending due to resolution of a nation-wide issue.
- That the Funding Strategy Statement which was reported to the Pension Investment Committee had been completed.
- That the Investment Strategy Statement had been drafted and a responsible statement was released and approved by the Pensions Investment Committee.
- That work was ongoing in relation to the Data Improvement Plan and the Administration Strategy and an update on these would be presented by the Head of Pensions and Payroll at the next meeting of the Board in September 2023.

The meeting also noted updates from the Chair as follows:

- That a Member of the Board who currently works for Lewisham Homes would be stepping down as an external employee representative because Lewisham Homes will no longer be an external body as it will become part of Lewisham Council from October 2023.
- That letters of invitation for members to join the Board will be sent out to all Admitted and Scheduled bodies in the Lewisham Pension Fund Scheme as per the Terms of Reference.
- That the drafting of an Annual Business Plan with updates on administration and policy considerations was underway. It was stated that the Board would have an opportunity to comment on that at a future meeting.

In response to a question, the Treasury and Investment Manager confirmed to the Board that the review process had commenced in relation to the Annual Business Plan for 2023-24.

The Board welcomed the general updates.

Actions:

- Officers to add a column with comments about ongoing work and its progress and to add a start date and end date are required for items on the business plan together with the date that they have been signed off.
- Officers to produce a few targets to be included in the Annual Business Plan and to add a column with highlights about ongoing work and progress in the next report.
- The board papers to be circulated to all members via email because not all members have access to Modgov.

RESOLVED that update relating to the Statement of Accounts 2021/22, Pension Board Terms of Reference; Funding Strategy Statement report; Investment Strategy Statement report; Annual Business Plan 2023/24 be noted.

7. Work Programme

The Board received with Work Programme report presented by the Treasury and Investment Manager.

RESOLVED that report be noted.

8. Any Other Business

The meeting noted that the Board had no other business for consideration.

9. Future Meeting Dates

The provisional dates relating to future meetings of the Board were noted as follows:

- 25 September 2023
- 13 December 2023
- 11 March 2024
- 18 June 2024

RESOLVED that the provisional dates of meetings be noted.

10. Exclusion of Press and Public Notice

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:

- Item 11. General Update – Part Two

It was RESOLVED that the Board REVIEWED and AGREED the Recommendations.

11. General Update - Part Two

The Treasury and Investment Manager presented the reports.

Actions:

- The Treasury and Investment Manager to check if target dates are required for some of the risks in the Risks Register.
- Officers to check whether additional controls should be implemented in relation to risk AG06 in the Risk Register AG06.
- Officers to carry out Skills and Knowledge Audit for Pension Investment Committee members before planning future training sessions.
- Officers to consider whether a separate Risk Register for the Pension Board is appropriate.

The Members asked questions that were answered by the Treasury and Investment Manager.

The meeting ended at 14:53



Pension Board

Declarations of Interest

Date: 25 September 2023

Key decision: No

Class: Part 1

Ward(s) affected: All

Contributors: Treasury and Investment Manager/ Director of Finance

Outline and recommendations

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

1. Summary

1.1. Members must declare any personal interest they have in any item on the agenda. There are three types of personal interest referred to in the Council's Member Code of Conduct:

- (1) Disclosable pecuniary interests
- (2) Other registerable interests
- (3) Non-registerable interests.

1.2. Further information on these is provided in the body of this report.

2. Recommendation

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

3. Disclosable pecuniary interests

3.1 These are defined by regulation as:

- (a) Employment, trade, profession or vocation of a relevant person* for profit or gain
- (b) Sponsorship –payment or provision of any other financial benefit (other than by the Council) within the 12 months prior to giving notice for inclusion in the register in respect of expenses incurred by you in carrying out duties as a member or towards your election expenses (including payment or financial benefit from a Trade Union).
- (c) Undischarged contracts between a relevant person* (or a firm in which they are a partner or a body corporate in which they are a director, or in the securities of which they have a beneficial interest) and the Council for goods, services or works.
- (d) Beneficial interests in land in the borough.
- (e) Licence to occupy land in the borough for one month or more.
- (f) Corporate tenancies – any tenancy, where to the member's knowledge, the Council is landlord and the tenant is a firm in which the relevant person* is a partner, a body corporate in which they are a director, or in the securities of which they have a beneficial interest.
- (g) Beneficial interest in securities of a body where:
 - (a) that body to the member's knowledge has a place of business or land in the borough; and
 - (b) either:
 - (i) the total nominal value of the securities exceeds £25,000 or 1/100 of the total issued share capital of that body; or
 - (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person* has a beneficial interest exceeds 1/100 of the total issued share capital of that class.

*A relevant person is the member, their spouse or civil partner, or a person with whom they live as spouse or civil partner.

4. Other registerable interests

4.1 The Lewisham Member Code of Conduct requires members also to register the following interests:

- (a) Membership or position of control or management in a body to which you were appointed or nominated by the Council
- (b) Any body exercising functions of a public nature or directed to charitable purposes, or whose principal purposes include the influence of public opinion or policy, including any political party
- (c) Any person from whom you have received a gift or hospitality with an estimated value of at least £25.

5. Non registerable interests

- 5.1. Occasions may arise when a matter under consideration would or would be likely to affect the wellbeing of a member, their family, friend or close associate more than it would affect the wellbeing of those in the local area generally, but which is not required to be registered in the Register of Members' Interests (for example a matter concerning the closure of a school at which a Member's child attends).

6. Declaration and impact of interest on members' participation

- 6.1. Where a member has any registerable interest in a matter and they are present at a meeting at which that matter is to be discussed, they must declare the nature of the interest at the earliest opportunity and in any event before the matter is considered. The declaration will be recorded in the minutes of the meeting. If the matter is a disclosable pecuniary interest the member must take not part in consideration of the matter and withdraw from the room before it is considered. They must not seek improperly to influence the decision in any way. **Failure to declare such an interest which has not already been entered in the Register of Members' Interests, or participation where such an interest exists, is liable to prosecution and on conviction carries a fine of up to £5000**
- 6.2. Where a member has a registerable interest which falls short of a disclosable pecuniary interest they must still declare the nature of the interest to the meeting at the earliest opportunity and in any event before the matter is considered, but they may stay in the room, participate in consideration of the matter and vote on it unless paragraph 6.3 below applies.
- 6.3. Where a member has a registerable interest which falls short of a disclosable pecuniary interest, the member must consider whether a reasonable member of the public in possession of the facts would think that their interest is so significant that it would be likely to impair the member's judgement of the public interest. If so, the member must withdraw and take no part in consideration of the matter nor seek to influence the outcome improperly.
- 6.4. If a non-registerable interest arises which affects the wellbeing of a member, their, family, friend or close associate more than it would affect those in the local area generally, then the provisions relating to the declarations of interest and withdrawal apply as if it were a registerable interest.
- 6.5. Decisions relating to declarations of interests are for the member's personal judgement, though in cases of doubt they may wish to seek the advice of the Monitoring Officer.

7. Sensitive information

- 7.1. There are special provisions relating to sensitive interests. These are interests the disclosure of which would be likely to expose the member to risk of violence or intimidation where the Monitoring Officer has agreed that such interest need not be registered. Members with such an interest are referred to the Code and advised to seek advice from the Monitoring Officer in advance.

8. Exempt categories

- 8.1. There are exemptions to these provisions allowing members to participate in decisions notwithstanding interests that would otherwise prevent them doing so. These include:-
- (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).

PENSION BOARD			
REPORT TITLE	Pensions Board – Breaches Log		
KEY DECISION	No	Item No:	
WARD	N/A		
CONTRIBUTORS	Shida Ashrafi - Interim Head of Pensions and Payroll		
CLASS	Part 1	Date:	25 September 2023

1. Breaches Log

1.1 To Note that there were no breaches to report.

Agenda Item 4

Rolling Actions Log

As at September 2023

No.	Date of meeting	Action from Meeting	Owner	Comments	Expected date of completion	Date completed
1	March 2023	Policy for reporting Late Payment of Contributions	KN/SA	The Policy has not been completed so moved to the next meeting	November 2023	
2	March 2023	Administration Strategy	SA	Draft report to be presented at the September 2023 meeting	November 2023	
3	March 2023	Data improvement plan	SA	Update will be provided in General Report	November 2023	
4	June 2023	Breeches log - a page to be provided for the circulation pack even if Nil to report	KN	Completed	September 2023	September 2023
5	June 2023	Send board papers via email as not all members have access to Modgov	KN	Completed	September 2023	September 2023
6	June 2023	Update Business Plan with start and end dates and signed off dates	KN	Completed	September 2023	September 2023
7	June 2023	Update changes to the Risk Register	KN	Completed	September 2023	September 2023
8						

Standing items

1		Completion of the Pension Regulators Toolkit within 6 months or within 6 months from appointment	Members	To be completed by end of November 2022		Ongoing
2		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		Ongoing
3						

Agenda Item 5

Lewisham Pension Board

Training Log (from March 2022 to date)

	Date	Organiser	Event	Hours
<u>Chair</u> Stephen Warren	April 2022	Pension Regulator	Pension Regulator Toolkit	7.0
	April 2022	Pension Regulator	Pension Scams	1.0
	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
	25/09/2023	LCIV	Governance and Internal Controls	1.0
<u>Employee Rep</u>				
Sherene Russell-Alexander	03/03/2023	Katharine Nidd	Induction	1.0
	25/09/2023	LCIV	Governance and Internal Controls	1.0
<u>Employee Rep</u>				
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
	25/09/2023	LCIV	Governance and Internal Controls	1.0
<u>Employer Rep</u>				
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
	26/06/2023	Pension Regulator	Pension Regulator Toolkit	7.0
	25/09/2023	LCIV	Governance and Internal Controls	1.0
<u>Employer Rep</u>				
<u>Vacancy</u>				

Member Progress against the Pension Regulator's Toolkit

Module	Stephen Warren	Sherene Russell-Alexander	Gary Cummins	Mark Adu-Brobby	Vacant
Core modules					
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	

Suggested Training and Events

Date	Time	Event	Organiser	Location	Cost & additional information	Web site
Anytime		The Pension regulator's Toolkit	The Pension Regulator	Online	Free	https://trusteetoolkit.thepensionsregulator.gov.uk/
14/009/2023	All day	Trusteeship - Part One: The Theory	PLSA	24 Chiswell Street, London, EC1Y 4TY	£605	https://www.plsa.co.uk/Events/Trustee-Training/Trusteeship-Part-1-The-Theory
14/09/2023	All day	Pensions Age - Autumn Conference	LGA	Waldorf Hilton Hotel, Aldwych, London, WC2B 4DD	Free to attend: registration via website	https://www.pensionsage.com/autumnconference/agenda.php
20/09/2023	All day	Net Zero, Impact, & Sustainable Investment Conference	London CIV	The View at the Royal College of Surgeons, London, WC2A 3PE	Free to attend: registration via website	https://www.spsconferences.com/conference-details-sept-20-2023
10/10/2023	All day	The Local Authority Responsible Investment Seminar	DG Publishing	ET London: Savoy Place, London, WC2R 0BL	Free to attend: registration via website	https://www.dgpublishing.com/laris/
12/10/2023	All day	Fundamentals - Day 1 (specific training aimed at elected members on pension committees and boards)	Local Government Association (LGA)	18 Smith Square, Westminster, London, SW1P 3HZ	£280; registration via website	https://lgaevents.local.gov.uk/lga/frontend/reg/thome.csp?pageID=620635&eventID=1786
19/10/2023	All day	LGPS Sustainable Investment & Other Topical Issues Conference	SPS Conferences	The View at the Royal College of Surgeons, London, WC2A 3PE	Free to attend upon request via website	https://www.spsconferences.com/conference-details-october-19-2023
31/10/2023	All day	Trusteeship - Part Two: The Practice	PLSA	24 Chiswell Street, London, EC1Y 4TY	£605	https://www.plsa.co.uk/Events/Trustee-Training/Trusteeship-Part-2-The-Practice

Agenda Item 6

PENSION BOARD			
REPORT TITLE	Pensions Board – General Update		
KEY DECISION	No	Item No:	
WARD	N/A		
CONTRIBUTORS	Katharine Nidd – Interim Director of Finance Shida Ashrafi - Interim Head of Pensions and Payroll		
CLASS	Part 1	Date:	25 September 2023

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:

- note the current position regarding the Statement of Accounts 2021/22;
- note the current position regarding the Statement of Accounts 2022/23
- note the draft Administration Report;
- Note the draft Net Zero Policy;
- Note the LGPS Consultation ‘Next Steps on Investments’;
- Note the Pension Board representation.

CURRENT CONSIDERATIONS

3. 2021/22 Statement of Accounts and Annual Report

- 3.1. The Annual Report and Accounts 2021/22 for the London Borough of Lewisham Pension Fund have been signed by the auditors and been published.
- 3.2. There have been no further changes to the Annual Report and Accounts since the accounts were reported to the Board at the June meeting.
- 3.3. The Annual Report and Accounts have been published on the Lewisham Pension Fund web site: <https://www.lewishampensions.org/resources/>
- 3.4. PIC noted the report at their meeting in September 2023.

4. 2022/23 Statement of Accounts and Annual Report

- 4.1. Work on the audit of the Lewisham Pension Fund Accounts 2022/23 has started and the main audit work will take place in September and October.
- 4.2. The Annual Report must be published by 1 December 2023 so it will be presented at the November Pension Investment Committee meeting.

5. Draft Administration Report

- 5.1. The administration report has not been completed and you will notice that some sections are blank because the report has not been completed and the board may be able to assist with any wording. See Appendix 4.
- 5.2. This is an opportunity to review the administration strategy in draft before it is completed and goes to the Pension Investment Committee.

6. Draft Net Zero Policy

- 6.1. In June 2023 members of the Pension Investment Committee (PIC) discussed the Baseline results of what has been achieved so far and the Net Zero Pathway that shows the likely outcome of the current investment decisions.
- 6.2. The setting of a Net Zero Policy was discussed at the June PIC meeting but it was decided to hold an additional workshop meeting in August 2023 to allow members time for further questions and discussion.
- 6.3. Hymans Robertson has updated the draft New Zero Policy see Appendix 3.
- 6.4. At the September PIC meeting members had further questions and requested clarification and that other small changes be made to the policy. It was agreed that the Net Zero Policy would be updated again and agreed with the Chair and the final Net Zero Policy would be brought back to the next meeting to be ratified.

7. LGPS Consultation (England and Wales): Next Steps on Investments

- 7.1. The government consultation on Local Government Pension Scheme (LGPS) Local Government Pension Scheme (England and Wales): Next steps on investments - GOV.UK (www.gov.uk) investments has been issued and Hymans have published a briefing note for consideration the main points are listed below: See Appendix 2.
- 7.2. The consultation states that pooling should be completed as quickly and extensively as possible, where it is achieving clear benefits for funds. The government supports pooling and has a desire for the pace to increase. The previous requirement for pools to have AUM of £25 billion has increased to £50-£75 billion and currently the London CIV has AUM of £28 billion.
- 7.3. There is a possible requirement for liquid assets to be pooled by 31 March 2025.
- 7.4. The government needs to consider its approach on the use of passive assets.

- 7.5. The government has proposed that pools specialise in areas of in-house management where they are particularly strong. This could allow pools to dedicate greater focus and resources on their own area of specialism and allow for greater pooling of assets in each area.
- 7.6. High level investment strategy decisions including setting investment objectives and risk appetite should remain with pensions committees.
- 7.7. The government needs to provide clarity on financing support for Levelling Up and what is the role of LGPS.
- 7.8. It's not appropriate for government to prescribe allocations to specific asset classes, given the fiduciary responsibilities of individual authorities.
- 7.9. The government in its consultation has a preference for a single model of pooling based on an asset manager with significant assets under management that it has full responsibility for, that itself is fully owned by its member funds. One single approach may not be better than the rest. There is strength in having different approaches and this should be preserved.
- 7.10. Further clarification from government on role and scope of private equity investments would be useful. There is a suggestion that that private equity should be increased to 10% (Lewisham Pension Fund is 3%).
- 7.11. The Pension Investment Committee (PIC) discussed the consultation and had concerns in the following areas:
 - a) the time scale to have the pooling of all liquid assets transferred by March 2025 did not give much time for the correct authorisation and legal processes to take place.
 - b) the greater scale of Pooling to +£50bl may not lead to better investment returns.
 - c) there were concerns that the proposals would be a concentration risk.
 - d) Consolidating Pools maybe difficult and will require the shareholders (Local Authorities) of the Pools to agree after taking professional and legal advice.
 - e) Levelling Up requirement to invest up to 5% to support local project may be difficult and may take a long time to find the local projects.
 - f) The Government wants to increase investment in private equity to 10% and this would increase the risk profile of the investments.
- 7.12. Officers and advisors will respond to the consultation by the deadline of 2 October 2023.

8. Pension Board Representation

- 8.1. Rowann Limond the former Finance Director at Lewisham Homes no longer works for Lewisham Homes so is no longer an Employer representative. Therefore, we are looking for a new Employer representative to join the Pension Board.

8.2. Officers have written to all the Admitted and Scheduled Bodies to see if anyone is interested in joining the board.

9. FINANCIAL IMPLICATIONS

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

10. LEGAL IMPLICATIONS

10.1. There are no direct legal implications arising from this report.

11. CRIME AND DISORDER IMPLICATIONS

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

12. EQUALITIES IMPLICATIONS

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

13. ENVIRONMENTAL IMPLICATIONS

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

APPENDICES

Appendix 2 – LGPS Consultation summary from Hymans Robertson

Appendix 3 – Draft Net Zero Policy

FURTHER INFORMATION

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

Katharine Nidd, Interim Director of Finance at

Katharine.Nidd@lewisham.gov.uk

Shida Ashrafi - Interim Head of Pensions and Payroll at

Shida.Ashrafi@lewisham.gov.uk

Chris Flower, Treasury & Investments Manager at:

Chris.Flower@lewisham.gov.uk

60-second summary

Government consultation - LGPS (England & Wales): next steps on investments



Iain Campbell
Senior Investment Consultant

The government released their long-awaited consultation on Local Government Pension Scheme investments on 11 July. This set out their vision for the important matters of pooling, the LGPS's role in levelling up and private equity, as well as CMA requirements, investment definitions and the LGPS's equality duty. Here we provide a summary of the consultation's main issues.

Clear support for pooling

The consultation sets out a clear preference for pooling to go further and faster. While the government acknowledges the benefits achieved by pooling in its current guise, there's a belief that greater scale can achieve more. They therefore set out ambitions for:

- Increased scale, with a smaller number of pools in excess of £50bn of assets, to achieve further fee reductions and access to larger investment projects. Merger may be required for any pools which remain below £50bn even after all assets are pooled.
- All liquid assets to be pooled by 31 March 2025, with a preference for assets to be under pool "ownership", rather than the pool serving an oversight role. Pooling of illiquid assets is also to be considered within this timeframe, but no firm deadline has been set for these.
- In-house investment management within the pools to grow, reducing or removing the additional layer of third-party manager fees.
- Pools to specialise and collaborate, with funds to access in-house management in specific investment areas in other pools if their own pool doesn't provide this. Competition between pools is explicitly discouraged.
- Increased reporting by funds of progress on pooling assets in the Investment Strategy Statement and annual report, including explanations for assets that are not intended to be pooled.
- The setting of investment strategy is to remain with administering authorities, but with this defined as the "broad instruction regarding asset classes and level of risk". The implementation decisions below that broad definition are to be delegated to pools, including the ability to move quickly with assets as opportunities arise. The consultation also states that pools should be "actively advising funds regarding investment decisions, including investment strategies".

- Formal training of pension committee members will be required, with regular reporting of training undertaken.
- Increased transparency of reporting of assets held by funds, with greater detail on asset allocation and pooling progress in annual reports and by the LGPS Scheme Advisory Board.

Some details offered on levelling up

Michael Gove's levelling up white paper mentioned a potential requirement for the LGPS to invest 5% in assets that assist with the government's levelling up agenda. Further notes were dropped into the Edinburgh Reforms and most recent Budget regarding "venture and growth capital". While this generally raised more questions than answers, it's helpful to see more clarity around the future path, including:

- A clear view that levelling up investments can be wholly compatible with fiduciary duty.
- 12 levelling up missions that, if investments contribute to, will count towards the 5% target.
- All asset classes will count towards the target, along with investments anywhere in the UK.
- A requirement for funds to publish a plan of how up to 5% of assets will be invested in projects that support the levelling up agenda (funds may invest more than 5% if they wish).
- Annual reporting of progress against this plan.
- Reliance on pools to access these opportunities, partly to manage issues with conflicts of interest, with a preference for opportunities to be sought out and developed by funds and pools, rather than simply joining auctions of already established opportunities.
- Funds to be able to access local investments through other pools.
- Funds should also be able to demonstrate how they assess levelling up investment opportunities.

A surprise push for private equity?

While wording around levelling up shifted towards "venture and growth capital" in government communication, it was perhaps surprising to see a separate consideration of requirements to invest in private equity. Much of the discussion in the consultation is intertwined with levelling up; however, the potential requirement to invest 10% in private equity doesn't explicitly state this should be within the UK. The government's rationales for greater investment in this area are:

- Making more capital available to support UK companies, and the UK's attractiveness for company listings.
- The LGPS's long investment time horizon, and the asset class's historically high returns.

The government also discussed the potential for working with the British Business Bank to build capabilities to invest in this area.

Summary

The future of pooling and potential requirements placed on funds by the levelling up agenda have been significant uncertainties hanging over the LGPS. At times these have prevented actions being taken and progress being made. While it's positive to have the further clarity provided by the release of this consultation, many questions remain. We'll follow up with another note setting out our views on the consultation and areas where we feel more clarity is required.

LB Lewisham Pension Fund - Climate Transition & Net Zero Policy - **DRAFT**

Executive Summary

The Pensions Investment Committee (the 'PIC') of the LB Lewisham Pension Fund has developed a Climate Transition and Net Zero policy. This policy will be revised on an ongoing basis as the Fund's action plan to achieve these objectives is developed and will be supported by ongoing quantitative analysis. This policy sets out the targets set by the PIC as well as the detail on the approaches that will be taken to achieve the net zero ambition. There are 4 core elements to this plan, split between portfolio level and asset level targets and actions. The key targets and actions within each element are summarised on the following page.

Portfolio level

1. Portfolio Emissions

Targets

- Reduce financed scope 1 and 2 emissions to net zero by 2040 at the latest, with an ambition to achieve this by 2030.
- Interim target to reduce scope 1 and 2 emissions on listed equities by at least 80% compared to the 2019 level by 2023, 90% by 2030.
- Measure Scope 1, 2, and 3 emissions across all asset classes by 2028.

Actions

This will be achieved through a combination of capital allocation and engagement, the following boxes setting out the main actions. Engagement with the London CIV will be a key focus, with the development of compelling decarbonisation solutions a priority.

2. Climate solutions and opportunities

Targets

- 10% asset allocation by 2030, with interim targets of 5% by 2025, 7.5% by 2028; further increasing allocations past 2030 – these investments aim to support the Fund's emission targets through either negative or avoided emissions.
- Positive impact to deforestation, biodiversity loss, social factors and climate adaptation are key factors included in decision-making

Actions

- Consider building allocations to natural capital and renewable energy, if these demonstrate impact and also help achieve Net Zero (portfolio level)

Asset level

3. Alignment

Targets

- Maintain alignment of all listed assets (excluding government bonds) to 1.5 degrees sector specific decarbonisation pathway
- 75% of property assets aligned with CRREM or 1.5 °C fair share by 2030, with interim targets of 50% by 2025, 65% by 2028.
- By 2025, 70% of emissions in material sectors* are either assessed as net zero, aligned with a net zero pathway, or the subject of direct or collective engagement and stewardship actions. By 2030, this will be 90%.

Actions

- Focus on engagement with investment managers (including LCIV) initially. Mandate alignment will be considered alongside this; in particular any new commitments to unlisted assets.
- The Fund commits to reporting progress all targets within this NZ policy on a regular basis, and will use its TCFD reporting as the primary mechanism for achieving this.

4. Engagement

- Engage with the relevant investment managers with regards the top 10 most misaligned companies (at portfolio level) in heavy emitting sectors*
- Deforestation, biodiversity loss, social factors and climate adaptation are key engagement topics; raise these with investment managers and consider collective action where appropriate (e.g. through membership of a climate change advocacy group such as IIGCC, LAPFF).
- Engage to support improving data availability and quality – emissions data available and robust for all asset classes by 2028; firm requirement for any new manager to fully meet all data requirements at the time of appointment.
- Engage annually with LCIV regarding existing investments and be a part of all seed investor groups for relevant sustainability mandates.

Introduction

The Pensions Investment Committee (the 'PIC') of the LB Lewisham Pension Fund considers that climate change represents a material financial risk with the potential to disrupt economic, financial and social systems. As well as climate change presenting a significant risk to the Fund's investment strategy, the PIC believes that long-term asset owners such as the Fund can play a significant role in decarbonising modern economies through the capital allocation decisions they make and the stewardship of the companies they finance.

As a responsible asset owner, the PIC recognises the need to address the systemic risk posed by climate change, including the risks it poses to the Fund's investments and its beneficiaries, thereby impacting the PIC's fiduciary duties. The Fund therefore has an ambition to achieve net zero by 2030, with a commitment to reach net zero financed emissions by 2040. This recognises that future improvements in the availability and quality of climate data (particularly for unlisted investments), and in the availability of available sustainable investment options, are factors in achieving progress. This commitment is made in the expectation that governments will follow through on their own commitments to ensure the objectives of the Paris Agreement are met.

The definition of 'net zero' may include negative or avoided emissions achieved through climate solutions. The Net Zero Asset Owners Alliance (NZAOA) defines climate solution investments as "investments in economic activities considered to contribute to climate change mitigation (including transition enabling) and adaptation, in alignment with existing climate related sustainability taxonomies and other generally acknowledged climate related frameworks".

To support the ambition, the PIC has developed this document as a framework for achieving net zero financed emissions (i.e. emissions produced by the investments held in the Fund). This framework is designed to guide as well as communicate the PIC's investment decisions enabling the Fund to align with the goals of the Paris Agreement and contribute to real economy change. A key objective is achieving positive real-world change and a significant reduction in emissions over time, whilst also maintaining a balance with the Fund's wider risk / return objectives and its fiduciary duty to pay all member benefits.

The PIC recognises the challenges of achieving net zero emissions by 2040, and fully aligning with it over the short term is a considerable undertaking. Therefore, flexibility will be a key aspect of any credible net zero strategy developed today given that the science, suggested pathways and data continue to develop and evolve. However, this should not prevent the Fund from planning and starting its net zero journey but instead should demonstrate proactivity within the wider climate transition and it should be recognised that there will be a need for an evolution of strategy and a dynamic approach towards how the plan is implemented in the future.

This document is therefore designed to be dynamic and evolve as best practice changes. The Fund's transition plan may be adjusted over time as new information emerges and circumstances change. By remaining open to new ideas and approaches, the Fund can strengthen its ability to reach its net zero goals.

The Journey

In recognition that it is cumulative emissions through time that matter, the PIC has set a high-level target to align its investments with a global carbon budget consistent with limiting warming to 1.5°C (by 2100) with a 67% likelihood (as identified in the [IPCC's AR6 report](#), 2021) and has determined a decarbonisation pathway that aligns with this.

The PIC use a bottom-up approach of assessing the Fund's carbon position, based on the Fund's asset, sector, and regional allocations. This is then built up to a portfolio level position. This approach is in line with the [IIGCC's Supplementary Guidance on Target Setting for a Net Zero Investment Framework](#), which recommends science-based net zero journeys at the portfolio level using a sectoral and regional approach.

Finally, the PIC recognises the importance of interlinked issues such as biodiversity loss and the social implications of transitioning to a low carbon economy. Considering this and building a nature positive investment strategy will be developed alongside the focus on reducing financed emissions.

Data, Asset Class Coverage and Emissions

The Fund's ambition is to be net zero by 2030, with a commitment to be net zero across the **entire** investment portfolio by 2040. However, existing limitations on data mean that approximately 70% of the strategy can be assessed quantitatively. The asset classes held by the Fund for which adequate data is available today are:

Mandate	Allocation	Data coverage (Reported and estimated)
Listed equities	50%	Close to 100%
Private equities	3%	c. 10%
Listed corporate bonds and Gilts	19%	33%
Property	10%	c. 50%
Renewable infrastructure	6%	c. 50%
Infrastructure	6%	c. 50%
Private debt	6%	c. 50%

Emissions

For the asset classes listed above there is a reasonable quality of data on scope 1 and 2 emissions and so the current targets and assessment of alignment will concentrate on these. However, given the significance of scope 3 emissions, particularly in the most material sectors (e.g. agricultural commodities, financial services) these are included in the net zero target and in forward-looking alignment work. Estimations may be made on the level of scope 3 emissions to include today in this forward-looking analysis. While lack of data on other asset classes is an issue, it does not stop the PIC pursuing engagement activity and considering capital allocation into climate opportunities or solutions. Engaging with investment managers to develop good quality data is a primary goal for the PIC.

The "How" – capital allocation and engagement

As an asset owner, there are two primary levers to move the investment portfolio towards a net zero emissions position - capital allocation and engagement. The PIC believes that a combination of both is likely to give the best chance of meeting their net zero goals.

Capital allocation

The PIC considers two aspects to improving the current net zero pathway through capital allocation:

- Reduce emissions - Improve the current mandates by allocating to more efficient companies within sectors and engagement relative to sector laggards. This includes recycling the proceeds of existing private assets into future products with better climate credentials
- Remove emissions - Increase allocations to assets that remove or avoid emissions

The table below provides some examples of how emissions reductions and removal can be achieved.

Emission reduction and removal examples

Emissions reducers		Emissions removers	
Actors: Companies that currently have high emissions that are taking active steps to reduce their emissions over time	Facilitators: Companies that are developing technologies that support others in the reduction of their emissions	Actors: Companies that are developing assets that serve to actively remove emissions from the atmosphere	Facilitators: Companies that are developing technologies that support others in emissions removal
Example: Steel companies that are migrating to electric arc furnaces, investing in low carbon steel or dematerialisation of product	Example: Companies that are developing insulation technologies that reduce energy demand	Example: Afforestation	Example: Companies developing direct from air CO2 capture

The PIC will consider implementing these options in all aspects of the investment strategy process:

- Strategic asset allocation – consider moving assets to asset classes focussed on climate solutions and emissions removal.
- Mandate selection - consider moving assets to more aligned products.
- Adjust allocations within current mandates – for example a focus on best-in-class companies within sectors.

The PIC will take an incremental approach to capital allocation changes as the data and opportunities evolves, balancing their fiduciary duties at all times.

Engagement

The PIC believe that they have a significant influence on the decarbonisation actions of the organisations they finance through engagement and will consider developing a standalone full engagement policy separately and using its influence to encourage LCIV in their engagement activities. The Fund also intends to use its influence to encourage LCIV to create compelling investment products that support decarbonisation and biodiversity objectives. Specifically, the PIC believe that they can encourage portfolio companies to align to the decarbonisation pathways for the sectors in which they operate and set an appropriate strategy to align with these pathways. The goal being that cumulative emissions remain within the carbon budgets established for sectors and companies. Stewardship is critical for investors to manage portfolio risk and real-world impact, especially in asset classes that are traded via secondary markets, e.g. equities. Voting and engagement with companies enable investors to have significant influence on company strategy, operations, long-term sustainability and viability. The PIC believes that engagement is preferable to divestment, although the option to divest when engagement is unlikely to be effective or has failed should be considered as well. The PIC will also consider becoming a member of an institutional investor climate action group in future.

Measuring and accountability

A key part of the action needed to fulfil this plan is to measure, assess and report on the progress made against the targets set. The PIC has established the baseline and alignment by assessing the current investment strategy against a 1.5 degree carbon budget pathway and other metrics. This has enabled the PIC to set portfolio level targets and asset class priorities. The pathway analysis has also helped to define engagement priorities. The committee will undertake an annual recalibration of the net zero journey plan and reassess priorities using annual climate metrics reporting (commenced in 2023, with a view to meeting future TCFD obligations).

Lewisham Pension Fund

Pensions Administration Strategy

August 23

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2. Primary employer contact form

Introduction

Regulatory background

This is the Pension Administration Strategy of Lewisham Pension Fund (“the Fund”), administered by Lewisham Council (“the administering authority”).

This Statement has been produced in accordance with regulation 59 of the Local Government Pension Scheme Regulations 2013 (“the Regulations”). The Regulations provide that the administering authority may prepare, maintain and publish a written Statement setting out their policy concerning administration matters, and that the administering authority and the scheme employers participating in the Fund must then have regard to that strategy when carrying out their respective functions.

The Regulations also require that the administering authority must consult with its participating employers (and any other persons it considers appropriate) in preparing or reviewing this Strategy

In addition, regulation 70 of the Regulations allows an administering authority to recover additional costs incurred by the administering authority from a participating employer where, in its opinion, those costs are directly related to the poor performance of that employer. Where this situation arises, the administering authority is required to give written notice to the employer, setting out the reasons for believing that additional costs should be recovered, the amount of the additional costs, together with the basis on which the additional amount has been calculated.

Aims and objectives

The purpose of the Strategy is to:

- Support the provision of a high-quality pension service to Fund members delivered through efficient working practices;
 - Confirm the role of scheme employers and sets out their expected levels of performance;
 - Confirm the role of the administering authority and sets out its expected levels of performance;
 - Ensure that the Fund is operated in accordance with LGPS regulations, overriding legislation and any relevant Codes of Practice issued by The Pensions Regulator;
 - Set out how the performance of the administering authority and scheme employers will be monitored and reported;
 - Explain what actions might be taken by the administering authority in response to a scheme employers poor performance or non-compliance;
 - Confirm how the administering authority will communicate with its employers
 - Detail the resources and support that is available for scheme employers to access
- This Strategy statement has been produced in consultation with all participating employers in the Fund and becomes effective from **XXXXXX**. It will be reviewed at least annually and will be revised to reflect changes to:
- LGPS Regulations;
 - Other overriding legislative requires and/or Pension Regulator code of practice;
 - Policies determined by the administering authority; and
 - Administrative practices required of the administering authority and scheme employers in fulfilling their respective functions.

Levels of performance and compliance achieved by both the administering authority and scheme employers will be reported;

To the Fund's Pension Committee and Pension Board as part of regular administration performance reporting;
and

in the Fund's Annual Report and Accounts.

The statement will be published to all participating Fund employers via the Fund website.

In no circumstances, however, does this Strategy override any provision or requirements of the LGPS Regulations or any overriding legislative requirements.

Queries

Any enquiries in relation to this Administration Strategy should be forwarded to **XXX**,

Roles and Responsibilities

General

The Fund is committed to providing a high-quality pension service to both members and employers, ensuring all members and dependants receive their correct pension benefit entitlement at the correct time. These aims are best achieved where the administering authority and scheme employers work in partnership and understand their respective roles and responsibilities.

As well as setting out the roles and responsibilities of both the administering authority and scheme employers this Strategy specifies the level of service each is expected to provide to each other, and the performance measures used to evaluate them.

The administering authority's roles and responsibilities

The high-level responsibilities for the administering authority are to:

- administer the LGPS in respect of all scheme members (active, deferred, pensioner and survivor members) in accordance with this Strategy

- maintain and review the Fund's statements, policies and reports and all other matters relating to the governance of the scheme

- communicate and engage with scheme employers on all LGPS and related matters

- provide support/training to employers

- maintain and develop an effective web presence for the benefit of scheme members and scheme employers

The scheme employer's roles and responsibilities

The high-level responsibilities for a scheme employer are to:

- communicate the benefits of the LGPS to eligible staff

- ensure the correct level of monthly pension contributions are collected and paid over to the Fund by no later than the 19th of the month following the month of deduction (or 22nd of the month if remitted electronically)

- report information and data to the administering authority as set out in this Strategy

- keep up-to-date with Fund related communications

- provide a prompt response to information requests from the administering authority

A detailed description of the key administering authority and scheme employer responsibilities relating to the Fund's administration are set out in Appendix 1.

Primary employer contact

Each scheme employer must nominate a person who will act as the administering authority's primary employer contact. This person's contact details should be passed to the administering authority and kept up to date. There may be additional contacts for finance, payroll, etc, but the primary contact will be the first port of call where any issues or disputes arise.

See Appendix 2 for the primary employer contact form. This should be completed by the scheme employer and submitted to the administering authority immediately on first participating in the Fund and then immediately any change to the primary employer contact occurs.

It is the scheme employer's responsibility to ensure that the primary employer contact and all other key staff contact details held by the administering authority are correct, and to notify the administering authority of any changes immediately.

The scheme employer must ensure the nominated primary contact (and other key staff) is aware of the scheme employer duties and keep up to date with all guidance and instruction issued by the administering authority from time to time.

The scheme employer must ensure that they retain a good level of understanding of the LGPS and have a succession plan in place for their nominated contacts, including the primary employer contact.

The primary employer contact should ensure all information provided to the administering authority is correct by having an appropriate quality review process in place prior to information being submitted to the administering authority.

Performance Monitoring

General

The document provides the actions that may be taken where standards are not met by scheme employers and/or when persistent non-compliance occurs.

Due in large part to the annualised nature of the pension accrual for a Career Average Revalued Earnings (CARE) pension scheme, the importance of accurate and timely membership data returns to the administering authority has never been greater. The requirements and demands of running a CARE pension scheme, such as the LGPS, means that the administering authority must receive accurate and timely membership data from all scheme employers. This is in order that it can fulfil its statutory and organisational responsibilities, such as completion of member retirements, the production of annual benefit statements and compliance with the pension dashboards disclosure requirements.

The administering authority has, therefore, made the decision to mandate monthly data returns (via the administration platforms iConnect functionality) for all scheme employers. All new joiner, opt-out, retirement notifications, etc. must be included on the monthly data submission for the month that the member joined, opted, out, retired, etc. or the month after if this is not possible.

If a scheme employer fails to provide the required data on a monthly basis via iConnect and continues to provide information on an annual basis, the administering authority will charge an additional fee in order to process data using this legacy arrangement. Details of the additional fee that will be charged can be seen in the table below.

Monitoring and engagement

Various means will be employed, as determined from time to time, to assist in monitoring compliance with this Strategy. More detailed methods may be included in a service level agreement (SLA) between an individual scheme employer and the administering authority.

Methods may include:

- Internal/external audit review of processes and internal controls;
- Performance monitoring against scheme employer tasks and functions noted in this Strategy;
- Performance monitoring the administering authority's own performance against internal key performance indicator as noted in this Strategy;
- Training sessions offered by the administering authority on the most pertinent issues affecting scheme members and scheme employers;
- Annual scheme employer pension forums;
- Member complaints;
- Internal Dispute Resolution Procedure (IDRP).

Using the above means the administering authority will monitor progress against this Strategy. This information will be reported to the Fund's Pension Committee and Pension Board alongside any remedial action taken where the expected standards are not being met. In addition, key performance indicators relating to the administering authority and scheme employers' performance will be reported in the Fund's Annual Report and Accounts.

Employer poor performance

Regulation 70 of the Regulations provides that an administering authority may recover from a scheme employer any additional costs associated with the administration of the scheme incurred because of a poor level of performance.

Circumstances where additional costs may be recovered

The circumstances where additional costs may be recovered from the scheme employer are:

Persistent failure to provide relevant information to the administering authority, scheme member, or any other interested party in accordance with specified performance targets (either relating to the timeliness of delivery or the quality of information);

Instances where performance by the scheme employer results in a loss to the Fund, e.g. any overpayment resulting from inaccurate information supplied by the scheme employer, costs associated with the assessment of benefits, interest on late payment of benefits, scheme tax charges, etc.;

Failure to deduct and pay over correct employee and/or employer contributions within the standard timescales;

Failure to pay any other amounts due to the Fund, e.g., actuarial strain payments;

Instances where the performance of the scheme employer results in fines being levied against the administering authority by the courts, the Pensions Regulator, the Pensions Ombudsman or any other regulatory body.

Where an administering authority wishes to recover any such additional costs it must give written notice stating:-

The reasons, in their opinion, that the scheme employer's poor performance contributed to the additional cost;

The amount of the additional cost incurred;

The basis on how the additional cost was calculated; and

The provisions of this Strategy relevant to the decision to give notice.

The approach by the administering authority when dealing with poor scheme employer performance

When dealing with poor performance from a scheme employer the administering authority will follow the approach set out below.

Write to the scheme employer noting the administering authority's areas of concern regarding the scheme employer's performance and offer training or a meeting to address the issue.

If no improvement is made within one month of the above date (or within an agreed timescale following a meeting with, or delivery of a training session to, the scheme employer), or where the matter in question is not a regular event and no improvement is made at the next occasion that that same matter occurs, and the offer of training or a meeting has not been accepted, the administering authority will issue a formal written notice. The notice will set out the area(s) of concern that have been identified, the steps taken to resolve those area(s) and notice that the additional costs will now be reclaimed.

An invoice and formal written notice will then be issued to the scheme employer which sets out calculations of any loss resulting to the Fund, or additional cost, taking account of time and resources in resolving the specific area(s) of unsatisfactory performance, in accordance with the fee scale set out in this Strategy.

Charges to be applied as a consequence of employer's poor performance

In instances where the performance of the scheme employer results in fines being levied against the administering authority by the Pension Regulator, Pensions Ombudsman or other regulatory body, these costs will be recoverable immediately.

Details of the additional fee charged are set out below.

Activity	Charge
Late payment of employer and/or employee contributions and any other payments due.	A fixed penalty of £150 per occurrence plus interest assessed in accordance with the LGPS Regulations.
Late provision of monthly or year-end contributions returns (data) in prescribed format	A fixed penalty of £500 per occurrence plus £100 for each week plus part week of continued non-provision.
Failure to provide a copy of discretions policy or latest version	A fixed penalty of £250 for failing to supply a copy plus a further £50 charged on each occasion that a policy is requested or is chased by an officer and is not supplied
Failure to provide required member information monthly via iConnect	Charge £50 per form and a further charge of £30 per month where the form is outstanding
Failure to respond or provide any other required information within timeframes.	A fixed penalty £25 per case for each case chased after the original deadline has passed.
Charges for persistent incorrect and incomplete information provided by the scheme employer to the administering authority (where the case has to be returned for incorrect information on more than 2 occasions).	£50 per case
Fines levied against the administering authority from the Pensions Regulator that are directly attributable to the scheme employer's performance.	Amount requested by the Pensions Regulator.
Fines levied against the administering authority from the Pensions Ombudsman that are directly attributable to the scheme employer's performance.	Amount requested by the Pensions Ombudsman.
Delay causing payments from the Fund to be treated as unauthorised payments for HMRC purposes.	Cost of amount of the unauthorised payment.
Fines from any other statutory body incurred as a result of the scheme employers' actions.	As levied.

Communication

It is vital that good communication channels exist between the administering authority, scheme employers and scheme members. This helps ensure the good running of the Fund by reducing errors and improving efficiency and alerts scheme members to the value to them of the LGPS, which itself aids recruitment, retention and the motivation of the workforce and negates misleading media information.

In order to support scheme employers the administering authority will:

- Work closely with them to improve areas where issues have been identified as a result of performance monitoring;
- Keep under review all processes and procedures and implement improvements where required;
- Provide access to policy and strategy documents, including the administering authority's discretions policy, communications policy, communication and engagement strategy, data strategy and annual report;
- Provide guidance to scheme employers on a range of topics through procedural guides, newsletters, e-alerts, employer forum, etc.
- Provide training to scheme employers as and when required or on request from the scheme employer. All new employers in the Fund will also be provided with training. Employers will be expected to attend any such training, particularly where significant performance issues have been identified.

In addition to the above the administering authority will be happy to attend any employer specific events to assist employers to understand their responsibilities in relation to their participation in the LGPS.

Scheme employers are expected to support the administering authority with any promotional activities that they are carrying out, including assisting with distributing e-communications and/or and promoting online access to the scheme.

The administering authority will also communicate with scheme members, using the following means to do so:

- [Fund website](#) - containing information about the Fund and the LGPS.
- Member Self Service - an on-line self-service facility giving scheme members access to their own pension records.
- Annual Benefit Statements – issued to all active and deferred scheme members.
- Newsletters – issued at least annually, bringing attention to important information, such as changes to scheme rules.
- One to One meetings – as required, to discuss personal details related to a scheme member's participation in the Fund
- Presentations – available to scheme members on specific pension related matters, such as HMRC pension tax rules or pre-retirement sessions.

Breaches of the Law

Where an employer does not actively engage with the Fund to resolve issues and/or consistently fails to meet its responsibilities under the LGPS Regulations, the administering authority (or stakeholders such as the Pension Board) has a statutory duty to report any breach to The Pensions Regulator. Similarly, stakeholders (such as the Pension Board) may report the Fund to The Pensions Regulator if it is believed that a breach has occurred in respect of its duty as scheme administrator.

If deemed to be materially significant, the Pensions Regulator has the authority to take prompt and effective action to investigate and correct the breach and its causes, and, where appropriate, to notify any members whose benefits have been affected.

The Pensions Regulator may impose a penalty under section 10 of the Pensions Act 1995. At the time of creating the Strategy, the maximum amount of a penalty in relation to a breach is £5,000 in the case of an individual and up to £50,000 in any other case.

Penalties may be imposed on any party who has legal requirements or responsibilities relating to the management or administration of the scheme, and anyone else who could be subject to any of the Pensions' Regulator's statutory powers of investigation and enforcement, such as employers and professional advisers.

Other charges

In line with its Funding Strategy Statement the administrative costs of running the Fund are predominantly charged to scheme employers through their contribution rates. However, it should be noted that, in addition to additional costs already set out in this Strategy other costs may be passed on to a scheme employer, including:

Work commissioned specifically on behalf of a scheme employer will be charged to them for that work. This includes IAS19/FRS17 valuations, actuarial modelling, assessments or advice, and/or legal advice and technical advice.

Where, because of the employer's failure to notify the administering authority of the final retirement details in a timely manner, payment of the retirement lump sum is not made within 30 days from the day the member's retirement, the administering authority may issue an employer with a written notice of unsatisfactory performance and may charge the employer for the interest payment made.

Performance Standards

Administering Authority

In addition to the legislative and regulatory requirements set out previously, the administering authority and scheme employers will ensure that all functions and tasks are carried out to agreed quality standards. This section outlines the key responsibilities of the administering authority, and the performance standards scheme employers and scheme members should expect. It is focused on the key activities which involve interaction with scheme employers and/or scheme members and should not be viewed as an exhaustive list.

Function	Requirement
Governance	
Regularly review the Fund's pension administration strategy and consult with all scheme employers	At least annually or following any material change in scheme rules or policies relating to the Strategy
Review the Fund's Funding Strategy Statement at each triennial valuation, following consultation with scheme employers and the Fund's actuary.	As part of each formal triennial valuation, to be published by 31 March following the valuation date
Review the Fund's Communication policy statement	At least annually, as part of Fund's annual report and accounts. To be published within 30 days of any revision being agreed by the Pension Committee
Review the Fund's Governance and compliance statement	Annually, as part of Fund's annual report and accounts. To be published within 30 days of any revision being agreed by the Pension Committee
Formulate, keep under review and publish policies in relation to all areas where the administering authority may exercise a discretion within the scheme	Review annually or following any material change in scheme rules amending existing discretions or introducing new ones. To be published within 30 days of any revision being agreed by the Pension Committee
Publish the Fund's Annual report and Financial Statement	By 30 September following the year-end or following the issue of the auditors opinion
Notify scheme employer of issues relating to scheme employer's unsatisfactory performance	Within 5 working days of performance issue being identified.

Function	Requirement
General administration/member data	
Provide support for scheme employers through a dedicated employer website, technical notes, forums, employer bulletins/alerts and day to day contact	Ongoing support as required
Organise and provide coaching sessions on an employer's roles and responsibilities	Upon request of scheme employers or as administering authority officers deem necessary

Function	Requirement
General administration/member data	
Notify scheme employers and scheme members of changes to the scheme rules	Update Fund website with the requisite information within 30 days of regulatory change being confirmed.
Produce annual benefit statements to active and deferred members as at 31 March each year	By 31 August following the year-end (subject to receipt of all relevant information from the scheme employer)
Produce and issue annual allowance pension saving statements each year to members who have exceeded their annual allowance	By 6 October following the end of tax year (subject to receipt of all relevant information from the scheme employer)
Publish and keep up to date all forms required for completion by scheme members or employer	10 working days from any revision
Publish and keep up to date web-based employer guides and factsheets	Within 30 days from date of change/amendment
Publish and keep up to date scheme guide and all other literature for issue to scheme members	Within 30 days from date of change/amendment
Set up new joiner and provide statutory notification to member	Within 10 working days of receipt of correct notification from a scheme employer
Process changes in employees' circumstances which may impact on pension benefits	Within 10 working days of receipt of correct notification from a scheme employer
Process transfer-in quotations	Within 10 working days of receipt of all required information
Transfer notification of credited membership/accrued pension account to be notified to the scheme member	Within 10 working days of receipt of payment
Transfer-out quotations processed	Within 3 months of date of request providing receipt of all necessary information
Transfer-out payments processed	Within 6 months of the guarantee date providing receipt of all necessary information
Determine necessary category in relation Aggregation/Interfund cases and issue notification to member of service credit and accrued pension account	Within 10 working days of receipt of all necessary information
Process divorce valuation	In accordance with overriding divorce legislation. Provide relevant CETV or CEV details within 3 months of date of request providing receipt of all

Function	Requirement
General administration/member data	
	<p>necessary information, or such shorter period as specified in a Court Order.</p> <p>Should member request divorce valuation by a set date a charge will incur.</p> <p>Issue information re implementation of a Pension Sharing Order within 21 days of receipt of Order, providing in receipt of all necessary information and no outstanding charges remain.</p>
Notify the scheme employer of any scheme member's election to pay additional pension contributions, including all required information to enable deductions to commence	Within 10 working days of receipt of election from a scheme member
Process scheme member requests to pay/amend/cease additional voluntary contributions	Within 10 working days of receipt of request from scheme member
Process deferred benefits calculations and issue notification to former scheme member	Within 20 working days of receipt of all necessary information
Process deferred benefits into payment	Within 5 working days of receipt of election and all necessary information taking into consideration the date of retirement
Process refund of pension contributions	Within 10 working days of receipt of all necessary information
Provide retirement options to members	Within 5 working days of receipt of all necessary information
Process new retirement benefits following receipt of options	Lump sum payment plus first payment of pension within 7 working days of receipt of all necessary documentation. Thereafter commence pension payment on first available monthly payroll run taking into consideration the date of retirement
Acknowledge notification of a death of a scheme member to their personal representatives/next of kin	Within 5 working days of receiving the notification
Determine recipient of a death grant	Within 5 working days of receipt of all necessary information and representations enabling a decision to be made.
Make payment of death grant	Within 5 working days of making determination regarding recipient

Function	Requirement
General administration/member data	
Provide notification of benefits payable to dependents	Within 5 working days of receiving the required information
Provide an answer or acknowledgement to scheme members/scheme employers/personal representatives/dependents and other authorised persons	Within 10 working days from receipt of enquiry
Undertake data reconciliation exercises against Fund and scheme employer payroll system	Periodically as deemed appropriate

Function	Requirement
Outsourcing/new employer admissions	
Arrange for the setting up of separate admission agreement/new scheme employers including the allocation of assets and notification to the Secretary of State	Within 30 days of all necessary information being in place
Arrange for all new prospective admitted bodies/new scheme employers to undertake, to the satisfaction of the Fund, a risk assessment of the level of bond or guarantee required in order to protect other scheme employers participating in the Fund	To be completed prior to the body being admitted timings predicated on timely submission of staff profile for submission to the Fund Actuary
Undertake ongoing review of the level of risk and/or bond requirement for existing admitted bodies	Annual review or upon material change in an employer's structure

Function	Requirement
Contributions	
Consult with scheme employers on the outcomes of the triennial valuation	As part of agreed triennial valuation action plan
Notify scheme employers of contribution requirements for the 3 years effective from April following the triennial valuation date	By 31 December following the triennial valuation date
Notify new scheme employers of their contribution requirements on joining the Fund	Within 5 working days of receiving request, or date confirmed by Fund actuary if later

Function	Requirement
Carry out termination valuations on admitted bodies or scheme employers ceasing participation in the Fund	Immediately following notification of exiting scheme employer
Provision of IAS/FRS reports requested by scheme employers	Within agreed timescales following receipt of request from scheme employer.

Scheme employer

This section outlines the role and responsibilities of all scheme employers in the Fund and the performance standards they are expected to meet, to enable the administering authority to deliver an efficient, quality and value for money service.

The Scheme employer must maintain employment records for each member for the purposes of determining membership and entitlement to benefits (this will need to include full-service history for the period of LGPS membership held under the employment, as well as any gaps in service and whether these were repaid).

The employer must keep a full pay history for the 13 years, ending 31 March, before the member leaves the Scheme.

Function	Requirement
Governance	
Designate a named individual to act as the primary employer contact, who is the main contact with regard to any aspect of administering the LGPS and confirm to the administering authority.	Within 10 working days of becoming a scheme employer or within one month of the change in officer role.
Appoint person for stage 1 of the pension dispute process (IDRP) and provide full up to date contact details to the Fund	Within 10 working days of becoming a scheme employer or following the resignation of the current adjudicator
Notify the administering authority that the stage 1 decision has been issued and provide a copy of the determination	Within 10 working days of making the determination.
Appoint an independent registered medical practitioner qualified in occupational health medicine or arrange contract with third party, in order to consider all ill health retirements applications and agree appointment with administering authority	Within 10 working days of commencing participation in the scheme or date of resignation of existing medical officer
Formulate, publish and keep under review policies in relation to all areas where the employer may exercise discretion within the LGPS	A copy of the policy document is to be submitted to the administering authority within one month of a change in policy
Distribute any information provided by the administering authority to scheme members/potential scheme members (e.g. financial information or generic news alerts)	In a timely manner as required

Function	Requirement
General administration/member data	
Determine eligibility for LGPS membership – including the date membership starts.	At the date of employee commencing employment or, if different, the date employee becomes eligible for LGPS membership.
Determine elements of pay to be treated as pensionable for the purposes of the LGPS	At the date of employee commencing employment or, if different, the date employee becomes eligible for LGPS membership.
Notify the administering authority of new joiners via monthly submission.	New joiner information will be submitted electronically by scheme employers in a format agreed with the administering authority. Notifications must be included on the monthly data submission for the month that the member joined, or the month after if this is not possible
Provide monthly return to administering authority providing a breakdown of employee of contribution, CARE/FTE pay and service related data	Within the same timescales as the remittance of employer and employee contributions
To provide annual year end return to administering authority	Completed and validated return to be submitted no later than 30 April following year end
To action requests for data reconciliations of member records	To fully answer data reconciliations/member queries from the Fund within 15 working days of receipt of data
Provide new employees with information regarding the scheme, including access to the member guide and the Fund's membership form (required in order that the administering authority can establish previous pension entitlements and apply for transfer details on behalf of the member)	Within 30 days of the member's first day of entry to the scheme
Direct all eligible new employees to the member guide to the pension scheme on the Fund website	At date of employee appointment
Provide confirmation of any change in a scheme member's circumstances that might impact their LGPS entitlements (e.g. move into or out of the 50/50 scheme, family related leave, etc.)	Within 10 working days of the event or receipt of information
Notify the administering authority of early leaver/opt over three months for member's entitled to a refund or deferred benefit.	As early as possible and no later than 1 month before date of retirement

Function	Requirement
General administration/member data	
Confirm actual leaving data for an opted-out member	Notifications must be included on the monthly data submission for the month that the member left, or the month after if this is not possible
Notify the administering authority when a member leaves with immediate entitlement to benefits (normal, late, ill health or flexible retirement) and issue retirement option form to the employee.	As early as possible and no later than 1 month before date of retirement
Notify the administering authority of the death of an employee and provide next of kin details.	Within 3 working days of knowledge of the death of the employee
To determine based on medical opinion and advice whether an ill health award is to be made and determine where relevant which tier 1,2 or 3. Arrange for the completion of the appropriate forms and provision of IRMP certificate where ill health retirement is to be awarded.	No later than 30 days prior to the date of retirement.
To submit request for estimates for forthcoming retirement.	No later than 3 months before retirement, where known, for individual requests With timescale agreed with scheme employer where requests for 15 or more estimates requested as part of a bulk exercise

Function	Requirement
Outsourcing/new employer admissions	
Notify the administering authority where an outsourcing of services which will involve a TUPE transfer of staff to another organisation is anticipated so that information can be provided to assist in the decision	At the point of deciding to tender
Notify the administering authority of lead decision making and operational officers in circumstances where a prospective new employer or admitted body may request to join the Fund as a result of re-organisation or TUPE transfer	At commencement of business review project
Work with administering authority officers to arrange for an admission agreement to be established	A minimum of 90 days in advance of the date of contract

Function	Requirement
Outsourcing/new employer admissions	
Notify the administering authority if the scheme employer ceases to admit new scheme members or is considering terminating membership of the Fund	As soon as decision is agreed

Function	Requirement
Contributions	
Ensure correct employee contribution rate to be applied each scheme year in line with the appropriate contribution banding table	Immediately upon commencing scheme membership, reviewed as per policy on adjusting employee contribution rates or start of a new scheme year.
Strain on the Fund payments – ensure that where applicable additional fund payments are paid to the Fund (for e.g. redundancy / flexible retirement).	Within 30 days of receipt of invoice from the administering authority
Remit employer and employee contributions to the Fund.	By 22nd of the month following deduction of payroll if made electronically or 19th if paid by cheque.
Implement changes to employer contribution rates as instructed by the administering authority at the date specified by the Fund Actuary.	In line with the Rates Adjustment Certificate as per the triennial valuation
Ensure and arrange for the correct deduction of employee contributions from a member's pensionable pay including any period of child related leave, trade dispute or other forms of leave of absence from duty	In accordance with payroll cycle
Manage the deduction of all additional contributions or amend such deductions, as appropriate	In accordance with payroll cycle
Arrange for the deduction of AVCs and payment over of contributions to the AVC provider(s) and inform the administering authority as required	In accordance with payroll cycle
Refund any employee contributions when employees opt out of the pension scheme within 3 months and submit notification to the administering authority	As part of the next available payroll following receipt of the election to opt-out
Payments in respect of all work carried out on behalf of the scheme employer by the Fund's Actuary and connected data quality assurance undertaken by the Fund's Administration Team	To be paid within 30 days of the invoice from the Fund

Appendices

1. Roles and Responsibilities

Administering authority

The key responsibilities of the administering authority are summarised below:

To appoint an actuary for the purposes of the triennial valuation of the Fund and to provide periodical actuarial advice when required.

To appoint an Additional Voluntary Contributions provider

Ensure that, where required, employer admission agreements with the administering authority are in place

To comply with any orders or instructions issued by The Pensions Regulator or the Pensions Ombudsman.
Where the order or instruction requires financial compensation or a fine to be paid from the Fund, or by any officer responsible for it, and it is due to the default, omission or otherwise negligent act of the employer, the sum concerned shall be recharged to the employer

To issue forms, newsletters, booklets and such other materials as are necessary in the administration of the scheme, for scheme members and for use by scheme employers.

To provide accurate, timely data to the Fund actuary for the purposes of the triennial actuarial valuation of the Fund and for scheme employer accounting reports requested (e.g. IAS19/FRS102 reports).

To provide assistance to scheme employers in regard to the pension implications of outsourcing services and to deal with any related bulk transfers of pension rights.

To comply with HMRC reporting requirements regarding pension benefits.

To ensure that sufficient information is issued in the form of newsletters, booklets and other materials to satisfy the requirements of the Occupational Pension Schemes (Disclosure of Information) Regulations 1996.

To ensure that steps are taken at all times to pay benefits to appropriate beneficiaries only and to reduce the possibility of fraud.

To ensure compliance with the (UK/EU) General Data Protection Regulation legislation including use of appropriate secure data transfer methods.

Scheme employer

The key responsibilities of a scheme employer are summarised below:

To maintain employment records for each scheme member for the purposes of determining membership and entitlement to pension benefits.

To determine a scheme member's pay (or fees) for the purpose of pension contributions and to determine final pay (if required both final salary and CARE regulation definitions) for the purposes of calculating benefits due from the scheme

To determine annually a scheme member's contribution rate on the basis of the scheme member's rate of pensionable pay having regard to guidance issued.

To collect, make payment and account for the deduction of the correct rate of monthly pension contributions payable by both the scheme members and the employer.

- To appoint a person designated to receive appeals from employees on 'first instance decisions' under the LGPS Regulations
- To notify, in writing, every person whose rights or liabilities are affected by a 'first instance decision' made by the employer under the Regulations
- To ensure all information is provided as required regarding a scheme members' employment, using electronic transfer of data where at all possible (especially for bulk exercises) and agreed with the administering authority. Data provided should comply with the General Data Protection Regulations and secure transfer methods used.
- To use an independent Medical Officer qualified in Occupational Health Medicine, (who has been approved by the administering authority), in determining ill-health retirement and provide the administering authority with a relevant certificate where appropriate.
- To provide additional information as required for actuarial valuation, monthly data transfer, data matching or communication purposes. The specification for such exercises will be provided by the administering authority and may, after consultation, be modified from time to time.
- To provide prospective scheme members with basic information about the scheme using, where appropriate, material provided by the administering authority.
- To ensure those not joining the scheme are fully aware of the benefits given up and that equalities principles are met.
- To pay the administering authority, by lump sum and within prescribed time limits, any amounts arising as a result of the scheme employer's decision to increase annual pension under the Regulations.
- To pay the administering authority, by lump sum payment and within prescribed time limits, any strain cost arising from a decision made by the scheme employer to award early payment of benefits.
- To ensure the administering authority is informed about, and Government guidance is followed in respect of, any transfer of members in respect of an outsourcing of service arrangement, and any subsequent changes to that arrangement which would impact on those members.
- To inform the administering authority of any planned changes to their pension provision for employees, including whether the scheme is open to new employees, bulk transfers of employments or any redundancy exercises as soon as known.
- To provide details of officers (specifically the primary employer contact) or representatives who are to receive employer communications issued by the administering authority and keep these up to date as necessary. Details should be kept up to date as necessary.

APPENDIX

Lewisham Pension Board - Work Programme – September 2023

	OPERATIONAL	Officer leading	Qtr 3 Sept 2023	Qtr 4 Dec 2023	Qtr 1 March 2024	Qtr 2 June 2024
1	Audited 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"> • Administration update (including KPI monitoring) • Final Statement of Accounts • Pension Board Annual Report • Governance Compliance Statement 	KN		X		
3	Monitoring of Investment Performance: <i>see Hymans Robertson Performance Reports reported to PIC</i>	KN	X	X	X	X
4	Progress Reports on the Arrangements for Pooling	KN	X		X	
5	Risk Register	KN/SA		X		X
6	Data improvement plan update	SA		X		

	STRATEGIC Policies, where available, can be found at the following site: https://www.lewishampensions.org/resources/	Officer leading	Qrt 3 Sept 2023	Qtr 4 Dec 2023	Qtr 1 March 2024	Qtr 2 June 2024
7	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		
8	Terms of Reference and Membership of the Board Should be reviewed at least annually, and then published on the website	KN				X
9	Administration Strategy <i>(To be created)</i>	SA	X	X		
10	Annual Business Plan	KN				X

PENSION BOARD			
REPORT TITLE	Pensions Board – Dates of Future Meetings		
KEY DECISION	No	Item No:	
WARD	N/A		
CONTRIBUTORS	Chris Flower – Treasury and Investment Manager		
CLASS	Part 1	Date:	25 September 2023

1. Dates of Future Meetings

13 December 2023
 11 March 2024
 18 June 2024

Agenda Item 10



Pension Board

Exclusion of the Press and Public

Date: 25 September 2023

Key decision: No

Class: Part 1

Ward(s) affected: All

Contributors: Treasury and Investment Manager/ Director of Finance

Outline and recommendations

Members are asked to note items that will be considered in closed session

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:-

Item 11. General Update – Part Two

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

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