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AGENDA

PENSIONS INVESTMENT COMMITTEE

Date: THURSDAY, 8 JUNE 2023 at 7.00 pm

Committee Rooms 1 & 2
Civic Suite
Catford Road
London SE6 4RU

Enquiries to: Hajera Khan
Telephone: 0208 314 8382(direct line)
Email: hajera.khan@lewisham.gov.uk

COUNCILLORS

Councillor Sian Eiles (Chair)
Councillor Mark Jackson
Councillor Chris Best
Councillor Mark Ingleby
Councillor Louise Krupski
Councillor John Muldoon
Councillor James Royston
Councillor Liam Shrivastava
Stephen Warren

Observers

Independent

Officers

David Austin, Director of Corporate Services
Mark Adu-Brobbey
Gary Cummins, Strategy and Policy Officer

Members are summoned to attend this meeting

Jeremy Chambers
Director of Law and Corporate Governance
Lewisham Town Hall
Catford
London SE6 4RU
Date: Tuesday, 30 May 2023

INVESTOR IN PEOPLE

ORDER OF BUSINESS – PART 1 AGENDA

Lewisham

INVESTOR IN PEOPLE

PENSIONS INVESTMENT COMMITTEE			
Report Title	MINUTES		
Key Decision	No		**Item No.** 2
Ward	All		
Contributors	CHIEF EXECUTIVE		
Class	Part 1	**Date:** 8 June 2023	

Recommendation

That the Minutes of the meeting of the Committee, held on 9 February 2023 be confirmed and signed.

PENSIONS INVESTMENT COMMITTEE

Thursday 9 February 2023 at 7pm

Present: Councillor Eiles, Councillor Ingleby, Councillor Krupski, Councillor Best, Councillor Muldoon, Councillor Royston, Councillor Jackson

Also Present: Chris Flower, Katharine Nidd and Sarah Assibey (Clerk)

1. **Minutes**

   The Minutes of the last meeting were agreed.

2. **Declarations of interest**

   No interests were declared.

3. **General Update Report 1**

   3.1. The report was presented by the Head of Financial Strategy, Planning and Commercial. The recommendations were to agree and note the contents of the report; note the changes to the statement of accounts; note that Council had delegated the section 151 officer for the approval of the final statement of accounts; and agree the Chair will, in concultation with officers, agree the final pension fund annual report; agree officers proceed with the procurement of actuarial advisory services using the national framework for LGPS procurement and delegate to Executive Director for Corporate Resources the relevant support contracts.

   3.2. The draft accounts were presented to the Committee at the November meeting at which point the external audit had just begun and it was agreed at Council that the delegation for the approval of the accounts would go to the section 151 officer.

   3.3. The following changes to the Pension Fund were discussed- 1) a £2.5m change to the valuation of fund as outlined in the report 2) the audit is almost complete and noted by Council.

   3.4. Retendering of actuarial services work is ready to begin as the triennial valuation has concluded. The officer outlined the 3 options discussed in the report: for the Council to procuring itself or to use well- established framework. For the Council to procure the work itself would be resource intensive and would not provide better results. It was advised that using the LGPS national framework would allow a 7 year contract of which the Council would be able to leave if unsatisfied with the services; the recommendation to committee was to agree to use the frameworks.

   3.5. The presenting officer stated to the Committee that the draft response to the investor belief statement states that the Fund believes it is necessary to set a net zero emissions target. She said that work on carbon baseline should begin by the end of the financial year and likely run until May. It was recommended by officers that Members undertake a workshop on net-zero considerations in May.

3.6. Discussing the work of pension board, it was said that there had been some strong engagement from Members, officers and the Chair. The Board has replaced the board member who left with the Director of People and Organisational Development.

3.7. A member highlighted an article which spoke of a significant number pension board members who had withdrawn from their pension. The officer responded that membership has not fallen by those numbers. The programme of the Pension Board is different- it covers the full scope of the organisation with a focus on policies and strategies which are reviewed regularly as well as work like an audit of compliance and the work programme. The officer stated that it is tied around the work of PIC.

3.8. The next section discussed was on training. The report highlighted the general training available to Members and recurred the recommended net-zero workshop training. Additional training session will be highlighted to Members as they come about.

3.9. The financial implications spoke to the anticipated procurement of advisory actuarial services.

3.10. RESOLVED that all recommendations be agreed.

4. Investor Beliefs Statement

4.1. The paper was presented by the HFSPC and provided the Committee with an update on the draft Investor Beliefs Statement. 14 points were drafted by Hymans. Members felt generally that the statements captured their points and discussions from previous Committee meetings well.

4.2. RESOLVED by Members to adopt the Investor Beliefs statement.

5. Exclusion of Press and Public

5.1. It was 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:-

6. Meet the Manager Session: Schroders
7. Quarterly Investment Performance Report
8. Funding Strategy Statement
9. General Update Report

5.2. The Committee were asked to review and agree to the Exclusion of the Press and Public Notice, in order for the meeting to move into the Part 2, closed session.

5.3. RESOLVED that the Exclusion of the Press and Public Notice be agreed by the Committee and the meeting then moved into the Part 2, closed session.

6. Meet the manager Session: Schroders

6.1. Schroders gave a presentation highlighting: Managing Lewisham mandate; ESG factors; Inflation; Retail; and mitigating risk.

6.2. Following the presentation Members, alongside Hymans Robertson, asked questions that were answered by Schroders.

6.3. RESOLVED that the report be noted.

7. Quarterly investment reports

7.1. Hymans presented a quarterly investment update. Some points in the discussion that were raised included: state of US dollar against the GBP and its affect on LBL and Labour market participation.

7.2. Members had no questions.

7.3. RESOLVED that the report be noted.

8. Funding Strategy Statement

8.1. The HFSPC introduced the report. Hymans highlighted the main points from the report in the discussion: 2022 Actuarial Valuation and Funding Strategy Statement; the Valuation Process; Fund Results; and the Actuarial Report (which includes the Rates & Adjustment Certificate) for publication by 31 March 2023;

8.2. RESOLVED Members noted, reviewed and commented on the Funding Strategy Statement.

8.3. RESOLVED it was agreed to delegate to the Finance Director to approve any minor changes that are required to reflect feedback from the consultation process and to publish the Funding Strategy Statement by 31 March 2023.

9. General Update 2.

9.1. In Part 2 of the General Update Report, Members were asked to review and note the contents of the report. The HFSPC drew particular attention to the LCIV Renewable Infrastructure fund note in the report.

9.2. It was agreed to bring back a report on an analysis on the shareholder's agreement* (section 7)

9.3. RESOLVED that the report be noted.

The meeting finished 9.13pm

PENSIONS INVESTMENT COMMITTEE			
Report Title	**DECLARATIONS OF INTERESTS**		
Key Decision	No		**Item No. 1**
Ward			
Contributors	**CHIEF EXECUTIVE**		
Class	**Part 1**		**Date: 8 June 2023**

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 in habitants 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 your 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.

Pension Investment Committee

General Update

Date: 8 June 2023

Key decision: No.

Class: Part 1.

Ward(s) affected: None specifically

Outline:

This paper provides the Committee with an update on several general pension fund related matters in the last quarterly period.

Recommendation:

The Committee are asked to:

1. review and note the contents of the report;
2. note the current position regarding the Statement of Accounts 2021/22;
3. note the publication of the Funding Strategy Statement;
4. note and approve the updated Investment Strategy Statement;
5. note the Climate Metrics Analysis

Timeline of engagement and decision-making

This is report is one of the regular quarterly reports prepared for the Pensions Investment Committee to enable them to fulfil their terms of reference.

1. Summary

1.1. This report sets out a number of general matters to ensure the Committee are appraised on the work ongoing in respect of the Fund.

2. Recommendations

2.1. The Committee are asked to:

2.2. review and note the contents of the report;

2.3. note the current position regarding the Statement of Accounts 2021/22;

2.4. note the publication of the Funding Strategy Statement;

2.5. note and approved the updated Investment Strategy Statement;

2.6. note the Climate Metrics Analysis

3. Policy Context

3.1. The overriding policy context for the Pension Investment Committee are the pension regulations and Members fiduciary duty to the beneficiaries of the Fund.

4. Background

4.1. This briefing will provide a summary of current topics relating to the Pension Fund and pensions in general, and address standing items on the agenda, following on from actions requested in previous meetings.

5. 2021/22 Statement of Accounts and Annual Report

5.1. The audit has not yet concluded due to a national issue in the valuation of the pension fund liability as at 31 March 2022. The Actuaries have reviewed the pension valuations and revised the Council's pension liability and life expectancy assumptions. The notes in the main Statement of Accounts have been amended to reflect the change in the Council's pension liability.

5.2. The Pension Fund Accounts life expectancy assumption note has been amended to reflect the change in the revised liability calculations. There has been not a change to the Pension Fund Annual report.

5.3. The auditors are holding the completed Statement of Accounts until they are satisfied on how to reflect these changes across all local authority accounts. Once they are satisfied the auditors will sign the accounts.

5.4. It remains that the Council has delegated to the Section 151 Officer the approval and agreement of the final Statement of Accounts for 2021/22, and to agree that the Chair will, in consultation with officers, agree the final

Pension Fund Annual Report 2021/22 for publication.

6. Retendering advisory and actuarial services

6.1. The retendering of the advisory and actuarial services contracts will commence in June and is expected to be completed by September.

7. Funding Strategy Statement

7.1. The triennial valuation has completed and the results of this were presented to the Committee in draft form in November 2022 and in final form in February 2023. In addition to the results of the valuation, the Committee was presented and reviewed the draft Funding Strategy Statement (FSS) at the February meeting.

7.2. A delegation was provided to the Executive Director of Corporate Resources to agree any final changes to the draft FSS to enable the publication of this by the statutory deadline of the 31 March 2023.

7.3. The Committee is asked to note that the FSS was finalised, with no substantive changes to the draft reviewed by the Committee, and has been published on the Fund's website as required.

8. Investment Strategy Statement (ISS)

8.1. The ISS was updated and approved in June 2022, following detailed discussion and agreement with the Committee.

8.2. The triennial valuation results have not necessitated material changes to the Fund's asset allocation and therefore to the ISS, but the Committee has since developed and adopted a Responsible Investment Beliefs Statement which supports the ISS.

8.3. The ISS report includes the newly adopted Responsible Investment Beliefs Statement as an appendix to create a single document. (see Appendix 2) This provides greater clarity and understanding of how the Committee beliefs support and underpin the Fund's ISS and so the Committee is asked to note that these have now been published as a single document.

9. Climate Metrics Anaalysis (focused on TCFD)

9.1. The Fund's first annual climate reporting analysis is designed to help the Fund understand its climate risk exposures, by assessing its carbon emissions based on its existing investment strategy, as well as helping to build the foundations for future reporting obligations under the Taskforce on Climate-related Financial Disclosures ("TCFD"). The detailed emissions analysis in the report covers the Fund's listed equities and bonds, which makes up around 70% of the Fund's total assets.

9.2. In addition, the report covers the unlisted investments of the Fund in brief, depending on the availability of relevant data.

9.3. The report highlights the significant progress the Fund has made during the past 4 years, in managing its climate risk exposure. There are a number of key, positive conclusions from the 2023 analysis, which reflect the commitment of the Fund's Officers and PIC in delivering reduced climate risk exposure for the Fund's listed investments:

- In relation to absolute emissions and emissions-per-£m-invested, the Fund's aggregate figures are more than 70% lower than the benchmark emissions figures.
- Weighted average carbon intensity figures for the Fund are also more than 70% lower than the benchmark intensity figures.
- The 2023 analysis also demonstrates the significant reduction in carbon emissions and carbon intensity of more than 85% since the Fund's carbon foot-printing exercise of 2019.

9.4. These significant reductions in climate risk exposures were driven by the PIC's decision to transition the entirety of its global market-cap-weighted equities to sustainable equity strategies that seek to dramatically reduce carbon emissions now, whilst also focusing on forward-looking climate risk measures.

10. Pension Board

10.1. The Pension Board has a full membership of two employee representatives and two employers' representatives and an independent Chair. A clerk has also been appointed to support the board.

10.2. The Pension Board held a meeting on 16 March 2023 and has quarterly meeting dates booked for 2023/24. The date of the next meeting is 26 June 2023.

10.3. The Chair has outlined his expectations of the board and it has agreed a work programme for the year which will be reviewed on a quarterly basis.

10.4. The board members have agreed a training programme for each individual member, including the Pension Regulator's Toolkit of online training, as well as having training sessions in the hour before each meeting.

10.5. The workplan and the initial priority actions have been programmed in the context of the AON review from 2019 to ensure that those areas of weakness are addressed in addition to the expected cycle of work for the Board.

10.6. The minutes from the 16 March 2023 Pension Board meeting has been appended to this report as Appendix 1 for the Committee's information.

11. Training

11.1. A selection of conferences, workshops and seminars continue to be shared with Members. Should members find any of the sessions of interest, or have identified other training they would like to attend, please can they keep the Governance Team informed. Members' training records are published annually in the Annual Report, to be finalised by November each year.

11.2. The recommended sessions form part of the main training offer to Members; other sessions arranged by fund managers or the Fund's advisors will also form part of regular Committee business. It is vital that Members develop and maintain their knowledge of the overall sector, and in particular the LGPS, for preserving our professional client status under MiFID II regulations. Should Fund Managers deem the Committee to be lacking in knowledge or ability, it is within their powers to withdraw their services.

11.3. Officers continue to recommend the excellent training tools available via the Pensions Regulator at: http://www.thepensionsregulator.gov.uk/public-serviceschemes/learn- about-managing-public-service-schemes.aspx. However, please note that the focus of the toolkit is on the administration and governance of the scheme and not on fund investment. Other useful sources include the free to attend SPS conferences at www.spsconferences.com or specific training can be arranged on selected topics as needed.

11.4. On 11 May Hymans delivered a workshop on Net Zero Considerations, and important training session to assist the Committee n its deliberation and assessment to enable it to set a Net Zero target for the Fund later this year.

11.5. Meet the Manager for the June meeting will be looking at the investments into Infrastructure. LCIV Renewable Infrastructure Fund and JP Morgan will make presentations to the meeting. They will cover investment performance, changes they've made to the portfolio (in particular any tilt towards sustainability-focused infrastructure investments), and a general outlook.

11.6. Meet the Manager for September we are planning to have HarbourVest looking at Private Equity and for November we will invite BlackRock to talk about Bonds. February 2024 we will invite Storebrand to look at the performance since our investment and what the future looks like.

11.7. Additional training sessions separate to the meeting cycle will be offered and the subjects and dates will be circulated to all members after the results of the Knowledge and Skills Audit have been assessed.

12. Financial implications

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

13. Legal implications

13.1. The Pension Regulations require that the Council has regard to the proper advice of its expert independent advisors in relation to decisions affecting the Pension Fund. They must also have regard to the separate advice of the Chief Financial Officer who has statutory responsibility to ensure the proper administration of the Council's financial affairs, including the administration of the Pension Fund.

14. Equalities implications

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

15. Climate change and environmental implications

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

16. Crime and disorder implications

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

17. Health and wellbeing implications

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

18. Background papers

Appendix 1 – Pension Board minutes of March 2023 meeting.

Appendix 2 – Investment Strategy Statement (ISS) incorporating the Responsible Investment Beliefs Statement.

19. Report author and contact

19.1. David Austin, Finance Director

Appendix 1

DRAFT MINUTES OF THE PENSION BOARD

Thursday 16 March 2023 at 2pm

PRESENT: Stephen Warren, Sherene Russell-Alexander

Also present: Katharine Nidd, Chris Flower, Shida Ashrafi, Samantha Harlow

In attendance virtually: Gary Cummins, Mark Adu-Brobbey

Apologies: Rowann Limond

1. Minutes

   The Minutes of the last meeting were agreed.

2. Declarations of Interest

   No interests are declared.

3. Action Log

   3.1. The Service Group Manager for Pensions and Payroll gave a verbal progress update stating that in the last financial year, the pension administration did not have an internal audit- the process had taken place last year and a comprehensive audit was done. The low recommendation was that the auditors required a report to be run as of 31 March every year.

   3.2. On the Administration strategy, the SGM stated that provisional timelines have been provided. The actions and needs to be communicated with employers and these actions will be on the agenda for the June meeting.

   3.3. RESOLVED the provisional administration strategy with timeframes to be circulated to Board outside of cycle by Treasury and Investment Manager.

   3.4. There will be a low carbon focus workshop for PIC members for which Pension Board members will be invited.

4. Breaches Log

   4.1. RESOLVED that there were no breaches to report.

5. Training Log

   5.1. The completion of toolkit assessment is outstanding for 2 of the Board members. The Chair urged Board members to complete this and stated it would be beneficial for their role on the Board. The new Board member will have 6 months to complete.

6. Terms of Reference

6.1. The HFSPC highlighted that Board have duty to review annually. She highlighted changes: the date had been removed to be replaced with date of appointment and replaced with how appointments are made; it also highlights how the appointment notification works; the changes of Lewisham Homes referring back into the Council may require the Board to make changes to the Terms of Reference as well as the appointment of employer representatives.

6.2. Members had no further comments to add. The Chair stated that the Board should defer final consideration to next meeting with officers proposals, to give time to the context added in the meeting.

7. General Update

7.1. The HFSPC presented the report and discussed the following recommendations: to note changes to statement of accounts; note the draft report template for reporting breaches of late payment; note the retendering of advisory and actuarial service; note the net zero target setting and note the draft investor belief statements.

7.2. It was discussed that the audit of accounts had now been signed off. The were re-presented to PIC in February and it was agreed to delegate to section 151 officer to sign off.

7.3. The key changes were that the fund valuation had an increase by £2.5m. It was concluded that audit had been completed and ready to be signed off and that completion of the accounts would be by end of March.

7.4. The Board discussed the report of payment failures template. The template captured what the requirements are. It was said that a full report will be at Board in June after finalised. Consideration of materiality, what is due and received and defining a reasonable period will be detailed in the report.

7.5. The Board then discussed the use of framework and the officer stated that it was determined the LGPS national framework was the preferred framework. There was an option to seek own provider with a small fee attached. It was said that there are pros and cons to both options but the national framework comes with a no-fault break clause.

7.6. The officer then discussed that the PIC is clear on its intent for a net zero target which officers support. It is important for the Committee to set a target that is realistic- understand the complexities and risks. In March/April it was discussed that net zero considerations workshop led by Hymans will take place with Pension Board to be invited. This would help set a clear indication of where the Fund is and the appropriate net-zero target.

7.7. The officer then discussed the responsible investor belief statements. A questionnaire was distributed to PIC to understand their ideas and targets for the statement. A workshop also took place in January. The draft belief statement by Hymans has now been adopted.

7.8. RESOLVED the report be noted.

8. Work Programme

8.1. RESOLVED the report be noted.

9. AOB and Future Meeting Date

9.1. The following meeting dates in June and September had been changed to 26 June and 25 September.

9.2. RESOLVED the report be noted.

10. Exclusion of Press and Public

10.1. It was 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- General Update Part 2

10.2. RESOLVED the Board agreed to exclude the press and public.

11. General Update Part 2

11.1. It was the officer recommendation to review and note the items of the report.

11.2. There was a detailed discussion on PIC's "Meet the Manager Session" with Schroders. The HFSPC summarised the presentation which was detailed in the report. She commented that there was very good engagement from PIC, who asked detailed questions around property markets and property funding.

11.3. RESOLVED that the report be noted.

Investment Strategy Statement – May 2023

Deleted: June 2022

Purpose of the report

To recommend the approval of an Investment Strategy Statement ("ISS") for the London Borough of Lewisham Pension Fund ("the Fund"), a copy of which is attached as part of this report.

Background

For many years Local Government Pension Funds were required to maintain a Statement of Investment Principles ("SoIP"). New Local Government Pension Scheme ("LGPS") Investment Regulations became effective on 1 November 2016. These Regulations remove many of the investment restrictions that were formerly in place for the LGPS and, in effect, allow individual Funds considerable discretion about where and how to invest. The Regulations also introduced a requirement for administering authorities to formulate, publish and maintain an Investment Strategy Statement ("ISS"). The redrafted ISS will replace the ISS dated June 2022.

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Statutory background

The investment regulations (Section 7) state the following:

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- *An authority must, after taking proper advice, formulate an investment strategy which must be in accordance with guidance issued by the Secretary of State.*
- *The authority's investment strategy must include—*
  - *a requirement to invest fund 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 the rights (including voting rights) attaching to investments.*
- *The authority's investment strategy must set out the maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investment.*
- *The authority's investment strategy may not permit more than 5% of the total value of all investments of fund money to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007(e).*
- *The authority must consult such persons as it considers appropriate as to the contents of its investment strategy.*
- *The authority must review and if necessary revise its investment strategy from time to time, and at least every 3 years, and publish a statement of any revisions.*
- *The authority must invest, in accordance with its investment strategy, any fund money that is not needed immediately to make payments from the fund.*

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May 2023 Update

This draft statement includes a minor set of amendments to the ISS approved at the February 2023 Pensions Investment Committee meeting. These are :

- To include the Responsible Investment Beliefs (also approved in February 2023) as an Appendix to this ISS;
- To amend references to strategy changes that were mid-implementation previously and are now complete;
- To reference the development of a Net Zero policy that is currently being formulated, and that will eventually be included as an Appendix to this ISS; and
- To update dates where appropriate

Prepared by:-

Nick Jellema, Senior Investment Consultant
Ross MacLeod, Investment Consultant
Priyam Jain, Investment Analyst

For and on behalf of the London Borough of Lewisham Pension Fund PIC.

Deleted: On the following pages we have provided a draft version of the recommended ISS. The draft is based on a template produced by Hymans Robertson LLP, the Fund's investment advisor, and covers all of the necessary areas. Some sections of the draft have been left unchanged and will require input from the Pensions Investment Committee before confirming approval. ¶
Once all highlighted sections have been agreed by the Pensions Investment Committee, the document will then, in line with the regulations, have to be consulted with the relevant parties e.g. employers in the Fund

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Investment Strategy Statement: [Published Month] 2023

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Introduction and background

This is the Investment Strategy Statement ("ISS") of the London Borough of Lewisham Pension Fund ("the Fund"), which is administered by Lewisham Council, ("the Administering Authority"). The ISS is made in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 ("the Regulations").

The ISS has been prepared by the Fund's Pension Investment Committee ("the PIC") having taken advice from the Fund's investment adviser, Hymans Robertson LLP. The PIC acts on the delegated authority of the Administering Authority.

The ISS, which was last approved by the PIC in 2022 is subject to periodic review (generally at least every three years and without delay after any significant change in investment policy). The PIC has consulted on the contents of the Fund's investment strategy with such persons it considers appropriate.

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The PIC seeks to invest in accordance with the ISS, any Fund money that is not needed immediately to make payments from the Fund. The ISS should be read in conjunction with the Fund's Funding Strategy Statement (dated April 2023).

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The suitability of particular investments and types of investments

The primary investment objective of the Fund is to ensure that the assets are invested to secure the benefits of the Fund's members under the Local Government Pension Scheme. Against this background, the Fund's approach to investing is to:

- Optimise the return consistent with a prudent level of risk;
- Ensure that there are sufficient resources to meet the liabilities; and
- Ensure the suitability of assets in relation to the needs of the Fund.

The Fund's funding position will be reviewed at each triennial actuarial valuation, or more frequently as required.

The PIC aims to fund the Fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund's assets and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing. For employee members, benefits will be based on service completed, but will take account of future salary and/or inflation increases.

The PIC has translated its objectives into a suitable strategic asset allocation benchmark for the Fund. It plays an important role in meeting the longer-term cost of funding, and how that cost may vary over time. This benchmark is consistent with the PIC's views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk and the nature of the Fund's liabilities. This approach helps to ensure that the investment strategy takes due account of the maturity profile of the Fund (in terms of the relative proportions of liabilities in respect of pensioners, deferred and active members), together with the level of disclosed surplus or deficit (relative to the funding bases used).

It is intended that the Fund's investment strategy will be reviewed at least every three years following actuarial valuations of the Fund.

Within each major market the Fund's investment managers will maintain a diversified portfolio of securities through direct investment or via pooled vehicles. An Investment Management Agreement is in place for each investment manager, which sets out the relevant benchmark, performance target and asset allocation ranges, together with further restrictions.

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In addition, the PIC monitors investment strategy on an ongoing basis, focusing on factors including, but not limited to:

- Suitability given the Fund's level of funding and liability profile
- The level of expected risk
- Outlook for asset returns
- A broad variety of environmental, social and governance ("ESG") matters, with particular focus on climate change.

The PIC also monitors the Fund's actual allocation on a regular basis to ensure it does not notably deviate from the target allocation. Table 1 below shows the target asset allocation and range around this target for each of the Fund's mandates.

Investment of money in a wide variety of investments

Asset classes

The Fund may invest in quoted and unquoted securities of UK and overseas markets including, but not limited to, equities and fixed interest and index linked bonds, cash, property and commodities either directly or through pooled funds. The Fund may also make use of contracts for differences and other derivatives either directly or in pooled funds investing in these products for the purpose of efficient portfolio management or to hedge specific risks.

The PIC reviews the nature of the Fund's investments on a regular basis, with particular reference to suitability and diversification. The PIC seeks and considers written advice from a suitably qualified person in undertaking such a review. If, at any time, investment in a security or product not previously known to the PIC is proposed, appropriate advice is sought and considered to ensure its suitability and diversification.

The Fund's target investment strategy is set out below. The table also includes the maximum percentage of total Fund value that it will invest in these asset classes. In line with the Regulations, the authority's investment strategy does not permit more than 5% of the total value of all investments of Fund money to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007.

Deleted: Note the Fund is still transitioning assets following decisions to invest in UK residential property, renewable infrastructure, LCIV private debt and low-carbon equities. As such, the table represents the end-state of the transition currently in progress.

In order to avoid excessive rebalancing, the assets will not be brought back to the absolute strategic benchmark, but to a position that is approximately half way between the tolerance level and the target allocation. This also takes into consideration that there is a time lag between reporting a variance, and the rebalancing of the funds.

Where a mandate is underweight and breaches its tolerance level, the Fund's surplus cash flow will be used to bring assets back to within the tolerable range. If the surplus cash is not sufficient, the rebalancing will be undertaken by selling funds from the mandates that are most overweight, and using the proceeds to purchase assets that are the most underweight.

Where a mandate is overweight and breaches its tolerance level, assets will be disinvested from the mandate, and the proceeds reinvested in the most underweight mandate. Where multiple mandates qualify as being 'most underweight', the proceeds will be re-invested in relative proportions to bring the respective mandates to a similar level of underweight. This rebalancing is managed by the Fund's Officers.

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Table 1: Fund allocation

Asset Class	Manager	Benchmark	Target allocation	Rebalancing Range
Private equity	HarbourVest	MSCI AC World Development Index	3.0%	0%-6%*
Listed equity	Storebrand Global ESG Plus (developed markets)	MSCI World Index	15.0%	12%-18%
Listed equity	Storebrand Global ESG Plus (emerging markets)	MSCI EM Index	5.0%	3%-7%*
Listed equity	LCIV Passive Equity Progressive Paris Aligned Fund	S&P Developed Ex-Korea LargeMidCap Net-Zero 2050 Paris-Aligned ESG Index	30.0%	27%-33%
	Total Growth		**53%**	
Property	Schroders Property	MSCI Pooled Property Fund Index	7.0%	4%-10%
Property	LGIM Build to Rent	Total return of 7-9% p.a. (net of fees)	3.0%	0%-6%*
Infrastructure	JP Morgan Infrastructure	Hurdle rate of 7% p.a.	6.0%	3%-9%*
Infrastructure	LCIV Renewable Infrastructure	Hurdle rate of 7% p.a.	6.0%	3%-9%*
Alternative Credit	Pemberton European Mid-Market Debt Fund II	SONIA + 6%	6.0%	3%-9%*
Alternative Credit	Partners Group MAC	SONIA + 5%		
Alternative Credit	LCIV Private Debt Fund	6-8% net IRR		
	Total Income		**28%**	
Fixed Income	BlackRock – Corporate Bonds	iBoxx Sterling Non-Gilts Index	6.33%	4%-8%
Fixed Income	BlackRock – Fixed interest gilts	FTSE Actuaries UK Conventional Gilts over 15	6.33%	4%-8%
Fixed Income	BlackRock – Index-linked gilts	FTSE Actuaries UK Index-Linked Gilts over 5 Years Index	6.33%	4%-8%
	Total Protection		**19%**	
	Cash		0.0%	
	Total Fund		**100.0%**	

* Rebalancing is not readily available for these mandates, given their structure (pre-arranged commitments and buy-and hold), however it is expected that the Fund will remain within the broad ranges above over the long-term. The exception is LGIM Build to Rent Fund, which converted to an open-ended structure at the end of 2022, at which point rebalancing opportunities may arise.

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Managers

The PIC has appointed a number of investment managers, all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business.

The PIC, after seeking appropriate investment advice, has agreed specific benchmarks with each manager so that, in aggregate, they are consistent with the overall asset allocation for the Fund. The Fund's investment managers will hold a mix of investments which reflects their views relative to their respective benchmarks. Within each major market and asset class, the managers will maintain diversified portfolios through direct investment or pooled vehicles. The manager of the passive funds in which the Fund invests holds a mix of investments within each pooled fund that reflects that of their respective benchmark indices.

The approach to risk, including the ways in which risks are to be measured and managed

The PIC is aware that the Fund has a need to take risk (in particular through growth assets) to help it achieve its funding objectives. It has an active risk management programme in place that aims to help it identify the risks being taken and has put in place processes to manage, measure, monitor and (where possible) mitigate the risks being taken.

The principal risks affecting the Fund are set out below, we also discuss the Fund's approach to managing these risks and the contingency plans that are in place:

Funding risks

- Financial mismatch – The risk that the Fund assets fail to grow in line with the developing cost of meeting the liabilities.
- Changing demographics –The risk that longevity improves and other demographic factors change, increasing the cost of Fund benefits.
- 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 measures and manages financial mismatch in two ways. As indicated above, the PIC has set a strategic asset allocation benchmark for the Fund. This benchmark was set taking into account asset liability modelling which focused on probability of success and level of downside risk. This analysis was revisited as part of the 2022 valuation process, with no changes to allocation being made. The PIC assesses risk relative to the strategic benchmark by monitoring the Fund's asset allocation and investment returns relative to the benchmark. The PIC also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

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The PIC also seeks 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 to be assessed.

The PIC seeks to mitigate systemic risk through a diversified portfolio, but it is not possible to make specific provision for all possible eventualities that may arise under this heading.

Asset risks

The following is a list of some of the key asset risks inherent within the Fund's investments. Note this list is not exhaustive.

- Concentration - The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.

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- Illiquidity - The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets.
- Currency risk – The risk that the currency of the Fund's assets underperforms relative to sterling (i.e. the currency of the liabilities).
- Environmental, social and governance ("ESG") – The risk that ESG related factors reduce the Fund's ability to generate the long-term returns.
- Manager underperformance – The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.

The Fund's strategic asset allocation benchmark invests in a diversified range of asset classes. The PIC has put in place rebalancing arrangements to ensure the Fund's "actual allocation" does not deviate substantially from its target (see table 1). The Fund invests in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, help reduce the Fund's asset concentration risk. By investing across a range of assets, including liquid quoted equities and bonds, as well as property, the PIC has recognised the need for access to liquidity in the short term.

The Fund invests in a range of overseas markets which provides a diversified approach to currency markets; the PIC also assess the Fund's currency risk during their risk analysis. Details of the Fund's approach to managing ESG risks is set out later in this document.

The PIC has considered the risk of underperformance by any single investment manager and has attempted to reduce this risk by appointing more than one manager and having a large proportion of the Fund's assets managed on a passive basis. The PIC assesses the investment managers' performance on a regular basis, and will take steps, including potentially replacing one or more of their managers if underperformance persists.

Other provider risk

- 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.
- Custody risk - The risk of losing economic rights to Fund assets, when held in custody or when being traded.
- Credit default - The possibility of default of a counterparty in meeting its obligations.
- 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, and audit of the operations it conducts for the Fund, 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.

A more comprehensive breakdown of the risks to which the Fund is exposed and the approach to managing these risks is set out in appendix 1. A separate schedule of risks that the Fund monitors is set out in the Fund's Funding Strategy Statement.

The approach to pooling investments, including the use of collective investment vehicles and shared services

The Fund is a participating scheme in the London CIV Pool. The proposed structure and basis on which the London CIV Pool will operate was set out in the July 2016 submission to Government.

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The Fund's intention is to invest its assets through the London CIV Pool as and when suitable Pool investment solutions become available. An indicative timetable for investing through the Pool was set out in the July 2016 submission to Government. The key criteria for assessment of Pool solutions will be as follows:

1 That the Pool enables access to an appropriate solution that meets the objectives and benchmark criteria set by the Fund.

2 That there is a clear financial benefit to the Fund in investing in the solution offered by the Pool, should a change of provider be necessary.

The Fund is monitoring developments and the opening of investment strategy fund openings on the London CIV platform with a view to transitioning liquid assets across to the London CIV as soon as there are suitable sub-funds to meet the Fund's investment strategy requirements.

To date, the Fund has invested in the London CIV's Renewable Infrastructure, Private Debt and low-carbon equities (PEPPA) funds.

How social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments

It is recognised that ESG factors can influence long term investment performance and the ability to achieve long term sustainable returns. The PIC consider the Fund's approach to responsible investment in two key areas:

- **Sustainable investment / ESG factors** – considering the financial impact of environmental, social and governance (ESG) factors on its investments.
- **Stewardship and governance** – acting as responsible and active investors/owners, through considered voting of shares, and engaging with investee company management as part of the investment process.

The Fund is committed to being a long term, responsible steward of the assets in which it invests and expects this approach to protect and enhance the value of the Fund in the long term. In making investment decisions, the Fund seeks and receives proper advice from internal and external advisers with the requisite knowledge and skills. In addition the PIC undertakes training on a regular basis and this will include on training and information sessions on matters of social, environmental and corporate governance. The PIC approved a set of Responsible Investment Beliefs in February 2023, which are now included in Appendix 3.

The Fund requires its investment managers to integrate all material financial factors, including corporate governance, environmental, social, and ethical considerations, into the decision-making process for all fund investments. It expects its managers to follow good practice and use their influence as major institutional investors and long-term stewards of capital to promote good practice in the investee companies and markets to which the Fund is exposed.

The Fund expects its external investment managers (and specifically the London Collective Investment Vehicle through which the Fund will increasingly invest) to undertake appropriate monitoring of current investments with regard to their policies and practices on all issues which could present a material financial risk to the long-term performance of the Fund, such as corporate governance and environmental factors. The Fund expects its investment managers to integrate material ESG factors within its investment analysis and decision making – and have an ability to provide clear reporting on ESG matters, in particular climate metrics required by TCFD.

Effective monitoring and identification of these issues can enable engagement with boards and management of investee companies to seek resolution of potential problems at an early stage. Where collaboration is likely to be the most effective mechanism for encouraging issues to be addressed, the Fund expects its investment managers to participate in joint action with other institutional investors as permitted by relevant legal and regulatory codes.

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The Fund monitors this activity on an ongoing basis with the aim of maximising its impact and effectiveness.

The Fund will invest on the basis of financial risk and return having considered a full range of factors contributing to the financial risk including social, environment and governance factors to the extent these directly or indirectly impact on financial risk and return. Climate change is a material financial risk and must be considered, alongside the opportunity set created by low carbon transition across all asset classes. The Fund has commenced its journey to seek attractive opportunities associated with the low carbon transition for its equity holdings, and will expand this across other asset classes in due course as appropriate. In addition, the Fund is currently developing a Net Zero policy, given the critical nature of climate change and its expected impact on the sustainability of the Fund in the long-term. The Net Zero policy, once developed, will be included as an Appendix to the ISS.

The Fund, in preparing and reviewing its Investment Strategy Statement, will consult with interested stakeholders including, but not limited to Fund employers, investment managers, Local Pension Board, advisers to the Fund and other parties that it deems appropriate to consult with.

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The exercise of rights (including voting rights) attaching to investments

The Fund recognises the importance of its role as responsible stewards of capital and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which its investments reside. The Fund recognises that ultimately this protects the financial interests of the Fund and its end beneficiaries. The Fund has a commitment to actively exercising the ownership rights attached to its investments, reflecting the Fund's conviction that responsible asset owners should maintain oversight of the companies in which it invests, recognising that the companies' activities impact upon not only their customers and clients, but more widely upon their employees and other stakeholders and wider society.

The PIC has delegated the exercise of voting rights to the investment manager(s) on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. Accordingly, the Fund's managers have produced written guidelines of their process and practice in this regard. The managers are strongly encouraged to vote in line with their guidelines in respect of all resolutions at annual and extraordinary general meetings of companies under Regulation 7(2)(f). The PIC monitor the voting decisions made by all its investment managers on an annual basis.

The Fund expects its external investment managers to be signatories of the Stewardship Code and reach Tier One level of compliance or to be seeking to achieve a Tier One status within a reasonable timeframe. Where this is not feasible the Fund expects a detailed explanation as to why it will not be able to achieve this level.

In addition, the Fund expects its investment managers to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly.

Stewardship

The Fund has not issued a separate Statement of Compliance with the Stewardship Code, but fully endorses the principles embedded in the 7 Principles of the Stewardship Code.

The PIC expects both the London CIV Pool and any directly appointed fund managers to also comply with the Stewardship Code and this is monitored on an annual basis.

Chartered Institute of Public Finance ("CIPFA") Pensions Panel Principles for Investment Decision Making set out the six principles of good investment practice issued by Government (Myners principles). The extent to which the Fund complies is set out in Appendix 2.

The Fund through its participation in the London CIV will work closely with other LGPS Funds in London to enhance the level of engagement both with external managers and the underlying companies in which invests.

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In addition the Fund is a member of the Local Authority Pension Fund Forum (LAPFF) and in this way joins with other LGPS Funds to magnify its voice and maximise the influence of investors as asset owners. Appendices

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Appendix 1 – Approach to risk

Investment invariably involves an element of risk. The Council in recognition of this has adopted a number of strategies to mitigate the impact of unavoidable risks on the Fund. The Fund is subject to the following key risks, amongst others:

Funding Risk: Asset values may not increase at the same rate as liabilities with an adverse impact on the funding position. A Funding Strategy Statement ("FSS") is prepared every three years as part of the triennial valuation and the Council monitors the Fund's investment strategy and performance relative to the growth in the liabilities at least annually.

Financial mismatch risk: The Council recognises that assets and liabilities have different sensitivities to changes in financial factors. To mitigate the risk an investment strategy is set which provides exposure to assets providing inflation protected growth as well as cash flow generating assets that match the Fund's liabilities.

Liquidity/Cash flow Risk: Investments are held until such time as they are required to fund payment of pensions. The Council manages its cash flows and investment strategy to ensure that all future payments can be met and that sufficient assets are held in liquid investments to enable short term cash requirements to be met.

Manager Risk: Fund managers could fail to achieve the investment targets specified in their mandates. This is considered by the Council when fund managers are selected and their performance is reviewed regularly by the PIC as part of the manager monitoring process. However, adopting a strategy largely based on passive investment for approximately 70% of the Fund's assets makes the overall exposure to this risk relatively low.

Concentration Risk: This relates to the risk that the performance of a single asset class, investment or manager has a disproportionate influence on the Fund's performance. The Council attempts to mitigate this risk by establishing a well-diversified strategic asset allocation, reviewing the investment strategy regularly and following a regular fund manager review process.

Demographic Risk: This relates to the uncertainty around longevity. The Council recognises there are effectively few viable options (given cost, complexity and governance requirements) to mitigate these risks and assesses the impact of these factors through the Funding Strategy Statement and formal triennial actuarial valuations.

Counterparty Risk: This risk relates to the other party(s) in a financial transaction (the counterparty) failing to meet its obligations to the Fund. The Council has set guidelines with its fund managers and its custodian to limit its exposure to counterparty risk by specifying minimum credit ratings and credit limits. It has similarly applied this strict criteria within its stock lending agreements to mitigate counterparty risk in these transactions.

Currency Risk: The strategic asset allocation adopted by the Council provides for an element to be held overseas to provide diversification and exposure to different economies. Such investment is however subject to fluctuations in exchange rates with an associated positive or adverse impact on performance. Managers of global equities have been provided with an element of discretion to hedge currencies to protect returns. The Council however recognises that it can adopt a long term perspective on investments and consequently is able to absorb short term fluctuations in exchange rates. However, the Council continues to monitor developments in the currency hedging environment to determine if adoption of currency hedging is beneficial.

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Environmental, Social, Governance and Ethical Issues Risk: The Council recognises that ESG and ethical issues have the potential to impact on the long term financial viability of an organisation. The Council monitors both developments within the investment environment and the voting of its appointed managers through its participation in the LAPFF.

Appendix 2 – Compliance with Chartered Institute of Public Finance and Accountancy ("CIPFA") Principles for Investment

Regulations require administering authorities to assess the extent to which they comply with the CIPFA Principles for Investment Decision Making, and provide reasons for non-compliance. These reflect the principles of good investment practice issued by government in response to the Myners review. The six principles which underpin best practice and the assessment of Lewisham's compliance is as set out below.

Principle 1: Effective Decision-Making

Trustees should ensure that decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to take them effectively and monitor their implementation. Trustees should have sufficient expertise to be able to evaluate and challenge the advice they receive and manage conflicts of interest.

Compliance statement - full compliance

- Decisions are taken by the PIC based on advice from officers, and the investment consultant. Specialist investment managers are employed who are responsible for day to day investment decisions.
- In conjunction with the Fund's Independent Investment Advisor, the Council will establish a training and development programme for Members of the PIC.
- There is a clear 'Conflicts of interest policy' and Members must make declarations of interest before each meeting of the PIC or as matters arise during the course of the PIC business.

Principle 2: Clear Objectives

Trustees should set out an overall investment objective(s) for the scheme that takes account of the scheme's liabilities, the strength of the sponsor covenant and the attitude to risk of both the trustees and the sponsor, and clearly communicate these to advisers and investment managers.

Compliance statement – full compliance

- The PIC has set its investment objectives in the context of an actuarial review that considered the assets and liabilities and maturity profile of the fund, and it approves a Funding Strategy Statement for the Fund.
- The PIC has set a Fund specific benchmark, diversified to ensure that market volatility in the Fund's value is reduced through holding a proportion of the Fund's assets in alternative assets such as property, private equity, corporate credit, commodities and bonds.
- Each investment manager has a specific benchmark and target set for it and a time horizon, typically three years, for being measured against their target.

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Principle 3: Risk and Liabilities

In setting and reviewing their investment strategy, trustees should take account of the form and structure of liabilities. These include the strength of the sponsor covenant, the risk of sponsor default and longevity risk.

Compliance statement – full compliance

- The Funding Strategy Statement and triennial valuation are written specifically with the structure of liabilities in mind and also address risks to the Fund.
- The Administering Authority's strategy recognises the relatively immature liabilities of the Fund, the security of members' benefits and the secure nature of most employers' covenants. The strength of the sponsor covenant and the risk of sponsor default combined mean that the scheme's actuary can set a recovery period of 20 years.
- When setting the common contribution rate the Actuary is charged with increasing the future service rate by an amount equal to the Fund's solvency target to ensure a fully funded scheme (known as a "past service adjustment")

Principle 4: Performance Assessment

Trustees should arrange for the formal measurement of the performance of the investments, investment managers and advisers. Trustees should also periodically make a formal policy assessment of their own effectiveness as a decision-making body and report on this to scheme members.

Compliance statement – full compliance

- The PIC reviews investment performance on a quarterly basis and cross examines investment managers on either a half-yearly or annual basis. Mandates are generally structured so that formal reviews of investment managers occur on a rolling three year basis.
- The Fund employs the services of a Custodian, which produces quarterly reports on performance to the Fund.

Principle 5: Responsible Ownership

Trustees should adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents.

A statement of the scheme's policy on responsible ownership should be included in the Investment Strategy Statement. Trustees should report periodically to members on the discharge of such responsibilities.

Compliance statement – Full compliance

- This Investment Strategy Statement sets out the Fund's approach to Responsible Investment and Corporate Governance.
- PIC has delegated responsibility for the exercise of voting rights and engagement with companies to investment managers. Within that delegation investment managers are expected to support ethical and socially responsible corporate governance on the basis that in the longer term this will enhance the value of the companies concerned.
- Managers are held to account on their voting records.
- The Fund is a member of the Local Authority Pension Fund Forum

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Principle 6: Transparency and Reporting

Trustees should act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives. Trustees should provide regular communication to members in the form they consider most appropriate. The report should contain commentary on how any commitments made in the Statement of Investment Principles have been progressed during the reporting period.

Compliance statement – full compliance

- This Investment Strategy Statement sets out the responsibilities of the PIC, its advisers and investment managers and details of the mandates of investment managers.
- The PIC papers are available for public inspection and are available on the Council's website. Formal statements such as the Communications Policy, Funding Strategy Statement, Statement of Investment Principles and Triennial Valuation are reported on at PIC meetings and are available on the web.
- A comprehensive annual pensioner's newsletter is produced and distributed to all pensioners of the Fund.

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Appendix 3 – Responsible Investment Beliefs Statement

Alongside the objectives set out in the Fund's Investment Strategy Statement, the Pension Investment Committee believe that:

1. The Fund recognises the primacy of its fiduciary duties, but believes that it can still exercise these while investing responsibly, and securing the required investment returns to ensure the financial sustainability of the Fund.
2. Responsible Investment issues (including Environmental, Social and Governance factors, and particularly climate risk) can have a material impact on the long-term performance of the Fund's investments and the Fund's reputation.
3. Climate change and the expected transition to a low carbon economy is an area of significant financial risk and opportunity to the Fund, and therefore the Fund will seek to proactively manage risks and pursue long-term investment opportunities arising from this.
4. The sustainability of investment returns over the long-term, even beyond the expected investment horizon of the Fund, is important.
5. The Fund's investment managers and its Pool (the London Collective Investment Vehicle ("LCIV")) should demonstrate their commitment to responsible investment by being signatories to the Principles for Responsible Investment and UK Stewardship Code.
6. The LCIV is a key component of the Fund successfully delivering on its RI objectives and any climate-related targets set. The Fund will actively engage with, and monitor, LCIV and expects it to provide leadership in helping Funds address the potential risks associated with ESG, and particularly climate change.
7. The Fund should ensure that LCIV exercises robust stewardship of its assets, with underlying managers expected to deliver consistent votes (except for in limited exceptional circumstances) on common company resolutions.
8. The Fund recognises its responsibility to proactively monitor investment managers' integration of ESG analysis, and voting and engagement activities regularly, and hold managers accountable for their decisions.
9. Investment managers are best placed to implement policy on ESG matters. They should embed ESG and RI considerations throughout their processes, be responsible for engaging with investee companies and issuers on ESG factors and take responsibility for voting (where relevant), disclosing to the Fund on all such activities.
10. Responsible ownership of companies benefits long-term asset owners. Companies that manage their business responsibly are expected to outperform companies that do not, over the longer term.
11. The Fund should be aware of, and monitor, financially material ESG-related risks, and issues (including voting and engagement activity) through its investment managers and will consider regular reporting (annual) on these areas.
12. Divestment on ESG grounds can be a mechanism for managing ESG risks and should be considered if engagement with individual companies proves unsuccessful, or is unlikely to have impact. The Fund will consider mandate constraints and wider practicalities prior to any disinvestment taking place.

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13. Appropriate disclosure of the Fund's responsible investment activities is a priority for the Fund to ensure accountability, and the Fund will also seek to collaborate with other institutional investors on RI issues to deliver greater impact than it could achieve individually.

14. The Fund believes that it is necessary and desirable to set a net-zero investment emissions target. It will prioritise this activity to ensure a credible plan for the delivery of an agreed net zero objective is constructed.

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Investment Strategy Statement – June 2023

Purpose of the report

To recommend the approval of an Investment Strategy Statement ("ISS") for the London Borough of Lewisham Pension Fund ("the Fund"), a copy of which is attached as part of this report.

Background

For many years Local Government Pension Funds were required to maintain a Statement of Investment Principles ("SoIP"). New Local Government Pension Scheme ("LGPS") Investment Regulations became effective on 1 November 2016. These Regulations remove many of the investment restrictions that were formerly in place for the LGPS and, in effect, allow individual Funds considerable discretion about where and how to invest. The Regulations also introduced a requirement for administering authorities to formulate, publish and maintain an Investment Strategy Statement ("ISS"). The redrafted ISS will replace the ISS dated June 2022.

Statutory background

The investment regulations (Section 7) state the following:

- *An authority must, after taking proper advice, formulate an investment strategy which must be in accordance with guidance issued by the Secretary of State.*

- *The authority's investment strategy must include—*
  - *a requirement to invest fund 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 the rights (including voting rights) attaching to investments.*

- *The authority's investment strategy must set out the maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investment.*

- *The authority's investment strategy may not permit more than 5% of the total value of all investments of fund money to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007(e).*

- *The authority must consult such persons as it considers appropriate as to the contents of its investment strategy.*

- *The authority must review and if necessary revise its investment strategy from time to time, and at least every 3 years, and publish a statement of any revisions.*

- *The authority must invest, in accordance with its investment strategy, any fund money that is not needed immediately to make payments from the fund.*

May 2023 Update

This draft statement includes a minor set of amendments to the ISS approved at the February 2023 Pensions Investment Committee meeting. These are :

- To include the Responsible Investment Beliefs (also approved in February 2023) as an Appendix to this ISS;
- To amend references to strategy changes that were mid-implementation previously and are now complete;
- To reference the development of a Net Zero policy that is currently being formulated, and that will eventually be included as an Appendix to this ISS; and
- To update dates where appropriate

Prepared by:-

Nick Jellema, Senior Investment Consultant
Ross MacLeod, Investment Consultant
Priyam Jain, Investment Analyst

For and on behalf of the London Borough of Lewisham Pension Fund PIC.

Investment Strategy Statement: June 2023

Introduction and background

This is the Investment Strategy Statement ("ISS") of the London Borough of Lewisham Pension Fund ("the Fund"), which is administered by Lewisham Council, ("the Administering Authority"). The ISS is made in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 ("the Regulations").

The ISS has been prepared by the Fund's Pension Investment Committee ("the PIC") having taken advice from the Fund's investment adviser, Hymans Robertson LLP. The PIC acts on the delegated authority of the Administering Authority.

The ISS, which was last approved by the PIC in 2022 is subject to periodic review (generally at least every three years and without delay after any significant change in investment policy). The PIC has consulted on the contents of the Fund's investment strategy with such persons it considers appropriate.

The PIC seeks to invest in accordance with the ISS, any Fund money that is not needed immediately to make payments from the Fund. The ISS should be read in conjunction with the Fund's Funding Strategy Statement (dated April 2023).

The suitability of particular investments and types of investments

The primary investment objective of the Fund is to ensure that the assets are invested to secure the benefits of the Fund's members under the Local Government Pension Scheme. Against this background, the Fund's approach to investing is to:

- Optimise the return consistent with a prudent level of risk;
- Ensure that there are sufficient resources to meet the liabilities; and
- Ensure the suitability of assets in relation to the needs of the Fund.

The Fund's funding position will be reviewed at each triennial actuarial valuation, or more frequently as required.

The PIC aims to fund the Fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund's assets and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing. For employee members, benefits will be based on service completed, but will take account of future salary and/or inflation increases.

The PIC has translated its objectives into a suitable strategic asset allocation benchmark for the Fund. It plays an important role in meeting the longer-term cost of funding, and how that cost may vary over time. This benchmark is consistent with the PIC's views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk and the nature of the Fund's liabilities. This approach helps to ensure that the investment strategy takes due account of the maturity profile of the Fund (in terms of the relative proportions of liabilities in respect of pensioners, deferred and active members), together with the level of disclosed surplus or deficit (relative to the funding bases used).

It is intended that the Fund's investment strategy will be reviewed at least every three years following actuarial valuations of the Fund.

Within each major market the Fund's investment managers will maintain a diversified portfolio of securities through direct investment or via pooled vehicles. An Investment Management Agreement is in place for each investment manager, which sets out the relevant benchmark, performance target and asset allocation ranges, together with further restrictions.

In addition, the PIC monitors investment strategy on an ongoing basis, focusing on factors including, but not limited to:

- Suitability given the Fund's level of funding and liability profile
- The level of expected risk
- Outlook for asset returns
- A broad variety of environmental, social and governance ("ESG") matters, with particular focus on climate change.

The PIC also monitors the Fund's actual allocation on a regular basis to ensure it does not notably deviate from the target allocation. Table 1 below shows the target asset allocation and range around this target for each of the Fund's mandates.

Investment of money in a wide variety of investments

Asset classes

The Fund may invest in quoted and unquoted securities of UK and overseas markets including, but not limited to, equities and fixed interest and index linked bonds, cash, property and commodities either directly or through pooled funds. The Fund may also make use of contracts for differences and other derivatives either directly or in pooled funds investing in these products for the purpose of efficient portfolio management or to hedge specific risks.

The PIC reviews the nature of the Fund's investments on a regular basis, with particular reference to suitability and diversification. The PIC seeks and considers written advice from a suitably qualified person in undertaking such a review. If, at any time, investment in a security or product not previously known to the PIC is proposed, appropriate advice is sought and considered to ensure its suitability and diversification.

The Fund's target investment strategy is set out below. The table also includes the maximum percentage of total Fund value that it will invest in these asset classes. In line with the Regulations, the authority's investment strategy does not permit more than 5% of the total value of all investments of Fund money to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007.

In order to avoid excessive rebalancing, the assets will not be brought back to the absolute strategic benchmark, but to a position that is approximately half way between the tolerance level and the target allocation. This also takes into consideration that there is a time lag between reporting a variance, and the rebalancing of the funds.

Where a mandate is underweight and breaches its tolerance level, the Fund's surplus cash flow will be used to bring assets back to within the tolerable range. If the surplus cash is not sufficient, the rebalancing will be undertaken by selling funds from the mandates that are most overweight, and using the proceeds to purchase assets that are the most underweight.

Where a mandate is overweight and breaches its tolerance level, assets will be disinvested from the mandate, and the proceeds reinvested in the most underweight mandate. Where multiple mandates qualify as being 'most underweight', the proceeds will be re-invested in relative proportions to bring the respective mandates to a similar level of underweight. This rebalancing is managed by the Fund's Officers.

Table 1: Fund allocation

Asset Class	Manager	Benchmark	Target allocation	Rebalancing Range
Private equity	HarbourVest	MSCI AC World Development Index	3.0%	0%-6%*
Listed equity	Storebrand Global ESG Plus (developed markets)	MSCI World Index	15.0%	12%-18%
Listed equity	Storebrand Global ESG Plus (emerging markets)	MSCI EM Index	5.0%	3%-7%*
Listed equity	LCIV Passive Equity Progressive Paris Aligned Fund	S&P Developed Ex-Korea LargeMidCap Net-Zero 2050 Paris-Aligned ESG Index	30.0%	27%-33%
	Total Growth		**53%**	
Property	Schroders Property	MSCI Pooled Property Fund Index	7.0%	4%-10%
Property	LGIM Build to Rent	Total return of 7-9% p.a. (net of fees)	3.0%	0%-6%*
Infrastructure	JP Morgan Infrastructure	Hurdle rate of 7% p.a.	6.0%	3%-9%*
Infrastructure	LCIV Renewable Infrastructure	Hurdle rate of 7% p.a.	6.0%	3%-9%*
Alternative Credit	Pemberton European Mid-Market Debt Fund II	SONIA + 6%		
Alternative Credit	Partners Group MAC	SONIA + 5%	6.0%	3%-9%*
Alternative Credit	LCIV Private Debt Fund	6-8% net IRR		
	Total Income		**28%**	
Fixed Income	BlackRock – Corporate Bonds	iBoxx Sterling Non-Gilts Index	6.33%	4%-8%
Fixed Income	BlackRock – Fixed interest gilts	FTSE Actuaries UK Conventional Gilts over 15	6.33%	4%-8%
Fixed Income	BlackRock – Index-linked gilts	FTSE Actuaries UK Index-Linked Gilts over 5 Years Index	6.33%	4%-8%
	Total Protection		**19%**	
	Cash		0.0%	
	Total Fund		**100.0%**	

* Rebalancing is not readily available for these mandates, given their structure (pre-arranged commitments and buy-and hold), however it is expected that the Fund will remain within the broad ranges above over the long-term. The exception is LGIM Build to Rent Fund, which converted to an open-ended structure at the end of 2022, at which point rebalancing opportunities may arise.

Managers

The PIC has appointed a number of investment managers, all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business.

The PIC, after seeking appropriate investment advice, has agreed specific benchmarks with each manager so that, in aggregate, they are consistent with the overall asset allocation for the Fund. The Fund's investment managers will hold a mix of investments which reflects their views relative to their respective benchmarks. Within each major market and asset class, the managers will maintain diversified portfolios through direct investment or pooled vehicles. The manager of the passive funds in which the Fund invests holds a mix of investments within each pooled fund that reflects that of their respective benchmark indices.

The approach to risk, including the ways in which risks are to be measured and managed

The PIC is aware that the Fund has a need to take risk (in particular through growth assets) to help it achieve its funding objectives. It has an active risk management programme in place that aims to help it identify the risks being taken and has put in place processes to manage, measure, monitor and (where possible) mitigate the risks being taken.

The principal risks affecting the Fund are set out below, we also discuss the Fund's approach to managing these risks and the contingency plans that are in place:

Funding risks

- Financial mismatch – The risk that the Fund assets fail to grow in line with the developing cost of meeting the liabilities.
- Changing demographics –The risk that longevity improves and other demographic factors change, increasing the cost of Fund benefits.
- 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 measures and manages financial mismatch in two ways. As indicated above, the PIC has set a strategic asset allocation benchmark for the Fund. This benchmark was set taking into account asset liability modelling which focused on probability of success and level of downside risk. This analysis was revisited as part of the 2022 valuation process, with no changes to allocation being made. The PIC assesses risk relative to the strategic benchmark by monitoring the Fund's asset allocation and investment returns relative to the benchmark. The PIC also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

The PIC also seeks 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 to be assessed.

The PIC seeks to mitigate systemic risk through a diversified portfolio, but it is not possible to make specific provision for all possible eventualities that may arise under this heading.

Asset risks

The following is a list of some of the key asset risks inherent within the Fund's investments. Note this list is not exhaustive.

- Concentration - The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.

- Illiquidity - The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets.
- Currency risk – The risk that the currency of the Fund's assets underperforms relative to sterling (i.e. the currency of the liabilities).
- Environmental, social and governance ("ESG") – The risk that ESG related factors reduce the Fund's ability to generate the long-term returns.
- Manager underperformance – The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.

The Fund's strategic asset allocation benchmark invests in a diversified range of asset classes. The PIC has put in place rebalancing arrangements to ensure the Fund's "actual allocation" does not deviate substantially from its target (see table 1). The Fund invests in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, help reduce the Fund's asset concentration risk. By investing across a range of assets, including liquid quoted equities and bonds, as well as property, the PIC has recognised the need for access to liquidity in the short term.

The Fund invests in a range of overseas markets which provides a diversified approach to currency markets; the PIC also assess the Fund's currency risk during their risk analysis. Details of the Fund's approach to managing ESG risks is set out later in this document.

The PIC has considered the risk of underperformance by any single investment manager and has attempted to reduce this risk by appointing more than one manager and having a large proportion of the Fund's assets managed on a passive basis. The PIC assesses the investment managers' performance on a regular basis, and will take steps, including potentially replacing one or more of their managers if underperformance persists.

Other provider risk

- 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.
- Custody risk - The risk of losing economic rights to Fund assets, when held in custody or when being traded.
- Credit default - The possibility of default of a counterparty in meeting its obligations.
- 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, and audit of the operations it conducts for the Fund, 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.

A more comprehensive breakdown of the risks to which the Fund is exposed and the approach to managing these risks is set out in appendix 1. A separate schedule of risks that the Fund monitors is set out in the Fund's Funding Strategy Statement.

The approach to pooling investments, including the use of collective investment vehicles and shared services

The Fund is a participating scheme in the London CIV Pool. The proposed structure and basis on which the London CIV Pool will operate was set out in the July 2016 submission to Government.

The Fund's intention is to invest its assets through the London CIV Pool as and when suitable Pool investment solutions become available. An indicative timetable for investing through the Pool was set out in the July 2016 submission to Government. The key criteria for assessment of Pool solutions will be as follows:

1. That the Pool enables access to an appropriate solution that meets the objectives and benchmark criteria set by the Fund.
2. That there is a clear financial benefit to the Fund in investing in the solution offered by the Pool, should a change of provider be necessary.

The Fund is monitoring developments and the opening of investment strategy fund openings on the London CIV platform with a view to transitioning liquid assets across to the London CIV as soon as there are suitable sub-funds to meet the Fund's investment strategy requirements.

To date, the Fund has invested in the London CIV's Renewable Infrastructure, Private Debt and low-carbon equities (PEPPA) funds.

How social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments

It is recognised that ESG factors can influence long term investment performance and the ability to achieve long term sustainable returns. The PIC consider the Fund's approach to responsible investment in two key areas:

- **Sustainable investment / ESG factors** – considering the financial impact of environmental, social and governance (ESG) factors on its investments.
- **Stewardship and governance** – acting as responsible and active investors/owners, through considered voting of shares, and engaging with investee company management as part of the investment process.

The Fund is committed to being a long term, responsible steward of the assets in which it invests and expects this approach to protect and enhance the value of the Fund in the long term. In making investment decisions, the Fund seeks and receives proper advice from internal and external advisers with the requisite knowledge and skills. In addition the PIC undertakes training on a regular basis and this will include on training and information sessions on matters of social, environmental and corporate governance. The PIC approved a set of Responsible Investment Beliefs in February 2023, which are now included in Appendix 3.

The Fund requires its investment managers to integrate all material financial factors, including corporate governance, environmental, social, and ethical considerations, into the decision-making process for all fund investments. It expects its managers to follow good practice and use their influence as major institutional investors and long-term stewards of capital to promote good practice in the investee companies and markets to which the Fund is exposed.

The Fund expects its external investment managers (and specifically the London Collective Investment Vehicle through which the Fund will increasingly invest) to undertake appropriate monitoring of current investments with regard to their policies and practices on all issues which could present a material financial risk to the long-term performance of the Fund, such as corporate governance and environmental factors. The Fund expects its investment managers to integrate material ESG factors within its investment analysis and decision making – and have an ability to provide clear reporting on ESG matters, in particular climate metrics required by TCFD.

Effective monitoring and identification of these issues can enable engagement with boards and management of investee companies to seek resolution of potential problems at an early stage. Where collaboration is likely to be the most effective mechanism for encouraging issues to be addressed, the Fund expects its investment managers to participate in joint action with other institutional investors as permitted by relevant legal and regulatory codes.

The Fund monitors this activity on an ongoing basis with the aim of maximising its impact and effectiveness.

The Fund will invest on the basis of financial risk and return having considered a full range of factors contributing to the financial risk including social, environment and governance factors to the extent these directly or indirectly impact on financial risk and return. Climate change is a material financial risk and must be considered, alongside the opportunity set created by low carbon transition across all asset classes. The Fund has commenced its journey to seek attractive opportunities associated with the low carbon transition for its equity holdings, and will expand this across other asset classes in due course as appropriate. In addition, the Fund is currently developing a Net Zero policy, given the critical nature of climate change and its expected impact on the sustainability of the Fund in the long-term. The Net Zero policy, once developed, will be included as an Appendix to the ISS.

The Fund, in preparing and reviewing its Investment Strategy Statement, will consult with interested stakeholders including, but not limited to Fund employers, investment managers, Local Pension Board, advisers to the Fund and other parties that it deems appropriate to consult with.

The exercise of rights (including voting rights) attaching to investments

The Fund recognises the importance of its role as responsible stewards of capital and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which its investments reside. The Fund recognises that ultimately this protects the financial interests of the Fund and its end beneficiaries. The Fund has a commitment to actively exercising the ownership rights attached to its investments, reflecting the Fund's conviction that responsible asset owners should maintain oversight of the companies in which it invests, recognising that the companies' activities impact upon not only their customers and clients, but more widely upon their employees and other stakeholders and wider society.

The PIC has delegated the exercise of voting rights to the investment manager(s) on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. Accordingly, the Fund's managers have produced written guidelines of their process and practice in this regard. The managers are strongly encouraged to vote in line with their guidelines in respect of all resolutions at annual and extraordinary general meetings of companies under Regulation 7(2)(f). The PIC monitor the voting decisions made by all its investment managers on an annual basis.

The Fund expects its external investment managers to be signatories of the Stewardship Code and reach Tier One level of compliance or to be seeking to achieve a Tier One status within a reasonable timeframe. Where this is not feasible the Fund expects a detailed explanation as to why it will not be able to achieve this level.

In addition, the Fund expects its investment managers to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly.

Stewardship

The Fund has not issued a separate Statement of Compliance with the Stewardship Code, but fully endorses the principles embedded in the 7 Principles of the Stewardship Code.

The PIC expects both the London CIV Pool and any directly appointed fund managers to also comply with the Stewardship Code and this is monitored on an annual basis.

Chartered Institute of Public Finance ("CIPFA") Pensions Panel Principles for Investment Decision Making set out the six principles of good investment practice issued by Government (Myners principles). The extent to which the Fund complies is set out in Appendix 2.

The Fund through its participation in the London CIV will work closely with other LGPS Funds in London to enhance the level of engagement both with external managers and the underlying companies in which invests.

In addition the Fund is a member of the Local Authority Pension Fund Forum (LAPFF) and in this way joins with other LGPS Funds to magnify its voice and maximise the influence of investors as asset owners. Appendices

Appendix 1 – Approach to risk

Investment invariably involves an element of risk. The Council in recognition of this has adopted a number of strategies to mitigate the impact of unavoidable risks on the Fund. The Fund is subject to the following key risks, amongst others:

Funding Risk: Asset values may not increase at the same rate as liabilities with an adverse impact on the funding position. A Funding Strategy Statement ("FSS") is prepared every three years as part of the triennial valuation and the Council monitors the Fund's investment strategy and performance relative to the growth in the liabilities at least annually.

Financial mismatch risk: The Council recognises that assets and liabilities have different sensitivities to changes in financial factors. To mitigate the risk an investment strategy is set which provides exposure to assets providing inflation protected growth as well as cash flow generating assets that match the Fund's liabilities.

Liquidity/Cash flow Risk: Investments are held until such time as they are required to fund payment of pensions. The Council manages its cash flows and investment strategy to ensure that all future payments can be met and that sufficient assets are held in liquid investments to enable short term cash requirements to be met.

Manager Risk: Fund managers could fail to achieve the investment targets specified in their mandates. This is considered by the Council when fund managers are selected and their performance is reviewed regularly by the PIC as part of the manager monitoring process. However, adopting a strategy largely based on passive investment for approximately 70% of the Fund's assets makes the overall exposure to this risk relatively low.

Concentration Risk: This relates to the risk that the performance of a single asset class, investment or manager has a disproportionate influence on the Fund's performance. The Council attempts to mitigate this risk by establishing a well-diversified strategic asset allocation, reviewing the investment strategy regularly and following a regular fund manager review process.

Demographic Risk: This relates to the uncertainty around longevity. The Council recognises there are effectively few viable options (given cost, complexity and governance requirements) to mitigate these risks and assesses the impact of these factors through the Funding Strategy Statement and formal triennial actuarial valuations.

Counterparty Risk: This risk relates to the other party(s) in a financial transaction (the counterparty) failing to meet its obligations to the Fund. The Council has set guidelines with its fund managers and its custodian to limit its exposure to counterparty risk by specifying minimum credit ratings and credit limits. It has similarly applied this strict criteria within its stock lending agreements to mitigate counterparty risk in these transactions.

Currency Risk: The strategic asset allocation adopted by the Council provides for an element to be held overseas to provide diversification and exposure to different economies. Such investment is however subject to fluctuations in exchange rates with an associated positive or adverse impact on performance. Managers of global equities have been provided with an element of discretion to hedge currencies to protect returns. The Council however recognises that it can adopt a long term perspective on investments and consequently is able to absorb short term fluctuations in exchange rates. However, the Council continues to monitor developments in the currency hedging environment to determine if adoption of currency hedging is beneficial.

Environmental, Social, Governance and Ethical Issues Risk: The Council recognises that ESG and ethical issues have the potential to impact on the long term financial viability of an organisation. The Council monitors both developments within the investment environment and the voting of its appointed managers through its participation in the LAPFF.

Appendix 2 – Compliance with Chartered Institute of Public Finance and Accountancy ("CIPFA") Principles for Investment

Regulations require administering authorities to assess the extent to which they comply with the CIPFA Principles for Investment Decision Making, and provide reasons for non-compliance. These reflect the principles of good investment practice issued by government in response to the Myners review. The six principles which underpin best practice and the assessment of Lewisham's compliance is as set out below.

Principle 1: Effective Decision-Making

Trustees should ensure that decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to take them effectively and monitor their implementation. Trustees should have sufficient expertise to be able to evaluate and challenge the advice they receive and manage conflicts of interest.

Compliance statement - full compliance

- Decisions are taken by the PIC based on advice from officers, and the investment consultant. Specialist investment managers are employed who are responsible for day to day investment decisions.
- In conjunction with the Fund's Independent Investment Advisor, the Council will establish a training and development programme for Members of the PIC.
- There is a clear 'Conflicts of interest policy' and Members must make declarations of interest before each meeting of the PIC or as matters arise during the course of the PIC business.

Principle 2: Clear Objectives

Trustees should set out an overall investment objective(s) for the scheme that takes account of the scheme's liabilities, the strength of the sponsor covenant and the attitude to risk of both the trustees and the sponsor, and clearly communicate these to advisers and investment managers.

Compliance statement – full compliance

- The PIC has set its investment objectives in the context of an actuarial review that considered the assets and liabilities and maturity profile of the fund, and it approves a Funding Strategy Statement for the Fund.
- The PIC has set a Fund specific benchmark, diversified to ensure that market volatility in the Fund's value is reduced through holding a proportion of the Fund's assets in alternative assets such as property, private equity, corporate credit, commodities and bonds.
- Each investment manager has a specific benchmark and target set for it and a time horizon, typically three years, for being measured against their target.

Principle 3: Risk and Liabilities

In setting and reviewing their investment strategy, trustees should take account of the form and structure of liabilities. These include the strength of the sponsor covenant, the risk of sponsor default and longevity risk.

Compliance statement – full compliance

- The Funding Strategy Statement and triennial valuation are written specifically with the structure of liabilities in mind and also address risks to the Fund.
- The Administering Authority's strategy recognises the relatively immature liabilities of the Fund, the security of members' benefits and the secure nature of most employers' covenants. The strength of the sponsor covenant and the risk of sponsor default combined mean that the scheme's actuary can set a recovery period of 20 years.
- When setting the common contribution rate the Actuary is charged with increasing the future service rate by an amount equal to the Fund's solvency target to ensure a fully funded scheme (known as a "past service adjustment")

Principle 4: Performance Assessment

Trustees should arrange for the formal measurement of the performance of the investments, investment managers and advisers. Trustees should also periodically make a formal policy assessment of their own effectiveness as a decision-making body and report on this to scheme members.

Compliance statement – full compliance

- The PIC reviews investment performance on a quarterly basis and cross examines investment managers on either a half-yearly or annual basis. Mandates are generally structured so that formal reviews of investment managers occur on a rolling three year basis.
- The Fund employs the services of a Custodian, which produces quarterly reports on performance to the Fund.

Principle 5: Responsible Ownership

Trustees should adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents.

A statement of the scheme's policy on responsible ownership should be included in the Investment Strategy Statement. Trustees should report periodically to members on the discharge of such responsibilities.

Compliance statement – Full compliance

- This Investment Strategy Statement sets out the Fund's approach to Responsible Investment and Corporate Governance.
- PIC has delegated responsibility for the exercise of voting rights and engagement with companies to investment managers. Within that delegation investment managers are expected to support ethical and socially responsible corporate governance on the basis that in the longer term this will enhance the value of the companies concerned.
- Managers are held to account on their voting records.
- The Fund is a member of the Local Authority Pension Fund Forum

Principle 6: Transparency and Reporting

Trustees should act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives. Trustees should provide regular communication to members in the form they consider most appropriate. The report should contain commentary on how any commitments made in the Statement of Investment Principles have been progressed during the reporting period.

Compliance statement – full compliance

- This Investment Strategy Statement sets out the responsibilities of the PIC, its advisers and investment managers and details of the mandates of investment managers.
- The PIC papers are available for public inspection and are available on the Council's website. Formal statements such as the Communications Policy, Funding Strategy Statement, Statement of Investment Principles and Triennial Valuation are reported on at PIC meetings and are available on the web.
- A comprehensive annual pensioner's newsletter is produced and distributed to all pensioners of the Fund.

Appendix 3 – Responsible Investment Beliefs Statement

Alongside the objectives set out in the Fund's Investment Strategy Statement, the Pension Investment Committee believe that:

1. The Fund recognises the primacy of its fiduciary duties, but believes that it can still exercise these while investing responsibly, and securing the required investment returns to ensure the financial sustainability of the Fund.
2. Responsible Investment issues (including Environmental, Social and Governance factors, and particularly climate risk) can have a material impact on the long-term performance of the Fund's investments and the Fund's reputation.
3. Climate change and the expected transition to a low carbon economy is an area of significant financial risk and opportunity to the Fund, and therefore the Fund will seek to proactively manage risks and pursue long-term investment opportunities arising from this.
4. The sustainability of investment returns over the long-term, even beyond the expected investment horizon of the Fund, is important.
5. The Fund's investment managers and its Pool (the London Collective Investment Vehicle ("LCIV")) should demonstrate their commitment to responsible investment by being signatories to the Principles for Responsible Investment and UK Stewardship Code.
6. The LCIV is a key component of the Fund successfully delivering on its RI objectives and any climate-related targets set. The Fund will actively engage with, and monitor, LCIV and expects it to provide leadership in helping Funds address the potential risks associated with ESG, and particularly climate change.
7. The Fund should ensure that LCIV exercises robust stewardship of its assets, with underlying managers expected to deliver consistent votes (except for in limited exceptional circumstances) on common company resolutions.
8. The Fund recognises its responsibility to proactively monitor investment managers' integration of ESG analysis, and voting and engagement activities regularly, and hold managers accountable for their decisions.
9. Investment managers are best placed to implement policy on ESG matters. They should embed ESG and RI considerations throughout their processes, be responsible for engaging with investee companies and issuers on ESG factors and take responsibility for voting (where relevant), disclosing to the Fund on all such activities.
10. Responsible ownership of companies benefits long-term asset owners. Companies that manage their business responsibly are expected to outperform companies that do not, over the longer term.
11. The Fund should be aware of, and monitor, financially material ESG-related risks, and issues (including voting and engagement activity) through its investment managers and will consider regular reporting (annual) on these areas.
12. Divestment on ESG grounds can be a mechanism for managing ESG risks and should be considered if engagement with individual companies proves unsuccessful, or is unlikely to have impact. The Fund will consider mandate constraints and wider practicalities prior to any disinvestment taking place.

13. Appropriate disclosure of the Fund’s responsible investment activities is a priority for the Fund to ensure accountability, and the Fund will also seek to collaborate with other institutional investors on RI issues to deliver greater impact than it could achieve individually.

14. The Fund believes that it is necessary and desirable to set a net-zero investment emissions target. It will prioritise this activity to ensure a credible plan for the delivery of an agreed net zero objective is constructed.

Pensions Investment Committee

Pension Fund Business Plan 2023/24

Date: 8 June 2023

Key decision: No.

Class: Part 1.

Ward(s) affected: None specifically

Contributors: Director of Finance

Outline:

This report sets out the draft annual Pension Fund Business Plan for the year 2023/24.

Recommendation:

The Committee is asked to review and agree the annual Business Plan.

Timeline of engagement and decision-making

The Pension Fund is required to agree and set an annual Business Plan, this report presents the draft annual Business Plan for the Lewisham Pension Fund for 2023/24.

1. Summary

1.1. The Pension Fund is required to agree and set an annual Business Plan, this report presents the draft annual Business Plan for the Lewisham Pension Fund for 2023/24.

2. Recommendations

2.1. The Committee is asked to review and agree the annual Business Plan for 2023/24.

3. Policy Context

3.1. The overriding policy context for the Pensions Investment Committee are the pension regulations and Members fiduciary duty to the beneficiaries of the Fund.

4. Background

4.1. It is good practice to ensure that the Pension Fund has an agreed annual Business Plan in place for each year.

5. Draft Annual Pension Fund Business Plan 2023/24

5.1. The Business Plan sets out the work undertaken by the Committee during 2023/24 and the plan of work for the forthcoming three years. The Business Plan is reviewed and updated annually.

5.2. This Business Plan (BP) provides an overview of the Fund's key objectives for 2023-24.

The key high level objectives of the fund are summarised as:

- Optimise Fund returns consistent with a prudent level of risk
- Ensure that there are sufficient resources available to meet the investment Fund's liabilities, and
- Ensure the suitability of assets in relation to the needs of the Fund.

5.3. The business plan also summarises the key documents to be considered by the Committee and the major milestones for the fund for the forthcoming 12 months.

5.4. It clearly sets out what the Regulators code of practice requirements are with regards to the knowledge, development and training and the approach to this for the year 2023/24, including the planned skills and knowledge audit to enable a clear and targeted training plan to be developed and implemented.

5.5. It details the needs to monitor fund performance and to ensure that the Committee achieves its administrative targets and contains the Committee meeting schedule.

6. Financial implications

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

7. Legal implications

7.1. In line with the Council's Constitution and the Committee's Terms of Reference within, as the administering authority for the Fund, the Council must review the performance of the Fund's investments at regular intervals and review the investments made by Fund Managers quarterly.

7.2. The Pension Regulations require that the Council has regard to the proper advice of its expert independent advisers in relation to decisions affecting the Pension Fund. They must also have regard to the separate advice of the Chief Financial Officer who has statutory responsibility to ensure the proper administration of the Council's financial affairs, including the administration of the Pension Fund.

8. Equalities implications

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

9. Climate change and environmental implications

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

10. Crime and disorder implications

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

11. Health and wellbeing implications

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

12. Background papers

12.1. Appended to this report is the Hymans Robertson quarterly investment report.

13. Report author and contact

13.1. For more information please contact David Austin, Director of Finance, 1st Floor Laurence House, 020 8314 9249, David.Austin@lewisham.gov.uk.

13.2. Financial implications: Katharine Nidd, Head of Strategic Finance, Planning and Commercial

LONDON BOROUGH OF LEWISHAM PENSION FUND

BUSINESS PLAN 2023-24

CONTENTS

1. INTRODUCTION

1.1 This is the Business Plan for the London Borough of Lewisham Pension Fund (the 'Fund'). Lewisham Council is an Administering Authority under Local Government Pension Scheme (LGPS) Regulations and as such has delegated authority for this to the Pensions Investment Committee.

1.2 The Business Plan sets out the work undertaken by the Committee during 2023/24 and the plan of work for the forthcoming three years. The Business Plan is reviewed and updated annually.

1.2 This Business Plan (BP) provides an overview of the Fund's key objectives for 2023-24.

The key high level objectives of the fund are summarised as:

- Optimise Fund returns consistent with a prudent level of risk
- Ensure that there are sufficient resources available to meet the investment Fund's liabilities, and
- Ensure the suitability of assets in relation to the needs of the Fund.

1.3 A bespoke training and development program for this administration will be added to the BP after agreement by Members at the September Committee meeting.

1.4 The governance of the Fund is the responsibility of the Executive Director of Corporate Resources for the London Borough of Lewisham and the London Borough of Lewisham Pension Fund Investment Committee. The day to day management of the Fund is delegated to Officers with specific responsibility delegated to the Director of Finance. They are supported in this role by the Head of Strategic Finance, Planning and Commercial, the Treasury and Investment Manager and the Head of Payroll and Pensions.

1.5 The Pensions Investment Committee (PIC) aims to ensure the maximising of investment returns over the long term within an acceptable level of risk. Performance is monitored by asset performance being compared with their strategic benchmarks. This includes reviewing the Fund Managers' quarterly performance reports and discussing their strategy and performance with the Fund Managers.

2. CODE OF PRACTICE

2.1 The London Borough of Lewisham adopts the key recommendations of the Code of Practice on Public Sector Pensions Finance Knowledge and Skills.

2.2 Lewisham recognises that effective financial administration, scheme governance and decision-making can only be achieved where those involved have the requisite knowledge and skills.

2.3 Accordingly Lewisham will ensure that it has adequate resources, formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of the relevant public sector pension scheme finance knowledge and skills for those in the organisation responsible for financial administration, scheme governance and decision-making.

2.4 These policies and practices will be guided by reference to a comprehensive framework of knowledge and skills requirements such as that set down in the CIPFA Pensions Finance Knowledge and Skills Frameworks.

2.5 Lewisham will report annually on how these policies have been put into practice throughout the financial year.

2.6 Lewisham has delegated the responsibility for the implementation of the requirements of the CIPFA Code of Practice to the Executive Director of Corporate Resources, who will act in accordance with the organisation's policy statement, and, where they are a CIPFA member, with CIPFA Standards of Professional Practice.

3. KEY DOCUMENTS TO BE CONSIDERED BY THE PENSION INVESTMENT COMMITTEE

3.1 There are a number of key policy and strategy documents which the Local Government Pension Scheme (LGPS) Regulations require to be kept under regular review. These are listed below:

3.2 **Annual Report**
This report sets out the Pension Fund activities for the previous financial year. The Council is required to publish the report by December of each year to accompany an audited financial statement. Within the Annual Report are the following documents: Statement of Investment Principles, Funding Strategy Statement, Governance Compliance Statement, Communications Policy and Pension Fund accounts.

3.3 **Funding Strategy Statement**
This sets down the strategy for prudently meeting the Fund's future pension liabilities over the longer term, including the maintenance, as far as possible, of stable levels of employer contributions. It also identifies the key risks and controls facing the Fund and includes details of employer contribution rates following the Fund's triennial valuation.

3.4 **Investment Strategy Statement**
For many years Local Government Pension Funds were required to maintain a Statement of Investment Principles ("SoIP"). New Local Government Pension Scheme ("LGPS") Investment Regulations became effective on 1 November 2016. These Regulations remove many of the investment restrictions that were formerly in place for the LGPS and, in effect, allow individual Funds considerable discretion about where and how to invest.

The Regulations also introduced a requirement for administering authorities to formulate, publish and maintain an Investment Strategy Statement ("ISS") which replaced the Statement of Investment Principles. The redrafted ISS will replace the ISS dated June 2022.

3.5 **Communications Policy**
This details how the Fund provides information and publicity about the Pension scheme to its existing members and their employers and methods of promoting the Pension scheme to prospective members and their employers. It also identifies the format, frequency and method of distributing such information or publicity.

3.6 **Governance Compliance Statement**
This is a written statement setting out the administering authority's compliance with good practice governance principles. These principles are grouped within eight categories and are listed within the statement. The Fund's compliance against each of these principles is also detailed, including evidence of compliance and, if appropriate, reasons if there is not full compliance.

4. MAJOR MILESTONES FOR THE PENSION FUND IN 2023-24

4.1 The PIC will review and revise the Business Plan annually at its June meeting.

Milestone	Date
Review and Evaluation of the Business Plan	PIC June 2023
Investment Strategy Statement (including Responsible Investment Beliefs Statement) published June 2023	PIC 2023
Actuarial and advisory procurement contract	Sept - Nov
Draft Pension Fund Accounts presented	PIC September
Approval of the audited Pension Fund annual accounts and annual report	PIC November
Knowledge and Skills audit completed	July 2023
Review performance of fund managers	Quarterly Performance Report presented at each meetings
Training sessions for members	As per training plan following Knowledge and Skills Audit – July 2023

List of Policies and Reports

Policies and Reports	Provided by	Approval required by:	Timetable	Review every
Acceptance of the triennial valuation report produced by the Fund Actuary	Actuaries	Officers	January 2023	3 years
Funding Strategy Statement*	Pension Advisors	PIC	March 2023	3 years
Investment Strategy Statement*	Officers	PIC	June 2023	3 years
Communications Strategy*	Officers	PIC	November 2022	3 years
Pension Administration Strategy*	Officers	PIC	November 2022	3 years
Annual Business Plan*	Officers	PIC	June 2023	1 years
Annual Report and Statement of Accounts (by 1 December)*	Pension advisors and Officers	PIC	November 2022	1 Year
Governance compliance statement*	Officers	PIC	November 2022	1 years
Review the appointment of Additional Voluntary Contribution providers.	Officers	Officers	June 2023	5 years
Review the appointment of investment managers, consultants and the custodian.	Officers	Officers	June 2023	5 years

*Required by the Pension regulator

5. KNOWLEDGE, DEVELOPMENT AND TRAINING

5.1 Following completion and analysis of the Knowledge and Skills returns (Appendix A) by Committee Members a bespoke training programme will be developed for the Committee to agree at its September meeting.

5.2 A. General training and annual events will be provided and are outlined below:

Induction	On joining the Pension Fund Committee all new members will receive a briefing on the responsibilities of the Committee and an introduction to the major policy and other documents setting out the Fund's management arrangements and investment strategy.
Pension Investment Committee papers	This consists of key policy documents such as the statement of investment principles, the funding strategy statement, the communication strategy, risk management and also refers to the main regulations affecting the administration of the fund.
Annual meetings with Fund Managers	Each fund manager is scheduled to attend PIC. These meetings are specific to each fund manager and have a bespoke agenda to ensure additional information on the asset class managed is provided to Committee Members as well as covering areas of performance and governance.
A range of seminars and conferences	This will be available to Members, including specific training for new Committee Members provided by the Local Government Employers. An example of the sort of seminars/ conferences that are available during the year is attached as Appendix B.
Quarterly economic updates	This is arranged for Committee Members throughout the year through the Fund's Investment advisor Hymans Robertson.

5.3 B. Core Technical Requirements:

There are six areas of knowledge and skills relating to the LGPS, which CIPFA has identified as being the core technical requirements for those involved in decision-making. They are:

1. legislative and governance context;
2. accounting and auditing standards;
3. procurement of financial services and relationship management;
4. investment performance and risk management;
5. financial markets and knowledge of investment products; and
6. actuarial methods, standards and practices.

The major matters covered under each of the six areas are set out in Appendix A.

5.4 C. Training programme

Training is provided in separate meetings, and can take place before each Investment Committee meeting, with attendance restricted to Committee members, Pension's Board, other Council members and Trades Union representatives. A log is maintained of members' attendance at training meetings.

The proposed 2023/24 programme will be based on an assessment of training needs, and will be identified from the self assessment form in Appendix A.

The London Borough of Lewisham Pension Fund has a suggested three year rolling training and development plan that is to be approved by the PIC. This ensures that Trustees and Officers responsible for the Fund continue to refresh and develop their knowledge and skills to allow them to discharge their responsibilities and meet the requirements of The Chartered Institute of Public Finance and Accountancy (CIPFA) knowledge and skills framework.

5.5 In addition to these formal sessions, those charged with the governance of the Fund also seeks to keep up to date with the latest developments LGPS and the wider Pensions industry through briefings and attendance at appropriate seminars and conferences. The Fund will only attend sessions that directly impact upon the London Borough of Lewisham Pension Fund in that they:

- Will provide information on the latest developments within the LGPS;
- Provide the Fund with opportunities to develop knowledge of key developments and best practice within other LGPS Funds;
- Provide the Fund with an opportunity to research new asset classes within the investment universe; or
- Are specific client conferences run by the Funds existing Fund managers or external advisors.

6. MONTIORING PERFORMANCE FOR THE FUND MANAGERS

6.1 The monitoring of the returns on the Fund Investments are undertaken by Northern Trust who provide monthly, quarterly, annual, and three-yearly investment returns. A report on the latest quarterly investment performance of the Fund Managers against their agreed benchmarks is presented by our adviser Hymans Robertson at each PIC meeting.

6.2 The Committee, investment advisors and officers have the opportunity to discuss performance with the Fund Managers and any other related investment issues that may arise. In times where performance is poor the Committee will request that the Fund Manager sets out their strategy for improving performance and meeting agreed targets.

7. ADMINISTRATIVE TARGETS FOR THE COMMITTEE MEMBERS

7.1 Administrative targets:

- Members to attend at least 75% of Pension Committee meetings each year.
- Draft committee minutes to be issued within seven weeks of a meeting
- Committee papers to be sent out at least five working days before a meeting.
- To regularly review and agree changes to strategy/policy documents. All strategy/policy documents will be considered by Committee at least every three years, even if no changes are recommended.

8. PENSION FUND COMMITTEE MEETINGS TIMETABLE

8.1 Work programme

The committee's work programme for the coming year will be as follows:

At each meeting	To receive a general business update from officers to cover items of interest that have occurred since the last meeting.
	To review investment performance
	To consider the Executive Director of Resource's report in respect of Corporate Governance issues

Half-yearly	To consider the Director of Finance report in respect of Risk Register
As required	To receive a list of training and events
	To approve the Pension Fund’s Annual Report.
	To perform a training audit of the Committee’s training requirements
	To review any changes to investment regulations
	To consider matters relating to investments
	To review the appointment of advisers/managers
Direct from LAPFF	To receive the minutes and updates from the Local Authorities Pension Fund Forum (LAPFF)

APPENDIX A - SKILLS AND KNOWLEDGE AUDIT:
Every public sector organisation should secure adequate resources and appropriate training, having assessed the professional competence of both those involved in pension scheme financial management and those with a policy, management and/or oversight role.

Are you financially Qualified?	Yes/No
If yes, please state the qualification	
Have you served on a Pensions Committee before?	Yes/No
If yes, please provide dates	From: To:

M	Minimal level of understanding
I	Intermediate level of understanding
A	Advanced level of understanding

Core technical areas	**Areas of knowledge**	**Level of Understanding: M,I,A**
Legislative and governance framework	General pensions framework	
	Scheme-specific legislation for LGPS	
	Pensions regulators and advisors	
	Constitutional framework for Fund committees within administering authorities	
	Pension scheme governance	
Accounting and auditing standards	Accounts and Audit regulations	
	Role of internal and external audit	
Procurement of financial services and relationship management	Procurement requirements of UK and EU legislation	
	Supplier risk management	
Investment performance and risk management	Monitoring of investment performance	
	Performance of advisors	
	Performance of the Fund committee	
	Performance of support services	
Financial markets and investment products	Investment strategy	
	Financial markets	
	Regulatory requirements regarding investment products	
Actuarial methods, standards and practices	Valuations, funding strategy and inter-valuation monitoring	
	Ill-health and early retirement	
	Admitted bodies	
	Outsourcing and bulk transfers	

Please list any other relevant topics that are of interest to you	

Appendix B

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/
06/06/2023 – 08/06/2023	All day	PLSA Investment Conference 2023	PLSA	EICC, Edinburgh	Free to attend: registration via website - accommodation not included	https://www.plsa.co.uk/Events/Conferences/Invest
14/06/2023 – 15/06/2023	All day	Sustainable Investment Festival 2023	Professional Pensions	London (Venue TBC)	Free to attend: registration via website	https://sustainableinvestmentfestival.co.uk/sif2023/e
26/06/2023 – 28/06/2023	All day	Local Authority Conference 2023	PLSA	De Vere Cotswold Waterpark, Gloucestershire	£495	https://www.plsa.co.uk/Events/Conferences/Local-Authority-Conference
04/07/2023 – 06/07/2023	All day	Annual Conference and Exhibition	LGA	Bournemouth International Centre	£560	https://lgaevents.local.gov.uk/lga/frontend/reg/thome.csp?pageID=540419&eventID=1563
04/09/2023 – 05/09/2023	All day	London CIV Annual Conference	London CIV	TBC	Free	www.londonciv.org.uk

Pension Investment Committee

Council Pass Through Policy

Date: 8 June 2023

Key decision: No.

Class: Part 1.

Ward(s) affected: None specifically

Outline:

This paper outlines the rationale for the Council agreeing to introduce a Pass Through Policy for contractors admitted to the Pension Fund.

Recommendation:

The Committee are asked to:

1. Consider and approve the attached Pass Through Policy;
2. Delegate to the Executive Director of Corporate Resources the implementation and operation of the Policy as the Scheme Employer;

Timeline of engagement and decision-making

Officers and the Funds Actuary have prepared the draft Pass Through Policy in discussion with the Executive Director for Corporate Resources.

1. Summary

1.1. This report sets out a number of general matters to ensure the Committee are appraised on the work ongoing in respect of the Fund.

2. Recommendations

2.1. The Committee are asked to:

2.2. Consider and approve the attached Pass Through Policy;

2.3. Delegate to the Executive Director of Corporate Resources the implementation and operation of the Policy as the Scheme Employer;

3. Policy Context

3.1. The overriding policy context for the Pension Investment Committee are the pension regulations and Members fiduciary duty to the beneficiaries of the Fund.

4. Legislative Background

4.1. Employees outsourced from the Council must be offered pension benefits that are the same, better than, or count as being broadly comparable to, the LGPS (Best Value Authorities Staff Transfer (Pensions) Direction 2007). This is achieved by:

4.2. The employees remaining in the LGPS and the new employer becoming an admitted body to the Fund and making the requisite employer contributions; or

4.3. The employer offering the employees membership of an alternative broadly comparable scheme, as approved by the Government Actuary's Department (GAD).

4.4. For the avoidance of doubt, this policy includes all outsourcings from Local Education Authority funded schools which include members eligible for participation in the LGPS.

5. Pass Through Policy

5.1. There are a number of approaches for the Council to outsource a service to a contractor. In the past, the traditional approach has been for the Council to pass the pensions risk and costs to the contractor and in return the contractor receives assets such that at commencement they are fully funded. The contractor's contribution rate will vary over time, and at the end of the contract they will either have to pay a cessation debt or instead be entitled to an exit credit.

5.2. However, risk sharing is becoming more common in LGPS funds as contractors become more aware of pension risk and the financial consequence of adverse experience whilst participating in funds. Under these agreements, the Council would agree to cover some of the pension risks that would have transferred to the contractor under the traditional approach. In essence, this means limiting (or even removing) potential variation in contribution rates, and possibly limiting (or even removing) the degree of any cessation debt / exit credit.

5.3. The defining feature of a pass-through arrangement is to pass significantly less pension risk onto the contractor, in order to reduce the volatility of the contractor's costs of participation. The consequence is that more of the pension risk remains with the Council. By passing less of the pension risks to the contractor, the Council should expect more competitive bids as less uncertainty needs to be 'priced into' quote.

5.4. Thus, pass-through is an arrangement whereby the Council retains the main risks of fluctuations in the employer contribution rate during the life of the contract and the risk that the contributions paid may be insufficient to meet the employees' pension benefits at the end of the contract. Examples of risks which could cause the employer contribution rate to fluctuate could include the interest on the surplus / deficit, investment performance, changes to the discount rate, changes to longevity assumptions, a change in the membership profile. The contractor is responsible for early retirement strain costs, disproportionate salary increases and ill health retirements [not approved by the Fund's occupational health physician].

5.5. Therefore, the Council has allocated risk to the party best able to manage it which allows for a smooth and structured transition from the Council to contractors, as well as smoother ongoing arrangements.

5.6. The attached draft pass-through policy covers the following sections:

Summary of general principles
Section 1: Legislative background
Section 2: Pass Through Arrangements for London Borough of Lewisham Council contractors admitted to the Fund.
Section 3: Outsourcings of active employees
Section 4: Bonds
Section 5: Cessation/exit valuation
Section 6: Process Map
Section 7: Pass through (Process map graphic)
Appendix 1: Pensions Information for inclusion in procurement documents
Appendix 2: Template Admission Agreement for pass through employers

5.7. For ease of reference the summary of general principles relating to pass-through arrangements is set out below.

- The contractor's pension contribution rate as a percentage of pay is set at the outset of the contract.
- The default position is that a pass-through arrangement will apply in relation to most outsourcings.
- The contractor's employer contribution rate will be set at 25% of pay where 20 or less members of staff are eligible to be members of the LGPS.
- The Council reserves the right, for larger outsourcings where more than 20 members of staff are eligible to be members of the LGPS, to determine a bespoke employer rate, calculated by the Fund Actuary.

- The fixed contribution rate will be fixed for the original period of the contract (e.g. for a 3 + 1 + 1 contract, the rate would be fixed for 5 years).

- The Council retains responsibility for fund performance and longevity under its pass-through arrangement, irrespective of the size of the outsourcing.

- A cessation valuation will be carried out when the contractor becomes an exiting employer, as required under the LGPS Regulations. However, any deficit or surplus relating to the employer will become the responsibility of the Council.

- For most outsourcings, the contractor will not be required to obtain a bond where 20 or less members of staff are eligible to be members of the LGPS.

- The Council reserves the right, for larger outsourcings where more than 20 members of staff are eligible to be members of the LGPS, to require the contractor to provide a bond to cover the potential early retirement strain costs due to redundancies made in the event of the contractor's insolvency. The level of bond should be reviewed annually.

5.8. The Council as both Scheme Employer and Fund Administrator wish to introduce the pass-through policy for the benefits set out above, ease of administration, appropriate risk sharing and anticipated lower contract costs, and asks the Pension Investment Committee to approve this.

6. Financial implications

6.1. It is not possible to accurately quantify the costs or savings associated with the adoption and implementation of a pass-through policy.

6.2. The policy will ensure that there is more appropriate risk sharing between the Council and contractors, which should result in more competitive pricing for outsourced services, although the Council will accept greater risk than under the traditional approach.

6.3. However, there will be less of an administrative burden in maintaining a pass-through policy than the traditional approach which should enable less staffing resources to be expended on this activity, thus streamlining the process.

6.4. On balance it is considered that this approach delivers value for money.

7. Legal implications

7.1. The legislative background is set out in section 4 of this report.

7.2. In developing the pass-through policy the Council sought external legal advice from Browne Jacobson LLP and this advice has informed the refinement of the draft policy appended to this report.

7.3. The Pension Regulations require that the Council has regard to the proper advice of its expert independent advisors in relation to decisions affecting the Pension Fund. They must also have regard to the separate advice of the Chief Financial Officer who has statutory responsibility to ensure the proper administration of the Council's financial affairs, including the administration of the Pension Fund.

8. Equalities implications

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

9. Climate change and environmental implications

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

10. Crime and disorder implications

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

11. Health and wellbeing implications

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

12. Background papers

12.1. Draft Pass-Through Policy – appendix 1

13. Report author and contact

13.1. Katharine Nidd, Head of Strategic Finance, Commercial and Planning, katharine.nidd@lewisham.gov.uk

London Borough of Lewisham Council Procedure for granting Lewisham Contractors Admitted Body Status to the London Borough of Lewisham Pension Fund (Council and maintained school contractors only)

This policy has been produced by London Borough of Lewisham Council ("the Council") as a Scheme Employer. The Council is also the Administering Authority for the London Borough of Lewisham Pension Fund ("the Fund"). The policy will be reviewed every three years as part of formal valuations of the Fund (the next is due 31 March 2022) or when changes to the Regulations take place (such as those expected to introduce Fair Deal II in respect of local government outsourcings).

This policy takes effect for admission agreements commencing on or after 1 January 2022.

Contents:

SUMMARY OF GENERAL PRINCIPLES RELATING TO PASS-THROUGH ARRANGEMENTS

- The contractor’s pension contribution rate as a percentage of pay is set at the outset of the contract.
- The default position is that a pass-through arrangement will apply in relation to most outsourcings.
- The contractor’s employer contribution rate will be set at 25% of pay where 20 or less members of staff are eligible to be members of the LGPS.
- The Council reserves the right, for larger outsourcings where more than 20 members of staff are eligible to be members of the LGPS, to determine a bespoke employer rate, calculated by the Fund Actuary.
- The fixed contribution rate will be fixed for the original period of the contract (e.g. for a 3 + 1 + 1 contract, the rate would be fixed for 5 years).
- The Council retains responsibility for fund performance and longevity under its pass-through arrangement, irrespective of the size of the outsourcing.
- A cessation valuation will be carried out when the contractor becomes an exiting employer, as required under the LGPS Regulations. However, any deficit or surplus relating to the employer will become the responsibility of the Council.
- For most outsourcings, the contractor will not be required to obtain a bond where 20 or less members of staff are eligible to be members of the LGPS.
- The Council reserves the right, for larger outsourcings where more than 20 members of staff are eligible to be members of the LGPS, to require the contractor to provide a bond to cover the potential early retirement strain costs due to redundancies made in the event of the contractor’s insolvency. The level of bond should be reviewed annually.

1. LEGISLATIVE BACKGROUND

1.1 Employees outsourced from the Council must be offered pension benefits that are the same, better than, or count as being broadly comparable to, the LGPS (Best Value Authorities Staff Transfer (Pensions) Direction 2007). This is achieved by:

a. The employees remaining in the LGPS and the new employer becoming an admitted body to the Fund and making the requisite employer contributions; or
b. The employer offering the employees membership of an alternative broadly comparable scheme, as approved by the Government Actuary's Department (GAD).

For the avoidance of doubt, this policy includes all outsourcings from Local Education Authority funded schools which include members eligible for participation in the LGPS.

2. PASS THROUGH ARRANGEMENTS FOR LONDON BOROUGH OF LEWISHAM COUNCIL CONTRACTORS ADMITTED TO THE FUND

2.1 Pass-through is an arrangement whereby the Council retains the main risks of fluctuations in the employer contribution rate during the life of the contract and the risk that the contributions paid may be insufficient to meet the employees' pension benefits at the end of the contract. Examples of risks which could cause the employer contribution rate to fluctuate could include the interest on the surplus / deficit, investment performance, changes to the discount rate, changes to longevity assumptions, a change in the membership profile. The contractor is responsible for early retirement strain costs, disproportionate salary increases and ill health retirements [not approved by the Fund's occupational health physician].

2.2 Therefore, the Council has allocated risk to the party best able to manage it which allows for a smooth and structured transition from the Council to contractors, as well as smoother ongoing arrangements.

2.3 It is the Council's understanding that contractors may be able to account for pension fund admissions on a defined contribution basis and therefore no formal FRS102 / IAS19 report may be required (contractors are effectively paying a fixed rate and are largely indemnified from the risks inherent in providing defined benefit pensions). However, contractors should take their own advice on the accounting position from their auditors. However, as the Council is retaining the pension fund risk relating to contractors, these liabilities will be included in the Council's IAS19 disclosure.

2.4 Whilst Regulation 64 of the Local Government Pension Scheme Regulations 2013 requires an actuarial valuation of liabilities whenever an admission agreement ceases to have effect, because any liability in the Fund will be subsumed by the Council, the cessation valuation will simply record **no cessation debt or exit credit** is payable to or from the Fund.

2.5 Adherence to this policy (including the necessary involvement of procurement, legal, pensions and human resources personnel) is the responsibility of the relevant responsible service manager for any given outsourcing.

3. OUTSOURCINGS OF EMPLOYEES WHO ARE ACTIVE MEMBERS IN THE FUND

3.1 Fund officers and the Fund Actuary must always be notified that an outsourcing has taken place, regardless of the number of members involved.

3.2 Contractors will be assigned a contribution rate of 25% of pay. However, for larger outsourcings where 20 or more staff involved in the outsourcing are eligible to participate in the LGPS, the Council will have a bespoke employer rate calculated by the Fund Actuary.

3.3 Where a bespoke employer rate calculation is required, this should be carried out in advance of any tender for services, to ensure the pension costs can be transparently communicated to bidders.

3.4 The fixed contribution rate of 25% (or the bespoke rate calculated by the Fund Actuary where more than 20 staff are involved) will be fixed for the period of the contract (e.g. for a 3 + 1 + 1 contract, the rate will be fixed at 25% of pay for 5 years).

3.5 The Actuary's Rates and Adjustment certificate will reflect the rate applicable to each contractor.

3.6 Contractors must pay the Fund the appropriate employer and employee contributions by the 19th day of the following month or 22nd of the month if paying electronically.

4. Bonds

4.1 Under the LGPS Regulations, the contractor is obliged to carry out a risk assessment to the satisfaction of the Council on each outsourcing, and annually, to determine the level of bonds that are required.

4.2 The level of bond under the Council's pass through policy will be nil. However, for large outsourcings where 20 or more staff involved in the outsourcing are eligible to participate in the LGPS, the Council reserves the right to require the contractor to instruct the Fund (who in turn would instruct the Fund's Actuary) to carry out a risk assessment to determine the level of bonds that are required.

4.3 In these cases, the bonds should cover the pension costs the Council would be responsible for in the event that a contractor has entered insolvency and is unable to meet the strain costs caused by early retirement on the grounds of redundancy.

4.4 Therefore, where 20 or more staff are involved, tender documents should not be issued until the bond calculation has been carried out by the Actuary to ensure bidders have full visibility of all pension costs.

4.5 In addition to the bonds, the Council retains a right to set off the value of any updated contributions against the contract price during the term of the admission agreement.

4.6 The procurement process will require all bidders to price for the redundancy bond (where required) for the life of the contract.

5. Cessation / exit valuation

5.1 A cessation valuation is required when a contractor no longer has any active members in the Fund. This could be due to a contract coming to its natural end, insolvency of a contractor or the last active member leaving employment or opting out of the LGPS. Where a pass-through arrangement is in place, the pension fund assets and liabilities associated with a contractor will pass back to the Council. Therefore, any deficit or surplus relating to the contractor will become the responsibility of the Council. This will normally result in the Actuary certifying an exit debt of nil.

5.2 However, in some circumstances, the winning bidder will be liable for additional pension costs that arise due to items over which it exerts control (e.g. strain costs associated with redundancies). The risk allocation is as follows:

Risks	Council	Contractor
Surplus/deficit prior to the transfer date	✓	
Interest on surplus/deficit	✓	
Investment performance of assets held by the Fund	✓	
Changes to the discount rate that affect past service liabilities	✓	
Changes to the discount rate that affect future service accrual.	✓	
Change in longevity assumptions that affect past service liabilities	✓	
Changes to longevity that affect future accrual	✓	
Price inflation / pension increases that affect past service liabilities	✓	
Price inflation / pension increases that affect future accrual.	✓	
Exchange of pension for tax free cash (commutation rate).	✓	
Ill health retirement experience		✓[1]
Strain costs attributable to granting early retirements (e.g. redundancy, efficiency, waiving actuarial reductions on voluntary early retirements and the award of ill health early retirement)		✓
Greater/lesser level of withdrawals	✓	
Rise in average age of employee membership	✓	
Changes to LGPS benefit package	✓	
Salary increases Excess liabilities attributable to the contractor granting pay rises that exceed those assumed in the last formal actuarial valuation of the Fund		✓
Award of additional pension or augmentation		✓

Note 1 – If an ill health retirement is approved by the Fund's occupational health physician, then any strain resulting from the retirement will be the responsibility of the Council rather than the Contractor. If not approved by the Fund's occupational health physician, then the costs of the retirement will be the responsibility of the Contractor.

6. Process Map

6.1 **Initial policy distribution** - Each Council department or LEA school that has responsibility for staff/service outsourcing, must be advised of this policy. Following that confirmation, the process detailed below from paragraph 6.2 to 6.9 must be adhered to by the Council and (where applicable) the winning bidder.

6.2 **Actuarial calculations** – where 20 or more pension fund members are involved in the outsourcing, the Pension Fund should be notified in order to obtain an evaluation of the contribution rate and potential bond/indemnity that would apply under this policy. The tender notification should not be carried out until the results of these calculations are complete.

6.3 **Tender Notification** - The Council must publicise this funding pass through policy as part of its tender process to bidders. This should confirm that no pension funding deficit (or credit) will take place at the end of the contract (assuming the terms of this policy are adhered to). It should also advise the employer contribution rate as detailed in **paragraphs 3.1**. Further, it should confirm that the Council will not be responsible for pension funding strain costs relating to ill health (unless approved by the Fund's occupational health physician), redundancy or efficiency retirement for employees who are currently employed by the winning bidder and are in the Local Government Pension Scheme. To aid this process, a Pension Information Memorandum (Appendix 1) can be provided.

6.4 **Initial notification to Pension Team** – The Council must contact the Lewisham Pension Fund when a tender (or re-render of an outsourcing contract) is taking place and staff (or former staff) are impacted. The Pension Fund must be advised prior to the start of the tender.

6.5 **Confirmation of winning bidder** – The Council must immediately advise the Pension Fund of the winning bidder and confirm what pension protection route is chosen 1.1 a or b. The remainder of this process note, relates to a **1.1 a** route – request to become an admitted body within the Lewisham Pension Fund.

6.6 **Request for winning bidder to become an admitted body** – The winning bidder (in combination with the Council), should request to the Lewisham Pension Fund that it wishes to become an admitted body within the Fund.

6.7 **Template admission agreement** – a template admission agreement will be used for admissions under this policy. It will set out all agreed points relating to exit conditions, employer contribution rate and employer funding responsibilities. An example of this template agreement is shown in **section 6** of this policy. Only in exceptional circumstances will the wording within the template agreement be changed. All admission agreements must be reviewed (including any changes) by the Fund's legal advisors.

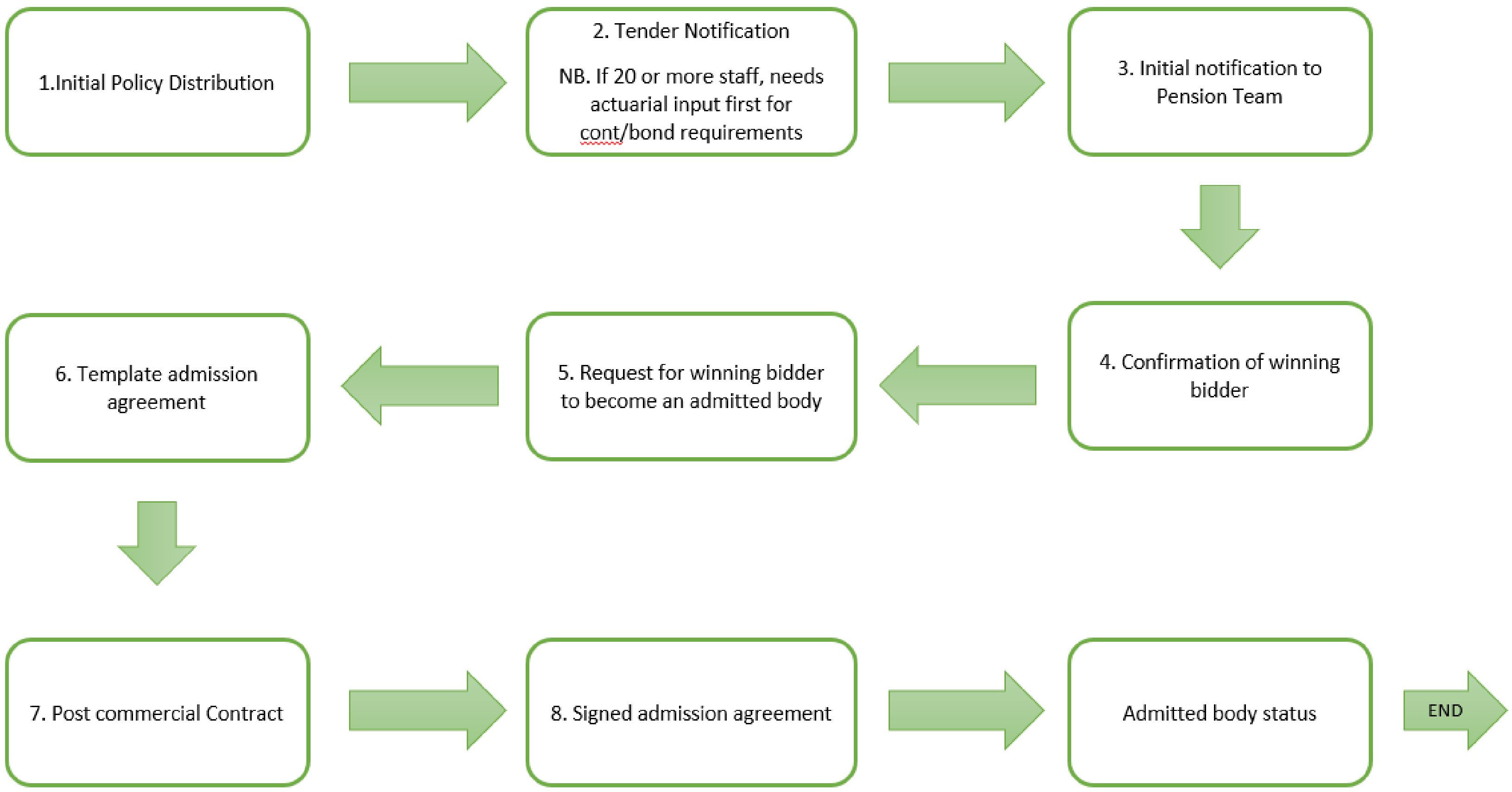
6.8 **Post commercial contract** – Once the commercial contract has been signed, the winning bidder is then able to enter the Lewisham Pension Fund.

6.9 **Signed admission agreement** - Signing of the admission agreement can then take place between an appropriate representative of the winning bidder and (normally) the Director of Finance for Lewisham Pension Fund (acting in their role as lead officer for the Lewisham Pension Fund and Lead Finance officer for the London Borough of Lewisham Council) or designated representative of the Fund. The admission document would then be sent to the Lewisham Council legal department for sealing. It is at this point the Fund can receive contributions.

6.10 **Admitted body status** – The Pension Fund will advise the requirements and responsibilities of the winning bidder within the Lewisham Pension Fund.

[Next page for process outline]

Pass Through



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Appendix 1

Pensions Information for Bidders

1 Introduction

This paper is being provided to give potential bidders information on the pensions aspects of becoming an admission body in the London Borough of Lewisham Pension Fund ("the Fund"), including the pension costs which must be met by the winning bidder. It should be read in conjunction with the Fund's admissions policy and the Council's pass-through policy.

Please note, the Council's pass-through policy is only applicable to contracts awarded by the Council or its Local Education Authority bodies. It does not apply to any contracts awarded by other Fund employers (including academies) which may have their own funding policy for outsourced contracts.

2 Fund Information

The Local Government Pension Scheme

The Local Government Pension Scheme ("the LGPS") is a statutory multi-employer pension scheme providing retirement and protection benefits to local government (and related) staff. The scheme is a 'funded' pension scheme such that the scheme accumulates and invests assets to pay member benefits.

The LGPS is split into regional funds spread across England, Wales and Scotland (Northern Ireland and the Isle of Man also run similar schemes) which are usually run by local authorities known as administering authorities or scheme managers.

The scheme rules and benefits are set out in The Local Government Pension Scheme Regulations 2013 (as amended) ("the Regulations"). For further details, please refer to the timeline regulations on http://www.lgpsregs.org/.

London Borough of Lewisham Pension Fund

The London Borough of Lewisham Pension Fund ("the Fund") is one of the regional LGPS funds. It is administered by the London Borough of Lewisham ("the Administering Authority" and "the Council").

The Regulations require the Administering Authority to maintain strategies in respect of the administration of the Fund which are available on request. The main documents pertaining to potential bidders' participation in the scheme are:

- The Funding Strategy Statement which sets out how the Fund is funded (e.g. how contributions are set);
- The Administration Strategy which sets out the standards for administering the Fund; and
- The Investment Strategy Statement which sets out how the Fund's assets are invested.
- The Council also maintains a **Pass-Through Policy** which applies to all Council outsourcings (including contracts awarded by Local Education Authority schools).

Member benefits

The benefits earned by members of the LGPS are set out in the Regulations. These are set out below:

- Service accrued to 31 March 2008
  - A final salary benefit of 1/80th of final salary per year of service; and
  - A lump sum at retirement of 3/80th of final salary per year of service.
- Service accrued from 1 April 2008 to 31 March 2014
  - A final salary benefit of 1/60th of final salary per year of service.
- Service accrued from 1 April 2014
  - A career average revalued earnings (CARE) benefit with revaluation based on the Consumer Prices Index (CPI) and an accrual rate of 1/49th of pensionable salary per year of service.
  - Members can opt for an accrual rate of 1/98th of pensionable salary per year of service and pay reduced employee contributions while protection benefits remain unaffected. This is known as the “50/50” option.

In addition to the above entitlements, members are allowed to commute pension for additional tax-free cash at £12 of cash for every £1 of pension given up. The maximum amount of tax-free cash cannot exceed 25% of the capital value of pension benefits.

Each member’s normal pension age is their respective State Pension Age. However, certain protections are in place for longer served members. Details can be found in The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 which can be found on http://www.lgpsregs.org/.

3 Key Policies and Regulations

Best Value Directions

Separate statutory guidance has been issued to Best Value employers in England, Wales and Scotland setting out the pension protection they must ensure is offered to transferring staff.

The Best Value Authorities Staff Transfers (Pensions) Direction 2007 (http://webarchive.nationalarchives.gov.uk/20120919132719/www.communities.gov.uk/documents/localgovernment/doc/best-value-authorities.doc) requires the winning bidder to offer transferring staff the opportunity to remain in their existing public sector pension scheme or to be transferred to a private sector broadly comparable scheme (including those previously compulsorily transferred out of their public sector scheme). The Directions are currently under review in light of the reform of Fair Deal (see below).

Fair Deal

The Government published the reformed Fair Deal policy on 4 October 2013 (https://www.gov.uk/government/publications/fair-deal-guidance). Fair Deal does not apply to Best Value employers. However, the key requirements of Fair Deal are similar to that of the Best Value Direction. The main difference is that the option to transfer staff to a broadly comparable scheme has been removed (except in exceptional circumstances).

Fair Deal as it applies to the wider LGPS is still under consideration.

The Regulations

The winning bidder will be admitted to the Fund as an admission body under Part 3 Schedule 2 of the Regulations should the winning bidder meet the Administering Authority's admissions requirements. Please speak to the Fund for more information and specific details.

Admission Policy

The Fund provides information to prospective employers, setting out the process for gaining admission to the Lewisham Pension Fund. The Fund will provide further details to the winning bidder.

Automatic/Contractual Enrolment

The Occupational and Personal Pension Schemes (Automatic Enrolment) Regulations 2010 (http://www.legislation.gov.uk/uksi/2010/772/contents/made) requires all new employers to contractually enrol all eligible non-joiners transferred to the winning bidder's portion of the Fund at the commencement of the contract. As a result, the winning bidder should consider the costs of enrolling current non-members to the scheme at the outset of the contract.

Principles of Good Employment Practice

The Principles of Good Employment Practice can be found here: https://www.gov.uk/government/publications/principles-of-good-employment-practice and is applicable to the winning bidder. In particular, if the bidder takes on new staff that will sit alongside former public sector workers, the new staff should have fair and reasonable pay, terms and conditions.

Discretions Policy

All employers are required to create and maintain a discretions policy during their participation in the Fund. The Administering Authority will provide further details to the winning bidder.

4 Pension costs

Contribution Rates

The LGPS Regulations require the winning bidder's rate to be broken down into:

- the **Primary Contribution Rate** – defined as the actuarial cost of new benefits being earned by staff expressed as a percentage of pensionable pay; and
- the **Secondary Contribution Rate** – any adjustment to the Primary Contribution Rate (such as additional contributions to repair any deficits) which can be expressed as a percentage of pensionable pay or as annual lump sum amounts.

In practice and in accordance with the Council's funding 'Pass-through' Policy, the winning bidder's total contribution rate (the primary rate plus the secondary rate) will be "fixed" by applying a "pass through" arrangement at the outset.

The fixed level of employer contributions to be paid by the winning bidder is currently **25% of pensionable pay** over the contract period (e.g. for 3 + 1 + 1 contract, the rate would be fixed for 5 years). It should be noted, that if 20 or more active members are involved in the outsourcing, the Fund will instruct the Actuary to calculate a bespoke contribution rate. Before preparing a bid, this **must** be requested from the Fund.

Employee contributions, as defined in the Regulations, are due in addition to the employer contributions shown.

Indemnity Requirements

The Regulations require the winning bidder to indemnify the Fund against pension risks, where an assessment is such as to require it. Further, the Regulations limit the form of any indemnity to the following:

a) A traditional bond taken out with a bank or insurer;

b) Putting in place a contingent asset (such as property); or

c) With the agreement of the Administering Authority, the winning bidder may secure a guarantee, in a form approved by the Administering Authority.

As outlined above, under the Council's pass through policy, the Council will retain the key pension risks associated with the outsourcing. Therefore, in the majority of cases, the Awarding Authority will provide the required indemnity through a guarantee (e.g. (c) above) and the winning bidder will not need to source their own indemnity.

However, it should be noted that if 20 or more active members are involved in the outsourcing, the Fund will instruct the Actuary to calculate the potential redundancy costs which may be incurred should the winning bidder enter insolvency. The winning bidder will be required to maintain an indemnity (in one of the forms outlined above) for the duration of their contractual relationship with the Council. The Council may waive this requirement. Before preparing a bid, this information should be requested from the Fund.

Exit and other additional pension costs

The Council will retain the key pension risks associated with the outsourcing by adopting a "pass through" arrangement. In particular, this means that no LGPS assets or liabilities are transferred to the winning bidder and any pension surplus or deficit generated during the contract is retained by the Council. In normal circumstances, the winning bidder 'walks away' from the Fund on exit without paying any deficit or receiving any surplus.

However, in some circumstances the winning bidder will be liable for additional pension costs that arise due to items over which it exerts full control. These include:

- early retirement strain costs where staff are retired on efficiency or redundancy grounds;
- award of enhanced benefits (e.g. additional pensions, waiving actuarial reductions on voluntary early retirements etc.); e.g.
- excessive pay increases (pay increases in excess of those assumed in the most recent formal valuation of the Fund); and
- award of ill health early retirement and the related funding costs. [1]

Full details are set out in the Admission Agreement.

[1] Unless the ill health early retirement is approved by the Fund's occupational health physician

Appendix 2
Admission Agreement

Dated **2023**

(1) The Mayor And Burgesses of The London Borough of Lewisham

(2) [Scheme Employer]

(3) [Contractor]

Admission Agreement relating to [ ]

THIS AGREEMENT is made the day of 202[ ]

BETWEEN

THE MAYOR AND BURGESSES OF THE LONDON BOROUGH OF LEWISHAM whose principal office is at Laurence House, Catford, London SE6 4RU (the "Authority");

(2) [ ] (the “Scheme Employer”); and

(3) [ ] (the “Admission Body”)

WHEREAS

(A) The Authority is an administering authority within the meaning of the Regulations. It administers and maintains the Fund in accordance with the Regulations, and has the delegated function of making determinations under section 25(5) of the Public Service Pensions Act 2013 in relation to employees of admission bodies.

(B) [The Authority is also the Scheme Employer] [The Scheme Employer is a Scheme employer] within the meaning of the Regulations.

(C) The Scheme Employer and the Admission Body have entered into the Contract.

(D) In accordance with paragraph 1(d)(i) of Part 3 of Schedule 2 to the Regulations and as a result of the Contract, the Admission Body will provide services or assets in connection with the exercise of a function of the Scheme Employer.

(E) The Administering Authority, the Scheme Employer and the Admission Body have agreed to enter into this Agreement to allow the Admission Body to be admitted into, and to participate in, the Pension Fund so that the Eligible Employees can be members of the Scheme.

(F) The terms and conditions of such admission have been agreed by the parties to this Agreement as follows.

NOW IT IS AGREED AS FOLLOWS:

1 Interpretation

1.1 For the purposes of this Agreement

“Agreement” means this agreement entered into by the Authority, Scheme Employer and the Admission Body to enable the Eligible Employees to be members of the Pension Fund (as amended from time to time).

“Appropriate Amount” means the amount of any indemnity or bond required to meet the level of risk exposure arising as a result of any of the matters mentioned in the Regulations.

“Business Day” means any day other than a Saturday or a Sunday or a Public or Bank Holiday in England.

“Commencement Date” means [ ].

“Contract” means the agreement entered into by the Scheme Employer and the Admission Body dated [ ] , together (with the written consent of the Authority) with any extension, renewal or replacement of that contract which is in force beyond the expiry date of the original contract, provided that it is made between the same parties and relates to the same or substantially the same services.

“Eligible Employees” means employees employed by the Admission Body in connection with the Services who were transferred to the Admission Body in accordance with the Contract and are listed in the Schedule of this Agreement, provided that:

(a) the employee is and remains employed by the Admission Body in connection with the provision of the Services;

(b) the employee is not a member of another occupational pension scheme (within the meaning of Section 1 of the Pension Schemes Act 1993) in relation to that employment; and

(c) the employee otherwise satisfies the requirements of the Regulations relating to eligibility for and membership of the Scheme.

“Funding Strategy Statement” or “FSS” means the Authority’s funding strategy which identifies how employers’ pension liabilities are best met in future years.

“Pension Fund” means the London Borough of Lewisham Pension Fund.

“Registered Pension Scheme” means a pension scheme registered under Chapter 2 of Part 4 of the Finance Act 2004.

“Regulations” means the Local Government Pension Scheme Regulations 2013 (SI 2013/2356) as amended from time to time, or any subsequent replacement regulations.

“Services” means the provision of catering services.

“Termination Date” means the date prescribed in Clause 8.1 .

“Transfer Date” means the Commencement Date or the Eligible Employees’ actual transfer date if later.

1.2 Save as aforesaid the words and expressions used in this Agreement shall have the same respective meanings as in the Regulations unless the context otherwise requires.

1.3 In this Agreement where the context so admits:

1.3.1 words denoting the singular shall include the plural and vice versa, words denoting the masculine gender shall include the feminine gender and vice versa and words denoting persons shall include corporations, unincorporated associations, and partnerships;

1.3.2 reference to any statutory provisions shall be deemed to include reference to any such provisions as from time to time amended varied replaced extended or re-enacted and any subordinate legislation or regulations for the time being in force made under it, unless the context otherwise requires;

1.3.3 reference to clauses or schedules shall be deemed to be references to a clause or a schedule to this agreement and references to a sub-clause shall be deemed to be a reference to a sub-clause of the clause in which the reference appears; and

1.3.4 headings are included for ease of reference only and shall not affect this agreement or its interpretation.

2 Commencement Date

The Admission Body shall participate in the Pension Fund in respect of the Eligible Employees with effect from the Commencement Date. 4.6 The Admission Body shall be liable for and shall indemnify the Pension Fund against any failure on the part of the Admission Body to comply with its obligations under this Agreement, the Regulations, or any regulatory requirements applicable to the Pension Fund.

3 Admission

3.1 The Authority shall as from the Commencement Date permit the Eligible Employees to elect to be members of the Scheme and to participate as active members of the Pension Fund with effect from the Transfer Date. From the Commencement Date the Admission Body shall operate as if it were a Scheme Employer for the purposes of the Regulations and shall exercise the responsibilities required as such in the Regulations.

3.2 This is to be a closed admission agreement.

4. Participation

4.1 The provisions of the Regulations shall apply for determining the rights and obligations of and the action which is to be taken by each party to this Agreement and for the transmission of information between them and each party hereby undertakes with the other to take such action promptly as is required to comply with the Regulations.

4.2 The provisions of the Regulations shall apply to the Eligible Employees in the same way as if the Admission Body were a scheme employer within the meaning of the Regulations.

4.3 The Admission Body warrants and represents to the Authority that every Eligible Employee is employed as defined for the purposes of this Agreement.

4.4 The Admission Body undertakes that it will promptly notify the Authority in writing if any Eligible Employee ceases to be eligible to be an active member of the Scheme.

4.5 The Admission Body warrants and represents to the Authority that no further employees employed by the Admission Body will after the Commencement Date become Eligible Employees for the purposes of this Agreement.

4.6 The Admission Body shall be liable for and shall indemnify the Pension Fund against any failure on the part of the Admission Body to comply with its obligations under this Agreement, the Regulations, or any regulatory requirements applicable to the Pension Fund.

5. Payments

Subject to the provisions of Clause 11 (Pass-through Provisions) the Admission Body shall meet the obligations set out in this clause.

5.1 The Admission Body shall meet all costs covered in the charging policy set out in the Pension Fund's Funding Strategy Statement. This includes any actuarial costs which have been or may have been incurred by the Authority in connection with the Admission Body gaining admitted body status in the Pension Fund.

5.2 With effect on and from the Commencement Date and during the period of this Agreement, the Admission Body retains responsibility for funding the benefits of the Eligible Employees, including any funding deficit on termination of this agreement.

5.3 The employer pension contribution rate will be the rate certified in the rates and adjustments certificates prepared, from time to time, by the actuary appointed by the Authority, for the purposes of Regulation 62 of the Regulations (Actuarial valuations of pension funds) and Regulation 64 of the Regulations (Special circumstances where revised actuarial valuations and certificates must be obtained) (if applicable).

5.4 The Admission Body shall pay the following contributions to the Pension Fund:-

5.4.1 the employer contributions as required by Clause 5.3;

5.4.2 all amounts from time to time deducted from the pay of the Members under the Regulations. These will be payable monthly in arrears to the Pension Fund by no later than the date specified by the Authority and in any event no later than the time required under section 49(8) of the Pensions Act 1995; and

5.4.3 otherwise as required by the Regulations or the Funding Strategy Statement.

5.5 The Admission Body shall pay to the Authority for credit to the Pension Fund any revised contributions due under sub-clause 7.2.2 within 30 days of a written request from the Authority.

5.6 The Admission Body shall be required to pay to the Authority any further payments as may be required pursuant to Regulation 31 of the Regulations (Award of additional pension) and Regulation 68 of the Regulations (Employer's further payments) or otherwise under the Regulations.

5.7 If any additional costs arise and are payable by the Admission Body pursuant to Regulation 70 of the Regulations (Additional costs arising from Scheme employer's level of performance), the Administering Authority or the Pension Fund shall be reimbursed by the Admission Body.

5.8 Where the Admission Body certifies that:

5.8.1 an Eligible Employee who is aged 55 or more is retiring by reason of redundancy or in the interest of efficiency; or

5.8.2 an Eligible Employee is retiring voluntarily on or after age 55 and before age 60 and the Admission Body exercises its discretions to activate rule of 85 protections; or

5.8.3 an Eligible Employee is retiring on the grounds of permanent ill health or permanent infirmity of mind or body; or

5.8.4 the deferred benefit of an Eligible Employee is brought into payment on or after age 55 and before age 60 and the Admission Body exercises its discretions to activate rule of 85 protections; or

5.8.5 the deferred benefit of an Eligible Employee is brought into payment on the grounds of permanent ill health or permanent infirmity of mind or body; or

5.8.6 the Admission Body has exercised a discretion under the Regulations,

and immediate benefits are payable under the Regulations, the Admission Body shall pay to the Authority for credit to the Pension Fund the sum notified to them in writing by the Authority as representing the actuarial strain on the Pension Fund as certified by an actuary appointed by the Authority, of the immediate payment of benefits.

5.9 Any financial penalty incurred by the Authority arising from the failure of the Admission Body to comply with the terms of this Agreement or the requirements of the Regulations shall be repaid to the Pension Fund by the Admission Body within 30 days of receiving a written request from the Authority.

5.10 If any sum payable under the Regulations or this Agreement by the Admission Body to the Authority or to the Pension Fund remains unpaid at the end of one month after the date on which it becomes due under this Agreement or the Regulations the Authority shall require the Admission Body to pay interest calculated in accordance with the Regulations on the amount remaining unpaid

5.11 If any sum payable under the Regulations or this Agreement by the Admission Body to the Authority or to the Pension Fund has not been paid by the date on which it becomes due under this Agreement or the Regulations the Authority may set off against any payments due to the Admission Body an amount equal to the sum due from the Admission Body under this Agreement or the Regulations (including any interest due in accordance with Clause 5.8) and pay the sum to the Pension Fund.

6. Admission Body's Undertakings

The Admission Body undertakes as set out below:

6.1 to provide or procure to be provided such information relating to the Admission Body's participation in the Pension Fund and the Eligible

Employee's participation in the Scheme as is reasonably required by the Authority;

6.2 to comply with the reasonable requests of the Authority to enable it to comply with the requirements of the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (S1 2013 / 2734), or replacement provisions;

6.3 to adopt the practices and procedures relating to the operation of the scheme set out in the Regulations, subject to clause 6.4, and in any employer's guide or administration strategy published by the Authority and provided by the Authority to the Admission Body;

6.4 to notify the Authority immediately of each occasion on which it exercises a discretion under the Regulations and the manner in which it exercises that discretion; if no notification is provided the Authority will assume that the Admission Body will follow the same position as is taken by the Authority;

6.5 without prejudice to the requirements of the Regulations and any employer's guide or administration strategy published by the Authority and provided to the Admission Body, to notify forthwith the Authority in writing of any material change in the terms and conditions of employment of any of the Eligible Employees which affects or is likely to affect entitlement to benefits under the Pension Fund for its employees who are members of the Pension Fund (an example being a significant increase in pay) and of any termination of employment by virtue of redundancy or in the interests of efficiency or for any other reason;

6.6 not to do any act, omission or thing which would prejudice the status of the Pension Fund as a Registered Pension Scheme;

6.7 to notify the Authority and the Scheme Employer immediately of any matter which may affect, or is likely to affect, its participation in the Pension Fund and give immediate notice to the Authority of any actual or proposed change in its status which may give rise to a termination of the Agreement and/or Contract including but not limited to take-over, reconstruction or amalgamation, liquidation or receivership and a change in the nature of its business or constitution;

6.8 subject to Clause 11, to provide, maintain, renew and/or adjust (as applicable) an indemnity or bond in accordance with Clause 9 unless notified by the Authority that this is not required;

6.9 to give two months' prior notice to the Administering Authority and the Scheme Employer in the event of any future transfer of any of the

Eligible Employees to a sub-contractor or separate organisation for the delivery of the Services or assets provided for in the Contract; and

6.10 to notify the Authority of any extension of the Contract beyond the initial term.

7. Periodic Valuations

7.1 Subject to Clause 11, the Authority may periodically obtain from an actuary a certificate specifying, in the case of the Admission Body, the percentage or amount by which, in the actuary's opinion, the employer's contributions should be increased or reduced (which contributions are payable under Clause 5 above). This is with a view to ensuring that, as far as is reasonably possible, the value of assets of the Pension Fund in respect of Eligible Employees and former Eligible Employees under this Agreement is neither materially more or materially less than the anticipated liabilities of the Pension Fund in respect of the said Eligible Employees at the date the Contract or this Agreement is due to end.

7.2 Subject to Clause 11, when this Agreement is terminated the Authority must obtain:-

7.2.1 an actuarial valuation from the actuary as at the effective date of termination, of the liabilities to the Pension Fund in respect of those members covered by this Agreement (including, for the avoidance of doubt, current or former employees of the Admission Body), and

7.2.2 a revision of any rates and adjustments certificate within the meaning of the Regulations showing the revised contributions due from or exit credit payable to the Admission Body, in accordance with regulation 64(2) of the Regulations. This calculation would be based on achieving a 100% funding level in line with the Funding Strategy Statement.

8. **Termination**

8.1 Subject to Clause 8.2 and Clause 8.3, this Agreement shall terminate on the earlier of the Termination Date (as determined by Clause 8.2 and Clause 8.3) or at the end of the notice period on any of the parties hereto giving a minimum of three months' notice to terminate this Agreement to the other party.

8.2 This Agreement shall automatically terminate on the Termination Date which shall be the earlier of the date of:

8.2.1 the date of expiry or earlier termination of the Contract;

8.2.2 the date the Admission Body ceases to employ any Eligible Employee; or

8.2.3 the date the Admission Body otherwise ceases to be an admission body for the purposes of the Regulations.

8.3 This Agreement may be terminated with immediate effect (which shall then be the Termination Date) by the Authority by giving notice in writing to the Admission Body in the event of:

8.3.1 the insolvency, winding up or liquidation of the Admission Body;

8.3.2 a material breach by the Admission Body of any of its obligations under this Agreement or the Regulations. However, if the breach can be remedied the Authority shall allow the Admission Body the opportunity to do so on such terms as the Authority reasonably decides;

8.3.3 the failure by the Admission Body to pay any sums due to the Authority or to the Pension Fund within one month of the periods specified in Clause 5.1, Clause 5.3, Clause 5.5, Clause 5.6, Clause 5.7, Clause 5.8 and Clause 7.2.2 or, in any other case, within one month of receipt of a notice from the Authority requiring it to do so; or

8.3.4 the failure by the Admission Body to obtain or alter an indemnity or bond in accordance with Clause 9.

9 Indemnity / Bond or Guarantor from Admission Body

9.1 The Authority has agreed that the initial level of risk exposure is not such as to require a bond, indemnity or guarantee as the pass-through provisions set out in Clause 11 have been agreed between the parties. The provisions of this Clause will apply in the event that the pass-through arrangement as set out in Clause 11 is removed.

9.2 The Admission Body warrants that where the level of risk referred to in Clause 9.1 requires that risk to be covered by a bond or indemnity, such bond or indemnity (in a form approved by the Authority) should be put in place.

9.3 In the event of such a bond being put in place, the Admission Body shall, to the satisfaction of the Authority keep under assessment the level of risk arising on premature termination of the provision of service or assets by reason of insolvency, winding up or liquidation of the Admission Body at no less than annual intervals (or such greater period that the Authority shall agree with the Admission Body).

Following such review, where the risk requires it and within 30 days of notification by the Authority , the Admission Body shall:

9.3.1 arrange for the existing bond to be renewed and amended to cover the revised amount of assessed risk; or

9.3.2 secure a new bond to cover the revised amount of the assessed risk.

10 Indemnity

10.1 The Admission Body undertakes to indemnify and keep indemnified the Authority against any costs and liabilities which it or the Pension Fund may incur (whether directly or as a result of a loss or cost to the Eligible Employees) arising out of or in connection with:

10.1.1 the non-payment by the Admission Body of any contributions or payments due to the Pension Fund under this Agreement or the Regulations; or

10.1.2 any breach by the Admission Body of this Agreement, the Regulations or any other legal or regulatory requirements applicable to the Pension Fund.

10.2 Any demand under Clause 10.1 must be paid by the Admission Body to the Authority or to the Pension Fund (as applicable) within [10] Business Days of receipt by the Admission Body of such demand. In the event of non- payment by the Admission Body, the Scheme Employer must indemnify and keep indemnified the Authority against such costs and liabilities.

11 Pass-Through Provisions

11.1 The parties have agreed that a pass-through arrangement will apply to this Agreement. Consequently, unless and until the provisions of this clause cease to apply in accordance with Clause 11.6, this Agreement will apply with the modifications set out in this Clause.

11.2 The following provision will apply in place of Clause 5.3:

"As at the Commencement Date the employer pension contribution rate will be [ ], such rate to be fixed until the end of the Contract.

11.3 The modifications made to Clause 5.3 by this Clause do not affect any other provision of Clause 5 or the requirements of the Regulations.

11.4 The following provision will apply in place of Clause 7.2:

"Where this Agreement terminates in accordance with this Clause 8 or the Admission Body no longer employs an active member contributing to the Pension Fund (so that regulation 64(1) of the Regulations applies), the parties agree that, subject to any outstanding requirements to make payments under Clauses 5.3, and 5.6 to 5.11, the assets and liabilities of the Admission Body under the Agreement shall be subsumed within the Pension Fund by the Scheme Employer so that no exit payment will be due from, and no exit credit will be payable to, the Admission Body. Instead the Authority will obtain a further revision of the Scheme Employer's rates and adjustments certificate showing the revised contributions (if any) from the Scheme Employer in respect of such assets and liabilities, and the Scheme Employer will correspondingly be entitled to benefit from any surplus within the Fund relating to those assets and liabilities."

11.5 If the Authority considers that ending the application of this Clause 11 is in the interests of the Pension Fund and the other scheme employers participating in it or is necessary to comply with the Regulations, the Authority may give notice to the Admission Body and the Scheme Employer confirming that this Clause 11 will cease to apply on and from such date as is specified in the notice.

11.6 Where this Clause 11 ceases to apply prior to the date on which this Agreement terminates under Clause 8:

11.6.1 the other provisions of this Agreement will thereafter apply without modification in accordance with their terms;

11.6.2 any further payments due from the Admission Body under its rates and adjustments certificate issued in respect of this Agreement will be calculated on the assumption that any liabilities relating to the membership of the Eligible Employees in the Pension Fund prior to the date on which this Clause 11 ceases to apply (the "Cessation Date") are 100% funded as at the Cessation Date, as determined by the actuary appointed by the Pension Fund in accordance with actuarial assumptions which are consistent with the most recent actuarial valuation of the Pension Fund and with the Funding Strategy Statement in place before the Cessation Date (updated to the Cessation Date as necessary in the opinion of the actuary). 100% funded means that the Admission Body's notional allocation of assets within the Fund as at the Cessation Date will be equal to the value placed on the liabilities as at the Cessation Date (as determined by the actuary), with any deficit being met from the Scheme Employer's notional allocation of assets within the

Pension Fund and, if relevant, any surplus being credited to the Scheme Employer; and

11.6.3 the level of risk exposure for the purposes of Clause 9 shall be re-assessed by the Admission Body to the satisfaction of the Authority and an appropriate bond shall be put in place, as required under Clause 9.

12 Amendment

The parties to this Agreement may amend this Agreement by deed provided that the amendment is not such that it would breach the Regulations or any other legal or regulatory requirements applicable to the Pension Fund.

13 Notices

Any notice to be given under this Agreement shall be in writing and shall be deemed to be sufficiently served if delivered by hand or sent by prepaid first class post to the registered office of the Admission Body or the Authority or the office of the Secretary of State (as the case may be) and shall be deemed to have been duly given or made (i) if delivered by hand, upon delivery at the address provided for in this Agreement unless such delivery occurs on a day which is not a Business Day or after 4 p.m. on a Business Day, in which case it will be deemed to have been given at 9 a.m. on the next Business Day; or (ii) if sent by prepaid first class post, on the second Business Day after the date of posting.

14 Public Inspection

This Agreement shall be made available for public inspection by the Scheme Employer at its address.

15 Dispute

Any question which may arise between the parties to this Agreement relating to its construction or to the rights and obligations under the Agreement, any dispute shall be referred in writing to an independent legal adviser for determination.

16 Applicable Law

This Agreement shall be governed by and construed in accordance with English Law and the parties hereby submit to the exclusive jurisdiction of the English Courts.

17 Rights of Third Parties

The parties to this Agreement do not intend that any of its terms will be enforceable by virtue of the Contracts (Rights of third Parties) Act 1999 by any person not a party to it.

18 Severance

18.1 If any provision of this Agreement (or part of a provision) is found by any court or administrative body of competent jurisdiction to be invalid, unenforceable or illegal, the other provisions shall remain in force.

18.2 If any invalid, unenforceable or illegal provision would be valid, enforceable or legal if some part of it were deleted, the provision shall apply with whatever modification is necessary to give effect to the intention of the parties.

IN WITNESS whereof the parties have executed this Agreement as a Deed the day and year first before written

THE COMMON SEAL of
THE MAYOR AND BURGESSES OF
THE LONDON BOROUGH OF LEWISHAM
was affixed to this **Deed**
in its capacity as the Administering Authority
in the presence of:

Authorised Officer: ....

[THE COMMON SEAL of
THE MAYOR AND BURGESSES OF
THE LONDON BOROUGH OF LEWISHAM
was affixed to this **Deed**
in its capacity as the Scheme Employer
in the presence of:

Authorised Officer: ....]

[SIGNED as a **DEED** by the Scheme Employer
[ ]
Acting by a Director and its Secretary (or two Directors)

Director: .... Name: ....
....
Signature Name (please print)

Director: .... Name: ....
....
Signature Name (please print)]

SIGNED as a **DEED** by the Admission Body
[ ]
Acting by a Director and its Secretary (or two Directors)

Director: .... Name: ....

Signature Name (please print)

Director: .... Name: ....

Signature Name (please print)

SCHEDULE
ELIGIBLE EMPLOYEES

NAMES	N.I. NUMBERS

PENSION INVESTMENT COMMITTEE			
Report Title	Exclusion of the Press and Public		
Key Decision			Item No. 5
Ward			
Contributors	Chief Executive		
Class	Part 1	Date: 8 June 2023	

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:-

6. Meet the Manager Session: Storebrand
7. Quarterly Investment Performance Report
8. Initial results of the 2022 valuation and Investment Strategy Review
9. General Update Report
10. Risk Management Policy and Risk Register

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

Document is Restricted

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

Document is Restricted

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

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Agenda Item 13

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