



# SUMMONS AND AGENDA

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## PENSIONS INVESTMENT COMMITTEE

**Date: THURSDAY, 19 SEPTEMBER 2024 at 7.00 pm**

**Civic Suite  
Catford Road  
London SE6 4RU**

**Enquiries to: Samanta Federico  
Email: samanta.federico@lewisham.gov.uk**

### **COUNCILLORS**

Councillor Sian Eiles (Chair)  
Councillor Louise Krupski (Vice-Chair)  
Councillor Chris Best  
Councillor Mark Ingleby  
Councillor John Muldoon  
Councillor James Royston  
Councillor Liam Shrivastava  
Councillor Tauseef Anwar

### **Officers**

David Austin, Executive Director of Corporate  
Resources  
Katharine Nidd, Director of Finance  
Chris Flower, Treasury and Investment  
Manager

**Members are summoned to attend this meeting**



**Jeremy Chambers  
Monitoring Officer  
Laurence House  
Catford**

**London SE6 4RU**

**Date: Wednesday, 11 September 2024**

## ORDER OF BUSINESS – PART 1&2 AGENDA

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## Pension Investment Committee

### Minutes

**Date:** 19 September 2024  
**Key decision:** No  
**Class:** Part 1  
**Ward(s) affected:** All  
**Contributor:** Committee Officer

### Outline and recommendations

Members are asked to consider minutes of the meeting of Pension Investment Committee Meeting held on 16 November 2023

#### 1. Recommendation

It is recommended that minutes of Pension Investment Committee Meeting which were opened to the press and public on 16 November 2023 be confirmed and signed.

**Monitoring Officer**  
**Lawrence House**  
**Catford SE6 4RU**

**11 September 2024**

# MINUTES OF THE PENSIONS INVESTMENT COMMITTEE

Thursday, 16 November 2023 at 7.00 pm

PRESENT: Councillor Eiles (Chair), and Councillors Chris Best, Mark Ingleby, Louise Krupski and James Royston.

OFFICERS PRESENT AT THE MEETING: Head of Financial Strategy, Planning and Commercial, Treasury and Investments Manager, and Committee Officer.

OFFICERS PRESENT REMOVELY: Director of Finance (Acting)

EXTERNAL REPRESENTATION IN PERSON: Ross MacLeod – from Hymans Robertson

EXTERNAL REPRESENTATION REMOTELY: Nick Jellema – from Hymans Robertson; also, Lauren Juliff (Storebrand).

Apologies for absence were received from Councillor Mark Jackson, Councillor John Muldoon, and Councillor Liam Shrivastava.

## 1. Minutes

RESOLVED

That the minutes of Meeting of the Committee held 7 September 2023, be confirmed, and signed as an accurate record.

## 2. Declarations of Interest

No interest was declared at the meeting.

## 3. Pension Fund Annual Report and Account 2022/23

The Head of Financial Strategy, Planning and Commercial presented the report to the Committee in relation to the Pension Fund Annual Report and Account 2022/23.

The Committee noted the report, and that the External auditors would complete the audit by the end of November 2023 and that a draft report on that would be presented to full Council with the annual statement of accounts on 22 November 2023.

The Officer concluded that as part of the process, the draft Annual Report and Accounts report would be published on the 1 December 2023 to meet the statutory deadline, but that the final version would be brought back to the Committee prior to its publication.

**Action:**

Officers to expand on abbreviations and attach to final Annual report and Accounts.

RESOLVED

1. That the Pension Fund Draft Annual Report for publication by the 1 December 2023, be approved.
2. That any amendments or adjustments to the statement of accounts (and therefore the Annual Report) be brought back to the Committee following the completion of the external audit.

**4. General Update - Part One**

The Head of Financial Strategy, Planning and Commercial (HFSPC) gave an update to the Committee on the following matters:

(a) Risk Register

The meeting was advised that since the Committee reviewed the Risk Register in June 2023:

- One score on a risk had improved.
- Two risks scores had not improved.
- Nine risks reached their target scores.
- There were seven amber lights against risks in the scoreboard, but the remaining twenty-nine were either light green or green.

In response to a question, the Director of Finance advised the Committee that because of the volatility in the markets, there had been fluctuations in the score ratings since the last valuation was report. Thus, although there was scope to apply a flexible approach when assessing funding risks, officers were taking a cautious approach and had been in discussions with members on the matter.

**Action:**

Officers to provide further information on risks relating cyber threats for considering at the next meeting.

(b) Pension Board Updates

The meeting noted the following:

- That Mark Booker, a Pensions Manager at Change Live Grow, joined the Council as a new member of its Pension Board in November 2023.
- That following discussions and endorsement by the Chair of the Pension Board, its members had agreed a work programme for the year. It was stated that the programme would be subjected to quarterly monitoring by the Pension Board in terms of expectations.

(c) Training

The meeting noted that officers had been working with Hyman Robertson to plan future training sessions, with the expectation that the first session would include issues relating to Natural Capital.

**Action:**  
Officers to circulate training dates to the Committee once confirmed.

RESOLVED

That the General Update Report be noted.

**5. Net Zero Policy Cover Report**

The Committee noted the following background information as an introduction to the report:

- That in reviewing the performance of the Council's Pension Fund's investment mandates in June 2023, Members considered the Baseline results of what had been achieved and the Net Zero Pathway in relation to likely outcome of the current investment decisions.
- That from those discussions in June 2023, Members recommended that additional time was necessary to comment on the setting of a Net Zero Policy.

The Chair, Councillor Sian Eiles, confirmed suggestions from Members' discussion in the June 2023 meeting led to the organisation of a workshop in August 2023 to discuss the setting of a Net Zero Policy, and a follow-up discussion item on the matter at the September 2023 meeting of the Committee.

Councillor Eiles stated that suggestions from the workshop in August 2023 and the subsequent meeting in September 2023 had been useful in the revision of draft Zero Policy and, on behalf of the Committee, she expressed an appreciation to everyone who contributed to that work.

The meeting was subsequently addressed by Ross MacLeod, a representative from Hymans Roberson on the 4 key elements of the Net Zero Policy, namely, portfolio emissions, climate solutions and opportunities, alignment track, and engagement with fund managers.

The Committee noted the report, together with expectations for each of the elements:

(a) Portfolio emissions – 2024 expected outcomes:

- To assess progress of financed emissions towards net zero.
- To assess progress of Scope 1 and 2 emissions reduction.
- To develop understanding of Scope 3 and 4 emissions and consider setting targets.
- To increase coverage of Scope 1,2,3,4 emissions reporting across all asset classes.

(b) Climate solutions and opportunities – 2024 expected outcomes:

- To better understand the climate solution investments within the JP Morgan infra and Storebrand equity mandates.
- To proactively involve with London Collective Investment Vehicle (LCIV) Natural Capital Sub Investment Grade (SIG) and consider potential commitment.
- To consider top-up commitment to LCIV Renewables.

(c) Alignment track – 2024 expected outcomes:

- To reassess alignment of listed targets – set assets to pathway.
- To assess alignment of property mandate.
- To assess % of portfolio - aligned or subject to engagement.

(d) Engagement

- To finalise and publish engagement policy.
- To understand managers' approach and seek to influence that.
- To understand LCIV's approach to Net Zero alignment and seek to influence that.

RESOLVED that the report on Net Zero Policy be noted.

## 6. Any Other Business

There was no other business for consideration in the open session at the meeting.

## 7. Exclusion of Press and Public

In considering recommendation made under Section 100(A)(4) of the Local Government Act 1972, the Committee noted the following submission:

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

Item 8. Quarterly Investment Monitoring Cover Report

Item 9. Meet the Manager – Storebrand

Item 10. General Update – Part Two

Item 11. Net Zero Draft Action Plan.

8. **Quarterly Investment Monitoring Cover Report – considered in closed session.**
9. **Meet the Manager – Storebrand – considered in closed session.**
10. **General Update - Part Two – considered in closed session.**
11. **Net Zero Draft Action Plan – considered in closed session.**
12. **Date of Next Meeting**

The Committee noted that the date of the next meeting will be held on 22 February 2024.

13. **Any Other Business**

There was no other business for consideration in the closed session at the meeting.

The meeting closed at 9.31pm

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Chair





## Pensions Investment Committee

### Declarations of Interest

**Date:** 19 September 2024

**Key decision:** No

**Class:** Part 1 and Part 2

**Ward(s) affected:** All

**Contributors:** Chief Executive

### Outline and recommendations

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

## 1. Summary

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

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

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

## 2. Recommendation

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

## 3. Disclosable pecuniary interests

3.1 These are defined by regulation as:

- (a) Employment, trade, profession or vocation of a relevant person\* for profit or gain
- (b) Sponsorship –payment or provision of any other financial benefit (other than by the Council) within the 12 months prior to giving notice for inclusion in the register in

respect of expenses incurred by you in carrying out duties as a member or towards your election expenses (including payment or financial benefit from a Trade Union).

- (c) Undischarged contracts between a relevant person\* (or a firm in which they are a partner or a body corporate in which they are a director, or in the securities of which they have a beneficial interest) and the Council for goods, services or works.
- (d) Beneficial interests in land in the borough.
- (e) Licence to occupy land in the borough for one month or more.
- (f) Corporate tenancies – any tenancy, where to the member’s knowledge, the Council is landlord and the tenant is a firm in which the relevant person\* is a partner, a body corporate in which they are a director, or in the securities of which they have a beneficial interest.
- (g) Beneficial interest in securities of a body where:
  - (a) that body to the member’s knowledge has a place of business or land in the borough; and
  - (b) either:
    - (i) the total nominal value of the securities exceeds £25,000 or 1/100 of the total issued share capital of that body; or
    - (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person\* has a beneficial interest exceeds 1/100 of the total issued share capital of that class.

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

## 4. Other registerable interests

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

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

## 5. Non registerable interests

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

## 6. Declaration and impact of interest on members' participation

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

## 7. Sensitive information

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

## 8. Exempt categories

- 8.1. There are exemptions to these provisions allowing members to participate in decisions notwithstanding interests that would otherwise prevent them doing so. These include:-
- (a) Housing – holding a tenancy or lease with the Council unless the matter relates to your particular tenancy or lease; (subject to arrears exception)
  - (b) School meals, school transport and travelling expenses; if you are a parent or guardian of a child in full time education, or a school governor unless the matter relates particularly to the school your child attends or of which you are a governor
  - (c) Statutory sick pay; if you are in receipt
  - (d) Allowances, payment or indemnity for members

- (e) Ceremonial honours for members
- (f) Setting Council Tax or precept (subject to arrears exception).



## Pension Investment Committee

### General Update

**Date:** 19 September 2024

**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 Storebrand pre-declaration of voting
3. note the appointment of the Chair as the LCIV Shareholder Representative and the Vice Chair as the alternative.
4. review the risk register and suggest any amendments as necessary
5. review and note the business plan 2024/25

### Timeline of engagement and decision-making

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

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## **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:
  1. review and note the contents of the report;
  2. note the Storebrand pre-declaration of voting
  3. note the appointment of the Chair as the LCIV Shareholder Representative and the Vice Chair as the alternative.
  4. review the risk register and suggest any amendments as necessary
  5. review and note the business plan 2024/25

## **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. Pension Fund Annual Report and Accounts**

- 5.1. Please note that Lewisham Pension Fund Draft Accounts for 2023/24 were published on the Lewisham Pension Fund website and the council website at the beginning of June 2024.
- 5.2. New auditors KPMG has been appointed for the 2023/24 audit. KPMG has started the audit work with the main audit work being carried out in September and October 2024.
- 5.3. The pension fund must publish its Annual Report for 2023/24 by 1 December 2024. Therefore, the draft Annual Report, including the draft Pension Fund Accounts will be presented to the Committee at its meeting on 20 November 2024 to enable the publication by the statutory deadline.

## **6. Storebrand Pre-declaration of voting**

- 6.1. Storebrand has recently begun pre-disclosing their voting. All Storebrand's voting positions will now be published online five days ahead of company meetings. Voting is an important part of stewardship, and the Institutional Investors Group on Climate Change (IIGCC) recently highlighted public pre-declarations as a 'powerful tool' in their new guidance on net-zero voting policies.
- 6.2. Storebrand will provide information on their online Proxy voting dashboard and we will be able to see how they propose to vote 5 days ahead of the day of voting. This allows you to view Storebrand's pre-disclosed votes for all upcoming AGMs 5 days ahead of the meetings.

## **7. LCIV Shareholder Representative**

- 7.1. To note confirmation of the Shareholder Representative for Lewisham for 2024/25 for its Annual General Meeting (AGM) that was held on 18 July 2024. As previously the Shareholder Representative for Lewisham is the Chair of the Committee, with the vice Chair as an alternate representative as and when required.

## **8. The Pension Regulator General Code of Practice 2024**

- 8.1. The Pensions Regulator's revised code of practice came into force on 28 March 2024 and consolidates ten existing codes of practice covering aspects of governance common to all types of schemes. It also takes account of recent legislative changes which set new requirements for trustees and managers of occupational pension schemes to establish and operate an effective system of governance including internal controls.
- 8.2. The Code explains to trustees and scheme managers of private and public sector pension schemes the standards of conduct and practice expected of them when carrying out functions under pensions legislation and will assist them to comply with the legal requirements.
- 8.3. Organisations have greater flexibility on timing for implementation of the code of practice but officers will be working on the changes over the next 12 months. Officers will ensure that the impact of these changes is properly reported back to the Committee either through the general update reports or via specific agenda items as required.

Officers are working with Hymans Robertson to provide training and advice to ensure that the changes are identified so that they can be implemented in 2024-25 to the recommended deadline.

## 9. Risk Register

- 9.1. The Committee last reviewed the Risk Register in November 2023. The risk register is attached at Appendix 1 (with 'Tracked Changes'); its design is based on a template provided by the Pensions Regulator. Risk ratings fall into four categories:

RISK CATEGORY	HOW THE RISK SHOULD BE MANAGED	NUMBER OF RISKS
<b>Red (16-25)</b>	Immediate action required, senior management involved	0
<b>Amber/Red (10-15)</b>	Senior management attention needed and management responsibility specified	7
<b>Amber/Green (5-9)</b>	Manage by specific monitoring or response procedures	21
<b>Green (1-4)</b>	Manage by routine procedures, unlikely to need specific or significant application of resources	8

- 9.2. The ESG risk rating (AI07) has been increased because by following investments that meet higher ESG criteria (protection of consumers, labour rights, diversity and inclusion policies, human rights, health and safety etc.) there is a risk that the pension fund will obtain lower investment returns.
- 9.3. The risk rating (EM01) for risks that employers cannot meet their obligations to the Fund has been reduced. The main reason is that the fund has approved its policy and procedures for Reporting late payment of contributions to personal pension schemes. The payments are monitored on a regular basis and there are procedures and actions to take if an employer misses a payment.
- 9.4. Another reason is that Lewisham Homes, the biggest external employer in the fund, has transferred to the Council which has further reduced the risk of pension payment failures.
- 9.5. The fraud or fraudulent behaviour risk rating (AG09) has been reduced. The main reason is that the recent internal and external audits have not required the management to make any changes to its current working practices and procedures therefore we have confidence that this is being monitored satisfactorily.
- 9.6. Officers will continue to monitor and update the risk register as necessary, informing the Committee of any changes which may negatively impact the Fund or present an immediate risk.

## 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 11 March 2024 and has quarterly



meeting dates booked for 2024/25. The Pension Board did not hold a meeting in June because of the general election. The date of the next meeting is 24 September 2024.

- 10.3. The Pension Board discussed the Pension Regulators draft code of practice which would come into force on 28 March 2024. Organisations have greater flexibility on timing for implementation of the code of practice. It was confirmed that work was ongoing to identify and assess potential problems and how it would impact on the Council's practices in terms of its Pension Fund arrangements and processes and the Risk Register. As set out above, Officers will report these back to the Committee as required in addition to inclusion in the Risk Register.
- 10.4. The Chair of the Pension Board asked for an update on the new code of practice implications at each of the subsequent pension board meetings.
- 10.5. The Chair has outlined his expectations of the board and it agreed a work programme for the year ahead which will be reviewed on a quarterly basis.
- 10.6. The board members have agreed a training programme, including the Pension Regulator's Toolkit of online training and other training sessions that have been arranged for PIC or other events.
- 10.7. The minutes from the 11 March 2024 Pension Board meeting has been appended to this report (see Appendix 2) for the Committee's information.

## 11. Training

- 11.1. A selection of conferences, workshops and seminars continue to be shared with Members. See Appendix 3. Should members find any of the sessions of interest or have identified other training they would like to attend, please can they keep the Investment Team informed. Members' annual training records are published in the Pension Fund Annual Report, to be published by 1<sup>st</sup> December each year.
- 11.2. **Training needs assessment:** The members training needs assessment is currently out of date and has not been updated for some time. The last training needs assessments that were circulated by the committee officer were not all returned. Therefore it was difficult to produce a training plan based on the gaps in pension knowledge of members.
- 11.3. The Pension Regulator's new Code of Practice recommends Best Practice there should be evidence of the committee's pension knowledge of investments, governance, the laws and regulations.
- 11.4. It is proposed that a new Training Needs Assessment be circulated by the end of September and responses back by the end of October. An update can then be provided at the November meeting.
- 11.5. 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](http://www.spsconferences.com) or specific training can be arranged on selected topics as needed.

11.6. The Meet the Manager session for the today's meeting will be with Harbourvest Investments. Harbourvest will provide a presentation on

11.7.

## 12. Business Plan

12.1. The Business Plan (see Appendix 4) sets out the work to be undertaken by the Pension Investment Committee during 2024/25 and the Business Plan is reviewed and updated annually.

12.2. The Business Plan list the major milestones for the fund in 2024/25 and lists the policies and reports that will be presented to the Pension Investment Committee during the year. The report also lists all the policies with their review dates as they are not all reviewed each year.

### Work programme for 2024/25

Milestone	Date
Review and Evaluation of the Business Plan	September 2024
Administration Strategy	November 2024
Data Improvement Plan	November 2024
Engagement Policy	September/November 2024
Draft Pension Fund Accounts presented	November 2024
Approval of the Pension Fund Annual Report	November 2024
Actuarial and advisory procurement contract	Sept – Nov 2024
Review performance of fund managers	Quarterly Performance Report presented at each meeting
Review Net Zero Pathway Report	September 2024
Review Climate Risk Report	September 2024
Training sessions for members	Meet the Manager each meeting and other training to be confirmed

### List of All Policies and Reports

Policies and Reports	Provided by	Approval required by:	Date Approved	Timetable for review	Review every
Acceptance of the triennial valuation report produced by the Fund Actuary	Actuaries	Officers	January 2023	January 2026	3 years
Funding Strategy Statement*	Pension Advisors	PIC	March 2023	March 2026	3 years
Investment Strategy Statement*	Officers	PIC	June 2023	March 2026	3 years

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Communications Strategy*	Officers	PIC	November 2022	November 2025	3 years
Engagement Policy	Pension advisors and Officers	PIC		September/November 2024	3 years
Pension Administration Strategy*	Officers	PIC		November 2024	3 years
Annual Business Plan*	Officers	PIC	June 2023	September 2024	1 years
Annual Report and Statement of Accounts (by 1 December)*	Pension advisors and Officers	PIC	November 2023	November 2024	1 Year
Governance compliance statement*	Officers	PIC	November 2023	November 2024	1 year
Pathway to Net Zero Policy	Pension advisors and Officers	PIC	September 2023	September 2024	1 Year
Review the appointment of Additional Voluntary Contribution providers.	Officers	Officers	June 2021	September 2026	5 years
Review the appointment of investment managers, consultants and the custodian.	Officers	Officers		September 2024	10 Years

\*Required by the Pension regulator

### 12.3. The Business Plan provides 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.

## 13. Financial implications

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

## 14. Legal implications

14.1. The Pension Regulations require that the Council has regard to the proper advice of its expert independent advisors in relation to decisions affecting the

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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.

## **15. Equalities implications**

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

## **16. Climate change and environmental implications**

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

## **17. Crime and disorder implications**

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

## **18. Health and wellbeing implications**

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

## **19. Background papers**

19.1. Appendix 1 – Risk Register

Appendix 2 – Pension Board minutes

Appendix 3 – List of training and events

Appendix 4 – Business Plan 2024/25

## **20. Report author and contact**

20.1. For more information please contact Katharine Nidd, Interim Director of Finance, 4<sup>th</sup> Floor Laurence House, 020 8314 6651, [Katharine.Nidd@lewisham.gov.uk](mailto:Katharine.Nidd@lewisham.gov.uk)

## Lewisham Pension Fund Risk Register 2023/24

## Summary Dashboard

Risk Category	Risk Ref	Risk	Current Scoring	Target Score	Previous Score	Direction of Travel
Asset and Investment Risk	AI 01	Funding Risk	12	9	15	↘
	AI 02	Concentration Risk	6	46	6	-
	AI 03	Liquidity Risk	12	3	12	-
	AI 04	Currency Risk	6	2	6	-
	AI 05	Transition Risk	4	2	6	↘
	AI 06	Manager Underperformance Risk	9	6	9	-
	AI 07	Environmental, Social and Governance Risk	69	4	6	-
	AI 08	Investment Pooling Risk	12	3	12	-
Liability Risk	LI 01	Discount Rate Risk	6	4	6	-
	LI 02	Inflation Risk	9	4	4	↗
	LI 03	Salary Increase Risk	6	4	4	↗
	LI 04	Longevity Risk	6	4	6	-
	LI 05	Early Retirement Risk	6	4	6	-
	LI 06	Ill-Health Retirement Risk	4	4	4	Target reached
	LI 07	Regulatory Risk	12	12	12	Target reached
Employer Risk	EM 01	Financial Risk	96	4	9	-
	EM 02	Administration Risk	4	4	4	Target reached
	EM 03	Reputational Risk	4	4	4	Target reached
Resource and Skill Risk	RS 01	Inadequate Staffing	86	4	12	-
	RS 02	Inadequate Resources for Support Staff	2	1	4	↘
	RS 03	Inadequate Knowledge and Skills – Pensions Committee and Pension Board	9	4	12	-
	RS 04	Inadequate Knowledge and Skills - Officers	9	4	9	-
Administrative and Governance Risk	AG 01	Failure or Unavailability of ICT	6	4	6	-
	AG 02	Delays to Pensions Payroll	4	4	4	Target reached
	AG 03	Over-Reliance on/ Loss of Key Staff	12	2	12	-
	AG 04	Data Quality	6	3	6	-
	AG 05	Professional Advice	4	4	4	Target reached
	AG 06	Legislative and Regulatory Changes	12	6	12	-
	AG 07	Third Party Provider Risk	9	4	9	-
	AG 08	Data Protection Risk	6	6	6	Target reached
	AG 09	Fraud or Fraudulent Behaviour	63	2	6	-
	AG 10	Cyber Threats	15	10	15	-
	AG 11	Inappropriate Decision-making	9	6	9	-
	AG 12	Operational Disaster – Fire/ Flood/ Pandemic	4	4	6	Target reached
Regulatory and Compliance Risk	RC 01	Non-compliance Risk – Statement of Accounts	6	6	6	Target reached
	RC 02	Non-compliance Risk – Other	96	6	9	-

### Scoring and Risk Owner Keys

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

Risk Scoring	Risk response	Number of Risks
Low (1-4)	Manage by routine procedures; unlikely to need specific or significant application of resources.	89
Low/Medium (5-9)	Manage by specific monitoring or response procedures.	<del>24</del> 20
Medium/High (10-15)	Senior management attention needed, and management responsibility specified.	7
High (16-25)	Immediate action and response required.	0

Risk Owner Key
Pensions Investment Committee - <b>PIC</b>
Pensions Board – <b>PB</b>
Executive Director of Corporate Resources - <b>EDR</b>
Director of Finance – <b>DF</b>
Interim Head of Payroll and Pensions - <b>HPP</b>
Pensions Manager – <b>PM</b>
Principal Accountant – <b>PA</b>

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Ref	Identification of Risk		Current Scoring			Risk Mitigation		Target Scoring			Review		
	Risk Overview	Risk Drivers	Likelihood	Impact	Risk rating	Existing Controls	Additional Requirements/ Controls	Likelihood	Impact	Risk rating	Previous Score	Direction of Travel	Risk Owner
<b>Asset and Investment Risk</b>													
A101	<b>Funding risk</b> – the risk that the Fund’s assets fail to deliver returns as anticipated and/or fail to grow in line with the developing cost of liabilities over the medium-long term.	<ul style="list-style-type: none"> <li>Unexpected inflation or pay growth may increase pension and benefit payments to a greater extent/at greater speed than asset returns.</li> <li>Unanticipated market movements may negatively impact asset growth compared to forecasts.</li> </ul>	3	4	12	<ol style="list-style-type: none"> <li>Actuarial valuations take into account:                             <ul style="list-style-type: none"> <li>Future investment performance/ discount rates, which are estimated on a relatively prudent basis to reduce risk of under-performance.</li> <li>Progress of all employers in the Fund, which is monitored at least annually.</li> </ul> </li> <li>A Funding Strategy Statement is prepared at least every three years as part of the triennial valuation.</li> </ol>	<ul style="list-style-type: none"> <li>Consider engagement of independent adviser to challenge/ confirm Investment Strategy decisions.</li> <li>2022 Valuation results show improved funding level from 2019 (90% to 97%) which improved from the 2016 funding level</li> </ul>	3	3	9	1512	↓	EDR DF PIC

Identification of Risk			Current Scoring			Risk Mitigation		Target Scoring			Review		
Ref	Risk Overview	Risk Drivers	Likelihood	Impact	Risk rating	Existing Controls	Additional Requirements/ Controls	Likelihood	Impact	Risk rating	Previous Score	Direction of Travel	Risk Owner
Page 21		<ul style="list-style-type: none"> <li>The Fund's Investment Strategy Statement and/or Funding Strategy may contain flawed assumptions.</li> </ul>				<ol style="list-style-type: none"> <li>An Investment Strategy Statement is prepared and considered an integral part of the Funding Strategy, with asset modelling used to determine the best benchmark allocation of assets to meet the Funding objectives. It is reviewed at least every three years.</li> <li>Asset allocation includes acceptable ranges of deviation to allow for market movements and rebalancing arrangements for when those limits are breached.</li> <li>Ongoing performance monitoring; monthly reporting from the Fund's custodians, quarterly reporting from the Fund's advisors, annual reporting from the Fund's benchmarking provider.</li> </ol>							
	AI 02	<b>Concentration Risk</b>	<ul style="list-style-type: none"> <li>Concentration of assets in a single asset class, geography or manager where underperformance relative to expectations would result in difficulties meeting funding objectives.</li> </ul>	2	3	6	<ol style="list-style-type: none"> <li>Assets are invested on the basis of professional, specialist advice, in a diversified manner across asset classes, geographies, managers etc.</li> <li>The Fund invests in a range of investment mandates each of which has a defined objective, performance benchmark and manager processes which, taken in aggregate, help reduce the Fund's asset concentration risk.</li> </ol>		2	2	4	6	-

Identification of Risk			Current Scoring			Risk Mitigation		Target Scoring			Review		
Ref	Risk Overview	Risk Drivers	Likelihood	Impact	Risk rating	Existing Controls	Additional Requirements/ Controls	Likelihood	Impact	Risk rating	Previous Score	Direction of Travel	Risk Owner
AI 03	<b>Liquidity Risk</b> – the risk that the Fund is unable to meet its immediate liabilities due to insufficient liquid assets.	<ul style="list-style-type: none"> <li>Maturing fund – when the cost of pension payments exceeds contributions income, there will be pressure on the Fund to maintain liquidity and generate enough cash to meet day to day cash requirements.</li> </ul>	3	4	12	<ol style="list-style-type: none"> <li>Liquidity management is featured as part of the strategic asset allocation, with an appropriate allocation to income assets.</li> <li>Officers <del>have undertaken</del> a <u>regular cashflow analysis with the fund's investment advisors in Q2 of 2023</u> and <del>are have putting</del> in place measures to increase cash distributions.</li> <li><del>The class of share held in the LCIV PEPPA fund has been changed to a distribution class to help with cash liquidity.</del></li> </ol>	<ul style="list-style-type: none"> <li>Cash flow projections to be kept under quarterly review and discussion with LCIV re cash distributions.</li> </ul>	1	3	3	12	-	DF PA
AI 02	<b>Currency Risk</b> – where a variation in the prices of assets relative to liabilities is caused by movement in currency rates.	<ul style="list-style-type: none"> <li>Over exposure to volatile currencies.</li> <li>The appreciation of sterling relative to other currencies, given the proportion of Fund's assets denominated in currencies other than sterling (approx. 10%).</li> </ul>	3	2	6	<ol style="list-style-type: none"> <li>The Fund invests in a range of overseas markets which provides a diversified approach to currency markets.</li> <li>The <del>recent</del> funding of low carbon equities mandates has meant a larger proportion of the Fund is now held in US\$.</li> </ol>		1	2	2	6	-	PIC
AI 05	<b>Transition Risk</b> – the risk of incurring unexpected costs relating to the movement of assets among managers.	<ul style="list-style-type: none"> <li>Market movements e.g. <u>the impact of Coronavirus on equity valuations-wars in Ukraine, Israel or other parts of the world</u></li> <li>Transition to a pooling vehicle may incur unknown costs.</li> </ul>	2	2	4	<ol style="list-style-type: none"> <li>The Fund's investment advisers provide advice on the inherent risks, timing and nature of transitions in line with the decisions of PIC, taken in the wider context of the Investment Strategy.</li> <li>The transfer of all equities to low carbon mandates has completed with transition costs managed down with</li> </ol>		1	2	2	6	↘	PIC DF PA



Identification of Risk			Current Scoring			Risk Mitigation		Target Scoring			Review		
Ref	Risk Overview	Risk Drivers	Likelihood	Impact	Risk rating	Existing Controls	Additional Requirements/ Controls	Likelihood	Impact	Risk rating	Previous Score	Direction of Travel	Risk Owner
		<ul style="list-style-type: none"> <li><a href="#">Net Zero Action Plan may drive new allocations or dis-investments which could increase the transition risk</a></li> </ul>				support from appointed Transition Managers Northern Trust.							
AI 06	<b>Manager Underperformance Risk</b> – the failure of fund managers to achieve expected investment returns.	<ul style="list-style-type: none"> <li>Markets perform against expectations, prevailing market conditions change contrary to a manager’s style of management or fund structure, leading to periods of outperformance and underperformance.</li> <li>Due diligence and manager selection process not thorough enough.</li> <li>Departure of key personnel/high turnover of investment team.</li> </ul>	3	3	9	<ol style="list-style-type: none"> <li>Passive management of approx. 70% of the Fund – reduces risk of underperformance, where managers generally deliver returns in line with benchmark expectations.</li> <li>The Fund has appointed several managers across diversified assets to reduce the risk of any one manager underperforming.</li> <li>Ongoing performance monitoring; monthly reporting from the Fund’s custodian, quarterly reporting to PIC from the Fund’s advisors, annual reporting from the Fund’s benchmarking provider.</li> <li>Managers regularly present to, and update, PIC; officers regularly meet and engage with managers.</li> <li>Manager selection exercises are undertaken with assistance from Fund’s advisers.</li> </ol>	<ul style="list-style-type: none"> <li>Review of benchmarks used by custodian to ensure performance is being correctly recorded in performance reporting.</li> <li><a href="#">Review and monitor - LCIV benchmarking to see if the LCIV funds are performing to the benchmark</a></li> </ul>	2	3	6	9	-	PIC DF PA

Identification of Risk			Current Scoring			Risk Mitigation		Target Scoring			Review		
Ref	Risk Overview	Risk Drivers	Likelihood	Impact	Risk rating	Existing Controls	Additional Requirements/ Controls	Likelihood	Impact	Risk rating	Previous Score	Direction of Travel	Risk Owner
AI 07	<b>Environmental, Social and Governance (ESG) Risks</b> – the risk that ESG related factors reduce the Fund’s ability to generate long-term returns.	<ul style="list-style-type: none"> <li>Not investing in funds that manage social concerns appropriately, e.g. protection of consumers, labour rights, diversity and inclusion policies, human rights, health and safety etc. Funds which exhibit poor social practices are susceptible to litigation, and potentially poorer levels of financial performance.</li> <li>Investing in funds that suffer from corporate governance failures, e.g. use of child labour in overseas production, poor safety records resulting in death or injury, mis-selling scandals, rogue trading.</li> <li>Fossil fuel linked investments suffer losses due to stranded assets and reputational damage.</li> <li>Not managing exposure to environmental risk (including climate change risk) can leave the Fund susceptible to challenge from legal and pressure groups.</li> </ul>	13	3	33	<ol style="list-style-type: none"> <li>The Fund’s overall ESG policy is included in its Investment Strategy Statement.</li> <li>The Fund has established a set of 5 Climate Objectives (CO) to drive future investment.</li> <li>PIC has established a Statement of Investment Beliefs (SIB) which sets out the overriding principles by which the Committee make investment decisions; this includes beliefs on governance, responsible investment, and climate change.</li> <li>The majority of the Fund’s managers have signed up to the UK Stewardship Code.</li> <li>The Fund is a member of the Local Authority Pension Fund Forum (LAPFF) which engages and acts on behalf of members by promoting high standards of corporate governance and responsibility.</li> <li>The Fund’s advisers explicitly model potential government corporate policies on climate change when reviewing its Funding and Investment Strategies.</li> <li>The Fund takes advice from actuarial and investment</li> </ol>	<ul style="list-style-type: none"> <li>Improve engagement with managers to identify the extent to which ESG factors are considered within the investment process, and establish degree of comfort that these risks are being appropriately managed on the Fund’s behalf.</li> <li>The introduction of TCFD equivalent reporting will increase the Fund’s ability to assess the ESG performance of fund managers.</li> <li><u>In considering any new mandates the committee will ensure that it meets its fiduciary duties first.</u></li> </ul>	2	2	4	6	-	PIC DF PA

Identification of Risk			Current Scoring			Risk Mitigation		Target Scoring			Review		
Ref	Risk Overview	Risk Drivers	Likelihood	Impact	Risk rating	Existing Controls	Additional Requirements/ Controls	Likelihood	Impact	Risk rating	Previous Score	Direction of Travel	Risk Owner
		<ul style="list-style-type: none"> <li><u>To achieve net zero we may be looking at new low carbon mandate while not achieving returns the best long term returns for the fund.</u></li> </ul>				<p>advisers to improve understanding of ESG issues.</p> <p>8. The Fund's 2022-25 Investment Strategy <del>actively sought to</del> transition its existing passive equity holdings into a low carbon passive-like mandate, and also allocates up to 16% of the Fund to new low-carbon mandates (including renewable infrastructure.</p> <p>9. A Responsible Investment Beliefs Statement (RIBS) <del>to</del> <del>be</del> <u>has been</u> incorporated into the Investment Strategy Statement.</p> <p>10. The fund has moved all of its passive equity funds into three low carbon funds. It has also invested in the LCIV Renewable Infrastructure and LGIM Build to Rent funds.</p>							
AI 08	<b>Investment Pooling Risk</b> – the risk that the London CIV (LCIV) fails to meet the Fund's needs.	<ul style="list-style-type: none"> <li>The transition of the Fund's assets to LCIV will see a transfer of some risks to the pool operator, changes to existing Fund risks, and the creation of new risks, including asset and investment risk, employer risk, resource and skill risk, reputational risk, and</li> </ul>	3	4	12	<ol style="list-style-type: none"> <li>The Fund is a founding shareholder of the LCIV and has shareholder input at Member and officer level.</li> <li>Member representation at LCIV's AGM.</li> <li>Member and officer involvement in LCIV mandate developments via consultation and Seed Investment Groups (SIG).</li> </ol>	<ul style="list-style-type: none"> <li>The increase in pooled funds via PEPPA and the LCIV Renewable Infrastructure fund has not increased the likelihood of this risk, but should the Fund continue to pool further then the impact score may require review.</li> <li><del>LCIV do not currently have any distributing</del></li> </ul>	1	3	3	12	-	ED R DF PIC PA

Identification of Risk			Current Scoring			Risk Mitigation		Target Scoring			Review		
Re f	Risk Overview	Risk Drivers	Likelihood	Impact	Risk rating	Existing Controls	Additional Requirements/ Controls	Likelihood	Impact	Risk rating	Previous Score	Direction of Travel	Risk Owner
		<p>regulatory and compliance risk.</p> <ul style="list-style-type: none"> <li>Asset pooling may restrict the Fund's ability to fully implement its desired strategy.</li> <li><u>Outcomes from the consultation is a drive towards increased pooling which increases our exposure to LCIV's performance.</u></li> </ul>				4. Officers maintain regular contact with LCIV via client meetings, business update meetings, and 'meet the manager' sessions.	<del>funds which given the maturity of the Fund may be an issue if the level of pooled funds increases significantly.</del>						
<b>Liability Risk</b>													
26	<b>Discount Rate Risk</b> – the risk that the set discount rate (based on a prudent view of future investment returns) does not reflect actual returns or market volatility.	<ul style="list-style-type: none"> <li>Largely a measurement risk since liability cash flows do not change, but risk largely driven by the actual cost of benefits being higher than expected due to investment returns being lower than originally assumed.</li> </ul>	3	2	6	<ol style="list-style-type: none"> <li>The Fund adopts a prudent discount rate assumption at triennial valuation as a cushion against reductions in future investment returns.</li> <li>The discount rate for the 2022 valuation was 3.6% versus 3.5% in 2019 which increased the likelihood of the funds' assets returning above the discount rate to 78% (75% in 2019).</li> </ol>	<ul style="list-style-type: none"> <li>Regular monitoring of changes in market conditions between triennial valuations, perhaps on a quarterly or bi-annual basis, can provide early warning of changes in the outlook for future investment returns.</li> </ul>	2	2	4	6	-	ED R DF
LI 02	<b>Inflation Risk</b> – the risk of incorrect inflationary assumptions used in the Fund valuation.	<ul style="list-style-type: none"> <li>Unexpected inflation or pay growth increases pension and benefit payments, and assets do not grow fast enough to meet the increased cost.</li> </ul>	5	2	9	<ol style="list-style-type: none"> <li>The Fund adopts a prudent inflation assumption at triennial valuation as a cushion against increases in future inflation expectations.</li> <li>The Investment Strategy is set so as to provide exposure to assets providing inflation protected growth which will be reviewed following the Triennial valuation in 202<u>5</u><del>2</del>.</li> </ol>	<p><del>Current</del> levels of inflation <u>have fallen are such that in the short term returns may struggle to which may help the fund meet expected levels of return.</u></p> <p>Inflation is expected to <u>fall over the next 12 months stay slightly</u></p>	2	2	4	4	↗	ED R DF

Identification of Risk			Current Scoring			Risk Mitigation		Target Scoring			Review		
Ref	Risk Overview	Risk Drivers	Likelihood	Impact	Risk rating	Existing Controls	Additional Requirements/ Controls	Likelihood	Impact	Risk rating	Previous Score	Direction of Travel	Risk Owner
							above 2% over the next few years.						
LI 03	<b>Salary Increase Risk</b> – the risk of incorrect salary increase assumptions used in the Fund valuation.	<ul style="list-style-type: none"> <li>When salary increases actually awarded are higher than the assumed increase in the triennial valuation.</li> </ul>	4	2	6	<ol style="list-style-type: none"> <li>The Fund adopts a prudent salary increase assumption at triennial valuation as a cushion against unexpected salary increases.</li> <li>Employers may have some control over the award of salary increases through pay award negotiations.</li> </ol>	The 2022 valuation assumed salary increases of 3.7% per annum compared with 3% in 2019.	2	2	4	4	-	ED R DF
LI 04	<b>Longevity Risk</b> – the risk of incorrect life expectancy assumptions used in the Fund valuation.	<ul style="list-style-type: none"> <li>Future life expectancy, and the allowance for future improvements in life expectancy, is uncertain. There is a risk that members will live longer than expected, resulting in benefits being paid for longer.</li> <li>Maturing fund – the proportion of active members declines relative to retired employees.</li> </ul>	3	2	6	<ol style="list-style-type: none"> <li>The Fund set mortality assumptions with a prudent allowance for future increases in life expectancy, as a cushion against faster than expected improvements.</li> <li>Regular monitoring of longevity and other demographic factors through the triennial valuations and interim valuations; experience analyses provides early warning of any expected increase in contributions and costs.</li> <li>Regular updates from the fund actuary on general longevity experience within UK pension funds and national trends, e.g. from population statistics, through the Fund's Club Vita membership</li> </ol>		2	2	4	6	-	ED R DF
LI 05	<b>Early Retirement Risk</b> – the risk that members retire earlier than assumed in the Fund valuation.	<ul style="list-style-type: none"> <li>Members retiring for financial freedom, or due to perceived unfavourable changes to working conditions.</li> </ul>	3	2	6	<ol style="list-style-type: none"> <li>The Fund adopts a prudent assumption for early retirements at triennial valuation as a cushion against higher than expected retirement.</li> </ol>		2	2	4	6	-	ED R DF

Identification of Risk			Current Scoring			Risk Mitigation		Target Scoring			Review		
Ref	Risk Overview	Risk Drivers	Likelihood	Impact	Risk rating	Existing Controls	Additional Requirements/ Controls	Likelihood	Impact	Risk rating	Previous Score	Direction of Travel	Risk Owner
		<ul style="list-style-type: none"> <li>Liabilities for members who retire earlier than assumed in the triennial valuation and receive no reduction in benefits will be higher than expected.</li> </ul>				<ol style="list-style-type: none"> <li>Employers are required to make capital contributions in respect of pensions strain arising from early retirements as a result of redundancy or on efficiency grounds.</li> <li>Updates from the Fund actuary through the triennial valuation process or more regularly (and advises employers of the effect on their contributions).</li> </ol>							
LI 07	<b>III-Health Retirement Risk</b> – the risk that more members retire due to ill health than assumed in the Fund valuation.	<ul style="list-style-type: none"> <li>Where more members are granted higher tier benefits, the Fund’s liabilities will increase and employer contributions may need to increase accordingly.</li> </ul>	2	2	4	<ol style="list-style-type: none"> <li>Regular monitoring of ill-health experience through the triennial valuations and interim valuations/ experience analyses to provide early warning of changes in future costs.</li> </ol>		2	2	4	4	-	ED R DF
LI 07	<b>Regulatory Risk</b> – the extent to which legislative and regulatory changes impact the Fund.	<ul style="list-style-type: none"> <li>Changes to the LGPS where benefits are governed by statute; for example, McCloud, Goodwin, exit payment cap etc.</li> <li>Changes by Government to particular employer participation in LGPS funds, leading to impacts on Funding and/or Investment Strategies.</li> </ul>	3	4	12	<ol style="list-style-type: none"> <li>The Fund’s actuary provides regular updates to Members and officers and assists in adhering to new regulations.</li> <li>The 2022 valuation included a specific liability of £2.4m for McCloud. ; In interim periods, further updates regarding the impact of regulatory change may be required.</li> <li>Officers consider all consultation papers issued by the Government, in conjunction with the Fund’s advisers, and comments where appropriate.</li> </ol>	<ul style="list-style-type: none"> <li>Project planning for how to approach and manage the forthcoming regulatory and legislative changes.</li> <li>Resource planning for managing forthcoming regulatory and legislative changes.</li> </ul>	3	4	1 2	201 2	↘	ED R DF HPP PM

Identification of Risk			Current Scoring			Risk Mitigation		Target Scoring			Review		
Ref	Risk Overview	Risk Drivers	Likelihood	Impact	Risk rating	Existing Controls	Additional Requirements/ Controls	Likelihood	Impact	Risk rating	Previous Score	Direction of Travel	Risk Owner
						4. Members and officers keep abreast of regulatory changes through attendance at LGPS conferences and training, membership of national advisory bodies, and communication with the LGPS Scheme Advisory Board (or its working groups).							
<b>Employer Risk</b>													
EM 01	<b>Financial Risk</b> – the risk that employers cannot meet their obligations to the Fund, and/or other employers become liable for their deficits.	<ul style="list-style-type: none"> <li>Rise in unanticipated ill-health or early retirements, leading to contribution shortfall.</li> <li>Market conditions lead to employers deciding they can no longer afford the required level of contributions, resulting in late payments or even insolvency of employers.</li> </ul>	3 2	3	96	<ol style="list-style-type: none"> <li>Officers work with the Fund's actuary to make an objective assessment of the strength of an employer's covenant (to include an analysis of financial position, forward-looking prospects and the ongoing ability to pay the necessary employer contributions.</li> <li>Officers work with the Fund's actuary to calculate cessation valuations when an employer is due to leave the Fund.</li> <li>The Pensions Team maintains a close relationship with employing bodies to identify any potential issues at an early stage, and communicates required standards.</li> <li>Officers monitor and reconcile contributions received against those expected. Reminders are sent to employers when they fail to meet payment deadlines, or if payment amounts differ to that expected.</li> </ol>	The fund <del>is preparing</del> <u>has approved</u> its policy and procedures for Reporting late payment of contributions to personal pension schemes. <u>The payments are monitored on a regular basis.</u>  <u>The second largest employer in the fund was Lewisham Homes with the transfer of staff to the Council in October 2023 has reduced the overall risk to the fund.</u>	2	2	4	9	↘	ED R HPP PM
EM 02	<b>Administration Risk</b> – the risk that	<ul style="list-style-type: none"> <li>Poor employer knowledge bank and/or</li> </ul>	2	2	4	<ol style="list-style-type: none"> <li>Officers monitor and maintain records of employers in the Fund, e.g.</li> </ol>		2	2	4	4	-	HPP PM

Identification of Risk			Current Scoring			Risk Mitigation		Target Scoring			Review		
Ref	Risk Overview	Risk Drivers	Likelihood	Impact	Risk rating	Existing Controls	Additional Requirements/ Controls	Likelihood	Impact	Risk rating	Previous Score	Direction of Travel	Risk Owner
	employers maintain poor records and provide inaccurate information.	record-keeping maintained by the Council, or inadequate monitoring of records/information, which prevents the identification of employers that may pose the greatest risk.				number of participating members, promptness of contribution payments etc.  2. Employers are made aware of their responsibilities and payment procedures when admitted to the scheme/ as part of their admission agreements.							
EM 03	<b>Reputational Risk</b> – the risk of adverse publicity arising from interactions with, or failure of an employing authority.	<ul style="list-style-type: none"> <li>Inaccurate information in the public domain leads to damage to reputation and loss of confidence.</li> <li>Complaints not handled appropriately or in time.</li> </ul>	2	2	4	<ol style="list-style-type: none"> <li>Officers maintain constructive relationships with Fund employees.</li> <li>Processes are in place for responding to FOIs, Member/Public questions, and employer queries.</li> </ol>		2	2	4	4	-	HPP PM
<b>Resource and Skill Risk</b>													
RS 01	<b>Inadequate Staffing</b>	<ul style="list-style-type: none"> <li>High staff turnover</li> <li>Regular staff absence</li> <li>Poor recruitment</li> </ul>	2	3	86	<ol style="list-style-type: none"> <li>The Council has a standard recruitment policy in place.</li> <li>Utilisation of additional resourcing (e.g. Hymans Robertson and/or independent advice) if needed, where staff shortfalls prevent internal specialisation.</li> </ol>	<ul style="list-style-type: none"> <li>Preparing annual business plans which identify short and long term resource requirements.</li> <li>Improved retention policies and procedures where skills are in high demand/short supply.</li> </ul>	2	2	4	426	4	ED R DF
RS 02	<b>Inadequate Resources for Support Staff</b>	<ul style="list-style-type: none"> <li>Out-of-date or inadequate software.</li> <li>A lack of basic office equipment, e.g. lack of investment into suitable</li> </ul>	1	2	2	<ol style="list-style-type: none"> <li>Budgetary provisions are made for staff and resources to meet demands of the service.</li> <li>Regular retendering of pensions administration contracts with third party suppliers to ensure required</li> </ol>		1	1	1	42	4	ED R DF



Identification of Risk			Current Scoring			Risk Mitigation		Target Scoring			Review		
Ref	Risk Overview	Risk Drivers	Likelihood	Impact	Risk rating	Existing Controls	Additional Requirements/ Controls	Likelihood	Impact	Risk rating	Previous Score	Direction of Travel	Risk Owner
		IT and infrastructure equipment.				standards are included in contract specifications.  3. The Council has a remote working policy, and a 'buy your own devices' policy to enable staff to purchase equipment needed to work from home. The use of virtual meetings has ensured that staff and advisors can meet regularly regardless of location.							
	<b>Inadequate Knowledge and Skills – Pensions Committee and Pension Board.</b>	<ul style="list-style-type: none"> <li>Change of membership/high turnover of membership.</li> <li>Low attendance at meetings.</li> <li>New members not sufficiently inducted or signposted to learning opportunities/ requirements.</li> <li>Poorly designed training programmes.</li> <li><a href="#">Changes to regulations / legislation</a></li> </ul>	3	3	9	<ol style="list-style-type: none"> <li>Induction training is offered to new Members when joining PIC and PB.</li> <li>Training is provided by the Fund's investment adviser, particularly in those specific asset classes relevant to the Fund and when acquiring new mandates.</li> <li>Officers signpost a quarterly selection of recommended conferences, workshops and training events to PIC and Pension Board members.</li> <li>PIC and Pension Board members are requested to complete the Pensions Regulator's Public Service Toolkit.</li> <li>Training logs are maintained and reported on in the Fund Annual Report. PIC Members have committed to attending a minimum of</li> </ol>	<ul style="list-style-type: none"> <li>Regular training provided of the both the PIC and PB</li> <li><a href="#">Work plan to include updates on the recent changes to pension regulations</a></li> </ul>	2	2	4	129	↓	PIC PB DF PA

Identification of Risk			Current Scoring			Risk Mitigation		Target Scoring			Review		
Ref	Risk Overview	Risk Drivers	Likelihood	Impact	Risk rating	Existing Controls	Additional Requirements/ Controls	Likelihood	Impact	Risk rating	Previous Score	Direction of Travel	Risk Owner
						<p>5 hours of training each per year, to satisfy the requirements of MiFID II.</p> <p>6. Pension Board members are required to undertake learning needs analyses and identify their training requirements.</p> <p>7. Annual skills audits are conducted to ensure skills remain relevant to the roles being undertaken, identifying any learning gaps and preparing tailored training in response to these gaps.</p>							
Page 32	<b>Inadequate Knowledge and Skills - Officers.</b>	<ul style="list-style-type: none"> <li>Lack of, or inadequate, staff training policies or opportunities.</li> <li>Knowledge is concentrated in a small number of officers, risking knowledge drain if those staff leave the authority.</li> <li>Increased workloads reduces time for skills development and training opportunities.</li> </ul>	3	3	9	<ol style="list-style-type: none"> <li>The Fund is a member of, subscribes, and has access to several organisations that assist officers to maintain their knowledge and keep abreast of changes to the LGPS, e.g. LGA, GAD, LAPFF, LPFF, PLSA, SAB, etc.</li> <li>Actuarial, investment, independent advice is available where knowledge or skills fall short.</li> <li>Staff with professional qualifications relevant to their job roles.</li> </ol>	<ul style="list-style-type: none"> <li>Succession planning for key roles to mitigate loss of knowledge from planned or unplanned departures.</li> <li>Improved networking with other LGPS administration teams, particularly those where senior members of the team have previously worked and relationships already exist, to improve knowledge sharing.</li> </ul>	2	2	4	9	-	ED R DF HPP PM PA
<b>Administrative and Governance Risk</b>													
AG 01	<b>Failure or Unavailability of ICT.</b>	<ul style="list-style-type: none"> <li>Unscheduled system maintenance, downtime, or outages.</li> </ul>	2	3	6	<ol style="list-style-type: none"> <li>Lewisham Information Security Policy – includes technical measures in place to maintain backups of files and emails.</li> </ol>		2	2	4	6	-	ED R

Identification of Risk			Current Scoring			Risk Mitigation		Target Scoring			Review			
Ref	Risk Overview	Risk Drivers	Likelihood	Impact	Risk rating	Existing Controls	Additional Requirements/ Controls	Likelihood	Impact	Risk rating	Previous Score	Direction of Travel	Risk Owner	
Page 33		<ul style="list-style-type: none"> <li>Outdated or incompatible software.</li> <li>Loss of data due to system failure.</li> </ul>				<ol style="list-style-type: none"> <li>Corporate Business Continuity Plan in place to respond to potential loss of critical infrastructure, systems and data.</li> <li>Custodian and fund manager portals can be accessed from any browser/device outside of the Lewisham network.</li> <li>The Fund's bank account can be monitored by phone, and payments processed manually as per the authority's Business Continuity Plans for Finance (covering Treasury Management and Financial Transactions).</li> <li>IT maintenance is scheduled for non-working hours where possible.</li> </ol>								
	AG 02	<b>Delays to Pensions Payroll</b>	<ul style="list-style-type: none"> <li>ICT failure.</li> <li>Staff absence.</li> </ul>	1	4	4	<ol style="list-style-type: none"> <li>Clear procedure notes in place for processing payroll.</li> </ol>	<ul style="list-style-type: none"> <li>Further training in payroll/ systems to be undertaken in Oracle Cloud.</li> </ul>	1	4	4	4	-	ED R HPP PM
	AG 03	<b>Over-Reliance on/ Loss of Key Staff</b>	<ul style="list-style-type: none"> <li>Knowledge is concentrated in a small number of officers, risking knowledge drain if those staff leave the authority.</li> <li>Unequal distribution of workloads creating reliance on certain staff.</li> </ul>	4	3	12	<ol style="list-style-type: none"> <li>Staff appraisal programme to identify opportunities for upskilling, job rotation, and fair distribution of work.</li> <li>Comprehensive process notes developed and in place.</li> </ol>	<ul style="list-style-type: none"> <li>Succession planning helps to mitigate and manage the loss of key staff, and is currently being reviewed by the interim Head of Payroll and Pensions.</li> </ul>	1	2	2	12	-	ED R DF HPP
	AG 04	<b>Data Quality – the risk of complaints,</b>	<ul style="list-style-type: none"> <li>Employers do not understand or meet their</li> </ul>	2	3	6	<ol style="list-style-type: none"> <li>Communications Strategy sets out how Fund will engage with all</li> </ol>	<ul style="list-style-type: none"> <li>Administration Policy to be developed, draft</li> </ul>	1	3	3	6	-	HPP PM

Identification of Risk			Current Scoring			Risk Mitigation		Target Scoring			Review		
Ref	Risk Overview	Risk Drivers	Likelihood	Impact	Risk rating	Existing Controls	Additional Requirements/ Controls	Likelihood	Impact	Risk rating	Previous Score	Direction of Travel	Risk Owner
	<p>finer, or incorrect valuation assumptions due to poor data quality.</p>	<p>responsibilities, provide poor quality data, are unable to resource their pensions obligations, or have poor engagement with the Fund.</p> <ul style="list-style-type: none"> <li>Officers do not understand or are unaware of their responsibilities, maintain poor quality data, or do not ensure data is reviewed on a regular basis.</li> </ul>				<p>stakeholders, including employers and expectations of them.</p> <ol style="list-style-type: none"> <li>Reconciliations and review of the recording of pay and pensions by officers, as well as comparing the pension payments and receipts to the overall totals.</li> <li>Segregation of duties so that reconciliations are reviewed by a second individual.</li> </ol>	<p>policy has been developed.</p> <ul style="list-style-type: none"> <li><a href="#">A Data Improvement Plan is being drafted</a></li> </ul>						PA
AG 06	<p><b>Professional Advice</b> – the risk that professional advice is not sought or heeded, or proves to be insufficient.</p>	<ul style="list-style-type: none"> <li>Not enough time to seek the appropriate level of advice.</li> <li>Advice is ignored or not acted upon.</li> </ul>	1	4	4	<ol style="list-style-type: none"> <li>Members and officers maintain close contact with its specialist advisers.</li> <li>Investment advice is delivered via formal meetings involving elected Members and recorded appropriately.</li> <li>Actuarial advice is subject to professional requirements such as peer review.</li> </ol>	<ul style="list-style-type: none"> <li>Retendering of actuarial (and investment advisory) services to take place in 2024/25.</li> </ul>	1	4	4	4	-	ED R DF PIC
AG 06	<p><b>Legislative and Regulatory Changes</b> – the risk of complaints or fines due to incorrect adoption or incorrect calculation of regulatory changes.</p>	<ul style="list-style-type: none"> <li>Challenging implementation of major regulatory reform.</li> <li>Complexity of new regulations gives rise to heightened risk of error in calculations</li> </ul>	3	4	12	<ol style="list-style-type: none"> <li>Use of Altair to ensure calculations are correct (e.g. for transitional protections).</li> <li>Officers attend and enrol in professional forums and events to keep up to date with legislative or regulatory changes.</li> <li>Support is provided by LGA and the actuary where necessary.</li> </ol>	<p><a href="#">Pension Administration are introducing new pension software to assist with the changes to legislation and regulations.</a></p>	2	3	6	12	-	HPP PM

Identification of Risk			Current Scoring			Risk Mitigation		Target Scoring			Review		
Ref	Risk Overview	Risk Drivers	Likelihood	Impact	Risk rating	Existing Controls	Additional Requirements/ Controls	Likelihood	Impact	Risk rating	Previous Score	Direction of Travel	Risk Owner
AG 07	<b>Third Party Provider Risk</b>	<ul style="list-style-type: none"> <li>Third party IT systems failing, or not adapting to meet regulatory changes.</li> <li>Underperformance of provider.</li> <li>Poorly resourced, poor contract management, incorrect contract specification.</li> </ul>	3	3	9	<ol style="list-style-type: none"> <li>Third party suppliers used are reputable and fall within pension administration framework agreements.</li> <li>Appropriate oversight and monitoring by the Pensions Team for assurance of controls in place.</li> <li>Regular meetings with contractors to discuss performance and service improvements.</li> </ol>		2	2	4	9	-	HPP PM
AG 08	<b>Data Protection Risk</b> – the risk of financial penalty or reputational damage due to data mismanagement.	<ul style="list-style-type: none"> <li>ICT failure.</li> <li>Fraud.</li> <li>Security of paper documents, especially when out of the office (e.g. handling paperwork at home due to the Coronavirus pandemic).</li> </ul>	2	3	6	<ol style="list-style-type: none"> <li>Officers have completed compulsory GDPR training.</li> <li>Lewisham Information Security Policy – includes technical measures to help protect information including anti-virus updates, software patches, encryption, permissions management, and system backups.</li> <li>Secure email is available via the Council's standard email or via CJSM or Egress Switch.</li> </ol>		2	3	6	6	-	HPP PM
AG 09	<b>Fraud or Fraudulent Behaviour</b> – the risk that someone deliberately acts to deprive the Fund of its assets, or to obtain personal benefit from his or her position.	<ul style="list-style-type: none"> <li>Opportunities to commit fraud can arise due to a temporary situation where the risk of being caught is low.</li> <li>Lapsed controls, or loopholes identified by those intent on fraudulent behaviour.</li> </ul>	2 1	3	6 3	<ol style="list-style-type: none"> <li>Appropriate system of checks and authorisations for death and transfer cases.</li> <li>Separation of duties for upload, checking, approval, input and processing of payments from the Pension Fund bank account.</li> <li>"Confirmation of Payee" initiative used by bank to target and prevent</li> </ol>	<u>Consistent audits shows that the risks are being managed with no changes in the way we operate so it is unlikely to increase risks</u>	1	2	2	6	↘	ED R DF HPP PM PA

Identification of Risk			Current Scoring			Risk Mitigation		Target Scoring			Review		
Re f	Risk Overview	Risk Drivers	Likelihood	Impact	Risk rating	Existing Controls	Additional Requirements/ Controls	Likelihood	Impact	Risk rating	Previous Score	Direction of Travel	Risk Owner
						<p>impersonation fraud, invoice redirection and new payment fraud.</p> <p>4. Monthly reconciliation of Pension Fund bank account to identify and code all income/payments.</p> <p>5. Internal audit acts as an appraisal and advisory service and can review, identify and advise on internal controls regarding fraud prevention.</p> <p>6. Fund managers are requested to submit internal control reports which are reviewed by external audit.</p>							
Page 36	<b>Cyber Threats</b> – the risk of vulnerability to, and impact of, cyber-attacks that result in different types of breaches.	<ul style="list-style-type: none"> <li>• Failure of ICT.</li> <li>• Accidental loss of hardware (laptop, mobile, USB device).</li> <li>• Accidental loss of electronic data.</li> <li>• Generic malware.</li> <li>• Untargeted attacks from 'hobbyist' hackers.</li> <li>• Targeted attacks from ex-employees, customers, current employees or anonymous activists.</li> <li>• State-sponsored attacks, cyber-criminal/terrorists.</li> </ul>	3	5	15	<ol style="list-style-type: none"> <li>1. Lewisham Information Security Policy – includes technical measures to help protect IT systems including anti-virus updates, software patches, encryption, and firewalls.</li> <li>2. 'Spam email' blocking software and a dedicated mailbox for reporting spam/phishing attacks.</li> <li>3. Fund bank account can only be accessed by authorised users with access to a bank smartcard, card reader, and PIN unique to the card/user.</li> <li>4. Fund bank account responsibilities are segregated so that no single user, whether compromised or not, can input and approve payments; any changes to these authorisations require confirmations from two system administrators.</li> </ol>	<ul style="list-style-type: none"> <li>• Create a formal Fund Security Policy, to include an assessment of the scheme's 'cyber footprint' – scheme's key functions, systems and assets, vulnerabilities and impact of breaches.</li> <li>• Member/officer training required on cyber threats.</li> <li>• Undertake testing of security measures and protocols in place for the Fund; penetration testing, testing of staff to gauge reactions to typical threats.</li> </ul>	2	5	10	15	-	ED R DF HPP PM PA

Identification of Risk			Current Scoring			Risk Mitigation		Target Scoring			Review		
Ref	Risk Overview	Risk Drivers	Likelihood	Impact	Risk rating	Existing Controls	Additional Requirements/ Controls	Likelihood	Impact	Risk rating	Previous Score	Direction of Travel	Risk Owner
						5. Lewisham's ICT Acceptable Use Policy – to restrict use that may leave the Council's systems vulnerable to attack.  6. Lewisham managed devices are password protected to prevent unauthorised access.	<ul style="list-style-type: none"> <li>Consider appointing an ICT Compliance Officer for reporting to the Pensions Board.</li> </ul>						
AG 11	<b>Inappropriate Decision-making.</b>	<ul style="list-style-type: none"> <li>High staff turnover at officer, PIC or Pension Board level.</li> <li>Lack of oversight at senior officer, PIC or Pension Board level.</li> <li>Undisclosed conflicts of interest.</li> <li>Decision making process is too rigid.</li> <li>Poor monitoring of political and public sector landscape.</li> </ul>	3	3	9	1. Oversight (but not decision making) by the Pension Board to assist the scheme secure compliance with relevant LGPS regulations; reviews and <b>comments</b> on governance, administration and decision-making within the scheme.  2. Knowledge and Training Policy in place for Pension Board members.  3. Investment Committee and Pension Board members are required to disclose conflicts of interest at meetings.  4. A Conflict of Interest Policy and Register of Interests is maintained.  5. Professional advice received from the Fund's investment adviser and actuary to aid decision-making.		2	3	6	9	-	ED R DF PIC PB
AG 12	<b>Operational Disaster – Fire/ Flood/ Pandemic</b>	<ul style="list-style-type: none"> <li>Risk that an event occurs which significantly impacts on operational delivery, e.g. flood, fire etc.</li> <li></li> </ul>	2	2	4	1. Business Continuity Plans are in place.  2. Remote and flexible working practices and policies enable staff to work away from the office, e.g.		2	2	4	64	↓	ED R DF

Identification of Risk			Current Scoring			Risk Mitigation		Target Scoring			Review		
Ref	Risk Overview	Risk Drivers	Likelihood	Impact	Risk rating	Existing Controls	Additional Requirements/ Controls	Likelihood	Impact	Risk rating	Previous Score	Direction of Travel	Risk Owner
						<p>increased use of digital platforms to communicate, multiple devices with which to work and communicate, etc.</p> <p>3. Documentation is saved on Council IT network, available from any location via a Council managed device or own devices via 2FA.</p> <p>4. Post Covid pandemic some flexibility enabling some meeting to be held virtually/hybrid.</p>							
<b>Regulatory and Compliance Risk</b>													
RC 02	<b>Non-compliance Risk – Statement of Accounts</b>	<ul style="list-style-type: none"> <li>Material misstatement due to incorrect accounting practices, poor judgement or breaches of the law that potentially result in a qualified audit opinion.</li> <li>Changes to accounting requirements that are incorrectly implemented.</li> <li>Poor quality of data and/or recordkeeping.</li> </ul>	2	3	6	<ol style="list-style-type: none"> <li>Qualified CCAB officers produce Statement of Accounts in accordance with the CIPFA Accounting Code of Practice.</li> <li>Accounts are reviewed by the Executive Director of Corporate Resources, also a qualified CCAB accountant.</li> <li>Reconciliations of key control accounts, custodian valuations, manager valuations, and the Fund's ledger.</li> <li>Reconciliations are reviewed and signed off by a second officer.</li> <li>External audit of accounts identifies audit findings which if implemented will avoid a qualified opinion.</li> </ol>	•	2	3	6	96	↓	ED DF
RC 02	<b>Non-compliance Risk - Other</b>	<ul style="list-style-type: none"> <li>Weak business processes that give rise</li> </ul>	3	3	96	<ol style="list-style-type: none"> <li>Officers engage in statutory consultation periods to obtain early</li> </ol>	.	2	3	6	9	↓	ED R



Identification of Risk			Current Scoring			Risk Mitigation		Target Scoring			Review		
Ref	Risk Overview	Risk Drivers	Likelihood	Impact	Risk rating	Existing Controls	Additional Requirements/ Controls	Likelihood	Impact	Risk rating	Previous Score	Direction of Travel	Risk Owner
		<p>to non-compliance through either poorly designed processes, not understanding the regulatory requirements, or not knowing the requirements exist.</p> <ul style="list-style-type: none"> <li>Inadequate staffing or training of staff to understand their responsibilities</li> </ul>				<p>sight of planned changes to legislation and increase understanding of changes.</p> <ol style="list-style-type: none"> <li>Members and officers attend relevant training events and conferences.</li> <li>Members and officers engage with formal and informal networks.</li> <li>Pension Board work plan is designed to cover all areas of applicable Fund governance and administration to help identify and avoid statutory breaches.</li> <li>A Breaches of the Law Policy and Breaches Log is in place.</li> <li>Professional advice from the Fund's investment adviser and actuary is available.</li> <li>Internal and external audit reviews.</li> <li>The Council provides legal support to review PIC papers, key fund documents, and provide general legal advice when required.</li> <li>Independent compliance reviews to assess the Fund's compliance to the Pension Regulator's Code of Practice and the Scheme Advisory Board Requirements.</li> </ol>							DF

# MINUTES OF THE PENSION BOARD

Monday, 11 March 2024 at 2.00 pm

MEMBER PRESENT IN PERSON: Stephen Warren (Chair).

MEMBERS PRESENT REMOTELY: Gary Cummins, Mark Booker, and Sherene Russell-Alexander.

OFFICERS PRESENT IN PERSON: Chris Flower (Treasury & Investment Manager), and Jasmine Kassim (Senior Committee Manager).

OFFICERS PRESENT REMOTELY: Katharine Nidd (Director of Finance), and Tony McGuinness (Head of Financial Strategy, Planning and Commercial).

There were no apologies for absence were received.

## Minutes

RESOLVED that the Minutes of the meeting of the Pension Board held on 15 December 2023, be confirmed, agreed, and signed as an accurate record.

### 2. Declarations of Interest

No interest was declared at the meeting.

### 3. Breaches Log

3.1 The Treasury and Investment Manager presented an update report to the Board about the Breaches Log.

3.1.1 The Board received the report, and noted that no breach occurred since the last meeting.

RESOLVED that the report be noted.

### 4. Actions Log

4.1 The Treasury and Investment Manager presented an update report to the Board about the Action Log.

4.1.1 The Board received the report, and noted that an item on the log, the Risk Register, would be considered in June 2024 to ascertain whether there should be additional controls and that the report would also contain reasons for tolerating risks when reviewing existing controls.

RESOLVED that the report be noted.

## **5. Training log and forthcoming training and events**

5.1 The Treasury and Investment Manager presented an update report to the Board about the Training log and forthcoming training events.

5.1.1 The Board received the report, and noted that following members had successfully completed the Pension Regulator Toolkit:

- Sherene Russell-Alexander; and
- Mark Booker

5.1.2 On behalf of the Board, the Chair, Stephen Warren, congratulated the members on their success, and he welcomed Mark Booker to his first Pension Board meeting in Lewisham.

RESOLVED that the report be noted.

## **6. General update - part one**

6.1 The Board received an update report about activities/events since the last meeting. The report was presented by the Head of Financial Strategy regarding the following:

### **6.2 Reporting and Monitoring Policy for Payment of Contributions**

6.2.1 The Board welcomed report that the draft Policy documents were related to procedures:

- on how the Admitted and Scheduled bodies pension schemes would be set up and how their payments and returns would be monitored;
- on how the payments would be received and reconciled to the Admitted and Scheduled Bodies returns to ensure that the correct employees and employer's contributions would be paid; and
- on how to report non-payments of contributions.

6.2.2 In response to an enquiry, the Director of Finance advised the Board that whilst the Council had not implemented such a policy in the past, it should be noted that existing practices were robust, indicated by the fact that there was nothing of significance that officers felt should be reported to the Pension Regulator in terms of lateness.

6.2.3 The Director of Finance also confirmed to the Board that the proposed Policy had outlined the definition of what a material payment should be for the Council in terms of lateness.

6.2.4 The Board noted that once that once the Policy was finalised and implemented, Officers would commence regular reporting to the Pension Regulator.

### 6.3 The Draft Administration Strategy

6.3.1 The Head of Financial Strategy, Planning and Commercial confirmed to the Board that the draft Administration Strategy was revised following comments at the last meeting, and that the updated version would be presented to the Pension Investment Committee (PIC) in June 2024 for approval.

6.3.2 The Board noted that once the draft was approved at a meeting of PIC, the final version would be brought back to the meeting for members to endorse for implementation.

**Action:**  
To present the approved  
Strategy to the Board

### 6.4 The Data Improvement Plan

6.4.1 The Head of Financial Strategy, Planning and Commercial advised the Board that there had been a delay in implementing the Data Improvement Plan due to an IT glitch and dealings with the supplier. It was stated that senior officers were informed because of the likelihood of slippages regarding the Council's pension funds readiness for the Pension dashboard.

6.4.2 In response to an enquiry, the Director of Finance clarified to the Board that while there was the likelihood for there to be some slippages because of the delay, the impact in terms of the readiness for the Pension's dashboard was unlikely because Council had built-in resilience for such mishaps. It was confirmed that a consultant had been appointed to manage the project implementation.

6.4.3 The Board also welcomed confirmation by the Director of Finance that because of the nature of the risk, the delay would be reflected in the Council's Risk Register as part of the regulatory compliance reporting process.

### 6.5 Other Pensions Business

6.5.1 The Board was advised by the Head of Financial Strategy, Planning and Commercial that the Pension Administrative team had sent out 1800 Life Certificates to all Pensioners from the age of 80 to 95, and that pension payments would be suspended for April's Pension to allow the return of 139 outstanding life certificates.

- Actions:**
- (1) Officers and report back on the frequency of life certificates.
  - (2) Officers to explain why pensioners between the ages 80 to 95 were selected in the circumstance.
  - (3) Officers to report back to the next meeting mechanisms for assessing pensioners for the return of life certificates.

## 6.6 **The Government's Consultation on Local Government Pension Scheme (LGPS Pension Funds)**

6.6.1 The Head of Financial Strategy, Planning and Commercial asked the Board to note the summary of the main points from the consultation exercise in the report.

6.6.2 The Board noted that officers attended an online meeting hosted by Local Government Pension Fund forum hosted with the LGPS Minister, and that they were benchmarking with other local authorities to share and learn best practice regarding the application of recent reforms to the LGPS pensions funds. The Director of Finance added that there would likely be additional reporting as of next year because of the reforms.

6.6.3 Commenting on paragraphs 7.4 and 7.5 in the report, the Board expressed a view that a shift in the budget statement relating to UK investment schemes could lead to a lot of occupational pension schemes having a very high UK exposure.

## 6.7 **The New General Code of Practice from the Pensions Regulator**

6.7.1 The Head of Financial Strategy, Planning and Commercial advised the Board that although the new General Code of Practice from the Pensions Regulator would come into force on 28 March 2024, organisations had greater flexibility on timing for implementation. It was confirmed that work was ongoing to identify and assess potential problems and how it would impact on the Council's practices in terms of its Pension Fund arrangements and processes, and the Risk Register.

6.7.2 Members expressed a view that implementation of the Code would be central to the work of the Board in terms of gap analysis of the existing practices against the requirements. Thus, as the first risk analysis should take place within 12 months of the first full scheme year, which would end on the 31<sup>st</sup> March 2025, it would be realistic to expect that the actions in that regard would be completed by the 31<sup>st</sup> March 2026.

### **Action:**

Officers to report at each meeting about the proposed actions, with a focus on the functions of the Board, and from the Pension Regulator's point of view.

RESOLVED that the updates in the report be noted.

## 7. **Work Programme**

7.1 The Treasury and Investment Manager presented an update report relating the Work Programme of the Board.

7.1.1 The Board received the report, and noted activities for the next four quarters.

7.1.2 Commenting on the list of work activities, the Director of Finance advised the Board that officials from the auditors KPMG had informed that they would not be starting work with the Council on 1 June 2024 due to other commitments that they had. Thus, the audit work would start in September 2024. Notwithstanding that, on the closure of accounts, the Council would comply with the change in deadline for publishing its financial statements. It was stated that the Council also had clear deadlines for internal reporting, with plans for audit work to be substantively completed by the end of November, although potential final markups could be finalised in January 2025.

**Action:**  
PIC and Board members to be kept apprised on progress.

RESOLVED that the report be noted.

## **8. Any Other Business**

There was no other business for consideration by the Board.

## **9. Future Meeting Dates**

It was confirmed that the next meeting of the Board would be held on 18 June 2024.

The meeting closed at 2.48pm

## Suggested Training and Events

Date	Time	Event	Organiser	Location	Cost & additional information	Web site
02/10/2024	All day	Defined Benefit Summit 2024	Professional Pensions	Yorkshire	Free	<a href="https://event.professionalpensions.com/definedbenefitsummit/en/page/home">https://event.professionalpensions.com/definedbenefitsummit/en/page/home</a>
09/10/2024	All day	Sustainable Investment and climate change issues conference	SPS Conferences	London	Free	<a href="https://www.spsconferences.com/conference-details-october-9-2024">https://www.spsconferences.com/conference-details-october-9-2024</a>
15-17/10/2024	All day	PLSA Annual Conference	PLSA	Liverpool	Free	<a href="#">Annual Conference   PLSA</a>
22/10/2024	All day	SPS Local Authority Pension Funds' ESG & Current Issues	SPS Conferences	Royal College of Surgeons, London	Free	<a href="https://www.spsconferences.com/conference-details-october-22-2024">https://www.spsconferences.com/conference-details-october-22-2024</a>
12/02/2025	All day	SPS Alternative and Real Asset Investments Conference	SPS Conferences	London	Free	<a href="https://www.spsconferences.com/conference-details-february-12-2025">https://www.spsconferences.com/conference-details-february-12-2025</a>

# **LONDON BOROUGH OF LEWISHAM PENSION FUND**

## **Draft Business Plan 2024-25**



# **CONTENTS**

- 1. Introduction**
- 2. Code Of Practice**
- 3. Key Documents To Be Considered By The Committee**
- 4. Major Milestones**
- 5. Knowledge, Development And Training**
- 6. Monitoring The Performance Of Fund Managers**
- 7. Administrative Targets For The Committee Members**
- 8. Pension Fund Committee Meetings Timetable**

**Appendix A – Training and events**

## **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 to be undertaken by the Committee during 2024/25 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 2024-25.

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.

1.4 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 1<sup>st</sup> 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**

The Funding Strategy Statement ("FSS") was approved in February 2023. The FSS 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 updated ISS was approved by PIC in June 2023

#### **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 2024-25

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

##### Work programme for 2024/25

Milestone	Date
Review and Evaluation of the Business Plan	September 2024
Administration Strategy	November 2024
Data Improvement Plan	November 2024
Engagement Policy	September/November 2024
Draft Pension Fund Accounts presented	November 2024
Approval of the Pension Fund Annual Report	November 2024
Actuarial and advisory procurement contract	Sept – Nov 2024
Review performance of fund managers	Quarterly Performance Report presented at each meeting
Review Net Zero Pathway Report	September 2024
Review Climate Risk Report	September 2024
Training sessions for members	Meet the Manager each meeting and other training to be confirmed

##### List of All Policies and Reports

Policies and Reports	Provided by	Approval required by:	Date Approved	Timetable for review	Review every
Acceptance of the triennial valuation report produced by the Fund Actuary	Actuaries	Officers	January 2023	January 2026	3 years
Funding Strategy Statement*	Pension Advisors	PIC	March 2023	March 2026	3 years
Investment Strategy Statement*	Officers	PIC	June 2023	March 2026	3 years
Communications Strategy*	Officers	PIC	November 2022	November 2025	3 years
Engagement Policy	Pension advisors and Officers	PIC		September/November 2024	3 years
Pension Administration Strategy*	Officers	PIC		November 2024	3 years
Annual Business Plan*	Officers	PIC	June 2023	September 2024	1 years
Annual Report and Statement of Accounts (by 1 December)*	Pension advisors and Officers	PIC	November 2023	November 2024	1 Year

Governance compliance statement*	Officers	PIC	November 2023	November 2024	1 year
Pathway to Net Zero Policy	Pension advisors and Officers	PIC	September 2023	September 2024	1 Year
Review the appointment of Additional Voluntary Contribution providers.	Officers	Officers	June 2021	September 2026	5 years
Review the appointment of investment managers, consultants and the custodian.	Officers	Officers		September 2024	10 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:

<b>Induction</b>	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.
<b>Pension Investment Committee papers</b>	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.
<b>Annual meetings with Fund Managers</b>	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.
<b>A range of seminars and conferences</b>	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.
<b>Quarterly economic updates</b>	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 the Pension Investment Committee meetings or as separate meetings, 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 2024/25 programme will be based on the requirements from members and a list of training and events can be seen in Appendix A.

5.5 In addition to any formal training 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 members 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. Monitoring 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:

<u>At each meeting</u>	To receive a general business update from officers to cover items of interest that have occurred since the last meeting.
	To review investment performance
<u>Half-yearly</u>	To consider the Director of Finance report in respect of Risk Register
<u>As required</u>	To receive a list of training and events
	To review 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
<u>Direct from LAPFF</u>	To receive the minutes and updates from the Local Authorities Pension Fund Forum (LAPFF)

## Appendix A - Suggested Training and Events

Date	Time	Event	Organiser	Location	Cost & additional information	Web site
02/10/2024	All day	Defined Benefit Summit 2024	Professional Pensions	Yorkshire	Free	<a href="https://event.professionalpensions.com/definedbenefitsummit/en/page/home">https://event.professionalpensions.com/definedbenefitsummit/en/page/home</a>
09/10/2024	All day	Sustainable Investment and climate change issues conference	SPS Conferences	London	Free	<a href="https://www.spsconferences.com/conference-details-october-9-2024">https://www.spsconferences.com/conference-details-october-9-2024</a>
15-17/10/2024	All day	PLSA Annual Conference	PLSA	Liverpool	Free	<a href="#">Annual Conference   PLSA</a>
22/10/2024	All day	SPS Local Authority Pension Funds' ESG & Current Issues	SPS Conferences	Royal College of Surgeons, London	Free	<a href="https://www.spsconferences.com/conference-details-october-22-2024">https://www.spsconferences.com/conference-details-october-22-2024</a>
12/02/2025	All day	SPS Alternative and Real Asset Investments Conference	SPS Conferences	London	Free	<a href="https://www.spsconferences.com/conference-details-february-12-2025">https://www.spsconferences.com/conference-details-february-12-2025</a>





# Agenda Item 5



## Pensions Investment Committee

### Exclusion of the Press and Public

**Date:** 19 September 2024

**Key decision:** No

**Class:** Part 2

**Ward(s) affected:** All

**Contributors:** Interim Director of Finance / Treasury Investment Manager

### Outline and recommendations

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

### Recommendation

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

6. Quarterly Investment monitoring cover report
7. General Report – Part Two
8. Meet the Manager – Presentation from HarbourVest
9. Pooling considerations cover report
10. Update on Climate Risk and Net Zero cover report
11. Engagement Policy cover report

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 7

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of the Local Government Act 1972.

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# Agenda Item 8

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

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# Agenda Item 9

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