



Pension Investment Committee

General Update

Date: 8 November 2022

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. Agree that the Chair, in discussion with officers, submit the annual statement of compliance with Part 7 of the Competition and Markets Authority (CMA) 2019 Order before the deadline expected in January 2023.

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.

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.

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2. Recommendations

2.1. The Committee are asked to:

1. review and note the contents of the report;

Agree that the Chair, in discussion with officers, submit the annual statement of compliance with Part 7 of the Competition and Markets Authority (CMA) 2019 Order before the deadline expected in January 2023

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. Competition and Markets Authority 2019 Order Regarding Objective Setting for Investment Consultants

5.1. In December 2018 the Competition and Markets Authority (CMA) published the results of its investigation into the investment consultancy market, which looked at the supply and acquisition of investment consultancy and fiduciary management services in the UK. In June 2019, it issued report that required the Trustees of Local Government Pension Schemes to set objectives for their investment consultants.

5.2. The Board is required to complete a return to the CMA setting out the Fund's strategic objectives and linking them to the investment strategy and proposing objectives for the Fund's investment consultants. At the time of writing we are still waiting for the return from the CMA.

5.3. It is recommended that the Chair, in discussion with officers, signs the Competitions and Market Authorities return before the deadline of early January 2023.

6. Retendering advisor and actuary

6.1. This activity remains on hold at present due to the current triennial valuation and the detailed work that is being undertaken by the actuary. Changing advisor or actuary at this time would be incredibly challenging.

6.2. The nature of the Council's rolling contract with Hymans Robertson for these services means work can continue without putting the administration of the Fund at risk. It is intended that the retendering will be scheduled to ensure that once the valuation has concluded and the new investment strategy and

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principles have been agreed, the new advisory contract is in place to support the detailed planning and delivery of the implementation of this. It is expected that this is returned to later in 2022/23.

7. Pension Board

- 7.1. 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.
- 7.2. A Pension Board has held meetings on 18 March, 22 June 2022 and 5 October and will continue to meet quarterly. The date of the next meeting is 14 December 2022.
- 7.3. The Chair has outlined his expectations of the board and it has agreed a work programme for the year which will be reviewed on a quarterly basis.
- 7.4. The board members have agreed a training programme for each individual member, including the Pension Regulator's Toolkit of online training, as well as having training sessions in the hour before each meeting.
- 7.5. The workplan and the initial priority actions have been programmed in the context of the AON review from 2019 to ensure that those areas of weakness are addressed in addition to the expected cycle of work for the Board.
- 7.6. The draft minutes from the 5 October 2022 Pension Board and its work programme for the next 12 months have been appended to this report as Appendix 1 for the Committee's information.

8. Training

- 8.1. A selection of conferences, workshops and seminars continue to be shared with Members. Should members find any of the sessions of interest, or have identified other training they would like to attend, please can they keep the Governance Team informed. Members' training records are published annually in the Annual Report, to be finalised by November each year.
- 8.2. The recommended sessions form part of the main training offer to Members; other sessions arranged by fund managers or the Fund's advisors will also form part of regular Committee business. It is vital that Members develop and maintain their knowledge of the overall sector, and in particular the LGPS, for preserving our professional client status under MiFID II regulations. Should Fund Managers deem the Committee to be lacking in knowledge or ability, it is within their powers to withdraw their services.
- 8.3. Officers continue to recommend the excellent training tools available via the Pensions Regulator at: <http://www.thepensionsregulator.gov.uk/public-serviceschemes/learn-about-managing-public-service-schemes.aspx>. However, please note that the focus of the toolkit is on the administration and governance of the scheme and not on fund investment. Other useful sources include the free to attend SPS conferences at www.spsconferences.com or specific training can be arranged on selected topics as needed.

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- 8.4. At the September 2022 meeting Hymans delivered asset valuation training and stewardship introductory training. At the November 2022 meeting Hymans delivered Asset Liability Modelling Training.
- 8.5. It is proposed that the Meet the Manager for the February 2023 will be with Schroders. We would like Schroders to cover investment performance, changes they've made to the portfolio, in particular any tilt towards sustainability-focused property investments and a general outlook for property.
- 8.6. It is suggested that a session be held in February to brief the Committee on the Taskforce on Climate-related Financial Disclosures (TCFD) framework, which is likely to introduce requirements from 2022/23 (with reporting likely to commence by the end of 2023).
- 8.7. Net Zero: Introduce the concept of Net Zero and explore what this might mean for the Fund alongside its climate ambitions. Given the training dates outlined above it is proposed that this be delivered in early 2023. Alternatively additional training sessions separate to the meeting cycle will be offered.

9. Financial implications

There are no financial implications arising directly from this report.

10. Legal implications

- 10.1. In line with the Council's Constitution and the Committee's Terms of Reference within, as the administering authority for the Fund, the Council must review the performance of the Fund's investments at regular intervals and review the investments made by Fund Managers quarterly.
- 10.2. The Pension Regulations require that the Council has regard to the proper advice of its expert independent advisors in relation to decisions affecting the Pension Fund. They must also have regard to the separate advice of the Chief Financial Officer who has statutory responsibility to ensure the proper administration of the Council's financial affairs, including the administration of the Pension Fund.
- 10.3. Remedy 7 of the CMA Investment Consultancy and Fiduciary Market Investigation Order 2019 ('the Order') imposes an obligation on Pension Scheme Trustees to set strategic objectives for their Investment Consultants. The Order states that if Trustees do not set strategic objectives for their investment consultants, they "must not enter into a contract with an Investment Consultant Provider for the provision of Investment Consultancy Services or continue to obtain Investment Consultancy Services from an Investment Consultancy Provider".
- 10.4. It is expected that Remedy 7 will be implemented by MHCLG as an amendment to the ISS statutory guidance in order that it be applicable to LGPS funds. LGPS authorities will be obliged to implement strategic objectives once the revised statutory guidance is in force. Although this guidance is not expected to be published until later in the year, authorities should be aware that they may be subject to challenge under Part 7 of the Order from 10 December 2019.

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11. Equalities implications

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

12. Climate change and environmental implications

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

13. Crime and disorder implications

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

14. Health and wellbeing implications

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

15. Background papers

15.1. None.

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16. Report author and contact

16.1. David Austin, Finance Director

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