



Pension Investment Committee

General Update

Date: 8 June 2023

Key decision: No.

Class: Part 1.

Ward(s) affected: None specifically

Outline:

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

Recommendation:

The Committee are asked to:

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

Timeline of engagement and decision-making

This 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:
- 2.2. review and note the contents of the report;
- 2.3. note the current position regarding the Statement of Accounts 2021/22;
- 2.4. note the publication of the Funding Strategy Statement;
- 2.5. note and approved the updated Investment Strategy Statement;
- 2.6. note the Climate Metrics Analysis

3. Policy Context

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

4. Background

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

5. 2021/22 Statement of Accounts and Annual Report

- 5.1. The audit has not yet concluded due to a national issue in the valuation of the pension fund liability as at 31 March 2022. The Actuaries have reviewed the pension valuations and revised the Council's pension liability and life expectancy assumptions. The notes in the main Statement of Accounts have been amended to reflect the change in the Council's pension liability.
- 5.2. The Pension Fund Accounts life expectancy assumption note has been amended to reflect the change in the revised liability calculations. There has been not a change to the Pension Fund Annual report.
- 5.3. The auditors are holding the completed Statement of Accounts until they are satisfied on how to reflect these changes across all local authority accounts. Once they are satisfied the auditors will sign the accounts.
- 5.4. It remains that the Council has delegated to the Section 151 Officer the approval and agreement of the final Statement of Accounts for 2021/22, and to agree that the Chair will, in consultation with officers, agree the final

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Pension Fund Annual Report 2021/22 for publication.

6. Retendering advisory and actuarial services

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

7. Funding Strategy Statement

- 7.1. The triennial valuation has completed and the results of this were presented to the Committee in draft form in November 2022 and in final form in February 2023. In addition to the results of the valuation, the Committee was presented and reviewed the draft Funding Strategy Statement (FSS) at the February meeting.
- 7.2. A delegation was provided to the Executive Director of Corporate Resources to agree any final changes to the draft FSS to enable the publication of this by the statutory deadline of the 31 March 2023.
- 7.3. The Committee is asked to note that the FSS was finalised, with no substantive changes to the draft reviewed by the Committee, and has been published on the Fund's website as required.

8. Investment Strategy Statement (ISS)

- 8.1. The ISS was updated and approved in June 2022, following detailed discussion and agreement with the Committee.
- 8.2. The triennial valuation results have not necessitated material changes to the Fund's asset allocation and therefore to the ISS, but the Committee has since developed and adopted a Responsible Investment Beliefs Statement which supports the ISS.
- 8.3. The ISS report includes the newly adopted Responsible Investment Beliefs Statement as an appendix to create a single document. (see Appendix 2) This provides greater clarity and understanding of how the Committee beliefs support and underpin the Fund's ISS and so the Committee is asked to note that these have now been published as a single document.

9. Climate Metrics Analysis (focused on TCFD)

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

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- 9.3. The report highlights the significant progress the Fund has made during the past 4 years, in managing its climate risk exposure. There are a number of key, positive conclusions from the 2023 analysis, which reflect the commitment of the Fund's Officers and PIC in delivering reduced climate risk exposure for the Fund's listed investments:
- In relation to absolute emissions and emissions-per-£m-invested, the Fund's aggregate figures are more than 70% lower than the benchmark emissions figures.
 - Weighted average carbon intensity figures for the Fund are also more than 70% lower than the benchmark intensity figures.
 - The 2023 analysis also demonstrates the significant reduction in carbon emissions and carbon intensity of more than 85% since the Fund's carbon foot-printing exercise of 2019.
- 9.4. These significant reductions in climate risk exposures were driven by the PIC's decision to transition the entirety of its global market-cap-weighted equities to sustainable equity strategies that seek to dramatically reduce carbon emissions now, whilst also focusing on forward-looking climate risk measures.

10. Pension Board

- 10.1. The Pension Board has a full membership of two employee representatives and two employers' representatives and an independent Chair. A clerk has also been appointed to support the board.
- 10.2. The Pension Board held a meeting on 16 March 2023 and has quarterly meeting dates booked for 2023/24. The date of the next meeting is 26 June 2023.
- 10.3. The Chair has outlined his expectations of the board and it has agreed a work programme for the year which will be reviewed on a quarterly basis.
- 10.4. The board members have agreed a training programme for each individual member, including the Pension Regulator's Toolkit of online training, as well as having training sessions in the hour before each meeting.
- 10.5. The workplan and the initial priority actions have been programmed in the context of the AON review from 2019 to ensure that those areas of weakness are addressed in addition to the expected cycle of work for the Board.
- 10.6. The minutes from the 16 March 2023 Pension Board meeting has been appended to this report as Appendix 1 for the Committee's information.

11. Training

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

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- 11.2. The recommended sessions form part of the main training offer to Members; other sessions arranged by fund managers or the Fund's advisors will also form part of regular Committee business. It is vital that Members develop and maintain their knowledge of the overall sector, and in particular the LGPS, for preserving our professional client status under MiFID II regulations. Should Fund Managers deem the Committee to be lacking in knowledge or ability, it is within their powers to withdraw their services.
- 11.3. Officers continue to recommend the excellent training tools available via the Pensions Regulator at: <http://www.thepensionsregulator.gov.uk/public-serviceschemes/learn-about-managing-public-service-schemes.aspx>. However, please note that the focus of the toolkit is on the administration and governance of the scheme and not on fund investment. Other useful sources include the free to attend SPS conferences at www.spsconferences.com or specific training can be arranged on selected topics as needed.
- 11.4. On 11 May Hymans delivered a workshop on Net Zero Considerations, and important training session to assist the Committee in its deliberation and assessment to enable it to set a Net Zero target for the Fund later this year.
- 11.5. Meet the Manager for the June meeting will be looking at the investments into Infrastructure. LCIV Renewable Infrastructure Fund and JP Morgan will make presentations to the meeting. They will cover investment performance, changes they've made to the portfolio (in particular any tilt towards sustainability-focused infrastructure investments), and a general outlook.
- 11.6. Meet the Manager for September we are planning to have HarbourVest looking at Private Equity and for November we will invite BlackRock to talk about Bonds. February 2024 we will invite Storebrand to look at the performance since our investment and what the future looks like.
- 11.7. Additional training sessions separate to the meeting cycle will be offered and the subjects and dates will be circulated to all members after the results of the Knowledge and Skills Audit have been assessed.

12. Financial implications

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

13. Legal implications

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

14. Equalities implications

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

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15. Climate change and environmental implications

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

16. Crime and disorder implications

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

17. Health and wellbeing implications

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

18. Background papers

Appendix 1 – Pension Board minutes of March 2023 meeting.

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

19. Report author and contact

19.1. David Austin, Finance Director

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