



Pension Investment Committee

General Update

Date: 7 September 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 and 2022/23;
3. note the Consultation LGPS (England and Wales): Next steps on investments

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 and 2022/23;
- 2.4. note the Consultation LGPS (England and Wales): Next steps on investments.

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 Annual Report and Accounts for the London Borough of Lewisham Pension Fund Accounts 2021/22 have been signed by the auditors and the Chair of PIC and has been published.
- 5.2. There have been no further changes to the Annual Report and Accounts since the accounts were reported to PIC at the June meeting.
- 5.3. The Annual Report and Accounts have been published on the Lewisham Pension web site: <https://www.lewishampensions.org/resources/>

6. 2022/23 Statement of Accounts and Annual Report

Work on the audit of the Lewisham Pension Fund Accounts 2022/23 has started and the main audit work will take place in September and October.

The Annual Report must be published by 1 December 2023 so it will be presented at the November Pension Investment Committee meeting.

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7. Retendering advisory and actuarial services

- 7.1. The retendering of the advisory and actuarial services contracts will commence in September 2023.

8. Pension Board

- 8.1. 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.
- 8.2. The Pension Board held a meeting on 26 June 2023 and has quarterly meeting dates booked for 2023/24. The date of the next meeting is 25 September 2023.
- 8.3. 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.
- 8.4. 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.
- 8.5. 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.
- 8.6. The minutes from the 26 June 2023 Pension Board meeting has been appended to this report as Appendix 1 for the Committee's information.

9. Training

- 9.1. A selection of conferences, workshops and seminars continue to be shared with Members. See Appendix 2. 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.
- 9.2. 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.
- 9.3. 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

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specific training can be arranged on selected topics as needed.

- 9.4. Meet the Manager for the November meeting will LGIM (Legal and General Investment Management) and will discuss the Build to Rent investments in housing. LGIM will make presentations to the meeting. They will cover investment performance, changes they've made to the portfolio (in particular any tilt towards the social and private housing markets), and a general outlook.
- 9.5. 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 Member's Knowledge and Skills Assessments have been reviewed.

10. Consultation LGPS (England and Wales): Next steps on investments

- 10.1. The government consultation on Local Government Pension Scheme (LGPS) [Local Government Pension Scheme \(England and Wales\): Next steps on investments - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-next-steps-on-investments) investments has been issued and Hymans have published a briefing note for consideration the main points are listed below: See Appendix 3.
 - a) Pooling should be completed as quickly and extensively as possible, where it is achieving clear benefits for funds. The government supports pooling and has a desire for the pace to increase. The previous requirement for pools to have AUM of £25 billion has increased to £50-75 billion currently the London CIV has AUM of £28 billion.
 - b) There is a possible requirement for liquid assets to be pooled by 31 March 2025.
 - c) The government needs to consider its approach on the use of passive assets.
 - d) The government has proposed that pools specialise in areas of in-house management where they are particularly strong. This could allow pools to dedicate greater focus and resources on their own area of specialism and allow for greater pooling of assets in each area.
 - e) High level investment strategy decisions including setting investment objectives and risk appetite should remain with pensions committees.
 - f) The government needs to provide clarity on financing support for Levelling Up and what is the role of LGPS.
 - g) Its not appropriate for government to prescribe allocations to specific asset classes, given the fiduciary responsibilities of individual authorities.
 - h) The government in its consultation has a preference for a single model of pooling based on an asset manager with significant assets under management that it has full responsibility for, that itself is fully owned by its member funds. One single approach may not be better than the rest. There is strength in having different approaches and this should be preserved.
 - i) Further clarification from government on role and scope of private equity investments would be useful. There is a suggestion that that private equity should be increased to 10% (Lewisham Pension Fund is 3%).

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- j) Officers and advisors will respond to the consultation by the deadline of 2 October 2023.

11. Financial implications

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

12. Legal implications

- 12.1. 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.

13. Equalities implications

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

14. Climate change and environmental implications

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

15. Crime and disorder implications

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

16. Health and wellbeing implications

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

17. Report author and contact

- 17.1. For more information please contact Katharine Nidd, Director of Finance, 1st Floor Laurence House, 020 8314 6651, Katharine.Nidd@lewisham.gov.uk
- 17.2. Financial implications: Tony McGuiness Interim Head of Strategic Finance, Planning and Commercial

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