



Pension Board

Report title: General Update – part 1

Date: 11 March 2024

Key decision: N/A

Class: Part 1

Ward(s) affected: N/A

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1. Summary

- 1.1. This paper presents any standing items on the agenda and provides the Board with an update on several general matters that have arisen since the last meeting.

2. Recommendations

- 2.1. Members are recommended to:
- note the Reporting and Monitoring Policy for payment of contributions.
 - note the update on the draft Administration Strategy
 - note the update on the Data Improvement Plan
 - note the Government Consultation on LGPS Pension Funds
 - note the New General Code of Practice from the Pensions Regulator

Current Considerations

3. Reporting and Monitoring Policy for Payment of Contributions

- 3.1. This policy (see Appendix 2) documents the procedures on how the Admitted and Scheduled bodies pension schemes are set up and how their payments and returns are monitored.
- 3.2. The policy sets out how the payments are received and reconciled to the Admitted and Scheduled Bodies returns to ensure that the correct employees and employers contributions are paid.
- 3.3. The policy also set out the definition of what is a material payment and the course of

action to be taken if payments are not received.

- 3.4. If the payments are not received this is reported to the Director of Finance and then reported to the the Pension Regulator and members.

4. Update on the Draft Administration Strategy

- 4.1. The draft Administration Strategy was reviewed at the last pension board meeting.
- 4.2. The comments from the last pension board have been reviewed and the report has been updated.
- 4.3. The draft Administration Strategy will be presented to the next meeting of the Pension Investment Committee in June 2024.
- 4.4. Once the draft Administration Strategy has been approved by the Pension Investment Committee it will be brought back to the Pension Board.

5. Update on the Data Improvement Plan

- 5.1. Officers have been delayed in implementing the new software system for the Data Improvement Plan by issues with the supplier and our IT system. This has been escalated to senior officers as this delay may have an impact on Lewisham pension funds readiness for the Pension dashboard .

6. Other Pensions Business

- 6.1. The Pension Administration team sent out 1800 Life Certificates to all Pensioners from the age of 80 to 95. We are still waiting for 139 returns and the pension payments will be suspended for April's Pension payroll for all those not returning their life certificates.

7. Government Consultation on LGPS Pension Funds

- 7.1. The main points are:
 - Increased scale, with a smaller number of pools in excess of £50bn of assets, to achieve further fee reductions and access to larger investment projects. Merger may be required for any pools which remain below £50bn even after all assets are pooled.
 - All liquid assets to be pooled by 31 March 2025, with a preference for assets to be under pool "ownership", rather than the pool serving an oversight role. Pooling of illiquid assets is also to be considered within this timeframe, but no firm deadline has been set for these.
 - In-house investment management within the pools to grow, reducing or removing the additional layer of third-party manager fees.
 - Pools to specialise and collaborate, with funds to access in-house management in specific investment areas in other pools if their own pool doesn't provide this. Competition between pools is explicitly discouraged.
 - Increased reporting by funds of progress on pooling assets in the Investment Strategy Statement and annual report, including explanations for assets that are not intended to be pooled.
 - The setting of investment strategy is to remain with administering authorities, but with this defined as the "broad instruction regarding asset classes and level of risk". The implementation decisions below that broad definition are to be delegated to pools, including the ability to move quickly with assets as

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opportunities arise. The consultation also states that pools should be “actively advising funds regarding investment decisions, including investment strategies”.

- Formal training of pension committee members will be required, with regular reporting of training undertaken.
- Increased transparency of reporting of assets held by funds, with greater detail on asset allocation and pooling progress in annual reports and by the LGPS Scheme Advisory Board.

Meeting with the LGPS Minister Simon Hoare MP

- 7.2. Last month the LAPFF (Local Government Pension Fund Forum) hosted an online meeting with the LGPS minister, Simon Hoare MP. The minister said that now the local government settlement was out of the way he would be concentrating on the reforms to the LGPS pensions funds.
- 7.3. The minister covered the issue of pooling and the expectations that had been outlined in the Chancellor’s Mansion House speech. He stated that there was a comply or explain approach, but wanted to see funds complying.
- 7.4. He said that he wanted to work with the LGPS, to continue to engage with the APPG (All Party Parliamentary Group) and outlined his intention to hold a series of roundtables in the coming weeks with the sector, which could cover the idea of having fewer funds outlined in the government’s response to the recent consultation. He acknowledged that there had been some disquiet around the 5% figure allocated for levelling up. He noted in questions that fiduciary duties had always to be met, but that there was an opportunity to deliver public benefit from public pension funds.
- 7.5. He outlined plans for revised guidance for funds to publish formal training policies for committee members, updating statutory guidance on enhanced conflicts of interest policies and updating guidance on annual reporting.

8. New General Code of Practice from the Pensions Regulator

- 8.1. A new general code of practice issued by The Pensions Regulator (TPR) should help improve the operation of pension schemes and manage risk for both members and trustee boards, an expert has said.
- 8.2. TPR’s new general code – which consists of 51-topic based modules- has been laid before parliament and is expected to come into force on 27 March 2024. TPR recently published its final response to a consultation on the new code, explaining some of the main changes compared to previous drafts. Its aims are to improve pension scheme governance and consolidate 10 of the regulator’s existing codes, updating them as well as adding new requirements for schemes.
- 8.3. New obligations include a requirement to establish an effective system of governance (ESOG) and, for schemes with 100 members or more, to complete their own risk assessment (ORA) to examine the effectiveness of the ESOG, note any risks and determine how these potential risks are mitigated. TPR expects that ORA will be a more straightforward project for pension schemes under the new general code. For example, schemes will not be required to duplicate work where existing risk assessments already fulfil ORA expectations.
- 8.4. The code will also provide organisations with greater flexibility on timing, meaning they can use their own timetable provided the entire ORA is completed at least every three years. The deadline for the first ORA is now as set out in regulations, to allow at least 12 months from the last day of the scheme year beginning after the code takes effect, and longer in many cases. Greater control of scheme risk for members, trustees and corporate sponsors aims to help reduce member complaints, costly settlements and corporate reputational damage.

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8.5. TPR has confirmed that the new ESOG requirements are predominantly a rebadging of things well-run schemes should be doing already, and the ESOG can incorporate existing policies and procedures. The final code includes some other key changes following consultation – for example,

- the proposed 20% cap on unregulated investments has been removed; the two-year period for reviewing service appointments has been extended to three years;
- there is confirmation that TPR expects changes to registrable information to be made as soon as reasonably practicable and not at the next scheme return.
- Schemes are also encouraged to consider their diversity and inclusion practices in a number of code modules.

8.6. The changes will likely take time to implement but planning is already in progress.

9. Financial implications

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

10. Legal implications

10.1. There are no direct legal implications arising from this report.

11. Crime and disorder implications

11.1. There are no crime and disorder implications directly arising from this report

12. Climate change and environmental implications

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

13. Appendices

Appendix 2 – Reporting and Monitoring Policy for Payment of Contributions

14. Report author and contact

14.1. If there are any queries on this report or you require further information, please contact either:

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