



## 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.

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## **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.

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## 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

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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

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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)

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