

Pension Investment Committee			
REPORT TITLE	Pension Investment Committee Pensions update		
KEY DECISION	No	Item No:	
WARD	N/A		
CONTRIBUTORS	Head of Corporate Resources		
CLASS	Part 1	Date:	September 8 2016

1. PURPOSE

- 1.1. This paper provides members with an update on pension related matters in the last period.

2. RECOMMENDATION

- 2.1. Members are asked to note this report.

3. BACKGROUND

- 3.1. This briefing will provide a summary of current topics and follows up on action requested in previous meetings.

4. CURRENT CONSIDERATIONS

Pension Board

- 4.1. The Pension Board has not met in the last quarter. As noted at the previous update, following recent changes, the membership needs to be revisited to reset the Board.
- 4.2. As well as the changes to membership expected above, the Audit Panel has identified an independent member who has the recent and relevant experience and has accepted to serve as the independent Chair of the Pension Board.

Actions arising from previous Pension Investment Committee:

- 4.3 None, although completion of the due diligence on the Invesco mandate is outstanding and will be progressed as both urgent and important.

Collective Investment Vehicle (CIV)

- 4.4 The Joint Committee continue to meet, with the Chair of PIC attending. The next meeting has been pushed back to October to follow the CIVs first Annual General Meeting in September.

- 4.5 None of the funds transitioned to the CIV to date have been ones Lewisham are invested in. Further prospectus for transitioning funds from individual local authority mandates to pooled funds in the CIV are expected. However, work on this has slowed as the focus has been on responding to government consultations (see below) and adjusting to some of the conclusions from those consultations.
- 4.6 In addition to the investment management aspects and following the withdrawal by State Street of their LGPS benchmarking offering, the CIV are considering procuring a replacement service for themselves and members to help maintain effective performance monitoring across the sector. Lewisham are in support of this and participated in the benchmarking done for the response to government consultation on pooling in June.

Triennial fund valuation in 2016

- 4.7 The fund is being valued by our actuaries at the 31 March 2016. Training on the principles and timetable for the valuation was run for members on the 17 March and the investment considerations that flow on from this work were discussed at the June PIC meeting.
- 4.8 All the required inputs from the Council, admitted and scheduled bodies in the scheme have been submitted to the actuaries. The next meeting to discuss progress with the valuation is on the 8 September.
- 4.9 Once the valuation results are known – scheduled for the November meeting - then PIC can consider what changes, if any, it may wish to make to the fund structure and mandate priorities. These will also need to be stated in revisions to the Funding Strategy Statement, Risk Register and Investment Strategy documents. They will not make this year's annual report (due by December 2016) but do need to be agreed and in place for April 2017.

Government policy changes

- 4.10 The government continues to progress proposals for LGPS investment activities to merge into six regional funds and adopt certain sovereign wealth fund characteristics. In particular investments in infrastructure schemes.
- 4.11 Lewisham responded in February 2016 to align itself to the London CIV as a regional fund and supported the London CIV submission to the second phase of the consultation in July 2016. To date the government has confirmed that the London CIV (governance, strategy, operations) meets the expected criteria and that administering authorities will remain responsible for their pension fund strategies and investment decisions.

- 4.12 However, the government has also published a list of exemptions for initial funds that do not have to be moved into pools on any fixed timescales. This is to avoid any unnecessary costs (e.g. selling of life funds to invest in ACS appointed passive mandates) or timing losses to be incurred by administering authorities (e.g. sale of property or private equity portfolios). These exemptions covers over 90% of Lewisham's current mandates. Officers are in discussion with the CIV to understand the implications and this point will be returned to in future updates for PIC.

Team changes and training

- 4.13 During April a temporary Pensions officer was recruited to support the completion of the year end activities and preparation of the Pension Fund accounts. Work is now in hand to recruit on a permanent basis to the post of Pensions and Treasury manager in 2016.
- 4.14 Officers continue to recommend the excellent training tools available via the Pensions Regulator at: <http://www.thepensionsregulator.gov.uk/public-service-schemes/learn-about-managing-public-service-schemes.aspx>. In addition, as members have feedback that this was also a helpful resource, copies (or links) to the Russell's Fiduciary Handbook are available.
- 4.15 In the last quarter officers have also highlighted training events that have come up with free spaces, in particular the SPS events. Should members have identified other training they would like to attend please can they keep the governance team or David Austin informed.

Other matters

- 4.16 The external audit of the financial statements by Grant Thornton is largely completed (i.e. all testing done) with the final findings and recommendations to be reported to the Audit Panel in September. Some non-material adjustments were identified during the audit which, nonetheless, officers have processed and updated the accounts for. These were mainly due to coding and timing errors identified during the audit. The impact is in the employer and employee contribution balances and related debtors and creditors between the fund and the Council.
- 4.17 Certain technical regulations are currently being consulted on that, depending on their conclusion, may impact the UK LGPS from 2018. The main one is MIFID II from Europe which could see administering authorities classed as retail investors rather than professional investors. The impact would be to fundamentally change the types of mandates the Council might be able to invest in, unless those concerned with the funds governance and operation could demonstrate they meet the necessary professional standards. Officers are

monitoring these and consulting with advisors and will feedback in future updates as the implications and timing of them becomes clearer.

5. LEGAL IMPLICATIONS

5.1. There are no legal implications arising directly from this report.

6. FINANCIAL IMPLICATIONS

6.1. There are no financial implications arising directly from this report.

7. CRIME AND DISORDER IMPLICATIONS

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

8. EQUALITIES IMPLICATIONS

8.1. The Equality Act 2010 became law in October 2010. The Act aims to streamline all previous anti-discrimination laws within a Single Act. The new public sector Equality Duty, which is part of the Equality Act 2010, came into effect on the 5 April 2011.

8.2. The Council's Comprehensive Equality Scheme for 2012-16 provides an overarching framework and focus for the Council's work on equalities and helps ensure compliance with the Equality Act 2010. No direct equalities implications have been identified, in terms of adverse impact, with respect to the Council's obligations under the Equality Act 2010.

9. ENVIRONMENTAL IMPLICATIONS

9.1. There are no environmental implications directly arising from this report.

10. BACKGROUND DOCUMENTS

10.1. None

For further information on this report please contact:

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