

Local Pension Board

Wednesday 11 October 2023
10.00 am
Meeting Room 224, 160 Tooley Street

Membership

Mike Ellsmore (Independent Chair)

Dominic Cain (Vice Chair) – Employer Representative

Allan Wells – Employer Representative

Mike Antoniou – Schools Employer Representative

Diana Lupulesc – Employee Representative

Stuart Mumford – Employee Representative

Tony O'Brien – Retired Employee Representative

Local Pension Board

Wednesday 11 October 2023
10.00 am
Meeting Room 224, 160 Tooley Street

Order of Business

Item No.	Title
	PART A – OPEN BUSINESS
1.	SOUTHWARK COUNCIL – SCHEME EMPLOYER ISSUES
2.	TRAINING SESSION – COST TRANSPARENCY INITIATIVE
3.	APOLOGIES FOR ABSENCE AND SUBSTITUTIONS
4.	NOTIFICATION OF INTENTION TO CONDUCT BUSINESS IN A CLOSED MEETING
5.	DISCLOSURE OF INTERESTS AND DISPENSATIONS
	Members of the board to declare any interests and dispensation in respect of any item of business to be considered at this meeting.
6.	MINUTES
	To agree as a correct record, the open minutes of the meeting held on 10 July 2023.
7.	ACTION TRACKER
8.	PENSIONS SERVICES
9.	RISK REGISTER
10.	PENSION FUND TRAINING POLICY

Item No.

Title

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- 11. UPDATE ON CURRENT LGPS ISSUES**
- 12. PENSIONS ADVISORY PANEL MEETING PAPERS – OPEN PAPERS**
- 13. LOCAL PENSION BOARD ANNUAL REPORT**
- 14. OPTION TO RE-APPOINT LOCAL PENSION BOARD CHAIR**
- 15. ANY OTHER OPEN BUSINESS**

PART B – CLOSED BUSINESS

- 16. LGPS POOLING CONSULTATION RESPONSE**
- 17. PENSIONS ADVISORY PANEL MEETING PAPERS – CLOSED PAPERS:**

EXCLUSION OF PRESS AND PUBLIC

The following motion should be moved, seconded and approved if the sub-committee wishes to exclude the press and public to deal with reports revealing exempt information:

“That the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraphs 1-7, Access to Information Procedure rules of the Constitution.”

ANY OTHER CLOSED BUSINESS

Date: 05 October 2023

Item No. 1	Classification: Open	Date: 11 October 2023	Meeting Name: Local Pension Board
Report title:		Employer update	
Ward(s) or groups affected:		N/A	
From:		Head of HR Operations	

RECOMMENDATION

1. The Local Pension Board (the **Board**) is asked to note this update paper as tabled at its meeting on 11 October 2023.

BACKGROUND INFORMATION

2. The Council is for the purposes of the Local Government Pension Scheme (LGPS) the employing authority.
3. In this capacity, the Council seeks to ensure the appropriate and proper management of administrative process relating to those joining Southwark are enrolled in an appropriate pension scheme being the LGPS (or Teachers for the small number of teaching roles we have within the Council). We also have responsibility for the management of collection on behalf of the pension scheme the employee pension contributions.
4. This update is to provide the Pensions Board with the Councils approach to discharging these responsibilities and the management of the employee lifecycle where there are pension (LGPS) impacts.

Employee Pension Contributions

5. The Pensions Board will be aware that members of the scheme contribute to the scheme from their pensionable pay on a monthly basis; the Council as the employer also makes contributions linked to the pensionable pay received by members. The scheme member contribution bands are set on an annual basis nationally by the scheme to be applied by individual employers.
6. The pension scheme regulations and published guidance gives advice on management of scheme member contributions particularly at the point of joining the scheme and setting levels of scheme member contributions within the overall framework of the scheme regulations.
7. Due to the nature of how these contribution bands are defined and noting that pensionable pay does include sums paid to individuals that may be irregular, for example overtime; a position can be reached at the end of March, where scheme members may have under or overpaid (in line with the published bandings) contributions to the scheme.

8. The Council appreciates that all scheme members should contribute in line with scheme regulations and the published contribution bands.
9. As the administering body, the Council therefore is actively working on minimising so far as is practically possible the number of under/over deductions that occur at the end of March, and further ensuring where they do occur they are managed with the individuals concerned in an appropriate manner that is seen to be equitable and fair.

Ill Health retirement

10. The Council has workforce demographic with the average age of employees as 47. A large proportion of our workforce have been with the Council or in local government for a considerable part of their working lives.
11. As with any medium to large employer a number of members of our workforce will experience ill health. While the overwhelming majority of these health issues will not have any significant impact on the persons work with the Council in a small number of cases the employees ill health will have the potential to lead to the ending of the employees employment with the Council, following as appropriate a robust capability process.
12. In limited number of cases the individuals who are members of the scheme will be assessed for consideration under the scheme regulations for one of the three tiers of ill health retirement.
13. The Council's Human Resources team will always work closely with managers to ensure such cases are managed sensitively.
14. The assessment process required for consideration of Ill health retirement is undertaken on behalf of the scheme by the Councils Occupational Health Contractor. At the point of their procurement as the councils Occupational Health provider the Council was clear of the process required and that referrals should be undertaken and a decision reached in terms of a medical assessment and the consequential recommendation to the Council, in a timely manner.
15. In a number of cases the time taken for a decision to be reached in terms of the medical assessment has taken longer than was appropriate and that has had an impact on the individual concerned who understandably will be anxious about the outcome.
16. We understand that part of the challenges in progressing the assessments has been our Occupational Health contractor having to wait for the supply of medical information from the employee's doctors and consultants; this has been more challenging in recent times due to the pressures on the NHS.
17. We will continue to work with our contractor to improve the response times for referrals and outcomes to be received by the Council

KEY ISSUES FOR CONSIDERATION

Policy framework implications

18. There are no immediate implications arising from this report.

Community, equalities (including socio-economic) and health impacts Community impact statement

19. There are no immediate implications arising from this report.

Equalities (including socio-economic) impact statement

20. There are no immediate implications arising from this report.

Health impact statement

21. There are no immediate implications arising from this report.

Climate change implications

22. There are no immediate implications arising from this report.

Resource implications

23. There are no immediate implications arising from this report.

Legal implications

24. There are no immediate implications arising from this report.

Financial implications

25. There are no immediate implications arising from this report.

Consultation

26. There are no immediate implications arising from this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Governance

27. Not applicable.

Strategic Director, Finance

28. Not applicable.

Other officers

29. Not applicable.

AUDIT TRAIL

Lead Officer	Ben Plant, Director of People and Organisational Development	
Report Author	Steven Parker, Head of HR Operations	
Version	Final	
Dated	06/10/2023	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Director of Law and Governance	No	N/a
Strategic Director of Finance and Governance	No	N/a
List other officers here		
Cabinet Member	No	N/a
Date final report sent to Constitutional Team / Scrutiny Team		

Local Pension Board

MINUTES of the Local Pension Board meeting held on Monday 10 July 2023 at 10.00am in Meeting Room 302, 160 Tooley Street.

PRESENT: Mike Ellsmore – Independent Chair
Dominic Cain – Vice Chair, Employer Representative
Tony O’Brien – Retired Employee Representative
Mike Antoniou – Schools Employer Representative

OTHERS PRESENT: Clive Palfreyman – Strategic Director of Finance
Caroline Watson - Senior Finance Manager
Barry Berkengoff – Pensions Manager
Jack Emery – Divisional Accountant
Tracey Milner – Interim Pension Investment Manager
Agne Svencionyte – Pensions Administration Manager
Catherine Pearce (external) – attended virtually, only for item 1
Sarah Butlin (external) – attended virtually, only for item 1

1. TRAINING SESSION – EQUALITY, DIVERSITY AND INCLUSION GUIDANCE

Item was delivered following item 10. Catherine Pearce (CP) and Sarah Butlin (SB), both from Aon, led this session on Equality, Diversity and Inclusion.

Mike Ellsmore (ME) noted that bodies outside of the Board, such as employers and unions, predominantly appoint board members. ME asked how to approach these bodies in order to specify and encourage appointment of members in areas where diversity is lacking. Clive Palfreyman (CP) said that this should be encouraged as members naturally leave the Board, rather than replace existing members. SB suggested completing a diversity audit to highlight areas where skills or diversity may be lacking, in order to underpin appropriate encouragement of these external bodies.

The training session included a section on pension benefit pay gaps. Tony O'Brien (TOB) noted that due to the rigidity of the salary structures which the Council must adhere to, the Board has very little ability to mitigate pay gaps.

TOB went on to comment that pension fund communications should support age diversity by being accessible through a variety of platforms, rather than simply focusing on digital communications. ME noted this and commented that the need for such variety underpinned the importance of having a diversity policy in place for the Board.

Tracey Milner (TM) assured the Board that officers of the pension fund are directly engaging with fund managers around their diversity policies and, where pitching to the fund, the diversity of their presentation panels. This was further supported by Caroline Watson (CW), stating that fund manager diversity should be built into any pension fund-specific diversity policies. CW went on to note that any new pension fund diversity policies should be applied across both the Local Pension Board and the Pensions Advisory Panel.

2. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies were received from Diana Lupulesc (Employee Representative) and Allan Wells (Employer Representative).

Action: ME to contact Stuart Mumford (Employee Representative) after non-attendance at a number of Local Pension Board meetings.

3. NOTIFICATION OF INTENTION TO CONDUCT BUSINESS IN A CLOSED MEETING

No business was conducted in a closed meeting.

4. DISCLOSURE OF INTERESTS AND DISPENSATIONS

No declarations were made.

5. MINUTES

The minutes of the meeting previously held on Wednesday 5 April 2023 were agreed upon and approved.

ME noted the importance of the conflicts of interest policy which was discussed at the previous Local Pension Board meeting and confirmed that a legal representative from London Borough of Southwark (LBS) should be present when the policy is tabled at the upcoming Pensions Advisory Panel meeting on 17 July 2023.

6. ACTION TRACKER

Barry Berkengoff (BB) delivered this report.

ME asked for timeframes on delivery of KPIs and stressed the importance of this data to underpin assertions that the service is delivering on its statutory requirements. BB assured the Board that the main statutory deadlines were not being missed and that there are no related breaches to report on. BB went on to say that metrics should be wider than just pensions administration. ME recommended that a meaningful action plan should be implemented to meet the delivery of these KPIs, agreed by both Mike Antoniou (MA) and Dominic Cain (DC). BB responded that improvements should be made by October 2023 but KPIs are unlikely to be available until Q4 2023-24.

7. PENSION SERVICES

BB and Agne Svencionyte (AS) delivered this report.

This began with an initial update from AS on recruitment within the service. Following the resignation of the Data Officer, this role is now vacant. A new Senior Pensions Officer has been appointed but has a three-month notice period. There are also intentions to appoint a new Assistant Pensions Officer through the Council's apprenticeship programme.

MA asked if ongoing difficulties in hiring were due to salaries. BB confirmed that the salaries for these mid-range roles are in-line with most LGPS funds but they struggle to compete with salaries in the private sector and across London. Due to the specialised nature of pension fund roles there is difficulty in benchmarking salaries across Southwark, and the HR evaluation of grades can therefore take several months. BB explained that delays in recruitment impact on value-add project work such as AVC reassessment for example, but progress continues and business as usual work is not impacted. CP noted intentions to solve wider staffing issues in Summer 2023 in order to support stability in the service through reduced 'acting up' and secondment opportunities, in favour of permanent positions.

ME queried the role of the Board in supporting staffing issues in the service. CP reminded him that the Board can influence processes but cannot influence LBS salary structures. CP went on to acknowledge that resourcing of the service should be aligned to risk involved and the intended outcomes of the fund.

BB provided an update on Pension Services IT systems. It was noted that there were issues from last year's implementation of new admin software and insufficient testing of migrated data had taken place by the IT provider. BB went on to confirm these areas are now undergoing further testing in an attempt to identify and mitigate additional problems but workloads within the Data Team due to resourcing are proving to be a limiting factor in progress. The Software provider is now supporting this testing project, with the cost of the additional resources being met initially by themselves. BB went on to outline that the

previous administration system was highly customised and trying to reproduce these exact alterations in the new software was proving to be difficult.

MA queried if other local authorities are having similar issues with the same software. BB confirmed there is a working group of local authorities who went live with the same system around the same time as LBS and they are having similar issues. There is ongoing engagement with these other authorities to ascertain if they have faced any issues that are yet to become apparent in LBS in a bid to mitigate unseen problems.

DC asked if there is a log of issues and if there are anticipated delivery dates for fixes. BB clarified that all issues, along with supporting evidence, are logged in the first instance with the Service Desk, all of which can be shared with the Board if required. The Board agreed the level of detail included would be counterproductive, so the log does not need to be brought to the Board. BB goes on to outline that the software provider then assigns a priority level and resource to each issue raised, where progress is monitored weekly along with a monthly catch-up with the Pension Services team to discuss progress.

BB provided a brief overview of the complaints section of the report. TOB raised concerns that the narrative for this standing item is not clear enough and requested that the section should include more specific wording. He emphasised the need for details on when complaints are resolved and the exact number of complaints raised in each area, in order to give an idea of the efficiency with which complaints are resolved. ME has requested that the number of complaints should be included in the reports, at a minimum.

BB delivered wider updates, covering early discussions with Western Union to provide overseas pensioner payments in order to consolidate a number of payment methods that are currently being used. BB outlined that the National Pensions Dashboard had been delayed to October 2026 but the team will have new software available to run dashboard extracts over summer 2023.

8. CYBER SECURITY

Report delivered by JE.

JE noted that there have been ongoing issues due to fund managers being reluctant to share policies, as they are considered commercially sensitive.

MA asked what was in place to ensure that if LBS was impacted by a cyber-security event, the pension fund was protected. CW responded that, for the pension fund, cyber-security risk was primarily concentrated within the fund managers and that this is the underlying reasoning for undertaking this audit. BB added that the pension fund holds separate databases (i.e. cloud hosted servers) of information to the Council and an internal audit has been completed into the security of the pension fund's databases. BB goes on to confirm that Aon will also be undertaking a cyber-security assessment of the pension fund with a view

to reporting on this in October 2023. CP confirmed that lessons had been learnt from historic cyber-security events that have occurred at other local authorities.

Action: JE to draft a letter to fund managers to be signed-off and sent to fund managers from ME, highlighting the importance of this information to the Board.

9. BREACHES LOG

BB delivered this item.

ME queried if a breach should be reported regarding unaudited Statement of Accounts. CW confirmed LBS currently has two years of unaudited Statement of Accounts but as the issue sits with the auditors rather than the Council itself, it therefore does not need to be raised as a breach. CW went on to assure the Board that within the knowledge of the team, no other local authorities are reporting this as a breach.

TOB noted a number of the logged breaches were deemed as relating to the Council, rather than the pension fund. BB reminded the Board that if the breach impacts the pension fund, it is to be included in the breaches log even if the Fund is not ultimately responsible for rectifying the issue. BB went on to clarify that the Board has no power over the Council as an employer to rectify issues, or over the timeframe in which they fix issues. ME noted that an HR representative should be present at a future Board meeting to act as a representative for the Council as the employer.

Action: ME to write to LBS' HR Director and request their attendance at the October 2023 Local Pension Board Meeting.

10. UPDATE ON CURRENT LGPS ISSUES

CW delivered this item.

CW delivered updates on the upcoming TCFD Consultation and the General Code, both of which have been delayed. The TCFD Consultation is now due to be implemented in 2024, with CW noting that LBS would be aiming to do a shadowing year ahead of the due date for implementation.

No date has been provided for the Pensions Regulator General Code but there has been an indication that it will simply consolidate a number of other existing codes. There is also an expectation that there will be an upcoming consultation on the Good Governance Project but there have been no further developments on the project since September 2022.

CW went on to provide an update on the recent Scheme Advisory Board training on Cost Transparency, which she attended. This training involved a demonstration of the Byhiras platform, which is a portal used to collect cost transparency information from fund managers. CW assured the Board that use of the Byhiras platform has been built into all new investment management

agreements with fund managers to underpin ease of access to cost transparency information. TM noted that a number of fund managers have historically not used the Byhiras platform as there are inconsistencies between the cost reporting required in the platform and in their statutory accounts. ME requested a training session on the platform.

Action: CW to deliver training session on Cost Transparency at an upcoming Board meeting.

11. INVESTMENT UPDATE

CW delivered this item.

Key points provided by CW included the recent approval of a £100 million investment to Robeco in their multi-asset credit fund and the recent investment in the Darwin Leisure Services fund for £30 million.

12. LOCAL PENSION BOARD TRAINING PLAN

CW delivered this item.

CW discussed the intention to build a fund-wide business plan, covering both the Local Pension Board and Pensions Advisory Panel alongside the fund, which could be used to inform a more structured, long-term training plan. ME suggested a meeting with senior officers for the fund once a business plan had been agreed to discuss the training plan.

TM reminded the Board that institutional investors are required to reflect a commitment to training under MIFID II rules, including a need to show ongoing engagement of Board members. CW noted that MIFID II rules could be communicated to members to underpin the importance of implementing training.

13. ANY OTHER OPEN BUSINESS

None expressed.

14. DATE OF NEXT MEETING

This meeting ended at 12:25pm.

The next meeting will be on Wednesday 11 October 2023 at 10am.

Item 7
Local Pension Board - Action Tracker

Date of Meeting	Action Ref	Action	Due Date	Response	Status
07 April 2021	18	Revised administration strategy to be tabled at a future LPB meeting.	TBC	Following the procurement of new pension fund admin and payroll software, Barry Berkengoff will be updating the existing administration strategy. This needs to link with the fund's proposed Data Management Policy and thoughts from the new Strategic Director, Finance around certain areas such as fining employers. Once completed, this will be tabled at a future PAP and then LPB meeting.	Outstanding
10 July 2023	19	Reporting of key administration KPIs to Board	April 2024	Due to ongoing remediation work following the implementation of new software, detailed KPI reporting was expected to commence from Q4 2023-24. Detailed KPI reporting will be provided to Board members in November covering the 3-month period August to October. Please note:- SAB is now looking to replace CIPFA metrics with a new set of metrics (see attached).	Progressing

Annual Report guidance - proposed Administration Key Performance Indicators (KPI) to replace tables in annex 2 of current guidance

Administration KPI table A - Total number of casework					
Casework KPI	Total number of cases open as at 31 March (starting position)	Total number of new cases created in the year (1 April to 30 March)	Total number of cases completed in year	Total number of cases completed in previous year	Guidance notes
A1	Deaths recorded of active, deferred, pensioner and survivor members				
A2	New survivor benefits				
A3	Deferred member retirements				
A4	Active member retirements				
A5	Deferred benefits				
A6	Transfers in (including interfunds in, club transfers)				
A7	Transfers out (including interfunds out, club transfers)				
A8	Refunds				
A9	Divorce quotations issued				
A10	Actual divorce cases				
A11	Member estimates requested either by scheme member or employer				
A12	New joiner notifications				
A13	Aggregation cases				Notes to table should state whether this KPI also includes post number changes, internal transfers, actual aggregations, concurrent record etc.
A14	Optants out received after 3 months membership				It is noted that funds won't have the opt out data for employees who opt out in with 3 months

Administration KPI table B - Time taken to process casework							Guidance notes
Casework KPI	Suggested fund target*	% completed within fund target in year	% completed in previous year	Legal requirement	% completed within legal target in year	% completed within legal target in previous year	
B1	Communication issued with acknowledgement of death of active, deferred, pensioner and survivor member	5 working days					First communication following notification according to internal fund process. This could be from the initial notification following TUC, email or phone call or upon receipt of death certificate
B2	Communication issued confirming the amount of dependents pension	10 working days					Payment of death grant and money due to the estate not included because this is often complex casework with multiple external factors. This KPI should measure how quickly survivor benefits are communicated following confirmation that a survivor benefit is due under the regulations and following receipt of all relevant and accurate information.
B3	Communication issued to deferred member with pension and lump sum options (quotation)	15 working days					This KPI records the time taken from receipt of all relevant and accurate information to provide scheme member with pre-retirement benefit options i.e lump sum conversion options
B4	Communication issued to active member with pension and lump sum options (quotation)	15 working days					This KPI records the time taken from receipt of all relevant and accurate information to provide scheme member with pre-retirement benefit options i.e lump sum conversion options
B5	Communication issued to deferred member with confirmation of pension and lump sum options (actual)	15 working days					Confirmation of benefits payable and payment date notification following receipt of all relevant and accurate information from scheme member
B6	Communication issued to active member with confirmation of pension and lump sum options (actual)	15 working days					Confirmation of benefits payable and payment date notification following receipt of all relevant and accurate information from scheme member
B7	Payment of lump sum (both actives and deferreds)	15 working days					Following receipt of all relevant and accurate information from scheme member the time taken to make the payment of the lump sum. If funds internal process means casework is completed when payment made, rather than payment set up date, this should be stated.
B8	Communication issued with deferred benefit options	30 working days					Note that only clock starts ticking when all relevant information received.
B9	Communication issued to scheme member with completion of transfer in	10 working days					Funds to confirm own internal reporting process upon whether this included interfund transfers
B10	Communication issued to scheme member with completion of transfer out	10 working days					Funds to confirm own internal reporting process upon whether this included interfund transfers
B11	Payment of refund	10 working days					Starting point is from receipt of all relevant and accurate information to proceed with payment of the refund. If funds internal process means casework is completed when payment made, rather than payment set up date, this should be stated.
B12	Divorce quotation	45 working days					Funds may also be providing relevant death and normal pension age benefits with this quotation, if this is the case this should be stated as this may be more time consuming and reflected in statistics.
B13	Communication issued following actual divorce proceedings i.e application of a Pension Sharing Order	15 working days					When all relevant and full information received. Recognising this is complex casework. Measurement should only take place when all required and full information received by the fund.
B14	Communication issued to new starters	40 days					Following receipt of relevant information from employer.
B15	Individual member estimates provided to scheme member or employer	10 days					Measurement of issuing an individual member estimate to scheme member following a request and receipt of all relevant information

*If a different target is used this should be reported

Administration KPI table C - Communications and engagement

	Digital engagement KPI	Guidance notes
C1	% of active members registered for self-service	% as at 31 March
C2	% of deferred member registered for self-service	% as at 31 March
C3	% of pensioner and survivor members registered for self-service	% as at 31 March
C4	% total of all scheme members registered for self-service	% as at 31 March
C5	Top 5 most frequently visited functions	% as at 31 March
C6	Number of registered users by age	Age ranges to be used for reporting consistency to be added
C7	% of all registered users that have logged onto the service in the last 12 months	
	Communication KPI	Guidance notes
C8	Total number of telephone calls received in year	
C9	% of calls answered at first point of contact	
		Online channels could be queries through website forms, general non-member queries or queries not recorded or taken forward as casework listed in Table B
C10	Total number of email and online channel queries received	
C11	Average wait time to speak to a member of the administration team	
C12	Number of scheme member events held in year (total of in-person and online)	
C13	Number of employer engagement events held in year (in-person and online)	
C14	Number of active members who received a one-to-one (in-person and online)	
C15	Number of times a communication (i.e a newsletter) issued to:	
	a) Active members	
	b) Deferred members	
	c) Pensioners	

Administration KPI table D - Administration staff as at 31 March

Staff KPI	Guidance notes
	Include non-processing (i.e systems, communications, employer support staff and management involved in administration)
D1	Total number of all administration staff (FTE)
D2	Average service length of all administration staff
D3	Number of administration staff vacancies occurred in the year
D4	Number of number of the vacancies filled as at 31 March
D5	Ratio of all administration staff to total number of scheme members (all staff including management)
D6	Ratio of administration staff (all processing staff and excluding management) to total number of scheme members
D7	Average number of all cases (open and closed) completed per member of staff involved in administration duties.
	Include all individual active, deferred and pensioner/survivor records
	Include all individual active, deferred and pensioner/survivor records

Administration KPI table E - Data Quality		
Annual Benefit Statements KPI		
E1	% of annual benefit statements issued as at 31 August	
E2	Explain with short commentary if less than 100%	
E3	% number of annual benefit statements reissued	
Data category KPI		
E4	Common data	Previous year data quality score %
E5	Scheme specific data	
Address and email data KPI		
E6	% of active, deferred and pensioner members recorded as 'gone away' with no home address held or address is known to be out of date	Previous year %
E7	% of active, deferred and pensioner members with an email address held on file (with and without a record home address)	Current year %

Definitions for casework KPIs	
Clock starts	Measurement of working days starting on the day of receipt of all relevant, accurate and full information to process the casework. This should generally be the same day of the notification by email, phone, employer, in-person, self-service. If use following day, this should be stated.
Clock ends	When the processing casework is completed. If casework is completed when payment made, rather than payment set up date, this should be stated.
Internal delays	Any internal team delays should be included in the measurement in the timetaken
External delays	Any external delays should be deducted from the timetaken if the team cannot proceed. External delays e.g employer, other teams, scheme member or family/next of kin delays
Days to complete	Working days

Item No. 8	Classification: Open	Date: 11 October 2023	Meeting Name: Local Pension Board
Report title:		Pension Services – admin/ops update	
Ward(s) or groups affected:		None	
From:		Pensions Manager, Finance	

RECOMMENDATION

1. The Local Pension Board (the **Board**) is asked to note this update on the pensions administration function.

BACKGROUND INFORMATION

2. The Board received an update in July 2023 which set out specific information on recruitment, IT/systems, National Dashboard Programme, communication initiatives and complaint management.

RECRUITMENT

3. Senior Pensions Officer interviews were concluded in July resulting in the appointment of an experienced officer currently employed at Mercers. Expected start date is 7th November. There remains a number of vacancies within the admin team and a further recruitment exercise is being planned using a combination of Southwark recruitment and two specialist pension recruiters.
4. A new Data Systems Manager, Rikish Ramkisoorn, has now been appointed. A recent recruitment exercise for Senior Data/Data Officer roles has now been concluded with a number of strong candidates being identified. We are therefore hopeful that two new appointments can be made. Further updates will follow.
5. Given the sheer volume of work within the Data Team, further resourcing will most likely be necessary to ensure the pension fund's data, system/IT needs can be met around Employer Hub where employer data must be correct each month.
6. Aligned to Southwark's apprenticeship programme, an Assistant Pensions Officer was appointed in August, where a two year programme of study will be combined with mentoring and development within the Pension Services team.
7. A wider LGPS apprenticeship programme is being considered given the difficulties to recruit, in particular across the London Boroughs.

IT/SYSTEMS

8. Ongoing 'end to end testing' continues on our admin software to ensure all data fields were properly captured as part of the original data migration.

9. Particular emphasis has been placed on Employer Hub as many employers are not uploading their monthly/year-end data correctly. We have also identified a number of issues with the Council's additional pension contract data coming directly from SAP and are in the process of rectifying this. Although this affects only a small proportion of the membership who pay AVCs, APCs or have an old added years' contract, the impact affects all members as the upload usually fails.
10. Ongoing remediation work does not affect BAU/transactional work (processing retirements, death benefits etc.) within the admin team. It does however mean additional quality assurance checks are in place, and it is restricting the wider team on other value add project work such as AVC reassessment.
11. We are now working with Convera (formerly Western Union's overseas division) and gone live with a new BACS overseas payment service to ensure pensioners living abroad can receive their pensions directly into their overseas bank account. In the past cheques were issued which could potentially take weeks to clear or get lost in the post. This is good news as most UK banks, have, for some time been closing down UK bank accounts for anyone residing abroad.
12. We await the results of a Cyber Risk assessment against the new pension fund software. An independent review is being undertaken by Aon, and we will update the Board in due course. Initial results are expected later in October.

PROGRESS TO OCTOBER 2023

Since the last Board update, further progress has been made in the following areas.

COMMUNICATION INITIATIVES

13. Annual Benefit Statements (ABS) for deferred members were issued in late August 2023. ABS for active members has been delayed due to additional data checking that has been deemed necessary and because many employers uploaded incorrect year-end data to the Employer Hub. The delay has been reported to the Pensions Regulator as a legal breach and no further action is expected. The majority of statements are scheduled for issue later in October followed by a further phase in November 2023.
14. An ABS Action Plan will be put in place for 2024 which is dependent on data team resourcing and a large-scale communication and training exercise with schools, schools HR and outsourced payroll providers.
15. Annual Allowance (AA) statements are on track for distribution in early October 2023 (covering the 2022/23 financial year). Despite the recent tax changes (where the standard Annual Allowance increased from £40,000 to £60,000) we still expect many Southwark staff to breach the AA resulting in a tax charge.
16. Weekly training (in various formats) continues to be provided to Southwark pension fund staff and London Borough of Haringey pension fund staff.
17. Berkshire Council has now also requested to join these training sessions.

COMPLAINT MANAGEMENT

- Pensions Ombudsman single complaint - ill-health tiering award appeal against a former school employer. All ill-health tiering awards are recommended by Occupational Health following medical assessment, but the employer makes the final decision. **An update has been requested from Schools HR but we understand the matter is still with the Ombudsman pending a formal decision.**
- Pensions Ombudsman single complaint - a cohabiting partners' pension claim and a claim for the death grant was made against the pension fund where the applicant alleged that both he and the deceased were financially dependent on one another and living together as husband and wife, however there was no evidence of that. **A formal response has now been provided to the Ombudsman for consideration.**
- IDRP stage 1 - approximately 10 formal complaints remain with the Council concerning claimed incorrect employee pension deductions made from the Council's payroll system. All complaints are with Council HR as the stage 1 adjudicator. The pension fund is monitoring and is aware of Union involvement in some cases. **In the absence of any formal responses the pension fund may write to the employer and suggest that all cases are removed from IDRP and are dealt with as individual employer appeals. The Head of HR Operations will be attending the October meeting and will be able to answer any questions relating to this particular matter.**
- IDRP stage 2 single complaint - dispute over the distribution of death grant between siblings. No Expression of Wish form was held on file and the Last Will and Testament/Death Certificate provided indicated a sole Executor and next of kin was dealing with the deceased's estate. The stage 2 adjudicator reviewed the evidence and additional information supplied but upheld the stage 1 decision as being reasonable confirming the pension fund had absolute discretion when making death grant payments and it had acted properly when dealing with the Executor whose role was to distribute any death benefits. **Complaint not upheld and closed.**
- IDRP stage 1 single complaint - transfer delay from Southwark to another LGPS employer. Late notification of resignation/departure from a former employer (School) caused initial delay in calculating member benefits. There was a further delay caused by transfer factors being changed by the Government Actuaries Department. **Stage 1 response upheld complaint in part but there was no actual financial loss as interfund transfer value has no direct effect on LGPS service awarded under receiving arrangement.**

PERFORMANCE MONITORING

Admin performance metrics will be reinstated once UPM data migration issues have been fully resolved. However, the admin team has been recording all workflow outside of the admin system since August and full details will be provided to the Board later in October 2023.

Despite the absence of admin performance metrics in recent months, the Pensions Manager is confident that no material breach has occurred. All financially sensitive transactions around payroll cut off dates (retirements, death benefits) have been processed on time.

Going forward, performance metrics will be extended to cover other key areas of the wider service including Payroll and First Contact.

FUTURE WORK PLANNING

18. Due to existing resourcing levels across Pension Services, a work plan and their implementation timeframes are still to be signed off by the Pensions Manager.

CONCLUSIONS

19. Recruitment and retention of key staff with the necessary skills is critical to the achievement of all future plans, as is succession planning.
20. There will continue to be some reliance on specialist external support. However, with internal training now firmly established and taking place each week, 95% of all BAU and project work is managed in-house by Pension Services.
21. Performance monitoring remains an important part of the pensions function. The procurement of Civica UPM software will allow Pension Services to develop much improved workflow and task management in the future, where more detailed Management Information can be extracted around performance.

KEY ISSUES FOR CONSIDERATION

Policy framework implications

22. There are no immediate implications arising from this report.

Community, equalities (including socio-economic) and health impacts Community impact statement

23. There are no immediate implications arising from this report.

Equalities (including socio-economic) impact statement

24. There are no immediate implications arising from this report.

Health impact statement

25. There are no immediate implications arising from this report.

Climate change implications

26. There are no immediate implications arising from this report.

Resource implications

27. There are no immediate implications arising from this report.

Legal implications

28. There are no immediate implications arising from this report.

Financial implications

29. There are no immediate implications arising from this report.

Consultation

30. There are no immediate implications arising from this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Governance

31. Not applicable.

Strategic Director, Finance

32. Not applicable.

Other officers

33. Not applicable.

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Finance	
Report Author	Barry Berkengoff, Pensions Manager, Finance	
Version	Final	
Dated	4 October 2023	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Director of Law and Governance	No	N/a
Strategic Director of Finance and Governance	No	N/a
List other officers here		
Cabinet Member	No	N/a
Date final report sent to Constitutional Team / Scrutiny Team		

Item No. 9	Classification: Open	Date: 11 October 2023	Meeting Name: Local Pension Board
Report title:		Pension Fund Risk Register	
From:		Senior Finance Manager - Treasury and Pensions Pensions Manager, Finance	

Recommendations

The Local Pension Board is asked to:

- Note the Pension Fund risk register attached as Appendix A.
- Note the risk assessment methodology set out at Appendix B.

Risk Register

1. In line with overall council risk management procedures, the Pension Fund maintains a register of the key financial, operational and reputational risks to the Fund and the controls in place to mitigate the impact or likelihood of these risks occurring. The updated risk register is set out in Appendix A.
2. The risk register is not a complete database of all risks faced by the Fund, but is limited only to those considered as materially significant to the Fund.
3. Recent changes to the risk register include:
 - i. Review and re-weighting of impact and likelihood scores.
 - ii. Review and amendments for mitigation measures.
 - iii. Column added with a revised risk score after mitigations have been applied.

Community, Equalities (including socio-economic) and Health Impacts

4. Community Impact Statement

No immediate implications arising.

5. Equalities (including socio-economic) Impact Statement

No immediate implications arising

6. Health Impact Statement

No immediate implications arising

7. Climate Change Implications

No immediate implications arising

8. Resource Implications

No immediate implications arising

9. Legal Implications

No immediate implications arising

10. Financial Implications

No immediate implications arising

11. Consultation

No immediate implications arising

APPENDICES

No.	Title
Appendix A	Pension Fund Risk Register
Appendix B	Risk Assessment Methodology

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance
Report Author	Caroline Watson, Senior Finance Manager, Treasury and Pensions Barry Berkengoff, Pensions Manager, Finance
Version	Final version

<i>Dated</i>	05 October 2023	
<i>Key Decision?</i>	N/A	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Director of Law and Democracy	N/A	N/A
Strategic Director of Finance and Governance	N/A	N/A
List other officers here		
<i>Cabinet Member</i>	N/A	N/A
<i>Date final report sent to Constitutional Team</i>		N/A

Risk ref	Risk Description	Risk Owner	Risk Category	Impact - 1 to 10 (10 highest)	Likelihood - 1 to 10 (10 highest)	PRIMARY RISK SCORE	Risk Controls (Mitigation)	RISK SCORE AFTER MITIGATIONS	Impact - 1 to 10 (10 highest)	Likelihood - 1 to 10 (10 highest)	Changes since April 2023?
R20	Failure to communicate with relevant stakeholders.	BB	Financial/Operational	9	7	89	1. Pension fund website now under in-house control. 2. Member information guides under review. 3. Training material developed and exists on Member Learning Source.. 4. Meetings held regularly with HR/employers/ unions . 5. ABS sent annually to active and deferred members. 6. Annual report prepared in accordance with statutory guidelines published on the website. 7. Newsletters are issued etc.	60	6	6	✓
R23	Employer systems - calculation of employee pension contribution bandings on Payroll/SAP.	BB	Operational / reputation	8	8	88	1. HR creating a new employee banding Policy effective from 6th April 2022. 2. Affected members will be contacted as part of a historical exercise. 3. Any members who owe money will have opportunity to enter a repayment plan over a mutually agreed period.	60	6	6	✓
R2	The Fund's asset allocation strategy is not sufficient to meet obligations and liabilities.	CW	Financial	9	6	84	1. Reports on the funding level produced quarterly by Fund actuary and reviewed by PAP. 2. Funding strategy statement reviewed every 3 years. 3. Fund actuary takes liability profile into consideration when setting contribution rates at each triennial valuation. 4. Investment strategy review conducted following each triennial actuarial valuation, to determine optimal asset allocation for the Fund. 5. Actual asset allocation reported to PAP every quarter with variances of actual allocation to target discussed. 6. The Fund holds investments in assets, the value of which are linked to inflation, a key driver of pension liabilities, such as index linked gilts	42	7	5	✓
R1	Poor investment performance of individual mandates could lead to a deficit and therefore a requirement for higher employer contributions.	CW	Financial	9	6	84	1. Investments are monitored regularly. 2. Pensions Advisory Panel (PAP) reviews fund manager performance quarterly against benchmark. 3. Regular reports received from Investment Advisers providing ratings of managers. 4. Regular meetings with fund managers regarding performance. 5. The Fund undertakes regular reviews of its investment strategy to ensure that the investment asset and manager allocation is appropriate to meet the future pension obligations for the fund.	42	6	4	
R9	Employers fail to provide information that fund requires resulting in poor service, increased complaints and possible fines and penalties.	BB/CW	Reputational	6	9	81	1. Employer/HR function going through business transformation exercise, with emphasis on more robust processes and better understanding of fund requirements. 2. Admin Strategy agreed by former Strategic Director of Finance & Governance allows employers to be fined for poor performance following an agreed escalation process. 3. Revised Admin Strategy in draft pending wider consultation process will link to pension fund's Data Management and Security Policy.	75	6	8	✓

Risk ref	Risk Description	Risk Owner	Risk Category	Impact - 1 to 10 (10 highest)	Likelihood - 1 to 10 (10 highest)	PRIMARY RISK SCORE	Risk Controls (Mitigation)	RISK SCORE AFTER MITIGATIONS	Impact - 1 to 10 (10 highest)	Likelihood - 1 to 10 (10 highest)	Changes since April 2023?
R10	Employer data is inaccurate or contributions are received late creating a financial or regulatory risk to the fund.	BB/CW	Financial	6	9	81	<p>1. A revised Admin Strategy will clearly set out roles and responsibilities and consequences of non-compliance.</p> <p>2. Communication Strategy to ensure employers reminded of information required.</p> <p>3. Regular monitoring and reconciliation of contributions from employers.</p> <p>4. Employers required to provide sufficient information for monthly returns to enable verification that the amounts due are correct.</p> <p>5. Fund can charge interest on the late payment of contributions.</p> <p>6. UPM Employer Hub allows employers to upload information to the Fund but Data/Systems team has full control over what data goes into live system.</p>	50	5	6	✓
R18	Inaccurate or incomplete member data.	BB	Financial/Operational	9	5	78	<p>1. Data Systems team in place, reconciliation against other Council/employer systems.</p> <p>2. Administration Strategy supports monitoring of employer compliance.</p> <p>3. Data matching through National Fraud Initiative (NFI) help to identify discrepancies.</p> <p>4. Mortality Screening and address tracing is performed frequently.</p> <p>5. Data Management Plan to be agreed.</p> <p>6. New pension and payroll software has been procured with greater analysis functionality.</p> <p>7. Fund participates in DWP "Tell us Once" initiative.</p> <p>8. Triennial valuation exercise helps picks up incomplete data.</p> <p>9. The fund has just signed up to NFI Fraud Hub which provides another source of data matching.</p>	70	8	5	✓
R8	Reliance on a smaller pool of specialist staff across LGPS impacts on ability to recruit and retain staff and increases the risk of a potential loss of knowledge and expertise.	BB/CW	Staffing & Culture	8	6	77	<p>1. Use of external advisers or contractors with specialist knowledge.</p> <p>2. Develop and implementation/roll-out of training programmes to help ensure staff are equipped with appropriate skills and knowledge, and to show recognition of value placed on them.</p> <p>3. Pension Services new structure agreed which moves away from former flat structure with limited development opportunities. This will mitigate against risks around staff retention and succession planning. New specific training role focuses on training, knowledge management, development and multi-skilling.</p> <p>4. Review of the structure of the pensions investments and finance team is underway. The review will ensure that the team is sufficiently resourced and that opportunities for career progression and development are built in, thereby reducing staff turnover in the long term.</p> <p>4. The wider pension fund will create it's own recruitment policy covering admin and finance and ensure succession planning needs</p>	61	7	5	✓
R19	Inadequate controls to safeguard pension fund records.	BB	Financial/Operational	8	6	77	<p>1. Cloud hosting and back up arrangements in place.</p> <p>2. Newly procured pension system will have greater audit functionality.</p> <p>3. Software regularly updated to meet LGPS requirements.</p> <p>4. Audit trails and reconciliations in place.</p> <p>5. GDPR in place.</p> <p>6. Pensions staff undertake data management training as required.</p> <p>7. Cyber Security Assessment is currently being undertaken by Aon.</p>	50	5	6	✓

Risk ref	Risk Description	Risk Owner	Risk Category	Impact - 1 to 10 (10 highest)	Likelihood - 1 to 10 (10 highest)	PRIMARY RISK SCORE	Risk Controls (Mitigation)	RISK SCORE AFTER MITIGATIONS	Impact - 1 to 10 (10 highest)	Likelihood - 1 to 10 (10 highest)	Changes since April 2023?
R13	Detrimental investment performance and reputational damage resulting from untimely or incorrect implementation of the Fund's commitment to achieve net zero carbon by 2030.	CW	Financial	8	6	77	<ol style="list-style-type: none"> The Fund has committed to achieve net zero carbon within its investments by 2030. An updated investment strategy has been launched which sets out how this will be achieved in the short, medium and long term, whilst maintaining acceptable levels of risk and return. The Fund maintains regular contact with like minded LGPS Funds and other advisory bodies to keep abreast of all pertinent regulatory and investment developments. The Fund will monitor the impact of any changes in investment strategy. 	42	6	4	
R3	International conflicts and changing market conditions impact fund performance and income from investments, resulting in a reduction in fund value and impact on ability to pay pensions.	CW	Financial	7	6	69	<ol style="list-style-type: none"> Ongoing monitoring of Fund performance and investment markets. Advice obtained from investment advisers on continuing suitability of asset allocation. Review of scheme employers' financial strength and likelihood of exit. The Fund holds investments in diversified assets, reducing volatility and ensuring long term stability. Cash flow monitored on a regular basis. Investment income reinvested and not required to pay pensions. Review of investments to identify holdings in Russia completed. Fund has a very small exposure representing 0.023% of total Fund value. Plans are in place to exit these holdings as soon as Russian investment markets reopen. Additional reporting received on emerging market holdings to monitor impact of ongoing conflict. 	42	6	4	
R22	Inadequate resourcing across pension fund accounting and investment functions, following recently increased complexity of investment strategy, could lead to insufficient management of investments resulting in a potential reduction in Fund value.	CW	Financial	7	6	69	<ol style="list-style-type: none"> Restructure underway to identify additional resources required to address increased complexity and number of investment mandates introduced as a result of net zero carbon commitment. Additional support obtained from investment advisers to ensure ongoing management of increasingly complex investments. Temporary staffing resources in place until restructure is completed. 	42	6	4	
R5	Failure of third party providers for investment management and custodial services, including LCIV, could have a serious financial impact on the Fund.	CW	Financial	7	5	61	<ol style="list-style-type: none"> Contracts are monitored regularly. PAP provided with quarterly information for each manager. Where there are concerns additional monitoring is put in place to ensure financial risks are kept to an acceptable level. Third parties provide Fund with an annual SAS70 (or equivalent) report which provides assurance from their auditors that adequate controls are in place and are operating effectively. Assets to be transferred to the pool only upon satisfactory business case and due diligence 	20	5	2	

Risk ref	Risk Description	Risk Owner	Risk Category	Impact - 1 to 10 (10 highest)	Likelihood - 1 to 10 (10 highest)	PRIMARY RISK SCORE	Risk Controls (Mitigation)	RISK SCORE AFTER MITIGATIONS	Impact - 1 to 10 (10 highest)	Likelihood - 1 to 10 (10 highest)	Changes since April 2023?
R16	Major IT failure or data corruption/cyber attacks results in administration function's inability to progress pension queries, and potential loss or permanent corruption of data files.	BB	Reputational	9	2	54	<ul style="list-style-type: none"> 1. Civica UPM, has been extensively tested and secured against cyber-attack. 2. the system only allows access from pre-approved IP addresses, limited to the Southwark Council network and Aon. 3. maintain business continuity and disaster recovery plans. 4. data is stored in cloud servers hosted by Civica in a UK data centre. ISO certifications provide confidence that Civica operations meet the highest levels of information security, IT service management and has the Government's IL3 accreditation rating, the highest security rating available. 5. a secondary disaster recovery database is continuously running, and so in the event of cyber-attack or other downtime, the system can switch to a backup with limited loss of data. Every keystroke on the system is fully logged and audited. 	35	7	2	
R15	Failure to comply with data protection legislation which results in reputational damage, scrutiny by the ICO and potential financial loss.	BB	Legal & regulatory	7	3	43	<ul style="list-style-type: none"> 1. Robust procedures are in place which are subject to audit review. 2. Council's action plan for GDPR includes the pension fund and is on track. 3. New training is available and all pensions staff will be required to complete this and refresher training on an annual basis. 	26	5	3	
R14	Structural changes in Fund membership, leading to unforeseen cash flow implications and the forced sale of assets to meet pension benefits.	CW	Financial	6	4	42	<ul style="list-style-type: none"> 1. The Fund undertakes long term cash forecasting to identify trends in cash in/outflows which is built into a strategy to ensure suitable cash inflows to support pension benefit costs. 2. The Fund currently generates surplus cash flows through investment income which could be directed to pay pension benefits if required. 3. A formal cash flow management policy has been adopted, which ensures officers have the ability to maintain adequate liquidity to meet obligations, whilst limiting cash balances in order to maximise investment returns. 	20	5	2	
R17	That required liquidity in investment assets is not available to allow the fund to meet pension fund obligations as they fall due.	CW	Financial	6	4	42	<ul style="list-style-type: none"> 1. Changes to investment strategy include consideration of split between liquid and illiquid investments. 2. Ongoing monitoring of investments to ensure appropriate balance between liquid and illiquid investments ensuring the fund benefits from the potential for higher returns associated with illiquid investments, whilst still being able to meet obligations as they fall due. 3. The investment strategy is split across a range of asset classes and means of implementation to allow for a variety of redemption options. 4. Cashflow forecasting allows the Fund to predict likely cashflow requirements well in advance. 5. A cash framework has been implemented which will achieve improved flexibility on how liquidity is managed. This includes the addition of two money market funds, and target balances on different tiers of liquidity holdings. 	20	5	2	✓
R21	Impact of McCloud judgement.	BB	Financial/Operational	4	6	40	<ul style="list-style-type: none"> 1. Scoping level of resources in line with SAB guidance and MCHLG consultation paper. 2. Expected to take LGPS employers 18-24 months to complete. 3. Pension Fund website regularly provides news updates to members. 4. Civica UPM provider has already built/tested McCloud software. 5. McCloud remedy live from October 2023. 	32	4	5	✓

Risk ref	Risk Description	Risk Owner	Risk Category	Impact - 1 to 10 (10 highest)	Likelihood - 1 to 10 (10 highest)	PRIMARY RISK SCORE	Risk Controls (Mitigation)	RISK SCORE AFTER MITIGATIONS	Impact - 1 to 10 (10 highest)	Likelihood - 1 to 10 (10 highest)	Changes since April 2023?
R12	Fraud perpetrated against the fund either internally or externally resulting in a significant financial loss.	BB	Financial	7	2	35	<ol style="list-style-type: none"> The internal controls for the Fund and Council as Administering Authority are reviewed by internal and external audit on a regular basis. Control arrangements are in place to ensure transactions require multiple layers of authorisation. Participation in NFI data matching exercises. Fund now participates in DWP "Tell us Once" initiative. Fund now participates in NFI Fraud Hub. 	20	5	2	✓
R11	Pension information to scheme members is inaccurate resulting in claims for compensation against the fund and the Pensions Ombudsman.	BB	Financial	4	5	32	<ol style="list-style-type: none"> Robust procedures in place including appropriate internal checking processes carried out by Senior Officers. Specialist advice can be obtained from external advisers where appropriate. 	13	3	3	
R7	Admitted/Scheduled Bodies – failure of body/deficits on termination of contracts – could lead to an increase in other scheme employers' contributions.	CW	Financial	3	5	24	<ol style="list-style-type: none"> Admission agreements for transferee admission bodies place liability for pension deficits with Southwark Council limiting the Fund's counterparty exposure risk Funding levels for employers are monitored at each valuation. Contributions and deficit recovery periods set at appropriate level to take into account strength of covenant Regular monitoring of amounts due from admitted/scheduled bodies. Actions taken to recover late payments. Academy pension liabilities are supported by a guarantee from the Department for Education. 	13	3	3	
R6	Failure to comply with existing/new Scheme regulations – resulting in legal sanctions and detrimental effect on Council's reputation.	BB	Legal & regulatory	3	4	18	<ol style="list-style-type: none"> Monitoring of compliance with regulations. Pension Services restructure now agreed and ongoing use of external advisers with specialist knowledge to advise on implementation of regulations if required. Fund breaches policy sets out clear guidance and mechanism for the reporting of breaches by those involved in management of the Fund and to the Pensions Regulator. 	13	3	3	
R4	Inaccuracy of financial information affects organisational decision making.	CW	Reputational	4	2	14	<ol style="list-style-type: none"> Accounting data reconciled on timely basis. Fund manager valuations independently verified by Fund's custodian. Accounts prepared in accordance with relevant regulatory codes 	5	2	2	

Item No. 10	Classification: Open	Date: 11 October 2023	Meeting Name: Local Pension Board
Report title:		Pension Fund Draft Training Policy	
From:		Senior Finance Manager	

Recommendations

The Local Pension Board is asked to:

- Consider and discuss the draft training policy (Appendix 1) for the Pensions Advisory Panel (PAP) members, Local Pensions Board members and for those officers dealing with matters relating to the Pension Scheme.
- Note that the policy was discussed by the Pensions Advisory Panel on 27 September and the PAP members recommended that the Local Pension Board agree the policy in principle.

Background

1. The 2023 consultation on the future direction of LGPS pooling includes reference to the need for appropriate expertise for those tasked with pension fund decision making. Members of Pensions Boards have mandatory training requirements. However, this is not currently the case for the Pensions Advisory Panel, although it is generally accepted as best practice.
2. Under the consultation, Government is proposing that each administering authority set out a training policy for committee members (i.e. members of PAP) and that the training undertaken by members should be reported on regularly.
3. Under the Markets in Financial Instruments Directive II (MiFiD II) regulations (which came into effect on 3 January 2018), those that are responsible for the management of the Southwark Pension Fund need to demonstrate a high level of skills and knowledge to enable the Fund to be recognised as a professional investor. Being designated as a retail investor status means that the Fund will not have access to the type of investment product commensurate with the types of investment in which the Fund invests.
4. Failure to adequately demonstrate a high level of collective knowledge and skills across the Pensions Advisory Panel, Local Pension Board and officers could result in the loss of professional investor status hence access to the appropriate investment opportunities.

5. Southwark Council is committed to providing training to those involved in the governance of the Southwark Pension Fund and to ensure that the Pensions Advisory Panel and the Local Pensions Board members have the necessary skills and knowledge to effectively discharge their responsibilities. There is an expectation that officers involved in the governance of the Fund participate in relevant training activities as part of their Continuing Professional Development.
6. At the Local Pensions Board meeting of 10 July 2023 the approach to training for the LPB was discussed. The feedback from that meeting has been considered in the drafting of this training policy.

Southwark Pension Fund Training Policy

7. The draft training policy is at Appendix 1. If adopted, the policy will apply to all members of PAP, whether voting or not, members of the Local Pensions Board and officers responsible for the management of the Pension Fund.
8. The objectives of this policy are to:
 - i. Ensure that the Fund is managed, and its services delivered, by members and officers with the appropriate knowledge and expertise to demonstrate competence in their role
 - ii. Provide those with responsibility for governing the Fund the tools to evaluate the information that they receive and feel confident in being able to challenge where appropriate
 - iii. Support effective and robust decision making, ensuring that decisions comply with prevailing regulatory requirements or guidance from the Pensions Regulator, the Scheme Advisory Board and the Secretary of State for the Department for Levelling up, Housing and Communities (DLUHC)
 - iv. Ensure an understanding of the operation and administration of the Southwark Pension Fund
9. The policy sets out a plan to evaluate training needs on an ongoing basis, an outline of suitable training opportunities and the process for reporting on training activities.

Community, Equalities (including socio-economic) and Health Impacts

10. Community Impact Statement

No immediate implications arising.

11. Equalities (including socio-economic) Impact Statement

No immediate implications arising

12. Health Impact Statement

No immediate implications arising

13. Climate Change Implications

No immediate implications arising

14. Resource Implications

No immediate implications arising

15. Legal Implications

No immediate implications arising

16. Financial Implications

No immediate implications arising

17. Consultation

No immediate implications arising

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Finance
Report Author	Caroline Watson, Senior Finance Manager
Version	Final version

<i>Dated</i>	2 October 2023	
<i>Key Decision?</i>	N/A	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Director of Law and Democracy	N/A	N/A
Strategic Director of Finance	N/A	N/A
List other officers here		
<i>Cabinet Member</i>	N/A	N/A
<i>Date final report sent to Constitutional Team</i>		N/A

London Borough of Southwark Pension Fund Training Policy DRAFT**Introduction**

1. Southwark Council is committed to providing training to those involved in the governance of the Southwark Pension Fund and to ensure that the Pensions Advisory Panel and the Local Pensions Board members have the necessary skills and knowledge to effectively discharge their responsibilities. There is an expectation that officers involved in the governance of the Fund participate in the relevant training activities as part of their Continuing Professional Development.
2. The objectives of this policy are to:
 - Ensure that the Fund is managed, and its services delivered, by members and officers with the appropriate knowledge and expertise to demonstrate competence in their role
 - Provide those responsibility for governing the Fund to evaluate the information that they receive and feel confident in being able to challenge where appropriate
 - Support effective and robust decision making, ensuring that decisions comply with prevailing regulatory requirements or guidance from the Pensions Regulator, the Scheme Advisory Board and the Secretary of State for the Department for Levelling up, Housing and Communities (DLUHC)
 - Ensure an understanding of the operation and administration of the London Borough of Southwark Pension Fund
3. In the context of both the Markets in Financial Instruments Directive II (MiFiD II) and the 2023 consultation on the pooling of LGPS scheme assets, it is important that members of both the Pensions Advisory Panel and the Local Pension Board commit to participating in training to ensure that they have the necessary skills required to support them in their role.
4. Officers responsible for the management and administration of the LGPS are expected to participate in appropriate training to fill any knowledge gaps and to maintain their level of understanding of their role. For those with professional memberships (e.g. CIPFA) this will also ensure that Continuing Professional Development (CPD) requirements are met.
5. Compliance with this training plan will be monitored throughout the financial year and will be reported on in the annual report.

MiFiD II and LGPS Pooling Consultation

6. Under MiFiD II regulations (which came into effect on 3 January 2018), those that are responsible for the management of the London Borough of Southwark Pension Fund need to demonstrate a high level of skills and knowledge to enable the Fund to opt-up and be recognised as a professional investor. Being downgraded to retail investor status means that the Fund will not have access to the type of investment products commensurate with the types of investment in which the Fund invests.
7. Failure to adequately demonstrate a high level of collective knowledge and skills across the Pensions Advisory Panel and Local Pension Board could result in the loss of professional investor status and access to the appropriate investment opportunities.
8. The 2023 consultation on the future direction of LGPS pooling includes reference to the need for appropriate expertise for those taking with pension fund decision making. Members of Pensions Boards have mandatory training requirements. However, this is not currently the case for the Pensions Advisory Panel (or equivalent Pensions Committee), although it is generally accepted as best practice. Government is therefore proposing that each administering authority set out a training policy for committee members (i.e. members of PAP) and that the training undertaken by members should be reported on regularly.

Local Pension Board

9. In accordance with Section 248A of the Pensions Act 2004 and redrafted by the Pensions Act 2013, every member of the Southwark Local Pension Board must be conversant with:
 - The rules of the Local Government Pension Scheme (LGPS), for example, Investment regulations
 - Any document recording policy about the administration of the Southwark Pension Fund
10. Local Pension Board members should also have knowledge and understanding of
 - The law relating to pensions
 - Any other matter that may be prescribed

Induction Training

11. On joining the Pensions Advisory Panel or Local Pension Board, all new members will receive an induction pack and will attend an induction meeting with the Senior Finance Manager – Treasury and Pensions. The induction pack includes relevant training slides and links to key fund documents, which can be found on the Pension Fund website.

12. Local Pension Board members must complete, by their first meeting or within the first three months of their appointment (whichever is earlier), the online training courses provided in the Public Service Toolkit by the Pension Regulator (TPR), and within six months of their appointment, the TPR Trustee Toolkit.
13. Local Pension Board members must attend the three-day LGA LGPS Pension Fundamentals Training at the earliest opportunity and within the first 12 months of their appointment. Attendance can be in-person or online and the cost of attendance will be paid for out of the Pension Fund.
14. Local Pension Board members must familiarise themselves with the Southwark Pension Fund website and the information held on the site: [Policies | London Borough of Southwark \(southwarkpensions.co.uk\)](https://southwarkpensions.co.uk)
15. Members of the Local Pension Board and Pensions Advisory Panel must assess their training needs by completing the training needs analysis template that the Pensions Regulator has provided to support this process: [db-trustees-assess-your-learning-needs.pdf \(thepensionsregulator.gov.uk\)](https://www.thepensionsregulator.gov.uk/db-trustees-assess-your-learning-needs.pdf)
An excerpt can be found at Appendix 3.
16. While it is mandatory for Local Pension Board members to complete the training identified above, this policy also requires that members of the Pensions Advisory Panel also complete the training to ensure ongoing best practice is applied in the governance of the pension fund.

The Pensions Regulator Toolkit

17. The TPR Trustee toolkit provides a guide to understand the Governance and administration requirement in public service schemes Code of Practice no. 14.
18. The toolkit includes ten Essential Learning for Trustee compulsory modules and seven Public Service Toolkit compulsory online learning modules that must be completed successfully to pass the induction training.
19. The ten essential learning for trustee compulsory modules test Board members knowledge in the following key areas:
 - Introducing pension schemes
 - The trustee's role
 - Running a scheme
 - Pensions law
 - An introduction to investment
 - How a defined benefit (DB) scheme works
 - Funding your defined benefit scheme

- Defined benefit recovery plans, contributions and funding principles
- Investment in a defined benefit scheme
- Pension scams

20. The seven Public Service Toolkit compulsory modules test Board members knowledge in the following key areas:

- Conflicts of interest
- Managing risk and external controls
- Maintaining accurate member data
- Maintaining member contributions
- Providing information to members and others
- Resolving internal disputes
- Reporting breaches of the law

21. While the toolkit is designed with Local Pension Board members in mind, the material is of equal relevance to members of the Pensions Advisory Panel

22. The Pension Regulator trustee toolkit can be found here:

[Welcome to The Trustee toolkit \(thepensionsregulator.gov.uk\)](https://www.thepensionsregulator.gov.uk)

Delivery of Training

23. Training and development support for PAP/board members and officers will be delivered in a variety of ways:

PAP/Board Members	Officers	Examples
Pension Regulator online toolkit	Pension Regulator online toolkit	See Para 17- 22
LGA Fundamentals training course	LGA Fundamentals training course	See details in Appendix 2
Seminars, conferences and external events	Seminars, conferences and external events	PLSA events LGC events DG Publishing LGPS in conversation
Investment adviser/consultant training	Investment adviser/consultant training	Performance assessment Asset classes
Actuary training	Actuary training	Valuation assumptions and methodology
Fund manager training	Fund manager training	Asset class training
Officer updates		Newsletter
Online resources	Online resources	SAB website

		LGPS Regulations and Guidance (lgpsregs.org)
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24. Where appropriate, training will be provided jointly for the PAP, Local Pensions Board and officers. In addition, officers will circulate potential external training/CPD opportunities on a monthly basis or as they arise. Should members be made aware of any training opportunities that are not captured in regular officer updates, these should be notified to officers for circulation.

25. Where possible, a standing agenda item for training for PAP/LPB members will be included at each quarterly meeting. Should a standalone meeting be required solely for training purposes, this will be set up to be as accessible as possible for as many members as possible. This may mean that the meeting is held on a hybrid basis.

26. Further details on training and development opportunities for 2023/2024 can be found in Appendix 1

CIPFA Knowledge and skills framework

27. There are eight core technical key areas of knowledge and skills that have been identified by CIPFA as the core requirements for working in the LGPS:

- Pensions legislative and governance
- Pensions governance
- Funding strategy and actuarial methods
- Pensions administration and communications
- Pensions financial strategy, management, accounting, reporting and audit standards
- Investment strategy, asset allocation, pooling, performance and risk management
- Financial markets and products
- Pension services procurement, contract management and relationship management

28. The PAP and LPB are expected to have collective understanding and officers are expected to have a detailed understanding of these areas of knowledge and skills.

Training Plan

29. To be effective, training must be recognised as a continual process and will have 3 pillars:

- The collective knowledge of the PAP/LPB
- The general pensions environment

- Ongoing developments (e.g. legislative changes)
30. At present there is a minimum of four Local Pensions Board and four Pensions Advisory Panel meetings per annum.
 31. All members and officers will be expected to complete a minimum of 4 hours training per financial year, in addition to any induction training. Officers may have additional requirements if they are members of professional bodies (e.g. CIPFA) that have specific CPD requirements.
 32. Members of the PAP and LPB must be able to commit sufficient time to prepare for meetings and keep under review their knowledge and understanding.
 33. Training plans will be reviewed and developed on at least an annual basis. Where knowledge gaps are identified intra-year, the training plan will be updated accordingly. This may also take into consideration updates to legislation or guidance updates.

Acquiring, Monitoring and Reviewing Knowledge and Skills

34. PAP and LPB members must ensure that they have appropriate degrees of knowledge and understanding to carry out their stewardship role. Therefore members should invest sufficient time in their learning and development alongside their responsibilities and duties.
35. To ensure that PAP and LPB members have sufficient breadth of knowledge and understanding, they must undertake a personal training needs analysis and annual review of their skills, competencies and knowledge to identify any gaps or weaknesses.
36. The Pensions Regulator has provided a training needs analysis template to support this process:
[db-trustees-assess-your-learning-needs.pdf \(thepensionsregulator.gov.uk\)](https://www.thepensionsregulator.gov.uk/media/1042422/db-trustees-assess-your-learning-needs.pdf)
37. Periodically, the PAP and Board members' knowledge will be independently assessed and benchmarked against other Administering Authorities. Any perceived gaps in knowledge will be incorporated into future training plans.

Officer Training

38. Officers of the Fund must have the necessary skills and knowledge to carry out the tasks of managing the Fund's investments and administering the payment of benefits.
39. The knowledge and skills required of staff are set out in job descriptions, including any formal qualifications required for the role. Officers must be familiar with the requirements of the CIPFA Code of Practice on Knowledge and Skills and should have knowledge of the six areas of the framework (see paragraph 27)
40. Should there be any gaps identified in the knowledge and skills of officers, any training needs should be incorporated into the officer's personal development plan.
41. Officers will attend relevant training events and seminars during the year to ensure that they remain up to date with latest requirements and developments. Officers are also required to keep up to date with relevant issues affecting the pension fund.
42. For officers, there will be a particular focus on the following areas:
 - Public sector pensions governance – understanding the guidance and regulations in relation to local pensions boards and keeping up to date with how other Funds are working with their boards. This will ensure that the Pension Board can be supported effectively and add value to the governance of the Fund.
 - New Investment Arrangements – understanding the implications of how the Southwark Pension Fund will comply with the Markets in Financial Instruments Directive (MiFiD II) or the prevailing LGPS pooling regulations.
 - New Investment Products – keeping up to date with what the market (including London CIV) is offering
 - Accounting issues – keeping up to date with the latest CIPFA guidance on the format of the Pensions Fund Statement of Accounts and content of the Annual Report, including any responsible Investment related reporting such as climate related financial disclosures (TCFD)
 - Pensions Administration Regulations – keeping up to date with updates/new releases
 - Actuarial methods, Standards and practices – understanding the work of the actuary and the ways in which actuarial information is produced

Cost

43. Where there is a cost associated with providing training, this will be paid by the Southwark Pension Fund.

44. A budget will be allocated for training in the Fund's business plan. Where possible, training and support will be provided through officers, conferences and seminars with free places, fund managers and advisers.

Training monitoring and reporting

45. To ensure that the objectives of this training policy are being met, officers will maintain a training log to record attendance at training events. Under MiFiD II opt-up requirements, evidence of both this training policy and training received in the previous year must be provided to third parties to ensure that professional investor status is maintained.

46. The officer designated with responsibility for training must be notified by members and officers of their completion of any training. The following is a pro-forma reporting tool for such reporting:

Role	Event	Provider	Date	Event Type	Content	Duration (hrs)
Pensions Investments Manager	Investment Seminar	Local Government Chronicle	March 2023	In person conference	Investment and pooling updates	10

47. On an annual basis, members and officers will be asked to confirm their training record to enable this to be reported in the Fund annual report.

48. PAP and LPB members will be required to complete a Self-Assessment questionnaire annually to identify any development needs. Should any areas be omitted from the prevailing training plan, this will be updated to reflect any additional needs or to provide refresher training where relevant.

49. A report will be presented to the PAP and LPB on an annual basis setting out:

- Training attended by members in the previous year
- Any actions required, such as updating the Training Plan

50. Where a member has not completed the required training in the timeframes set out in this policy, and has no mitigating factors, this will be reported to the chairs of the PAP and LPB for action.

51. Should any member of the LPB no longer be able to demonstrate their capacity to attend and prepare for meetings, or to participate in required training or otherwise to carry out the requirements of the role, their membership may be reviewed.

52. Officers involved in the management and administration of the Fund are set annual objectives which will include an element of professional development.

These objectives will be monitored as part of the individual's annual performance review/appraisal.

Appendix 1

Sample of Training and Development Opportunities 2023/24

Provider	Event title	Areas covered	Date	Duration	Audience	Cost
LGA	Fundamentals 1	Legal framework of the LGPS	In person – 12/10/23 Online – 19 th & 26 th October	1 day	PAP, LPB (Officers optional)	£280 & VAT per day in person £240 & VAT online
LGA	Fundamentals 2	LGPS Investments	In person - 2/11/23 Online 16 th & 23 rd November	1 day	PAP, LPB (Officers optional)	
LGA	Fundamentals 3	Duties and Responsibilities	In person - 5/12/23 Online – 11 th & 19 th December	1 day	PAP, LPB (Officers optional)	
LGA/Scheme Advisory Board	LGA Governance Conference	Complaint handling SAB update Legal updates RI Regulatory challenges	Hybrid	2 days	LPB, Officers	TBC
CIPFA	Pension Board Annual Conference	SAB update RI and the LGPS	May 2024? Hybrid	1 day	LPB	TBC
PLSA	Local Authority Conference	Pooling Impact investing Asset class updates Governance	17-19 June 2024 In person	2 days	PAP, Officers	TBC in person On demand £250 pp

Provider	Event title	Areas covered	Date	Duration	Audience	Cost
SPS	LGPS Sustainable Investment & other topical issues	<ul style="list-style-type: none"> Consider different investment strategies effective in the new economic environment Hear discussions of the next steps for investment in the LGPS Consider practical approaches to climate and impact investments 	19/10/23	1 day	PAP, Officers (max 3)	No charge
SPS	Property, Infrastructure & Real Asset Investments	Impact of prevailing conditions on performance and prospects ESG/impact/climate considerations Cost and implementation issues	7/12/2023	1 day	Officers (max 3)	No charge
SPS	Annual Bond Investment Conference	Topical investment strategies, opportunities and new ideas available in the bond/credit/fixed income space	11/1/2024	1 day	Officers (max 3)	No charge
SPS	ESG Investment & Current Issues Conference	TBC	14/2/2024	1 day	Officers (max 3)	No charge

Provider	Event title	Areas covered	Date	Duration	Audience	Cost
SPS	Local Authority Pension Funds' Annual Investment Conference	TBC	13/3/2024	1 day	PAP, officers (max 3)	No charge
SPS	Local Authority Pension Funds' ESG & current issues conference	TBC	22/10/2024	1 day	PAP, officers	No charge
LGC	Investment Seminar Investment Summit	Various LGPS updates and manager presentations	March 2024 - Cheshire	2 days	Officers	No charge
			September 2024 - Birmingham	2 days	Officers, PAP	Free places may be available
LAPFF annual conference		Responsible Investment Issues	Early December 2023	2 days	Officers	Charge TBC
DG publishing	LGPS Live	Topical LGPS issues	First Wednesday of every month (PM) online	½ day	PAP, officers	No charge
Fund Manager events LGIM	Client Conference 2023	Risk management Geopolitical issues Sustainability issues AI	3 rd October 2023	1 day	Officers	No charge
Newton	Investment Conference	TBC	March 2024	½ day	PAP/LPB/Officers	No charge

Provider	Event title	Areas covered	Date	Duration	Audience	Cost
London CIV	Annual Strategy & RI conference	Drivers of return Asset allocation Affordable housing Private markets LGPS consultation Responsible investment (various)	4 th and 5 th September	2 days (can attend 1 or both)	PAP/LPB/Officers	No charge
London CIV	Client Training	Artificial Intelligence	TBC	Evening 90 minutes	PAP/LPB/Officers	LCIV

Appendix 2

LGA Pension Fundamentals Training Sample Agenda

Day one

9.30am – Registration and coffee

9.55am – Chair’s introduction to the day

10.00am – Duties and responsibilities of Pension Committees and Boards

- The legislative framework
- Governance arrangements
- Oversight bodies

11.30am – Coffee break

11.45am – Benefit structure

- The basis of the Local Government Pension Scheme (LGPS)
- Final salary versus CARE schemes
- A tour of the 2014 scheme

13.00pm – Lunch

13.45pm – The legal landscape

- Local Government Pension Scheme (LGPS) specific duties and responsibilities
- Common problem areas
- Wider duties and responsibilities
- What happens when things go wrong?

15.15pm – Coffee break

15.30pm – Good governance

- What does good governance look like?
- Mandatory and desirable policies in the Local Government Pension Scheme (LGPS)
- How strategies and policies assist the scheme manager

16.15pm – Close

Day two

9.30am – Registration and coffee

9.55am – Chair’s introduction to the day

10.00am – Investment framework

- The Management and Investment of Fund Regulations
- Investment Strategy Statement including approach to asset pooling
- Funding strategy statement

10.45am – Investment basics (part one)

The different types of investment classes and how they work

11.30am – Coffee break

11.45am – Investment basics (part two)

- Risk and return
- Sustainability

13.00pm – Lunch

13.45pm – Responsible investment

- Drivers of responsible investing
- Climate change
- Other sustainability linked themes
- How to respond as an investor

15.00pm – Coffee break

15.15pm – The crystal ball challenge

- What is growth?
- The outlook for opportunities and risk over the medium and long term

16.05pm Close

Day three

9.30am – Registration and coffee

9.55am – Chair's introduction to the day

10.00am – Being a responsible asset owner

- Stewardship
- Cost transparency

11.00am – Coffee break

11.15am – Working together

- How the local pension board assists the pension manager to meet the administration challenge

12.00pm – A view from the bridge

- The role of the responsible government department
- Issues on the radar

12.45pm – Lunch

13.30pm – Valuations

- The purpose of an actuarial valuation
- Assets and liabilities
- How liability calculations work
- The assumptions used

14.30pm – Coffee break

14.45pm – Funding

- The importance of a funding strategy
- Different employers – different characteristics and objectives
- Employer covenants

15.45pm – Close

Appendix 3

Extract from The Pensions Regulator Knowledge and Skills Self-Assessment

Trustee knowledge and understanding

Plan your learning

The Pensions
Regulator

DB schemes only Learning needs analysis based on the TKU DB and DC scope guidance		Personal development		
Unit 4 – Funding: Defined benefit (DB) occupational arrangement only This includes the principles relating to the funding of DB occupational arrangements and the way in which the funding level is dependent upon the value of both the scheme's liabilities and its assets.				
Knowledge required	Rate my skills 1 – No knowledge 5 – Highly skilled	My objectives	Timescale	Where to go next The relevant Trustee toolkit module and related learning
4a: How the funding for DB occupational scheme works	1 2 3 4 5 <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>			<ul style="list-style-type: none"> ▶ Module: How a DB scheme works ▶ Module: Funding your DB scheme ▶ Module: DB recovery plans, contributions and funding principles
4b: How liabilities are valued for different purposes	1 2 3 4 5 <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>			<ul style="list-style-type: none"> ▶ Funding your DB scheme: Tutorials: Valuing the scheme's liabilities, Calculating the liabilities and Impact of assumptions ▶ Investment in a DB scheme: Tutorial: Changing asset and liability values
4c: How the market value of assets is assessed	1 2 3 4 5 <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>			<ul style="list-style-type: none"> ▶ Funding your DB scheme: Tutorial: Impact of assumptions ▶ Investment in a DB scheme: Tutorial: Changing asset and liability values
4d: Funding measures	1 2 3 4 5 <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>			<ul style="list-style-type: none"> ▶ Funding your DB scheme: Tutorials: The statutory funding objective and Valuing the scheme's liabilities
4e: Potential risks to the ability of the scheme to pay benefits	1 2 3 4 5 <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>			<ul style="list-style-type: none"> ▶ How a DB scheme works: Tutorials: Employer covenant and Risks to employer covenant

Item No. 11	Classification: Open	Date: 11 October 2023	Meeting Name: Local Pension Board
Report title:		Update on Current LGPS Issues	
From:		Graduate Finance Trainee	

Recommendations

1. The Local Pension Board (LPB) is asked to note the updates provided in this report.

The LGPS and the Proposed 'Mansion House' Pension Reforms

2. At the Chancellor's Mansion House speech of the 10 July 2023 a package of reforms designed to boost pensions and increase investment in British businesses was announced. Within the speech, reference was made to the potential to unlock additional investment from both Defined Contribution pensions and the LGPS to support the priority of growing the economy and delivering benefits to savers.
3. On 11 July 2023, a policy consultation on LGPS pooling was launched by DLUHC, with an invitation for stakeholders to respond to questions within the consultation by 2 October 2023. The consultation sought views on proposals relating to the investment of the LGPS and covers the areas of asset pooling, levelling up, opportunities in private equity and investment consultancy services.
4. Details of the DLUHC consultation can be found at Item 16 of this agenda – which covers the key themes of the consultation, considerations for the Southwark Pension Fund and the response that was submitted following discussion at the Pensions Advisory Panel meeting of 27 September.
5. The following views of the Scheme Advisory Board were considered when drafting the response:

- The approach to pooling should be altered to a more collaborative model, where ‘funds are recognised as having a strong and active role in the governance of pools’ instead of the ‘very top-down structure’ suggested by the consultation document.
- On levelling up, SAB suggests that ‘most funds are keen to invest in place-based initiatives where particular projects can be demonstrated to be consistent with the fund’s fiduciary duty and appetite for risk’. However, UK infrastructure projects must be internationally competitive and, to achieve this, ‘central government should take a more active role in this space’.
- On the private equity target, SAB believes that ‘increasing attempts’ by the government to intervene in asset allocation are ‘unhelpful’. It argues that asset allocation is the ‘key determinant of success and requires careful consideration of the specific circumstances of the fund’. As such, ‘it is based on taking expert professional advice from actuaries, investment consultants and others.’

6. The consultation closed on 2 October 2023.

LGPS Advisory Board Annual Report 2022

7. The SAB published its 2022 Annual Report on 27 June 2023. The aim of the report is to ‘provide a single source of information about the status of the LGPS for its members, employers, and other stakeholders’ as ‘continually improving key information about the scheme as a whole is one of the top priorities of the board.’
8. The report aggregates information supplied in the 86 LGPS fund annual reports, as at 31 March 2022. The report shows that, at this time, the scheme had 14,992 active employers, 6.39m members and assets of £369bn. Following the 2022 triennial valuation of the LGPS assets and liabilities, the average funding level improved from 98% in 2019 to 107% at 2022 with all funds reporting an improvement in their position since 2019.
9. The report notes a number of other highlights for the scheme, including:
 - Total membership of the LGPS increased slightly, growing by 161,871 (2.6%) to 6.39m members in 2022.
 - The total assets of the LGPS increased by 7.8% to £369bn. These assets were invested in pooled investment vehicles (67%), public

equities (12%), bonds (3%), direct property (3%), as well as other asset classes (15%).

- The Local Authority return on investment over 2021-22 was 8.1%. This rate is comparable to CPI year-on-year inflation of 8.8%.
- The scheme maintained a positive cash-flow position overall, including investment income.
- Over 1.95m pensioners were paid over the year.
- Life expectancy rebounded to similar levels pre-Covid, with an increase by 0.8 years & 0.6 years for men and women respectively (compared with 2021 figures).
- Total management charges increased by £385m (22.5%) from £1,711m. This was primarily driven by a £381m (25.6%) rise in investment management charges, while administration and oversight and governance costs remained broadly stable.

10. The report also notes the passage of the Public Service Pensions and Judicial Offices Act 2022, which gave powers for implementation of McCloud remedy as well as the Pension Schemes Act 2021 that allowed for the creation of pensions dashboards.

11. It additionally notes the creation of a joint Compliance and Reporting Committee between SAB and CIPFA to take on the remit of the disbanded CIPFA Pensions Panel.

12. There was also progress in the year on the LGPS cost transparency project, with some amendments to the Code of Transparency, which were the subject of consultation with asset manager signatories. More managers signed up to the Code and usage of the Board's Code of Transparency reporting system continued to increase, with improved levels of compliance.

LGPS Advisory Board Scheme Valuation Report 2022

13. The SAB published the Scheme Valuation Report for 2022 on 10 August 2023. It compiles data from all of the valuation reports produced by local funds to provide insight into the current LGPS funding position and highlight scheme-wide issues.

14. In addition to the overall average funding level (as reported above), the report shows that:

- Average contribution rates to meet future service costs rose from 18.6% of payroll at 2019 to 19.8% of payroll at 2022.
- Overall, contribution rates fell – reflecting lower deficit contributions – to 21.1% of payroll at 2022 from 22.9% of payroll at 2019.
- Employee contributions increased marginally from 6.5% of pay to 6.6%.

Update on the LGPS Gender Pensions Gap Report

15. The Gender Pensions Gap report for the LGPS, published in January 2023, identified a substantial difference between the average level of pension benefits accrued by male and female scheme members. SAB therefore commissioned the Government Actuary's Department (GAD) to explore these gender gaps in more depth.

16. This next steps report was published on 22 June 2023 and its main findings detail that:

- Part-time working patterns are closely related to gender pension (and pay) gaps for LGPS members. Controlling for differences between men and women in terms of both current and historic part-time working patterns reduces, but does not eliminate, these gender gaps. Possible explanatory factors include length of service and employer differences.
- Pay and pension gender gaps can be attributed to both differences for men and women working for the same employer ('within employer') and differences in the proportions of men and women working at higher or lower paying employers ('between employer') as well as between different categories of employers.

17. The report also highlighted that detailed comparisons cannot currently be drawn between gender gaps with different public sector pension schemes due to several data and methodological issues. SAB has therefore proposed that GAD put in place a common reporting framework for all of the public sector schemes.

18. SAB has decided to set up a small working group to consider next steps and is in the process of recruiting members.

Community, Equalities (including socio-economic) and Health Impacts

19. Community Impact Statement

No immediate implications arising.

20. Equalities (including socio-economic) Impact Statement

No immediate implications arising

21. Health Impact Statement

No immediate implications arising

22. Climate Change Implications

No immediate implications arising

23. Resource Implications

No immediate implications arising

24. Legal Implications

No immediate implications arising

25. Financial Implications

No immediate implications arising

26. Consultation

No immediate implications arising

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Finance	
Report Author	Josef Gorecki, Graduate Finance Trainee	
Version	Final	
<i>Dated</i>	4 October 2023	
<i>Key Decision?</i>	N/A	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Director of Law and Democracy	N/A	N/A
Strategic Director of Finance and Governance	N/A	N/A
List other officers here		
<i>Cabinet Member</i>	N/A	N/A
<i>Date final report sent to Constitutional Team</i>		N/A

Item No. 12	Classification: Open	Date: 11 October 2023	Meeting Name: Local Pension Board
Report title:		Pensions Advisory Panel Meeting Papers – 27 September 2023	
From:		Senior Finance Manager - Treasury & Pensions	

Recommendations

The LPB is asked to:

- Note the key items covered at the 27 September 2023 Pensions Advisory Panel meeting.

Summary

1. Asset Allocation and Net-Zero Strategy Update – Agenda Item 7

- The new £100m multi-asset credit allocation to Robeco was fully invested on 6 September 2023.
- No mandates were terminated during the quarter. But notice was given to BlackRock re the need to exit the diversified growth and absolute return bond funds to finance the Robeco mandate.
- Changes were made to the Newton mandate during the quarter. The portfolio go-live date was 30 April: the total number of stocks reduced from 42 to 40, and the weighted average carbon intensity reduced by 20.8% on day one.
- Operational changes to implement the new cash policy were implemented. This includes new allocations to two money market funds run by Northern Trust and BlackRock.
- A £30m commitment was made to the Darwin Leisure Development Fund during the quarter, and was fully drawn down.
- In August, an additional commitment of £6m was made to the Temporis Impact Strategy V Fund.
- One of the directly held assets in the Nuveen portfolio was independently verified as having an EPC+ rating. This makes it the first net-zero holding in the direct property portfolio.

2. Investment Adviser Performance Updates – Agenda Item 8

- Fund value increased by £38.6m during the quarter to June 2023, from £2,015.0m to £2,053.6m.
- Fund return quarter to June 2023: 2.3% (benchmark 0.4%)
- Fund return year to June 2023: 4.1% (benchmark 5.0%)

- Fund return 3 years to June 2023: 6.0% (benchmark 6.4%)
- Funding level increased by 1% over the quarter from 109% to 110% due to a greater than expected return on assets.

3. Carbon Footprint Update – Agenda Item 9

- Reduction in the Fund's carbon footprint between September 2017 and June 2023 was 66.7%.

4. Responsible Investment Policy – Agenda Item 12

- PAP agreed a standalone responsible investment (RI) policy for the Fund.
- It sets out how Environmental, Social and Governance (ESG) aspects are considered as part of the decision-making process, whilst also fulfilling our fiduciary duties to scheme members.
- The RI policy is a starting point to establishing a robust governance framework in relation to climate change and wider ESG considerations of our investments.
- It provides a strong starting point for various disclosure requirements under TCFD and we will be able to leverage a significant portion of the work done in developing the RI policy for preparing the TCFD report.

Community, Equalities (including socio-economic) and Health Impacts

5. Community Impact Statement

No immediate implications arising.

6. Equalities (including socio-economic) Impact Statement

No immediate implications arising

7. Health Impact Statement

No immediate implications arising

8. Climate Change Implications

No immediate implications arising

9. Resource Implications

No immediate implications arising

10. Legal Implications

No immediate implications arising

11. Financial Implications

No immediate implications arising

12. Consultation

No immediate implications arising

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Finance	
Report Author	Caroline Watson, Senior Finance Manager - Treasury and Pensions	
Version	Final version	
<i>Dated</i>	05 October 2023	
<i>Key Decision?</i>	N/A	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Director of Law and Democracy	N/A	N/A
Strategic Director of Finance and Governance	N/A	N/A
List other officers here		
<i>Cabinet Member</i>	N/A	N/A
<i>Date final report sent to Constitutional Team</i>		N/A

Item No	Date:	Meeting Name:
13	11 October 2023	Local Pension Board
Report title:		Local Pension Board Annual Report
From:		Chair of the Local Pension Board

RECOMMENDATION

Local Pension Board Members are asked to:

- Note the content of the Local Pension Board Annual Report for 2022-23 for inclusion within the Pension Fund Annual Report 2022-23, as set out in this report, and suggest amendments as appropriate.

REPORT FROM THE INDEPENDENT CHAIR OF THE LOCAL PENSION BOARD

Local Pension Boards were established under the 2013 Pensions Act. Each Administering Authority is required to establish a Board to assist with the effective and efficient governance and administration of the scheme. The Board is also tasked with ensuring compliance with the various legislative requirements and those of The Pensions Regulator, complementing the already well developed governance structure which underpins the pension scheme.

The independent Chair of the Local Pension Board attends the Pensions Advisory Panel (PAP). This provides a useful link between the advisory body and the Board. The link is further strengthened by the attendance at the Board of the Strategic Director of Finance and Governance on an ad hoc basis; attendance of other key officers and joint training sessions for the Board and PAP members. The chair is elected annually with the incumbent leaving the meeting to avoid any conflict of interest.

The first meeting of the Board was held in July 2015, and since then it has established itself as part of Southwark's governance structure in relation to the Fund. The Board's core functions are set out in the [Terms of Reference](#).

The composition of the Local Pension Board is set out below:

Independent Chair

Mike Ellsmore

Scheme Member Representatives

Diana Lupulesc (employee representative)

Stuart Mumford (employee representative)

Tony O'Brien (retired employee representative)

Employer representatives

Dominic Cain (Vice Chair) (employer representative)

Allan Wells (employer representative)

Mike Antoniou (schools employer representative)

The Board meets quarterly and the current membership and attendance at meetings during 2022-23 is set out in the table below. The meeting papers can be accessed [here](#).

Name	Title	06-Apr-22	06-Jul-22	19-Oct-22	18-Jan-23
Mike Ellsmore	Independent Chair	✓	✓	✓	✓
Diana Lupulesc	Scheme Member Representative	✓	A	A	✓
Stuart Mumford	Scheme Member Representative			✓	A
Tony O'Brien	Retired Scheme Member Representative	✓	✓	✓	✓
Dominic Cain	Employer Representative, Vice Chair	✓	✓	✓	✓
Allan Wells	Employer Representative	✓	✓	✓	✓
Mike Antoniou	Schools Employer Representative	✓	✓	✓	✓

✓ *Attended*

A *Absent with apologies*

Knowledge and understanding/training

As set out in the national guidance for Local Pension Boards, knowledge and understanding is a key part of being an effective Board member. Board members continuously engage in training programmes in order to develop and refresh their skills and knowledge and have access to The Pensions Regulator public service toolkit and the CIPFA guide for Local Pension Boards. In 2022-23, the Board has received training on the following items, from both internal and external trainers:

- Investment Strategies and Fossil Fuel Divestment
- Breaches of Pension Law
- Actuarial Valuations – Processes and 2022 Valuation Results

Work during the year

The Board regularly receives reports on Pension Services performance and the Pensions Advisory Panel agendas. During the year, the Board has also considered:

- Monitoring updates against the Pensions Regulator's Code of Practice 14 action plan to ensure full compliance
- Implementation of an annual Register of Interests for Board members
- Annual update of the fund's Risk Register
- Annual audit of the Funds' managers, custodian and banking provider's cyber security
- TCFD Consultation for LGPS funds
- Implementation of an Appointments Process Policy for Board members

The Board continues to be concerned with the lack of key performance indicators relating to the Pension Administration Service. This follows the implementation of a new pensions system. The pensions manager has assured the Board that there have not been any breaches of legislation, and it has been agreed that progress will be made to be in a position to report KPIs to the Board during 2023-24.

The Board is pleased to see that the Pension Advisory Panel has approved a Fund-specific Conflicts of Interest Policy. This significantly strengthens the governance of the Fund.

A number of Southwark-specific, employer related issues were raised at the Board and although these are not within the remit of the Board, the Director of Human Resources has been invited to a future Board meeting.

Future work

There are plans to build a fund-wide business plan, which will be used to construct a long-term training plan into the future for both the Local Pension Board and the Pensions Advisory Panel. This will inform a number of training points and discussions to be had by the Board and the Panel to ensure continued good governance and strong decision-making by all members and officers involved.

Looking ahead, the Board's work plan will be to continue to monitor the changes which the pension administration service is undergoing. As the composition of the Fund's investments continues to evolve, the Board will also continue to receive and scrutinise updates on the progress made towards the net zero carbon emissions target.

For 2023-24, there are initial plans for training for Local Pension Board to cover a refresh on the types of and risks associated with scheme employers, pensions administration structures and the role of external stakeholders to the fund.

The Board will continue to monitor the impact of the Scheme Advisory Board's Good Governance Project and the Pension Regulators' (TPR) proposed modular code of practice for the Pension Fund will also be a priority.

The Board will also monitor the resources allocated and employed in the management of the Fund in the context of an increasingly complex investment and administrative landscape, with a particular focus on progression towards the strategic target of reaching net zero carbon emissions by 2030 through the fund's investments.

Expenses

The total expenses of £13,891 incurred by the Board for 2022-23 are set out below:

Expense	£
Allowance – Independent Chair	3,609
Annual Insurance Fees	6,282
Training	3,999
Total	13,891

Mike Ellsmore
Independent Chair

KEY ISSUES FOR CONSIDERATION

1. N/a

Policy framework implications

2. There are no immediate implications arising from this report.

Community, equalities (including socio-economic) and health impacts

Community impact statement

3. There are no immediate implications arising from this report.

Equalities (including socio-economic) impact statement

4. There are no immediate implications arising from this report.

Health impact statement

5. There are no immediate implications arising from this report.

Climate change implications

6. There are no immediate implications arising from this report.

Resource implications

7. There are no immediate implications arising from this report.

Legal implications

8. There are no immediate implications arising from this report.

Financial implications

9. There are no immediate implications arising from this report.

Consultation

10. There are no immediate implications arising from this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Governance

11. Not applicable.

Strategic Director of Finance

12. Not applicable.

Other officers

13. Not applicable.

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Finance	
Report Author	Mike Ellsmore, Independent Chair, Local Pension Board	
Version	Final version	
Dated	04 October 2023	
Key Decision?	N/A	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Director of Law and Democracy	N/A	N/A
Strategic Director of Finance	N/A	N/A
List other officers here		
Cabinet Member	N/A	N/A
Date final report sent to Constitutional Team		N/A

Item No 14	Date: 11 October 2023	Meeting Name: Local Pension Board
Report title:		Option to Re-appoint Local Pension Board Chair
From:		Senior Finance Manager - Treasury and Pensions

Recommendation

It is recommended that the Local Pension Board:

- Vote on the decision to retain the role of the Local Pension Board Chair and the reappointment of the current Chair for a further year.

Background

1. At the 19 October 2022 meeting of the Local Pension Board it was agreed that the independent chair would be reappointed until the end of October 2023.
2. Local Pension Board members are asked to consider whether the role of the independent chair should be retained and whether the current incumbent is performing to an expected standard and therefore should be re-appointed for a further year.

KEY ISSUES FOR CONSIDERATION

3. N/a

Policy framework implications

4. There are no immediate implications arising from this report.

Community, equalities (including socio-economic) and health impacts

Community impact statement

5. There are no immediate implications arising from this report.

Equalities (including socio-economic) impact statement

6. There are no immediate implications arising from this report.

Health impact statement

7. There are no immediate implications arising from this report.

Climate change implications

8. There are no immediate implications arising from this report.

Resource implications

9. There are no immediate implications arising from this report.

Legal implications

10. There are no immediate implications arising from this report.

Financial implications

11. There are no immediate implications arising from this report.

Consultation

12. There are no immediate implications arising from this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Governance

13. Not applicable.

Strategic Director of Finance and Governance

14. Not applicable.

Other officers

15. Not applicable.

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Finance
Report Author	Caroline Watson, Senior Finance Manager – Treasury and Pensions
Version	Final
Dated	4 October 2023
Key Decision?	N/A
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER	

Officer Title	Comments Sought	Comments Included
Director of Law and Democracy	N/A	N/A
Strategic Director of Finance and Governance	N/A	N/A
List other officers here		
Cabinet Member	N/A	N/A
Date final report sent to Constitutional Team	N/A	