

PENSIONS BOARD 20 October 2021

Report title: Lambeth Pension Administration – Performance report for the period July 2021 to September 2021

Wards: All

Portfolio: Cabinet Member for Finance and Performance, Councillor Andrew Wilson

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Report summary

This is a performance report for the Pensions Board as part of their remit to oversee the administration of the Lambeth Local Government Pension Scheme (LGPS). The report includes the agreed performance indicators, administrative updates, developments and projects.

Finance summary

There are no financial implications arising from the recommendations in this report.

Recommendations

1. To note the Pension Administration Service Performance update covering the July 2021 to September 2021.

1. **Context**

1.1 The Pensions Board is required to review and provide feedback on the performance of the pensions administration service. This report provides information on the performance of Lambeth Pensions in relation to all its members (active, deferred or pensioner members).

2. **Proposal and Reasons**

Membership data

2.1 The table below sets out the key changes in the membership since the last report:

Membership type	Totals at 30.06.21	Totals at 30.09.21
Active	5,002	4,907
Deferred pensioner	8,463	8,498
Pensioner	6,332	6,327
Widow/dependant	1,150	1,160

Key performance indicators

2.2 Lambeth Pensions measures the work processed using standard key performance indicators. The total number of pensions cases completed on the Altair system in the period July to September 2021 was 1,203. Cases are normally set to be completed within five or ten working days depending on the nature of the case. Statistics on key performance indicators can be found in Appendix One.

Communications

2.3 **Annual Benefit Statements and Newsletters:** The Annual Benefit Statements were issued in this quarter to active and deferred Scheme members along with a Pension Fund Newsletter.

2.4 **Annual Allowance Pension Savings Statements:** Pension Savings Statements were issued to relevant active scheme members in this quarter. A Pension Savings Statement must be issued to members where the growth in their pension benefits in a particular tax year exceeds the annual allowance of £40,000.

On-line Activity

2.6 **Member Self Service:** [Member Self-Service](#) (MSS) is an on-line platform to enable pension scheme members to access details about their LGPS pension rights. There are currently 3,143 registered users. The team encourages all pension scheme members to use MSS and links to the site are given in emails and other communications. Statistics on usage are shown in Appendix One.

2.7 **Lambeth Pension Fund Website:** There is also a Lambeth Pension Fund [website](#) which houses general information about the LGPS in addition to specific information pertaining to the London Borough of Lambeth Pension Fund, for example:

- Information about the running of the Lambeth Pension Fund (e.g. who the Pensions Board and Pension Committee members are)

- scheme guides and forms
- valuation reports
- member newsletters
- various pension fund policies (e.g. Communications Policy) and
- annual reports.

2.8 The website has recently been refreshed to provide further improvements from an administrator and user perspective.

Complaints and compliments

2.9 Lambeth Pensions received one complaint in this period. Details are shown in Appendix One.

Internal Dispute Resolution Procedure

2.10 There were no stage one appeals this quarter.

Risk register

2.11 The risk register was updated this quarter. Details are provided in a separate report.

Lambeth Pension Fund Discretions

2.12 There were no mandatory policy discretions exercised under the Lambeth Pension Fund's Discretionary Policy in this period.

Pension Board information request to the Pension Committee

2.13 Further to the last Pension Board meeting in August, the Board requested the following information from the Committee:

2.13.1 The Board notes that several of the Fund's managers are currently rated by Mercer as ESG3, the penultimate score in Mercer's proprietary ESG ratings, where managers have made some progress towards ESG integration and/or active ownership but for which there is little evidence that ESG considerations are taken into consideration in valuations and investment processes. Can the Committee explain what actions the Fund is taking to mitigate the financial and reputational risks from investing in these managers, and what consideration is being given to investing in funds with a higher ESG rating instead?

2.13.2 Can the Committee comment on the Fund's continued exposure to indirect fossil fuels given its agreement with the Board's recommendation to divest from indirect investments in fossil fuels, and explain what actions are being taken to reduce the Fund's exposure?

2.13.3 Will the Committee commit to agreeing an updated Statement of Investment Beliefs before year-end that encapsulates its climate-related beliefs and sets the direction for the Fund's future investment strategy?

2.14 The Committee will give due consideration at the next Committee meeting (6 October 2021) and the response or resolved action will be recorded in the meeting minutes.

Pensions Board Training

- 2.15 A selection of external conferences, workshops and other training opportunities has been shared with members at Appendix Two; these events have been specifically identified as relevant to the Fund and/or members' interests. Should members decide to attend any of the sessions or have identified other training they would like to attend, please inform the Fund's Governance and Compliance Officer Sarah Hargraves (SHargraves@lamebth.gov.uk) so that member training records can be updated.
- 2.16 These sessions form part of the main training offer to members. Other sessions arranged by fund managers or advisors will be held throughout the year and outside of formal meetings in line with the Training Plan (addressed elsewhere in this agenda). It is vital that members continue to develop and maintain their knowledge of the overall LGPS landscape to fulfill statutory obligations and compliance requirements.
- 2.17 The formal Training Plan and Policy has been updated and is detailed in a separate report.

Ongoing developments

- 2.18 **HM Treasury consultation on cost control mechanism:** On 24 June 2021, HMT launched a consultation (which closed on 19 August) on proposed changes to the cost control mechanism alongside [a written ministerial statement](#).
- 2.19 The cost control mechanism is a form of risk-sharing arrangement that seeks to maintain the level of employer support for the public service pension schemes. It assesses certain elements of the costs of each scheme. If these costs have changed from their original level by more than the 'corridor' of +/- 2% of pensionable pay, then member benefits within that scheme are changed to bring the assessed costs back to the original level. The mechanism is symmetrical so it can both increase and reduce member benefits.
- 2.20 The consultation set out HMT's proposal of making the following three changes, all of which were recommended in the Government Actuary Department's recent review that was commissioned by HMT:
- 2.20.1 Only considering past and future service in the reformed CARE schemes in the mechanism (so, removing any allowance for final salary schemes).
 - 2.20.1 Widening the 2 per cent corridor to 3 per cent.
 - 2.20.2 Introducing an economic check so that a breach of the mechanism would only be implemented if it would still have occurred had long-term economic assumptions been considered.
- 2.21 The consultation also recognises that there are differences between the LGPS and other public service schemes, especially in the way in which employer contributions are set.
- 2.22 In its response to the consultation the Scheme Advisory Board (SAB) stated the following:

- 2.22.1 Including only reformed scheme costs will be difficult to achieve in the LGPS because the underpin relates to the legacy scheme but will increase the reformed scheme benefits of some members.
- 2.22.2 Widening the corridor to 3 per cent would mean that scheme changes would be more significant if there is a breach.
- 2.22.3 The SAB operates a separate cost management process that already functions as an 'economic check'.
- 2.23 On 4 October 2021, HM Treasury published the [outcome to the Public service pensions: cost control mechanism consultation](#). The response confirms that the mechanism will, from the 2020 scheme valuation, move to a reformed scheme only design with a 3% corridor and will introduce an economic check.
- 2.24 Although not directly addressing the concerns of the LGPS, the response does acknowledge them and commits to discussing with stakeholders appropriate ways to introduce these changes and how the SAB cost management process can be adapted.
- 2.25 **Exit Pay Reform:** In advance of plans by MHCLG to introduce changes to exit payments following its consultation (which ended on 13 August 2021) on reforming local government exit pay, MHCLG wrote to councils requesting the provision of data on all redundancy payments, pension strain payments and other special payments made in consequence of an exit from 2019/20 to 2014/15 to 2018/19. The data will be used to inform delivery of the Government's policy to "end excessively high exit payments in the public sector".
- 2.26 Following the publication of the first estimates on 2 July 2021, MHCLG published [updated Local authority exit payments data](#), covering exit payments made by English authorities from 2014/15 to 2020/21. The updated data shows that the average exit payment made in 2020-21 across English local authorities was £31,000.
- 2.27 New Minister for the LGPS: Kemi Badenoch has been named as the new minister for Local Government and will therefore take up responsibility for the LGPS.

Other general updates presented to the Pension Committee

- 2.28 **London CIV – Funding and Fee Savings:** The most recent London CIV (LCIV) Business Update call took place on 16 July 2021, during which updates were provided on their current fund launch activity and new fund launch pipeline; the current fund offering is attached at Appendix Three for information. The next update meeting takes place on 17 September, any relevant updates will be presented to the Committee verbally.
- 2.29 As at 30 June 2021 the LCIV had £13.5bn of assets under direct management, including commitments, and a further £13.2bn held in 'pooled' passive arrangements managed by Legal and General and BlackRock.
- 2.30 The Lambeth Fund is a key stakeholder in the LCIV, with approximately £1.21bn or 65% of the Fund's active assets invested directly in the pool as at 30 June 2021, one of the highest proportions of total Fund assets compared to other London boroughs.

- 2.31 In early September the LCIV published annual fee savings attributable to clients for the financial year 2020/21; gross savings, being the difference between the estimated expense if investing outside the LCIV and the actual expenses incurred within the pool were £1.27m. Net savings, after accounting for LCIV management fees and service charges were £938k (£831k gross and £592k net in 2019/20).
- 2.32 **Governance Update:** The LCIV AGM took place on 15 July 2021, the first to be held on a hybrid basis with most attendees joining online. The LCIV's Annual Review and statutory accounts were presented to members (attached at Appendix Four for information), with discussions on developing relationships with client funds including exploring different investment solutions, developing the LCIV's approach to responsible investment, and on financial effectiveness. The AGM also discussed an update to the Medium-Term Financial Plan and the iterative consultation to take place during September to December to finalise the plan in discussion with shareholders; this will then form the basis for the 2022/23 Annual Budget and objectives to be agreed by shareholders at the General Meeting in January 2022.
- 2.33 **Staffing Update:** LCIV have appointed Rob Treich as Head of Public Markets who joined in early September and have also appointed a Head of Public Funds Accounting, the individual taking up post in late October.
- 2.34 **External Audit:** The Pension Fund Annual Accounts audit is currently underway, and officers have now been presented with the final Audit Strategy Memorandum which was unavailable for the March meeting item on the Audit Plan. This is attached at Appendix Five for information purposes.

3. FINANCE

- 3.1 There are no additional financial implications in relation to the items mentioned in this report.

4. LEGAL AND DEMOCRACY

- 4.1 There are no legal implications arising directly from the contents of this report.
- 4.2 There are no additional comments from Democratic Services.

5. CONSULTATION AND CO-PRODUCTION

- 5.1 Where possible Lambeth Pensions shares ideas and working practices with other pension funds.

6. RISK MANAGEMENT

- 6.1 Action has been taken to mitigate any risks in relation to the items mentioned in this report. The Risk Register highlights the appropriate control measures to mitigate potential risks.

7. EQUALITIES IMPACT ASSESSMENT

- 7.1 There are no equalities issues.

8. COMMUNITY SAFETY

8.1 There are no community safety issues.

9. ORGANISATIONAL IMPLICATIONS

9.1 Environmental

None for the purpose of this report.

9.2 Health

Not applicable.

9.3 Corporate Parenting

Not applicable.

9.4 Staffing and accommodation

None for the purpose of this report.

9.5 Responsible Procurement

None for the purpose of this report.

10. TIMETABLE FOR IMPLEMENTATION

10.1 Not applicable.

Audit trail				
Consultation				
Name/Position	Lambeth directorate/ division or partner	Date Sent	Date Received	Comments in para:
Councillor Andrew Wilson	Cabinet Member for Finance and Performance	28.09.2021	07.10.2021	
Fiona McDermott, Strategic Director of Finance and Investments	Finance and Investment	28.09.2021	04.10.2021	
Christina Thompson, Director of Finance and Property	Finance and Investment / Finance and Property	28.09.2021	07.10.2021	
Hamant Bharadia, Assistant Director of Finance	Finance and Investment / Finance and Property	28.09.2021	05.10.2021	
Andrew Pavlou Legal Services	Legal and Governance	28.09.2021	08.10.2021	
Marianna Richie Democratic Services	Legal and Governance	28.09.2021	01.10.2021	

Report History	
Original discussion with Cabinet Member	NA
Report deadline	08.10.2021
Date final report sent	
Part II Exempt from Disclosure/confidential accompanying report?	NA
Key decision report	No
Date first appeared on forward plan	N/A
Key decision reasons	N/A
Background information	N/A
Appendices	<ul style="list-style-type: none"> • Appendix One – Pensions Administration Performance September 2021 • Appendix Two – Suggested Training Q4 2021-Q1 2022 • Appendix Three – LCIV Current Fund Offering June 2021 • Appendix Four – London CIV Annual Review 2021 • Appendix Five – Pension Fund Audit Strategy Memorandum