

PENSIONS BOARD 13 APRIL 2022

Report title: Lambeth Pension Administration – Performance report for the period January 2022 to March 2022

Wards: All

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

Report Authorised by: Fiona McDermott, Strategic Director Finance & Investment

Contact for enquiries: Linda D'Souza, Head of Payroll and Pensions, 07854 752186, ldsouza@lambeth.gov.uk

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 January 2022 to March 2022.

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 total membership size of the above mentioned cohort as at 31 March 2022 was 21,340. The table in Appendix One sets out the changes in the membership over the previous 12 months.

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 January to March was 1,972. 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 **GMP Rectification:** As part of the GMP rectification process, the final correspondence to overpaid pensioners and dependants was issued in early January 2022, which advised members that their adjusted pension will commence from April 2022.

2.4 **End of Year Data:** In preparation of this year's Annual Benefit Statements and the March 2022 actuarial valuation of the Fund, correspondence has been issued to employers requesting relevant end of year data.

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 3,672 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, forms and member newsletters
- the latest valuation report and annual report
- various pension fund policies (e.g. Communications Policy).

2.8 Statistics on usage is shown in Appendix One.

Complaints and compliments

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

Internal Dispute Resolution Procedure

2.10 There were no stage one appeals this quarter. A stage two appeal was received from a company representing a former scheme member who transferred out pension rights in 2013. Although requested at the time, the member believes that Lambeth Pensions should not have allowed the transfer to go ahead. This is now being dealt under the stage two procedure.

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.

Responsible Investment Workshop

2.13 A Responsible Investment workshop arranged for the Pension Committee and Pension Board and led by Mercer took place in late March 2022. The agenda included discussion around responsible investment approaches, the social and governance aspects of sustainable investing, as well as a discussion around the next steps.

Pensions Board Training

2.14 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.

2.15 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.

2.16 Also included at Appendix Three is a record of training and other relevant events attended by members of the Committee and Board, as notified to officers, over the quarter ending 31 December 2021.

2.17 In addition, members are recommended to complete The Pension Regulator's Public Service Toolkit which comprises seven self-learning online modules about managing public service pension schemes with a focus on governance and administration. The toolkit can be found at the following link:

Skills Audit

- 2.18 **Skills Audit:** In December 2021 members of both the Pensions Committee and Board were sent a questionnaire designed to measure the current level of skills and understanding of those charged with the Fund's management and provide a basis for a more targeted ongoing program of training to address areas of low understanding or familiarity.
- 2.19 The survey was based predominantly on the CIPFA Knowledge and Skills Framework 2021, focusing on the key skills identified within that framework as essential for those involved in managing a LGPS fund. The extended deadline for the survey was 31 January 2022; 8 responses in total were received from a possible 14, of which 6 were from the Pensions Committee and 2 from the Board. A summary of the results is presented in Appendix Four.
- 2.20 The summary identifies a number of areas in which respondents to the audit suggested their level of knowledge or familiarity with the topic in question is lacking. This includes governance issues such as pensions legislation and the wider governance framework, and the Committee's/Board's Terms of Reference; the role of the administration function and the principles that guide the production of the Fund's statement of accounts; actuarial methods and assumptions used for calculating the funding level and in undertaking the triennial valuation; and aspects of the investment strategy including benchmark asset allocations.
- 2.21 Some of the training needs identified in the audit may be met through member self-learning or through signposting to existing Fund documentation, and where applicable officers will direct members to the relevant resource; otherwise, these areas will be prioritised for incorporation into the 2022/23 training programme, to be met through internal and external resources, and brought to the Committee for approval and subsequently to the Board with the annual business plan later in the year.

Ongoing developments

- 2.22 **McCloud Judgement Update:** The Public Service Pensions and Judicial Offices Bill has now received Royal Assent and is the legal framework which allows for the retrospective changes required by the McCloud judgment to be made in Scheme Regulations, with the remedy period now confirmed as ending on 31 March 2022.
- 2.23 The first of two sets of LGPS Regulations is expected to be published before the summer recess followed by a consultation on the second set of regulations in the autumn which is expected to cover areas such as taxation and compensation. The Local Government Association (LGA) has stated that the Regulations are expected to come into force on 1 October 2023.

- 2.24 Lambeth Pensions is currently taking steps to identify affected members which will involve revisiting calculations in respect of leavers since 1 April 2014, including:
- recalculating member and survivor pensions, paying arrears and interest
 - dealing with the resulting pension tax implications
 - recalculating deferred benefits and concurrent calculations
 - exchanging service information with other administering authorities for members who have transferred
 - potentially re-visiting past trivial commutation payments, transfers and death grants.
- 2.25 **Consultation on draft pensions dashboards regulations:** The Department for Work and Pensions (DWP) published a [consultation on the draft Pensions Dashboards Regulations](#) on 31 January 2022 which closed on 13 March 2022.
- 2.26 Pensions dashboards will allow individuals to see information about all their pensions, including the State Pension, in one place. These draft regulations set the requirements to be met to deliver this and will place a legal duty on pension providers to provide information to the dashboards.
- 2.27 The consultation proposes a staging deadline of the end of April 2024 for public service pension schemes, including the LGPS. This means that LGPS administering authorities will need to be able to connect to the digital architecture by this date and be ready to provide individuals' data to them via the dashboards. The consultation response submitted by the Local Government Pension Committee (LGPC) and the Local Government Association (LGA) expresses concern about LGPS administering authorities' ability to meet the staging deadline given the other pressures they face due to the processes required under the anticipated McCloud remedy regulations.
- 2.28 **Increase to normal minimum pension age:** The Finance Act 2022 received Royal Assent on 24 February 2022. The provisions of the Act relevant to the LGPS includes the increase to normal minimum pension age from 55 to 57 from 6 April 2028. It is not yet known whether The Department for Levelling Up, Housing and Communities (DLUHC) intends to amend the LGPS regulations to introduce a protected pension age for existing members.
- 2.29 **State Pension age review – call for evidence:** Under the Pensions Act 2014, the Government must undertake a review of the State Pension age every six years. The report for the next review must be published by 7 May 2023. As part of this, the Government has commissioned Baroness Neville-Rolfe to prepare an independent report making recommendations to the Government on what metrics it should consider when setting the State Pension age in future.
- 2.30 On 9 February 2022, DWP launched a call for evidence to gather views on this subject to feed into Baroness Neville-Rolfe's report. [The independent report call for evidence](#) will close on 25 April 2022. The call for evidence seeks views from members of the public and all interested parties on various points including:

- intergenerational fairness
- notice periods for State Pension age changes
- changes in working patterns
- predicted future changes to the workplace
- sustainability and affordability
- options for taking into account differences in circumstances when setting State Pension age
- what metrics should be considered to determine State Pension age.

2.31 **Automatic enrolment:** DWP has published its [review of the automatic enrolment trigger for 2022/23](#). The earnings trigger will remain at £10,000. This is a real term decrease in the value of the trigger. The Government estimates this will bring 17,000 more savers into pension savings compared with increasing the trigger in line with average wage growth.

2.32 Lambeth Council's automatic re-enrolment date is 1 April 2022. This means that all eligible jobholders not currently contributing in the LGPS will be brought into the Scheme from 1 April 2022. LGPS members contributing to the 50/50 section of the scheme must also be brought back into the main section of the scheme. Employees wishing to opt out or move back into the 50/50 section must make a formal election to do so after the re-enrolment date.

2.33 **Pensions Increase 2022:** On 20 January 2022, the Government [published the increase of 3.1% on public service pensions](#) effective from 11 April 2022. The publication also confirms that active LGPS CARE accounts will increase on 1 April 2022 by 3.1 per cent.

Other general updates presented to the Pension Committee

2.27 **London CIV – Funding and Fee Savings:** The most recent London CIV (LCIV) Business Update call took place on 17 February 2022, during which updates were provided on their current fund launch activity and new fund launch pipeline; the current fund offering is attached at Appendix One for information.

2.28 As at 31 January 2022 the LCIV had £13.4bn of assets under direct management (approximately £15.1bn including commitments). The Lambeth Fund is a key stakeholder in the LCIV, with approximately £1.09bn or 57% of the Fund's active assets invested directly in the pool as at 31 December 2021, one of the highest proportions of total Fund assets compared to other London boroughs.

2.29 The estimated net fee savings for the year to date as at 31 December 2021 is £985k, which represents a saving over an estimate of additional fees that would have been paid if invested outside of the LCIV. The full year net fee savings forecast for 2021/22, after accounting for LCIV management fees and service charges, is approximately £1.2m (£938k in 2020/21).

2.30 **Fund Pipeline:** The LCIV ran a property workshop on 31 January 2022 with all interested London client Funds to share the results of a client property survey issued in October 2021 and put forward their plans for launching their own dedicated real estate fund. Based on initial demand the LCIV are planning to move forward with a residential property fund with

a focus on affordable and social housing, and the first Seed Investor Group (SIG) meeting to begin developing this fund will take place on 22 March 2022.

- 2.31 The initial timelines put forward by the LCIV will see a draft term sheet for the fund issued in the summer of this year, with a manager selection exercise to take place in the second half of the year and a fund launch date of Q1 2023. Officers will take part in the SIG to help develop the proposed fund alongside the existing work strand being undertaken by the Fund's advisors to explore options in this asset class outside of the LCIV.
- 2.32 The possibility of a "lift and shift" of existing client property assets into the LCIV was also discussed, but at this stage was deemed a lower priority given the wide range of property managers in use across London Funds and the resources required to carry it out.
- 2.33 The LCIV have also begun the transition to add a second manager to the Multi Asset Credit Fund, in which the Lambeth Fund holds £239m as at 3 December 2021. The intention is to split asset holdings equally across the two managers, as advised to Committee in July 2021, in a process which is expected to take place over a period of up to six months to mitigate the impact of transition costs.
- 2.34 **Governance:** The LCIV General Meeting took place on 27 January 2022 as an in-person and online event, attended by shareholder representatives from all London boroughs and, from Lambeth, the Chair of this Committee. The meeting focussed on the 2022/23 budget and Medium-Term Financial Strategy (MTFS), which were both approved by the Board, and also updated members on progress made in addressing the ongoing issues raised by the FCA around the LCIV's treatment of regulatory capital. At its last business update webinar, the LCIV confirmed that there are still four London boroughs who have not returned the signed documentation required to amend the LCIV's Articles of Association and Shareholder Agreement in line with the FCA's requirements, with at least two boroughs who have indicated they are not minded to do so.
- 2.35 The confidential minutes from the meeting are appended to the investment performance report in the exempt section of this agenda.
- 2.36 **London CIV - Net Zero:** The LCIV have trialled and are now preparing to launch a climate analytics service which aims to inform the development of decarbonisation strategies, assist internal risk management, and support climate-related disclosures. At present the service only covers listed equity and fixed income instruments (for investment both in and outside the pool) and will produce a carbon footprint of those holdings, measure their fossil fuel exposure and indicate their net-zero alignment (implied temperature increase).
- 2.37 The service would be subject to a separate agreement and additional fees and would not provide access to the underlying data used to generate the outputs. This service is currently provided to the Lambeth Fund by its advisers, Mercer. Indicative fees have been provided, but officers will undertake further discussion with the LCIV to better understand the offering before taking any further action.

- 2.38 **Russia Ukraine War:** On 24 February 2022 Russia began an invasion of Ukraine and, in the days that have followed, there have been a wide range of government sanctions issued across the Western World as markets react to the ongoing crisis. Commodity markets in particular have been heavily impacted; oil and gas prices have soared, there are concerns over global wheat supplies given that both Russia and Ukraine are two of the largest global producers, and metal prices have risen given Russia is a key producer of metals such as aluminium, copper and nickel.
- 2.39 Many UK pension schemes have extremely low exposure to Russian entities, as most developed market benchmarks will have no direct exposure whilst emerging market indices will often have a relatively small exposure. After engaging with its fund managers, officers estimate that the Lambeth Fund's exposure to Russian assets as at 28 February 2022 was approximately £807k, or 0.04% of the Fund. Exposure was limited to the LCIV global alpha growth and emerging market funds, the Adams Street private equity fund and the Permira private debt funds, with the largest exposure being approx. £675k to Sberbank across the LCIV equity funds.
- 2.40 In all cases our managers continue to assess the implications of the invasion and communicate regularly with us as the situation changes. In the short term we can expect sharp reductions in the value of our equity holdings in particular, especially given the trading restrictions in place, and over the mid to longer term the wider impact on global growth and existing inflationary pressures will likely affect performance of the wider portfolio.
- 2.41 **Responsible Investment – United Nations Letter:** Following on from the letter sent by Michael Lynk, UN Special Rapporteur, to all LGPS Funds in November 2021 regarding exposure to companies involved in Israeli settlements in the Occupied Palestinian Territory, representatives from the Scheme Advisory Board (SAB) and Local Authority Pension Fund Forum (LAPFF) met with Mr Lynk in early January 2022 to discuss his concerns. It was made clear that the primary objective of LGPS Funds is to ensure benefits are paid to members, but that Funds do take human rights seriously and, through the LAPFF, actively engage with many of the companies listed on the database. Mr Lynk will provide further information on the database, in particular the process for removing companies from it, and discussions will remain ongoing between all parties.
- 2.42 In March 2022 the legal group UK Lawyers for Israel (UKLFI) issued a statement claiming that Mr Lynk acted outside his powers in advising on investment decisions, and that any decision influenced by his decision would be challengeable. The group has written to the SAB and LAPFF requesting a pause in discussions, with the SAB confirming that they are taking advice on the matter and will consider it at their next Board meeting on 7 March 2022.
- 2.43 **Responsible Investment – Divestment and Boycotts:** On 22 February 2022 an amendment to the Public Service Pensions and Judicial Officers Bill (PSPJO) was passed in the House of Commons which allows the Secretary of State to issue guidance to administering authorities instructing them not to make investment decisions that conflict

with the UK's foreign and defence policy. The amendment received royal assent on 10 March 2022.

- 2.44 As noted by the SAB, LGPS funds are currently able to make prudent divestment decisions based on an assessment of the financial consequence of a number of matters, including those relating to Environmental, Social and Governance (ESG) factors. Where such decisions are based on non-financial factors LGPS funds should follow the Law Commission's direction that any financial impact should not be significant and that the decision would likely be supported by scheme members.
- 2.45 It is also expected that further guidance will be issued to clarify how it should be adopted, which would likely be subject to consultation later in the year. Further provisions in this area will be introduced by the Boycotts, Divestment and Sanctions Bill, expected at some point during the current Parliament.
- 2.46 **Investment Strategy – Levelling Up:** On 2 February 2022, DLUHC published its Levelling Up white paper. The paper includes references to LGPS funds, in conjunction with their pools, publishing plans to increase local investment by setting targets of up to 5% of assets invested in projects that support local areas. The SAB advise that 'local' in this context refers to UK-wide investment, and that they do not expect any mandate to enforce this beyond the requirement to have a plan.
- 2.47 Few details are available as yet, but it is expected that more information will be made available through public consultation in the Summer of 2022, alongside outstanding consultations on climate risk reporting, pooling guidance, and implementation of the Good Governance recommendations.
- 2.48 **UK Stewardship Code:** On 10 March 2022 the Financial Reporting Council (FRC) published its updated lists of signatories to the UK Stewardship Code which confirmed that the Lambeth Pension Fund has successfully been admitted as a signatory to the Code following the submission of its first stewardship report in October 2021. The Fund is now able to refer to itself as a signatory to the Code and make use of the FRC logos where relevant.
- 2.49 The successful notification of the Fund's application was accompanied by useful feedback on our initial submission, highlighting areas for development and improvement going forward. The ongoing recognition of the Fund as a signatory to the Code requires the annual submission of a stewardship report covering the previous financial year. The next report covering 2021/22 must be submitted to the FRC by 31 October 2022.

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 The Lambeth Pension Fund is run in accordance with the Local Government Pension Scheme Regulations 2013 enacted along with other Regulations under the

Superannuation Act 1972 and the Public Service Pension Act 2013 and is for the benefit of Council employees and outside organisations which have entered into an agreement with Lambeth to provide pensions for their staff.

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	23.03.2022	31.03.2022	
Dami Awobajo, on behalf of Strategic Director	Finance and Investment	23.03.2022	31.03.2022	
Hamant Bharadia, on behalf of Director of Finance and Property	Finance and Investment / Finance and Property	23.03.2022	31.03.2022	
Hamant Bharadia, Assistant Director of Finance	Finance and Investment / Finance and Property	23.03.2022	31.03.2022	
Andrew Pavlou Legal Services	Legal and Governance	23.03.2022	28.03.2022	
Marianna Richie Democratic Services	Legal and Governance	23.03.2022	25.03.2022	

Report History	
Original discussion with Cabinet Member	NA
Report deadline	31.03.2022
Date final report sent	31.03.2022
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 December 2021 • Appendix Two – Suggested Training Q2-Q3 2022 • Appendix Three – Attended Training – Q4 2021 • Appendix Four – Skills Audit Summary of Results