

Local Pension Board

Monday 10 July 2023
10.00 am
Meeting Room 302, 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 10 July 2023
10.00 am
Meeting Room 302, 160 Tooley Street

Order of Business

Item No.

Title

PART A – OPEN BUSINESS

- 1. TRAINING SESSION – EQUALITY, DIVERSITY AND INCLUSION GUIDANCE**
- 2. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**
- 3. NOTIFICATION OF INTENTION TO CONDUCT BUSINESS IN A CLOSED MEETING**
- 4. 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.

- 5. MINUTES**

To agree as a correct record, the open minutes of the meeting held on 5 April 2023.

- 6. ACTION TRACKER**
- 7. PENSIONS SERVICES**
- 8. CYBER SECURITY**
- 9. BREACHES LOG**
- 10. UPDATE ON CURRENT LGPS ISSUES**

- 11. INVESTMENT UPDATE**
- 12. LOCAL PENSION BOARD TRAINING PLAN**
- 13. ANY OTHER BUSINESS**

Date: 26 June 2023

Local Pension Board

MINUTES of the Local Pension Board meeting held on Wednesday 5 April 2023 at
10.00 am in Meeting Room 224, 160 Tooley Street

PRESENT:

Mike Ellsmore (ME) – Independent Chair
Dominic Cain (DC) – Employer Representative
Allan Wells (AW) – Employer Representative
Mike Antoniou (MA) – School Employer Representative
Tony O'Brien (TB) – Retired Employee Representative
Diana Lupulesc (DL) – Employee Representative

OTHERS PRESENT:

Caroline Watson (CW) – Senior Finance Manager
Barry Berkengoff (BB) – Pensions Manager
Geraldine Chadwick (GC) – Technical Accountant
Spandan Shah – Interim ESG Manager
Aisling Hargadon – CIPFA trainee

PART A – OPEN BUSINESS

1. TRAINING SESSION – UK BUDGET 2023

Led by BB and CW to provide an update on the impact of the Spring Budget on the Pension Fund.

BB outlined the main changes in terms of tax allowances. The Lifetime Allowance (**LTA**) charge would be dropped from 6 April 2023 and formally abolished from 6 April 2024 through a future Finance Bill. For the majority of people it makes little difference, whereas higher earners and those with substantial final salary service could benefit. The limits on the lump sum for those without protections are maintained (currently 25% of £1,073,100). However, those with individual/fixed protection will retain a higher lump sum based on the individual's level of indemnity. Additional taxable lump sums can be paid and taxed at the member's marginal rate (rather than the previous 55% tax charge).

Other changes around Annual Allowance (**AA**) – increased the standard AA from £40,000 to £60,000. This equates to an increase in pensions 'growth' from £2,500 to £3,750 each financial year without incurring a tax charge.

MA wanted clarity if this was from April 2023. BB responded yes.

As with LTA, the AA affects not just high earners but those with longstanding LGPS service, particularly final salary service, so we still expect many members to breach the AA.

Other changes include the minimum tapered Annual Allowance will increase from £4,000 to £10,000.

Headline impact for LGPS – overall beneficial for the few rather than the many.

ME raised a question on the timing of the abolishment and protections before this date - if someone retired in May this year are they protected? BB confirmed yes, however if somebody had retired in March 2023 they would fall under the previous tax regime.

ME emphasised the impact of the 50/50 scheme as valid and questioned whether people can request backdated contributions. BB responded this was not possible, and that 50/50 is really designed for people who can't afford to contribute to the main LGPS scheme.

TB questioned how many people would be affected in Southwark. BB responded that up to 400 staff are contacted each year when their overall benefits get within 90% of the existing LTA.

MA asked when the CPI increase applies from. BB responded that CPI is added to the opening balance and compared to pensions 'growth' over the course of the financial year. The pension is then multiplied by a factor of 16 and the opening and closing balances are compared which gives the Pensions Input Amount. There will be a

particular impact in 2022/23 because two pay awards were made in one financial year, but will be offset against a slightly higher standard AA of £60,000.

ME asked if this was easier on administration or more onerous. BB responded that it was just as onerous because slightly different calculations were needed and there is the ability for individuals to take a higher lump sum and pay tax on it; all of which require calculation changes to pensions admin software. ME emphasised that the administrative impact is what the board is most interested in.

CW presented other impacts of the Spring Budget, focusing on pooling. There will be a consultation on the requirement for funds to transfer all listed assets into their pool. Concerns were raised about the lack of clarity on classification of listed assets and how the process will work.

Southwark's fund is not invested directly in the London Collective Investment Vehicle (LCIV) but has 43% of its assets in an oversight arrangement. Funds held in the oversight arrangement are counted as pooled. But it's unclear if this will be the same in new regulations. The suggestion was raised in the budget that pools move towards a smaller number of bigger pools for benefits of scale. This may raise issues as funds have different investment strategies, and governance and local agendas would be difficult.

LGPS funds have already been advised to have a 5% allocation to illiquid assets. The government's requirement in the budget for LGPS funds to consider investment opportunities in illiquid assets does not specify if this includes or is separate to this. CW will continue to monitor this for developments.

AW informed the Board that he hadn't received a consultation and questioned whether this is happening soon. CW responded that it was still high level and in the process of organising and not open yet. AW emphasised Southwark did not want to be pushed into something that doesn't benefit the Fund and that one size doesn't fit all in terms of pools.

ME noted that a benefit of pooling is to reduce fees. Southwark has achieved reduced investment fees through the oversight arrangement and negotiations with existing managers outside of the pool.

2. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

No apologies have been received. It was agreed that TOB would obtain contact details for Stuart Mumford given his limited access to Southwark's network.

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

None

4. DISCLOSURE OF INTERESTS AND DISPENSATIONS

ME declared interest in item 10 – Restructuring of the accounting team – he was heavily involved and paid a separate fee for that work.

Those employed by Southwark Council (DC, AW, DL, CW, BB) declared an interest in item 12 - Actuarial valuation - as it deals with Southwark as an administering authority and scheme employer. ME happy for them to be part of the discussion.

5. MINUTES

The minutes of the meeting previously held on 18 January 2023 were agreed upon and approved.

6. ACTION TRACKER

The action tracker was noted.

7. PENSION SERVICES

Led by BB.

Recruitment - the new Pensions Payroll Manager had joined in January and her first job was managing the annual pensions increase exercise (10.1%) effective from 10th April 2023. This has been completed using new Civica UPM software with additional checks in place given the high value of the increase.

A number of vacancies exist across the team (five or six). The initial attempt to find a new Systems/Data Manager had been unsuccessful despite using a specialist recruiter. An existing senior officer is acting up and doing an excellent job. This has been extended for several months and a decision will be made then to recruit internally or externally.

DC wanted clarity on the number of vacancies. BB confirmed six – Data Manager, two Senior Pension Officers, one Pension Officer and two trainee/assistant officers (which can be found through the apprenticeship program). Agency staff can fill some positions quickly but then time is needed to train them. BB highlighted the difficulties in recruiting LGPS pension officers nationally (in particular for London Boroughs).

BB confirmed that pension fund recruitment was bound by Southwark's recruitment rules including Hays grading and salaries, despite these being specialist roles. CW has found this too. Limited by this and the grading. BB said that certain specialist roles are hard for Southwark to benchmark and that the standard Southwark recruitment

process can take many months particularly if Job Descriptions need to be re-evaluated.

DC commented that with the new Strategic Director Finance coming in, he may pick up the issues with the HR Director in terms of flexibility.

CW highlighted the need to invest in the right people for the interest of the Fund, with more appropriate salary levels/grades needed to assist this. BB said that in the past pensions was seen as a back-office function, but this is no longer the case. Pensions is very much a high profile function and LGPS complexity continues so it requires staff with specialist skills. Attention should also be paid to succession planning.

AW questioned whether gaps had created any pinch points. BB and other senior officers have to check and authorise work. No issue with business-as-usual tasks but other projects are put on the back burner eg. Finding a new AVC provider.

ME asked about performance metrics and whether there was a date to get these. BB hopes that by the next board meeting there will be an update with at least a plan in place around mapping. In the interim, BB suggested that transactional work could be held on spreadsheet but that duplicates admin work. ME said he would prefer to wait as BB assured the board there were no breaches. BB also reiterated there are very few complaints about the pension services team itself but there have been complaints lodged against Southwark as the main employer.

TOB disagreed and thought a lot of issues ended up with the Pensions Ombudsman. BB disagreed and confirmed very few Southwark cases reach the Ombudsman and that there were currently three cases with them. The first case was about an ill-health tiering award made by a former employer; the second case concerned the actions of an AVC provider, and the final case was a cohabiting pension award claim that was in dispute.

TOB believes that the ill-health retirement award still with the Ombudsman should be chased to provide a quality service to pensioners. He hopes that the pension services team makes sure information is kept updated eg. Cohabiting nomination forms. TOB inquired whether the form was filled in this case. BB explained there was no form because the member and the claimant had been divorced for many years at the time of death. BB explained the claimant was unable to provide any evidence of financial interdependency with the deceased and that was the basis of the complaint. BB explained that the merits of each death case is investigated and decisions are made on evidence available such as financial dependency, living arrangements etc.

TOB noted that he was not happy with this situation.

BB explained that for the first Ombudsman case it is not the role of the pension services team to chase the Ombudsman for a decision – the complainant however can make contact and ask for an update. The timeframe for investigation falls with the Ombudsman and they will request information and evidence from the pension fund to assess each case. BB explained that the Ombudsman also have backlogs and allocate each investigation when an adjudicator becomes free. In regards to the AVC complaint, this was raised with the pension fund because the AVC provider is an

'agent' of the pension fund, the complaint itself is because investment instructions were not followed by the AVC provider.

ME said the Board was happy with the response to the Ombudsman questioning but noted TOB's comments.

TOB questioned whether pension deductions issues had been resolved. BB explained that particular issue was with HR as the employer as it was connected to the main payroll system. BB confirmed that many cases had been resolved and that other corrections should have been resolved in March when the payroll system balances up year-to-date corrections.

DC said this issue was being picked up at the corporate union meeting where final checks on payments are being made.

ME explained that the board had no power over this. TOB asked if there was any compensation to be made. ME said it was not an issue for this board to consider.

TOB expressed a need to improve on all of this as it is dragging on, and he would encourage the corporate forum to make progress on this issue.

AW asked what the attachment was concerning. BB said it was the IT/Civica UPM action plan which captures progress against the main data migration issues. There were still some speed issues with the member portal but 80% of key issues had been resolved. BB explained that he had secured technical resources at Civica to help complete all outstanding tasks. This was being funded by the software provider.

Agreed: report noted, with a note to TOB comments.

ME actions: Discuss with new Strategic Director Finance the possibility of a conversation with HR Director around pension fund recruitment issues. BB to try and get metrics to the next board meeting (although not required).

8. CONFLICTS OF INTEREST POLICY

ME explained that this is a specific policy for the whole Fund, which received pushback at PAP as one member requested a legal concurrent.

Led by GC. The report is about good governance to manage conflicts, it isn't controversial. Its unlikely PAP will disagree and this is purely a notice of intention to resubmit the policy to PAP along with the requested legal concurrent.

AW commented that it's not a legal requirement to have this policy but it will come in eventually. There is no particular issue with the policy so the legal view is positive and represents good practice. It is a statutory requirement for LPB to have a conflict of interest policy so would benefit PAP too.

Agreed: The board strongly supports the policy to PAP and recommends they introduce it.

9. DLUHC'S COST MANAGEMENT PROCESS CONSULTATION

Led by CW. In January, DLUHC released a consultation on changes to the cost management process. The recommendations were: valuations every four years, more flexibility, removing the 2% cost corridor, and an economic check for a higher bar for benefits increases.

ME elaborated that if LGPS exceeds the cost cap, the LGPS can reduce benefits and vice versa. Funds are moving towards good funding levels.

CW clarified that LGPS funds are currently required to have valuations every three years. MA asked whether CW had a preference for three or four year valuations. CW said if they're going to change at the CCM level it may make sense to change valuations to four years. Concern was raised around stability of contributions if they were only reviewed every four years. ME mentioned Southwark can always call for an interim valuation if desired.

Agreed: the report was noted.

10. UPDATE ON CURRENT LGPS ISSUES

Led by CW. The main topics - good governance and climate reporting - have had no update and are awaiting further information.

Restructure of accounting team – sign off for four new posts and one post changing. Formalising what is happening already and giving support to wider investment team. Some of the new positions are currently filled on an interim basis.

ME asked if the pension fund needs to score itself against TPR's new General Code of Practice. CW confirmed that it's largely combining existing regulations, and that details will be shared with Board members for a webinar taking place in May which will provide more information.

TOB asked about the diversity and inclusion section and the actions taken. CW responded this is largely for new vacancies and we should look to adopt best practice. AW added that for Board appointments we adopt the council's code.

ME inquired about Southwark's annual reports. CW confirmed that the audit of the 2020-21 pension fund accounts had been completed and was expected to be signed off by the auditors soon. The conclusion of the audit of the 2021-22 accounts has been delayed until the auditors return in July.

MA queried whether it usually takes two years for the auditors to issue an opinion. CW replied it shouldn't and that there is a statutory deadline for an audit to be signed off. There is an outstanding national issue with a specific technical aspect that affects the council's accounts. Until this is resolved, an audit opinion on both the council and pension fund accounts cannot be issued.

Agreed: that the report is noted.

Actions: find out whether the Fund needs to benchmark itself against the new General Code for compliance.

11. RISK REGISTER

Led by CW and BB. In line with council risk management procedures, the pension fund maintains a register of key financial, operational and reputational risks, and controls to mitigate them. This is not a complete database but includes risks that are considered materially significant.

Changes made include the reweighting of impact and likelihood scores, review and amendments for mitigation measures and a column added with a revised risk score after mitigations have been applied.

BB has removed some risks to lower the overall number but the main ones remain.

MA inquired whether they can be reduced further. He also suggested a column to show a movement of those in and out to highlight new ones and could send some others he has.

AW asked where recruitment fits into the risk register. CW explained that each team has included a risk on this, but they could be combined into one overall risk.

Agreed: Note the pension fund risk register in Appendix A.

Actions: Ensure the tables are legible in the report, and combine CW and BB recruitment risk in the register.

12. 2022 TRIENNIAL ACTUARIAL VALUATION

Led by CW. This report notes that the funding strategy statement was updated on time and sent out for consultation with no comments received. It reflects the assumptions from the 2022 valuation and has been published on the pension fund website.

Inflation and CPI were predicted at 2.3% though were adjusted to 10% in the short term. Prudence was built into the valuation to protect the fund and maintain stability.

TOB queried the 'not applicable' comments at the end of Board reports. CW explained that these are included in all reports that are published as it's a council requirement.

ME highlighted the good results in the valuation – 109% funded and in surplus.

AW asked if there were any issues with contributions. CW responded that they generally remained stable. One employer asked for a stepped rate for flexibility as they were a new admitted body and due to their age profiles, their contribution rate increased.

Agreed: that the report is noted.

13. PENSIONS ADVISORY PANEL MEETING PAPERS

Led by CW. Key points included the carbon footprint update of the Fund; investment advisor updates; revised Investment Strategy Statement; and the approval of a cash management policy for the Fund.

Agreed: that the report is noted.

14. ANY OTHER BUSINESS

CW confirmed that the Board's annual insurance policy had been renewed on the same terms.

15. DATE OF NEXT MEETING

The meeting ended at 11:33

The next meeting will be on 5 July 2023

Item 6
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	Barry Berkengoff is currently working on an update to the existing administration strategy. Once completed, this will be tabled at a future PAP and then LPB meeting.	Outstanding

Item No. 7	Classification: Open	Date: 10 July 2023	Meeting Name: Local Pension Board
Report title:		Pension Services - administration function update	
Ward(s) or groups affected:		None	
From:		Pensions Manager	

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 April 2023 which set out specific information on recruitment, IT/systems, National Dashboard Programme, communication initiatives and complaint management.

RECRUITMENT

3. Senior Pensions Officer interviews started in June. Two vacant positions exist with further interviews planned. Initial interviews identified an excellent candidate and an offer of employment has been made. This is with HR to progress.
4. We will shortly be re-advertising the Data Systems Manager and Senior Data Officer roles.
5. Interviews took place in May for two Assistant Pensions Officers. These are, in essence, apprenticeship roles where a two year programme of study will be combined with mentoring and development within the Pension Services team. Although interest was high, in the end only one appointment was made.

IT/SYSTEMS

6. Ongoing discussions continue with Civica UK. Whilst excellent progress has been made on wider known issues such as member portal and employer hub, we have, following discussions with our Data/Systems team and an update provided to the Strategic Director, Finance, agreed to undertake further 'end to end testing' to ensure some of the more uncommon data fields have been captured properly. This includes data taken from the Councils Payroll system, specifically additional pension contracts such as added years and AVCs.
7. This does not impact on the majority of members and BAU continues as normal, however additional checks are in place to ensure output is as expected.
8. The 2023 Pension Increase exercise was successfully run from new UPM payroll software at 10 April 2023 where a full 10.1% increase was applied to pensions in payment (including dependants and other beneficiaries). Anyone retiring mid-year and during the 2022/23 period received a pro-rata increase.

9. As part of this process, P60s were also run and sent out before the end of May statutory deadline.
10. We are currently working with a well-known third party who specialise in overseas pensioner payroll services. This will enable us to pay overseas pensions quickly through BACS, removing the need to send out cheques.

UK PENSIONS DASHBOARD PROGRAMME

11. Go-live for LGPS employers had expected to be during 2023/24, however this has been further delayed at a national level.
12. Pensions Minister, Laura Trott, recently provided an update on the Pensions Dashboards Programme 'reset', with amended regulations to include a connection deadline of 31 October 2026.
13. The Southwark Pension Fund will continue to test new dashboard functionality following the next Civica UPM release planned for summer 2023.

PROGRESS TO JULY 2023

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

COMMUNICATION INITIATIVES

14. The 2023 ABS exercise is underway where as in previous years, deferred members will be contacted first, followed by active members and staff.
15. Following the ABS exercise we will be issuing Annual Allowance statements in October 2023 (covering the 2022/23 tax period). The recent tax changes are expected to impact on the number of Southwark staff affected as the standard Annual Allowance has increased from £40,000 to £60,000 with effect from 6 April 2023 meaning there is scope to increase 'pension's growth' from £2,500 to £3,750 over the financial year without tax implications.
16. A new initiative has been rolled out to a number of Southwark schools faced with closure. Redundancy is a significant life altering event for the majority of people, therefore our communications team is working with the Teachers' Pensions team and Schools HR to deliver a co-ordinated leaving package to affected staff, with all three teams on site at the same time to answer any questions staff may have.

COMPLAINT MANAGEMENT

- Pensions Ombudsman - 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. **The matter is still with the Pensions Ombudsman pending a formal decision.**
- Pensions Ombudsman - cohabiting partners' pension award claim made against the pension fund where the applicant alleges that both he and the deceased were financially dependent on one another but there is no evidence of that. Under the IDR process the complainant was asked to provide specific evidence of inter-dependency but no information was provided. **Pending a response from the Pensions Ombudsman.**

- IDRP stage 1 - a number of 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. **The outcome of some cases was expected at financial year end as the payroll system makes a year-end adjustment to pension contributions. An update has been requested from HR colleagues.**
- IDRP stage 2 - dispute over the distribution of a 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. 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 more widely in this case. It was not the role of the pension fund to intrude, interfere or attempt to uncover possible disputes between family members. **The stage 2 adjudicator did not uphold the complaint and confirmed that any grievance between a sibling and the Executor was a civil matter, where any financial redress should be claimed through the Courts. Referral rights to the Pensions Ombudsman was provided.**
- IDRP stage 1/2 - an AVC transfer delay where a former member could not contact the AVC provider to discuss further. A letter of authority was provided to the member and provider allowing the member to speak to the AVC provider. The member claimed the delay was financially detrimental had the transfer been processed sooner. The stage 1 decision had included an offer to honour the higher AVC value either at the original and earlier disinvestment date, or at the later date should the transfer be finalised. The complainant did not respond for a period of 10 weeks indicating this was not an urgent matter. **The Pensions Manager responded to the complainant stating the outcome under stage 2 would be no different to stage 1 and recommended the member contact Pension Wise or seek advice from a regulated IFA before making any transfer decision, and if member remained unhappy with the outcome the matter could be referred to the Pensions Ombudsman.**

PERFORMANCE MONITORING

Performance metrics will be reinstated once Civica UPM functionality is tested and signed off. All available resource has been directed towards the remaining IT/data migration issues.

Despite the absence of performance metrics the admin team continue to process all financially sensitive transactions around payroll cut off dates. And, although the main transaction metrics are not available, the Pensions Manager is confident no material breach has occurred.

FUTURE WORK PLANNING

17. 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

18. Recruitment and retention of key staff with the necessary skills is critical to the achievement of all future plans, as is succession planning.
19. 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.
20. 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, where more detailed Management Information can be extracted around admin performance.

KEY ISSUES FOR CONSIDERATION

Policy framework implications

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

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

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

Equalities (including socio-economic) impact statement

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

Health impact statement

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

Climate change implications

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

Resource implications

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

Legal implications

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

Financial implications

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

Consultation

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

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Governance

30. Not applicable.

Strategic Director, Finance

31. Not applicable.

Other officers

32. Not applicable.

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director, Finance	
Report Author	Barry Berkengoff, Pensions Manager, Finance	
Version	Final	
Dated	10 July 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. 8	Classification: Open	Date: 10 July 2023	Meeting Name: Local Pension Board
Report title:		Cyber Security – LBS Pension Fund	
From:		Pensions Manager Divisional Accountant - Pensions and Investments	

RECOMMENDATIONS

The Local Pension Board (the Board) is asked to:

1. Note this update on pension fund cyber security which covers pension fund software used by the Administering Authority; and the findings of a cyber-security audit of the Fund's investment managers.

BACKGROUND INFORMATION

2. This had previously been discussed with the Board and the Chair who requested a Cyber Risk assessment was performed on pension fund software following the move from the legacy admin system to new UPM admin and payroll software.
3. UPM software is cloud hosted by Civica in a UK data centre. It has been extensively tested and secured against cyber-attack and has ISO certifications (27001, 20000, 22301, 14001, and 9001). It also conforms to the Government's IL3 (Impact Level) accreditation rating, the highest security rating available.
4. The recent Capita incident is a reminder for all scheme managers to read the Pension Regulator's 2018 Cyber Security Guidance, where the principles from that guidance are expected to be incorporated within TPR's new General Code.
5. Cyber security involves the implementation of policies and procedures in order to protect an organisation's computer systems and data. The council holds large amounts of data with investment managers and holds scheme member data in its pensions system.
6. A 'cyber security audit' of the Fund's investment managers was carried out in 2022 to ensure that there are effective cyber security policies in place and this exercise has been repeated in 2023 to highlight areas of improvement.
7. This report has been prepared in line with the National Cyber Security Centre's Cyber Essentials Standards, which have been updated since LBS' cyber security report in 2022.

PENSION FUND ADMIN SOFTWARE

8. The pension fund has a duty to protect personal data held within the system. It should take steps to reduce the risk of incidents occurring and manage any incidents that may arise.
9. The pension fund has therefore engaged its pension consultants, Aon, to undertake a detailed assessment of all controls in place. This assessment will be carried out by a cyber-specialist from Aon Cyber Solutions (Stroz Friedberg). The review includes a detailed assessment following a third party provider assessment questionnaire, delivery of a written report covering all findings across of a range of different areas and recommended areas to explore further (where necessary).
10. All findings will be presented to the Board at a later date.

CYBER SECURITY AUDIT

11. An audit of the IT security policies of the council's fourteen Pension Fund (the 'Fund') investment managers, custodian and banking provider has been undertaken to assess the Fund's potential risk associated with cyber security.
12. The fourteen investment managers have been contacted regarding their cyber security policies, alongside the Fund's custodian, JP Morgan and banking provider, NatWest. Responses have been received from all those contacted. This is an improvement on 2022 where delayed responses were received from two of the managers.
13. Each of those who responded to requests for details on their cyber security policies confirmed they did have IT security policies active and in place.
14. Many of the fund managers who responded are limited as to what information they can share regarding the policies that they have in place, as these are considered commercially secret. The information in this report reflects the information that has been shared with officers but there may be further policies in place for the fund managers which officers are not aware of.
15. The only national standard for IT security is the UK National Cyber Security Centre's (NCSC) cyber essentials framework. This standard does not explicitly certify Fund risk, but is a way of foregrounding key technical cyber security controls, which can help mitigate the risk of successful cyber-attacks. The cyber essentials framework is organised into five cyber standards. Table 1 shows a condensed summary of the 16 responses against these five cyber essentials standards.

Table 1 Summary of responses provided

Cyber Essentials standard	Objective of standard	Number of bodies meeting the standard in their response
Boundary firewalls and internet gateways	<i>Ensure that only safe and necessary network services can be accessed from the Internet.</i>	10
Secure configuration	<i>Ensure that computers and network devices are properly configured to:</i> <ul style="list-style-type: none"> • <i>reduce the level of inherent vulnerabilities</i> • <i>provide only the services required to fulfil their role</i> 	10
User access control	<i>Ensure user accounts:</i> <ul style="list-style-type: none"> • <i>are assigned to authorised individuals only</i> • <i>provide access to only those applications, computers and networks actually required for the user to perform their role</i> 	11
Malware protection	<i>Restrict execution of known malware and untrusted software, to prevent harmful code from causing damage or accessing sensitive data.</i>	12
Security update management	<i>Ensure that devices and software are not vulnerable to known security issues for which fixes are available.</i>	9

16. Eight respondents met all five cyber essentials standards in their responses. These were BlackRock, Comgest, Frogmore, J P Morgan, Legal and General, Natwest, Newton and Temporis. This is an improvement on last year's reporting, which only had five organisations meeting all five standards. A full summary of all 16 responses is included in Table 2 below.
17. A key area of improvement across the respondents is a movement towards use of multi-factor authentication to access IT systems, which was one of the areas of focus in the new Cyber Essentials Standards, published in January 2023.
18. Five of the respondents showed improved compliance with the Cyber Essentials Standards since the audit was completed in 2022, reflecting the growing importance of cybersecurity in the sector.

Table 2: Full Summary of Cyber Risk Audit

Body	Contacted	Responded	NCSC Cyber Essentials Standard				
			Boundary firewalls and internet gateways	Secure configuration	Access control	Malware protection	Patch management
BlackRock	✓	✓	✓	✓	✓*	✓	✓
Blackstone	✓	✓				✓	✓
Brockton	✓	✓	✓		✓	✓	
BTG Pactual	✓	✓		✓	✓	✓	
Comgest	✓	✓	✓	✓	✓*	✓	✓
Darwin	✓	✓					
Frogmore	✓	✓	✓	✓	✓	✓	✓
Glennmont Partners	✓	✓					
Invesco	✓	✓					
JP Morgan	✓	✓	✓	✓	✓*	✓	✓
LGIM	✓	✓	✓	✓	✓*	✓	✓
M&G	✓	✓	✓	✓	✓	✓	
NatWest	✓	✓	✓	✓	✓*	✓	✓
Newton	✓	✓	✓	✓	✓	✓	✓
Nuveen	✓	✓					
Temporis	✓	✓	✓	✓	✓*	✓	✓

* Makes reference to using multi-factor authentication

CONCLUSIONS

19. Cyber security remains a key area of focus for the Fund. It is included in the assessment of new investment opportunities and it will be key to ensuring the safety and resilience of scheme member data held by the Fund.

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

20. Community Impact Statement

No immediate implications arising

21. Equalities (including socio-economic) Impact Statement

No immediate implications arising

22. Health Impact Statement

No immediate implications arising

23. **Climate Change Implications**

No immediate implications arising

24. **Resource Implications**

No immediate implications arising

25. **Legal Implications**

No immediate implications arising

26. **Financial Implications**

No immediate implications arising

27. **Consultation**

No immediate implications arising

AUDIT TRAIL

<i>Lead Officer</i>	Clive Palfreyman, Strategic Director of Finance	
Report Author	Barry Berkengoff, Pensions Manager Jack Emery, Divisional Accountant	
Version	Final version	
<i>Dated</i>	29 June 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

Item No. 9	Classification: Open	Date: 10 July 2023	Meeting Name: Local Pension Board
Report title:		Southwark Pension Fund – Breaches Log	
Ward(s) or groups affected:		None	
From:		Pensions Manager	

RECOMMENDATION

1. The Local Pension Board (the **Board**) is asked to note this update on breaches during 2023-24.

BACKGROUND INFORMATION

2. The pension fund records all legal and data breaches and these get reported to the Board every six months.
3. Additionally, all data breaches are reported to the Corporate Information Governance Manager, and the pension fund prepares a report to the Corporate Governance Panel (**CGP**) twice a year covering all pension fund breaches.
4. Breaches that are reported to the Pensions Regulator (the **Regulator**) are also reported to the Board as well as the CGP.

UPDATE AT JULY 2023

Attached as an Appendix is the 2023-24 breaches log which contains any carried forward items and recent breaches, including details and any actions taken.

All material breaches are reported to the Regulator along with details of why the event occurred and a proposal to remedy matters within a specified timeframe. The pension fund will be guided by the Regulator if it wishes to investigate matters further.

Whilst the pension fund aims to minimise breaches some remain outside of its control; for example, employer matters such as incorrect pension deductions being made from the Council's payroll system.

The pension fund takes breaches seriously as part of its regulatory responsibilities in promoting good governance and working in partnership with the Regulator whose primary role is to help safeguard pension benefits.

KEY ISSUES FOR CONSIDERATION

5. N/a

Policy framework implications

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

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

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

Equalities (including socio-economic) impact statement

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

Health impact statement

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

Climate change implications

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

Resource implications

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

Legal implications

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

Financial implications

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

Consultation

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

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Governance

15. Not applicable.

Strategic Director - Finance

16. Not applicable.

Other officers

17. Not applicable.

APPENDICES

No.	Title
Appendix	Breaches Log 2023-24

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Finance	
Report Author	Barry Berkengoff, Pensions Manager	
Version	Final	
Dated	10 July 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	No	N/a
List other officers here		
Cabinet Member	No	N/a
Date final report sent to Constitutional Team / Scrutiny Team		

Breaches Log 2023-24		
Date of Breach	Description of Breach	Report to tPR?
01/12/2020 c/forward	Haberdashers Aske is a new free school started within Southwark https://www.habsborough.org.uk ACTIONS: Awaiting contact from the school	No
01/12/2020 c/forward	Movement of non paid refund monies (over five years) from pension fund account to new bank account not occurring ACTIONS : Waiting for regulatory clarity	No
01/12/2020 c/forward	Injury Allowance (IA) has no current valid policy in place, a member being paid IA had reached age of 65 in February 2021. ACTIONS - HR are currently working on a revised IA policy.	No
01/12/2020 c/forward	Notification of employee contribution bandings (changes) - no notifications are being sent by Southwark in its employer function. ACTIONS - Southwark has put a plan together to resolve.	No
01/12/2020 c/forward	Discretionary and IDRPs policies are not held for all external employers. ACTIONS - All external employers have been written to and asked to submit their discretionary policies and the names of their appointed person(s) for appeals.	No
01/04/2021 c/forward	Newlands Academy outsourced catering staff via TUPE to Aspens in April 2021 without informing the Fund and before an admission agreement had been put in place. Fund could not confirm the status of the members of staff who had been affected, including one who had joined the day before the TUPE. ACTION - Contribution Rate agreed, but Admission Agreement is still outstanding. Regulator responded saying they would not interfere as it may delay matters further and be detrimental to the process.	Yes
01/12/2022 c/forward	Employee contributions bandings claimed as being incorrect on SAP Payroll system with some employees having had higher pension contributions deducted from pay. ACTION - Reported to the Regulator and advised that Council HR are resolving with their SAP Consultant, Zalaris. No further action required at this stage.	Yes

Breaches Log 2023-24		
Date of Breach	Description of Breach	Report to tPR?
11/05/2023	A data breach where a list of deceased members were sent to a Southwark department. ACTION - matter referred to Information Governance Team who confirmed that technically it was not a personal data breach, as data protection does not apply once someone passes away, therefore logged as an "incident" only.	No
11/05/2023	9 stage 1 IDRPs for the main Southwark employer have passed the three month period they should be actioned in. ACTION - technically, employer should be reported to Secretary of State however this action was rejected by former Strategic Director of Finance & Governance.	No

Item No. 10	Classification: Open	Date: 10 July 2023	Meeting Name: Local Pension Board
Report title:		Update on Current LGPS Issues	
From:		Senior Finance Manager	

Recommendations

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

Task Force on Climate-Related Financial Disclosures (TCFD) Consultation

2. The Department of Levelling Up, Housing and Communities (DLUHC) published a consultation in September 2022 seeking views on the proposal to require the Local Government Pension Scheme (LGPS) to assess, manage and report on climate-related risks in line with recommendations from the Taskforce on Climate Related Financial Disclosures (TCFD).
3. A total of 109 responses were received, all of a technical nature and resources have been brought in to review these. Consideration is being given to a standardised approach being identified with a template being agreed upon. This is being looked at by a cross-pool group.
4. In a letter from the Minister to the LGPS Scheme Advisory Board chair Roger Phillips on 15 June 2023, on governance and reporting of climate change risks in the LGPS, it was confirmed that implementation of climate reporting obligations will be delayed at least until next year. Details of a new timescale or when the results of the consultation would be published, were not confirmed in the letter. If the regulations are forthcoming in time for 1 April 2024, reports covering the year to 31 March 2025 would need to be produced by December 2025.
5. The Responsible Investment Advisory Group (RIAG) will consider what advice can be given to funds wishing to do a shadow reporting year. The group will also examine what could be done to standardise the development of climate reporting approaches at the pool level.

Good Governance Project

6. DLUHC provided an update at the LGPS Technical Group on 2 September 2022 which was reported to the Board in October 2022. There has been little development since then but the project is being closely monitored. The current message is to implement changes as a sector in a best-practice approach, rather than wait for regulations.
7. It is expected that a further two-part consultation will take place this year together with draft regulations and guidance. This will include the recommendation to have a workforce strategy in place. DLUHC expect some elements will be in regulation rather than guidance as originally recommended. The date of this consultation is yet to be announced.

The Pensions Regulator (TPR) General Code

8. The publication of the final Code of Practice has been delayed following the change in conservative party leadership and Covid-19. It was reported in March this year that the consolidated single code of practice will be called the 'General Code' and at that point it was expected to be published in spring 2023. It has now been confirmed that it is now too late for it to be laid before the parliamentary summer recess but we will continue to monitor for any progress in the future. This is largely a consolidation exercise of the existing codes of practice. But once further details on the Code are available, we will conduct a review to ensure the Southwark Fund fully complies.

Sharia Compliance Report Commissioned

9. The SAB received legal advice which confirmed that before an opinion could be given on whether LGPS was consistent with anti-discrimination and public sector equality duties, it was necessary to instruct an expert in Islamic finance to provide evidence on a range of issues from an Islamic perspective. The SAB has now commissioned expert advice on this from Amanah Associates and their report is expected in about three months' time. Once that report is received, the Board will be in a position to seek and share Counsel's opinion on this matter.

TPR Equality, Diversity and Inclusion (EDI) Guidance

10. TPR published guidance on improving EDI in pension schemes in March 2023. This is covered in more detail in the training session at agenda item 1.

Audit Issue 2021-22 - Pensions Triennial Valuations

11. The delay in finalising accounts for 2021-22 has caused some auditors to request that the accounts be redone using the more recent triennial valuations of pension funds. However, after discussions with stakeholders, the National Audit Office (NAO) and CIPFA have issued supplementary guidance clarifying that unless the original accounts had significant omissions, such as disregarding a major restructuring or redundancy program, there is no need to restate the accounts using the triennial valuations. This guidance aims to prevent additional delays in finalising accounts caused by pension valuations.

Cost Transparency Training Initiative (CTI) – Training Session

12. Points of note from the scheme advisory board training session which took place in June 2023, are as follows:
 - The recommended role of Local Pension Boards in this area covers the scrutiny of investment costs, risks and reward. This should include consideration as to whether all of these factors are being taken into account in investment decision-making and monitoring. Standard reporting by investment managers and advisers includes risk and reward. CTI reporting covers the gap in providing data on all underlying investment costs.
 - CTI reporting includes benchmarking data to facilitate comparison of costs with other similar sized LGPS funds across asset classes.
 - Officers are working to ensure the data is accurate and complete and that all LBS fund managers have signed up to the Code. Regular reporting for the Board will then be developed.

Pooling Consultation

13. A pooling consultation was announced in the spring budget and details were provided in the LPB training session at the April 2023 meeting.
14. There has been no further update on this. However, it is expected that something may be released before the parliamentary summer recess.

Economic Activity of Public Bodies (Overseas Matters) Bill

15. The government has published a Bill to ban LGPS administering authorities from making investment decisions influenced by political and moral disapproval

of foreign state conduct, except where required by formal government sanctions and restrictions.

16. The SAB has confirmed that, as far as it's aware, there is no evidence that any LGPS fund has instituted inappropriate politically motivated boycotts or divestment policies.

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

17. Community Impact Statement

No immediate implications arising.

18. Equalities (including socio-economic) Impact Statement

No immediate implications arising

19. Health Impact Statement

No immediate implications arising

20. Climate Change Implications

No immediate implications arising

21. Resource Implications

No immediate implications arising

22. Legal Implications

No immediate implications arising

23. Financial Implications

No immediate implications arising

24. 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>	28 June 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. 11	Classification: Open	Date: 10 July 2023	Meeting Name: Local Pension Board
Report title:		Investment Update	
From:		Senior Finance Manager	

Recommendations

The Local Pension Board is asked to:

1. Note the investment update set out in this report.

Investment Performance: Quarter to March 2023

2. The Fund's assets increased by £52.1m during the quarter to March 2023, from £1,962.9m to £2,015.0m. Fund performance relative to benchmark is set out in the table below:

	Quarter to March 2023 (%)	1 Year (%)	3 Years (%)	5 Years (%)
Fund	2.8	(4.3)	9.4	6.8
Benchmark	3.1	(0.6)	10.2	7.2
Relative	(0.3)	(3.7)	(0.8)	(0.4)

3. Absolute returns over the longer term have been strong and are well ahead of the investment return assumption of 4.05% set at the 2022 actuarial valuation.

New Investment Mandates

4. Following the changes made to the strategic asset allocation as part of the investment strategy review conducted in December 2022, the Pensions Advisory Panel (PAP) has agreed two new investment mandates for the Fund, as detailed below.

Darwin Leisure Development Fund (DLDF)

5. In March 2023, the PAP agreed to invest £30m in the DLDF. Following the completion of legal and investment due diligence, the full commitment was invested in early May 2023.

6. DLDF invests in land and sites across the UK that focus on outdoor, leisure and accommodation. This investment displays low correlation with other asset classes and existing property holdings in the Fund, thereby achieving diversification benefits.

Robeco Global Climate Credits Fund

7. Following the PAP's agreement to make a 10% allocation to multi asset credit, as part of the investment strategy review, a fixed income manager selection was arranged for March 2023. The PAP agreed to invest £100m in the Robeco Global Climate Credits Fund. The on boarding process is underway with funds expected to be transitioned shortly.
8. This fund has an active investment strategy that invests globally in corporate bonds. It has explicit climate targets in line with the goals of the Paris Agreement.

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

9. Community Impact Statement

No immediate implications arising.

10. Equalities (including socio-economic) Impact Statement

No immediate implications arising

11. Health Impact Statement

No immediate implications arising

12. Climate Change Implications

No immediate implications arising

13. Resource Implications

No immediate implications arising

14. Legal Implications

No immediate implications arising

15. Financial Implications

No immediate implications arising

16. 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>	29 June 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

Item No. 12	Classification: Open	Date: 10 July 2023	Meeting Name: Local Pension Board
Report title:		Training Plan – For Discussion	
From:		Senior Finance Manager	

Recommendations

The Local Pension Board is asked to:

1. Note the suggested areas for discussion set out below.

Suggested Areas for Discussion

- Approach to delivery of training: at quarterly meetings; additional sessions; external courses?
 - Board members to identify and agree core training topics.
2. Discussion will assist officers in drafting a comprehensive training plan which will be tabled for agreement at the next quarterly meeting.

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

3. Community Impact Statement

No immediate implications arising.

4. Equalities (including socio-economic) Impact Statement

No immediate implications arising

5. Health Impact Statement

No immediate implications arising

6. Climate Change Implications

No immediate implications arising

7. Resource Implications

No immediate implications arising

8. Legal Implications

No immediate implications arising

9. Financial Implications

No immediate implications arising

10. 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>	29 June 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