

## Local Pension Board

Wednesday 06 July 2022  
10.00 am

### Membership

Mike Ellsmore (Independent Chair)

Dominic Cain (Vice Chair) – Employer Representative

Allan Wells – Employer Representative

Mike Antoniou – Schools Employer Representative

Diana Lupulesc – Employee Representative

Tony O'Brien – Retired Employee Representative

# Local Pension Board

Wednesday 06 July 2022  
10.00 am  
Meeting Room 224, 160 Tooley Street

## Order of Business

Item No.	Title
	<b>PART A – OPEN BUSINESS</b>
1.	<b>TRAINING SESSION: BREACHES OF PENSIONS LAW</b>
2.	<b>APOLOGIES FOR ABSENCE AND SUBSTITUTIONS</b>
3.	<b>NOTIFICATION OF INTENTION TO CONDUCT BUSINESS IN A CLOSED MEETING</b>
4.	<b>DISCLOSURE OF INTERESTS AND DISPENSATIONS</b>
	Members of the board to declare any interests and dispensation in respect of any item of business to be considered at this meeting.
5.	<b>MINUTES</b>
	To agree as a correct record, the open minutes of the meeting held on 06 April 2022.
6.	<b>ACTION TRACKER</b>
7.	<b>PENSIONS SERVICES</b>
8.	<b>UPDATE ON CURRENT ISSUES IN THE LGPS</b>
9.	<b>CYBER SECURITY</b>

**Item No.**

**Title**

**Page No.**

**10. ANY OTHER BUSINESS**

Date: 27 JUNE 2022

## Local Pension Board

MINUTES of the Local Pension Board meeting held on Wednesday 6 April 2022 at 10.00am online using Microsoft Teams

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**PRESENT:** Mike Ellsmore - Independent Chair  
Dominic Cain (Vice Chair) - Employer Representative  
Alan Wells - Employer Representative  
Mike Antoniou - Schools Employer Representative  
Diana Lupulesc - Employee Representative  
Tony O'Brien - Retired Employee Representative

**OTHERS PRESENT:** Caroline Watson - Senior Finance Manager  
Barry Berkengoff - Pensions Manager  
Geraldine Chadwick - Technical Accountant  
Josh Orr - Data Systems Manager  
Hugh Spencer - Finance Manager  
Jonathan Taylor - Aon Representative (present for agenda item 1 only)  
Lara Kennard - Aon Representative (present for agenda item 1 only)  
Isha Shah - Aon Representative (present for agenda item 1 only)

## **PART A – OPEN BUSINESS**

### **1. TRAINING SESSION: INVESTMENT STRATEGY AND APPROACH TO FOSSIL FUEL DISVESTMENT**

Aon provided a training session on the overall objectives and approach of the Fund's investment strategy. This included asset allocation; net zero investment strategy; and asset classes. The training was delivered by Jonathan Taylor, Lara Kennard and Isha Shah.

With regards to the net zero investment strategy, which was launched in December 2021, it was noted that there are currently limitations in the availability of suitable investment products and that the market for measuring carbon is still in its infancy. Aon is liaising with officers and external providers to identify developments and opportunities in the market.

Mike Ellsmore (ME) questioned that the availability of alternatives is going to be a real challenge. JT concurred that it will be a challenge and confirmed that Aon have been liaising with their manager research team regarding this. (In particular, the areas of net zero alternatives in fixed income and multi-asset credit). However, they are seeing one or two examples, but they are not too ambitious.

There were a number of questions from Board members regarding the categorisation of carbon into legacy, reduced, low and zero carbon. Clarification was provided with reference to the slide setting out the categorisation of investments based on their carbon intensity.

Dominic Cain (DC) asked to clarify if the pension fund takes a hit on the returns of these low carbon investments. JT responded by stating that it is not always the case of going for the highest returning fund. For example, in the case of timberland, there is a target return of 7%. Timberland has strong portfolio diversification benefits due to low-to-negative correlations to most other major classes. Therefore not all of the Fund's assets will be falling or rising at the same time, which connects to the second objective of achieving returns in a relatively smooth manner.

ME emphasised that there will be challenges in getting to net zero by 2030. The role of the board is to ensure that PAP is taking proper advice on this.

### **2. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

None

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

There was no business held in a closed meeting.

#### **4. DISCLOSURE OF INTERESTS AND DISPENSATIONS**

Tony O'Brien (TOB) declared an interest in Remuneration of Board Members (agenda item 11).

**Resolved:** The one declaration of interest was noted.

#### **5. MINUTES**

The minutes of the meeting previously held on Wednesday 19 January 2022 were agreed and approved.

#### **6. ACTION TRACKER**

The action tracker was noted.

#### **7. PENSION SERVICES (including Data Management Policy)**

Led by Barry Berkengoff (BB).

As part of the year-end board update, BB covered achievements over the past 4 years. The last few years had been about creating a solid foundation for the pension function following an earlier redundancy exercise in 2016.

This covered staffing and resourcing as part of the 2018/19 restructure and implementation of new i-Connect software for schools and external employers.

Key technology achievements included implementation of new Civica UPM admin software to replace the outdated legacy admin system. As part of this work, pensioner payroll was also migrated to UPM software from the Council's SAP payroll system.

BB reiterated that the new UPM software allows for greater functionality and member self-service going forward, as well as an improved employer portal for uploading data.

BB also confirmed there had been improvements around customer service/focus with the creation of a First Contact Resource team dealing with all member and employer enquiries via email, phone, website etc., making Southwark the first London Borough to be able to accurately report on all enquiries received.

Significant improvements had also been made around communication with a complete redesign of Annual Benefit and Annual Allowance statements, both of which would be available on the member self-service portal going forward.

Finally, BB mentioned the success of the training and development function where all staff get at least 5 hours dedicated pensions training each week. Training is also delivered to HR, members and employers on a regular basis to enhance understanding and engagement.

Moving forward, over the next 4 years, the plan is to put in place the correct processes, products, technology enhancements and people to future proof the pensions function for many years to come.

BB mentioned an AVC reassessment exercise where a new (and improved) AVC provider would be appointed, allowing fund members greater investment choice, online switches and retirement modelling.

The admin team structure will be rationalised to ensure the right skills exist and to ensure succession planning needs are identified and development plans put in place.

UPM member self-service functionality will be tailored to meet member needs with the initial focus being on active members (i.e. staff), then retired colleagues and former staff. Apart from the ability to upload key annual personalised statements (ABS and Annual Allowance statements) to staff, there are also immediate benefits to retired members, i.e. online P60s, monthly payslips and annual pension increase statements.

Three short 10 minute videos are also being produced covering the LGPS and tax implications around the Lifetime and Annual Allowance to improve understanding at all levels.

In respect of performance metrics, BB said the aim was to benchmark to CIPFA guidelines or better. Furthermore, Contact Manager Software had also been procured as part of ongoing improvements to the First Contact team, to facilitate the recording of phone enquiries directly into the UPM pension system. Statistics on the number of enquiries can then be reported to the pension board from one source.

Finally, BB mentioned some national works which would affect all LGPS employers, namely the McCloud judgement and UK National Dashboard programme.

Mike Antoniou (MA) requested BB to allocate timeframes to each piece of future work over the 4-years as that would assist the board in monitoring progress. BB confirmed a business plan will be implemented going forward and progress reported to the board.

MA confirmed cyber-attacks were experienced at Harris a year ago, and so does the LB of Southwark Pension Fund have any safeguards against cyber-attacks.

Josh Orr (JO) confirmed that the new Civica UPM system is very secure, and as part of the implementation process, it underwent stringent penetration testing with IT to check overall resilience. At a more practical level, UPM requires a two stage authentication process when using the self-service portal.

Alan Wells (AW) asked if remote solutions were in place for printing and scanning and if staff resources were currently adequate.

BB replied confirming that a third party provider had been put in place during covid to facilitate remote printing and scanning from home or in the office. PDF documents are sent securely to the pensions team for uploading to the admin system. However, with

more staff going back to the office, the likely trend will be to revert back to printing in the office.

On the resourcing point, BB confirmed the plan was to make tasks more automated/process driven through the UPM system. Therefore, requiring the right level of staff who are more systems focussed, so with the potential to free up other resources to work elsewhere.

Finally, the new Data Management Policy was discussed at high level but it was felt the policy needed its own agenda item at a later date.

## **8. PENSIONS REGULATOR CODE OF PRACTICE 14 UPDATE**

BB confirmed that a Data Management Policy now exists for managing LGPS data, and data improvement plans will be submitted to the board twice a year.

ME requested BB to provide a stand-alone Data Management Report in 6 months' time once the new Civica system was fully embedded.

Overall, it was agreed that all previously highlighted areas of the Barnett Waddingham COP14 report had now been dealt with.

## **9. APPOINTMENTS PROCESS**

ME requested Geraldine Chadwick (GC) provide a formal policy / process on how the appointments are made, and to review positions for non-union fund members.

ME asked for unions and employers to use their reasonable endeavours to ensure representation can be secured for at least a three year term.

## **10. REGISTER OF INTERESTS**

Led by GC. Declaration of interest for all members to be presented as a register. Probably to be produced every April, so that the register regularly appears for all members to view.

GC to submit the Jan 2022 declaration of interest form.

ME reminded the Board that all members and officers are required to make a declaration of interest and anyone who has not needs to make a declaration of interest.

## **11. REMUNERATION OF BOARD MEMBERS**

GC tabled a report which proposed remuneration of Board members who weren't otherwise remunerated for their time spent on the Board. This would be effective from 1<sup>st</sup> April 2022.



The recommendation was agreed.

Action: CW to arrange with council's payroll department.

## **12. RISK REGISTER**

Led by CW. The risk register has been reviewed, with new risks added and scores for existing risks updated. CW advised of the amended and new risks in the accounting and investments area. These included resourcing risk, following the recent increase in investment mandates.

BB had added the following new admin risks:

Risk 31 - employer systems and calculation of employee pension contributions on SAP.

Risk 28 - Leisure Centre insourcing and future auto-enrolment plans.

Risk 30 - HR ongoing transformation and change impacting on effectiveness whilst a new Head of HR was recruited.

Risk 32 - Frontline operatives/depot staff without access to Southwark IT affecting key pension and payroll communications.

Risk 33 - Residential caretaker allowances need to be identified by Schools HR

Mike Antoniou (MA) asked if any mitigating actions in place reduced the overall risk scores, and that the focus should be placed upon the top 10 big items, for explanation and challenge. MA is used to seeing a risk register which goes from red, to amber to green. CW/BB will do further work on what was a Council risk register template and make it more pension fund specific.

Agreed:

- Risk register to be amended to reduce total risks to a maximum of twenty five.
- Add a column to the right – revised risk score after mitigations have applied.
- Sort risks in order with highest scoring ones first.

## **13. PENSIONS ADVISORY PANEL MEETING PAPERS – OPEN PAPERS**

Led by CW. Key points covered included the funding update at 31 December 2021 with a funding level of 118%; and confirmation of investments held in Russia which represent 0.02% of total funds.

## **14. ANY OTHER OPEN BUSINESS**

None expressed.

## **PART B – CLOSED BUSINESS**

### **PENSIONS ADVISORY PANEL MEETING PAPERS – CLOSED PAPERS:**

**CLOSED APPENDIX 1 RELATING TO AGENDA ITEM 12:  
QUARTERLY INVESTMENT UPDATES  
CLOSED APPENDIX 2 RELATING TO AGENDA ITEM 12:  
QUARTERLY ACTUARIAL FUNDING UPDATE  
EXCLUSION OF PRESS AND PUBLIC**

**15. DATE OF NEXT MEETING**

The meeting ended at 12:01pm.

The next meeting will be on 6 July 2022.

**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	Will be tabled at PAP first.	Outstanding
06 April 2022	9	Appointments Process: draft policy to be updated to include formal process on how appointments are made.	October 2022	Legal review of amendments to report outstanding. Will be tabled at October 2022 LPB meeting.	Outstanding

<b>Item No.</b> 7	<b>Classification:</b> Open	<b>Date:</b> 6 July 2022	<b>Meeting Name:</b> Local Pension Board
<b>Report title:</b>		Pension Services - administration function update	
<b>Ward(s) or groups affected:</b>		None	
<b>From:</b>		Pensions Manager, Finance and Governance	

## 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 a year-end update in April 2022 which set out achievements over the last four years and forward planning objectives over the next few years.

## COVID-19 IMPLICATIONS

3. In line with existing Council policy, 'hybrid flexible working' is currently being rolled out in phases, and by August 2022 it is expected that all pensions staff will be on a 50:50 work arrangement.

## IT/SYSTEMS

4. The new Civica-UPM pensions admin and payroll system went live on 27 April 2022, a week earlier than planned to accommodate payroll cut off and the first pay cycle in May 2022.
5. Payroll has now been run successfully for May and June 2022, including payslip production and tax code changes from HMRC.
6. A significant improvement that comes with the UPM software is the new 'single payments system', which allows tax-free cash lump sum payments and monthly payroll to be separated. Instead of members having to wait (potentially up to 6 weeks following return of their completed retirement paperwork), lump sum payments are no longer affected by payroll cut off dates and can now get paid on a weekly basis to members. Whilst this requires more careful cash flow forecasting to the pension fund bank account, it is a significant improvement in service and payroll finances and accounting are more transparent.
7. Key work is underway to finalise the set-up of each employer hub so payroll/HR data can be transmitted securely to UPM each month. As explained in earlier board meetings, the new data management policy aims to validate all employer data and fix any errors *before* it is uploaded to the live system.

8. The pensions teams will have access to the legacy admin system until end of July when it will then be fully de-commissioned. In advance of that we are making plans to take a final data cut and store that info on an Access database.

## **RECRUITMENT/STAFFING**

9. Recruitment at assistant/apprenticeship level has been postponed for the time being.
10. Unfortunately, our Deputy Pensions Manager (Admin) resigned and took up a new managerial position at the London Borough of Haringey. In the interim we have made internal changes to the team and have two acting Deputy Managers filling the Admin and First Contact team management roles.
11. A new Pensions Admin Manager role is currently being evaluated by HR and we hope to recruit shortly. The new role has been agreed as “hard to fill”, so there will be scope to consider a market supplement for an exceptional individual.
12. We have a vacancy for a Senior Pensions Officer who resigned some months ago but elected not to fill the post until UPM was live and running.
13. There has been some staff changes within the First Contact team and we are also looking to replace a member of support staff who resigned/retired recently.
14. A number of staffing matters are with HR and we are reliant on that function to help us progress staffing matters and recruitment. However, we are of the view that some kind of mini-restructure might be necessary, particularly in the admin team to ensure we have sufficient resource at the right levels going forward.

## **UK PENSIONS DASHBOARD PROGRAMME**

15. We will leave this as a standing item given The Pensions Regulator issued a recent ‘firm’ message that trustees/pension boards (anyone responsible for good governance of pension schemes) need to ensure this item is on the agenda.
16. From an operational standpoint, there is not much to report until we get into the testing phase (2023 onwards). However, our Systems/Data team are tracking development work with Civica as all main suppliers of LGPS pension software are obligated to meet DWP deadlines.

## **MCCLOUD**

17. The long awaited DLUHC response to its consultation on McCloud changes to the LGPS was expected before the summer recess in July, however this has been delayed until the Autumn.
18. However, we know that regulations will be retrospective and that the remedy will cover the period 1 April 2014 to 31 March 2022 in England and Wales.

## **PROGRESS TO JUNE 2022**

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

## COMMUNICATION INITIATIVES

19. As a result of scheduled move to UPM, we brought forward the issue of Benefit Statements for deferred members, which were issued in May 2022.
20. Communication planning now in final stages for the new UPM Member Self Service Portal. Targeted communication will be delivered to active members, then ex-employees and finally retired colleagues.
21. Letter and statement review almost complete covering core transactions such as retirement, leavers, payroll and deaths.
22. Annual Benefit Statement production for active members is well underway and on target to issue statements by statutory deadline (31 August 2022). Year-end data also available to undertake Annual Allowance tax checks and individual Pension Savings Statements will be issued in early October 2022.
23. A Spring 2022 newsletter was issued which included commentary on the pension funds carbon footprint journey.

## COMPLAINT MANAGEMENT

- The Pensions Ombudsman (TPO) - a deferred member requested a transfer out to another pension provider but as the transfer was within 12 months of Normal Pension Age it was prohibited under the LGPS Regs and PSA93. The applicant has since contacted TPO and withdrawn the complaint. Case closed.
- IDRP stage 1 - age discrimination claim made by an IFA on behalf of a client who like the above, was unable to transfer to a Personal Pension because the deferred member was within 12 months of Normal Pension Age. The IFA actually emailed the new Chief Executive, Ms Loderick before she was in post. The IFA was politely reminded that the LGPS Regs were in place to safeguard benefits, particularly as a member approaches normal retirement, and that if such action was allowed, his client would be able to take legal action against the IFA for inappropriate financial advice. No stage 2 appeal has been made.
- IDRP stage 1 - complaint against employer over incorrect deduction of employee pension contributions over several months. This is currently with a senior HR Manager to draft a response on behalf of Southwark Council.

## PERFORMANCE MONITORING

Appendix shows statutory pensions data collected between 1 December 2021 and 29 June 2022. The format has been amended to show how current performance compares to the performance metrics provided in the previous Board report.

Longer-term aspirations are to benchmark against CIPFA guidance (or better).

## FUTURE WORK PLANNING

24. A work plan and timeframes are currently being agreed with admin, data/systems and project teams, and will be shared with the Board at next meeting.

## **CONCLUSIONS**

25. Retention of key staff with the necessary skills is critical to the achievement of future plans.
26. There will continue to be some reliance on specialist external support. However, with internal training now firmly established and taking place at least 5 hours each week, 95% of all business as usual and project work is managed in-house by Pension Services.
27. Performance monitoring remains an important part of the pensions function. The procurement of new 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 and enquiry performance.

## **KEY ISSUES FOR CONSIDERATION**

28. N/a

### **Policy framework implications**

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

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

#### **Community impact statement**

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

#### **Equalities (including socio-economic) impact statement**

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

#### **Health impact statement**

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

### **Climate change implications**

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

### **Resource implications**

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

### **Legal implications**

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

### **Financial implications**

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

## Consultation

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

## SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

### Director of Law and Governance

38. Not applicable.

### Strategic Director of Finance and Governance

39. Not applicable.

### Other officers

40. Not applicable.

## APPENDICES

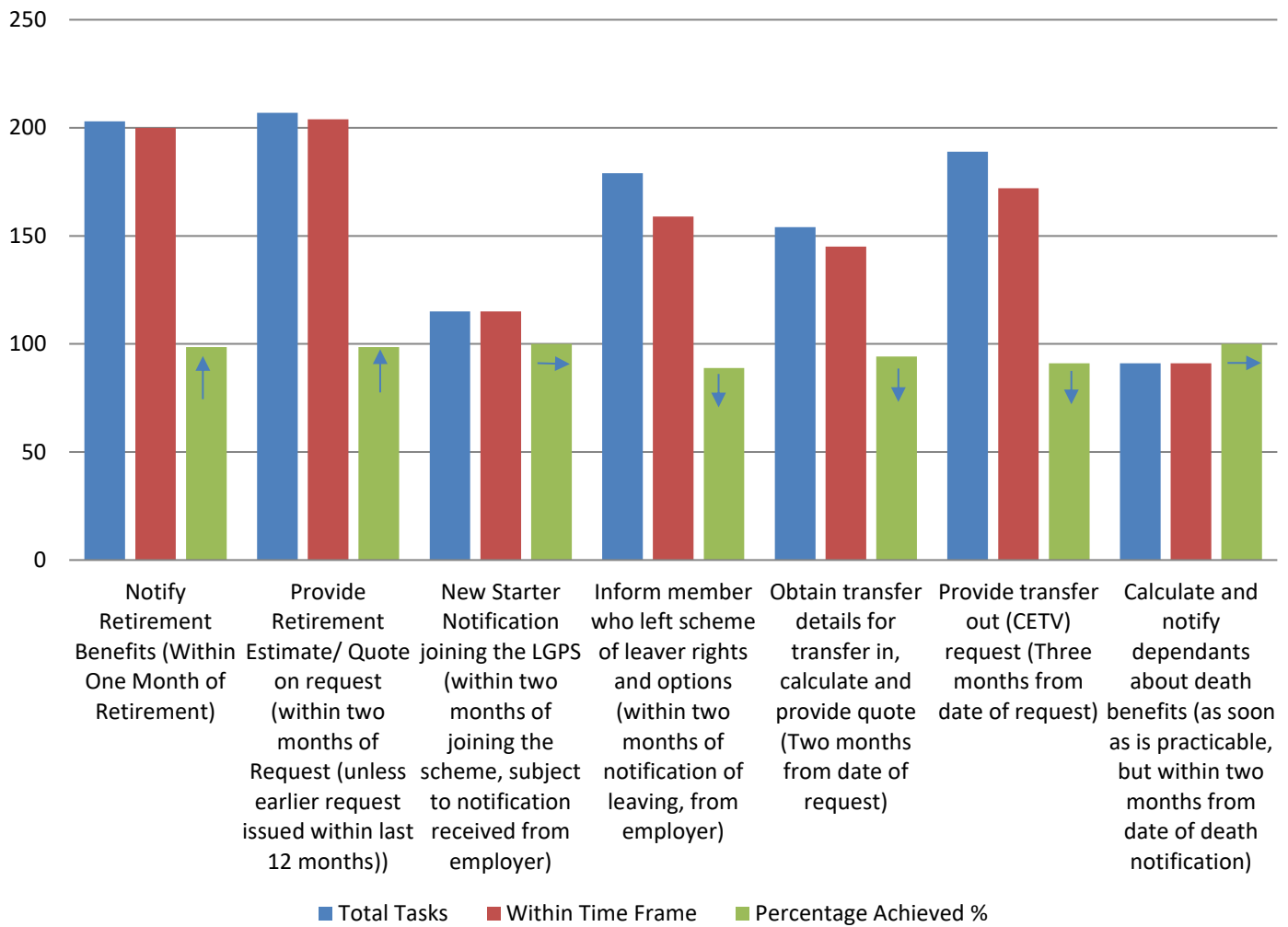
No.	Title
Appendix 1	Performance Metrics

## AUDIT TRAIL

<b>Lead Officer</b>	Duncan Whitfield, Strategic Director of Finance and Governance	
<b>Report Author</b>	Barry Berkengoff, Pensions Manager, Finance and Governance	
<b>Version</b>	Final	
<b>Dated</b>	30 June 2022	
<b>Key Decision?</b>	No	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments Included</b>
Director of Law and Governance	No	N/a
Strategic Director of Finance and Governance	No	N/a
List other officers here		
<b>Cabinet Member</b>	No	N/a
<b>Date final report sent to Constitutional Team / Scrutiny Team</b>		



## Pension Services Metrics 01 December 2021 - 29 June 2022



	Total Tasks	Within Time Frame	Achieved %
Notify Retirement Benefits (Within One Month of Retirement)	203	200	99
Provide Retirement Estimate/ Quote on request	207	204	99
New Starter Notification joining the LGPS	115	115	100
Inform member who left scheme of leaver rights and options	179	159	89
Obtain transfer details for transfer in, calculate and provide quote	154	145	94
Provide transfer out (CETV) request (Three months from date of request)	189	172	91
Calculate and notify dependants about death benefits	91	91	100

<b>Item No.</b> 8	<b>Classification:</b> Open	<b>Date:</b> 06 July 2022	<b>Meeting Name:</b> Local Pension Board
<b>Report title:</b>		Update on Current Issues	
<b>From:</b>		Senior Finance Manager – Treasury and Pensions	

## Recommendations

The Local Pension Board is asked to:

- Note the updates provided in this report on pensions advisory panel membership; the accounting and investments team restructure; investments in Russia; the Good Governance Project; and the pensions regulator consolidated code of practice.

## Pensions Advisory Panel – Change of Membership

1. Following the local elections in May 2022, there has been a change in the elected members appointed to the Pensions Advisory Panel (PAP). The new members are as follows:
  - Councillor Stephanie Cryan (Labour) – Chair
  - Councillor Andy Simmonds (Labour)
  - Councillor Rachel Bentley (Liberal Democrats)
2. The first meeting of the new PAP will take place in September 2022.

## Pension Fund Accounting and Investments Team Restructure

3. A review has recently been conducted of the structure and resourcing of the accounting and investments team. As can be seen from the table below, the Fund has grown in size and complexity in recent years, and a need has therefore arisen to increase the resources within the team. The aim of this review is to ensure that the team is adequately resourced to meet the challenges it faces over the next 5 to 7 years, particularly in meeting the net zero carbon target by 2030.

Year	Fund Value (£m)	Total Membership	No of Investment Mandates
2016	1,264	22,187	10
2019	1,631	24,404	13
2022	2,112	25,229	21

4. In order to address resourcing of key areas such as the increasing focus on Environmental, Social and Governance issues; carbon footprint measurement; increased pensions regulator requirements; and the adequate monitoring of increasingly complex investment mandates, a need for up to five additional posts has been identified.
5. To comply with the recommendations of the good governance review, a new head of fund role will be added to the proposed structure. This role would be directly accountable to the PAP and Local Pension Board for all aspects of the Fund.

### Investments in Russia

6. The current UK position on sanctions regarding Russian investments is summarised in the note attached as appendix 1 to this report.
7. The Southwark fund is fully compliant with the current UK position. The Fund's exposure at 31 March 2022 is set out in the table below. The amount is immaterial, accounting for only 0.031% of the total value of the pension fund. The portfolio with the greatest exposure to Russia is the Comgest Global Emerging Markets Plus Fund, which held £550,000 at the end of February, with the remainder held with the Blackrock Absolute Return Bond and Diversified Growth Funds.

<u>Fund</u>	<u>Value (£000) as at 31.03.22</u>
Comgest GEM Plus	550
Blackrock ARB	30
Blackrock DDGF	80
Total Southwark Pension Fund Exposure to Russia/Ukraine	660
Total Southwark Pension Fund	2,097,580
Russia/Ukraine Holdings as % of Total Fund	0.031%

8. Comgest's exposure is unlikely to reduce further due to sanctions on Russian markets making sale of holdings impossible. Comgest have assured us that their intention is to exit all remaining Russian holdings as soon as practically possible. The remaining holding in Russia is now valued at zero due to inactivity on the Moscow stock exchange. Accordingly, the value of the holding will be measured by the Fund at zero until such time as the situation changes. This is due to a lack of firm understanding on how long the conflict in Ukraine, alongside the sanctions associated with it, will last.

## **Good Governance Project**

9. There has been no update since February 2021 when the Phase III report was published and an action plan was agreed, which comprised:
- I. Those matters that would fall to MHCLG to implement, either by amending scheme regulations or producing statutory guidance
  - II. Those matters that would fall to the Board and other bodies to implement - subject to the actions in 1 being taken by MHCLG – and
  - III. Actions to identify and promote existing best practice that the Board can take forward regardless of the outcome of the above.

## **The Pensions Regulator Consolidated Code of Practice**

10. Following the consultation on TPRs new code of practice, which ended on 26 May 2021, there has been no further update or progress. There is currently no firm final publication date for the new code. The situation will be closely monitored to ensure the Fund complies with any updates.

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

### **11. Community Impact Statement**

No immediate implications arising.

### **12. Equalities (including socio-economic) Impact Statement**

No immediate implications arising

### **13. Health Impact Statement**

No immediate implications arising

### **14. Climate Change Implications**

No immediate implications arising

### **15. Resource Implications**

No immediate implications arising

## 16. Legal Implications

No immediate implications arising

## 17. Financial Implications

No immediate implications arising

## 18. Consultation

No immediate implications arising

## AUDIT TRAIL

No.	Title
Appendix 1	Note on Investments in Russia

<i>Lead Officer</i>	Duncan Whitfield	
<b>Report Author</b>	Caroline Watson	
<b>Version</b>	Final version	
<i>Dated</i>	29 June 2022	
<i>Key Decision?</i>	N/A	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments Included</b>
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



## Note on LGPS Investments in Russia – 4<sup>th</sup> March 2022

### Sanctions

The current UK position on sanctions regarding Russian investments is summarised below:

[The Russia \(Sanctions\) \(EU Exit\) \(Amendment\) \(No. 2\) Regulations 2022](#) introduce the following restrictions from 1<sup>st</sup> March 2022:

Prohibition on dealing with securities or money-market instruments issued by or providing loans/credit to a person connected with Russia (including Russian incorporated entities and residents) or the Russian Government issued on or after 1<sup>st</sup> March 2022. These prohibitions also apply to all entities listed in [Schedule 2](#), including their UK subsidiaries.

Prohibition on UK credit or financial institutions from establishing or continuing a correspondent banking relationship and from processing sterling payments to, from or via, a “designated person” (currently applies only to Sberbank) or a credit or financial institution owned or controlled by them.

Full details on the UK sanctions regime can be found at <https://www.gov.uk/government/collections/uk-sanctions-on-russia>

### Divestment

LGPS funds may wish to consider divesting from assets held before 1<sup>st</sup> March 2022 for prudent financial reasons, although we are aware that there may be significant challenges to achieving this due to a number of factors including the closure of the Russian stock exchange and the potential lack of buyers for such assets resulting in significantly depressed values.

However, if a decision to divest is not based on financial considerations attention is drawn to the [2014 Law Commission Report](#) which concluded that:

*Trustees may always take account of financial factors. They may also take account of non-financial factors if two tests are met.*

- 1. trustees should have good reason to think that scheme members would share the concern; and*
- 2. the decision should not involve a risk of significant financial detriment to the fund.*

A similar provision can be found in the LGPS [Guidance on Preparing and Maintaining an Investment Strategy Statement 2017](#) which stated that LGPS administering authorities:

*... may also take purely non-financial considerations into account provided that doing so would not involve significant risk of financial detriment to the scheme and where they have good reason to think that scheme members would support their decision.*

<b>Item No.</b> 9	<b>Classification:</b> Open	<b>Date:</b> 06 July 2022	<b>Meeting Name:</b> Local Pension Board
<b>Report title:</b>		Cyber Security – LBS Pension Fund	
<b>From:</b>		Senior Finance Manager – Treasury and Pensions & Pensions Manager, Finance and Governance	

## RECOMMENDATIONS

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

- Note the findings of the cyber security audit of the Fund's investment managers.
- Note the cyber security arrangements in place for the new pensions administration system.
- Note the update on the LGPS Cyber Scorecard.

## BACKGROUND INFORMATION

1. 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 also holds scheme member data in its pensions system.
2. A 'cyber security audit' of the Fund's investment managers has been carried out to ensure that there are effective cyber security policies in place.
3. Cyber security has been fully considered in the implementation of the new pensions administration system.

## CYBER SECURITY AUDIT

4. 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.
5. The fourteen investment managers have been contacted regarding their cyber security policies, together with the Fund's custodian, JP Morgan and banking provider, NatWest. Of these 16 bodies, 14 have responded and the remainder have been chased for updates. The data will be updated for the remaining respondents and reported at a future Local Pension Board meeting.
6. 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.
7. 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 14 responses.

8. **Table 1 Summary of responses provided**

<b>Cyber Essentials standard</b>	<b>Objective of standard</b>	<b>Number of bodies meeting the standard in their response</b>
Boundary firewalls and internet gateways	<i>Ensure that only safe and necessary network services can be accessed from the Internet.</i>	8
Secure configuration	<i>Ensure that computers and network devices are properly configured to:</i> <ul style="list-style-type: none"> <li>• <i>reduce the level of inherent vulnerabilities</i></li> <li>• <i>provide only the services required to fulfil their role</i></li> </ul>	7
Access control	<i>Ensure user accounts:</i> <ul style="list-style-type: none"> <li>• <i>are assigned to authorised individuals only</i></li> <li>• <i>provide access to only those applications, computers and networks actually required for the user to perform their role</i></li> </ul>	12
Malware protection	<i>Restrict execution of known malware and untrusted software, to prevent harmful code from causing damage or accessing sensitive data.</i>	11
Patch management	<i>Ensure that devices and software are not vulnerable to known security issues for which fixes are available.</i>	7

9. Five bodies met all five cyber essentials standards in the responses provided. These were BlackRock, Newton, Legal and General Investment Management (LGIM), Temporis Capital and Comgest. A full summary of all 16 bodies is included in Table 2 below:

**Table 2: Full Summary of Cyber Risk Audit**

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

\* Makes reference to using the even more secure multi-factor authentication

\*\* Only makes reference to viruses, a type of malware

**CYBER SECURITY – NEW PENSIONS ADMINISTRATON SYSTEM**

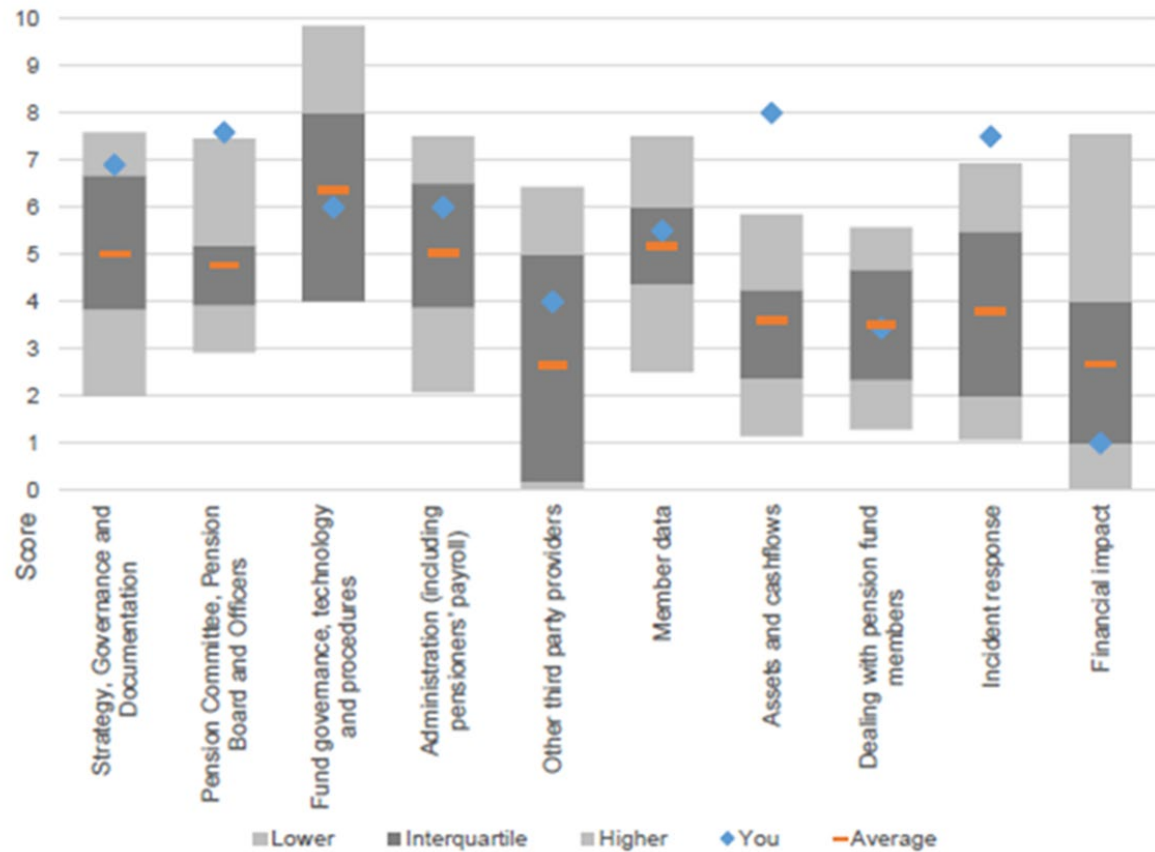
10. Pension Services new administration system, Civica UPM, has been extensively tested and secured against cyber-attack. The system only allows access from pre-approved IP addresses, limited to the Southwark Council network and Aon. User access is controlled

by the Southwark Pensions Data Systems Team, with strict password and user access protocols in place.

11. Data is stored in cloud servers hosted by Civica in a UK data centre. ISO certifications (27001, 20000, 22301, 14001, 9001) provide confidence that Civica operations meet the highest levels of information security, IT service management, business continuity and environmental compliance and quality, and have the Government's IL3 accreditation rating, the highest security rating available. A secondary disaster recovery database is continuously running, and so in the event of cyber-attack or other downtime, the system can switch to a backup with limited loss of data. Every keystroke on the system is fully logged and audited.
  
12. The new online Member Portal and Employer Hub have been penetration-tested against cyber-attack by an independent third party, with no issues raised. Two-factor authentication is required for members to register and log in to ensure the security of their data. Internal policies ensure any suspicious requests are interrogated and verified.

### **CYBER SCORECARD**

13. Pension Fund Actuaries and Investment Advisors, Aon, offer a LGPS Cyber Scorecard enabling pension funds to assess their overall approach to cyber risk and how they might compare to other LGPS funds. Around 30 LGPS funds have already completed the scorecard and the basic assessment (which is free) presents results in the format below. A more in depth and detailed assessment is available to discuss results and aims to put in place an action plan for potentially improving the fund's cyber resilience.



## CONCLUSIONS

14. Cyber security remains a key area of focus for the Fund. Going forward it will be 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

#### 15. Community Impact Statement

No immediate implications arising

#### 16. Equalities (including socio-economic) Impact Statement

No immediate implications arising

#### 17. Health Impact Statement

No immediate implications arising

#### 18. Climate Change Implications

No immediate implications arising

#### 19. Resource Implications

No immediate implications arising

#### 20. Legal Implications

No immediate implications arising

#### 21. Financial Implications

No immediate implications arising

#### 22. Consultation

No immediate implications arising

#### AUDIT TRAIL

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<i>Key Decision?</i>	N/A	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments Included</b>
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