

Local Pension Board

Wednesday 06 April 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 April 2022
10.00 am
Online/Virtual

Order of Business

Item No.	Title
	PART A – OPEN BUSINESS
1.	TRAINING SESSION: INVESTMENT STRATEGY AND APPROACH TO FOSSIL FUEL DIVESTMENT
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 19 January 2022.
6.	ACTION TRACKER
7.	PENSIONS SERVICES (including Data Management Policy)

- 8. PENSIONS REGULATOR CODE OF PRACTICE 14 UPDATE**
- 9. APPOINTMENTS PROCESS**
- 10. REGISTER OF INTERESTS**
- 11. REMUNERATION OF BOARD MEMBERS**

- 12. RISK REGISTER**

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

- 14. ANY OTHER OPEN BUSINESS**

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

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

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

ANY OTHER CLOSED BUSINESS

Date: 15 MARCH 2022

Local Pension Board

MINUTES of the Local Pension Board meeting held on Wednesday 19 January 2022 at 10.00am, online, using Microsoft Teams.

PRESENT: Mike Ellsmore – Independent Chair
Dominic Cain – Employer Representative
Diana Lupulesc – Employee Representative
Tony O’Brien – Retired Employee Representative
Mike Antoniou – Schools Employer Representative
Henry Mott – Employee Representative

OTHERS PRESENT: Caroline Watson - Senior Finance Manager
Barry Berkengoff – Pensions Manager (joined 10.35am)
Geraldine Chadwick – Technical Accountant
Hugh Spencer – Finance Manager
Jack Emery – CIPFA Trainee
Deborah Patten – Pensions Trainer

1. TRAINING SESSION: ADMIN STRATEGY – ADMINISTERING AUTHORITY AND EMPLOYER RESPONSIBILITIES

Lead by Deborah Patten (DP).

Mike Ellsmore (ME) reinforced that the Board’s role covered supporting the administering authority in being effective and efficient but holds no jurisdiction over employer responsibilities.

ME questioned the quality of data being provided, noting that there was a red flag for data quality in the internal audit report relating to schools. DP noted that BB is looking into data quality and how to police this, commenting on the growing complexity due to the increasing number of academies within the borough.

Tony O’Brien (TOB) noted that if there is a lack of complete data being provided by schools this will potentially be affecting the pensions of the employees within these

schools. ME has said he would suggest fining employers for failing to provide complete data but has noted this should be discussed further with BB.

MA wants to know which schools are failing to submit accurate data in order to offer a more targeted response. DP outlined that employer responsibility training is offered to those who have subscribed to it. ME has said this should be revisited when BB is in attendance.

(Once BB arrived) BB outlined the auditors' concern over lack of data validation by schools and their payroll providers. BB went on to reiterate the fund has tried to engage with Schools, Schools Business Managers forum and Schools HR to highlight the importance of providing validated data. BB reinforced that engagement is key and there is an escalation process to be followed, rather than immediate fining. BB suggested that a letter from the LPB Chair to heads of education/principals/head teachers would be useful.

On a positive note, the new IT system will have an employer portal which provides the fund with greater control over what schools/payroll providers can upload. Any data rejected can be reverted to the employer to fix before it is uploaded to the pensions system which should rectify part of the issue. ME reiterated necessity for targeting those schools who are submitting poor quality data and that the working relationship is between Southwark Pension Fund and the schools themselves, rather than the external payroll providers. MA suggested if the payroll providers are providing incorrect data it should be included in the SLAs between the schools and their payroll providers that if they provide incorrect data, the provider can be fined. TOB suggested fining was not a good idea given that schools are already generally in a poor financial situation and agrees with fining the provider. MA agreed that fines may not be the ideal situation, but the threat of such may be useful. BB stated that the upcoming Data Management Strategy will cover fining in more detail but due to school budget challenges, would be treated as a last resort.

Dominic Cain (DC) asked if it is 'repeat offenders' providing poor quality information and if so, fines should be proportionate to the issue caused to the pension fund and its officers. BB said numerous errors were found and there are repeat 'offenders' however a number of the errors come directly from a payroll provider, rather than the schools themselves. He reiterated the Pension Fund holds no relationship with these providers and the schools should be discussing this directly with their providers, including the prospect of fining. This point was covered in the audit findings.

Action: MA to clarify what was meant around employers providing data around Scheme Pays as this should only impact employees directly.

2. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies were received from Allan Wells.

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

It was confirmed that the closed section of the pensions advisory panel meeting papers – agenda item 13 – would be held in a closed meeting.

3. DISCLOSURE OF INTERESTS AND DISPENSATIONS

ME has asked all members of the Board to complete the new Declaration of Interest form which was circulated by Geraldine Chadwick (GC) in December 2021.

Action: Board members to complete Declaration of Interest form

4. MINUTES

Caroline Watson (CW) noted an addition since the last meeting on renewal of indemnity insurance. Contract renewal could only be completed to March 2022, rather than for a full year, as the insurers are unsure if they will continue to offer insurance within the sector. CW has said she would keep the board updated as such. ME has asked for personal updates for himself and DC between meetings, should they arise.

The minutes of the meeting previously held on Wednesday 20 October 2021 were otherwise agreed and approved.

Action: CW to update the Board on indemnity insurance renewal

5. ACTION TRACKER

Lead by CW.

There is an aim to table a report at the April 2022 LPB meeting on remuneration of Board members.

6. PENSION SERVICES

BB responded to questions on this agenda point.

TOB notes that the pension fund website was sub-standard. BB assumed TOB meant the member self-service portal and agreed the current portal was not fit for purpose and one of the reasons why CIVICA software had been procured to replace Altair (the current system). BB confirmed that the pension fund was committed to promoting the functionality of the new portal (which is superior to the current system) to staff, ex-employees and retired colleagues. BB gave an example of online/printable payslips/P60's and pension increase letters for retired staff.

Henry Mott (HM) asked if resources will be set aside for members of the fund without access to portals or information held online. BB said there is a First Contact team specifically in place for taking phone calls, emails and letters. Although the pension fund aims to be paperless wherever possible, it is aware this level of accessibility will not suit everybody and there will always be offline communication available for those members who may need it.

HM noted the apparent controversy over ethical pension fund investments, with local media claiming not enough is being done by the Southwark Pension Fund, particularly regarding climate change. ME stated that the Pension Fund was at the forefront of environmentally ethical investments, showing a 49.8% reduction in the Fund's carbon footprint since 2017. CW outlined the commitment to divestment from unethical securities whilst also ensuring liquidity of the Fund within risk parameters. TOB suggested hiring an individual who holds the primary responsibility of focusing upon ethical investments within the council. ME has expressed support of the efforts of officers in order to reduce the footprint this far. Jack Emery (JE) has said that a copy of the published Carbon Footprint Assessment report can be circulated to HM and TOB. ME has asked for this report to be sent to all board members and outlined that there should be 45 minutes on the investment strategy in April 2022's Local Pension Board meeting, also covering the efforts on reducing the carbon footprint of the fund.

Action: JE to circulate Carbon Footprint Assessment report to all board members.

Agreed: 45 minute training session on the investment strategy to be tabled during April 2022 LPB meeting.

7. PENSIONS REGULATOR CODE OF PRACTICE 14 UPDATE

Lead by GC.

There has been significant progress over the past year on all actions, as shown in the update report. Some of the remaining points will be actioned by the April 2022 Local Pension Board (LPB) meeting and a new training process has been approved.

ME enquired about fund-specific Conflict of Interest forms which also cover the Pensions Advisory Panel (PAP). GC updated that it currently only covers the Local Pension Board but should be expanded to cover PAP too; however, this would require a conversation with other parties. ME said the Good Governance project means inclusion of PAP is likely to be required eventually and so should be assessed in advance.

DC questioned progress on the Data Improvement Plan, which was initially due to be tabled during the January 2022 LPB meeting. BB clarified that a plan was in draft but needs to be altered as a result of the implementation of new CIVICA UPM software. BB has suggested bringing the plan to the following LPB meeting in April 2022, as it will be more comprehensive and specific to the new admin system. ME agreed.

Agreed: BB to bring Data Improvement plan to April 2022 LPB meeting.

9. PENSION FUND STATEMENT OF ACCOUNTS 2020-21 - Included as Open Agenda Pack 2

Lead by CW.

The pension fund accounts are yet to be signed off, although they were submitted prior to the deadline. The delays on finalisation are due to resource issues on the side of the auditors. The pension fund has been advised to expect a clean audit opinion on the accounts. Any issues found have been minor issues around disclosure. CW highlighted that historical audit issues around member data have been rectified and that the auditors have acknowledged they are also happy these have been fixed.

ME questioned the timing over when the accounts are due to be finalised. GC confirmed they are unlikely to be signed off at the upcoming Audit, Governance and Standards committee due to narrow time deadlines.

10. SECTION 13 GAD REPORTS

Lead by CW.

The full Government Actuary Department report is in Appendix 1 to the LPB January 2022 agenda. There are no areas of concern regarding the 2019 actuarial valuation methodology for Southwark Pension Fund.

ME outlined the role of the board and stressed that the pensions teams need to be adequately resourced which requires a discussion between administering and host authorities.

11. FORWARD PLAN 2022-23

Lead by ME.

The Data Improvement plan is to be added to the April 2022 LPB meeting. Further to this, the Good Governance Project needs to be addressed but with no hard deadline yet.

12. TRAINING PLAN 2022-23

Lead by ME.

Training on the carbon footprint reduction is to be added to the April 2022 LPB meeting, lead by Aon. CW reminded board members that further AON training is available. The board only pay for sessions which are attended and the sessions are recorded for watch-back. ME further encourages this.

13. PENSIONS ADVISORY PANEL MEETING PAPERS – OPEN PAPERS

Lead by CW.

PAP highlighted the carbon footprint measurement and that reduction in the footprint stands at 49.8% currently from the 2017 benchmark. Large proxies are being used prudently, where necessary. The previous PAP meeting aimed to launch the new Investment Strategy but this was delayed due to poor attendance. The PAP meeting papers also show an update on new investments, which were implemented in Q3

2021/22 around the ESG priority allocation and movements from legacy to low carbon investments.

ME expressed concern over high number of mandates and the work required to monitor these efficiently.

14. ANY OTHER OPEN BUSINESS

None expressed.

15. DATE OF NEXT MEETING

This meeting ended at 11:36am.

The next meeting will be on Wednesday 6 April 2022 at 10am.

Item 6
Local Pension Board - Action Tracker

Date of Meeting	Action Ref	Action	Due Date	Response	Status
07 April 2021	17	Report on remuneration of LPB members to be tabled at a future meeting.	April 2022	Report tabled as agenda item 11.	Complete
07 April 2021	18	Revised administration strategy to be tabled at a future LPB meeting.	TBC	Will be tabled at PAP first.	Outstanding

Item No. 7	Classification: Open	Date: 6 April 2022	Meeting Name: Local Pension Board
Report title:		Pension Services - Administration Function Year-End Update	
From:		Pensions Manager, Finance and Governance	

RECOMMENDATION

1. The Local Pension Board is asked to note this year-end update covering achievements over the past 4 years, together with forward planning goals over the next 4 years.

ACHIEVEMENTS – PAST 4 YEARS	
Post 2016 restructure	All backlogs cleared.
Staff & resources (2018/19)	Full restructure undertaken to create a robust pensions team specialising in admin, data/IT, comms, training and project management.
Implementation of i-Connect software (LGPS data)	For all schools/external employers and to ensure data consistency. i-Connect also implemented for Council on SAP system.
Technology	Implementation of new Civica UPM pensions admin, payroll, and contact centre software to replace legacy LGPS pensions admin system.
Pensioner Payroll	Migration of pensioner payroll from Council's (SAP) payroll system to Civica software.
Annual Benefit Statements	Complete redesign to explain benefits and to show true financial value each year of staff being a member of pension fund.
Annual Allowance	Complete redesign of Pension Savings Statements, explaining tax implications and providing 'Scheme Pays' option. and..... Members likely to be affected in the future are informed early enough so that they can make informed changes to their pension provision.
Contact Centre brought back to Pensions	Creation of a new First Contact Resource team dealing with all written, website and telephone enquiries (members, employers). First London Borough to be able to accurately report all enquiries received within the section.
Performance metrics	Improvements in admin stats and statutory reporting, including enquiries.
Southwark Pension fund website creation	Shortlisted for comms award. Website works in harmony/alongside national LGPS website.
Administration and Comms strategy	Revised and updated to reflect changes in technology, trends and future service needs.
Administering and Employing Authority discretions policies	Revised and updated.
Interfund transfers	Streamlined making Southwark one of the leading London Boroughs for interfund processing.
Training & development	All staff get five hours of dedicated pensions

(staff, pension fund members, HR, employers, LPB)	training every week. Southwark is the only London Borough to offer this level of training to staff on a weekly basis.
Post covid adjustments	Remote solutions put in place for printing and scanning.

FORWARD PLANNING – NEXT 4 YEARS	
AVC reassessment	Move to a new AVC provider offering improved fund choice and functionality (i.e. online investment switches and retirement modelling).
Staff & resources (post Civica/technology review and succession planning)	Rationalise structure to ensure that all staff meet the needs of a modern pensions section.
Technology	Development of Civica UPM Member Self-Service (MSS) and online functionality for pension fund members and employers.
Pensioner Payroll	Improvements in pensioner services – online payslips/P60's/Pension Increase statements. Pensioner Association creation with Council and existing association around welfare and wellbeing.
Annual Benefit Statements	LGPS video currently being created. Online availability via MSS. Part of Total Reward Statement in future.
Annual Allowance	Annual Allowance and Lifetime Allowance videos currently being created. Pensions MOT's for staff approaching age 50 explaining the benefits of the pension fund and what to expect approaching retirement.
First Contact Resource team	Civica Contact Manager software procured to manage telephone enquiries with direct link to UPM system – ensures all tasks get recorded and can be reported against for SLA's/KPI's.
Performance Metrics	Benchmarking SLA's to CIPFA guidelines/ standards or better.
Pension fund website	Development of website to create online enquiry/web forms to integrate seamlessly with new Civica UPM system. Creation of improved content, horizon scanning news, Q&A's, MSS guidance etc.
Development of new Civica Employer portal	Pensions team has greater control over LGPS data being uploaded to new admin system.
Training & development	Continuous development of training material to benefit staff, pension fund members, HR, employers and LPB members. Development of online training material via website and utilise the Council's My Learning Source. Material and services can be offered to other

	London Boroughs at discounted rate.
Comms	Plain English review - the majority of comms sent to members will be crystal marked. Comms partnership with Aon. Staff surveys/feedback sessions. With Covid uncertainties moving to a remote Teams based Employer Roadshows.
UK National Dashboard programme	Southwark participation creating improved overall experience for pension fund members.
Formalisation of Data Management Strategy	In line with the Pensions Regulator/COP14 guidance and best practice.

KEY ISSUES FOR CONSIDERATION

2. N/a

Policy framework implications

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

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

Community impact statement

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

Equalities (including socio-economic) impact statement

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

Health impact statement

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

Climate change implications

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

Resource implications

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

Legal implications

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

Financial implications

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

Consultation

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

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Governance

12. Not applicable.

Strategic Director of Finance and Governance

13. Not applicable.

Other officers

14. Not applicable.

APPENDICES

No.	Title
n/a	

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Barry Berkengoff, Pensions Manager, Finance and Governance	
Version	Final	
Dated	6 April 2022	
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		

Data Management Policy

Southwark Pension Fund

April 2022

1. Summary

This document is the Data Management Policy of the London Borough of Southwark Pension Fund ("the Fund"), part of the Local Government Pension Scheme ("the LGPS") managed and administered by Southwark Council ("the Administering Authority"). As the Administering Authority, we recognise the importance of maintaining accurate and complete data.

This policy outlines the approach that we take to continually improving the data we hold, and the processes associated with maintaining and updating member records. The policy also sets out the resources needed in order to effectively achieve this.

Background

The Southwark Pension Services team is responsible for administering the Fund which has around 110 scheme employers (including around 65 local authority schools that operationally are part of the London Borough of Southwark but use their own payroll providers), and maintains and manages the pension records of approximately 25,000 members of the Fund.

Maintaining data quality is key to delivering our objectives, crucially the payment of accurate member benefits as well as providing a positive experience for members and relevant stakeholders. Equally there should be robust controls and processes in place to continually maintain data quality standards and ensure remedial action is taken where appropriate. Whilst all pension fund officers are responsible for the management of data on a day-to-day basis, we have a specific, dedicated resource in the form of a Data Systems Team which has overall responsibility for maintaining data accuracy and monitoring data quality.

We are committed to working in partnership with all scheme employers as we recognise that they have a critical part to play in how they submit their data in order for us to hold good quality, clean data.

The Pension Regulator's (TPR) code of practice 14 outlines the responsibilities of pension schemes, both in reviewing and improving their scheme data. TPR is due to publish a new Code later in 2022 but we expect that the requirements for reviewing and improving scheme data will remain broadly the same.

The software we use is Heywood's Altair pensions administration system. However, we are due to change our administration and payroll systems, migrating to new Civica UPM software in May 2022. The Altair software is used for all processing related activities, performance monitoring and accounting, and it stores all personal and historic member data.

The UPM software will perform the same core functions but with improved functionality and reporting capabilities. Some historic member data is also held on microfiche and in paper files.

This policy is in place to ensure that that the information we use is:

- Complete and accurate.
- Held securely and confidentially.
- Obtained fairly and lawfully.
- Recorded accurately and reliably.
- Used effectively and ethically.
- Shared appropriately and legally.

There are a number of risks associated with insufficient data quality standards, poor record keeping and ineffective processing timeframes such as:

- Loss of confidence in the Fund and its competencies and damage to reputation.
- Financial and reputational consequences of submitting inaccurate or incomplete data in statutory or regulatory returns.
- Inappropriate decision making and inefficient service provision.
- Undermining our relationships with partner agencies.
- Regulatory action and fines from the Information Commissioner for breaches of General Data Protection Regulations (GDPR), Data Protection Act (DPA) or Freedom of Information (FOI) legislation.

Implementation

This policy was approved on [6 April 2022] by the Strategic Director of Finance and Governance, taking into consideration the views of the Pensions Advisory Panel. It is effective from 1 May 2022 and will be regularly reviewed to ensure it remains up-to-date and meets the necessary regulatory requirements (see Monitoring Section for details).

The policy is available on the Fund website:

www.southwarkpensions.co.uk/documents-library/policies

2. Legal requirements in relation to data

The Fund and its employers have a legal obligation and statutory duty to comply with various regulations, standards and guidance, including (but not limited to):

- LGPS Regulations 2013, as amended.
- Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014.
- The Pensions Act 1995, 2004 and 2008.
- The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013.
- Data Protection Act 2018.
- Freedom of Information Act 2000.
- Pension Regulator's Code of Practice No.14 (and any subsequent Code).
- EU General Data Protection Regulations (although post-Brexit these have been subsumed into the Data Protection Act 2018, as we provide pensions to individuals living in the EU/EEA, we must still ensure compliance with the EU statute).

Failure to maintain accurate records can put the Fund and employers at risk of failing to meet their legal requirements which could result in TPR or the Information Commissioner taking enforcement action.

Furthermore, it may lead to individual or class action complaints being made to the Office of the Pensions Ombudsman.

3. Purpose

The purpose of this policy is to outline the approach we take in relation to continually improving the data that we hold.

It sets out the following:

- Our key administration objectives which include the management of data.
- The data covered by the policy.
- Data identification activities currently in place.
- Approach to prioritising data improvement activities.
- Monitoring of data improvement activities.
- Key risks which may affect the ability to deliver the activities set out in any data improvement plan.

There are a number of key data identification activities already in place as outlined below. However, this policy seeks to identify any additional activities and, more critically, data improvement activities that need to be undertaken to continue to maintain and improve data accuracy to the highest possible standards and comply with TPR's requirements and other overriding legislation.

In line with TPR's Code of Practice 14, Scheme Managers should review their data in terms of presence and quality at least annually, and, where required, put in place a plan to address any issues. This also includes data improvement activities which directly relate to TPR's Data Quality Scoring framework. The Data Quality Score to be provided to TPR as part of its annual return contains two types of data, Common Data and Scheme Specific data – see **Appendix** for most recent scores.

TPR will be introducing a new single code of practice (which applies to all types of pension schemes), to help support schemes in managing their governance and administration activities. This new code will replace Code of Practice 14. TPR have stated that based on current expectations the new code will not be published before Summer 2022. Therefore, this policy will need to be reviewed following the introduction of this new code to ensure that it remains appropriate.

4. Key objectives

Our key administration aims and objectives as outlined in the Pensions Administration Strategy are:

- Provide a high quality, engaging, informative, timely, and customer focused administration service to the Fund's stakeholders.
- Administer the Fund in a cost effective and efficient manner utilising technology appropriately with the focus on a 'digital first' approach.
- Be accountable and take responsibility for our actions.
- Ensure the Fund's employers are aware of and understand their roles and responsibilities under the LGPS Regulations and in the delivery of the administration functions of the Fund.
- Ensure benefits are paid to, and income is collected from, the right people at the right time in the right amount.
- Maintain accurate records and ensure data is protected and has authorised use only.
- Put in place standards for the Fund and its employers and ensure those standards are monitored and continuously developed and improved.

The main objective of this policy is to ensure that data validation exercises and data improvement activities for the Fund support the delivery of these key administration objectives. Some specific objectives relating to the improvement of data are:

- Quantify the validity and completeness of the data held in the pension funds administration and payroll systems.

- Identify key issues and categorise by potential impact on service delivery.
- Rectify high-priority issues, followed by lower priority issues.
- Continuously monitor data quality.

The anticipated results of meeting these objectives are:

- Increased operational effectiveness and administrative performance and reduced costs.
- Improved member experience and fewer member complaints.
- Reduced processing times for lower priority tasks, for example early leavers.
- Improved data scores on the annual TPR return.

The policy also aims to ensure the achievement of quality data by requiring that data is:

Accurate

- Data needs to be sufficiently accurate for its intended purpose.
- Data needs to be captured only once, which should be as close to the time of the activity as possible.
- Data needs to be checked at the time of collection where possible.
- Data needs to be sufficiently detailed for its intended purpose.
- The costs and effort of collecting the data need to be balanced with the importance of the data and the need for getting timely and accurate data.
- Where compromises need to be made which reduce data accuracy (e.g. where data has been estimated), this must be made clear to users of that data.

Valid

- Data needs to be recorded and used in line with agreed requirements, rules and definitions to ensure consistency and integrity.
- Where proxy data is used as a substitute for actual data this needs to satisfy the intended purpose of the data.

Reliable

- Data collection processes need to be clearly defined and consistent over time in order to ensure the consistency and comparability of data.
- Data and information needs to be collected from primary sources where possible.

Timely

- Data needs to be collected (and recorded) as soon as possible after the event or activity.
- Data needs to be available for the intended use within a reasonable or agreed time period, and quickly and frequently enough to support information needs and decision making.

Relevant

- Data needs to be relevant for the intended purposes and proportionate to the value gained from it.
- Contextual information only needs to be collected as far as required to support the process or activity.

- Where the data was collected for a different activity, then quality assurance and feedback processes need to be in place to ensure the quality of such data, and users need to be permitted to use the data for the new purpose.
- Requirements need to be clearly specified and regularly reviewed to ensure they remain appropriate and reflect any changing needs.

Complete

- Data collection processes need to be clearly specified and matched to the information needs.
- Data needs to be complete and should not contain redundant or duplicate records.
- Missing, incomplete or invalid records need to be monitored; they could indicate potential recording problems or other issues which impact on data quality.

5. Data and information covered by the policy

This policy covers all membership data for all member statuses within the Fund. It also covers any procedures relating to carrying out the administration and communication activities for the Fund.

In particular, the data covered includes:

5.1 Common membership data, i.e.

- National Insurance Number.
- Surname and either forename or initials.
- Gender.
- Date of birth.
- Date pensionable service started, membership/policy start date or first contribution date.
- Expected retirement date.
- Membership status.
- Last status event - the date at which the membership status last changed, e.g. from active to deferred – where appropriate the reason for the change in status should also be captured (e.g. retired or opted out).
- Address, including postcode.

5.2 Scheme specific data. This is defined by TPR as data which depends on factors such as:

- The scheme type, structure or design.
- A member's status, e.g. the data needed for deferred members may differ to the data needed for active members.
- Events that took place during membership.

5.3 Other data

- Data required to carry out triennial actuarial valuation.
- Data required for communication exercises, e.g. member email addresses.
- Sensitive and personal data, e.g. marital status.
- Employer data.
- Data relating to pension fund transactions, such as bulk transfers.
- Other data subject to risk of cyber-attack, i.e. pension fund bank account details.
- Non-electronic records, e.g., paper files and data held on microfiche.
- Information provided for internal management and external reporting purposes.

- Information that will be shared with or received from other agencies, e.g. the LGPS NI Database, DWP, HMRC, ITM/Faraday Tracing Bureau, National Fraud Initiative.

6. Data activities currently in place for maintaining good quality data

Whilst we will always strive to obtain and maintain good quality data at source, there will inevitably be situations where we may subsequently become aware of inaccurate or out of date data, and these inaccuracies will need to be proactively identified and rectified. This will be done by using the approaches below:

- **Monitoring of service level agreements and KPIs** – as outlined in the Administration Strategy we are committed to meeting service standards and ensuring our strategy is updated and fit for purpose. We will actively monitor our own performance against the details contained within the strategy. We will also monitor employers' performance against the target service standards and we have an escalation process in place for supporting employers with performance improvements.
- **Data Validation Exercises** – our actuary, Aon, conducted a data valuation exercise in November 2020. This exercise gave a good indication of the quality of our data with 89.9% of records free of anomalies. Critical queries have since been resolved, with remaining anomalies being lower priority. Many of the remaining issues are similar, and can either be resolved at the point the data is actually needed, or after the transition to the new Civica UPM system, where they can be resolved in bulk. Data validation also takes place as part of the triennial valuation with the support of our actuary. There are also regular reporting processes in place to identify and rectify system consistency errors.
- **Annual Data Evaluation** – a data evaluation exercise is conducted by 31 October each year. As well as producing the Common Data and Scheme Specific Data Scores, an analysis of all key fields in the pensions administration system is undertaken by checking for completeness and validity (i.e., ensuring figures are present and in the correct format). A comparison of current data values to previous data values, and checks to ensure any changes are within acceptable tolerances are also part of this exercise.
- **Use of third-party data services** – we partner with various third-party data services to help improve the quality of our data. The key services are the LGPS NI database, DWP's Tell Us Once (TUO) service, the National Fraud Initiative (NFI) and ITM/Faraday Tracing Bureau. The NI database predominantly assists us in determining whether members hold benefits with another Fund within England and Wales to prevent 'double death grant' payments occurring. The TUO service is used to identify member deaths to help minimise the risk of overpayments. Data extracts are also sent to our third-party mortality screening provider, and work is undertaken by the NFI on an annual basis to help mitigate the risk of overpayments.
- **Use of secure data transmission portal** – this is the only method by which we accept monthly data from our employers. There are various data validation routines built into this portal to ensure the data provided and uploaded to the pensions software is accurate, whilst data is returned to employers for correction if these validations are not passed. Introducing monthly data collection has streamlined the Annual Benefit

Statement (ABS) exercise resulting in fewer data queries to be dealt with due to them being rectified month on month.

- **Implement Internal audit and External audit findings** – any recommendations to improve data quality arising from either the annual internal or external audit findings are incorporated into the Data Improvement Plan.
- **Regular review of functions and tasks to ensure they are carried out to agreed local standards** – this ensures that collection of employer data submissions is sufficient and compliant with the employer’s guide. It also aims to ensure that information provided and checks undertaken against that data are carried out by appropriately skilled staff, and that data is only provided and processed by appropriate authorised signatories.
- **Weekly housekeeping reports** – these highlight issues with new data being provided by schools/payroll providers on their monthly returns. Issues or anomalies are queried with employers immediately, so they can be corrected before they cause longer-term issues which may affect benefit calculations or hinder any later processes. The new UPM system allows for better monitoring of incoming data so issues can be addressed before they are added to the member record.
- **Quality Assurance checks** – regular data monitoring to highlight quality issues and human error, for example where the data may appear correct at first but is not entirely fit for purpose or potentially out of date - examples include irregular characters in addresses, incorrect format for postcodes, splits in employment records following payroll changes, temporary NI numbers that have not been updated.
- **Issuing of regular member satisfaction surveys** – whilst we recognise that it can be a challenge to obtain an adequate number of responses in order that the analysis is representative of the overall membership, we think that analysing member feedback can be a useful additional measure of data quality.

7. Prioritisation of data improvement activities

In order to allocate suitable resources to data improvement activities, it will be necessary to have a method of identifying activities which should be carried out first, for example those that may have the biggest potential impact on the Fund - this could include the impact on members, increased costs or reputational damage to the Fund. There will be other activities that can be carried out over time and are therefore less urgent (i.e. not essential to the ongoing day-to-day administration or for valuation purposes).

We will take the following into account when prioritising data improvement activities. Data improvement plans use the Red, Amber, and Green (RAG) status to determine the priority and considers the following:

- The risk of not carrying out the activity i.e., the likelihood of it resulting in the payment of incorrect benefits or other errors, the potential impact on members or valuation calculations (contribution rates), the potential costs of not carrying out the exercise.
- Whether the change is essential for day-to-day activities i.e. paying accurate member benefits.

- 'Quick wins' including rectifying data anomalies in bulk.
- Improving efficiency of processes and increasing automation.
- Improving engagement.
- 'Nice to have' but non-essential data items (or, for example, useful for valuation purposes such as spouse/partner benefit for deferred members).
- Any required order of carrying out activities, for example carrying out address cleansing before any bulk exercises which rely on communications with members.

8. Data Retention

The Fund must ensure compliance with relevant legislation where it pertains to data retention, including the Data Protection Act 2018 and the EU General Data Protection Regulations. The Fund must still comply with GDPR post-Brexit where it holds and processes data for EU citizens living in the EU.

A separate Data Retention Policy will be reviewed annually and is maintained by the Data Systems Team, detailing retention periods for the data the Fund holds. Retention periods differ depending on the nature of the data, e.g. the status of the member and if a member retains any pension benefits under the Fund.

The principle of a Data Retention Policy is to ensure that any data the Fund holds is relevant to its day-to-day activities. A policy will be actioned quarterly (i.e. to run checks to see which electronic data can or needs to be destroyed).

9. Monitoring

This policy will be reviewed and adopted by the Strategic Director of Finance and Governance, taking into account the views of the Pensions Advisory Panel, on a triennial basis, to take account of any new or changed legislation or business practices.

Data collection and validation activities will be regularly monitored, and data quality reports routinely considered by senior management.

The implementation of, and progress towards, improving data quality across the Fund will be measured quarterly. This will be achieved by using a detailed Data Improvement Plan, which includes a timetable of activities, and each sub-project broken down into key activities will be maintained and regularly reviewed by the Pensions Manager.

Progress against any data improvement plans will be shared with the Pensions Advisory Panel and the Local Pensions Board on a biannual basis.

10. Risks to delivery of data improvement plan

The key risks to the delivery of this policy and plan are outlined below. The Strategic Director of Finance and Governance will work with the Pensions Advisory Panel in monitoring these and other key risks and how to respond to them.

- Changes in government and/or legislative requirements.
- Changes in administration software provider.
- Data security and the resultant security and management of records.
- The prevention, identification and response to potential Cybercrime threats.

- Pension Officers not having suitable resource and/or knowledge to undertake their responsibilities including the resilience to manage and adhere to legislative changes resulting in changes to business practices.
- Employers' disengagement.
- Service delivery issues, for example IT/system issues could result in pensioners not being paid on time.

At the time of approval of this policy one of the biggest risks to the delivery of the actions outlined in this policy is the migration from the Altair pensions software to the Civica UPM software.

However, we have a detailed migration strategy in place which includes extensive support from both software providers, our actuary, and payroll experts. Measures such as user acceptance testing and parallel running will be carried out as these are critical activities in order to ensure that the quality, accuracy and security of our data is not compromised in the migration.

An audit will also be carried out post implementation to review the accuracy and success of the migration.

11. Further Information

If you require any further information about anything in or related to this policy, please contact:

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Appendix – Data scores as at October 2021

Data area	October 2021 data score	Previous data score October 2020	Aim
Common data	94%	90%	95%
Scheme specific data	*	89%	92%

* A Scheme Specific Data score was not calculated in October 2021. On the Heywoods Altair system the score was too complex to calculate in-house using existing reporting tools, and it was too cost-prohibitive to have Heywoods provide one for us. While the Fund aims to calculate one every year, TPR only requires a score to be submitted every 3 years. A score will be calculated on the new Civica UPM system once migrated.

Item No. 8	Classification: Open	Date: 6 April 2022	Meeting Name: Local Pension Board
Report title:		Pensions Regulator Code of Practice 14 Update	
From:		Technical Accountant - Professional Finance Services	

RECOMMENDATIONS

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

- Note the significant progress made to date.
- Note the Code of Practice (COP14) review improvement plan at appendix 1.

BACKGROUND INFORMATION

1. It was agreed at the January 2021 Board meeting that progress against the COP14 review improvement plan would be reported at future meetings.
2. This report updates the Board on progress made against the plan to January 2022.

PROGRESS ON ACTION PLAN

3. The action plan at appendix 1 has highlighted (**in gold**) actions or amendments since January. These are covered below. The plan also has updated timelines for delivery where appropriate.
4. All outstanding actions are scheduled to be completed by July 2022

Governing your Scheme

- Appointments process- agenda item 9
- Register of interests- agenda item 10

Administration

- The Data Strategy Document has been finalised and will be tabled at the LPB April 2022 meeting

Resolving Issues

- Training on ‘breaches of law’ will be arranged for the July 2022 meeting for Board members, PAP and officers.

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

5. Community Impact Statement

No immediate implications arising.

6. Equalities (including socio-economic) Impact Statement

No immediate implications arising

7. Health Impact Statement

No immediate implications arising

8. Climate Change Implications

No immediate implications arising

9. Resource Implications

No immediate implications arising

10. Legal Implications

No immediate implications arising

11. Financial Implications

No immediate implications arising

12. Consultation

No immediate implications arising

AUDIT TRAIL

Lead Officer	Duncan Whitfield	
Report Author	Geraldine Chadwick	
Version	Final version	
<i>Dated</i>	30 March 2022	
<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

Appendix 1- Updated Action Plan for April 2022

Area	Category	Status	Recommendations	Timeframe / Responsible	Complete	Notes
1. Governing your Scheme						
1.1 Knowledge and Understanding Required by Pension Board Members						
Pension board members should have knowledge of how AVC arrangements operate, investments and performance and payment of contributions	Should	Not Met	Planned LPB training on AVC's should take place shortly (including content of COP45)	October 2021 LPB meeting - BB	√	AVC training on October 2021 agenda and will be delivered by Deborah Patten.
Comprehensive training plan in place - global and individual level (from induction onwards)	Should	Partially Met	1. That the training analysis exercise is completed and a comprehensive training plan is produced	CW - January 2021 LPB meeting	√	Comprehensive LPB training plan agreed at January 2021 LPB meeting
			2. Named person is designated to take responsibility for ensuring training plan is developed and implemented	Complete - CW - named person CW	√	
			3. Personalised training plan for each board member	CW - October 2021	√	Individualised training plans will be updated to incorporate the CIPFA knowledge training programme for audit committee members. This a separate agenda item.
			4. Update document list and establish a central document store for documents members may need	CW - October 2021	√	The new pensions website holds a section on key documents
1.2 Conflicts of Interest & Representation						
LPB members (and proposed appointments) must provide required documents to satisfy they don't have a conflict of interest	Must	Not Met	1. Annual declaration of interest exercise scheduled for completion by board members (and proposed appointments) to provide docs to scheme manager to satisfy no conflict of interest. Include in the pension board forward plan	CW - by January 2021 LPB meeting	√	1. Declaration of interests form will be distributed by email to LPB members by December 2020. 2. Receipt of forms and completion of exercise confirmed at January 2021 LPB meeting
			2. A Board appointment process is prepared and published	CW - April 2022 LPB meeting	√	Document drafted - on April 2022 LPB agenda for approval.
	Should	Not Met	3. Keep a register of interests which is circulated annually to pension board members and is published	CW - April 2022 LPB meeting	√	Register compiled from returns and reported in April 2022.
			4. New members disclose interests that could become a conflict before appointment 5. Prepare a conflicts policy and procedure for the board	CW - by July 2021 LPB meeting	√	Document approved at July 2021 LPB meeting
1.3 Publishing Information About the Scheme						
Published information about the pension board must be kept up to date	Must	Not Met	Bring website up to date with LPB membership	Complete - BB/CW - this is up to date on new website see https://southwarkpensions.co.uk/about-us/local-pension-board	√	
Schemes should have policies and processes to monitor all published information	Should	Not Met	1. Add a point to the checklist within a Board appointment procedure to be published	Q1 2021 - BB/CW	√	
			2. Procedure to monitor published information such as latest Board minutes so members are aware	CW - October 2021	√	Meeting packs will be published within 7 working days
Properly constituted pension board should be in place	Should	Partially Met	Review Council approval process for LPB Terms of Reference and take actions to complete the approval of the latest version	CW - April 2021	√	LPB terms of reference within the council's constitution (24 March 2021)
2. Managing Risks						
2.1 Internal Controls						
Separate Council risk policy for pension fund	Should	Partially Met	That a risk policy is prepared for the pension function	Q2 2021 - BB/CW	√	
Risk register - ownership of risks	Should	Partially Met	Amend the risk register to include an owner for each risk	by December 2020 - BB/CW	√	
Risk register - frequency of review	Should	Partially Met	Risk register is reviewed by pensions board quarterly	Complete - CW - Current policy is to formally review twice a year unless critical amendments are made - considered to be adequate	√	
Pensions administration policies and procedures	Should	Partially Met	1. Processes and procedures for admin function reviewed on regular basis to ensure remain complete as the restructure of the administration function is completed	Q2 - 2021 - BB	√	a) Covered as part of Civica UPM roll out b) a full review of all processes, letters will be done
			2. Consider requesting Internal Audit to review of internal controls and operational efficiency once restructure is complete	October 2021 - BB	√	Terms of Reference now agreed with internal audit - agreed start date is first week of November.
			3. Further KPIs requested by the Board should be reviewed, put into action and reported on a quarterly basis	Q1 2021 - BB	√	a) The Chair will request any KPI's/changes from Pensions Manager. b) Pensions Manager will incorporate those changes into quarterly stats (or inform Chair if an alternative format is necessary due to current admin IT restrictions). c) A wider KPI review will take place post Civica/UPM implementation.

Area	Category	Status	Recommendations	Timeframe / Responsible	Complete	Notes
3. Administration						
3.1 Scheme Record Keeping						
Member data should be regularly evaluated, continually reviewed and a data review exercise carried out	Should	Not Met	Annual exercise to produce a Common and Scheme Specific data score. Reported in Scheme Return and to the Pension Board	July 2022 - BB	a) and b) is completed.	a) Data Team will manage this process. b) Common Score completed c) Process of reporting scheme specific scores will be undertaken when Civica implementation is completed, now May 2022. The LPB will be updated on progress later in 2022/post GO LIVE.
Data improvement plan	Should	Not Met	Put data improvement plan in place where initiatives can be monitored	For January 2021 LPB meeting - BB	√	Data improvement plan in place that tackles common data issues with a particular focus on schools data and historical gaps in data. In addition there are a number of ongoing data cleansing initiatives as a result of project work that we do with the actuary Aon (year-end closure, ABS for example).
Data cleaning	Should	Not Met	Data cleaning, data flow, filling of vacancies should continue to have focus and resources applied to them to enable the requirements of the Code to be met	Q1 2021 - BB	√ and ongoing.	a) follows from data improvement plan being set up b) New Data Officer appointed c) Numerous clean up exercises taking place as part of migration of data from Altair to UPM.
Data Strategy Document	Should	Not Met	1. The planned data strategy document should be completed and presented to the LPB and PAP	April 2022 - BB	√	Update to be tabled at April 2022.
			2. Continue to encourage employers to use iConnect for submission of data	by December 2020 - BB	√	a) all employers now on boarded b) Process in place for monitoring month end submissions broken down by payroll provider and then appropriate school/employer c) Robust escalation process for employers who are repeat offenders is completed
3.2 Maintaining Contributions						
Maintain records of investigations of payment failures including asking the employer questions to form part of the decision to report to the Regulator	Should	Not Met	1. Reporting breaches of the law policy should be reviewed against the Code and updated to cover the potential to report non payment of employer contributions to members	CW - July 2022		1. Policy will be reviewed and updated to cover non payment of employer contributions 2. Process for considering notifying scheme members will be reviewed
Consider whether it is appropriate to report failure of employer contributions to scheme members						
Contributions monitor and Breaches of the Law Register should contain sufficient information to evidence requirements are fully met and if identified underpayments were paid.	Should	Partially Met	2. The breaches of the law register should be reviewed and revised to include evidence of when issues are resolved, that investigations have taken place and records kept. 3. Breaches of law register is fully completed to assess materiality and presented to LPB at each meeting	CW - July 2022		3. Document will be revised to include recommendations
Procedure on monitoring contributions	Should	Not Met	4. Contribution monitoring record enhanced to provide more detail to meet requirements of the code			Will be completed as part of improvement plan for closing accounts
3.3 Providing Information to Members						
Must provide certain information to scheme members under various legislation	Must	Not Met	Transfer deadlines and no evidence that basic scheme information is provided within two months of request	Q1 - 2021 - BB	√	Complete and being monitored as part of regular KPIs. All transfer work back with Pension Services from Aon. Missing schools data has now been sorted and transfers processed.
Annual Benefit Statements (ABS) delivered on time	Should	Partially Met	Communications such as ABS are shown and tested to the pensions board for comments on understanding	July 2021 (and annually thereafter) - BB	√	2021 ABS exercise includes additional process to share early draft ABS documents to Board. ABS newsletter is currently being produced by AON and will be shared with the Board by the end of July.
Auto-response should acknowledge email enquiry and give a timescale for when a response will be sent	Should	Partially Met	Sufficient resource or temporary resource should be incorporated into the team to enable correspondence to be addressed in a timely manner	Complete - BB	√	Out of office already exists. Email inbox checked regularly. CRM (Contact Centre) queries are dealt with (and can be reported on). 2 agency staff present.
4 Resolving Issues						
4.1 Internal Dispute Resolution						
Effectiveness of the arrangements should be assessed	Should	Not Met / Partially Met	1. The effectiveness of the IDR arrangements are assessed, including that the requirements are complied with including timescales and the effectiveness of decision making 2. IDR document made reference to TPAS and not Money and Pensions Service	January 2021 - BB	√	a) Internal senior pensions staff have all had IDR training but this needs to be rolled out to new and existing HR colleagues also named as adjudicators under IDR policy. IDR training will be an annual mandatory requirement for all IDR adjudicators. b) IDR is under continuous review c) Training is offered to all new IDR adjudicators. d) Pensions Manager is former Senior Casework Manager at TPO and well versed in complaint management.

Area	Category	Status	Recommendations	Timeframe / Responsible	Complete	Notes
4.2 Reporting Breaches of the Law						
Breaches of the Law register should record the reporting of breaches	Should	Partially Met	Complete register on a timely basis. Assess materiality to demonstrate consideration has been given to judging whether a breach must be reported	by December 2020 (post training) - BB/CW	√	Register is kept of data breaches and updated monthly.
Breaches of the Law register should be reported to the Pensions Board at each meeting.			All data breaches are reported to the information governance officer and monthly to the Section 151 officer. Twice yearly all breaches are reported to the Corporate Governance panel (CGP) to comply with internal procedures. Those breaches that must be reported to the Pensions Regulator are reported immediately to the CGP and to the LBP.		√	New procedure for reporting data breaches implemented in June 2021.
Breaches of the Law register - training programme	Should	Partially Met	Officers, the pensions advisory panel and pension board receive training on the procedure	July 2022 - BB	In progress	Training to be delivered at July 2022 meeting covering admin, data and finance areas.

Item No. 9	Classification: Open	Date: 6 April 2022	Meeting Name: Local Pension Board
Report title:		Local Pension Board Appointment Process	
From:		Technical Accountant - Professional Finance Services	

RECOMMENDATIONS

1. That the Local Pension Board (the Board) approve the appointment process at Appendix 1.

BACKGROUND INFORMATION

2. In the COP 14 improvement action plan a formal appointment process to the Board was suggested.

LOCAL PENSIONS BOARD APPOINTMENT PROCESS

3. An appointment process has been drafted at Appendix 1. This process sets out:
 - How nominations and appointments for the employer, employee and independent representatives will be made to the Board.
 - The nomination process.
 - Appointment of the Chair, Vice Chair and substitutes.
 - The terms of office.
 - Reappointments and terminations.

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

4. **Community Impact Statement**
No immediate implications arising.
5. **Equalities (including socio-economic) Impact Statement**
No immediate implications arising

6. Health Impact Statement

No immediate implications arising

7. Climate Change Implications

No immediate implications arising

8. Resource Implications

No immediate implications arising

9. Legal Implications

No immediate implications arising

10. Financial Implications

No immediate implications arising

11. Consultation

No immediate implications arising

AUDIT TRAIL

Lead Officer	Duncan Whitfield	
Report Author	Geraldine Chadwick	
Version	Final version	
Dated	30 March 2022	
Key Decision?	N/A	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Director of Law and Democracy	N/A	N/A
Strategic Director of Finance and Governance	N/A	N/A

List other officers here		
<i>Cabinet Member</i>	N/A	N/A
<i>Date final report sent to Constitutional Team</i>	N/A	

Appendix 1

Local Pension Board Appointment Process

1. The role of the Local Pension Board (LPB), as defined by sections 5(1) and (2) of the Public Services Pension Act 2013, is to assist the administering authority (Southwark Council), the scheme manager, in ensuring good governance and administration of the Local Government Pension Scheme (LGPS).
2. The Board consists of one independent non-voting member and six voting members, three scheme member representatives and three employer representatives. The term of office for employer and scheme representatives is two years. The term of office for the Chair is one year, thereafter subject to annual review by the Board. Extensions to terms of office may be made by the Administering Authority with the agreement of the Board.

Appointment Process - Scheme Member Representatives

3. The Scheme Manager will attempt to contact all member representatives. A total of three scheme member representatives shall be appointed by the Administering Authority, on the nomination of the recognised trade unions, with two representing employees who are Scheme members of the Fund and one representing pensioner or deferred employees, who is a Scheme member of the Fund.
4. Scheme member representatives shall either be scheme members or have capacity to represent Scheme members of the Fund. Scheme representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meetings and participate in training as required.

Local Pension Board Appointment Process



5. Substitutes shall be appointed. Where appointed, substitutes should be named and must undertake the same training as full members. They should have similar experience to the representatives they are shadowing.
6. Applicants will be informed of the nomination process and issued with a nomination pack. The nomination pack will be published on the Southwark website and will consist of:
 - Member representative application form, including the LPB application process document;
 - Code of conduct and conflict of interest policy;
 - Conflict of interest declaration
 - Terms of reference.
7. On receipt of applications the nominations will be considered by the Pensions Advisory Panel. Any rejection of the nominations should be explained and a new nomination should be put forward.

Appointment Process - Employer Representatives

8. The Scheme Manager will attempt to contact all scheme employers in the Southwark Council Pension Scheme. A total of three employer representatives shall be appointed by the Administering Authority, on the nomination of Southwark Council's Section 151 officer. Employer Representatives shall be office holders or senior employees of employers of the Fund or have experience of representing Scheme employers in a similar capacity. No officer or elected member of the Administering Authority who is responsible for the discharge of any function of the Administering Authority under the Regulations may serve as a member of the Board.

Local Pension Board Appointment Process



9. Employer Representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meetings and participate in training as required.

10. Substitutes shall be appointed. Where appointed, substitutes should be named and must undertake the same training as full members. They should have similar experience to the representatives they are shadowing

11. Applicants will be informed of the nomination process and issued with a nomination pack. The nomination pack will be published on the Southwark website and will consist of:
 - Employer representative application form; including the LPB application process document;
 - Code of conduct and conflict of interest policy;
 - Conflict of interest declaration;
 - Terms of reference.

12. On receipt of applications the nominations will be considered by the Pensions Advisory Panel. Any rejection of the nominations should be explained and a new nomination should be put forward

Independent representatives

13. Any Independent representatives will be directly appointed by the Pensions Advisory Panel through an open and transparent process.

14. It is permissible for current members of the Board to be re-nominated or to re-apply for their post for one rotation. In the event of the renomination of members, the Board may decide to appoint without interview.

15. Where the number of 'Expressions of Interest' exceed the number of vacant roles on the Board, candidates will be considered by the Pensions Advisory Panel who will then make recommendations to the Administering Authority to formally appoint.

Chair of LPB

16. The Chair of the LPB is a non- voting member and shall be appointed to the Board by the Administering Authority, with the agreement of the Board. This person will be an independent person, meaning that they are not an employee of the Administering Authority or a scheme employer in the Fund or a member of the Fund. In absence of the Chair, the duties of the Chair will be carried out by the Vice Chair.

Vice chair of LPB

17. The Vice Chair shall be an existing voting member appointed by nomination by voting members for a term of one year. The Vice Chair shall carry out the duties of the Chair in the absence of the Chair.

Failure to obtain nominations

18. Should the Fund fail to receive nominations from the employer and member groups, it may approach persons directly to apply for the vacant positions. Persons approached in this manner will still need to be formally recommended by the Pensions Advidsory Panel.

19. Where direct contact is made, persons contacted will be approached in consideration of their ability to meet the legislative requirement of knowledge and capacity and may be approached by recommendation from the Board.

Local Pension Board Appointment Process



Nominations mid-term

20. In the event that a member of the Board resigns their position, this process will be followed at the time the resignation is received. The period of office would be for two years.

Notification of appointments

21. When appointments to the Board have been made, the Administering Authority shall publish the name of Board members on the [southwark pensions website](#), the process followed in the appointment, together with the way in which the appointments support the effective delivery of the purpose of the Board.

Terms of Office and terminations

22. The term of office for Employer Representatives and Scheme Member Representatives is two years. The term of office for the Chair is one year, thereafter subject to annual review by the Board.

23. Extensions to the terms of office for any Board member may be made by the Administering Authority with the agreement of the Board.

24. Board membership may be terminated prior to the end of the term of office due to:

- a. A Member Representative appointed on the basis of their membership of the Scheme no longer being a Scheme member in the Fund.
- b. A Member Representative no longer being a Scheme member or a representative of the body on which their appointment relied.
- c. An Employer Representative no longer holding the office or employment or being a member of the body on which their appointment relied.

Local Pension Board Appointment Process



- d. A Board member no longer being able to demonstrate to Southwark Council their capacity to attend and prepare for meetings or to participate in required training.
- e. The representative being withdrawn by the nominating body and a replacement identified.
- f. A Board member has a conflict of interest which cannot be managed in accordance with the Board's conflict policy.
- g. A Board member becomes a member of the PAP.
- h. A Board member who is an officer of the Administering Authority becomes responsible for the discharge of any function of the Administering Authority under the Regulations.

Item No. 10	Classification: Open	Date: 6 April 2022	Meeting Name: Local Pension Board
Report title:		LPB Register of Interests	
From:		Technical Accountant - Professional Finance Services	

RECOMMENDATIONS

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

- Note the Register of Interests at Appendix 1.

BACKGROUND INFORMATION

1. The COP14 review improvement plan recommended the implementation of a Register of Interests for members of the Southwark Local Pensions Board.

REGISTER OF INTERESTS

2. Appendix 1 details the Register as at 6 April 2022.

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

<i>Lead Officer</i>	Duncan Whitfield	
Report Author	Geraldine Chadwick	
Version	Final version	
<i>Dated</i>	30 March 2022	
<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

Appendix 1- Agenda item 10

Southwark Council : Register of Interests of Local Pension Board members

Apr-22

Name	Role	Date signed	Description of Interest	Comments
Mike Ellsmore	Chair of LPB	10/11/2021	None declared	As an independent chair, I am appointed by the Board and will declare an interest when such matters are discussed.
Dominc Cain	Employer Representative	10/01/2022	Employee of the Council and active member of the pension scheme	
Allan Wells	Employer Representative	10/01/2022	Governance Lawyer and consequent membership of Southwark Pension Fund as an	
Mike Antoniou	Schools Employer Representative	12/01/2022	None declared	
Diana Lupulesc	Employee Representative			
Henry Mott	Employee Representative		Retired 31 March 2022	
Anthony O'Brien	Retired Employee Representative	23/12/2021	None declared	
Barry Berkengoff	Pensions Manager	10/01/2022	None declared	

Item No. 11	Classification: Open	Date: 6 April 2022	Meeting Name: Local Pension Board
Report title:		Local Pension Board - Remuneration	
From:		Technical Accountant - Professional Finance Services	

RECOMMENDATIONS

1. That the Local Pension Board (the Board) approve the remuneration criteria for Board members in paragraph 9.
2. That the Section 151 Officer, in his capacity as Scheme Administrator, to authorise the remuneration allowances.

BACKGROUND INFORMATION

3. The responsibility of the local pension board, as defined by sections 5(1) and (2) of the Public Services Pensions Act 2013, is to assist the administering authority (Southwark Council), the scheme manager, in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme (LGPS)including:
 - (i) securing compliance with the LGPS regulations and other legislation relating to the governance and administration of the LGPS and any statutory pension scheme that is connected with it
 - (ii) securing compliance with requirements imposed in relation to the LGPS and any connected scheme by the Pensions Regulator
 - (iii) such other matters as the LGPS regulations may specify.
4. Given these statutory responsibilities the role of the Board member is demanding, requiring a depth of pension knowledge. There is a requirement to be conversant with the rules of the LGPS, other regulations governing the LGPS; and have knowledge and understanding of the law relating to pensions; and such

other matters as may be prescribed. Additionally the Pensions Regulator requires public service pension board members to achieve a high level of knowledge relating to the operation and management of the scheme.

5. The Administering Authority retains ultimate responsibility for the administration and governance of the Southwark Council LGPS. The role of the Board is to assist the Administering Authority to fulfil that responsibility. The Strategic Director of Finance and Governance, the Section 151 Officer, has the authority to authorise these allowances as the Scheme Administrator for the Southwark Pension Fund.

LOCAL PENSIONS BOARD – REMUNERATION

6. The LGPS Scheme Advisory Board (SAB) has issued guidance¹ on the operation of Local Pension Boards, including guidance on members' allowances. Section 9.5-9.7 provides for payments of allowances and/or expenses to members of the Board, with these payments regarded as part of the costs of the administration of the Fund. The costs can either be managed through the allocation of a budget or by seeking approval from the Administering Authority. The independent chair of the Board is currently paid an annual allowance of £3,500
7. The Board's terms of reference, which form part of Southwark Council's constitution, states the following at paragraph 60 under the section on Local Pension Board expenses and allowances:-
'The Administering Authority shall have the discretion to pay an allowance to Board members in appropriate circumstances.'
8. Currently, Board members are not paid an allowance. Employee and employer representatives are usually in paid employment. However, there

¹ Local Government Pension Scheme (LGPS); Guidance on the creation and operation of Local Pension Boards in England and Wales [Scheme Advisory Board]

are some members that are not employed and for whom there is no remuneration for being a Board member.

9. It is proposed that for those Board members who are not otherwise remunerated for their time by an employer, a Trade Union, or by the Council, are remunerated a yearly allowance of £500. The allowance will be paid for full attendance unless the absence is agreed in advance by the Chair.

10. If this remuneration policy is adopted, then there would be one member, currently, who would be eligible for this payment. This additional cost would be a charge to the Pension Fund, which is currently valued at £1.6bn.

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

<i>Lead Officer</i>	Duncan Whitfield	
Report Author	Geraldine Chadwick	
Version	Final version	
<i>Dated</i>	30 March 2022	
<i>Key Decision?</i>	N/A	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Director of Law and Democracy	N/A	N/A
Strategic Director of Finance and Governance	N/A	N/A
List other officers here		
<i>Cabinet Member</i>	N/A	N/A
<i>Date final report sent to Constitutional Team</i>		N/A

Item No. 12	Classification: Open	Date: 06 April 2022	Meeting Name: Local Pension Board
Report title:		Pension Fund Risk Register	
From:		Senior Finance Manager – Treasury and Pensions	

Recommendations

The Local Pension Board is asked to:

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

Risk Register

1. In line with overall council risk management procedures, the Pension Fund maintains a register of the key financial, operational and reputational risks to the Fund and the controls in place to mitigate the impact or likelihood of these risks occurring. The updated risk register is set out in Appendix A.
2. The risk register is not a complete database of all risks faced by the Fund, but is limited only to those considered as materially significant to the Fund.
3. Recent changes to the risk register include:
 - i. New risks associated with leisure centre insource in 2022; inadequate resourcing across pension fund investments and accounting functions; effectiveness of council HR and schools HR to make decisions; employer systems – calculation of employee pensions contributions bandings on SAP; annual benefit statements and P60/payroll/tax communications – frontline operatives SAP data; and residential caretakers' allowance.
 - ii. Review and re-weighting of impact and likelihood scores.
 - iii. Review and amendments for mitigation measures.

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

4. Community Impact Statement

No immediate implications arising.

5. Equalities (including socio-economic) Impact Statement

No immediate implications arising

6. Health Impact Statement

No immediate implications arising

7. Climate Change Implications

No immediate implications arising

8. Resource Implications

No immediate implications arising

9. Legal Implications

No immediate implications arising

10. Financial Implications

No immediate implications arising

11. Consultation

No immediate implications arising

AUDIT TRAIL

Lead Officer	Duncan Whitfield
Report Author	Caroline Watson
Version	Final version

<i>Dated</i>	30 March 2022	
<i>Key Decision?</i>	N/A	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Director of Law and Democracy	N/A	N/A
Strategic Director of Finance and Governance	N/A	N/A
List other officers here		
<i>Cabinet Member</i>	N/A	N/A
<i>Date final report sent to Constitutional Team</i>		N/A

Risk ref	Risk Description	Risk Owner	Risk Category	Impact - 1 to 10 (10 highest)	Likelihood - 1 to 10 (10 highest)	RISK SCORE	Risk controls (mitigation)
R1	Poor investment performance of individual mandates could lead to a deficit and therefore a requirement for higher employer contributions.	CW	Financial	7	4	52	<ol style="list-style-type: none"> 1. Investments monitored regularly. 2. Pensions Advisory Panel (PAP) reviews fund manager performance quarterly against benchmark. Reports received from investment advisers providing ratings of managers. 3. Regular meetings with fund managers regarding performance. 4. The Fund undertakes regular reviews of investment strategy to ensure that the investment asset and manager allocation is appropriate to meet the future pension obligations for the fund.
R2	The Fund's asset allocation strategy is not sufficient to meet obligations and liabilities	CW	Financial	10	6	90	<ol style="list-style-type: none"> 1. Reports on the funding level produced quarterly by Fund actuary and reviewed by PAP. 2. Funding strategy statement reviewed every 3 years. 3. Fund actuary takes liability profile into consideration when setting contribution rates at each triennial valuation. 4. Investment strategy review conducted following each triennial actuarial valuation, to determine optimal asset allocation for the Fund. 5. Actual asset allocation reported to PAP every quarter with variances of actual allocation to target discussed. 6. The Fund holds investments in assets, the value of which are linked to inflation, a key driver of pension liabilities, such as index linked gilts
R3	Covid-19 pandemic and international conflicts impact fund performance and income from investments, resulting in a reduction in fund value and impact on ability to pay pensions	CW	Financial	7	6	69	<ol style="list-style-type: none"> 1. Ongoing monitoring of Fund performance and investment markets. 2. Advice obtained from investment advisers on continuing suitability of asset allocation. 3. Review of pre-pandemic decisions on investment strategy changes. 4. Review of scheme employers' financial strength and likelihood of exit. 5. The Fund holds investments in diversified assets, reducing volatility and ensuring long term stability. 6. Cash flow monitored on a regular basis. Investment income reinvested and not required to pay pensions. 7. Review of investments to identify holdings in Russia completed. Fund has a very small exposure representing 0.023% of total Fund value. Plans are in place to exit these holdings as soon as Russian investment markets reopen. 8. Additional reporting received on emerging market holdings to monitor impact of ongoing conflict.
R4	Inaccuracy of financial information affects organisational decision making	CW	Reputational	4	2	14	<ol style="list-style-type: none"> 1. Accounting data reconciled on timely basis. 2. Fund manager valuations independently verified by Fund's custodian. 3. Accounts prepared in accordance with relevant regulatory codes
R5	Failure of third party providers for investment management and custodial services, including LCIV, could have a serious financial impact on the Fund.	CW	Financial	7	5	61	<ol style="list-style-type: none"> 1. Contracts are monitored regularly. 2. PAP provided with quarterly information for each manager. Where there are concerns additional monitoring is put in place to ensure financial risks are kept to an acceptable level. 3. Third parties provide Fund with an annual SAS70 (or equivalent) report which provides assurance from their auditors that adequate controls are in place and are operating effectively. 4. Assets to be transferred to the pool only upon satisfactory business case and due diligence
R6	Failure to comply with existing/new Scheme regulations – resulting in legal sanctions and detrimental effect on Council's reputation.	BB	Legal & regulatory	3	4	18	<ol style="list-style-type: none"> 1. Monitoring of compliance with regulations. 2. Pension Services restructure now agreed and ongoing use of external advisers with specialist knowledge to advise on implementation of regulations if required. 3. Fund breaches policy sets out clear guidance and mechanism for the reporting of breaches by those involved in management of the Fund and to the Pensions Regulator.

Risk ref	Risk Description	Risk Owner	Risk Category	Impact - 1 to 10 (10 highest)	Likelihood - 1 to 10 (10 highest)	RISK SCORE	Risk controls (mitigation)
R7	Admitted/Scheduled Bodies – failure of body/deficits on termination of contracts – could lead to an increase in the employers' and the council's contributions	CW	Financial	3	5	24	<ol style="list-style-type: none"> 1. Admission agreements for transferee admission bodies place liability for pension deficits with Southwark Council limiting the Fund's counterparty exposure risk 2. Funding levels for employers are monitored at each valuation. Contributions and deficit recovery periods set at appropriate level to take into account strength of covenant 3. Regular monitoring of amounts due from admitted/scheduled bodies. Actions taken to recover late payments. 4. Academy pension liabilities are supported by a guarantee from the Department for Education.
R8	Reliance on a smaller pool of specialist staff across LGPS impacts on ability to recruit and retain staff and increases the risk of a potential loss of knowledge and expertise	BB	Staffing & Culture	8	5	70	<ol style="list-style-type: none"> 1. Use of external advisers with specialist knowledge. 2. Develop and implementation/roll-out of training programmes to help ensure staff are equipped with appropriate skills and knowledge, and to show recognition of value placed on them. 3. Pension Services new structure agreed which moves away from former flat structure with limited development opportunities. This will mitigate against risks around staff retention and succession planning. New specific training role focuses on training, knowledge management, development and multi-skilling.
R9	Employers fail to provide information that fund requires resulting in poor service, increased complaints and possible fines and penalties	BB/CW	Reputational	6	9	81	<ol style="list-style-type: none"> 1. Employer/HR function going through business transformation exercise, with emphasis on more robust processes and better understanding of fund requirements. 2. New Admin Strategy has been agreed by Strategic Director of Finance & Governance which allows employers to be fined for poor performance following an agreed escalation process.
R10	Employer data is inaccurate or contributions are received late creating a financial or regulatory risk to the fund	BB/CW	Financial	6	9	81	<ol style="list-style-type: none"> 1. New Admin Strategy clearly sets out roles and responsibilities and consequences of non-compliance. 2. Communication Strategy to ensure employers reminded of information required. 3. Regular monitoring of contributions from employers. 4. Employers required to provide sufficient information for monthly returns to allow verification that the amounts due are correct. 5. Fund can charge interest on the late payment of contributions 6. The rollout of i-Connect software allows employers to efficiently upload information directly to the Fund with automatic data verification checks. 7. The new Pension Services structure includes a specialist Data Team to manage data from employers.
R11	Pension information to scheme members is inaccurate resulting in claims for compensation against the fund and the Pensions Ombudsman	BB	Financial	4	5	32	<ol style="list-style-type: none"> 1. Robust procedures in place including appropriate internal checking processes carried out by Senior Officers. 2. Specialist advice can be obtained from external advisers where appropriate.
R12	Fraud perpetrated against the fund either internally or externally resulting in a significant financial loss	BB	Financial	7	2	35	<ol style="list-style-type: none"> 1. The internal controls for the Fund and Council as Administering Authority are reviewed by internal and external audit on a regular basis. 2. Control arrangements are in place to ensure transactions require multiple layers of authorisation. 3. Participation in NFI matching exercises. 4. Fund now participates in DWP "Tell us Once" initiative.
R13	Detrimental investment performance and reputational damage resulting from untimely or incorrect implementation of the Fund's commitment to achieve net zero carbon by 2030	CW	Financial	8	4	62	<ol style="list-style-type: none"> 1. The Fund has committed to achieve net zero carbon within its investments by 2030. 2. An updated investment strategy has been launched which sets out how this will be achieved in the short, medium and long term, whilst maintaining acceptable levels of risk and return. 3. The Fund maintains regular contact with like minded LGPS Funds and other advisory bodies to keep abreast of all pertinent regulatory and investment developments. 4. The Fund will monitor the impact of any changes in investment strategy.

Risk ref	Risk Description	Risk Owner	Risk Category	Impact - 1 to 10 (10 highest)	Likelihood - 1 to 10 (10 highest)	RISK SCORE	Risk controls (mitigation)
R14	Structural changes in Fund membership, leading to unforeseen cash flow implications and the forced sale of assets to meet pension benefits	CW	Financial	4	4	25	<ol style="list-style-type: none"> The Fund undertakes long term cash forecasting to identify trends in cash in/outflows which is built into a strategy to ensure suitable cash inflows to support pension benefit costs. The Fund currently generates surplus cash flows through investment income which could be directed to pay pension benefits if required.
R15	Failure to comply with data protection legislation which results in reputational damage, scrutiny by the ICO and potential financial loss.	BB	Legal & regulatory	7	3	43	<ol style="list-style-type: none"> Robust procedures are in place which are subject to audit review. Council's action plan for GDPR includes the pension fund and is on track. New training is available and all pensions staff will be required to complete this and refresher training on an annual basis.
R16	Major IT failure or data corruption/cyber attacks results in administration function's inability to progress pension queries, and potential loss or permanent corruption of data files	BB	Reputational	9	2	54	<ol style="list-style-type: none"> Pension system (Altair) moving to a new hosted infrastructure later in 2019 as part of an ongoing investment in resilient and secure technology designed to tackle cyber security threat. New platform will have upgraded security, improved fault tolerance, next generation firewalls with enhanced threat/malicious content protection, encryption at rest as standard and improved monitoring, information and event management. In event of corruption of live database, test database contains 6 month old data available to use. Altair supplier tests back up arrangements annually. Maintain business continuity and disaster recovery plans. Pension Fund moving to new admin and payroll software hosted by Civica, a trusted supplier and existing IT partner of Southwark Council.
R17	Cessation post Brexit of reciprocal arrangements with EU in respect of state pension increases, leading to a requirement to pay additional increases to LGPS pensions	BB	Financial	2	8	38	<ol style="list-style-type: none"> Maintain awareness of any sector specific developments, guidance and advice etc.
R18	Inability post Brexit to make electronic payments to pensioners with non UK bank accounts	BB	Operational	2	6	23	<ol style="list-style-type: none"> Move to cheque payments, with attendant risks. Consider changes to payment frequency. Fund may consider an alternative provider who specialises in overseas payments.
R19	The exact nature and extent of the restitutive measures as required by the outcome of the McCloud case into discrimination on the grounds of age result are not adequately estimated for within the actuarial valuation.	CW	Financial	5	4	33	<ol style="list-style-type: none"> As part of the 2022 valuation, the Fund actuary will take into account the estimated costs to the scheme of the additional liabilities Risk management approach has been agreed with the Fund actuary to enable appropriate assumptions to be applied as part of triennial valuation. Approach will be documented in the updated funding strategy statement.
R20	That required liquidity in investment assets is not available to allow the fund to meet pension fund obligations as they fall due.	CW	Financial	6	4	42	<ol style="list-style-type: none"> Changes to investment strategy include consideration of split between liquid and illiquid investments. Ongoing monitoring of investments to ensure appropriate balance between liquid and illiquid investments ensuring the fund benefits from the potential for higher returns associated with illiquid investments, whilst still being able to meet obligations as they fall due. The investment strategy is split across a range of asset classes and means of implementation to allow for a variety of redemption options. Cashflow forecasting allows the Fund to predict likely cashflow requirements well in advance.
R21	Inaccurate or incomplete member data	BB	Financial/Operational	9	5	78	<ol style="list-style-type: none"> Data Systems team in place, reconciliation against other Council/employer systems. Administration Strategy supports monitoring of employer compliance. Data matching exercises (National Fraud Initiative) help to identify discrepancies. Mortality Screening and address tracing is performed frequently. Data Management Plan to be agreed. New pension and payroll software has been procured with greater analysis functionality. Fund participates in DWP "Tell us Once" initiative. Triennial valuation exercise helps picks up incomplete data.

Risk ref	Risk Description	Risk Owner	Risk Category	Impact - 1 to 10 (10 highest)	Likelihood - 1 to 10 (10 highest)	RISK SCORE	Risk controls (mitigation)
R22	Inadequate controls to safeguard pension fund records	BB	Financial/Operational	8	6	77	<ol style="list-style-type: none"> 1. Cloud hosting and back up arrangements in place. 2. Newly procured pension system will have greater audit functionality. 3. Software regularly updated to meet LGPS requirements. 4. Audit trails and reconciliations in place. 5. GDPR in place. 6. Pensions staff undertake data management training as required.
R23	Failure to communicate with relevant stakeholders	BB	Financial/Operational	9	7	89	<ol style="list-style-type: none"> 1. New fund website with ongoing development. 2. Member information guides under review. 3. Training material being developed. 4. Meetings held regularly with HR/employers. 5. ABS sent annually to active and deferred members. 6. Annual report, prepared in accordance with statutory guidelines published on the website. 7. Newsletters are issued etc.
R24	Impact of McCloud judgement	BB	Financial/Operational	4	6	40	<ol style="list-style-type: none"> 1. Scoping level of resources in line with SAB guidance and MCHLG consultation paper. 2. It is expected this could take LGPS employers 18-24 months to complete. 3. Pension Fund website regularly provides news updates to members.
R25	Delivery of new pensions administration and payroll software	BB	Financial/Operational	7	5	61	<ol style="list-style-type: none"> 1. Regular project meetings with Civica detailing work being undertaken and work to be completed. 2. Software training and guidance material. 3. In-depth scoping document capturing all work required. 4. Detailed project plan and timeline to ensure project is on time and complete. 5. Project team formed to undertake project workstreams on Southwark's side. 6. Detailed User Acceptance Testing (UAT) plans will be in place along with parallel testing of all payroll cycles prior to GO-LIVE. 7. Pension Increase will be thoroughly tested as part of UAT but the 2022 exercise will be done using the Council's system SAP. 8. Existing system (Altair) will have contract extended by 3-months as back-up plan and to mitigate against any key project risks (ABS for example).
R26	Overseas pensioner payments post Brexit	BB	Financial/Operational	7	6	69	<ol style="list-style-type: none"> 1. Investigating alternative methods to make overseas payments.
R27	£95k Exit Cap initial legalisation introduced	BB	Financial/Operational	2	2	5	<ol style="list-style-type: none"> 1. SAB (Scheme Advisory Board) guidance being followed. 2. Currently taking cautious approach with any member affected whilst conflicting legalisation is in place. 3. Will provide, wherever possible guidance for Council HR and Schools HR. 4. Exit cap plans revoked.
R28	Leisure Centre Insource in 2022 - auto-enrolment plans	BB	Financial/Operational	6	6	60	<ol style="list-style-type: none"> 1. NEST facility exists for 'casual' staff if required. 2. Alternatively, Leisure staff can be enrolled into LGPS with the option to opt-out 1 month 1 day later.
R29	Inadequate resourcing across pension fund accounting and investment functions, following recently increased complexity of investment strategy, could lead to insufficient management of investments resulting in a potential reduction in Fund value.	CW	Financial	7	6	69	<ol style="list-style-type: none"> 1. Restructure underway to identify additional resources required to address increased complexity and number of investment mandates introduced as a result of net zero carbon commitment. 2. Additional support obtained from investment advisers to ensure ongoing management of increasingly complex investments.
R30	Council HR and Schools HR - concerns over effectiveness to make decisions due to ongoing transformation and resourcing	BB	Operational / reputation	7	7	76	<ol style="list-style-type: none"> 1. A new Head of Council HR is due to be recruited shortly. 2. Issues affecting Schools can be escalated to the Director of Education to make a decision.
R31	Employer systems - calculation of employee pension contribution bandings on SAP	BB	Operational / reputation	7	8	82	<ol style="list-style-type: none"> 1. HR creating a new employee banding Policy effective from 6th April 2022. 2. Affected members will be contacted as part of a historical exercise. 3. Any members who owe money will have opportunity to enter a repayment plan over a mutually agreed period.

Risk ref	Risk Description	Risk Owner	Risk Category	Impact - 1 to 10 (10 highest)	Likelihood - 1 to 10 (10 highest)	RISK SCORE	Risk controls (mitigation)
R32	ABS and P60/payroll/tax communications - frontline operatives SAP data	BB	Operational / reputation	6	7	68	<ul style="list-style-type: none"> 1. HR currently identifying all frontline operatives who do not have access to internal Southwark IT systems and emails. 2. Appropriate marker on SAP will be activated to ensure that frontline operatives receive employer communications by post (and not internal email). 3. Alternatively, employer communications will be sent directly to depots for distribution to members.
R33	Residential Caretakers allowance	BB	Operational / reputation	6	6	60	<ul style="list-style-type: none"> 1. Schools HR to identify all remaining school caretakers and confirm who has pensionable allowances. 2. Back contributions will be calculated and schools notified.

Appendix B – Risk Assessment Methodology

Likelihood

Score	Range	Example likelihood criteria (not to be followed strictly)
10	Extremely likely	<i>Numerous, highly credible sources indicate that this event is imminent.</i>
9	Very likely	<i>Numerous, highly credible sources indicate that this event will occur soon.</i>
8	Fairly likely	<i>Numerous, highly credible sources indicate that this event will occur in the future.</i>
7	Likely	<i>A single highly credible source or multiple less credible sources suggest that this event is imminent.</i>
6	More likely	<i>A single highly credible source or multiple less credible sources suggest that this event will occur soon.</i>
5	Less likely	<i>A single highly credible source or multiple less credible sources suggest that this event will occur in the future.</i>
4	Unlikely	<i>A small number of unreliable indicators suggest that this event is imminent.</i>
3	Fairly unlikely	<i>A small number of unreliable indicators suggest that this event will occur soon.</i>
2	Very unlikely	<i>A small number of unreliable indicators suggest that this event may occur in the future.</i>
1	Extremely unlikely	<i>A single unreliable source suggests that this event may occur in the future.</i>

Risk Scoring Matrix

Impact	10	55	64	72	79	85	90	94	97	99	100
	9	45	54	63	71	78	84	89	93	96	98
	8	36	44	53	62	70	77	83	88	92	95
	7	28	35	43	52	61	69	76	82	87	91
	6	21	27	34	42	51	60	68	75	81	86
	5	15	20	26	33	41	50	59	67	74	80
	4	10	14	19	25	32	40	49	58	66	73
	3	6	9	13	18	24	31	39	48	57	65
	2	3	5	8	12	17	23	30	38	47	56
	1	1	2	4	7	11	16	22	29	37	46
		1	2	3	4	5	6	7	8	9	10
Likelihood											

Score	Range	'Life and Limb'	Customer Service	Staffing & Culture	Compliance with regulations/Law	Reputation	Financial
10	Catastrophic	Multiple fatalities and wide-spread serious injuries	Severe, prolonged impact on customer service affecting whole Council with process change required	Severe impact on employee motivation leading to Council-wide prolonged dissatisfaction and industrial unrest.	Major breach leading to suspension / discontinuance of business or outsourcing/ privatisation of core services and/or functions long term.	Very substantial adverse media comment at National level with long-term impact such as resignation of key senior staff and/or Audit Commission enquiry.	Over £100m
9	Critical	More than one fatality and multiple serious injuries	Severe, & prolonged impact on customer service affecting whole Council	Severe impact on employee motivation leading to short-term Council-wide dissatisfaction and industrial unrest	(as above for medium period of time)	(as above for medium term)	£50m to £100 m
8	High/ critical	Multiple serious injuries and/ or one fatality	Severe impact on customer service affecting whole Council for short term	Significant impact on employee motivation, poor quality service delivery across Council short-term	(as above for short period of time)	(as above for short term)	£20m to £50 m
7	Very high	Individual fatality and separate serious injury	Serious impact on customer service affecting majority of Departments for short period of time	Significant impact on employee motivation resulting in poor quality service delivery majority of Depts	Serious breach causing intervention, sanctions, legal action and threat of suspension etc (as above)	Serious short-term damage to reputation, with prolonged adverse media comment at regional level	£10m to £20m
6	High	Individual fatality	Serious disruption to service delivery from more than one department	Significant impact on employee motivation resulting in poor quality service delivery at more than one Department	Serious breach causing intervention, sanctions, and legal action.	Serious short-term damage to reputation, with adverse media comment at regional level	£5m to £10m
5	High/ medium	More than one serious injury	Serious disruption to service delivery from one department prolonged period.	Significant impact on employee motivation resulting in poor quality service delivery at one Dept.	Significant breach leading to sanctions and legal action.	Adverse media comment at regional level	£3m to £5m
4	Medium/ high	Serious injury	Serious disruption to service delivery from one department for short period of time.	Moderate impact on employees motivation at single department level	Significant breach leading to sanctions and/or legal action.	Significant, adverse local media comment/public perception - long term impact	£1m to £3m
3	Medium	Moderate number none life threatening injuries	Moderate impact on customer service at single divisional level	Moderate impact on employees motivation at single divisional level	Significant breach leading to reprimand or sanctions, legal action	Significant, adverse local media comment/public perception – medium term	£500k and £1m
2	Low/ medium	Small number minor injuries	Moderate impact on customer service at business unit level	Affects motivation of small groups of employees.	Moderate impact leading to warning, threat of sanctions	Minor, local adverse media comment/public perception, short term.	£100k and £500k
1	Low	Small number superficial injuries	Minor impact on customer service e.g. small number of complaints	Impact limited to individuals at business unit level	Minor impact only, no reprimand, sanction, or legal action	Damage very localised, does not result in adverse media comment	Up to £100k

Item No. 13	Classification: Open	Date: 06 April 2022	Meeting Name: Local Pension Board
Report title:		Pensions Advisory Panel Meeting Papers – 09 March 2022	
From:		Senior Finance Manager, Treasury & Pensions	

Recommendations

The LPB is asked to:

- Note the key items covered at the 09 March 2022 Pensions Advisory Panel meeting.

Summary

1. Carbon Footprint Update – Agenda Item 6

- Reduction in the Fund's carbon footprint between September 2017 and September 2021 was 49.8%.
- No measurement currently available for quarter to December 2021. This is currently being assessed in the context of new investments made during the quarter and the launch of the updated Investment Strategy Statement.
- Fund exploring alternative data provider options to obtain a more comprehensive data source.

2. Investment Adviser Performance Updates – Agenda Item 7

- Fund value increased by £78.1m during the quarter to December 2021, from £2,060.7m to £2,138.8m.
- During the quarter the Fund made investments into the Blackstone Strategic Capital Holdings GP Stakes Fund II, Temporis Impact Fund, Darwin Bereavement Services Fund; and the BTG Pactual OEF Fund.
- Funding level increased to 118%, (previous quarter 114%) with the surplus increasing by £84m.
- Review of performance over last four years:
 - Assets have grown by 30%/£480m.
 - Absolute returns have been very strong.
 - Returns well ahead of actuarial return assumption of 4.05%.

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	Duncan Whitfield	
Report Author	Caroline Watson	
Version	Final version	
<i>Dated</i>	30 March 2022	
<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

Pensions Advisory Panel

Wednesday 9 March 2022

1.00 pm

Ground Floor Meeting Room G02A - 160 Tooley Street, London SE1 2QH

Membership

Councillor Jon Hartley
Councillor Rebecca Lury (Chair)
Councillor Eliza Mann

Staff Representatives

Roger Stocker
Julie Timbrell
Derrick Bennett

Officers

Duncan Whitfield
Caroline Watson
Barry Berkengoff

Advisors

David Cullinan
Colin Cartwright

INFORMATION FOR MEMBERS

Contact

Andrew Weir by email: andrew.weir@southwark.gov.uk

Members of the committee are summoned to attend this meeting

Eleanor Kelly

Chief Executive

Date: 3 March 2022



Pensions Advisory Panel

Wednesday 9 March 2022

1.00 pm

Ground Floor Meeting Room G02A - 160 Tooley Street, London SE1 2QH

Order of Business

Item No.	Title	Page No.
1.	APOLOGIES	
	To receive any apologies for absence.	
2.	CONFIRMATION OF VOTING MEMBERS	
	Voting members of the committee to be confirmed at this point in the meeting.	
3.	NOTIFICATION OF ANY ITEMS OF BUSINESS WHICH THE CHAIR DEEMS URGENT	
4.	DISCLOSURE OF INTERESTS AND DISPENSATIONS	
	Members of the committee to declare any interests and dispensation in respect of any item of business to be considered at this meeting.	
5.	MINUTES	1 - 7
	To agree as a correct record, the open minutes of the meetings held on 22 December 2021 and 26 January 2022.	
6.	CARBON FOOTPRINT UPDATE	8 - 12

Item No.	Title	Page No.
7.	QUARTERLY INVESTMENT UPDATES	13 - 30
	— DAVID CULLINAN	
	— AON	
8.	QUARTERLY ACTUARIAL FUNDING UPDATE	31 - 32
9.	LOCAL PENSION BOARD UPDATE	33 - 35
10.	PENSION SERVICES - ADMINISTRATION FUNCTION YEAR END UPDATE	36 - 40
11.	ANY OTHER BUSINESS	

Date: 3 March 2022



Pensions Advisory Panel

MINUTES of the OPEN section of the Pensions Advisory Panel held on Wednesday 22 December 2021 at 1.00 pm at Online/Virtual via Microsoft Teams

PRESENT: Duncan Whitfield
Caroline Watson
Tim Jones
Roger Stocker
Derrick Bennett
Colin Cartwright
Jonathan Taylor
David Cullinan
Mike Ellsmore
Jack Emery
Andrew Weir

1. APOLOGIES

There were apologies from Barry Berkengoff, Pensions Manager, and Councillor Rebecca Lury.

2. CONFIRMATION OF VOTING MEMBERS

The officer voting members present were confirmed.

As there were no elected voting members present, Duncan Whitfield, the Strategic Director of Finance and Governance, suggested that the meeting should proceed and that no decisions would be taken. Those present agreed to this suggestion.

3. NOTIFICATION OF ANY ITEMS OF BUSINESS WHICH THE CHAIR DEEMS URGENT

There were none.

At this point Duncan Whitfield welcomed Roger Stocker, the newly elected

representative for retired members.

Everyone then introduced themselves.

4. DISCLOSURE OF INTERESTS AND DISPENSATIONS

There were none.

5. MINUTES

That the minutes of the meeting held on 29 September 2021 were noted. The minutes would be agreed at the meeting that would be scheduled for later in January 2022, when elected members of the panel would be present.

6. CARBON FOOTPRINT UPDATE

Jack Emery, CIPFA trainee, presented the report.

He advised that the results for September 2021 show that the Fund has reduced its weighted carbon exposure by 50% since September 2017. The movement of equities during the quarter to September 2021 from BlackRock passive emerging market holdings into the Comgest Global Emerging Markets Plus Fund had predominantly driven the reduction since the end of June 2021.

There was a discussion regarding measuring the carbon intensity of index linked gilts and also the Fund's property investments. Caroline Watson, senior finance manager, advised that she receives quarterly updates on the approach and progress of the Fund's direct property investments towards achieving net zero carbon within their holdings.

RESOLVED:

That the Fund's carbon footprint at 30 September 2021 be noted.

7. QUARTERLY INVESTMENT UPDATES

David Cullinan updated the panel. He advised that the Fund had performed in line with the index. Over the year the Fund had returned 16% and over the past ten years had returned around 10% per annum.

Colin Cartwright from Aon addressed the panel. He advised that the markets had performed well but warned that inflation was a concern and that interest rates were expected to rise. Jonathan Taylor from Aon added that Newton were overweight compared to their strategic allocation.

There was a discussion regarding the underweight of property in the Fund. It was

noted that property valuations tended to be conservative and that the real value of property investments was likely to be higher than stated.

There was also a discussion regarding the Competition and Markets Authority Order. Duncan Whitfield advised that Caroline Watson should consult with Mike Ellsmore, chair of the local pension board, regarding this matter.

RESOLVED:

That the quarterly investment updates be noted.

8. LAUNCH OF NET ZERO CARBON INVESTMENT STRATEGY

This item was deferred to a future meeting, to be scheduled for later in January 2022.

9. ESG PRIORITY ALLOCATION - UPDATE ON IMPLEMENTATION OF NEW INVESTMENTS (VERBAL UPDATE)

Caroline Watson gave a verbal update on the ESG priority allocation.

She advised that between April 2021 and January 2022 circa £380 million will have been moved to low or zero carbon products.

Following the decision made in September 2021 to invest in three new funds under the ESG priority allocation, it was confirmed that the due diligence process for all three funds have now been completed. The due diligence process for the Temporis Impact Fund V has also been completed and the majority of the commitment was drawn down in early December.

There was a brief discussion.

RESOLVED:

That the ESG priority allocation verbal update be noted.

10. PENSION FUND STATEMENT OF ACCOUNTS 2020-21

Caroline Watson, senior finance manager, presented the pension fund statement of accounts 2020-21 and draft audit findings report. It was noted that the accounts were still to be signed off.

Mike Ellsmore informed the panel that it was a great achievement for Caroline to have got to this position.

RESOLVED:

That the unaudited pension fund statement of accounts 2020-21 be noted.

11. QUARTERLY ACTUARIAL FUNDING UPDATE

Jack Emery presented the report.

The funding level at 30 September 2021 was 114% (114% at 30 June 2021). The surplus had decreased by £4 million in the quarter to September 2021. This small change was due to a slight fall in the net discount rate increasing liabilities. This had however mostly been offset by better than expected asset returns.

Roger Stocker asked if the Fund was on a buyout basis. It was confirmed that it was not.

12. LOCAL PENSION BOARD UPDATE (VERBAL UPDATE)

Mike Ellsmore gave a verbal update.

He advised that there had been a training session on additional voluntary contributions at the last meeting. He advised that he had requested Barry Berkengoff to do some communications with the members of the Fund on this topic.

He further advised that the updated CIPFA code of practice on knowledge and skills 2021 had also been looked at.

He also confirmed that he had been re-elected as the chair of the local pension board for a further year.

RESOLVED:

That the local pension board verbal update be noted.

13. PENSIONS SERVICES UPDATE

Barry Berkengoff had sent apologies. The report was noted.

RESOLVED:

That the pensions services update be noted.

14. ANY OTHER BUSINESS

There was a brief discussion regarding outcomes from COP26 and the impact that

this would have on the level of new products available.

The meeting ended at 2.31pm.

CHAIR:

DATED:



Pensions Advisory Panel

MINUTES of the OPEN section of the Pensions Advisory Panel held on Wednesday 26 January 2022 at 2.30 pm at Online/Virtual via Microsoft Teams

PRESENT: Councillor Rebecca Lury (Chair)
Duncan Whitfield
Caroline Watson
Derrick Bennett
Colin Cartwright
David Cullinan
Mike Ellsmore
Jack Emery
Virginia Wynn-Jones

1. APOLOGIES

Apologies were received from Julie timbrell and barry berkengoff

2. CONFIRMATION OF VOTING MEMBERS

The members present were confirmed as the voting members.

3. NOTIFICATION OF ANY ITEMS OF BUSINESS WHICH THE CHAIR DEEMS URGENT

The chair agreed to accept item 6, Launch of the New Investment Strategy, as late and urgent.

4. DISCLOSURE OF INTERESTS AND DISPENSATIONS

5. MINUTES

The minutes of 29 September 2021 were agreed as a correct record.

6. LAUNCH OF NEW INVESTMENT STRATEGY

Members discussed the report.

RESOLVED:

That the pensions advisory panel:

- a. Agreed the final version of the Investment Strategy Statement as Appendix A of the report.
- b. Agreed the updated investment strategy to achieve net zero carbon exposure by 2030 as Appendix B of the report.

The meeting ended at 3.00pm.

CHAIR:

DATED:

Item No. 6	Classification: Open	Date: 22 December 2021	Meeting Name: Pensions Advisory Panel
Report title:		Carbon Footprint Update	
From:		CIPFA Trainee, Treasury & Pensions	

Recommendation

1. The pensions advisory panel is asked to:
 - Note the Fund's progress on reducing the carbon footprint from 30 September 2017 to 30 September 2021.

Progress to date

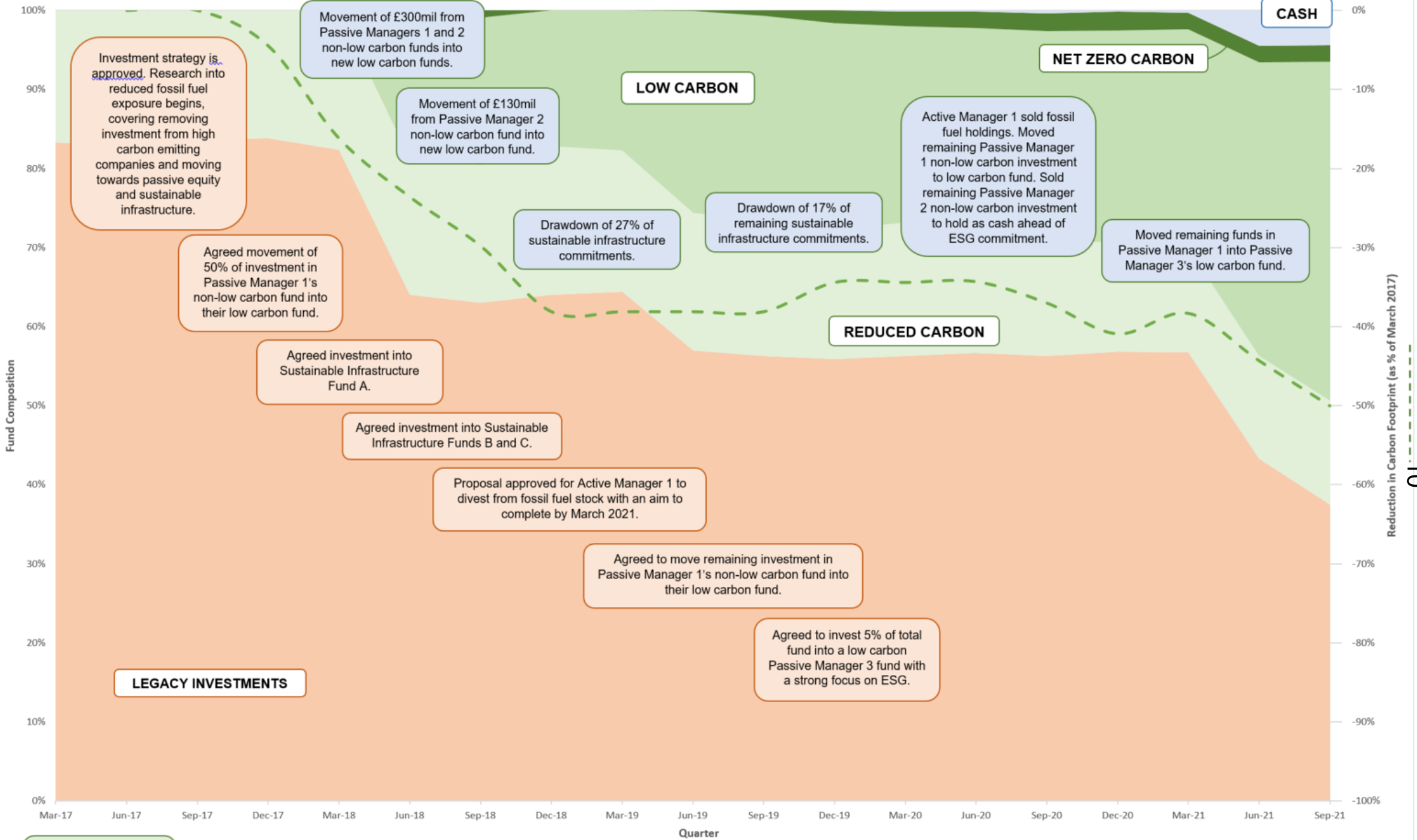
2. In December 2016, after due consideration of the long term risk to the Fund; the Fund announced that investments in fossil fuel companies would be cut over the long term. This commitment was incorporated into the Investment Strategy Statement for the Fund published in March 2017 and updated in December 2021. Southwark is one of the first LGPS Funds to make such a commitment and places the Fund at the forefront of sustainable fossil fuel aware investment.
3. The carbon emissions data for September 2021 show that the Fund has reduced its weighted carbon exposure by 50% since September 2017. This historical movement has been driven through reallocation of assets to funds which show lower carbon intensities. This is reflected through the movement of all equity holdings into low or reduced carbon investments in the period to September 2021. Where measuring equities as a stand-alone asset class, a reduction in carbon footprint has been seen of 73% from September 2017 to September 2021.
4. The progress of the carbon emissions reduction is summarised in the graphic at the end of this document, outlining Pensions Advisory Panel decisions in orange, asset movements in blue and changes in measurement process in green. This graph highlights the scale of the changes the Fund has made to its asset allocations and the improvement this has had on the Fund's carbon emissions.
5. It is important to note that the ability to measure the carbon emissions has not kept up with our asset movements within some asset classes. Where some classes are harder to measure, proxies are employed with prudent supporting calculations in order to avoid overstatement of the reduction in the footprint.

6. The carbon emissions data as at 31 December 2021 is currently being assessed within the context of the updated investment strategy statement and as such has not been included at this stage.

View for the future

7. The market for measuring carbon intensities is still within its infancy and as such, is rapidly evolving over time. Officers within the pension fund are trying to manage both the volatility and complexity of measurement criteria employed by the current data provider. As the science evolves, the Fund's approach to measurement will evolve alongside it. As such, alternative data provider options are being explored with a view to finding a more comprehensive data source with broader emissions data, to include private market investments as well as equities. This will minimise the use of proxy values for assessment of the Fund's progress and ensure greater accuracy in the output of measurements.
8. In quarter 3 of 2021, commitments were made to four new funds as part of the Fund's new ESG priority allocation. Moving forward, these new allocations will be monitored for their impact on the Fund's carbon emissions and to ensure satisfactory investment performance against targets.

Composition of the LBS Pension Fund and Carbon Footprint Reduction since March 2017



Investment strategy is approved. Research into reduced fossil fuel exposure begins, covering removing investment from high carbon emitting companies and moving towards passive equity and sustainable infrastructure.

Movement of £300mil from Passive Managers 1 and 2 non-low carbon funds into new low carbon funds.

Movement of £130mil from Passive Manager 2 non-low carbon fund into new low carbon fund.

Drawdown of 27% of sustainable infrastructure commitments.

Drawdown of 17% of remaining sustainable infrastructure commitments.

Active Manager 1 sold fossil fuel holdings. Moved remaining Passive Manager 1 non-low carbon investment to low carbon fund. Sold remaining Passive Manager 2 non-low carbon investment to hold as cash ahead of ESG commitment.

Moved remaining funds in Passive Manager 1 into Passive Manager 3's low carbon fund.

Agreed movement of 50% of investment in Passive Manager 1's non-low carbon fund into their low carbon fund.

Agreed investment into Sustainable Infrastructure Fund A.

Agreed investment into Sustainable Infrastructure Funds B and C.

Proposal approved for Active Manager 1 to divest from fossil fuel stock with an aim to complete by March 2021.

Agreed to move remaining investment in Passive Manager 1's non-low carbon fund into their low carbon fund.

Agreed to invest 5% of total fund into a low carbon Passive Manager 3 fund with a strong focus on ESG.

Agreed to begin analysing fund carbon footprint.

Initial measurement of carbon footprint by Analytics Company 1 to highlight areas of concern.

Began working with a new Analytics Company to measure the carbon footprint of the fund.

Began measuring carbon footprint on quarterly basis.

LEGACY INVESTMENTS

LOW CARBON

REDUCED CARBON

NET ZERO CARBON

CASH

Reduction in Carbon Footprint (as % of March 2017)

Quarter



LEGACY INVESTMENTS: Investment products that are not actively targeting reduced carbon emissions. Some of these may potentially have exposure to fossil fuels; however we are working to understand the extent of this and will address this in our strategy going forwards. The Fund intends to make no new investments in such products.

REDUCED CARBON: Investments either in property or in funds with specific oil and gas exclusions.

LOW CARBON: Funds specifically set up as 'low carbon' funds. All products within this category are currently index tracking developed market equities.

ZERO CARBON: Investments in vehicles that produce zero carbon or in some cases have a measurable offsetting impact on carbon emissions. Currently this category contains sustainable infrastructure products.

CASH: Held in the pension fund, usually pending anticipated drawdown requests or in advance of an acquisition.

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

Community Impact Statement

9. No immediate implications arising.

Equalities (including socio-economic) Impact Statement

10. No immediate implications arising.

Health Impact Statement

11. No immediate implications arising.

Climate Change Implications

12. No immediate implications arising.

Resource Implications

13. No immediate implications arising.

Legal Implications

14. No immediate implications arising

Consultation

15. No immediate implications arising.

Financial Implications

16. No immediate implications arising.

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Jack Emery, CIPFA Trainee, Treasury & Pensions	
Version	Final	
Dated	1 March 2022	
Key Decision?	N/A	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Director of Law and Governance	N/A	N/A
Strategic Director of Finance and Governance	N/A	N/A
Cabinet Member	N/A	N/A
Date final report sent to Constitutional Team		1 March 2022

London Borough of Southwark Pension Fund

Report Card

May 2018 to September 2021

Content

- Growth
- Asset Allocation
- Manager Roster
- Investment performance
- Risk/Return
- Health Check
- Looking Forward

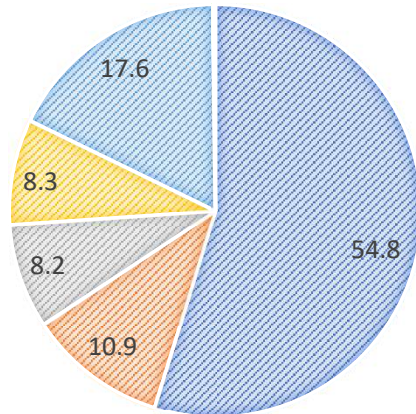
Asset Value Growth



- Assets have grown substantially over the last four years
- 'Substantially' translates to 30% or £480m
- Two dips experienced;
 - Late 2018, concerns over global growth led the US Fed' to raise interest rates
 - Early 2020 saw global equity and credit markets fall sharply as the COVID-19 pandemic brought the global economy to a halt
- Markets however have proven resilient and have continued to rise
- As 2021 comes to a close, markets are again unsettled

Asset Allocation

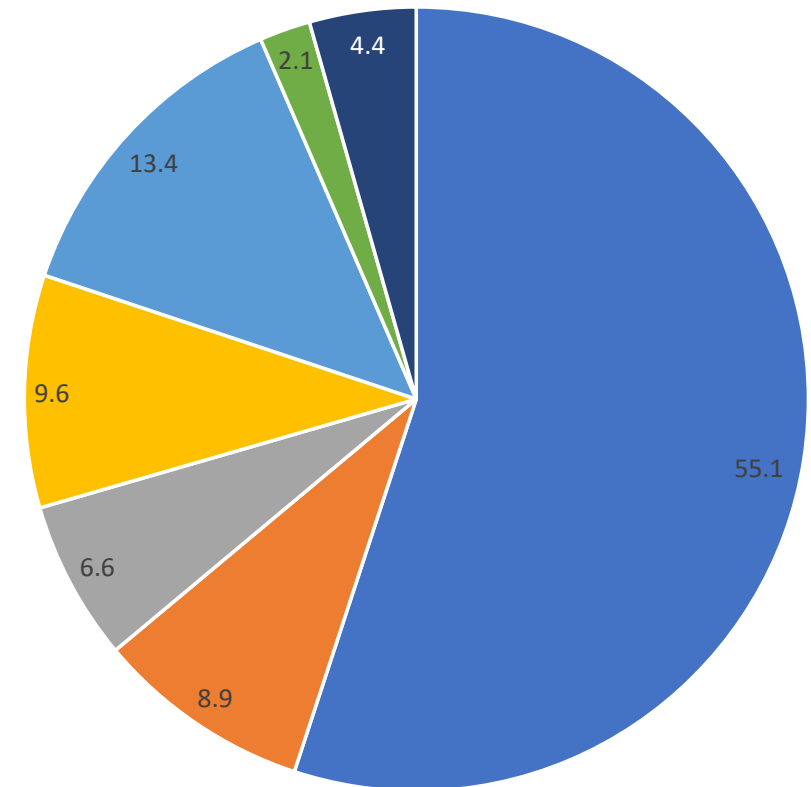
May 2018



■ Equities ■ Bonds ■ ARB ■ DG ■ Property ■ Cash

- The Fund is still heavily committed to equities
- It has derived a huge amount of value from this
- Changes in 'core' asset mix largely due to market movements
- The structure remains much less complex than the sector as a whole
- Sustainable Infrastructure introduced
- Liquidity buffer increased

September 2021

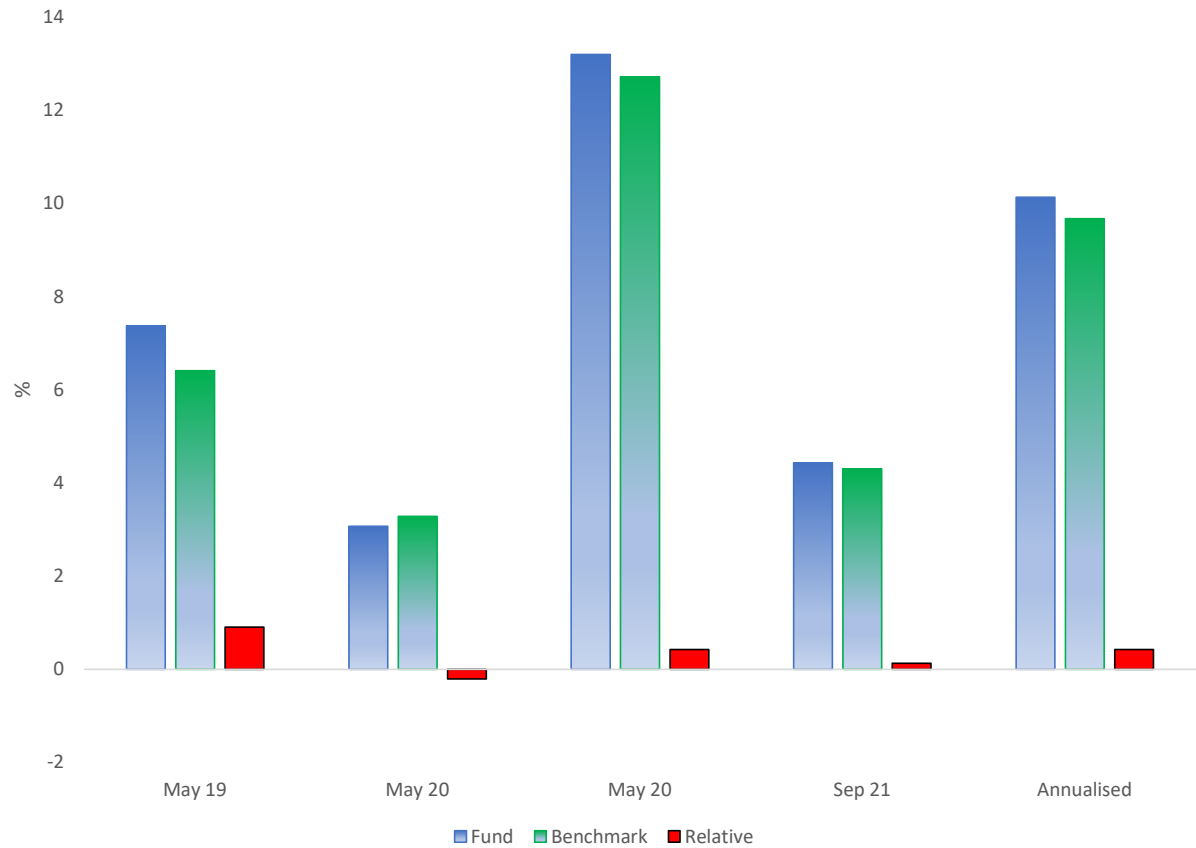


■ Equities ■ Bonds ■ ARB ■ DG ■ Property ■ Sustainable Infra' ■ Cash

Manager Roster

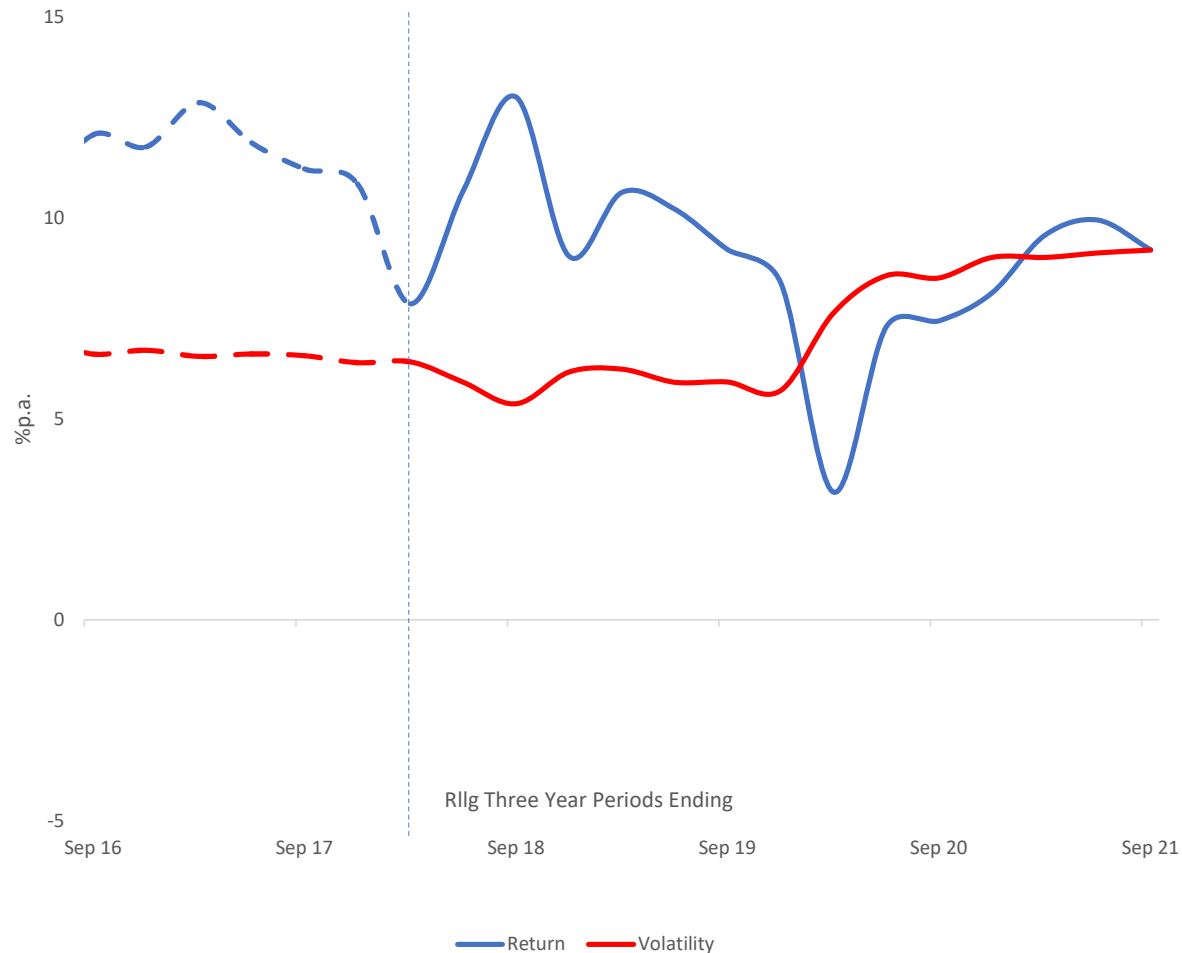
Manager	Mandate	Change From May 2018
BlackRock	Passive Equity and Index Linked Gilts	Equity now low carbon
LGIM	Passive Equity and Index Linked Gilts	Equity now low carbon
Newton	Active Equity	Now no fossil fuel investments
Comgest	Active Emerging Market Equity	New manager – low carbon brief
BlackRock	Diversified Growth	
BlackRock	Absolute Return Bonds	
Nuveen	Core Property	Now reduced carbon
Invesco	Residential Property	Now reduced carbon
M&G	Residential Property	Now reduced carbon
Frogmore	Opportunistic Property	
Brockton	Opportunistic Property	Now reduced carbon
Temporis	Sustainable Infrastructure (Renewable Energy)	New manager – zero carbon
Glenmont	Sustainable Infrastructure (Clean Energy)	New manager – zero carbon
BlackRock	Sustainable Infrastructure (Renewable Power)	New manager – zero carbon
BlackRock	Liquidity	New Portfolio

Returns – Periodic and Annualised



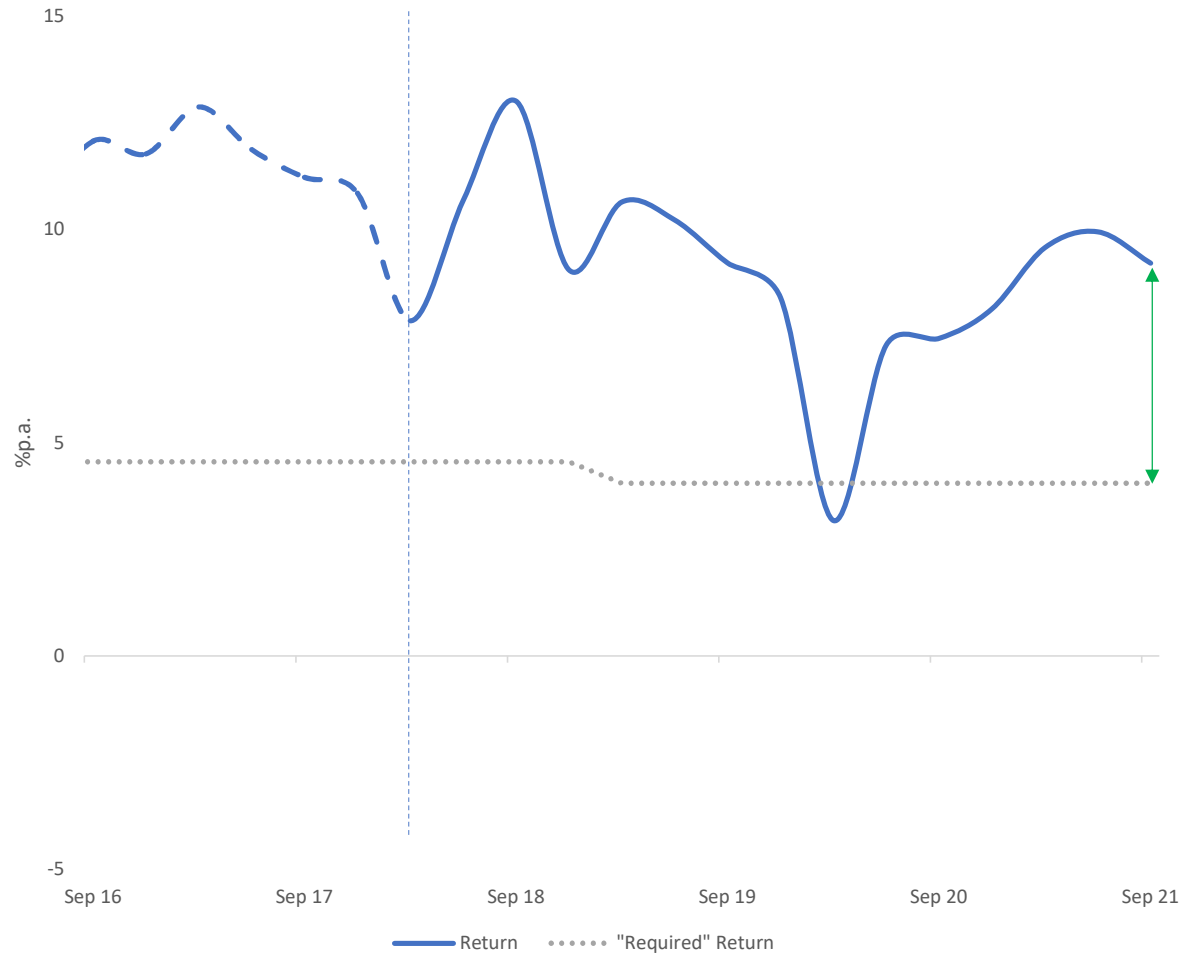
- Absolute returns are very strong
- Returns typically ahead of benchmark
- Margins are small however

Risk and Return



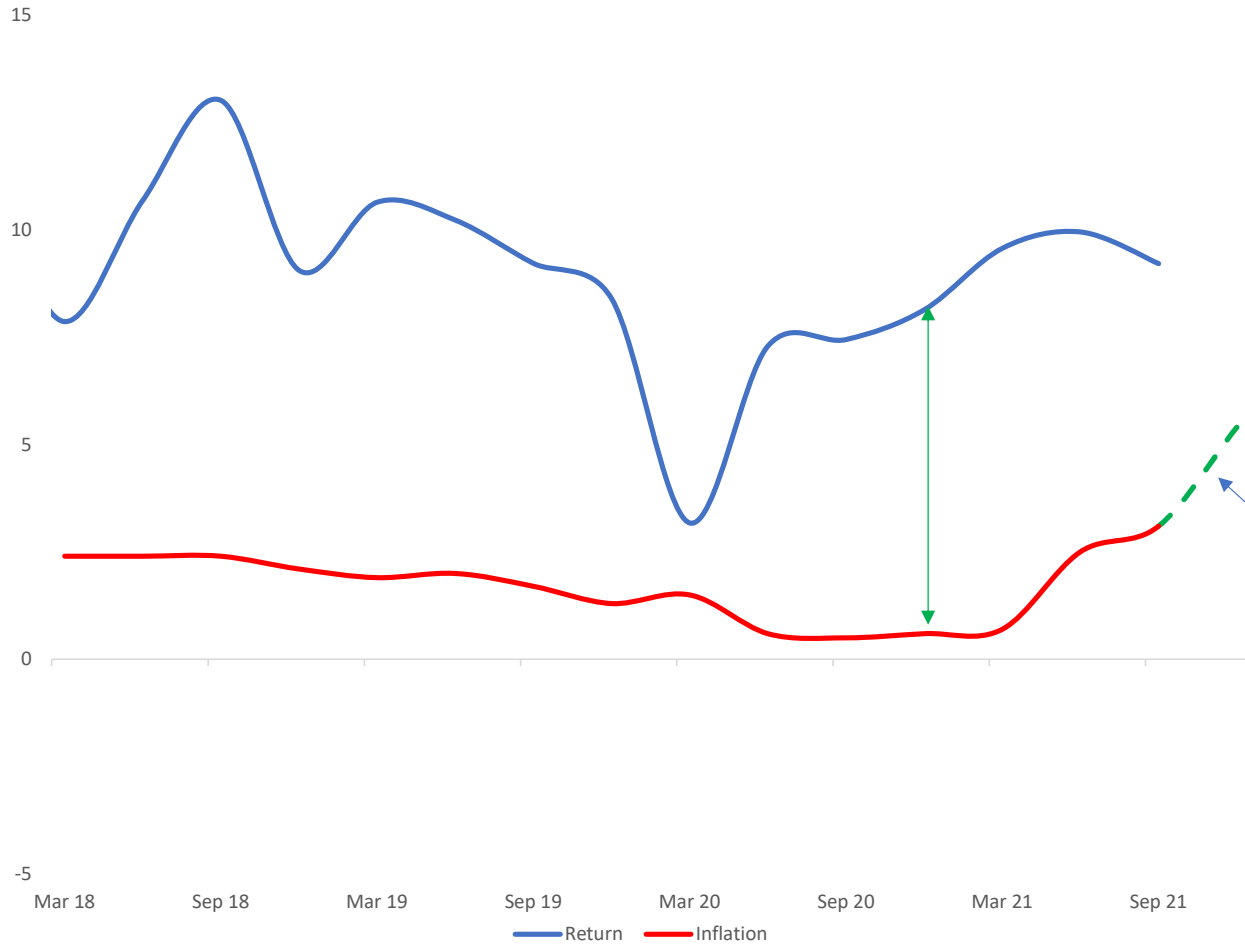
- Absolute returns remain very strong over most periods
- The negative impact of COVID was pronounced in return terms, but has been short-lived
- The impact of COVID on volatility has been pronounced and market turbulence remains heightened

Returns and Growth Assumption



- Returns remain well ahead of actuarial assumption (**arrowed in chart**)

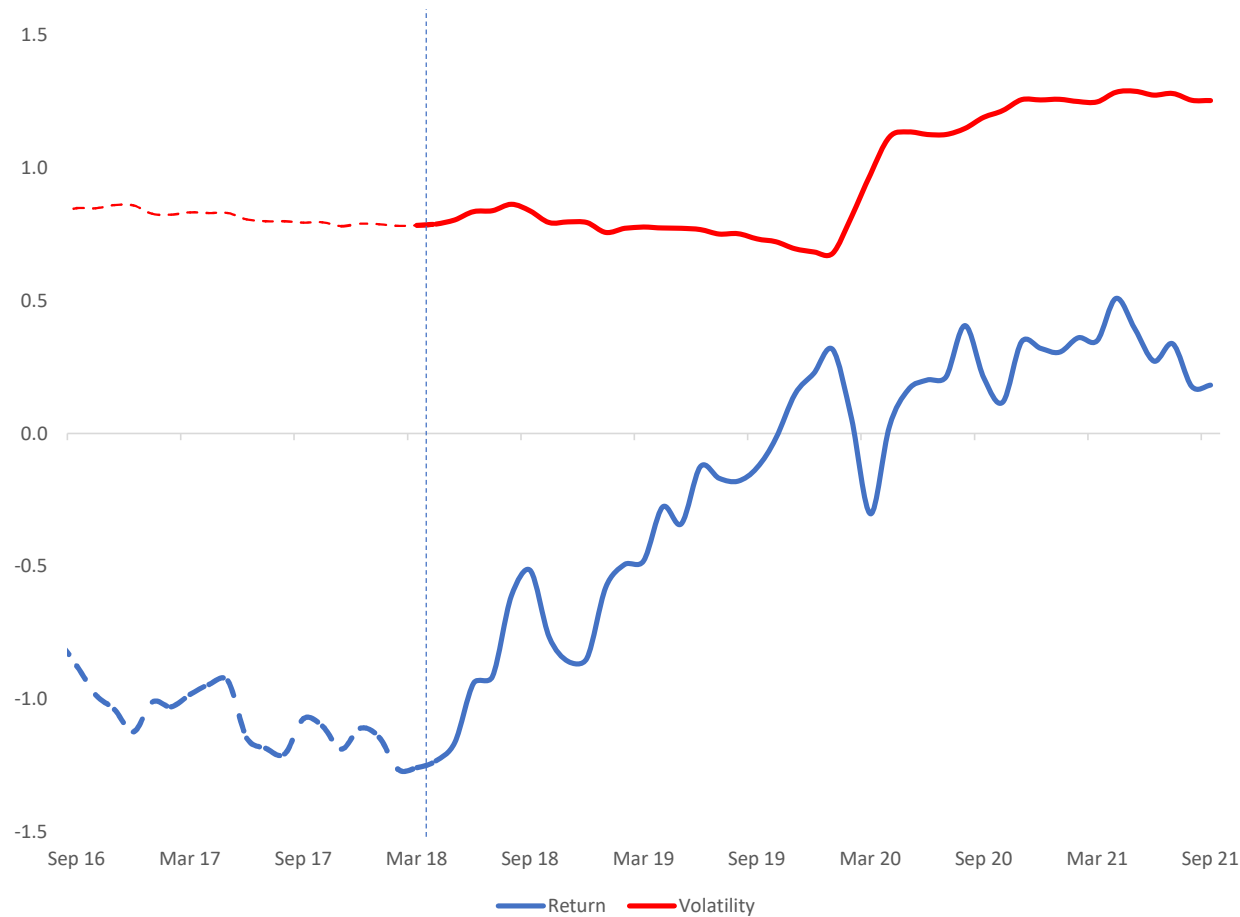
Returns and Inflation



- Returns remain well ahead of inflation (**arrowed in chart**)
- Inflation is rising sharply however
- How will this impact the cost of funding benefits?

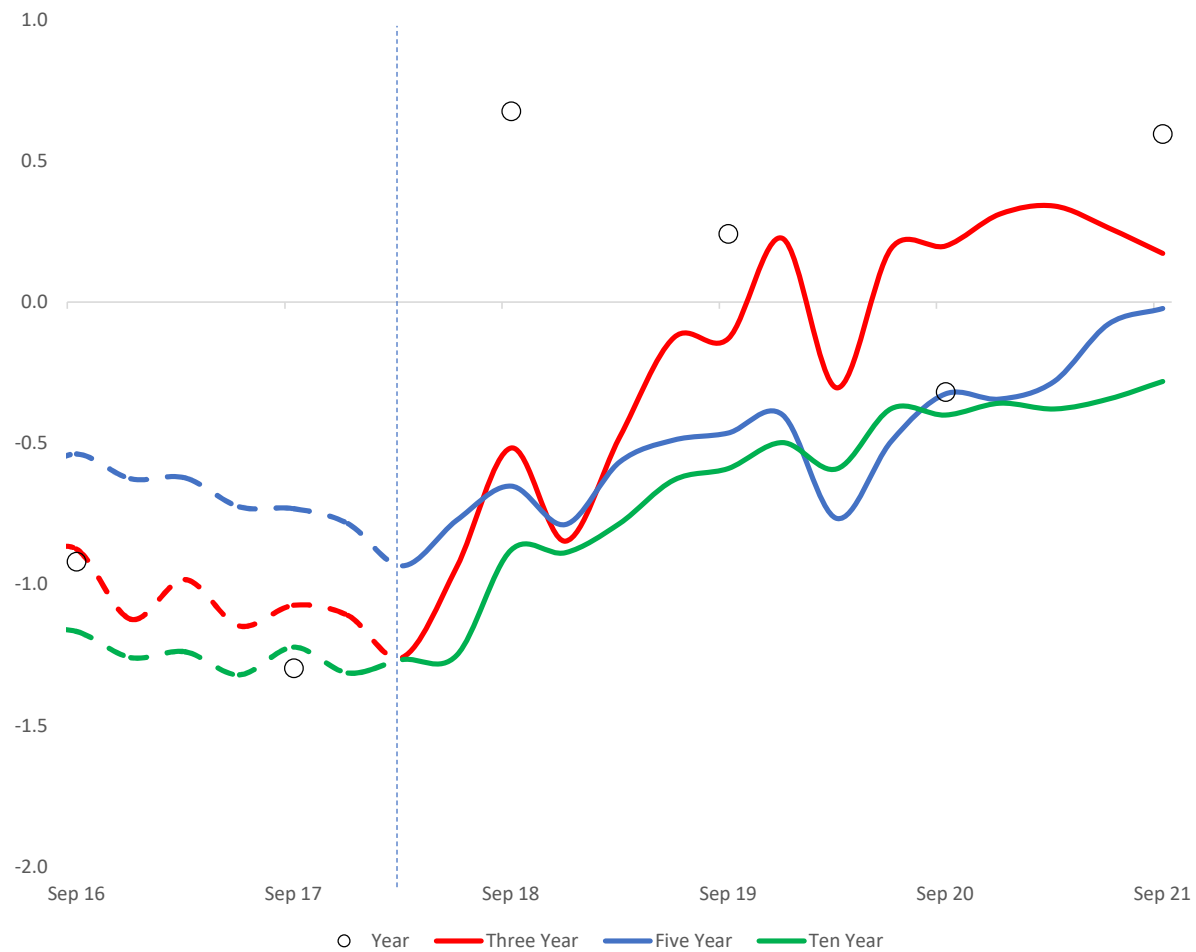
3.1% at end September
5.4% at end December

Benchmark Relative Risk and Return



- Relative performance is on an improving trajectory and is now above benchmark
- Volatility of relative returns (confusingly often described as relative risk, active risk or tracking error) has increased in line with market turbulence but not uncomfortably so
- Information ratio (a crude measure of 'skill') is now positive

Rolling Relative Returns



- Looking at all rolling observations, the trajectory of relative performance is clear
- Since May 2018, three out of the four observed annual returns have been ahead of benchmark
- All four annual observations leading up to May 2018 were below benchmark

Health Check

- Asset value growth has been substantial
- Returns have exceeded actuarial assumptions by a significant margin
- Returns have exceeded inflation by a significant margin
- Consistently 'poor' relative performance has been arrested
- Risk is well contained
- Fund structure continues to evolve but remains transparent and aligned with a clear and measurable investment strategy
- The Fund is in the vanguard of responsible investing and new manager hires demonstrate this
- But.....

Looking Forward

- High inflation and projected low growth are both bad news for funds
- How will this be reflected in the 2022 valuations?
- Geopolitical tensions are disrupting markets (amongst other factors)
- COVID hasn't gone away and new variants may emerge
- Above trend volatility will remain for the foreseeable future

- Funds' appetite for sustainable, low carbon investments is putting pressure on supply
- This could inflate prices and reduce future investment returns
- 'Offsets' will therefore grow in demand

Quarterly Investment Dashboard Q4 2021

London Borough of Southwark Pension Fund



Prepared for: The Pensions Advisory Panel

Prepared by: Aon

Date: 1 March 2022

At a glance...

Assets

£2,138.8m 

Assets increased by £78.1m over the quarter.

Funding

118% 

Funding level increased by 4.0% over the quarter.

Surplus

£335m 

Surplus increased by £84m over the quarter

Manager ratings

10 **Buy rated** 6 **Not rated**
0 **Qualified** 0 **Not recommended**

Performance (short term)

—

We are not able to report the Scheme's performance over the quarter due to a delay in receiving the data

Performance (longer term)

—

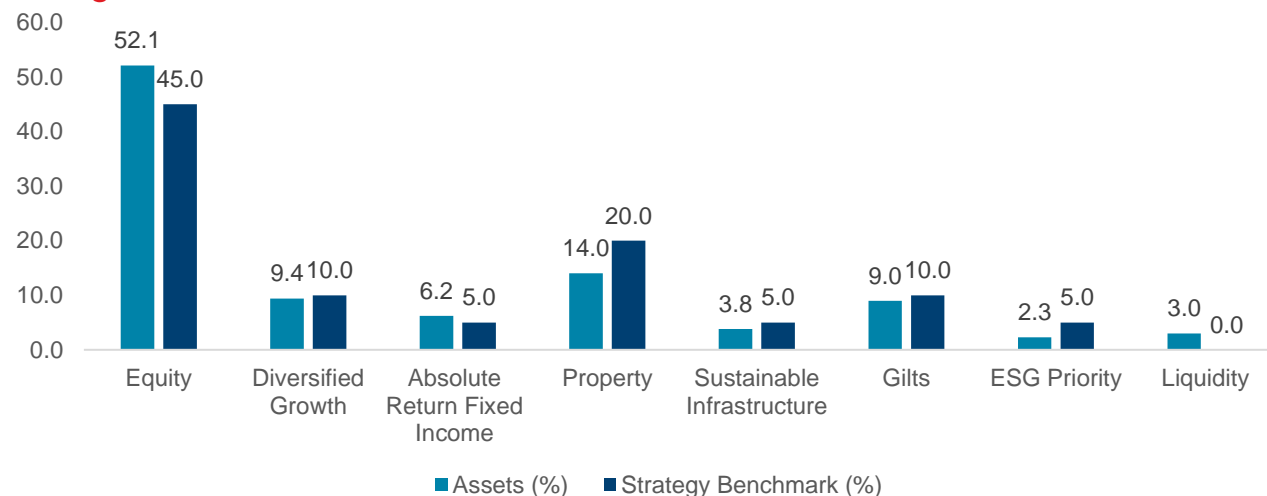
We are not able to report the Scheme's three-year performance due to a delay in receiving the data

Comments

- The Fund's total assets increased by £78.1m over the quarter, from £2,060.7m to £2,138.8m.
- The Fund's funding level increased to 118% over the quarter. The surplus increased by £84m due to better than expected investment returns, which has been offset to a small extent by a slight fall in the net discount rate (discount rate less CPI) increasing liabilities.
- Over the quarter, the fund made the following investments:
 - £20m into the Darwin Bereavement Services Fund
 - \$40m capital commitment into the BTG Pactual OEF Fund
 - \$110m capital commitment into the Blackstone Strategic Capital Holdings (BSCH) GP Stakes Fund
 - Investment into the Temporis Impact Fund
- More information on notable developments are found in the Manager Review section

Strategic allocation – Snapshot

Strategic allocation & benchmark



Relative allocation



Assets

£2,138.8m ▲

Assets increased by £78.1m over the quarter.

Comments

- Equity and absolute return fixed income remain overweight relative to strategic target for the asset class, while Sustainable Infrastructure, Property and ESG priority allocation are notably underweight target exposure.
- All asset classes remain well within the maximum strategic allocation limit.
- Over the quarter the Fund made investments into the Blackstone Strategic Capital Holdings (BSCH) GP Stakes Fund II, Temporis Impact Fund, Darwin Bereavement Services Fund & the BTG Pactual OEF Fund.
- Post quarter end, c.£32m was drawn down into the BSCH GP Stakes Fund II. As a result, we expect the allocation to the ESG Priority Allocation to be closer to target next quarter.

20

Explanation of Ratings – Overall ratings

Overall ratings

An overall rating is then derived taking into account both the above outcomes for the product. The table lists how the overall rating can be interpreted.

The comments and assertions reflect our views of the specific investment product and our opinion of its quality. Differences between the qualitative and Aon InForm outcome can occur and if meaningful these will be explained within the Key Monitoring Points section. Although the Aon InForm Assessment forms a valuable part of our manager research process, it does not automatically alter the overall rating where we already have a qualitative assessment. Overall rating changes must go through our qualitative manager vetting process. Similarly, we will not issue a Buy recommendation before fully vetting the manager on a qualitative basis.

Overall Rating	What does this mean?
Buy	We recommend clients invest with or maintain their existing allocation to our Buy rated high conviction products
Buy (Closed)	We recommend clients invest with or maintain their existing allocation to our Buy rated high conviction products, however it is closed to new investors
Qualified	A number of criteria have been met and we consider the investment manager to be qualified to manage client assets
Not Recommended	A quantitative assessment of this strategy indicates it does not meet our desired criteria for investment. This strategy is not recommended.
Sell	We recommend termination of client investments in this product
In Review	The rating is under review as we evaluate factors that may cause us to change the current rating

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Item No. 8.	Classification: Open	Date: 9 March 2022	Meeting Name: Pensions Advisory Panel
Report title:		Actuarial Funding Update – December 2021	
From:		Senior Finance Manager, Treasury & Pensions	

Recommendation

1. The pensions advisory panel is asked to:
 - Note the updated funding position at 31 December 2021.

Background

2. The last triennial actuarial valuation of the Fund took place as at 31 March 2019. The valuation determined the Fund was 103% funded and had a surplus of £47m.
3. The actuaries provide quarterly funding updates which are projected from the results of the 2019 valuation. The purpose of the funding updates is to give a broad picture of the direction of funding changes since the actuarial valuation.

Funding Position

4. The funding level at 31 December 2021 was 118% (114% at 30 September 2021). The surplus has increased by £84m in the quarter to December 2021. This change is due to better than expected investment returns, which has been offset to a small extent by a slight fall in the net discount rate increasing liabilities.

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

Community Impact Statement

5. No immediate implications arising.

Equalities (including socio-economic) Impact Statement

6. No immediate implications arising.

Health Impact Statement

7. No immediate implications arising.

Climate Change Implications

8. No immediate implications arising.

Resource Implications

9. No immediate implications arising.

Legal Implications

10. No immediate implications arising

Consultation

11. No immediate implications arising.

Financial Implications

12. No immediate implications arising.

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Caroline Watson, Senior Finance Manager, Treasury and Pensions	
Version	Final	
Dated	1 March 2022	
Key Decision?	N/A	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Director of Law and Governance	N/A	N/A
Strategic Director of Finance and Governance	N/A	N/A
Cabinet Member	N/A	N/A
Date final report sent to Constitutional Team		1 March 2022

Item No. 9.	Classification: Open	Date: 9 March 2021	Meeting Name: Pensions Advisory Panel
Report Title		Local Pension Board Update	
From		Chair of the Local Pension Board	

RECOMMENDATION

1. The pensions advisory panel is asked to note:
 - The update from the local pension board (LPB) meeting of 19 January 2022.
 - The review of key areas of work for the Board.

KEY AREAS OF DISCUSSION

2. A training session on the Administration Strategy – Administering Authority and Employer Responsibilities.
3. The main business included an update on pensions administration; an update on the implementation of the pensions regulator’s code of practice 14 (COP14) improvement plan; Government Actuary Department’s Section 13 report; draft pension fund statement of accounts for 2020-21; work plan and training plan for 2022-23; and a review of pension advisory panel meeting papers.

Pensions Administration

4. This covered an update on the procurement and implementation of new pensions administration software; progress on recruitment and key communication initiatives and detailed KPIs.

Pensions Regulator Code of Practice 14

5. An update was provided on the progress to date in implementing the COP14 action plan. It was noted that the majority of actions are now complete.

Government Actuary Department’s Section 13 Report on 2019 Valuations

6. Members were briefed on the LBS results on the SAB standardised basis and the recommendations for the 2022 actuarial valuations.

Review of Key Areas of Work - Last Four Years & Looking Forward

Last Four Years

- Conclusion of 2016 governance review and commission of an independent assessment of the Fund's compliance against the Pensions Regulator's Code of Practice 14.
- Reviewed new draft conflict of interest policy for the Fund and identified need for a fund-specific policy in future (as recommended by the Good Governance Project).
- Ongoing detailed review of the pensions services function in the Board's scrutiny role of the Fund. Monitoring progress in areas such as recruitment and data improvement and the implementation and development of KPIs.
- Ongoing review and scrutiny of the pension fund risk register.
- Strengthened the structure of the Board by appointing an additional employee and employer representative (including a retired scheme member representative and a schools employer representative). A vice chair role has also been added to the Board structure.
- Monitored progress of the London CIV and the pooled status of assets in the Southwark Fund.
- Monitored the impact of Covid-19 on the pension fund and the actions taken to maintain an adequate service to scheme members and to protect the Fund's investments.
- 2019 triennial actuarial valuation: scrutinised and challenged all aspects of the process and results.
- Scheme Advisory Board Good Governance Project: tracked ongoing progress of the project, identifying the implications for the Southwark Fund.
- Ongoing training in compliance with CIPFA Knowledge and Skills Framework.

Looking Forward – Next Four Years

- Continue to monitor the performance of the Pensions Administration Service.
- Monitor the implementation of the McCloud judgement ensuring that the Pensions Administration Service is adequately resourced to implement the necessary changes.
- Monitor developments and implementation of the Pensions Dashboard.

- Support the Administering Authority in improving the quality of data received from non- Southwark Council employers.
- Ensure compliance with the TPRs revised code of practice.
- Monitor progress of the Scheme Advisory Board's good governance project and support the Administering Authority in complying with the project's recommendations.
- Support the Administering Authority in developing a Fund specific conflicts of interest policy which applies to all officers and members involved in the Fund.
- Support the Administering Authority in ensuring that the Fund management and accounting team is adequately resourced given the increasing complexity of the Fund's assets.
- Ensure Board members are offered a comprehensive training programme to meet the skills and knowledge requirements for Board members.

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Mike Ellsmore, Chair of the Local Pension Board	
Version	Final	
Dated	1 March 2022	
Key Decision?	N/A	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Director of Law and Governance	N/A	N/A
Strategic Director of Finance and Governance	N/A	N/A
Cabinet Member	N/A	N/A
Date final report sent to Constitutional Team	1 March 2022	

Item No. 10.	Classification: Open	Date: 9 March 2022	Meeting Name: Pensions Advisory Panel
Report title:		Pension Services - Administration Function Year End Update	
From:		Pensions Manager, Finance and Governance	

RECOMMENDATION

1. That the Pensions Advisory Panel is asked to note this year-end update covering achievements over the past four years, together with forward planning goals over the next four years.

ACHIEVEMENTS – PAST 4 YEARS	
Post 2016 restructure	All backlogs cleared.
Staff & resources (2018/19)	Full restructure undertaken to create a robust pensions team specialising in admin, data/IT, comms, training and project management.
Implementation of i-Connect software (LGPS data)	For all schools/external employers and to ensure data consistency. i-Connect also implemented for Council on SAP system.
Technology	Implementation of new Civica UPM pensions admin, payroll, and contact centre software to replace legacy LGPS pensions admin system.
Pensioner Payroll	Migration of pensioner payroll from Council's (SAP) payroll system to Civica software.
Annual Benefit Statements	Complete redesign to explain benefits and to show true financial value each year of staff being a member of pension fund.
Annual Allowance	Complete redesign of Pension Savings Statements, explaining tax implications and providing 'Scheme Pays' option. and..... Members likely to be affected in the future are informed early enough so that they can make informed changes to their pension provision.
Contact Centre brought back to Pensions	Creation of a new First Contact Resource team dealing with all written, website and telephone enquiries (members, employers).

	First London Borough to be able to accurately report all enquiries received within the section.
Performance metrics	Improvements in admin stats and statutory reporting, including enquiries.
Southwark Pension fund website creation	Shortlisted for comms award. Website works in harmony/alongside national LGPS website.
Administration and Comms strategy	Revised and updated to reflect changes in technology, trends and future service needs.
Administering and Employing Authority discretions policies	Revised and updated.
Interfund transfers	Streamlined making Southwark one of the leading London Boroughs for interfund processing.
Training & development (staff, pension fund members, HR, employers, LPB)	All staff get five hours of dedicated pensions training every week. Southwark is the only London Borough to offer this level of training to staff on a weekly basis.
Post covid adjustments	Remote solutions put in place for printing and scanning.

FORWARD PLANNING – NEXT 4 YEARS	
AVC reassessment	Move to a new AVC provider offering improved fund choice and functionality (i.e. online investment switches and retirement modelling).
Staff & resources (post Civica/technology review and succession planning)	Rationalise structure to ensure that all staff meet the needs of a modern pensions section.
Technology	Development of Civica UPM Member Self-Service (MSS) and online functionality for pension fund members and employers.
Pensioner Payroll	Improvements in pensioner services – online payslips/P60's/Pension Increase statements. Pensioner Association creation with Council and existing association around welfare and wellbeing.
Annual Benefit Statements	LGPS video currently being created. Online availability via MSS.

	Part of Total Reward Statement in future.
Annual Allowance	<p>Annual Allowance and Lifetime Allowance videos currently being created.</p> <p>Pensions MOT's for staff approaching age 50 explaining the benefits of the pension fund and what to expect approaching retirement.</p>
First Contact Resource team	Civica Contact Manager software procured to manage telephone enquiries with direct link to UPM system – ensures all tasks get recorded and can be reported against for SLA's/KPI's.
Performance Metrics	Benchmarking SLA's to CIPFA guidelines/ standards or better.
Pension fund website	<p>Development of website to create online enquiry/web forms to integrate seamlessly with new Civica UPM system.</p> <p>Creation of improved content, horizon scanning news, Q&A's, MSS guidance etc.</p>
Development of new Civica Employer portal	Pensions team has greater control over LGPS data being uploaded to new admin system.
Training & development	<p>Continuous development of training material to benefit staff, pension fund members, HR, employers and LPB members.</p> <p>Development of online training material via website and utilise the Council's My Learning Source.</p> <p>Material and services can be offered to other London Boroughs at discounted rate.</p>
Comms	Plain English review - the majority of comms sent to members will be

	<p>crystal marked.</p> <p>Comms partnership with Aon.</p> <p>Staff surveys/feedback sessions.</p> <p>With Covid uncertainties moving to a remote Teams based Employer Roadshows.</p>
UK National Dashboard programme	Southwark participation creating improved overall experience for pension fund members.
Formalisation of Data Management Strategy	In line with the Pensions Regulator/COP14 guidance and best practice.

Policy framework implications

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

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

Community impact statement

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

Equalities (including socio-economic) impact statement

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

Health impact statement

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

Climate change implications

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

Resource implications

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

Legal implications

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

Financial implications

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

Consultation

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

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**Director of Law and Governance**

11. Not applicable.

Strategic Director of Finance and Governance

12. Not applicable.

Other officers

13. Not applicable.

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Barry Berkengoff, Pensions Manager, Finance and Governance	
Version	Final	
Dated	3 March 2022	
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
Cabinet Member	No	N/a
Date final report sent to Constitutional Team	3 March 2022	

COMMITTEE: Pensions Advisory Panel

NOTE: Original held by Constitutional Team. All amendments/queries to Andrew Weir Tel: 020 7525 7222. Email: Andrew.weir@southwark.gov.uk

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