



PENSION BOARD

Date: THURSDAY, 31 JANUARY 2019 at 2.00 pm

**Committee Room 8
Civic Suite
Lewisham Town Hall
London SE6 4RU**

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MEMBERS

Adam Bowles Employee Representative
Alex Bush
Elizabeth Sclater
Stephen Warren (Chair)

Members are summoned to attend this meeting

**Janet Senior
Acting Chief Executive
Lewisham Town Hall
Catford
London SE6 4RU
Date: 23 January 2019**



INVESTOR IN PEOPLE

ORDER OF BUSINESS – PART 1 AGENDA

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Lewisham



INVESTOR IN PEOPLE

The public are welcome to attend our committee meetings, however occasionally committees may have to consider some business in private. Copies of reports can be made available in additional formats on request.

Agenda Item 1

LOCAL PENSION BOARD		
Report Title	Declarations of Interest	
Key Decision		Item No.
Ward		
Contributors	CHIEF EXECUTIVE	
Class	Part 1	Date: 31 January 2019

Declaration of Interests

Members are asked to declare any personal interest they have in any item on the agenda.

Personal interests

There are two types of personal interest :-

- (a) an interest which you must enter in the Register of Members' Interests*
- (b) an interest where the wellbeing or financial position of you, (or a "relevant person") is likely to be affected by a matter more than it would affect the majority of inhabitants of the ward or electoral division affected by the decision.

*Full details of registerable interests appear on the Council's website.

("Relevant" person includes you, a member of your family, a close associate, and their employer, a firm in which they are a partner, a company where they are a director, any body in which they have securities with a nominal value of £25,000 and (i) any body of which they are a member, or in a position of general control or management to which they were appointed or nominated by the Council, and (ii) any body exercising functions of a public nature, or directed to charitable purposes or one of whose principal purpose includes the influence of public opinion or policy, including any trade union or political party where they hold a position of general management or control).

If you have a personal interest you must declare the nature and extent of it before the matter is discussed or as soon as it becomes apparent, except in limited circumstances. Even if the interest is in the Register of Interests, you must declare it in meetings where matters relating to it are under discussion, unless an exemption applies.

Exemptions to the need to declare personal interest to the meeting

You do not need to declare a personal interest where it arises solely from membership of, or position of control or management on:

- (a) any other body to which you were appointed or nominated by the Council
- (b) any other body exercising functions of a public nature.

In these exceptional cases, unless your interest is also prejudicial, you only need to declare your interest if and when you speak on the matter.

Sensitive information

If the entry of a personal interest in the Register of Interests would lead to the disclosure of information whose availability for inspection creates or is likely to create a serious risk of violence to you or a person living with you, the interest need not be entered in the Register of Interests, provided the Monitoring Officer accepts that the information is sensitive. Where this is the case, if such an interest arises at a meeting, it must be declared but you need not disclose the sensitive information.

Prejudicial interests

Your personal interest will also be prejudicial if all of the following conditions are met:

- (a) it does not fall into an exempt category (see below)
- (b) the matter affects either your financial interests or relates to regulatory matters - the determining of any consent, approval, licence, permission or registration
- (c) a member of the public who knows the relevant facts would reasonably think your personal interest so significant that it is likely to prejudice your judgement of the public interest.

Categories exempt from being prejudicial interest

- (a) Housing – holding a tenancy or lease with the Council unless the matter relates to your particular tenancy or lease; (subject to arrears exception)
- (b) School meals, school transport and travelling expenses; if you are a parent or guardian of a child in full time education, or a school governor unless the matter relates particularly to the school your child attends or of which you are a governor;
- (c) Statutory sick pay; if you are in receipt
- (d) Allowances, payment or indemnity for members
- (e) Ceremonial honours for members
- (f) Setting Council Tax or precept (subject to arrears exception)

Effect of having a prejudicial interest

If your personal interest is also prejudicial, you must not speak on the matter. Subject to the exception below, you must leave the room when it is being discussed and not seek to influence the decision improperly in any way.

Exception

The exception to this general rule applies to allow a member to act as a community advocate notwithstanding the existence of a prejudicial interest. It only applies where members of the public also have a right to attend to make representation, give evidence or answer questions about the matter. Where this is the case, the member

with a prejudicial interest may also attend the meeting for that purpose. However the member must still declare the prejudicial interest, and must leave the room once they have finished making representations, or when the meeting decides they have finished, if that is earlier. The member cannot vote on the matter, nor remain in the public gallery to observe the vote.

Prejudicial interests and overview and scrutiny

In addition, members also have a prejudicial interest in any matter before an Overview and Scrutiny body where the business relates to a decision by the Executive or by a committee or sub committee of the Council if at the time the decision was made the member was on the Executive/Council committee or sub committee and was present when the decision was taken. In short, members are not allowed to scrutinise decisions to which they were party.

Agenda Item 2

PENSION BOARD		
Report Title	Minutes	
Key Decision		Item No. 2
Ward		
Contributors	CHIEF EXECUTIVE	
Class	Part 1	Date: 31 January 2019

Recommendation

That the Minutes of the meeting of the Pension Board, held on 23 October 2018 (copy attached) be confirmed and signed as a correct record.

MINUTES OF THE PENSION BOARD

Tuesday 23 October at 2pm

PRESENT: Stephen Warren, Adam Barrett, Elizabeth Sclater

Also Present: Robert Browning (Principal Accountant), Carol Eldridge (Payroll Manager), Sarah Assibey (Clerk)

Apologies: Adam Bowles, David Austin

1. Declarations of Interest

Adam Barrett and Elizabeth Sclater both declared an interest as Members of the Pension Scheme.

2. Minutes

The minutes of the last meeting are to be amended as:

Under Declarations of Interest, the Board agreed that the minutes were amended to reflect Adam Barratt's declaration of an interest as a representative of a scheme employer.

Under Updated Terms of Reference, the Board agreed that "triennial evaluation" be amended to "triennial valuation".

Under Training Needs and Forward Work Plan, the Board agreed that "...identifies, mitigates and monitors the Risk Register and how it is maintained" be amended to "...identifies, mitigates and monitors risk, and how the Risk Register is maintained".

3. Work Plan and Compliance

The Principal Accountant introduced this report.

He reported that, to ensure the scheme is compliant with Pension Fund regulations and governance obligations, procuring a compliance analysis from Pension Fund advisors or an organisation in the same field provides better assurance than a self-assessment would as advisors have had experience undertaking such analysis. He reported that officers have ascertained that Aon Hewitt have produced an independent review and compliance analysis for other LGPS schemes and that the Pensions Investment Committee advisors, Hymans Robertson, have also quoted a fee of £2,500 to undertake the analysis.

Members expressed concern for employing Hymans for this work due to a conflict of interest. They however observed that the cost is low and that a reputable firm would advise on any potential threats to independence and associated safeguards.

The Board agreed that the criteria for selection process should be that analysers are reputable, independent, the costs are proportionate. The Board noted that the annual

budget for the Pension Board was £10,000 and that officers would follow a procurement process that complied with the Council's procurement procedures.

RESOLVED Members agree to procure compliance analysis of the scheme with regards to administrative and governance obligations and delegate the procurement of that service to officers, using the Board's available budget and a single tender action report to be signed off by an Executive Director

Action

Officers will research the scale of work and the full scope of the analysis with a preferable model output, as well as cost, for the Board. A report will be sent to officers ahead of the next meeting.

4. Pensions Investment Committee Update

The Principal Accountant summarised the content of this report.

He reported that the Pensions Investment Committee met in June 2018, the first meeting of the financial year, and again in September. In these meetings, the Investment Strategy Statement was drafted and discussed by the Committee. The statement will reflect the Fund's ESG policy and carbon exposure. Officers are procuring a service to identify the Fund's carbon footprint later in the year.

Members noted that the Board's concern was compliance with relevant legislation and guidance in developing and implementing an ESG policy.

The Board noted that currency hedging, in the current climate, is considered at the point of investment by the Fund. The Board noted that the Committee is receiving professional advice on this risk and that it is scheduled to be discussed as an item at the next Committee meeting in November.

RESOLVED the Board noted this report.

5. Risk Register 2018/19

The Principal Accountant summarised the content of this report.

The updated Register went to the Committee in June with no amendments made.

It was recommended by the Board that:

- the Risk Register be included on the agenda for PIC at least annually;
- for high risks, officers report on the effectiveness of mitigation and progress in implementing agreed actions more regularly;
- the Risk Register should contain more detail of the controls in place to mitigate risks;
- management should routinely use the Risk Register, including as the basis for monitoring of the effectiveness of mitigations in place.

Some potential amendments to the Risk Register were considered. The Board recommended that:

- Under reference O01 the risk rating should be marked as 5 instead of 10 to correct an arithmetic error;
- Under O03, where the Current Controls state the Board assists the administering authority to ensure compliance with governance and administrative requirements, the wording should be amended as the Board is not part of internal management of the Council and cannot be instructed by the Council.

Action

Officers to consider the recommendations made by the Board and report back to the next Panel meeting.

6. General Update

The Board noted the current Register of Conflicts of Interests and agreed to forward their updated individual Register of Interest forms to the clerk.

The Board also agreed to adopt the Pension Regulator's Breaches of Law log for ongoing use and to have it reported as a standing item for future meetings.

The Board agreed to delegate to the Chair the drafting of the Pension Board Annual Report 2017/18, for inclusion in the Pension Fund Annual Report. The Chair agreed to draft the report by the start of November.

Members agreed to report all training of interest and training attended to officers to record so that a statutory training log can be updated.

The Board noted that the new finance system, Oracle Cloud, will also include HR and Payroll (including Pensions payroll) modules in an integrated cloud-based environment.

The Board requested that the issue of indemnity insurance for members be investigated by officers and reported back to Board by the next meeting, specifically whether it was required and, if so, that it be obtained and in place for the next meeting."

Action

1. Panel members to forward Register of Interest forms to the Clerk.
2. Breaches of Law log to be included as standing item for future meetings.
3. Chair to draft Pension Board Annual Report 2017/18.
4. Panel members to advise officers of training of interest and attended.
5. Officers to maintain training log.
6. Officers to investigate indemnity insurance, identify whether required, secure if necessary and report to the next meeting.

7. Future Meetings

The Board discussed the timescale and content of future meetings.

Members agreed that:

- it was not vital for the Board to integrate meeting with PIC and would favour meetings approximately a month after each PIC meeting. However, the timing of the next meeting was also dependent on the receipt of the review commissioned under item 3 above;
- they would like to see the minutes of PIC meetings in advance of Board meetings;
- the Pension Scheme Annual report should be seen at the next meeting.

The Clerk agreed to canvass a range provisional dates to Members for the end of January.

Action

Clerk to consult with Panel Members and arrange a meeting by the end of January 2018.

The meeting finished at 3.28pm

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Agenda Item 4

PENSION BOARD			
REPORT TITLE	Pensions Investment Committee Update		
KEY DECISION	No	Item No:	
WARD	N/A		
CONTRIBUTORS	Acting Chief Finance Officer		
CLASS	Part 1	Date:	January 2019

Lateness: This report was not available for the original dispatch date due to staff absence.

Urgency: The report is urgent and cannot wait until the next meeting of the Pensions Board, to enable members to remain up-to-date with the activities of the Pensions Investment Committee.

Where a report is received less than 5 clear days before the date of the meeting at which the matter is being considered, then under the Local Government Act 1972 Section 100(b)(4) the Chair of the Committee can take the matter as a matter of urgency if he is satisfied that there are special circumstances requiring it to be treated as a matter of urgency. These special circumstances have to be specified in the minutes of the meeting.

1. PURPOSE

- 1.1. The purpose of this report is to summarise to Board members the actions approved at the most recently held meeting of the Pension Investment Committee (PIC).

2. RECOMMENDATIONS

- 2.1. The Board is asked to review and note the contents of these papers.

3. PENSION INVESTMENT COMMITTEE – NOVEMBER 2018

- 3.1. The third PIC meeting of the financial year was held on 20 November 2018. The draft minutes from the meeting are attached at Appendix 1, whilst the agenda and public papers are available on the Council website at the below link. For access to private papers, please contact the Board's Governance Support Officer:
<http://councilmeetings.lewisham.gov.uk/ieListDocuments.aspx?CId=181&MId=5195&Ver=4>

In addition to two fund manager presentations and noting reports on investment performance, the pension fund annual report, and Brexit updates, the Committee resolved the following key action:

3.2. **Currency Hedging**

Members received a report from Hymans Robertson outlining the reasons for and against currency hedging in the context of Lewisham's fund. Lewisham's exposure to overseas currency lies predominantly in its equity mandates with UBS and BlackRock. Following this discussion, Members agreed for Hymans to bring a paper to a future meeting recommending approaches for hedging the fund's exposure to foreign currency.

4. **FINANCIAL IMPLICATIONS**

- 4.1. This report and its appendices address the overall finances of the Pension Fund. There are no other direct financial implications to this report.

5. **LEGAL IMPLICATIONS**

- 5.1. There are no legal implications directly arising from this report.

6. **CRIME AND DISORDER IMPLICATIONS**

- 6.1. There are no crime and disorder implications directly arising from this report.

7. **EQUALITIES IMPLICATIONS**

- 7.1. There are no equalities implications directly arising from this report.

8. **ENVIRONMENTAL IMPLICATIONS**

- 8.1. There are no environmental implications directly arising from this report.

APPENDICES

Appendix 1 – Draft minutes from the meeting of PIC held on 20 November 2018.

FURTHER INFORMATION

If there are any queries on this report or you require further information, please contact:

David Austin, Acting Chief Finance Officer on 020 8314 9114 or at david.austin@lewisham.gov.uk

Robert Browning, Principal Accountant – Treasury & Pensions on 020 8314 6274 or at robert.browning@lewisham.gov.uk

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Agenda Item 5

PENSIONS INVESTMENT COMMITTEE			
REPORT TITLE	Annual Report and Final Accounts		
KEY DECISION	No	Item No:	
WARD	N/A		
CONTRIBUTORS	Acting Chief Finance Officer		
CLASS	Part 1	Date:	January 2019

Lateness: This report was not available for the original dispatch date due to staff absence.

Urgency: The report is urgent and cannot wait until the next meeting of the Pensions Board, to enable members to have sight of and note the Fund's annual report.

Where a report is received less than 5 clear days before the date of the meeting at which the matter is being considered, then under the Local Government Act 1972 Section 100(b)(4) the Chair of the Committee can take the matter as a matter of urgency if he is satisfied that there are special circumstances requiring it to be treated as a matter of urgency. These special circumstances have to be specified in the minutes of the meeting.

1. PURPOSE

- 1.1. This paper sets out the Annual Report, which summarises Pension Fund activities for the year ending 31 March 2018. It includes as an appendix the final audited Pension Fund accounts for 2017/18.
- 1.2. The Council is required to publish the report by the 1 December each year, and the contents are specified by The Local Government Pension Scheme Regulations 2013 (as amended) ("the Regulations").

2. RECOMMENDATION

- 2.1. The Board is asked to note the contents of the report

3. SUMMARY

- 3.1. The Regulations require an administering authority of a Pension Fund to prepare an annual report which summarises the performance, management and administration of the Fund. It consolidates information from the accounts and a number of published statutory statements, including the Investment Strategy Statement and Funding Strategy Statement, into one document.
- 3.2. An authority must publish the annual report on or before 1 December following the year end.

- 3.3. The final audited accounts appended to the annual report were approved by Council on 18 July 2018.
- 3.4. The Council's auditors review the annual report to ensure the financial statements appended to it are consistent with those audited as part of the overall authority's statement of accounts.
- 3.5. The auditors also review other information contained in the report for apparent misstatements or material inconsistencies with the Pension Fund accounts. If satisfied that all is in order, a consistency opinion will be granted.
- 3.6. The final annual report was provided to auditors on 16 November 2018, and the consistency opinion provided on 27 November 2018. The report was published on the Fund's website on the same day, and notification provided to the Scheme Advisory Board.

4. FINANCIAL IMPLICATIONS

- 4.1. This report addresses the overall finances of the Pension Fund. There are no other direct financial implications to this report.

5. LEGAL IMPLICATIONS

- 5.1. Provision for the publication of the Pension Fund Annual Report for the financial year 2017/18 is covered by Regulation 57 of the Local Government Pension Scheme Regulations 2013 (as amended).
- 5.2. The report must be published by 1 December in accordance with that Regulation.
- 5.3. In preparing and publishing the Pension Fund annual report, the authority must have regard to guidance given by the Secretary of State.

6. CRIME AND DISORDER IMPLICATIONS

- 6.1. There are no crime and disorder implications directly arising from this report.

7. EQUALITIES IMPLICATIONS

- 7.1. There are no equalities implications directly arising from this report.

8. ENVIRONMENTAL IMPLICATIONS

- 8.1. There are no environmental implications directly arising from this report.

APPENDICES

Appendix 1 – 2017/18 Pension Fund Annual Report

FURTHER INFORMATION

If there are any queries on this report or you require further information, please contact either:

David Austin, Acting Chief Finance Officer on 020 8314 9114 or at david.austin@lewisham.gov.uk

Robert Browning, Principal Accountant – Treasury & Pensions on 020 8314 6274 or at robert.browning@lewisham.gov.uk



London Borough of Lewisham Pension Fund 2017/18 Annual Report

Together we can make Lewisham the best place in London to live, work and learn.

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A	2017/18 Pension Fund Accounts
B	Investment Strategy Statement
C	Executive Summary of the 2016 Actuarial Valuation

1 FOREWORD BY HEAD OF CORPORATE RESOURCES

- 1.1. Welcome to the 2017/18 Annual Report for the Lewisham Pension Fund. The requirement for and contents of the annual report is set out in Regulation 57 of the Local Government Pension Scheme Regulations 2013.
- 1.2. The Pension Fund Annual Report details the financial position of the Fund and the performance of the managers appointed to administer the investment portfolio. It brings together a number of separate reporting strands into one comprehensive document that enables the public and employees to see how the Fund is managed and how it is performing.
- 1.3. The results of the most recent triennial valuation, based on the Fund's position as at 31 March 2016, showed an improved funding level of 78% of its liabilities, compared to a funding level of 71% as at the 2013 valuation. The resulting deficit as at the 2016 valuation was £288m (£348m in 2013). The next valuation will take place in 2019/20, as at 31 March 2019.
- 1.4. Since the last valuation active membership has decreased by approximately 3%, whilst the number of pensioners has increased by approximately 5%. The Fund continues to mature and the net cash withdrawal in 2017/18, excluding Fund management expenses, was £6.4m (£8.2m in 2016/17).
- 1.5. Over the year the net asset value of the Fund increased by 2.3% to £1,304m at 31 March 2018 (£1,275m the previous year). The return on assets for the year was 0.07% above benchmark, consistent with last year's performance (0.06% above benchmark).
- 1.6. This was the fifth full year of the Fund's mainly passive strategy and the performance of the Fund's passive equities and bonds has marginally exceeded benchmark expectations overall. During the year, in accordance with the diversification strategy agreed by Members of the Pensions Investment Committee in 2016/17, approximately 12% of the Fund's value held in equities was disinvested. Funds were invested in new mandates in diversified growth and multi-asset credit, whilst in March 2018 Members also procured a new infrastructure manager (to be funded in 2018/19).
- 1.7. With regard to development of pension reform, particularly around pooling, Lewisham remains committed to pooling its assets with the London Collective Investment Vehicle (LCIV) where suitable mandates become available. However, to date none of the funds launched by the LCIV have been funds Lewisham are invested in or planning to invest in.
- 1.8. A new Pensions Investment Committee convened for the first time in June 2018, with a change in half its membership. As a result of that change, the Committee has revisited its Investment Beliefs and agreed on a set of statements which accurately reflect the direction in which Members believe the Fund's strategy should be focussed. ESG issues will be a key consideration in the revised strategy, which will follow the outcome of the upcoming triennial valuation in 2019. The Fund will continue to position itself to put the interest and benefit of its members first as a priority.

David Austin
Head of Corporate Resources (Acting S151 Officer)

2 FOREWORD BY CHAIR OF PENSION INVESTMENT COMMITTEE

- 2.1. I am delighted to sit in my fifth year as Chair of the Lewisham Pensions Investment Committee (PIC).
- 2.2. The most recent Office for Budget Responsibility forecasts in the Chancellor's Budget identified that inflation declined in the first half of 2018 but has pushed up in subsequent quarters due to higher oil prices and a weak Sterling exchange rate; in the medium term it is expected to stay above the Bank of England's 2% target. UK GDP growth increased by 1.7% in 2017 on 2016 and is forecast to increase by 1.3% in 2018, downgraded from the March 2018 forecast of 1.5%. Thereafter growth is forecast to increase by a relatively stable 1.5% year on year, although this is based on broad-brush assumptions regarding the impact that Brexit might have.
- 2.3. In 2017/18 equity markets performed poorly compared to 2016/17, with UK equities in particular underperforming all major overseas markets. As at the end of March 2018 the Fund held approximately 54% of its assets in passive equities which contributed to a much smaller increase in Fund value than in 2016/17, from £1,275m to £1,304m (an increase of £29m or 2.3%). The Fund continues to act on the 2016 triennial evaluation, re-balancing the Fund as appropriate towards alternative and more illiquid strategies.
- 2.4. After appointing a new fund manager in multi asset credit as part of this drive towards diversification and smart illiquid, we have appointed new mandates in private debt, as well as committing to moving 6% of the fund into our first ever infrastructure mandate, in March 2018. With one third of this being dedicated to renewable energy assets only, we are therefore also in line with the starting target of 2% for renewable energy investment currently shared by many local government pension funds.
- 2.5. However, there is much further to go, given both the upcoming challenges presented by Carbon Transition and our manifesto commitment to move away from fossil fuel investments. The Committee will continue to seek out investment opportunities in renewable energy within the infrastructure asset class, here or at the LCIV, for both steady income and the avoidance of stranded assets. We have also begun the process of analysing the carbon footprints of our large equity mandates, so that appropriate action can be taken following the upcoming Tri-Annual Evaluation in 2019.
- 2.6. Keeping up to date with legislative and regulatory developments has required the on-going attention of the Committee, not least the Government's now mandatory demand for the Fund to belong to a 'pool'. As a voluntary founding member of LCIV the Fund remains committed to pooling our assets onto the platform. We are actively engaged with LCIV to identify mandates which are aligned with the beliefs of the Committee and the overall Fund strategy.
- 2.7. Alongside most of the other 32 London Borough shareholders, we hope to see LCIV taking the opportunities of scale afforded to it to make significant and profitable investments in alternative asset classes which are already being successfully pursued by other UK Local Government Pension Funds in 'pools' and collaborations across the UK at present.

- 2.8. The Committee will continue to work to ensure the Fund is well managed to the benefit of all its members. Our latest Investment Strategy Statement was published in September 2018 which, when read in conjunction with the Funding Strategy Statement, provides an overview of the Fund's approach to investing its assets in order to fund its liabilities.
- 2.9. I thank the members of the Pensions Investment Committee and the Council's officers for their work over the last year. I look forward to continuing to work with all concerned to ensure the Fund continues to be effectively and responsibly managed.

Councillor Mark Ingleby
Chair – Pensions Investment Committee

3 INTRODUCTION

A. OVERVIEW OF THE SCHEME

- 3.1. The London Borough of Lewisham Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS). The Fund is set up under the Superannuation Act 1972, which requires the Council to maintain a Pension Fund for its own employees and employees admitted to the Fund under an admission agreement.
- 3.2. The Fund's objectives as per its Investment Strategy Statement are to invest its assets so as to meet the long-term pension and other benefits liabilities (as prescribed by the Local Government Pension Scheme Regulations 2013) for its members. The Fund's approach to investing is to optimise return consistent with a prudent level of risk, to ensure there are sufficient resources to meet the liabilities whilst ensuring the suitability of the assets in relation to the needs of the Fund.

B. MANAGEMENT

- 3.3. The Council has delegated the investment arrangements of the scheme to the Pensions Investment Committee (PIC). This Committee decides on the investment policy most suitable to meet the liabilities of the Fund and the ultimate responsibility for the investment policy lies with it. It comprises eight elected representatives of the Council, all of whom have voting rights. Members of scheduled and admitted bodies to the Fund, and representatives of the Local Pension Board may attend Committee meetings as observers, but have no voting rights.
- 3.4. The Committee reports to the Full Council and has full delegated authority to make investment decisions. The Committee obtains and considers advice from the Executive Director for Resources and Regeneration and the Fund's appointed actuary, investment managers and investment adviser.
- 3.5. The Committee has delegated the management of the Fund's investments to professional investment managers, appointed in accordance with the regulations, whose activities are specified in detailed investment management agreements and monitored on a quarterly basis.

4 MANAGEMENT AND FINANCIAL PERFORMANCE REPORT

A. SCHEME MANAGEMENT AND ADVISERS

4.1. The individuals and organisations administering the Pension Fund are as set out below:

Pensions Investment Committee Members as at 31 March 2018

Cllr Ingleby (Chair)
Cllr Hooks (Vice Chair)
Cllr Best
Cllr Johnston-Franklin
Cllr Maslin
Cllr Milne
Cllr Muldoon
Cllr Ogunbadewa

Members as at 30 September 2018

Cllr Ingleby (Chair)
Cllr Krupski (Vice Chair)
Cllr Best
Cllr Codd
Cllr Feis-Bryce
Cllr Maslin
Cllr Muldoon
Cllr Sheikh

Local Pension Board

Members as at 30 September 2018

Stephen Warren (Chair)
Adam Barrett (Employer Rep – LB Lewisham)
Adam Bowles (Employer Rep – Lewisham Homes)
Elizabeth Sclater (Employee Rep – Scheme Member)
Vacant (Employee Rep)

Administrator

Executive Director for Resources & Regeneration -
Janet Senior

Adviser

Hymans Robertson LLP

Actuary

Hymans Robertson LLP

Custodian Bank

The Northern Trust Company

Solicitors

LB Lewisham Legal Services

Bankers

Barclays Bank

Performance Measurement

The Northern Trust Company

Investment Managers

Managers as at 31 March 2018:

Blackrock (Mixed Passive)
HarbourVest (Private Equity)
Invesco (Diversified Growth)
M&G (Company Finance)
Pemberton (Multi-Asset Credit)
Schroder (Property)
UBS (Mixed Passive)

AVC Providers

Equitable Life and Clerical Medical

Auditors

Grant Thornton UK LLP

B. RISK MANAGEMENT

- 4.2. The legal responsibility for the prudent and effective stewardship of the Fund's assets rests with the PIC. This Committee has full delegated authority to make investment decisions, the terms of which are set out in its terms of reference in the Council's constitution. It receives advice from the Executive Director for Resources and Regeneration and, as necessary, from the Fund's appointed actuary, investment managers, custodian and investment adviser.
- 4.3. The Committee has regard to the Myners Principles, as updated and consolidated post 2008 by the Government. The Committee manages the Pension Fund's assets in accordance with the relevant LGPS regulations.
- 4.4. The Fund risk register is incorporated within the annual business plan which is approved by the PIC. The risk register sets out the nature of the individual risks for the Fund with an assessment of the level of risk. Risk ratings fall into the following four categories:

RISK CATEGORY	HOW THE RISK SHOULD BE MANAGED
Red (16-25)	Immediate action required, senior management involved
Amber/Red (10-15)	Senior management attention needed and management responsibility specified
Amber/Green (5-9)	Manage by specific monitoring or response procedures
Green (1-4)	Manage by routine procedures, unlikely to need specific or significant application of resources

- 4.5. The PIC reviews the risk register periodically to ensure that risks are updated and the relevant mitigations are put in place to manage them. The Local Pension Board also reviews the register and assists the authority in ensuring it adequately mitigates against risk.
- 4.6. The Fund's Investment Strategy Statement also outlines the risks taken to meet the funding objectives and the approaches taken to managing those risks.

Key Risks

- 4.7. The principal risks identified as affecting the Fund are as follows:

1. Funding Risks – broken down into:

- a. Financial mismatch** – the risk that the Fund assets fail to grow in line with the developing costs of meeting the liabilities. This is mitigated by the PIC setting a strategic asset allocation benchmark for the Fund which takes into account probability of success and downside risk, and monitoring allocation

and returns relative to the benchmark. The PIC also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

- b. **Changing demographics** – the risk that longevity improves and other demographic factors change, increasing the cost of Fund benefits. This is mitigated by the PIC seeking to understand the assumptions used in any analysis and modelling so they can be compared to their own views, and the level of risks associated with these assumptions can be assessed.
- c. **Systemic risk** – the possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial ‘contagion’, resulting in an increase in the cost of meeting the Fund’s liabilities. The PIC seeks to mitigate this as much as it can through a diversified portfolio.

2. **Asset Risks** – specifically:

- a. **Concentration** – the risk that a significant allocation to any single asset class and its underperformance relative to expectation would result in difficulties achieving funding objectives. The PIC strategic asset allocation invests in a diversified range of asset classes and has in place rebalancing arrangements to ensure actual allocation does not deviate substantially from the target. The Fund invests in a range of mandates, each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, help to reduce the Fund’s concentration risk.
- b. **Illiquidity** – the risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets. By investing in liquid asset classes such as listed quoted equities and bonds, as well as property, the PIC has recognised the need for access to liquidity in the short term.
- c. **Currency risk** – the risk that the currency of the Fund’s assets underperforms relative to Sterling (i.e. the currency of the liabilities). The Fund invests in a range of overseas markets which provides a diversified approach to currency markets.
- d. **Environmental, Social and Governance (ESG)** – the risk that ESG factors reduce the ability of the Fund to generate long-term returns. The PIC expects all investment managers to undertake appropriate monitoring of investments with regards to their policies and practices on all issues which could present a material financial risk to the long-term performance of the Fund, including corporate governance and environmental factors. It expects managers to integrate material ESG factors within its investment analysis and decision making, and to use their influence as major institutional investors to promote good practice in the investee companies and markets to which the Fund is exposed.
- e. **Manager underperformance** – the failure of managers to achieve the returns as set out in their mandates. The PIC has attempted to reduce this risk by appointing more than one manager and having a large proportion of the Fund managed on a passive basis. The PIC assesses manager performance on a quarterly basis and will take steps if underperformance persists.

3. **Other Provider Risk** – comprising:

- a. **Transition risk** – the risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the PIC seeks suitable professional advice.
- b. **Custody risk** – the risk of losing economic rights to Fund assets, when held in custody or being traded.
- c. **Credit default** – the possibility of default of a counterparty in meeting its obligations.
- d. **Stock-lending** – the possibility of default and loss of economic rights to Fund assets.

The PIC monitors and manages risks in these areas through a process of regular scrutiny of its providers, or has delegated such monitoring and management of risk to the appointed investment managers as appropriate (e.g. custody risk in relation to pooled funds). The PIC has the power to replace a provider should serious concerns exist.

C. FINANCIAL PERFORMANCE

- 4.8. The 2017/18 Pension Fund annual budget for controllable expenditure remained largely unchanged from 2016/17 apart from a reduction in management fees to reflect a backdated fee arrangement with BlackRock negotiated via LCIV. Actuals against budget are illustrated below:

	2017/18			2016/17	2016/17 v 2017/18 Year on Year Variance	
	Actuals	Budget	Variance	Actuals		
	£'000	£'000	£'000	£'000	£'000	%
Administration Expenses	696	654	42	705	(9)	(1.3)
Oversight and Governance Expenses	257	256	1	433	(176)	(40.6)
	953	910	43	1,138	(185)	(16.3)
Investment Management Expenses:						
Transaction Costs	12	20	(8)	0	12	-
Management Fees	917	1,010	(93)	978	(61)	(6.2)
Performance Fees	0	0	0	0	0	0.0
Custody Fees	47	30	17	27	20	74.1
	976	1,060	(84)	1,005	(29)	(2.9)
Total Expenses	1,929	1,970	(41)	2,143	(214)	(10.0)

- 4.9. Administration expenses consist of all expenses the administering authority must incur in performing its duties to administer entitlements and provide benefit entitlement information. This includes staff costs, IT costs, general costs such as stationary and postage, membership fees, and costs associated with the provision of additional voluntary contributions. Oversight and governance expenses can include the cost of selection, appointment and performance monitoring of fund managers, investment advisory services, legal and actuarial services, and audit fees.

- 4.10. The reduction in oversight and governance costs is largely down to the mis-categorisation of management fees into this category in 2016/17, as well as higher actuarial and advisory fees last year due to the triennial evaluation. The increase in custody fees reflects an accounting error, where expense relating to 2016/17 were not correctly accrued for in year.

D. ADMINISTRATIVE MANAGEMENT PERFORMANCE

- 4.11. The pension scheme, and its many Admitted and Scheduled bodies, is administered by a small in-house team which is also responsible for other areas of pension work including providing data to the LPFA, TPA and the NHS pension schemes. The team also carries out non-Pension Fund work such as providing estimates and calculating and paying redundancy and compensation payments.

KEY ADMINISTRATIVE ACTIVITIES:

	2017/18	2016/17	2015/16	2014/15	2013/14
New scheme members	1,157	1,021	1,232	1,470	1,670
Estimate of benefits	1,801	1,915	1,801	1,610	854
Responding to correspondence *	557	625	557	557	557
Deferred benefits	186	238	380	207	230
Calculation of quotations and actuals relating to transfers into the Local Government Pension scheme	246	232	212	124	138
Retirements	335	491	406	386	323
Death cases (with dependants)	192	287	249	243	212
Calculation of quotations and actuals relating to transfers out of the Local Government Pension scheme	246	263	208	167	90
Additional contributions	40	21	7	32	33
Refunds of contributions	187	328	211	160	6
Overall Performance	4,947	5,421	5,263	4,956	4,113

*A large volume of correspondence has moved to email and is not recorded, therefore a proxy has been used.

- 4.12. The role of the pensions section in the Administering Authority during 2017/18 was carried out by five Full Time Equivalent (FTE) staff serving just over 25,000 members. Relevant data and staffing ratios are as set out below.

KEY STAFF INDICATORS:

FTE Staff	2017/18	2016/17	2015/16	2014/15	2013/14
Lewisham	7.5*	7.5*	7.5*	6.4	5.8
Made up of:					
Work for other schemes	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Other work	(2.0)	(2.0)	(2.0)	(1.0)	(1.0)
Administration of LGPS	5.0	5.0	5.0	4.9	4.3

* Plus 2 apprentices

Scheme Membership	2017/18	2016/17	2015/16	2014/15	2013/14
Number of contributors	6,821	6,867	7,045	7,142	6,817
Number of deferred members	10,950	10,621	9,828	9,061	8,306
Number of pensioners	7,622	7,431	7,225	7,050	6,890
Total	25,393	24,919	24,098	23,253	22,013

Staff Performance	2017/18	2016/17	2015/16	2014/15	2013/14
Ratio of members to 1 FTE staff	5,079	4,984	4,819	4,745	5,119
Transactions per member of staff	989	1,084	1,052	964	957

4.13. The age profile of the membership calculated as at 31 March 2018 is show in the table below:

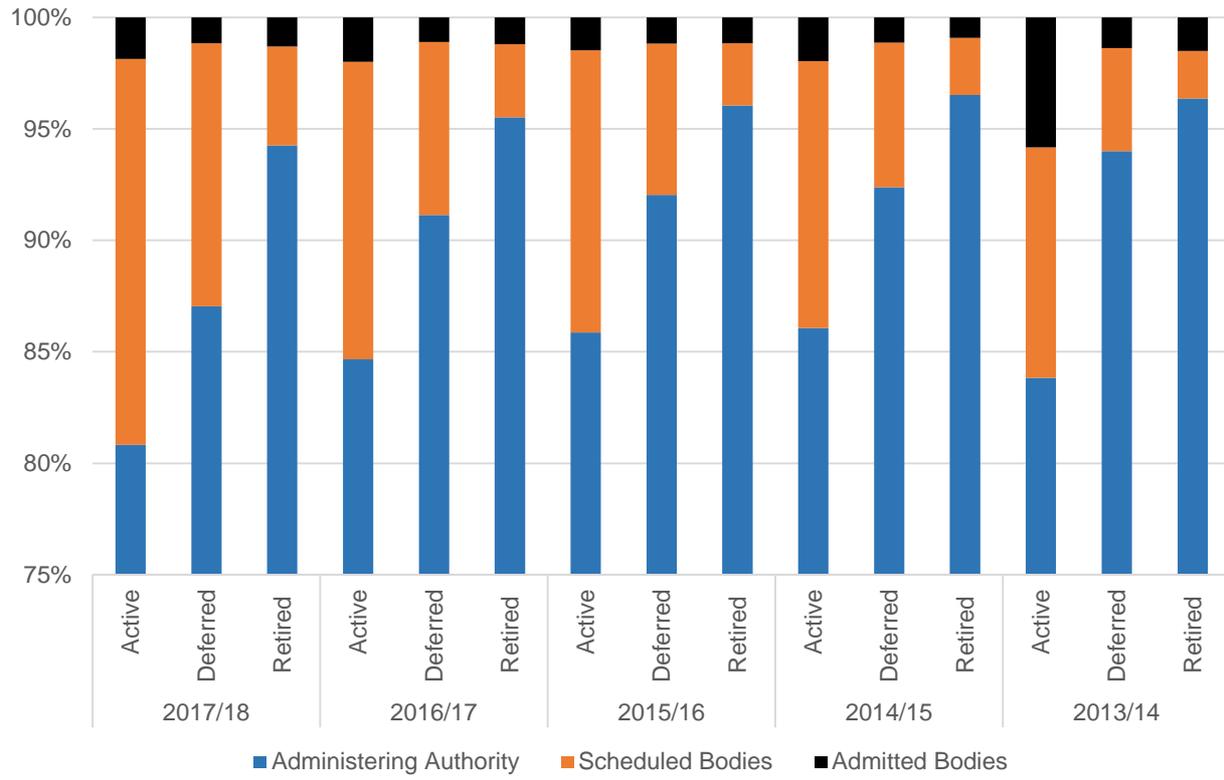
AGE PROFILE OF MEMBERSHIP:

Age Band	Contributing	Deferred	Pensioners/ Dependents
0-4	0	0	0
5-9	0	0	0
10-14	0	0	22
15-19	15	3	21
20-24	277	143	11
25-29	467	625	0
30-34	611	890	1
35-39	730	1001	4
40-44	758	1024	8
45-49	1006	1474	25
50-54	1235	2096	70
55-59	1021	2001	406
60-64	549	642	1341
65-69	132	67	1628
70-74	20	17	1447
75-79	0	6	1078
80-84	0	0	787
85-89	0	0	505
90-94	0	0	214
95-99	0	0	47
100-104	0	0	7
Total	6,821	9,989*	7,622

*Does not include Status 2's (undecided leavers) shown in the membership numbers above.

4.14. A five year analysis of the Fund's membership (active, deferred, and retired) is shown in the next graph and table. The table also provides the unit cots per active, deferred and retired member in terms of both administrative and investment management expenses. Administrative expenses in this context include oversight and governance expenses as outlined in section 4.9, whilst management expenses relate to fund manager fees, transaction costs and custody fees.

5 Year Membership Profile



FIVE YEAR ANALYSIS: MEMBERSHIP AND ADMINISTRATIVE UNIT COSTS:

	2017/18			2016/17			2015/16			2014/15			2013/14		
Membership	Active	Deferred	Retired												
Administering Authority	5,513	9,531	7,184	5,814	9,679	7,098	6,049	9,045	6,939	6,147	8,370	6,805	5,715	7,807	6,639
Scheduled Bodies	1,181	1,292	339	916	825	243	892	668	202	855	588	180	705	385	147
Admitted Bodies	127	127	99	137	117	90	104	115	84	140	103	65	397	114	104
Totals	6,821	10,950	7,622	6,867	10,621	7,431	7,045	9,828	7,225	7,142	9,061	7,050	6,817	8,306	6,890
Unit Costs	£	£	£												
Administrative Unit Cost	98	17	13	116	21	15	104	21	14	91	20	13	86	20	12
Investment Management Unit Cost	100	18	13	102	19	14	127	26	18	141	32	20	151	35	21
Total Unit Cost	198	35	26	218	40	29	231	47	32	232	52	33	237	55	33

- 4.15. A list of contributing employers and the amounts contributed by the employers in 2017/18 is shown below:

EMPLOYER CONTRIBUTIONS:

Employer	Contributions Paid £'000	Comments
Administering Authority		
Lewisham Council	24,771	
Scheduled Bodies		
Lewisham Homes	3,315	
Haberdashers' Aske's Knights Academy	876	
Christ The King Sixth Form College	373	
St Matthew's Academy	184	
Tidemill Academy	164	
Admitted Bodies		
Youth First Ltd	189	
Phoenix	175	
Phoenix Agency Services	122	
Chartwells	52	
Skanska	33	
Lewisham Music	31	New in 2017/18
3 C's Support	24	
One Housing	19	
NSL	19	
Nviro	14	New in 2017/18
Wide Horizons	13	
Change Grow Live	12	
Fusions Leisure Management	12	
Housing 21	6	
Pre-School Learning Alliance	4	
Blenheim CDP	3	
Excalibur	2	Ceased in 2016/17 – income represents one-off correction
Tower Services	2	
Chequers Contract Services – Lee Manor	1	
Lewisham Nexus Services	0	
Quality Heating	0	

- 4.16. The Statement of Accounts summarises the contributions received from employees and employers; the total contributions received per establishment are shown in the table below.

- 4.17. The Fund has a number of bodies which participate in the Fund either as scheduled or admitted bodies. Scheduled bodies are organisations which have a statutory entitlement to be members of the scheme. Admitted bodies are those which have applied to join the scheme and the Council has formally approved their admission.

TOTAL CONTRIBUTIONS RECEIVED FROM EMPLOYEE (EE) AND EMPLOYER (ER):

Employer	Total Contributions Received (EE & ER) £'000	% Received by due date
Administering Authority		
Lewisham Council	32,053	100
Scheduled Bodies		
Lewisham Homes	4,441	100
Haberdashers' Aske's Knights Academy	1,194	100
Christ The King Sixth Form College	511	99
St Matthew's Academy	242	100
Tidemill Academy	211	100
Admitted Bodies		
Phoenix	243	99
Youth First Ltd	242	100
Phoenix Agency Services	165	99
Chartwells	64	100
Skanska	46	95
Lewisham Music	39	98
3 C's Support	31	70
One Housing	25	90
NSL	24	100
Wide Horizons	19	100
Change Grow Live	17	100
Nviro	16	100
Fusions Leisure Management	15	90
Quality Heating	8	90
Housing 21	7	100
Pre-School Learning Alliance	5	80
Blenheim CDP	5	100
Tower Services	2	100
Excalibur Tenant Management Co-operative	2	100
Chequers Contract Services – Lee Manor	1	80
Lewisham Nexus Services	0	100

Note: All payments were chased and received.

5 INVESTMENT POLICY AND PERFORMANCE REPORT

A. INVESTMENT STRATEGY

Investment Policy

- 5.1. The Council's investment policy encompasses its approach to funding its liabilities as per the Funding Statement Strategy (FSS) and is outlined in its Investment Strategy Statement (ISS). The ISS is included at Appendix B and a link to the FSS is provided in Section 11 of this report. The FSS sets out the strategy for prudently meeting the Fund's future pension liabilities over the longer term. The ISS sets out the Fund's policies in respect of asset allocation, rebalancing, and the approach to risk including environmental, social and governance considerations.
- 5.2. The only direct shares held by the Fund are in a FTSE 250 listed private equity investment company, HarbourVest Global Private Equity, the value of which stood at £11.5m at 31 March 2018. The Fund reviews each fund manager's Corporate Governance policies to ensure they are in-line with the Fund's investment principles.

UK Stewardship Code

- 5.3. The UK Stewardship Code sets out the principles for effective stewardship by institutional investors. In so doing, the Code assists institutional investors to better exercise their stewardship responsibilities, which in turn gives force to the "comply or explain" governance system.
- 5.4. The Fund fully endorses the principles embedded within the Code. It expects its external fund managers to be signatories of the Code, reaching Tier One level of compliance or seeking to achieve it within a reasonable timeframe. In addition, the Fund expects its investment managers to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly.
- 5.5. The seven principles of the UK Stewardship code and how the Fund meets each one is described below:

1.	Publicly disclose policy on how stewardship responsibilities are discharged.	The Fund's stewardship responsibilities are set out in the ISS. Under the Regulations, the ISS must be reviewed and revised as necessary from time to time and at least every three years.
2.	Have a robust policy on managing conflicts of interest in relation to stewardship which should be publicly disclosed.	PIC members declare any conflicts of interest before meetings begin. This is recorded in the minutes and published on the Council website. A decision is made by the Chair on the necessary steps to be taken to ensure the interests of the Fund are put first.
3.	Monitor investee companies.	The Fund's custodian produces monthly performance reports, whilst the Fund's advisor prepares quarterly performance reports which are reported at PIC. Fund managers also prepare

		quarterly reports, and attend PIC at least annually to update Members.
4.	Establish clear guidelines on when and how stewardship activities will be escalated.	The Fund has established a rebalancing policy; this has been reviewed and agreed by our investment advisors and forms part of the ISS. In addition to regular PIC meetings, officers are in regular communication with fund managers and will escalate any concerns about performance, strategy or governance to PIC.
5.	Be willing to act collectively with other investors where appropriate.	The Fund is willing to act in collective engagement and is actively committed to the LCIV for the pooling of its assets into centrally managed Funds.
6.	Have a clear policy on voting and disclosure of voting activity.	The Fund makes use of proxy voting, with the PIC having delegated the exercise of voting rights to fund managers in line with the ISS.
7.	Report periodically on stewardship and voting activities.	This annual report forms part of the Fund's periodic reporting on its Stewardship duties.

- 5.6. The Fund is also a member of the following bodies:
- a. Pensions and Lifetime Savings Association PSLA (formerly known as The National Association of Pension Funds NAPF).
 - b. Local Authority Pension Fund Forum (LAPFF)

Application of CIPFA Principles for Investment

- 5.7. The Fund is required to demonstrate compliance with CIPFA's Principles for Investment Decision Making, which reflect principles of good investment practice issued by government in response to the Myners review. Actions taken to comply with the principles are set out in the Investment Strategy Statement in Appendix B.

B. INVESTMENT PERFORMANCE

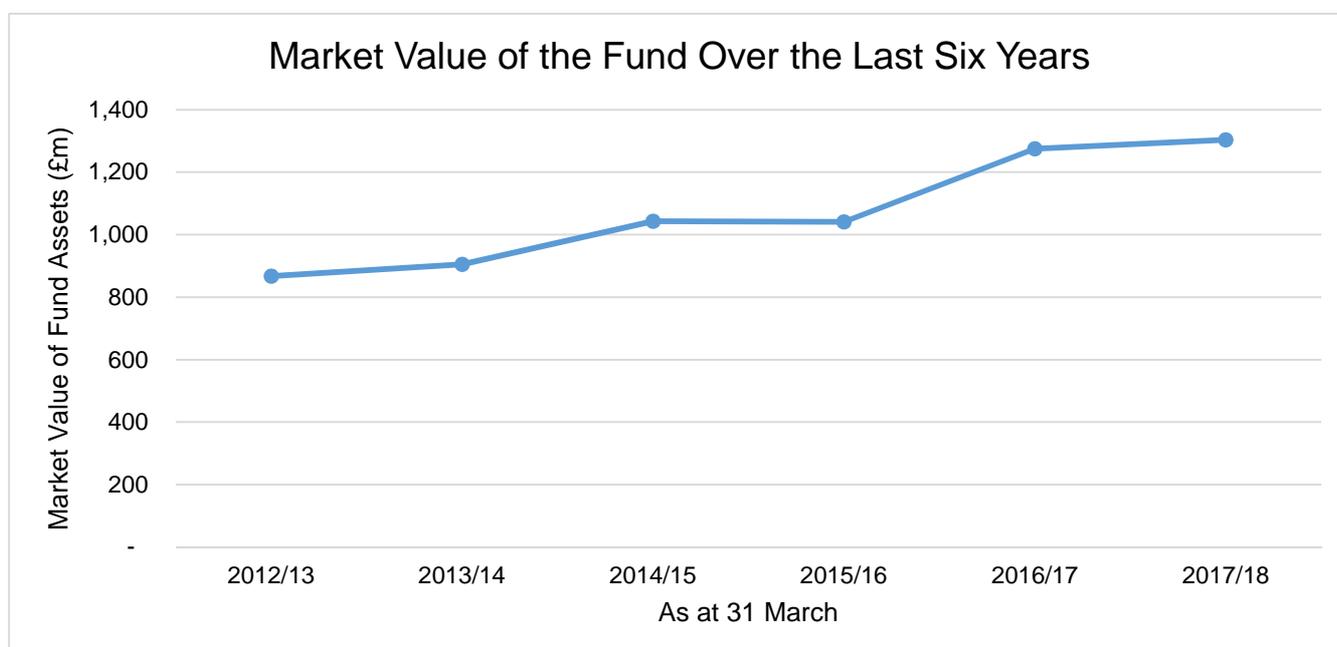
- 5.8. The investment objective is to ensure that the Fund's investments increase the likelihood that benefits will be paid to members as they fall due, by maximising investment returns over the long term within acceptable risk tolerances.
- 5.9. Since November 2012, the majority of the Fund has been under passive management (74% as at 31 March 2018). The investment strategy has previously been for a significant proportion of the Fund to be invested into growth assets. Following the 2016 valuation, the strategy has been adapted to seek a more diversified portfolio and reduce exposure to the volatility of equities. As at 31 March 2018 approximately 54% of the Fund was invested in passive equities, down from 66% as at 31 March 2017, which reflects the 12% disinvestment from equities during 2017/18 into alternative asset classes.
- 5.10. The Fund's asset allocation as at 31 March 2018 has seven managers with six mandates.

STRATEGIC ASSET ALLOCATION AS AT 31 MARCH 2018:

Mandate	2017/18			2016/17
	Asset Value £'000	Target Allocation %	Actual Allocation %	Actual Allocation %
Passive Equities and Bonds	962,789	74.0	73.9	85.8
Property	111,446	10.0	8.5	7.9
Diversified Growth/Targeted Returns	77,240	6.0	5.9	N/A
Private Equity	51,036	3.0	3.9	3.9
Multi-Asset Credit	27,717	3.0	2.1	N/A
Credit Financing	8,927	1.0	0.7	0.7
Cash and Net Current Assets	64,371	3.0	4.9	1.7
Total	1,303,526	100%	100%	100%

5.11. The differing short term performances of asset classes and fund managers inevitably results in the actual asset allocations deviating from their strategic targets over time. Periodically the Fund undertakes a re-balancing exercise to return to the agreed strategic allocation, whilst separate re-balancing arrangements are in place within the passive mandates as outlined within the ISS.

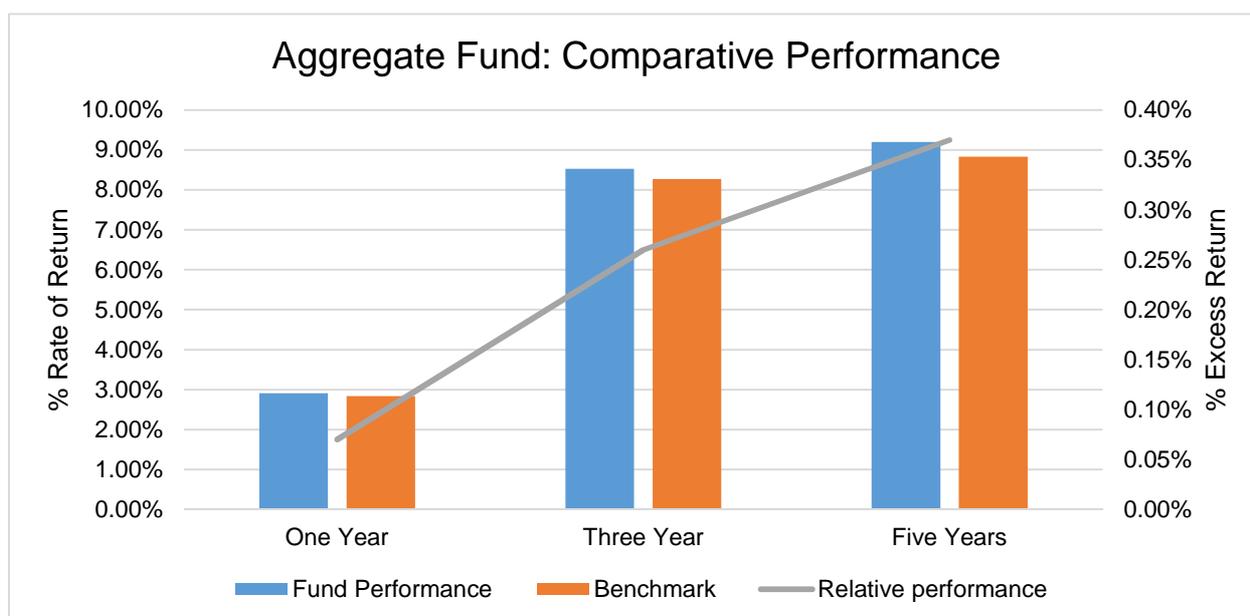
5.12. The graph below depicts the changing value of the Fund's assets as at 31 March over the last six years. The graph shows that the value of the Fund has been increasing year on year, apart from 2015/16 where there was a slight drop in value. The value of the Fund's total assets increased by approximately £29m during 2017/18.



5.13. The annualised return of the Fund's investments over the last 12 months was 2.9%, which was 0.1% above the benchmark return. Over the last five years, the Fund's investments absolute return is 9.2%, which is 0.4% above the benchmark return of 8.8% as depicted below:

AGGREGATE FUND – COMPARATIVE PERFORMANCE:

As at 31 March 2018	One Year %	Three Year %	Five Years %
Fund Performance	2.91	8.53	9.20
Benchmark	2.84	8.27	8.83
Relative performance	0.07	0.26	0.37



5.14. Individual fund managers' performance is assessed against customised benchmarks. The performance of each manager against their composite benchmark over the period of three years and their inception is as set out in the table below.

FUND MANAGER PERFORMANCE SUMMARY:

		Blackrock %	UBS %	Schroders %	Invesco %	HarbourVest %	Pemberton %	M&G %
1 year	Absolute	1.81	1.63	10.51	N/A	3.22	N/A	1.20
	Benchmark	1.66	1.65	11.01	N/A	1.80	N/A	0.36
	Relative	0.15	(0.02)	(0.50)	N/A	1.42	N/A	0.84
3 years	Absolute	7.03	7.36	7.86	N/A	13.43	N/A	2.28
	Benchmark	6.81	6.83	8.92	N/A	10.65	N/A	0.43
	Relative	0.22	0.53	(1.06)	N/A	2.78	N/A	1.85
Since Inception*	Absolute	9.53	8.75	4.87	0.31	9.13	(0.42)	3.02
	Benchmark	9.33	8.35	5.80	2.68	8.92	1.60	0.55
	Relative	0.20	0.40	(0.93)	(2.37)	0.21	(2.02)	2.47

*Blackrock Nov 2012; UBS Nov 2012; Schroders Oct 2004; Invesco Sep 2017; HarbourVest Dec 2006; Pemberton Jan 2018; M&G May 2010.

5.15. The table above shows that there has been a varied performance over time, with some fund managers consistently performing well in comparison to their benchmark. It is to be noted that Blackrock and UBS are both passive funds which track their composite benchmarks instead of

actively trying to outperform them, whilst HarbourVest and M&G hold relatively small proportions of the Fund. Invesco and Pemberton were new funds in the year, hence the lack of historical performance data. The PIC continues to monitor the performance of all fund managers on a quarterly basis via the reports it receives from the Fund's advisors. In addition, each manager is invited to discuss their performance at Committee meetings annually, and where necessary explain strategies for improvement.

5.16. A description of the benchmark for each fund manager is set out below.

FUND MANAGER BENCHMARKS:

Manager	Mandate	Performance Target
BlackRock	Mixed Passive Mandate	Index Tracker Funds depending on market and asset class; performance will correspond to the average return.
UBS	Mixed Passive Mandate	Index Tracker Funds depending on market and asset class; performance will correspond to the average return.
Schroders	Property	To outperform the Investment Property database (IPD) UK Quarterly Property Fund Index All Balanced Funds Weighted Average by 0.75% per annum, over a three year rolling period net of fees.
Invesco	Diversified Growth/Targeted Returns	The Fund targets a gross return of 5% per annum above UK three month London Inter-Bank Offer Rate (LIBOR), over a three year rolling period.
HarbourVest	Private Equity	To outperform the Morgan Stanley Capital International (MSCI) World Index by 5% over a five year rolling period, net of fees.
Pemberton	Multi-Asset Credit	The fund targets a gross Internal Rate of Return (IRR) of 7-8%.
M & G	Credit Financing	One month LIBOR + 4-6%, net of fees.

5.17. The value of assets under management (AUM) by asset class and fund manager is shown in the Pension Fund Accounts in Appendix A.

5.18. The Pension Fund's top equity and unit trust holdings are also shown in the Pension Fund Accounts in Appendix A, under Section 5 - Investment Analysis.

6 SCHEME ADMINISTRATION REPORT

A. SCHEME ADMINISTRATION / PENSIONS ADMINISTRATION AND ASSURANCE

- 6.1. Scheme member administration and pensioner administration is undertaken by our in-house Pensions team. Scheme administration is audited annually. A copy of the internal report can be provided upon request.

B. INTERNAL DISPUTE PROCEDURE

- 6.2. The Local Government Pensions Scheme Regulations 2013 set out a two-stage 'Internal Dispute Resolution Procedure' (IDRP). The Fund's internal dispute resolution procedure is shown below:
- 6.3. Stage one: the member's complaint is referred to the Executive Director of Resources and Regeneration, who is nominated by the London Borough of Lewisham to act as an independent referee. Any decision made must be given in writing.
- 6.4. If the member is dissatisfied with the stage one decision, they can take the matter to stage two of the IDRP.
- 6.5. Stage two: the stage one decision is reviewed by the Head of Legal Services who is nominated by the London Borough of Lewisham to act as an independent referee.
- 6.6. There are time limits associated with each stage of the procedure, both for the applicant and the adjudicator. Appeals must normally be made within six months of the date of the decision that is being challenged and the adjudicator must normally give written notice of their decision within three months of the receipt of the appeal.
- 6.7. At any stage of the process, or before the process begins, the member can seek help and advice from The Pensions Advisory Service (TPAS). The Pensions Advisory Service is an independent non-profit organisation that provides free information and guidance to members of the public on pension matters generally. They can also help to resolve disputes and complaints about private pension arrangements (workplace pensions, personal pensions and stakeholder pensions).
- 6.8. Lewisham Pension Fund did not have any disputed cases in 2017/18.

7 ACTUARIAL REPORT ON FUND

- 7.1. The Regulations require that every three years all Local Government Pension Schemes be subject to actuarial review. The actuarial review sets assumptions about the level of investment returns, life expectancy and other relevant factors to determine the assets and liabilities of the Fund and the corresponding funding level.
- 7.2. The last revaluation was undertaken in March 2016; a link to the Executive Summary of the valuation report is provided in Appendix C. The full version is available on the Lewisham Pensions website at www.lewishampensions.org. The actuarial review assessed the Fund as being 78% funded; this represents an increase of 7% in the funding level since the last valuation in 2013.
- 7.3. The 2016 valuation resulted in the actuary assessing Lewisham's employers' contribution rate to provide for future pensions entitlements (the Future Service Rate) to be a minimum of 17.6% for financial years 2017/18 through to 2019/20, plus a lump sum component increasing year on year.
- 7.4. Lewisham set an employer contribution rate of 22.5% for 2017/18, which will remain unchanged in 2018/19. It paid a lump sum employer contribution of £2.5m in 2016/17, and will evaluate the need for further lump sum payments in 2018/19.
- 7.5. The next triennial valuation will take place as at the end of March 2019.

8 FUND GOVERNANCE

A. GOVERNANCE STRUCTURE

- 8.1. Lewisham's Annual Governance Statement has been adopted by the PIC.
- 8.2. Article 9 of the Council's Constitution sets out the composition and terms of reference of the Pensions Investment Committee, to exercise all functions of the Council in relation to local government pensions under Section 7, 12 or 24 Superannuation Act 1972 and all other relevant pension legislation. This includes:
- review with fund managers the investment performance of the Fund's assets on a quarterly basis;
 - to examine the portfolio of investments, and its market value, at the end of each quarter for suitability and diversification;
 - to inform fund managers of the Council's policy regarding investment of its funds, and to take advice on the possible effect on performance resulting from implementing the policy;
 - to review from time to time the appointment of fund managers;
 - to determine the overall investment strategy and policies of the Fund, taking account of professional advice; and
 - responsibility for compliance with the six Myners principles set out in CIPFA's "Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom 2012" and all other relevant guidance in relation to the Local Government Pension Scheme in force and issued by CIPFA from time to time.
- 8.3. Responsibility for day-to-day administration and preparation of the Pension Fund accounts and annual report has been delegated to the Executive Director for Resources and Regeneration.
- 8.4. Details of the Council's Code of Corporate Governance is set out in Part V of the Council's Constitution which is available at:
<https://www.lewisham.gov.uk/mayorandcouncil/aboutthecouncil/how-council-is-run/Documents/Constitution.pdf>
- 8.5. The Council's latest Annual Governance Statement is available with the main Council Statement of Accounts at the following link:
<https://www.lewisham.gov.uk/mayorandcouncil/aboutthecouncil/finances/Documents/StatementOfAccounts17-18.pdf>

B. MEMBERSHIP – PENSIONS INVESTMENT COMMITTEE

- 8.6. The Pensions Investment Committee comprises eight Members of the Council who have voting rights. The Committee meets at least four times a year. At the start of each meeting Committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda. The Committee takes advice from its independent investment consultant (Hymans Robertson) and permits attendance from non-voting observers

comprised of pensioners, admitted and scheduled bodies, union officials, and members of the Local Pension Board.

- 8.7. The following table sets out attendance by the eight Councillors who were Members of the Pensions Investment Committee for the four scheduled meetings in 2017/18. Each Councillor has one vote with the Chair having the casting vote.

Member	22 Jun 2017	5 Sep 2017	14 Nov 2017	8 Feb 2018
Cllr. Ingleby (Chair)	✓	✓	✓	✓
Cllr. Hooks (Vice- Chair)	✓	✓	✓	✓
Cllr. Best	Apologies	Apologies	✓	Apologies
Cllr. Johnston-Franklin	Apologies	✓	✓	✓
Cllr. Maslin	Apologies	Apologies	✓	✓
Cllr. Milne	✓	Apologies	Apologies	Apologies
Cllr. Muldoon	✓	✓	✓	✓
Cllr. Ogunbadewa	✓	✓	✓	✓

Member Training

- 8.8. Members attend training events and conferences to develop and maintain the relevant skills required as set out in the CIPFA Knowledge and Skills framework. The framework covers six key areas:

- 1) Legislative and governance framework
- 2) Accounting and auditing standards
- 3) Procurement of financial services and relationship management
- 4) Investment performance and risk management
- 5) Financial markets and investment products knowledge
- 6) Actuarial methods, standards and practices

- 8.9. During 2017/18 Members notified officers of their attendance at the following training sessions and events:

Date	Description	Provider	Members
20 April 2017	Absolute Return Strategies for DB Pension Schemes	SPS Conferences	Cllr Muldoon
27 April 2017	'Build-to-Rent' - Impact Fund	Invesco	Cllrs Ingleby, Muldoon
22 June 2017	Alternative Credit Briefing (PIC)	Hymans Robertson	Cllrs Hooks, Ingleby, Milne, Muldoon, Ogunbadewa
22 June 2017	Investment Beliefs (PIC)	Hymans Robertson	Cllrs Hooks, Ingleby, Milne, Muldoon, Ogunbadewa
31 August 2017	Alternative Credit and Private Debt Investing for Pension Funds	SPS Conferences	Cllr Ingleby

Date	Description	Provider	Members
19 September 2017	Low Carbon Workshop	LCIV	Cllr Ingleby
27 September 2017	The Future of Corporate Pensions	Pensions Investment Academy	Cllr Muldoon
28 September 2017	Finding Yield Amid Uncertainty	Financial Times Live	Cllr Muldoon
03 October 2017	Infrastructure Training Sessions	Hymans Robertson	Cllrs Ingleby, Muldoon
23 November 2017	Local Government Pensions Scheme in Flux: Investment Issues and Solutions	SPS Conferences	Cllr Muldoon
29 November 2017	The Future for Active Pension Fund Investment	Pensions Investment Academy	Cllr Muldoon
24 January 2018	Cash Flow Management Challenges for Pension Funds	Pensions Investment Academy	Cllr Muldoon
21 March 2018	Should Trustees be Involved in Making Investment Decisions?	Pensions Investment Academy	Cllr Muldoon
22 March 2018	Social Infrastructure Investment Opportunities for Local Government Pension Schemes	Franklin Templeton Investments	Cllr Muldoon

- 8.10. Members are also aware of their obligations under the Markets in Financial Instruments Directive (MIFID) II, under which the Fund has opted up to professional status with its fund managers and relevant service providers, committing to develop and maintain their knowledge of the LGPS in order to preserve the Fund's professional client status.
- 8.11. Members are provided with a schedule of suggested training events and conferences throughout the year, provided at each quarterly meeting of PIC. The events are intended to cover a range of skillsets and provide insight as appropriate to the needs of Members and the broader developing strategic direction of the Fund.
- 8.12. In addition, the Fund's advisors present training on relevant topics both within PIC meetings and as separate events; these cover a wide range of subjects, from the impact of legislative changes to asset specific training.
- 8.13. Members are recommended, where they have not already, to make use of and complete the Pension Regulator's online toolkit for Trustees.
- 8.14. Members also bring their professional experience to their roles on the Investment Committee; for example, one 2017/18 Member is a lawyer in financial services with specialism in life insurance and pensions and continues to develop these skills as part of their CPD requirements, whilst another is a financial advisor working in pensions-related areas and has served as a Shadow Member on the LGPS Scheme Advisory Board. The Chair also attends regular meetings at LCIV to represent the Fund's interests.

9 REPORT FROM THE LOCAL PENSION BOARD

Introduction

- 9.1. The Board has an important role of assisting the Administering Authority with the efficient management of the Fund and ensuring its compliance with legislation and best practice. Following the appointment of a new Chair in December 2017, the Board met twice in the year and once subsequently. Its focus has been on:
- developing a common understanding of its role;
 - agreeing its ways of working;
 - enhancing its understanding of the arrangements put in place by the Administering Authority, including through attendance of members of the Board at meetings of the Pensions Investment Committee;
 - agreeing the terms of a baseline assessment of the Administering Authority's compliance with legislation and best practice; and
 - ensuring that appropriate arrangements are put in place for developing and maintaining the knowledge and understanding of members of the Board.
- 9.2. Further information about the Board and its operation is available on the Council's website at the following link:
<http://councilmeetings.lewisham.gov.uk/ieListMeetings.aspx?CIId=353&Year=0>
and on the Fund's website at the following link:
<http://www.lewishampensions.org/lewisham-pension-fund/about-us/local-pension-board/>

Membership of the Board

- 9.3. The Board consists of five members; two employer representatives, two member representatives, and an Independent Chair.

Stephen Warren	Independent Chair (Non-Voting)	
Adam Bowles	Employer Representative	Head of Organisational Development & Human Resources, Lewisham Council
Adam Barrett	Employer Representative	Director of Resources, Lewisham Homes
Elizabeth Sclater	Member Representative	Pensioner Member
Vacant	Member Representative	-

- 9.4. All four members appointed to the Board attended both meetings of the Board held in the year. One member representative position is vacant and the Council would be very keen to hear from any member who would be interested in serving on the Board. This is an important opportunity to contribute to the efficient management of the Fund.

Knowledge and Understanding

- 9.5. Relevant training via attendance at external events is made available to members of the Board. A record of training, including completion of the Pension Regulator's Toolkit, is maintained.

Work Programme for the Future

- 9.6. The Board has agreed that:
- it will schedule four meetings a year;
 - it will adopt a cyclical report that will allow it to review over the course of the year compliance with relevant legislation and Codes of Practice issued by the Pensions Regulator.
 - The scope and nature of its work will be informed by a baseline assessment commissioned from a third party and its assessment of risk.

10 FUND ACCOUNT, NET ASSETS STATEMENT AND NOTES

- 10.1. The Pension Fund accounts, prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, were approved by Council on 18 July 2018 and have been audited by the Council's external auditors Grant Thornton. The Accounts are set out in Appendix A.

11 FUNDING STRATEGY STATEMENT

- 11.1. The Fund has a Funding Strategy Statement (FSS) which details the Fund's approach to funding its liabilities. The FSS is reviewed in detail at least every three years in line with the triennial valuation, and was last updated as at 1 April 2017. The Statement can be accessed at the following link: www.lewishampensions.org/lewisham-pension-fund/about-us/forms-and-publications/.
- 11.2. The FSS is developed by the Council in conjunction with the Fund's actuary, Hymans Robertson, and after consultation with employers. The FSS sets out any changes in the Fund's liabilities and obligations to pay pensions in the coming years, and how those liabilities are funded by investments and contributions. The FSS has links to the Investment Strategy Statement.
- 11.3. The purpose of the FSS is to:
- establish a clear and transparent strategy which will identify how employers' pension liabilities are best met going forward;
 - support the regulatory framework to maintain as nearly constant employer contribution rates as possible; and
 - take a prudent longer-term view of funding those liabilities.

- 11.4. The statement sets out how the Administering Authority has balanced the conflicting aims of affordability of contributions, transparency of processes, stability of employers' contributions, and prudence in the funding basis.
- 11.5. The Administering Authority normally targets the recovery of any deficit over a period not exceeding 20 years. The funding basis adopts an asset outperformance assumption of 1.8% per annum over and above the redemption yield in index-linked gilts at the time of the 2016 valuation.
- 11.6. The Fund has an active risk management programme in place. The measures that the Administering Authority has in place to mitigate key risks are summarised in the FSS under the following headings:
- financial;
 - demographic
 - regulatory; and
 - governance
- 11.7. The 2016 valuation specified the minimum employer contributions, expressed as a percentage of pensionable pay and shown in the Rates and Adjustment certificate, as follows:

Employer/Pool Name	Total Contribution Rate (%/£)		
	2017/18	2018/19	2019/20
LB Lewisham	17.6% plus £6,100,000	17.6% plus £6,300,000	17.6% plus £6,400,000
Christ The King Sixth Form College	18.5% plus £93,000	18.5% plus £93,000	18.5% plus £93,000
Haberdashers' Aske's Knights Academy	17.9% plus £170,000	17.9% plus £170,000	17.9% plus £170,000
Lewisham Homes	21.0%	20.0%	19.0%
St Matthew's Academy	19.6%	18.6%	17.6%
Tidemill Academy	22.0%	22.0%	22.0%
NSL	22.8%	22.8%	22.8%
Wide Horizons	14.6%	14.6%	14.6%
Phoenix Community Housing	18.4%	16.4%	14.4%
Blenheim CDP	15.0%	15.0%	15.0%
Skanska	21.1%	19.1%	17.1%
3 C's Support	0.0%	0.0%	0.0%
One Housing	22.0% plus £13,000	22.0% plus £13,000	22.0% plus £13,000
Fusions Leisure Management	24.0%	24.0%	24.0%
Pre-School Learning Alliance	18.6%	15.6%	12.6%
Chartwells	25.7%	25.7%	25.7%

Employer/Pool Name	Total Contribution Rate (%/£)		
	2017/18	2018/19	2019/20
Chequers Contract Services – Lee Manor	14.9%	11.9%	8.9%
Change Grow Live	18.0%	18.0%	18.0%
Quality Heating	0.0%	0.0%	0.0%
Phoenix	20.4%	20.4%	20.4%

12 INVESTMENT STRATEGY STATEMENT

12.1. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require that administering authorities prepare, maintain and publish an Investment Strategy Statement (ISS) in accordance with the Regulations. The Statement must include the following:

- a requirement to invest money in a wide variety of investments;
- the authority's assessment of the suitability of particular investments and types of investments;
- the authority's approach to risk, including the ways in which risks are to be measured and managed;
- the authority's approach to pooling investments, including the use of collective investment vehicles and shared services;
- the authority's policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and
- the authority's policy on the exercise of rights (including voting rights) attaching to investments.

12.2. Appendix B sets out the ISS for the Fund as at September 2018, which as well as the considerations above includes the Fund asset allocation, rebalancing policy, and compliance with CIPFA's Principles for Investment Decision Making.

13 COMMUNICATIONS POLICY STATEMENT

13.1. Pension Funds are required to prepare, maintain and publish a written statement of their policy concerning communication with members, representatives of members and employing authorities. Lewisham's most recently published Communications Statement is available at the following link: www.lewishampensions.org/lewisham-pension-fund/about-us/forms-and-publications/.

13.2. The statement should contain a commentary on how the Fund has met the commitments set out in the Communications Policy Statement, which it is required to publish under the provisions of Regulation 61 of The Local Government Pension Scheme Regulations 2013. In particular:

- how scheme information has been provided to members, their representatives and employers,

- in what format it is presented, how frequently it is presented, and the method of distributing information, and;
- the steps the Fund has taken to promote scheme membership to prospective members and their employers.

14 ADDITIONAL DATA

14.1. To assist in the production of the scheme annual report compiled by the LGPS Scheme Advisory Board, Funds are required to include the following:

14.2. A summary of the number of employers in the Fund analysed by scheduled bodies and admitted bodies which are active (with active members) and ceased (no active members).

	Active	Ceased	Total
Scheduled Bodies	5	1	6
Admitted Bodies	18	2	20
Total	23	3	26

14.3. An analysis of Fund assets as at the reporting date, analysed as follows:

Asset Class	UK £m	Non-UK £m	Total £m
Equities	409	313	722
Bonds	169	84	253
Property	108	0	108
Alternatives	78	57	135
Cash	86	0	86
Net Current Assets	0	0	0
Total	850	454	1,304

14.4. An analysis of investment income accrued during the reporting year, analysed as follows:

Asset Class	UK £000	Non-UK £000	Total £000
Equities	216	0	216
Bonds	518	688	1,206
Property	4,728	0	4,728
Alternatives	0	349	349
Cash	95	0	95
Total	5,557	1,037	6,594

15 INDEPENDENT AUDITOR'S CONSISTENCY REPORT

IN PROGRESS

Appendix A – 2017/18 Pension Fund Accounts

**PENSION
FUND
ACCOUNTS**

2017/18

PENSION FUND

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LONDON BOROUGH OF LEWISHAM

Opinion

We have audited the pension fund financial statements of the London Borough of Lewisham (the 'Authority') for the year ended 31 March 2018, which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2018 and of the amount and disposition at that date of the fund's assets and liabilities,;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the pension fund of the Authority in accordance with the ethical requirements that are relevant to our audit of the pension fund financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Executive Director for Resources and Regeneration's use of the going concern basis of accounting in the preparation of the pension fund financial statements is not appropriate; or

PENSION FUND

- the Executive Director for Resources and Regeneration has not disclosed in the pension fund financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the pension fund financial statements are authorised for issue.

Other information

The Executive Director for Resources and Regeneration is responsible for the other information. The other information comprises the information included in the pension fund financial statements, the Narrative Report by the Executive Director for Resources and Regeneration and the Annual Governance Statement, other than the pension fund financial statements, our auditor's report thereon and our auditor's report on the Authority's financial statements. Our opinion on the pension fund financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the pension fund financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the pension fund financial statements or our knowledge of the pension fund of the Authority obtained in the course of our work or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the pension fund financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the pension fund financial statements, the other information published together with the pension fund financial statements in the Statement of Accounts, the Narrative Report by the Executive Director for Resources and Regeneration and the Annual Governance Statement for the financial year for which the pension fund financial statements are prepared is consistent with the pension fund financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

PENSION FUND

Responsibilities of the Authority, the Executive Director for Resources and Regeneration and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director for Resources and Regeneration. The Executive Director for Resources and Regeneration is responsible for the preparation of the Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view, and for such internal control as the Executive Director for Resources and Regeneration determines is necessary to enable the preparation of pension fund financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the pension fund financial statements, the Executive Director for Resources and Regeneration is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the pension fund lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the pension fund.

The Audit Panel is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the pension fund financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these pension fund financial statements.

A further description of our responsibilities for the audit of the pension fund financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Paul Grady

Paul Grady

for and on behalf of Grant Thornton UK LLP, Appointed Auditor

30 Finsbury Square
London
EC2A 1AG

28 September 2018

PENSION FUND

PENSION FUND ACCOUNTS

FOREWORD

This Pension Fund Statement of Accounts details the financial position and performance of the Lewisham Pension Fund for the year 2017/18.

The Pension Fund's value increased over the year by £29m (2.3%), a year which saw the Fund initiate a rebalancing exercise by selling a proportion of its equity holdings to reinvest in alternative asset classes, being diversified growth and multi-asset credit, in line with the Fund's agreed Investment and Funding Strategies following the triennial valuation of 2016.

INTRODUCTION

The London Borough of Lewisham Pension Fund ('the Fund') is part of the Local Government Pension Scheme. The Fund is a contributory defined benefit pension scheme administered by the London Borough of Lewisham to provide benefits to London Borough of Lewisham employees and former employees and admitted and scheduled bodies. These benefits include retirement allowances and pensions payable to former employees and their dependants, lump sum death gratuities and special short-term pensions. The Fund is financed by income from investments and contributions from employees, the Council and other admitted and scheduled bodies.

ORGANISATION

The fund is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation (referred to henceforth as the Regulations):

- The Local Government Pension Scheme Regulations 2013 (as amended);
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended); and
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

Formal responsibility for investment management of the Pension Fund is delegated to the Council's Pensions Investment Committee (PIC), which appoints and monitors external investment managers. Each investment manager has an individual performance target and benchmark tailored to balance the risk and return appropriate to the element of the Fund they manage. The investment managers also have to consider the PIC's views on socially responsible investments. Details of the Socially Responsible Investment policy are contained in the Investment Strategy Statement (see web address below).

The Pension Board operates independently of PIC and assists the administering authority in securing compliance with the Regulations and any other legislation relating to the governance and administration of the Scheme. Further information about the Board, together with its Terms of Reference, can be found at the website further below.

The Pension Fund administration is managed by a small in-house team, which is also responsible for other areas of work such as redundancy payments, gratuities and teachers compensation.

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A statement of the Fund's corporate governance, Funding Strategy and Investment Strategy can be found on the authority's pensions website, at the following address:

www.lewishampensions.org

ACCOUNTING POLICIES

The Pension Fund accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of the obligations to pay pensions and benefits which fall due after the end of the financial year. In respect of future obligations, the actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis.

The Local Government Pension Scheme (Administration) Regulations 2013 requires administering authorities in England and Wales to prepare a Pension Fund Annual Report which must include the Fund Account and a Net Assets Statement with supporting notes prepared in accordance with proper practices. The Regulations summarise the Pension Code and the minimum disclosure requirements.

The date for publishing the Pension Fund Annual Report is on or before 1 December following the end of the financial year. The Council will be taking its Annual Report to its Pensions Investment Committee later in the year to comply with this deadline.

A summary of the significant accounting policies and the basis of preparation of the accounts are shown below:

- (a) Fund Assets at 31 March 2018 – the below table outlines the fund managers, asset classes, and values of those assets held by the fund as at 31 March 2018:

Fund Manager	Asset	Asset Value 31 March 2018	Proportion of the Fund	Asset Value 31 March 2017
		£'000	(%)	£'000
Blackrock	Passive Equity and Bonds	484,194	37.2	549,121
UBS	Passive Equity and Bonds	478,595	36.7	544,085
Schroders	Property	111,446	8.5	100,946
Invesco	Diversified Growth/Targeted Returns	77,240	5.9	0.0
Pemberton	Multi-Asset Credit	27,717	2.1	0.0
HarbourVest	Private Equity	51,036	3.9	49,481
M&G	Credit	8,927	0.7	8,822
Securities Lending	Securities Lending	122	0.0	119
Unallocated Funds	Cash	64,809	5.0	18,662

PENSION FUND

Lewisham	Cash in Hand and Net Current Liabilities	(560)	0.0	3,333
Total Fund Assets		1,303,526	100.0	1,274,569

- (b) Basis of Preparation - The accounts have been prepared on an accruals basis (i.e. income and expenditure attributable to the financial year have been included) even where payment has not actually been made or received, except Transfer Values which are prepared on a cash basis. The financial statements do not take account of liabilities to pay pensions and other benefits due after the period end; these are reported upon separately in the Actuary's report and reflected in the Council's income and expenditure account. The accounts are prepared on a going concern basis for accounting purposes
- (c) Investments - Investments in the Net Assets Statement are shown at Fair Value, the basis of measurement being market value based on bid prices, as required by IAS 26 Retirement Benefit Plans outlined in the 2017/18 Local Authority Code of Practice and in accordance with the provisions of IAS 39 Financial Instruments: Recognition and Measurement. The market value of equity investments is based on the official closing data, in the main, with last trade data being used in a small number of countries. Unlisted equities are quoted based on last trade or official closing price. Northern Trust, the Fund's custodian, sets out its pricing policies in a document entitled "Asset pricing guidelines" which details its pricing process and sets out preferred pricing sources and price types.
- (d) The change in market value of investments during the year comprises all increases and decreases in market value of investments held at any time during the year, including profits and losses realised on the sale of investments during the year.
- (e) Income - Dividend income earned from equity and bonds with BlackRock is reinvested and not repaid directly to the fund as cash, but from UBS is repaid to the Fund. Interest income is recognised in the Fund as it accrues. Any amount not received by the end of the accounting period will be disclosed in the note on Debtors and Creditors.
- (f) Private equity investments are valued in accordance with United States generally accepted accounting principles, including FAS 157, which is consistent with the International Private Equity and Venture Capital Valuation Guidelines. These guidelines set out that all investments are carried at fair value and they recommend methodologies for measurement. Due to timing differences in the valuation of this investment, the value carried in the accounts as at 31 March 2018 is the actual fair value using the latest available valuation on or after 31 December 2017, plus an estimated valuation for the period up to 31 March 2018.
- (g) Property – The Fund does not have any direct investments in property, but does use a property Fund of Funds manager, Schroders, to invest in pooled property/unit trust funds. The Schroders funds are all currently valued at least quarterly. The majority of property assets to which the fund has exposure are located in the UK. They are valued in accordance with the Royal Institution of Chartered Surveyors' Valuation Standards at Fair Value based on their Open Market Value (OMV).

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The only non-UK fund is the Real Continental European Fund. The net asset value is derived from the net asset value of the underlying funds. Like the UK, the values of the underlying assets are assessed by professionally qualified valuers. Valuation practices will differ between countries according to local Generally Accepted Accounting Practices. The frequency of independent valuations varies. All the property funds are independently valued on a rolling basis at least annually.

- (h) Financing Fund - The fair value of the M&G fund is based on different pricing policies depending on the instrument being valued. The fund is close to maturity with debt instruments being repaid; at this stage of its life fund valuations are based on the manager's own internal valuation model which makes use of discounted cash flows. Due to timing differences in the valuation of this investment, the value carried in the accounts as at 31 March 2018 is the actual fair value using the latest available valuation on or after 31 December 2017, plus an estimated valuation for the period up to 31 March 2018.
- (i) Diversified Growth/Targeted Returns Fund – The pension fund is allocated notional units in the Invesco fund based on its overall contribution. Units will be valued on every business day in which units are created and realised. The value given to the fund's assets will be the recognised market quotation; if this is not available, the latest independent valuation will be used. Where no independent valuation can be used, the value will be determined by the manager in such manner as it deems appropriate.
- (j) Multi-Asset Credit Fund – the Pemberton private debt fund is valued at Fair Value using external benchmarks such as the equity values of comparable companies to borrowers, credit default swap or commodity price movements and macro-economic data.
- (k) Contributions – These represent the total amounts received from the employers and employees within the scheme. From 1 April 2017 the employee contribution bands (revised annually in line with inflation) are as follows:

Full time pay for the post	Contribution rate 2017/18
Up to £13,700	5.5%
£13,701 to £21,400	5.8%
£21,401 to £34,700	6.5%
£34,701 to £43,900	6.8%
£43,901 to £61,300	8.5%
£61,301 to £86,800	9.9%
£86,801 to £102,200	10.5%
£102,201 to £153,300	11.4%
More than £153,301	12.5%

The employer's contribution is reviewed every three years and is determined by the fund's Actuary as the rate necessary to ensure that the Fund is able to meet its long-term liabilities. This is assessed at each triennial actuarial revaluation. The employer's contribution rate for 2017/18 is 22.5% and for 2018/19 it will remain unchanged.

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- (l) Benefits – Benefits payable are made up of pension payments and lump sums payable to members of the Fund upon retirement and death. These have been brought into the accounts on the basis of all valid claims approved during the year.
- (m) Transfer Values – Transfer values are those sums paid to, or received from, other pension schemes relating to periods of previous pensionable employment. Transfer values are calculated in accordance with the Local Government Pension Scheme Regulations and have been brought into the accounts on a cash basis.
- (n) Taxation – The fund is a registered public service scheme under section (1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as an expense as it arises.
- (o) VAT – By virtue of Lewisham Council being the administering authority, VAT input tax is recoverable on fund activities. Any irrecoverable VAT is accounted for as an expense.
- (p) Actuarial – The adequacy of the Fund's investments and contributions in relation to its overall and future obligations is reviewed every three years by an Actuary appointed by the Council. The Council's Actuary, Hymans Robertson, assesses the Fund's assets and liabilities in accordance with Regulation 77 of the Local Government Scheme Regulations 1997. The contribution rate required for benefits accruing in future is assessed by considering the benefits which accrue over the course of the three years to the next valuation.

The most recent triennial valuation carried out under Regulation 36 of the LGPS (Administration) Regulations 2008 was as at 31 March 2016.

Some of the triennial valuation financial assumptions made, with comparison to the previous valuation, are presented in the table below:

Financial assumption	March 2016 %	March 2013 %
Discount Rate	4.0	4.6
Price Inflation (CPI*)	2.1	2.5
Pay Increases	2.9	4.3
Pension Increase:		
Pension in excess of GMP**	2.1	2.5
Post - 88 GMP	2.1	2.5
Pre - 88 GMP	0.0	0.0
Revaluation of Deferred Pension	2.1	2.5
Expenses	0.6	0.7

* Consumer Price Index

** Guaranteed Minimum Pension

With effect from the 1 April 2016, the actuarial review carried out for 31 March 2013 resulted in increases to the Council's contribution rate up to 22.5%.

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The triennial valuation on the 31 March 2016 revealed that the Fund's assets, which at 31 March 2016 were valued at £1,041 million, were sufficient to meet 78% (71% in 2013) of the past service liabilities valued at £1,328 million (£1,215 million in 2013) accrued up to that date. The resulting deficit as at the 2016 valuation was £288 million (£348 million in 2013).

- (q) Actuarial Present Value of Promised Retirement Benefits - The Actuary has calculated the actuarial present value of future retirement benefits (on an IAS 26 basis) to be £1,871m as at 31 March 2018 (£1,847m as at 31 March 2017).
- (r) Investment Management and Administration - paragraph 42 of the Local Government Pension Scheme (Administration) Regulations 2008, permit the Council to charge the scheme's administration costs to the Fund. A proportion of relevant Council officers' salaries, including related on-costs, have been charged to the Fund on the basis of actual time spent on scheme administration and investment-related business. The fees of the Fund's general investment managers are charged on a quarterly basis and are generally calculated as a set percentage of the market value funds under management as at the end of those quarters. Some managers invoice fees, others deduct fees from asset holdings; in the latter instance, the fees are added back to the accounts to accurately reflect the management expense.
- (s) Foreign currency transactions are made using the WM/Reuters exchange rate in the following circumstances:
- Purchase and sales: the foreign exchange rate applicable on the day prior to the trade date is used.
 - Stock holdings: all holdings valuations are made using the WM/Reuters close of previous business day.
 - Dividend receipts: the rate applicable on the day prior to the date the dividend received is used.
- (t) Commitments - Where capital committed to investments is not fully drawn down at the end of the financial year the outstanding commitment is not included in the net asset statement but is referred to in the notes to the accounts; please see note 11.
- (u) Financial Instruments –
- (i) Financial Liabilities are recognised on the Net Asset Statement when the Fund becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost.
- (ii) Financial Assets are recognised on the Net Asset Statement when the Fund becomes a party to the contractual provisions of a financial instrument. Financial Assets are classified into two types:
- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; and
 - Fair value through profit or loss – assets that are held for trading.
- (v) Critical judgements in applying accounting policies and assumptions made about the future and other major sources of estimation uncertainty – The statement of accounts contain critical judgements in applying accounting policies and estimated figures based on assumptions made by the authority about the future or that are

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otherwise uncertain. There are two areas in the accounts where critical judgements are applied which are materially significant to the accounts:

- Actuarial present value of promised retirement benefits – the figure of net liability to pay pensions is based on a significant number of assumptions including the discount rate, mortality rates and expected returns on fund assets. The Pension Fund’s qualified actuary calculates this figure to ensure the risk of misstatement is minimised.
- Private Equity valuations – the value of the Fund’s private equity holdings is calculated by the General Partners of the fund on the basis of their Valuation Policy, which follows best practice in the industry. However this is based upon a 31 December audited accounts valuation adjusted for estimated distributions and capital calls up to 31 March. Other mandates such as the diversified growth and multi-asset credit funds also adopt their own valuation policies when other quoted or comparable inputs are unavailable.

(w) Additional Voluntary Contributions (“AVCs”)

Members of the Fund are able to make AVCs in addition to their normal contributions. The related assets are invested separately from the main fund, and in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, are not accounted for within the financial statements. If on retirement members opt to enhance their Scheme benefits using their AVC funds, the amounts returned to the Scheme by the AVC providers are disclosed as transfers-in. Further details about the AVC arrangements are disclosed in note 13 to the financial statements.

PENSION FUND
FUND ACCOUNT FOR THE YEAR

The fund account shows the surplus or deficit on the fund for the year.

<u>FUND ACCOUNT FOR THE YEAR ENDED</u> <u>31 MARCH 2018</u>	2017/18 £'000	2016/17 £'000	Note
<u>DEALINGS WITH MEMBERS,</u> <u>EMPLOYERS AND OTHERS DIRECTLY</u> <u>INVOLVED WITH THE SCHEME</u>			
Contributions Receivable:			
- from Employers	30,417	33,411	1
- from Employees	9,211	9,099	1
- Reimbursement for Early Retirement	609	955	
Transfer Values In	6,136	2,123	
Other Income	30	72	
Subtotal: Income	46,403	45,660	
Benefits Payable:			
- Pensions	40,420	39,096	2
- Lump Sums: Retirement allowances	6,779	8,611	2
- Lump Sums: Death grants	1,039	1,720	2
Payments to and on account of leavers:			
- Refunds of Contributions	140	86	
- Transfer Values Out	4,438	4,331	
Subtotal: Expenses	52,816	53,844	
Subtotal: Net additions (withdrawals) from dealings with members	(6,413)	(8,184)	

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Management Expenses	1,929	2,143	3
Subtotal: Net Additions (withdrawals) including fund management expenses	(8,342)	(10,327)	
<u>RETURNS ON INVESTMENTS</u>			
Investment Income	6,594	6,670	4
Change in market value of investments (Realised and Unrealised)	30,897	236,975	5a
Taxes on Income	(192)	(178)	
Total Net Returns on Investments	37,299	243,467	
NET INCREASE / (DECREASE) IN THE FUND DURING THE PERIOD	28,957	233,140	
OPENING NET ASSETS OF THE FUND	1,274,569	1,041,429	
CLOSING NET ASSETS OF THE FUND	1,303,526	1,274,569	

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NET ASSETS STATEMENT

The Net Assets Statement shows the market value of the investments and other assets held by the Pension Fund as at 31 March 2018.

<u>NET ASSETS STATEMENT AS AT 31 MARCH 2018</u>	2017/18 £'000	2016/17 £'000	Note
EQUITIES			
Equities: UK	11,487	11,777	5
Equities: Global	0	13,805	5
	11,487	25,582	
MANAGED FUNDS			
Property	108,401	98,174	5
Equities	710,103	830,606	5
Fixed Interest	210,101	206,232	5
Index Linked	42,600	41,599	5
Other Assets	135,223	32,862	5
	1,206,428	1,209,473	
CASH HELD WITH CUSTODIAN	86,154	36,517	9
DERIVATIVE CONTRACTS			
Assets	1,069	800	7
Liabilities	(1,069)	(800)	7
OTHER INVESTMENT BALANCES			
Debtors: Investment Transactions	3,101	3,118	8
Creditors: Investment Transactions	(3,085)	(3,453)	8
TOTAL INVESTMENTS	1,304,085	1,271,236	
NET CURRENT ASSETS AND LIABILITIES			
Debtors	287	701	8
Creditors	(1,689)	(475)	8
Cash in Hand	843	3,107	9
TOTAL NET ASSETS	1,303,526	1,274,569	

The value for derivative contracts in 2016/17 has been restated but does not impact the total net assets value for 2016/17. It was previously shown as £0 for both assets and liabilities.

PENSION FUND

The financial statements of the Fund do not take account of the liability to pay pensions or benefits after 31 March 2018. This liability is included within the Authority's balance sheet.

NOTES TO THE PENSION FUND ACCOUNTS
1. CONTRIBUTIONS RECEIVED
Employer Contributions

	2017/18 £'000	2016/17 £'000
Administering Authority	24,771	27,346
Scheduled Bodies	4,913	5,209
Admitted Bodies	733	856
	30,417	33,411

Employee Contributions

	2017/18 £'000	2016/17 £'000
Administering Authority	7,281	7,265
Scheduled Bodies	1,687	1,607
Admitted Bodies	243	227
	9,211	9,099

2. BENEFITS PAID
By Category

	2017/18 £'000	2016/17 £'000
Pensions	40,420	39,096
Commutation and Lump Sum Retirement Benefits	6,779	8,611
Lump Sum Death Grants	1,039	1,720
	48,238	49,427

By Authority

	2017/18 £'000	2016/17 £'000
Administering Authority	44,572	45,788
Scheduled Bodies	2,748	2,912
Admitted Bodies	918	727
	48,238	49,427

3. MANAGEMENT EXPENSES

	2017/18 £'000	2016/17 £'000
Administration Expenses	696	705
Oversight and Governance Expenses	257	433
<u>Investment Management Expenses:</u>		

PENSION FUND		
- Transaction Costs	12	0
- Management Fees	917	978
- Performance Fees	0	0
- Custody Fees	47	27
	1,929	2,143

The reduction in Oversight and Governance expenses in 2017/18 is in part due to the mis-categorisation of Management Fees to Oversight and Governance expenses in 2016/17 of approximately £90k. Actuarial and advisory fees were also approximately £41k higher in 2016/17 due to the triennial valuation.

<u>4. INVESTMENT INCOME</u>	2017/18 £'000	2016/17 £'000
Cash	90	100
Equities	216	467
Fixed Interest	430	955
Index Linked	88	208
Managed Funds (incl. Property)	5,416	4,561
Securities Lending	5	11
Other	349	368
	6,594	6,670

5. INVESTMENT ANALYSIS

Individual Investment assets with a market value exceeding 5% of the total fund value are:

Asset	Manager	31 March 2018	
		Value £'000	%
UBS Asset Management Life World Equity Tracker	UBS	221,735	17.0
Aquila Life US Equity Index Fund	Blackrock	145,507	11.2
Blackrock Pensions Aquila Life UK Equity Index Fund	Blackrock	90,457	6.9
UBS Asset Management Life UK Equity Tracker A Nav	UBS	89,239	6.8
Invesco Fund Managers Perpetual Targeted Returns	Invesco	77,240	5.9

Investments exceeding 5% within each class of security are as follows:

Asset	Manager	31 March 2018	
		Value £'000	%

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PENSION FUND			
UK Equities			
HarbourVest GE PE Shares	HarbourVest	11,530	100
Property			
Schroder Unit TST UK Real Estate	Schroders	15,677	14.4
Legal and General Managed Property Fund	Schroders	14,071	12.9
Hermes Property Unit	Schroders	10,658	9.8
Blackrock UK FD	Schroders	10,012	9.2
Real Income Fund	Schroders	9,720	8.9
Metro Pty Unit Trust	Schroders	9,221	8.5
Mayfair Cap Pty (MCPUT)	Schroders	8,725	8.0
Multi-Let INDL Property Unit Trust	Schroders	6,887	6.3
IPIF Feeder Unit Trust Fund	Schroders	6,372	5.9
Standard Life Pooled Property Fund	Schroders	6,240	5.7
Managed Equities			
UBS Asset Management Life World Equity Tracker	UBS	221,735	31.6
Aquila Life US Equity Index Fund	Blackrock	145,507	20.8
BlackRock Pensions Aquila Life UK Equity Index	Blackrock	90,457	12.9
UBS Asset Management Life UK Equity Tracker A Nav	UBS	89,239	12.7
Aquila Life European Equity Index Fund	Blackrock	41,227	5.9
BlackRock AM (IE) ISHS Emerging Markets Index	Blackrock	35,961	5.1
Fixed Interest			
Blackrock Pensions Aquila Over 15 Years UK	Blackrock	43,384	20.6
Blackrock AM (IE) UK Credit	Blackrock	42,005	19.9
UBS Asset Mgmt STG Corp	UBS	42,090	20.0
Aquila Life Over 5 yrs Index Fund	Blackrock	40,223	19.1
UBS GBL Asset Life UK Over 15 Year Gilt	UBS	43,123	20.5
Index Linked			
UBS Asset Mgmt Life Over 5 Year Index Linked Gilt Tracker	UBS	42,808	100.0
Alternatives			
Invesco Fund Managers Perpetual Targeted Returns	Invesco	77,240	57.1
Pemberton Euro Debt Investments Jersey II	Pemberton	27,717	20.5
HIPEP VII (AIF) Partnership Fund LP	HarbourVest	11,309	8.4

PENSION FUND

An analysis of investment movements is set out below:

INVESTMENT MOVEMENTS 2017/18	Value at 31 March 2017	Purchases at Cost	Sales Proceeds	Change in Capital Value	Change in Market Value	Value at 31 March 2018
	£'000	£'000	£'000	£'000	£'000	£'000
UK Equities	11,777	0	0	0	(290)	11,487
Global Equities	13,805	4	(13,411)	8	(406)	0
Managed Equities	830,606	243,467	(385,544)	0	21,574	710,103
Property	98,174	9,723	(5,488)	(8)	6,000	108,401
Fixed Interest Securities	206,232	6,451	(4,409)	279	1,548	210,101
Index Linked Securities	41,599	1,600	(910)	73	238	42,600
Other Assets*	32,862	111,208	(11,362)	(74)	2,589	135,223
Derivatives	0	0	0	0	0	0
	1,235,055	372,453	(421,124)	278	31,253	1,217,915
Cash Deposits	36,517				(365)	86,154
Other Investment Balances	(336)				9	16
Total Investments	1,271,236				30,897	1,304,085

* Includes Venture Capital, Multi-Asset Credit, Private Equity and Diversified Growth funds.

The Pension Fund's fixed interest and index linked bond investments are held with UBS and Blackrock in the form of pooled funds. The asset denoted 'Index Linked Securities' above is comprised wholly of UK Government index linked gilts. The 'Fixed Interest Securities' comprise various government and corporate bonds.

Apart from global equities, overseas managed equities and bonds, the other overseas investments held by the Fund fall under the 'Other Assets' category comprising of private equity with a value of £29.4m and multi-asset credit/private debt, with a value of £27.7m

The total value of unquoted securities held by the fund as at 31 March 2018 was £884m, this includes equities, bonds, private equity, diversified growth and multi-asset credit funds.

The total value of quoted securities held by the fund as at 31 March 2018 was £217m, this includes equities and bonds.

The Fund has investment assets that are classed as pooled investment vehicles. The Fund holds unitised/unit-linked insurance policies valued at £877m and unit trusts valued at £187m, of which £109m relates to pooled property investments. The Fund also holds assets with value £28m as a Limited Partner in a compartment of a common limited partnership.

PENSION FUND

As at 31 March 2017:

INVESTMENT MOVEMENTS 2016/17	Value at 31 March 2016	Purchases at Cost	Sales Proceeds	Change in Capital Value	Change in Market Value	Value at 31 March 2017
	£'000	£'000	£'000	£'000	£'000	£'000
UK Equities	8,735	0	0	0	3,042	11,777
Global Equities	10,714	2	0	(57)	3,146	13,805
Equities	656,010	11,567	(33,820)	0	196,849	830,606
Property	96,263	11,400	(9,371)	(83)	(35)	98,174
Fixed Interest Securities	162,329	26,746	(2,985)	0	20,142	206,232
Index Linked Securities	33,177	3,716	(2,341)	0	7,047	41,599
Other Assets*	33,077	5,278	(11,266)	(27)	5,800	32,862
Derivatives	0	0	0	0	0	0
	1,000,305	58,709	(59,783)	(167)	235,991	1,235,055
Cash Deposits	40,667				984	36,517
Other Investment Balances	389				0	(336)
Total Investments	1,041,361				236,975	1,271,236

* Includes Venture Capital, Credit Mandates and Private Equity.

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5A. FINANCIAL INSTRUMENTS

The accounting policies describe how the different asset classes of financial instruments are measured, and how income and expenses are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category. No financial assets were reclassified during the accounting period. All assets are held at fair value, therefore there is no difference between fair value and carrying value.

31 March 2018				31 March 2017		
Fair Value through Profit and Loss	Loans and Receivables	Financial Liabilities at Amortised Cost		Fair Value through Profit and Loss	Loans and Receivables	Financial Liabilities at Amortised Cost
£'000	£'000	£'000		£'000	£'000	£'000
			Financial Assets			
11,487			Equities	25,582		
			Managed Funds			
108,401			Property	98,174		
710,103			Managed Equity	830,606		
210,101			Fixed Interest	206,232		
42,600			Index Linked	41,599		
135,223			Other Alternative Assets	32,862		
1,069			Derivative contracts	0		
	86,154		Cash deposits		36,517	
	361		Pending Trades		2,700	
	2,740		Dividends & Income		418	
	189		Contributions Due		645	
	843		Cash Balances		3,107	
	98		Other Current Assets		57	
1,218,984	90,385	0	Total Financial Assets	1,235,055	43,444	0

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31 March 2018				31 March 2017		
Fair Value through Profit and Loss	Loans and Receivables	Financial Liabilities at Amortised Cost		Fair Value through Profit and Loss	Loans and Receivables	Financial Liabilities at Amortised Cost
£'000	£'000	£'000		£'000	£'000	£'000
			Financial Liabilities			
		(1,069)	Derivative Contracts			
		(3,085)	Pending Trades			(3,453)
		0	Unpaid benefits			0
		(1,689)	Other current Liabilities			(475)
		(5,843)	Total Financial Liabilities			(3,928)
1,218,984	90,385	(5,843)	Net Financial Assets	1,235,055	43,444	(3,928)

Net Gains and Losses on Financial Instruments

The following table shows net gains on financial instruments:

31 March 2018		31 March 2017
£'000	Financial Assets	£'000
30,897	Fair Value through Profit and Loss	236,975
0	Loans and Receivables	0
	Financial Liabilities	
0	Fair Value through Profit and Loss	0
30,897	Total	236,975

Valuation of Financial Instruments carried at Fair Value

The following table provides an analysis of the financial assets and liabilities of the Fund grouped into three levels, according to the quality and reliability of information used to determine fair values.

Level 1 - consists of assets where the fair values are derived from unadjusted quoted prices in active markets for identical assets and liabilities (e.g. quoted equities, quoted fixed securities, quoted index linked securities and unit trusts).

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Level 2 - consists of assets where quoted market prices are not available (e.g. where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value).

Level 3 - consists of assets where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Values as at 31 March 2018	Quoted Market Price Level 1 £'000	Using Observable Inputs Level 2 £'000	With Significant Unobservable Inputs Level 3 £'000	Total £'000
Financial Assets				
Financial Assets at Fair Value through Profit and Loss	11,487	1,176,161	30,267	1,217,915
Loans and Receivables	90,384	0	0	90,384
Total Financial Assets	101,872	1,176,161	30,267	1,308,300
Financial Liabilities				
Fair Value through Profit and Loss	0	0	0	0
Financial Liabilities at Amortised Cost	(4,774)	0	0	(4,774)
Total Financial Liabilities	(4,774)	0	0	(4,774)
Net Financial Assets	97,098	1,176,161	30,267	1,303,526

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Values as at 31 March 2017	Quoted Market Price Level 1 £'000	Using Observable Inputs Level 2 £'000	With Significant Unobservable Inputs Level 3 £'000	Total £'000
Financial Assets				
Financial Assets at Fair Value through Profit and Loss	25,582	1,176,611	32,862	1,235,055
Loans and Receivables	43,443	0	0	43,443
Total Financial Assets	69,025	1,176,611	32,862	1,278,498
Financial Liabilities				
Fair Value through Profit and Loss	0	0	0	0
Financial Liabilities at Amortised Cost	(3,929)	0	0	(3,929)
Total Financial Liabilities	(3,929)	0	0	(3,929)
Net Financial Assets	65,096	1,176,611	32,862	1,274,569

5B. FINANCIAL RISK MANAGEMENT

The Fund's primary long term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). As an investment fund, the Lewisham Pension Fund's objective is to generate positive investment returns for an accepted level of risk. Therefore the Fund holds a mix of financial instruments such as traditional securities (equities, bonds), collective investment and alternative funds (in property, multi asset credit and growth funds), and cash equivalents. In addition, debtors and creditors arise as a result of its operations. The value of these financial instruments is reflected in the financial statements at their fair value.

Responsibility for the Fund's risk management strategy rests with the Council's Pension Investment Committee (PIC). Risk management policies are established to identify and analyse the risks faced by the Council's pension operations. The main risks from the Fund's holding of financial instruments are market risk, credit risk, and liquidity risk. These policies are reviewed regularly to reflect change in activity and in market conditions.

The Committee regularly monitors each investment manager, and its investment consultant (Hymans Robertson) advises on the nature of the investments made and associated risks.

The Fund's investments are managed on behalf of the Fund by the appointed investment managers. Each investment manager is required to invest the assets managed by them in accordance with the terms of their investment guidelines or pooled fund prospectus.

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The Committee has determined that the current largely passive investment management structure is appropriate and is in accordance with its latest investment strategy. In 2017/18 the Fund reduced its equity exposure by approximately 12% of the Fund's total value, committing the sales proceeds to new mandates in diversified growth and multi-asset credit, in line with the Funding Strategy and Investment Strategy Statements approved by PIC towards the end of 2016/17.

The Fund's custodian is Northern Trust, who manage investments and report on them on behalf of the Fund. As the Fund adopts a long term investment strategy, the high level strategic risks described below will not alter significantly during any one year unless there are significant strategic or tactical changes made to the portfolio.

i) Market Risk

Market risk represents the risk that fair value of a financial instrument will fluctuate because of changes in market prices, interest rates or currencies. The Fund is exposed, through its investments in equities, bonds and other investment funds, to all these market risks. The aim of the investment strategy is to manage and control exposure to market risk within acceptable parameters while optimising the return from the investment portfolio. In general, market risk is managed through the diversification of the investments held by asset class, investment mandate guidelines and investment managers. The risk arising from exposure to specific markets is limited by the strategic asset allocation, which is regularly monitored by the PIC.

a) Other Price Risk – Market

The risk that the value of a financial instrument will fluctuate as a result of factors other than interest rate or foreign currency movements, whether those changes are caused by factors specific to the individual instrument, its issuer or factors affecting the market in general. Market price risk arises from uncertainty about the future value of the financial instruments that the Fund holds. All investments present a risk of loss of capital, the maximum risk being determined by the fair value of the financial instruments. The investment managers mitigate this risk through diversification in line with their own investment strategies and mandate guidelines.

b) Other Price Risk – Sensitivity Analysis

The Council and its investment advisors also undertake appropriate monitoring of market conditions and benchmark analysis. The Fund has a long term view on expected investment returns which smoothes out short term price volatility.

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's advisors, the Council has determined that the following movements in market price risk are reasonably possible for the 2017/18 reporting period.

Asset Type	Potential Market Movement +/- (% p.a.)
UK Equities	9.6
Global Equities	10.1
Bonds and Index Linked	9.3
Alternatives	4.6
Property	2.9
Cash	0.8

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The potential volatilities are broadly consistent with a one standard deviation movement in the change in value of the assets over the latest three years. This can then be applied to the period end asset mix as follows:

Asset Type	Final Market Value as at 31 March 2018	Percentage Change	Value on Increase	Value on Decrease
	£'000	%	£'000	£'000
UK Equities	408,655	9.6	447,753	369,557
Global Equities	312,935	10.1	344,577	281,293
Bonds and Index Linked	252,700	9.3	276,156	229,244
Other Assets	135,223	4.6	141,396	129,050
Property	108,401	2.9	111,498	105,304
Cash	86,154	0.8	86,875	85,433
Total Assets*	1,304,068	**7.0	**1,395,092	**1,213,044

* This figure excludes derivatives and other investment balances.

** The % change and value change for Total Assets includes the impact of correlation across asset classes

c) Interest Rate Risk is the risk the Pension Fund is exposed to changes in interest rates and relates to its holdings in bonds and cash. The risk is mitigated by the Fund holding minimum cash balances where possible and a diversified portfolio.

d) Currency Risk is the risk to which the Pension Fund is exposed to fluctuations in foreign currency exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the fund (£GBP). The fund was exposed to the following significant foreign currency levels (i.e. £2m and over) as at the 31 March 2018 with the previous year in brackets:

Euro	€16.9m (€15.8m)
US Dollars	\$88.4m (\$77.5m)

The remaining exposures arise from much smaller investments relating to other currencies.

e) Currency Risk – Sensitivity Analysis

The Fund's currency rate risk is routinely monitored by the Council and its investment advisors. In practice, this is achieved by the use of futures and forward foreign exchange contracts, which entitle and oblige the seller and holder to exchange assets or currency on a future date at a predetermined price or rate. The former are tradable on exchanges and the latter are "over the counter" agreements, which neither the purchaser nor the seller may transfer. There is no cost on entering into these contracts but the market value is established as the gain or loss that would arise at the settlement date from entering into an equal and opposite contract at the reporting date. As at 31 March 2018 there were pending foreign exchange purchases of £1.1m and corresponding sales of £1.1m. Following analysis of historical data in consultation with the Fund's advisors, the Council considers the likely volatility associated with foreign exchange rate movements to be 9.2%. This volatility is applied to the Fund's overseas assets as follows:

PENSION FUND

Asset Type	Asset Value at 31 March 2018 £'000	Change %	Value on Increase £'000	Value on Decrease £'000
Overseas Equities	312,935	9.2	341,735	284,135
Overseas Fixed Income	84,025	9.2	91,758	76,292
Other Alternatives	57,094	9.2	62,348	51,840
Total	454,054	9.2	495,841	412,267

ii) Credit Risk

Credit risk represents the risk that the counterparty to a financial instrument will fail to meet an obligation and cause the Fund to incur a financial loss. This is often referred to as counterparty risk. The market values of investments generally reflect an assessment of credit risk in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. The Fund is exposed to credit risk through its underlying investments (including cash balances) and the transactions it undertakes to manage its investments. The careful selection and monitoring of counterparties – including; brokers, custodian and investment managers - seeks to minimise the credit risk that may occur through the failure to settle transactions in a timely manner.

The Fund is also exposed to credit risk through Securities Lending. The Securities Lending (SL) programme is run by the Fund's custodian, Northern Trust. Northern Trust assign four different risk management oversight committees to control counterparty risk, collateral risk and the overall securities lending programme. The minimum level of collateral for securities on loan is 102%. However, more collateral may be required depending on the type of transaction. To further mitigate risks, the collateral held on behalf of the Pension Fund is ring fenced from Northern Trust. Securities lending is capped by investment regulations and statutory limits are in place to ensure no more than 25% of eligible assets can be on loan at any one time. The Fund's exposure through the SL programme is now reduced as the Fund is now passively managed and SL activity has greatly reduced.

iii) Liquidity Risk

Liquidity risk is the risk that the Pension Fund will have difficulties in paying its financial obligations as they fall due. For example; the benefits payable costs and capital commitments. The Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments. The Fund holds a large proportion of assets in instruments which can be liquidated at short notice, normally three working days. As at the 31 March 2018 these assets totalled approximately £974m, comprising of bonds and equities, with a further £86.2m held in cash by the custodian on behalf of the Fund and fund managers.

6. PRIOR YEAR ADJUSTMENT

No prior year adjustments have been made to these accounts.

PENSION FUND

7. DERIVATIVE CONTRACTS

As at 31 March 2018 there were pending forward foreign exchange purchases of £1.1m and sales of £1.1m, with an unrealised loss of £62. The gains and losses in the table below relate to foreign exchange forward contracts.

Asset Type	2017/18 £'000		2016/17 £'000
Foreign Exchange Gains	2		0
Foreign Exchange Losses	(4)		0
Total Realised Gains/(Losses)	(2)		0

8. DEBTORS & CREDITORS

These comprise the following amounts:

Investment Transactions**Debtors**

Equity Dividends / Income from Managed Funds
Interest and Other Income
Pending Trades

	2017/18 £'000	2016/17 £'000
	0	31
	2,740	387
	361	2,700
	3,101	3,118

Creditors

Pending Trades

	2017/18 £'000	2016/17 £'000
	(3,085)	(3,453)
	(3,085)	(3,453)

Non-Investment Transactions**Debtors**

Contributions Due from Admitted / Scheduled
Employers / Employees
Interest and Other Income
LB Lewisham
Tax Refunds

	2017/18 £'000	2016/17 £'000
	189	645
	0	21
	64	35
	34	0
	287	701

PENSION FUND		
<u>Creditors</u>	2017/18 £'000	2016/17 £'000
Fund Manager and Custody Fees	(283)	(251)
Consultancy / Advisory Fees	(56)	(48)
LB Lewisham	(1,350)	(176)
	<u>(1,689)</u>	<u>(475)</u>

9. CASH AND BANK

Cash Held With Custodian

The Northern Trust Company is the Fund's global custodian and the cash is held to meet the cash flow requirements of the Fund and its managers. The total cash held as at 31 March 2018 was £86.2m (£36.5m as at 31 March 2017). Approximately £14.0m from the 2015/16 disinvestment in Investec was held by the custodian in a cash fund which is drawn down to meet cashflow requirements during the year, whilst £50.7m representing proceeds from equity sales as part of the Fund's rebalancing was held in a separate cash fund to meet commitments to the Fund's multi-asset credit mandate. £10.1m of the cash held was from HarbourVest, £8.1m from M&G, £3.0m from Schrodgers and approximately £138k was being held on behalf of the other managers.

Pension Fund Bank Account

The Lewisham cash in hand balance of £843m represents uninvested cash held in the Pension Fund bank account as at 31 March 2018.

10. POST YEAR END EVENTS

The Fund executed the first stage of a rebalancing exercise in 2017/18, consistent with the Funding Strategy and Investment Strategy Statement amendments following the triennial valuation results, part of which was to procure two new fund managers with multi-asset credit mandates. As at 31 March 2018 the Fund had not yet been admitted to one of these funds, the Partners Group Multi Asset Credit 2017 (IV) GBP fund. In April 2018 Lewisham was successfully onboarded into the fund, with a commitment to invest £40m; the first capital call was issued and payment made of £20m on 23 April 2018.

The Fund also procured a new infrastructure mandate in March 2018 with J.P. Morgan, but as at 31 March 18 had not been admitted to the fund. Lewisham's commitment to the infrastructure fund will be approximately £80m, with a first capital call likely mid-year.

Following the local elections of May 2018, a new Pensions Investment Committee will convene for its first meeting on 28 June 2018. The Committee comprises four previously sitting Councillors, including the re-elected Chair, and four new Councillors with varying degrees of pensions knowledge and experience. The Fund's strategic direction, in line with its Funding and Investment Strategies, will be reassessed by Members in the coming months in conjunction with the results of the next triennial valuation to be carried out as at March 2019.

PENSION FUND

11. COMMITMENTS

The Pension Fund was committed to the following capital contributions as at the 31 March 2018:

Fund Manager	Fund	Amount '000	Translated £'000
HarbourVest	HarbourVest Partners VIII – Cayman Venture Fund L.P	\$190	135
HarbourVest	HarbourVest Partners VIII – Cayman Buyout Fund L.P	\$833	593
HarbourVest	HarbourVest Partners X AIF L.P.	\$24,158	17,215
HarbourVest	HIPEP VII (AIF) Partnership Fund L.P.	\$14,550	10,368
HarbourVest	HarbourVest International Private Equity Partners V – Cayman Partnership Fund L.P	€700	613
HarbourVest	HarbourVest International Private Equity Partners V – Cayman Direct Fund L.P	€180	158
Pemberton	European Debt Investments Jersey II LP	£12,226	12,226
	Total		41,308

The HarbourVest commitments have been translated from either Euros or Dollars using exchange rates as at 31 March 2018. This compares to the total commitments at 31 March 2017 of £39.3m.

12. RELATED PARTY TRANSACTIONS

There have been no material transactions with related parties in the financial year. There were no provisions for doubtful debt and amounts written off in the period.

Eight Councillors sit on the Pensions Investment Committee which oversees the Fund. At each meeting of the Pensions Investment Committee, Councillors are required to make declarations of interest which are recorded.

During the year the following declarations were made:

- Councillor Simon Hooks declared he now works in the life insurance and pensions field.

In addition, the Chair of the Investment Committee Cllr Mark Ingleby sits on the Board of Lewisham Homes, the Council's housing subsidiary.

Four members and an independent chair make up the membership of the Pensions Board, which assists the administering authority in adhering to the Regulations with regards to its administration and governance of the scheme. At each meeting of the Board, members are required to make declarations of interest which are recorded.

PENSION FUND

During the year no declarations of interest were made apart from the members being participants in the scheme, although this is a requirement of their Board membership.

No other trustees or Council chief officers with direct responsibility for pension fund issues made any declarable transactions with the Pension Fund in the period to 31 March 2018.

The Council, the administering body, had dealings with the Fund as follows:

- a) Recharges from the Council for the in-house administration costs borne by the scheme were transacted for £661k (included in Administration Expenses in Note 3). Some cash transactions relating to pension activities are currently effected through the Council's bank account and consequently pension fund cash balances are held by the Council from time to time and vice versa.
- b) The salary of the Executive Director for Resources and Regeneration for 2017/18 was £189,977 including employer pension contributions of £34,894. This total also includes an allowance for acting as Chief Executive following the resignation of the previous post holder.

13. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)

Contributing members have the right to make AVCs to enhance their pension. There are currently 40 'open' AVC contracts for LGPS members (i.e. excluding members with AVC contracts who have left Lewisham and now have preserved benefits). Some of these 'open contracts' will be for members who have paid AVCs in the past but who have suspended payments to the scheme for the time being.

The fund has two AVC providers: Clerical Medical and Equitable Life. The value of AVC investments is shown below. The contributions are held by the providers and do not form part of the Lewisham fund's assets in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

	Total	Equitable	Clerical
2017/18	£'000	Life	Medical
		£'000	£'000
Value at 1 April 2017	1,309	461	848
Contributions and Transfers Received	177	4	173
Investment Return	27	17	10
Paid Out	(203)	(48)	(155)
Value at 31 March 2018	1,310	434	876

	Total	Equitable	Clerical
2016/17	£'000	Life	Medical
		£'000	£'000
Value at 1 April 2016	1,234	442	792
Contributions and Transfers Received	116	4	112
Investment Return	98	18	80
Paid Out	(139)	(3)	(136)
Value at 31 March 2017	1,309	461	848

PENSION FUND

14. SCHEDULED BODIES

The following are scheduled bodies to the Fund as at 31 March 2018, arranged in descending order by the value of their contributions in 2017/18:

Lewisham Homes
Haberdashers' Aske's Knights Academy
Christ The King Sixth Form College
St Matthew Academy
Tidemill Academy

15. ADMITTED BODIES

The following are admitted bodies to the Fund as at 31 March 2018, arranged in descending order by the value of their contributions in 2017/18:

Phoenix
Youth First LTD
Phoenix Agency Services
Chartwells Compass
Skanska
Lewisham Music
3 C's Support
One Housing
NSL (formerly known as National Car Parks Ltd)
Wide Horizons
Change Grow Live
Nviro
Fusions Leisure Management
Quality Heating
Housing 21
Pre-School Learning Alliance
Blenheim CDP (Ceased November 2017)
Excalibur (Ceased March 2017)
Tower Services
Chequers Contract Services – Lee Manor
Lewisham Nexus Services (Ceased April 2017)

16. STOCK LENDING

The Statement of Investment Principles and Investment Strategy Statement permit the Fund to enter into stock lending whereby the Fund lends other bodies stocks in return for a fee and collateral whilst on loan. Equities and fixed income assets held in segregated accounts in custody may be lent.

The economic benefits of ownership are retained when securities are on loan. The Fund has its full entitlements at all times to any income due, or rights on its securities on the anticipated date of the entitlement so that no economic benefits are foregone as a result of securities lending activity.

PENSION FUND

Northern Trust is responsible for collecting dividend and interest income on loaned securities from borrowers. The right to vote moves with the securities.

As at the 31 March 2018 the value of aggregate stock on loan was £0m (£9.3m as at 31 March 2017). As part of the Fund's rebalancing in year and the sale of equities to finance investments in new mandates, assets in segregated accounts which participated in stock lending arrangements were sold or traded into pooled life funds.

Collateral

The collateral held as security on loans cannot be sold or repledged in the absence of default by the borrower. The Council entered into stock lending transactions during the financial year earning £3k net of direct expenses (compared to £8k in 2016/17). The value of collateral held as at 31 March 2018 was £0m (£9.8m as at 31 March 2017).

17. MEMBERSHIP

	Active Members	Active Members	Deferred Beneficiaries	Deferred Beneficiaries	Retired Former Members	Retired Former Members
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
Admin. Authority	5,513	5,814	9,531	9,679	7,184	7,098
Scheduled Bodies	1,181	916	1,292	825	339	243
Admitted Bodies	127	137	127	117	99	90
Totals	6,821	6,867	10,950	10,621	7,622	7,431

18. AUTHORISATION

These accounts were approved by Council on 18 July 2018.

Appendix B – Investment Strategy Statement

Investment Strategy Statement: September 2018

Introduction and background

This is the Investment Strategy Statement (“ISS”) of the London Borough of Lewisham Pension Fund (“the Fund”), which is administered by Lewisham Council, (“the Administering Authority”). The ISS is made in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (“the Regulations”).

The ISS has been prepared by the Fund’s Pension Investment Committee (“the PIC”) having taken advice from the Fund’s investment adviser, Hymans Robertson LLP. The PIC acts on the delegated authority of the Administering Authority.

The ISS, which was approved by the PIC in September 2018, is subject to periodic review at least every three years and without delay after any significant change in investment policy. The PIC has consulted on the contents of the Fund’s investment strategy with such persons it considers appropriate.

The PIC seeks to invest in accordance with the ISS, any Fund money that is not needed immediately to make payments from the Fund. The ISS should be read in conjunction with the Fund’s Funding Strategy Statement (dated March 2017).

The suitability of particular investments and types of investments

The primary investment objective of the Fund is to ensure that the assets are invested to secure the benefits of the Fund’s members under the Local Government Pension Scheme. Against this background, the Fund’s approach to investing is to:

- Optimise the return consistent with a prudent level of risk;
- Ensure that there are sufficient resources to meet the liabilities; and
- Ensure the suitability of assets in relation to the needs of the Fund.

The Fund’s funding position will be reviewed at each triennial actuarial valuation, or more frequently as required.

The PIC aims to fund the Fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund’s assets and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing. For employee members, benefits will be based on service completed, but will take account of future salary and/or inflation increases.

The PIC has translated its objectives into a suitable strategic asset allocation benchmark for the Fund. It plays an important role in meeting the longer-term cost of funding, and how that cost may vary over time. This benchmark is consistent with the PIC’s views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk and the nature of the Fund’s liabilities. This approach helps to ensure that the investment strategy takes due account of the maturity profile of the Fund (in terms of the relative proportions of liabilities in respect of pensioners, deferred and active members), together with the level of disclosed surplus or deficit (relative to the funding bases used).

It is intended that the Fund’s investment strategy will be reviewed at least every three years following actuarial valuations of the Fund.

Within each major market the Fund's investment managers will maintain a diversified portfolio of securities through direct investment or via pooled vehicles. An Investment Management Agreement is in place for each investment manager, which sets out the relevant benchmark, performance target and asset allocation ranges, together with further restrictions.

In addition, the PIC monitors investment strategy on an ongoing basis, focusing on factors including, but not limited to:

- Suitability given the Fund's level of funding and liability profile
- The level of expected risk
- Outlook for asset returns

The PIC also monitors the Fund's actual allocation on a regular basis to ensure it does not notably deviate from the target allocation. In the September 2014 Pension Investment PIC meeting, the PIC adopted a rebalancing policy, as summarised below.

Existing rebalancing arrangements are currently in place for the BlackRock and UBS passive multi-asset mandates. Rebalancing operates within each mandate, as follows:

Table 1: BlackRock and UBS Rebalancing

Mandates	Policy
Blackrock	Rebalancing tolerance levels of +/- 2% for the following allocations: <ul style="list-style-type: none"> • UK Equity (19.0%) • Global Equity (55.0%) • Over 15 Year Gilts (8.6%) • Over 5 Year Index-Linked Gilts (8.7%) • UK Corporate Bonds (8.7%) Monitored on a daily basis, with rebalancing occurring at the next available dealing date if out with the tolerance range.
UBS	Strategic benchmarking is as follows: <ul style="list-style-type: none"> • UK Equity (19.0%) • Global Equity (55.0%) • UK Fixed Interest Gilts (8.6%) • UK Index-Linked (8.7%) • UK Corporate Bonds (8.7%) Monitoring and rebalancing occurs on a quarterly basis, with holdings rebalancing to the benchmark allocation.

Rebalancing arrangements for the Fund's mandates are set out below.

Table 2: Tolerance levels

Mandates	Deviation from Strategic Benchmark	Action
BlackRock (passive multi-asset)	+/- 3%	Monitored on a quarterly basis, with rebalancing to +/- 1.5% at the next available opportunity.
UBS (passive multi-asset)	+/- 3%	Monitored on a quarterly basis, with rebalancing to +/- 1.5% at the next available opportunity.
Schroders Property	+/- 2%	Monitored on a quarterly basis, with rebalancing to +/- 1% at the next available opportunity.
HarbourVest Private Equity	-	Rebalancing is not available for this mandate, given its structure (pre-arranged commitments and buy-and hold).
M&G UK Financing Fund	-	Rebalancing is not available for this mandate, given its buy-and-hold structure.
Invesco Perpetual Global Targeted Returns	+/- 1.5%	Monitored on a quarterly basis, with rebalancing to +/- 0.75% at the next available opportunity.
Partners Group Multi-Asset Credit Fund 2017	-	Rebalancing is not available for this mandate, given its buy-and-hold structure.
Pemberton European Mid-Market Debt Fund II	-	Rebalancing is not available for this mandate, given its buy-and-hold structure.
J.P. Morgan Infrastructure Investments Fund UK 1 LP	-	Rebalancing is not available for this mandate, given its buy-and-hold structure.

In order to avoid excessive rebalancing, the assets will not be brought back to the absolute strategic benchmark, but to a position that is approximately half way between the tolerance level and the target allocation. This also takes into consideration that there is a time lag between reporting a variance, and the rebalancing of the funds.

Where a mandate is underweight and breaches its tolerance level, the Fund's surplus cash flow will be used to bring assets back to within the tolerable range. If the surplus cash is not sufficient, the rebalancing will be undertaken by selling funds from the mandates that are most overweight, and using the proceeds to purchase assets that are the most underweight.

Where a mandate is overweight and breaches its tolerance level, assets will be disinvested from the mandate, and the proceeds reinvested in the most underweight mandate. Where multiple mandates qualify as being 'most underweight', the proceeds will be re-invested in relative proportions to bring the respective mandates to a similar level of underweight. This rebalancing is managed by the Fund's Officers.

Investment of money in a wide variety of investments

Asset classes

The Fund may invest in quoted and unquoted securities of UK and overseas markets including, but not limited to, equities and fixed interest and index linked bonds, cash, property and commodities either directly or through pooled funds. The Fund may also make use of contracts for differences and other derivatives either directly or in pooled funds investing in these products for the purpose of efficient portfolio management or to hedge specific risks.

The PIC reviews the nature of the Fund's investments on a regular basis, with particular reference to suitability and diversification. The PIC seeks and considers written advice from a suitably qualified person in undertaking such a review. If, at any time, investment in a security or product not previously known to the PIC is proposed, appropriate advice is sought and considered to ensure its suitability and diversification.

The Fund's target investment strategy is set out below. The table includes both an interim benchmark proportion which indicates how the Fund is currently invested, as well as a target benchmark proportion that the PIC has agreed to move toward in the long term. The table also includes the maximum percentage of total Fund value that it will invest in these asset classes. In line with the Regulations, the authority's investment strategy does not permit more than 5% of the total value of all investments of Fund money to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007.

Table 1: Fund allocation

Asset class	Manager	Benchmark	Interim Benchmark Proportion %	Maximum %	Target Benchmark Proportion %	Maximum %
Equities:						
Private Equity	HarbourVest	MSCI AC World Developed Index	3.0	6	3.0	6
Listed Equity	BlackRock (passive)	Composite	27.4	55	22.0	45
Listed Equity	UBS (passive)	Composite	27.4	55	22.0	45
Bonds:						
	Blackrock (passive)	Composite	9.6	20	9.5	20
	UBS (passive)	Composite	9.6	20	9.5	20
Equities and Bonds Subtotal			77.0		66.0	
Other:						
Property	Schroders	IPD Pooled Property Fund Index	10.0	20	10.0	20
UK Financing Fund	M&G	LIBOR	1.0	5	-	-
Diversified Growth Fund	Invesco	LIBOR	6.0	15	6.0	15
Temporary Cash Holdings	N/A	N/A	3.0*	10	-	10
Alternative Credit	Partners Group	LIBOR	-*	10	3.0	10
	Pemberton	LIBOR	3.0*	10	3.0	10
Infrastructure	J.P. Morgan	LIBOR	-	15	6.0	15
Liquid Multi-Asset Credit	To be selected	To be selected	-	15	6.0	15
Other Subtotal			23.0		34.0	
Total			100.0		100.0	

*Cash is currently being held in the Trustee bank account waiting to be called upon for investment into the alternative credit funds.

Managers

The PIC has appointed a number of investment managers all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business.

The PIC, after seeking appropriate investment advice, has agreed specific benchmarks with each manager so that, in aggregate, they are consistent with the overall asset allocation for the Fund. The Fund's investment managers will hold a mix of investments which reflects their views relative to their respective benchmarks. Within each major market and asset class, the managers will maintain diversified portfolios through direct investment or pooled vehicles. The manager of the passive funds in which the Fund invests holds a mix of investments within each pooled fund that reflects that of their respective benchmark indices.

The approach to risk, including the ways in which risks are to be measured and managed

The PIC is aware that the Fund has a need to take risk (e.g. investing in growth assets) to help it achieve its funding objectives. It has an active risk management programme in place that aims to help it identify the risks being taken and has put in place processes to manage, measure, monitor and (where possible) mitigate the risks being taken.

The principal risks affecting the Fund are set out below, we also discuss the Fund's approach to managing these risks and the contingency plans that are in place:

Funding risks

- Financial mismatch – The risk that the Fund assets fail to grow in line with the developing cost of meeting the liabilities.
- Changing demographics – The risk that longevity improves and other demographic factors change, increasing the cost of Fund benefits.
- Systemic risk - The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the Fund's liabilities.

The PIC measures and manages financial mismatch in two ways. As indicated above, the PIC has set a strategic asset allocation benchmark for the Fund. This benchmark was set taking into account asset liability modelling which focused on probability of success and level of downside risk. This analysis will be revisited as part of the 2019 valuation process. The PIC assesses risk relative to the strategic benchmark by monitoring the Fund's asset allocation and investment returns relative to the benchmark. The PIC also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

The PIC also seeks to understand the assumptions used in any analysis and modelling so they can be compared to their own views and the level of risks associated with these assumptions to be assessed.

The PIC seeks to mitigate systemic risk through a diversified portfolio, but it is not possible to make specific provision for all possible eventualities that may arise under this heading.

Asset risks

- Concentration - The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.
- Illiquidity - The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets.

- Currency risk – The risk that the currency of the Fund’s assets underperforms relative to Sterling (i.e. the currency of the liabilities).
- Environmental, social and governance (“ESG”) – The risk that ESG related factors reduce the Fund’s ability to generate the long-term returns.
- Manager underperformance - The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.

The Fund’s strategic asset allocation benchmark invests in a diversified range of asset classes. The PIC has put in place rebalancing arrangements to ensure the Fund’s “actual allocation” does not deviate substantially from its target. The Fund invests in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, help reduce the Fund’s asset concentration risk. By investing across a range of assets, including liquid quoted equities and bonds, as well as property, the PIC has recognised the need for access to liquidity in the short term.

The Fund invests in a range of overseas markets which provides a diversified approach to currency markets; the PIC also assess the Fund’s currency risk during their risk analysis. Details of the Fund’s approach to managing ESG risks is set out later in this document.

The PIC has considered the risk of underperformance by any single investment manager and has attempted to reduce this risk by appointing more than one manager and having a large proportion of the Fund’s assets managed on a passive basis. The PIC assesses the investment managers’ performance on a regular basis, and will take steps, including potentially replacing one or more of their managers, if underperformance persists.

Other provider risk

- Transition risk - The risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the PIC seeks suitable professional advice.
- Custody risk - The risk of losing economic rights to Fund assets, when held in custody or when being traded.
- Credit default - The possibility of default of a counterparty in meeting its obligations.
- Stock-lending – The possibility of default and loss of economic rights to Fund assets.

The PIC monitors and manages risks in these areas through a process of regular scrutiny of its providers, and audit of the operations it conducts for the Fund, or has delegated such monitoring and management of risk to the appointed investment managers as appropriate (e.g. custody risk in relation to pooled funds). The PIC has the power to replace a provider should serious concerns exist.

A more comprehensive breakdown of the risks to which the Fund is exposed and the approach to managing these risks is set out in appendix 1. A separate schedule of risks that the Fund monitors is set out in the Fund’s Funding Strategy Statement.

The approach to pooling investments, including the use of collective investment vehicles and shared services

The Fund is a participating scheme in the London CIV Pool. The proposed structure and basis on which the London CIV Pool will operate was set out in the July 2016 submission to Government.

The Fund’s intention is to invest its assets through the London CIV Pool as and when suitable Pool investment solutions become available. An indicative timetable for investing through the Pool was set out in the July 2016 submission to Government. The key criteria for assessment of Pool solutions will be as follows:

- 1 That the Pool enables access to an appropriate solution that meets the objectives and benchmark criteria set by the Fund.
- 2 That there is a clear financial benefit to the Fund in investing in the solution offered by the Pool, should a change of provider be necessary.

The Fund is monitoring developments and the opening of investment strategy fund openings on the London CIV platform with a view to transitioning liquid assets across to the London CIV as soon as there are suitable sub-funds to meet the Fund's investment strategy requirements.

At the time of preparing this statement the Fund has not invested its assets via the London CIV Pool. Any assets not currently invested in the Pool will be reviewed at least annually to determine whether the rationale remains appropriate, and whether it continues to demonstrate value for money.

The Fund holds c. 4% of the Fund in illiquid assets and these will remain outside of the London CIV pool. Following the commitment to alternative credit the Fund will hold c. 10% of the Fund in illiquid assets. The cost of exiting these strategies early would have a negative financial impact on the Fund. It is expected that these assets will be held as legacy assets until such time as they mature and proceeds re-invest through the pool assuming it has appropriate strategies available or until the Fund changes asset allocation and makes a decision to disinvest.

How social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments

It is recognised that ESG factors can influence long term investment performance and the ability to achieve long term sustainable returns. The PIC consider the Fund's approach to responsible investment in two key areas:

- **Sustainable investment / ESG factors** – considering the financial impact of environmental, social and governance (ESG) factors on its investments.
- **Stewardship and governance** – acting as responsible and active investors/owners, through considered voting of shares, and engaging with investee company management as part of the investment process.

The Fund is committed to being a long term steward of the assets in which it invests and expects this approach to protect and enhance the value of the Fund in the long term. In making investment decisions, the Fund seeks and receives proper advice from internal and external advisers with the requisite knowledge and skills. In addition the PIC undertakes training on a regular basis and this will include on training and information sessions on matters of social, environmental and corporate governance.

The Fund requires its investment managers to integrate all material financial factors, including corporate governance, environmental, social, and ethical considerations, into the decision-making process for all fund investments. It expects its managers to follow good practice and use their influence as major institutional investors and long-term stewards of capital to promote good practice in the investee companies and markets to which the Fund is exposed.

The Fund expects its external investment managers (and specifically the London Collective Investment Vehicle through which the Fund will increasingly invest) to undertake appropriate monitoring of current investments with regard to their policies and practices on all issues which could present a material financial risk to the long-term performance of the fund such as corporate governance and environmental factors. The Fund expects its fund managers to integrate material ESG factors within its investment analysis and decision making.

Effective monitoring and identification of these issues can enable engagement with boards and management of investee companies to seek resolution of potential problems at an early stage. Where collaboration is likely to be the most effective mechanism for encouraging issues to be addressed, the Fund expects its investment

managers to participate in joint action with other institutional investors as permitted by relevant legal and regulatory codes.

The Fund monitors this activity on an ongoing basis with the aim of maximising its impact and effectiveness.

The Fund will invest on the basis of financial risk and return having considered a full range of factors contributing to the financial risk including social, environment and governance factors to the extent these directly or indirectly impact on financial risk and return. Climate change is a financial risk and must be considered, alongside the opportunity set created by low carbon transition across all asset classes. The Fund therefore seeks to move away from fossil fuels-linked investments in response to climate change, to protect investments from volatile energy markets and stranded assets, and to invest in sustainable energy infrastructure and other carbon transition opportunities across all asset classes.

The Fund in preparing and reviewing its Investment Strategy Statement will consult with interested stakeholders including, but not limited to Fund employers, investment managers, Local Pension Board, advisers to the Fund and other parties that it deems appropriate to consult with.

The exercise of rights (including voting rights) attaching to investments

The Fund recognises the importance of its role as stewards of capital and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which its investments reside. The Fund recognises that ultimately this protects the financial interests of the Fund and its ultimate beneficiaries. The Fund has a commitment to actively exercising the ownership rights attached to its investments reflecting the Fund's conviction that responsible asset owners should maintain oversight of the companies in which it ultimately invests recognising that the companies' activities impact upon not only their customers and clients, but more widely upon their employees and other stakeholders and also wider society.

The PIC has delegated the exercise of voting rights to the investment manager(s) on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. Accordingly, the Fund's managers have produced written guidelines of their process and practice in this regard. The managers are strongly encouraged to vote in line with their guidelines in respect of all resolutions at annual and extraordinary general meetings of companies under Regulation 7(2)(f). The PIC monitor the voting decisions made by all its investment managers on a regular basis.

The Fund expects its external investment managers to be signatories of the Stewardship Code and reach Tier One level of compliance or to be seeking to achieve a Tier One status within a reasonable timeframe. Where this is not feasible the Fund expects a detailed explanation as to why it will not be able to achieve this level.

In addition, the Fund expects its investment managers to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly.

The Fund will incorporate a report of voting activity as part of its Pension Fund Annual report which is published on the Pension Fund website at the following link: <http://www.lewishampensions.org/>

Stewardship

The Fund has not issued a separate Statement of Compliance with the Stewardship Code, but fully endorses the principles embedded in the 7 Principles of the Stewardship Code.

The PIC expects both the London CIV Pool and any directly appointed fund managers to also comply with the Stewardship Code and this is monitored on an annual basis.

Chartered Institute of Public Finance (“CIPFA”) Pensions Panel Principles for Investment Decision Making set out the six principles of good investment practice issued by Government (Myners principles). The extent to which the Fund complies is set out in Appendix 2.

In addition, the Fund expects its investment managers to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly.

The Fund through its participation in the London CIV will work closely with other LGPS Funds in London to enhance the level of engagement both with external managers and the underlying companies in which invests.

In addition the Fund is a member of the Local Authority Pension Fund Forum (LAPFF) and in this way joins with other LGPS Funds to magnify its voice and maximise the influence of investors as asset owners

Appendices

Appendix 1 – Approach to risk

Investment invariably involves an element of risk. The Council in recognition of this has adopted a number of strategies to mitigate the impact of unavoidable risks on the Fund. The Fund is subject to the following risks:

Funding Risk: Asset values may not increase at the same rate as liabilities with an adverse impact on the funding position. A Funding Strategy Statement (“FSS”) is prepared every three years as part of the triennial valuation and the Council monitors the Fund’s investment strategy and performance relative to the growth in the liabilities at least annually.

Financial mismatch risk: The Council recognises that assets and liabilities have different sensitivities to changes in financial factors. To mitigate the risk an investment strategy is set which provides exposure to assets providing inflation protected growth as well as cash flow generating assets that match the Fund’s liabilities.

Liquidity/Cash flow Risk: Investments are held until such time as they are required to fund payment of pensions. In 2017/2018 the net payments from the fund to pensioners exceeded the contributions due, and the liquidity risk is therefore being very closely monitored. The Council manages its cash flows and investment strategy to ensure that all future payments can be met and that sufficient assets are held in liquid investments to enable short term cash requirements to be met.

Manager Risk: Fund managers could fail to achieve the investment targets specified in their mandates. This is considered by the Council when fund managers are selected and their performance is reviewed regularly by the PIC as part of the manager monitoring process. However, adopting a strategy largely based on passive investment for approximately 70% of the Fund’s assets makes the overall exposure to this risk relatively low.

Concentration Risk: This relates to the risk that the performance of a single asset class, investment or manager has a disproportionate influence on the Fund’s performance. The Council attempts to mitigate this risk by establishing a well-diversified strategic asset allocation, reviewing the investment strategy regularly and following a regular fund manager review process.

Demographic Risk: This relates to the uncertainty around longevity. The Council recognises there are effectively no viable options to mitigate these risks and assesses the impact of these factors through the Funding Strategy Statement and formal triennial actuarial valuations.

Counterparty Risk: This risk relates to the other party(s) in a financial transaction (the counterparty) failing to meet its obligations to the Fund. The Council has set guidelines with its fund managers and its custodian to limit its exposure to counterparty risk by specifying minimum credit ratings and credit limits. It has similarly applied this strict criteria within its stock lending agreements to mitigate counterparty risk in these transactions.

Currency Risk: The strategic asset allocation adopted by the Council provides for an element to be held overseas to provide diversification and exposure to different economies. Such investment is however subject to fluctuations in exchange rates with an associated positive or adverse impact on performance. Managers of global equities have been provided with an element of discretion to hedge currencies to protect returns. The Council however recognises that it can adopt a long term perspective on investments and consequently is able to absorb short term fluctuations in exchange rates. However, the Council continues to monitor developments in the currency hedging environment to determine if adoption of currency hedging is beneficial.

Environmental, Social and Ethical Issues Risk: The Council recognises that environmental, social and ethical issues have the potential to impact on the long term financial viability of an organisation. The Council monitors both developments within the investment environment and the voting of its appointed managers through its participation in the LAPFF.

Appendix 2 – Compliance with CIPFA Principles for Investment

Regulations require administering authorities to assess the extent to which they comply with the CIPFA Principles for Investment Decision Making, and provide reasons for non-compliance. These reflect the principles of good investment practice issued by government in response to the Myners review. The six principles which underpin best practice and the assessment of Lewisham's compliance is as set out below.

Principle 1: Effective Decision-Making

Trustees should ensure that decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to take them effectively and monitor their implementation. Trustees should have sufficient expertise to be able to evaluate and challenge the advice they receive and manage conflicts of interest.

Compliance statement - full compliance

- Decisions are taken by the PIC based on advice from officers, and the investment consultant. Specialist investment managers are employed who are responsible for day to day investment decisions.
- In conjunction with the Fund's Independent Investment Advisor, the Council will establish a training and development programme for Members of the PIC.
- There is a clear 'Conflicts of interest policy' and Members must make declarations of interest before each meeting of the PIC or as matters arise during the course of the PIC business.

Principle 2: Clear Objectives

Trustees should set out an overall investment objective(s) for the scheme that takes account of the scheme's liabilities, the strength of the sponsor covenant and the attitude to risk of both the trustees and the sponsor, and clearly communicate these to advisers and investment managers.

Compliance statement – full compliance

- The PIC has set its investment objectives in the context of an actuarial review that considered the assets and liabilities and maturity profile of the fund, and it approves a Funding Strategy Statement for the Fund.
- The PIC has set a Fund specific benchmark, diversified to ensure that market volatility in the Fund's value is reduced through holding a proportion of the Fund's assets in alternative assets such as property, private equity, corporate credit, commodities and bonds.
- Each investment manager has a specific benchmark and target set for it and a time horizon, typically three years, for being measured against their target.

Principle 3: Risk and Liabilities

In setting and reviewing their investment strategy, trustees should take account of the form and structure of liabilities. These include the strength of the sponsor covenant, the risk of sponsor default and longevity risk.

Compliance statement – full compliance

- The Funding Strategy Statement and triennial valuation are written specifically with the structure of liabilities in mind and also address risks to the Fund.
- The Administering Authority's strategy recognises the relatively immature liabilities of the Fund, the security of members' benefits and the secure nature of most employers' covenants. The strength of the sponsor covenant and the risk of sponsor default combined mean that the scheme's actuary can set a recovery period of 20 years.
- When setting the common contribution rate the Actuary is charged with increasing the future service rate by an amount equal to the Fund's solvency target to ensure a fully funded scheme (known as a "past service adjustment")

Principle 4: Performance Assessment

Trustees should arrange for the formal measurement of the performance of the investments, investment managers and advisers. Trustees should also periodically make a formal policy assessment of their own effectiveness as a decision-making body and report on this to scheme members.

Compliance statement – full compliance

- The PIC reviews investment performance on a quarterly basis and cross examines investment managers on whether a half-yearly or annual basis. Mandates are generally structured so that formal reviews of investment managers occur on a rolling three year basis.
- The Fund employs the services of a Custodian who produces quarterly reports on performance to the Fund.

Principle 5: Responsible Ownership

Trustees should adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents.

A statement of the scheme's policy on responsible ownership should be included in the Investment Strategy Statement. Trustees should report periodically to members on the discharge of such responsibilities.

Compliance statement – Full compliance

- This Investment Strategy Statement sets out the Fund's approach to Socially Responsible Investment and Corporate Governance.
- PIC has delegated responsibility for the exercise of voting rights and engagement with companies to investment managers. Within that delegation investment managers are expected to support ethical and socially responsible corporate governance on the basis that in the longer term this will enhance the value of the companies concerned.
- Managers are held to account on their voting records.
- The Fund is a member of the Local Authority Pension Fund Forum

Principle 6: Transparency and Reporting

Trustees should act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives. Trustees should provide regular communication to members in the form they consider most appropriate. The report should contain commentary on how any commitments made in the Statement of Investment Principles have been progressed during the reporting period.

Compliance statement – full compliance

- This Investment Strategy Statement sets out the responsibilities of the PIC, its advisers and investment managers and details of the mandates and fee basis of investment managers.
- The PIC papers are available for public inspection and are available on the Council's website. Formal statements such as the Communications Policy, Funding Strategy Statement, Statement of Investment Principles and Triennial Valuation are reported on at PIC meetings and are available on the web.
- A comprehensive annual pensioner's newsletter is produced and distributed to all pensioners of the Fund.

Appendix C – Executive Summary of the 2016 Actuarial Valuation

Executive summary

We have carried out an actuarial valuation of the London Borough of Lewisham Pension Fund ('the Fund') as at 31 March 2016. The results are presented in this report and are briefly summarised below.

Funding position

The table below summarises the funding position of the Fund as at 31 March 2016 in respect of benefits earned by members up to this date (along with a comparison at the last formal valuation at 31 March 2013).

	31 March 2013 (£m)	31 March 2016 (£m)
Past Service Position		
Past Service Liabilities	1,215	1,328
Market Value of Assets	868	1,041
Surplus / (Deficit)	(348)	(288)
Funding Level	71%	78%

The improvement in funding position between 2013 and 2016 is mainly due to strong investment performance and favourable membership experience over the inter-valuation period. The liabilities have increased due to a reduction in the future expected investment return, although this has been partially been offset by lower than expected pay and benefit growth (both over the inter-valuation period and continuing in the long term).

Contribution rates

The table below summarises the whole fund Primary and Secondary Contribution rates at this triennial valuation. The Primary rate is the payroll weighted average of the underlying individual employer primary rates and the Secondary rate is the total of the underlying individual employer secondary rates (before any pre-payment or capitalisation of future contributions), calculated in accordance with the Regulations and CIPFA guidance.

Primary rate (%)	Secondary Rate (£)		
	2017/18	2018/19	2019/20
1 April 2017 - 31 March 2020	£9,447,000	£9,550,000	£9,545,000
15.8%			

The Primary rate also includes an allowance of 0.6% of pensionable pay for the Fund's expenses.

The average employee contribution rate is 6.6% of pensionable pay.

At the previous formal valuation at 31 March 2013, a different regulatory regime was in force. Therefore a contribution rate that is directly comparative to the rates above is not provided.

Broadly, contributions required to be made by employers in respect of new benefits earned by members (the primary contribution rate) have increased as future expected investment returns have fallen. Changes to employer contributions targeted to fund the deficit have been variable across employers.

The minimum contributions to be paid by each employer from 1 April 2017 to 31 March 2020 are shown in the Rates and Adjustment Certificate in **Appendix H**.

Agenda Item 6

PENSION BOARD			
REPORT TITLE	Pensions Board – General Update		
KEY DECISION	No	Item No:	
WARD	N/A		
CONTRIBUTORS	Acting Chief Finance Officer		
CLASS	Part 1	Date:	January 2019

Lateness: This report was not available for the original dispatch date due to staff absence.

Urgency: The report is urgent and cannot wait until the next meeting of the Pensions Board; it provides important updates to members which require their attention before the next meeting.

Where a report is received less than 5 clear days before the date of the meeting at which the matter is being considered, then under the Local Government Act 1972 Section 100(b)(4) the Chair of the Committee can take the matter as a matter of urgency if he is satisfied that there are special circumstances requiring it to be treated as a matter of urgency. These special circumstances have to be specified in the minutes of the meeting.

1. PURPOSE

- 1.1. This paper presents any standing items on the agenda and provides the Board with an update on several general matters to have arisen since the last meeting.

2. RECOMMENDATIONS

- 2.1. Members are asked to agree to the following recommendations:

- To review and note the current Register of Conflicts of Interest, as per section 4.1;
- To review the MHCLG asset pooling guidance and provide any feedback on the consultation document to officers ahead of the 28 March deadline, as per sections 4.5 - 4.8
- To note the remaining contents of the report.

3. BACKGROUND

- 3.1. This paper will address standing items on the agenda and provide updates to the Board as necessary, or following on from actions requested in previous meetings.

4. CURRENT CONSIDERATIONS

Register of Conflicts of Interest

- 4.1. The up-to-date Register of Conflicts of Interest is attached at Appendix 1. Members are asked to review and note the register.

Breaches of Law Log

- 4.2. Members agreed to adopt the Regulator's template for recording breaches of the law at the October 2018 meeting. At present there are no breaches that have been identified or that require further investigation.
- 4.3. Officers will develop and bring to the next meeting of the Board a 'Breaches of the Law' Policy to sit alongside the template, setting out how and when breaches should be reported.

Indemnity Insurance

- 4.4. The Board requested that officers investigate the issue of indemnity insurance, and whether it was required or already in place. The Council's Group Manager for Insurance and Risk has confirmed that there is cover for the Board under the Council's existing arrangements, and suitable formal confirmation of this has been requested from the Council's brokers. Once obtained, this will be shared with the Board to provide the reassurance it requires.

Asset Pooling Consultation

- 4.5. In January 2019 MHCLG launched an informal consultation with interested parties on LGPS asset pooling, publishing draft guidance which builds on previous Ministerial communications and will replace all previous guidance. The consultation period ends on 28 March 2019.
- 4.6. The draft guidance is attached at Appendix 2. As an interested party, Local Pension Boards are being asked to consider the guidance and provide any comments as necessary.
- 4.7. The Fund's advisors have prepared a factual summary of the points raised in the consultation, and this has been attached for the Board's attention at Appendix 3.
- 4.8. Officers recommend that any comments the Board wishes to feed back are sent to the Principal Accountant, who will coordinate and forward on the responses on the Board's behalf.
- 4.9. As it stands Lewisham has yet to formally invest in any LCIV funds although remains in close contact with LCIV officers about future developments and potential opportunities for transition into the pool, including infrastructure and property. A paper will be taken to PIC in February 2019 outlining a suggested timetable for consideration of asset transfer into the CIV.

Investment Strategy Statement

- 4.10. The Fund's latest Investment Strategy Statement (ISS) as at September 2018 was published online in October 2018. The updates to the previous version (dated April

2017) are minimal, but include amendments to reflect the new mandates with Invesco, JP Morgan, Partners Group and Pemberton and the relevant portfolio allocations and benchmarks. A copy of the ISS is included in the 2017/18 Annual Report, or can be found on the Fund's website at www.lewishampensions.org.

Internal Audit

- 4.11. The 2018/19 pension fund internal audit began in December 2018. As at mid-January 2019 the audit findings report is still in the process of being finalised, and will be brought to Board at the next meeting.

Risk Register Update

- 4.12. The recommendations of the Board at the October 2018 meeting will be incorporated into an updated risk register, to incorporate both administration and investment risks. The risk register will be considered as part of the planned compliance review, and brought back to the Board at the next meeting.

Terms of Reference

- 4.13. The most recent Terms of Reference for the Board are included at Appendix 4 for reference purposes.

Training

- 4.14. Officers continue to recommend that members complete the Pension Regulator's Public Service Toolkit, a self-learning modular resource which includes modules on areas that Board members are expected to be conversant with. As it stands, only one confirmation has been received that the toolkit has been completed.
- 4.15. External training opportunities, workshops and conferences will continue to be recommended by officers for members' attention. Appendix 5 lists a number of upcoming events; should members find any of the sessions of interest, or have identified other training they would like to attend, please can they keep the Principal Accountant for Treasury and Pensions informed so that the statutory training log can be updated.
- 4.16. Members have also agreed to complete a learning needs analysis, to rate their skills in specialist areas and identify suitable learning to address those areas of need. For reference, the Board's Knowledge and Training Policy is attached at Appendix 6, and a template Learning Needs Analysis is attached at Appendix 7.
- 4.17. Members are reminded that there is a small budget in place for training; please contact the Principal Accountant for further information should you wish to attend a fee-paying event.

Work Programme

- 4.18. A draft work programme was presented to members at the October 2018 meeting which outlined the key operational and strategic administration and governance items to be reviewed by the Board over a typical suggested annual cycle.
- 4.19. It is intended that the compliance review once completed will inform which items should take greater precedence or need addressing to meet statutory obligations.

4.20. The work programme is attached again at Appendix 8 for members to develop on an ongoing basis.

5. FINANCIAL IMPLICATIONS

5.1. There are no direct financial implications arising from this report.

6. LEGAL IMPLICATIONS

6.1. There are no direct legal implications arising from this report.

7. CRIME AND DISORDER IMPLICATIONS

7.1. There are no crime and disorder implications directly arising from this report.

8. EQUALITIES IMPLICATIONS

8.1. There are no equalities implications directly arising from this report.

9. ENVIRONMENTAL IMPLICATIONS

9.1. There are no environmental implications directly arising from this report.

APPENDICES

Appendix 1 – Register of Conflicts of Interest
Appendix 2 – MHCLG Asset Pooling Guidance
Appendix 3 – MHCLG Consultation Summary
Appendix 4 – Terms of Reference
Appendix 5 – Events Programme
Appendix 6 – Knowledge and Training Policy
Appendix 7 – Learning Needs Analysis Template
Appendix 8 – Draft Work Programme

FURTHER INFORMATION

If there are any queries on this report or you require further information, please contact either:

David Austin, Acting Chief Finance Officer on 020 8314 9114 or at david.austin@lewisham.gov.uk

Robert Browning, Principal Accountant – Treasury & Pensions on 020 8314 6274 or at robert.browning@lewisham.gov.uk

APPENDIX 1

Register of Conflicts of Interest: Lewisham Pension Board

Schemes should capture decisions about how any identified potential conflicts of interest will be managed in a Conflicts Register. The Register should be circulated to the Pension Board for ongoing review and published on the Lewisham Pensions website.

Date conflict identified	Name of PB member	Details of conflict	How notified of conflict	Action taken	Follow up required (Y/N)	Date resolved
06/03/18	Stephen Warren (Chair)	At the Board meeting held on this date, the Chair declared an interest in a separate scheme of which he is a Trustee Director, and which in the previous 18 months had invested in two of the managers chosen by the Pensions Investment Committee (PIC) to interview as part of the Fund's procurement of an infrastructure manager (which was carried out later that month on the 28 th .)	At Board meeting	None – The Chair did not reveal which of those managers shortlisted by Lewisham had been procured by the other scheme. He also had no input into the decision made by PIC Members, a decision which was made at a closed meeting following the interview of three separate managers. Those interviews were scored by panel members and results discussed to reach an agreed decision, independent of input from Pension Board members.	N	06/03/18

APPENDIX 2 – MHCLG Asset Pooling Guidance

Statutory guidance on asset pooling in the Local Government Pension Scheme

Local Government Pension Scheme

Statutory guidance on asset pooling

Contents

Foreword

- 1 Introduction**
- 2 Definitions**
- 3 Structure and scale**
- 4 Governance**
- 5 Transition of assets to the pool**
- 6 Making new investments outside the pool**
- 7 Infrastructure investment**
- 8 Reporting**

Foreword

The reform of investment management in the Local Government Pension Scheme (LGPS) for England and Wales began in 2015 with the publication of criteria and guidance on pooling of LGPS assets, following extensive consultation with the sector. LGPS administering authorities responded by coming together in groups of their own choosing to form eight asset pools.

Through the hard work and commitment of people across the scheme, those eight pools are now operational. Their scale makes them significant players at European or global level, and significant annual savings have already been delivered, with the pools forecasting savings of up to £2bn by 2033. Along the way many lessons have been learnt and great progress has been made in developing expertise and capacity, including in private markets and infrastructure investment.

This is a considerable achievement in itself, but there is still a long way to go to complete the transition of assets and to deliver the full benefits of scale. In the light of experience to date with pooling and the challenges ahead, authorities have requested guidance on a range of issues. The time is now right for new guidance to support further progress.

1 Introduction

1.1 This guidance sets out the requirements on administering authorities in relation to the pooling of LGPS assets, building on previous Ministerial communications and guidance on investment strategies, and taking account of the current state of progress on pooling. It is made under the powers conferred on the Secretary of State by Regulation 7(1) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the 2016 Regulations). Administering authorities are required to act in accordance with it.

1.2 This guidance replaces the section at pages 7 to 8 of Part 2 of *Guidance for Preparing and Maintaining an Investment Strategy*, issued in September 2016 and revised in July 2017, which deals with regulation 7(2)(d) of the 2016 Regulations. It also replaces *Local Government Pension Scheme: Investment Reform Criteria and Guidance*, issued in November 2015.

2 Definitions

2.1 This guidance introduces a set of definitions for use in this and future guidance, as follows:

'Pool' the entity comprising all elements of a Local Government Pension Scheme (LGPS) asset pool

'Pool member' an LGPS administering authority which has committed to invest in an LGPS pool and participates in its governance

'Pool governance body' the body used by pool members to oversee the operation of the pool and ensure that the democratic link to pool members is maintained (for example, Joint Committees and officer committees)

'Pool company' the Financial Conduct Authority (FCA) regulated company which undertakes selection, appointment, dismissal and variation of terms of investment managers, and provides and operates pool vehicles for pool members

'Pool fund' a regulated unitised fund structure operated by a regulated pool company, such as an Authorised Contractual Scheme (ACS)

'Pool vehicle' an investment vehicle (including pool funds) made available to pool members by a regulated pool company

'Pooled asset' an investment for which the selection, appointment, dismissal and variation of terms for the investment manager is delegated to a regulated pool company, or an investment held in a pool vehicle

'Retained asset' an existing investment retained by a pool member during the transition period

'Local asset' a new investment by a pool member which is not a pooled asset

3 Structure and scale

3.1 All administering authorities must pool their assets in order to deliver the benefits of scale and collaboration. These include:

- reduced investment costs without affecting gross risk-adjusted returns
- reduced costs for services such as custody, and for procurement
- strengthened governance and stewardship and dissemination of good practice
- greater investment management capacity and capability in the pool companies, including in private markets
- increased transparency on total investment management costs
- diversification of risk through providing access to a wider range of asset classes, including infrastructure investments

3.2 In order to maximise the benefits of scale, pool members must appoint a pool company or companies to implement their investment strategies. This includes:

- the selection, appointment, dismissal and variation of terms of investment managers, whether internal or external

- the management of internally managed investments
- the provision and management of pool vehicles including pool funds

It is for the pool companies to decide which investment managers to use for pool vehicles, including whether to use in-house or external management. Pool members may continue to decide if they wish to invest via in-house or externally managed vehicles.

3.3 Pool companies may be wholly owned by pool members as shareholders or may be procured and appointed by the pool members as clients.

3.4 A pool company must be a company regulated by the Financial Conduct Authority (FCA) with appropriate FCA permissions for regulated activities. This helps ensure the pools comply with financial services legislation, and provides additional assurance to scheme members and employers. Depending on the structure of the pool, appropriate permissions may include permissions for execution, acting as agent, provision of advice, or such other permissions as required by the FCA. Where regulated funds (e.g. in an ACS) are operated by the pool company it should comply with relevant UK legislation.

Regular review of services and procurement

3.5 Pool governance bodies, working with the pool company, should regularly review the provision of services to the pool, and the process of procurement, to ensure value for money and cost transparency. Where services are procured or shared by pool members, pool members should regularly review the rationale and cost-effectiveness of such arrangements, compared to procurement and management through the pool company. Pool members and pool companies should consider using the national LGPS procurement frameworks (www.nationallgpsframeworks.org) where appropriate.

Regular review of active and passive management

3.6 Pool members, working with the pool company, should regularly review the balance between active and passive management in the light of performance net of total costs. They should consider moving from active to passive management where active management has not generated better net performance over a reasonable period. Pool members should also seek to ensure performance by asset class net of total costs is at least comparable with market performance for similar risk profiles.

4 Governance

4.1 Pool members must establish and maintain a pool governance body in order to set the direction of the pool and to hold the pool company to account. Pool governance bodies should be appropriately democratic and sufficiently resourced to provide for effective decision making and oversight.

4.2 Pool members, through their internal governance structures, are responsible for effective governance and for holding pool companies and other service providers to account. Strategic asset allocation remains the responsibility of pool members, recognising their authority's specific liability and cash-flow forecasts.

4.3 Members of Pension Committees are elected representatives with duties both to LGPS employers and members, and to local taxpayers. Those who serve on Pension Committees and equivalent governance bodies in LGPS administering authorities are, in many ways, required to act in the same way as trustees in terms of their duty of care to scheme employers and members, but are subject to a different legal framework, which derives from public law. In particular while they have legal responsibilities for the prudent and effective stewardship of LGPS funds, LGPS benefits are not dependent on their stewardship but are established and paid under statute in force at the time.

4.4 Those who serve on Pension Committees and equivalent governance bodies in pool members should therefore take a long term view of pooling implementation and costs. They should take account of the benefits across the pool and across the scheme as a whole, in the interests of scheme members, employers and local taxpayers, and should not seek simply to minimise costs in the short term.

4.5 Local Pension Boards of pool members have a key role in pool governance, given their responsibilities under the LGPS Regulations 2013 (regulation 106 (1)) for assisting authorities in securing compliance with legislation, and ensuring effective and efficient governance and administration of the LGPS. They can provide additional scrutiny and challenge to strengthen pool governance and reporting, and improve transparency and accountability for both members and employers.

4.6 Local Pension Boards may also provide a group of knowledgeable and experienced people from which observers may be drawn if pool members wish to include observers on pool governance bodies.

Strategic and tactical asset allocation

4.7 Pool members are responsible for deciding their investment strategy and asset allocation, and remain the beneficial owners of their assets, in accordance with *Guidance for Preparing and Maintaining an Investment Strategy*.

4.8 Pool members collectively through their pool governance bodies should decide the pool's policy on which aspects of asset allocation are strategic and should remain with the administering authority, and which are tactical and best undertaken by the pool company. Pool governance bodies, when determining where such decisions lie, should be mindful of the trade-off between greater choice and lower costs and should involve the pool company to ensure the debate is fully informed on the opportunities and efficiencies available through greater scale.

4.9 Providing pool members with asset allocation choices through an excessively wide range of pool vehicles or investment managers will restrict the pool company's ability to use scale to drive up value. On the other hand maximising scale by significantly limiting asset allocation options may not provide all pool members with the diversification needed to meet their particular liability profile and cash flow requirements. Pool members should set out in their Funding Strategy Statement and Investment Strategy Statement how they, through the pool governance body, have balanced these considerations and how they will keep this under regular review.

4.10 Where necessary to deliver the asset allocation required by pool members, pool companies may provide a range of pool vehicles and in addition arrange and manage segregated mandates or access to external specialist funds. Pool governance bodies should ensure that their regulated pool companies have in place the necessary permissions to enable pool vehicles to be made available where appropriate.

4.11 Determining where asset allocation decisions lie will not be a one-off decision as pool member requirements will change over time. Pool governance bodies should ensure that a regular review process, which involves both pool members and pool companies, is in place.

5 Transition of assets to the pool

5.1 Pool members should transition existing assets into the pool as quickly and cost effectively as possible. Transition of listed assets should take place over a relatively short period.

5.2 Pool governance bodies, working with pool companies and, where appointed, external transition managers, should seek to minimise transition costs to pool members while effectively balancing speed, cost and timing, taking into account exit or penalty costs and opportunities for crossing trades.

5.2 The transition process will incur direct or indirect costs which may fall unevenly across pool members. For example, where the selected managers are used by some pool members but not others. In such cases pool members who are already using the selected manager may incur significantly lower (if any) transition costs than those who do not.

5.3 Inter-authority payments (or other transfers of value) may be desirable in order to share these costs equitably between pool members. The Government's view is that such payments are investment costs within Regulation 4(5) of the 2016 Regulations, and payments made by a pool member to meet its agreed share of costs may be charged to the fund of that pool member, whether the payments are made to other pool members, the pool company, or another body by agreement.

Temporary retention of existing assets

5.4 In exceptional cases, some existing investments may be retained by pool members on a temporary basis. If the cost of moving the existing investment to a pool vehicle exceeds the benefits of doing so, it may be appropriate to continue to hold and manage the existing investment to maturity before reinvesting the funds through a pool vehicle.

5.5 In many cases there will be benefits in such retained assets being managed by the pool company in the interim. However pool members may retain the management of existing long term investment contracts where the penalty for early exit or transfer of management would be significant. These may include life insurance contracts ('life funds') accessed by pool members for the purpose of passive equity investment, and some infrastructure investments. Pool members may also retain existing direct property assets where these may be more effectively managed by pool members.

Regular review of retained assets

5.6 Pool members, working with the pool company, should undertake regular reviews (at least every three years) of retained assets and the rationale for keeping these assets outside the pool. They should review whether management by the pool company would deliver benefits. Pool members should consider the long term costs and benefits across the pool, taking account of the guidance on cost-sharing, and the presumption should be in favour of transition to pool vehicles or moving such assets to the management of the pool company.

6 Making new investments outside the pool

6.1 Pool members should normally make all new investments through the pool company in order to maximise the benefits of scale. Following the 2019 valuation, pool members will review their investment strategies and put revised strategies in place from 2020. From 2020, when new investment strategies are in place, pool members should make new investments outside the pool only in very limited circumstances.

6.2 A small proportion of a pool member's assets may be invested in local initiatives within the geographical area of the pool member or in products tailored to particular liabilities specific to that pool member. Local assets should:

- Not normally exceed an aggregate 5% of the value of the pool member's assets at the point of investment.
- Be subject to a similar assessment of risk, return and fit with investment strategy as any other investment.

6.3 Pool members may invest through pool vehicles in a pool other than their own where collaboration across pools or specialisation by pools can deliver improved net returns.

6.4 During the period of transition, while pool governance bodies and pool companies work together to determine and put in place the agreed range of pool vehicles, a pool member may make new investments outside the pool, if following consultation with the pool company, they consider this is essential to deliver their investment strategy. This exemption only applies until the pool vehicles needed to provide the agreed asset allocation are in place.

7 Infrastructure investment

7.1 Infrastructure investment has the potential to provide secure long term returns with a good fit to pension liabilities, and form part of investment strategies of authorities. The establishment of the pools was intended to provide the scale needed for cost-effective investment in infrastructure, and to increase capacity and capability to invest in infrastructure.

7.2 There is no target for infrastructure investment for pool members or pools, but pool members are expected to set an ambition on investment in this area. Pool companies may provide pool vehicles for investment in UK assets, or overseas assets, or both, as required to provide the risk and return profile to meet pool member investment strategies. However the Government expects pool companies to provide the capability and capacity for pools over time to move towards levels of infrastructure investment similar to overseas pension funds of comparable aggregate size.

7.3 Pool companies may provide pool vehicles for investment in existing (brownfield) or new (greenfield) infrastructure, based on an assessment of the benefits and risks in relation to pool member liabilities, and non-financial factors where relevant. Pool members may invest in their own geographic areas but the asset selection and allocation decisions should normally be taken by the pool company in order to manage any potential conflicts of interest effectively, maintain propriety, and ensure robust evaluation of the case for investment.

7.4 For the purpose of producing annual reports, infrastructure assets are defined in the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance *Preparing the Annual Report* as follows:

Infrastructure assets are the facilities and structures needed for the functioning of communities and to support economic development. When considered as an investment asset class, infrastructure investments are normally expected to have most of the following characteristics:

- *Substantially backed by durable physical assets;*
- *Long life and low risk of obsolescence;*
- *Identifiable and reliable cash flow, preferably either explicitly or implicitly inflation-linked;*
- *Revenues largely isolated from the business cycle and competition, for example, through long term contracts, regulated monopolies or high barriers to entry;*
- *Returns to show limited correlation to other asset classes.*

Key sectors for infrastructure include transportation networks, power generation, energy distribution and storage, water supply and distribution, communications networks, health and education facilities, social accommodation and private sector housing.

Conventional commercial property is not normally included, but where it forms part of a broader infrastructure asset, helps urban regeneration or serves societal needs it may be.

7.5 All residential property is included in this definition of infrastructure. It is not restricted to social accommodation or private sector housing.

7.6 A variety of platforms may be required to implement the infrastructure investment strategies of pool members. Pool companies are expected to provide access to a range of options over time including direct and co-investment opportunities.

8 Reporting

8.1 Pool members are required to report total investment costs and performance against benchmarks publicly and transparently in their annual reports, following the CIPFA guidance *Preparing the Annual Report*, with effect from the 2018-19 report.

8.2 In summary, pool member annual reports should include:

- opening and closing value and proportion of pooled assets by asset class
- opening and closing value and proportion of local assets by asset class
- net and gross performance of pooled assets by asset class
- total costs of pooled assets by asset class
- for actively managed listed assets, net performance by asset class net of total costs compared to appropriate passive indices over a one, three and five year period
- net and gross performance of local assets by asset class
- total costs of local assets by asset class
 - asset transition during the reporting year
 - transition plans for local assets
 - pool set-up and transition costs, presented alongside in-year and cumulative savings from pooling
 - ongoing investment management costs by type, with a breakdown between pooled assets and local assets

8.3 Investments should be classed as pool assets on the basis of the definition in the CIPFA guidance *Preparing the Annual Report*.

For the purpose of defining those assets which are classed as being within an asset pool, 'pooled assets' are those for which implementation of the investment strategy – i.e. the selection, appointment, dismissal and variation of terms for the investment managers (including internal managers) – has been contractually, transferred to a third party out with the individual pension fund's control.

8.4 Any investment where a pool member retains the day to day management, or the responsibility for selecting or reappointing an external manager, is not a pool asset.

8.5 Pool members should provide a rationale for all assets continuing to be held outside the pool, including the planned end date and performance net of costs including a comparison which costs of any comparable pool vehicles. They should also set out a high level plan for transition of assets.

8.6 The SAB will publish an annual report on the pools based on aggregated data from the pool member annual reports, in the Scheme Annual Report. Pool members should comply with all reasonable requests for any additional data and information from the SAB to enable it to publish a comprehensive report.

8.7 Pool members should ensure that pool companies report in line with the SAB Code of Cost Transparency. They should also ensure that pool companies require their internal and external investment managers to do so.

8.8 Pool members should also ensure that the annual report of the pool company is broadly consistent with the reports of pool members, and with the Scheme Annual Report, in so far as it relates to their investments, and that the report includes a narrative to explain differences. These may arise for example from reporting periods of pool companies which differ from that of the pool member.

8.9 Pool members are required to report any change which results in failure to meet the requirements of this guidance to the LGPS Scheme Advisory Board (SAB) and to MHCLG.

Document is Restricted

APPENDIX 4 – Terms of Reference

Terms of Reference: Lewisham Pension Board March 2018

Introduction

1. This document sets out the terms of reference of the Local Pension Board of the London Borough of Lewisham (the ‘Administering Authority’) a scheme manager as defined under Section 4 of the Public Service Pensions Act 2013. The Local Pension Board (hereafter referred to as ‘the Board’) is established in accordance with Section 5 of that Act and under regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended).
2. The Board is established by the Administering Authority and operates independently of the Pension Investment Committee. Relevant information about its creation and operation are contained in these Terms of Reference.
3. The Board is not a committee constituted under Section 101 of the Local Government Act 1972 and therefore no general duties, responsibilities or powers assigned to such committees or to any sub-committees or officers under the constitution, standing orders or scheme of delegation of the Administering Authority apply to the Board unless expressly included in this document.
4. The Board shall be constituted separately from the Pension Investment Committee constituted under Section 101 of the Local Government Act 1972 with delegated authority to execute the function of the Administering Authority.

Interpretation

5. The following terms have the meanings as outlined below:

‘the Act’	The Public Service Pensions Act 2013.
‘the Code’	means the Pension Regulator’s Code of Practice No 14 governance and administration of public service pension schemes.
‘the Committee’	London Borough of Lewisham’s Pension Investment Committee who has delegated decision making powers for the Pension Fund in accordance with Section 101 of the Local Government Act 1972.
‘the Fund’	means the Pension Fund that is managed and administered by the London Borough of Lewisham as Administering Authority.
‘the Guidance’	means the guidance on the creation and operation of local pension boards issued by the Shadow Scheme Advisory Board.

‘the Regulations’	means the Local Government Pension Scheme Regulations 2013 (as amended from time to time); the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended from time to time), including any earlier regulations as defined in these regulations to the extent they remain applicable and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended from time to time).
‘Relevant legislation’	means relevant overriding legislation as well as the Pension Regulator’s Codes of Practice as they apply to the Administering Authority and the Board, notwithstanding that the Codes of Practice are not legislation.
‘the Scheme’	means the Local Government Pension Scheme in England and Wales.

Statement of Purpose

6. The purpose of the Board is to assist the London Borough of Lewisham in its role as a scheme manager of the Scheme. Such assistance is to:
 - (a) secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pension Regulator in relation to the Scheme; and
 - (b) to ensure the effective and efficient governance and administration of the Scheme.

Duties of the Board

7. The Board should at all times act in a reasonable manner in the conduct of its purpose. In support of this duty Board members should be subject to and abide by the code of conduct for Board members.

Establishment

8. The Board is established on 1 April 2015.

Membership

9. The Board shall consist of 4 voting members, as follows:
 - 2 Scheme Representatives; and
 - 2 Employer Representatives.

10. There shall be an equal number of Member and Scheme Employer Representatives.
11. There shall also be one other member who will be appointed as Chair, who is not entitled to vote.

Scheme Member Representatives

12. Scheme Member representatives shall either be scheme members or have capacity to represent scheme members of the Fund.
13. Scheme Member representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meetings and participate in training as required.
14. Substitutes shall not be appointed.
15. A total of 2 Scheme member representatives shall be appointed as follows:-
 - (a) 1 Scheme member representative shall be nominated by the trade union with the largest number of Lewisham Scheme members in its membership.
 - (b) 1 Scheme member representative shall be nominated by a transparent process open to all Fund members and approved by the Council.

Employer Representatives

16. 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 London Borough of Lewisham who is responsible for the discharge of any function of the London Borough of Lewisham under the Regulations may serve as a member of the Board.
17. Employer representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meetings and participate in training as required.
18. Substitutes shall not be appointed.
19. A total of 2 employer representatives shall be appointed to the Board by the Council where all employers have been asked to submit their interest in undertaking the role of employer representative on the Board.

Other Members

20. The independent member (Chair) shall be appointed to the Board by the agreement of the London Borough of Lewisham.

21. Other members (who are not scheme member nor employer representatives) do not have voting rights on the Board.

Appointment of Chair

22. (a) Subject to the meeting arrangements in paragraphs 35 to 37 below a Chair shall be appointed for the Board using the processes listed below:
22. (b) An independent chair is to be appointed by the London Borough of Lewisham but shall count as an 'other' member under paragraphs 20-21 above. In this respect the term independent means having no existing employment, financial or other material interest in either the London Borough of Lewisham or any scheme employer in the Fund and not being a member of the Fund. The appointment of the Chair shall be subject to the passing of a motion to confirm by a majority of the employer and member representatives of the Board.

Duties of Chair

23. The Chair of the Board:
- (a) Shall ensure the Board delivers its purpose as set out in these Rules of Procedure.
 - (b) Shall ensure that meetings are productive and effective and that opportunity is provided for the views of all members to be expressed and considered, and
 - (c) Shall seek to reach consensus and ensure that decisions are properly put to a vote when it cannot be reached. Instances of a failure to reach a consensus position will be recorded and published.

Notification of appointments

24. When appointments to the Board have been made the London Borough of Lewisham shall publish the name of Board members, the process followed in the appointment together with the way in which the appointments support the effective delivery of the purpose of the Board.

Term of Office

25. Board members shall normally be appointed at the first AGM following a local Council election and serve until the first AGM after the next local Council election. Extensions to terms of office may be made by the London Borough of Lewisham with the agreement of the Board.
26. Initially the Council will appoint:
- (a) 1 employer representative and scheme member to serve until the

Council's AGM in 2020;

- (b) 1 employer representative and scheme member representative to serve until the Council's AGM in 2021.

27. A Board member may be appointed for further terms of office using the methods set out in paragraphs 15 and 19.

28. 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.
- (d) A Board member no longer being able to demonstrate to the London Borough of Lewisham 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 who is an elected member becomes a member of the Committee.
- (h) A Board member who is an officer of the London Borough of Lewisham becomes responsible for the discharge of any function of the London Borough of Lewisham under the Regulations.

Conflicts of interest

29. All members of the Board must declare to the London Borough of Lewisham on appointment and at any such time as their circumstances change, any potential conflict of interest arising as a result of their position on the Board.

30. A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Board. It does not include a financial or other interest arising merely by virtue of that person being a member of the Scheme.

31. On appointment to the Board and following any subsequent declaration of potential conflict by a Board member, the London Borough of Lewisham shall ensure that any potential conflict is effectively managed in line with both the internal procedures of the Board's conflicts policy and the requirements of the Code.

Knowledge and understanding (including Training)

32. Knowledge and understanding must be considered in light of the role of the Board to assist the London Borough of Lewisham in line with the requirements outlined in paragraph 6 above. The Board shall establish and maintain a Knowledge and Understanding Policy and Framework to address the knowledge and understanding requirements that apply to Board members under the Act. That policy and framework shall set out the degree of knowledge and understanding required as well as how knowledge and understanding is acquired, reviewed and updated.
33. Board members shall attend and participate in training arranged in order to meet and maintain the requirements set out in the Board's knowledge and understanding policy framework.
34. Board members shall participate in such personal training needs analysis or other processes that are put in place in order to ensure that they maintain the required level of knowledge and understanding to carry out their role on the Board.

Meetings

35. The Board shall as a minimum meet 1 time each year, but may determine to meet more regularly.
36. The Chair of the Board with the consent of the Board membership may call additional meetings. Urgent business of the Board between meetings may, in exceptional circumstances, be conducted via communications between members of the Board, including telephone conferencing and emails.

Quorum

37. A meeting is only quorate when at least 50% of both scheme member and employer representatives are present.
38. A meeting that becomes inquorate may continue but any decisions will be non-binding.

Board administration

39. The agenda and supporting papers will be issued at least 5 working days (where practicable) in advance of the meeting except in the case of matters of urgency.

40. Draft minutes of each meeting including all actions and agreements will be recorded and circulated to all Board members. These draft minutes will be subject to formal agreement by the Board at their next meeting. Any decisions made by the Board should be noted in the minutes and in addition where the Board was unable to reach a decision such occasions should also be noted in the minutes.
41. The minutes may with the agreement of the Board, be edited to exclude items on the grounds that they would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998.
42. Officers shall arrange such advice as is required by the Board subject to such conditions as are listed in these Terms of Reference for the use of the budget set for the Board.
43. Officers shall ensure an attendance record is maintained along with advising the London Borough of Lewisham on allowances and expenses to be paid under these terms.

Public access to Board meetings and information

44. Generally the public will be given access to Board meetings, if they would be entitled to access to its meeting if it were established as a formal Council Committee.
45. Observers are welcome to record any part of any board meeting that is open to the public. The Council cannot guarantee that anyone present at a board meeting will not be filmed or recorded by anyone who may then use the image or sound recording.
46. The following will be entitled to attend Board meetings in an observer capacity:
 - (a) Members of the Pensions Investment Committee;
 - (b) Any person requested to attend by the Board.Any such attendees will be permitted to speak at the discretion of the Chair.
47. In accordance with the Act the London Borough of Lewisham shall publish information about the Board to include:
 - (a) The names of Board members and their contact details.
 - (b) The representation of employers and scheme members on the Board.
 - (c) The role of the Board.
 - (d) These Terms of Reference.
48. The London Borough of Lewisham shall also publish other information about the Board including:

- (a) Agendas and minutes
- (b) Training and attendance logs
- (c) An annual report on the work of the Board to be included in the Fund's own annual report.

49. All or some of this information may be published using the following means or other means as considered appropriate from time to time:

- (a) On the Fund's website.
- (b) As part of the Fund's Annual Report.
- (c) As part of the Governance Compliance Statement.

50. Information may be excluded on the grounds that it would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998.

Expenses and allowances

51. The London Borough of Lewisham will reimburse the reasonable travel expenses of Board members in line with the London Borough of Lewisham's policy on expenses as set out in the Council's Constitution.

52. The London Borough of Lewisham shall pay to the Chair of the Pension Board an allowance equivalent to that paid to a co-opted member of the Standards Committee. In 2017/18 this is £600 per annum. Other members of the Board shall not receive any remuneration.

Budget

53. The Board is to be provided with adequate resources to fulfil its role. In doing so the budget for the Board will be met from the Fund. The full Council will approve its budget on an annual basis. The budget will be managed by and at the discretion of the Board.

Core functions

54. The first core function of the Board is to assist the London Borough of Lewisham in securing compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme.

55. The second core function of the Board is to assist in the effective and efficient governance and administration of the Scheme.

56. In support of its core functions the Board may make a request for information to the Committee or Council officers with regard to any aspect of the London

Borough of Lewisham's function. Any such request should be reasonably complied with in both scope and timing subject to data protection.

57. In support of its core functions the Board may make recommendations to the Committee or Council officers which should be considered and a response made to the Board on the outcome within a reasonable period of time.

Reporting

58. The Board should in the first instance report its requests, recommendations or concerns to the Committee or Council officers. In support of this any member of the Board may attend a Committee meeting as an observer.
59. Requests and recommendations should be reported under the provisions of paragraphs 57 and 58 above.
60. The Board should report any concerns over a decision made by the Committee to the Committee subject to the agreement of at least 50% of voting Board members provided that all voting members are present. If not all voting members are present then the agreement should be of all voting members who are present, where the meeting remains quorate.
61. On receipt of a report under paragraph 60 above the Committee should within a reasonable period, consider and respond to the Board.
62. Where the Board is not satisfied with the response received it may request that a notice of its concern be placed on the website and in the Fund's annual report.
63. Where the Board is satisfied that there has been a breach of regulation which has been reported to the Committee under paragraph 60 and has not been rectified within a reasonable period of time it is under an obligation to escalate the breach.
64. The appropriate internal route for escalation is to the Monitoring Officer.
65. The Board may report concerns to the LGPS Scheme Advisory Board for consideration subsequent to, but not instead of, using the appropriate internal route for escalation.
66. Board members are also subject to the requirements to report breaches of law under the Act and the Code and the whistleblowing provisions set out in the London Borough of Lewisham's whistleblowing policy.

Review of terms of reference

67. These Terms of Reference shall be reviewed on each material change to those part of the Regulations covering local pension boards and at least every 12 months.

68. These Terms of Reference were adopted at a meeting of the London Borough of Lewisham on 6 March 2018 to be effective immediately.

APPENDIX 5 – Events Programme 2019 Quarter 1-2

Date	Conference/Event	Organiser	Venue	Cost & Additional Information
14/02/2019	Investment Strategies for Pension Funds	SPS Conferences	Le Meridien Piccadilly Hotel, 21 Piccadilly, London, W1 0BH	2 Free Places Day Event Enquiries via Website
26/02/2019	Aon's Pension Conference	Aon	London	09:50 – 16:00 Cost unknown If of interest, please contact the Principal Accountant to make enquiries (Robert.Browning@lewisham.gov.uk)
27/02/2019	Local Pension Board Spring Seminar	CIPFA	Barnett Waddingham, 2 nd Floor, 2 London Wall Place, London, EC2Y 5AU	13:00 – 16:30 £125 If of interest, please contact the Principal Accountant to book (Robert.Browning@lewisham.gov.uk)
12/03/2019	Pensions Administration Workshop	CIPFA	Squire Patton Boggs, 7 Devonshire Square, London, EC2M 4YH	10:00 – 16:00 £345 If of interest, please contact the Principal Accountant to book (Robert.Browning@lewisham.gov.uk)
13/03/2019	Local Authority Pension Fund Investment Issues	SPS Conferences	Le Meridien Piccadilly Hotel, 21 Piccadilly, London, W1 0BH	2 Free Places Day Event Enquiries via Website
14/03/2019	Risk Reduction Forum 2019	Professional Pensions	Radisson Blu Bloomsbury, 9-13 Bloomsbury Street, London, WC1B 3QD	08:45-15:35 Cost not advertised. Agenda available at http://events.professionalphensions.com/riskreduction . If of interest, please contact the Principal Accountant (Robert.Browning@lewisham.gov.uk)
10/04/2019	Fiduciary Management & Investment Governance for Pension Funds	SPS Conferences	Le Meridien Piccadilly Hotel, 21 Piccadilly, London, W1 0BH	2 Free Places Day Event Enquiries via Website

08/05/2019	Introduction to Trusteeship – Part 1: The Theory	PLSA	Cheapside House, London, EC2V	£505 Day Event Enquiries via Website
11/06/2019	Introduction to Trusteeship – Part 2: The Practice	PLSA	Cheapside House, London, EC2V	£505 Day Event Enquiries via Website

APPENDIX 6 – KNOWLEDGE AND TRAINING POLICY

Lewisham Pension Board: Knowledge and Training Policy

Legal requirements

A member of the Pension Board of a public service pension scheme must be conversant with:

- the rules of the scheme, and
- any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme.

A member of a Pension Board must have knowledge and understanding of:

- the law relating to pensions, and
- any other matters which are prescribed in regulations.

The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the Pension Board.

Training policy

It is the responsibility of individual pension board members to ensure that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the pension board.

Areas of knowledge and understanding required

Being ‘conversant’ means having a working knowledge of the scheme regulations and policies, so that pension board members can use them effectively when carrying out their duties.

They must also have knowledge and understanding of the law relating to pensions (and any other matters prescribed in legislation) to the degree appropriate for them to be able to carry out their role, responsibilities and duties.

In terms of documented administration policies, the following are examples of administration policies which the Regulator considers to be particularly pertinent and would expect to be documented where relevant to a pension scheme, and with which pension board members must therefore be conversant where applicable. This list is not exhaustive and other documented policies may fall into this category:

Any scheme-approved policies relating to:

- conflicts of interest and the register of interests
- record-keeping
- internal dispute resolution

- reporting breaches
- maintaining contributions to the scheme
- the appointment of pension board members
- risk assessments / management and risk register policies for the scheme
- scheme booklets, announcements and other key member and employer communications, which describe scheme policies and procedures
- the roles, responsibilities and duties of the scheme manager, pension board and individual pension board members
- terms of reference, structure and operational policies of the pension board and / or any sub-committee
- statements of policy about the exercise of discretionary functions
- statements of policy about communications with members and scheme employers
- the pension administration strategy, or equivalent, and
- any admission body (or equivalent) policies.
- Policies relating to funding and investment matters. For example, they must be conversant with the statement of investment principles and the funding strategy statement.

Pension Board members must also be conversant with any other documented policies relating to the administration of the scheme. For example, where applicable, they must be conversant with policies relating to:

- the contribution rate or amount (or the range/variability where there is no one single rate or amount) payable by employers participating in the scheme
- statements of assurance (for example, assurance reports from administrators)
- third party contracts and service level agreements
- stewardship reports from outsourced service providers (for example, those performing outsourced activities such as scheme administration), including about compliance issues
- scheme annual reports and accounts
- accounting requirements relevant to the scheme
- audit reports, including from outsourced service providers, and
- other scheme-specific governance documents.

Degree of knowledge and understanding required

Pension Board members must have knowledge and understanding of the law relating to pensions (and any other prescribed matters) sufficient for them to exercise the functions of their role. Pension Board members should be aware of the range and extent of the law relating to pensions which applies to their scheme, and have sufficient understanding of the content and effect of that law to recognise when and how it impacts on their responsibilities and duties.

Pension Board members should be able to identify and where relevant challenge any failure to comply with:

- the scheme regulations
- other legislation relating to the governance and administration of the scheme
- any requirements imposed by the Regulator, or

- any failure to meet the standards and expectations set out in any relevant codes of practice issued by the Regulator.

Pension Board members' breadth of knowledge and understanding should be sufficient to allow them to understand fully and challenge any information or advice they are given. They should understand how that information or advice impacts on any issue or decision relevant to their responsibilities and duties.

Acquiring, reviewing and updating knowledge and understanding

Pension Board members should invest sufficient time in their learning and development alongside their other responsibilities and duties. Newly appointed Pension Board members should be aware that their responsibilities and duties as a Pension Board member begin from the date they take up their post. Therefore, they should immediately start to familiarise themselves with the scheme regulations, documents recording policy about the administration of the scheme and relevant pensions law.

Pension Board members should undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses. They should use a personalised training plan to document and address these promptly.

Learning programmes are flexible, and Lewisham Council will assist in acquiring the provision of relevant training.

The Regulator provides an e-learning programme to help meet the needs of Pension Board members, it is a requirement of Pension Board members to utilise this tool and document progress made on the learning modules. Definite and reasonable timescales must be set for members to complete the learning modules on the Regulator's website.

The link is provided below:

<http://www.thepensionsregulator.gov.uk/public-service-schemes/learn-about-managing-public-service-schemes.aspx#s16691>

APPENDIX 7 – Learning Needs Analysis Template

Public service pension schemes: Learning needs analysis of certain governance and administration requirements					
Step 1 – Plan your learning					
Learning needs analysis			Personal development		
1 – My role, responsibilities and duties as a Pension Board member					
Do I know...?	Rate my skills 1 – no knowledge 5 – highly skilled	My objectives	Timescale	What learning am I planning to do?	Where to find information
Who The Pensions Regulator is	1 2 3 4 5				Introduction to public service pension schemes: www.tpr.gov.uk/PS-introduction
What my role, responsibilities and duties are	1 2 3 4 5				
How the Regulator’s code of practice will support me in assisting the scheme manager with running an effective and efficient scheme	1 2 3 4 5				
2 – The knowledge and understanding I need as a Pension Board member					
Do I know...?	Rate my skills	My objectives	Timescale	What learning am I planning to do?	Where to find information
What I need to know about my scheme as a Pension Board member	1 2 3 4 5				Knowledge and understanding duty on Pension Board members: www.tpr.gov.uk/PS-knowledge
What I need to know about pensions law as a Pension Board member	1 2 3 4 5				
How to plan, follow and record my training, knowledge and understanding	1 2 3 4 5				

3 – Conflicts of interest					
Do I know...?	Rate my skills	My objectives	Timescale	What learning am I planning to do?	Where to find information
What information I need to provide to the scheme manager	1 2 3 4 5				'Conflicts of interest' course in the Public Service toolkit: www.pensionseducationportal.com
How to disclose potential or actual conflicts of interest	1 2 3 4 5				
How to monitor and discuss the risk of potential or actual conflicts of interest	1 2 3 4 5				
4 – Publishing scheme information					
Do I know...?	Rate my skills	My objectives	Timescale	What learning am I planning to do?	Where to find information
What information needs to be published about the Pension Board	1 2 3 4 5				Publishing scheme information: www.tpr.gov.uk/PS-publishing
How that information is to be recorded and published	1 2 3 4 5				
What the Pension Board's role is regarding the publication of that information	1 2 3 4 5				
5 – Risk management and internal controls					
Do I know...?	Rate my skills	My objectives	Timescale	What learning am I planning to do?	Where to find information

How risks will be identified and assessed	1 2 3 4 5				'Managing risk and internal controls' course in the Public Service toolkit: www.pensionseducationportal.com
How internal controls will be set up	1 2 3 4 5				
How risk assessments will be documented	1 2 3 4 5				
How possible fraudulent activity will be identified and dealt with	1 2 3 4 5				
Who is involved in internal controls and risk management and their role	1 2 3 4 5				
What the Pension Board's role is in internal controls and risk management	1 2 3 4 5				
6 – Record-keeping					
Do I know...?	Rate my skills	My objectives	Timescale	What learning am I planning to do?	Where to find information
How an effective scheme record-keeping process will be set up	1 2 3 4 5				'Maintaining accurate member data' course in the Public Service toolkit: www.pensionseducationportal.com
How the required records of scheme members' data, transactions and pension board decisions will be kept	1 2 3 4 5				
Who is involved in record-keeping and their role	1 2 3 4 5				
What the Pension Board's role is in record-keeping	1 2 3 4 5				
7 – Maintaining contributions					

Do I know...?	Rate my skills	My objectives	Timescale	What learning am I planning to do?	Where to find information
How employer and employee payment contributions will be monitored and recorded	1 2 3 4 5				'Maintaining member contributions' course in the Public Service toolkit: www.pensionseducationportal.com
How late or failed payments which are likely to be of material significance to the Regulator will be reported to the Regulator	1 2 3 4 5				
What the Pension Board's role is in maintaining contributions and notifying the Regulator of late or failed payments	1 2 3 4 5				
8 – Communicating with members					
Do I know...?	Rate my skills	My objectives	Timescale	What learning am I planning to do?	Where to find information
What information must be provided to members about the administration of the scheme and their benefits	1 2 3 4 5				'Providing information to members and others' course in the Public Service toolkit: www.pensionseducationportal.com
How that information will be provided to members	1 2 3 4 5				
Who is involved in member communications	1 2 3 4 5				
What the Pension Board's role is in member communications	1 2 3 4 5				
9 – Resolving disputes					

Do I know...?	Rate my skills	My objectives	Timescale	What learning am I planning to do?	Where to find information
How disputes within my scheme will be resolved	1 2 3 4 5				'Resolving internal disputes' course in the Public Service toolkit: www.pensionseducationportal.com
How disputes within my scheme and their resolutions will be documented	1 2 3 4 5				
What the Pension Board's role is in the resolution of issues and disputes	1 2 3 4 5				
10 – Reporting breaches of the law					
Do I know...?	Rate my skills	My objectives	Timescale	What learning am I planning to do?	Where to find information
How to identify breaches of the law	1 2 3 4 5				'Reporting breaches of the law' course in the Public Service toolkit: www.pensionseducationportal.com
How breaches of the law will be assessed	1 2 3 4 5				
How breaches of the law likely to be of material significance to the Regulator will be reported	1 2 3 4 5				
What my responsibility is to report breaches	1 2 3 4 5				
Who else is under a duty to report breaches	1 2 3 4 5				

APPENDIX 8

Lewisham Pension Board - Work Programme

OPERATIONAL	Qtr 1 (Jan-Mar 2019)	Qtr 2 (Apr-Jun 2019)	Qtr 3 (Jul-Sep 2019)	Qtr 4 (Oct-Dec 2019)
Draft Pension Fund Statement of Accounts		X		
Pension Fund Annual Report: Includes: <ul style="list-style-type: none"> • Administration update (including KPI monitoring) • Final Statement of Accounts • Pension Board Annual Report • Governance Compliance 	X			
Pension Fund Internal Audit Report		X		
Monitoring of Investment Performance: <i>see Hymans Robertson Performance Reports reported to PIC</i>	X	X	X	X
Triennial and Interim Actuarial Valuations				
Progress Reports on the Arrangements for Pooling	X	X	X	X
Risk Register		X		X
Board's Training	X	X	X	X
Review of the Fund's Business Plan: <i>prepared by Hymans Robertson and reported to PIC</i>		X		
Update on the work of the Scheme Advisory Board	X	X	X	X
Changes to the Scheme's Regulations	X	X	X	X

STRATEGIC Policies, where available, can be found at the following site: http://www.lewishampensions.org/lewisham-pension-fund/about-us/forms-and-publications/	Qtr 1 (Jan-Mar 2019)	Qtr 2 (Apr-Jun 2019)	Qtr 3 (Jul-Sep 2019)	Qtr 4 (Oct-Dec 2019)
Investment Strategy Statement: Oversight. Includes: <ul style="list-style-type: none"> • Risk Management Strategy • Approach to ESG 	X			
Funding Strategy Statement: Oversight		X		
Terms of Reference and Membership of the Board	X			
Administration Strategy: <i>do not currently publish one</i>		X		
Breaches of Law Policy: <i>do not currently publish one</i>		X		
Discretions Policy		X		
Communications Policy Statement		X		
Conflicts of Interest Policy			X	X
Code of Conduct Policy			X	X