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**Pension Fund Accounts**

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**PENSION  
FUND  
ACCOUNTS**

**2016/17**

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**Pension Fund Accounts**

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

We have audited the pension fund financial statements of Lewisham Pension Fund (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. 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 2016/17.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act 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 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.

**Respective responsibilities of the Executive Director for Resources and Regeneration and auditor**

As explained more fully in the Statement of Responsibilities, the Executive Director for Resources and Regeneration is responsible for the preparation of the Authority's 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 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the pension fund financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director for Resources and Regeneration; and the overall presentation of the pension fund financial statements. In addition, we read all the financial and non-financial information in the Authority's Statement of Accounts to identify material inconsistencies with the audited pension fund financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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**Opinion on the pension fund financial statements**

In our opinion:

- the pension fund financial statements present a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2017 and of the amount and disposition at that date of the fund's assets and liabilities;and
- the pension fund financial statements have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

**Opinion on other matters**

In our opinion, the other information published together with the audited pension fund financial statements in the Authority's Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the audited pension fund financial statements.

Darren Wells

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

2nd Floor St Johns House  
Haslett Avenue West  
Crawley  
RH10 1HS

September 2017

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## **PENSION FUND ACCOUNTS**

### **FOREWORD**

This Pension Fund Statement of Accounts details the financial position and performance of the Lewisham Pension Fund for the year 2016/17.

The Pension Fund's value increased over the year by £233.1m (22%), mainly due to an increase in market value of equities during the year.

### **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:

- The Local Government Pension Scheme Regulations 2013 (as amended);
- The Local Government Pension Scheme (Transition 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 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.

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](http://www.lewishampensions.org)

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## ACCOUNTING POLICIES

The Pension Fund accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 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)** 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.
- (b)** 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 2016/17 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.
- (c)** 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.
- (d)** Income - Dividend income earned from equity and bonds (excluding Private Equity) is reinvested by Investment Managers and not repaid directly to the fund as cash. Interest income is recognised in the Fund as it accrues. Any amount not received

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by the end of the accounting period will be disclosed in the note on Debtors and Creditors.

- (e) 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 2017 is the actual fair value using the latest available valuation on or after 31 December 2016, plus an estimated valuation for the period up to 31 March 2017.
- (f) Property – The Fund does not have any direct investments in property, but does use a property Fund of Funds manager, Schrodgers, to invest in pooled property funds. The Schrodgers 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).

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.

- (g) Financing Fund - The fair value of the M&G financial instruments is based on their quoted market prices at the statement of financial position date without any deduction for estimated future selling costs. Due to timing differences in the valuation of this investment, the value carried in the accounts as at 31 March 2017 is the actual fair value using the latest available valuation on or after 31 December 2016, plus an estimated valuation for the period up to 31 March 2017.
- (h) Contributions – These represent the total amounts received from the employers and employees within the scheme. From 1 April 2016 the employee contribution bands (revised annually in line with inflation) are as follows:

<b>Full time pay for the post</b>	<b>Contribution rate 16/17</b>
Up to £13,600	5.5%
£13,601 to £21,200	5.8%
£21,201 to £34,400	6.5%
£34,401 to £43,500	6.8%
£43,501 to £60,700	8.5%
£60,701 to £86,000	9.9%
£86,001 to £101,200	10.5%
£101,201 to £151,800	11.4%
More than £151,801	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

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employer's contribution rate for 2016/17 is 22.5% and for 2017/18 it will remain unchanged.

- (i) 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.
- (j) 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.
- (k) 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.
- (l) 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.
- (m) 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 actuarial 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:

<b>Financial assumption</b>	<b>March 2016</b> %	<b>March 2013</b> %
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%) for 2016/17.

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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).

**Actuarial Present Value of Promised Retirement Benefits**

- (n) The Actuary has calculated the actuarial present value of future retirement benefits (on an IAS 26 basis) to be £1,847 million as at 31 March 2017 (£1,570 million as at 31 March 2016).
- (o) 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.
- (p) The accounts for 2016/17 have adopted the recommendations of CIPFA's "Accounting for Local Government Pensions Scheme Management Expenses" (2016), and as such all expenses relating to investment management, administration and oversight and governance are recorded in one line on the face of Fund Account under Management Expenses, and a breakdown disclosed in the notes to the accounts. For comparative purposes, these changes have been applied retrospectively to the 2015/16 balances, although the changes are not material for a prior period adjustment to take place.
- (q) 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.



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<b>Fund Manager</b>	<b>Assets</b>	<b>Assets Value 2016/17</b>	<b>Assets Value 2015/16</b>	<b>Proportion of Fund 2016/17</b>
		<b>£'000</b>	<b>£'000</b>	<b>(%)</b>
<b>Schroders Property</b>	Property	100,946	97,527	7.9
<b>HarbourVest</b>	Private Equity	49,481	41,247	3.9
<b>UBS</b>	Passive Equity and Bonds	544,085	430,848	42.7
<b>Blackrock</b>	Passive Equity and Bonds	549,121	432,402	43.1
<b>M&amp;G</b>	Credit	8,822	14,869	0.7
<b>Securities Lending</b>	Securities Lending	119	109	-
<b>Unallocated Funds</b>	Cash	18,662	24,358	1.5
<b>Lewisham</b>	Cash and Net Current Assets	3,333	68	0.2
<b>Total Fund</b>		<b>1,274,569</b>	<b>1,041,428</b>	<b>100.0</b>

- (s) 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 13.
- (t) 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.
- (u) 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 otherwise uncertain. There are two areas in the accounts where critical judgements are applied which are materially significant to the accounts:

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- 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<sup>st</sup> December audited accounts valuation adjusted for estimated distributions and capital calls up to 31<sup>st</sup> March.
- (v) **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 2009, 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 Accounts**  
**FUND ACCOUNT FOR THE YEAR**

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

<b><u>FUND ACCOUNT FOR THE YEAR ENDED</u></b> <b><u>31 MARCH 2017</u></b>	<b>2016/17</b> <b>£'000s</b>	<b>2015/16</b> <b>£'000s</b>	<b>Note</b>
<b><u>DEALINGS WITH MEMBERS, EMPLOYERS AND OTHERS DIRECTLY INVOLVED WITH THE SCHEME</u></b>			
<b>Contributions Receivable:</b>			
- from Employer	33,411	30,542	1
- from Employees	9,099	9,339	1
- Reimbursement for Early Retirement	955	1,898	
Transfer Values In	2,123	1,409	
Other Income	72	221	
<b>Subtotal: Income</b>	<b>45,660</b>	<b>43,409</b>	
<b>Benefits Payable:</b>			
- Pensions	39,096	37,629	2
- Lump Sums: Retirement allowances	8,611	8,087	2
- Lump Sums: Death grants	1,720	1,048	2
<b>Payments to and on account of leavers:</b>			
- Refunds of Contributions	86	(3)	
- Transfer Values Out	4,331	2,709	
<b>Subtotal: Expenses</b>	<b>53,844</b>	<b>49,470</b>	
<b>Subtotal: Net additions (withdrawals) from dealings with members</b>	<b>(8,184)</b>	<b>(6,061)</b>	

<b>Pension Fund Accounts</b>			
Management Expenses	2,143	2,319	3
<b>Subtotal: Net Additions (withdrawals) including fund management expenses</b>	<b>(10,327)</b>	<b>(8,372)</b>	
<b><u>RETURNS ON INVESTMENTS</u></b>			
Investment Income	6,670	6,437	4
Change in market value of investments (Realised and Unrealised)	236,975	1,013	5a
Taxes on Income	(178)	(207)	
<b>Total Net Returns on Investments</b>	<b>243,467</b>	<b>7,243</b>	
NET INCREASE / (DECREASE) IN THE FUND DURING THE PERIOD	233,140	(1,129)	
OPENING NET ASSETS OF THE SCHEME	1,041,429	1,042,558	
<b>CLOSING NET ASSETS OF THE SCHEME</b>	<b>1,274,569</b>	<b>1,041,429</b>	

Pension Fund Accounts  
**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 2017.

<b><u>NET ASSETS STATEMENT AT 31 MARCH 2017</u></b>	<b>2016/17 £000s</b>	<b>2015/16 £000s</b>	<b>Note</b>
<b>EQUITIES</b>			
Equities: UK	11,777	8,735	5
Equities: Global	13,805	10,714	5
	<b>25,582</b>	<b>19,449</b>	
<b>MANAGED FUNDS</b>			
Property	98,174	96,263	5
Equity	830,606	656,010	5
Fixed Interest	206,232	162,329	5
Index Linked	41,599	33,177	5
Other Assets	32,862	33,077	5
	<b>1,209,473</b>	<b>980,856</b>	
<b>CASH HELD WITH CUSTODIAN</b>	36,517	40,667	9
<b>DERIVATIVE CONTRACTS</b>			
Assets	0	0	7
Liabilities	0	0	7
<b>OTHER INVESTMENT BALANCES</b>			
Debtors: Investment Transactions	3,118	389	8
Creditors: Investment Transactions	(3,453)	0	8
<b>TOTAL INVESTMENTS</b>	<b>1,271,236</b>	<b>1,041,361</b>	
<b>NET CURRENT ASSETS AND LIABILITIES</b>			
Debtors	701	587	8
Creditors	(475)	(792)	8
Cash in Hand	3,107	273	9
<b>TOTAL NET ASSETS</b>	<b>1,274,569</b>	<b>1,041,429</b>	

The financial statements of the Fund do not take account of the liability to pay pensions or benefits after 31 March 2017. This liability is included within the Authority's balance sheet.

## Pension Fund Accounts

## NOTES TO THE PENSION FUND ACCOUNTS

**1. CONTRIBUTIONS RECEIVABLE**

<b><u>Employer Contributions</u></b>	<b>2016/17 £000s</b>	<b>2015/16 £000s</b>
Administering Authority	27,346	25,593
Scheduled Bodies	5,209	4,392
Admitted Bodies	856	557
	<b>33,411</b>	<b>30,542</b>

  

<b><u>Employee Contributions</u></b>	<b>2016/17 £000s</b>	<b>2015/16 £000s</b>
Administering Authority	7,265	7,593
Scheduled Bodies	1,607	1,524
Admitted Bodies	227	222
	<b>9,099</b>	<b>9,339</b>

**2. BENEFITS PAYABLE****By Category**

	<b>2016/17 £000s</b>	<b>2015/16 £000s</b>
Pensions	39,096	37,629
Commutation and Lump Sum Retirement Benefits	8,611	8,087
Lump Sum Death Grants	1,720	1,048
	<b>49,427</b>	<b>46,764</b>

**By Authority**

	<b>2016/17 £000s</b>	<b>2015/16 £000s</b>
Administering Authority	45,788	43,988
Scheduled Bodies	2,912	1,859
Admitted Bodies	727	917
	<b>49,427</b>	<b>46,764</b>

**3. MANAGEMENT EXPENSES**

	<b>2016/17 £000s</b>	<b>2015/16 £000s</b>
Administration Expenses	705	586
Oversight and Governance Expenses	433	456
<b><u>Investment Management Expenses:</u></b>		
- Transaction Costs	0	8
- Management Fees	978	1,226
- Performance Fees	0	0
- Custody Fees	27	43
	<b>2,143</b>	<b>2,319</b>

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Management expenses for 2015/16 have been restated and reclassified in accordance with CIPFA's Accounting for Local Government Pensions Scheme Management Expenses (2016), with balances re-categorised as per the following disclosure:

<b><u>Management Expenses</u></b>	<b>2016/17</b>	<b>Restated 2015/16</b>
	<b>£000s</b>	<b>£000s</b>
Administration Expenses	<b>705</b>	<b>586</b>
Oversight and Governance Expenses	<b>433</b>	<b>456</b>
<b>Investment Management Expenses:</b>		
- Transaction Costs	<b>0</b>	<b>8</b>
- Fund Value Based Management Fees	<b>978</b>	<b>1,226</b>
- Performance Fees	<b>0</b>	<b>0</b>
- Custody Fees	<b>27</b>	<b>43</b>
	<b>2,143</b>	<b>2,319</b>

The restatement reflects:

- the reclassification of £8k bank charges and £448k of advisory and audit fees to the new expense category of oversight and governance expenses.
- The movement of £43k of custodial fees to the new expense category within investment management expenses.
- The grossing up and inclusion of transaction costs of £8k previously netted off asset values.

**4. INVESTMENT INCOME**

	<b>2016/17 £000s</b>	<b>2015/16 £000s</b>
Cash	100	19
Equity	467	670
Fixed Interest	955	1583
Index Linked	208	376
Managed Funds (incl. Property)	4,561	3,234
Securities Lending	11	9
Other	368	546
	<b>6,670</b>	<b>6,437</b>

## Pension Fund Accounts

**5. INVESTMENT ANALYSIS**

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

Asset	Manager	31 March 2017	
		Value £'000	%
Aquila Life US Equity Index Fund	Blackrock	176,523	13.9
UBS GBL Asset Life North America Equity Tracker	UBS	173,571	13.7
Blackrock Pensions Aquila Life UK Equity Index Fund	Blackrock	115,814	9.1
UBS Asset Management Life UK Equity Tracker A Nav	UBS	110,425	8.7

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

Asset	Manager	31 March 2017	
		Value £'000	%
<b>UK Equities</b>			
Harbourvest GE PE Shares	Harbourvest	11,781	100
<b>Global Equities</b>			
Commonwealth Bank of Australia	UBS	866	6.6
Westpac BKG Corp	UBS	674	5.1
<b>Property</b>			
Schroder Unit TST UK Real Estate	Schroders	13,957	14.2
Blackrock UK FD	Schroders	12,032	12.2
C - Managed Ppty Property Fund Units	Schroders	13,032	13.2
Hermes Property Unit	Schroders	9,926	10.1
Real Income Fund	Schroders	8,863	9.0
Standard Life Pooled Property Fund	Schroders	7,538	7.7
Mayfair Cap Ppty (MCPUT)	Schroders	7,343	7.5
Multi-Let INDL Property Unit Trust	Schroders	5,679	5.8
IPIF Feeder Unit Trust Fund	Schroders	5,261	5.3
Metro Ppty Unit Trust	Schroders	5,024	5.1
<b>Managed Equities</b>			
Aquila Life US Equity Index Fund	Blackrock	176,523	21.1
UBS GBL Asset Life North America Equity Tracker	UBS	173,571	20.7
BlackRock Pensions Aquila Life UK Equity Index	Blackrock	115,814	13.8
UBS Asset Management Life UK Equity Tracker A Nav	UBS	110,425	13.2



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Asset	Manager	31 March 2017	
		Value £'000	%
Aquila Life European Equity Index Fund	Blackrock	48,921	5.8
UBS Asset Management Life Europe Ex UK Equity Tracker	UBS	45,851	5.5
<b>Fixed Interest</b>			
Blackrock Pensions Aquila Over 15 Years UK	Blackrock	42,414	20.7
Blackrock AM (IE) UK Credit	Blackrock	41,475	20.3
UBS Asset Mgmnt STG Corp	UBS	39,933	19.5
Aquila Life Over 5 yrs Index Fund	Blackrock	39,830	19.4
<b>Index Linked</b>			
UK(Govt Of) 1.25% IDX/LKD SNR 22/11/55	UBS	2,459	5.9
UK(Govt Of) 0.125% IDX/LKD SNR 22/03/68	UBS	2,365	5.7
UK(Govt Of) 0.375% IDX/LKD SNR 22/03/62	UBS	2,349	5.6
UK(Govt Of) 0.5% IDX/LKD SNR 22/03/50	UBS	2,083	5.0
UK(Govt Of) 1.125% IDX/LKD SNR 22/11/37	UBS	2,078	5.0
<b>Others</b>			
HIPEP VII (AIF) Partnership Fund LP	Harbourvest	8,438	25.7
Ptrs VIII Cayman Buyout	Harbourvest	7,104	21.6
Partners VIII Cayman Venture Fund LP	Harbourvest	5,584	17.0
International PE Ptrs V Cayman Ptnship Fund	Harbourvest	5,557	16.9
M&G UK Companies Financing Fund	M&G	3,224	9.8
Partners X AIF LP	Harbourvest	2,146	6.5

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**Pension Fund Accounts**


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An analysis of investment movements is set out below:

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

\* Includes Venture Capital, Credit Mandates and Private Equity

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

Apart from global equities and bonds, the only other overseas investment held by the Fund fall under the 'Other' category and is namely Private Equity with a value of £29.6m.

The total value of unquoted securities held by the fund as at 31 March 2017 was £898m, this includes equities, bonds and other assets.

The total value of quoted securities held by the fund as at 31 March 2017 was £244m, this includes equities and bonds.

The Fund has investment assets that are classed as pooled investment vehicles. The Fund holds unitised insurance policies valued at £853m and unit trusts valued at £173m, of which £98m relates to pooled property investments.

## Pension Fund Accounts

As at 31 March 2016:

<b>5. INVESTMENT ANALYSIS</b>	<b>Value at</b>	<b>Purchases</b>	<b>Sales</b>	<b>Change in</b>	<b>Change in</b>	<b>Value at</b>
<b>Investments</b>	<b>31 March 2015</b>	<b>At Cost</b>	<b>Proceeds</b>	<b>Capital Value</b>	<b>Market Value</b>	<b>31 March 2016</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>UK Equities</b>	8,777	0	0		(42)	8,735
<b>Global Equities</b>	11,228	2,152	(1,450)	19	(1,235)	10,714
<b>Equities</b>	662,071	5,462	(4,511)	26	(7,038)	656,010
<b>Property</b>	82,286	8,907	(58)	(845)	5,973	96,263
<b>Fixed Interest Securities</b>	159,838	7,429	(6,446)	0	1,508	162,329
<b>Index Linked Securities</b>	32,410	4,845	(4,567)	0	489	33,177
<b>Other*</b>	65,028	5,341	(38,330)	(47)	1,085	33,077
<b>Derivatives</b>	0	0	0	0	0	0
	<b>1,021,638</b>	<b>34,136</b>	<b>(55,362)</b>	<b>(847)</b>	<b>740</b>	<b>1,000,305</b>
<b>Cash deposits</b>	23,775				273	<b>40,667</b>
<b>Other Investment Balances</b>	387					<b>389</b>
<b>Total Investments</b>	<b>1,045,800</b>				<b>1,013</b>	<b>1,041,361</b>

\* Includes Venture Capital, Credit Mandates and Private Equity.

## Pension Fund Accounts

**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 2017				31 March 2016		
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
			<b>Financial Assets</b>			
25,582			Equities	19,449		
			Managed Funds			
98,174			Property	96,263		
830,606			Managed Equity	656,010		
206,232			Fixed Interest	162,329		
41,599			Index Linked	33,177		
32,862			Other Assets	33,077		
0			Derivative contracts	0		
	36,517		Cash deposits		40,667	
	2,700		Pending Trades		0	
	418		Dividends & Income		389	
	645		Contributions Due		566	
	3,107		Cash Balances		273	
	57		Other Current Assets		186	
<b>1,235,055</b>	<b>43,444</b>	<b>0</b>	<b>Total Financial Assets</b>	<b>1,000,305</b>	<b>42,081</b>	<b>0</b>

## Pension Fund Accounts

31 March 2017				31 March 2016		
Fair Value through Profit and Loss £'000	Loans and Receivables £'000	Financial Liabilities at Amortised Cost £'000		Fair Value through Profit and Loss £'000	Loans and Receivables £'000	Financial Liabilities at Amortised Cost £'000
			<b>Financial Liabilities</b>			
		0	Derivative Contracts			0
		(3,453)	Pending Trades			0
		0	Unpaid benefits			0
		(475)	Other current Liabilities			(957)
		<b>(3,928)</b>	<b>Total Financial Liabilities</b>			<b>(957)</b>
<b>1,235,055</b>	<b>43,444</b>	<b>(3,928)</b>	<b>Net Financial Assets</b>	<b>1,000,305</b>	<b>42,081</b>	<b>(957)</b>

## Net Gains and Losses on Financial Instruments

The following table shows net gains on financial instruments:

31 March 2017 £'000	Financial Assets	31 March 2016 £'000
236,975	Fair Value through Profit and Loss	1,013
0	Loans and Receivables	0
	<b>Financial Liabilities</b>	
0	Fair Value through Profit and Loss	0
<b>236,975</b>	<b>Total</b>	<b>1,013</b>

## Valuation of Financial Instruments carried at Fair Value

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

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).

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).

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.

## Pension Fund Accounts

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

Values as at 31 March 2016	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	Total
	Level 1	Level 2	Level 3	
	£'000	£'000	£'000	£'000
<b>Financial Assets</b>				
Financial Assets at Fair Value through Profit and Loss	19,449	947,779	33,077	<b>1,000,305</b>
Loans and Receivables	41,916			<b>41,916</b>
<b>Total Financial Assets</b>	<b>61,365</b>	<b>947,779</b>	<b>33,077</b>	<b>1,042,221</b>
<b>Financial Liabilities</b>				
Fair Value through Profit and Loss				
Financial Liabilities at Amortised Cost	(792)			<b>(792)</b>
<b>Total Financial Liabilities</b>	<b>(792)</b>			<b>(792)</b>
<b>Net Financial Assets</b>	<b>60,573</b>	<b>947,779</b>	<b>33,077</b>	<b>1,041,429</b>

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**Pension Fund Accounts**

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**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 securities (equities, bonds), collective investment schemes (pooled 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.

The Committee has determined that the current largely passive investment management structure is appropriate and is in accordance with its latest investment strategy. However, following the most recent triennial valuation and current portfolio weighting towards equities the Committee agreed to extend the level of diversification of investments. The Fund will therefore be reducing its equity exposure in 2017/18 and increasing its holdings of other asset classes. This is set out and agreed in the Funding Strategy and Investment Strategy Statements approved by PIC towards the end of 2016/17.

The Fund's investments are held by Northern Trust, who act as custodian 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 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.

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**Pension Fund Accounts**


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**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 2016/17 reporting period.

<b>Asset Type</b>	<b>Potential Market Movement +/- (% p.a.)</b>
UK Equities	9.6
Global Equities	10.3
Bonds and Index Linked	11.0
Alternatives	3.1
Property	5.0
Cash	1.3

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:

<b>Asset Type</b>	<b>Final Market Value as at 31 March 2017</b>	<b>Percentage Change</b>	<b>Value on Increase</b>	<b>Value on Decrease</b>
	<b>£000</b>	<b>%</b>	<b>£000</b>	<b>£000</b>
UK Equities	487,836	9.6	534,424	441,248
Global Equities	368,352	10.3	406,440	330,264
Bonds and Index Linked	247,831	11.0	275,018	220,644
Other Assets	32,862	5.0	34,515	31,209
Property	98,174	3.1	101,178	95,170
Cash	36,517	1.3	36,977	36,057
<b>Total Assets*</b>	<b>1,271,572</b>	<b>**7.2</b>	<b>**1,363,634</b>	<b>**1,179,510</b>

\* This figure excludes derivatives and other investment balances.

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



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**Pension Fund Accounts**


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**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 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 2017 with the previous year in brackets:

Australian Dollars	£10.1m (£8.9m)
Euro	£15.8m (£17.2m)
Hong Kong Dollars	£4.6m (£4.2m)
US Dollars	£77.5m (£70.3m)

The remaining exposures arise from smaller investments relating to other currencies such as the Singapore Dollar, New Zealand Dollar, and the Swiss Franc.

**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 2017, there were no derivative contracts held. 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 9.1%. This volatility is applied to the Fund's overseas assets as follows:

<b>Asset Type</b>	<b>Asset Value at 31 March 2017 £'000</b>	<b>Change %</b>	<b>Value on Increase £'000</b>	<b>Value on Decrease £'000</b>
Overseas Equities	368,352	9.1	401,968	334,736
Overseas Fixed Income	82,782	9.1	90,337	75,227
Other Alternatives	29,600	9.1	32,301	26,899
<b>Total</b>	<b>480,734</b>	<b>9.1</b>	<b>524,606</b>	<b>436,862</b>

**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

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**Pension Fund Accounts**


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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.

The Financing Fund (M&G) is also exposed to credit risk. The fund gains exposure by investing in private placements. This risk is managed by the manager assigning a credit analyst to all investments, who continually monitors the asset, its direct peers and its sector.

### 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 2017 these assets totalled approximately £1,104m, with a further £36.5m 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.

## 7. DERIVATIVE CONTRACTS

As at 31 March 2017, there were no foreign exchange contracts held.

<b>Asset Type</b>	<b>31 March 2017 £'000</b>		<b>31 March 2016 £'000</b>
Foreign Exchange Gains			
Total Gains	0		0
Foreign Exchange Losses			
Total Losses	0		0
<b>Total Unrealised Gains/(Losses)</b>	<b>0</b>		<b>0</b>

## Pension Fund Accounts

**8. DEBTORS & CREDITORS**

These comprise the following amounts:

**Investment Transactions**

<b><u>Debtors</u></b>	<b>2016/17 £'000</b>	<b>2015/16 £'000</b>
Equity Dividends / Income from Managed Funds	31	0
Interest and Other Income	387	389
Pending Trades	2,700	0
	<b>3,118</b>	<b>389</b>

<b><u>Creditors</u></b>	<b>2016/17 £'000</b>	<b>2015/16 £'000</b>
Pending Trades	(3,453)	0
	<b>(3,453)</b>	<b>0</b>

**Non-Investment Transactions**

<b><u>Debtors</u></b>	<b>2016/17 £'000</b>	<b>2015/16 £'000</b>
Contributions Due from Admitted / Scheduled Employers / Employees	645	566
Interest and Other Income	21	0
LB Lewisham	35	0
Tax Refunds	0	21
	<b>701</b>	<b>587</b>

<b><u>Creditors</u></b>	<b>2016/17 £'000</b>	<b>2015/16 £'000</b>
Fund Manager and Custody Fees	(251)	(172)
Consultancy / Advisory Fees	(48)	(43)
LB Lewisham	(176)	(577)
	<b>(475)</b>	<b>(792)</b>

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**Pension Fund Accounts**

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## **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 2017 was £36.5m (£40.7m as at 31 March 2016). Approximately £18.4m from the disinvestment in Investec was held by the custodian in a cash fund pending investment in new asset classes; £8.1m of the cash held was from Harbourvest, £5.6m from M&G, £2.7m from Schroders and approximately £1.8m was being held on behalf of the other managers.

### **Pension Fund Bank Account**

The Lewisham cash balance represents uninvested cash held in the Pension Fund bank account as at 31 March 2017.

## **10. POST YEAR END EVENTS**

The Fund has completed the procurement of a new Diversified Growth Fund mandate to replace the disinvestment in Commodities (Investec), and will be re-balancing the portfolio to allocate a proportion of the fund to this new mandate shortly after year-end. In addition, a procurement exercise is underway to source a multi-asset credit manager. These rebalancing changes are consistent with the Funding Strategy and Investment Strategy Statement amendments following the triennial valuation results.

The results of the most recent triennial valuation saw the funding level improve from 71% in 2013 to 78% as at 31 March 2016. The improvement in funding position is mainly due to strong investment performance and favourable membership experience over the three year inter-valuation period. Past service liabilities increased by 9.3% on 2013 to £1,328m due to a reduction in future expected investment return, which was offset by a lower than expected pay and benefit growth (both between valuations and continuing over the longer term).

The Funding Strategy and Investment Strategy Statements were both updated and published by 1 April 2017. Amongst other considerations, the Investment Strategy Statement in particular outlines the Fund's approach to risk, Environmental, Social and Governance factors, and the pooling of investments via the London Collective Investment Vehicle. The impact of MIFID II on the Local Government Pension Scheme (LGPS) and continuing Public Sector austerity reducing active LGPS members are also likely to affect the Fund going forward.

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**Pension Fund Accounts**


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**11. COMMITMENTS**

The Pension Fund was committed to the following capital contributions as at the 31 March 2017:

**Harbourvest**

<b>Fund</b>	<b>Amount '000</b>	<b>Translated £'000</b>
Harbourvest Partners VIII – Cayman Venture Fund L.P	\$190	152
Harbourvest Partners VIII – Cayman Buyout Fund L.P	\$1,110	888
HarbourVest Partners X AIF L.P.	\$27,360	21,876
HIPEP VII (AIF) Partnership Fund L.P.	\$19,425	15,531
Harbourvest International Private Equity Partners V – Cayman Partnership Fund L.P	€875	748
Harbourvest International Private Equity Partners V – Cayman Direct Fund L.P	€180	154
<b>Total</b>		<b>39,349</b>

The Harbourvest commitments have been translated from either Euros or Dollars using exchange rates as at 31 March 2017. This compares to the total Harbourvest commitments at 31 March 2016 of £39.5m.

**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 John Muldoon declared an interest as a substitute member of the Shadow Advisory Board for the Local Government Pension Scheme, and as a Councillor with preserved benefits in the LGPS.

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 2017.

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 £612k (see 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.

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**Pension Fund Accounts**


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- b) The salary of the Executive Director for Resources and Regeneration for 2016/17 was £174,607, including employer pension contributions of £32,071.

**13. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)**

Contributing members have the right to make AVCs to enhance their pension. There are currently 42 '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.

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

	<b>Total</b>	<b>Equitable</b>	<b>Clerical</b>
<b>2015/16</b>	<b>£'000</b>	<b>Life</b>	<b>Medical</b>
		<b>£'000</b>	<b>£'000</b>
<b>Value at 1 April 2015</b>	1,631	472	1,159
Contributions and Transfers Received	163	4	159
Investment Return	6	12	(6)
Paid Out	(566)	(46)	(520)
<b>Value at 31 March 2016</b>	<b>1,234</b>	<b>442</b>	<b>792</b>

**14. SCHEDULED BODIES**

The following are scheduled bodies to the Fund as at 31 March 2017, arranged in descending order by the value of their contributions in 2016/17:

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

**15. ADMITTED BODIES**

The following are admitted bodies to the Fund as at 31 March 2017, arranged in descending order by the value of their contributions in 2016/17:

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**Pension Fund Accounts**


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Phoenix
Phoenix Agency Services
Youth First LTD
Chartwells
Skanska
3 C's Support
Quality Heating
One Housing
NSL (formerly known as National Car Parks Ltd)
Wide Horizons
Fusions Leisure Management
Change Grow Live
Excalibur Tenant Management Co-operative (Ceased 31 March 2017)
Blenheim CDP
Housing 21
Pre-School Learning Alliance
Lewisham Nexus Services
Tower Services
Chequers Contract Services – Lee Manor

**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 Fund actively lends in 50 different equity and fixed income markets worldwide.

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.

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 2017 the value of aggregate stock on loan was £9.3m (£5.5m as at 31 March 2016), which has been carried in the accounts at this value. There are no liabilities associated with these assets.

**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 £8k net of direct expenses (compared to £9k in 2015/16). The value of collateral held as at 31 March 2017 was £9.8m (£6.2m as at 31 March 2016).

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**Pension Fund Accounts**


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**17. MEMBERSHIP**

	<b>Active Members</b>	<b>Active Members</b>	<b>Deferred Benefits</b>	<b>Deferred Benefits</b>	<b>Retired Former Members</b>	<b>Retired Former Members</b>
	<b>2016/17</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2015/16</b>
<b>Admin. Authority</b>	5,814	6,049	9,679	9,045	7,098	6,939
<b>Scheduled Bodies</b>	916	892	825	668	243	202
<b>Admitted Bodies</b>	137	104	117	115	90	84
<b>Totals</b>	<b>6,867</b>	<b>7,045</b>	<b>10,621</b>	<b>9,828</b>	<b>7,431</b>	<b>7,225</b>

**18. AUTHORISATION**

These accounts were authorised on  
Resources and Regeneration.

by the Executive Director for