



PENSION BOARD

Date: FRIDAY, 15 DECEMBER 2023 at 11.30 am

**Civic Suite
Lewisham Town Hall
London SE6 4RU**

**Enquiries to: Jasmine Kassim
Email: committee@lewisham.gov.uk**

MEMBERS

Stephen Warren
Mark Adu-Brobbey
Gary Cummins
Rowann Limond

Members are summoned to attend this meeting

A handwritten signature in black ink, appearing to read "Jeremy Chambers".

**Jeremy Chambers
Monitoring Officer
Lewisham Town Hall
London SE6 4RU**

Date: 7 December 2023

ORDER OF BUSINESS – PART 1 AGENDA

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Lewisham

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.



Pension Board

Minutes

Date: 15 December 2023

Key decision: No

Class: Part 1

Ward(s) affected: All

Contributor: Senior Committee Manager

Outline and recommendations

Members are asked to consider minutes of the meeting of the Pension Board Meeting held on 25 September 2023

1. Recommendation

It is recommended that minutes of those parts of meetings of the Pension Board, which were opened to the press and public on 25 September 2023, be confirmed and signed.

Monitoring Officer
Lawrence House
Catford SE6 4RU

7 December 2023

MINUTES OF THE PENSION BOARD

Monday, 25 September 2023 at 2.00 pm

MEMBERS PRESENT: Councillor Stephen Warren (Chair) and Adu-Brobbey.

OFFICERS PRESENT IN PERSON REMOTELY: Sherene Russell-Alexander (Director of People & Organisation Development), Katharine Nidd (Director of Finance).

OFFICERS PRESENT REMOTELY: Chris Flower (Treasure & Investment Manager), and Hajera Khan (Committee Officer).

Apologies received from: Garry Cummins (Unison), Shida Ashrafi, and Samantha Harlow.

1. Minutes

RESOLVED that the Minutes of the meeting of the Pensions Board held on 26th June 2023, be agreed.

2. Declarations of Interest

No interest was declared.

3. Breaches Log

The Board received an update report relating to the Breaches Log presented by the Treasury and Investment Manager, and a confirmation that there had been no breach since the last meeting.

RESOLVED that the report be noted.

4. Action Log

The Treasury and Investment Manager presented the Action Log report to the Board. The Board noted that outstanding actions from March listed in the Action Log report will be heard in the next board meeting and the actions from June are complete.

RESOLVED that the report be noted.

5. Training Log and Forthcoming Training and Events

The Treasury and Investment Manager gave an update report about training events that Board Members could attend. The Chair reminded board members that training should be completed with six months and added that Board Members could also request to access training delivered by Hymans Robertson.

RESOLVED that the report be noted.

6. General Update - Part One

The Board received an update report from the Director of Finance as follows:

- The accounts for 22/23 have been signed off by the auditors and the annual report have also been signed off. The Pension fund annual report is due in December and the Administration Strategy will be finalised in November.
- Chair provided comments and suggestions for officers to consider in the development of the draft Administration Strategy. The Chair would provide a full list of the points to the officers.
- There has been in depth discussions by Members about the Net Zero Policy within the meetings and the summer workshop, the policy will be formalised in November and targets will be reviewed annually.
- For future Pension Board representation, there has been one response from an Employer, the Treasury and Investment Manager will update board members in the next meeting.
- The Chair of the Pension Board acknowledged and thanked Rowann Limond for her service as a board member.

ACTION:

The Director of Finance to circulate the Pension Fund Annual Report for the Chair to add his comments to the inclusionary report.

7. Work Programme

The Board received with Work Programme report presented by the Treasury and Investment Manager for the next four Quarters.

RESOLVED that report be noted.

8. Any Other Business - Verbal

There was no other business for consideration.

9. Future Meeting Dates

The provisional dates relating to future meetings of the Board were noted as follows:

15 December 2023

11 March 2024

18 June 2024

RESOLVED that the provisional dates of meetings be noted.

10. Exclusion of Press And Public Notice

It was recommended that under Section 100(A)(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraphs 3, 4 and 5 of Part 1 of Schedule 12(A) of the Act, as amended by the Local Authorities (Executive Arrangements) (Access to Information) (Amendments) (England) Regulations.

2006: - Item 11. General Update – Part Two.

11. General Update - Part Two

Representatives from London CIV presented the following:
They have tried to develop the governance framework and from this the Shareholder Committee meets quarterly; they have invested in a wide range of funds and have a Sustainability Working Group for the Net Zero road map.

ACTION:

London CIV to send the Chair the Terms of Reference for the Shareholder Committee and provide further information on governance and investment fund manager governance.

The Director of Finance gave a general update on the presentations provided by Blackrock to Pension Investment Committee Members and the feedback from received by Members.

The meeting closed at 3.27pm

Chair



Pension Board

Declarations of Interest

Date: 15 December 2023

Key decision: No

Class: Part 1

Ward(s) affected: All

Contributors: Chief Executive/Senior Committee Manager

Outline and recommendations

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

1. Summary

1.1. Members must declare any personal interest they have in any item on the agenda. There are three types of personal interest referred to in the Council's Member Code of Conduct:

- (1) Disclosable pecuniary interests
- (2) Other registerable interests
- (3) Non-registerable interests.

1.2. Further information on these is provided in the body of this report.

2. Recommendation

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

3. Disclosable pecuniary interests

3.1 These are defined by regulation as:

- (a) Employment, trade, profession or vocation of a relevant person* for profit or gain
- (b) Sponsorship –payment or provision of any other financial benefit (other than by the Council) within the 12 months prior to giving notice for inclusion in the register in respect of expenses incurred by you in carrying out duties as a member or towards your election expenses (including payment or financial benefit from a Trade Union).
- (c) Undischarged contracts between a relevant person* (or a firm in which they are a partner or a body corporate in which they are a director, or in the securities of which they have a beneficial interest) and the Council for goods, services or works.
- (d) Beneficial interests in land in the borough.
- (e) Licence to occupy land in the borough for one month or more.
- (f) Corporate tenancies – any tenancy, where to the member's knowledge, the Council is landlord and the tenant is a firm in which the relevant person* is a partner, a body corporate in which they are a director, or in the securities of which they have a beneficial interest.
- (g) Beneficial interest in securities of a body where:
 - (a) that body to the member's knowledge has a place of business or land in the borough; and
 - (b) either:
 - (i) the total nominal value of the securities exceeds £25,000 or 1/100 of the total issued share capital of that body; or
 - (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person* has a beneficial interest exceeds 1/100 of the total issued share capital of that class.

*A relevant person is the member, their spouse or civil partner, or a person with whom they live as spouse or civil partner.

4. Other registerable interests

4.1 The Lewisham Member Code of Conduct requires members also to register the following interests:

- (a) Membership or position of control or management in a body to which you were appointed or nominated by the Council
- (b) Any body exercising functions of a public nature or directed to charitable purposes, or whose principal purposes include the influence of public opinion or policy, including any political party
- (c) Any person from whom you have received a gift or hospitality with an estimated value of at least £25.

5. Non registerable interests

- 5.1. Occasions may arise when a matter under consideration would or would be likely to affect the wellbeing of a member, their family, friend or close associate more than it would affect the wellbeing of those in the local area generally, but which is not required to be registered in the Register of Members' Interests (for example a matter concerning the closure of a school at which a Member's child attends).

6. Declaration and impact of interest on members' participation

- 6.1. Where a member has any registerable interest in a matter and they are present at a meeting at which that matter is to be discussed, they must declare the nature of the interest at the earliest opportunity and in any event before the matter is considered. The declaration will be recorded in the minutes of the meeting. If the matter is a disclosable pecuniary interest the member must take not part in consideration of the matter and withdraw from the room before it is considered. They must not seek improperly to influence the decision in any way. **Failure to declare such an interest which has not already been entered in the Register of Members' Interests, or participation where such an interest exists, is liable to prosecution and on conviction carries a fine of up to £5000**
- 6.2. Where a member has a registerable interest which falls short of a disclosable pecuniary interest they must still declare the nature of the interest to the meeting at the earliest opportunity and in any event before the matter is considered, but they may stay in the room, participate in consideration of the matter and vote on it unless paragraph 6.3 below applies.
- 6.3. Where a member has a registerable interest which falls short of a disclosable pecuniary interest, the member must consider whether a reasonable member of the public in possession of the facts would think that their interest is so significant that it would be likely to impair the member's judgement of the public interest. If so, the member must withdraw and take no part in consideration of the matter nor seek to influence the outcome improperly.
- 6.4. If a non-registerable interest arises which affects the wellbeing of a member, their, family, friend or close associate more than it would affect those in the local area generally, then the provisions relating to the declarations of interest and withdrawal apply as if it were a registerable interest.
- 6.5. Decisions relating to declarations of interests are for the member's personal judgement, though in cases of doubt they may wish to seek the advice of the Monitoring Officer.

7. Sensitive information

- 7.1. There are special provisions relating to sensitive interests. These are interests the disclosure of which would be likely to expose the member to risk of violence or intimidation where the Monitoring Officer has agreed that such interest need not be registered. Members with such an interest are referred to the Code and advised to seek advice from the Monitoring Officer in advance.

8. Exempt categories

- 8.1. There are exemptions to these provisions allowing members to participate in decisions notwithstanding interests that would otherwise prevent them doing so. These include:-
- (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).



Pension Board

Breaches Log

Date: 15 December 2023

Key decision: No

Class: Part 1

Ward(s) affected: All

Contributor: Treasury and Investment Manager

Outline and recommendations

Members to note update of breaches since the last report.

1. Recommendation

To note that there were no breaches to report as at December 2023 - attached.



Pension Board

Breaches Log

Date: 15 December 2023

Key decision: No

Class: Part 1

Ward(s) affected: All

Contributor: Senior Committee Manager

Outline and recommendations

Members to consider update of breaches since the last report.

1. Recommendation

To note that there were no breaches to report.



Pension Board

Action Log

Date: 15 December 2023

Key decision: No

Class: Part 1

Ward(s) affected: All

Contributor: Treasury and Investment Manager

Outline and recommendations

Members to note update of actions since the last report.

1. Recommendation

To note rolling actions since the last report - attached.

Rolling Actions Log

As at December 2023

No.	Date of meeting	Action from Meeting	Owner	Comments	Expected date of completion	Date completed
1	March 2023	Policy for reporting and monitoring Late Payments	TM/SA	The Policy has not been completed so moved to the next meeting	December 2023	
2	March 2023	Administration Strategy	SA	Draft report to be presented at the September 2023 meeting	December 2023	
3	March 2023	Data improvement plan	SA	Update will be provided in General Report	December 2023	
4	September 2023	Circulate the draft Pension Fund Annual Report for review	TM	Comments received from the Chair and Annual Report updated	December 2023	December 2023
5	September 2023	LCIV to provide information on their governance and the fund manager's governance.	TM	LCIV provided information that will be discussed during the meeting	December 2023	December 2023
6						
7						
8						



Pension Board

Training Log

Date: 15 December 2023

Key decision: No

Class: Part 1

Ward(s) affected: All

Contributor: Treasury and Investment Manager

Outline and recommendations

Members to note update relating to actions taken since the last report

1. Recommendation

To note update relating to actions taken as at December 2023 - attached.

Lewisham Pension Board

Training Log (from March 2022 to date)

	Date	Organiser	Event	Hours
<u>Chair</u> Stephen Warren	April 2022	Pension Regulator	Pension Regulator Toolkit	7.0
	April 2022	Pension Regulator	Pension Scams	1.0
	22/06/2022	Katharine Nidd	LGPS Governance, Regulatory Framework, Fund Administration and Fund Investment	1.0
	06/10/2022	Hymans Robertson	High Level Valuation Training	1.0
	14/12/2022	Katharine Nidd	Asset Liability Modelling Training	1.0
	25/09/2023	LCIV	Governance and Internal Controls	1.0
<u>Employee Rep</u>				
Sherene Russell-Alexander	03/03/2023	Katharine Nidd	Induction	1.0
	25/09/2023	LCIV	Governance and Internal Controls	1.0
<u>Employee Rep</u>				
Gary Cummins	22/06/2022	Katharine Nidd	LGPS Governance, Regulatory Framework, Fund Administration and Fund Investment	1.0
	06/10/2022	Hymans Robertson	High Level Valuation Training	1.0
	14/12/2022	Katharine Nidd	Asset Liability Modelling Training	1.0
	25/09/2023	LCIV	Governance and Internal Controls	1.0
<u>Employer Rep</u>				
Mark Adu-Brobby	22/06/2022	Katharine Nidd	LGPS Governance, Regulatory Framework, Fund Administration and Fund Investment	1.0
	06/10/2022	Hymans Robertson	High Level Valuation Training	1.0
	14/12/2022	Katharine Nidd	Asset Liability Modelling Training	1.0
	26/06/2023	Pension Regulator	Pension Regulator Toolkit	7.0
	25/09/2023	LCIV	Governance and Internal Controls	1.0
<u>Mark Booker</u>				

Member Progress against the Pension Regulator's Toolkit

Module	Stephen Warren	Sherene Russell-Alexander	Gary Cummins	Mark Adu-Brobby	Mark Booker
Core modules					
Conflicts of interest	Pass			Pass	
Managing risk and internal controls	Pass			Pass	
Maintaining accurate member data	Pass			Pass	
Maintaining member contributions	Pass			Pass	
Providing information to members and others	Pass			Pass	
Resolving internal disputes	Pass			Pass	
Reporting breaches of the law	Pass			Pass	

Agenda Item 6

PENSION BOARD			
REPORT TITLE	Pensions Board – General Update		
KEY DECISION	N/A	Item No:	
WARD	N/A		
CONTRIBUTORS	Tony McGuinness – Interim Head of Financial Strategy, Planning and Commercial Shida Ashrafi - Interim Head of Pensions and Payroll		
CLASS	Part 1	Date:	15 December 2023

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 recommended to:

- note the Draft Annual Report and Accounts 2022/23
- note the Climate Transition and Net Zero Policy;
- note the report on the Risk Register
- note the draft Administration Strategy and the draft Data Improvement Plan;
- note the policy for Reporting and Monitoring Late Payments
- note the Pension Board representation.

CURRENT CONSIDERATIONS

3. Draft Annual Report and Accounts 2022/23

- 3.1. The Pension Fund Annual Report 2022/23 provides a summary of the years events and the Pension Fund financial statements year-end position – see Appendix 2a and 2b.
- 3.2. The External auditors have nearly completed their work on the 2022/23 accounts but the pension fund draft annual report and supporting financial statements were considered by the Audit Panel on 1st November 2023.
- 3.3. The Pension Fund Accounts for 2022/23 were presented to the full Council on 22 November 2023. The Council agreed to delegation to the Section 151 Officer, in consultation with the Chair of the Audit & Risk Committee, to agree any changes

to the agreed audit adjustments and the final Statement of Accounts for publication, alongside the Auditor's Annual Report.

- 3.4. Subject to any substantive issues with the Annual Report and accounts being raised by the auditors the details are not expected to change and will be submitted to the external auditors Grant Thornton for their consistency opinion.
- 3.5. The pension fund draft annual report was published by the statutory deadline of the 1 December 2023 and will be replaced by the final version once the external auditors have signed off the report and accounts.
- 3.6. The final version of the pension fund annual report and financial statements will be presented to the next Pension Investment Committee meeting and the next Pension Board meeting.

4. Draft Administration Strategy and Data Improvement Plan

- 4.1. The draft Administration Strategy and the Data Improvement Plan are for review. See Appendix 5a and 5b.
- 4.2. The comments from the last pension board meeting have been reviewed and the report has been updated.
- 4.3. Officers will give an update on the progress of the work in producing the draft Administration Strategy.

5. Policy for Reporting Late Payment of Contributions

- 5.1. This policy is a requirement of the Code of Practice and it sets out how to deal with late payments expected from Admitted and Scheduled bodies. See Appendix 6.
- 5.2. The policy sets out how the Admitted and Scheduled bodies schemes are set up and how payments are monitored. The policy also set out the definition of material payments and the course of action to be taken if payments are not received and when and how they are reported to the Pension Regulator and members.

6. Climate Transition and Net Zero Policy

- 6.1. The Pension Investment Committee (PIC) has been developing the Climate Transition and Net Zero Policy over the summer and they reviewed the final version at their November meeting. See Appendix 3.
- 6.2. The policy document is split into four areas:
 1. Portfolio Emissions;
 2. Climate Solutions and Opportunities;
 3. Alignment and
 4. Engagement.
- 6.3. Hymans Robertson explained that the policy which will be a live document and will change over time.
- 6.4. Members were pleased that the policy has targets and actions as well as longer term ambitions.

6.5. The members of PIC approved the Climate Transition and Net Zero policy.

7. Risk Register

7.1. The risk register is attached at Appendix 4 (with 'Tracked Changes'); its design is based on a template provided by the Pensions Regulator. Risk ratings fall into four categories:

RISK CATEGORY	HOW THE RISK SHOULD BE MANAGED	NUMBER OF RISKS
Red (16-25)	Immediate action required, senior management involved	0
Amber/Red (10-15)	Senior management attention needed and management responsibility specified	7
Amber/Green (5-9)	Manage by specific monitoring or response procedures	21
Green (1-4)	Manage by routine procedures, unlikely to need specific or significant application of resources	8

7.2. There has been three risk for which the score has improved and two have not improved and a total of nine which have reached their target score. There are seven amber, with the remaining twenty nine being either light green or green.

7.3. Members of PIC reviewed the Risk register and asked a few questions about some of the risks areas.

7.4. One question was should the funding risk be reduced? Officers stated that although the Triannual Valuation had improved the funding to 97% as at 31 March 2022 it was a time when valuations were high. Since that time there have been many changes with high inflation, increased interest rates and the wars in Ukraine and the Middle East. Therefore there is uncertainty about the world economy and the values could fall.

7.5. Another asked if the Liquidity risk should be changed? Officers stated that with the high inflation the pension payments have been increasing and although we have made changes to receive more income from funds it is still an area of risk.

8. Pension Board Representation

8.1. Welcome to Mark Booker Pension Administration Manager for Change Live Grow who is an employer representative on the Pension Board.

9. FINANCIAL IMPLICATIONS

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

10. LEGAL IMPLICATIONS

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

11. CRIME AND DISORDER IMPLICATIONS

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

12. EQUALITIES IMPLICATIONS

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

13. ENVIRONMENTAL IMPLICATIONS

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

APPENDICES

Appendix 2 – Draft Annual Report and Accounts 2022/23

Appendix 3 – Climate Transition and Net Zero Policy

Appendix 4 – Risk Register

Appendix 5a. – Draft Administration Policy

Appendix 5b. – Draft Data Improvement Plan

Appendix 6 - Policy for Reporting and Monitoring Late Payments

FURTHER INFORMATION

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

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Tony.McGuinness@lewisham.gov.uk

Shida Ashrafi - Interim Head of Pensions and Payroll at
Shida.Ashrafi@lewisham.gov.uk

Chris Flower, Treasury & Investments Manager at:
Chris.Flower@lewisham.gov.uk



London Borough of Lewisham Pension Fund

2022/23 Annual Report

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Appendices

2022/23 Pension Fund Statement of Accounts

1. FOREWORD BY THE ACTING EXECUTIVE DIRECTOR OF CORPORATE RESOURCES

- 1.1. Welcome to the 2022/23 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. Much of the current investment strategy to diversifying the Fund away from fossil fuels to low-carbon mandates has been achieved. This has been achieved by moving funds away from passive growth funds and investment into funds such as Passive Equity Progressive Paris Aligned Fund (PEPPA) and London Collective Investment Vehicle (LCIV) Renewable Infrastructure Fund and into Storebrand Global Plus Fund in 2022/23.
- 1.4. Following the March 2022 triennial valuation the Investment Strategy Statement (ISS) has been updated and was been approved by the Pension Investment Committee in June 2023. The revised ISS did not necessitate material changes to the Fund's asset allocation, but the Committee has since developed and adopted a Responsible Investment Beliefs Statement which supports the ISS.
- 1.5. The London Borough of Lewisham, as administering authority, runs the Fund on behalf of its members, with the overriding objective of ensuring its assets are sufficient to pay the benefits owing to members. To achieve this, it must ensure:
 - The proper receipt of contributions from employers and employees;
 - The appropriate investment of those contributions to achieve both investment income and capital growth; and
 - The timely payment of benefits as and when members retire, for the rest of their lives, and their dependents where relevant.
- 1.6. To achieve these objectives the Fund operates within a framework of strategies, aligned with investment beliefs, which meet the requirements of the Regulations and clearly set out a route to achieve full funding of the Fund's obligations within a set timeframe. These take the form of the Funding Strategy Statement and Investment Strategy Statement and a Statement of Investment Beliefs formed by the Pensions Investment Committee, which is responsible for exercising all functions of the administering authority in relation to local government pensions. The Statement of Investment Beliefs sets out a list of high level overriding principles by which the Committee make investment decisions, including governance, investment strategy and structure, responsible investment, and climate change; the full statement is available on the Fund's website at www.lewishampensions.org.
- 1.7. Lewisham has also invested in pooling its assets with the London LGPS CIV (LCIV). Lewisham took action in 2021/22 to make our first direct investment with the pool which included investment into the LCIV Passive Equity Progressive Paris Aligned Fund (PEPPA) and the LCIV Renewable Infrastructure Fund. During 2022/23 the fund made a new investment into the LCIV Private Debt Fund and there will be further drawdown in 2023/24.

- 1.8. The results of the most recent triennial valuation, based on the Fund's position as at 31 March 2022, showed an improved funding level of 97% of its liabilities, compared to a funding level of 90% as at the 2019 valuation. The resulting deficit as at the 2022 valuation was £56m (£154m in 2019). The improved funding level and reduced deficit are predominantly the result of a large increase in the value of the Fund's assets since the previous valuation (£1.387bn at 31 March 2019 to £1.750bn at 31 March 2022), which partially offsets an increase in liabilities of £263m due to a reduction in the assumed rate of future investment returns. The next triennial valuation will take place as at 31 March 2025.
- 1.9. Over the three year valuation period, active membership decreased by approximately 1.6% whilst the number of the pensioners increased, by 7% and the deferred members increased by 0.2%. The Fund continues to mature and the net cash withdrawal in 2022/23, excluding Fund management expenses, was £3.9m (£7.2m in 2021/22).
- 1.10. The war in Ukraine started at the start of the year 2022/23 and we saw a large fall in global markets and a fall in the supplies of gas and other energy and food. These shortages led to an increase in inflation which was followed by the Bank of England raising the interest rates. During the year In 2022/23 the net asset value of the Fund fell by £98m, or 5.6%, from £1.750bn to £1.652bn (compared to an increase of £130m, or 8.0%, in 2021/22). The war in Ukraine has continued to have an effect on the global markets at 31 March 2023 and we expect to see a fall in fund values during 2023/24. We expect global energy and food costs to level off and we expect inflation to gradually fall during 2023/24. The Bank of England is expected to slow the interest rate rises as they start to control inflation. The performance for the year was over benchmark by 0.2% (compared to 2.8% over benchmark in 2021/22), which may be due to the effects on global markets from the war in Ukraine.
- 1.11. The disruption caused by the coronavirus pandemic and now the war in Ukraine will have a mixed and uncertain impact on the underlying assumptions and required performance to meet this target. Officers and Members will continue to monitor the impact of the war on funding levels, including working with employers to review their contribution rates if necessary following amendments to the LGPS regulations which now allow employer contributions to be reviewed outside of formal valuations.
- 1.12. The Pensions Investment Committee agreed a revised investment strategy which continues to move along the pathway to more low carbon investments and to meet its climate objectives. In doing so, climate change mitigation issues will remain a key consideration for the Fund along side its fiduciary duty to prioritise the interests and benefits of its members.

David Austin
Acting Executive Director of Corporate Resources (S151 Officer)

2. FOREWORD BY THE CHAIR OF THE PENSIONS INVESTMENT COMMITTEE

- 2.1. The war in Ukraine had an impact on the cost of energy and food prices in 2022/23 and gave rise to high inflation and increased in the cost of living. The Bank of England increased interest rates to try and bring down inflation. Year-on-year headline CPI inflation in the US and Eurozone fell to 6.0%, and 8.5%, respectively, as the UK measure rose to 10.4%.
- 2.2. Global growth rose positively in Q1 2023 with resilient labour markets and falling energy prices, improving the outlook for consumers and businesses. Forecasted 2023 GDP growth was revised higher in most developed economies, while UK growth is expected to be broadly flat rather than a recession.
- 2.3. Lewisham's Pension Fund assets saw strong growth over the previous seven years, rising from £1.041bn in 2015/16 to £1.750bn in 2021/22. In 2022/23 the fund saw a fall in value of £93.8m to £1.657bn. However, as the war in Ukraine continues it is likely to have a detrimental affect on the Fund in the medium-term, not just in terms of asset values but the funding assumptions underlying the strategic direction of the Fund, remains uncertain.
- 2.4. The Fund continues to perform broadly in line with its strategic benchmark over longer periods, with relative outperformance over the 1 and 3-year periods, and just behind its benchmark performance of 7.2% per annum since inception.
- 2.5. Approximately 60% of the Fund at March 2023 was invested in growth assets, 25% in income assets and 15% in protection assets including passive bonds and cash. The last triennial valuation took place on 31 March 2022 with the next one taking place as at 31 March 2025. The Committee, in conjunction with officers, analysed the results of the 2022 triennial valuation to determine a suitable Funding Strategy and Investment Strategy for the next three year cycle. The Committee continues to plan for a fully-funded position, the Fund having risen from 90% to 97% funded in the last three years, largely on the crest of equity investment returns.
- 2.6. The Fund's revised Investment Strategy will see the continued investment into low-carbon investments, as well as low-carbon income generating assets such as the LCIV Renewable Infrastructure Fund. This will ensure the Fund continues to align investments with the wider climate objectives of the Fund, while still preserving the resources necessary for securing the long-term payment of members' benefits.
- 2.7. During the year the Fund made new investments into Storebrand Global ESG Plus (£256m) and Storebrand Emerging Markets Plus (£76m). Storebrand's investments specifically target low-carbon ESG equities with enhanced green revenue exposure. The other new investment was LCIV Private Debt which we committed £85m and we have invested £35m as at the year-end.
- 2.8. Lewisham Pension Fund was a voluntary founding member of London Collective Investment Vehicle (LCIV), the Fund remains committed to pooling our assets onto the platform. We are actively engaging with LCIV to identify mandates which are aligned with the beliefs of the Committee and the overall Fund strategy. 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, and to develop closer and more informed working relationships with borough shareholders.

- 2.9. The Committee will continue to work to ensure the Fund is well managed to the benefit of all its members. I thank the members of the Pensions Investment Committee and the Council's officers for their work over the last year, in particular for their work to ensure the Fund is well managed and increasingly aligned with our wider climate objectives. I look forward to continuing to work with all concerned to ensure the Fund continues to be effectively and responsibly managed.

Councillor Sian Eiles

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 was established 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. It is governed by the Public Service Pensions Act 2013, and administered in accordance with secondary legislation including the Local Government Pension Scheme Regulations 2013 (as amended) and the Local Government Pensions Scheme (Management and Investment of Funds) Regulations 2016 (referred to henceforth as 'the Regulations').
- 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 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, and has ultimate responsibility for, the investment policy most suitable to meet the liabilities of the Fund. 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 Full Council and has full delegated authority to make investment decisions. The Committee obtains and considers advice from the Executive Director of Corporate Resources and his officers, and the Fund's appointed actuary, investment adviser and fund managers.
- 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.

C. ASSET POOLING

- 3.6. The London Borough of Lewisham is one of thirty-two shareholders in the London Collective Investment Vehicle (LCIV), one of eight pooling vehicles established as part of the reform of investment management in the LGPS which began in 2015 with the publication of criteria and guidance on pooling of LGPS assets to deliver significantly reduced costs while maintaining overall investment performance and achieving benefits of scale.
- 3.7. The new pools have significantly changed the previous approach to investing, although the responsibility for determining asset allocations and the investment strategy remains with each individual Pension Fund.

3.8. As at 31 March 2023, the London Borough of Lewisham Pension Fund had £1.197m invested in pooled investments. Further information on asset pooling is provided in section 10 of this report.

4. SCHEME MANAGEMENT, RISK AND BUDGET

A. SCHEME MANAGEMENT AND ADMINISTRATION

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

Pensions Investment Committee:	Cllr Sian Eiles - Chair
	Cllr. Mark Ingleby – Vice Chair
	Cllr Yemisi Anifowose
	Cllr. Chris Best
	Cllr Mark Jackson
	Cllr. Louise Krupski
	Cllr James Royston
	Cllr. John Muldoon
Local Pension Board:	Stephen Warren - Chair
	Rowann Limond (Lewisham Homes) and Sherene Russell-Alexande - Employer Representatives
	Mark Adu-Brobbey and Gary Cummins - Scheme Representatives
Administrator:	David Austin – Acting Executive Director of Corporate Resources
Responsible Officers:	Shida Ashrafi - Group Manager for Pensions & Payroll
	Katharine Nidd – Acting Director of Finance
Advisers:	Hymans Robertson LLP
Actuary:	Hymans Robertson LLP
Asset Pool:	The London Collective Investment Vehicle (LCIV)
Custodian:	Northern Trust
Legal Advisers:	LB Lewisham Legal Services
Bank:	Barclays Bank
Performance Measurement:	Northern Trust, Hymans Robertson, PIRC
AVC Providers:	Clerical Medical and Utmost
External Auditors:	Grant Thornton UK LLP
Asset Managers:	BlackRock (Fixed Income Unit Trust)
	HarbourVest (Venture Capital)
	J.P. Morgan (Infrastructure – Hedge Funding)
	Legal & General Investment Management (LGIM) (Venture Capital)

	London Collective Investment Vehicle (LCIV) (Pooling)
	Partners Group (Venture Capital [private debt])
	Pemberton (Venture Capital [private debt])
	Schroders (Property)
	Storebrand Global and Emerging Markets (Equity Unit Trust)

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 Chief Finance Officer 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 which codify best practice in investment decision-making, as updated and consolidated post 2008 by the Government and set out in the Chartered Institute of Public Finance and Accountancy’s (CIPFA’s) Principles for Investment Decision Making and Disclosure in the LGPS (2012). The Committee manages the Pension Fund’s assets in accordance with the relevant Regulations.
- 4.4. The Fund maintains a Risk Management Policy which sets out the risk philosophy for the management of the Fund, the Fund’s attitudes to risk, and how risk management is implemented and monitored. The risk management process is consistent with the Regulations and guidance issued by CIPFA, Managing Risk in the Local Government Pension Scheme (2018), and is a continuous process as outlined in the table below.



Risk Management Stage	Description of Process
<p>1. Risk Identification</p>	<p>Assessing risks in the context of the objectives and targets of the Fund, which is both a proactive and reactive process. Risks are identified by a number of means, including:</p> <ul style="list-style-type: none"> i/ Formal risk assessment exercises managed by the Pensions Investment Committee; ii/ Regular performance measurement against agreed objectives or benchmarks; iii/ Findings of internal and external audit; iv/ Feedback from Local Pensions Board, employers and other stakeholders; v/ Liaison with regional and national associations, professional groups and other sector organisations. <p>Once identified, risks will be documented on the Fund's risk register, which is the primary control document for the analysis and classification, control and monitoring of those risks.</p>
<p>2. Risk Analysis and Evaluation</p>	<p>Once identified, the potential risks are assessed and scored according to their likelihood of occurring (from rare to almost certain) and the impact on the Fund should they occur (from insignificant to extreme).</p>
<p>3. Risk Response</p>	<p>These scores are then used to prioritise the risk from low risk to high risk according to the level of response required, as shown in the graphic below. Senior officers will review the extent to which the identified risks are mitigated by existing controls and whether any further action is required to address the risk. Before any such action can be taken, PIC approval may be required where appropriate officer delegations are not in place. Actions taken may result in risk elimination, risk reduction, or risk transfer.</p>
<p>4. Monitor and Review</p>	<p>The ultimate responsibility of PIC, in monitoring risk management activity the Committee will consider whether:</p> <ul style="list-style-type: none"> i/ The risk controls in place achieve the desired outcomes; ii/ The procedures in place for assessing risk are appropriate; iii/ Greater knowledge of the risk and potential outcomes would have improved the decision-making process in relation to that risk; iv/ There are any lessons to be learned for the future assessment and management of risks.

4.5. The risk register is incorporated within the annual business plan which is approved by Pension Investment Committee and reviewed periodically to ensure that risks are updated and the relevant mitigations are put in place to manage them. The Local Pension Board (PB) reviews the authority risk management adequately mitigates against risk and that the direction of travel shows movement towards target scores. Senior officers and those named as responsible officers on the register will review the extent to which the identified risks are covered by existing internal controls and determine whether any further action is required to control the risk, including reducing the likelihood of a risk event occurring or reducing the severity of the consequences should it occur.

4.6. The Fund's Investment Strategy Statement also outlines a number of risks taken to meet the funding objectives and the approaches taken to managing those risks, and include the following:

1. Funding Risks – broken down into:

- a. Insufficient asset growth** – 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. The Fund has also considered, and will continue to consider at periodic intervals, the potential need for any currency hedging to reduce currency risk.
- d. Environmental, Social and Governance (ESG)** – the risk of embedding ESG factors to the extent that the ability of the Fund to meet its long-term funding obligations is significantly reduced. 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.

4.7. The Pension Fund Statement of Accounts sets out additional financial risk management in place for the Fund and provides some sensitivity analysis of market price risk and currency risk, and the potential impact on the Fund's market value.

4.8. The Fund also gains assurance from the work of internal audit, which undertakes a periodic audit to provide an opinion on the effectiveness of controls in place and to make recommendations to management on how to improve those controls. The findings of the 2020/21 internal audit were reported to the Pension Investment Committee in March 2022. The Fund achieving a limited assurance level and the recommendations from the audit included the need to regularly review accuracy of payments to pensioners along with the contribution rates of both the employee and employer to ensure no under/over payments. Reconciliation reviews and actions to resolve any variances have been undertaken to ensure a that the procedure notes for calculating member pension benefits are kept up to date and regularly reviewed.

4.9. Internal Audit did not carry out an inspection in 2022/23 but will be reviewing the practices and procedures in 2023/24.

C. FINANCIAL PERFORMANCE

4.10. The administration expenses and investment expenses are set out below:

	2022/23 Actuals	2021/22 Actuals	Year on Year Variance	
	£'000	£'000	£'000	%
Administration Expenses	862	1,161	(299)	-25.8%
Oversight and Governance Expenses	525	420	105	25.0%
	1387	1,581	(194)	-12.3%
Investment Management Expenses:				
Transaction Costs	535	220	315	143.2%
Management Fees	2,055	1,954	101	5.1%
Custody Fees	140	112	28	25.0%
	2,730	2,286	444	19.4%
Total Expenses	4,117	3,867	250	6.4%

4.11. Administration expenses consist of all expenses the administering authority must incur in performing its duties to administer entitlements and provide benefit 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.

4.12. The increase in transaction costs in 2022/23 was the result of the sale of the Fund's passive equities out of Blackrock and UBS and into Storebrand Global ESG Plus funds and Storebrand Emerging Markets which, concluded in the third quarter of the financial year 2022/23.

5. INVESTMENT STRATEGY AND PERFORMANCE

A. INVESTMENT STRATEGY

5.1. The Council's Investment Strategy Statement (ISS) was reviewed and updated in June 2023 and it sets out its approach to funding its liabilities in the Funding Strategy Statement (FSS). 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. The ISS and the FSS can be found at <http://www.lewishampensions.org/>

5.2. The ISS was updated and approved in June 2022, following detailed discussion and agreement with the Committee. The triennial valuation results have not necessitated material changes to the Fund's asset allocation and therefore to the ISS. The Committee has since developed and adopted a Responsible Investment Beliefs Statement which provides greater clarity and understanding of how the Committee beliefs support and underpin the Fund's ISS.

5.3. The administration of the investment side of the Fund is managed internally by officers within the Council’s Strategic Finance team. The Fund’s custodian is the main depository for investment assets, and provides performance reporting and accounting support for all transactional activity in relation to the Fund’s investments which is used to update the Fund’s ledger and compile the annual accounts. The Fund also maintains its own bank account for day to day cash flow requirements.

B. UK STEWARDSHIP CODE

5.4. The Financial Reporting Council revised the UK Stewardship Code in 2020 and the code sets the expectations for investor’s stewardship policy and practice.

5.5. The Code defines stewardship as the “responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society”, and consists of twelve Principles for asset managers and owners, and six for service providers, to which signatories to the Code are expected to evidence compliance through the publication of an annual Stewardship Report. Managers, owners and service providers are tiered based on the quality of their Code statements, distinguishing between those who report well and demonstrate their commitment to stewardship, and those where reporting improvements are required.

5.6. Although not currently a direct signatory to the new Code, the Fund will consider its impact and align its expectations of asset managers and service providers accordingly. The Fund will use the revised Code as a basis for reviewing and strengthening its approach to responsible investment, and fully endorses the principles embedded within the Code. It expects its external fund managers to be signatories to the 2020 Code. The Pensions Committee believes that investor stewardship is a key component of the CIPFA Good Governance Framework and is committed to exercising this responsibility.

5.7. The twelve principles of the UK Stewardship Code 2020 are set out below with brief examples of how the Fund works to meet each one in line with the expectations set out in the Code, although this does not constitute a statement of compliance and is by no means exhaustive.

Category	Code Principle	Examples of Compliance
Purpose and Governance	1. Signatories’ purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.	PIC Members have contributed to a Statement of Investment beliefs that when considered with the Funding Strategy Statement translate Fund objectives into a well-defined Investment Strategy. Taken in conjunction with PIC’s Climate Objectives, the Fund seeks to make ESG focussed investments to achieve the overriding purpose of preserving the resources necessary to secure the long-term payment of members’ benefits.
	2. Signatories’ governance, resources and incentives support stewardship.	The Fund’s Pension Board assists the Council, as administering authority, to monitor adherence to legislation and best practice relating to the administration and governance of the Fund.

Category	Code Principle	Examples of Compliance
	<p>3. Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.</p> <p>4. Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.</p> <p>5. Signatories review their policies, assure their processes and assess the effectiveness of their activities.</p>	<p>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 and its beneficiaries are put first.</p> <p>The Fund's stewardship responsibilities are set out in the ISS, including its approach to systemic risks which includes maintaining a diversified portfolio to reduce the impact of any market or business group failure.</p> <p>The fund is audited, both externally and internally. The Pension Board in April 2019 commissioned an external review to measure the Fund's compliance to the Pension Regulator's Code of Practice and the Local Government Pension Scheme Advisory Board's guidance.</p>
Investment Approach	<p>6. Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.</p> <p>7. Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.</p> <p>8. Signatories monitor and hold to account managers and/or service providers.</p>	<p>The Fund publishes its Statement of Accounts and Annual Report every year which details the breakdown of the Fund and its investments, the membership of the Fund and how officers deal with member queries, and how decisions are taken to meet the Fund's liabilities and continue to pay member benefits. The FSS and ISS set out in greater detail the stewardship of the Fund, the former being consulted on with Fund employers prior to publication.</p> <p>The Fund has integrated stewardship and ESG factors into its new Investment Strategy, which has seen the Fund transition its equity holdings into low carbon ESG passive equities and pursue investments in other low carbon assets including renewable energy infrastructure, to continue to provide benefits for its members whilst addressing wider ESG issues such as climate change and decarbonisation.</p> <p>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 monthly and quarterly reports for officers' attention, and attend PIC at least annually to update Members on fund performance.</p>
Engagement, Exercising Rights and Research	<p>9. Signatories engage with issuers to maintain or enhance the value of assets.</p>	<p>The Fund has established a set of Investment Consultant Objectives which includes objectives on strategic advice, effective implementation and research, all of which require the Fund's advisers to use its more extensive resources and engage</p>

Category	Code Principle	Examples of Compliance
	10. Signatories, where necessary, participate in collaborative engagement to influence issuers.	with asset managers and other stakeholders on the Fund's behalf. Officers regularly engage with asset managers on all issues of asset administration and performance. The Fund participates in collective engagement and is actively committed to the LCIV for the pooling of its assets into centrally managed Funds, whilst liaising and working with other shareholders of the LCIV to achieve shared objectives, outside of the larger pool if necessary but always in the spirit of collaboration to achieve shared goals.
	11. Signatories, where necessary, escalate stewardship activities to influence issuers.	PIC has delegated the exercise of voting rights to its investment managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value.
	12. Signatories actively exercise their rights and responsibilities.	

5.8. The Fund is also a member/subscriber of the following bodies:

- a. Pensions and Lifetime Savings Association (PLSA);
- b. Local Authority Pension Fund Forum (LAPFF);
- c. Local Government Pension Committee (LGPC).

C. APPLICATION OF CIPFA PRINCIPLES FOR INVESTMENT DECISION MAKING

5.9. The Fund is required to demonstrate compliance with CIPFA's Principles for Investment Decision Making and Disclosure, 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.

5.10. The Pension Fund has a paramount fiduciary duty to obtain the best possible financial return on Fund investments without exposing assets to unnecessary risk. Following good practice in terms of social, environmental and ethical issues is likely to have a favourable effect on the long-term financial performance and improve investment returns to shareholders.

D. INVESTMENT PERFORMANCE

5.11. The overriding 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. It is in the interest of both employees and the public that the Fund is well managed and continues to provide high returns and excellent value for money.

5.12. The investment strategy has previously allocated a significant proportion of the Fund for investment into growth assets. After the 2016 valuation, the strategy was adapted to seek a more diversified portfolio and reduce the heavy exposure to the volatility of equities by investing in income assets such as infrastructure and private debt. As at 31 March 2023 approximately 60% of the Fund was invested in growth assets, 25% in income assets and 15% in protection assets including passive bonds and cash.

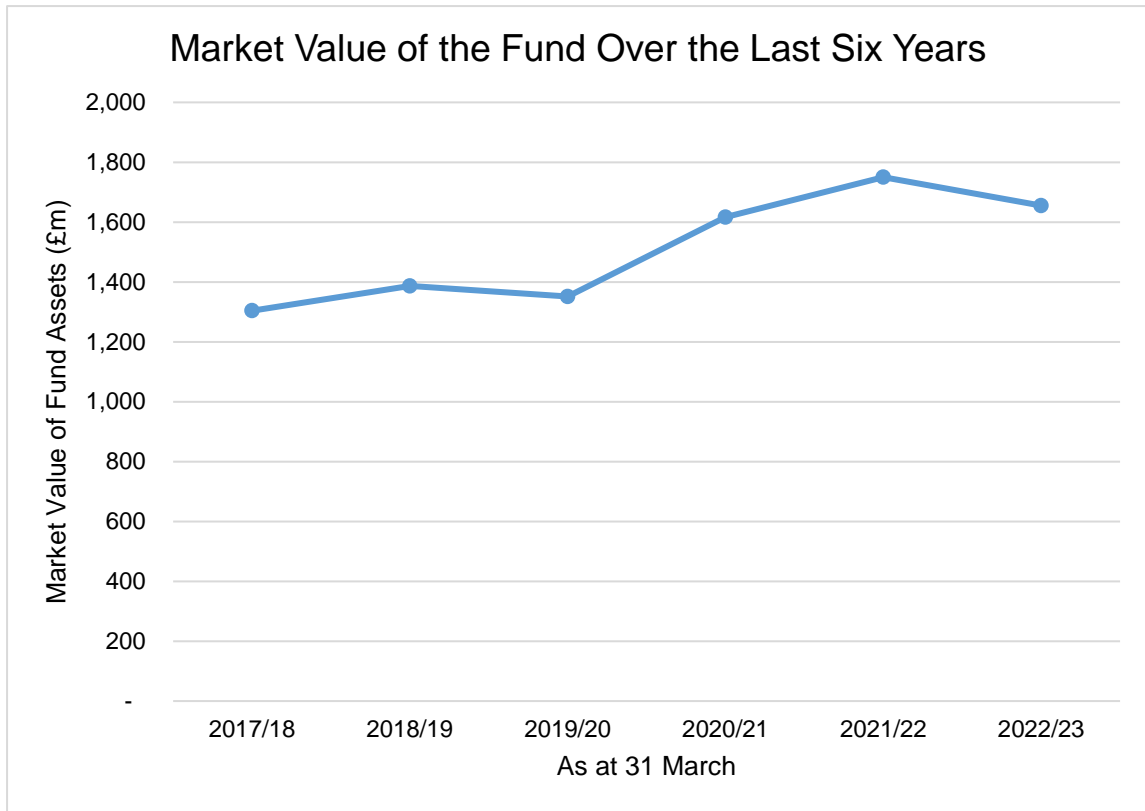
5.13. The Fund's asset allocation as at 31 March 2023 has nine active managers with six mandates, as below.

D1. STRATEGIC ASSET ALLOCATION AT 31 MARCH 2023:

Mandate	2022/23		2021/22
	Asset Value £'000	Target Allocation %	Actual Allocation %
Fixed Income and equity Unit Trust	1,100,312	69.0	70.8
Property	173,454	10.0	9.4
Infrastructure	76,621	6.0	6.2
Private Equity/Debt	79,009	5.0	5.7
Multi-Asset Credit	136,968	4.0	4.2
Renewable Infrastructure	40,267	6.0	1.4
Cash and Net Current Assets	60,819	0.0	2.3
Total	1,651,977	100%	100%

5.14. 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.

5.15. The graph below depicts the changing value of the Fund's assets as at 31 March over the last six years. The Fund has steadily increased in value over the period, from £1,275bn at 31 March 2017 to a high of £1,652bn at 31 March 2023. The Fund decreased by approximately £98m in 2022/23.



5.16. The annualised return of the Fund's investments over the last 12 months was -4.61%, which was 0.21% above the benchmark return (a composite of the benchmarks employed by each mandate). Over the last five years, the Fund's absolute return on its investments is 7.29%, which is approximately 0.66% above the benchmark return of 6.64% as depicted in the below table.

D2. AGGREGATE FUND – COMPARATIVE PERFORMANCE:

As at 31 March 2023	One Year %	Three Year %	Five Years %
Fund Performance	(4.61)	7.29	5.46
Benchmark	(4.83)	6.64	5.16
Relative performance	0.21	0.66	0.29

5.17. Individual fund manager performance is assessed against customised benchmarks. The performance of each manager against their composite benchmark over a one year period, three year period and their inception is as set out in the table below.

D3. INDIVIDUAL MANAGER PERFORMANCE:

		Blackrock	LCIV	Schroders	J.P. Morgan	LCIV	HarbourVest	Partners Group	Pemberton	LGIM	Storebrand Global Mkt	Storebrand Emerging Mkt	LCIV
		(Fixed Income Unit Trust)	(Private Debt)	(Property)	(Infrastructure)	(Passive Equity)	(Private Equity)	(Venture Capital)	(Venture Capital)	(Property)	(Equity Unit Trust)	(Equity Unit Trust)	(Renewable Infrastructure)
		%	%	%	%	%	%	%	%	%	%	%	%
1 year	Absolute	(70.3)	3.7	(11.9)	10.8	(1.6)	(0.5)	6.0	6.4	N/A	N/A	N/A	2.4
	Benchmark	(70.3)	6.0	(14.9)	7.0	(1.7)	0.3	7.5	8.7	N/A	N/A	N/A	6.0
	Relative	0.0	(2.3)	3.0	3.8	0.1	(0.8)	(1.5)	(2.3)	N/A	N/A	N/A	(3.6)
3 years	Absolute	(28.5)	N/A	3.1	N/A	N/A	19.9	N/A	N/A	N/A	N/A	N/A	N/A
	Benchmark	(28.7)	N/A	2.7	N/A	N/A	17.9	N/A	N/A	N/A	N/A	N/A	N/A
	Relative	0.2	N/A	0.4	N/A	N/A	2.0	N/A	N/A	N/A	N/A	N/A	N/A
Since Inception*	Absolute	6.6	3.7	4.3	6.3	(6.3)	11.8	4.3	6.0	6.2	6.0	(2.6)	2.4
	Benchmark	6.2	6.0	5.0	7.0	(6.6)	9.8	5.3	8.1	7.0	6.6	(5.2)	6.0
	Relative	0.4	(2.3)	(0.7)	(0.7)	(0.3)	2.0	(1.0)	(2.1)	(0.8)	(0.6)	2.6	(3.6)

*Blackrock Nov 2012; LCIV Private Debt Jul 2022; Schroders Oct 2004; J.P. Morgan Jan 2019; LCIV Dec 2021; HarbourVest Dec 2006; Partners Group Apr 2018; Pemberton Jan 2018; LGIM Mar 2022; Storebrand Global May 2022; Storebrand Emerging Aug 2022; LCIV Renewable Oct 2021; LCIV Private Debt May 2022.

5.18. The table above shows that there has been a varied performance over time. It is to be noted that Blackrock and LCIV are all passive funds which track their composite benchmarks instead of actively trying to outperform them, and account for approximately 72% of the Fund. No other managers, apart from Schroders and Storebrand, accounts for more than 6% of the Fund, in line with their target allocations. Pemberton was a new fund in 2017/18, Partners Group and J.P. Morgan were new funds in 2018/19, LCIV and LGIM were new funds in 2021/22 and Storebrand was a new fund this year (2022/23), 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.

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

Manager	Mandate	Benchmark / Performance Target
BlackRock	Fixed Income Unit Trust	iBoxx Sterling Non-Gilts Index; FTSE Actuaries UK Conventional Gilts over 5 or 15;
Schroders	Property	MSCI Pooled Property Fund Index
J.P. Morgan	Infrastructure	Hurdle rate of 7% p.a. The fund targets a return of 8-12% per annum net of fees.
LCIV	Equity Unit trust	The objective of the Fund is to track the performance of the S&P Developed Ex-Korea LargeMidCap Net-Zero 2050 Paris-Aligned ESG Index
LCIV	Renewable Infrastructure	Hurdle rate of 7% p.a.
HarbourVest	Private Equity	To outperform the Morgan Stanley Capital International (MSCI) World Index by 5% over a five year rolling period, net of fees.
Partners Group	Venture Capital	The fund targets a return of SONIA +4-6% net of fees, with a 5% cash yield
Pemberton	Venture Capital	Venture Capital The fund targets a return of SONIA +4-6% net of fees
LGIM	Property	UK Build To Rent Fund. Total return of 7-9% p.a. (net of fees)
Storebrand	Equity Unit Trust	MSCI AC World Development Index and MSCI EM Index
LCIV	Private Debt	6-8% net IRR

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

5.21. 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. ASSET POOLING

A. FINANCIAL YEAR 2021/22

6.1 The London Collective Investment Vehicle (LCIV) is the investment vehicle established for the pooling of London Local Authority (LLA) Pension Fund assets, created to deliver broader investment opportunities and more enhanced cost efficiencies than LLAs can achieve individually. It is authorised and regulated by the Financial Conduct Authority (FCA) as an Alternative Investment Fund Manager (AIFM) with permission to manage authorised and unauthorised Alternative Investment Funds (AIFs) via an Authorised Contractual Scheme (ACS) pooling structure and as an Exempt Unauthorised Unit Trust (EUUT).

6.2 Each LLA is a shareholder in the LCIV, and the Fund has £150,000 of non-voting redeemable shares as a subscriber to the pool. It and contributes to the financial operation of the vehicle

via an annual service charge and Development Funding Charge (DFC). The annual service charge is akin to a membership fee, providing access to LCIV services. The DFC is designed to cover the cash flow imbalance between the LCIV's annual revenues and annual costs until LCIV generates sufficient management fee income to cover annual operating costs.

- 6.3 As at 31 March 2023 the Fund has invested into three funds with LCIV £505m invested into Passive Equity Progressive Paris Aligned Fund (PEPPA), £40m invested into the LCIV Renewable Infrastructure Fund and £59m invested into LCIV Private Debt Fund.
- 6.4 The Fund is committed to the principles of pooling and to the transitioning of assets to the LCIV or another LGPS pool. However, the nature of the LCIV's setup in its first few years meant the funds it had created and established had been of little interest to Lewisham, or incompatible with our strategy. The establishment of PEPPA and the Renewable Infrastructure Fund and the new Private Debt Fund has increased the levels of funds pooled in 2022/23 and Fund officers and Members maintain a close relationship with the LCIV, and the PIC considers pooling obligations in all investment decisions.
- 6.5 Members and officers will continue to work with LCIV to develop mandates in line with the Fund's strategy.

B. AT TIME OF WRITING ANNUAL REPORT

- 6.6 In respect of asset pooling, it is noted that at the time of writing the annual report (September 2023) the Fund had increased its investment to £36m into the LCIV Renewable Infrastructure Fund of the commitment of £90m and an investment of £56m, of the commitment of £85m into the LCIV Private Debt Fund.

7 SCHEME ADMINISTRATION

A. SCHEME ADMINISTRATION / PENSIONS ADMINISTRATION AND ASSURANCE

- 7.1 As at 31 March 2023 there were 26,863 members of the Fund; 6,846 of these were active, 11,493 deferred (undecided, deferred and frozen) and 8,524 retired. Besides the administering authority, the Fund also comprised 8 active scheduled bodies and 20 active admitted bodies.
- 7.2 Scheme member administration and pensioner administration is undertaken by a small in-house Pensions 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. Further information about the administration of the scheme including forms and publications, information on complaints and disputes, and details on how members are kept informed, including relevant contact details, can be found on the Fund's website at www.lewishampensions.org. Internal audit reviews the scheme's administration periodically as described in sections 4.8 and 4.9 of this report.
- 7.3 Pension transactions are completed monthly as they fall due, the in-house team also work through queries and respond to members and bodies as appropriate. Membership is updated regularly to ensure it is accurate.

7.4 The number of key administrative activities carried out in 2022/23 and across the previous four years are shown in the table below.

A1. KEY ADMINISTRATIVE ACTIVITIES:

	2022/23	2021/22	2020/21	2019/20	2018/19
New scheme members	1,054	279	638	1,072	1,181
Estimate of benefits	840	901	794	1,393	1,839
Responding to correspondence	3,380	1,143	1,714	1,472	557
Deferred benefits	131	296	290	298	330
Calculation of quotations and actuals relating to transfers into the Local Government Pension scheme	575	390	335	420	304
Retirements	425	381	322	410	410
Death cases (with dependants)	90	368	376	292	264
Calculation of quotations and actuals relating to transfers out of the Local Government Pension scheme	344	418	335	262	247
Additional contributions	29	23	25	50	46
Refunds of contributions	172	266	170	434	507
Overall Performance	7,040	4,465	4,999	6,103	5,685

7.5 The role of the pensions section in the administering authority during 2022/23 was carried out by 6.5 Full Time Equivalent (FTE) staff serving some 26,800 members. Relevant data and staffing ratios are as set out below, and indicate an increasing number of transactions over time being undertaken by the same number of FTE staff.

A2. KEY STAFF INDICATORS:

FTE Staff:	2022/23	2021/22	2020/21	2019/20	2018/19
Lewisham	8.5	7.5	7.5	7.5	7.5
Made up of:					
Work for other schemes	0	(0.5)	(0.5)	(0.5)	(0.5)
Other work	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
Administration of LGPS	6.5	5.0	5.0	5.0	5.0

Scheme Membership:	2022/23	2021/22	2020/21	2019/20	2018/19
Number of contributors	6,846	6,617	6,928	6,754	6,726
Number of deferred members	11,493	11,139	11,865	11,860	11,469
Number of pensioners	8,524	8,339	8,089	8,024	7,779
Total	26,863	26,095	26,882	26,638	25,964

Staff Performance:	2022/23	2021/22	2020/21	2019/20	2018/19
Ratio of members to 1 FTE staff	4,133	5,228	5,376	5,328	5,193
Transactions per member of staff	1,083	893	1,000	1,221	1,137

7.6 The age profile of the membership calculated as at 31 March 2023 is show in the table below.

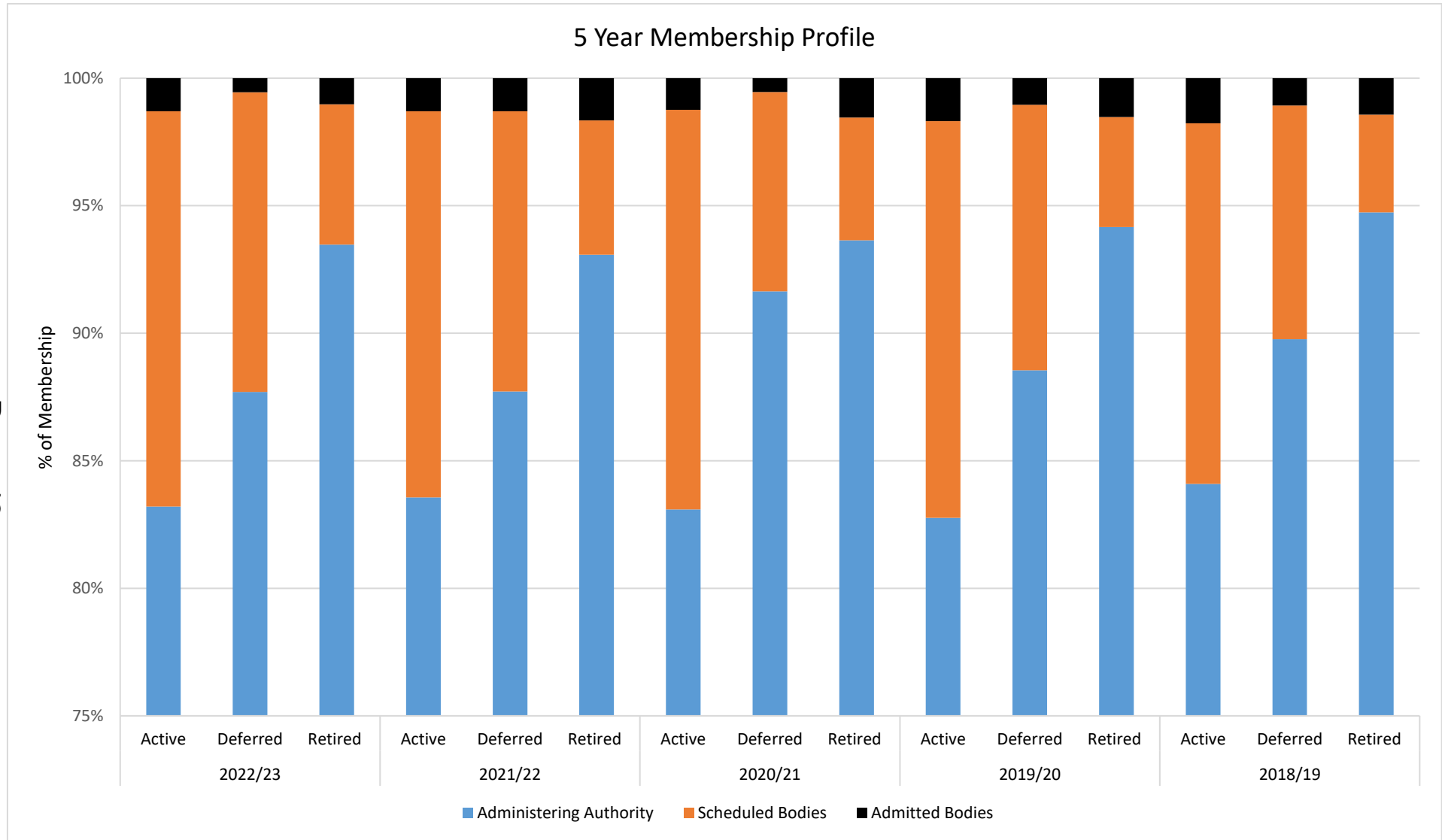
A3. AGE PROFILE OF MEMBERSHIP:

A	Contributing	Deferred	Pensioners/ Dependents
0-4	0	0	2
5-9	0	0	4
10-14	0	0	12
15-19	15	0	30
20-24	207	6	11
25-29	477	82	3
30-34	560	375	1
35-39	672	651	5
40-44	759	861	7
45-49	823	899	16
50-54	940	1298	43
55-59	1208	1746	372
60-64	816	1042	1366
65-69	275	244	1926
70-74	46	50	1649
75-79	1	12	1342
80-84	0	5	914
85-89	0	0	551
90-94	0	0	256
95-99	0	0	50
100-104	0	0	5
Total	6799	7271*	8565

*Does not include undecided leavers or frozen accounts shown in the deferred membership numbers above.

7.7 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 costs 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 4.11, whilst management expenses relate to fund manager fees, transaction costs and custody fees.

A4. 5 YEAR MEMBERSHIP PROFILE:



A5. FIVE YEAR ANALYSIS: MEMBERSHIP AND ADMINISTRATIVE UNIT COSTS:

	2022/23			2021/22			2020/21			2019/20			2018/19		
Membership	Active	Deferred	Retired	Active	Deferred	Retired	Active	Active	Active	Active	Deferred	Retired	Active	Deferred	Retired
Administering Authority	5,696	10,079	7,968	5,648	9,645	7,804	5,757	10,873	7,575	5,590	10,502	7,556	5,656	10,295	7,360
Scheduled Bodies	1,061	1,351	469	1,023	1,208	441	1,085	928	389	1,050	1,234	346	951	1,051	298
Admitted Bodies	89	63	87	88	143	139	86	64	125	114	124	122	119	123	111
Total	6,846	11,493	8,524	6,759	10,996	8,384	6,928	11,865	8,089	6,754	11,860	8,024	6,726	11,469	7,769
Unit Costs	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Administrative Unit Cost (£)	142	24	16	164	29	19	121	20	15	114	19	14	90	15	11
Investment Management Unit Cost (£)	279	48	32	237	42	27	241	40	29	258	42	31	205	34	25
Total Unit Cost (£)	421	72	48	401	70	46	362	60	44	372	61	45	295	49	36

7.8 A list of contributing employers and the amounts contributed by the employers in 2022/23 is shown below:

A6. EMPLOYER CONTRIBUTIONS:

Employer	Contributions Paid £'000	Comments
Administering Authority		
Lewisham Council	32,680	
Scheduled Bodies		
Lewisham Homes	3,769	
Haberdashers' Aske's Knights Academy	1,358	
Christ The King Sixth Form College	477	
St Matthew's Academy	208	
Childeric	212	
Tidemill Academy	187	
St George's	66	
Sedgehill Academy	156	
Admitted Bodies		
Youth First Ltd	114	
Phoenix Agency Services	109	
Phoenix	126	
KGB Cleaning	42	
CGL	62	
Lewisham Music	14	
Change Grow Live	14	
NSL	0	
Housing 21	5	
Zing	10	
Pre-School Learning Alliance	4	
Tower Services	2	
3 C's Support	0	
Braybourne FS Ltd (Hatcham)	55	
City West Services	1	
Greenwich Leisure Ltd (GLL)	6	
Harrison Catering Hatcham	26	
Harrison Catering Knights	12	
M Group	24	

7.9 The Statement of Accounts summarises the contributions received from employees and employers by type of body; the total contributions received per establishment are shown in the table further below.

7.10 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.

A7. TOTAL CONTRIBUTIONS RECEIVED FROM EMPLOYEES AND EMPLOYERS:

Employer	Total Contributions Received £'000	% Returns Received by Due Date
Administering Authority		
Lewisham Council	42,621	100%
Scheduled Bodies		
Lewisham Homes	5,219	100%
Haberdashers' Aske's Knights Academy	1,698	100%
Christ The King Sixth Form College	610	100%
St Matthew's Academy	278	100%
Childeric	266	58%
Tidemill Academy	243	100%
St George's	82	100%
Sedgehill Academy	186	100%
Admitted Bodies		
Youth First Ltd	148	100%
Phoenix	194	42%
Phoenix Agency Services	146	33%
KGB Cleaning	53	58%
CGL	75	100%
Lewisham Music	15	17%
Change Grow Live	19	100%
NSL	1	100%
3 C's Support	3	0%
Braybourne FS Ltd (Hatcham)	73	67%
Housing 21	6	100%
Zing	12	90%
Pre-School Learning Alliance	5	100%
Tower Services	3	100%
City West Services	1	42%
Greenwich Leisure Ltd (GLL)	7	100%
Harrison Catering Hatcham	31	100%
Harrison Catering Knights	14	100%
M Group	30	100%

7.11 Although the LGPS is a national scheme, it is administered locally. Lewisham Council has a statutory responsibility to administer the pension benefits payable from the Pension Fund on behalf of the participating employers and the past and present members and their dependents. The following table outlines benefits payable in 2022/23.

Benefits Payable	Employer	Amount Payable
		£'000
Pensions	Administering Authority	43,210
	Scheduled Bodies	3,033
	Admitted Bodies	2,903

Lump Sums: Retirement Allowances	Administering Authority	7,226
	Scheduled Bodies	1,582
	Admitted Bodies	300
Lump Sums: Death Grant	Administering Authority	1,045
	Scheduled Bodies	447
	Admitted Bodies	7

B. INTERNAL DISPUTE RESOLUTION PROCEDURE (IDRP)

- 7.12 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:
- 7.13 Stage one: the member's complaint is referred to the Acting Executive Director of Corporate Resources, who is nominated by the London Borough of Lewisham to act as an independent adjudicator. Any decision made must be given in writing.
- 7.14 If the member is dissatisfied with the stage one decision, they can take the matter to stage two of the IDRP.
- 7.15 Stage two: the stage one decision is reviewed by the Director of Law and Corporate Governance who is nominated by the London Borough of Lewisham to act as an independent referee.
- 7.16 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 two months of the receipt of the appeal.
- 7.17 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).
- 7.18 The member has the right to refer the complaint to the The Pensions Ombudsman (TPO) free of charge. Before the complaint is put to the TPO the member should first have tried to resolve the complaint through the IDRP and consulted with TPAS. The TPO is completely independent and acts as an impartial adjudicator. Its role and powers have been decided by Parliament. The TPO cannot investigate matters where legal proceedings have already started but, subject to that, he can settle disputes about matters of fact or law as they affect occupational pension schemes.
- 7.19 Lewisham Pension Fund had one IDRP case in 2022/23, this represents 0.0002% of complaints against caseload in the financial year.

8 ACTUARIAL REPORT ON FUND

- 8.1 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.
- 8.2 The last revaluation was undertaken as at 31 March 2022, and the final valuation report is available on the Lewisham Pensions website at www.lewishampensions.org. The actuarial review assessed the Fund as being 97% funded; this represents an increase of 7% in the funding level since the last valuation in 2019, from 90% funded.
- 8.3 The 2022 valuation resulted in the actuary assessing Lewisham's employers' contribution rate to provide for future pensions entitlements to be a minimum of 17.6% for financial years 2022/23 through to 2023/24, plus a lump sum component increasing year on year. The equivalent rate remains unchanged from the previous valuation at 22.5%.
- 8.4 Lewisham, as the administering authority for the Fund, set an employer contribution rate of 22.0% for 2022/23, which will be reviewed each year for the next three years.
- 8.5 The next triennial valuation will take place as at March 2025 but the final results are not expected before December 2025.

9. FUND GOVERNANCE

A. GOVERNANCE STRUCTURE

- 9.1 Lewisham's Annual Governance Statement has been adopted by the PIC on behalf of the Fund.
- 9.2 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 of the Superannuation Act 1972 and all other relevant pension legislation. This includes:
- To 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.

9.3 Responsibility for day-to-day administration and preparation of the Pension Fund accounts and annual report has been delegated to the Acting Executive Director for Corporate Resources.

9.4 Details of the Council's Code of Corporate Governance is set out in Part V of the Council's Constitution which is available at:
www.lewisham.gov.uk/mayorandcouncil/aboutthecouncil/how-council-is-run/our-constitution

9.5 The Council's latest Annual Governance Statement is available with the main Council Statement of Accounts at the following link:
www.lewisham.gov.uk/mayorandcouncil/aboutthecouncil/finances/statement-of-accounts

B. MEMBERSHIP – PENSIONS INVESTMENT COMMITTEE

9.6 The Pensions Investment Committee comprises eight Members of the Council who have voting rights, and meets at least quarterly. 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.

9.7 The following table sets out attendance by the eight Councillors who were Members of the Pensions Investment Committee for the scheduled meetings in 2022/23. Note four meetings are scheduled in each financial year and each Councillor has one vote with the Chair having the casting vote.

Member	14 June 2022	6 Sept 2022	8 Nov 2022	9 Feb 2023
Cllr. Eiles – Chair	✓	✓	✓	✓
Cllr. Ingleby – Vice Chair	✓	✓	✓	✓
Cllr. Anifowose	✓	✓	Apologies	✓
Cllr. Best	✓	✓	✓	✓
Cllr. Royston	✓	✓	✓	✓
Cllr. Jackson	✓	✓	✓	✓
Cllr. Krupski	✓	✓		✓
Cllr. Muldoon	✓	✓	✓	✓

C. MEMBER TRAINING

9.8 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

9.9 Member of the Board are encouraged to complete the Pension Regulator's Toolkit. This is an online modular training facility which breaks the LGPS pension requirements into various pension's subject areas.

9.10 During 2022/23 Members notified officers of their attendance at the following training sessions and events:

Date	Description	Provider	Members
14/06/2022	Review of the Quarterly Investment Report	Hymans	Cllr Eiles (Chair), Cllr Ingleby (Vice-Chair), Cllr Anifowose Cllr Best Cllr Jackson Cllr Krupski Cllr Muldoon Cllr Royston
06/09/2022	London CIV Investment workshop on the LCIV Passive Equity Progressive Paris Aligned Fund and LCIV Renewable Infrastructure Fund	London CIV	Cllr Eiles (Chair), Cllr Ingleby (Vice-Chair), Cllr Anifowose, Cllr Best Cllr Jackson Cllr Krupski Cllr Muldoon Cllr Royston
06/09/2022	Review of the Quarterly Investment Report	Hymans	Cllr Eiles (Chair), Cllr Ingleby (Vice-Chair), Cllr Anifowose Cllr Best Cllr Jackson Cllr Krupski Cllr Muldoon Cllr Royston
08/11/2022	Initial results of the 2022 valuation and Investment Strategy Review	Hymans	Cllr Eiles (Chair), Cllr Ingleby (Vice-Chair), Cllr Anifowose Cllr Best Cllr Jackson Cllr Krupski Cllr Muldoon Cllr Royston
08/11/2022	Review of the Quarterly Investment Report	Hymans	Cllr Eiles (Chair), Cllr Ingleby (Vice-Chair), Cllr Anifowose Cllr Best Cllr Jackson Cllr Krupski Cllr Muldoon Cllr Royston

Date	Description	Provider	Members
28/11/2022	Training/ presentation by Hymans at Chairs'/ Vice Chairs'/ Officers ESG Group online Meeting on Impact Investing and Forestry/ Natural Capital Investing	Hymans	Cllr Eiles (Chair), Cllr Ingleby (Vice-Chair), Cllr Muldoon
25/01/2023	Workshop by on TCFD & Net Zero issues	Hymans	Cllr Eiles (Chair), Cllr Ingleby (Vice-Chair), Cllr Best Cllr Jackson Cllr Krupski Cllr Muldoon Cllr Royston
31/01/2023	Storebrand Asset management – online Global Solutions update on passive equities.	Storebrand	Cllr Muldoon
09/02/2023	Review of the Quarterly Investment Report	Hymans	Cllr Eiles (Chair), Cllr Ingleby (Vice-Chair), Cllr Best Cllr Jackson Cllr Krupski Cllr Muldoon Cllr Royston
09/02/2023	Schoders presentation on Managing Lewisham mandate; ESG factors; Inflation; Retail; and mitigating risk.	Schoders Investment Fund Manager	Cllr Eiles (Chair), Cllr Ingleby (Vice-Chair), Cllr Best Cllr Jackson Cllr Krupski Cllr Muldoon Cllr Royston
01/03/2023	DG Publishing/ LGPS Live: Webinar on McCloud judgement and Incorporating Social Impact Objectives into Pension Fund Investment Strategies		Cllr Muldoon
15/03/2023	Gresham House Specialist Asset Management: Forestry & Natural Capital breakfast briefing		Cllr Ingleby (Vice-Chair)
14/03/2023	SPS Local Authority Pension Fund Investment Conference – Current Issues		Cllr Muldoon
16/03/2023	Osmosis Investment Management UK: Webinar: 'Estimating Scope 3 Emissions – Value Added or Value Trap?'		Cllr Ingleby (Vice-Chair)
Ongoing	Each week Cllr Muldoon undertakes at least one hour's unstructured CPD when he reads Citywire publications on market conditions, investment reports and pensions news.		Cllr Muldoon

Date	Description	Provider	Members
Ongoing	Weekly reading Financial publications such as Institute of Directors Economic Update; Pensions Age emails; Mohamed El-Erian's posts on the economy; reading on LinkedIn; reading Money Mail and other financial publications.		Cllr Eiles (Chair), Cllrr Ingleby (Vice-Chair), Cllr Anifowose Cllr Best Cllr Jackson Cllr Krupski Cllr Muldoon Cllr Royston

- 9.11 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.
- 9.12 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 strategic direction of the Fund.
- 9.13 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, which is also supported by presentations from fund managers on their respective asset classes.

10. REPORT FROM THE LOCAL PENSION BOARD

A. INTRODUCTION

- 10.1 The Pension Board is not decision-making body but does have a specific remit under The Public Service Pensions Act 2013 to ensure that pension funds meet all relevant legal requirements.
- 10.2 The Pension 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.
- 10.3 The Pension Board met four times in 2022/23 and has planned quarterly meetings in 2023/24. The Board's focus has been on:
- Enhancing its understanding of the arrangements put in place by the administering authority, including through consideration of minutes and agendas of the Pensions Investment Committee and receipt of documentation by management;
 - Reviewing the strategies and other reporting requirements to meet the administering authority's compliance with legislation and best practice. The Board has agreed its own work programme and plans to review this at each meeting; and
 - Ensuring that appropriate arrangements are put in place for developing and maintaining the knowledge and understanding of members of the Board.

Further information about the Board and its operation, including its terms of reference, is available on the Council's website at: <https://councilmeetings.lewisham.gov.uk/ieListMeetings.aspx?CId=353&Year=0> and on the Fund's website at the following link: <https://www.lewishampensions.org/resources/>

B. MEMBERSHIP OF THE BOARD

10.4 The Board consists of five members; two employer representatives, two scheme (member) representatives, and an Independent Chair. Since 1 April 2022 one new members has be appointed to the board.

Name	Capacity	Role	Meetings attended in 2022/23
Stephen Warren	Independent Chair (Non-Voting)		4/4
Rowann Limond	Employer Representative	Director of Finance and Technology, Lewisham Homes	3/4
Salena Mulhere	Employer Representative	Assistant Chief Executive	3/3
Sherene Russell-Alexander	Employer Representative	Director of People and Organisational Development	1/1
Mark Adu-Brobbe	Scheme Representative	Programme Manager - Together Lewisham	4/4
Gary Cummins	Scheme Representative	Housing Partnership and Contract Manager	3/4

C. KNOWLEDGE AND UNDERSTANDING

10.5 Member of the Board are encouraged to complete the Pension Regulator's Toolkit. This is an online modular training facility which breaks the Pension requirements into various pension's subject areas. Relevant training via attendance at external events is made available to members of the Board, officers also schedule relevant training sessions and a record of training for each member is maintained.

D. WORK PROGRAMME FOR THE FUTURE

10.6 The Board has agreed that:

- It will schedule four meetings a year;
- It will structure its workplan to ensure that there are regular reviews of all relevant Pension Fund policies and procedures in place such that these continue to comply with relevant legislation and Codes of Practice issued by the Pensions Regulator;
- It will monitor the implementation of the action plan prepared in response external review commissioned to measure the Fund's compliance to the Pension Regulator's Code of Practice and the Local Government Pension Scheme Advisory Board's guidance;
- It will receive and review the administering authority's risk register and risk management policy for the Fund; and,

- It will evaluate the robustness of the administering authority's arrangements for obtaining assurance about the operation of pooled funds, specifically the London CIV, the collective investment vehicle for London Local Authorities' Pension Funds, as the Fund's levels of pooled investments has increased in recent years.

11. FUND ACCOUNT, NET ASSETS STATEMENT AND NOTES

- 11.1 The Pension Fund accounts, prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, were approved by Council on XXXXX and have been audited by the Council's external auditors Grant Thornton. The Accounts are set out in Appendix A.

12 FUNDING STRATEGY STATEMENT

- 12.1 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 in June 2023 and it can be found on the Fund's website at the following link: www.lewishampensions.org/resources The Funding Strategy is updated after each Triennial Valuation so the new funding strategy it will be effective from April 2023.
- 12.2 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.
- 12.3 The purpose of the FSS is to:
- Establish a clear and transparent fund-specific 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.
- 12.4 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.
- 12.5 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 2.0% per annum over and above long-term government bond yields at the time of the 2022 valuation.
- 12.6 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

12.7 The 2022 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 (%/£)		
	2023/24	2024/25	2025/26
LB Lewisham	17.6% plus up to £5.750m	17.6% plus up to £5.750m	17.6% plus up to £5.750m
Haberdashers' Aske's Knights Academy	20.1%	19.8%	19.8%
Christ The King Sixth Form College	21.4%	21.4%	21.4%
Lewisham Homes	19.0%	19.0%	19.0%
St Matthew's Academy	17.6%	17.6%	17.6%
Tidemill Academy	22.0%	22.0%	22.0%
Childeric	24.6%	25.6%	26.4%
St George's	23.7%	23.7%	23.7%
Sedgehill Academy	33.4%	33.4%	33.4%
NSL	0.0%	0.0%	0.0%
Phoenix	16.2%	16.2%	16.2%
3 C's Support	0.0%	0.0%	0.0%
Pre-School Learning Alliance	0.0%	0.0%	0.0%
Change Grow Live Ltd (2014)	18.0%	18.0%	18.0%
Inspace (Phoenix 2 formerly Wilmott)	16.2%	15.9%	15.5%
Lewisham Music	0.0%	0.0%	0.0%
City West	33.7%	32.7%	31.7%
Change Grow Live Ltd (2017)	31.2%	30.2%	29.2%
Greenwich Leisure Limited	29.2%	28.8%	28.8%
Kier Housing	29.8%	29.8%	29.8%
M Group	25.6%	25.6%	25.6%
KGB Cleaning South West Ltd	25.0%	25.0%	25.0%
Youth First	23.2%	23.2%	23.2%
Harrison Catering Knights	30.4%	30.4%	30.4%
Harrison Catering Crayford	30.4%	30.4%	30.4%

Employer/Pool Name	Total Contribution Rate (%/£)		
	2023/24	2024/25	2025/26
Harrison Catering Hatchams	30.4%	30.4%	30.4%

13. INVESTMENT STRATEGY STATEMENT

13.1. 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) which must be in accordance with guidance issued by the Secretary of State. 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.

13.2 The latest ISS for the Fund as at June 2023, which as well as the considerations above includes the Fund asset allocation, rebalancing policy, and compliance with CIPFA's Principles for Investment Decision Making. At the time of writing the annual report, our advisors have confirmed that the ISS will be updated to reflect the triennial valuation due in 2022 and the new strategy will be adopted by the Fund once it has been approved. Once complete, it will be available on the Fund's website at the following link:

www.lewishampensions.org/resources

14. COMMUNICATIONS POLICY STATEMENT

14.1 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 on the Fund's website at the following link: www.lewishampensions.org/resources

14.2 The statement has been prepared to meet the provisions of Regulation 61 of The Local Government Pension Scheme Regulations (2013), as well as the Public Service Pensions Act (2013) and the Pensions Regulator's Code of Practice No.14, in particular by setting out the following:

- How scheme information is provided to members, their representatives, prospective members, employers (including admitted and schedules bodies), the Pension Investment Committee, the Pension Board and to other bodies.
- 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.

15. ADDITIONAL DATA

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

15.3 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
Scheduled Bodies	8	1
Admitted Bodies	20	2
Total	28	3

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

Asset Class	UK £m	Non-UK £m	Total £m
Equity Unit Trust	504	367	871
Fixed Income Unit Trust	153	97	250
Property	117	0	117
Private Equity	160	117	277
Multi-Asset Credit	0	76	76
Cash	58	0	58
Net Current Assets	3	0	3
Total	995	657	1,652

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

Asset Class	UK £000	Non-UK £000	Total £000
Equity Unit Trust	393	663	1,056
Fixed Income Unit Trusts	6	5,708	5,714
Property	4,398	0	4,398
Alternatives	3,480	2,677	6,157
Cash	691	140	831
Total	8,968	9,188	18,156

16. INDEPENDENT AUDITOR'S CONSISTENCY REPORT

16.1 The Pension Fund annual report currently does not include an external auditor's consistency report with opinion which refers to that given on the statement of accounts, as they are yet to be signed off.

16.2 The report will be republished once the external auditor have issued an opinion on the main council's statement of accounts.

17. GOVERNANCE COMPLIANCE STATEMENT

- 17.1 Regulation 55 of the Local Government Pension Scheme regulations 2013 requires all administering authorities for local government pension schemes to publish a Governance Compliance Statement setting out the Fund's governance arrangements. It should outline the extent of the Fund's compliance with guidance issued by the Department of Levelling Up, Housing and Communities (DLUHC) and review that statement on an ongoing basis.
- 17.2 This statement sets out the Fund's Governance Structure, scheme of delegation, and the terms of reference for its Governing Bodies, the Pensions Committee and the Local Pensions Board and can be found on the Lewisham Pension fund's website.
- 17.3 The Fund fully complies with the best practice guidelines on governance, issued by (DLUHC). For details, see the table below.

Principle	Fully Compliant
A - Structure	
The Management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing Council.	✓
That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	✓
That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	✓
That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	N/A
B - Representation	
That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee (the Local Pensions Board) structure. These include: <ul style="list-style-type: none"> • Employing authorities (including non-scheme employers (e.g. admitted bodies)) • Scheme members (including deferred and pensioner scheme members) • Independent professional observers (where appropriate) • Expert advisers (on an ad hoc basis) 	✓
That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and access to papers and meetings, training and are given full opportunity to contribute to the decision-making process, with or without voting rights.	✓
Selection and Role of Lay Members	
That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	✓
That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	✓
Voting	
The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	✓
Training/Facility Time/Expenses	
That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	✓

That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form or secondary forum.	✓
Meetings	
That the administering authority's main committee or committees meet at least quarterly.	✓
That an administering authority's secondary committee or panel meet at least once a year and is synchronised with the dates when the main committee sits.	✓
That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders be represented.	✓
Access	
That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	✓
Scope	
That administering authorities have taken steps to bring the wider scheme issues within the scope of their governance arrangements.	✓
Publicity	
That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	✓

SECTION 8 – PENSION FUND ACCOUNTS

FOREWORD

This Pension Fund Statement of Accounts details the financial position and performance of the Lewisham Pension Fund for the year ending 31 March 2023.

The Pension Fund's value decreased over the year by £95m (5%), £1.750bn to £1.652bn. The Fund value of the fund decreased due to the changes in global markets mainly caused by the war in Ukraine, high inflation, the Bank of England policy on interest rates, consumer spending and the reduction in treasury values.

INTRODUCTION

The London Borough of Lewisham Pension Fund ('the Fund') is part of the Local Government Pension Scheme (LGPS). 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 consider the PIC's views on environmental, social and governance (ESG) factors. Details of the ESG factors are contained in the Investment Strategy Statement and published online (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 or codes of practice relating to the governance and administration of the Scheme. Further information about the Board, together with its Terms of Reference, can be found online at the 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 teacher's compensation.

A statement of the Fund's corporate governance, funding strategy and investment strategy can be found on the authority's Pension Fund website at the following address:

www.lewishampensions.org/resources/

Pension Fund Accounts

FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2023

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

	2022/23	2021/22	See note
	£000	£000	
<u>DEALINGS WITH MEMBERS, EMPLOYERS AND OTHERS</u>			
<u>DIRECTLY INVOLVED WITH THE SCHEME</u>			
Contributions Receivable:			
- from Employers	39,739	37,341	5
- from Employees	12,300	11,120	5
Transfer Values In	10,103	8,096	
Other Income	84	37	
Sub-Total: Income	62,226	56,594	
Benefits Payable:			
- Pensions	49,145	46,942	6
- Lump Sums: Retirement allowances	9,108	9,891	6
- Lump Sums: Death grants	1,498	1,310	6
Payments to and on account of leavers:			
- Refunds of Contributions	30	105	
- Transfer Values Out	6,375	5,515	
Sub-Total: Expenses	66,156	63,763	
Sub-Total: Net Additions/ (Withdrawals) from dealings with members	(3,930)	(7,169)	
Management Expenses	(4,117)	(3,867)	7
Sub-Total: Net (Additions)/ Withdrawals including fund management expenses	(8,047)	(11,036)	
<u>RETURNS ON INVESTMENTS</u>			
Investment Income	18,156	18,776	9
Change in market value of investments (Realised & Unrealised)	(108,222)	125,203	14b
Taxes on Income	(193)	(9)	
Total Net Returns on Investments	(90,259)	143,970	
NET INCREASE / (DECREASE) IN THE FUND DURING YEAR	(98,306)	132,934	
OPENING NET ASSETS OF THE FUND	1,750,283	1,617,349	
CLOSING NET ASSETS OF THE FUND	1,651,977	1,750,283	

Pension Fund Accounts

NET ASSETS STATEMENT AS AT 31 MARCH 2023

The Net Assets Statement shows the market value of the investments and other assets held by the Pension Fund as at 31 March 2023.

	31/03/23	31/03/22	See note
	£000	£000	
INVESTMENT ASSETS			
Equities			
Equities	0	107,822	10 - 14
Managed Funds			
Pooled Property Investments	117,436	147,265	10 - 14
Equity Unit Trust	870,530	832,033	10 - 14
Fixed Income Unit Trust	249,576	212,999	10 - 14
Index Linked	0	112,882	10 - 14
Venture capital	276,999	172,834	10 - 14
Hedge Funds	76,617	71,610	10 - 14
Total Investment Funds	1,591,158	1,657,385	
Cash Held with Custodian	58,448	92,992	18
Other Investment Balances (debtors)	241	42	17a
TOTAL INVESTMENTS	1,649,847	1,750,419	
Current Assets	4,855	2,100	17b
Current Liabilities	(2,725)	(2,236)	17b
TOTAL NET ASSETS	1,651,977	1,750,283	

The financial statements of the Fund do not take account of the liability to pay pensions or benefits after 31 March 2023. This liability is included within the Authority's balance sheet.

NOTES TO THE PENSION FUND ACCOUNTS

Note 1: Basis of Preparation of Financial Statements

The Statement of Accounts summarise the Fund's transactions for 2022/23 and its position at year end and as at 31st March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) 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 obligations to pay pensions and benefits which fall due after the end of the financial year, nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the Net Asset Statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The Authority has opted to disclose this information in an accompanying report to the accounts, which is disclosed in Note 19.

The Pension Fund Accounts have been prepared on a going concern basis, with the assumption that the functions of the authority will continue in operational existence for the foreseeable future.

Note 2: Summary of Significant Accounting Policies and Practices

The Pension Fund accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ('the Code') 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 are valued on an International Accounting Standard (IAS) 26 basis.

The Local Government Pension Scheme (Administration) Regulations 2013 require 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.

Accounting Policies

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

- (a) **Investments** - Investments in the Net Assets Statement are shown at Fair Value. The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13. For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016). 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. Unitised equities are quoted based on last trade or official closing price. Northern Trust, the Fund's custodian, sets out its pricing

Pension Fund Accounts

policies in a document entitled "Asset pricing guidelines" which details its pricing process and sets out preferred pricing sources and price types.

- (b) 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.
- (c) **Equities:** Equities are valued at published market prices.
- (d) **Bonds:** Bonds are valued at the published bid market price on the final day of the accounting period.
- (e) **Pooled Investments - Equity Unit Trusts and market quoted investments;** are valued are valued at published bid market prices on the final day of the accounting period.
- (f) **Pooled Investments - UK Fixed Income Managed Funds;** are valued at the average of broker prices.
- (g) **Pooled Investments – Hedge Funds;** are valued by the investing managers on a fair value basis each year using PRAG guidance.
- (h) **Pooled Property Investments:** The Property Funds do not have any direct investments in property but use property Fund managers to invest in pooled property/unit trust funds. They are valued in accordance with the Royal Institute of Chartered Surveyors' (RICS) Valuation Standards at Fair Value based on their Open Market Value (OMV).
- (i) **Venture Capital: The Private Equity and Private Debt;** 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.
- (j) **Hedge Funds:** Hedge Funds are valued by investing managers on a fair value basis using PRAG guidance.
- (k) **Fixed Income Unit Trust: Fixed income earned from fixed income unit trusts. Interest income is recognised in the Fund as it accrues.**
- (l) **Contributions** – These represent the total amounts receivable from the employers and employees within the scheme. Rates will differ between bodies in the scheme; from 01 April 2022 the employee contribution bands (revised annually in line with inflation) for the administering authority are as follows:

Pensionable Pay for the Post	Contribution Rates 2022/23	
	Main Section	50/50 Section
Up to £15,000	5.50%	2.75%
£15,001 to £23,600	5.80%	2.90%
£23,601 to £38,300	6.50%	3.25%
£38,301 to £48,500	6.80%	3.40%
£48,501 to £67,900	8.50%	4.25%
£67,901 to £96,200	9.90%	4.95%
£96,201 to £113,400	10.50%	5.25%
£113,401 to £170,100	11.40%	5.70%
More than £170,101	12.50%	6.25%

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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 the administering authority in 2022/23 is 22.5%, unchanged from 2019/20.*

- (m) **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.
- (n) **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.
- (o) **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.
- (p) **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.
- (q) **Actuarial Present Value of Promised Retirement Benefits** – The actuarial present value of promised retirement benefits should be disclosed and based on the requirements of IAS 19 Post-Employment Benefits and relevant actuarial standards. As permitted under the Code, the Pension Fund financial statements include a note disclosing the actuarial present value of retirement benefits (see Note 19).

The longevity assumptions have changed since the previous IAS26 disclosure for the Fund. Life expectancy is based on the Fund's Vita Curves with improvements in line with the CMI 2022 model, with a 10% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a. The assumptions used are based on the average future life expectancies at age 65.

- (r) **Investment Management and Administration** - Regulation 42 of the Local Government Pension Scheme (Administration) Regulations 2008, permit the Council, as the administering authority, 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. Management fees of the Fund's investment managers are typically calculated as a set percentage of the market value of funds under management at regular intervals, although some agreements also allow for performance fees above a defined hurdle rate. All investment management expenses are accounted for on an accruals' basis. The Committee has appointed external investment managers to manage the investments of the Fund. Managers are paid a fee based on the market value of the investments they manage and/or a fee based on performance.
- (s) **Foreign currency:** 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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- (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 21.
- (u) **Financial Instruments**
- (i) Financial Liabilities are recognised at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.
- (ii) Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net asset statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the value of the asset are recognised in the Fund account.
The values of investments as shown in the net asset statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13
- (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 Regulations, 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 23.

Practices

- (w) **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 62 of the Local Government Pension Scheme Regulations 2013. 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 by the actuaries was as at 31 March 2022. Some of the financial assumptions made, with comparison to the previous valuation, are presented in the table below:

Financial Assumption	March 2022 (%)	March 2019 (%)
Discount Rate	3.6	3.5
Price Inflation (CPI*)	2.7	2.3
Pay Increases	3.7	3.0
Benefit Increase	2.7	2.3
CARE Revaluation	2.7	2.3
Expenses	0.9	0.7

* Consumer Price Index

With effect from 1 April 2023 to 31 March 2026, the actuarial review carried out for 31 March 2022 resulted in the Council's employer contribution rate being set at 22.0%.

The most recent triennial valuation as at the 31 March 2022 revealed that the Fund's assets, which at 31 March 2022 were valued at £1.750bn, were sufficient to meet 97% (90% in 2019) of the past service liabilities valued at £1.804bn (£1.541bn in 2019) accrued up to that date. The resulting deficit as at the 2022 valuation was £56m (£154m in 2019).

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Note 3: Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out above, the Council has had to make certain critical judgements about complex transactions or those involving uncertainty about future events.

There were no such critical judgements made during 2022/23.

Note 4: Assumptions Made About the Future and Other Major Sources of Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions take account of historical experience, current trends and future expectations. However, actual outcomes could be different from the assumptions and estimates made. The items in the net asset statement for which there is a significant risk of material adjustment the following year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 19)	The figure of net liability to pay pensions is based on a significant number of complex assumptions including the discount rate, salary increases, 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. Further sensitivity analysis is included in note 19, below.	The effects on the net pension liability of changes in assumptions can be measured. For instance, a 0.1% increase or decrease in the discount rate assumption is estimated to increase or reduce the present value of the pension liability by £24.3m.
Property valuations	Valuation techniques are used to determine the carrying values of freehold and leasehold property directly held by some fund managers. Where possible these valuation techniques are based on observable data, otherwise the best available data is used.	Following an analysis of historical volatility of asset class returns and expected investment returns, in consultation with the Fund's advisors, the Council has determined that the percentage of volatility that can be applied to the Fund's Property assets in 2022/23, assuming all other variables such as foreign exchange rates and interest rates remain the same, is estimated to be 7.7%. This would be an increase or decrease in the value of property investments by £9.0m, on a fair value of £117m.
Venture Capital - private equity / infrastructure	Private equity investments are valued at fair value in accordance with British Private Equity and Venture Capital Association guidelines. These investments are not publicly listed and as such, there is a degree of estimation involved in the valuation.	The venture capital investment in the financial statements is £277.0m. There is a risk that this investment may be under or overstated in the accounts and is estimated to be 11.8%. This would be an increase or decrease in the value of venture capital investments by £32.7m, on a fair value of £277.0m.

Pension Fund Accounts

Note 5: Contributions Receivable

	2022/23 £000	2021/22 £000
Employer Contributions		
Administering Authority	(32,680)	(30,351)
Scheduled Bodies	(6,433)	(6,436)
Admitted Bodies	(626)	(554)
	(39,739)	(37,341)
Employee Contributions		
Administering Authority	(9,941)	(8,797)
Scheduled Bodies	(2,149)	(2,141)
Admitted Bodies	(210)	(182)
	(12,300)	(11,120)

Contributions receivable from employers are shown below:

	2022/23 £000	2021/22 £000
Employer Contributions		
Normal	(37,962)	(35,548)
Early Retirement Strain	(1,607)	(1,623)
Deficit Funding	(170)	(170)
	(39,739)	(37,341)

Note 6: Benefits PayableBy Category

	2022/23 £000	2021/22 £000
Pensions	49,145	46,942
Commutation and Lump Sum Retirement Benefits	9,108	9,891
Lump Sum Death Grants	1,498	1,310
	59,751	58,143

By Authority

	2022/23 £000	2021/22 £000
Administering Authority	51,480	52,190
Scheduled Bodies	5,062	4,344
Admitted Bodies	3,209	1,609
	59,751	58,143

Pension Fund Accounts

Note 7: Management Expenses

The table below shows a breakdown of the management expenses incurred during the year.

	2022/23 £000	2021/22 £000
Administration Expenses	862	1,161
Oversight and Governance Expenses	525	420
<u>Investment Management Expenses:</u>		
- Transaction Costs	535	220
- Management Fees	2,055	1,954
- Performance Fees	0	0
- Custody Fees	140	112
	4,117	3,867

Note 8: External Audit Costs

	2022/23 £000	2021/22 £000
External Audit Services	49	62*
Total	49	62

* this includes £24k additional fees for the 2020/21 audit

The Pension Fund's external auditors are Grant Thornton.

Note 9: Investment Income

The table below shows a breakdown of the investment income for the year:

	2022/23 £000	2021/22 £000
Cash	(831)	27
Bonds	0	(483)
Equities	(985)	(483)
Pooled property investments, Pooled investments (fixed income and equity unit trusts and hedge funds)	(4,860)	(3,941)
Venture Capital	(8,474)	(7,572)
	(3,006)	(6,324)
	(18,156)	(18,776)

Pension Fund Accounts

Note 10: Fund Assets

The table below outlines the fund managers, asset classes, and values of those assets held by the Fund as at 31 March 2023.

Fund Manager	Investment Asset	Asset Value	Proportion of the Fund	Asset Value
		31 March 2023 £000	31 March 2023 %	31 March 2022 £000
LCIV - PEPPA	Equity Unit Trust	504,922	30.5	459,186
Storebrand Global ESG	Equity Unit Trust	271,627	16.4	0
Blackrock	Fixed Income Unit Trust	249,606	15.1	368,683
Schroders Property	Property	128,997	7.8	153,961
HarbourVest	Venture Capital	99,389	6.0	124,224
J.P. Morgan	Hedge Funds	76,621	4.6	86,561
Storebrand Emerging Markets	Equity Unit Trust	74,186	4.5	0
LCIV – Private Debt	Venture Capital	59,212	3.6	0
LGIM	Venture Capital	44,457	2.7	9,910
LCIV – Renewable Infrastructure	Venture Capital	40,267	2.4	24,900
Pemberton	Venture Capital	39,544	2.4	40,632
Partners Group	Venture Capital	17,832	1.1	32,087
UBS	Equities and Equity Unit Trust	0	0	409,857
Various Managers	Cash and other Assets	43,216	2.7	40,418
Lewisham	Net Current Assets/(Liabilities)	2,131	0.1	(136)
Total Fund Assets		1,651,977	100.0%	1,750,283

Note 11: Investment Analysis

Individual Investment assets with a market value exceeding 5% of the total fund value as at 31 March 2023 are as follows:

		£000	%
Passive Equity Progressive Paris Aligned Fund	LCIV	504,919	30.5
Storebrand Global ESG Plus	Storebrand	271,627	16.4
Blackrock Fixed Income A	Blackrock	96,586	5.8
Aquila Over 5 years Index Linked Blackrock Pensions	Blackrock	78,505	4.7
BlackRock Pensions Aquila over 15 years	Blackrock	74,143	4.5

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Individual Investment assets with a market value exceeding 5% of the total fund value as at 31 March 2022 are as follows:

Asset	Manager	31 March 2022	
		£000	%
Passive Equity Progressive Paris Aligned Fund	LCIV	459,186	26.2
UBS Asset Management Fund	UBS	268,067	15.3
Aquila Over 5 years Index Linked	Blackrock	112,822	6.5
BlackRock Pensions Aquila over 15 years	Blackrock	107,950	6.2
UBS Asset Management Life UK Equity Tracker	UBS	107,821	6.2
Blackrock Fixed Income A	UBS	105,493	6.0

Note 12: Reconciliation in Movement in Investments

An analysis of investment movements in 2022/23 (includes cash, debtors and creditors) is set out below:

	Market Value as at 31/03/2022	Purchases and derivative payments	Sales and capital receipts	Re-Classification	Change in Market Value during the year	Market Value as at 31/03/2023
	£000	£000	£000	£000	£000	£000
Bonds	112,822	0	0	(97,940)	(14,882)	0
Equities	107,822	145,362	(181,831)		(71,353)	0
Fixed Income Unit Trust	212,999	0	(174)	97,940	(61,189)	249,576
Equity unit trust	832,033	82,467	(86,434)		42,464	870,530
Hedge fund	71,610	77	(2,396)		7,326	76,617
Pooled property Investments	147,265	6,141	(9,450)		(26,520)	117,436
Venture capital	172,834	124,617	(33,499)		13,047	276,999
	1,657,385	358,664	(313,784)	0	(111,109)	1,591,158
Derivative contracts:						
Forward currency contracts	0	0	(0)		0	0
Sub-total	1,657,385	358,664	(313,784)	0	(111,109)	1,591,157
Cash deposits	92,992				3,154	58,448
Amount receivable for sales of investments	0				0	0
Investment income due	42				0	241
Spot FX contracts	0				(268)	0
Amounts payable for purchases of Invs	0				0	0
Other investment balances	(136)					2,131
Total	1,750,283				(108,222)	1,651,977

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	Market Value as at 31/03/2021	Purchases during the year and derivative payments	Sales and capital distributions	Change in Market Value during the year	Market Value as at 31/03/2022
	£000	£000	£000	£000	£000
Bonds	107,210	27,291	(28,150)	6,471	112,822
Equities	95,341	253,024	(243,782)	3,239	107,822
Fixed Income Unit Trust	207,214	24,706	(736)	(18,185)	212,999
Equity Unit Trust	776,855	80,988	(112,811)	87,001	832,033
Hedge Funds	71,529	0	(1,266)	1,347	71,610
Pooled property Investments	112,136	13,098	(4,507)	26,638	147,265
Venture Capital	138,480	49,072	(35,549)	20,831	172,834
	1,508,665	448,179	(426,801)	127,342	1,657,385
Forward currency contracts	0	125	(136)	11	0
Sub-total	1,508,665	448,304	(426,937)	127,353	1,657,385
Cash deposits	105,524			985	92,992
Amount receivable for sales of investments	10,800			0	0
Investment income due	2,769			0	42
Spot FX contracts	0			(5)	0
Amounts payable for purchases of Investments	(10,800)			0	0
Other investment balances	391			(3,130)	(136)
Total	1,671,349			125,203	1,750,283

Pension Fund Accounts

Note 13a: Fair Value – Basis of Valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

Description of asset	Valuation Hierarchy	Basis of Valuation	Observable and Unobservable Inputs	Key sensitivities affecting the valuations provided
Equities	Level 1	Published market prices	Evaluated price of feeds	Not required
Bonds	Level 2	The published bid market price on the final day of the accounting period	Not required	Not required
Pooled investment – equity unit trust and market quoted investments	Level 1	Published bid market price on the final day of the accounting period	Not required	Not required
Pooled investments - UK Fixed Income Managed Funds	Level 2	Average of broker prices	Not required	Not required
Pooled investments - Hedge Funds	Level 3	Valued by investing managers on a fair value basis each year using PRAG guidance	NAV - based pricing set on a forward basis	Valuations are affected by a change to the value of the financial instrument it is being hedged against
Cash	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Venture Capital - private equity and private debt	Level 3	Comparable valuation of similar companies in accordance with International Private Equity guidelines	- EBITDA multiple '- Revenue Multiplier '- Discount for lack of marketability '- Control Premium	Valuations could be affected by changes to expected cashflow or by differences between audited and unaudited accounts
Hedge Funds	Level 3	Valued by investing managers on a fair value basis each year using PRAG guidance	NAV - based pricing set on a forward basis	Valuations are affected by a change to the value of the financial instrument it is being hedged against
Pooled Property Investments	Level 3	Latest available fair value provided by the manager, adjusted for cash movements subsequent to that date as required.	Manager valuation statements are prepared in accordance with ECVA guidelines	Upward valuations are only considered when there is validation of the investment objectives and such progress can be demonstrated

Pension Fund Accounts

Note 13b: Sensitivity of Assets Valued at Level 3

The fund has determined that the valuation methods described above for level 3 investments are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2023.

	Assessed valuation range (+/-)	Value at 31 March 2023	Value on Increase	Value on Decrease
	%	£000	£000	£000
Overseas Hedge Fund	5.8	76,617	81,061	72,173
Overseas Venture Capital	11.8	117,130	130,951	103,309
UK Venture Capital	11.8	161,444	180,494	142,393
Total		355,191	392,506	317,875

Note 13c: Valuation of Financial Instruments carried at Fair Value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1 – where fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Listed investments are shown at bid prices. The bid value is based on the market quotation of the relevant stock exchange.

Level 2 – where market prices are not available, for example, 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 and where these techniques use inputs that are based significantly on observable market data.

Level 3 – where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include infrastructure, which the Fund holds assets in, unquoted equity investments and hedge fund of funds, neither of which the Fund currently invests in.

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

Market Value as at 31/03/2023	Quoted market price	Using observable inputs	With significant observable inputs	
	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Financial assets at fair value through profit and loss				
Pooled investments	0	1,120,106	76,617	1,196,723
Pooled Property Investments	0	0	117,436	117,436
Venture Capital	0	0	276,999	276,999
Cash deposits	58,448	0	0	58,448
Other investment assets	4,855	0	0	4,855
Investment income due	210	30		240
Financial liabilities at fair value through profit and loss				
Other investment liabilities	(2,724)	0	0	(2,724)
Net financial assets	60,789	1,120,136	471,052	1,651,977

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Market Value as at 31/03/2022	Quoted market price	Using observable inputs	With significant observable inputs	
	Level 1	Level 2	Level 3	Total*
	£000	£000	£000	£000
Financial assets at fair value through profit and loss				
Bonds	0	112,823	0	112,823
Equities	0	107,822	0	107,822
Pooled investments	25,204	1,019,828	71,610	1,116,642
Pooled Property Investments	0	147,265	0	147,265
Private Equity	0	93,932	78,901	172,833
Cash deposits	92,992	0	0	92,992
Other Investment assets	2,100	0		2,100
Investment income due	42	0	0	42
Financial Liabilities at Fair Value through Profit & Loss				
Other investment liabilities	(2,236)	0	0	(2,236)
Net financial assets	118,102	1,481,670	150,511	1,750,283

Note 13d: Transfers between Levels 1 and 2

There has not been any transfers between Level 1 and Level 2 assets in 2022/23.

Note 13e: Reconciliation of Fair Value Measurements within Level 3

	Market Value as at 31/03/2022	Transfers in/out of level 3	Purchases	Sales	Unrealised gains (losses)	Realised gains (losses)	Market Value as at 31/03/2023
	£000	£000	£000	£000	£000	£000	£000
Overseas Hedge Fund	71,610	0	77	(2,396)	7,203	123	76,617
Overseas Venture Capital	78,901	38,244	23,569	(24,324)	(7,104)	6,305	115,591
UK Venture Capital	0	55,688	101,047	(9,175)	13,847	0	161,407
Pooled Property Investments	0	147,265	6,143	(9,450)	(29,345)	2,825	117,437
Total	150,511	241,197	130,835	(45,345)	(15,399)	9,253	471,052

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Note 14a: Classification of 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. Bonds of £97m were reclassified as Fixed Income Unit Trust between accounting categories during the year ended 31 March 2023.

Market Value as at 31/03/2022 Designated as fair value through profit and loss	Loans and receivables	Financial liabilities		Designated as fair value through profit and loss	Loans and receivables	Market Value as at 31/03/2023 Financial liabilities
£000	£000	£000	£000	£000	£000	£000
			Financial assets			
112,822			Bonds	0		
107,822			Equities	0		
212,999			Fixed Income Unit Trust	249,576		
832,033			Equity Unit Trust	870,530		
71,610			Hedge Funds	76,617		
147,265			Pooled property Investments	117,436		
172,833			Venture Capital	278,999		
0	92,992		Cash deposits	0	58,448	
0	42		Other investment balances	0	241	
0	2,100		Debtors	0	4,855	
1,657,385	95,134	0		1,591,158	63,544	0
			Financial liabilities			
		(2,236)	Creditors			(2,725)
			Other Current Liabilities			
0	0	(2,236)		0	0	(2,725)
1,657,385	95,134	(2,236)	Total	1,591,158	63,544	(2,725)
	1,750,283		Grand Total		1,651,977	

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Note 14b: Net Gains and Losses on Financial Instruments

The following table shows net gains on financial instruments:

	31/03/23 £000	31/03/22 £000
Financial Assets		
Fair Value through Profit and Loss	(106,579)	127,342
Loans and receivables	3,154	985
Assets at Amortised Cost		
Financial Liabilities		
Fair value through profit and loss	0	11
Liabilities at Amortised Cost	(268)	(3,135)
	(103,693)	125,203

Note 15: Nature and Extent of Risks Arising from Financial Instruments

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), interests in collective investment schemes (pooled funds), and cash equivalents. In addition, debtors and creditors arise because 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 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.

a) 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 pooled 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 investments by asset class and establishing mandate guidelines with investment managers. The risk

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arising from exposure to specific markets is limited by the strategic asset allocation, which is regularly monitored by the PIC.

i) 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.

ii) 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 smooths out short term price volatility.

Following an analysis of historical volatility of asset class returns and expected investment returns, in consultation with the Fund's advisors, the Council has determined that the following asset level percentages of volatility can be applied to the Fund's assets in 2022/23, assuming all other variables such as foreign exchange rates and interest rates remain the same:

Asset Type	Potential Market Movement +/- (% p.a.)
Equity Unit Trust	12.8
Fixed Income Unit Trust	13.0
Hedge funds	5.8
Pooled property Investments	7.7
Venture Capital	11.8
Other Investments	1.2
Cash	0
Total	8.3

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Applied to the period end asset mix, the potential impact on the Fund's market value in the next financial year is as follows:

Asset type	Market Value as at 31/03/2023	Percentage change	Value on increase	Value on decrease
	£000	%	£000	£000
Cash and cash equivalents	58,448	0.0	58,448	58,448
Investment portfolio assets:				
Fixed Income unit trusts	249,576	13.0	282,021	217,131
Equity unit trusts	870,530	12.8	981,957	759,102
Hedge funds	76,617	5.8	81,061	72,174
Pooled property Investments	117,436	7.7	126,478	108,393
Venture Capital	276,999	11.8	309,685	244,313
Other funds	2,371	1.2	3,400	3,343
Total assets * **	1,651,977		1,842,050	1,461,904

* This figure includes derivatives and other investment balances.

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

The 2021/22 comparator table is as follows:

Asset Type	Final Market Value as at 31/03/2022	Percentage Change	Value on Increase	Value on Decrease
	£000	%	£000	£000
Cash and cash equivalents	92,992	0.0	92,992	92,992
Investment portfolio assets:				
Bonds	112,822	9.1	123,089	102,555
Equities	107,822	16.2	125,289	90,355
Overseas equities	102,070	13.0	115,339	88,801
Fixed Income unit trusts	212,999	9.1	232,382	193,616
Equity unit trusts	729,964	16.2	848,218	611,710
Hedge funds	71,610	5.8	75,763	67,457
Pooled property Investments	147,265	3.8	152,861	141,669
Venture Capital	172,833	5.8	182,858	162,809
Other funds	(94)	2.8	(97)	(92)
Total Assets	1,750,283		1,948,694	1,551,872

iii) Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on its investments. Fixed interest securities and cash are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Fixed interest securities, cash and cash equivalents are exposed to interest rate risk.

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iv) Interest Rate Risk – Sensitivity Analysis

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates.

The analysis demonstrates that a 1% increase in interest rates will reduce the fair value on fixed interest assets (obviously the interest received will not change), and vice versa.

Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances.

Asset type	Market Value as at 31/03/2023	Change in year in the net assets available to pay benefits	
		+100 BPS	-100 BPS
	£000	£000	£000
Cash and cash equivalents			
Cash	58,448	0	0
Fixed Interest Investments			
UK Fixed Income Funds	152,648	1,526	(1,526)
Overseas Fixed Income Funds	96,958	970	(970)
Total change in assets available	308,054	2,496	(2,496)

Asset type	Market Value as at 31/03/2022	Change in year in the net assets available to pay benefits	
		+100 BPS	-100 BPS
	£000	£000	£000
Cash and cash equivalents			
Cash	92,992	0	0
Bonds			
UK public sector Index linked	112,822	1,128	(1,128)
Fixed Interest Investments			
UK Fixed Income Funds	105,483	1,055	(1,055)
Overseas Fixed Income Funds	107,516	1,075	(1,075)
Total change in assets available	418,814	3,258	(3,258)

v) 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 at the 31 March 2023:

Euro	€8.9m	(€20.9m 21/22)
US Dollars	\$16.6m	(\$84.8m 21/22)

The remaining exposures arise from much smaller holdings of other currencies including Swiss Francs, Hong Kong Dollars and Japanese Yen.

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vi) Currency risk – sensitivity analysis.

The Fund's currency rate risk is routinely monitored by the Council and its investment advisors. Overseas equities, fixed interest securities and cash in foreign currencies are exposed to currency risk. Following analysis of historical data in consultation with the Fund's advisors, the Council considers the likely volatility associated with foreign exchange rate movements in 2022/23 to be 6.5% (7.3% in 2021/22). This volatility is applied to the Fund's overseas assets at period end as follows:

Asset Type	Asset Value at 31 March 2023 £000	Change %	Value on Increase £000	Value on Decrease £000
Overseas Fixed Income	96,928	8.8	105,457	88,398
Overseas Equity Funds	365,610	8.8	397,784	333,437
Overseas Hedge Funds	76,617	8.8	83,360	69,875
Overseas Venture Capital	115,591	8.8	125,763	105,419
Total	654,746	8.8	712,364	597,129

Asset Type	Asset Value at 31 March 2022 £000	Change %	Value on Increase £000	Value on Decrease £000
Overseas Fixed Income	107,516	7.3	115,365	99,668
Overseas Equity Funds	102,070	7.3	109,521	94,619
Overseas Hedge Funds	71,610	7.3	76,838	66,382
Overseas Venture Capital	117,145	7.3	125,696	108,593
Total	398,341	7.3	427,420	369,262

b) 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.

	Rating	Balances at 31 March 2023	Balances at 31 March 2022
		£000	£000
Barclays	A +	3,912	1,386
Northern Trust	AA -	58,448	92,992
Total		62,360	94,378

Pension Fund Accounts

c) 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 proportion of assets as cash to allow for short notice payments and capital calls. As at the 31 March 2023 these assets totalled £58.4m held in cash by the custodian on behalf of the Fund and fund managers.

Note 16: Derivative Contracts

As at 31 March 2023 there were no pending foreign exchange purchases or sales. The net gain related to foreign exchange forward contracts was nil in 2022/23 (net gain £11k in 2021/22).

Note 17a: Other Investment Balances

These comprise the following amounts:

	31/03/23 £000	31/03/22 £000
Debtors		
Equity Dividends / Income from Managed Funds	177	23
Recovered Taxes	64	
Interest and Other Income	0	19
Creditors		
Interest and Other Expenditure	0	0
Net	241	42

Note 17b: Net Current Assets

These comprise the following amounts:

Current Assets

	31/03/23 £000	31/03/22 £000
Contributions Due from Admitted/ Scheduled Employers/ Employees	56	57
Other Current Assets	737	657
Prepayments	150	0
Cash in Hand	3,912	1,386
	4,855	2,100

Pension Fund Accounts

Current Liabilities

	31/03/23 £000	31/03/22 £000
Fund Manager and Custody Fees	(511)	(553)
Consultancy/ Advisory Fees	(21)	(187)
Other Current Liabilities	(2,193)	(1,496)
	(2,725)	(2,236)

Note 18: Cash and Bank

Cash Held With Custodian

The Northern Trust Company is the Fund's global custodian and cash is held to meet the cash flow requirements of the Fund and its managers. The total cash held as at 31 March 2023 was £58.4m (£93.0m as at 31 March 2022). The table below shows how this was split between the Fund Managers.

Fund Manager	31/03/2023 £'000	31/03/2022 £'000
Cash Account	43,089	39,851
Schroders	11,479	3,904
HarbourVest	3,521	20,122
Partners Group	359	11,246
JP Morgan	0	14,951
Pemberton	0	2,352
Cash Account	0	548
Securities Lending	0	15
UBS	0	1
BlackRock transition account	0	1
	58,448	92,991

Pension Fund Bank Account

The Lewisham cash in hand balance of £3.9m represents uninvested cash held in the Pension Fund bank accounts as at 31 March 2023. The Fund's accounts are held with Barclays Bank.

Note 19: Actuarial Present Value of Promised Retirement Benefits

The table below shows the total net liability of the Fund as at 31 March 2023. The figures have been prepared by Hymans Robertson LLP, the Fund's actuary, only for the purposes of providing the information required by IAS26. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pension's legislation. In calculating the required numbers, the actuary adopted methods and assumptions that are consistent with IAS19.

Pension Fund Accounts

	31/03/2023	31/03/2022
	£m	£m
Present value of promised retirement benefits	(1,673)	(2,287)
Fair Value of Scheme Assets	1,657	1,750
Net Liability	(16)	(537)

Longevity assumptions

Life expectancy is based on the Fund's Vita Curves with improvements in line with the CMI 2022 model, with a 10% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

Longevity Assumptions for year ended 31 March 2023	Males	Females
Current Pensioners	21.1	24.1
Future Pensioners	22.1	25.5

Financial assumptions

	31/03/2023 (%)	31/03/2022 (%)
Discount Rate	4.8	3.2
Salary Increases	4.0	4.2
Pension Increases	3.0	2.7

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Sensitivity to the assumptions at 31 March 2023	Approximate increase to liabilities (%)	Approximate monetary amount (£m)
0.1% p.a. decrease in the Real Discount Rate	2	24
1 year increase in member life expectancy	4	60
0.1% p.a. increase in the Salary Increase Rate	0	2
0.1% p.a. increase in the Pension Increase Rate	2	23

Pension Fund Accounts

Note 20: Events after the Reporting Period

The audited Pension Fund Statement of Accounts was authorised for issue by the Executive Director of Corporate Resources on 30 June 2023. Events taking place after this date are not reflected in the accounts. Where events took place before this date which materially altered the conditions existing at 31 March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect these altered conditions.

Note 21: Contractual Commitments

The Pension Fund was committed to the following capital contributions as at the 31 March 2023:

Fund Manager	Fund	Contractual Commitment £000	Undrawn Capital £000
Harbourvest	Harbourvest Closed Ended Funds	130,955	44,641
London CIV	LCIV Renewable Infrastructure	90,000	59,335
London CIV	LCIV Private Debt	85,000	31,213
Pemberton	Pemberton European Mid-Market Debt Fund II	40,000	3,981
Schroders	Schroders Property Funds	20,658	6,228
Total		366,613	145,398

Note 22: 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:

- The Chair of the Investment Committee Councillor Mark Ingleby declared an interest as a Councillor elected Director of Lewisham Homes, the Council's housing subsidiary, not in receipt of pension.

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.

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 2023.

Pension Fund Accounts

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

- Recharges from the Council for the in-house administration costs borne by the scheme were transacted (included in Administration Expenses in Note 7). 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.

Key Management Personnel Remuneration

The key management personnel of the Fund are the Executive Director of Corporate Resources and the Director of Finance.

There were no costs apportioned to the Pension Fund in respect of the Executive Director of Corporate Resources post for 2021/22 and 2022/23.

Total remuneration payable to key management personnel from the Pension Fund is set out below:

	2022/23 £'000	2021/22 £'000
Short Term Benefits	21	20
Post-Employment Benefits	4	4
Total	25	24

Note 23: Additional Voluntary Contributions (AVC's)

Contributing members have the right to make AVCs to enhance their pension. There are currently 45 '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 Utmost (formerly 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.

	2022/23			2021/22		
	Utmost £000	Clerical Medical £000	Total £000	Equitable Life £000	Clerical Medical £000	Total £000
Value at the Beginning of Year	352	1,024	1,376	356	1,106	1,462
Contributions and Transfers Received	0	121	121	0	181	181
Investment Return / change in market value	(21)	(43)	(64)	16	64	80
Paid Out	(42)	(228)	(270)	(20)	(327)	(347)
Value at the End of the Year	289	874	1,163	352	1,024	1,376

Pension Fund Accounts

Note 24a: Scheduled Bodies

The following are scheduled bodies to the Fund as at 31 March 2023, arranged in descending order by the value of their contributions in 2022/23:

Lewisham Homes Limited
Haberdashers' Aske's Hatcham College
Christ The King Sixth Form College
St Matthews Academy
Tidemill Academy
Childeric Primary School
Sedgehill School
St George's Academy

Note 24b: Admitted Bodies

The following are admitted bodies to the Fund as at 31 March 2022, arranged in descending order by the value of their contributions in 2022/23

Youth First Ltd
Phoenix
Inspace/ BS Phoenix
KGB Cleaning
NSL Ltd (formerly known as National Car Parks Ltd)
City West Services
Housing 21
Zing Environments Ltd
Braybourne FS Ltd (Knights)
Lewisham Music
Change Grow Live
Three C's Support
Braybourne FS Ltd (Hatcham)
Harrison Catering (Hatcham)
Pre-School Learning Alliance
Harrison Catering (Knights)
GLL
Tower Services
M Group Services

Pension Fund Accounts

Note 25: Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the London Borough of Lewisham Pension Fund include:

Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.

Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

The following table summarises the membership numbers of the scheme:

	Active Members		Deferred Beneficiaries		Retired Members	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
Administering Authority	5,696	5,403	10,079	9,853	7,968	7,824
Scheduled Bodies	1,061	1,140	1,351	1,224	469	435
Admitted Bodies	89	74	63	62	87	80
	6,846	6,617	11,493	11,139	8,524	8,339

LB Lewisham Pension Fund - Climate Transition & Net Zero Policy

Executive Summary

The Pensions Investment Committee (the 'PIC') of the LB Lewisham Pension Fund has developed a Climate Transition and Net Zero policy. This policy will be revised on an annual basis as the Fund's action plan to achieve its objectives is developed and will be supported by ongoing quantitative analysis. This policy sets out the targets set by the PIC as well as the detail on the approaches that will be taken to achieve the net zero ambition. Throughout its net zero journey, the PIC will fully recognise and adhere with its fiduciary duties. There are 4 core elements to this plan, split between portfolio level and asset level targets and actions. The key targets and actions within each element are summarised below:

Portfolio level

1. Portfolio Emissions

Current Position (March 2023)

- Emissions reduction: Reduction in Scope 1 and 2 emissions from listed equities by 86% compared to 2019 level.
- Data coverage – listed assets: Measurement of Scope 1 and 2 emissions across listed equities and corporate bonds, representing c.56% of total Fund assets.
- Data coverage – unlisted assets: Partial emissions data for unlisted assets, representing c.17% of total Fund assets.

Targets & Actions

- Reduce financed emissions to net zero by 2040 at the latest.
- Interim target to reduce Scope 1 and 2 emissions from listed equities by 90% by 2030 compared to 2019 level.
- Measurement of Scope 1, 2, 3 and 4 emissions across all asset classes by 2028.

This will be achieved through a combination of capital allocation and engagement,. Engagement with the London CIV will be a key focus, with the development of compelling decarbonisation solutions a priority.

Ambitions

- Reduce financed emissions to net zero by 2030.
- Set interim targets on Scope 3 and 4 emissions as part of the 2024 revision of this Net Zero policy.

2. Climate solutions and opportunities

Current Position (March 2023)

- We estimate that c.6% of total Fund assets are allocated to such investments, with further undrawn commitments of c.3%.

Targets & Actions

- 10% allocated to such investments by 2030, with an interim target of 7.5% by 2028.
- Positive impact to deforestation, biodiversity loss, social factors and climate adaptation are key factors included in decision-making.
- Consider new allocations to natural capital and renewable energy investments, if these demonstrate positive real-world impact and also help the Fund achieve net zero.

Ambitions

- Set targets to increase allocations above 10% past 2030.

*Note: Allocations to 'climate solutions' investments will deliver real-world impact and support the Fund's emission targets through either negative or avoided emissions. These investments would typically include **facilitators of emission reducers** (companies that are developing technologies that support others in the reduction of their emissions), **actors of emission removers** (companies that are developing assets, or infrastructure assets themselves, that serve to actively remove emissions, or avoid the release of emissions, into the atmosphere), and **facilitators of emission removers** (companies that are developing technologies that support others in emissions removal).*

3. Alignment

Current Position (March 2023)

- For listed equities and corporate bonds, in aggregate, the Fund is broadly on track for a 2050 1.5 degree scenario.
- For unlisted assets, alignment has not yet been assessed, due to poor availability of data.

Targets & Actions

- Maintain alignment of listed assets to 1.5 degrees sector-specific decarbonisation pathway. We recognise that the Fund's allocation to UK government bonds may be a barrier to our progress on NZ and will be considering this allocation during 2024.
- 75% of the Fund's property assets aligned with CRREM* or 1.5 degree fair share by 2030, with interim targets of 50% by 2025, 65% by 2028.
- By 2025, 70% of emissions in material sectors** are either assessed as net zero, aligned with a net zero pathway, or the subject of direct or collective engagement and stewardship actions. By 2030, this target will be 90%.
- Focus on engagement with investment managers (including LCIV) initially. Mandate alignment will be considered alongside this; in particular any new commitments to unlisted assets.
- The PIC commits to reporting progress on all targets within this NZ policy on an annual basis, and will use its TCFD reporting (depending on future regulation) as the primary mechanism for achieving this.

Ambitions

- Assess alignment of all unlisted assets by 2028.

4. Engagement

Current Position (March 2023)

- The PIC engages with the Fund's investment managers and LCIV annually, with a particular focus on their management of climate risk, climate data coverage and quality, and the development of new funds that will support the PIC's NZ progress.

Targets & Actions

- Develop the Fund's own engagement policy during 2024.
- Engage with the relevant investment managers with regards the top 10 most misaligned companies (at portfolio level) in heavy emitting sectors**
- Engage to support improving data availability and quality – emissions data available and robust for all asset classes by 2028; firm requirement for any new manager to fully meet all data requirements at the time of appointment.
- Engage annually with LCIV regarding existing investments and be a part of all seed investor groups for relevant sustainability mandates.
- Deforestation, biodiversity loss, social factors and climate adaptation are key engagement topics; raise these with investment managers and consider collective action where appropriate (e.g. through membership of a climate change advocacy group such as IIGCC, LAPFF***).

Ambitions

- Set specific targets and assess impact of PIC's engagement activities by 2025.

Introduction

The Pensions Investment Committee (the 'PIC') of the LB Lewisham Pension Fund considers that climate change represents a material financial risk, with the potential to disrupt economic, financial and social systems. As well as climate change presenting a significant risk to the Fund's investment strategy, the PIC believes that long-term asset owners such as the Fund should play a significant role in decarbonising modern economies through the capital allocation decisions they make and the stewardship of the companies they finance.

As a responsible asset owner, the PIC recognises the need to address the systemic risk posed by climate change, including the risks it poses to the Fund's investments and its beneficiaries, thereby impacting the PIC's fiduciary duties. The Fund therefore has an ambition to achieve net zero by 2030, with a commitment to reach net zero financed emissions by 2040. This recognises that future improvements in the availability and quality of climate data (particularly for unlisted investments), and in the availability of sustainable investment options, are factors in achieving progress. This commitment is made in the expectation that governments will follow through on their own commitments to ensure the objectives of the Paris Agreement are met.

The definition of 'net zero' may include negative or avoided emissions achieved through climate solution investments. The Net Zero Asset Owners Alliance (NZAOA) defines climate solution investments as "investments in economic activities considered to contribute to climate change mitigation (including transition enabling) and adaptation, in alignment with existing climate related sustainability taxonomies and other generally acknowledged climate related frameworks".

To support the ambition, the PIC has developed this document as a framework for achieving net zero financed emissions (i.e. emissions produced by the investments held in the Fund). This framework is designed to guide as well as communicate the PIC's investment decisions, enabling the Fund to align with the goals of the Paris Agreement and contribute to real economy change. A key objective is achieving positive real-world change and a significant reduction in emissions over time, whilst also maintaining a balance with the Fund's wider risk / return objectives and its fiduciary duty to pay all member benefits. In order to fulfil its fiduciary duty, investments will be made in 'best-in-class' sustainable investment funds, in order to achieve the net zero targets, while also providing attractive returns.

The PIC recognises the challenges of achieving net zero emissions and fully aligning with it over the short term is a considerable undertaking. Therefore, flexibility will be a key aspect of any credible net zero strategy developed today given that the science, suggested pathways and data continue to develop and evolve. However, this should not prevent the Fund from planning and starting its net zero journey, but instead should demonstrate proactivity within the wider climate transition. It should also be recognised that there will be a need for an evolution of strategy and a dynamic approach towards how the plan is implemented in the future.

This document is therefore designed to be dynamic and evolve as best practice changes. The Fund's transition plan will be adjusted over time as new information emerges and circumstances change. By remaining open to new ideas and approaches, the Fund can strengthen its ability to reach its net zero goals.

The Journey

In recognition that it is cumulative emissions through time that matter, the PIC has set a high-level target to align its investments with a global carbon budget consistent with limiting warming to 1.5°C (by 2100) with a 67% likelihood (as identified in the [IPCC's AR6 report](#), 2021) and has determined a decarbonisation pathway that aligns with this.

The PIC use a bottom-up approach of assessing the Fund's carbon position, based on the Fund's asset, sector, and regional allocations. This is then built up to a portfolio level position. This approach is in line with the [IIGCC's Supplementary Guidance on Target Setting for a Net Zero Investment Framework](#), which recommends science-based net zero journeys at the portfolio level using a sectoral and regional approach.

Finally, the PIC recognises the importance of interlinked issues such as biodiversity loss and the social implications of transitioning to a low carbon economy. Considering this and building a nature-positive investment strategy will be developed alongside the focus on reducing financed emissions.

Data, Asset Class Coverage and Emissions

The Fund’s ambition is to be net zero by 2030, with a commitment to be net zero across the investment portfolio by 2040. However, existing limitations on data mean that approximately 70% of the strategy can be the Fund for which complete or partial emissions

Mandate	Allocation	Data coverage (Reported and estimated)
Listed equities	50%	Close to 100%
Private equities	3%	c. 10%
Listed corporate bonds and Gilts	19%	c. 50%
Property	10%	c. 75%
Renewable infrastructure	6%	c. 75%
Infrastructure	6%	c. 50%
Private debt	6%	c. 50%

assessed quantitatively. The asset classes held by data is available today are:

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Emissions

For the asset classes listed above there is a reasonable quality of data on scope 1 and 2 emissions and so the current targets and assessment of alignment will concentrate on these. However, given the significance of scope 3 emissions, particularly in particular sectors (e.g. agricultural commodities, financial services) these are included in the net zero target and in forward-looking alignment work. Estimations may be made on the level of scope 3 emissions to include today in this forward-looking analysis. While lack of data on other asset classes is an issue, it does not stop the PIC pursuing engagement activity and considering capital allocation into climate opportunities or solutions. Engaging with investment managers to develop robust data is a primary goal of the PIC.

The “How” – capital allocation and engagement

As an asset owner, there are two primary levers to move the investment portfolio towards a net zero emissions position - capital allocation and engagement. The PIC believes that a combination of both is likely to give the best chance of meeting their net zero goals.

Capital allocation

The PIC considers two aspects to improving the current net zero pathway through capital allocation:

- Reduce emissions - Improve the current mandates by allocating to more efficient companies within sectors and engagement relative to sector laggards. This includes recycling the proceeds of existing private assets into future products with better climate credentials; and
- Remove emissions - Increase allocations to assets that remove or avoid emissions.

The table below provides some examples of how emissions reductions and removal can be achieved.

Emission reduction and removal examples

Emissions reducers		Emissions removers	
Actors: Companies that currently have high emissions that are taking active steps to reduce their emissions over time	Facilitators: Companies that are developing technologies that support others in the reduction of their emissions	Actors: Companies that are developing assets that serve to actively remove emissions from the atmosphere	Facilitators: Companies that are developing technologies that support others in emissions removal
Example: Steel companies that are migrating to electric arc furnaces, investing in low carbon steel or dematerialisation of product	Example: Companies that are developing insulation technologies that reduce energy demand	Example: Afforestation	Example: Companies developing direct from air CO ₂ capture

The PIC will consider implementing these options in all aspects of the investment strategy process:

- Strategic asset allocation – consider moving assets to asset classes focussed on climate solutions and emissions removal.
- Mandate selection - consider moving assets to more aligned products.
- Adjust allocations within current mandates – for example a focus on 'best-in-class' sustainable companies within sectors.

The PIC will take an incremental approach to capital allocation changes as the data and opportunities evolves, balancing their fiduciary duties at all times.

Engagement

The PIC believe that they have a significant influence on the decarbonisation actions of the organisations they finance through engagement and will consider developing a standalone full engagement policy separately and using its influence to encourage LCIV in their engagement activities. The Fund also intends to use its influence to encourage LCIV to launch compelling investment products that support decarbonisation and biodiversity objectives. Specifically, the PIC believe that they can encourage portfolio companies to align to the decarbonisation pathways for the sectors in which they operate and set an appropriate strategy to align with these pathways. The goal being that cumulative emissions remain within the carbon budgets established for sectors and companies. Stewardship is critical for investors to manage portfolio risk and real-world impact, especially in asset classes that are traded via secondary markets, e.g. equities. Voting and engagement with companies enable investors to have significant influence on company strategy, operations, long-term sustainability and viability. The PIC believes that engagement is preferable to divestment, although the option to divest when engagement is unlikely to be effective or has failed will be considered as well. The PIC will also consider becoming a member of an institutional investor climate action group in future.

Measuring and accountability

A key part of the action needed to fulfil this plan is to measure, assess and report on the progress made against the targets set. The PIC has established the baseline and alignment by assessing the current investment strategy against a 1.5 degree carbon budget pathway and other metrics. This has enabled the PIC to set portfolio level targets and asset class priorities. The pathway analysis has also helped to define engagement priorities. The committee will undertake an annual recalibration of the net zero journey plan and reassess priorities using annual climate metrics reporting (commenced in 2023, with a view to meeting future TCFD obligations).

Lewisham Pension Fund Risk Register 2023/24

Summary Dashboard

Risk Category	Risk Ref	Risk	Current Scoring	Target Score	Previous Score	Direction of Travel
Asset and Investment Risk	AI 01	Funding Risk	12	9	15	↘
	AI 02	Concentration Risk	6	4	6	-
	AI 03	Liquidity Risk	12	3	12	-
	AI 04	Currency Risk	6	2	6	-
	AI 05	Transition Risk	4	2	6	↘
	AI 06	Manager Underperformance Risk	9	6	9	-
	AI 07	Environmental, Social and Governance Risk	6	4	6	-
	AI 08	Investment Pooling Risk	12	3	12	-
Liability Risk	LI 01	Discount Rate Risk	6	4	6	-
	LI 02	Inflation Risk	4	4	4	↗
	LI 03	Salary Increase Risk	6	4	4	↘
	LI 04	Longevity Risk	6	4	6	-
	LI 05	Early Retirement Risk	6	4	6	-
	LI 06	Ill-Health Retirement Risk	4	4	4	Target reached
	LI 07	Regulatory Risk	12	12	12	Target reached
Employer Risk	EM 01	Financial Risk	9	4	9	-
	EM 02	Administration Risk	4	4	4	Target reached
	EM 03	Reputational Risk	4	4	4	Target reached
Resource and Skill Risk	RS 01	Inadequate Staffing	8	4	12	-
	RS 02	Inadequate Resources for Support Staff	2	1	4	↘
	RS 03	Inadequate Knowledge and Skills – Pensions Committee and Pension Board	9	4	12	-
	RS 04	Inadequate Knowledge and Skills - Officers	9	4	9	-
Administrative and Governance Risk	AG 01	Failure or Unavailability of ICT	6	4	6	-
	AG 02	Delays to Pensions Payroll	4	4	4	Target reached
	AG 03	Over-Reliance on/ Loss of Key Staff	12	2	12	-
	AG 04	Data Quality	6	3	6	-
	AG 05	Professional Advice	4	4	4	Target reached
	AG 06	Legislative and Regulatory Changes	12	6	12	-
	AG 07	Third Party Provider Risk	9	4	9	-
	AG 08	Data Protection Risk	6	6	6	Target reached
	AG 09	Fraud or Fraudulent Behaviour	6	2	6	-
	AG 10	Cyber Threats	15	10	15	-
	AG 11	Inappropriate Decision-making	9	6	9	-
	AG 12	Operational Disaster – Fire/ Flood/ Pandemic	4	4	6	Target reached
Regulatory and Compliance Risk	RC 01	Non-compliance Risk – Statement of Accounts	6	6	6	Target reached
	RC 02	Non-compliance Risk – Other	9	6	9	-

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Scoring and Risk Owner Keys

Likelihood Key	Impact Key
1 – Rare	1 – Insignificant
2 – Unlikely	2 – Minor
3 – Possible	3 – Moderate
4 – Likely	4 – Major
5 – Almost Certain	5 – Extreme

Risk Scoring	Risk response	Number of Risks
Low (1-4)	Manage by routine procedures; unlikely to need specific or significant application of resources.	10
Low/Medium (5-9)	Manage by specific monitoring or response procedures.	15
Medium/High (10-15)	Senior management attention needed, and management responsibility specified.	10
High (16-25)	Immediate action and response required.	1

Risk Owner Key
Pensions Investment Committee - PIC
Pensions Board – PB
Executive Director of Corporate Resources - EDR
Director of Finance – DF
Interim Head of Payroll and Pensions - HPP
Pensions Manager – PM
Principal Accountant – PA

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Ref	Identification of Risk		Current Scoring			Risk Mitigation		Target Scoring			Review		
	Risk Overview	Risk Drivers	Likelihood	Impact	Risk rating	Existing Controls	Additional Requirements/ Controls	Likelihood	Impact	Risk rating	Previous Score	Direction of Travel	Risk Owner
Asset and Investment Risk													
AI 01	Funding risk – the risk that the Fund's assets fail to deliver returns as anticipated and/or fail to grow in line with the developing cost of liabilities over the medium-long term.	<ul style="list-style-type: none"> Unexpected inflation or pay growth may increase pension and benefit payments to a greater extent/at greater speed than asset returns. Unanticipated market movements may negatively impact asset growth compared to forecasts. 	3	4	12	<ol style="list-style-type: none"> Actuarial valuations take into account: <ul style="list-style-type: none"> Future investment performance/ discount rates, which are estimated on a relatively prudent basis to reduce risk of under-performance. Progress of all employers in the Fund, which is monitored at least annually. A Funding Strategy Statement is prepared at least every three years as part of the triennial valuation. 	<ul style="list-style-type: none"> Consider engagement of independent adviser to challenge/ confirm Investment Strategy decisions. 2022 Valuation results show improved funding level from 2019 (90% to 97%) which improved from the 2016 funding level 	3	3	9	15	↘	EDR DF PIC

Identification of Risk			Current Scoring			Risk Mitigation		Target Scoring			Review		
Ref	Risk Overview	Risk Drivers	Likelihood	Impact	Risk rating	Existing Controls	Additional Requirements/ Controls	Likelihood	Impact	Risk rating	Previous Score	Direction of Travel	Risk Owner
		<ul style="list-style-type: none"> The Fund's Investment Strategy Statement and/or Funding Strategy may contain flawed assumptions. 				<ol style="list-style-type: none"> An Investment Strategy Statement is prepared and considered an integral part of the Funding Strategy, with asset modelling used to determine the best benchmark allocation of assets to meet the Funding objectives. It is reviewed at least every three years. Asset allocation includes acceptable ranges of deviation to allow for market movements and rebalancing arrangements for when those limits are breached. Ongoing performance monitoring; monthly reporting from the Fund's custodians, quarterly reporting from the Fund's advisors, annual reporting from the Fund's benchmarking provider. 							
AI 02	Concentration Risk	<ul style="list-style-type: none"> Concentration of assets in a single asset class, geography or manager where underperformance relative to expectations would result in difficulties meeting funding objectives. 	2	3	6	<ol style="list-style-type: none"> Assets are invested on the basis of professional, specialist advice, in a diversified manner across asset classes, geographies, managers etc. The Fund invests in a range of investment mandates each of which has a defined objective, performance benchmark and manager processes which, taken in aggregate, help reduce the Fund's asset concentration risk. 		2	2	4	6	-	ED R DF PIC

Identification of Risk			Current Scoring			Risk Mitigation		Target Scoring			Review		
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AI 03	Liquidity Risk – the risk that the Fund is unable to meet its immediate liabilities due to insufficient liquid assets.	<ul style="list-style-type: none"> • Maturing fund – when the cost of pension payments exceeds contributions income, there will be pressure on the Fund to maintain liquidity and generate enough cash to meet day to day cash requirements. 	3	4	12	<ol style="list-style-type: none"> 1. Liquidity management is featured as part of the strategic asset allocation, with an appropriate allocation to income assets. 2. Officers have undertaken a cashflow analysis with the fund's investment advisors in Q2 of 2023 and are putting in place measures to increase cash distributions. 	<ul style="list-style-type: none"> • Cash flow projections to be kept under quarterly review and discussion with LCIV re cash distributions. 	1	3	3	12	-	DF PA
AI 04	Currency Risk – where a variation in the prices of assets relative to liabilities is caused by movement in currency rates.	<ul style="list-style-type: none"> • Over exposure to volatile currencies. • The appreciation of sterling relative to other currencies, given the proportion of Fund's assets denominated in currencies other than sterling (approx. 10%). 	3	2	6	<ol style="list-style-type: none"> 1. The Fund invests in a range of overseas markets which provides a diversified approach to currency markets. 2. The recent funding of low carbon equities mandates has meant a larger proportion of the Fund is now held in US\$. 		1	2	2	6	-	PIC
AI 05	Transition Risk – the risk of incurring unexpected costs relating to the movement of assets among managers.	<ul style="list-style-type: none"> • Market movements e.g. the impact of Coronavirus on equity valuations. • Transition to a pooling vehicle may incur unknown costs. 	2	2	4	<ol style="list-style-type: none"> 1. The Fund's investment advisers provide advice on the inherent risks, timing and nature of transitions in line with the decisions of PIC, taken in the wider context of the Investment Strategy. 2. The transfer of all equities to low carbon mandates has completed with transition costs managed down with support from appointed Transition Managers Northern Trust. 		1	2	2	6	↘	PIC DF PA

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AI 06	Manager Underperformance Risk – the failure of fund managers to achieve expected investment returns.	<ul style="list-style-type: none"> Markets perform against expectations, prevailing market conditions change contrary to a manager's style of management or fund structure, leading to periods of outperformance and underperformance. Due diligence and manager selection process not thorough enough. Departure of key personnel/high turnover of investment team. 	3	3	9	<ol style="list-style-type: none"> Passive management of approx. 70% of the Fund – reduces risk of underperformance, where managers generally deliver returns in line with benchmark expectations. The Fund has appointed several managers across diversified assets to reduce the risk of any one manager underperforming. Ongoing performance monitoring; monthly reporting from the Fund's custodian, quarterly reporting to PIC from the Fund's advisors, annual reporting from the Fund's benchmarking provider. Managers regularly present to, and update, PIC; officers regularly meet and engage with managers. Manager selection exercises are undertaken with assistance from Fund's advisers. 	<ul style="list-style-type: none"> Review of benchmarks used by custodian to ensure performance is being correctly recorded in performance reporting. 	2	3	6	9	-	PIC DF PA
AI 07	Environmental, Social and Governance (ESG) Risks – the risk that ESG related factors reduce the Fund's ability to generate long-term returns.	<ul style="list-style-type: none"> Not investing in funds that manage social concerns appropriately, e.g. protection of consumers, labour rights, diversity and inclusion policies, human rights, health and safety etc. Funds which exhibit poor social practices are susceptible to litigation, and potentially poorer 	2	3	6	<ol style="list-style-type: none"> The Fund's overall ESG policy is included in its Investment Strategy Statement. The Fund has established a set of 5 Climate Objectives (CO) to drive future investment. PIC has established a Statement of Investment Beliefs (SIB) which sets out the overriding principles by which the Committee make investment 	<ul style="list-style-type: none"> Improve engagement with managers to identify the extent to which ESG factors are considered within the investment process, and establish degree of comfort that these risks are being appropriately managed on the Fund's behalf. 	2	2	4	6	-	PIC DF PA

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		<p>levels of financial performance.</p> <ul style="list-style-type: none"> Investing in funds that suffer from corporate governance failures, e.g. use of child labour in overseas production, poor safety records resulting in death or injury, mis-selling scandals, rogue trading. Fossil fuel linked investments suffer losses due to stranded assets and reputational damage. Not managing exposure to environmental risk (including climate change risk) can leave the Fund susceptible to challenge from legal and pressure groups. 				<p>decisions; this includes beliefs on governance, responsible investment, and climate change.</p> <ol style="list-style-type: none"> The majority of the Fund's managers have signed up to the UK Stewardship Code. The Fund is a member of the Local Authority Pension Fund Forum (LAPFF) which engages and acts on behalf of members by promoting high standards of corporate governance and responsibility. The Fund's advisers explicitly model potential government corporate policies on climate change when reviewing its Funding and Investment Strategies. The Fund takes advice from actuarial and investment advisers to improve understanding of ESG issues. The Fund's 2020-23 Investment Strategy actively sought to transition its existing passive equity holdings into a low carbon passive-like mandate, and also allocates up to 16% of the Fund to new low-carbon mandates (including renewable infrastructure). 	<ul style="list-style-type: none"> The introduction of TCFD equivalent reporting will increase the Fund's ability to assess the ESG performance of fund managers. 						

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						9. A Responsible Investment Beliefs Statement (RIBS) to be incorporated into the Investment Strategy Statement. 10. The fund has moved all of its passive equity funds into three low carbon funds. It has also invested in the LCIV Renewable Infrastructure and LGIM Build to Rent funds.							
AI 08	Investment Pooling Risk – the risk that the London CIV (LCIV) fails to meet the Fund's needs.	<ul style="list-style-type: none"> The transition of the Fund's assets to LCIV will see a transfer of some risks to the pool operator, changes to existing Fund risks, and the creation of new risks, including asset and investment risk, employer risk, resource and skill risk, reputational risk, and regulatory and compliance risk. Asset pooling may restrict the Fund's ability to fully implement its desired strategy. 	3	4	12	1. The Fund is a founding shareholder of the LCIV and has shareholder input at Member and officer level. 2. Member representation at LCIV's AGM. 3. Member and officer involvement in LCIV mandate developments via consultation and Seed Investment Groups (SIG). 4. Officers maintain regular contact with LCIV via client meetings, business update meetings, and 'meet the manager' sessions.	<ul style="list-style-type: none"> The increase in pooled funds via PEPPA and the LCIV Renewable Infrastructure fund has not increased the likelihood of this risk, but should the Fund continue to pool further then the impact score may require review. LCIV do not currently have any distributing funds which given the maturity of the Fund may be an issue if the level of pooled funds increases significantly. 	1	3	3	12	-	ED R DF PIC PA
Liability Risk													

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LI 01	Discount Rate Risk – the risk that the set discount rate (based on a prudent view of future investment returns) does not reflect actual returns or market volatility.	<ul style="list-style-type: none"> Largely a measurement risk since liability cash flows do not change, but risk largely driven by the actual cost of benefits being higher than expected due to investment returns being lower than originally assumed. 	3	2	6	<ol style="list-style-type: none"> The Fund adopts a prudent discount rate assumption at triennial valuation as a cushion against reductions in future investment returns. The discount rate for the 2022 valuation was 3.6% versus 3.5% in 2019 which increased the likelihood of the funds' assets returning above the discount rate to 78% (75% in 2019). 	<ul style="list-style-type: none"> Regular monitoring of changes in market conditions between triennial valuations, perhaps on a quarterly or bi-annual basis, can provide early warning of changes in the outlook for future investment returns. 	2	2	4	6	-	ED R DF
LI 02	Inflation Risk – the risk of incorrect inflationary assumptions used in the Fund valuation.	<ul style="list-style-type: none"> Unexpected inflation or pay growth increases pension and benefit payments, and assets do not grow fast enough to meet the increased cost. 	5	2	6	<ol style="list-style-type: none"> The Fund adopts a prudent inflation assumption at triennial valuation as a cushion against increases in future inflation expectations. The Investment Strategy is set so as to provide exposure to assets providing inflation protected growth which will be reviewed following the Triennial valuation in 2022. 	Current levels of inflation are such that in the short term returns may struggle to meet expected levels. Inflation is expected to fall over the next 12 months.	2	2	4	4	↗	ED R DF
LI 03	Salary Increase Risk – the risk of incorrect salary increase assumptions used in the Fund valuation.	<ul style="list-style-type: none"> When salary increases actually awarded are higher than the assumed increase in the triennial valuation. 	4	2	6	<ol style="list-style-type: none"> The Fund adopts a prudent salary increase assumption at triennial valuation as a cushion against unexpected salary increases. Employers may have some control over the award of salary increases through pay award negotiations. 	The 2022 valuation assumed salary increases of 3.7% per annum compared with 3% in 2019.	2	2	4	4	-	ED R DF
LI 04	Longevity Risk – the risk of incorrect life expectancy assumptions used in the Fund valuation.	<ul style="list-style-type: none"> Future life expectancy, and the allowance for future improvements in life expectancy, is uncertain. There is a risk that members will live longer than expected, 	3	2	6	<ol style="list-style-type: none"> The Fund set mortality assumptions with a prudent allowance for future increases in life expectancy, as a cushion against faster than expected improvements. 		2	2	4	6	-	ED R DF

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		<p>resulting in benefits being paid for longer.</p> <ul style="list-style-type: none"> • Maturing fund – the proportion of active members declines relative to retired employees. 				<p>2. Regular monitoring of longevity and other demographic factors through the triennial valuations and interim valuations; experience analyses provides early warning of any expected increase in contributions and costs.</p> <p>3. Regular updates from the fund actuary on general longevity experience within UK pension funds and national trends, e.g. from population statistics, through the Fund's Club Vita membership</p>							
LI 05	Early Retirement Risk – the risk that members retire earlier than assumed in the Fund valuation.	<ul style="list-style-type: none"> • Members retiring for financial freedom, or due to perceived unfavourable changes to working conditions. • Liabilities for members who retire earlier than assumed in the triennial valuation and receive no reduction in benefits will be higher than expected. 	3	2	6	<p>1. The Fund adopts a prudent assumption for early retirements at triennial valuation as a cushion against higher than expected retirement.</p> <p>2. Employers are required to make capital contributions in respect of pensions strain arising from early retirements as a result of redundancy or on efficiency grounds.</p> <p>3. Updates from the Fund actuary through the triennial valuation process or more regularly (and advises employers of the effect on their contributions).</p>		2	2	4	6	-	ED R DF
LI 06	Ill-Health Retirement Risk – the risk that more members retire	<ul style="list-style-type: none"> • Where more members are granted higher tier benefits, the Fund's liabilities will increase 	2	2	4	<p>1. Regular monitoring of ill-health experience through the triennial valuations and interim valuations/</p>		2	2	4	4	-	ED R DF

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	due to ill health than assumed in the Fund valuation.	and employer contributions may need to increase accordingly.				experience analyses to provide early warning of changes in future costs.							
LI 07	Regulatory Risk – the extent to which legislative and regulatory changes impact the Fund.	<ul style="list-style-type: none"> Changes to the LGPS where benefits are governed by statute; for example, McCloud, Goodwin, exit payment cap etc. Changes by Government to particular employer participation in LGPS funds, leading to impacts on Funding and/or Investment Strategies. 	3	4	12	<ol style="list-style-type: none"> The Fund's actuary provides regular updates to Members and officers and assists in adhering to new regulations. The 2022 valuation included a specific liability of £2.4m for McCloud. ; In interim periods, further updates regarding the impact of regulatory change may be required. Officers consider all consultation papers issued by the Government, in conjunction with the Fund's advisers, and comments where appropriate. Members and officers keep abreast of regulatory changes through attendance at LGPS conferences and training, membership of national advisory bodies, and communication with the LGPS Scheme Advisory Board (or its working groups). 	<ul style="list-style-type: none"> Project planning for how to approach and manage the forthcoming regulatory and legislative changes. Resource planning for managing forthcoming regulatory and legislative changes. 	3	4	12	20	↓	ED R DF HPP PM
Employer Risk													
EM 01	Financial Risk – the risk that employers cannot meet their obligations to the Fund, and/or other employers become liable for their deficits.	<ul style="list-style-type: none"> Rise in unanticipated ill-health or early retirements, leading to contribution shortfall. Market conditions lead to employers deciding they can no longer afford the required level of 	3	3	9	<ol style="list-style-type: none"> Officers work with the Fund's actuary to make an objective assessment of the strength of an employer's covenant (to include an analysis of financial position, forward-looking prospects and the ongoing ability to pay the necessary employer contributions. 	The fund is preparing its policy and procedures for Reporting late payment of contributions to personal pension schemes.	2	2	4	9	-	ED R HPP PM

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		contributions, resulting in late payments or even insolvency of employers.				<ol style="list-style-type: none"> Officers work with the Fund's actuary to calculate cessation valuations when an employer is due to leave the Fund. The Pensions Team maintains a close relationship with employing bodies to identify any potential issues at an early stage, and communicates required standards. Officers monitor and reconcile contributions received against those expected. Reminders are sent to employers when they fail to meet payment deadlines, or if payment amounts differ to that expected. 							
EM 02	Administration Risk – the risk that employers maintain poor records and provide inaccurate information.	<ul style="list-style-type: none"> Poor employer knowledge bank and/or record-keeping maintained by the Council, or inadequate monitoring of records/information, which prevents the identification of employers that may pose the greatest risk. 	2	2	4	<ol style="list-style-type: none"> Officers monitor and maintain records of employers in the Fund, e.g. number of participating members, promptness of contribution payments etc. Employers are made aware of their responsibilities and payment procedures when admitted to the scheme/ as part of their admission agreements. 		2	2	4	4	-	HPP PM
EM 03	Reputational Risk – the risk of adverse publicity arising from interactions with, or failure of an employing authority.	<ul style="list-style-type: none"> Inaccurate information in the public domain leads to damage to reputation and loss of confidence. Complaints not handled appropriately or in time. 	2	2	4	<ol style="list-style-type: none"> Officers maintain constructive relationships with Fund employers. Processes are in place for responding to FOIs, Member/Public questions, and employer queries. 		2	2	4	4	-	HPP PM

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Resource and Skill Risk													
RS 01	Inadequate Staffing	<ul style="list-style-type: none"> High staff turnover Regular staff absence Poor recruitment 	2	3	6	<ol style="list-style-type: none"> The Council has a standard recruitment policy in place. Utilisation of additional resourcing (e.g. Hyman Robertson and/or independent advice) if needed, where staff shortfalls prevent internal specialisation. 	<ul style="list-style-type: none"> Preparing annual business plans which identify short and long term resource requirements. Improved retention policies and procedures where skills are in high demand/short supply. 	2	2	4	12	↘	ED R DF
RS 02	Inadequate Resources for Support Staff	<ul style="list-style-type: none"> Out-of-date or inadequate software. A lack of basic office equipment, e.g. lack of investment into suitable IT and infrastructure equipment. 	1	2	2	<ol style="list-style-type: none"> Budgetary provisions are made for staff and resources to meet demands of the service. Regular retendering of pensions administration contracts with third party suppliers to ensure required standards are included in contract specifications. The Council has a remote working policy, and a 'buy your own devices' policy to enable staff to purchase equipment needed to work from home. The use of virtual meetings has ensured that staff and advisors can meet regularly regardless of location. 		1	1	1	4	↘	ED R DF
RS 03	Inadequate Knowledge and Skills – Pensions	<ul style="list-style-type: none"> Change of membership/high turnover of membership. 	3	3	9	<ol style="list-style-type: none"> Induction training is offered to new Members when joining PIC and PB. 	<ul style="list-style-type: none"> Regular training provided of the both the PIC and PB 	2	2	4	12	↘	PIC PB DF PA

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	Committee and Pension Board.	<ul style="list-style-type: none"> • Low attendance at meetings. • New members not sufficiently inducted or signposted to learning opportunities/ requirements. • Poorly designed training programmes. 			9	<ol style="list-style-type: none"> 2. Training is provided by the Fund's investment adviser, particularly in those specific asset classes relevant to the Fund and when acquiring new mandates. 3. Officers signpost a quarterly selection of recommended conferences, workshops and training events to PIC and Pension Board members. 4. PIC and Pension Board members are requested to complete the Pensions Regulator's Public Service Toolkit. 5. Training logs are maintained and reported on in the Fund Annual Report. PIC Members have committed to attending a minimum of 5 hours of training each per year, to satisfy the requirements of MiFID II. 6. Pension Board members are required to undertake learning needs analyses and identify their training requirements. 7. Annual skills audits are conducted to ensure skills remain relevant to the roles being undertaken, identifying any learning gaps and preparing tailored training in response to these gaps. 							
RS 04	Inadequate Knowledge and Skills - Officers.	<ul style="list-style-type: none"> • Lack of, or inadequate, staff training policies or opportunities. 	3	3	9	<ol style="list-style-type: none"> 1. The Fund is a member of, subscribes, and has access to several organisations that assist officers to maintain their knowledge and keep abreast of changes to the 	<ul style="list-style-type: none"> • Succession planning for key roles to mitigate loss of knowledge from planned or unplanned departures. 	2	2	4	9	-	ED R DF HPP PM PA

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		<ul style="list-style-type: none"> Knowledge is concentrated in a small number of officers, risking knowledge drain if those staff leave the authority. Increased workloads reduces time for skills development and training opportunities. 				LGPS, e.g. LGA, GAD, LAPFF, LPFF, PLSA, SAB, etc. 2. Actuarial, investment, independent advice is available where knowledge or skills fall short. 3. Staff with professional qualifications relevant to their job roles.	<ul style="list-style-type: none"> Improved networking with other LGPS administration teams, particularly those where senior members of the team have previously worked and relationships already exist, to improve knowledge sharing. 						
Administrative and Governance Risk													
AG 01	Failure or Unavailability of ICT.	<ul style="list-style-type: none"> Unscheduled system maintenance, downtime, or outages. Outdated or incompatible software. Loss of data due to system failure. 	2	3	6	1. Lewisham Information Security Policy – includes technical measures in place to maintain backups of files and emails. 2. Corporate Business Continuity Plan in place to respond to potential loss of critical infrastructure, systems and data. 3. Custodian and fund manager portals can be accessed from any browser/device outside of the Lewisham network. 4. The Fund's bank account can be monitored by phone, and payments processed manually as per the authority's Business Continuity Plans for Finance (covering Treasury Management and Financial Transactions). 5. IT maintenance is scheduled for non-working hours where possible.		2	2	4	6	-	EDR

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AG 02	Delays to Pensions Payroll	<ul style="list-style-type: none"> ICT failure. Staff absence. 	1	4	4	1. Clear procedure notes in place for processing payroll.	<ul style="list-style-type: none"> Further training in payroll/ systems to be undertaken in Oracle Cloud. 	1	4	4	4	-	ED R HPP PM
AG 03	Over-Reliance on/ Loss of Key Staff	<ul style="list-style-type: none"> Knowledge is concentrated in a small number of officers, risking knowledge drain if those staff leave the authority. Unequal distribution of workloads creating reliance on certain staff. 	4	3	12	<ol style="list-style-type: none"> Staff appraisal programme to identify opportunities for upskilling, job rotation, and fair distribution of work. Comprehensive process notes developed and in place. 	<ul style="list-style-type: none"> Succession planning helps to mitigate and manage the loss of key staff, and is currently being reviewed by the interim Head of Payroll and Pensions. 	1	2	2	12	-	ED R DF HPP
AG 04	Data Quality – the risk of complaints, fines, or incorrect valuation assumptions due to poor data quality.	<ul style="list-style-type: none"> Employers do not understand or meet their responsibilities, provide poor quality data, are unable to resource their pensions obligations, or have poor engagement with the Fund. Officers do not understand or are unaware of their responsibilities, maintain poor quality data, or do not ensure data is reviewed on a regular basis. 	2	3	6	<ol style="list-style-type: none"> Communications Strategy sets out how Fund will engage with all stakeholders, including employers and expectations of them. Reconciliations and review of the recording of pay and pensions by officers, as well as comparing the pension payments and receipts to the overall totals. Segregation of duties so that reconciliations are reviewed by a second individual. 	<ul style="list-style-type: none"> Administration Policy to be developed, draft policy has been developed. 	1	3	3	6	-	HPP PM PA
AG 05	Professional Advice – the risk that professional advice is not	<ul style="list-style-type: none"> Not enough time to seek the appropriate level of advice. 	1	4	4	1. Members and officers maintain close contact with its specialist advisers.	<ul style="list-style-type: none"> Retendering of actuarial (and investment advisory) 	1	4	4	4	-	ED R DF PIC

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	sought or heeded, or proves to be insufficient.	<ul style="list-style-type: none"> Advice is ignored or not acted upon. 				<ol style="list-style-type: none"> Investment advice is delivered via formal meetings involving elected Members and recorded appropriately. Actuarial advice is subject to professional requirements such as peer review. 	services to take place in 2023/24.						
AG 06	Legislative and Regulatory Changes – the risk of complaints or fines due to incorrect adoption or incorrect calculation of regulatory changes.	<ul style="list-style-type: none"> Challenging implementation of major regulatory reform. Complexity of new regulations gives rise to heightened risk of error in calculations 	3	4	12	<ol style="list-style-type: none"> Use of Altair to ensure calculations are correct (e.g. for transitional protections). Officers attend and enrol in professional forums and events to keep up to date with legislative or regulatory changes. Support is provided by LGA and the actuary where necessary. 		2	3	6	12	-	HPP PM
AG 07	Third Party Provider Risk	<ul style="list-style-type: none"> Third party IT systems failing, or not adapting to meet regulatory changes. Underperformance of provider. Poorly resourced, poor contract management, incorrect contract specification. 	3	3	9	<ol style="list-style-type: none"> Third party suppliers used are reputable and fall within pension administration framework agreements. Appropriate oversight and monitoring by the Pensions Team for assurance of controls in place. Regular meetings with contractors to discuss performance and service improvements. 		2	2	4	9	-	HPP PM
AG 08	Data Protection Risk – the risk of financial penalty or reputational damage due to data mismanagement.	<ul style="list-style-type: none"> ICT failure. Fraud. Security of paper documents, especially when out of the office 	2	3	6	<ol style="list-style-type: none"> Officers have completed compulsory GDPR training. Lewisham Information Security Policy – includes technical measures to help protect information including anti-virus updates, software patches, 		2	3	6	6	-	HPP PM

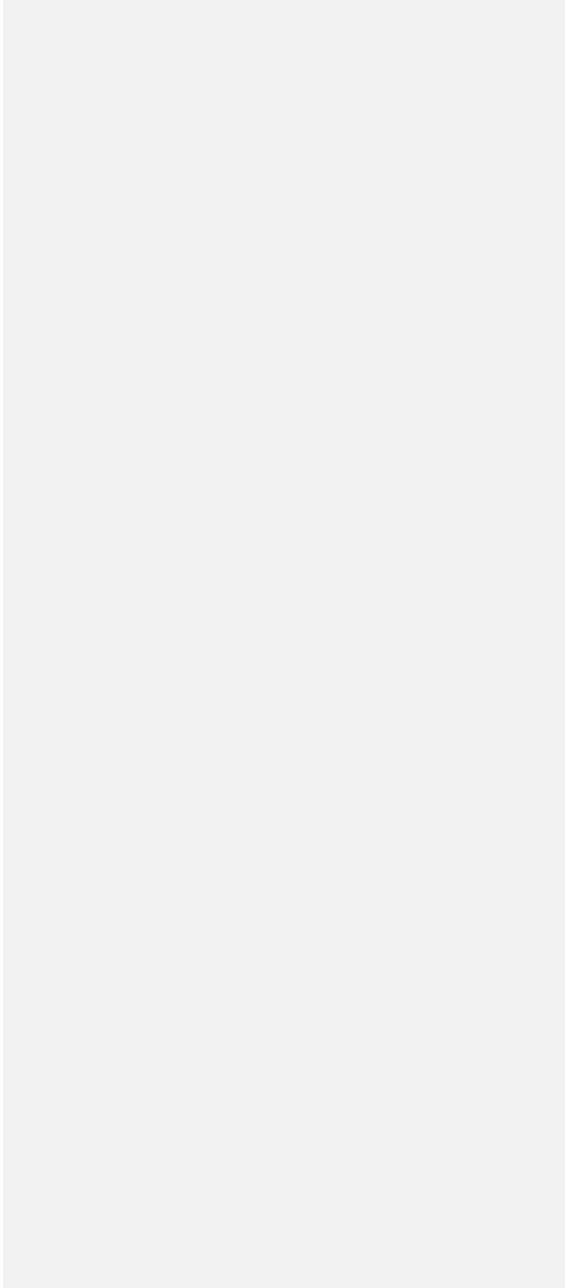
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		(e.g. handling paperwork at home due to the Coronavirus pandemic).				encryption, permissions management, and system backups. 3. Secure email is available via the Council's standard email or via CJSW or Egress Switch.							
AG 09	Fraud or Fraudulent Behaviour – the risk that someone deliberately acts to deprive the Fund of its assets, or to obtain personal benefit from his or her position.	<ul style="list-style-type: none"> Opportunities to commit fraud can arise due to a temporary situation where the risk of being caught is low. Lapsed controls, or loopholes identified by those intent on fraudulent behaviour. 	2	3	6	<ol style="list-style-type: none"> Appropriate system of checks and authorisations for death and transfer cases. Separation of duties for upload, checking, approval, input and processing of payments from the Pension Fund bank account. "Confirmation of Payee" initiative used by bank to target and prevent impersonation fraud, invoice redirection and new payment fraud. Monthly reconciliation of Pension Fund bank account to identify and code all income/payments. Internal audit acts as an appraisal and advisory service and can review, identify and advise on internal controls regarding fraud prevention. Fund managers are requested to submit internal control reports which are reviewed by external audit. 		1	2	2	6	-	ED R DF HPP PM PA
AG 10	Cyber Threats – the risk of vulnerability to, and impact of, cyber-attacks that	<ul style="list-style-type: none"> Failure of ICT. Accidental loss of hardware (laptop, mobile, USB device). 	3	5	15	<ol style="list-style-type: none"> Lewisham Information Security Policy – includes technical measures to help protect IT systems including anti-virus updates, software patches, encryption, and firewalls. 	<ul style="list-style-type: none"> Create a formal Fund Security Policy, to include an assessment of the scheme's 'cyber footprint' – scheme's 	2	5	10	15	-	ED R DF HPP PM PA

Identification of Risk			Current Scoring			Risk Mitigation		Target Scoring			Review		
Ref	Risk Overview	Risk Drivers	Likelihood	Impact	Risk rating	Existing Controls	Additional Requirements/ Controls	Likelihood	Impact	Risk rating	Previous Score	Direction of Travel	Risk Owner
	result in different types of breaches.	<ul style="list-style-type: none"> Accidental loss of electronic data. Generic malware. Untargeted attacks from 'hobbyist' hackers. Targeted attacks from ex-employees, customers, current employees or anonymous activists. State-sponsored attacks, cyber-criminal/terrorists. 				<ol style="list-style-type: none"> 'Spam email' blocking software and a dedicated mailbox for reporting spam/phishing attacks. Fund bank account can only be accessed by authorised users with access to a bank smartcard, card reader, and PIN unique to the card/user. Fund bank account responsibilities are segregated so that no single user, whether compromised or not, can input and approve payments; any changes to these authorisations require confirmations from two system administrators. Lewisham's ICT Acceptable Use Policy – to restrict use that may leave the Council's systems vulnerable to attack. Lewisham managed devices are password protected to prevent unauthorised access. 	<p>key functions, systems and assets, vulnerabilities and impact of breaches.</p> <ul style="list-style-type: none"> Member/officer training required on cyber threats. Undertake testing of security measures and protocols in place for the Fund; penetration testing, testing of staff to gauge reactions to typical threats. Consider appointing an ICT Compliance Officer for reporting to the Pensions Board. 						
AG 11	Inappropriate Decision-making.	<ul style="list-style-type: none"> High staff turnover at officer, PIC or Pension Board level. Lack of oversight at senior officer, PIC or Pension Board level. Undisclosed conflicts of interest. 	3	3	9	<ol style="list-style-type: none"> Oversight (but not decision making) by the Pension Board to assist the scheme secure compliance with relevant LGPS regulations; reviews and comments on governance, administration and decision-making within the scheme. Knowledge and Training Policy in place for Pension Board members. 		2	3	6	9	-	ED R DF PIC PB

Identification of Risk			Current Scoring			Risk Mitigation		Target Scoring			Review		
Ref	Risk Overview	Risk Drivers	Likelihood	Impact	Risk rating	Existing Controls	Additional Requirements/ Controls	Likelihood	Impact	Risk rating	Previous Score	Direction of Travel	Risk Owner
		<ul style="list-style-type: none"> Decision making process is too rigid. Poor monitoring of political and public sector landscape. 				<ol style="list-style-type: none"> Investment Committee and Pension Board members are required to disclose conflicts of interest at meetings. A Conflict of Interest Policy and Register of Interests is maintained. Professional advice received from the Fund's investment adviser and actuary to aid decision-making. 							
AG 12	Operational Disaster – Fire/ Flood/ Pandemic	<ul style="list-style-type: none"> Risk that an event occurs which significantly impacts on operational delivery, e.g. flood, fire etc. 	2	2	4	<ol style="list-style-type: none"> Business Continuity Plans are in place. Remote and flexible working practices and policies enable staff to work away from the office, e.g. increased use of digital platforms to communicate, multiple devices with which to work and communicate, etc. Documentation is saved on Council IT network, available from any location via a Council managed device or own devices via 2FA. Post Covid pandemic some flexibility enabling some meeting to be held virtually/hybrid. 		2	2	4	6	↓	ED R DF
Regulatory and Compliance Risk													
RC 01	Non-compliance Risk – Statement of Accounts	<ul style="list-style-type: none"> Material misstatement due to incorrect accounting practices, poor judgement or breaches of the law that 	2	3	6	<ol style="list-style-type: none"> Qualified CCAB officers produce Statement of Accounts in accordance with the CIPFA Accounting Code of Practice. 	•	2	3	6	9	↓	ED R DF

Identification of Risk			Current Scoring			Risk Mitigation		Target Scoring			Review		
Ref	Risk Overview	Risk Drivers	Likelihood	Impact	Risk rating	Existing Controls	Additional Requirements/ Controls	Likelihood	Impact	Risk rating	Previous Score	Direction of Travel	Risk Owner
		<p>potentially result in a qualified audit opinion.</p> <ul style="list-style-type: none"> Changes to accounting requirements that are incorrectly implemented. Poor quality of data and/ or recordkeeping. 				<ol style="list-style-type: none"> Accounts are reviewed by the Executive Director of Corporate Resources, also a qualified CCAB accountant. Reconciliations of key control accounts, custodian valuations, manager valuations, and the Fund's ledger. Reconciliations are reviewed and signed off by a second officer. External audit of accounts identifies audit findings which if implemented will avoid a qualified opinion. 							
RC 02	Non-compliance Risk - Other	<ul style="list-style-type: none"> Weak business processes that give rise to non-compliance through either poorly designed processes, not understanding the regulatory requirements, or not knowing the requirements exist. Inadequate staffing or training of staff to understand their responsibilities 	3	3	9	<ol style="list-style-type: none"> Officers engage in statutory consultation periods to obtain early sight of planned changes to legislation and increase understanding of changes. Members and officers attend relevant training events and conferences. Members and officers engage with formal and informal networks. Pension Board work plan is designed to cover all areas of applicable Fund governance and administration to help identify and avoid statutory breaches. A Breaches of the Law Policy and Breaches Log is in place. 		2	3	6	9	-	ED R DF

Identification of Risk			Current Scoring			Risk Mitigation		Target Scoring			Review		
Ref	Risk Overview	Risk Drivers	Likelihood	Impact	Risk rating	Existing Controls	Additional Requirements/ Controls	Likelihood	Impact	Risk rating	Previous Score	Direction of Travel	Risk Owner
						<p>6. Professional advice from the Fund's investment adviser and actuary is available.</p> <p>7. Internal and external audit reviews.</p> <p>8. The Council provides legal support to review PIC papers, key fund documents, and provide general legal advice when required.</p> <p>9. Independent compliance reviews to assess the Fund's compliance to the Pension Regulator's Code of Practice and the Scheme Advisory Board Requirements.</p>							



Lewisham Pension Fund

Pensions Administration Strategy

August 23

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Introduction

Regulatory background

This is the Pension Administration Strategy of Lewisham Pension Fund (“the Fund”), administered by Lewisham Council (“the administering authority”).

This Statement has been produced in accordance with regulation 59 of the Local Government Pension Scheme Regulations 2013 (“the Regulations”). The Regulations provide that the administering authority may prepare, maintain and publish a written Statement setting out their policy concerning administration matters, and that the administering authority and the scheme employers participating in the Fund must then have regard to that strategy when carrying out their respective functions.

The Regulations also require that the administering authority must consult with its participating employers (and any other persons it considers appropriate) in preparing or reviewing this Strategy

In addition, regulation 70 of the Regulations allows an administering authority to recover additional costs incurred by the administering authority from a participating employer where, in its opinion, those costs are directly related to the poor performance of that employer. Where this situation arises, the administering authority is required to give written notice to the employer, setting out the reasons for believing that additional costs should be recovered, the amount of the additional costs, together with the basis on which the additional amount has been calculated.

Aims and objectives

The purpose of the Strategy is to:

- Support the provision of a high-quality pension service to Fund members delivered through efficient working practices;
 - Confirm the role of scheme employers and sets out their expected levels of performance;
 - Confirm the role of the administering authority and sets out its expected levels of performance;
 - Ensure that the Fund is operated in accordance with LGPS regulations, overriding legislation and any relevant Codes of Practice issued by The Pensions Regulator;
 - Set out how the performance of the administering authority and scheme employers will be monitored and reported;
 - Explain what actions might be taken by the administering authority in response to a scheme employers poor performance or non-compliance;
 - Confirm how the administering authority will communicate with its employers
 - Detail the resources and support that is available for scheme employers to access
- This Strategy statement has been produced in consultation with all participating employers in the Fund and becomes effective from **XXXXXX**. It will be reviewed at least annually and will be revised to reflect changes to:
- LGPS Regulations;
 - Other overriding legislative requires and/or Pension Regulator code of practice;
 - Policies determined by the administering authority; and
 - Administrative practices required of the administering authority and scheme employers in fulfilling their respective functions.

Levels of performance and compliance achieved by both the administering authority and scheme employers will be reported;

To the Fund's Pension Committee and Pension Board as part of regular administration performance reporting;
and

in the Fund's Annual Report and Accounts.

The statement will be published to all participating Fund employers via the Fund website.

In no circumstances, however, does this Strategy override any provision or requirements of the LGPS Regulations or any overriding legislative requirements.

Queries

Any enquiries in relation to this Administration Strategy should be forwarded to **XXX**,

Roles and Responsibilities

General

The Fund is committed to providing a high-quality pension service to both members and employers, ensuring all members and dependants receive their correct pension benefit entitlement at the correct time. These aims are best achieved where the administering authority and scheme employers work in partnership and understand their respective roles and responsibilities.

As well as setting out the roles and responsibilities of both the administering authority and scheme employers this Strategy specifies the level of service each is expected to provide to each other, and the performance measures used to evaluate them.

The administering authority's roles and responsibilities

The high-level responsibilities for the administering authority are to:

- administer the LGPS in respect of all scheme members (active, deferred, pensioner and survivor members) in accordance with this Strategy

- maintain and review the Fund's statements, policies and reports and all other matters relating to the governance of the scheme

- communicate and engage with scheme employers on all LGPS and related matters

- provide support/training to employers

- maintain and develop an effective web presence for the benefit of scheme members and scheme employers

The scheme employer's roles and responsibilities

The high-level responsibilities for a scheme employer are to:

- communicate the benefits of the LGPS to eligible staff

- ensure the correct level of monthly pension contributions are collected and paid over to the Fund by no later than the 19th of the month following the month of deduction (or 22nd of the month if remitted electronically)

- report information and data to the administering authority as set out in this Strategy

- keep up-to-date with Fund related communications

- provide a prompt response to information requests from the administering authority

A detailed description of the key administering authority and scheme employer responsibilities relating to the Fund's administration are set out in Appendix 1.

Primary employer contact

Each scheme employer must nominate a person who will act as the administering authority's primary employer contact. This person's contact details should be passed to the administering authority and kept up to date. There may be additional contacts for finance, payroll, etc, but the primary contact will be the first port of call where any issues or disputes arise.

See Appendix 2 for the primary employer contact form. This should be completed by the scheme employer and submitted to the administering authority immediately on first participating in the Fund and then immediately any change to the primary employer contact occurs.

It is the scheme employer's responsibility to ensure that the primary employer contact and all other key staff contact details held by the administering authority are correct, and to notify the administering authority of any changes immediately.

The scheme employer must ensure the nominated primary contact (and other key staff) is aware of the scheme employer duties and keep up to date with all guidance and instruction issued by the administering authority from time to time.

The scheme employer must ensure that they retain a good level of understanding of the LGPS and have a succession plan in place for their nominated contacts, including the primary employer contact.

The primary employer contact should ensure all information provided to the administering authority is correct by having an appropriate quality review process in place prior to information being submitted to the administering authority.

Performance Monitoring

General

The document provides the actions that may be taken where standards are not met by scheme employers and/or when persistent non-compliance occurs.

Due in large part to the annualised nature of the pension accrual for a Career Average Revalued Earnings (CARE) pension scheme, the importance of accurate and timely membership data returns to the administering authority has never been greater. The requirements and demands of running a CARE pension scheme, such as the LGPS, means that the administering authority must receive accurate and timely membership data from all scheme employers. This is in order that it can fulfil its statutory and organisational responsibilities, such as completion of member retirements, the production of annual benefit statements and compliance with the pension dashboards disclosure requirements.

The administering authority has, therefore, made the decision to mandate monthly data returns (via the administration platforms iConnect functionality) for all scheme employers. All new joiner, opt-out, retirement notifications, etc. must be included on the monthly data submission for the month that the member joined, opted, out, retired, etc. or the month after if this is not possible.

If a scheme employer fails to provide the required data on a monthly basis via iConnect and continues to provide information on an annual basis, the administering authority will charge an additional fee in order to process data using this legacy arrangement. Details of the additional fee that will be charged can be seen in the table below.

Monitoring and engagement

Various means will be employed, as determined from time to time, to assist in monitoring compliance with this Strategy. More detailed methods may be included in a service level agreement (SLA) between an individual scheme employer and the administering authority.

Methods may include:

- Internal/external audit review of processes and internal controls;
- Performance monitoring against scheme employer tasks and functions noted in this Strategy;
- Performance monitoring the administering authority's own performance against internal key performance indicator as noted in this Strategy;
- Training sessions offered by the administering authority on the most pertinent issues affecting scheme members and scheme employers;
- Annual scheme employer pension forums;
- Member complaints;
- Internal Dispute Resolution Procedure (IDRP).

Using the above means the administering authority will monitor progress against this Strategy. This information will be reported to the Fund's Pension Committee and Pension Board alongside any remedial action taken where the expected standards are not being met. In addition, key performance indicators relating to the administering authority and scheme employers' performance will be reported in the Fund's Annual Report and Accounts.

Employer poor performance

Regulation 70 of the Regulations provides that an administering authority may recover from a scheme employer any additional costs associated with the administration of the scheme incurred because of a poor level of performance.

Circumstances where additional costs may be recovered

The circumstances where additional costs may be recovered from the scheme employer are:

Persistent failure to provide relevant information to the administering authority, scheme member, or any other interested party in accordance with specified performance targets (either relating to the timeliness of delivery or the quality of information);

Instances where performance by the scheme employer results in a loss to the Fund, e.g. any overpayment resulting from inaccurate information supplied by the scheme employer, costs associated with the assessment of benefits, interest on late payment of benefits, scheme tax charges, etc.;

Failure to deduct and pay over correct employee and/or employer contributions within the standard timescales;

Failure to pay any other amounts due to the Fund, e.g., actuarial strain payments;

Instances where the performance of the scheme employer results in fines being levied against the administering authority by the courts, the Pensions Regulator, the Pensions Ombudsman or any other regulatory body.

Where an administering authority wishes to recover any such additional costs it must give written notice stating:-

The reasons, in their opinion, that the scheme employer's poor performance contributed to the additional cost;

The amount of the additional cost incurred;

The basis on how the additional cost was calculated; and

The provisions of this Strategy relevant to the decision to give notice.

The approach by the administering authority when dealing with poor scheme employer performance

When dealing with poor performance from a scheme employer the administering authority will follow the approach set out below.

Write to the scheme employer noting the administering authority's areas of concern regarding the scheme employer's performance and offer training or a meeting to address the issue.

If no improvement is made within one month of the above date (or within an agreed timescale following a meeting with, or delivery of a training session to, the scheme employer), or where the matter in question is not a regular event and no improvement is made at the next occasion that that same matter occurs, and the offer of training or a meeting has not been accepted, the administering authority will issue a formal written notice. The notice will set out the area(s) of concern that have been identified, the steps taken to resolve those area(s) and notice that the additional costs will now be reclaimed.

An invoice and formal written notice will then be issued to the scheme employer which sets out calculations of any loss resulting to the Fund, or additional cost, taking account of time and resources in resolving the specific area(s) of unsatisfactory performance, in accordance with the fee scale set out in this Strategy.

Charges to be applied as a consequence of employer's poor performance

In instances where the performance of the scheme employer results in fines being levied against the administering authority by the Pension Regulator, Pensions Ombudsman or other regulatory body, these costs will be recoverable immediately.

Details of the additional fee charged are set out below.

Activity	Charge
Late payment of employer and/or employee contributions and any other payments due.	A fixed penalty of £150 per occurrence plus interest assessed in accordance with the LGPS Regulations.
Late provision of monthly or year-end contributions returns (data) in prescribed format	A fixed penalty of £500 per occurrence plus £100 for each week plus part week of continued non-provision.
Failure to provide a copy of discretions policy or latest version	A fixed penalty of £250 for failing to supply a copy plus a further £50 charged on each occasion that a policy is requested or is chased by an officer and is not supplied
Failure to provide required member information monthly via iConnect	Charge £50 per form and a further charge of £30 per month where the form is outstanding
Failure to respond or provide any other required information within timeframes.	A fixed penalty £25 per case for each case chased after the original deadline has passed.
Charges for persistent incorrect and incomplete information provided by the scheme employer to the administering authority (where the case has to be returned for incorrect information on more than 2 occasions).	£50 per case
Fines levied against the administering authority from the Pensions Regulator that are directly attributable to the scheme employer's performance.	Amount requested by the Pensions Regulator.
Fines levied against the administering authority from the Pensions Ombudsman that are directly attributable to the scheme employer's performance.	Amount requested by the Pensions Ombudsman.
Delay causing payments from the Fund to be treated as unauthorised payments for HMRC purposes.	Cost of amount of the unauthorised payment.
Fines from any other statutory body incurred as a result of the scheme employers' actions.	As levied.

Communication

It is vital that good communication channels exist between the administering authority, scheme employers and scheme members. This helps ensure the good running of the Fund by reducing errors and improving efficiency and alerts scheme members to the value to them of the LGPS, which itself aids recruitment, retention and the motivation of the workforce and negates misleading media information.

In order to support scheme employers the administering authority will:

- Work closely with them to improve areas where issues have been identified as a result of performance monitoring;
- Keep under review all processes and procedures and implement improvements where required;
- Provide access to policy and strategy documents, including the administering authority's discretions policy, communications policy, communication and engagement strategy, data strategy and annual report;
- Provide guidance to scheme employers on a range of topics through procedural guides, newsletters, e-alerts, employer forum, etc.
- Provide training to scheme employers as and when required or on request from the scheme employer. All new employers in the Fund will also be provided with training. Employers will be expected to attend any such training, particularly where significant performance issues have been identified.

In addition to the above the administering authority will be happy to attend any employer specific events to assist employers to understand their responsibilities in relation to their participation in the LGPS.

Scheme employers are expected to support the administering authority with any promotional activities that they are carrying out, including assisting with distributing e-communications and/or and promoting online access to the scheme.

The administering authority will also communicate with scheme members, using the following means to do so:

- [Fund website](#) - containing information about the Fund and the LGPS.
- Member Self Service - an on-line self-service facility giving scheme members access to their own pension records.
- Annual Benefit Statements – issued to all active and deferred scheme members.
- Newsletters – issued at least annually, bringing attention to important information, such as changes to scheme rules.
- One to One meetings – as required, to discuss personal details related to a scheme member's participation in the Fund
- Presentations – available to scheme members on specific pension related matters, such as HMRC pension tax rules or pre-retirement sessions.

Breaches of the Law

Where an employer does not actively engage with the Fund to resolve issues and/or consistently fails to meet its responsibilities under the LGPS Regulations, the administering authority (or stakeholders such as the Pension Board) has a statutory duty to report any breach to The Pensions Regulator. Similarly, stakeholders (such as the Pension Board) may report the Fund to The Pensions Regulator if it is believed that a breach has occurred in respect of its duty as scheme administrator.

If deemed to be materially significant, the Pensions Regulator has the authority to take prompt and effective action to investigate and correct the breach and its causes, and, where appropriate, to notify any members whose benefits have been affected.

The Pensions Regulator may impose a penalty under section 10 of the Pensions Act 1995. At the time of creating the Strategy, the maximum amount of a penalty in relation to a breach is £5,000 in the case of an individual and up to £50,000 in any other case.

Penalties may be imposed on any party who has legal requirements or responsibilities relating to the management or administration of the scheme, and anyone else who could be subject to any of the Pensions' Regulator's statutory powers of investigation and enforcement, such as employers and professional advisers.

Other charges

In line with its Funding Strategy Statement the administrative costs of running the Fund are predominantly charged to scheme employers through their contribution rates. However, it should be noted that, in addition to additional costs already set out in this Strategy other costs may be passed on to a scheme employer, including:

Work commissioned specifically on behalf of a scheme employer will be charged to them for that work. This includes IAS19/FRS17 valuations, actuarial modelling, assessments or advice, and/or legal advice and technical advice.

Where, because of the employer's failure to notify the administering authority of the final retirement details in a timely manner, payment of the retirement lump sum is not made within 30 days from the day the member's retirement, the administering authority may issue an employer with a written notice of unsatisfactory performance and may charge the employer for the interest payment made.

Performance Standards

Administering Authority

In addition to the legislative and regulatory requirements set out previously, the administering authority and scheme employers will ensure that all functions and tasks are carried out to agreed quality standards. This section outlines the key responsibilities of the administering authority, and the performance standards scheme employers and scheme members should expect. It is focused on the key activities which involve interaction with scheme employers and/or scheme members and should not be viewed as an exhaustive list.

Function	Requirement
Governance	
Regularly review the Fund's pension administration strategy and consult with all scheme employers	At least annually or following any material change in scheme rules or policies relating to the Strategy
Review the Fund's Funding Strategy Statement at each triennial valuation, following consultation with scheme employers and the Fund's actuary.	As part of each formal triennial valuation, to be published by 31 March following the valuation date
Review the Fund's Communication policy statement	At least annually, as part of Fund's annual report and accounts. To be published within 30 days of any revision being agreed by the Pension Committee
Review the Fund's Governance and compliance statement	Annually, as part of Fund's annual report and accounts. To be published within 30 days of any revision being agreed by the Pension Committee
Formulate, keep under review and publish policies in relation to all areas where the administering authority may exercise a discretion within the scheme	Review annually or following any material change in scheme rules amending existing discretions or introducing new ones. To be published within 30 days of any revision being agreed by the Pension Committee
Publish the Fund's Annual report and Financial Statement	By 30 September following the year-end or following the issue of the auditors opinion
Notify scheme employer of issues relating to scheme employer's unsatisfactory performance	Within 5 working days of performance issue being identified.

Function	Requirement
General administration/member data	
Provide support for scheme employers through a dedicated employer website, technical notes, forums, employer bulletins/alerts and day to day contact	Ongoing support as required
Organise and provide coaching sessions on an employer's roles and responsibilities	Upon request of scheme employers or as administering authority officers deem necessary

Function	Requirement
General administration/member data	
Notify scheme employers and scheme members of changes to the scheme rules	Update Fund website with the requisite information within 30 days of regulatory change being confirmed.
Produce annual benefit statements to active and deferred members as at 31 March each year	By 31 August following the year-end (subject to receipt of all relevant information from the scheme employer)
Produce and issue annual allowance pension saving statements each year to members who have exceeded their annual allowance	By 6 October following the end of tax year (subject to receipt of all relevant information from the scheme employer)
Publish and keep up to date all forms required for completion by scheme members or employer	10 working days from any revision
Publish and keep up to date web-based employer guides and factsheets	Within 30 days from date of change/amendment
Publish and keep up to date scheme guide and all other literature for issue to scheme members	Within 30 days from date of change/amendment
Set up new joiner and provide statutory notification to member	Within 10 working days of receipt of correct notification from a scheme employer
Process changes in employees' circumstances which may impact on pension benefits	Within 10 working days of receipt of correct notification from a scheme employer
Process transfer-in quotations	Within 10 working days of receipt of all required information
Transfer notification of credited membership/accrued pension account to be notified to the scheme member	Within 10 working days of receipt of payment
Transfer-out quotations processed	Within 3 months of date of request providing receipt of all necessary information
Transfer-out payments processed	Within 6 months of the guarantee date providing receipt of all necessary information
Determine necessary category in relation Aggregation/Interfund cases and issue notification to member of service credit and accrued pension account	Within 30 working days of receipt of all necessary information
Process divorce valuation	In accordance with overriding divorce legislation. Provide relevant CETV or CEV details within 3 months of date of request providing receipt of all

Function	Requirement
General administration/member data	
	<p>necessary information, or such shorter period as specified in a Court Order.</p> <p>Should member request divorce valuation by a set date a charge will incur.</p> <p>Issue information re implementation of a Pension Sharing Order within 21 days of receipt of Order, providing in receipt of all necessary information and no outstanding charges remain.</p>
Notify the scheme employer of any scheme member's election to pay additional pension contributions, including all required information to enable deductions to commence	Within 10 working days of receipt of election from a scheme member
Process scheme member requests to pay/amend/cease additional voluntary contributions	Within 10 working days of receipt of request from scheme member
Process deferred benefits calculations and issue notification to former scheme member	Within 30 working days of receipt of all necessary information
Process deferred benefits into payment	Within 10 working days of receipt of election and all necessary information taking into consideration the date of retirement
Process refund of pension contributions	Within 30 working days of receipt of all necessary information
Provide retirement options to members	Within 30 working days of receipt of all necessary information
Process new retirement benefits following receipt of options	Lump sum payment within 10 working days of receipt of all necessary documentation. Thereafter commence pension payment on first available monthly payroll run taking into consideration the date of retirement
Acknowledge notification of a death of a scheme member to their personal representatives/next of kin	Within 10 working days of receiving the notification
Determine recipient of a death grant	Within 30 working days of receipt of all necessary information and representations enabling a decision to be made.
Make payment of death grant	Within 30 working days of making determination regarding recipient

Function	Requirement
General administration/member data	
Provide notification of benefits payable to dependents	Within 30 working days of receiving the required information
Provide an answer or acknowledgement to scheme members/scheme employers/personal representatives/dependents and other authorised persons	Within 10 working days from receipt of enquiry
Undertake data reconciliation exercises against Fund and scheme employer payroll system	Periodically as deemed appropriate

Function	Requirement
Outsourcing/new employer admissions	
Arrange for the setting up of separate admission agreement/new scheme employers including the allocation of assets and notification to the Secretary of State	Within 30 days of all necessary information being in place
Arrange for all new prospective admitted bodies/new scheme employers to undertake, to the satisfaction of the Fund, a risk assessment of the level of bond or guarantee required in order to protect other scheme employers participating in the Fund	To be completed prior to the body being admitted timings predicated on timely submission of staff profile for submission to the Fund Actuary
Undertake ongoing review of the level of risk and/or bond requirement for existing admitted bodies	Annual review or upon material change in an employer's structure

Function	Requirement
Contributions	
Consult with scheme employers on the outcomes of the triennial valuation	As part of agreed triennial valuation action plan
Notify scheme employers of contribution requirements for the 3 years effective from April following the triennial valuation date	By 31 December following the triennial valuation date
Notify new scheme employers of their contribution requirements on joining the Fund	Within 5 working days of receiving request, or date confirmed by Fund actuary if later

Function	Requirement
Carry out termination valuations on admitted bodies or scheme employers ceasing participation in the Fund	Immediately following notification of exiting scheme employer
Provision of IAS/FRS reports requested by scheme employers	Within agreed timescales following receipt of request from scheme employer.

Scheme employer

This section outlines the role and responsibilities of all scheme employers in the Fund and the performance standards they are expected to meet, to enable the administering authority to deliver an efficient, quality and value for money service.

The Scheme employer must maintain employment records for each member for the purposes of determining membership and entitlement to benefits (this will need to include full-service history for the period of LGPS membership held under the employment, as well as any gaps in service and whether these were repaid).

The employer must keep a full pay history for the 13 years, ending 31 March, before the member leaves the Scheme.

Function	Requirement
Governance	
Designate a named individual to act as the primary employer contact, who is the main contact with regard to any aspect of administering the LGPS and confirm to the administering authority.	Within 10 working days of becoming a scheme employer or within one month of the change in officer role.
Appoint person for stage 1 of the pension dispute process (IDRP) and provide full up to date contact details to the Fund	Within 10 working days of becoming a scheme employer or following the resignation of the current adjudicator
Notify the administering authority that the stage 1 decision has been issued and provide a copy of the determination	Within 10 working days of making the determination.
Appoint an independent registered medical practitioner qualified in occupational health medicine or arrange contract with third party, in order to consider all ill health retirements applications and agree appointment with administering authority	Within 90 working days of commencing participation in the scheme or date of resignation of existing medical officer
Formulate, publish and keep under review policies in relation to all areas where the employer may exercise discretion within the LGPS	A copy of the policy document is to be submitted to the administering authority within one month of a change in policy
Distribute any information provided by the administering authority to scheme members/potential scheme members (e.g. financial information or generic news alerts)	In a timely manner as required

Function	Requirement
General administration/member data	
Determine eligibility for LGPS membership – including the date membership starts.	At the date of employee commencing employment or, if different, the date employee becomes eligible for LGPS membership.
Determine elements of pay to be treated as pensionable for the purposes of the LGPS	At the date of employee commencing employment or, if different, the date employee becomes eligible for LGPS membership.
Notify the administering authority of new joiners via monthly submission.	Notifications must be included on the monthly data submission for the month that the member joined, or the month after if this is not possible
Provide monthly return to administering authority providing a breakdown of employee of contribution, CARE/FTE pay and service related data	Within the same timescales as the remittance of employer and employee contributions
To provide annual year end return to administering authority	Completed and validated return to be submitted no later than 30 April following year end
To action requests for data reconciliations of member records	To fully answer data reconciliations/member queries from the Fund within 15 working days of receipt of data
Direct all eligible new employees to the member guide to the pension scheme on the Fund website	At date of employee appointment
Provide confirmation of any change in a scheme member's circumstances that might impact their LGPS entitlements (e.g. move into or out of the 50/50 scheme, family related leave, etc.)	Within 30 working days of the event or receipt of information
Notify the administering authority of early leaver/opt over three months for member's entitled to a refund or deferred benefit.	As early as possible and no later than 1 month before date of retirement
Confirm actual leaving data for an opted-out member	Notifications must be included on the monthly data submission for the month that the member left, or the month after if this is not possible
Notify the administering authority when a member leaves with immediate entitlement to benefits (normal, late, ill health or flexible retirement) and issue retirement option form to the employee.	As early as possible and no later than 1 month before date of retirement
Notify the administering authority of the death of an employee and provide next of kin details.	Within 3 working days of knowledge of the death of the employee

Function	Requirement
General administration/member data	
To determine based on medical opinion and advice whether an ill health award is to be made and determine where relevant which tier 1,2 or 3. Arrange for the completion of the appropriate forms and provision of IRMP certificate where ill health retirement is to be awarded.	No later than 30 days prior to the date of retirement.
To submit request for estimates for forthcoming retirement.	No later than 3 months before retirement, where known, for individual requests With timescale agreed with scheme employer where requests for 15 or more estimates requested as part of a bulk exercise

Function	Requirement
Outsourcing/new employer admissions	
Notify the administering authority where an outsourcing of services which will involve a TUPE transfer of staff to another organisation is anticipated so that information can be provided to assist in the decision	At the point of deciding to tender
Notify the administering authority of lead decision making and operational officers in circumstances where a prospective new employer or admitted body may request to join the Fund as a result of re-organisation or TUPE transfer	At commencement of business review project
Work with administering authority officers to arrange for an admission agreement to be established	A minimum of 90 days in advance of the date of contract
Notify the administering authority if the scheme employer ceases to admit new scheme members or is considering terminating membership of the Fund	As soon as decision is agreed

Function	Requirement
Contributions	
Ensure correct employee contribution rate to be applied each scheme year in line with the appropriate contribution banding table	Immediately upon commencing scheme membership, reviewed as per policy on adjusting employee contribution rates or start of a new scheme year.

Function	Requirement
Contributions	
Strain on the Fund payments – ensure that where applicable additional fund payments are paid to the Fund (for e.g. redundancy / flexible retirement).	Within 30 days of receipt of invoice from the administering authority
Remit employer and employee contributions to the Fund.	By 22nd of the month following deduction of payroll
Implement changes to employer contribution rates as instructed by the administering authority at the date specified by the Fund Actuary.	In line with the Rates Adjustment Certificate as per the triennial valuation
Ensure and arrange for the correct deduction of employee contributions from a member's pensionable pay including any period of child related leave, trade dispute or other forms of leave of absence from duty	In accordance with payroll cycle
Manage the deduction of all additional contributions or amend such deductions, as appropriate	In accordance with payroll cycle
Arrange for the deduction of AVCs and payment over of contributions to the AVC provider(s) and inform the administering authority as required	In accordance with payroll cycle
Refund any employee contributions when employees opt out of the pension scheme within 3 months and submit notification to the administering authority	As part of the next available payroll following receipt of the election to opt-out
Payments in respect of all work carried out on behalf of the scheme employer by the Fund's Actuary and connected data quality assurance undertaken by the Fund's Administration Team	To be paid within 30 days of the invoice from the Fund

Appendices

1. Roles and Responsibilities

Administering authority

The key responsibilities of the administering authority are summarised below:

To appoint an actuary for the purposes of the triennial valuation of the Fund and to provide periodical actuarial advice when required.

To appoint an Additional Voluntary Contributions provider

Ensure that, where required, employer admission agreements with the administering authority are in place

To comply with any orders or instructions issued by The Pensions Regulator or the Pensions Ombudsman.
Where the order or instruction requires financial compensation or a fine to be paid from the Fund, or by any officer responsible for it, and it is due to the default, omission or otherwise negligent act of the employer, the sum concerned shall be recharged to the employer

To issue forms, newsletters, booklets and such other materials as are necessary in the administration of the scheme, for scheme members and for use by scheme employers.

To provide accurate, timely data to the Fund actuary for the purposes of the triennial actuarial valuation of the Fund and for scheme employer accounting reports requested (e.g. IAS19/FRS102 reports).

To provide assistance to scheme employers in regard to the pension implications of outsourcing services and to deal with any related bulk transfers of pension rights.

To comply with HMRC reporting requirements regarding pension benefits.

To ensure that sufficient information is issued in the form of newsletters, booklets and other materials to satisfy the requirements of the Occupational Pension Schemes (Disclosure of Information) Regulations 1996.

To ensure that steps are taken at all times to pay benefits to appropriate beneficiaries only and to reduce the possibility of fraud.

To ensure compliance with the (UK/EU) General Data Protection Regulation legislation including use of appropriate secure data transfer methods.

Scheme employer

The key responsibilities of a scheme employer are summarised below:

To maintain employment records for each scheme member for the purposes of determining membership and entitlement to pension benefits.

To determine a scheme member's pay (or fees) for the purpose of pension contributions and to determine final pay (if required both final salary and CARE regulation definitions) for the purposes of calculating benefits due from the scheme

To determine annually a scheme member's contribution rate on the basis of the scheme member's rate of pensionable pay having regard to guidance issued.

To collect, make payment and account for the deduction of the correct rate of monthly pension contributions payable by both the scheme members and the employer.

- To appoint a person designated to receive appeals from employees on 'first instance decisions' under the LGPS Regulations
- To notify, in writing, every person whose rights or liabilities are affected by a 'first instance decision' made by the employer under the Regulations
- To ensure all information is provided as required regarding a scheme members' employment, using electronic transfer of data where at all possible (especially for bulk exercises) and agreed with the administering authority. Data provided should comply with the General Data Protection Regulations and secure transfer methods used.
- To use an independent Medical Officer qualified in Occupational Health Medicine, (who has been approved by the administering authority), in determining ill-health retirement and provide the administering authority with a relevant certificate where appropriate.
- To provide additional information as required for actuarial valuation, monthly data transfer, data matching or communication purposes. The specification for such exercises will be provided by the administering authority and may, after consultation, be modified from time to time.
- To provide prospective scheme members with basic information about the scheme using, where appropriate, material provided by the administering authority.
- To ensure those not joining the scheme are fully aware of the benefits given up and that equalities principles are met.
- To pay the administering authority, by lump sum and within prescribed time limits, any amounts arising as a result of the scheme employer's decision to increase annual pension under the Regulations.
- To pay the administering authority, by lump sum payment and within prescribed time limits, any strain cost arising from a decision made by the scheme employer to award early payment of benefits.
- To ensure the administering authority is informed about, and Government guidance is followed in respect of, any transfer of members in respect of an outsourcing of service arrangement, and any subsequent changes to that arrangement which would impact on those members.
- To inform the administering authority of any planned changes to their pension provision for employees, including whether the scheme is open to new employees, bulk transfers of employments or any redundancy exercises as soon as known.
- To provide details of officers (specifically the primary employer contact) or representatives who are to receive employer communications issued by the administering authority and keep these up to date as necessary. Details should be kept up to date as necessary.



LONDON BOROUGH OF LEWISHAM PENSION FUND Data improvement Plan

Pensions Dashboards will make a real difference to how people view their pensions savings, and how pension providers and schemes engage with their members and customers. Pensions Dashboard will go live in October 2026. Dashboards and Government, the regulators and industry will work together to make this a success.

In preparation for Lewisham Pension Fund readiness, we have secured data assessment tools which will enable the team to start data cleansing in order that our data is ready for the go live.

It is imperative that data cleansing is undertaken as all enquiries in relation to pension dashboard must be responded to in 10 working days. This will add another layer of pressure to an already busy section with complex calculations.

We will also advertise all the current vacancies to ensure that we are fully staffed before October 2026.

The data to be cleansed is as follows:

- Out of date addresses (change of address)
- Gone aways (no address)
- Deceased count (the deaths we have not been informed about)
- Missing contact details (post codes, mobile numbers, email addresses)
- Temporary NI numbers
- Errors from Annual Benefit Statements
- Errors from Pensions Increase reports
- Errors from CARE Revaluation reports

Next Steps:

- Meeting set up with our suppliers
- Staff to be trained in using the new tools
- Develop the project plan



LONDON BOROUGH OF LEWISHAM PENSION FUND Reporting and Monitoring Late Payments Policy

Reporting and Monitoring Late Payments Policy

1. Overview of Code 6 - The Code of Practice

- 1.1. This code and supporting guidance sets out how managers of personal pension schemes should meet their obligations and duties to:
 - monitor the payment of contributions to be paid under direct payment arrangements
 - provide the necessary information to enable members to check contributions, and
 - report material payment failures to the regulator and to members within a reasonable period.
- 1.2. The code and supporting guidance are not intended to prescribe the process for every scenario, they do however provide principles, examples and benchmarks against which managers can consider whether or not they are reasonably complying with and have understood their duties and obligations.
- 1.3. To support increased engagement with members, managers should provide payment information that will enable the member to understand what has been paid to the scheme and by whom, and to identify whether contributions that fall to be paid to the scheme under the direct payment arrangement have been received by the scheme. This will enable members to take steps to resolve any payment problems with the employer at the earliest opportunity.
- 1.4. Managers running personal pension schemes should ensure they have in place commercially viable, proportionate and risk-based processes which enable identification of material payment failures, through effective monitoring of contributions that fall to be paid under direct payment arrangements. Where payment failures have been identified they should also take steps to resolve the failure and any disputes that arise about contributions.
- 1.5. The term 'payment failure' refers to a contribution payable under the direct payment arrangements which has not been paid in full on or before its due date. The term 'material payment failure' refers to a payment failure which is likely to be of material significance to the regulator in the exercise of its functions.

2. Monitoring contributions

Administration - To explain how managers will have access to information such as:

- *what contributions are due to be paid by the employer and on behalf of the member*
- *the pensionable pay that contributions are based upon (where this is the case), and*
- *the due date for payment of contributions*

- 2.1. Lewisham Council and some Non-SLA Schools – Pensions use an interface called I Connect. This transfers data extracted from payroll and writes it back to the pensions database, Altair, on individual member records. I Connect provides various reports containing information relating to monthly and cumulative pensionable pay, employee

contributions and employer contributions. The file which holds the extracted data from payroll is held on SharePoint which all Pensions staff have access to.

- 2.2. Admitted and Scheduled Bodies and Non-SLA Schools – Employers who run their own payroll provide monthly returns in the form of a spreadsheet providing:
 - monthly and cumulative pensionable pay for the main section
 - monthly and cumulative pensionable pay for the 50:50 section
 - employee contributions
 - employer contributions
 - Details of any payments made in respect of an APC
 - Details of any refunds issued through payroll
- 2.3. The returns are held on SharePoint which all Pensions staff have access to.
- 2.4. Lewisham Pension Fund requires all contributions are received by the 19th day of the month following the payroll period.

3. Scheme set up

Administration: - To include details of setting up the scheme correctly, understanding the documentation that details the contributions due to be paid, and putting in place processes to facilitate the transparent movement of payment information between the employer, managers and member, will enable the effective monitoring of contributions

- 3.1. All member contributions are deducted directly from their salary. Employer contributions are a percentage of a members pensionable pay and are calculated during the payroll process. Managers have read only access to payroll and can look up contribution data on individual payroll records.
- 3.2. Lewisham Council – The pension team use I Connect interface which transfers payroll data between payroll and pensions.
- 3.3. Admitted and Scheduled Bodies and Non-SLA Schools – The pensions team provides the return template to all employers. This contains the employer contribution rate due and the bandings for employee contributions. Notes accompany the spreadsheet to enable employers to understand what information they should provide. The completed spreadsheet is sent to pensions each month by email.

4. Monitoring the payment of contributions

Administration: - To include processes that are in place to meet the duty to monitor the payment of contributions into the scheme so that they can identify underpayments or overpayments as well as non-payments.

- 4.1. Lewisham Council – payments that are received into the pension bank account are reconciled on a monthly basis to the pension returns submitted by the Admitted and Scheduled Bodies and Non-SLA Schools.
- 4.2. Admitted and Scheduled Bodies and Non-SLA Schools – A finance spreadsheet has been created to monitor the payment of all pension contributions into the scheme.

The first section details the date the monthly spreadsheet was received by the pensions team and the amount of employee and employer contributions due.

- 4.3. The second section details when payment was received in the pension fund bank account and the amount paid. On completion of the first and section sections, the third section automatically populates information detailing if the monthly return and payment was received on time or, if late, how many days it was late. It also provides the amount of any variances between the amount due, and the amount paid.

5. Taking action to resolve overdue contributions

Administration and Investment: - To include a process of action to be taken where a payment failure occurs and how managers should contact the employer promptly to alert them to the failure and to seek to resolve the overdue payment. Where reasonable, managers should try to find out and record the causes and circumstances of the payment failure.

- 5.1. Admitted and Scheduled Bodies and Non-SLA Schools – The Investment team reconcile the payments that we have received into the pension bank account to the pension returns each month. Any variances or late payments to be queried with the employer by the Investment Team by email, copying in the Pensions Team and making comments on the spreadsheet. Pensions Team to action any responses from the Employer where this requires member records to be updated.
- 5.2. In cases of no response a chase email to be sent by the Investment Team after one month and then a second chaser the following month. If still no response refer case to the Pensions Manager who will contact the Employer by telephone.

If a return has not been sent or incorrect information provided the Administration team will contact the employer to chase them for the missing return or to provide the correct data.

6. Providing information to members

Administration - To explain how to provide a significant amount of information to the member both at the start of membership and on an ongoing basis while membership continues. This includes providing the member with the terms and conditions of the scheme and certain key pieces of information, such as the value of any contributions payable by the member

- 6.1. Each member is sent a Statutory Notification on joining the LGPS. This includes details of the date of joining the scheme, job title, hours worked and contribution rate. It provides an explanation of pensionable pay and links to forms they need to complete such as a New Starter form and A Death Grant Expression of Wish form. It also provides our website address and a link to our secure online portal MSS. Right of appeal information is also provided as well as our privacy notice.
- 6.2. Contribution rates are also detailed on the members payslip (Lewisham) which informs them of any changes to their contribution rate.

- 6.3. Annual benefit statements (ABS) are sent to all active members and deferred members. This provides an estimate of pension benefits as at the 31st March and also a projection to NPA. Notes accompany the ABS explaining how pension benefits are calculated and details of any regulation changes.
- 6.4. Newsletters are sent to members to inform them of regulation changes as and when required.

7. Reporting material payment failures

Investment - To explain how the material payment failures are reported to the regulator and members within a reasonable period. To include a definition of a material payment failure.

- 7.1. Once a material late payment is overdue by more than six months it will be reported to the Pension Regulator withing six weeks of the end of the six month period.
- 7.2. A material payment is a payment that is more than 50% of the month's normal pension contribution.
- 7.3. The Pension Regulator will be advised by email, see note 11.

8. Material payment failures that need reporting

Investment and Administration - To include circumstances when managers must report material payment failures to the regulator and members within a reasonable period of a material payment failure arising after the due date.

- 8.1. If no payments have been received from an Admitted or Scheduled Bodies or Non-SLA Schools for six months the case will be referred to the Director of Finance.
- 8.2. A material payment is a payment that is more than 50% of the month's normal pension contribution.
- 8.3. If a material payment is over six months overdue then this will be reported to the pension regulator, the employer and the employees.

9. Reasonable period for reporting to the regulator

Investment and Administration - To include a reasonable period for reporting to the managers having reasonable cause to believe that a material payment failure exists.

- 9.1. Once a material late payment is overdue by more than six months it will be reported to the Pension Regulator withing six weeks of the end of the six month period.

10. Reasonable period for reporting to members

Administration - To include that if managers have reasonable cause to believe that a material payment failure exists they should report to members within 30 days of having reported to the regulator.

- 10.1. Once a material late payment is overdue by more than six months it will be reported to the members withing six weeks of the end of the six month period.

11. Method of reporting to the regulator

Investment - Set up the regulator standard reporting for material payment failures in terms of content, format and channel and managers should refer to separate guidance for more details including the data standards which managers should comply with.

- 11.1. Any breaches should be reported to the Pension Regulator by email.
- 11.2. Contact details are listed below:

Website: www.thepensionsregulator.gov.uk
Phone: 0345 600 2475 Monday to Friday – 8am to 6pm
Email: cande@autoenrol.tpr.gov.uk
Post: The Pensions Regulator
PO Box 342
Runcorn

APPENDIX

Lewisham Pension Board - Work Programme – December 2023

	OPERATIONAL	Officer leading	Qtr 4 Dec 2023	Qtr 1 March 2024	Qtr 2 June 2024	Qtr 3 Sept 2024
1	Audited Pension Fund Statement of Accounts	TM	X			
2	Pension Fund Annual Report (must be published by 1 December): Includes: <ul style="list-style-type: none"> • Administration update (including KPI monitoring) • Final Statement of Accounts • Pension Board Annual Report • Governance Compliance Statement 	TM	X			
3	Monitoring of Investment Performance: <i>see Hymans Robertson Performance Reports reported to PIC</i>	TM	X	X	X	X
4	Progress Reports on the Arrangements for Pooling	TM		X		X
5	Risk Register	TM/SA	X		X	
6	Data improvement plan update including the pension dashboard	SA	X	X	X	X

	STRATEGIC Policies, where available, can be found at the following site: https://www.lewishampensions.org/resources/	Officer leading	Qtr 4 Dec 2023	Qtr 1 March 2024	Qtr 2 June 2024	Qtr 3 Sept 2024
7	Policy for Reporting Late Payment of Contributions	SA/TM	X			
8	Terms of Reference and Membership of the Board Should be reviewed at least annually, and then published on the website	TM			X	
9	Administration Strategy <i>(To be created)</i>	SA	X			
10	Annual Business Plan	TM			X	

Agenda Item 9

PENSION BOARD			
REPORT TITLE	Pensions Board – Dates of Future Meetings		
KEY DECISION	No	Item No:	
WARD	N/A		
CONTRIBUTORS	Chris Flower – Treasury and Investment Manager		
CLASS	Part 1	Date:	25 September 2023

1. Dates of Future Meetings

13 December 2023

11 March 2024

18 June 2024



Pension Board

Exclusion of the Press and Public

Date: 15 December 2023

Key decision: No

Class: Part 1

Ward(s) affected: All

Contributors: Treasury and Investment Manager/ Director of Finance

Outline and recommendations

Members are asked to note items that will be considered in closed session

Recommendation

It is recommended that under Section 100(A)(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraphs 3, 4 and 5 of Part 1 of Schedule 12(A) of the Act, as amended by the Local Authorities (Executive Arrangements) (Access to Information) (Amendments) (England) Regulations 2006:-

Item 11. General Update – Part Two

Agenda Item 11

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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