

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 £1.655bn. The Fund value of the fund decreased due to the changes in global markets mainly caused by the war in Ukraine.

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 teachers 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

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 | (4,116) | (3,867) | 7 |
| Sub-Total: Net (Additions)/ Withdrawals including fund management expenses | (8,046) | (11,036) | |
| <u>RETURNS ON INVESTMENTS</u> | | | |
| Investment Income | 18,156 | 18,776 | 9 |
| Change in market value of investments (Realised & Unrealised) | (105,215) | 125,203 | 14b |
| Taxes on Income | (193) | (9) | |
| Total Net Returns on Investments | (87,252) | 143,970 | |
| NET INCREASE / (DECREASE) IN THE FUND DURING YEAR | (95,298) | 123,934 | |
| OPENING NET ASSETS OF THE FUND | 1,750,283 | 1,617,349 | |
| CLOSING NET ASSETS OF THE FUND | 1,654,985 | 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 | 120,409 | 147,265 | 10 - 14 |
| Equity Unit Trust | 870,160 | 832,033 | 10 - 14 |
| Fixed Income Unit Trust | 249,606 | 212,999 | 10 - 14 |
| Index Linked | 0 | 112,882 | 10 - 14 |
| Venture capital | 277,373 | 172,834 | 10 - 14 |
| Hedge Funds | 76,617 | 71,610 | 10 - 14 |
| Total Investment Funds | 1,594,165 | 1,657,385 | |
| Cash Held with Custodian | 58,448 | 92,992 | 18 |
| Other Investment Balances | 241 | 42 | 17a |
| TOTAL INVESTMENTS | 1,652,854 | 1,750,419 | |
| Current Assets | 4,943 | 2,100 | 17b |
| Current Liabilities | (2,812) | (2,236) | 17b |
| TOTAL NET ASSETS | 1,654,985 | 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).

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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 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 £14,600 | 5.50% | 2.75% |
| £14,601 to £22,800 | 5.80% | 2.90% |
| £22,801 to £37,100 | 6.50% | 3.25% |
| £37,101 to £46,900 | 6.80% | 3.40% |
| £46,901 to £65,600 | 8.50% | 4.25% |
| £65,601 to £93,000 | 9.90% | 4.95% |
| £93,001 to £109,500 | 10.50% | 5.25% |

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| | | |
|----------------------|--------|-------|
| £109,501 to £164,200 | 11.40% | 5.70% |
| More than £164,201 | 12.50% | 6.25% |

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 2021 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.

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- (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.
- (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*) | 3.0 | 2.3 |
| Pay Increases | 3.7 | 3.0 |
| Benefit Increase | 2.7 | 2.3 |
| CARE Revaluation | 10.1 | 2.3 |

* 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%.

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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).

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 in the discount rate assumption is estimated to 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 £9.2m, on a fair value of £120m. |
| 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 £277.4m. 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 £277.4m. |

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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 | (627) | (554) |
| | (39,740) | (37,341) |
| Employee Contributions | | |
| Administering Authority | (9,940) | (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 | (37,963) | (35,548) |
| Early Retirement Strain | (1,607) | (1,623) |
| Deficit Funding | (170) | (170) |
| | (39,740) | (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 |

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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 | 861 | 1,161 |
| Oversight and Governance Expenses | 525 | 420 |
| <u>Investment Management Expenses:</u> | | |
| - Transaction Costs | 535 | 220 |
| - Management Fees | 2,054 | 1,954 |
| - Performance Fees | 0 | 0 |
| - Custody Fees | 140 | 112 |
| | 4,116 | 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 |
| | 8,474 | 7,572 |
| Venture Capital | 3,006 | 6,324 |
| | 18,156 | 18,776 |

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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 | 271,628 | 16.4 | 0 |
| Blackrock | Fixed Income Unit Trust | 249,606 | 15.1 | 368,683 |
| Schroders Property | Property | 131,970 | 8.0 | 153,961 |
| HarbourVest | Venture Capital | 99,393 | 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 | 0.2 | (136) |
| Total Fund Assets | | 1,654,985 | 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) | (14,883) | 0 |
| Equities | 107,822 | 145,362 | (181,831) | | (71,353) | 0 |
| Fixed Income Unit Trust | 212,999 | 0 | (174) | 97,940 | (61,159) | 249,606 |
| Equity unit trust | 832,033 | 82,467 | (86,434) | | 42,094 | 870,160 |
| Hedge fund | 71,610 | 77 | (2,396) | | 7,326 | 76,617 |
| Pooled property Investments | 147,265 | 6,142 | (9,450) | | (23,548) | 120,409 |
| Venture capital | 172,834 | 124,617 | (33,499) | | 13,421 | 277,373 |
| | 1,657,385 | 358,665 | (313,784) | | (108,101) | 1,594,165 |
| Derivative contracts: | | | | | | |
| Forward currency contracts | 0 | 0 | (0) | | 0 | 0 |
| Sub-total | 1,657,385 | 542,846 | (497,964) | 0 | (108,101) | 1,594,165 |
| 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 | | | | (105,215) | 1,654,985 |

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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 | 76,391 | 85,405 | 67,377 |
| UK Venture Capital | 11.8 | 200,982 | 224,698 | 177,266 |
| Total | | 353,990 | 391,164 | 316,816 |

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 | 967,024 | 152,742 | 76,617 | 1,196,383 |
| Pooled Property Investments | 2,823 | 117,586 | 0 | 120,409 |
| Venture Capital | 0 | 0 | 277,373 | 277,373 |
| Cash deposits | 58,448 | 0 | 0 | 58,448 |
| Other investment assets | 4,943 | 0 | 0 | 4,943 |
| Investment income due | 210 | 31 | | 241 |
| Financial liabilities at fair value through profit and loss | | | | |
| Other investment liabilities | (2,812) | 0 | 0 | (2,812) |
| | | | | |
| Net financial assets | 1,030,636 | 270,359 | 353,990 | 1,654,985 |

Pension Fund Accounts

| 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 | 112,822 | 0 | 112,822 |
| Equities | 107,822 | 0 | 0 | 107,822 |
| Pooled investments | 1,045,032 | 0 | 71,610 | 1,116,642 |
| Pooled Property Investments | 1,391 | 145,874 | 0 | 147,265 |
| Private Equity | 0 | 0 | 172,834 | 172,834 |
| 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 | 1,247,143 | 258,696 | 244,444 | 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 | 117,145 | 0 | 9,341 | (10,933) | 26,810 | 6,305 | 148,668 |
| UK Venture Capital | 55,689 | 0 | 115,276 | (22,566) | (19,694) | 0 | 128,705 |
| Total | 244,444 | 0 | 124,694 | (35,895) | 14,319 | 6,428 | 353,990 |

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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 | 249,606 | | |
| 832,033 | | | Equity Unit Trust | 870,160 | | |
| 71,610 | | | Hedge Funds | 76,617 | | |
| 147,265 | | | Pooled property Investments | 120,409 | | |
| 172,833 | | | Venture Capital | 277,373 | | |
| 0 | 92,992 | | Cash deposits | 0 | 58,448 | |
| 0 | 42 | | Other investment balances | 0 | 241 | |
| 0 | 2,100 | | Debtors | 0 | 4,943 | |
| 1,657,385 | 95,134 | 0 | | 1,594,165 | 63,632 | 0 |
| | | | Financial liabilities | | | |
| | | (2,236) | Creditors | | | (2,812) |
| | | | Other Current Liabilities | | | |
| 0 | 0 | (2,236) | | 0 | 0 | (2,812) |
| 1,657,385 | 95,134 | (2,236) | Total | 1,594,165 | 63,632 | (2,812) |
| | 1,750,283 | | Grand Total | | 1,654,985 | |

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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 | (108,101) | 127,342 |
| Loans and receivables | 3,154 | |
| Assets at Amortised Cost | | |
| Financial Liabilities | | |
| Fair value through profit and loss | 0 | 11 |
| Liabilities at Amortised Cost | (268) | (3,135) |
| | (105,215) | 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 | 1.2 |
| 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 | 249,606 | 13.0 | 282,055 | 217,157 |
| Equity unit trusts | 870,160 | 12.8 | 981,540 | 758,780 |
| Hedge funds | 76,618 | 5.8 | 81,061 | 72,173 |
| Pooled property Investments | 120,409 | 7.7 | 129,681 | 111,138 |
| Venture Capital | 277,373 | 11.8 | 310,103 | 244,643 |
| Other funds | 2,371 | 1.2 | 3,400 | 3,343 |
| Total assets * ** | 1,654,985 | | 1,845,288 | 1,464,682 |

* 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 | 123,135 | 102,510 |
| 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 | 152,905 | 141,624 |
| Venture Capital | 172,833 | 5.8 | 182,858 | 162,858 |
| Other funds | (94) | 2.8 | (97) | (92) |
| | | | | |
| Total Assets | 1,617,349 | | 1,948,784 | 1,551,782 |

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 | 96,958 | 8.8 | 105,490 | 88,425 |
| Overseas Equity Funds | 365,240 | 8.8 | 397,382 | 333,100 |
| Overseas Hedge Funds | 76,617 | 8.8 | 83,360 | 69,875 |
| Overseas Venture Capital | 76,391 | 8.8 | 83,113 | 69,669 |
| Total | 615,206 | 8.8 | 669,345 | 561,069 |

| 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 |

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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 2022 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 | 825 | 657 |
| Prepayments | 150 | 0 |
| Cash in Hand | 3,912 | 1,386 |
| | 4,943 | 2,100 |

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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 | (2,280) | (1,496) |
| | (2,812) | (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 | 0.359 | 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 | 105,524 |

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.

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| | 31/03/2023 | 31/03/2022 |
|---|------------|------------|
| | £m | £m |
| Present value of promised retirement benefits | (1,511) | (2,274) |
| Fair Value of Scheme Assets | 1,370 | 1,654 |
| Net Liability | (141) | (620) |

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 | 21.0 | 24.1 |
| Future Pensioners | 22.1 | 25.5 |

Financial assumptions

| | 31/03/2023 (%) | 31/03/2022 (%) |
|-------------------|----------------|----------------|
| Discount Rate | 4.8 | 2.7 |
| Salary Increases | 4.0 | 3.9 |
| Pension Increases | 3.0 | 3.2 |

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 |

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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 | | 411,613 | 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.

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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 | 24 | 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 |
| 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 |
| CGL |
| NSL Ltd (formerly known as National Car Parks Ltd) |
| City West Services |
| Housing 21 |
| Zing |
| Braybourne FS Ltd (Knights) |
| Lewisham Music |
| Change Grow Live / CIS / Penrose |
| Comm Support - 3 C's |
| 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 | 11,139 | 11,493 | 8,524 | 8,339 |