Pension Investment Committee			
REPORT TITLE	**Lewisham Pension Scheme – 2015/16 Update**		
KEY DECISION	No	**Item No:**	
WARD	N/A		
CONTRIBUTORS	Head of Corporate Resources		
CLASS	Part 1	**Date:**	11 June 2015

1. PURPOSE

1.1. This paper provides members with a summary of the current position of the Lewisham Pension Fund and a look ahead for the financial year 2015/16.

2. RECOMMENDATIONS

2.1. Members are asked to note this report.

3. BACKGROUND

3.1. The Lewisham Local Government Pension Scheme (LGPS) has just over £1,000m of investments serving approximately 23,000 members, of whom around 7,000 are active contributing members. The remaining being deferred or retired members. The fund is maturing.

3.2. In 2012 following a period of poor performance the fund switched from being largely actively managed to a majority passive strategy. The passive strategy and the appointed mandates have not been changed. This is consistent with the longer term planning required (typically 20 years) for pension funds.

3.3. At the last valuation the fund was 71.4% funded. This is a relatively weak position and is the underlying reason why the passive investment strategy is so heavily weighted to equities, a more risky asset class. The position also underlines the duty for pension fund investments to be based on return.

4. CURRENT CONSIDERATIONS

4.1. The national debate about whether 89 LGPS is appropriate continues. London is setting up the Collective Investment Vehicle (CIV) and Lewisham is a member. Some LGPS are sub-contracting their administration to other larger funds to secure cost effective expertise and advice and contain fees.

4.2. While the LGPS remains a defined benefit scheme, in 2014 it switched from being a final salary scheme to a career average scheme. The intention of this change was to better link contributions to benefits and make the LGPS more sustainable. Nationally, auto-enrolment for work based pension schemes was also introduced.

4.3. With the introduction of new regulations in 2015, the Council is in the process of establishing the new Pension Board. This will review compliance with the regulations and good practice of both the investment and administration business of managing the fund, reporting to Council.

4.4. In 2015 the Pension Investment Committee (PIC) agreed to re-invest in the Habourvest 'fund of fund' alternative portfolio as previous funds matured. The PIC were also briefed by M&G that the corporate bond mandate is now maturing, returning cash and, given market conditions, there is no equivalent replacement.

4.5. Fund managers presenting to the PIC have independently made reference to the growth in more social, ethical and infrastructure products. It is not clear whether this is in response to potential returns or in response to continuing interest in these issues from LGPS.

4.6. Recently, given the weighting to equities in the fund, the PIC has been investigating 'smart beta' options for some of the equities portfolio. These rules based tracking funds aim to ensure equity investments are better aligned to value and to smooth some of the swings equity markets are prone to.

4.7. The next valuation of the fund will be undertaken at 31 March 2016 with any changes to contribution rates taking effect from April 2017. The valuation will assess the impact of auto-enrolment, move to career average, and pace of maturing of the fund (impact of austerity cuts).

4.8. Unless the fund's advisers believe that the direction of travel in global markets (arising from issues such as: low inflation and growth; over heated equity markets; liquidity constraints; impact of end of quantitative easing; and political uncertainties) requires action sooner, the timing of the next valuation will also provide an opportunity to revisit the fund's investment strategy for the next three years.

5. LEGAL IMPLICATIONS

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

6. FINANCIAL IMPLICATIONS

6.1. There are no financial implications arising from this report.

7. CRIME AND DISORDER IMPLICATIONS

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

8. EQUALITIES IMPLICATIONS

8.1. The Equality Act 2010 became law in October 2010. The Act aims to streamline all previous anti-discrimination laws within a Single Act. The new public sector Equality Duty, which is part of the Equality Act 2010, came into effect on the 5 April 2011.

8.2. The Council's Comprehensive Equality Scheme for 2012-16 provides an overarching framework and focus for the Council's work on equalities and helps ensure compliance with the Equality Act 2010. No direct equalities implications have been identified, in terms of adverse impact, with respect to the Council's obligations under the Equality Act 2010.

9. ENVIRONMENTAL IMPLICATIONS

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

10. BACKGROUND DOCUMENTS

10.1. None

For further information on this report please contact:

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