
London Borough of Lewisham Pension Fund

2023/24 Annual Report

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Appendix A - 2023/24 Pension Fund Statement of Accounts

1. FOREWORD BY THE ACTING EXECUTIVE DIRECTOR OF CORPORATE RESOURCES

- 1.1. Welcome to the 2023/24 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 Council is the Administering authority for the Lewisham Pension Fund. It is responsible for effectively managing the Fund and does this through the Pension Investment Committee (PIC). PIC oversees the work of officers to ensure the administration and investment activities of the Fund are managed in compliance with the law and applicable regulations. The work of the PIC is also supported by the Pension Board with the terms of reference for both set out in the Council's constitution.
- 1.3. The overriding objective of the Fund is to ensure 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 to their dependents where relevant.
- 1.4. 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. 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.
- 1.5. 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.
- 1.6. I am pleased to report that the Fund has achieved positive results over the past year, increasing its value by £190m (11%), from £1.652bn to £1.842bn for its members. However, this growth has occurred as the Membership of the Fund continues to mature and amidst a prolonged period of higher inflation, both of which increase the Fund's liabilities. I remain positive that the Fund will continue to manage these risks to achieve a 100% or better funded position in the medium term.
- 1.7. 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, in line with the changed risk profile from the improved funding position, by reducing exposure to growth funds (equities) and moving the Fund's allocation to growth into funds such as the Passive Equity Progressive Paris Aligned Fund (PEPPA) with the London Collective Investment Vehicle (LCIV) and into Storebrand Global Plus Fund. With the monies moved into income mandates the Fund has also focused on low-carbon options, for example with investment into the LCIV Renewable Infrastructure Fund.

- 1.8. Lewisham continues to work with the LCIV to increase the proportion of its assets that are pooled, in line with Government expectations for Funds to pool. The Fund has also committed to the LCIV Private Debt Fund. Overall the total value of investment in pooled funds was £1.0bn at 31 March 2024 – representing 54% of the Fund by value.
- 1.9. 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 next triennial valuation will take place as at 31 March 2025.
- 1.10. The PIC and officers continue to work hard to navigate the Fund through a number of administration and investment challenges. On the administration side, with the continued pressures around local government finances and the prospect of fewer members making contributions in the future, the Fund may have to take more risk to meet its liabilities. On the investment side, in addition to the climate crisis, global markets are responding to a range of uncertainties. These include the challenges of managing elevated levels of debt, demographic changes, and attitudes to trade in the world's major economies; developments in technology impacting the world of work; and instability in the Middle East, Sudan and Europe.
- 1.11. During the year the PIC agreed a Climate Transition and Net Zero Policy which continues to move along the pathway to more low carbon investments and to meet its climate objectives. The focus for 2024/25, in light of the number of live and seemingly more entrenched conflict zones in the world currently, is to revisit the Fund's Statement of Investment Beliefs. This will help ensure that, subject to the fiduciary duty, the Fund continues to be managed effectively for its Members now and into the future.

David Austin
Executive Director of Corporate Resources (S151 Officer)

2. FOREWORD BY THE CHAIR OF THE PENSIONS INVESTMENT COMMITTEE

- 2.1. I am pleased to present the Annual Report for the financial year ending 31 March 2024 on behalf of Lewisham Pension Fund. We hope that this report will provide you with valuable insight into the Fund.
- 2.2. Over the past year to 31 March 2024, our pension fund's investments have performed admirably, which have seen steady growth across various asset classes, including equities, fixed income, renewable infrastructure, property and private debt. The overall fund value increased by 11% compared to last year, ending the financial year on £1.842bn.
- 2.3. We expect our fund managers to continue monitoring market trends and make necessary adjustments to our portfolio in order to optimise returns whilst effectively managing risk.
- 2.4. Global stock markets grew strongly in early 2024, boosted by positive US economic data and expectations of interest rate cuts. US stock indices, such as the S&P 500 and Nasdaq, hit record highs. European stocks also saw gains, albeit more modest, as inflation in the Eurozone fell. The UK stock market joined the global rally in March despite earlier setbacks from weak economic data. The Bank of England maintained its interest rates at 5.25%, with potential cuts expected later in 2024/25.
- 2.5. Lewisham's Pension Fund assets saw strong growth in the compared with a fall in value in 2023/24. However, as the war in Ukraine and other conflicts continue it is likely to have a detrimental effect 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.
- 2.6. The Fund had a relatively poor year in its investment returns compared against the benchmark but overall the fund is just behind the longer term strategic benchmarks for the last three year and since inception. The 3-year period benchmark is 5.7% against the benchmark of 6.2% and since inception the fund is 7.0% against the benchmark of 7.9. The Fund underperformed over the past year, mainly due to poor performance of Harbourvest, LGIM By to Rent and Pemberton's private debt fund. The performance of the Renewable Infrastructure and Private debt funds is not formally assessed against its objective until four years after inception, in accordance with the fund terms.
- 2.7. During 2023/24 members approved a Climate Transition & 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 Pension Investment Committee as well as the detail on the approaches that will be taken to achieve the net zero ambition. Throughout its net zero journey, the committee will fully recognise and adhere with its fiduciary duties.
- 2.8. We will see the continued investment and drawdowns 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.

- 2.9. As we move through 2024/25, the Fund will continue seeking more opportunities to pool our assets into the LCIV to maximise savings. Currently, the fund has over £1,000 million invested in the pooled funds, with a plan to make further investments. One of these investments will be in natural capital, which involves allocating financial resources to activities that improve and preserve the natural environment. This not only offers return potential for the fund but also aligns with specific Environmental, Social, and Governance issues and impact objectives.
- 2.10. As a global long-term investor, the Panel recognise that climate change presents significant long-term risks to the value and security of pension scheme investments, and capital markets more broadly, with climate opportunities and responsible investment a significant return driver.
- 2.11. 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.
- 2.12. 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 2024, the London Borough of Lewisham Pension Fund had £999.9m 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
	Sherene Russell-Alexander and Mark Booker - Employer Representatives
	Mark Adu-Brobbe and Gary Cummins - Scheme Representatives
Administrator:	David Austin – 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:	KPMG 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
1. Risk Identification	<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>
2. Risk Analysis and Evaluation	<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>
3. Risk Response	<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>
4. Monitor and Review	<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 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 2023/24 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:

	2023/24 Actuals	2022/23 Actuals	Year on Year Variance	
	£'000	£'000	£'000	%
Administration Expenses	1,111	862	249	28.8%
Oversight and Governance Expenses	446	525	(79)	-15.0%
	1,557	1,387	351	25.3%
Investment Management Expenses:				
Transaction Costs	505	535	(30)	-5.6%
Management Fees	1,392	2,055	(663)	-32.3%
Custody Fees	60	140	(80)	-57.1%
	1,957	2,730	(796)	-29.2%
Total Expenses	3,514	4,117	(445)	-10.8%

- 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 stationery and postage, membership fees, and costs associated with the provision of additional voluntary contributions. The increase in administration costs in 2023/24 was the result of the general increase in staff costs but it also includes about £150k professional fees that should have been paid in the previous year.
- 4.12. 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.
- 4.13. The investment management fees are paid to fund manager who manage the individual investment. The investment management fees are lower in 2023/24 because the funds has not moved or subscribed to many new investments and therefore have not incurred the additional fees.

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 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

- 5.3. The Financial Reporting Council revised the UK Stewardship Code in 2020 and the code sets the expectations for investor's stewardship policy and practice.
- 5.4. 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.
- 5.5. 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.
- 5.6. 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	<ol style="list-style-type: none"> 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. 2. Signatories' governance, resources and incentives support stewardship. 3. Signatories manage conflicts of interest to put the best interests of 	<p>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.</p> <p>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. 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</p>

Category	Code Principle	Examples of Compliance
	<p>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>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 Responsibilities	<p>9. Signatories engage with issuers to maintain or enhance the value of assets.</p> <p>10. Signatories, where necessary, participate in collaborative</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 with asset managers and other stakeholders on the Fund's behalf.</p>

Category	Code Principle	Examples of Compliance
	<p>engagement to influence issuers.</p> <p>11. Signatories, where necessary, escalate stewardship activities to influence issuers.</p> <p>12. Signatories actively exercise their rights and responsibilities.</p>	<p>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. 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.</p>

5.7. 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

5.8. 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.

5.9. 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

5.10. 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.

5.11. 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 2024 approximately 60% of the Fund was invested in growth assets, 25% in income assets and 15% in protection assets including passive bonds and cash.

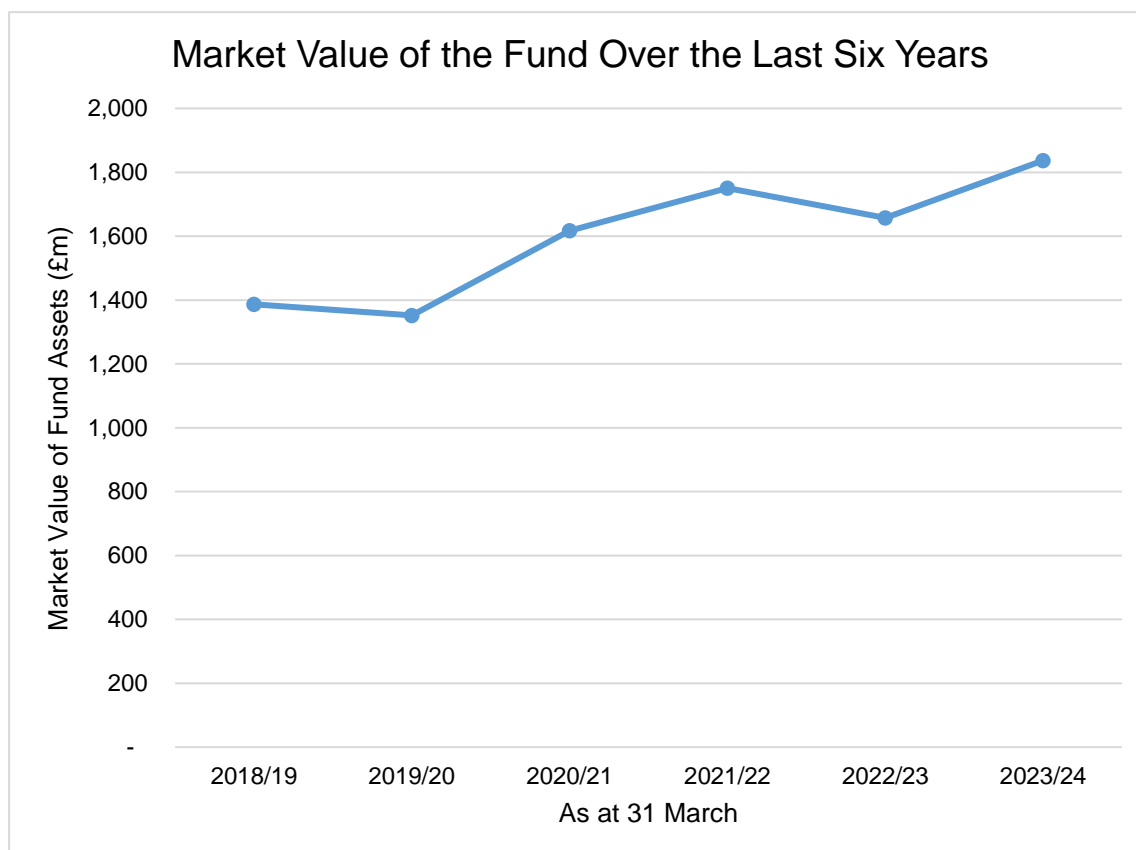
- 5.12. The Fund's asset allocation as at 31 March 2024 has nine active managers with six mandates, as below.

D1. STRATEGIC ASSET ALLOCATION AT 31 MARCH 2024:

Fund	2023/24			2022/23
	Asset Value £'000	Target Allocation %	Actual Allocation %	Actual Allocation %
Growth				
Equity Unit Trust	1,134,490	53.0	61.6%	57.5
Income				
Property	174,985	10.0	9.5	10.5
Infrastructure	127,151	11.0	6.9	7.1
Private Equity/Debt	114,522	7.0	6.2	7.1
Protection				
Fixed Income Unit Trust	246,072	19.0	13.4	15.1
Cash and Net Current Assets	44,326	0.0	2.4	2.7
Total	1,841,546	100%	100%	100%

- 5.13. 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.

- 5.14. 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 £1,387bn at 31 March 2018 to a high of £1,842bn at 31 March 2024. The Fund increased by approximately £190m in 2023/24.



- 5.15. The annualised return of the Fund's investments over the last 12 months was 12.41%, which was 0.56% less than 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 6.45%, which is approximately 0.41% above the benchmark return of 6.04% as depicted in the below table.

D2. AGGREGATE FUND – COMPARATIVE PERFORMANCE:

As at 31 March 2024	One Year %	Three Year %	Five Years %
Fund Performance	12.41	5.47	6.45
Benchmark	12.97	4.66	6.04
Relative performance	-0.56	0.81	0.41

5.16. 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	(5.0)	3.6	0.4	9.1	26.0	1.2	6.2	6.9	(2.4)	20.4	5.0	0
	Benchmark	(5.3)	6.0	0.4	7.0	25.7	23.8	10.2	11.2	7.0	22.4	5.2	N/A
	Relative	0.3	(2.4)	0.0	2.1	0.3	(22.6)	(4.0)	(4.3)	(9.4)	(2.0)	(0.2)	0
3 years	Absolute	(29.7)	N/A	2.1	9.5	N/A	15.9	5.2	6.0	3.6	N/A	N/A	N/A
	Benchmark	(30.0)	N/A	2.1	7.0	N/A	13.2	7.4	9.3	7.0	N/A	N/A	N/A
	Relative	0.3	N/A	0.0	2.5	N/A	2.7	(2.2)	(3.3)	(3.4)	N/A	N/A	N/A
Since Inception*	Absolute	(37.8)	3.6	4.2	6.8	8.3	11.1	4.6	6.2	1.1	5.0	1.7	2.8
	Benchmark	(38.1)	6.0	4.2	7.0	8.0	10.6	6.1	8.6	7.0	7.3	0.2	6.0
	Relative	0.3	(2.4)	0.0	(0.2)	0.3	0.5	(1.5)	(2.4)	(5.9)	(2.3)	1.5	(3.2)

*Blackrock Nov 2012; LCIV Private Debt Jul 2022; Schroders Oct 2004; J.P. Morgan Jan 2019; LCIV Passive Equity 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.

5.17. 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 in 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.

5.18. 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 Large Mid-Cap 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

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

5.20. Investment details are shown in the table below:

Company Name	Number of Shares	Value GBP as at 31/03/2024	Fund Manager
Amx Ucits Ccf - Storebrand-Global Esg Plus Uk Pension Scheme B Gbp Units	2,967,626.4102	321,224,489	Storebrand
Amx Ucits Ccf - Strebrnd-Emrgn Mkt Esg Pls Uk Pension Scheme Gbp A Units Amucsg Uakg	759,348.3256	76,312,381	Storebrand
Lciv Passive Equity Progressive Paris-Aligned	527,937,317.0900	637,220,342	London CIV
Aq Life Ovr 15y Uk Gilt Idx S1	10,491,379.8940	83,684,313	BlackRock
Aquila Life Ovr 5yr Uk Idx Lkd S1	9,579,548.5930	82,590,078	BlackRock
Ishr Uk Crdt Bd Idx(le) Flx Gbp Ac	2,641,035.5000	79,797,665	BlackRock
Blackrock Uk Property Fund	226,963.0000	8,828,112	Schroders
Federated Hermes Property Ut Prop	1,543,829.0000	9,478,338	Schroders
Future Workplace Property Unit Trust	7,820.7646	6,218,955	Schroders

Industrial Prop Investment Fund	12,054.7546	19,043,437	Schroders
Local Retail Fund	6,317.1500	6,484,807	Schroders
Mayfair Capital Property Unit Trust	6,935.6975	8,530,908	Schroders
Metro Property Unit Trust	22,277.9700	10,924,448	Schroders
Multi-Let Industrial Property Unit Trust	7,587.3573	12,044,474	Schroders
Octopus Healthcare Fund	2,292.3038	2,921,954	Schroders
Reform Feeder Unit Trust	42.9260	4,146,741	Schroders
Schroder Real Estate Fund Of Funds Continental European Fund I (I Units)	10,242.0000	7,093	Schroders
Schroder Real Estate Real Income Fund A Units	7,669.5918	0	Schroders
Schroder Recap Ssf Unit Trust	9,989,533.8200	10,829,654	Schroders
Schroder Uk Real Estate Fund Gbp I Income (Gross)	224,092.1790	9,007,385	Schroders
Sshf Unit Trust	4,422,826.0000	4,688,196	Schroders
Uk Retail Warehouse Fund	199.0556	872,146	Schroders
Uk Retirement Living Unit Trust (Acting By Its Trustee Langham Hall Uk Services Llp)	5,667,270.0000	5,332,901	Schroders
Unite Uk Student Accommodation Fd	2,068,175.0000	2,984,377	Schroders
Pemberton European Debt Investments Jersey li Lp	34,531,900.0000	37,562,234	Pemberton
LCIV Private Debt Fund	557,472.6300	67,732,588	London CIV
Legal & General UK Build To Rent	3,543.3870	42,319,734	Legal & General
LCIV Renewable Infrastructure	392,526.5000	50,221,831	London CIV
Partners Group Private Markets Credit Strategies 2 S.A. Compartment Multi Asset Credit 2017 (lv)	8,678,930.0000	9,220,024	Partners Group
Infrastructure Investments Fund	95,164,282.2600	76,923,063	JP Morgan
Harbourvest V Cayman Direct Fund	1,555,400.0000	19,023	HarbourVest
Harbourvest V Cayman Partnership Fund	5,301,421.0000	17,875	HarbourVest
Harbourvest VIII Cayman Buyout Fund	3,562,705.0000	158,632	HarbourVest
Harbourvest VIII Cayman Venture Fund	3,929,403.0000	2,049,360	HarbourVest
Harbourvest X AIF Combined	17,662,362.0000	26,311,927	HarbourVest
Harbourvest XI Combined AIF	17,388,754.0000	20,433,221	HarbourVest
Harbourvest IX AIF SCS	8,284,825.0000	7,567,183	HarbourVest
Harbourvest VII AIF Partnership	15,667,856.0000	19,361,806	HarbourVest
Harbourvest GI Pe Ord Npv	965,687.0000	22,017,664	HarbourVest
Total Investments		1,785,089,357	
Cash/debtors/creditors		56,456,504	
Total Fund		1,841,545,860	

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 2023/24

- 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 2024 the Fund had the following investment in the UK:

Asset Values as at 31 March 2024	Pooled	Under pool management	Not pooled	Total
	£000	£000	£000	£000
UK Listed Equity Unit Trust	637,220			637,220
UK Government Bonds		166,516		166,516
UK Infrastructure	50,222		89,102	139,324
UK Private Equity	66,408		122,344	188,752
Total	753,850	166,516	211,446	1,131,812

- 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 2023/24 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 2024) the Fund had increased its investment to £52m into the LCIV Renewable Infrastructure Fund of the commitment of £90m and an investment of £66m, 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 2024 there were 27,771 members of the Fund; an increase of 908 members. 6,888 of the members were active, 12,130 deferred (undecided, deferred and frozen) and 8,753 retired. Besides the administering authority, the Fund also comprised 8 active scheduled bodies and 24 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 Summary of activities during the year 2023/24 includes work on the Administration Strategy, a project of data cleansing and other improvements to the service. Work begun on checking pension saving statements for 2023/2024. Lewisham Homes staff transferred back to Lewisham from 1st October 2023. This increased our workload as we had to aggregate pension records for all 450 Lewisham Homes staff.
- 7.4 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.
- 7.5 The number of key administrative activities carried out in 2023/24 and across the previous four years are shown in the table below.

A1. KEY ADMINISTRATIVE ACTIVITIES:

	2023/24	2022/23	2021/22	2020/21	2019/20
New scheme members	1,517	1,054	279	638	1,072
Estimate of benefits	596	840	901	794	1,393
Responding to correspondence	3,718	3,380	1,143	1,714	1,472
Deferred benefits	141	131	296	290	298
Calculation of quotations and actuals relating to transfers into the Local Government Pension scheme	323	575	390	335	420
Retirements	440	425	381	322	410
Death cases (with dependants)	69	90	368	376	292
Calculation of quotations and actuals relating to transfers out of the Local Government Pension scheme	538	344	418	335	262
Additional contributions	33	29	23	25	50
Refunds of contributions	219	172	266	170	434
Overall Performance	7,594	7,040	4,465	4,999	6,103

- 7.6 The role of the pensions section in the administering authority during 2023/24 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:	2023/24	2022/23	2021/22	2020/21	2019/20
Lewisham	10.7	8.5	7.5	7.5	7.5
Made up of:					
Work for other schemes	0	0	(0.5)	(0.5)	(0.5)
Other work	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
Administration of LGPS	8.7	6.5	5.0	5.0	5.0

Scheme Membership:	2023/24	2022/23	2021/22	2020/21	2019/20
Number of contributors	6,888	6,846	6,759	6,928	6,754
Number of deferred members	12,130	11,493	10,996	11,865	11,860
Number of pensioners	8,753	8,524	8,384	8,089	8,024
Total	27,771	26,863	26,139	26,882	26,638

Staff Performance:	2023/24	2022/23	2021/22	2020/21	2019/20
Ratio of members to 1 FTE staff	3,192	4,133	5,228	5,376	5,328
Transactions per member of staff	873	1,083	893	1,000	1,221

- 7.7 The age profile of the membership calculated as at 31 March 2024 is show in the table below.

A3. AGE PROFILE OF MEMBERSHIP:

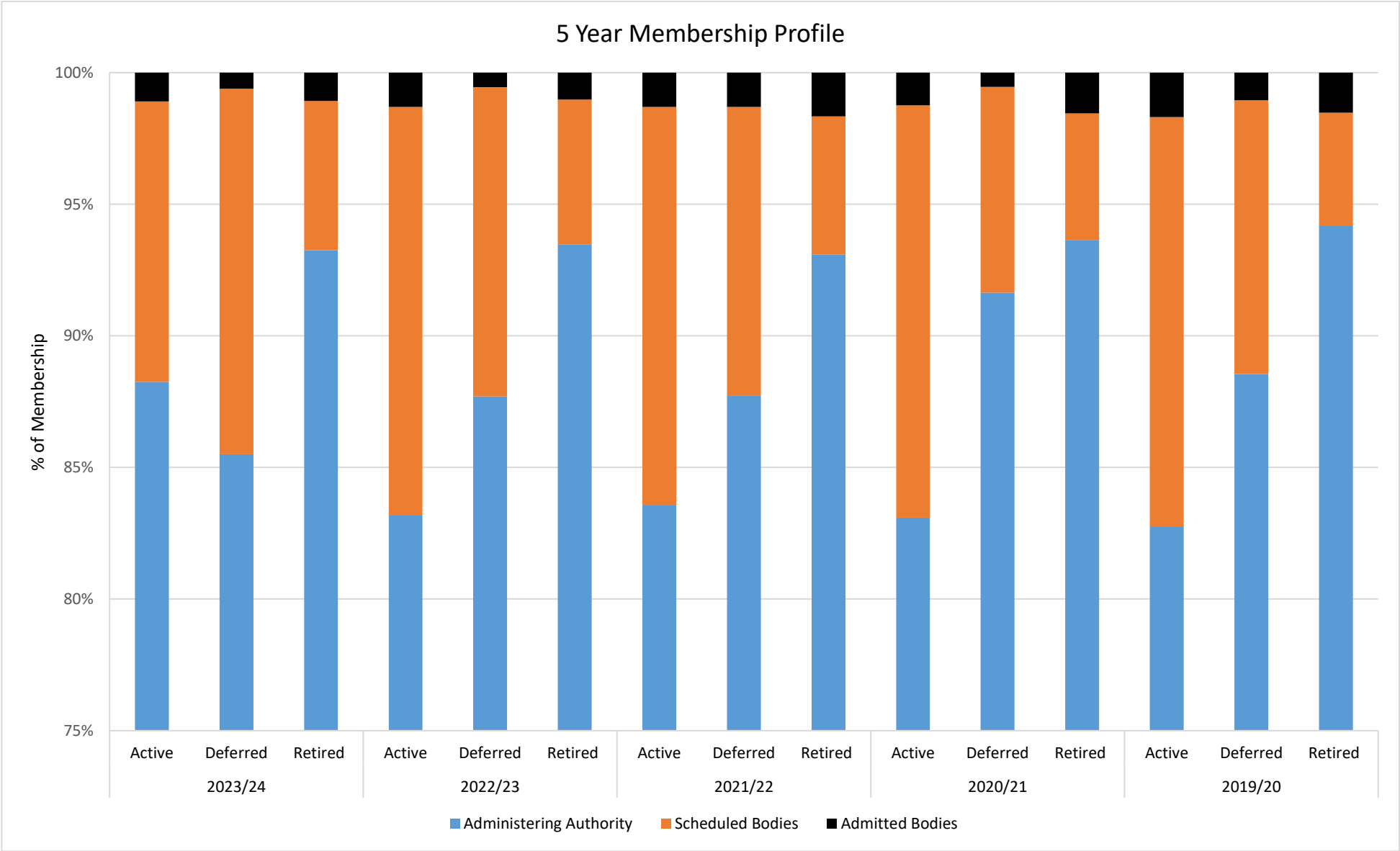
A	Contributing	Deferred	Pensioners/Dependents
0-4	0	0	2
5-9	0	0	5
10-14	0	0	10
15-19	25	0	26
20-24	198	6	9
25-29	516	99	3
30-34	574	361	1
35-39	719	668	5
40-44	779	893	5
45-49	853	960	18
50-54	987	1207	37
55-59	1223	1772	340
60-64	952	1154	1331
65-69	282	264	2019
70-74	54	60	1735
75-79	0	18	1444
80-84	0	5	915

85-89	0	0	585
90-94	0	0	247
95-99	0	0	62
100-104	0	0	7
Total	7162	7467	8806

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

- 7.8 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:

	2023/24			2022/23			2021/22			2020/21			2019/20		
Membership	Active	Deferred	Retired	Active	Deferred	Retired	Active	Deferred	Retired	Active	Deferred	Retired	Active	Deferred	Retired
Administering Authority	6,079	10,371	8,162	5,696	10,079	7,968	5,648	9,645	7,804	5,757	10,873	7,575	5,590	10,502	7,556
Scheduled Bodies	734	1,685	497	1,061	1,351	469	1,023	1,208	441	1,085	928	389	1,050	1,234	346
Admitted Bodies	75	74	94	89	63	87	88	143	139	86	64	125	114	124	122
Total	6,888	12,130	8,753	6,846	11,493	8,524	6,759	10,996	8,384	6,928	11,865	8,089	6,754	11,860	8,024
Unit Costs	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Administrative Unit Cost (£)	158	26	18	142	24	16	164	29	19	121	20	15	114	19	14
Investment Management Unit Cost (£)	199	32	22	279	48	32	237	42	27	241	40	29	258	42	31
Total Unit Cost (£)	357	58	40	421	72	48	401	70	46	362	60	44	372	61	45

7.9 A list of contributing employers and the amounts contributed by the employers in 2023/24 is shown below:

A6. EMPLOYER CONTRIBUTIONS:

Employer	Contributions Paid £'000	Comments
Administering Authority		
Lewisham Council	36,512	
Scheduled Bodies		
Lewisham Homes	2,117	Ceased 30/09/2023
Haberdashers' Aske's Knights Academy	1,448	
Christ The King Sixth Form College	496	
St Matthew's Academy	231	
Tidemill Academy	186	
Prendergast Leathersellers Federation	153	Joined 01/01/2024
Sedgehill Academy	178	
Childeric	133	
St George's	78	
Admitted Bodies		
Youth First Ltd	84	
Phoenix	151	
Phoenix Agency Services	69	Ceased 29/02/2024. Members TUPED to Phoenix Community Housing from 01/03/2024
KGB Cleaning	16	
CGL	12	
D B Services	38	
Lewisham Music	0	
Change Grow Live	7	
NSL	0	
3 C's Support	0	Ceased 31/03/2024
Braybourne FS Ltd (Hatcham)	8	Ceased 31/07/2023. Members TUPED to RCCN Ltd Hatcham from 01/08/2023
Housing 21	6	
Zing	3	
Pre-School Learning Alliance	0	
Tower Services	2	
City West Services	1	
Harrison Catering Crayford	0	
Harrison Catering Hatcham	23	Include Braybourne
Harrison Catering Knights	10	
M Group	26	
Greenwich Leisure Ltd (GLL)	7	

CK Bless	1	Joined 01/01/2024
Compass GRP (St Matthews)	103	Ceased 31/07/2023. Members TUPED to Olive Dining Ltd from 01/08/2023
Kier	19	
Olive Dining Catering (St Matthews)	11	Joined 01/08/2023 include Compass
RCCN Ltd Hatcham	0	Joined 01/08/2023
RCCN Ltd Knights	0	Joined 01/08/2023
Super Kids	6	
Super Kids Lucas Vale	1	Joined 01/07/2023. Member ceased 28/03/2024

7.10 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.

7.11 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	46,368	100%
Scheduled Bodies		
Lewisham Homes	2,197	100%
Haberdashers' Aske's Knights Academy	1,912	100%
Christ The King Sixth Form College	645	100%
St Matthew's Academy	312	100%
Tidemill Academy	261	100%
Prendergast Leathersllers Federation	219	100%
Sedgehill Academy	211	100%
Childeric	164	100%
St George's	97	100%
Admitted Bodies		
Youth First Ltd	108	100%
Phoenix	233	0%
Phoenix Agency Services	93	25%
KGB Cleaning	20	100%
CGL	15	92%
Lewisham Music	1	17%

Change Grow Live	10	92%
NSL	1	17%
3 C's Support	2	8%
Braybourne FS Ltd (Hatcham)	10	100%
Housing 21	8	100%
Zing	3	50%
Pre-School Learning Alliance	1	100%
Tower Services	3	100%
Greenwich Leisure Ltd (GLL)	9	100%
Harrison Catering Hatcham	28	100%
Harrison Catering Knights	12	100%
M Group	32	100%
City West Services	1	25%
CK Bless	1	100%
Compass GRP (St Matthews)	122	100%
Kier	23	83%
Olive Dining Catering (St Matthews)	13	25%
RCCN Ltd Hatcham	0	N/A
RCCN Ltd Knights	0	N/A
Super Kids	8	92%
Super Kids Lucas Vale	1	100%

- 7.12 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 2023/24.

Benefits Payable	Employer	Amount Payable
		£'000
Pensions	Administering Authority	48,080
	Scheduled Bodies	3,166
	Admitted Bodies	3,554
Lump Sums: Retirement Allowances	Administering Authority	7,703
	Scheduled Bodies	238
	Admitted Bodies	1,056
Lump Sums: Death Grant	Administering Authority	730
	Scheduled Bodies	47
	Admitted Bodies	235

B. INTERNAL DISPUTE RESOLUTION PROCEDURE (IDRP)

- 7.13 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:
- 7.14 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.
- 7.15 If the member is dissatisfied with the stage one decision, they can take the matter to stage two of the IDRP.
- 7.16 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.
- 7.17 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.
- 7.18 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).
- 7.19 The member has the right to refer the complaint to 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.
- 7.20 Lewisham Pension Fund had one IDRP case in 2023/24, 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 2023/24, which will be reviewed each year.
- 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 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 2023/24. Note four meetings are scheduled in each financial year and each Councillor has one vote with the Chair having the casting vote. The February 2024 meeting was cancelled due to the Mayoral election.

Member	9 June 2023	7 Sept 2023	16 Nov 2023	22 Feb 2024
Cllr. Eiles – Chair	✓	✓	✓	Cancelled
Cllr. Ingleby – Vice Chair	✓	✓	✓	Cancelled
Cllr. Anifowose	✓	✓	✓	Cancelled
Cllr. Best	✓	✓	✓	Cancelled
Cllr. Royston	✓	✓	✓	Cancelled
Cllr. Jackson	✓	✓	Apologies	Cancelled
Cllr. Krupski	✓	✓	✓	Cancelled
Cllr. Muldoon	✓	✓	Apologies	Cancelled

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 2023/24 Members notified officers of their attendance at the following training sessions and events:

Members Training and events from 1 April 2023 to 31 March 2024			
Date	Description	Provider	
19/4/2023	ESG & Sustainable Asset Strategies	SPS	Cllr Mark Ingleby (Vice-Chair)
06/05/2023	Economic review 22/23 and forecast 23/24, Omaha NE	Warren Buffett	Cllr John Muldoon
10/5/2023	Impact Investing/ Pensions for Purpose	London CIV	Cllr Mark Ingleby (Vice-Chair)
11/05/2023	Climate Transition and setting a Net Zero Policy	Hymans Robertson	Cllr Sian Eiles (Chair) Cllr Mark Ingleby (Vice-Chair) Cllr Chris Best Cllr Louise Krupski Cllr John Muldoon Cllr James Royston Cllr Liam Shrivastava Cllr Tauseef Anwar

Members Training and events from 1 April 2023 to 31 March 2024			
Date	Description	Provider	
08/06/2023	Review of the Quarterly Investment Report	Hymans Robertson	Cllr Sian Eiles (Chair) Cllr Mark Ingleby (Vice-Chair) Cllr Chris Best Cllr Louise Krupski Cllr John Muldoon Cllr James Royston Cllr Liam Shrivastava Cllr Tauseef Anwar
08/06/2023	Climate Metrics Analysis and setting a Net Zero Pathway	Hymans Robertson	Cllr Sian Eiles (Chair) Cllr Mark Ingleby (Vice-Chair) Cllr Chris Best Cllr Louise Krupski Cllr John Muldoon Cllr James Royston Cllr Liam Shrivastava Cllr Tauseef Anwar
08/06/2023	Presentation from JP Morgan Investment Fund Manager and questions	JP Morgan	Cllr Sian Eiles (Chair) Cllr Mark Ingleby (Vice-Chair) Cllr Chris Best Cllr Louise Krupski Cllr John Muldoon Cllr James Royston Cllr Liam Shrivastava Cllr Tauseef Anwar
08/06/2023	Presentation from London CIV Renewable Infrastructure Fund Investment Fund Manager and questions.	London CIV	Cllr Sian Eiles (Chair) Cllr Mark Ingleby (Vice-Chair) Cllr Chris Best Cllr Louise Krupski Cllr John Muldoon Cllr James Royston Cllr Liam Shrivastava Cllr Tauseef Anwar
22/6/2023	Natural Capital & Net Zero Targets	LGIM Webinar	Cllr Mark Ingleby (Vice-Chair)
11/7/2023	Natural Capital Investment Focus	Mallow Street	Cllr Sian Eiles (Chair) Cllr Mark Ingleby (Vice-Chair) Cllr Chris Best Cllr Louise Krupski Cllr John Muldoon Cllr James Royston Cllr Tauseef Anwar
07/08/2023	Climate Transition and setting a Net Zero Policy	Hymans Robertson	Cllr Sian Eiles (Chair) Cllr Mark Ingleby (Vice-Chair) Cllr Chris Best Cllr Louise Krupski Cllr John Muldoon Cllr James Royston Cllr Tauseef Anwar

Members Training and events from 1 April 2023 to 31 March 2024			
Date	Description	Provider	
25/8/2023	Nature Based Capital	London CIV	Cllr Sian Eiles (Chair) Cllr Mark Ingleby (Vice-Chair) Cllr Chris Best Cllr Louise Krupski Cllr John Muldoon Cllr James Royston Cllr Tauseef Anwar
28/9/2023	LCIV Business Update	London CIV	Cllr Mark Ingleby (Vice-Chair)
20/9/2023	Net Zero, Impact & Sustainable Development	SPS	Cllr Mark Ingleby (Vice-Chair)
05/09/2023	Governance issues for NEDs and pension fund trustees	Financial Times NED Club	Cllr John Muldoon
07/09/2023	Review of the Quarterly Investment Report	Hymans Robertson	Cllr Sian Eiles (Chair) Cllr Mark Ingleby (Vice-Chair) Cllr Chris Best Cllr Louise Krupski Cllr John Muldoon Cllr James Royston Cllr Liam Shrivastava Cllr Tauseef Anwar
07/09/2023	Setting a Net Zero Policy for Lewisham Pension Fund	Hymans Robertson	Cllr Sian Eiles (Chair) Cllr Mark Ingleby (Vice-Chair) Cllr Chris Best Cllr Louise Krupski Cllr John Muldoon Cllr James Royston Cllr Liam Shrivastava Cllr Tauseef Anwar
07/09/2023	Presentation from Blackrock Investment Fund Manager and questions	Blackrock	Cllr Sian Eiles (Chair) Cllr Mark Ingleby (Vice-Chair) Cllr Chris Best Cllr Louise Krupski Cllr John Muldoon Cllr James Royston Cllr Liam Shrivastava Cllr Tauseef Anwar
21/09/2023	Economic Review for Property and Built Environment Group	Institute of Directors	Cllr John Muldoon
19/10/2023	LGPS Sustainable Development & Other Topical Issues	SPS	Cllr Mark Ingleby (Vice-Chair)

Members Training and events from 1 April 2023 to 31 March 2024			
Date	Description	Provider	
16/11/2023	Review of the Quarterly Investment Report	Hymans Robertson	Cllr Sian Eiles (Chair) Cllr Mark Ingleby (Vice-Chair) Cllr Chris Best Cllr Louise Krupski Cllr James Royston Cllr Tauseef Anwar
16/11/2023	Presentation from Storebrand Investment Fund Manager and questions	Storebrand	Cllr Sian Eiles (Chair) Cllr Mark Ingleby (Vice-Chair) Cllr Chris Best Cllr Louise Krupski Cllr James Royston Cllr Tauseef Anwar
04/12/2023	Presentation by Nuveen on Natural Capital	Nuveen Fund Manager	Cllr Sian Eiles (Chair) Cllr Mark Ingleby (Vice-Chair) Cllr Chris Best Cllr Louise Krupski Cllr John Muldoon Cllr James Royston Cllr Tauseef Anwar
Ongoing	At least one hour per week unstructured CPD reading publications on market conditions, investment reports or pensions news.	Various	Cllr Sian Eiles (Chair) Cllr Mark Ingleby (Vice-Chair) Cllr Chris Best Cllr Louise Krupski Cllr John Muldoon Cllr James Royston Cllr Liam Shrivastava Cllr Tauseef Anwar
6-8/12/2023	LAPFF Annual Conference, Bournemouth	LAPFF	Cllr Mark Ingleby (Vice-Chair)
30/1/2024	Timber & Forestry Webinar	JP Morgan	Cllr Mark Ingleby (Vice-Chair)
05/02/2024	Natural Capital Webinar with presentations from Nuveen and the London CIV	Hymans Robertson	Cllr Sian Eiles (Chair) Cllr Mark Ingleby (Vice-Chair) Cllr Chris Best Cllr Louise Krupski Cllr John Muldoon Cllr James Royston Cllr Liam Shrivastava Cllr Tauseef Anwar
7/2/2024	Forestry, Net Zero Natural Capital & Carbon	Gresham House	Cllr Mark Ingleby (Vice-Chair)

Members Training and events from 1 April 2023 to 31 March 2024			
Date	Description	Provider	
8/2/2024	Natural Capital Training	LCIV	Cllr Sian Eiles (Chair) Cllr Mark Ingleby (Vice-Chair) Cllr Chris Best Cllr Louise Krupski Cllr John Muldoon Cllr James Royston Cllr Liam Shrivastava Cllr Tauseef Anwar
15/02/2024	Economic Review for Property and Built Environment Group	Institute of Directors	Cllr John Muldoon
21/2/2024	Real Assets Impact Forum 2024	Nuveen	Cllr Mark Ingleby (Vice-Chair)

- 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 2023/24 and has planned quarterly meetings in 2024/25. 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. Preparing for The Pension Regulator's General Code of Practice. The Board 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 2023 one new member has been appointed to the board.

Name	Capacity	Role	Meetings attended in 2023/24
Stephen Warren	Independent Chair (Non-Voting)		4/4
Sherene Russell-Alexander	Employer Representative	Director of People and Organisational Development	4/4

Name	Capacity	Role	Meetings attended in 2023/24
		Lewisham Council	
Mark Booker (from 01/11/2023)	Employer Representative	Pension Administration Manager Change Live Grow	1/2
Rowann Limond (to 31/08/2023)	Employer Representative	Director of Finance and Technology, Lewisham Homes	1/1
Mark Adu-Brobby	Scheme Representative	Programme Manager - Together Lewisham Lewisham Council	3/4
Gary Cummins	Scheme Representative	Housing Partnership and Contract Manager Union Representative Lewisham Council	2/4

C. KNOWLEDGE AND UNDERSTANDING

10.5 Member of the Board are encouraged to complete the Pension Regulator's Toolkit (completed by 4 members). This is an online modular training facility which breaks the Pension Regulator 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 General 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 FUNDING STRATEGY STATEMENT

- 11.1 The Fund has a Funding Strategy Statement (FSS) which details the Fund's approach to funding its liabilities. The FSS is reviewed in detail at least every three years in line with the triennial valuation, and was last updated 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.
- 11.2 The FSS is developed by the Council in conjunction with the Fund's actuary, Hymans Robertson, and after consultation with employers. The FSS sets out any changes in the Fund's liabilities and obligations to pay pensions in the coming years, and how those liabilities are funded by investments and contributions. The FSS has links to the Investment Strategy Statement.
- 11.3 The purpose of the FSS is to:
- Establish a clear and transparent 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.
- 11.4 The statement sets out how the administering authority has balanced the conflicting aims of affordability of contributions, transparency of processes, stability of employers' contributions, and prudence in the funding basis.
- 11.5 The administering authority normally targets the recovery of any deficit over a period not exceeding 20 years. The funding basis adopts an asset outperformance assumption of 2.0% per annum over and above long-term government bond yields at the time of the 2022 valuation.
- 11.6 The Fund has an active risk management programme in place. The measures that the administering authority has in place to mitigate key risks are summarised in the FSS under the following headings:
- Financial;
 - Demographic
 - Regulatory; and
 - Governance
- 11.7 The 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%	15.9%	15.5%
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%
Harrison Catering Hatchams	30.4%	30.4%	30.4%

12 INVESTMENT STRATEGY STATEMENT

12.1 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require that administering authorities prepare, maintain and publish an Investment Strategy Statement (ISS) 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.

12.2 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

13 COMMUNICATIONS POLICY STATEMENT

13.1 Pension Funds are required to prepare, maintain and publish a written statement of their policy concerning communication with members, representatives of members and employing authorities. Lewisham's most recently published Communications Statement is available on the Fund's website at the following link:

www.lewishampensions.org/resources

13.2 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 scheduled 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.

14 ADDITIONAL DATA

- 14.1 To assist in the production of the scheme annual report compiled by the LGPS Scheme Advisory Board, Funds are required to include the following:
- 14.2 A summary of the number of employers in the Fund analysed by scheduled bodies and admitted bodies which are active (with active members) and ceased (no active members).

	Active	Ceased
Scheduled Bodies	8	1
Admitted Bodies	22	40
Total	30	41

- 14.3 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	637	420	1057
Fixed Income Unit Trust	167	79	246
Property	122	0	122
Private Equity	207	76	283
Multi-Asset Credit	0	77	77
Cash	29	28	57
Net Current Assets	0	0	0
Total	1,162	680	1,842

- 14.4 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	1	555	556
Fixed Income Unit Trusts	0	(20)	(20)
Property	4,249	0	4,249
Pooled Investments	432	11,698	12,130
Alternatives	4,387	464	4,851
Cash	1,525	588	2,113
Total	10,593	13,285	23,879

15 INDEPENDENT AUDITOR'S CONSISTENCY REPORT

Independent auditor's statement to the members of London Borough of Lewisham on the Pension Fund financial statements of London Borough of Lewisham Pension Fund included within the Pension Fund Annual Report.

Opinion

We have examined the Pension Fund Financial Statements of The London Borough of Lewisham Pension Fund ("the Pension Fund") for the year ended 31 March 2024 included in the Pension Fund Annual Report, which comprise the Fund Account, the Net Assets Statement and the related notes to the Pension Fund financial statements, including the summary of significant accounting policies.

In our opinion, the Pension Fund Financial Statements included in the Pension Fund Annual Report are consistent, in all material respects, with the Pension Fund financial statements included in the annual statement of accounts of the London Borough of Lewisham ("the Authority") for the year ended 31 March 2024 that were approved on 22 January 2025.

Executive Director for Corporate Resources and Audit and Risk Committee's responsibilities

As explained more fully in the Statement of the Executive Director for Corporate Resources and Audit and Risk Committee's Responsibilities, the Executive Director for Corporate Resources and Audit and Risk Committee is responsible for the preparation of the Pension Fund Financial Statements in accordance with applicable Page 44 of 46 law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

Auditor's responsibilities

Our responsibility is to report to you our opinion on the consistency of the Pension Fund Financial Statements included in the Pension Fund Annual Report with the Pension Fund financial statements included in the annual statement of accounts of the Authority.

In addition, we read the other information contained in the Pension Fund Annual Report and, if we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office in November 2024.

We have not considered the effects of any events between the date we signed our audit report on the annual statement of accounts of the Authority on 5 February 2025 and the date of this report.

Our audit report on the Authority's annual published statement of accounts that we issued on 5 February 2025 describes the basis of our opinion on those financial statements.

The purpose of our work and to whom we owe our responsibilities

This auditor's statement is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our work has been undertaken so that we might state to the members of the Authority those matters

we are required to state to them in such a statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the members of the Authority, as a body, for our work, for this statement, or for the opinions we have formed.

Fleur Nieboer
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London E14 5GL

7 February 2025

16 Governance Compliance Statement

- 16.1 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.
- 16.2 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.
- 16.3 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.	✓

LEWISHAM PENSION FUND ACCOUNTS 2023/24

FOREWORD

This Pension Fund Statement of Accounts details the financial position and performance of the Lewisham Pension Fund for the year ending 31 March 2024.

The Pension Fund's value increased over the year by £190m (11%), from £1.652bn to £1.842bn. The value of the pension fund increased due to the changes in global markets mainly caused by the lowering of inflation and better global trading forecasts. The Bank of England policy on interest rates is expected to cut rates in 2024 and forecasts an increase in consumer spending.

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 the Transition to Net Zero Policy 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.

The pension fund's governance compliance statement (part of the Annual Report), funding strategy and investment strategy can be found on the authority's Pension Fund website at the following address:

www.lewishampensions.org/resources/

FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2024

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

	2023/24	2022/23	See note
	£000	£000	
<u>DEALINGS WITH MEMBERS, EMPLOYERS AND OTHERS</u>			
<u>DIRECTLY INVOLVED WITH THE SCHEME</u>			
Contributions Receivable:			
- from Employers	42,136	39,739	5
- from Employees	12,724	12,300	5
Transfer Values In	7,547	10,103	
Other Income	96	84	
Sub-Total: Income	62,503	62,226	
Benefits Payable:			
- Pensions	54,801	49,145	6
- Lump Sums: Retirement allowances	8,998	9,108	6
- Lump Sums: Death grants	1,011	1,498	6
Payments to and on account of leavers:			
- Refunds of Contributions	176	30	
- Transfer Values Out	11,593	6,375	
Sub-Total: Expenses	76,579	66,156	
Sub-Total: Net Additions/ (Withdrawals) from dealings with members	(14,076)	(3,930)	
Management Expenses	(3,514)	(4,117)	7
Sub-Total: Net (Additions)/ Withdrawals including fund management expenses	(17,590)	(8,047)	
<u>RETURNS ON INVESTMENTS</u>			
Investment Income	23,879	18,156	9
Change in market value of investments (Realised & Unrealised)	183,661	(108,222)	14b
Net Returns on Investments before tax	207,540	(90,066)	
Taxes on Income	(381)	(193)	
Total Net Returns on Investments	207,159	(90,259)	
NET INCREASE / (DECREASE) IN THE FUND DURING YEAR	189,569	(98,306)	
OPENING NET ASSETS OF THE FUND	1,651,977	1,750,283	
CLOSING NET ASSETS OF THE FUND	1,841,546	1,651,977	

NET ASSETS STATEMENT AS AT 31 MARCH 2024

The Net Assets Statement shows the market value of the investments and other assets held by the Pension Fund as at 31 March 2024.

	31/03/24	31/03/23	See note
	£000	£000	
INVESTMENT ASSETS			
Managed Funds			
Pooled Property Investments	122,344	117,436	10 - 14
Equity Unit Trust	1,056,775	870,530	10 - 14
Fixed Income Unit Trust	246,072	249,576	10 - 14
Venture capital	282,975	276,999	10 -14
Hedge Funds	76,923	76,617	10 -14
Total Investment Funds	1,785,089	1,591,158	
Cash Held with Custodian	56,029	58,448	18
Other Investment Balances (debtors)	247	241	17a
TOTAL INVESTMENTS	1,841,365	1,649,847	
Current Assets	2,685	4,855	17b
Current Liabilities	(2,504)	(2,725)	17b
TOTAL NET ASSETS	1,841,546	1,651,977	

The financial statements of the Fund do not take account of the liability to pay pensions or benefits after 31 March 2024. 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 2023/24 and its position at year end as at 31st March 2024. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (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 2023/24 ('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 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 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: 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** – Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the actuary in the payroll period to which they relate. Employer's augmentation and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid is classed as a current financial asset..

Contribution rates will differ between bodies in the scheme; from 01 April 2023 the employee contribution bands (revised annually in line with inflation) for the administering authority are as follows:

Pensionable Pay for the Post	Contribution Rates 2023/24	
	Main Section	50/50 Section
Up to £16,500	5.50%	2.75%
£16,501 to £25,900	5.80%	2.90%
£25,901 to £42,100	6.50%	3.25%
£42,101 to £53,300	6.80%	3.40%
£53,301 to £74,700	8.50%	4.25%
£74,701 to £105,900	9.90%	4.95%
£105,901 to £124,800	10.50%	5.25%
£124,801 to £187,200	11.40%	5.70%
More than £187,201	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 2023/24 is 22.0%.

- (m) **Benefits** – Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Lump sums are accounted for in the period in which the member becomes a pensioner. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.
- (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) **Management Expenses** - Pension fund management expenses are accounted for in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs 2016. All administrative expenses are accounted for on an accruals basis. All staff costs of the pension administration team are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund. Oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund. The cost of obtaining investment advice from the external advisor is included in oversight and governance costs. All investment management expenses are accounted for on an accruals basis. The Investment 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. Where an investment manager's fee note has not been received by the balance sheet date, an estimate based upon the market value of the mandate as at the end of the year is used for inclusion in the fund account.
- (s) **Cash and Cash Equivalents:** Cash and cash equivalents comprise cash in hand and deposits with financial institutions which are repayable on demand without penalty.

- (t) **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.
- (u) **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.
- (v) **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
- (w) **Additional Voluntary Contributions (“AVCs”)**
Members of the Fund are able to make AVCs in addition to their normal contributions. The related assets are invested separately from the main Fund, and in accordance with the 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

- (x) **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 17.6% however, effective rate for the Lewisham Council pool is considered as 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 £1.748bn, 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 2023/24.

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 £28m.
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 Pooled property assets in 2023/24, assuming all other variables such as foreign exchange rates and interest rates remain the same, is estimated to be 7.7% (see table in note 15a(ii)). This would be an increase or decrease in the value of property investments by £9.4m, on a fair value of £122m.
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	The venture capital investment in the financial statements is £283.0m. There is a risk that this investment may be under or overstated in the accounts and the Council has determined that the percentage of

	such, there is a degree of estimation involved in the valuation.	volatility that can be applied to the Fund's Venture Capital is estimated to be 4.3% (see table in note 15a(ii)). This would be an increase or decrease in the value of venture capital investments by £12.2m, on a fair value of £283.0m.
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Note 5: Contributions Receivable

Employer Contributions

Administering Authority

Scheduled Bodies

Admitted Bodies

Employee Contributions

Administering Authority

Scheduled Bodies

Admitted Bodies

2023/24 £000	2022/23 £000
(36,512)	(32,680)
(5,018)	(6,433)
(606)	(626)
(42,136)	(39,739)
(11,030)	(9,941)
(1,506)	(2,149)
(188)	(210)
(12,724)	(12,300)

Contributions receivable from employers are shown below:

Employer Contributions

Normal

Early Retirement Strain

Deficit Funding

2023/24 £000	2022/23 £000
(40,456)	(37,962)
(1,680)	(1,607)
(0)	(170)
(42,136)	(39,739)

Note 6: Benefits Payable

By Category

Pensions

Commutation and Lump Sum Retirement Benefits

Lump Sum Death Grants

2023/24 £000	2022/23 £000
54,801	49,145
8,998	9,108
1,011	1,498
64,810	59,751

By Authority

Administering Authority

Scheduled Bodies

Admitted Bodies

2023/24 £000	2022/23 £000
56,513	51,480
4,845	5,062
3,451	3,209
64,810	59,751

Note 7: Management Expenses

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

	2023/24 £000	2022/23 £000
Administration Expenses	1,134	862
Oversight and Governance Expenses	446	525
<u>Investment Management Expenses:</u>		
- Transaction Costs	505	535
- Management Fees	1,392	2,055
- Custody Fees	37	140
	3,514	4,117

Note 8: External Audit Costs

	2023/24 £000	2022/23 £000
External Audit Services	85	49
Total	85	49

The Pension Fund's external auditors are KPMG.

Note 9: Investment Income

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

	2023/24 £000	2022/23 £000
Cash	2,114	831
Equities	1	985
Pooled property investments,	4,705	4,860
Pooled investments (fixed income and equity unit trusts and hedge funds)	12,664	8,474
Venture Capital	4,395	3,006
	23,879	18,156

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 2024.

Fund Manager	Investment Asset	Asset Value 31 March 2024 £000	Proportion of the Fund 31 March 2024 %	Asset Value 31 March 2023 £000
LCIV - PEPPA	Equity Unit Trust	637,223	34.7	504,922
Storebrand Global ESG	Equity Unit Trust	321,224	17.5	271,627
Blackrock	Fixed Income Unit Trust	246,072	13.4	249,576
Schroders Property	Property & cash	132,665	7.2	128,997
HarbourVest	Venture Capital & cash	99,730	5.4	99,389
J.P. Morgan	Hedge Funds	76,929	4.2	76,621
Storebrand Emerging Markets	Equity Unit Trust	76,312	4.1	74,186
LCIV – Private Debt	Venture Capital	67,732	3.6	59,212
LCIV – Renewable Infrastructure	Venture Capital	50,222	2.7	40,267
LGIM	Venture Capital	42,321	2.3	44,457
Pemberton	Venture Capital	37,567	2.0	39,544
Partners Group	Venture Capital	9,222	0.5	17,832
Various Managers	Cash	44,146	2.4	43,216
Lewisham	Net Current Assets/(Liabilities)	181	0.0	2,131
Total Fund Assets		1,841,546	100.0%	1,651,977

Note 11: Investment Analysis

Individual Investment assets with a market value exceeding 5% of the total fund value as at 31 March 2024 are as follows:

		£000	%
Passive Equity Progressive Paris Aligned Fund	LCIV	637,220	34.7
Storebrand Global ESG Plus	Storebrand	321,224	17.5

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

Asset	Manager	31 March 2023	
		£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

Note 12: Reconciliation in Movement in Investments

An analysis of investment movements in 2023/24 (includes cash, debtors and creditors) is set out below:

	Market Value as at 31/03/2023	Purchases and derivative payments	Sales and capital receipts	Change in Market Value during the year	Market Value as at 31/03/2024
	£000	£000	£000	£000	£000
Fixed Income Unit Trust	249,576	21,126	(21,126)	(3,504)	246,072
Equity unit trust	870,530	225	(1)	186,021	1,056,775
Hedge fund	76,617	0	0	306	76,923
Pooled property Investments	117,436	9,470	(3,615)	(947)	122,344
Venture capital	276,999	58,773	(55,073)	2,276	282,975
Sub-total	1,591,158	89,594	(79,815)	184,152	1,785,089
Cash deposits	58,448			(490)	56,029
Amount receivable for sales of investments	0			0	0
Investment income due	240			0	247
Spot FX contracts	0			0	0
Amounts payable for purchases of Invs	0			0	0
Other investment balances	2,131				181
Total	1,651,977			183,662	1,841,546

	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
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
Sub-total	1,657,385	358,664	(313,784)	0	(111,109)	1,591,158
Cash deposits	92,992				3,154	58,448
Amount receivable for sales of investments	0				0	0
Investment income due	42				0	240
Spot FX contracts	0				(268)	0
Other investment balances	(136)					2,131
Total	1,750,283				(108,222)	1,651,977

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 2	Published bid market price on the final day of the accounting period	Not required	Not required
Pooled investments - UK Fixed Income Managed Funds	Level 3	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, Debtors and Creditors	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 2/3	The published bid market price for level 2 or latest available fair value provided by the manager for level 3	Published prices or manager valuation statements prepared in under ECVA guidelines	Upward valuations are only considered when there is validation of the investment objectives and such progress can be demonstrated

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 2024.

	Assessed valuation range (+/-)	Value at 31 March 2024	Value on Increase	Value on Decrease
	%	£000	£000	£000
Overseas Hedge Fund	6.1	76,923	81,615	72,231
Overseas Venture Capital	4.3	75,919	79,184	72,655
UK Venture Capital	4.3	207,056	215,960	198,153
Pooled Property Investments	7.7	95,030	102,347	87,713
Total		454,928	479,106	430,752

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 31/03/2024	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	1,302,847	76,923	1,379,770
Pooled Property Investments	0	27,314	95,030	122,344
Venture Capital	0	0	282,975	282,975
Cash deposits	56,029	0	0	56,029
Other investment assets	2,685	0	0	2,685
Investment income due	222	25		247
Financial liabilities at fair value through profit and loss				
Other investment liabilities	(2,504)	0	0	(2,504)
Net financial assets	56,432	1,330,186	454,928	1,841,546
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	33,654	83,782	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	1,153,790	437,398	1,651,977

Note 13d: Transfers between Levels 1 and 2

There have not been any transfers between Level 1 and Level 2 assets in 2023/24.

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

	Market Value as at 31/03/2023	Transfers in/out of level 3	Purchases	Sales	Unrealised gains (losses)	Realised gains (losses)	Market Value as at 31/03/2024
	£000	£000	£000	£000	£000	£000	£000
Overseas Hedge Fund	76,617	0	0	0	306	0	76,923
Overseas Venture Capital	115,591	(36,976)	4,434	(6,235)	(5,058)	4,163	75,919
UK Venture Capital	161,408	36,976	17,363	(11,861)	3,170	0	207,056
Pooled Property Investments	83,782	0	9,470	0	449	1,330	95,031
Total	437,398	0	31,267	(18,096)	(1,133)	5,493	454,929

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.

Market Value as at 31/03/2023 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 31/03/2024 Financial liabilities
£000	£000	£000	£000	£000	£000	£000
			Financial assets			
249,576			Fixed Income Unit Trust	246,072		
870,530			Equity Unit Trust	1,056,775		
76,617			Hedge Funds	76,923		
117,436			Pooled property Investments	122,344		
276,999			Venture Capital	282,975		
0	58,448		Cash deposits	0	56,029	
0	241		Other investment balances	0	247	
0	4,855		Debtors	0	2,685	
1,591,158	63,544	0		1,785,089	58,961	0
			Financial liabilities			
		(2,725)	Creditors			(2,504)
			Other Current Liabilities			
0	0	(2,725)		0	0	(2,504)
1,591,158	63,544	(2,725)	Total	1,785,089	58,961	(2,504)
	1,651,977		Grand Total		1,841,546	

Note 14b: Net Gains and Losses on Financial Instruments

The following table shows net gains on financial instruments:

	31/03/24 £000	31/03/23 £000
		Re-stated
Financial Assets		
Fair Value through Profit and Loss	184,152	(111,109)
Loans and receivables	(490)	3,154
Assets at Amortised Cost		
Financial Liabilities		
Fair value through profit and loss	0	0
Liabilities at Amortised Cost	0	(268)
	183,661	(108,222)

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 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 2023/24, 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	11.5
Fixed Income Unit Trust	14.1
Hedge funds	6.1
Pooled property Investments	7.7
Venture Capital	4.3
Other Investments	0.8
Cash	0
Total	7.7

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 31/03/2024	Percentage change	Value on increase	Value on decrease
	£000	%	£000	£000
Cash and cash equivalents	56,029	0.0	56,029	56,029
Investment portfolio assets:				
Fixed Income unit trusts	246,072	14.1	280,768	211,376
Equity unit trusts	1,056,775	11.5	1,178,304	935,246
Hedge funds	76,923	6.1	81,615	72,231
Pooled property Investments	122,344	7.7	131,764	112,923
Venture Capital	282,976	4.3	295,144	270,808
Other funds	427	0.0	427	427
Total assets * **	1,841,546		2,024,051	1,659,040

* 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 2022/23 comparator table 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	2,400	2,343
Total assets	1,651,977		1,842,050	1,461,904

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.

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 31/03/2024	Change in year in the net assets available to pay benefits	
		+100 BPS	-100 BPS
	£000	£000	£000
Cash and cash equivalents			

Cash	56,029	0	0
Fixed Interest Investments			
UK Fixed Income Funds	166,516	1,665	(1,665)
Overseas Fixed Income Funds	79,556	796	(796)
Total change in assets available	302,101	2,461	(2,461)

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)

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 2024:

Euro	€9.0m	(€8.9m 22/23)
US Dollars	\$25.9m	(\$16.6m 22/23)

The remaining exposures arise from much smaller holdings of other currencies including Swiss Franc, Hong Kong dollar, Singapore dollar, Japanese Yen and Australian dollar.

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 2023/24 to be 5.6% (8.8% in 2022/23). This volatility is applied to the Fund's overseas assets at period end as follows:

Asset Type	Asset Value at 31 March 2024 £000	Change %	Value on Increase £000	Value on Decrease £000
Overseas Fixed Income	79,556	5.6	84,011	75,101
Overseas Equity Funds	419,555	5.6	443,050	396,059
Overseas Hedge Funds	76,923	5.6	81,231	72,615
Overseas Venture Capital	75,919	5.6	80,170	71,667
Total	651,953	5.6	688,462	615,442

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

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 2024 £000	Balances at 31 March 2023 £000
Barclays	A +	1,872	3,912
Northern Trust	AA -	56,029	58,448
Total		57,901	62,360

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 2024 these assets totalled £56.0m held in cash by the custodian on behalf of the Fund and fund managers.

Note 16: Derivative Contracts

As at 31 March 2024 there were no pending foreign exchange purchases or sales. The net gain related to foreign exchange forward contracts was nil in 2023/24 (net gain nil in 2022/23).

Note 17a: Other Investment Balances

These comprise the following amounts:

	31/03/24 £000	31/03/23 £000
Debtors		
Equity Dividends / Income from Managed Funds	205	177
Recovered Taxes	42	64
Interest and Other Income	0	0
Creditors		
Interest and Other Expenditure	0	0
Net	247	241

Note 17b: Net Current Assets

These comprise the following amounts:

Current Assets

	31/03/24 £000	Re-stated 31/03/23 £000
Contributions Due from Admitted/ Scheduled Employers/ Employees	655	737
Other Current Assets	0	56
Prepayments	158	150
Cash in Hand	1,872	3,912
	2,685	4,855

Current Liabilities

	31/03/24 £000	31/03/23 £000
Fund Manager and Custody Fees	(301)	(511)
Consultancy/ Advisory Fees	(866)	(21)

Other Current Liabilities

(1,337)	(2,193)
(2,504)	(2,725)

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 2024 was £56.0m (£58.4m as at 31 March 2023). The table below shows how this was split between the Fund Managers.

Fund Manager	31/03/2024	31/03/2023
	£'000	£'000
Cash Account	44,006	43,089
Schroders	10,237	11,479
HarbourVest	1,786	3,521
Partners Group	0	359
	56,029	58,448

Pension Fund Bank Account

The Lewisham cash in hand balance of £1.9m represents uninvested cash held in the Pension Fund bank accounts as at 31 March 2024. 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 2024. 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.

	31/03/2024	31/03/2023
	£'000	£'000
Present value of promised retirement benefits	(1,695,000)	(1,673,000)
Fair Value of Scheme Assets	1,840,155	1,657,000
Net Assets / (Liability)	145,155	(16,000)

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 2024	Males	Females
Current Pensioners	20.9	23.9
Future Pensioners	21.9	25.2

Financial assumptions

	31/03/2024 (%)	31/03/2023 (%)
Discount Rate	4.8	4.8
Salary Increases	3.8	4.0
Pension Increases	2.8	3.0

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 2024	Approximate increase to liabilities (%)	Approximate monetary amount (£m)
0.1% p.a. decrease in the Real Discount Rate	2	28
1 year increase in member life expectancy	4	67
0.1% p.a. increase in the Salary Increase Rate	0	2
0.1% p.a. increase in the Pension Increase Rate	2	26

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 17 June 2024. 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 2024, 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 2024:

Fund Manager	Fund	Contractual Commitment £000	Undrawn Capital £000
Harbourvest	Harbourvest Closed Ended Funds	128,059	24,285
London CIV	LCIV Renewable Infrastructure	90,000	47,074
London CIV	LCIV Private Debt	85,000	27,868
Pemberton	Pemberton European Mid-Market Debt Fund II	40,000	4,519
Schroders	Schroders Property Funds	14,554	4,464
Total		357,613	108,210

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. The members were Cllr Sian Eiles (Chair), Cllr Mark Ingleby (Vice-Chair), Cllr Chris Best, Cllr Louise Krupski, Cllr John Muldoon, Cllr James Royston, Cllr Liam Shrivastava, Cllr Mark Jackson.

During the year no declarations were made.

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. The members were Stephen Warren (Independent Chair), Employer Representatives, Sherene Russell-Alexander (Director of People and Organisational Development) and Mark Booker (Pension administrator Change Live Grow) and Employee representatives, Gary Cummins (Union representative) and Mark Adu-Brobbe (Programme Manager - Together Lewisham).

During the year no declarations of interest were made apart from some of 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 2024.

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.
- Pension payments to retired members are paid from the Council's bank account and charged to the pension fund. The pension contributions from the Council employees are collected by the Council and paid to the pension fund. The net of the pension payments made and the contributions collected are reconciled each month and a payment is made on a regular basis to or from the pension fund's bank account.

London LGPS CIV Ltd (London CIV), established in 2015 by London Local Authorities manages London Local Government Pension Scheme ('LGPS') assets. London CIV is one of eight U.K. LGPS asset pooling companies. The London Boroughs and City of London who are the 32 Shareholders, are also our clients ('Client Funds'). London CIV is authorised and regulated by the Financial Conduct Authority ('FCA').

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 2022/23 and 2023/24.

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

	2023/24 £'000	2022/23 £'000
Short Term Benefits	18	21
Post-Employment Benefits	4	4
Total	22	25

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.

	2023/24			2022/23		
	Utmost £000	Clerical Medical £000	Total £000	Equitable Life £000	Clerical Medical £000	Total £000
Value at the Beginning of Year	289	874	1,163	352	1,024	1,376

Contributions and Transfers Received	24	152	176	0	121	121
Investment Return / change in market value	0	22	22	(21)	(43)	(64)
Paid Out	(22)	(316)	(338)	(42)	(228)	(270)
Value at the End of the Year	291	732	1,023	289	874	1,163